



City of
Mount Gambier



FINANCIAL STATEMENTS

2021/2022

City of Mount Gambier

General Purpose Financial Statements

for the year ended 30 June 2022

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General Purpose Financial Statements

for the year ended 30 June 2022

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 2022 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: 18 Oct 22



Lynette Martin
MAYOR

Date: 18 October 2022

City of Mount Gambier

Statement of Comprehensive Income

for the year ended 30 June 2022

\$ '000	Notes	2022	2021
Income			
Rates	2a	23,822	22,769
Statutory Charges	2b	633	621
User Charges	2c	5,515	4,880
Grants, Subsidies and Contributions	2g	6,615	4,505
Investment Income	2d	14	25
Reimbursements	2e	65	60
Other income	2f	498	635
Total Income		<u>37,162</u>	<u>33,495</u>
Expenses			
Employee costs	3a	13,090	13,058
Materials, Contracts and Other Expenses	3b	13,234	14,018
Depreciation, Amortisation and Impairment	3c	8,479	7,940
Finance Costs	3d	358	226
Total Expenses		<u>35,161</u>	<u>35,242</u>
Operating Surplus / (Deficit)		<u>2,001</u>	<u>(1,747)</u>
Physical Resources Received Free of Charge	2i	1,760	1,230
Asset Disposal & Fair Value Adjustments	4	(787)	(730)
Amounts Received Specifically for New or Upgraded Assets	2g	17,940	2,677
Net Surplus / (Deficit)		<u>20,914</u>	<u>1,430</u>
Total Comprehensive Income		<u>20,914</u>	<u>1,430</u>

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 2022

\$ '000	Notes	2022	2021
ASSETS			
Current assets			
Cash & Cash Equivalent Assets	5a	250	1,893
Trade & Other Receivables	5b	2,974	4,579
Inventories	5c	64	47
<u>Subtotal</u>		<u>3,288</u>	<u>6,519</u>
Total current assets		<u>3,288</u>	<u>6,519</u>
Non-current assets			
Infrastructure, Property, Plant & Equipment	6a(i)	301,171	263,422
Total non-current assets		<u>301,171</u>	<u>263,422</u>
TOTAL ASSETS		<u>304,459</u>	<u>269,941</u>
LIABILITIES			
Current Liabilities			
Trade & Other Payables	7a	9,331	6,274
Borrowings	7b	1,222	447
Provisions	7c	2,784	2,902
<u>Subtotal</u>		<u>13,337</u>	<u>9,623</u>
Total Current Liabilities		<u>13,337</u>	<u>9,623</u>
Non-Current Liabilities			
Borrowings	7b	22,311	13,502
Provisions	7c	3,507	4,064
Total Non-Current Liabilities		<u>25,818</u>	<u>17,566</u>
TOTAL LIABILITIES		<u>39,155</u>	<u>27,189</u>
<u>Net Assets</u>		<u>265,304</u>	<u>242,752</u>
EQUITY			
Accumulated surplus		83,080	66,406
Asset revaluation reserves	8a	180,852	175,462
Other reserves	8b	1,372	884
<u>Total Equity</u>		<u>265,304</u>	<u>242,752</u>

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 2022

\$ '000	Notes	Accumulated surplus	Asset revaluation reserve	Other reserves	Total equity
2022					
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
Total comprehensive income		20,914	–	–	20,914
Transfers between Reserves	8b	(488)	–	488	–
Balance at the end of period		83,080	180,852	1,372	265,304
2021					
Balance as at 1 July		64,986	175,462	874	241,322
Net Surplus / (Deficit) for Year		1,430	–	–	1,430
Total comprehensive income		1,430	–	–	1,430
Transfers between Reserves	8b	(10)	–	10	–
Balance at the end of period		66,406	175,462	884	242,752

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 2022

\$ '000	Notes	2022	2021
Cash flows from operating activities			
<u>Receipts</u>			
Rates Receipts		23,829	22,978
Statutory Charges		633	621
User Charges		4,335	5,214
Grants, Subsidies and Contributions		6,615	5,210
Investment Receipts		14	26
Reimbursements		65	66
Other Receipts		896	3,517
<u>Payments</u>			
Payments to Employees		(13,157)	(13,005)
Payments for Materials, Contracts & Other Expenses		(13,852)	(17,433)
Finance Payments		(136)	(212)
Net cash provided by (or used in) Operating Activities	9b	9,242	6,982
Cash flows from investing activities			
<u>Receipts</u>			
Amounts Received Specifically for New/Upgraded Assets		20,443	555
Sale of Replaced Assets		112	393
<u>Payments</u>			
Expenditure on Renewal/Replacement of Assets		(5,623)	(5,326)
Expenditure on New/Upgraded Assets		(35,134)	(16,298)
Net cash provided (or used in) investing activities		(20,202)	(20,676)
Cash flows from financing activities			
<u>Receipts</u>			
Proceeds from Loans		9,581	11,550
<u>Payments</u>			
Repayments of Loans		–	(206)
Repayment of Lease Liabilities		(202)	(163)
Repayment of Bonds & Deposits		(62)	–
Net Cash provided by (or used in) Financing Activities		9,317	11,181
Net Increase (Decrease) in Cash Held		(1,643)	(2,513)
plus: Cash & Cash Equivalents at beginning of period		1,893	4,406
Cash and cash equivalents held at end of period	9a	250	1,893

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

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

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Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

Note 1. Summary of Significant Accounting Policies

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).

