



City of
Mount Gambier

FINANCIAL STATEMENTS

2019/20

City of Mount Gambier

General Purpose Financial Reports for the year ended 30 June 2020

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City of Mount Gambier

Annual Financial Statements for the year ended 30 June 2020

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 2020 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.



Andrew Meddle
CHIEF EXECUTIVE OFFICER



Lynette Martin
MAYOR

City of Mount Gambier

Statement of Comprehensive Income for the year ended 30 June 2020

		2020	2019
		\$'000	\$'000
INCOME			
Rates	2	22,138	21,432
Statutory charges	2	523	426
User charges	2	5,318	5,021
Grants, subsidies and contributions	2	4,227	4,435
Investment income	2	55	86
Reimbursements	2	38	19
Other income	2	439	417
Total Income		32,738	31,836
EXPENSES			
Employee costs	3	12,230	11,800
Materials, contracts & other expenses	3	13,263	11,972
Depreciation, amortisation & impairment	3	7,625	7,424
Finance costs	3	170	203
Total Expenses		33,288	31,399
OPERATING SURPLUS / (DEFICIT)		(550)	437
Asset disposal & fair value adjustments	4	(472)	(594)
Amounts received for new or upgraded assets	2	-	105
Physical resources received free of charge	2	737	159
NET SURPLUS / (DEFICIT)		(285)	107
transferred to Equity Statement			
Other Comprehensive Income			
<i>Amounts which will not be reclassified subsequently to operating result</i>			
Changes in revaluation surplus - infrastructure, property, plant & equipment		-	56
Impairment (expense) / recoupments offset to asset revaluation reserve	3	(327)	-
Total Other Comprehensive Income		(327)	56
TOTAL COMPREHENSIVE INCOME		(612)	163

City of Mount Gambier

Statement of Financial Position as at 30 June 2020

	Notes	2020 \$'000	2019 \$'000
ASSETS			
Current assets			
Cash and cash equivalents	5	4,406	6,069
Trade & other receivables	5	2,034	1,867
Inventories	5	55	27
		6,495	7,963
Non-current assets			
Infrastructure, property, plant & equipment	7	244,262	244,752
Other non-current assets	6	2,581	789
Total non-current assets		246,843	245,541
Total assets		253,338	253,504
LIABILITIES			
Current liabilities			
Trade & other payables	8	2,849	3,017
Borrowings	8	558	195
Provisions	8	2,557	2,338
Total current liabilities		5,964	5,550
Non-current liabilities			
Borrowings	8	2,189	2,377
Provisions	8	3,863	3,650
Total non-current Liabilities		6,052	6,027
Total liabilities		12,016	11,577
NET ASSETS		241,322	241,927
EQUITY			
Accumulated surplus		64,986	65,609
Asset revaluation reserves	9	175,462	175,458
Other reserves	9	874	860
TOTAL EQUITY		241,322	241,927

City of Mount Gambier

Statement of Changes in Equity for the year ended 30 June 2020

		Accumulated surplus	Asset revaluation reserve	Other reserves	Total equity
2020	Notes	\$'000	\$'000	\$'000	\$'000
Balance at end of previous reporting period		65,609	175,458	860	241,927
Net surplus / (deficit) for the year		(285)			(285)
Other Comprehensive Income					-
Gain on revaluation of infrastructure, property, plant & equipment			1,237		1,237
Impairment (expense) / recoupments offset to asset revaluation reserve	9	(327)	(1,233)		(1,560)
Adjustment due to compliance with revised accounting standard	1	3			3
Transfers between reserves	9	(14)		14	-
Balance at end of period		64,986	175,462	874	241,322
		\$'000	\$'000	\$'000	\$'000
Balance at end of previous reporting period		65,515	175,402	847	241,764
Net surplus / (deficit) for the year		107			107
Other Comprehensive Income					
Gain on revaluation of infrastructure, property, plant & equipment			56		56
Transfers between reserves		(13)		13	-
Balance at end of period		65,609	175,458	860	241,927

City of Mount Gambier

Statement of Cash Flows for the year ended 30 June 2020

		2020	2019
		\$'000	\$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
<u>Receipts</u>	Notes		
Rates - general & other		21,957	21,388
Fees & other charges		524	426
User charges		5,696	5,459
Investment receipts		57	86
Grants utilised for operating purposes		4,227	4,435
Reimbursements		42	21
Other revenues		1,002	446
<u>Payments</u>			
Employee costs		(11,915)	(11,629)
Materials, contracts & other expenses		(14,293)	(12,981)
Finance payments		(170)	(161)
Net cash provided by (or used in) Operating Activities		7,127	7,490
CASH FLOWS FROM INVESTING ACTIVITIES			
<u>Receipts</u>			
Amounts specifically for new or upgraded assets		-	105
Sale of replaced assets		385	359
Sale of surplus assets		72	-
Repayments of loans by community groups		18	17
<u>Payments</u>			
Expenditure on renewal/replacement of assets		(5,627)	(4,006)
Expenditure on new/upgraded assets		(3,813)	(2,265)
Net cash provided by (or used in) Investing Activities		(8,965)	(5,790)
CASH FLOWS FROM FINANCING ACTIVITIES			
<u>Payments</u>			
Repayments of borrowings		175	(218)
Net cash provided by (or used in) Financing Activities		175	(218)
Net increase / (decrease) in cash held		(1,663)	1,482
Cash & cash equivalents at beginning of period	10	6,069	4,587
Cash & cash equivalents at end of period	10	4,406	6,069

City of Mount Gambier

Notes to and forming part of the Financial Statements for the year ended 30 June 2020

Note 1 – Significant accounting policies

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

1 Basis of preparation

Compliance with Australian Accounting Standards

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

The financial report was authorised for issue by certificate under regulation 14 of the *Local Government (Financial Management) Regulations 2011* dated 20 October 2020.

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. Particular areas involving a higher degree of judgement or complexity include the estimation of future payments and timing in relation to the landfill restoration liability. Further information in relation to the estimation of these liabilities are given to in the relevant sections of these Notes.

Rounding

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

2 The local government reporting entity

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

3 Income recognition

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.

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City of Mount Gambier

Notes to and forming part of the Financial Statements for the year ended 30 June 2020

Note 1 (continued) – Significant accounting policies

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

	Cash received / revenue	Annual allocation	Revenue increase / (decrease)
	\$'000	\$'000	\$'000
2017-18	\$3,172	\$3,018	\$154
2018-19	\$3,952	\$3,303	\$649
2019-20	\$3,384	\$3,546	(\$161)

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 14 has also been calculated after adjusting for the distortions resulting from the differences between the actual grants received and the grants entitlements allocated.

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

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 and cash equivalents 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, except for trade receivables from a contract with a customer, which are measured at the transaction price. A detailed statement of the accounting policies applied to financial instruments forms part of note 12.

5 Inventories

Inventories held in respect of stores have been valued by using the weighted average cost on a continual basis, after adjustment for loss of service potential. Inventories held in respect of business undertakings have been valued at the lower of cost and net realisable value.

