



City of
Mount Gambier



Financial Statements

2015/2016

CITY OF MOUNT GAMBIER

General Purpose Financial Reports for the year ended 30 June 2016

TABLE OF CONTENTS

	<u>Page</u>
Council Certificate	1
Principal Financial Statements	
Statement of Comprehensive Income	2
Statement of Financial Position	3
Statement of Changes in Equity	4
Statement of Cash Flows	5
 Notes to, and forming part of, the Principal Financial Statements	
Note 1 - Significant Accounting Policies	N1
Note 2 - Income	N6
Note 3 - Expenses	N9
Note 4 - Asset Disposal & Fair Value Adjustments	N11
Note 5 - Current Assets	N12
Note 6 - Non-Current Assets	N13
Note 7 - Infrastructure, Property, Plant & Equipment	N14
Note 8 - Liabilities	N19
Note 9 - Reserves	N20
Note 10 - Reconciliation of Cash Flow Statement	N23
Note 11 - Functions	N24
Note 12 - Financial Instruments	N26
Note 13 - Financial Indicators	N28
Note 14 - Uniform Presentation of Finances	N29
Note 15 - Operating Leases	N30
Note 16 - Superannuation	N31
Note 17 - Assets & Liabilities not Recognised	N32
 Audit Report - Financial Statements	
Audit Report - Internal Controls	
Council Certificate of Audit Independence	
Audit Certificate of Audit Independence	

CITY OF MOUNT GAMBIER

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2016

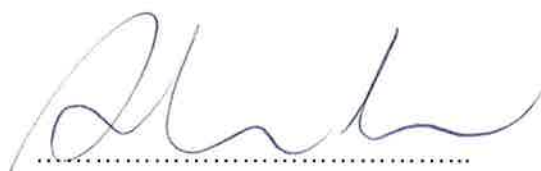
CERTIFICATION OF FINANCIAL STATEMENTS

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 2016 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: 6 December 2016

CITY OF MOUNT GAMBIER

STATEMENT OF COMPREHENSIVE INCOME for the year ended 30 June 2016

	Notes	2016 \$'000	2015 \$'000
INCOME			
Rates	2	18,327	17,641
Statutory charges	2	340	417
User charges	2	3,806	3,706
Grants, subsidies and contributions	2	2,250	3,604
Investment income	2	32	29
Reimbursements	2	274	350
Other income	2	382	363
Total Income		25,411	26,110
EXPENSES			
Employee costs	3	10,066	9,197
Materials, contracts & other expenses	3	8,955	8,920
Depreciation, amortisation & impairment	3	6,704	6,649
Finance costs	3	236	299
Total Expenses		25,961	25,065
OPERATING SURPLUS / (DEFICIT)		(550)	1,045
Asset disposal & fair value adjustments	4	(124)	58
Amounts received specifically for new or upgraded assets	2	585	796
Physical resources received free of charge	2	604	-
NET SURPLUS / (DEFICIT)		515	1,899
transferred to Equity Statement			
Other Comprehensive Income			
<i>Amounts which will not be reclassified subsequently to operating result</i>			
Changes in revaluation surplus - infrastructure, property, plant & equipment	9	3,932	33,460
Total Other Comprehensive Income		3,932	33,460
TOTAL COMPREHENSIVE INCOME		4,447	35,359

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

CITY OF MOUNT GAMBIER

STATEMENT OF FINANCIAL POSITION as at 30 June 2016

ASSETS	Notes	2016 \$'000	2015 \$'000
Current Assets			
Cash and cash equivalents	5	991	969
Trade & other receivables	5	1,158	1,568
Inventories	5	39	40
Total Current Assets		<u>2,188</u>	<u>2,577</u>
Non-current Assets			
Financial assets	6	68	108
Infrastructure, property, plant & equipment	7	234,422	230,349
Total Non-current Assets		<u>234,490</u>	<u>230,457</u>
Total Assets		<u>236,678</u>	<u>233,034</u>
LIABILITIES			
Current Liabilities			
Trade & other payables	8	2,092	2,436
Borrowings	8	239	184
Provisions	8	2,435	2,076
Total Current Liabilities		<u>4,766</u>	<u>4,696</u>
Non-current Liabilities			
Trade & Other Payables	8	-	-
Borrowings	8	3,675	4,525
Provisions	8	209	232
Total Non-current Liabilities		<u>3,884</u>	<u>4,757</u>
Total Liabilities		<u>8,650</u>	<u>9,453</u>
NET ASSETS		<u>228,028</u>	<u>223,581</u>
EQUITY			
Accumulated Surplus		54,680	49,398
Asset Revaluation Reserves	9	168,966	165,034
Other Reserves	9	4,382	9,149
TOTAL EQUITY		<u>228,028</u>	<u>223,581</u>

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

CITY OF MOUNT GAMBIER

STATEMENT OF CHANGES IN EQUITY for the year ended 30 June 2016

	Notes	Accumulated Surplus \$'000	Asset Revaluation Reserve \$'000	Other Reserves \$'000	TOTAL EQUITY \$'000
2016					
Balance at end of previous reporting period					
Net Surplus / (Deficit) for Year		49,398	165,034	9,149	223,581
Other Comprehensive Income		515			515
Gain on revaluation of infrastructure, property, plant & equipment			3,932		3,932
Transfers between reserves		4,767		(4,767)	-
Balance at end of period		54,680	168,966	4,382	228,028