1.4 Estimates and assumptions

The COVID-19 pandemic has impacted the 2021/22 financial statements. The financial impacts are a direct result of either Council's response to the pandemic or due to mandatory shutdowns as directed by the Australian Government and the advice from the Australian Government Department of Health and SA Health.

With the aim of minimising any impact of Covid-19, Council worked to reduce discretionary expenditure in the short term to assist in mitigating decreased revenue and increased costs. It is expected further financial impacts will flow into the 2022/23 financial year but these have been largely taken into account during the development of the budget process for 2022/23. The budget assumptions for 2022/23 assume a continued easing of restrictions put in place by the government. Council has determined that there is no material uncertainty that casts doubt on Council's ability to continue as a going concern.

(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

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

Note 1. Summary of Significant Accounting Policies (continued)

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.

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
2019/20	\$3,384,000	\$3,546,000	- \$162,000
2020/21	\$3,410,267	\$3,381,972	+ \$28,295
2021/22	\$5,134,125	\$3,891,585	+ \$1,242,540

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 2022

Note 1. Summary of Significant Accounting Policies (continued)

(6) Infrastructure, Property, Plant & Equipment

6.1 Initial Recognition

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

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

6.2 Materiality

Assets with an economic life in excess of one year are only capitalised where the cost of acquisition exceeds materiality thresholds established by Council for each type of asset. In determining (and in annually reviewing) such thresholds, regard is had to the nature of the asset and its estimated service life. Examples of capitalisation thresholds applied during the year are given in Note 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.

6.6 Correction of errors relating to a previous reporting period

Two errors from prior years have been identified with corrections made as at 1 July 2021.

Caroline Landfill

Adjustment of \$1,675,800 to reflect the actual usage and remaining capacity of the 3C landfill cell.

Asset Disposal

Adjustment of \$5,390,079 to correct an asset disposal error.

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

Note 1. Summary of Significant Accounting Policies (continued)

(7) Payables

7.1 Goods & Services

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

7.2 Payments Received in Advance & Deposits

Amounts 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 3.29% (2021, 0.36%)

Weighted avg. settlement period 1 year (2021, 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.

9.3 Capitalised and Distributed Costs

Historically, Capitalised and Distributed Costs have not been included in note 3.

This additional information is disclosed in Note 3 Employee costs (for 2021/2022 and restated for 2020/2021).

This change is a reallocation of capitalised and distributed costs and does not impact the overall employee costs.

(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.

The Council recognises a liability (disclosed as a provision) on the Balance Sheet and in Note 7. of the financial statements to recognise the estimated future obligation of undertaking the required works per the conditions of the EPA licence held. A number of assumptions are factored into the calculation of the liability to the estimated cost, required activities to be undertaken

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

Note 1. Summary of Significant Accounting Policies (continued)

and the timing of when they will occur. Council is planning on undertaking an independent assessment and update of the key assumptions and for the liability to be updated in the 2022/23 financial year.

(11) Leases

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

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) GST Implications

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

- Receivables and Creditors include GST receivable and payable.
- Except in relation to input taxed activities, revenues and operating expenditures exclude GST receivable and payable.
- Non-current assets and capital expenditures include GST net of any recoupment.
- Amounts included in the Statement of Cash Flows are disclosed on a gross basis.

(13) 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 2021. 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.

Amendments to AASB 16 Covid-19 Related Rent Concessions

In 2020, the AASB issued AASB 2020-4, Amendments to AASBs - Covid-19-Related Rent Concessions. The amendments provide relief to lessees from applying AASB 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a Covid-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the Covid-19 related rent concession the same way it would account for the change under IFRS 16, if the change were not a lease modification. The amendment was intended to apply until 30 June 2021, but as the impact of the Covid-19 pandemic is continuing, in 2021 the AASB extended the period of application of the practical expedient to 30

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

Note 1. Summary of Significant Accounting Policies (continued)

June 2022. The amendment applies to annual reporting periods beginning on or after 1 April 2021. This amendment had no impact on the consolidated financial statements of the Group.

Standards issued by the AASB not yet effective

The AASB has issued Australian Accounting Standards and Interpretations which are not effective at 30 June 2022, 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.

The following list identifies all the new and amended Australian Accounting Standards, and Interpretation, that were issued but not yet effective at the time of compiling these illustrative statements that could be applicable to Councils.

