

City of  
Mount Gambier

# FINANCIAL STATEMENTS

2016/2017

# **CITY OF MOUNT GAMBIER**

## **General Purpose Financial Reports for the year ended 30 June 2017**

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## CITY OF MOUNT GAMBIER

### ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2017

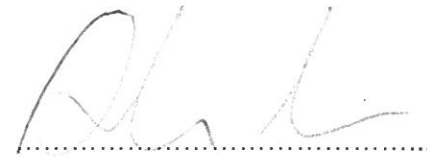
#### CERTIFICATION OF FINANCIAL STATEMENTS

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 2017 and the results of its operations and cash flows for the financial year.
- internal controls implemented by the Council provide a reasonable assurance that the Council's financial records are complete, accurate and reliable and were effective throughout the financial year.
- the financial statements accurately reflect the Council's accounting and other records.



Mark McShane  
CHIEF EXECUTIVE OFFICER



Andrew Lee  
MAYOR

Date: 23/10/2017

# CITY OF MOUNT GAMBIER

## STATEMENT OF COMPREHENSIVE INCOME for the year ended 30 June 2017

	Notes	2017 \$'000	2016 \$'000
<b>INCOME</b>			
Rates	2	19,672	18,327
Statutory charges	2	421	340
User charges	2	4,515	3,806
Grants, subsidies and contributions	2	4,858	2,250
Investment income	2	35	32
Reimbursements	2	196	274
Other income	2	650	382
<b>Total Income</b>		<b>30,347</b>	<b>25,411</b>
<b>EXPENSES</b>			
Employee costs	3	10,728	10,066
Materials, contracts & other expenses	3	10,168	8,955
Depreciation, amortisation & impairment	3	7,331	6,704
Finance costs	3	269	236
<b>Total Expenses</b>		<b>28,496</b>	<b>25,961</b>
<b>OPERATING SURPLUS / (DEFICIT)</b>		<b>1,851</b>	<b>(550)</b>
Asset disposal & fair value adjustments	4	48	(124)
Amounts received specifically for new or upgraded assets	2	2,189	585
Physical resources received free of charge	2	1,213	604
Operating result from discontinued operations	20	-	-
<b>NET SURPLUS / (DEFICIT)</b>		<b>5,301</b>	<b>515</b>
transferred to Equity Statement			
<b>Other Comprehensive Income</b>			
<i>Amounts which will not be reclassified subsequently to operating result</i>			
Changes in revaluation surplus - infrastructure, property, plant & equipment	9	(13,457)	3,932
<b>Total Other Comprehensive Income</b>		<b>(13,457)</b>	<b>3,932</b>
<b>TOTAL COMPREHENSIVE INCOME</b>		<b>(8,156)</b>	<b>4,447</b>

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



**CITY OF MOUNT GAMBIER**  
**STATEMENT OF FINANCIAL POSITION**  
as at 30 June 2017

	Notes	2017 \$'000	2016 \$'000
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	5	3,028	991
Trade & other receivables	5	1,354	1,158
Inventories	5	32	39
<b>Total Current Assets</b>		<b>4,414</b>	<b>2,188</b>
<b>Non-current Assets</b>			
Financial assets	6	35	68
Infrastructure, property, plant & equipment	7	228,257	234,422
<b>Total Non-current Assets</b>		<b>228,292</b>	<b>234,490</b>
<b>Total Assets</b>		<b>232,706</b>	<b>236,678</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Trade & other payables	8	2,951	2,092
Borrowings	8	206	239
Provisions	8	3,288	2,435
<b>Total Current Liabilities</b>		<b>6,445</b>	<b>4,766</b>
<b>Non-current Liabilities</b>			
Borrowings	8	2,790	3,675
Provisions	8	3,599	209
<b>Total Non-current Liabilities</b>		<b>6,389</b>	<b>3,884</b>
<b>Total Liabilities</b>		<b>12,834</b>	<b>8,650</b>
<b>NET ASSETS</b>		<b>219,872</b>	<b>228,028</b>
<b>EQUITY</b>			
Accumulated Surplus		61,333	54,680
Asset Revaluation Reserves	9	155,509	168,966
Other Reserves	9	3,030	4,382
<b>TOTAL EQUITY</b>		<b>219,872</b>	<b>228,028</b>

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

# CITY OF MOUNT GAMBIER

## STATEMENT OF CHANGES IN EQUITY for the year ended 30 June 2017

	Notes	Accumulated Surplus	Asset Revaluation Reserve	Other Reserves	TOTAL EQUITY
		\$'000	\$'000	\$'000	\$'000
<b>2017</b>					
Balance at end of previous reporting period		54,680	168,966	4,382	228,028
Restated opening balance		54,680	168,966	4,382	228,028
<b>Net Surplus / (Deficit) for Year</b>		5,301			5,301
<b>Other Comprehensive Income</b>					
Gain on revaluation of infrastructure, property, plant & equipment			(13,457)		(13,457)
Transfers between reserves		1,352		(1,352)	-
<b>Balance at end of period</b>		<b>61,333</b>	<b>155,509</b>	<b>3,030</b>	<b>219,872</b>

### 2016

Balance at end of previous reporting period	49,398	165,034	9,149	223,581
Restated opening balance	49,398	165,034	9,149	223,581
<b>Net Surplus / (Deficit) for Year</b>	515			515
<b>Other Comprehensive Income</b>				
Changes in revaluation surplus - infrastructure, property, plant & equipment		3,932		3,932
Transfers between reserves	4,767		(4,767)	-
<b>Balance at end of period</b>	<b>54,680</b>	<b>168,966</b>	<b>4,382</b>	<b>228,028</b>

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

**CITY OF MOUNT GAMBIER**  
**STATEMENT OF CASH FLOWS**  
for the year ended 30 June 2017

	2017	2016
	\$'000	\$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
<u>Receipts</u>		
Rates - general & other	19,682	18,345
Fees & other charges	454	367
User charges	4,752	4,298
Investment receipts	33	33
Grants utilised for operating purposes	5,222	2,419
Reimbursements	216	301
Other revenues	4,034	1,569
<u>Payments</u>		
Employee costs	(10,692)	(9,778)
Materials, contracts & other expenses	(13,711)	(10,766)
Finance payments	(201)	(237)
<b>Net Cash provided by (or used in) Operating Activities</b>	<b>9,789</b>	<b>6,551</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
<u>Receipts</u>		
Amounts specifically for new or upgraded assets	2,189	585
Sale of replaced assets	407	368
Sale of surplus assets	105	-
Repayments of loans by community groups	40	46
<u>Payments</u>		
Expenditure on renewal/replacement of assets	(3,253)	(4,579)
Expenditure on new/upgraded assets	(6,322)	(2,154)
<b>Net Cash provided by (or used in) Investing Activities</b>	<b>(6,834)</b>	<b>(5,734)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
<u>Receipts</u>		
Proceeds from borrowings	-	(839)
<u>Payments</u>		
Repayments of borrowings	(874)	-
<b>Net Cash provided by (or used in) Financing Activities</b>	<b>(874)</b>	<b>(839)</b>
<b>Net Increase (Decrease) in cash held</b>	<b>2,081</b>	<b>(22)</b>
Cash & cash equivalents at beginning of period	10 947	969
<b>Cash &amp; cash equivalents at end of period</b>	<b>10 3,028</b>	<b>947</b>

