



# **Port Augusta**

**CITY COUNCIL**

ABN 73 625 993 182

**FINANCIAL STATEMENTS  
FOR YEAR ENDED 30 JUNE 2017**

PORT AUGUSTA CITY COUNCIL  
ANNUAL FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2017

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PORT AUGUSTA CITY COUNCIL  
ANNUAL FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2017

**CERTIFICATION OF FINANCIAL STATEMENTS**

We have been authorised by the Council to certify the financial statements in their final form. In our opinion:

- The accompanying financial statements comply with *the Local Government Act 1999, Local Government (Financial Management) Regulations 2011 and Australian Accounting Standards*.
- The financial statements present a true and fair view of the Council's financial position at 30 June 2017 and the results of its operations and cash flows for the financial year.
- Internal controls implemented by the Council provide 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.



**J.P. BANKS**  
CHIEF EXECUTIVE OFFICER

Date: 18.10.17



**S.C. JOHNSON**  
MAYOR

## PORT AUGUSTA CITY COUNCIL

### STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2017

	Notes	2017 \$	2016 \$
<b>INCOME</b>			
Rates	3	18,085,820	17,799,445
Statutory charges	3	220,341	190,436
User charges	3	5,033,312	5,167,711
Grants, Subsidies & Contributions	3	14,645,780	11,299,330
Investment Income	3	102,507	106,776
Reimbursements	3	499,580	500,521
Other Income	3	1,746,547	1,762,636
<b>TOTAL INCOME</b>		<b>40,333,887</b>	<b>36,826,855</b>
<b>EXPENSES</b>			
Employee Costs	4	17,824,459	17,760,850
Materials, Contracts & Other Expenses	4	14,507,583	15,089,029
Finance Costs	4	1,285,328	1,415,841
Depreciation, Amortisation & Impairment	4	7,977,778	5,602,200
<b>TOTAL EXPENSES</b>		<b>41,595,148</b>	<b>39,867,920</b>
<b>OPERATING SURPLUS / (DEFICIT)</b>		<b>(1,261,261)</b>	<b>(3,041,065)</b>
Asset disposal and fair value adjustments	5	(128,538)	(43,874)
Amounts received specifically for new or upgraded assets	3	762,000	458,000
<b>NET SURPLUS/(DEFICIT) transferred to Equity Statement</b>		<b>(627,799)</b>	<b>(2,626,939)</b>
<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		(339,683)	17,215,192
Impairment (expense) / recoupments offset to asset revaluation reserve		(7,837,357)	
<b>TOTAL OTHER COMPREHENSIVE INCOME</b>		<b>(8,177,040)</b>	<b>17,215,192</b>
<b>TOTAL COMPREHENSIVE INCOME</b>		<b>(8,804,839)</b>	<b>14,588,253</b>

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

Financial Assistance Grant Payment Reallocation	(1,510,089)	1,505,972
<b>Adjusted Operating Deficit</b>	<b>(2,771,350)</b>	<b>(1,535,093)</b>

## PORT AUGUSTA CITY COUNCIL

### STATEMENT OF FINANCIAL POSITION FOR THE YEAR ENDED 30 JUNE 2017

	Notes	2017 \$	2016 \$
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	6	609,458	3,892,450
Trade & other receivables	6	1,882,376	2,043,968
Inventories	6	241,293	256,714
		<u>2,733,127</u>	<u>6,193,132</u>
Non-current Assets held for Sale	20	8,579,766	
<b>Total Current Assets</b>		<u>11,312,893</u>	<u>6,193,132</u>
<b>Non-current Assets</b>			
Financial Assets	7	62,581	81,666
Infrastructure, Property, Plant & Equipment	8	204,166,445	220,474,142
Other Non-current Assets	7	-	2,100,000
		<u>204,229,026</u>	<u>222,655,808</u>
<b>Total Non-current Assets</b>		<u>204,229,026</u>	<u>222,655,808</u>
<b>TOTAL ASSETS</b>		<u>215,541,919</u>	<u>228,848,940</u>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Trade & Other Payables	9	3,172,762	7,014,814
Borrowings	9	3,108,090	3,168,753
Provisions	9	2,343,661	2,977,562
		<u>8,624,513</u>	<u>13,161,129</u>
Liabilities Associated with Non-current Assets held for Sale	20	4,267,949	
<b>Total Current Liabilities</b>		<u>12,892,462</u>	<u>13,161,129</u>
<b>Non-current Liabilities</b>			
Borrowings	9	23,717,316	27,945,358
Provisions	9	88,839	94,313
		<u>23,806,155</u>	<u>28,039,671</u>
<b>Total Non-current Liabilities</b>		<u>23,806,155</u>	<u>28,039,671</u>
<b>TOTAL LIABILITIES</b>		<u>36,698,617</u>	<u>41,200,800</u>
<b>NET ASSETS</b>		<u>178,843,302</u>	<u>187,648,140</u>
<b>EQUITY</b>			
Accumulated Surplus(Deficit)		(8,238,648)	(7,610,849)
Asset Revaluation Reserve	10	187,081,950	195,258,989
<b>TOTAL EQUITY</b>		<u>178,843,302</u>	<u>187,648,140</u>