2015

Balance at end of previous reporting period	46,307	131,574	10,341	188,222
Restated opening balance	46,307	131,574	10,341	188,222
Net Surplus / (Deficit) for Year	1,899			1,899
Other Comprehensive Income				
Changes in revaluation surplus - infrastructure, property, plant & equipment		33,460		33,460
Transfers between reserves	1,192		(1,192)	-
Balance at end of period	49,398	165,034	9,149	223,581

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 2016

	Notes	2016 \$'000	2015 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
<u>Receipts</u>			
Rates - general & other		18,345	17,591
Fees & other charges		367	417
User charges		4,298	3,562
Investment receipts		33	28
Grants utilised for operating purposes		2,419	3,604
Reimbursements		301	350
Other revenues		1,569	415
<u>Payments</u>			
Employee costs		(9,778)	(8,762)
Materials, contracts & other expenses		(10,766)	(9,518)
Finance payments		(237)	(339)
Net Cash provided by (or used in) Operating Activities		6,551	7,348
CASH FLOWS FROM INVESTING ACTIVITIES			
<u>Receipts</u>			
Amounts specifically for new or upgraded assets		585	796
Sale of replaced assets		368	299
Sale of surplus assets		-	612
Repayments of loans by community groups		46	60
<u>Payments</u>			
Expenditure on renewal/replacement of assets		(4,579)	(5,156)
Expenditure on new/upgraded assets		(2,154)	(4,091)
Net Cash provided by (or used in) Investing Activities		(5,734)	(7,480)
CASH FLOWS FROM FINANCING ACTIVITIES			
<u>Receipts</u>			
Proceeds from borrowings		-	-
<u>Payments</u>			
Repayments of borrowings		(839)	(72)
Repayment of finance lease liabilities		-	-
Net Cash provided by (or used in) Financing Activities		(839)	(72)
Net Increase (Decrease) in cash held		(22)	(204)
Cash & cash equivalents at beginning of period	10	969	1,173
Cash & cash equivalents at end of period	10	947	969

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 2016

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 18th October 2016.

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 2016

Note 1 - Significant Accounting Policies (cont)

	Cash Payment Received	Annual Allocation		Difference
2013/14	\$1,749,034	\$3,016,230	-	\$1,267,196
2014/15	\$3,911,799	\$2,594,677	+	\$1,317,122
2015/16	\$1,435,554	\$2,752,676	-	\$1,317,122

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.

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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 June 2016

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 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).

For 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, the value in use is the depreciated replacement cost. In assessing impairment for these assets, a rebuttable assumption is made that the current replacement cost exceeds the original cost of acquisition.

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 2016

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	1.59% (2015, 2.00%)
Weighted average settlement period	1 year (2015, 1 year)

No accrual is made for sick leave for ASU employees 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.

AWU employees are entitled to the payment of sick leave under the AWU Enterprise Agreement No. 9 of 2015, on the following basis:-

Termination Pay-Out – Clause 28

Annual Cash-Out – Clause 28

A provision has been raised in 2016 for \$30,000 resulting in an over all liability of \$82,309 being recorded by Council. This will continue to be increased over a 5 year period (commenced from 2014) to match the maximum in any one year that would need to be paid by Council. Currently that figure is \$156,712 however to date only three employees have qualified for this benefit with \$27,479 being paid since the introduction of this benefit.

City of Mount Gambier

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2016

Note 1 - Significant Accounting Policies (cont)

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.
- 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 2016 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 124	Related Party Disclosures

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 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.

The Australian Accounting Standards Board is currently reviewing AASB 1004 *Contributions*. It is anticipated that the changes resulting from this review may have a material effect on the timing of the recognition of grants and contributions, but the financial consequences cannot be estimated until a revised accounting standard is issued.

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.

CITY OF MOUNT GAMBIER

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2016

Note 2 - INCOME

	Notes	2016 \$'000	2015 \$'000
RATES REVENUES			
<u>General Rates</u>		17,856	17,183
Less: Mandatory rebates		-	-
Less: Discretionary rebates, remissions & write offs		(178)	(166)
		<u>17,678</u>	<u>17,017</u>
<u>Other Rates</u> (including service charges)			
Natural Resource Management levy		579	559
		<u>579</u>	<u>559</u>
<u>Other Charges</u>			
Penalties for late payment		70	65
		<u>70</u>	<u>65</u>
		<u>18,327</u>	<u>17,641</u>
STATUTORY CHARGES			
Development Act fees		80	114
Town planning fees		98	112
Animal registration fees & fines		121	123
Parking fines / expiation fees		31	50
Other licences, fees, & fines		10	18
		<u>340</u>	<u>417</u>
USER CHARGES			
Cemetery/crematoria fees		770	789
Green Waste Collection		431	410
Landfill Charges		1,430	1,319
Hall & equipment hire		344	319
Recycling		124	118
Sales - General		374	391
Bus Ticketing		290	320
Sundry		43	40
		<u>3,806</u>	<u>3,706</u>
INVESTMENT INCOME			
Interest on investments			
Local Government Finance Authority		29	27
Banks & other		2	1
Loans to community groups		1	1
		<u>32</u>	<u>29</u>