6 Infrastructure, property, plant & equipment (IPP&E)

Initial recognition

All assets are initially recognised at cost. For assets acquired free of charge or at a nominal consideration, cost is determined as fair value at the date of acquisition.

City of Mount Gambier

Notes to and forming part of the Financial Statements for the year ended 30 June 2020

Note 1 (continued) – Significant accounting policies

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

Materiality

Assets with an economic life in excess of one year are only capitalised where the cost of acquisition exceeds materiality thresholds established by Council for each type of asset. In determining (and in annually reviewing) such thresholds, regard is had to the nature of the asset and its estimated service life. Examples of capitalisation thresholds applied during the year are given in note 7. No capitalisation threshold is applied to the acquisition of land or interests in land or the Riddoch art collection.

Subsequent recognition

The revaluation model is applied for the asset classes land, buildings & structures, waste management, infrastructure and the Riddoch art collection. The cost model is applied to the asset classes of plant & equipment, office equipment and other.

All revaluation model asset classes are revalued on a regular basis such that the carrying values are not materially different from fair value. The latest revaluations occurred in 2020 for land (every second year), in 2020 for buildings & structures (every fourth year), in 2018 for infrastructure (every third year), in 2020 for waste management (annually) and in 2018 for the Riddoch art collection (every fourth year).

For infrastructure and other asset classes where no active market exists, fair value is determined to be the current replacement cost of an asset less, where applicable, accumulated depreciation calculated on the basis of such cost to reflect the already consumed or expired future economic benefits of the asset. Significant uncertainties exist in the estimation of fair value of a number of asset classes including land, buildings & other structures and infrastructure. Further detail of existing valuations, methods and valuers is provided in note 7.

Depreciation of non-current assets

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

Impairment

Assets that have an indefinite useful life are not subject to depreciation and are reviewed annually for impairment. Assets carried at fair value whose future economic benefits are not dependent on the ability to generate cash flows, and where the future economic benefits would be replaced if Council were deprived thereof, are not assessed for impairment.

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

City of Mount Gambier

Notes to and forming part of the Financial Statements for the year ended 30 June 2020

Note 1 (continued) – Significant accounting policies

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

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 on vendor's terms with a maximum of 30 days after the month of invoice. No interest is payable on these amounts.

Payments received in advance & deposits

Amounts (with the exception of some 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 initially recognised at fair value, net of transaction costs incurred and are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the income statement over the period of the borrowings using the effective interest method.

9 Provisions

Employee benefit provisions

Salaries, wages & compensated absences

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

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

Weighted average discount rate	2.5% (2019: 2.5%)
Weighted average settlement period	3 years (2019: 3 years)

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

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

Superannuation

The Council makes employer superannuation contributions in respect of its employees to the superannuation fund selected by the employee. The default superannuation fund is Statewide Super. The fund has two types of membership, each of which is funded differently. No changes in accounting policy have occurred during either the current or previous reporting periods. Details of the accounting policies applied and Council's involvement with the schemes are reported in note 17.

City of Mount Gambier

Notes to and forming part of the Financial Statements for the year ended 30 June 2020

Note 1 (continued) – Significant accounting policies

Provisions for reinstatement, restoration, rehabilitation, etc.

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

Although estimated future costs are based on a closure plan, such plans are based on current environmental requirements and construction costs estimates which may change and require management to exercise judgment. 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.

10 Leases

Accounting policy applicable from 1 July 2019

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

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) Impairment of non-financial assets.

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.

11 Goods and Services Tax

In accordance with UIG Abstract 1031 *Accounting for the Goods & Services Tax*

- receivables and creditors include GST receivable and payable;
- except in relation to input taxed activities, revenues and operating expenditures exclude GST receivable and payable;
- non-current assets and capital expenditures include GST net of any recoupment, and;
- amounts included in the Statement of Cash Flows are disclosed on a gross basis.

12 New accounting standards

New and amended standards and interpretations

Adoption of AASB 15 *Revenue from Contracts with Customers* and AASB 1058 *Income of Not-for-Profit Entities*

The Council applied AASB 15 and AASB 1058, for the first time from 1 July 2019. AASB 1058 clarifies and simplifies the income recognition requirements that apply to not-for-profit (NFP) entities, in conjunction with AASB 15. These Standards supersede the NFP income recognition requirements

City of Mount Gambier

Notes to and forming part of the Financial Statements for the year ended 30 June 2020

Note 1 (continued) – Significant accounting policies

previously in AASB 1004 Contributions (with the exception of certain matters relating to public sector NFP entities) as well as current revenue recognition guidance including AASB 118 *Revenue*, AASB 111 *Construction Contracts* and the related Interpretations. The timing of income recognition depends on whether such a transaction gives rise to a liability or other performance obligation (a promise to transfer a good or service). Details of the accounting policy adopted for these standards can be found in Note 1 Significant Accounting Policies. The Council has elected to adopt the modified retrospective method on transition to the new standards with an initial application date of 1 July 2019. The cumulative effect of initially applying AASB 15 and AASB 1058 is recognised at the date of initial application as an adjustment to the opening balance of Accumulated Surplus. Therefore, the comparative information was not restated and continues to be reported under AASB 111, AASB 118, AASB 1004 and related Interpretations.

The Council has determined the impact of the new standards will mainly impact the timing of revenue recognition in relation to special purpose grants. These grants are provided to the Council to construct or acquire an asset to be controlled by the Council. They are accounted for under AASB 1058 and as such, amounts received in relation to these grants are recorded as a liability "Amounts in Advance" and recorded in revenue as the asset is constructed. The impact of adopting the new standards as at 1 July 2019 was an increase to liabilities of nil and a decrease to Accumulated Surplus of nil.

Set out below are the amounts by which each financial statement line item is affected as at and for the year ended 30 June 2020 as a result of the adoption of AASB 15 and AASB 1058.

The first column shows amounts prepared under AASB 15 and AASB 1058 and the second column shows what the amounts would have been had AASB 15 and AASB 1058 not been adopted:

	Amounts prepared under	
	AASB 15/1058	Previous AAS
	\$'000	\$'000
Grants, subsidies and contributions	4,227	4,234

Adoption of AASB Leases (AASB 16)

The Council applied AASB 16 for the first time from 1 July 2019. AASB 16 supersedes AASB 117 *Leases*, Interpretation 4 *Determining whether an Arrangement contains a Lease* and other related Interpretations. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise most leases on the balance sheet under a single on-balance sheet model. The Council has lease contracts for various items of plant, equipment, and computers. Before the adoption of AASB 16, the Council classified each of its leases (as lessee) at the inception date as either a finance lease or an operating lease.

The Council adopted AASB 16 using the modified retrospective method of adoption. Under this method, the standard has been applied retrospectively with the cumulative effect of initially applying the standard recognised as an adjustment to the opening balance of Accumulated Surplus as at 1 July 2019 and comparatives have not been restated.