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



## PORT AUGUSTA CITY COUNCIL

### STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2017

	ACCUMULATED SURPLUS	ASSET REVALUATION RESERVE	TOTAL EQUITY
<b>2017</b>	Notes		
Balance at end of previous reporting period	(7,610,849)	195,258,989	187,648,140
Net Surplus/ (Deficit) for year	(627,799)		(627,799)
<b>Balance at end of period</b>	<b>(8,238,648)</b>	<b>195,258,989</b>	<b>187,020,341</b>
Gain on revaluation of property, plant & equipment	10	(8,177,039)	(8,177,039)
Transfer to Accumulated Surplus on sale of property, plant & equipment			
Adjustment due to compliance with revised Accounting Standards			
<b>Balance at end of period</b>	<b>(8,238,648)</b>	<b>187,081,950</b>	<b>178,843,302</b>
<b>2016</b>	Notes		
Balance at end of previous reporting period	(4,983,911)	178,043,797	173,059,887
Net Surplus/ (Deficit) for year	(2,626,938)		(2,626,939)
<b>Balance at end of period</b>	<b>(7,610,849)</b>	<b>178,043,797</b>	<b>170,432,948</b>
Gain on revaluation of property, plant & equipment	10	17,215,192	17,215,192
<b>Balance at end of period</b>	<b>(7,610,849)</b>	<b>195,258,989</b>	<b>187,648,140</b>

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

## PORT AUGUSTA CITY COUNCIL

### CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2017

	Note	2017 \$	2016 \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<u>Receipts</u>			
Operating Receipts		40,303,902	36,945,677
Investment Receipts		102,507	106,776
<u>Payments</u>			
Operating Payments to suppliers & employees		(32,553,221)	(32,524,281)
Finance Payments		(1,342,235)	(1,419,227)
<b>Net Cash provided by (or used in) Operating Activities</b>		<u>6,510,953</u>	<u>3,108,945</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
<u>Receipts</u>			
Amounts specifically for new or upgraded assets		762,000	458,000
Sale of replaced assets		104,545	103,182
Repayments of loans by community groups		18,462	17,862
<u>Payments</u>			
Expenditure on renewal/replacement of assets		(1,275,102)	(1,615,856)
Expenditure on new/upgraded assets		(1,582,448)	(2,362,303)
<b>Net Cash provided by (or used in) Investing Activities</b>		<u>(1,972,543)</u>	<u>(3,399,115)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
<u>Receipts</u>			
Proceeds from Borrowings		3,291,442	7,650,001
Proceeds from Aged Care Facility deposits		766,000	1,299,913
<u>Payments</u>			
Repayments of Borrowings		(7,573,496)	(9,056,864)
Repayment of Aged Care Facility deposits		(793,932)	(407,013)
<b>Net Cash provided by (or used in) Financing Activities</b>		<u>(4,309,986)</u>	<u>(513,963)</u>
<b>Net Increase (Decrease) in cash held</b>		<u>228,424</u>	<u>(804,133)</u>
Cash & cash equivalents at beginning of period		3,885,800	4,689,933
Transfer to Non-current Assets Held for Sale	20	(3,504,766)	
<b>CASH &amp; CASH EQUIVALENTS AT END OF PERIOD</b>		<u>609,458</u>	<u>3,885,800</u>

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

**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.

**1.1            Basis of Preparation**

**1.1.1        Compliance with Australian Accounting Standards**

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

**1.1.2        Accounting Standards Adopted Early**

AASB 2016-4 *Recoverable Amount of Non Cash-Generating Specialised Assets of Not-for-Profit Entities* has been adopted early in the preparation of these financial reports. This Standard removes the requirement for impairment testing of non cash-generating specialised assets that are carried at fair value. The early adoption of this Standard has not resulted in any changes to any amounts disclosed in these reports.