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

# CITY OF MOUNT GAMBIER

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2017

### Note 1 - SIGNIFICANT ACCOUNTING POLICIES

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

#### 1 Basis of Preparation

##### 1.1 Compliance with Australian Accounting Standards

This general purpose financial report has been prepared in accordance with Australian Accounting Standards 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 17 October 2017.

##### 1.2 Historical Cost Convention

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

##### 1.3 Critical Accounting Estimates

The preparation of financial statements in conformity with Australian Accounting Standards requires the use of certain critical accounting estimates, and requires management to exercise its judgement in applying Council's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are specifically referred to in the relevant sections of this Note.

##### 1.4 Rounding

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

#### 2 The Local Government Reporting Entity

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

#### 3 Income recognition

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

Where grants, contributions and donations recognised as incomes during the reporting period were obtained on the condition that they be expended in a particular manner or used over a particular period, and those conditions were undischarged as at the reporting date, the amounts subject to those undischarged conditions are disclosed in these notes. Also disclosed is the amount of grants, contributions and receivables recognised as incomes in a previous reporting period which were obtained in respect of the Council's operations for the current reporting period.

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



## CITY OF MOUNT GAMBIER

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2017

#### Note 1 - Significant Accounting Policies (cont)

	Cash Payment Received	Annual Allocation		Difference
2014/15	\$3,911,799	\$2,594,677	+	\$1,317,122
2015/16	\$1,435,554	\$2,752,676	-	\$1,317,122
2016/17	\$3,907,937	\$2,580,055	+	\$1,327,882

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

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

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

#### 3.1 Construction Contracts

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

#### 4 Cash, Cash Equivalents and other Financial Instruments

Cash Assets include all amounts readily convertible to cash on hand at Council's option with an insignificant risk of changes in value with a maturity of three months or less from the date of acquisition.

Receivables for rates and annual charges are secured over the subject land, and bear interest at rates determined in accordance with the Local Government Act 1999. Other receivables are generally unsecured and do not bear interest.

All receivables are reviewed as at the reporting date and adequate allowance made for amounts the receipt of which is considered doubtful.

All financial instruments are recognised at fair value at the date of recognition. A detailed statement of the accounting policies applied to financial instruments forms part of Note 12.

#### 5 Inventories

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

#### 6 Infrastructure, Property, Plant & Equipment

##### 6.1 Land under roads

Council has elected not to recognise land under roads acquired prior to 1 July 2008 as an asset in accordance with AASB 1051 Land under Roads. Land under roads acquired after 30 June 2008 has not been recognised as in the opinion of Council it is not possible to reliably attribute a fair value, and further that such value if determined would be immaterial.

##### 6.2 Initial Recognition

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



## **CITY OF MOUNT GAMBIER**

### **NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2017**

#### **Note 1 - Significant Accounting Policies (cont)**

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.

#### **6.3 Materiality**

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

#### **6.4 Subsequent Recognition**

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

#### **6.5 Depreciation of Non-Current Assets**

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

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

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

#### **6.6 Impairment**

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

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

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

## **CITY OF MOUNT GAMBIER**

### **NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2017**

#### **Note 1 - Significant Accounting Policies (cont)**

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

##### **8 Borrowings**

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

##### **9 Employee Benefits**

###### **9.1 Salaries, Wages & Compensated Absences**

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

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

Weighted average discount rate	1.63% (2016, 1.59%)
Weighted average settlement period	1 years (2016, 1 years)

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

Council does make payment for vesting sick leave for AWU employees in accordance with the Enterprise Bargaining Agreement. The vesting sick leave provision has been increased by \$35,000 resulting in a provision totalling \$110,889.94 recorded by Council. Council is incrementally increasing this provision until the maximum vesting sick leave payable in any one year reaches the maximum payable. For the 2016/2017 financial year, the maximum payable totalled \$133,654.41.

###### **9.2 Superannuation**

The Council makes employer superannuation contributions in respect of its employees to the Local Government Superannuation Scheme. The Scheme has two types of membership, each of which is funded differently. No changes in accounting policy have occurred during either the current or previous reporting periods. Details of the accounting policies applied and Council's involvement with the schemes are reported in Note 16.

##### **10 GST Implications**

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

- Receivables and Creditors include GST receivable and payable.



## CITY OF MOUNT GAMBIER

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2017

#### Note 1 - Significant Accounting Policies (cont)

- 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.

#### 11 Pending Accounting Standards

Certain new accounting standards and UIG interpretations have been published that are not mandatory for the 30 June 2017 reporting period and have not been used in preparing these reports.

AASB 7	Financial Instruments – Disclosures
AASB 9	Financial Instruments
AASB 15	Revenue from Contracts with Customers
AASB 17	Leases
AASB 1058	Income of Not-for-Profit Entities

Standards containing consequential amendments to other Standards and Interpretations arising from the above - AASB 2010-7, AASB 2014-1, AASB 2014-3, AASB 2014-4, AASB 2014-5, AASB 2014-6, AASB 2014-7, AASB 2014-8, AASB 2014-9, AASB 2014-10, AASB 2015-1, AASB 2015-2, AASB 2015-3, AASB 2015-4, AASB 2015-5, AASB 2015-6 and AASB 2015-7.

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

*Council is of the view that other than AASB 16 and AASB 1058, none of the above new standards or interpretations will affect any of the amounts recognised in the financial statements, but that they may impact certain information otherwise disclosed.*

Accounting Standard AASB 16 *Leases* may have a material effect on the amounts disclosed in these reports, particularly in relation to Infrastructure, Property, Plant & Equipment, but does not commence until the 2019/20 financial period, and it is not Council's intention to adopt this Standard early.

Accounting Standard AASB 1058 *Income of Not-for-Profit Entities* may have a material effect on the amounts disclosed in these reports, particularly in revenues from grants & subsidies, but does not commence until the 2019/20 financial period, and it is not Council's intention to adopt this Standard early.

