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I hereby give notice that an Audit Committee Meeting will be held on:

Date: Monday, 2 September 2019
Time: 4.00 p.m.
Location: Civic Centre
10 Watson Terrace
Mount Gambier

AGENDA

Audit Committee Meeting **2 September 2019**

Andrew Meddle
Chief Executive Officer

28 August 2019

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1 ACKNOWLEDGEMENT OF COUNTRY

WE ACKNOWLEDGE THE BOANDIK PEOPLES AS THE TRADITIONAL CUSTODIANS OF THE LAND WHERE WE MEET TODAY. WE RESPECT THEIR SPIRITUAL RELATIONSHIP WITH THE LAND AND RECOGNISE THE DEEP FEELINGS OF ATTACHMENT OUR INDIGENOUS PEOPLES HAVE WITH THIS LAND.

2 APOLOGY(IES)

That the apology(ies) from Ms Angela Kain be received.

3 CONFIRMATION OF MINUTES

[Audit Committee Meeting - 4 June 2019](#)

RECOMMENDATION

That the minutes of the Audit Committee meeting held on 4 June 2019 be confirmed as an accurate record of the proceedings of the meeting.

4 QUESTIONS WITHOUT NOTICE



5 REPORTS

5.1 ANNUAL FINANCIAL STATEMENTS FOR 2018/19 – REPORT NO. AR19/45358

Committee:	Audit Committee
Meeting Date:	2 September 2019
Report No.:	AR19/45358
CM9 Reference:	AF11/863
Author:	Jeroen Zwijnenburg, Acting General Manager Council Business Services
Authoriser:	Andrew Meddle, Chief Executive Officer
Summary:	Provide the Audit Committee with the draft annual financial statements for the financial year ended 30 June 2019 and consider recommending the annual financial statements to Council.
Community Plan Reference:	Goal 1: Our People Goal 2: Our Location Goal 3: Our Diverse Economy Goal 4: Our Climate, Natural Resources, Arts, Culture and Heritage

REPORT RECOMMENDATION

1. That Audit Committee Report No. AR19/45358 titled 'Annual Financial Statements for 2018/19' as presented on 02 September 2019 be noted.
2. That in accordance with Section 126 (4) (a) of the Local Government Act 1999, the Audit Committee advises that it has reviewed the draft annual financial statements of Council for the financial year 2018/19 and is satisfied 'they present fairly the state of affairs of the council'.
3. That for the financial year ended 30 June 2019:
 - (a) Council adopts the annual financial statements and as presented at the meeting held 2 September 2019 as final.
 - (b) The Chief Executive Officer and the Mayor of the City of Mount Gambier be authorised to certify the financial statements.
4. That the Presiding Member of the Audit Committee and the Chief Executive Officer of the City of Mount Gambier be authorised to sign Council's *Certification of Auditor Independence Statement* that will accompany the financial statements for the financial year ended 30 June 2018.
5. That the Auditor's representative, Mr Tim Muhlhausler's verbal report providing an overview of the audit report as presented to the Audit Committee Meeting on 2 September 2019 be noted.



BACKGROUND

The following provides an overview of some of the legislative requirements including the Local Government Act 1999 (the Act) applicable to the preparation of the annual financial statements.

Legislative requirements related to Council and the preparation of the annual financial statements include:

- Section 127 of the Act requires the council to 'prepare financial statements and notes' and 'other statements or documentation relating to the financial affairs of the Council required by regulation'. 'The statements prepared for each financial year must be audited by the council's auditor.'
- Regulation 10 of the Local Government (Financial Management) Regulations 2011 (the Regulations) requires a 'report on financial results' by no later than 31 December 2019. This report compares the audited financial results of each item shown in the statement of comprehensive income and balance sheet compared with the estimated financial results in the budget, presented in a manner consistent with the Model Financial Statements.
 - This report will be tabled for noting at the next Audit Committee meeting, following the finalisation and certification of Council's 2018/19 financial statements.
- Council's annual financial statements are to be prepared in accordance with Regulations 11 to 14. These Regulations indicate the financial statements are prepared
 - in accordance with all relevant Australian Accounting Standards;
 - full cost attribution for any function, activity, good or service of the council;
 - revaluations of assets occurs in accordance with the requirements of AASB 116; and
 - in accordance with the Model Financial Statements.
- Section 126 of the Act requires that the Council's Audit Committee review the annual financial statements to ensure 'they present fairly the state of affairs of the council'.

Legislative requirements relating to the independence of the parties involved in the preparation of the annual financial statements:

- Regulation 22 of the Regulations requires:
 - Council's auditor must provide a statement, accompanying the financial statements, indicating that they have maintained their independence in accordance with the requirements of APES 110-Code of Ethics for Professional Accountants.
 - The CEO and the Presiding Member of the Audit Committee must provide a statement confirming that the auditor has maintained their independence. A copy of this statement is attached (**Attachment 3**) to this report.

Legislative requirements relating to the timing of the annual financial statements:

- Pursuant to Section 131 of the Act, Council must, on or before 30 November in each year, prepare and adopt an annual report relating to the operations of the Council for the financial year ending on the preceding 30 June. A copy of the annual report must be submitted to the Presiding Members of both Houses of Parliament. The annual financial statements are an integral part of the Annual Report.

Council has prepared the draft annual financial statements of Council in accordance with the South Australian Model Financial Statements.



Council's external auditor, Galpins Accountants Auditors and Business Consultants, has completed their audit for the financial year ended 30 June 2019.

DISCUSSION

The City of Mount Gambier's annual financial statements for 2018/19 have been prepared in accordance with the:

- Local Government Act 1999
- South Australian Local Government Association (Financial Management) Regulations 2011
- Australian Accounting Standards; and
- Local Government Model Annual Financial Statements.

The draft financial statements are provided as **Attachment 1** for the Audit Committee's reference and review. The Audit Committee will be provided with any updates to the financial statements, if any arise between the issue of this report and the Audit Committee meeting.

Council's audit partner, Tim Muhlhausler of Galpins, will be attending the Audit Committee meeting to present his audit report and to receive and respond to any questions from the Audit Committee.

Galpins has provided the Draft Audit report – Financials (**Attachment 4**) and Draft Audit Report – Controls (**Attachment 5**) as well as the Audit Clearance letter for 2018/19 (see **Attachment 6**).

Attachment 2 includes a high level analytical review of the financial statements for the Audit Committee members' interest.

The draft financial statements will be provided to the Council meeting on 17 September 2019, subject to the Audit Committee providing an Audit Clearance report.

The Certification of Financial Statements document, to be signed by the CEO and the Mayor, as well as the Certification of Auditor Independence, to be signed by the CEO and the Presiding Member of the Audit Committee, is provided as part of the draft financial statements.

Council's financial statements will be published in the Council's Annual Report for the 2018/19 financial year and will be provided to the:

- Minister for Local Government;
- South Australian Local Government Grants Commission and;
- Other key stakeholders.

CONCLUSION

The financial statements are general purpose statements representing the financial performance of the Council for the 2018/19 financial year and the financial position as at 30 June 2019. The financial statements have been prepared in accordance with the Australian Accounting Standards and Local Government (Financial Management) Regulations 1999.

The financial statements and financial affairs of Council have been audited by Council's auditors, Galpins, in accordance with Section 126 of the Local Government Act 1999.

In conclusion, as the City of Mount Gambier has not engaged its auditor to provide any services outside the scope of their function as auditor for the 2018/19 financial year, it is appropriate for the Audit Committee to recommend that the CEO and the Presiding Member of the Audit Committee co-sign the Certification of Auditor Independence Statement.



'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 2019, the Council's auditor, Galpins, 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'

A copy of the Auditor's draft audit report will be provided to the members of the Audit Committee as soon as it is received by Council. Tim Muhlhausler, Galpins audit partner for the City of Mount Gambier has confirmed he will attend the Audit Committee meeting through Skype and present an overview of the audit report in person.

Contingent upon the satisfaction of the Audit Committee, the Mayor and CEO will sign Council's Certification of Auditor Independence Statement and Council's auditor will issue their final audit report.

ATTACHMENTS

1. DRAFT Financial Statements FY2019 [↓](#)
2. 2018-19 Analytical Review - Audit Committee [↓](#)
3. 2018-19 Certification of Auditor Independence [↓](#)
4. 2018-19 Draft Audit Report - Financials [↓](#)
5. 2018-19 Draft Audit Report - Controls [↓](#)
6. Audit Clearance Letter 2019 [↓](#)





City of Mount Gambier
General Purpose Financial Reports
for the year ended 30 June 2019

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Audit Certificate of Audit Independence



City of Mount Gambier

Annual Financial Statements for the year ended 30 June 2019

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 2019 and the results of its operations and cash flows for the financial year.
- internal controls implemented by the Council provide a reasonable assurance that the Council's financial records are complete, accurate and reliable and were effective throughout the financial year.
- the financial statements accurately reflect the Council's accounting and other records.