Effective for NFP annual reporting periods beginning on or after 1 January 2022

- AASB 2020-3 Amendments to Australian Accounting Standards - Annual Improvements 2018-2020 and Other Amendments

Effective for NFP annual reporting periods beginning on or after 1 January 2023

- AASB 2020-1 Amendments to Australian Accounting Standards - Classification of Liabilities as Current or Non-Current and associated standards (amended by AASB 2020-6)
- AASB 2021-2 Amendments to Australian Accounting Standards - Disclosure of Accounting Policies and Definition of Accounting Estimates (amended by AASB 2021-6)

Effective for NFP annual reporting periods beginning on or after 1 January 2025

- AASB 2014-10 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (amended by AASB 2015-10, AASB 2017-5 and AASB 2021-7)

City of Mount Gambier

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

Note 2. Income

\$ '000	2022	2021
(a) Rates		
General Rates		
General Rates	19,944	21,773
Less: Mandatory Rebates	(236)	(236)
Less: Discretionary Rebates, Remissions & Write Offs	(17)	(27)
Total General Rates	19,691	21,510
Other Rates (Including Service Charges)		
Landscape Levy	1,213	1,179
Waste Collection	2,790	–
Total Other Rates (Including Service Charges)	4,003	1,179
Other Charges		
Penalties for Late Payment	81	57
Legal & Other Costs Recovered	47	23
Total Other Charges	128	80
Total Rates	23,822	22,769
(b) Statutory Charges		
Development Act Fees	189	219
Town Planning Fees	147	160
Animal Registration Fees & Fines	195	148
Parking Fines / Expiation Fees	20	13
Other Licences, Fees & Fines	82	81
Total Statutory Charges	633	621
(c) User Charges		
Cemetery/Crematoria Fees	869	771
Hall & Equipment Hire	8	11
Sales - General	98	64
Sundry	199	150
Green Waste Collection	38	63
Landfill Charges	4,012	3,537
Sales - Waste Transfer Station	291	284
Total User Charges	5,515	4,880
(d) Investment Income		
Local Government Finance Authority	13	25
- Banks & Other	1	–
Total Investment Income	14	25

City of Mount Gambier

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

Note 2. Income (continued)

\$ '000	2022	2021
(e) Reimbursements		
Private Works	16	16
Other	49	44
<u>Total Reimbursements</u>	<u>65</u>	<u>60</u>
(f) Other income		
Insurance & Other Recoupments - Infrastructure, IPP&E	155	158
Sundry	284	405
Donations	59	72
<u>Total Other income</u>	<u>498</u>	<u>635</u>
(g) Grants, Subsidies, Contributions		
Amounts Received Specifically for New or Upgraded Assets	17,940	2,677
Total Amounts Received Specifically for New or Upgraded Assets	<u>17,940</u>	<u>2,677</u>
Untied - Financial Assistance Grant	5,134	3,410
Roads to Recovery	409	404
Library and Communications	172	163
Sundry	184	285
Local Roads and Community Infrastructure	716	243
Total Other Grants, Subsidies and Contributions	<u>6,615</u>	<u>4,505</u>
<u>Total Grants, Subsidies, Contributions</u>	<u>24,555</u>	<u>7,182</u>
The functions to which these grants relate are shown in Note 12.		
(i) Sources of grants		
Commonwealth Government	10,162	2,155
State Government	13,877	4,770
Other	516	257
Total	<u>24,555</u>	<u>7,182</u>

City of Mount Gambier

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

Note 2. Income (continued)

\$ '000	2022	2021
(h) 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	427	–
Less:		
<i>Expended during the current period from revenues recognised in previous reporting periods</i>		
Pine Hall / O'Leary Road	(8)	–
Tertiary Education	(15)	–
State Bicycle	(19)	–
Subtotal	(42)	–
Plus:		
<i>Amounts recognised as revenues in this reporting period but not yet expended in accordance with the conditions</i>		
Pine Hall / O'Leary Road	–	378
Tertiary Education	–	49
State Bicycle	31	–
Subtotal	31	427
Unexpended at the close of this reporting period	416	427
Net increase (decrease) in assets subject to conditions in the current reporting period	(11)	427
(i) Physical Resources Received Free of Charge		
Land & Improvements	24	108
Roads	1,052	736
Other	10	–
Footpaths & Kerbing	674	386
Total Physical Resources Received Free of Charge	1,760	1,230

City of Mount Gambier

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

Note 3. Expenses

\$ '000	Notes	2022	2021
(a) Employee costs			
Salaries and Wages		11,095	10,382
Employee Leave Expense		863	1,508
Superannuation	16	1,268	1,205
Workers' Compensation Insurance		305	282
Other Employee Related Costs		49	58
Less: Capitalised and Distributed Costs		(490)	(377)
Total Operating Employee Costs		13,090	13,058
Total Number of Employees (full time equivalent at end of reporting period)		135	129
(b) Materials, Contracts and Other Expenses			
(i) Prescribed Expenses			
Auditor's Remuneration			
- Auditing the Financial Reports		25	13
Bad and Doubtful Debts		(72)	73
Elected Members' Expenses		224	236
Election Expenses		9	10
Subtotal - Prescribed Expenses		186	332
(ii) Other Materials, Contracts and Expenses			
Contractors		3,445	3,516
Energy		916	864
Maintenance		708	980
Legal Expenses		201	199
Levies Paid to Government - Regional Landscape levy		1,209	1,173
Sundry		779	460
Contributions/Donations		464	508
Insurance		325	335
Levies Paid to Government - EPA, ESL & Dog Levies		2,065	2,040
Materials		1,035	1,116
Training		185	188
Water		121	149
Communication		263	289
Consultants		388	888
Licences and Subscriptions		944	981
Subtotal - Other Material, Contracts & Expenses		13,048	13,686
Total Materials, Contracts and Other Expenses		13,234	14,018