CITY OF MOUNT GAMBIER

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2016

NOTE 2 - INCOME (continued)

	Notes	2016 \$'000	2015 \$'000
REIMBURSEMENTS			
- for roadworks		16	35
- for private works		86	102
- other		172	213
		<u>274</u>	<u>350</u>
OTHER INCOME			
Insurance & other recoupments - infrastructure, property, plant & equipment		241	235
Donations		25	42
Sundry		116	86
		<u>382</u>	<u>363</u>
GRANTS, SUBSIDIES, CONTRIBUTIONS			
Amounts received specifically for new or upgraded assets		585	796
Other grants, subsidies and contributions			
Untied - Financial Assistance Grant	1,261		3,078
Roads to Recovery	806		280
Library & Communications	174		75
Sundry	9		171
		<u>2,250</u>	<u>3,604</u>
		<u>2,835</u>	<u>4,400</u>
<i>The functions to which these grants relate are shown in Note 11.</i>			
Sources of grants			
Commonwealth government		806	280
State government		2,024	4,120
Other		5	0
		<u>2,835</u>	<u>4,400</u>

CITY OF MOUNT GAMBIER

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2016

NOTE 2 - INCOME (continued)

	Notes	2016 \$'000	2015 \$'000
Conditions over grants & contributions			
<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>			
Unexpended at the close of the previous reporting period		100	-
Less: expended during the current period from revenues recognised in previous reporting periods			
Railway Lands Artwork		(100)	-
Subtotal		(100)	
Plus: amounts recognised as revenues in this reporting period but not yet expended in accordance with the conditions			
Railway Lands Artwork		-	100
Subtotal			100
Unexpended at the close of this reporting period		-	100
Net increase (decrease) in assets subject to conditions in the current reporting period		(100)	100
PHYSICAL RESOURCES RECEIVED FREE OF CHARGE			
Land & Improvements		81	-
Roads, Bridges & Footpaths		523	-
TOTAL PHYSICAL RESOURCES RECEIVED		604	-

CITY OF MOUNT GAMBIER

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2016

Note 3 - EXPENSES

	Notes	2016 \$'000	2015 \$'000
EMPLOYEE COSTS			
Salaries and Wages		8,931	8,094
Employee leave expense		372	491
Superannuation - defined benefit plan contributions	16	871	821
Workers' Compensation Insurance		263	240
Other		46	44
Less: Capitalised and distributed costs		(417)	(493)
Total Operating Employee Costs		10,066	9,197
Total Number of Employees		120	116
<i>(Full time equivalent at end of reporting period)</i>			
MATERIALS, CONTRACTS & OTHER EXPENSES			
<u>Prescribed Expenses</u>			
Auditor's Remuneration			
- Auditing the financial reports		20	20
Bad and Doubtful Debts		-	-
Elected members' expenses		311	294
Election expenses		-	77
Subtotal - Prescribed Expenses		331	391
<u>Other Materials, Contracts & Expenses</u>			
Contractors		3,044	2,869
Contributions / Donations		902	1,035
Individually Significant Items		-	-
Energy		803	956
Insurance		324	324
Levies paid to Government - EPA, ESL & Dog Levies		662	577
- NRM Levy		578	555
Materials		1,791	1,624
Training		240	160
Sundry		280	429
Subtotal - Other Materials, Contracts & Expenses		8,624	8,529
		8,955	8,920

CITY OF MOUNT GAMBIER

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2016

Note 3 - EXPENSES (cont)

	Notes	2016 \$'000	2015 \$'000
DEPRECIATION, AMORTISATION & IMPAIRMENT			
Depreciation			
Land		-	-
Buildings & Other Structures		2,999	2,850
Infrastructure		-	2,340
- Waste Management		-	-
- Stormwater Drainage		108	-
- Bridges		3	-
- Footpaths		254	-
- Pavement		731	-
- Seals		1,205	-
- Kerb & Channel		353	-
Plant & Equipment		626	986
Minor Plant		48	39
Office Equipment		131	201
Other		246	233
		<u>6,704</u>	<u>6,649</u>
FINANCE COSTS			
Interest on Loans		<u>236</u>	<u>299</u>
		<u>236</u>	<u>299</u>

CITY OF MOUNT GAMBIER

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2016

Note 4 - ASSET DISPOSAL & FAIR VALUE ADJUSTMENTS

	Notes	2016 \$'000	2015 \$'000
INFRASTRUCTURE, PROPERTY, PLANT & EQUIPMENT			
<i>Assets renewed or directly replaced</i>			
Proceeds from disposal		368	299
Less: Carrying amount of assets sold		492	319
Gain (Loss) on disposal		(124)	(20)
<i>Assets surplus to requirements</i>			
Proceeds from disposal		-	612
Less: Carrying amount of assets sold		-	534
Gain (Loss) on disposal		-	78
NET GAIN (LOSS) ON DISPOSAL OR REVALUATION OF ASSETS		(124)	58