.....
Andrew Meddle
CHIEF EXECUTIVE OFFICER

.....
Lynette Martin
MAYOR



City of Mount Gambier			
Statement of Comprehensive Income			
for the year ended 30 June 2019			
		2019	2018
		\$'000	\$'000
INCOME			
Rates	2	21,432	20,597
Statutory charges	2	426	447
User charges	2	5,021	4,483
Grants, subsidies and contributions	2	4,435	3,906
Investment income	2	86	62
Reimbursements	2	19	83
Other income	2	417	522
Total Income		31,836	30,101
EXPENSES			
Employee costs	3	11,800	11,033
Materials, contracts & other expenses	3	11,972	10,023
Depreciation, amortisation & impairment	3	7,424	7,461
Finance costs	3	203	250
Total Expenses		31,399	28,767
OPERATING SURPLUS / (DEFICIT)		437	1,334
Asset disposal & fair value adjustments	4	(594)	(243)
Amounts received specifically for new or upgraded assets	2	105	445
Physical resources received free of charge	2	159	463
NET SURPLUS / (DEFICIT)		107	1,999
transferred to Equity Statement			
Other Comprehensive Income			
<i>Amounts which will not be reclassified subsequently to operating result</i>			
Changes in revaluation surplus - infrastructure, property, plant & equipment		56	21,108
Impairment (expense) / recoupments offset to asset revaluation reserve		-	(1,215)
Total Other Comprehensive Income		56	19,893
TOTAL COMPREHENSIVE INCOME		163	21,891

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



City of Mount Gambier
Statement of Financial Position
as at 30 June 2019

		2019	2018
	Notes	\$'000	\$'000
ASSETS			
Current assets			
Cash and cash equivalents	5	6,069	4,587
Trade & other receivables	5	1,867	1,524
Inventories	5	816	304
Total current assets		<u>8,752</u>	<u>6,415</u>
Non-current assets			
Infrastructure, property, plant & equipment	7	244,752	245,807
Total non-current assets		<u>244,752</u>	<u>245,807</u>
Total assets		<u>253,504</u>	<u>252,222</u>
LIABILITIES			
Current liabilities			
Trade & other payables	8	3,017	2,429
Borrowings	8	195	218
Provisions	8	2,338	2,332
Total current liabilities		<u>5,550</u>	<u>4,979</u>
Non-current liabilities			
Borrowings	8	2,377	2,572
Provisions	8	3,650	2,907
Total non-current Liabilities		<u>6,027</u>	<u>5,479</u>
Total liabilities		<u>11,577</u>	<u>10,458</u>
NET ASSETS		<u>241,927</u>	<u>241,764</u>
EQUITY			
Accumulated surplus		65,609	65,515
Asset revaluation reserves	9	175,458	175,402
Other reserves	9	860	847
TOTAL EQUITY		<u>241,927</u>	<u>241,764</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 2019

	Accumulated surplus	Asset revaluation reserve	Other reserves	Total equity
	\$'000	\$'000	\$'000	\$'000
2019				
Balance at end of previous reporting period	65,515	175,402	847	241,764
Net surplus / (deficit) for the year	107			107
Other Comprehensive Income				
Gain on revaluation of infrastructure, property, plant & equipment		56		56
Transfers between reserves	(13)		13	-
Balance at end of period	65,609	175,458	860	241,927
2018				
Balance at end of previous reporting period	61,333	155,509	3,030	219,872
Net surplus / (deficit) for the year	1,999			1,999
Other Comprehensive Income				
Gain on revaluation of infrastructure, property, plant & equipment		21,108		21,107
Impairment (expense) / recoupments offset to asset revaluation reserve		(1,215)		(1,215)
Transfers between reserves	2,183		(2,183)	-
Balance at end of period	65,515	175,402	847	241,763



City of Mount Gambier

Statement of Cash Flows for the year ended 30 June 2019

		2019	2018
	Notes	\$'000	\$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
<u>Receipts</u>			
Rates - general & other		21,388	19,522
Fees & other charges		426	447
User charges		5,459	4,343
Investment receipts		86	62
Grants utilised for operating purposes		4,435	3,906
Reimbursements		21	61
Other revenues		446	597
<u>Payments</u>			
Employee costs		(11,629)	(11,715)
Materials, contracts & other expenses		(12,981)	(9,816)
Finance payments		(161)	(172)
Net cash provided by (or used in) Operating Activities		7,490	7,235
CASH FLOWS FROM INVESTING ACTIVITIES			
<u>Receipts</u>			
Amounts specifically for new or upgraded assets		105	445
Sale of replaced assets		359	146
Sale of surplus assets		-	71
Repayments of loans by community groups		17	35
<u>Payments</u>			
Expenditure on renewal/replacement of assets		(4,006)	(4,053)
Expenditure on new/upgraded assets		(2,265)	(2,114)
Net cash provided by (or used in) Investing Activities		(5,790)	(5,470)
CASH FLOWS FROM FINANCING ACTIVITIES			
<u>Payments</u>			
Repayments of borrowings		(218)	(206)
Net cash provided by (or used in) Financing Activities		(218)	(206)
Net increase / (decrease) in cash held		1,482	1,559
Cash & cash equivalents at beginning of period	10	4,587	3,028
Cash & cash equivalents at end of period	10	6,069	4,587



City of Mount Gambier

Notes to and forming part of the Financial Statements for the year ended 30 June 2019

Note 1 – Significant accounting policies

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

1 Basis of preparation

Compliance with Australian Accounting Standards

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

The financial report was authorised for issue by certificate under regulation 14 of the *Local Government (Financial Management) Regulations 2011* dated XX September 2019.

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 these Notes.

Rounding

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

2 The local government reporting entity

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

3 Income recognition

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.



City of Mount Gambier

**Notes to and forming part of the Financial Statements
for the year ended 30 June 2019**

Note 1 (continued) – Significant accounting policies

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

	Cash received / revenue	Annual allocation	Revenue increase / (decrease)
	\$'000	\$'000	\$'000
2017	\$3,908	\$2,580	\$1,328
2018	\$3,172	\$3,018	\$154
2019	\$3,952	\$3,303	\$649

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.

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

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

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

All financial instruments are recognised at fair value at the date of recognition. 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.



City of Mount Gambier

**Notes to and forming part of the Financial Statements
for the year ended 30 June 2019**

Note 1 (continued) – Significant accounting policies

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

Initial recognition

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

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

Materiality

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

Subsequent recognition

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

All revaluation model asset classes are revalued on a regular basis such that the carrying values are not materially different from fair value. The latest revaluations occurred in 2018 for land (every second year), in 2016 for buildings & structures (every fourth year), in 2018 for infrastructure (every third year), in 2019 for waste management (annually) and in 2018 for the Riddoch art collection (every fourth year).

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

Depreciation of non-current assets

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

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

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

Impairment

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



City of Mount Gambier

**Notes to and forming part of the Financial Statements
for the year ended 30 June 2019**

Note 1 (continued) – Significant accounting policies

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.

7 Payables

Goods & services

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

Payments received in advance & deposits

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

8 Borrowings

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

9 Provisions

Employee benefit provisions

Salaries, wages & compensated absences

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

Liabilities for employee benefits not expected to be paid or settled within 12 months are measured as the present value of the estimated future cash outflows (including payroll based oncosts) to be made in respect of services provided by employees up to the reporting date. Present values are calculated using government guaranteed securities rates with similar maturity terms (1.94% in 2019 and 2018).

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

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

Superannuation

The Council makes employer superannuation contributions in respect of its employees to the superannuation fund selected by the employee. The default superannuation fund is Statewide Super. The fund has two types of membership, each of which is funded differently. No changes in accounting policy have occurred during either the current or previous reporting periods. Details of the accounting policies applied and Council's involvement with the schemes are reported in note 16.



City of Mount Gambier

**Notes to and forming part of the Financial Statements
for the year ended 30 June 2019**

Note 1 (continued) – Significant accounting policies

Provisions for reinstatement, restoration, rehabilitation, etc.

Council operates the Caroline landfill site, incorporating cells which require capping upon complete fill. Capping and restoration costs can include the dismantling and demolition of infrastructure, the removal of residual materials and the remediation and rehabilitation of disturbed areas. Estimated close capping and restoration costs are provided for in the accounting period when the obligation arising from the related disturbance occurs, and are carried at the net present value of estimated future costs.

Although estimated future costs are based on a closure plan, such plans are based on current environmental requirements and construction costs estimates which may change and require management to exercise judgment. Significant uncertainty exists in the estimation of the future closure date.

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, and;
- amounts included in the Statement of Cash Flows are disclosed on a gross basis.

11 Comparative information

Council has corrected a material prior period error retrospectively in these Statements in the comparative information. The error relates to waste management assets in general and the Caroline landfill in particular. In the comparative financial year the provided-for cost of capping for part of a cell was included in the prior year asset value and the future reinstatement / restoration provision, while the cost of construction of that same part was not included in the asset value and the depreciation (capacity in use) was based on the entire cell capacity rather than the part cell completed.

Under AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors* the following changes have been made to the comparatives in the statement of financial position and the statement of comprehensive income:

Statement of financial position	\$'000
Provision	decrease \$714
IPP&E - Waste management	decrease \$700
IPP&E cumulative depreciation – Waste management	increase \$457
Statement of comprehensive income	
Depreciation – Waste management	increase \$457
Unwinding of NPV discounts	increase \$14

12 New accounting standards

AASB 7 *Financial instruments – Disclosures* and AASB 9 *Financial Instruments* commence from 1 July 2018 and have the effect that non-contractual receivables (e.g. rates & charges) are now treated as financial instruments. Although the disclosures made in note 12 Financial instruments have changed, there are no changes to the amounts disclosed.

AASB 15 *Revenue from Contracts with Customers* and AASB 1058 *Income of Not-for-Profit Entities*, which will commence from 1 July 2019, affect the timing with which revenues, particularly special purpose grants, are recognised. Amounts received in relation to contracts with sufficiently specific performance obligations will in future only be recognised as these obligations are fulfilled.

AASB 16 *Leases*, which will commence from 1 July 2019, requires that the right of use conveyed by lease contracts – except leases with a maximum term of 12 months and leases of non-material amounts – be recognised as a form of Infrastructure, property, plant and equipment, and that the lease liability be disclosed as a liability.