City of Mount Gambier

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

Note 3. Expenses (continued)

<u>\$ '000</u>	<u>2022</u>	<u>2021</u>
(c) Depreciation, Amortisation and Impairment		
(i) Depreciation and Amortisation		
Buildings & Other Structures	2,895	2,630
Infrastructure		
Stormwater Drainage	117	115
Kerbing and Footpaths	1,206	1,157
Roads	1,932	1,861
Carparks	257	257
Right-of-use Assets	188	165
Plant & Equipment	788	724
Waste Management	842	795
Office Equipment	115	114
Other Assets	139	122
Subtotal	8,479	7,940
Total Depreciation, Amortisation and Impairment	8,479	7,940

(d) Finance Costs

Interest on Loans	126	135
Interest on Leases	10	18
Unwinding of Present Value Discounts	222	73
Total Finance Costs	358	226

Note 4. Asset Disposal & Fair Value Adjustments

<u>\$ '000</u>	<u>2022</u>	<u>2021</u>
Infrastructure, Property, Plant & Equipment		
(i) Assets Renewed or Directly Replaced		
Proceeds from Disposal	112	393
Less: Carrying Amount of Assets Sold	(899)	(1,123)
Gain (Loss) on Disposal	(787)	(730)
Net Gain (Loss) on Disposal or Revaluation of Assets	(787)	(730)

City of Mount Gambier

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

Note 5. Current Assets

\$ '000	2022	2021
(a) Cash & Cash Equivalent Assets		
Cash on Hand at Bank	250	95
Deposits at Call	–	1,798
<u>Total Cash & Cash Equivalent Assets</u>	<u>250</u>	<u>1,893</u>
(b) Trade & Other Receivables		
Rates - General & Other	796	803
Accrued Revenues	–	2,500
Debtors - General	1,411	1,007
GST Recoupment	655	398
Prepayments	114	27
Subtotal	<u>2,976</u>	<u>4,735</u>
Less: Allowance for Doubtful Debts	(2)	(156)
<u>Total Trade & Other Receivables</u>	<u>2,974</u>	<u>4,579</u>
(c) Inventories		
Stores & Materials	41	35
Trading Stock	23	12
<u>Total Inventories</u>	<u>64</u>	<u>47</u>

City of Mount Gambier

Notes to and forming part of the Financial Statements for the year ended 30 June 2022

Note 6. Infrastructure, Property, Plant & Equipment & Investment Property

(a(i)) Infrastructure, Property, Plant & Equipment

\$ '000	Fair Value Level	as at 30/06/21				Asset movements during the reporting period						as at 30/06/22			
		At Fair Value	At Cost	Accumulated Depreciation	Carrying amount	Asset Additions New / Upgrade	Asset Additions Renewals	WDV of Asset Disposals	Depreciation Expense (Note 3c)	WIP Transfers	Adjustments	At Fair Value	At Cost	Accumulated Depreciation	Carrying amount
Waste Management	3	1,533	8,548	(8,920)	1,161	–	150	–	(842)	–	1,676	1,683	8,548	(8,086)	2,145
Capital Work in Progress		–	19,458	–	19,458	37,195	1,515	(30)	–	(349)	–	–	57,789	–	57,789
Land	2	15,601	–	–	15,601	–	–	–	–	–	–	15,601	–	–	15,601
Land	3	37,683	108	–	37,791	25	–	–	–	–	–	37,683	133	–	37,816
Office Equipment		–	2,064	(1,499)	565	8	193	(12)	(115)	40	–	–	2,288	(1,609)	679
Riddoch Collection	3	3,515	–	–	3,515	10	–	–	–	–	–	3,515	10	–	3,525
Buildings & Other Structures	2	3,987	–	(2,018)	1,969	33	–	–	(113)	–	–	3,987	33	(2,131)	1,889
Buildings & Other Structures	3	104,343	1,061	(50,101)	55,303	102	133	(35)	(2,782)	47	–	102,030	1,343	(50,605)	52,768
Stormwater Drainage	3	8,022	88	(2,354)	5,756	23	–	–	(117)	16	–	8,022	127	(2,471)	5,678
Kerbing and Footpaths	3	74,206	1,696	(19,807)	56,095	1,163	705	(168)	(1,206)	1	–	74,038	3,533	(20,981)	56,590
Roads	3	67,385	3,073	(20,216)	50,242	850	2,093	(457)	(1,932)	202	–	66,929	6,099	(22,029)	50,999
Carparks	3	10,451	45	(2,865)	7,631	47	35	–	(257)	–	–	10,451	127	(3,122)	7,456
Right-of-Use Assets		–	568	(340)	228	–	204	–	(188)	–	–	–	593	(349)	244
Plant & Equipment		–	8,997	(2,707)	6,290	75	658	(197)	(788)	43	–	–	9,385	(3,304)	6,081
Other Assets		–	4,175	(2,358)	1,817	55	178	–	(139)	–	–	–	4,408	(2,497)	1,911
Total Infrastructure, Property, Plant & Equipment		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
Comparatives		335,143	17,670	(105,970)	246,843	20,295	5,347	(1,123)	(7,940)	–	–	326,726	49,881	(113,185)	263,422