The Council recognised right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases with lease terms that end within 12 months of the date of initial application and leases of low-value assets. The right-of-use assets for all leases were recognised based on the amount equal to the lease liabilities. No adjustments were needed for any previously recognised prepaid or accrued lease expenses as there were none. Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

City of Mount Gambier

Notes to and forming part of the Financial Statements for the year ended 30 June 2020

Note 1 (continued) – Significant accounting policies

The effect of adoption AASB 16 as at 1 July 2019 (increase / (decrease)) is, as follows:

	\$'000
Assets	
IPP&E (right-of-use asset)	485
IPP&E (cumulative depreciation)	<u>(114)</u>
Total assets	370
Liabilities	
Interest-bearing loans and borrowings	<u>367</u>
Total liabilities	367
Accumulated Surplus	3

The lease liabilities as at 1 July 2019 can be reconciled to the operating lease commitments as of 30 June 2019, as follows:

	\$'000
Operating lease commitments as at 30 June 2019	382
Effect of discounting using the weighted average incremental borrowing rate as at 1 July 2019 of 2.5%	<u>(15)</u>
Lease liabilities as at 1 July 2019	367

13 Impact of COVID-19

The COVID-19 pandemic has impacted the 2019/20 financial statements, which may impact on the comparability of some line items and amounts reported in this financial report.

The financial impacts are a direct result of either Council's response to the pandemic or due to the mandatory shut downs as directed by the Australian Government and the advice from the Australian Government Department of Health and SA Health.

The impacts on the Council's financial performance and financial position are outlined below:

Decrease in rates revenue of approx. \$176,000 due to the reduction of commercial rates
Decrease in users charges of approx. \$41,000 due to the closures of sporting facilities, venues that are hired to the community
Costs of \$64,000 related to labour hire program to support people affected by COVID-19
Additional costs of \$343,000 associated with funding for community programs

Council estimates that the reduction in revenue and increase in expenditure resulted in a decrease of approximately \$624,000 in the 2019/20 net surplus. It is expected that further financial impacts, though not significant to its financial position, will flow into the 2020/21 financial year.

Council has considered the consequences of COVID-19 and other events and conditions, and it has determined that they do not create a material uncertainty that casts significant doubt upon the Council's ability to continue as a going concern.

City of Mount Gambier

Notes to and forming part of the Financial Statements for the year ended 30 June 2020

Note 2 - Income

	2020	2019
	\$'000	\$'000
RATES REVENUES		
<u>General rates</u>	21,313	20,434
Less: Mandatory rebates	(222)	(211)
Less: Discretionary rebates, remissions & write offs	(158)	(29)
Total general rates	20,933	20,194
<u>Other rates</u> (including service charges)		
Natural Resource Management levy	1,151	1,087
<u>Other charges</u>		
Penalties for late payment	18	79
Legal & other costs recovered	36	72
Total rates revenue	22,138	21,432
STATUTORY CHARGES		
Development Act fees	91	77
Town planning fees	162	126
Health & septic tank inspection fees	-	1
Animal registration fees & fines	182	157
Parking fines / expiation fees	13	16
Other licences, fees & fines	75	49
Total statutory charges	523	426
USER CHARGES		
Cemetery/crematoria fees	820	764
Green waste collection	528	495
Landfill charges	3,044	2,824
Hall & equipment hire	241	346
Sales - general	104	158
Sales - Waste Transfer Station	426	220
Bus ticketing	155	214
Total user charges	5,318	5,021
INVESTMENT INCOME		
Interest on investments		
Local Government Finance Authority	53	84
Banks & other	2	2
Total investment income	55	86

City of Mount Gambier

Notes to and forming part of the Financial Statements for the year ended 30 June 2020

Note 2 - Income (continued)

	2020	2019
	\$'000	\$'000
REIMBURSEMENTS		
Reimbursements - private works	33	12
Reimbursements - other	5	7
Total reimbursements	38	19
OTHER INCOME		
Insurance & other recoupments - infrastructure, property, plant & equipment	99	149
Donations	92	56
Other income - sundry	248	212
Total other income	439	417
GRANTS, SUBSIDIES, CONTRIBUTIONS		
Amounts received for new or upgraded assets	-	105
Other grants, subsidies and contributions		
Untied - Financial Assistance Grant	3,593	3,952
Roads to Recovery	360	171
Library & communications	88	181
Grants, subs, contributions - sundry	186	131
Subtotal - other grants, subsidies and contributions	4,227	4,435
Total grants, subsidies, contributions	4,227	4,540
Sources of grants		
Commonwealth government	365	190
State government	3,681	4,309
Other	181	41
	4,227	4,540

The functions to which these grants relate are shown in note 11

City of Mount Gambier

Notes to and forming part of the Financial Statements for the year ended 30 June 2020

NOTE 2 - Income (continued)

	2020	2019
	\$'000	\$'000
Conditions over grants & contributions		
Grants and contributions which were obtained on the condition that they be expended for specified purposes or in a future period, but which are not yet expended in accordance with those conditions, are as follows:		
Unexpended at the close of the previous reporting period	98	250
Less: expended during the current period from revenues recognised in previous reporting periods		
Rail Trail	(98)	(152)
Subtotal	<u>(98)</u>	<u>(152)</u>
Plus: amounts recognised as revenues in this reporting period but not yet expended in accordance with the conditions		
Unexpended at the close of this reporting period		<u>98</u>
Net increase / (decrease) in assets subject to conditions in the current reporting period	<u>(98)</u>	<u>(152)</u>
PHYSICAL RESOURCES RECEIVED FREE OF CHARGE		
Land - free of charge	-	6
Footpaths & kerbing - free of charge	396	34
Roads - free of charge	336	44
Riddoch collection - free of charge	5	75
Total physical resources received free of charge	<u>737</u>	<u>159</u>

City of Mount Gambier

Notes to and forming part of the Financial Statements for the year ended 30 June 2020

Note 3 - Expenses

		2020	2019
	Notes	\$'000	\$'000
EMPLOYEE COSTS			
Salaries and wages		9,689	9,331
Employee leave expense		1,144	1,103
Superannuation	17	1,106	1,072
Workers` compensation insurance		262	269
Operating employee costs - other		29	25
Total operating employee costs		12,230	11,800
<i>Total number of employees expressed in full time equivalents</i>		132	127
MATERIALS, CONTRACTS & OTHER EXPENSES			
<u>Prescribed expenses</u>			
Auditor`s remuneration			
Auditing the financial reports		26	26
Bad and doubtful debts		79	11
Elected members' expenses		231	234
Election expenses		9	119
Subtotal - Prescribed expenses		345	390
<u>Other materials, contracts & expenses</u>			
Contractors		3,179	2,377
Repairs & maintenance		1,129	1,162
Contributions / donations		1,370	851
Energy		729	877
Insurance		325	276
Levies paid to government - EPA, ESL & dog levies		1,650	1,292
NRM levy expense		1,142	1,087
Materials		895	981
Training		173	196
Water		137	185
Communication		276	272
Consultants		383	706
Licences and subscriptions		275	605
Sundry expenses		1,255	715
Subtotal - Other materials, contracts & expenses		12,918	11,582
		13,263	11,972