As a result of the new accounting policy, the following changes will be made to balance sheet amounts as at 1 July 2019:



City of Mount Gambier

**Notes to and forming part of the Financial Statements
for the year ended 30 June 2019**

Note 1 (continued) – Significant accounting policies

Asset	\$'000
IPP&E Right-of-use asset	increase \$285
Lease liability	increase \$282
Accumulated surplus	increase \$3

The effect on profit and loss in future years will be non-material.

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City of Mount Gambier

Notes to and forming part of the Financial Statements for the year ended 30 June 2019

Note 2 - Income

	2019	2018
Notes	\$'000	\$'000
RATES REVENUES		
General rates	20,434	19,593
Less: Mandatory rebates	(211)	(221)
Less: Discretionary rebates, remissions & write offs	(29)	-
Total general rates	<u>20,194</u>	<u>19,372</u>
Other rates (including service charges)		
Natural Resource Management levy	1,087	1,079
Other charges		
Penalties for late payment	79	79
Legal & other costs recovered	72	67
Total rates revenue	<u>21,432</u>	<u>20,597</u>
STATUTORY CHARGES		
Development Act fees	77	95
Town planning fees	126	110
Health & septic tank inspection fees	1	21
Animal registration fees & fines	157	143
Parking fines / expiation fees	16	18
Other licences, fees & fines	49	60
Total statutory charges	<u>426</u>	<u>447</u>
USER CHARGES		
Cemetery/crematoria fees	764	795
Green waste collection	495	472
Landfill charges	2,824	2,112
Hall & equipment hire	346	279
Recycling	-	132
Sales - general	158	441
Sales - Waste Transfer Station	220	-
Bus ticketing	214	242
Sales - sundry	-	11
Total user charges	<u>5,021</u>	<u>4,484</u>
INVESTMENT INCOME		
Interest on investments		
Local Government Finance Authority	84	49
Banks & other	2	13
Total investment income	<u>86</u>	<u>62</u>



City of Mount Gambier

Notes to and forming part of the Financial Statements for the year ended 30 June 2019

Note 2 - Income (continued)

	Notes	2019 \$'000	2018 \$'000
REIMBURSEMENTS			
Reimbursements - roadworks		-	14
Reimbursements - private works		12	63
Reimbursements - other		7	6
Total reimbursements		<u>19</u>	<u>83</u>
OTHER INCOME			
Insurance & other recoupments - infrastructure, property, plant & equipment		149	148
Donations		56	57
Other income - sundry		212	317
Total other income		<u>417</u>	<u>522</u>
GRANTS, SUBSIDIES, CONTRIBUTIONS			
Amounts received specifically for new or upgraded assets		105	445
Other grants, subsidies and contributions			
Untied - Financial Assistance Grant		3,952	3,172
Roads to Recovery		171	564
Library & communications		181	148
Grants, subs, contributions - sundry		131	22
Subtotal - other grants, subsidies and contributions		<u>4,435</u>	<u>3,906</u>
Total grants, subsidies, contributions		<u>4,540</u>	<u>4,351</u>
Sources of grants			
Commonwealth government		190	564
State government		4,309	3,787
Other		41	0
		<u>4,540</u>	<u>4,351</u>

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



City of Mount Gambier

Notes to and forming part of the Financial Statements for the year ended 30 June 2019

NOTE 2 - Income (continued)

	2019	2018
Notes	\$'000	\$'000
Conditions over grants & contributions		
Grants and contributions which were obtained on the condition that they be expended for specified purposes or in a future period, but which are not yet expended in accordance with those conditions, are as follows:		
Unexpended at the close of the previous reporting period	250	130
Less: expended during the current period from revenues recognised in previous reporting periods		
Bicycle Funding Program	(152)	(40)
Salvage Yard	(90)	(90)
Subtotal	(152)	(130)
Plus: amounts recognised as revenues in this reporting period but not yet expended in accordance with the conditions		
Rail Trail - Stage 3	-	250
Subtotal	-	250
Unexpended at the close of this reporting period	98	250
Net increase / (decrease) in assets subject to conditions in the current reporting period	(152)	120
PHYSICAL RESOURCES RECEIVED FREE OF CHARGE		
Land - free of charge	6	188
Footpaths & kerbing - free of charge	34	-
Roads - free of charge	44	269
Riddoch collection - free of charge	75	6
Total physical resources received free of charge	159	463



City of Mount Gambier

Notes to and forming part of the Financial Statements for the year ended 30 June 2019

Note 3 - Expenses

	Notes	2019 \$'000	2018 \$'000
EMPLOYEE COSTS			
Salaries and wages		9,331	8,785
Employee leave expense		1,103	944
Superannuation		1,072	997
Workers' compensation insurance		269	262
Operating employee costs - other		25	45
Total operating employee costs		11,800	11,033
<i>Total number of employees expressed in full time equivalents</i>	-	127	125
MATERIALS, CONTRACTS & OTHER EXPENSES			
<i>Prescribed expenses</i>			
Auditor's remuneration			
- Auditing the financial reports		26	33
Bad and doubtful debts		11	23
Elected members' expenses		234	459
Election expenses		119	14
Subtotal - Prescribed expenses		390	529
<i>Other materials, contracts & expenses</i>			
Contractors		2,379	1,890
Repairs & maintenance		1,162	575
Contributions / donations		851	581
Energy		877	835
Insurance		276	282
Levies paid to government - EPA, ESL & dog levies		1,292	1,114
NRM levy expense		1,087	1,079
Materials		981	721
Training		196	193
Water		185	132
Communication		272	281
Consultants		706	513
Licences and subscriptions		605	587
Sundry expenses		715	708
Subtotal - Other materials, contracts & expenses		11,584	9,494
		11,972	10,023



City of Mount Gambier

Notes to and forming part of the Financial Statements for the year ended 30 June 2019

Note 3 - Expenses (continued)

	Notes	2019 \$'000	2018 \$'000
DEPRECIATION, AMORTISATION & IMPAIRMENT			
Depreciation			
Depr buildings & other structures		2,346	2,363
Depr waste management		902	1,078
Infrastructure			
Depr stormwater drainage		102	99
Depr bridges		2	3
Depr footpaths & kerbing		1,073	702
Depr roads		1,700	1,826
Depr carparks		256	249
Depr plant & equipment		596	701
Depr office equipment		148	158
Depr Riddoch collection		-	-
Depr other		299	280
Impairment of derecognised assets		-	1,215
		7,424	8,678
Less: Impairment expense offset to asset revaluation reserve	9	-	(1,215)
		7,424	7,461
FINANCE COSTS			
Interest on loans		161	172
Unwinding of present value discounts		42	64
		203	236

Note 4 - Gain / (loss) on asset disposal

	Notes	2019 \$'000	2018 \$'000
INFRASTRUCTURE, PROPERTY, PLANT & EQUIPMENT			
Assets renewed or directly replaced			
Proceeds from disposal		359	146
Less: Carrying amount of assets sold		(324)	100
Gain / (loss) on disposal		35	45
Asset surplus to requirements			
Proceeds from disposal		-	71
Less: Carrying amount of assets sold		-	85
Gain / (loss) on disposal		-	(14)
FAIR VALUE ADJUSTMENTS			
Impairment of disposed assets		(629)	(275)
Total fair value adjustments		(629)	(275)
NET GAIN/(LOSS) ON DISPOSAL OR REVALUATION OF ASSETS		(594)	(243)



City of Mount Gambier

Notes to and forming part of the Financial Statements for the year ended 30 June 2019

Note 5 - Current assets

	2019	2018
Notes	\$'000	\$'000
CASH & CASH EQUIVALENTS		
Cash on hand and at bank	515	327
Deposits at call	4,788	3,522
Short term deposits & bills, etc	766	738
	<u>6,069</u>	<u>4,587</u>
TRADE & OTHER RECEIVABLES		
Rates - general & other	742	430
Interest receivable	4	11
Debtors - general	1,045	883
GST recoupment	-	155
Prepayments	112	53
Loans to community organisations	18	35
Total	<u>1,921</u>	<u>1,567</u>
Less: Allowance for doubtful debts	54	43
	<u>1,867</u>	<u>1,524</u>

Amounts included in receivables that are not expected to be received within 12 months of reporting date.

INVENTORIES		
Stores & materials	18	20
Trading stock	9	10
Work in progress	789	274
	<u>816</u>	<u>304</u>

Note 6 - Non-current assets

	2019	2018
Notes	\$'000	\$'000
FINANCIAL ASSETS		
Loans to community organisations	-	-
Total financial assets	<u>-</u>	<u>-</u>



City of Mount Gambier

**Notes to and forming part of the Financial Statements
for the year ended 30 June 2019**

Note 7 - Infrastructure, property, plant & equipment

	Fair Value Level	2018 \$'000				2019 \$'000			
		At fair value	At cost	Accumulated depreciation	Carrying amount	At fair value	At cost	Accumulated depreciation	Carrying amount
Land	2	10,063	-	-	10,063	10,063	-	-	10,063
Land	3	41,590	361	-	41,951	41,590	367	-	41,957
Buildings & other structures	2	1,009	9	-	1,018	976	9	(81)	904
Buildings & other structures	3	96,041	2,227	(33,793)	64,475	96,074	2,860	(36,058)	62,876
Waste Management	3	7,678	498	(6,525)	1,651	7,734	2,084	(7,428)	2,390
<u>Infrastructure</u>		-	-	-	-	-	-	-	-
- Stormwater drainage	3	7,185	-	(1,986)	5,199	7,185	68	(2,088)	5,165
- Bridges	3	164	-	(73)	91	-	-	-	-
- Footpaths & kerbing	3	70,928	-	(16,556)	54,372	70,653	1,327	(17,581)	54,399
- Roads	3	63,332	-	(15,194)	48,138	62,922	1,709	(16,783)	47,848
- Carparks	3	10,230	-	(2,092)	8,138	10,230	206	(2,348)	8,088
Plant & equipment		(118)	7,743	(2,492)	5,133	-	8,154	(2,666)	5,488
Office equipment		-	2,060	(1,648)	412	-	1,668	(1,216)	452
Riddoch collection	3	3,434	-	-	3,434	3,509	-	-	3,509
Other		-	3,232	(1,500)	1,732	-	3,412	(1,799)	1,613
Total infrastructure, property, plant & equipment		311,536	16,130	(81,859)	245,807	310,936	21,864	(88,048)	244,752
Comparatives		281,610	19,982	(73,335)	228,257	311,536	16,130	(81,859)	245,807