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

Note 6. Infrastructure, Property, Plant & Equipment & Investment Property (continued)

(b) Valuation of Infrastructure, Property, Plant & Equipment & 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.

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

Note 6. Infrastructure, Property, Plant & Equipment & 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	4 to 20 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 & Footpaths, Kerb & Gutter	10 to 70 years
Stormwater Drainage	50 to 70 years

Other Assets

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

Note 6. Infrastructure, Property, Plant & Equipment & Investment Property (continued)

Library Books	7 to 10 years
Artworks	indefinite
Right-of-Use Assets (refer to Note 15)	3 to 5 years

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 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.

Infrastructure

Infrastructure assets include stormwater drainage, footpath and 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 period ended 30 June 2018. All acquisitions made after the respective dates of valuation are recorded at cost.

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.

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.

All other Assets

These assets are recognised on the cost basis. Library books and other lending materials are capitalised in bulk, and written out when fully depreciated.

City of Mount Gambier

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

Note 7. Liabilities

\$ '000	2022 Current	2022 Non Current	2021 Current	2021 Non Current
(a) Trade and Other Payables				
Goods & Services	7,645	–	2,348	–
Payments Received in Advance	396	–	371	–
- Grants & Contributions - Capital	401	–	378	–
- Other	37	–	49	–
Accrued Expenses - Employee Entitlements	331	–	291	–
Accrued Expenses - Other	398	–	2,646	–
Deposits, Retentions & Bonds	86	–	148	–
Other	37	–	43	–
Total Trade and Other Payables	9,331	–	6,274	–

(b) Borrowings

Loans	1,100	22,202	219	13,502
Lease Liabilities 15b	122	109	228	–
Total Borrowings	1,222	22,311	447	13,502

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

(c) Provisions

Employee Entitlements (including oncosts)	2,784	179	2,902	168
Future Reinstatement / Restoration, etc	–	3,328	–	3,896
Total Provisions	2,784	3,507	2,902	4,064

City of Mount Gambier

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

Note 8. Reserves

\$ '000	as at 30/06/21				as at 30/06/22
	Opening Balance	Increments (Decrements)	Transfers	Impairments	Closing Balance
(a) Asset Revaluation Reserve					
Land	42,801	–	–	–	42,801
Buildings & Other Structures	53,310	–	–	–	53,310
Infrastructure	70,636	–	5,390	–	76,026
Plant & Equipment	770	–	–	–	770
Minor Plant	34	–	–	–	34
Waste Management	2,926	–	–	–	2,926
Other Assets	4,985	–	–	–	4,985
Total Asset Revaluation Reserve	175,462	–	5,390	–	180,852
Comparatives	175,462	–	–	–	175,462

City of Mount Gambier

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

Note 8. Reserves (continued)

\$ '000	as at 30/06/21	Tfrs to Reserve	Tfrs from Reserve	Other Movements	as at 30/06/22
	Opening Balance				Closing Balance
(b) Other Reserves					
Mount Gambier Cemetery	711	–	–	–	711
Mayor Christmas Appeal	69	23	–	–	92
Christmas Parade	(3)	3	–	–	–
Junior Sports Assistance Fund	107	15	–	–	122
Waste Management	–	150	–	–	150
Open Space	–	297	–	–	297
Total Other Reserves	884	488	–	–	1,372
Comparatives	874	13	(3)	–	884

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.

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.

City of Mount Gambier

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

Note 9. Reconciliation to Statement of Cash Flows

\$ '000	Notes	2022	2021
(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 & Equivalent Assets	5	250	1,893
Balances per Statement of Cash Flows		250	1,893
(b) Reconciliation of Change in Net Assets to Cash from Operating Activities			
Net Surplus/(Deficit)		20,914	1,430
Non-Cash Items in Income Statements			
Depreciation, Amortisation & Impairment		8,479	7,940
Premiums & Discounts Recognised & Unwound		–	73
Non-Cash Asset Acquisitions		(8,252)	(3,906)
Grants for capital acquisitions treated as Investing Activity		(20,443)	(555)
Net (Gain) Loss on Disposals		787	730
		1,485	5,712
Add (Less): Changes in Net Current Assets			
Net (Increase)/Decrease in Receivables		1,759	(2,208)
Change in Allowances for Under-Recovery of Receivables		154	61
Net (Increase)/Decrease in Inventories		(17)	8
Net Increase/(Decrease) in Trade & Other Payables		6,536	3,296
Net Increase/(Decrease) in Unpaid Employee Benefits		(107)	53
Net Increase/(Decrease) in Other Provisions		(568)	60
Net Cash provided by (or used in) operations		9,242	6,982
(c) Non-Cash Financing and Investing Activities			
Acquisition of assets by means of:			
Physical Resources Received Free of Charge	2i	1,760	1,230
Amounts recognised in Income Statement		1,760	1,230
Leases		203	21
Estimated Future Reinstatement etc. Costs		264	210
Total Non-Cash Financing and Investing Activities		2,227	1,461
(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		30,000	20,000