City of Mount Gambier

Notes to and forming part of the Financial Statements for the year ended 30 June 2020

Note 3 - Expenses (continued)

		2020	2019
	Notes	\$'000	\$'000
DEPRECIATION, AMORTISATION & IMPAIRMENT			
Depr buildings & other structures		2,353	2,346
Depr waste management		698	902
Depr stormwater drainage		103	102
Depr bridges		-	2
Depr footpaths & kerbing		1,111	1,073
Depr roads		1,767	1,700
Depr carparks		259	256
Depr right-of-use assets		143	-
Depr plant & equipment		709	596
Depr office equipment		166	148
Depr other		316	299
Impairment of derecognised assets		327	-
		7,952	7,424
Less: Impairment expense offset to asset revaluation reserve	9	(327)	-
		7,625	7,424
FINANCE COSTS			
Interest on loans		183	161
Unwinding of present value discounts		(13)	42
		170	203

City of Mount Gambier

Notes to and forming part of the Financial Statements for the year ended 30 June 2020

Note 4 - Gain / (loss) on asset disposal

	2020	2019
	\$'000	\$'000
INFRASTRUCTURE, PROPERTY, PLANT & EQUIPMENT		
<i>Assets renewed or directly replaced</i>		
Proceeds from disposal	385	359
Less: Carrying amount of assets sold	(266)	(324)
Gain / (loss) on disposal	119	35
Asset surplus to requirements		
Proceeds from disposal	72	-
Less: Carrying amount of assets sold	(144)	-
Gain / (loss) on disposal	(72)	-
Fair value adjustments		
Impairment of disposed assets	(519)	(629)
Total fair value adjustments	(519)	(629)
NET GAIN/(LOSS) ON DISPOSAL OR REVALUATION OF ASSETS	(472)	(594)

City of Mount Gambier

Notes to and forming part of the Financial Statements for the year ended 30 June 2020

Note 5 - Current assets

	2020	2019
	\$'000	\$'000
CASH & EQUIVALENT ASSETS		
Cash on hand and at bank	760	515
Deposits at call	3,604	4,788
Short term deposits & bills, etc	42	766
	4,406	6,069
TRADE & OTHER RECEIVABLES		
Rates - general & other	932	742
Interest receivable	1	4
Debtors - general	1,058	1,045
Prepayments	138	112
Loans to community organisations	-	18
Total	2,129	1,921
Less: Allowance for doubtful debts	(95)	(54)
	2,034	1,867
INVENTORIES		
Stores & materials	44	18
Trading stock	11	9
	55	27

Note 6 - Non-current assets

	2020	2019
	\$'000	\$'000
INVENTORIES		
Capital works-in-progress	2,581	789
	2,581	789

City of Mount Gambier

Notes to and forming part of the Financial Statements for the year ended 30 June 2020

Note 7 - Infrastructure, property, plant & equipment

	Fair Value Level	2019 \$'000				2020 \$'000			
		At fair value	At cost	Accumulated depreciation	Carrying amount	At fair value	At cost	Accumulated depreciation	Carrying amount
Land	2	10,063	-	-	10,063	15,601	-	-	15,601
Land	3	41,590	367	-	41,957	37,683	-	-	37,683
Buildings & other structures	2	976	9	(81)	904	2,025	-	-	2,025
Buildings & other structures	3	96,074	2,860	(36,058)	62,876	106,325	-	(49,505)	56,820
Waste Management	3	7,734	2,084	(7,428)	2,390	9,930	-	(8,125)	1,805
Infrastructure									
- Stormwater drainage	3	7,185	68	(2,088)	5,165	8,022	-	(2,239)	5,783
- Footpaths & kerbing	3	70,653	1,327	(17,581)	54,399	74,206	-	(18,672)	55,534
- Roads	3	62,922	1,709	(16,783)	47,848	67,385	-	(18,474)	48,911
- Carparks	3	10,230	206	(2,348)	8,088	10,451	-	(2,608)	7,843
Right-of-use assets		-	-	-	-	-	515	(143)	372
Plant & equipment		-	8,154	(2,666)	5,488	-	8,609	(2,569)	6,040
Office equipment		-	1,668	(1,216)	452	-	2,019	(1,398)	621
Riddoch collection	3	3,509	-	-	3,509	3,515	-	-	3,515
Other		-	3,412	(1,799)	1,613	-	3,946	(2,237)	1,709
Total infrastructure, property, plant & equipment		310,936	21,864	(88,048)	244,752	335,143	15,089	(105,970)	244,262
Comparatives		311,536	16,130	(81,859)	245,807	310,936	21,864	(88,048)	244,752

City of Mount Gambier

Notes to and forming part of the Financial Statements for the year ended 30 June 2020

Note 7 - Infrastructure, property, plant & equipment

	2019	Carrying amount movements during the year							2020	
	\$'000	\$'000							\$'000	
	Carrying amount	Additions		Disposals	Depreciation	Impairment	Transfers		Net revaluation	Carrying amount
	New/Upgrade	Renewals	In				Out			
Land - Level 2	10,063	-	-	(220)	-	-	6,251	-	(493)	15,601
Land - Level 3	41,957	-	-	-	-	-	-	(6,257)	1,983	37,683
Buildings & other structures - Level 2	904	122	175	(63)	(673)	-	3,375	-	(1,815)	2,025
Buildings & other structures - Level 3	62,876	344	385	-	(1,680)	(1,560)	47	(5,192)	1,600	56,820
Waste Management	2,390	151	-	-	(698)	-	-	-	(38)	1,805
Infrastructure										
- Stormwater drainage	5,165	-	14	-	(103)	-	707	-	-	5,783
- Footpaths & kerbing	54,399	851	444	(72)	(1,111)	-	1,023	-	-	55,534
- Roads	47,848	336	2,732	(238)	(1,767)	-	-	-	-	48,911
- Carparks	8,088	14	-	-	(259)	-	-	-	-	7,843
Right-of-use assets	-	515	-	-	(143)	-	-	-	-	372
Plant & equipment	5,488	522	1,220	(337)	(709)	-	123	(267)	-	6,040
Office equipment	452	113	177	-	(166)	-	45	-	-	621
Riddoch collection	3,509	6	-	-	-	-	-	-	-	3,515
Other	1,613	41	226	-	(316)	-	453	(308)	-	1,709
Total infrastructure, property, plant & equipment	244,752	3,015	5,373	(930)	(7,625)	(1,560)	12,024	(12,024)	1,237	244,262
Comparatives	245,807	3,241	4,025	(953)	(7,424)	-	90	(90)	56	244,752

This note continues on the following pages.

City of Mount Gambier

Notes to and forming part of the Financial Statements for the year ended 30 June 2020

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

Valuation of Assets

General Valuation Principles

Accounting procedure:

Upon revaluation, the current new replacement cost and accumulated depreciation are re-stated such that the difference represents the fair value of the asset determined in accordance with AASB 13 *Fair Value Measurement*: accumulated depreciation is taken to be the difference between current new replacement cost and fair value. In the case of land, revaluations and additions are recorded per the Valuer General's valuation.