# CITY OF MOUNT GAMBIER

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2017

### Note 2 - INCOME

	Notes	2017 \$'000	2016 \$'000
<b>RATES REVENUES</b>			
<u>General Rates</u>		18,755	17,856
Less: Discretionary rebates, remissions & write offs		(197)	(178)
		<u>18,558</u>	<u>17,678</u>
<u>Other Rates</u> (including service charges)			
Natural Resource Management levy		1,038	579
		<u>1,038</u>	<u>579</u>
<u>Other Charges</u>			
Penalties for late payment		76	70
		<u>19,672</u>	<u>18,327</u>
<b>STATUTORY CHARGES</b>			
Development Act fees		88	80
Town planning fees		97	98
Animal registration fees & fines		152	121
Parking fines / expiation fees		32	31
Other licences, fees, & fines		52	10
		<u>421</u>	<u>340</u>
<b>USER CHARGES</b>			
Cemetery/crematoria fees		969	770
Green Waste Collection		460	431
Landfill Charges		1,949	1,430
Hall & equipment hire		334	344
Recycling		131	124
Sales - general		289	374
Bus Ticketing		274	290
Sundry		109	43
		<u>4,515</u>	<u>3,806</u>
<b>INVESTMENT INCOME</b>			
Interest on investments			
Local Government Finance Authority		34	29
Banks & other		1	2
Loans to community groups		-	1
		<u>35</u>	<u>32</u>

# CITY OF MOUNT GAMBIER

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2017

### NOTE 2 - INCOME (continued)

	Notes	2017 \$'000	2016 \$'000
<b>REIMBURSEMENTS</b>			
- for roadworks		44	16
- for private works		98	86
- other		54	172
		<u>196</u>	<u>274</u>
<b>OTHER INCOME</b>			
Insurance & other recoupments - infrastructure, property, plant & equipment		473	241
Donations		28	25
Sundry		149	116
		<u>650</u>	<u>382</u>
<b>GRANTS, SUBSIDIES, CONTRIBUTIONS</b>			
Amounts received specifically for new or upgraded assets		2,189	585
Other grants, subsidies and contributions			
Untied - Financial Assistance Grant		3,908	1,261
Roads to Recovery		763	806
Library & Communications		179	174
Sundry		8	9
		<u>4,858</u>	<u>2,250</u>
		<u>7,047</u>	<u>2,835</u>
<i>The functions to which these grants relate are shown in Note 12.</i>			
<b>Sources of grants</b>			
Commonwealth government		763	806
State government		6,284	2,024
Other		0	5
		<u>7,047</u>	<u>2,835</u>



# CITY OF MOUNT GAMBIER

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2017

### NOTE 2 - INCOME (continued)

	Notes	2017 \$'000	2016 \$'000
<b>Conditions over grants &amp; contributions</b>			
<i>Grants and contributions which were obtained on the condition that they be expended for specified purposes or in a future period, but which are not yet expended in accordance with those conditions, are as follows:</i>			
<i>Unexpended at the close of the previous reporting period</i>			100
<i>Less: expended during the current period from revenues recognised in previous reporting periods</i>			
<i>Railway Lands Artwork</i>		-	(100)
<i>Subtotal</i>		-	(100)
<i>Plus: amounts recognised as revenues in this reporting period but not yet expended in accordance with the conditions</i>			
<i>Bicycle Funding Program</i>		40	-
<i>Salvage Yard</i>		90	-
<i>Subtotal</i>		130	-
<i>Unexpended at the close of this reporting period</i>		130	-
<i>Net increase (decrease) in assets subject to conditions in the current reporting period</i>		130	(100)
<b>PHYSICAL RESOURCES RECEIVED FREE OF CHARGE</b>			
Land & Improvements		127	81
Roads & Footpaths		1,086	523
<b>TOTAL PHYSICAL RESOURCES RECEIVED</b>		<b>1,213</b>	<b>604</b>

# CITY OF MOUNT GAMBIER

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2017

### Note 3 - EXPENSES

	Notes	2017 \$'000	2016 \$'000
<b>EMPLOYEE COSTS</b>			
Salaries and Wages		9,493	8,931
Employee leave expense		146	372
Superannuation - defined contribution plan contributions	16	966	871
Workers' Compensation Insurance		420	263
Other		61	46
Less: Capitalised and distributed costs		(358)	(417)
<b>Total Operating Employee Costs</b>		<b>10,728</b>	<b>10,066</b>
 <b>Total Number of Employees</b>		 <b>123</b>	 <b>120</b>
<i>(Full time equivalent at end of reporting period)</i>			
<b>MATERIALS, CONTRACTS &amp; OTHER EXPENSES</b>			
<u>Prescribed Expenses</u>			
Auditor's Remuneration			
- Auditing the financial reports		21	20
Elected members' expenses		310	311
Election expenses		8	-
Subtotal - Prescribed Expenses		<u>339</u>	<u>331</u>
<u>Other Materials, Contracts &amp; Expenses</u>			
Contractors		3,023	3,044
Contributions / Donations		763	902
<u>Individually Significant Items</u>			
Energy		718	803
Insurance		324	324
Levies paid to government - EPA, ESL & Dog Levies		987	662
- NRM Levy		1,041	578
Materials		1,345	1,791
Training		195	240
Sundry		1,433	280
Subtotal - Other Materials, Contracts & Expenses		<u>9,829</u>	<u>8,624</u>
		<u>10,168</u>	<u>8,955</u>

# CITY OF MOUNT GAMBIER

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2017

### Note 3 - EXPENSES (cont)

	Notes	2017 \$'000	2016 \$'000
<b>DEPRECIATION, AMORTISATION &amp; IMPAIRMENT</b>			
<b>Depreciation</b>			
Land		-	-
Buildings & Other Structures		2,873	2,999
<b>Infrastructure</b>			
- Waste Management		581	-
- Stormwater Drainage		99	108
- Bridges		3	3
- Footpaths		263	254
- Pavement		699	731
- Seals		1,054	1,205
- Kerb & Channel		406	353
- Carparks		248	-
Plant & Equipment		699	674
Office Equipment		143	131
Riddoch Collection		-	-
Other		263	246
		<u>7,331</u>	<u>6,704</u>
<b>FINANCE COSTS</b>			
Interest on overdraft and short-term drawdown		19	35
Interest on Loans		182	201
Unwinding of present value discounts		68	-
		<u>269</u>	<u>236</u>