CITY OF MOUNT GAMBIER

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2016

Note 5 - CURRENT ASSETS

	2016 Notes \$'000	2015 \$'000
CASH & EQUIVALENT ASSETS		
Cash on Hand and at Bank	63	67
Deposits at Call	<u>928</u>	<u>902</u>
	<u>991</u>	<u>969</u>
 TRADE & OTHER RECEIVABLES		
Rates - General & Other	443	461
Rates postponed for State Seniors	-	-
Accrued Revenues	4	5
Debtors - general	646	1,010
GST Recoupment	45	66
Loans to community organisations	<u>40</u>	<u>46</u>
Total	<u>1,178</u>	<u>1,588</u>
 Less: Allowance for Doubtful Debts	<u>20</u>	<u>20</u>
	<u>1,158</u>	<u>1,568</u>
 INVENTORIES		
Stores & Materials	20	19
Trading Stock	<u>19</u>	<u>21</u>
	<u>39</u>	<u>40</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 2016

Note 6 - NON-CURRENT ASSETS

FINANCIAL ASSETS	Notes	2016 \$'000	2015 \$'000
Receivables			
Loans to community organisations		<u>68</u>	<u>108</u>
TOTAL FINANCIAL ASSETS		<u>68</u>	<u>108</u>

CITY OF MOUNT GAMBIER

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2016

Note 7 - INFRASTRUCTURE, PROPERTY, PLANT & EQUIPMENT

Fair Value Level	2015 \$'000				2016 \$'000			
	AT FAIR VALUE	AT COST	ACCUM DEP'N	CARRYING AMOUNT	AT FAIR VALUE	AT COST	ACCUM DEP'N	CARRYING AMOUNT
Land	7,243	-	-	7,243	7,371	-	-	7,371
Land	33,575	-	-	33,575	34,246	-	-	34,246
Buildings & Other Structures	57,248	-	(6,078)	51,170	58,820	799	(7,734)	51,885
Buildings & Other Structures	67,463	-	(30,742)	36,721	68,085	768	(32,733)	36,120
Infrastructure	-	-	-	-	-	-	-	-
- Waste Management	4,543	-	(876)	3,667	4,622	254	(891)	3,985
- Stormwater Drainage	6,808	-	(1,983)	4,825	6,928	60	(2,126)	4,862
- Bridges	161	-	(63)	98	164	-	(67)	97
- Footpaths	14,471	-	(1,884)	12,587	14,726	912	(2,171)	13,467
- Pavement	44,827	-	(10,904)	33,923	45,614	2,063	(11,825)	35,852
- Seals	25,387	-	(6,405)	18,982	25,834	665	(7,723)	18,776
- Kerb & Channel	26,477	-	(5,787)	20,690	26,943	166	(6,242)	20,867
Plant & Equipment	5,464	-	(978)	4,486	-	6,161	(1,478)	4,683
Minor Plant	155	99	(92)	162	-	362	(140)	222
Office Equipment	-	1,915	(1,340)	575	-	1,829	(1,354)	475
Other	1,926	416	(697)	1,645	-	2,458	(944)	1,514
TOTAL INFRASTRUCTURE, PROPERTY, PLANT & EQUIPMENT	295,748	2,430	(67,829)	230,349	293,353	16,497	(75,428)	234,422
Comparatives	241,868	13,139	(59,863)	195,144	295,748	2,430	(67,829)	230,349

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 2016

Note 7 - INFRASTRUCTURE, PROPERTY, PLANT & EQUIPMENT

	CARRYING AMOUNT MOVEMENTS DURING YEAR								2016	
	\$'000								\$'000	
	CARRYING AMOUNT	Additions		Disposals	Depreciation	Impairment	Transfers		Net Revaluation	
		New/Upgrade	Renewals				In	Out		
Land	7,243	-	-	-	-	-	-	-	128	7,371
Land	33,575	81	-	-	-	-	-	-	590	34,246
Buildings & Other Structures	51,170	562	237	-	(1,656)	-	-	-	1,572	51,885
Buildings & Other Structures	36,721	453	315	-	(1,343)	-	-	-	(26)	36,120
Infrastructure	-	-	-	-	-	-	-	-	-	-
- Waste Management	3,667	254	-	-	-	-	-	-	64	3,985
- Stormwater Drainage	4,825	60	-	-	(108)	-	-	-	85	4,862
- Bridges	98	-	-	-	(3)	-	-	-	2	97
- Footpaths	12,587	531	381	-	(254)	-	-	-	222	13,467
- Pavement	33,923	-	2,063	-	(731)	-	-	-	597	35,852
- Seals	18,982	33	632	-	(1,205)	-	-	-	334	18,776
- Kerb & Channel	20,690	-	166	-	(353)	-	-	-	364	20,867
Plant & Equipment	4,486	47	1,266	(490)	(626)	-	-	-	-	4,683
Minor Plant	162	108	-	-	(48)	-	-	-	-	222
Office Equipment	575	25	8	(2)	(131)	-	-	-	-	475
Other	1,645	-	115	-	(246)	-	-	-	-	1,514
TOTAL INFRASTRUCTURE, PROPERTY, PLANT & EQUIPMENT	230,349	2,154	5,183	(492)	(6,704)	-	-	-	3,932	234,422
Comparatives	195,144	4,091	5,155	(852)	(6,649)	-	-	-	33,460	230,349

This Note continues on the following pages.