Highest and best use:

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

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

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

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

Fair value hierarchy level 2 valuations

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

Fair value hierarchy level 3 valuations of land

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

Fair value hierarchy level 3 valuations of buildings, infrastructure and other assets

There is no known market for these assets and they are valued at depreciated current replacement cost. This method involves:

- The determination of the cost to construct the asset (or its modern engineering equivalent) using current prices for materials and labour, the quantities of each being estimated based on recent experience of this or similar Councils, or on industry construction guides where these are more appropriate.
- The calculation of the depreciation that would have accumulated since original construction using current estimates of residual value and useful life under the prime cost depreciation method adopted by Council.

This method has significant inherent uncertainties, relying on estimates of quantities of materials and labour, residual values and useful lives, and the possibility of changes in prices for materials and labour, and the potential for development of more efficient construction techniques. Accordingly, formal sensitivity analysis does not provide useful information.

City of Mount Gambier

Notes to and forming part of the Financial Statements for the year ended 30 June 2020

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

Transfers between fair value hierarchy levels

In the course of revaluing land, buildings & other structures, waste management and infrastructure asset classes, the nature of the inputs applied was reviewed in detail for each asset and where necessary, the asset reassigned to the appropriate fair value hierarchy level. Such transfers take effect as at the date of the revaluation.

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 or Riddoch art collection.

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

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

Estimated useful lives:

Useful lives are estimated for each individual asset. In estimating useful lives, regard is given to technical and commercial obsolescence, as well as legal and other limitations on continued use. The range of useful lives for a representative range of assets is shown below, although individual assets may have an estimated total useful life of greater or lesser amount. The useful life represents Council's expected availability for use and is in line with Council's planned replacement schedules.

Land	indefinite
Building & other structures	
Buildings – structure	60 to 100 years
Buildings – roofing	40 to 50 years
Buildings – services	40 to 60 years
Buildings – fit-out	15 to 25 years
Park shelters & other structures	20 to 30 years
Playground equipment	20 to 30 years
Benches, seats, etc.	10 to 30 years
Waste management	
Landfill assets	capacity in use
Infrastructure	
Sealed roads – seal	12 to 40 years
Sealed roads – pavements	30 to 75 years
Sealed roads – sub pavements	120 to 150 years
Unsealed roads	10 to 20 years
Bridges	50 years
Footpaths	10 to 70 years
Kerbing & channels	40 to 70 years
Stormwater drainage	70 years
Plant & equipment	
Staff vehicles	2 years
Trucks	5 to 25 years
Rollers, loaders, graders & tractors	10 to 25 years
Sundry plant	2 to 15 years
Office equipment	
IT hardware & equipment	3 to 10 years
Software	3 to 7 years

City of Mount Gambier

Notes to and forming part of the Financial Statements for the year ended 30 June 2020

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

Other assets

Library books	10 to 15 years
Artworks	indefinite
Right-of-use-assets (refer Note 16)	3 to 5 years

Land

Council has formed the opinion that it is not possible to reliably measure the fair value of land under roads and therefore does not recognise land under roads. 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 is revalued every second year (lastly in 2020) 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, which values are assumed to be a reasonable approximation of the fair values and classified at fair value.

Infrastructure

Infrastructure assets includes stormwater drainage, footpath & kerbing, roads and carpark assets. Infrastructure assets were valued by Council officers at depreciated current replacement cost during the reporting period ended 30 June 2018, based on actual costs incurred during the reporting periods ended 30 June 2018. Revaluation occurs every three years. All additions are initially recorded at cost, which values are assumed to be a reasonable approximation of the fair values and classified at fair value.

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. Revaluation of the landfill occurs annually.

Plant & equipment and office equipment

These assets are recognised at historical cost and depreciated over its expected useful life.

Riddoch art collection

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

Other assets

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

City of Mount Gambier

Notes to and forming part of the Financial Statements for the year ended 30 June 2020

Note 8 - Liabilities

		2020 \$'000	2019 \$'000
TRADE & OTHER PAYABLES	Notes		
Goods & services		1,846	1,974
Payments received in advance		291	410
Accrued expenses - employee entitlements		558	491
Accrued expenses - other		32	86
Deposits, retentions & bonds		21	55
Other payables		101	1
Total trade & other payables		2,849	3,017
BORROWINGS Current			
Loans current		206	195
Lease liability current	14	352	-
Total borrowings current		558	195
BORROWINGS Non-current			
Loans non-current		2,171	2,377
Lease liability non-current	14	18	-
Total borrowings non-current		2,189	2,377
All interest bearing liabilities are secured over the future revenues of the Council.			
PROVISIONS Current			
Employee entitlements (including oncosts)		2,557	2,338
Total provisions current		2,557	2,338
PROVISIONS Non-current			
Employee entitlements (including oncosts)		191	162
Future reinstatement / restoration, etc.		3,672	3,488
Total provisions non-current		3,863	3,650

City of Mount Gambier

Notes to and forming part of the Financial Statements for the year ended 30 June 2020

Note 9 - Reserves

Asset Revaluation Reserve 2020	Opening \$'000	Net increments (decrements) \$'000	Transfers, impairments \$'000	Closing \$'000
Land	41,311	1,490	-	42,801
Buildings & structures	56,391	(1,848)	(1,233)	53,310
Waste management	2,964	(38)	-	2,926
Infrastructure	69,003	1,633	-	70,636
Plant & equipment	770	-	-	770
Minor plant	34	-	-	34
Other assets	4,985	-	-	4,985
TOTAL	175,458	1,237	(1,233)	175,462
<i>Comparatives 30 June 2019</i>	<i>147,402</i>	<i>56</i>	<i>-</i>	<i>147,458</i>

Other Reserves 2020	Opening \$'000	Transfers to reserve \$'000	Transfers from reserve \$'000	Closing \$'000
Mount Gambier Cemetery	711	-	-	711
Mayor Christmas Appeal	46	11	-	57
Christmas Parade	8	-	(8)	-
Junior Sports Assistance Fund	95	11	-	106
	860	22	(8)	874
<i>Comparatives 30 June 2019</i>	<i>847</i>	<i>13</i>	<i>-</i>	<i>860</i>

PURPOSES OF RESERVES

Asset Revaluation Reserve

The asset revaluation reserve is used to record increments and decrements arising from changes in fair value of non-current assets (less any subsequent impairment losses, where applicable).