# CITY OF MOUNT GAMBIER

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2017

### Note 4 - GAIN (LOSS) ON ASSET DISPOSAL

	Notes	2017 \$'000	2016 \$'000
<b>INFRASTRUCTURE, PROPERTY, PLANT &amp; EQUIPMENT</b>			
<i>Assets renewed or directly replaced</i>			
Proceeds from disposal		407	368
Less: Carrying amount of assets sold		403	492
<b>Gain (Loss) on disposal</b>		<b>4</b>	<b>(124)</b>
<i>Assets surplus to requirements</i>			
Proceeds from disposal		105	-
Less: Carrying amount of assets sold		61	-
<b>Gain (Loss) on disposal</b>		<b>44</b>	<b>-</b>
<b>NET GAIN (LOSS) ON DISPOSAL OR REVALUATION OF ASSETS</b>		<b>48</b>	<b>(124)</b>

# CITY OF MOUNT GAMBIER

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2017

### Note 5 - CURRENT ASSETS

	Notes	2017 \$'000	2016 \$'000
<b>CASH &amp; EQUIVALENT ASSETS</b>			
Cash on Hand and at Bank		152	63
Deposits at Call		2,876	928
		<u>3,028</u>	<u>991</u>
<b>TRADE &amp; OTHER RECEIVABLES</b>			
Rates - General & Other		433	443
Accrued Revenues		6	4
Debtors - general		761	646
GST Recoupment		141	45
Loans to community organisations		33	40
Total		<u>1,374</u>	<u>1,178</u>
Less: Allowance for Doubtful Debts		20	20
		<u>1,354</u>	<u>1,158</u>
<b>INVENTORIES</b>			
Stores & Materials		18	20
Trading Stock		14	19
		<u>32</u>	<u>39</u>

*Aggregate write-downs and other losses recognised as an expense, and reversals of these, were not material in amount in either year. All such reversals occurred principally as a result of clerical inaccuracies during stores operations.*



# CITY OF MOUNT GAMBIER

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2017

### Note 6 - NON-CURRENT ASSETS

	2017	2016
	\$'000	\$'000
<b>FINANCIAL ASSETS</b>		
Receivables		
Loans to community organisations	35	68
<b>TOTAL FINANCIAL ASSETS</b>	<u>35</u>	<u>68</u>

# CITY OF MOUNT GAMBIER

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2017

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

	Fair Value Level	2016 \$'000				2017 \$'000			
		AT FAIR VALUE	AT COST	ACCUM DEP'N	CARRYING AMOUNT	AT FAIR VALUE	AT COST	ACCUM DEP'N	CARRYING AMOUNT
Land	2	7,371	-	-	7,371	10,199	-	-	10,199
Land	3	34,246	-	-	34,246	41,453	128	-	41,581
Buildings & Other Structures	2	58,820	799	(7,734)	51,885	1,388	9	(58)	1,339
Buildings & Other Structures	3	68,085	768	(32,733)	36,120	98,067	1,123	(32,562)	66,628
Infrastructure		-	-	-	-	-	-	-	-
- Waste Management	3	4,622	254	(891)	3,985	7,678	1,169	(5,446)	3,401
- Stormwater Drainage	3	6,928	60	(2,126)	4,862	6,953	96	(1,887)	5,162
- Bridges	3	164	-	(67)	97	164	-	(70)	94
- Footpaths	3	14,726	912	(2,171)	13,467	14,755	1,247	(2,348)	13,654
- Pavement	3	45,614	2,063	(11,825)	35,852	45,660	1,412	(11,912)	35,160
- Seals	3	25,834	665	(7,723)	18,776	16,871	823	(4,953)	12,741
- Kerb & Channel	3	26,943	166	(6,242)	20,867	28,467	4	(7,180)	21,291
- Carparks	3	-	-	-	-	9,955	29	(2,299)	7,685
Plant & Equipment		-	6,523	(1,618)	4,905	-	7,030	(1,909)	5,121
Office Equipment		-	1,829	(1,354)	475	-	1,909	(1,490)	419
Riddoch Collection		-	-	-	-	-	2,059	-	2,059
Other		-	2,458	(944)	1,514	-	2,944	(1,221)	1,723
<b>TOTAL INFRASTRUCTURE, PROPERTY, PLANT &amp; EQUIPMENT</b>		<b>293,353</b>	<b>16,497</b>	<b>(75,428)</b>	<b>234,422</b>	<b>281,610</b>	<b>19,982</b>	<b>(73,335)</b>	<b>228,257</b>
<b>Comparatives</b>		<b>295,748</b>	<b>2,430</b>	<b>(67,829)</b>	<b>230,349</b>	<b>293,353</b>	<b>16,497</b>	<b>(75,428)</b>	<b>234,422</b>

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 2017

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

	2016	CARRYING AMOUNT MOVEMENTS DURING YEAR								2017
	\$'000	\$'000								\$'000
	CARRYING AMOUNT	Additions		Disposals	Depreciation	Impairment	Transfers		Net Revaluation	
		New/Upgrade	Renewals				In	Out		
Land	7,371	-	-	-	-	-	-	-	2,828	
Land	34,246	222	-	-	-	-	-	-	7,113	
Buildings & Other Structures	51,885	9	-	-	(41)	-	-	(51,187)	673	
Buildings & Other Structures	36,120	475	648	-	(2,832)	-	51,187	(485)	1,339	
Infrastructure	-	-	-	-	-	-	-	-	(18,485)	
- Waste Management	3,985	5,469	-	-	(581)	-	-	-	-	
- Stormwater Drainage	4,862	54	42	-	(99)	-	-	-	(5,472)	
- Bridges	97	-	-	-	(3)	-	-	-	303	
- Footpaths	13,467	686	698	-	(263)	-	-	-	-	
- Pavement	35,852	741	1,061	-	(699)	-	-	-	(934)	
- Seals	18,776	496	490	-	(1,054)	-	-	(7,206)	(1,795)	
- Kerb & Channel	20,867	265	3	-	(406)	-	-	-	1,239	
- Carparks	-	-	30	-	(248)	-	7,392	-	562	
Plant & Equipment	4,905	42	1,337	(464)	(699)	-	-	-	511	
Office Equipment	475	70	17	-	(143)	-	-	-	-	
Riddoch Collection	-	2,059	-	-	-	-	-	-	-	
Other	1,514	33	140	-	(263)	-	299	-	-	
TOTAL INFRASTRUCTURE, PROPERTY, PLANT & EQUIPMENT	234,422	10,621	4,466	(464)	(7,331)	-	58,878	(58,878)	(13,457)	
Comparatives	230,349	2,154	5,183	(492)	(6,704)	-	-	-	3,932	

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 2017

### Note 7 (cont) – 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 are recorded per the Valuer General's annual valuation listing.

*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.