City of Mount Gambier

Notes to and forming part of the Financial Statements for the year ended 30 June 2019

Note 7 - infrastructure, property, plant & equipment

	2018	Carrying amount movements during the year							2019	
	\$'000	\$'000							\$'000	
	Carrying amount	Additions		Disposals	Depreciation	Impairment	Transfers		Net revaluation	Carrying amount
	New/Upgrade	Renewals	In				Out			
Land - Level 2	10,063	-	-	-	-	-	-	-	-	10,063
Land - Level 3	41,951	6	-	-	-	-	-	-	-	41,957
Buildings & other structures - Level 2	1,018	-	-	-	(24)	-	-	(90)	-	904
Buildings & other structures - Level 3	64,475	288	345	-	(2,322)	-	90	-	-	62,876
Waste Management	1,651	1,585	-	-	(902)	-	-	-	56	2,390
Infrastructure										
- Stormwater drainage	5,199	-	68	-	(102)	-	-	-	-	5,165
- Bridges	91	-	-	(89)	(2)	-	-	-	-	-
- Footpaths & kerbing	54,372	638	690	(228)	(1,073)	-	-	-	-	54,399
- Roads	48,138	74	1,635	(299)	(1,700)	-	-	-	-	47,848
- Carparks	8,138	206	-	-	(256)	-	-	-	-	8,088
Plant & equipment	5,133	219	1,056	(324)	(596)	-	-	-	-	5,488
Office equipment	412	87	101	-	(148)	-	-	-	-	452
Riddoch collection	3,434	75	-	-	-	-	-	-	-	3,509
Other	1,732	63	130	(13)	(299)	-	-	-	-	1,613
Total infrastructure, property, plant & equipment	245,807	3,241	4,025	(953)	(7,424)	-	90	(90)	56	244,752
Comparatives	228,257	1,415	4,162	(459)	(7,461)	(1,215)	21,290	(21,290)	21,108	245,807

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 2019**

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

Valuation of Assets

General Valuation Principles

Accounting procedure:

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

Highest and best use:

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

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

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

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

Fair value hierarchy level 2 valuations

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

Fair value hierarchy level 3 valuations of land

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

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

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

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

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



City of Mount Gambier

**Notes to and forming part of the Financial Statements
for the year ended 30 June 2019**

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

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

Office furniture & equipment	\$1,000
Other plant & equipment	\$1,000
Buildings - new construction/extensions	\$5,000
Park & playground furniture & equipment	\$1,000
Road construction & reconstruction	\$5,000
Paving & footpaths, kerb & gutter	\$5,000
Stormwater & drainage	\$5,000
Waste management	\$5,000

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

Estimated useful lives:

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

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



City of Mount Gambier

**Notes to and forming part of the Financial Statements
for the year ended 30 June 2019**

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

Land

Council has formed the opinion that it is not possible to reliably measure the fair value of land under roads and therefore does not recognise land under roads. Land acquired for road purposes during the year is initially recognised at cost, but transferred to fair value at reporting date, effectively writing off the expenditure.

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

Land is revalued every second year (lastly in 2018) based on Valuer General's valuations provided to Council.

Buildings & other structures

Buildings and other structures were revalued as at 1 July 2016 by Richard Wood, AAPI CPV, of Opteon Property Group. Revaluations occur every four years. All additions are initially recorded at cost, which values are assumed to be a reasonable approximation of the fair values and classified at fair value.

Infrastructure

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

Waste management - landfill

Landfill remediation and cell development assets are amortised on a consumption basis over the individual landfill cell's capacity to receive waste. At the time of construction of a cell, Council includes the present value of estimated costs to cap and close the cell into the landfill cell. This estimate is offset by the recognition of a provision. This recognition of the capping costs is amortised in line with the consumption of the landfill cell's capacity used in any one year. Revaluation of the landfill occurs annually.

Plant & equipment and office equipment

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

Riddoch art collection

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

Other assets

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



City of Mount Gambier

Notes to and forming part of the Financial Statements for the year ended 30 June 2019

Note 8 - Liabilities

	2019 FY	2018
	\$'000	\$'000
TRADE & OTHER PAYABLES		
Notes		
Goods & services	1,974	1,521
Payments received in advance	410	153
Accrued expenses - employee entitlements	491	361
Accrued expenses - other	86	247
Deposits, retentions & bonds	55	88
Other payables	1	61
Total trade & other payables	<u>3,017</u>	<u>2,429</u>
BORROWINGS Current		
Loans current	195	218
Total borrowings current	<u>195</u>	<u>218</u>
BORROWINGS Non-current		
Loans non-current	2,377	2,572
Total borrowings non-current	<u>2,377</u>	<u>2,572</u>
All interest bearing liabilities are secured over the future revenues of the Council.		
PROVISIONS Current		
Employee entitlements (including oncosts)	2,338	2,332
Future reinstatement / restoration, etc.	-	-
Total provisions current	<u>2,338</u>	<u>2,332</u>
PROVISIONS Non-current		
Employee entitlements (including oncosts)	162	161
Future reinstatement / restoration, etc.	3,488	2,746
Total provisions non-current	<u>3,650</u>	<u>2,907</u>



City of Mount Gambier

Notes to and forming part of the Financial Statements for the year ended 30 June 2019

Note 9 - Reserves

Asset Revaluation Reserve	Opening \$'000	Net increments (decrements) \$'000	Transfers, impairments \$'000	Closing \$'000
Land	41,311	-	-	41,311
Buildings & structures	56,391	-	-	56,391
Infrastructure	69,003	-	-	69,003
Waste management	2,908	56	-	2,964
Plant & equipment	770	-	-	770
Minor plant	34	-	-	34
Other assets	4,985	-	-	4,985
TOTAL	175,402	56	-	175,458
<i>Comparatives 30 June 2018</i>	<i>155,509</i>	<i>21,108</i>	<i>(1,215)</i>	<i>175,402</i>

Other Reserves	Opening \$'000	Transfers to reserve \$'000	Transfers from reserve \$'000	Closing \$'000
Mount Gambier Cemetery	710	-	1	711
Mayor Christmas Appeal	38	8	-	46
Christmas Parade	13	(4)	(1)	8
Junior Sports Assistance Fund	86	9	-	95
	847	13	-	860
<i>Comparatives 30 June 2018</i>	<i>3,030</i>	<i>74</i>	<i>(2,257)</i>	<i>847</i>

PURPOSES OF RESERVES

Asset Revaluation Reserve

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

Other reserves

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

Mount Gambier Cemetery

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

Mayor Christmas Appeal

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

Christmas Parade

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

Junior Sports Assistance Fund

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



City of Mount Gambier

Notes to and forming part of the Financial Statements for the year ended 30 June 2019

Note 10 - Reconciliation of Cash Flow Statement

(a) Reconciliation of cash

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

	Notes	2019 \$'000	2018 \$'000
Total cash & equivalent assets	5	6,069	4,587
Less: Short-term borrowings	8	-	-
Balances per Cash Flow Statement		<u>6,069</u>	<u>4,587</u>

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

Net surplus / (deficit)		107	1,999
Non-cash items in Income Statement			
Depreciation, amortisation & impairment	3	7,424	7,461
Net increase / (decrease) in unpaid employee benefits		137	42
Premiums & discounts recognised & unwound	3	42	78
Non-cash asset acquisitions	2	(159)	(463)
Grants for capital acquisitions treated as Investing Activity	2	(105)	(445)
Net (gain) / loss on disposals	4	594	243
		<u>8,040</u>	<u>8,915</u>
Add / (less): Changes in net current assets			
Net (increase) / decrease in receivables		(360)	(170)
Net (increase) / decrease in inventories		(512)	(272)
Net (increase) / decrease in other current assets		-	-
Net increase / (decrease) in trade & other payables		309	(589)
Net increase / (decrease) in other provisions		-	-
Net increase / (decrease) in other reserves		13	(649)
Net increase / (decrease) in other liabilities		-	-
Net cash provided by (or used in) operations		<u>7,491</u>	<u>7,234</u>

(c) Non-Cash Financing and Investing Activities

Acquisition of assets by means of:

- Physical resources received free of charge	2	159	463
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(d) Financing arrangements

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

Bank overdrafts	250	250
Corporate credit cards	30	25
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 2019

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)	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Administration / Support services	25,400	23,768	2,554	2,489	22,846	21,279	3,952	3,172	52,248	57,347
Community support	784	884	1,940	2,203	(1,156)	(1,319)	2	3	9,121	8,854
Culture	741	465	8,236	6,994	(7,495)	(6,529)	226	148	389	-
Economic development	310	304	2,450	2,037	(2,140)	(1,733)	17	-	59	21
Environment	3,567	2,994	7,090	6,199	(3,523)	(3,205)	67	9	8,747	6,901
Recreation	128	115	3,664	3,151	(3,536)	(3,036)	-	-	1,585	769
Regulatory services	386	398	1,153	1,202	(767)	(804)	-	-	-	-
Transport	185	578	3,270	3,014	(3,085)	(2,436)	171	564	105,358	102,769
Engineering / Indirect	-	-	796	1,164	(796)	(1,164)	-	-	75,997	75,561
Unclassified activities	335	595	246	314	89	281	-	10	-	-
Total	31,836	30,101	31,399	28,767	437	1,334	4,435	3,906	253,504	252,222

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 2019**

Note 11 (continued) – Components of functions

The activities relating to Council functions are as follows:

Administration / Support services

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

Community support

Public order and safety, crime prevention, emergency services, other fire protection, other public order and safety, health services, pest control – health, immunisation, preventive health services, other health services, community support, senior citizens facilities, children and youth services, community assistance, other community support, community amenities, bus shelters, cemeteries / crematoria, public conveniences, car parking – non-fee-paying and other community amenities.