Other reserves

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

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

Christmas Parade

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

Junior Sports Assistance Fund

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

City of Mount Gambier

Notes to and forming part of the Financial Statements for the year ended 30 June 2020

Note 10 - Reconciliation of Cash Flow Statement

(a) Reconciliation of cash

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

	Notes	2020 \$'000	2019 \$'000
Total cash & equivalent assets	5	4,406	6,069
Balances per Cash Flow Statement		<u>4,406</u>	<u>6,069</u>

(b) Reconciliation of change in Net assets to Cash flows from operating activities

Net surplus / (deficit)		(285)	107
Non-cash items in Income Statement			
Depreciation, amortisation & impairment	3	7,625	7,424
Net increase / (decrease) in unpaid employee benefits		315	137
Premiums & discounts recognised & unwound	3	(13)	42
Non-cash asset acquisitions	2	(737)	(159)
Grants for capital acquisitions treated as Investing Activity	2	-	(105)
Net (gain) / loss on disposals	4	472	594
		<u>7,377</u>	<u>8,040</u>
Add / (less): Changes in net current assets			
Net (increase) / decrease in receivables		(186)	(360)
Net (increase) / decrease in inventories		(28)	(512)
Net increase / (decrease) in trade & other payables		(269)	309
Net increase / (decrease) in other provisions		219	-
Net increase / (decrease) in other reserves		14	13
Net cash provided by (or used in) operations		<u>7,127</u>	<u>7,490</u>

(c) Non-Cash Financing and Investing Activities

Acquisition of assets by means of:

- Physical resources received free of charge	2	737	159
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(d) Financing arrangements

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

Bank overdrafts	250	250
Corporate credit cards	30	30
LGFA Cash Advance Debenture facility	10,000	10,000

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

City of Mount Gambier

Notes to and forming part of the Financial Statements for the year ended 30 June 2020

Note 11 - Functions

Incomes, expenses and assets have been directly attributed to the following functions & activities										
Income		Expenses		Operating surplus/(deficit)		Grants included in income		Total assets held (current & non-current)		
2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000	
Administration / Support services	24,718	24,675	6,018	5,936	18,700	18,739	3,395	3,952	21,621	20,097
Community support	847	857	2,016	2,233	(1,169)	(1,376)	-	3	21,149	22,975
Culture	517	617	4,097	3,681	(3,580)	(3,064)	255	225	27,277	27,243
Economic development	229	310	2,530	2,450	(2,301)	(2,140)	-	17	4,105	4,576
Environment	5,377	4,655	8,328	8,176	(2,951)	(3,521)	127	67	10,957	11,157
Recreation	93	128	4,277	3,664	(4,184)	(3,536)	-	-	56,741	57,754
Regulatory services	520	370	1,285	1,140	(765)	(770)	-	-	19	-
Transport	455	185	3,504	3,270	(3,049)	(3,085)	450	171	103,115	101,930
Engineering / Indirect	(46)	-	1,212	796	(1,258)	(796)	-	-	8,273	7,772
Unclassified activities	28	39	21	53	7	(14)	-	-	81	-
Total	32,738	31,836	33,288	31,399	(550)	437	4,227	4,435	253,338	253,504

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 to functions has been reviewed to reflect the Council's Grants Commission reporting rather than Council's historical internal allocation and therefore the 2019 comparisons differ from those reported in 2019.

City of Mount Gambier

Notes to and forming part of the Financial Statements for the year ended 30 June 2020

Note 11 (continued) – Components of functions

The activities relating to Council functions are as follows:

Administration / Support services

Governance, elected members, organisational, support services, accounting/finance, payroll, human resources, information technology, communication, rates administration, records, occupancy, 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.

Unclassified activities

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

Engineering / indirect

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

City of Mount Gambier

Notes to and forming part of the Financial Statements for the year ended 30 June 2020

Note 12 - Financial instruments

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

Accounting policies - Recognised financial instruments

Bank, deposits at call, short term deposits

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

Terms & conditions: Deposits are returning fixed interest rates of 1.95% (2019: between 1.25% and 1.95%).

Short term deposits have an average maturity of 1 day and an average interest rates of 0.45% (2019: 1 day, 1.25%).

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

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

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

Terms & conditions: Secured over the subject land, arrears attract interest of 6.35% (2019: 6.35%) Although Council is not materially exposed to any individual debtor, credit risk exposure is concentrated within the Council's boundaries in the State.

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

Receivables - Fees & other charges

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

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

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

Receivables - other levels of government

Accounting Policy: Carried at nominal value.

Terms & conditions: Amounts due have been calculated in accordance with the terms and conditions of the respective programs following advice of approvals, and do not bear interest. All amounts are due by departments and agencies of state and federal governments.

Carrying amount: approximates fair value.

Liabilities - Creditors and accruals

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

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

Carrying amount: approximates fair value.

Liabilities - Interest bearing borrowings

Accounting policy: Carried at fair value. Interest is expensed as it accrues.

Terms & conditions: secured over future revenues, borrowings are repayable in two repayments per year with fixed terms of 15 years (2019: 15 years); interest is charged at a fixed rate of 5.97% (2019: 5.97%).

Carrying amount: approximates fair value.

Liabilities - Leases

Accounting policy: accounted for in accordance with AASB 16 as stated in Note 16.

City of Mount Gambier

Notes to and forming part of the Financial Statements for the year ended 30 June 2020

Note 12 (cont) - Financial instruments

Liquidity analysis

2020	Due > 1 year;			Total contractual cash flows \$'000	Carrying values \$'000
	Due < 1 year \$'000	≤ 5 years \$'000	Due > 5 years \$'000		
Financial assets					
Cash & equivalents	4,406	-	-	4,406	4,406
Receivables	1,058	-	-	1,058	1,058
Other financial assets	-	-	-	-	-
Total	5,464	-	-	5,464	5,464
Financial liabilities					
Payables	2,849	-	-	2,849	2,849
Current borrowings	558	-	-	558	558
Non-current borrowings	-	2,171	-	2,171	2,171
Total	3,407	2,171	-	5,578	5,578

2019	Due > 1 year;			Total contractual cash flows \$'000	Carrying values \$'000
	Due < 1 year \$'000	≤ 5 years \$'000	Due > 5 years \$'000		
Financial assets					
Cash & equivalents	6,069	-	-	6,069	6,069
Receivables	1,045	-	-	1,045	1,045
Other financial assets	18	-	-	18	18
Total	7,132	-	-	7,132	7,132
Financial liabilities					
Payables	3,017	-	-	3,017	3,017
Current borrowings	195	-	-	195	195
Non-current borrowings	-	2,377	-	2,377	2,377
Total	3,212	2,377	-	5,589	5,589

	30 June 2020		30 June 2019	
	Weighted average interest rate %	Carrying value \$'000	Weighted average interest rate %	Carrying value \$'000
Fixed interest rates	5.97%	2,747	5.97%	2,572
		<u>2,747</u>		<u>2,572</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 and 6 in relation to individual classes of receivables, exposure is concentrated within the Council's boundaries, and there is no material exposure to any individual debtor.