Notes to and forming part of the Financial Statements
for the year ended 30 June 2022

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

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 2022

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 & NON-CURRENT)	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
Functions/Activities										
Other	–	–	–	–	–	–	–	–	1,364	398
Administration / Support Services	27,961	25,156	6,827	6,380	21,134	18,776	5,148	3,410	9,996	20,824
Community Support	898	808	1,829	1,918	(931)	(1,110)	–	1	13,362	20,534
Culture	368	298	3,771	4,086	(3,403)	(3,788)	203	185	32,772	26,034
Economic Development	162	188	2,060	1,871	(1,898)	(1,683)	34	–	3,840	3,890
Environment	4,621	4,355	8,982	8,470	(4,361)	(4,115)	50	201	8,980	11,075
Recreation	2,207	1,397	4,159	5,160	(1,952)	(3,763)	771	31	113,266	74,411
Regulatory Services	587	736	1,002	1,232	(415)	(496)	–	–	18	18
Transport	444	728	3,788	3,817	(3,344)	(3,089)	409	677	106,067	103,715
Engineering / Indirect	(86)	(171)	2,743	2,347	(2,829)	(2,518)	–	–	8,168	8,965
Unclassified Activities	–	–	–	(39)	–	39	–	–	6,626	77
Total Functions/Activities	37,162	33,495	35,161	35,242	2,001	(1,747)	6,615	4,505	304,459	269,941

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.

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

Note 10(b). 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.

Engineering / Indirect

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

Unclassified Activities

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

City of Mount Gambier

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

Note 11. Financial Instruments

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 0.3% and 1.05% (2021: 0.3% and 1.95%).

Carrying Amount:

Approximates fair value due to the short term to maturity.

Receivables - Rates & Associated 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:

Secured over the subject land, arrears attract interest of 0.42% (2021: 0.43%). 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:

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.

Notes to and forming part of the Financial Statements
for the year ended 30 June 2022

Note 11. Financial Instruments (continued)

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 2022

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 1.3% and 5.97% (2021: 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 & ≤ 5 years	Due > 5 years	Total Contractual Cash Flows	Carrying Values
Financial Assets and Liabilities					
2022					
Financial Assets					
Cash & Cash Equivalents	250	–	–	250	250
Receivables	2,860	–	–	2,860	2,860
Total Financial Assets	3,110	–	–	3,110	3,110
Financial Liabilities					
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
Leases	122	109	–	231	231
Total Financial Liabilities	16,895	8,248	12,630	37,773	32,031
2021					
Financial Assets					
Cash & Cash Equivalents	1,893	–	–	1,893	1,893
Receivables	4,552	–	–	4,552	4,552
Total Financial Assets	6,445	–	–	6,445	6,445
Financial Liabilities					
Non-Current Borrowings	11,676	2,164	–	13,840	13,502
Payables	5,476	–	–	5,476	5,476
Current Borrowings	219	–	–	219	219
Leases	228	–	–	228	228
Total Financial Liabilities	17,599	2,164	–	19,763	19,425

City of Mount Gambier

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

Note 11. Financial Instruments (continued)

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

\$ '000	2022		2021	
	Weighted Avg Interest Rate	Carrying Value	Weighted Avg Interest Rate	Carrying Value
Other Variable Rates	2.42%	6,350	1.79%	11,550
Fixed Interest Rates	5.19%	17,183	5.97%	2,399
		<u>23,533</u>		<u>13,949</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.

City of Mount Gambier

Notes to and forming part of the Financial Statements
for the year ended 30 June 2022

Note 12. Capital Expenditure and Investment Property Commitments

\$ '000	2022	2021
Capital Commitments		
Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:		
Buildings & Other Structures	6,579	41,206
Plant & Equipment	542	369
Other	341	–
	<u>7,462</u>	<u>41,575</u>
These expenditures are payable:		
Not later than one year	7,462	41,575
	<u>7,462</u>	<u>41,575</u>

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

Note 13. Financial Indicators

\$ '000	Amounts 2022	Indicator 2022	Indicators 2021 2020	
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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	<u>2,001</u>			
Total Operating Income	<u>37,162</u>	5.4%	(5.2)%	(1.7)%

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

2. Net Financial Liabilities Ratio

Net Financial Liabilities	<u>35,931</u>			
Total Operating Income	<u>37,162</u>	97%	62%	18%