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 2016

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

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	\$5,000
Other Plant & Equipment	\$5,000
Buildings - new construction/extensions	\$5,000
Park & Playground Furniture & Equipment	\$5,000
Road construction & reconstruction	\$5,000
Paving & footpaths, Kerb & Gutter	\$5,000
Drains & Culverts	\$5,000
Reticulation extensions	\$5,000
Sidelines & household connections	\$5,000

City of Mount Gambier

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2016

Note 7 – Property, Plant & Equipment (cont)

Artworks	\$5,000
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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	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	50 years
Paving & Footpaths, Kerb & Gutter	10 to 70 years
Drains	70 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 2012 by Mr Martin Oldfield, BBus Property (Val) AAPI Certified Practicing Valuer of Maloney Field Services at current replacement cost.

As at 1 July 2015, the values were indexed at a rate of 1.76% in line with the Building Price Index (BPI) for the Adelaide market. The next valuation is due in the 2017 financial year.

Additions are recognised at cost.

Buildings & Other Structures

Buildings and other structures were revalued as at 30 June 2012 by Mr Martin Oldfield, BBus Property (Val) AAPI Certified Practicing Valuer of Maloney Field Services at current replacement cost. As at 30 June 2013 Building and Structures that are 'Not Council Controlled' were identified and removed from our financial statements.

As at 1 July 2015, the values were indexed at a rate of 1.76% in line with the (BPI) for the Adelaide market. The next external valuation is due in the 2017 financial year.

Infrastructure

Transportation assets were valued by Council officers at depreciated current replacement cost as at 1 July 2014, based on the latest unit costs incurred during the reporting period ended 30 June 2014. 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 2016

Note 7 – Property, Plant & Equipment (cont)

As at 1 July 2015, the values were indexed at a rate of 1.76% in line with the (BPI) for the Adelaide market. The next valuation by Council officers is due in the 2017 financial year.

Further interrogation of the data held for stormwater infrastructure assets is underway in preparation for the valuations due for the reporting period ending 30 June 2017. It is anticipated that any increase in value will not be in the vicinity of the increases recognised in 2015.

All acquisitions made after the respective dates of valuation are recorded at cost.

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 2016

Note 8 - LIABILITIES

		2016 \$'000		2015 \$'000	
TRADE & OTHER PAYABLES	Notes	Current	Non-current	Current	Non-current
Goods & Services		1,391		1,454	
Payments received in advance		263	-	516	-
Accrued expenses - employee entitlements		132	-	180	-
Accrued expenses - other		9	-	10	-
Deposits, Retentions & Bonds		193	-	190	-
Other		104	-	86	-
		<u>2,092</u>	<u>-</u>	<u>2,436</u>	<u>-</u>

Amounts included in trade & other payables that are not expected to be settled within 12 months of reporting date.

BORROWINGS

Bank Overdraft		44		-	
Loans		195	3,675	184	4,525
		<u>239</u>	<u>3,675</u>	<u>184</u>	<u>4,525</u>

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

PROVISIONS

Employee entitlements (including oncosts)		2,435	209	2,076	232
		<u>2,435</u>	<u>209</u>	<u>2,076</u>	<u>232</u>

CITY OF MOUNT GAMBIER

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2016

Note 9 - RESERVES

ASSET REVALUATION RESERVE	1/7/2015	Net Increments (Decrements)	Transfers, Impairments	30/6/2016
Notes	\$'000	\$'000	\$'000	\$'000
Land	30,652	718	-	31,370
Buildings & Structures	73,872	1,546	-	75,418
Infrastructure	56,090	1,668	-	57,758
Plant & Equipment	769	-	-	769
Minor Plant	34	-	-	34
Other	3,617	-	-	3,617
TOTAL	165,034	3,932		168,966
<i>Comparatives</i>	<i>131,574</i>	<i>33,460</i>		<i>165,034</i>

OTHER RESERVES	1/7/2015	Transfers to Reserve	Transfers from Reserve	30/6/2016
Long Service Leave	724	-	-	724
Off Street Car Park	267	-	(267)	-
Plant Replacement	1,561	-	(1,561)	-
Lady Nelson Park Development	6	-	(6)	-
Asset Replacement	1,296	-	(1,296)	-
Land Division - Outstanding Work	232	-	(232)	-
Downstream Drainage	174	90	-	264
Work in Progress	2,987	2,640	(2,987)	2,640
City Centre Development	688	-	(688)	-
Major Capital Works	482	-	(482)	-
Mount Gambier Cemetery Trust	672	13	-	685
Junior Sporting Assistance Fund	60	9	-	69
TOTAL OTHER RESERVES	9,149	2,752	(7,519)	4,382
<i>Comparatives</i>	<i>10,341</i>	<i>3,193</i>	<i>(4,385)</i>	<i>9,149</i>

PURPOSES OF RESERVES

Asset Revaluation Reserve

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

(Other Reserves)

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.