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

City of Mount Gambier

Notes to and forming part of the Financial Statements for the year ended 30 June 2020

Note 12 (cont) - Financial instruments

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 13 - Capital expenditure commitments

Capital commitments

Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:

	2020	2019
	\$'000	\$'000
Buildings & other structures	455	591
<u>Infrastructure</u>		
- Stormwater drainage	-	6
- Footpaths & kerbing	2	31
- Roads	8	136
Plant & equipment	440	216
Office equipment	78	-
Other	1	10
	984	990
These expenditures are payable:		
Not later than one year	984	990
Later than one year and not later than 5 years	-	-
Later than 5 years	-	-
	984	990

City of Mount Gambier

Notes to and forming part of the Financial Statements for the year ended 30 June 2020

Note 14 - Financial indicators

These financial indicators have been calculated in accordance with *Information Paper 9 - Local Government Financial Indicators* prepared as part of the LGA Financial Sustainability Program for the Local Government Association of South Australia. Detailed methods of calculation are set out in the SA Model Statements.

	2020	2019	2018
Operating surplus ratio			
<u>Operating surplus</u>			
Total operating revenue	(1.7%)	1.4%	6.0%

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

Net financial liabilities ratio

<u>Net financial liabilities</u>			
Total operating revenue	18%	11%	17%

Net financial liabilities are defined as total liabilities less financial assets. These are expressed as a percentage of total operating revenue.

Adjustments to ratios

In recent years the Federal Government has made advance payments prior to 30th June from future year allocations of financial assistance grants, as explained in Note 1. These adjusted ratios correct for the resulting distortion in the key ratios for each year and provide a more accurate basis for comparison.

Adjusted operating surplus ratio	(1.2%)	(0.7%)	5.5%
Adjusted financial liabilities ratio	17%	10%	17%
Asset renewal funding ratio			
<u>Net asset renewals</u>			
Asset Management Plan required expenditure	105%	68%	72%

Net asset renewals expenditure is defined as net capital expenditure on the renewal and replacement of existing assets, and excludes new capital expenditure on the acquisition of

City of Mount Gambier

Notes to and forming part of the Financial Statements for the year ended 30 June 2020

Note 15 - Uniform presentation of finances

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

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

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

	2020	2019
	\$'000	\$'000
Income	32,738	31,836
Expenses	<u>(33,288)</u>	<u>(31,399)</u>
Operating surplus / (deficit)	(550)	437
Net outlays on existing assets		
Capital expenditure on renewal and replacement of existing assets	5,627	5,346
Depreciation, amortisation and impairment	<u>(7,625)</u>	<u>(7,424)</u>
Proceeds from sale of replaced assets	<u>(385)</u>	<u>(359)</u>
	(2,383)	(2,437)
Net outlays on new and upgraded assets		
Capital expenditure on new and upgraded assets <i>(including investment property & real estate developments)</i>	3,813	566
Amounts received specifically for new and upgraded assets	-	(105)
Proceeds from sale of surplus assets <i>(including investment property and real estate developments and non-current assets held for resale)</i>	<u>(457)</u>	<u>359</u>
	3,356	820
Net lending / (borrowing) for financial year	(1,523)	2,054

City of Mount Gambier

Notes to and forming part of the Financial Statements for the year ended 30 June 2020

Note 16 - Leases

Council as a lessee

Right-of-use assets

Council entered contracts as a lessee for various IT equipment, the Dimjalla skate park and RFID equipment.

Set out below are the carrying amounts of right-of-use assets recognised within Infrastructure, property, plant and equipment and the movements during the period.

Right-of-use assets

	Office 2020 \$'000	Other 2020 \$'000	Total 2020 \$'000
As 1 July 2019			
Right-of-use assets	337	33	370
Additions of right-of-use assets	146	-	146
Depreciation charge	(133)	(11)	(144)
			-
At 30 June 2020	350	22	372

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

	2020 \$'000
As 1 July 2019	367
Additions	146
Accretion of interest	13
Payments	(156)
At 30 June 2020	370
Current	(352)
Non-current	(18)

The maturity analysis of lease liabilities is included in note 12.
Council had total cash outflows for leases of \$189,000.

The following are the amounts recognised in profit or loss:

	2020 \$'000
Depreciation expense of right-of-use assets	176
Interest expense on lease liabilities	13
Total amount recognised in profit or loss	189

Council as a lessor

Leases providing revenue to the Council

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

City of Mount Gambier

Notes to and forming part of the Financial Statements for the year ended 30 June 2020

Note 17 - Superannuation

The Council makes employer superannuation contributions in respect of its employees to the superannuation scheme selected by the employee. The default Superannuation Fund is Statewide Super (formerly Local Government Superannuation Scheme). There are two types of membership, each of which is funded differently. Permanent and contract employees of the South Australian Local Government sector with Salarylink benefits prior to 24 November 2009 have the option to contribute to the Accumulation section and/or Salarylink. All other employees (including casuals) have all contributions allocated to the Accumulation section.

Accumulation only Members

Accumulation only members receive both employer and employee contributions on a progressive basis. Employer contributions are based on a fixed percentage of ordinary time earnings in accordance with superannuation guarantee legislation (9.50% in 2020 and 2019) and enterprise bargaining agreement (1% in 2020 and 2019). 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 2019) of "superannuation" salary.

In addition, Council makes a separate contribution of 3% of ordinary time earnings for Salarylink members to their accumulation account plus an additional 1% per enterprise bargaining agreement. Employees also make member contributions to the Salarylink section of the Fund. As such, assets accumulate in the Salarylink section of the Fund to meet the member's benefits, as defined in the Trust Deed, as they accrue.

The Salarylink section is a multi-employer sponsored plan. As the Salarylink section's assets and liabilities are pooled and are not allocated by each employer, and employees may transfer to another employer within the local government sector and retain membership of the Fund, the Actuary is unable to allocate benefit liabilities, assets and costs between employers. As provided by AASB 119.32(b), Council does not use defined benefit accounting for these contributions.

The most recent actuarial investigation was conducted by the Fund's actuary, Louise Campbell, FIAA, of Willie 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.

City of Mount Gambier

Notes to and forming part of the Financial Statements for the year ended 30 June 2020

Note 18 - Contingencies & assets & liabilities not recognised in the balance sheet

The following assets and liabilities do not qualify for recognition in the Balance Sheet but knowledge of those items is considered relevant to users of the financial report in making and evaluating decisions about the allocation of scarce resources.

1. Land under roads

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

At reporting date, Council controlled 229 kilometres of road reserves of average width 20 metres.

2. Potential insurance losses

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

Council insures against all known insurable risks using a range of insurance policies, each of which is subject to a deductible "insurance excess", the amount of which varies according to the class of insurance.

Council has recognised the potential losses arising from claims known at reporting date based on average historical net cost (including insurance excess) of similar types of claims. Other potential claims not reported to Council may have existed at reporting date.

3. Bank guarantees

Council has guaranteed certain loans and other banking facilities advanced to community organisations and sporting bodies, amounting to \$210,000 (2019: \$110,000) at reporting date.

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

4. Legal expenses

Council is the relevant planning authority for its area pursuant to the Development Act 1993. Certain persons aggrieved by a planning decision of Council may appeal against the decision to the Environment, Resources and Development Court. It is normal practice as part of these proceedings that parties bear their own legal costs. At the date of these reports, Council has not received notice of any appeals against planning decisions made prior to reporting date. All known costs have been recognised, but the amount of further costs cannot be known until the appeals are determined.

