



City of  
Mount Gambier

# FINANCIAL STATEMENTS

2018/2019

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

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# 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
<b>INCOME</b>			
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
<b>Total Income</b>		<b><u>31,836</u></b>	<b><u>30,101</u></b>
<b>EXPENSES</b>			
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
<b>Total Expenses</b>		<b><u>31,399</u></b>	<b><u>28,767</u></b>
<b>OPERATING SURPLUS / (DEFICIT)</b>		<b>437</b>	<b>1,334</b>
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
<b>NET SURPLUS / (DEFICIT)</b>		<b>107</b>	<b>1,999</b>
transferred to Equity Statement			
<b>Other Comprehensive Income</b>			
<i>Amounts which will not be reclassified subsequently to operating result</i>			
Changes in revaluation surplus - infrastructure, property, plant & equipment		56	21,108
Impairment (expense) / recoupments offset to asset revaluation reserve		-	(1,215)
<b>Total Other Comprehensive Income</b>		<b><u>56</u></b>	<b><u>19,893</u></b>
<b>TOTAL COMPREHENSIVE INCOME</b>		<b><u>163</u></b>	<b><u>21,891</u></b>

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

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

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

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

# City of Mount Gambier

## Statement of Changes in Equity for the year ended 30 June 2019

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

# City of Mount Gambier

## Statement of Cash Flows for the year ended 30 June 2019

		2019	2018
		\$'000	\$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	Notes		
<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)
<b>Net cash provided by (or used in) Operating Activities</b>		<b>7,490</b>	<b>7,235</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
<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)
<b>Net cash provided by (or used in) Investing Activities</b>		<b>(5,790)</b>	<b>(5,470)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
<u>Payments</u>			
Repayments of borrowings		(218)	(206)
<b>Net cash provided by (or used in) Financing Activities</b>		<b>(218)</b>	<b>(206)</b>
<b>Net increase / (decrease) in cash held</b>		<b>1,482</b>	<b>1,559</b>
Cash & cash equivalents at beginning of period	10	4,587	3,028
<b>Cash &amp; cash equivalents at end of period</b>	10	<b>6,069</b>	<b>4,587</b>

# 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 17 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.

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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 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:

	<b>\$'000</b>
<b>Statement of financial position</b>	
Provision	decrease \$714
IPP&E - Waste management	decrease \$700
IPP&E cumulative depreciation – Waste management	increase \$457
<b>Statement of comprehensive income</b>	
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**

<b>Asset</b>	<b>\$'000</b>
IPP&E Right-of-use asset	increase \$340
Lease liability	increase \$333
Accumulated surplus	increase \$7

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

# 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
<b>RATES REVENUES</b>		
<u>General rates</u>	20,434	19,593
Less: Mandatory rebates	(211)	(221)
Less: Discretionary rebates, remissions & write offs	(29)	-
Total general rates	20,194	19,372
<u>Other rates</u> (including service charges)		
Natural Resource Management levy	1,087	1,079
<u>Other charges</u>		
Penalties for late payment	79	79
Legal & other costs recovered	72	67
<b>Total rates revenue</b>	<b>21,432</b>	<b>20,597</b>
<b>STATUTORY CHARGES</b>		
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
<b>Total statutory charges</b>	<b>426</b>	<b>447</b>
<b>USER CHARGES</b>		
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
<b>Total user charges</b>	<b>5,021</b>	<b>4,484</b>
<b>INVESTMENT INCOME</b>		
Interest on investments		
Local Government Finance Authority	84	49
Banks & other	2	13
<b>Total investment income</b>	<b>86</b>	<b>62</b>

# City of Mount Gambier

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

### Note 2 - Income (continued)

	<b>2019</b>	<b>2018</b>
Notes	<b>\$'000</b>	<b>\$'000</b>
<b>REIMBURSEMENTS</b>		
Reimbursements - roadworks	-	14
Reimbursements - private works	12	63
Reimbursements - other	7	6
<b>Total reimbursements</b>	<b><u>19</u></b>	<b><u>83</u></b>
<b>OTHER INCOME</b>		
Insurance & other recoupments	149	148
- infrastructure, property, plant & equipment		
Donations	56	57
Other income - sundry	212	317
<b>Total other income</b>	<b><u>417</u></b>	<b><u>522</u></b>
<b>GRANTS, SUBSIDIES, CONTRIBUTIONS</b>		
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>
<b>Total grants, subsidies, contributions</b>	<b><u>4,540</u></b>	<b><u>4,351</u></b>
<b>Sources of grants</b>		
Commonwealth government	190	564
State government	4,309	3,787
Other	<u>41</u>	<u>0</u>
	<b><u>4,540</u></b>	<b><u>4,351</u></b>