Culture

Library services, other library services, cultural services, cultural venues, heritage, museums and art galleries and other cultural services.

Economic development

Regional development, tourism, visitor information and other economic development.

Environment

Animal/plant boards, waste management, domestic waste, green waste, recycling, transfer station, other waste management, other environment, stormwater and drainage, street cleaning, street lighting, street-scaping, Natural Resource Management levy, and other environment.

Recreation

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

Regulatory services

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

Transport

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.



City of Mount Gambier

Notes to and forming part of the Financial Statements for the year ended 30 June 2019

Note 12 - Financial instruments

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

Accounting policies - Recognised financial instruments

Bank, deposits at call, short term deposits

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

Terms & conditions: Deposits are returning fixed interest rates between 1.25% and 1.95% (2018: 1.5% and 2.15%). Short term deposits have an average maturity of 1 day and an average interest rates of 1.25% (2018: 1 day, 1.50%).

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

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

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

Terms & conditions: Secured over the subject land, arrears attract interest of 6.35% (2018: 5.5%) Although Council is not materially exposed to any individual debtor, credit risk exposure is concentrated within the Council's boundaries in the State.

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

Receivables - Fees & other charges

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

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

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

Receivables - other levels of government

Accounting Policy: Carried at nominal value.

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

Carrying amount: approximates fair value.

Liabilities - Creditors and accruals

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

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

Carrying amount: approximates fair value.

Liabilities - Interest Bearing Borrowings

Accounting policy: Carried at the principal amounts. Interest is charged as an expense as it accrues.

Terms & conditions: secured over future revenues, borrowings are repayable in two repayments per year with fixed terms of 15 years (2018: 10 and 15 years); interest is charged at a fixed rate of 5.97% (2018: between 5.05% and 5.97%).

Carrying amount: approximates fair value.

Liabilities - Finance leases

Accounting policy: accounted for in accordance with AASB 117.



City of Mount Gambier

**Notes to and forming part of the Financial Statements
for the year ended 30 June 2019**

Note 12 (cont) - Financial instruments

Liquidity analysis

	2019			Total contractual cash flows \$'000	Carrying values \$'000
	Due < 1 year \$'000	Due > 1 year; ≤ 5 years \$'000	Due > 5 years \$'000		
Financial assets					
Cash & equivalents	6,069	-	-	6,069	6,069
Receivables	1,045	-	-	1,045	1,045
Other financial assets	18	-	-	18	18
Total	7,132	-	-	7,132	7,132
Financial liabilities					
Payables	3,017	-	-	3,017	3,017
Current borrowings	195	-	-	195	195
Non-current borrowings	-	2,377	-	2,377	2,377
Total	3,212	2,377	-	5,589	5,589
	2018				
	Due < 1 year \$'000	Due > 1 year; ≤ 5 years \$'000	Due > 5 years \$'000	Total contractual cash flows \$'000	Carrying values \$'000
Financial assets					
Cash & equivalents	4,587	-	-	4,587	4,587
Receivables	883	-	-	883	883
Other financial assets	35	-	-	35	35
Total	5,505	-	-	5,505	5,505
Financial liabilities					
Payables	2,429	-	-	2,429	2,429
Current borrowings	218	-	-	218	218
Non-current borrowings	-	852	1,720	2,572	2,572
Total	2,647	852	1,720	5,219	5,219

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

	30 June 2019		30 June 2018	
	Weighted average interest rate %	Carrying value \$'000	Weighted average interest rate %	Carrying value \$'000
Fixed interest rates	5.97%	2,572	5.96%	2,790
		<u>2,572</u>		<u>2,790</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 and 6 in relation to individual classes of receivables, exposure is concentrated within the Council's boundaries, and there is no material exposure to any individual debtor.

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

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 2019

Note 13 - Financial indicators

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

	2019	2018	2017
Operating surplus ratio			
$\frac{\text{Operating surplus}}{\text{Total operating revenue}}$	1.4%	6.0%	6.0%

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

Net financial liabilities ratio

$\frac{\text{Net financial liabilities}}{\text{Total operating revenue}}$	11%	17%	28%
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Net financial liabilities are defined as total liabilities less financial assets. These are expressed as a percentage of total operating revenue.

Adjustments to ratios

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

Adjusted operating surplus ratio	(0.7%)	5.5%	2.0%
Adjusted financial liabilities ratio	10%	17%	28%
Asset renewal funding ratio			
$\frac{\text{Net asset renewals}}{\text{Infrastructure \& Asset Management Plan required expenditure}}$	68%	72%	62%

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 2019

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.

	2019		2018
	\$'000		\$'000
Income	31,836		30,101
Expenses	<u>(31,399)</u>		<u>(28,767)</u>
Operating surplus / (deficit)	437		1,334
Net outlays on existing assets			
Capital expenditure on renewal and replacement of existing assets	5,346	4,053	
Depreciation, amortisation and impairment	(7,424)	(7,461)	
Proceeds from sale of replaced assets	<u>(359)</u>	<u>(146)</u>	
	(2,437)		(3,554)
Net outlays on new and upgraded assets			
Capital expenditure on new and upgraded assets (including investment property & real estate developments)	566	2,246	
Amounts received specifically for new and upgraded assets	(105)	(445)	
Proceeds from sale of surplus assets (including investment property and real estate developments and non-current assets held for resale)	<u>359</u>	<u>(71)</u>	
	820		1,730
Net lending / (borrowing) for financial year	2,054		3,158



City of Mount Gambier

Notes to and forming part of the Financial Statements for the year ended 30 June 2019

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:

	2019	2018
	\$'000	\$'000
Not later than one year	49	28
Later than one year and not later than 5 years	212	18
Later than 5 years	-	-
	<u>261</u>	<u>46</u>



City of Mount Gambier

**Notes to and forming part of the Financial Statements
for the year ended 30 June 2019**

Note 16 - Superannuation

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

Accumulation only Members

Accumulation only members receive both employer and employee contributions on a progressive basis. Employer contributions are based on a fixed percentage of ordinary time earnings in accordance with superannuation guarantee legislation (9.50% in 2019 and 2018) and enterprise bargaining agreement (1% in 2019 and 2018). 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 2018) of "superannuation" salary.

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

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

The most recent actuarial investigation was conducted by the Fund's actuary, Louise Campbell, FIAA, of Willie Towers Watson as at 30 June 2018. 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 2019**

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 228 kilometres of road reserves of average width 20 metres.

2. Potential insurance losses

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

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

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

3. Bank guarantees

Council has guaranteed certain loans and other banking facilities advanced to community organisations and sporting bodies, amounting to \$110,000 (2018: \$110,000) at reporting date.

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

4. Legal expenses

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



City of Mount Gambier

Notes to and forming part of the Financial Statements for the year ended 30 June 2019

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, 23 persons were paid the following total compensation:

	2019	2018
	\$'000	\$'000
Salaries, allowances & other short term benefits	1,311	1,169
Post-employment benefits	126	96
Long term benefits	91	12
Termination benefits	-	148
Total	1,528	1,425

Parties related to key management personnel

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

Key management personnel and/or relatives of key management personnel own retail businesses from which various supplies were purchased as required either for cash or on 30 day account. These purchases were made on normal commercial terms on an arms's length basis. No individual purchases from these businesses exceeded \$1,746 during the year.

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



City of Mount Gambier

**Annual Financial Statements
for the year ended 30 June 2019**

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 2019, the Council's Auditor, Galpins Accountants, Auditors & Business Consultants., has maintained its independence in accordance with the requirements of the Local Government Act 1999 and the Local Government (Financial Management) Regulations 2011 made under that Act.

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

.....
Andrew Meddle
CHIEF EXECUTIVE OFFICER

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

DRAFT



2018-19 ANALYTICAL REVIEW

DOCUMENT CONTENT

This document is to present some analysis on the 2018/19 financial statements for Audit Committee purposes.

This information does not form part of the financial statements, but provides some additional information and analysis that is considered of use to the members of the Audit Committee.

Part of this information will be included in the Annual Report, while other parts are included for Audit Committee purposes only.

2018/19 TECHNICAL ACCOUNTING MATTERS

COMPARATIVES – MATTERS FOR CONSIDERATION:

AASB 108

Note 1 includes the following:

11. Comparative information

Council has corrected a material prior period error retrospectively in these Statements in the comparative information. The error relates to waste management assets in general and the Caroline landfill in particular. In the comparative financial year the provided-for cost of capping for part of a cell was included in the prior year asset value and the future reinstatement / restoration provision, while the cost of construction of that same part was not included in the asset value and the depreciation (capacity in use) was based on the entire cell capacity rather than the part cell completed.