5. Community and Recreation Hub

On 24 August 2020 Council signed a contract with BADGE Constructions for a total of \$57.3 million, which commits Council to \$31.95 million toward the construction of the Community and Recreation Hub, the refurbishment of the existing outdoor pool and additional car parking and landscaping works at Olympic Park.

Prior to this Council signed a grant agreement with the Commonwealth Government that commits Council to capital spend of \$13.8 million on the Community and Recreation Hub. Through this agreement, Council secured funding and will be the recipient of \$15 million from the Federal Government and \$10 million from the State Government towards this build. Additionally, the District Council of Grant has committed a \$350,000 contribution towards the funding for this project.

The construction is intended to be completed in 2022.

City of Mount Gambier

Notes to and forming part of the Financial Statements for the year ended 30 June 2020

Note 19 - Related party disclosures

Key management personnel

The key management personnel of the Council include the Mayor, Councillors, CEO and certain prescribed officers under section 112 of the Local Government Act 1999. In all, 14 persons (2019: 23) were paid the following total compensation:

	2020	2019
	\$'000	\$'000
Salaries, allowances & other short term benefits	1,122	1,311
Post-employment benefits	93	126
Long term benefits	-	91
Total	1,215	1,528

Parties related to key management personnel

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

Key management personnel and/or relatives of key management personnel own retail businesses from which various supplies were purchased as required either for cash or on 30 day account. These purchases were made on normal commercial terms on an arms's length basis. No individual purchases from these businesses exceeded \$2,238 during the year.

No key management personnel or close family member (including related parties) lodged a planning application during the year.

City of Mount Gambier

Notes to and forming part of the Financial Statements for the year ended 30 June 2020

Note 20 - Events after the Statement of Financial Position date

COVID-19 has been classified as a global pandemic by the World Health Organisation and has developed rapidly in 2020. Measures taken by the Federal and State governments have affected South Australia's economic activity and Council's operations.

At this stage, the financial impacts on Council's operations have not been significant to its financial position and Council expects that further impacts on Council's operations to flow into the 2020/21 financial year will not be significant to its financial position. We refer to note 1.13 providing details of the financial impacts caused by COVID-19 during the 2019/20 financial year.

City of Mount Gambier

Annual Financial Statements for the year ended 30 June 2020

Certification of Auditor Independence

To the best of our knowledge and belief, we confirm that, for the purpose of the audit of the City of Mount Gambier for the year ended 30 June 2020, the Council's Auditor, Galpins Accountants, Auditors & Business Consultants, has maintained its independence in accordance with the requirements of the Local Government Act 1999 and the Local Government (Financial Management) Regulations 2011 made under that Act.

This statement is prepared in accordance with the requirements of Regulation 22(3) Local Government (Financial Management) Regulations 2011.



.....
Andrew Meddle
CHIEF EXECUTIVE OFFICER



.....
Cr Sonya Mezinec
**PRESIDING MEMBER
AUDIT COMMITTEE**

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



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under Professional Standards Legislation

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 2020, the statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the Council Certificate of the City of Mount Gambier.

In our opinion, the accompanying financial report presents fairly, in all material aspects, the financial position of the Council as at 30 June 2020, and its financial performance and its cash flows for the year then ended in accordance with the Australian Accounting Standards, Local Government Act 1999 and Local Government (Financial Management) Regulations 2011.

Basis for Opinion

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

Council's Responsibility for the Financial Report

Council is responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations), the Local Government Act 1999 and the Local Government (Financial Management) Regulations 2011 and for such internal control as Council determines is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibility for the Audit of the Financial Report

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

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

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

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

GALPINS ACCOUNTANTS, AUDITORS & BUSINESS CONSULTANTS



Tim Muhlhausler CA Registered Company Auditor
Partner

27 / 10 / 2020

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Simon Smith CA, FCPA
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INDEPENDENT AUDITOR'S REPORT

To the Members of the City of Mount Gambier

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

Opinion

We have audited the compliance of the City of Mount Gambier (the Council) with the requirements of Section 125 of the *Local Government Act 1999* in relation only to the Internal Controls established by the Council to ensure that financial transactions relating to the receipt, expenditure and investment of money, acquisition and disposal of property and incurring of liabilities for the period 1 July 2019 to 30 June 2020 have been conducted properly and in accordance with law.

In our opinion, the City of Mount Gambier has complied, in all material respects, with *Section 125 of the Local Government Act 1999* in relation to Internal Controls established by the Council in relation to the receipt, expenditure and investment of money, acquisition and disposal of property and incurring of liabilities so as to provide reasonable assurance that the financial transactions of the Council have been conducted properly and in accordance with law for the period 1 July 2019 to 30 June 2020.

Basis for Opinion

We conducted our engagement in accordance with applicable Australian Standards on Assurance Engagement ASAE 3000 *Assurance Engagements Other than Audits or Reviews of Historical Financial Information* and ASAE 3150 *Assurance Engagements on Controls*, issued by the Australian Auditing and Assurance Standards Board, in order to state whether, in all material respects, the Council has complied with Section 125 of the *Local Government Act 1999* in relation only to the internal controls specified above for the period 1 July 2019 to 30 June 2020. ASAE 3000 also requires us to comply with the relevant ethical requirements of the Australian professional accounting bodies.

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

The Council's Responsibility for Internal controls

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

Our Independence and Quality Control

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

Auditor's responsibility

Our responsibility is to express an opinion on the Council's compliance with Section 125 of the Local Government Act 1999 in relation only to the internal controls established by the Council to ensure that financial transactions relating to receipt, expenditure and investment of money, acquisition and disposal of property and incurring of liabilities, based on our procedures. Our engagement has been conducted in accordance with applicable Australian Standards on Assurance Engagements ASAE 3000 *Assurance Engagements Other than Audits or Reviews of Historical Information* and ASAE 3150 *Assurance Engagements on Controls*, issued by the Australian Auditing and Assurance Standards Board, in order to state whether, in all material respects, the Council has complied with Section 125 of the Local Government Act 1999 in relation only to the internal controls specified above for the period 1 July 2019 to 30 June 2020. ASAE 3000 also requires us to comply with the relevant ethical requirements for the Australian professional accounting bodies.

Limitations of Controls

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

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

Limitation of Use

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

GALPINS ACCOUNTANTS, AUDITORS & BUSINESS CONSULTANTS

Tim Muhlhausler CA, Registered Company Auditor
Partner

27 / 10 / 2020

**City of Mount Gambier
Annual Financial Statements
for the year ended 30 June 2020**

STATEMENT BY AUDITOR

I confirm that, for the audit of the financial statements of City of Mount Gambier for the year ended 30 June 2020, I have maintained my independence in accordance with the requirements of APES 110 – *Code of Ethics for Professional Accountants (including Independence Standards)*, 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*.

GALPINS ACCOUNTANTS, AUDITORS & BUSINESS CONSULTANTS



Tim Muhlhausler CA Registered Company Auditor
Partner

Dated this 27th day of October 2020