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	<u>759</u>			
Total Operating Income	<u>35,920</u>	2.1%	(5.3)%	(1.2)%

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	<u>32,891</u>			
Total Operating Income	<u>35,920</u>	92%	67%	17%

3. Asset Renewal Funding Ratio

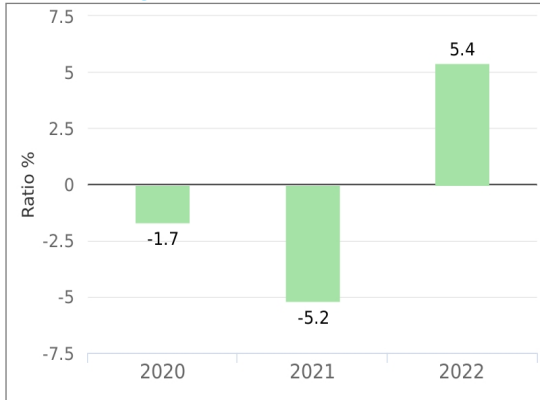
Asset Renewals	<u>5,623</u>			
Infrastructure & Asset Management Plan required expenditure	<u>7,140</u>	79%	84%	105%

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.

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

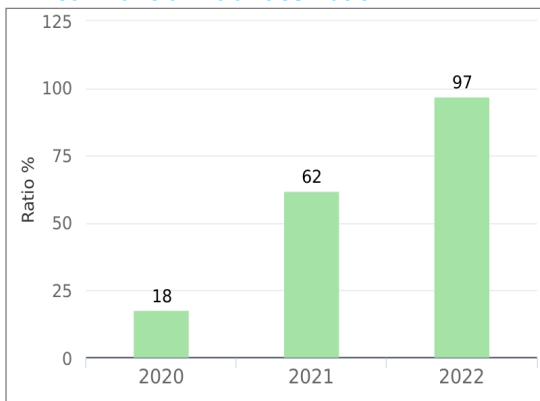
Commentary on 2021/22 result

2021/22 ratio 5.4%

The operating surplus ratio in 2022 is significantly higher than in previous years driven by the timing of Financial Assistance Grants and additional Local Roads and Community Infrastructure grant revenue, and increased user charges (including Caroline landfill facilities). Overall operating expenditure was broadly in line with the prior year.

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

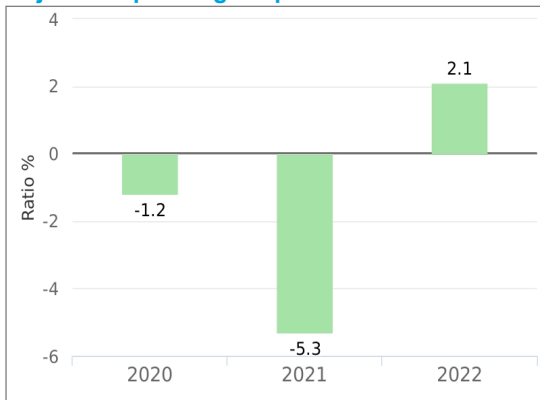
Commentary on 2021/22 result

2021/22 ratio 97%

Council's Net Financial Liabilities Ratio is greater than previous years reflecting a higher level of borrowings.

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

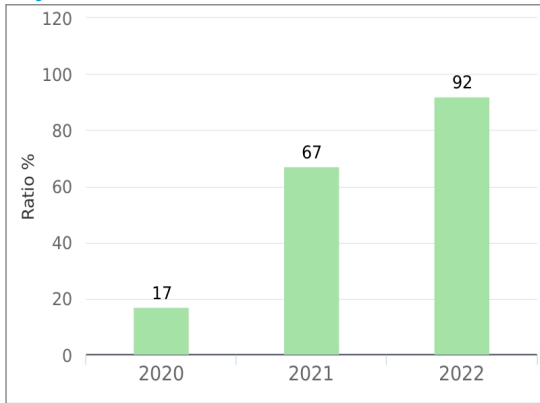
Commentary on 2021/22 result

2021/22 ratio 2.1%

The operating surplus ratio in 2022 is significantly higher than in previous years driven by additional Local Roads and Community Infrastructure grant revenue, and increased user charges (including Caroline landfill facilities).

Note 13. Financial Indicators (continued)

Adjusted Net Financial Liabilities Ratio



Purpose of adjusted net financial liabilities ratio

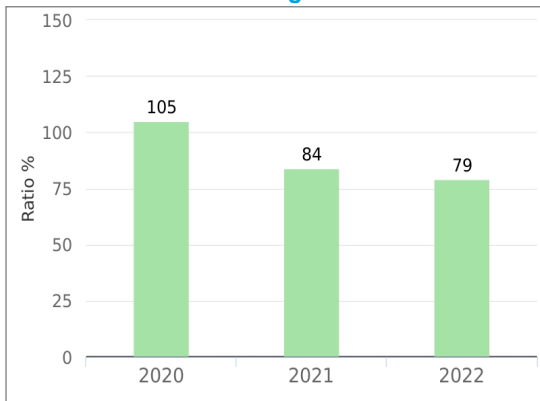
This indicator is to determine the percentage the operating revenue (adjusted for timing differences in the Financial Assistance Grant) varies from operating expenditure

Commentary on 2021/22 result

2021/22 ratio	92%
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Council's Net Financial Liabilities Ratio is greater than previous years reflecting a higher level of borrowings.