Under AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors* the following changes have been made to the comparatives in the statement of financial position and the statement of comprehensive income:

Statement of financial position	\$'000
Provision	decrease \$714
IPP&E - Waste management	decrease \$700
IPP&E cumulative depreciation – Waste management	increase \$457
Statement of comprehensive income	
Depreciation – Waste management	increase \$457
Unwinding of NPV discounts	increase \$14

A separate memorandum was prepared and provided to the auditor in relation to this item. Council has 9 leases in place per 1 July 2019. Council has determined to apply this standard consistently to all leases, irrespective of size, even though the standard allows the exclusion of any lease under \$10,000. Based on the number of leases currently in place this simplifies the accounting and explanation to internal users by having the calculations performed consistently irrespective of size.

Council has, from 1 July 2019, applied these in its accounting system.

OTHER TECHNICAL MATTERS

AASB 116 LEASES

Note 1 includes the following:

AASB 16 *Leases*, which will commence from 1 July 2019, requires that the right of use conveyed by lease contracts – except leases with a maximum term of 12 months and leases of non-material amounts – be recognised as a form of Infrastructure, property, plant and equipment, and that the lease liability be disclosed as a liability.

As a result of the new accounting policy, the following changes will be made to balance sheet amounts as at 1 July 2019:

Asset	\$'000
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2018-19 ANALYTICAL REVIEW

IPP&E Right-of-use asset	increase \$285
Lease liability	increase \$282
Accumulated surplus	increase\$3

The effect on profit and loss in future years will be non-material.

In broad terms the impact of the new lease standard is that:

- 1) the lease expense will be higher at the start of the lease and lower at the end of the lease compared to the previous accounting method under AASB.
- 2) The right-of-asset is a non-current asset but the liability will be both a current and a non-current liability.
 - a. Increase in current liability negative impact on Net Current Assets
 - b. Over time the liability will be greater than the asset
- 3) The actual cash flow does not change, but the way this will be presented in the Statement of Cash Flows is changing

The AASB standard allows three differential transitional methods (full retrospective method, modified retrospective method, split into two options). Although Council was prepared for the full retrospective method, as we were able to gain confidence about all the rates implicit in the (historical) leases and therefore do have all necessary information to apply this transitional method, the South Australian Model Financial Statements ('the Model') 'strongly' recommends (p.158) that the council elects to use the modified retrospective / cumulative catch-up approach. For completeness, it is noted that the differential impact for Council in applying the full retrospective method would have been immaterial compared to the currently applied transitional method.

Council provided the auditor with the calculations required for the new lease standard, and the impact has been reflected in Note 1.

The Model (p.154) also indicates that "Councils are not in business as financiers and (except in the extremely rare circumstances of support for community organisations) should not enter into lease contracts that would require classification as finance leases."

ONCOST ALLOCATION

Per Local Government (Financial Management) Regulations 2011 para 11 (2) council must ensure that reporting is made according to a full cost attribution basis. To achieve this consistently Council has been and continues to review its oncost allocation. As part of this process the salary oncost and internal hire oncost accounts have been separated late in the 2018/19 financial year and will be separately accounted for in 2019/20. This has allowed for a more detailed allocation of the relevant recovery to the materials, contracts and other and the salary oncost lines within Note 3.

2018/19 FINANCIAL PERFORMANCE

STRATEGIC FINANCIAL MANAGEMENT AND SUSTAINABILITY

Council's financial management and sustainability focus has been on the implementation of an Integrated Planning and Budgeting Framework. A holistic approach to ensure Council's functions, services and programs are aligned to meet the needs and expectations of Council and our community as articulated in the Community Plan 2016-2020 and related strategies and initiatives.

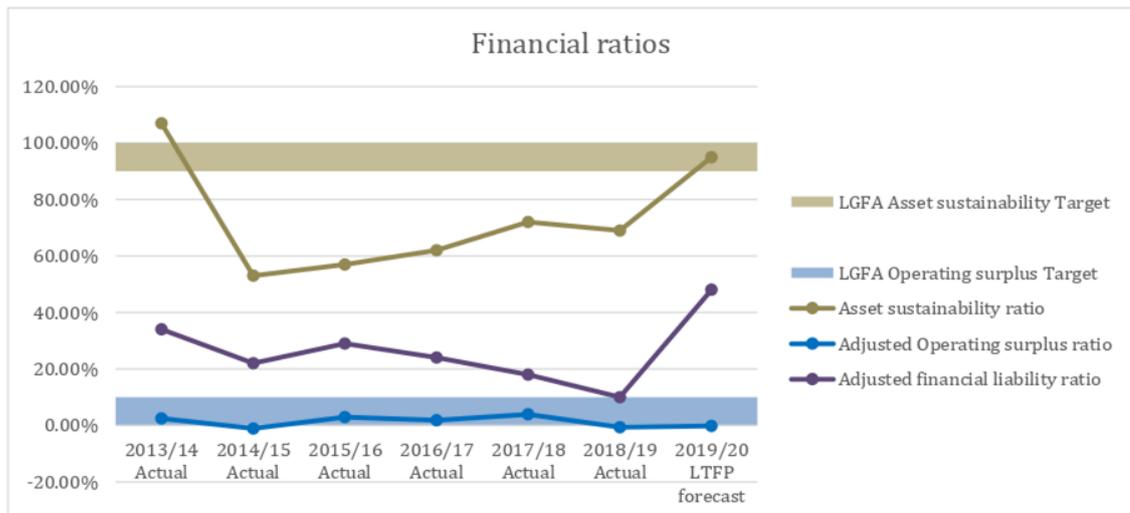
This integrated approach ensures that our strategic directions can be translated and cascaded into financial terms and guide the direction of Council in a financially sustainable manner over a period of at least ten years. The Long Term Financial Plan (LTFP) provides a comprehensive understanding of the impacts decisions made today have on our future. The Infrastructure and Asset Management Plan (IAMP) focuses on future expenditure for new assets and the renewal of existing assets over a period of at least 10 years. It also encompasses planned and reactive maintenance of our assets and significantly influences the LTFP.



2018-19 ANALYTICAL REVIEW

Council has maintained strategic financial discipline with the 2018/19 key indicators being in alignment with budget and reasonable compared to the Local Government targets. Council's LTFP and IAMP are reviewed periodically in accordance with legislative requirements and are available from Council's website www.mountgambier.sa.gov.au

Council's 2018/19 operating surplus ratio sits within the Local Government target range of 0 – 10%. Council has low level of financial liabilities (borrowings) and consequently the financial liability ratio has been reducing over time, but forecasted to increase with the Community and Recreation Hub development in 2019/20 and onwards. Council is working towards a review of its Asset Management Framework and depreciation practices to boost its asset sustainability ratio, which stands at 69% for the 2018/19 financial year, to the Local Government target range of 90% to 110%.



ANNUAL BUSINESS PLAN AND BUDGET

The City of Mount Gambier's Annual Business Plan and Budget (ABP&B) are statements of the planned strategies, program and financial outcomes for the financial year were developed with reference to the Council's Community (Strategic) Plan, LTFP and IAMP.

Development of our ABP&B is a fundamental component within our Integrated Planning and Budgeting Framework. The Framework links Council's strategic suite of documents including the strategies, plans and initiatives with our budgeting process ensuring alignment and an optimal mix of services, programs, infrastructure and facilities are delivered with the LTFP and budget parameters.

The ABP&B defines our objectives for the financial year, the services, programs and activities required to deliver these objectives, and how we will monitor and measure our performance.

ANALYSIS OF 2018/19 BUDGET TO ACTUAL

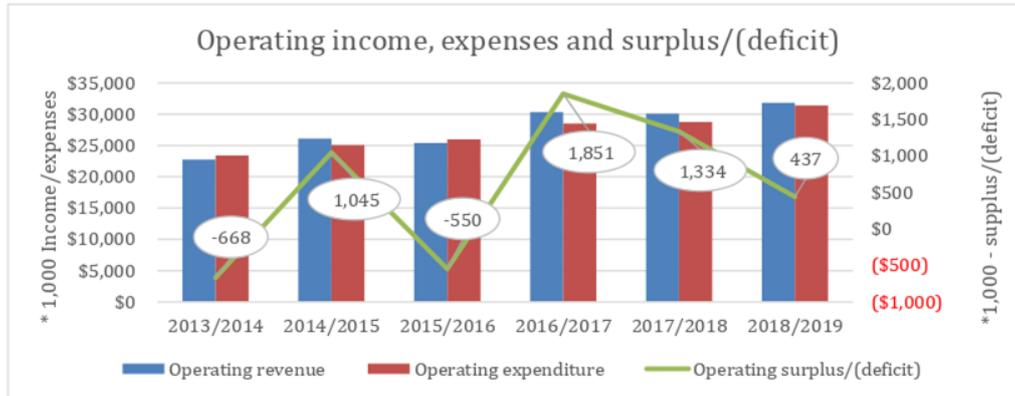
Council's Financial Statements report an operating result of \$457,000 for 2018/19 compared to a budgeted operating surplus of \$226,000. This better result is a combination the total expenses being \$1,203k higher than budget, while at the same time the total income being \$1,414k higher than budgeted for the year. This increase in



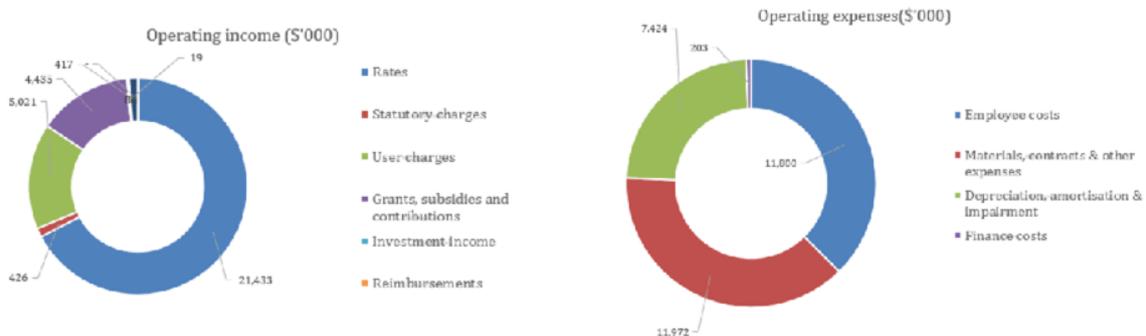
2018-19 ANALYTICAL REVIEW

revenue was impacted by the larger than anticipated prepayment of the 2019/20 Financial Assistance Grants and the receipt of the Supplementary Roads grants for the years 2018/19, 2019/20 and 2020/21. Other impacts include higher than anticipated Caroline landfill revenue and related expenses, including depreciation expenses, as well as costs incurred in relation with the start of the Community and Recreation Hub project.