**1.1.3        Authorisation for Issue**

The financial report was authorised for issue by certificate under regulation 14 of the Local Government (Financial Management) Regulations 2011 dated 16/10/2017.

**1.1.4        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.

**1.1.5        Rounding**

All amounts in the financial statements have been rounded to the nearest dollar (\$0).



## PORT AUGUSTA CITY COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2017

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### 2.0 The Local Government Reporting Entity

The Port Augusta City Council is incorporated under the SA Local Government Act 1999 and has its principal place of business at 4 Mackay Street, Port Augusta, South Australia. These financial statements include the consolidated fund 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.

The principal activities and entities conducted other than in the Council's own name that have been included in these consolidated financial statements are:

Wadlata Outback Centre  
Australian Arid Lands Botanic Gardens  
Port Augusta Cultural Centre – Yarta Purtli  
Ryan Mitchell Swim Centre  
Nerrilda Nursing Home  
AM Ramsay Village  
Port Augusta Childcare Centre  
Miriam High Special Needs Centre  
Port Augusta Mens Shed  
Substance Misuse Service  
Sobering Up Unit  
Port Augusta Outdoor Adventure Centre  
Port Augusta Public Library

Trust monies and property held by Council but subject to the control of other persons have been excluded from these reports. A separate statement of moneys held in the Trust Fund is available for inspection at the Council Office by any person free of charge.

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

In the month of June in recent years the Federal Government has paid amounts of untied financial assistance grants, which are recognised on receipt, in advance of the year of allocation:

June 2011	1 quarter of the 2011/12 allocation	\$827,244
June 2012	2 quarters of the 2012/13 allocation	\$1,634,200
June 2013	2 quarters of the 2013/14 allocation	\$1,584,272
June 2014	No advance paid	
June 2015	2 quarters of the 2015/16 allocation	\$1,505,972
June 2016	No advance paid	
June 2017	2 quarters of the 2017/18 allocation	\$1,510,089

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. For 2016/17 the Operating Deficit is understated by \$1,510,089.

The Operating Surplus Ratio disclosed in Note 14 has also been calculated after adjusting for the distortions resulting from the differences between the actual grants received and the grants entitlements allocated.

#### **4.0 Cash Equivalents and other Financial Instruments**

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

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

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

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

A detailed statement of the accounting policies applied to the Financial Instruments forms part of Note 12.

#### **5.0 Inventories**

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

**6.0 Infrastructure, Property, Plant & Equipment****6.1 Initial Recognition**

All assets are initially recognised at cost. For assets acquired at no cost or for nominal consideration, cost is determined as fair value at the date of acquisition. All non-current assets purchased or constructed are capitalised as the expenditure is incurred and depreciated as soon as the asset is held "ready for use". Cost is determined as the fair value of the assets given as consideration plus costs incidental to the acquisition, including architects' fees and engineering design fees and all other costs incurred. The cost of non-current assets constructed by the Council includes the cost of all materials used in construction, direct labour on the project and an appropriate proportion of variable and fixed overhead.

**6.2 Materiality**

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

Buildings, Structures and Site Improvements	\$5,000
Road Construction/Reconstruction	\$5,000
CWMS, Waste Water and Stormwater	\$3,000
Paving, Footpaths, Kerb and Gutter	\$2,000
Plant, Contents and Vehicles	\$1,000

Assets which are not completed as at 30th June in any year will be shown in the Balance Sheet as Work in Progress. These assets will not attract depreciation until completion.

**6.3 Subsequent Recognition**

All material asset classes are revalued on a regular basis such that the carrying values are not materially different from fair value. For infrastructure and other asset classes where no active market exists, fair value is determined to be the current replacement cost of an asset less, where applicable, accumulated depreciation calculated on the basis of such cost to reflect the already consumed or expired future economic benefits of the asset. Further detail of existing valuations, methods and values are provided in Note 8.

**6.4 Depreciation of Non-Current Assets**

Other than land, all infrastructure and property, plant and equipment assets recognised are systematically depreciated over their useful lives in a manner which reflects the consumption of the service potential embodied in those assets.

Depreciation is recognised on a straight-line basis. Major depreciation periods for each class of asset are shown below. 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.