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
<b>Conditions over grants &amp; contributions</b>		
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)
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	<b>98</b>	<b>250</b>
Net increase / (decrease) in assets subject to conditions in the current reporting period	(152)	120
<b>PHYSICAL RESOURCES RECEIVED FREE OF CHARGE</b>		
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
<b>Total physical resources received free of charge</b>	<b>159</b>	<b>463</b>



# 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
<b>EMPLOYEE COSTS</b>			
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
<b>Total operating employee costs</b>		<b>11,800</b>	<b>11,033</b>
<i>Total number of employees expressed in full time equivalents</i>	-	127	125
<b>MATERIALS, CONTRACTS &amp; OTHER EXPENSES</b>			
<u>Prescribed expenses</u>			
Auditor's remuneration			
- Auditing the financial reports		26	33
Bad and doubtful debts		11	23
Elected members' expenses		234	459
Election expenses		119	14
<b>Subtotal - Prescribed expenses</b>		<b>390</b>	<b>529</b>
<u>Other materials, contracts &amp; expenses</u>			
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
<b>Subtotal - Other materials, contracts &amp; expenses</b>		<b>11,584</b>	<b>9,494</b>
		<b>11,972</b>	<b>10,023</b>

# City of Mount Gambier

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

### Note 3 - Expenses (continued)

	2019	2018
Notes	\$'000	\$'000
<b>DEPRECIATION, AMORTISATION &amp; IMPAIRMENT</b>		
<b>Depreciation</b>		
Depr buildings & other structures	2,346	2,363
Depr waste management	902	1,078
<b>Infrastructure</b>		
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
	<u>7,424</u>	<u>8,678</u>
Less: Impairment expense offset to asset revaluation reserve	9	-
	<u>-</u>	<u>(1,215)</u>
	<u>7,424</u>	<u>7,461</u>
<b>FINANCE COSTS</b>		
Interest on loans	161	172
Unwinding of present value discounts	42	64
	<u>203</u>	<u>236</u>

### Note 4 - Gain / (loss) on asset disposal

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

# 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
	\$'000	\$'000
<b>CASH &amp; CASH EQUIVALENTS</b>		
Cash on hand and at bank	515	327
Deposits at call	4,788	3,522
Short term deposits & bills, etc	766	738
	<b>6,069</b>	<b>4,587</b>
<b>TRADE &amp; OTHER RECEIVABLES</b>		
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	<b>1,921</b>	<b>1,567</b>
Less: Allowance for doubtful debts	54	43
	<b>1,867</b>	<b>1,524</b>
<p>Amounts included in receivables that are not expected to be received within 12 months of reporting date.</p>		
<b>INVENTORIES</b>		
Stores & materials	18	20
Trading stock	9	10
Work in progress	789	274
	<b>816</b>	<b>304</b>

### Note 6 - Non-current assets

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

# 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
<b>Total infrastructure, property, plant &amp; equipment</b>		<b>311,536</b>	<b>16,130</b>	<b>(81,859)</b>	<b>245,807</b>	<b>310,936</b>	<b>21,864</b>	<b>(88,048)</b>	<b>244,752</b>
<b>Comparatives</b>		<b>281,610</b>	<b>19,982</b>	<b>(73,335)</b>	<b>228,257</b>	<b>311,536</b>	<b>16,130</b>	<b>(81,859)</b>	<b>245,807</b>

# 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 \$'000	Carrying amount movements during the year							2019 \$'000		
				\$'000						Net revaluation	Carrying amount
		Carrying amount	Additions		Disposals	Depreciation	Impairment	Transfers			
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	
<b>Total infrastructure, property, plant &amp; equipment</b>	<b>245,807</b>	<b>3,241</b>	<b>4,025</b>	<b>(953)</b>	<b>(7,424)</b>	<b>-</b>	<b>90</b>	<b>(90)</b>	<b>56</b>	<b>244,752</b>	
<b>Comparatives</b>	<b>228,257</b>	<b>1,415</b>	<b>4,162</b>	<b>(459)</b>	<b>(7,461)</b>	<b>(1,215)</b>	<b>21,290</b>	<b>(21,290)</b>	<b>21,108</b>	<b>245,807</b>	

This note continues on the following pages.

## City of Mount Gambier

### Notes to and forming part of the Financial Statements for the year ended 30 June 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
<b>TRADE &amp; OTHER PAYABLES</b>	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
<b>Total trade &amp; other payables</b>	<b>3,017</b>	<b>2,429</b>
 <b>BORROWINGS Current</b>		
Loans current	195	218
<b>Total borrowings current</b>	<b>195</b>	<b>218</b>
 <b>BORROWINGS Non-current</b>		
Loans non-current	2,377	2,572
<b>Total borrowings non-current</b>	<b>2,377</b>	<b>2,572</b>
All interest bearing liabilities are secured over the future revenues of the Council.		
 <b>PROVISIONS Current</b>		
Employee entitlements (including oncosts)	2,338	2,332
Future reinstatement / restoration, etc.	-	-
<b>Total provisions current</b>	<b>2,338</b>	<b>2,332</b>
 <b>PROVISIONS Non-current</b>		
Employee entitlements (including oncosts)	162	161
Future reinstatement / restoration, etc.	3,488	2,746
<b>Total provisions non-current</b>	<b>3,650</b>	<b>2,907</b>