The operating result represents the third consecutive year of sustained operating surpluses recorded by Council.



The break-down of the 2018/19 operating income and operating expenses are reflected in the graphs below.



Council's programs and services in 2018/19 included those which are regular and recur each year, those where 2018/19 was the first year of introduction and where these will continue as a recurring program as well as projects and initiatives that are cyclical or once-off in nature.

Our significant recurring capital programs are infrastructure in nature and for the 2018/19 financial year included roads (original budget \$2.31M, actual \$2.34M), footpaths (original budget \$0.91M, actual \$0.77M) and plant & equipment (original budget \$1.62M, actual \$1.16M).

Additionally, some of the key once off or cyclical projects initiated in the 2018/19 financial year are listed below.

Program / service	Original Budget			Actual		
	Expense	Capital	Revenue	Expense	Capital	Revenue
Re-use Market operations	\$194k	\$50k	\$30k	\$297k	\$75k	\$43k



2018-19 ANALYTICAL REVIEW

Election	\$129k			\$119k	
Customer Experience Counter and office		\$50k		\$103k	
Railway Lands – shared path continuation (grant received in 2017/18)		\$500k	\$250k	\$303k	
Budget & Business Intelligence software		\$50k		\$44k	
Polystyrene recycling machine		\$35k		\$36k	
Hay Drive demolition, fill and rebuild		\$191k		\$163k	
RV Park and waste dump point – Frew Park		\$120k		\$146k	

Council, at the conclusion of the 2017/18 financial year, rolled over \$1.11M in capital expenditure that was still in progress. A further capital expenditure rollover is expected for the 2018/19 financial year. The above table does not take into account work in progress rollovers.



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 2019, 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.

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CHIEF EXECUTIVE OFFICER

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



Galpins

Accountants, Auditors
& Business Consultants

David Chant CA, FCPA
Simon Smith CA, FCPA
David Sullivan CA, CPA
Jason Seidel CA
Renaë Nicholson CA
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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, which comprises the statement of financial position as at 30 June 2019, 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 2019, 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

/ / 2019



Galpins

Accountants, Auditors
& Business Consultants

David Chant CA, FCPA
Simon Smith CA, FCPA
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Luke Williams CA, CPA
Daniel Moon 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 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 2018 to 30 June 2019 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 2018 to 30 June 2019 .

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 2018 to 30 June 2019 . 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 2018 to 30 June 2019 . 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

/ / 2019



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Mayor Lynette Martin OAM
City of Mount Gambier
PO Box 56
Mount Gambier SA 5290

Dear Mayor Martin,

Re: City of Mount Gambier – Financial Statement and Internal Controls Audit 2018-19

We have recently completed our audit of the financial statements and internal controls of the City of Mount Gambier and intend to issue an unmodified report for both the financial statements and the internal controls opinion. Drafts of these intended opinions have been provided separately.

Australian Auditing Standards require us to advise all the Immaterial Uncorrected Misstatements found during the audit. There are no Immaterial Uncorrected Misstatements to be reported.

I confirm also my intention to sign the Statement by Auditor regarding my independence, and confirm that for the audit of the year ended 30 June 2019 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.

Yours faithfully,

GALPINS ACCOUNTANTS, AUDITORS & BUSINESS CONSULTANTS

Tim Muhlhausler CA, Registered Company Auditor
Partner

27/08/2019



5.2 NON-QUARANTINING OF CEMETERY FUNDS – REPORT NO. AR19/45811

Committee:	Audit Committee
Meeting Date:	2 September 2019
Report No.:	AR19/45811
CM9 Reference:	AF11/863
Author:	Jeroen Zwijnenburg, Acting General Manager Council Business Services
Authoriser:	Andrew Meddle, Chief Executive Officer
Summary:	<p>The current quarantining of term-deposits for the cemetery, based on a 2017 Council resolution, creates a sub-optimal treasury outcome for Council and is also not consistent with the Policy 150 – Treasury Management. This impact is expected to become of more noticeable in the near future with expected increases in Council’s borrowing. By changing part of a previous Council resolution, highlighting the need to account for a cemeteries reserve within Council’s equity and removing the reference to quarantining these funds within an account ‘separate from other cash balances’ Council will improve its overall treasury result and increase its flexibility.</p>
Community Plan Reference:	<p>Goal 1: Our People Goal 2: Our Location Goal 3: Our Diverse Economy</p>

REPORT RECOMMENDATION

1. That Audit Committee Report No. AR19/45811 titled ‘Non-quarantining of cemetery funds’ as presented on 02 September 2019 be noted.
2. That the fourth part of the resolution (part(d)) from the Report ‘Decision Making Structure – Mount Gambier Cemetery Trust’ – 20 June 2017 – AR17/22190 be amended
from:
“(d) that the operating funds of the cemeteries continue to be quarantined in a reserve account separate from other cash balances pending a strategic review of cemetery operations.”
to:
“(d) that a cemeteries reserve will be accounted for as a separate reserve account within Council’s equity and that a strategic review of cemetery operations and its reserve build-up will be performed at a later date.”



BACKGROUND

Council's T150 Treasury Management Policy provides guidelines to ensure that all investments are made in accordance with Sections 139 and 140 of the Local Government Act 1999.

Clause 3.3 Investments of the above mentioned policy covers the managing and investing of any surplus funds that are not required for operational needs. Investments for a period of less than twelve months do not require any approval from Council and usually Council administration lodges surplus funds on 24 hour call or for 30, 60 or 90 day fixed terms.

Historically, the investments in deposits with the Local Government Financing Authority (LGFA) were quarantined in separate funds, namely Council general, Downstream drainage and the Cemetery. In 2018 the Downstream drainage funding was consolidated with the Council's general fund, as there was no Council requirement to quarantine these funds.

Currently, the investment in deposits with the LGFA has quarantined funds for the Cemetery, as well as fund available for the City of Mount Gambier generally, with the following balances (per Sunday 25 August 2019):

Mt Gambier 01 Cemetery	\$710,851.50
Mt Gambier 04	\$3,715,327.10

Policy 150 – Treasury Management (AR11/4120) – indicates the following:

“Council recognises that on average the rate of return it can receive from investing money is less than the interest rate charged on borrowed funds. For this reason, it will not retain and/or quarantine money for particular funding purposes (except where so required by legislation or agreement with other parties). Instead, Council will seek to apply any funds it has that are not immediately required to meet approved expenditure, to reduce its level of borrowings or to defer and/or reduce the level of new borrowings that would otherwise be required.”

As per Council's resolution on 20 June 2017 (Report No AR17/22190 Decision Making Structure – Mount Gambier Cemetery Trust) Council decided

“(d) that the operating funds of the cemeteries continue to be quarantined in a reserve account separate from other cash balances pending a strategic review of cemetery operations.”

Additionally, the LGFA, in its 'LGFA Interest Posting Regime' advise (AR18/11295) that:

“Financial Sustainability Information Paper 15, Treasury Management suggests that the 'shoe boxing' of funds in different external bank accounts is not best practice treasury management.”

DISCUSSION

1. The 'LGFA Interest Posting Regime' paper indicates the following:

“Reserves

Councils should manage their finances holistically and in a strategically optimum way rather than practicing 'shoebox accounting' whereby monies are earmarked for particular needs and therefore are not available for others. All unrestricted revenues and investments should be applied to meet planned expenditure outlays and extinguish borrowings where possible.



Councils may, however, choose to use 'reserve accounting' as a useful means of recognizing and planning for future proposals. A Council may therefore establish various equity accounts (or 'reserves') within its balance sheet to identify an allocation for future purposes. However, it should not have separate bank/investment accounts for these 'reserves' unless required to do so under law, or as a condition of funding provided by an external funding body.

There are very few circumstances where a Council is legally required to quarantine funds.

A typical case might involve some type of trust fund e.g. developer contributions for car parks. Councils can and should use funds traditionally earmarked, by way of example, for Community Wastewater Management Systems, Plant Replacement, Open Space Reserves, Long Service Leave and other typically cash backed balance sheet liability or equity accounts as part of their overall financing strategies. Nothing prevents Councils from using these funds to "finance" other activities and thereby achieving savings (because of the margin between borrowing and investment rates) until they are required for the original purpose. At this time a new borrowing could be raised if required."