Off Street Parking Reserve

Originally this fund was established to fund off street parking initiatives in the City Centre precinct. In line with Council's Treasury Management practice, proceeds from this fund were used to assist with the Capital Expenditure required for the Main Corner precinct. Journal entries were processed in 2016 to reflect this action. Future projects and maintenance will be funded via Council's Annual Budget, Infrastructure & Asset Management and Long Term Financial Plans.

Plant Replacement

Established to fund Council's plant and machinery fleet requirements.

In line with Council's Treasury Management practice, proceeds from this fund were used to assist with the Capital Expenditure required for the Main Corner precinct. Journal entries were processed in 2016 to reflect this action. Future projects and maintenance will be funded via Council's Annual Budget, Infrastructure & Asset Management and Long Term Financial Plans.

Lady Nelson Park Development

Established to fund any development works that may occur at The Lady Nelson site.

In line with Council's Treasury Management practice, proceeds from this fund were used to assist with the Capital Expenditure required for the Main Corner precinct. Journal entries were processed in 2016 to reflect this action. Future projects and maintenance will be funded via Council's Annual Budget, Infrastructure & Asset Management and Long Term Financial Plans.

Asset Replacement

Established to fund the City of Mount Gambier Asset replacement/renewal requirements

In line with Council's Treasury Management practice, proceeds from this fund were used to assist with the Capital Expenditure required for the Main Corner precinct. Journal entries were processed in 2016 to reflect this action. Future projects and maintenance will be funded via Council's Annual Budget, Infrastructure & Asset Management and Long Term Financial Plans.

Land Divison Outstanding Works

Funding contributions made by developers to ensure sub divisional works are completed.

There are now no outstanding works.

In line with Council's Treasury Management practice, proceeds from this fund were used to assist with the Capital Expenditure required for the Main Corner precinct. Journal entries were processed in 2016 to reflect this action. Future projects and maintenance will be funded via Council's Annual Budget, Infrastructure & Asset Management and Long Term Financial Plans.

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.

City Centre Improvement

Established to fund improvements and initiatives in the Mount Gambier City Centre precinct

In line with Council's Treasury Management practice, proceeds from this fund were used to assist with the Capital Expenditure required for the Main Corner precinct. Journal entries were processed in 2016 to reflect this action. Future projects and maintenance will be funded via Council's Annual Budget, Infrastructure & Asset Management and Long Term Financial Plans.

Major Capital Works

Established to assist Council fund impending major capital works projects which have now been completed. In line with Council's Treasury Management practice, proceeds from this fund were used to assist with the Capital Expenditure required for the Main Corner precinct. Journal entries were processed in 2016 to reflect this action. Future projects and maintenance will be funded via Council's Annual Budget, Infrastructure & Asset Management and Long Term Financial Plans.

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 2016

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	2016 \$'000	2015 \$'000
Total cash & equivalent assets	5	991	969
Less: Short-term borrowings	8	(44)	-
Balances per Cash Flow Statement		<u>947</u>	<u>969</u>

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

Net Surplus (Deficit)		515	1,899
Non-cash items in Income Statement			
Depreciation, amortisation & impairment		6,704	6,649
Net increase (decrease) in unpaid employee benefits		288	435
Change in allowances for under-recovery		-	20
Non-cash asset acquisitions		(604)	-
Grants for capital acquisitions treated as Investing Activity		(585)	(796)
Net (Gain) Loss on Disposals		124	(58)
		<u>6,442</u>	<u>8,149</u>
Add (Less): Changes in Net Current Assets			
Net (increase) decrease in receivables		404	(470)
Net (increase) decrease in inventories		1	(3)
Net increase (decrease) in trade & other payables		(296)	(328)
Net Cash provided by (or used in) operations		<u>6,551</u>	<u>7,348</u>

(c) Non-Cash Financing and Investing Activities

Acquisition of assets by means of:

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

(d) Financing Arrangements

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

Bank Overdrafts	250	250
Corporate Credit Cards	21	21
LGFA Cash Advance Debenture facility	10,000	12,000