# City of Mount Gambier

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

### Note 9 - Reserves

<b>Asset Revaluation Reserve</b>	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
<b>TOTAL</b>	<b>175,402</b>	<b>56</b>	<b>-</b>	<b>175,458</b>
<i>Comparatives 30 June 2018</i>	<i>155,509</i>	<i>21,108</i>	<i>(1,215)</i>	<i>175,402</i>

<b>Other Reserves</b>	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	-	-
<b>Total</b>	<b>31,836</b>	<b>30,101</b>	<b>31,399</b>	<b>28,767</b>	<b>437</b>	<b>1,334</b>	<b>4,435</b>	<b>3,906</b>	<b>253,504</b>	<b>252,222</b>

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

## City of Mount Gambier

### Notes to and forming part of the Financial Statements for the year ended 30 June 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		
<b>Financial assets</b>					
Cash & equivalents	6,069	-	-	6,069	6,069
Receivables	1,045	-	-	1,045	1,045
Other financial assets	18	-	-	18	18
<b>Total</b>	<b>7,132</b>	<b>-</b>	<b>-</b>	<b>7,132</b>	<b>7,132</b>
<b>Financial liabilities</b>					
Payables	3,017	-	-	3,017	3,017
Current borrowings	195	-	-	195	195
Non-current borrowings	-	2,377	-	2,377	2,377
<b>Total</b>	<b>3,212</b>	<b>2,377</b>	<b>-</b>	<b>5,589</b>	<b>5,589</b>
	2018				
	Due < 1 year \$'000	Due > 1 year; ≤ 5 years \$'000	Due > 5 years \$'000	Total contractual cash flows \$'000	Carrying values \$'000
<b>Financial assets</b>					
Cash & equivalents	4,587	-	-	4,587	4,587
Receivables	883	-	-	883	883
Other financial assets	35	-	-	35	35
<b>Total</b>	<b>5,505</b>	<b>-</b>	<b>-</b>	<b>5,505</b>	<b>5,505</b>
<b>Financial liabilities</b>					
Payables	2,429	-	-	2,429	2,429
Current borrowings	218	-	-	218	218
Non-current borrowings	-	852	1,720	2,572	2,572
<b>Total</b>	<b>2,647</b>	<b>852</b>	<b>1,720</b>	<b>5,219</b>	<b>5,219</b>

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
		<b>2,572</b>		<b>2,790</b>

##### 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
<b>Operating surplus ratio</b>			
$\frac{\text{Operating surplus}}{\text{Total operating revenue}}$	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.

<b>Adjusted operating surplus ratio</b>	(0.7%)	5.5%	2.0%
<b>Adjusted financial liabilities ratio</b>	10%	17%	28%

### Asset renewal funding ratio

$\frac{\text{Net asset renewals}}{\text{Infrastructure \& Asset Management Plan required expenditure}}$	68%	72%	62%
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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.

	<b>2019</b> <b>\$'000</b>	<b>2018</b> <b>\$'000</b>
Income	31,836	30,101
Expenses	<u>(31,399)</u>	<u>(28,767)</u>
<b>Operating surplus / (deficit)</b>	<b>437</b>	<b>1,334</b>
<b>Net outlays on existing assets</b>		
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)
<b>Net outlays on new and upgraded assets</b>		
Capital expenditure on new and upgraded assets <i>(including investment property &amp; real estate developments)</i>	566	2,246
Amounts received specifically for new and upgraded assets	(105)	(445)
Proceeds from sale of surplus assets <i>(including investment property and real estate developments and non-current assets held for resale)</i>	<u>359</u>	<u>(71)</u>
	820	1,730
<b>Net lending / (borrowing) for financial year</b>	<b>2,054</b>	<b>3,158</b>

# 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:

	<b>2019</b>	<b>2018</b>
	<b>\$'000</b>	<b>\$'000</b>
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.

##### **5. Community and Recreation Hub**

On 25 March 2019, Council signed a grant agreement with the Commonwealth Government that commits Council to capital spending of \$13,766,000 for the proposed Community and Recreation Hub, intended to be completed in 2021. In good faith, all design and specification work is continuing to allow for tender documents to be prepared and the commitment of funds will only be confirmed when Council endorses the tender outcomes and enters into a construction contract with a third party in the 2019/20 financial year.

# 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:

	<b>2019</b>	<b>2018</b>
	\$'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
<b>Total</b>	<u>1,528</u>	<u>1,425</u>

#### 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 Mezinac  
**PRESIDING MEMBER  
AUDIT COMMITTEE**