3. Asset Renewal Funding Ratio



Purpose of asset renewal funding ratio

This indicator aims to determine if assets are being renewed and replaced in an optimal way

Commentary on 2021/22 result

2021/22 ratio	79%
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Council developed and adopted revised Asset Management Plans at the end of 2022 which provide guidance of when and how much needs to be spent to maintain Council's infrastructure.

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 2022/23 financial year.

City of Mount Gambier

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

Note 14. Uniform Presentation of Finances

\$ '000	2022	2021
<p>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.</p> <p>All Councils in South Australia have agreed to summarise annual budgets and long-term financial plans on the same basis.</p> <p>The arrangements ensure that all Councils provide a common 'core' of financial information, which enables meaningful comparisons of each Council's finances.</p>		
Income	37,162	33,495
less Expenses	(35,161)	(35,242)
Operating Surplus / (Deficit)	2,001	(1,747)
Net Outlays on Existing Assets		
Capital Expenditure on Renewal and Replacement of Existing Assets	(5,623)	(5,326)
add back Depreciation, Amortisation and Impairment	8,479	7,940
add back Proceeds from Sale of Replaced Assets	112	393
	2,968	3,007
Net Outlays on New and Upgraded Assets		
Capital Expenditure on New and Upgraded Assets (including Investment Property & Real Estate Developments)	(35,134)	(16,298)
add back Amounts Received Specifically for New and Upgraded Assets	20,443	555
	(14,691)	(15,743)
Net Lending / (Borrowing) for Financial Year	(9,722)	(14,483)

City of Mount Gambier

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

Note 15. Leases

(i) Council as a lessee

Terms and conditions of leases

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

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
2022			
Opening balance	217	11	228
Additions to right-of-use assets	204	–	204
Depreciation charge	(177)	(11)	(188)
Balance at 30 June	244	–	244
2021			
Opening balance	350	21	371
Additions to right-of-use assets	22	–	22
Depreciation charge	(155)	(10)	(165)
Balance at 30 June	217	11	228

(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	2022	2021
Balance at 1 July	228	370
Additions	202	21
Accretion of interest	10	18
Payments	(209)	(181)
Balance at 30 June	231	228
Classified as:		
Current	122	228
Non Current	109	–

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

The Group had total cash outflows for leases of \$198,000.

The following are the amounts recognised in profit or loss:

Depreciation expense of Right-of-Use Assets	188	165
Interest expense on lease liabilities	10	18
Total amount recognised in profit or loss	198	183

Notes to and forming part of the Financial Statements
for the year ended 30 June 2022

Note 15. Leases (continued)

(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.

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

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 (10.00% in 2021/22; 9.50% in 2020/21) and enterprise bargaining agreement (1% in 2022 and 2021). 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 2020/21) 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 2021. 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.

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

Note 17. Contingencies & 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 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 230.9 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.

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

Note 18. Events after the Balance Sheet Date

Events that occur after the reporting date of 30 June 2022, up to and including the date when the financial statements are "authorised for issue" have been taken into account in preparing these statements.

Council has adopted the date of receipt of the Auditors' Report as the appropriate "authorised for issue" date relating to these General Purpose Financial Statements.

Council is aware of the following "non adjusting event" that merits disclosure;

- a deed of settlement and variation was signed with Badge Constructions (SA) Pty Ltd on 5 September 2022 which amended the timescales for delivery of the Wulanda project and the amount payable.

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

Note 19. 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, 16 persons were paid the following total compensation:

\$ '000	2022	2021
The compensation paid to Key Management Personnel comprises:		
Salaries, allowances & other short term benefits	1,005	974
Post-Employment Benefits	82	72
Long-Term Benefits	–	41
Total	1,087	1,087

One 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 arm's length basis. No individual purchases from these businesses exceeded \$188.30 with the total cumulative spend for 21/22 being \$1,845.21.

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ABN: 30 164 612 890

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 2022, 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

Partner

DEAN NEWBERY

Dated this 20th day of October 2022

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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 2021 to 30 June 2022.

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 2021 to 30 June 2022 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 performed 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 designed 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
PARTNER

Signed on the 20th day of October 2022
at 214 Melbourne Street, North Adelaide, South Australia, 5006

City of Mount Gambier

General Purpose Financial Statements

for the year ended 30 June 2022

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 2022 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: 11.10.2022

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Independent Auditor's Report

To the members of the City of Mount Gambier

Opinion

We have audited the accompanying financial report of the City of Mount Gambier (the Council), which comprises the statement of financial position as at 30 June 2022, 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 2022, 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.

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
Partner

Signed on the 20th day of October 2022,
at 214 Melbourne Street, North Adelaide