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 2016

Note 11 - FUNCTIONS

INCOMES, EXPENSES AND ASSETS HAVE BEEN DIRECTLY ATTRIBUTED TO THE FOLLOWING FUNCTIONS & ACTIVITIES										
FUNCTIONS & ACTIVITIES	INCOME		EXPENSES		OPERATING SURPLUS (DEFICIT)		GRANTS INCLUDED IN INCOME		TOTAL ASSETS HELD (CURRENT & NON-CURRENT)	
	ACTUAL	ACTUAL	ACTUAL	ACTUAL	ACTUAL	ACTUAL	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Administration / Support Services	19,492	20,967	5,347	5,143	14,145	15,824	1,261	3,911	18,934	18,345
Community Support	117	946	2,207	2,221	(2,090)	(1,275)	10	34	9,467	10,430
Culture	555	446	2,898	2,994	(2,343)	(2,548)	278	175	42,602	44,258
Economic Development	365	406	1,625	1,622	(1,260)	(1,216)	-	-	4,734	4,024
Environment	2,318	2,053	3,740	4,145	(1,422)	(2,092)	-	-	11,834	11,229
Recreation	116	112	2,586	2,603	(2,470)	(2,491)	300	-	40,235	42,616
Regulatory Services	398	426	1,157	1,195	(759)	(769)	-	-	-	-
Transport	1,646	315	3,247	2,754	(1,601)	(2,439)	981	280	92,305	87,286
Engineering / Indirect	-	-	2,331	1,431	(2,331)	(1,431)	-	-	7,100	7,146
Unclassified Activities	404	439	823	957	(419)	(518)	-	-	9,467	7,700
TOTALS	25,411	26,110	25,961	25,065	(550)	1,045	2,830	4,400	236,678	233,034

Revenues and expenses exclude net gain (loss) on disposal or revaluation of assets, net gain (loss) from joint ventures & associated entities, 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 2016

Note 11 (cont) - 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, Contract Management, Customer Service, Other Support Services, Revenues, Separate and Special Rates.

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, Other Services for the Aged and Disabled, 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, and Other Economic Development and activities.

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

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

Engineering / Indirect

Engineering office expenses, AWU employee's expenses and entitlements, depot expenses, plant and machinery expenses.

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 2016

Note 12 - FINANCIAL INSTRUMENTS

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

Accounting Policies - Recognised Financial Instruments

Bank, Deposits at Call, Short Term Deposits	<p>Accounting Policy: Carried at lower of cost and net realisable value; Interest is recognised when earned.</p> <p>Terms & conditions: Deposits are returning fixed interest rates between 2.15% and 2.35% (2015: 2.15% and 2.50%). Short term deposits have an average maturity of <i>e</i> days and an average interest rate of 2.00% (2015: 1 day, 2.42%).</p> <p>Carrying amount: approximates fair value due to the short term to maturity.</p>
<p>Receivables - Rates & Associated Charges (including legals & penalties for late payment)</p> <p>Note: These receivables do not meet the definition of "financial instruments" and have been excluded from the following disclosures.</p>	<p>Accounting Policy: Carried at nominal values less any allowance for doubtful debts. An allowance for doubtful debts is recognised (and re-assessed annually) when collection in full is no longer probable.</p> <p>Terms & conditions: Secured over the subject land, arrears attract interest of 0.604% (2015: 0.645%). 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>Carrying amount: approximates fair value (after deduction of any allowance).</p>
Receivables - Fees & other charges	<p>Accounting Policy: Carried at nominal values less any allowance for doubtful debts. An allowance for doubtful debts is recognised (and re-assessed annually) when collection in full is no longer probable.</p> <p>Terms & conditions: Unsecured, and do not bear interest. Although Council is not materially exposed to any individual debtor, credit risk exposure is concentrated within the Council's boundaries.</p> <p>Carrying amount: approximates fair value (after deduction of any allowance).</p>
Receivables - other levels of government	<p>Accounting Policy: Carried at nominal value.</p> <p>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.</p> <p>Carrying amount: approximates fair value.</p>
Liabilities - Creditors and Accruals	<p>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.</p> <p>Terms & conditions: Liabilities are normally settled on 30 day terms.</p> <p>Carrying amount: approximates fair value.</p>
Liabilities - Interest Bearing Borrowings	<p>Accounting Policy: Carried at the principal amounts. Interest is charged as an expense as it accrues.</p> <p>Terms & conditions: 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 - 4.00% as at 30 June 2016) rates between 5.05% and 5.97% (2015: 5.05% and 7.90%)</p> <p>Carrying amount: approximates fair value.</p>
Liabilities - Finance Leases	<p>Accounting Policy: 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 2016

Note 12 (cont) - FINANCIAL INSTRUMENTS

Liquidity Analysis

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

2015	Due < 1 year	Due > 1 year; ≤ 5 years	Due > 5 years	Total Contractual Cash Flows	Carrying Values
	\$'000	\$'000	\$'000	\$'000	\$'000
Financial Assets					
Cash & Equivalents	969	-	-	969	969
Receivables	1,015	-	-	1,015	1,015
Other Financial Assets	46	108	-	154	154
Total	2,030	108	-	2,138	2,138
Financial Liabilities					
Payables	2,246	-	-	2,246	2,246
Current Borrowings	184	-	-	184	184
Non-Current Borrowings	-	814	3,711	4,525	4,525
Total	2,430	814	3,711	6,955	6,955

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

	30 June 2016		30 June 2015	
	Weighted Average Interest Rate	Carrying Value	Weighted Average Interest Rate	Carrying Value
	%	\$'000	%	\$'000
Overdraft	3.03	44	3.12	-
Other Variable Rates	4.19	679	4.58	1,334
Fixed Interest Rates	5.51	3,191	5.93	3,375
		3,914		4,709

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 2016

Note 13 - FINANCIAL INDICATORS

2016 2015 2014

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>	(2.0%)	4.0%	(3.0%)
Total Operating Revenue			