*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	\$1,000
Buildings - new construction/extensions	\$10,000
Park & Playground Furniture & Equipment	\$2,000
Road construction & reconstruction	\$10,000
Paving & footpaths, Kerb & Gutter	\$2,000
Drains & Culverts	\$5,000
Reticulation extensions	\$5,000



## CITY OF MOUNT GAMBIER

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2017

#### Note 7 – Property, Plant & Equipment (cont)

Sidelines & household connections	\$5,000
Artworks	\$5,000

*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:

Plant, Furniture & Equipment	
Office Equipment	5 to 10 years
Office Furniture	10 to 20 years
Vehicles and Road-making Equip	5 to 8 years
Other Plant & Equipment	5 to 15 years
Building & Other Structures	
Buildings – masonry	50 to 100 years
Buildings – other construction	20 to 40 years
Park Structures – masonry	50 to 100 years
Park Structures – other construction	20 to 40 years
Playground equipment	5 to 15 years
Benches, seats, etc	10 to 20 years
Infrastructure	
Sealed Roads – Surface	15 to 25 years
Sealed Roads – Structure	20 to 50 years
Unsealed Roads	10 to 20 years
Bridges – Concrete	80 to 100 years
Paving & Footpaths, Kerb & Gutter	80 to 100 years
Drains	80 to 100 years
Culverts	50 to 75 years
Flood Control Structures	80 to 100 years
Dams and Reservoirs	80 to 100 years
Bores	20 to 40 years
Reticulation Pipes – PVC	70 to 80 years
Reticulation Pipes – other	25 to 75 years
Pumps & Telemetry	15 to 25 years
Landfill Assets	1 to 75 years
Other Assets	
Library Books	10 to 15 years
Artworks	indefinite

#### 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 improvements, including bulk earthworks with an assessed unlimited useful life, are recognised on the cost basis, originally deriving from a valuation at 30 June 1997 at current replacement cost. Additions are recognised at cost.

#### Buildings & Other Structures

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

#### Infrastructure

Transportation assets were valued by Council officers at depreciated current replacement cost during the reporting period ended 30 June 2016, based on actual costs incurred during the reporting periods ended 30 June 2016. All acquisitions made after the respective dates of valuation are recorded at cost.

Stormwater drainage infrastructure was valued by Council officers as at 30 June 2017 at depreciated current replacement cost, based on actual costs incurred during the reporting period ended 30 June 2017. All acquisitions made after the respective dates of valuation are recorded at cost.



## **CITY OF MOUNT GAMBIER**

### **NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2017**

#### **Note 7 – Property, Plant & Equipment (cont)**

Landfill remediation and cell development assets are amortised on a consumption basis over the individual landfill cell's capacity to receive waste. Council has altered its accounting treatment for the costs associated with capping a cell. At the time of construction of a cell, Council will increase the cost of the cell by the present value of estimated costs to cap and close the cell. This estimate is offset by recognition of a provision. This recognition of the capping costs are amortised in line with the consumption of airspace used in the cell in any one year.

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

These assets are recognised on the cost basis.

#### **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 2017

### Note 8 - LIABILITIES

		2017 \$'000		2016 \$'000	
	Notes	Current	Non-current	Current	Non-current
<b>TRADE &amp; OTHER PAYABLES</b>					
Goods & Services		2,066	-	1,391	-
Payments received in advance		163	-	263	-
Accrued expenses - employee entitlements		292	-	132	-
Accrued expenses - other		9	-	9	-
Deposits, Retentions & Bonds		249	-	193	-
Other		172	-	104	-
		<u>2,951</u>	<u>-</u>	<u>2,092</u>	<u>-</u>
<b>BORROWINGS</b>					
Bank Overdraft		-	-	44	-
Loans		206	2,790	195	3,675
		<u>206</u>	<u>2,790</u>	<u>239</u>	<u>3,675</u>
<b>PROVISIONS</b>					
Employee entitlements (including oncosts)		2,288	232	2,435	209
Future reinstatement / restoration, etc		1,000	3,367	-	-
		<u>3,288</u>	<u>3,599</u>	<u>2,435</u>	<u>209</u>

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

Council has recently reviewed and improved data collection from carrying out it's Landfill operations. Due to this, Council has for the first time recognised a future reinstatement provision for capping and restoration costs associated with operating the Landfill. This provision should have been incorporated in a prior accounting period. The prior period errors have been adjusted through the revaluation reserve.

# CITY OF MOUNT GAMBIER

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2017

### Note 9 - RESERVES

ASSET REVALUATION RESERVE	1/7/2016	Net Increments (Decrements)	Transfers, Impairments	30/6/2017
Notes	\$'000	\$'000	\$'000	\$'000
Land	31,370	9,941	-	41,311
Buildings & Structures	75,418	(17,812 )	-	57,606
Infrastructure	57,758	(5,586 )	-	52,172
Plant & Equipment	769	-	-	769
Minor Plant	34	-	-	34
Other	3,617	-	-	3,617
<b>TOTAL</b>	<b>168,966</b>	<b>(13,457 )</b>		<b>155,509</b>
<i>Comparatives</i>	<i>165,034</i>	<i>3,932</i>		<i>168,966</i>

OTHER RESERVES	1/7/2016	Transfers to Reserve	Transfers from Reserve	30/6/2017
Long Service Leave	724	-	-	724
Downstream Drainage	264	95	(140 )	219
Work in Progress	2,640	1,314	(2,640 )	1,314
Mount Gambier Cemetery Trust	685	11	-	696
Junior Sporting Assistance Fund	69	8	-	77
<b>TOTAL OTHER RESERVES</b>	<b>4,382</b>	<b>1,428</b>	<b>(2,780 )</b>	<b>3,030</b>
<i>Comparatives</i>	<i>9,149</i>	<i>2,752</i>	<i>(7,519 )</i>	<i>4,382</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).

\* \$5.472m of this net decrement relates to prior period error.

#### Other Reserves

##### Long Service Leave

Established to fund City of Mount Gambier employee long service leave entitlements.

Ongoing Reserve Fund.

Transfers from the Fund are made as required.

Transfers to the Fund include Council budgetary allocations, interest received and funds from other employers in respect of transferred employees.

##### Downstream Drainage

Funds contributed by developers and held by Council to complete drainage obligations.

Ongoing Reserve Fund.

Transfers from the Fund are made as and when required.

Transfers to the Fund are developer contributions and interest received.

##### Work in Progress

Established to fund Council works and projects that are carried over from one budgetary year to the next.

Ongoing Reserve Fund.

Transfers from the Fund are made as and when required with works and projects normally completed in the year following.

Transfers to the Fund include funds for work and projects that have been allocated in one budget year but not completed in that year.

Mount Gambier Cemetery Trust

Established to fund any development works or projects that may be required at the Carinya Gardens Cemetery and Crematorium.