2. Although the historical Council resolution refers to the funds being 'quarantined in a reserve account', which could be considered a reserve within Council's equity, it also refers to 'a reserve account separate from other cash balances', suggesting this quarantining is required within its cash and investments.
3. Council has, since 30 June 2018, allocated the Cemetery funds as a separate Reserve in its Financial Statements, and therefore quarantined these funds from an accounting perspective. Council has continued to also retain a separate short-term deposit account with the LGFA within its cash and investments to quarantine the cemetery fund.
4. Removing the current quarantining of the Cemetery short-term deposit funds will provide a better outcome for Council without any direct negative implications, while aligning its practice to Policy 150 Treasury Management.
5. Taking into account the upcoming need to borrow from the LGFA to finance the Community and Recreation Hub, and the expectation that most of this borrowing will come from Council's existing Cash Advance Deposit (CAD) facilities, it is in Council's best interest to consolidate the currently quarantined Cemetery reserve funds into its normal deposit account.
6. This will allow Council to minimise the borrowings on a day-to-day basis and avoid a substantial interest differential between the interest earned on the quarantined funds versus the interest expense on the borrowings.

This interest differential can be broken down as follows:

Currently interest is earned at 1.95% on the quarantined while the interest rate on the CAD borrowings is currently around 3.75%. This represents a rates differential of 1.80% or \$12,795 per annum in additional interest expense if this remains quarantined and Council moves into a net borrowing position.

7. The non-quarantining of these funds will also slightly defer the timing for the need to initiate borrowings under the CAD facilities. At the same time, it will also simplify the administration with regards to Council's Treasury management.



8. The previous Council resolution with regards to the Report 'Decision Making Structure – Mount Gambier Cemetery Trust' – 20 June 2017 – AR17/22190, the fourth part of the resolution (part (d)) reads
“(d) that the operating funds of the cemeteries continue to be quarantined in a reserve account separate from other cash balances pending a strategic review of cemetery operations.”

To gain the identified benefits and to align Council's 'Decision Making Structure – Mount Gambier Cemetery Trust' – 20 June 2017' report resolution with its Policy 150 – Treasury Management, the removal of the quarantining of the Cemetery fund from general Council funds, while at the same time still retaining the reserve for the Cemetery can be implemented by changing the previous resolution to read as follows:

“(d) that a cemeteries reserve will be accounted for as a reserve within Council's equity and that a strategic review of cemetery operations and its reserve build-up will be performed at a later date.”

The above incorporates the review of the reserve build-up to its current \$710,851.50 balance as part of the strategic review of the cemetery operations at a future date.

That, with regards to the Report 'Decision Making Structure – Mount Gambier Cemetery Trust' – 20 June 2017 – AR17/22190, the fourth part of the resolution (part (d)) is updated
From:

“(d) that the operating funds of the cemeteries continue to be quarantined in a reserve account separate from other cash balances pending a strategic review of cemetery operations.”

To:

“(d) that a cemeteries reserve will be accounted for as a separate reserve account within Council's equity and that a strategic review of cemetery operations and its reserve build-up will be performed at a later date.”

CONCLUSION

The current quarantining of the funds for the cemetery, based on a 2017 Council resolution, creates a sub-optimal financial outcome for Council and is also not consistent with the Policy 150 – Treasury Management. By changing part of the historical resolution, highlighting the need to account for a cemeteries reserve within Council's equity and removing the reference to quarantining these funds within an account 'separate from other cash balances' Council will improve its overall treasury result (i.e. increase its interest expense and/or increase its interest income) and increase its flexibility within its Treasury function.

ATTACHMENTS

1. Previous resolution of Council regarding Mount Gambier Cemetery Trust [↓](#)



Decision Making Structure - Mount Gambier Cemetery Trust AR17/22190

Background

Since February 2017 Council has been giving consideration to it's Decision Making Structure through several Elected Member Workshops, Discussion and Options Papers and consideration of formal reports at the 16 May 2017 Council meeting.

Following discussion at a further Elected Member Workshop held on 6 June 2017 this report proposes the winding-up of the Mount Gambier Cemetery Trust.

Discussion

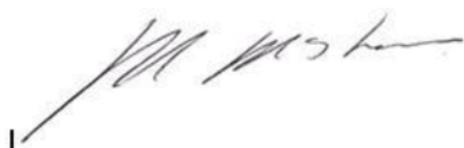
The Mount Gambier Cemetery Trust in current form was established by Council and became operative on 17 December 1998 for the purpose of undertaking the care, control and management, preservation, public access and public appreciation of cemeteries, crematoria, cemetery grounds etc within the Council area being and including, Carinya Gardens Cemetery and portion of the Lake Terrace Cemetery. The Cemetery 'Trust' has operated under the Local Government Act 1999 as a Section 41 Committee of Council. During the years of operation any net cash surplus/deficit arising from the Trusts operations have been quarantined in a reserve account which in the 2016/17 year contains an amount of approximately \$693,000 for cemetery operations. Notwithstanding the specific nature of certain aspects of cemetery management it is not considered necessary that the largely administrative and operational cemetery activities be oversighted by a formal Committee of Council, where such activities can be adequately managed under delegation with any relevant strategic or operational decision making referred to Council via it's recently endorsed Decision Making Structure.

Conclusion

This report includes a recommendation that the Mount Gambier Cemetery Trust be wound-up effective immediately and that the operating reserves continue to be quarantined pending a strategic review of cemetery operations.

Attachments

Nil



Mark McSHANE
CHIEF EXECUTIVE OFFICER

13 June 2017



- 6 URGENT MOTIONS WITHOUT NOTICE**
- 7 MEETING CLOSE**



**MINUTES OF CITY OF MOUNT GAMBIER
AUDIT COMMITTEE MEETING
HELD AT THE COMMITTEE ROOM, LEVEL 1, CIVIC CENTRE,
10 WATSON TERRACE, MOUNT GAMBIER
ON TUESDAY, 4 JUNE 2019 AT 5.30 P.M.**

PRESENT: Cr Sonya Meziniec (Presiding Member), Mr Paul Duka, Tim Muhlhausler
(via phone), Kristofer Bergamaschi (via phone)

**OFFICERS
IN ATTENDANCE:** General Manager Council Business Services - Mrs P Lee
Manager Finance and Customer Service - Mr J Zwijnenburg

1 ACKNOWLEDGEMENT OF COUNTRY

WE ACKNOWLEDGE THE BOANDIK PEOPLES AS THE TRADITIONAL CUSTODIANS OF THE LAND WHERE WE MEET TODAY. WE RESPECT THEIR SPIRITUAL RELATIONSHIP WITH THE LAND AND RECOGNISE THE DEEP FEELINGS OF ATTACHMENT OUR INDIGENOUS PEOPLES HAVE WITH THIS LAND.

2 APOLOGY(IES)

COMMITTEE RESOLUTION

Moved: Cr Sonya Meziniec

Seconded: Paul Duka

That the apology(ies) from Ms Angela Kain be received.

CARRIED

3 CONFIRMATION OF MINUTES

COMMITTEE RESOLUTION

Moved: Cr Sonya Meziniec

Seconded: Paul Duka

That the minutes of the Audit Committee meeting held on 15 May 2019 be confirmed as an accurate record of the proceedings of the meeting.

CARRIED

4 QUESTIONS WITHOUT NOTICE

Nil



5 REPORTS

Kristofer Bergamaschi spoke in relation to this item at 5:35 p.m.

5.1 CQR CYBER SECURITY ASSESSMENT - UPDATE

COMMITTEE RESOLUTION

Moved: Paul Duka

Seconded: Cr Sonya Mezinec

1. That Audit Committee Report No. AR19/24222 titled 'CQR Cyber Security Assessment - Update' as presented on 04 June 2019 be noted.
2. That the measures to mitigate the 'moderate' risks identified in the CQR Cyber Risk Assessment report be addressed by the Administration and an update be provided to the Audit Committee.

CARRIED

5.2 FINAL INTERIM AUDIT MANAGEMENT LETTER

COMMITTEE RESOLUTION

Moved: Cr Sonya Mezinec

Seconded: Paul Duka

1. That Audit Committee Report No. AR19/24184 titled 'Final Interim Audit Management Letter' as presented on 04 June 2019 be noted.

CARRIED

5.3 EXTERNAL AUDITOR'S AUDIT ENGAGEMENT PLAN

COMMITTEE RESOLUTION

Moved: Cr Sonya Mezinec

Seconded: Paul Duka

1. That Audit Committee Report No. AR19/24220 titled 'External Auditor's Audit Engagement Plan' as presented on 04 June 2019 be noted.

CARRIED

5.4 DRAFT 2019/2020 ANNUAL BUSINESS PLAN AND BUDGET

COMMITTEE RESOLUTION

Moved: Paul Duka

Seconded: Cr Sonya Mezinec

1. That Audit Committee Report No. AR19/24224 titled 'Draft 2019/2020 Annual Business Plan and Budget' as presented on 04 June 2019 be noted.



2. That the Audit Committee provides the following feedback on the Council's Draft 2019/2020 Annual Business Plan and Budget:
- (a) Update wording describing Council's contribution to the Community and Recreation Hub project budget and Council's contribution in 2019/2020 of \$2.5 M.
 - (b) For 2020/2021 update the Annual Business Plan and Budget format and its content to include explanation of material changes from the current budget year to the draft budget year.

CARRIED

5.5 REGISTERS OF PROCESS IMPROVEMENT, SERVICE REVIEWS AND PROJECTS

COMMITTEE RESOLUTION

Moved: Cr Sonya Mezinec
Seconded: Paul Duka

1. That Audit Committee Report No. AR19/26804 titled 'Registers of Process Improvement, Service Reviews and Projects' as presented on 04 June 2019 be noted.

CARRIED

6 MOTIONS WITHOUT NOTICE

Nil

7 MEETING CLOSE

The Meeting closed at 7.29 p.m.

The minutes of this meeting were confirmed at the Audit Committee held on 2 September 2019.

.....
PRESIDING MEMBER