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

Adjusted Operating Surplus Ratio

3%	(1%)	3%
----	------	----

*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>	25%	26%	31%
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>	57%	53%	107%
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 2016

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

	2016 \$'000	2015 \$'000
Income	25,411	26,110
less Expenses	25,961	25,065
Operating Surplus / (Deficit)	(550)	1,045
less Net Outlays on Existing Assets		
Capital Expenditure on renewal and replacement of Existing Assets	4,579	5,156
Depreciation, Amortisation and Impairment	(6,704)	(6,649)
Proceeds from Sale of Replaced Assets	(368)	(299)
	(2,493)	(1,792)
less Net Outlays on New and Upgraded Assets		
Capital Expenditure on New and Upgraded Assets (including investment property & real estate developments)	2,154	4,091
Amounts received specifically for New and Upgraded Assets	(585)	(796)
Proceeds from Sale of Surplus Assets (including investment property and real estate developments)	-	(612)
	1,569	2,683
Net Lending / (Borrowing) for Financial Year	374	154

CITY OF MOUNT GAMBIER

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2016

Note 15 - OPERATING LEASES

Lease payment commitments of Council

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

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

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

No lease contains any escalation clause.

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

	2016 \$'000	2015 \$'000
Not later than one year	86	43
Later than one year and not later than 5 years	102	127
Later than 5 years	-	-
	<u>188</u>	<u>170</u>

CITY OF MOUNT GAMBIER

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2016

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 2015/16; 9.50% in 2014/15). 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 2014/15) 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 119.32(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 2016

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 user 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 225 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 a deductible "insurance excess", the amount of which varies according to the class of insurance.

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

3. BANK GUARANTEES

Council has guaranteed certain loans and other banking facilities advanced to community organisations and sporting bodies, amounting to \$210,000 (2015: \$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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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

We have audited the Internal Controls of the City of Mount Gambier ("the Council") under the requirement of Section 129(1)(b) 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 year ended 30 June 2016 have been conducted properly and in accordance with the law.

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.

Auditor's responsibility

Our responsibility is to express an opinion on the Council's compliance with Section 129(1)(b) 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 have been conducted properly and in accordance with the law, 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 2015 to 30 June 2016. 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 of controls on a sample basis based on the assessed risk.

Limitation of 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 which it was prepared.

Inherent Limitation

Due to the inherent limitations of any compliance procedure, it is possible that fraud, error or non-compliance may occur and not be detected. A reasonable assurance engagement is not designed to detect all instances of non-compliance with Section 125 of the Local Government Act 1999 in relation to the Internal Controls specified above, as the engagement is not performed continuously throughout the period and the procedures performed in respect of compliance with Section 125 of the Local Government Act 1999 in relation to the Internal Controls specified above are undertaken on a test basis.

The opinion expressed in this report has been formed on the above basis.


Independence

In conducting our engagement, we have complied with the independence requirements of the Australian professional accounting bodies.

Opinion

In our opinion, the Council has complied, in all material respects, with Section 129(1)(b) of the Local Government Act 1999 in relation to 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 year ended 30 June 2016.

GALPINS ACCOUNTANTS, AUDITORS & BUSINESS CONSULTANTS



Simon Smith, CPA, Registered Company Auditor
Partner

14 / 10 / 2016



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INDEPENDENT AUDITOR'S REPORT

To the members of City of Mount Gambier

Report on the Financial Report

We have audited the accompanying financial report of City of Mount Gambier (the Council), which comprises the balance sheet as at 30 June 2016, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the Council Certificate of City of Mount Gambier. This audit report replaces the audit report previously issued on 14th October 2016.

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

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Council's preparation and fair presentation 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Council, as well as evaluating the overall presentation of the financial report.

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

Independence

In conducting our audit, we have complied with the independence requirements of the Australian professional accounting bodies.

Opinion

In our opinion, the financial report presents fairly, in all material respects, the financial position of City of Mount Gambier as at 30 June 2016, and its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards, Local Government Act 1999 and Local Government (Financial Management) Regulations 2011.

GALPINS ACCOUNTANTS, AUDITORS & BUSINESS CONSULTANTS

Simon Smith FCPA, Registered Company Auditor

Partner

6 / 12 / 2016

CITY OF MOUNT GAMBIER

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2016

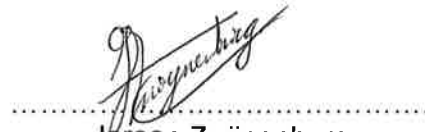
CERTIFICATION OF AUDITOR INDEPENDENCE

To the best of our knowledge and belief, we confirm that, for the purpose of the audit of City of Mount Gambier for the year ended 30 June 2016, 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



Jeroen Zwijnenburg
**PRESIDING MEMBER
AUDIT COMMITTEE**

Date: 6 December 2016

CITY OF MOUNT GAMBIER
ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 June 2016

STATEMENT BY AUDITOR

I confirm that, for the audit of the financial statements of City of Mount Gambier for the year ended 30 June 2016, 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*.



Simon Smith

Galpins Accountants, Auditors & Business Consultants

Dated this 14th day of October 2016