Ongoing Reserve Fund.

Transfers from the Fund are made as and when required.

Transfers to the Fund include Cemetery Trust budgetary allocations and interest received.

Junior Sporting Fund

Established to fund the operations of the Mount Gambier Junior Sporting Fund.

Ongoing Reserve Fund.

# CITY OF MOUNT GAMBIER

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2017

### Note 10 - RECONCILIATION TO CASH FLOW STATEMENT

#### (a) Reconciliation of Cash

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

	Notes	2017 \$'000	2016 \$'000
Total cash & equivalent assets	5	3,028	991
Less: Short-term borrowings	8	-	(44)
Balances per Cash Flow Statement		<u>3,028</u>	<u>947</u>

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

Net Surplus (Deficit)		5,301	515
Non-cash items in Income Statement			
Depreciation, amortisation & impairment		7,331	6,704
Net increase (decrease) in unpaid employee benefits		36	288
Premiums & discounts recognised & unwound		68	-
Non-cash asset acquisitions		(1,213)	(604)
Grants for capital acquisitions treated as Investing Activity		(2,189)	(585)
Net (Gain) Loss on Disposals		<u>(48)</u>	<u>124</u>
		9,286	6,442
Add (Less): Changes in Net Current Assets			
Net (increase) decrease in receivables		(203)	404
Net (increase) decrease in inventories		7	1
Net increase (decrease) in trade & other payables		<u>699</u>	<u>(296)</u>
Net Cash provided by (or used in) operations		<u>9,789</u>	<u>6,551</u>

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

Acquisition of assets by means of:

- Physical resources received free of charge	2	<u>1,213</u>	<u>604</u>
		<u>1,213</u>	<u>604</u>

#### (d) Financing Arrangements

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

Bank Overdrafts	250	250
Corporate Credit Cards	29	21
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 2017

### 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)
	ACTUAL	ACTUAL	ACTUAL	ACTUAL	ACTUAL	ACTUAL	2017	2016	
	2017	2016	2017	2016	2017	2016	\$'000	\$'000	2017
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000			\$'000
Administration / Support Services	23,580	19,492	6,724	5,347	16,856	14,145	3,908	1,261	12,846
Community Support	1,111	117	2,113	2,207	(1,002)	(2,090)	4	10	10,198
Culture	549	555	3,402	2,898	(2,853)	(2,343)	179	278	37,801
Economic Development	317	365	1,977	1,625	(1,660)	(1,260)	-	-	4,735
Environment	2,892	2,318	5,315	3,740	(2,423)	(1,422)	4	-	11,179
Recreation	73	116	2,837	2,586	(2,764)	(2,470)	-	300	54,361
Regulatory Services	430	398	1,036	1,157	(606)	(759)	-	-	-
Transport	807	1,646	3,439	3,247	(2,632)	(1,601)	763	-	90,662
Engineering / Indirect	-	-	1,230	2,331	(1,230)	(2,331)	-	981	7,524
Unclassified Activities	588	404	423	823	165	(419)	-	-	3,400
<b>TOTALS</b>	<b>30,347</b>	<b>25,411</b>	<b>28,496</b>	<b>25,961</b>	<b>1,851</b>	<b>(550)</b>	<b>4,858</b>	<b>2,830</b>	<b>232,706</b>
									<b>236,678</b>

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

# CITY OF MOUNT GAMBIER

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2017

### Note 11 (cont) - COMPONENTS OF FUNCTIONS

The activities relating to Council functions are as follows:

#### **Business Undertakings**

Private Works and Landfill Facility.

#### **Community Services**

Public Order and Safety, Crime Prevention, Emergency Services, Other Fire Protection, Other Public Order and Safety, Health Services, Pest Control – Health, Immunisation, Preventive Health Services, Other Health Services, Community Support, Senior Citizens Facilities, Children and Youth Services, Community Assistance, Other Community Support, Community Amenities, Bus Shelters, Cemeteries / Crematoria, Public Conveniences, Car Parking – non-fee-paying, and Other Community Amenities.

#### **Culture**

Library Services, Other Library Services, Cultural Services, Cultural Venues, Heritage, Museums and Art Galleries, and Other Cultural Services.

#### **Economic Development**

Regional Development, Tourism, Visitor Information and Other Economic Development.

#### **Environment**

Animal/Plant Boards, Waste Management, Domestic Waste, Green Waste, Recycling, Transfer Station, Other Waste Management, Other Environment, Stormwater and Drainage, Street Cleaning, Street Lighting, Streetscaping, Natural Resource Management Levy, and Other Environment.

#### **Recreation**

Parks and Gardens, Sports Facilities – Indoor, Sports Facilities – Outdoor, Swimming Centres – Outdoor, and Other Recreation.

#### **Regulatory Services**

Dog and Cat Control, Building Control, Town Planning, Clean Air/Pollution Control, Litter Control, Health Inspection, Parking Control, and Other Regulatory Services.

#### **Transport**

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

#### **Unclassified Activities**

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

#### **Council Administration**

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

## CITY OF MOUNT GAMBIER

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2017

#### Note 12 - FINANCIAL INSTRUMENTS

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

##### Accounting Policies - Recognised Financial Instruments

<b>Bank, Deposits at Call, Short Term Deposits</b>	<p><b>Accounting Policy:</b> Carried at lower of cost and net realisable value; Interest is recognised when earned.</p> <p><b>Terms &amp; conditions:</b> Deposits are returning fixed interest rates between 1.5% and 2.15% (2016: 2.15% and 2.35%). Short term deposits have an average maturity of 1 days and an average interest rates of 1.5% (2016: 1days, 2.00%).</p> <p><b>Carrying amount:</b> approximates fair value due to the short term to maturity.</p>
<b>Receivables - Rates &amp; Associated Charges (including legals &amp; penalties for late payment)</b> Note: These receivables do not meet the definition of "financial instruments" and have been excluded from the following disclosures.	<p><b>Accounting Policy:</b> Carried at nominal values less any allowance for doubtful debts. An allowance for doubtful debts is recognised (and re-assessed annually) when collection in full is no longer probable.</p> <p><b>Terms &amp; conditions:</b> Secured over the subject land, arrears attract interest of 0.583% (2016: 0.604%) Although Council is not materially exposed to any individual debtor, credit risk exposure is concentrated within the Council's boundaries in the State.</p> <p><b>Carrying amount:</b> approximates fair value (after deduction of any allowance).</p>
<b>Receivables - Fees &amp; other charges</b>	<p><b>Accounting Policy:</b> Carried at nominal values less any allowance for doubtful debts. An allowance for doubtful debts is recognised (and re-assessed annually) when collection in full is no longer probable.</p> <p><b>Terms &amp; conditions:</b> 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.</p> <p><b>Carrying amount:</b> approximates fair value (after deduction of any allowance).</p>
<b>Receivables - other levels of government</b>	<p><b>Accounting Policy:</b> Carried at nominal value.</p> <p><b>Terms &amp; conditions:</b> Amounts due have been calculated in accordance with the terms and conditions of the respective programs following advice of approvals, and do not bear interest. All amounts are due by Departments and Agencies of State and Federal Governments.</p> <p><b>Carrying amount:</b> approximates fair value.</p>
<b>Receivables - Retirement Home Contributions</b>	<p><b>Accounting Policy:</b> Carried at nominal values less any allowance for doubtful debts. An allowance for doubtful debts is recognised (and re-assessed annually) when collection in full is no longer probable.</p> <p><b>Terms &amp; conditions:</b> Amounts due have been calculated in accordance with the terms and conditions of the respective legislation.</p> <p><b>Carrying amount:</b> approximates fair value (after deduction of any allowance).</p>
<b>Liabilities - Creditors and Accruals</b>	<p><b>Accounting Policy:</b> Liabilities are recognised for amounts to be paid in the future for goods and services received, whether or not billed to the Council.</p> <p><b>Terms &amp; conditions:</b> Liabilities are normally settled on 30 day terms or in line with the specific</p> <p><b>Carrying amount:</b> approximates fair value.</p>
<b>Liabilities - Retirement Home Contributions</b>	<p><b>Accounting Policy:</b> To avoid inconvenience when complying with the separate audit requirements imposed by the relevant legislation, amounts are carried at nominal values.</p> <p><b>Terms &amp; conditions:</b> Pursuant to Commonwealth legislation certain intending residents are required to contribute amounts on an interest free basis. The amounts are subject to certain deductions as prescribed by the legislation, the balance being repaid on termination of tenancy.</p> <p><b>Carrying amount:</b> approximates fair value for short tenancies; may be non-materially over-stated for longer tenancies.</p>
<b>Liabilities - Interest Bearing Borrowings</b>	<p><b>Accounting Policy:</b> Carried at the principal amounts. Interest is charged as an expense as it accrues.</p> <p><b>Terms &amp; conditions:</b> secured over future revenues, borrowings are repayable (2 repayments per year with fixed terms of between 10-15 years); interest is charged at fixed (or variable 3.75% as at 30 June 2017) rates between 5.05% and 5.97% (2016: 5.05% and 5.97%).</p> <p><b>Carrying amount:</b> approximates fair value.</p>
<b>Liabilities - Finance Leases</b>	<p><b>Accounting Policy:</b> accounted for in accordance with AASB 117.</p>

## CITY OF MOUNT GAMBIER

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2017

#### Note 12 (cont) - FINANCIAL INSTRUMENTS

##### Liquidity Analysis

2017	Due < 1 year	Due > 1 year; ≤ 5 years	Due > 5 years	Total Contractual Cash Flows	Carrying Values
	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Financial Assets</b>					
Cash & Equivalents	3,028	-	-	3,028	3,028
Receivables	767	-	-	767	767
Other Financial Assets	33	35	-	68	68
<b>Total</b>	<b>3,828</b>	<b>35</b>	<b>-</b>	<b>3,863</b>	<b>3,863</b>
<b>Financial Liabilities</b>					
Payables	2,605	-	-	2,605	2,605
Current Borrowings	206	-	-	206	206
Non-Current Borrowings	-	838	1,952	2,790	2,790
<b>Total</b>	<b>2,811</b>	<b>838</b>	<b>1,952</b>	<b>5,601</b>	<b>5,601</b>

2016	Due < 1 year	Due > 1 year; ≤ 5 years	Due > 5 years	Total Contractual Cash Flows	Carrying Values
	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Financial Assets</b>					
Cash & Equivalents	991	-	-	991	991
Receivables	650	-	-	650	650
Other Financial Assets	40	68	-	108	108
<b>Total</b>	<b>1,681</b>	<b>68</b>	<b>-</b>	<b>1,749</b>	<b>1,749</b>
<b>Financial Liabilities</b>					
Payables	1,951	-	-	1,951	1,951
Current Borrowings	239	-	-	239	239
Non-Current Borrowings	-	825	2,850	3,675	3,675
<b>Total</b>	<b>2,190</b>	<b>825</b>	<b>2,850</b>	<b>5,865</b>	<b>5,865</b>

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

	30 June 2017		30 June 2016	
	Weighted Average Interest Rate	Carrying Value	Weighted Average Interest Rate	Carrying Value
	%	\$'000	%	\$'000
Overdraft	3.03	-	3.03	44
Other Variable Rates	3.84	-	4.19	679
Fixed Interest Rates	5.51	2,996	5.51	3,191
		<u>2,996</u>		<u>3,914</u>

#### Net Fair Value

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

#### Risk Exposures

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

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

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

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



# CITY OF MOUNT GAMBIER

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2017

### Note 13 - FINANCIAL INDICATORS

	2017	2016	2015
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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. Detailed methods of calculation are set out in the SA Model Statements.

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

#### Operating Surplus Ratio

<u>Operating Surplus</u>	6.0%	(2.0%)	4.0%
Total Operating Revenue			

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

#### Adjusted Operating Surplus Ratio

	2.0%	3.0%	(1.0%)
--	------	------	--------

*In recent years the Federal Government has made advance payments prior to 30th June from future year allocations of financial assistance grants, as explained in Note 1. The **Adjusted Operating Surplus Ratio** adjusts for the resulting distortion in the disclosed operating result for each year.*

#### Net Financial Liabilities Ratio

<u>Net Financial Liabilities</u>	28%	25%	26%
Total Operating Revenue			

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

#### Asset Sustainability Ratio

<u>Net Asset Renewals</u>	62%	57%	53%
Infrastructure & Asset Management Plan required expenditure			

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



# CITY OF MOUNT GAMBIER

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2017

### Note 14 - UNIFORM PRESENTATION OF FINANCES

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

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

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

	2017 \$'000	2016 \$'000
Income	30,347	25,411
less Expenses	<u>28,496</u>	<u>25,961</u>
<b>Operating Surplus / (Deficit)</b>	<b>1,851</b>	<b>(550)</b>
<b>less Net Outlays on Existing Assets</b>		
Capital Expenditure on renewal and replacement of Existing Assets	3,253	4,579
Depreciation, Amortisation and Impairment	(7,331)	(6,704)
Proceeds from Sale of Replaced Assets	<u>(407)</u>	<u>(368)</u>
	<b>(4,485)</b>	<b>(2,493)</b>
<b>less Net Outlays on New and Upgraded Assets</b>		
Capital Expenditure on New and Upgraded Assets (including investment property & real estate developments)	6,322	2,154
Amounts received specifically for New and Upgraded Assets	(2,189)	(585)
Proceeds from Sale of Surplus Assets (including investment property and real estate developments)	<u>(105)</u>	<u>-</u>
	<b>4,028</b>	<b>1,569</b>
<b>Net Lending / (Borrowing) for Financial Year</b>	<b>2,308</b>	<b>374</b>

## CITY OF MOUNT GAMBIER

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2017

#### Note 15 - OPERATING LEASES

##### *Lease payment commitments of Council*

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

Contingent rental payments exist in relation to the lease of one grader if utilisation exceeds 250 hours during any month. No contingent rentals were paid during the current or previous reporting periods.

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

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

No lease contains any escalation clause.

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

	2017 \$'000	2016 \$'000
Not later than one year	86	86
Later than one year and not later than 5 years	45	102
Later than 5 years	-	-
	<u>131</u>	<u>188</u>

# **CITY OF MOUNT GAMBIER**

## **NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2017**

### **Note 16 – SUPERANNUATION**

The Council makes employer superannuation contributions in respect of its employees to 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 2016/17; 9.50% in 2015/16) and enterprise bargaining agreement (1% in 2016/17; 1% in 2015/16). 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 2015/16) 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, A C Miller, FIAA, of Russell Employee Benefits Pty Ltd as at 30 June 2014. 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 2017**

### **Note 17 - CONTINGENCIES & ASSETS & LIABILITIES NOT RECOGNISED IN THE BALANCE SHEET**

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

**1. LAND UNDER ROADS**

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

At reporting date, Council controlled 227.5 km 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 \$110,000 (2016: \$210,000) at reporting date.

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

**4. LEGAL EXPENSES**

Council is the planning consent authority for its area under the Development Act 1993 (as amended). Pursuant to that Act, certain persons aggrieved by a planning decision of the Council may appeal. It is normal practice that parties bear their own legal costs. At the date of these reports, Council 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.



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David Sullivan CPA  
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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 2017, 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 2017, and its financial performance and its cash flows for the year then ended in accordance with the Australian Accounting Standards, Local Government Act 1999 and Local Government (Financial Management) Regulations 2011.

#### Basis for Opinion

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

#### Council's Responsibility for the Financial Report

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

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



### **Auditor's Responsibility for the Audit of the Financial Report**

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

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

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

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

### **GALPINS ACCOUNTANTS, AUDITORS & BUSINESS CONSULTANTS**



**Tim Muhlhausler** CA Registered Company Auditor  
Partner

26 / 10 / 2017



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Simon Smith FCPA  
David Sullivan CPA  
Jason Seidel CA  
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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 2016 to 30 June 2017 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 2016 to 30 June 2017.

#### Basis for Opinion

We conducted our engagement in accordance with applicable Australian Standards on Assurance Engagements ASAE 3100 *Compliance Engagements*, 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 2016 to 30 June 2017. ASAE 3100 also requires us to comply with the relevant ethical requirements of the Australian professional accounting bodies.

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

#### The Council's Responsibility for Internal controls

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

#### Our Independence and Quality Control

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

**Auditor's responsibility**

Our responsibility is to express an opinion on the Council's compliance with Section 125 of the Local Government Act 1999 in relation only to the Internal Controls established by the Council to ensure that financial transactions relating to the receipt, expenditure and investment of money, acquisition and disposal of property and incurring of liabilities, based on our procedures. Our engagement has been conducted in accordance with applicable Australian Standards on Assurance Engagements ASAE 3100 Compliance Engagements, 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 2016 to 30 June 2017. ASAE 3100 also requires us to comply with the relevant ethical requirements of the Australian professional accounting bodies.

Our procedures included obtaining an understanding of controls in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities, evaluating management's assessment of these controls, assessing the risk that a material weakness exists, and testing and evaluating the design and implementation of controls on a sample basis based on the assessed risks.

**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

26 / 10 / 2017



## CITY OF MOUNT GAMBIER

### ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2017

#### 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 2017, the Council's Auditor, Galpins Accountants, Auditors & Business Consultants., has maintained its independence in accordance with the requirements of the *Local Government Act 1999* and the *Local Government (Financial Management) Regulations 2011* made under that Act.

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



.....  
Mark McShane  
CHIEF EXECUTIVE OFFICER



.....  
Cr Sonya Meziniec  
ACTING PRESIDING MEMBER  
AUDIT COMMITTEE

Date: 23/10/2017.

# CITY OF MOUNT GAMBIER

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2017

### Note 18 - RELATED PARTY DISCLOSURES

#### KEY MANAGEMENT PERSONNEL

The Key Management Personnel of the Council include the Mayor, Councillors, CEO and certain prescribed officers under section 112 of the Local Government Act 1999. In all, 18 persons were paid the following total compensation:

	2017 \$'000
Salaries, allowances & other short term benefits	1,194
Post-employment benefits	-
Long term benefits	27
Termination benefits	-
<b>TOTAL</b>	<b>1,221</b>

Other than amounts paid as ratepayers or residents (e.g. rates, swimming pool entry fees, etc.), Council received the following amounts in total:

	2017 \$'000
Contributions for fringe benefits tax purposes	-
Planning and building applications fees	-
Rentals for Council property	-
<b>TOTAL</b>	<b>-</b>

#### PARTIES RELATED TO KEY MANAGEMENT PERSONNEL

KMP and relatives of KMPs 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 \$600 during the year.

One Key management personnel or close family member (including related parties) lodged a planning application during the year. No fees were applicable to Council due to the nature of the application. The application remains to be finalised at the end of the year.

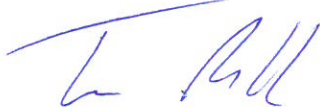


**CITY OF MOUNT GAMBIER**  
**ANNUAL FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 June 2017**

**STATEMENT BY AUDITOR**

I confirm that, for the audit of the financial statements of City of Mount Gambier for the year ended 30 June 2017, I have maintained my independence in accordance with the requirements of APES 110 – Code of Ethics for Professional Accountants, Section 290, published by the Accounting Professional and Ethical Standards Board, in accordance with the *Local Government Act 1999 and the Local Government (Financial Management) Regulations 2011* made under that Act.

This statement is prepared in accordance with the requirements of Regulation 22 (5) *Local Government (Financial Management) Regulations 2011*.



**Tim Muhlhausler**

**Galpins, Accountants, Auditors & Business Consultants**

Dated 26 / 10 / 2017



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