**Plant, Contents and Vehicles**

Furniture and Contents	3 to 15 years
Plant and Equipment	5 to 15 years
Vehicles	5 to 15 years

**Buildings, Structures and Site Improvements**

Buildings – Structure	50 to 120 years
Buildings – Components	15 to 40 years
Park Furniture	5 to 20 years
Playground Equipment	20 to 30 years
Carparks, Pathways and Fencing	30 to 50 years
Monuments and Memorials	50 to 100 years
Shade Sails and Shelters	15 to 30 years
Swimming Pools	40 to 50 years
Marine Structures	60 to 150 years

**CWMS, Waste Water and Stormwater**

Stormwater Drains	80 to 100 years
Culverts	50 to 80 years
Flood Control Structures	80 to 100 years
Bores	20 to 40 years
Reticulation Pipes – PVC70	60 to 80 years
Reticulation Pipes – other25	50 to 75 years
Pumps & Telemetry	15 to 25 years
Reclaimed Water Plant & Irrigation System	20 to 50 years
CWMS	50 to 80 years

**Road Infrastructure**

Sealed Roads – Surface Upper	15 to 35 years
Sealed Roads – Surface Lower	45 to 75 years
Sealed Roads – Pavement Upper	50 to 80 years
Sealed Roads – Pavement Sub Base	150 to 300 years
Unsealed Roads	10 to 15 years
Bridges – Concrete	80 to 100 years
Kerb and Gutter	60 to 80 years
Paving and Footpaths	15 to 45 years

**6.5 Impairment**

Assets whose future economic benefits are not dependent on the ability to generate cash flows, and where the future economic benefits would be replaced if Council were deprived thereof, are not subject to impairment testing. Other assets that are subject to depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount (which is the higher of the present value of future cash inflows or value in use). Where an asset that has been revalued is subsequently impaired, the impairment is first offset against such amount as stands to the credit of that class of assets in Asset Revaluation Reserve, any excess being recognised as an expense.

As a result of sale agreements signed in July 2017 for Aged Care and Homestead Park, an impairment has been recognised and these assets have been re-classified as "Held For Sale".

**7.0 Payables****7.1 Goods & Services**

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

**7.2 Payments Received in Advance & Deposits**

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

**8.0 Borrowings**

Loans are carried at their principal amounts which represent the present value of future cash flows associated with servicing the debt. Interest is accrued over the period to which it relates, and is recorded as part of "Payables".

**9.0 Employee Benefits****9.1 Salaries, Wages & Compensated Absences**

Liabilities for employees' entitlements to salaries, wages and compensated absences expected to be paid or settled within 12 months of reporting date are accrued at nominal amounts (including payroll based on cost) 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.

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



**9.2 Superannuation**

The Council makes employer superannuation contributions in respect of its employees to the Statewide Superannuation Scheme and to Hesta Super Fund. The Statewide Superannuation Scheme has two types of membership, each of which is funded differently. No changes in accounting policy have occurred during either the current or previous reporting periods. Details of the accounting policies applied and Council's involvement with the schemes are reported in Note 17.

**10.0 Construction Contracts**

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

**11.0 Leases**

Lease arrangements have been accounted for in accordance with Australian Accounting Standard AASB 117. In respect of operating leases, where the lessor substantially retains all of the risks and benefits incident to ownership of the leased items, lease payments are charged to expense over the lease term.

**12.0 GST Implications**

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

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

### 13.0 New Accounting Standards

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

AASB 9	<i>Financial Instruments</i>
AASB 15	<i>Revenue from Contracts with Customers</i>
AASB 16	<i>Leases</i>
AASB 1057	<i>Application of Australian Accounting Standards</i>
AASB 1058	<i>Income of Not-for-Profit Entities</i>
AASB 2010-7	<i>Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)</i>
AASB 2014-1	<i>Amendments to Australian Accounting Standards</i>
AASB 2014-5	<i>Amendments to Australian Accounting Standards arising from AASB 15</i>
AASB 2014-7	<i>Amendments to Australian Accounting Standards arising from AASB 9</i>
AASB 2014-8	<i>Amendments to Australian Accounting Standards arising from AASB 9</i>
AASB 2015-8	<i>Amendments to Australian Accounting Standards – Effective Date of AASB 15</i>
AASB 2015-9	<i>Amendments to Australian Accounting Standards – Scope and Application Paragraphs</i>
AASB 2015-10	<i>Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128</i>
AASB 2016-2	<i>Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107</i>
AASB 2016-7	<i>Amendments to Australian Accounting Standards – Deferral of AASB 15 for Not-for-Profit Entities</i>
AASB 2016-8	<i>Amendments to Australian Accounting Standards – Australian Implementation Guidance for Not-for-Profit Entities</i>
Int'n 2010-7	<i>Amendments to Australian Accounting Standards arising from AASB 9</i>
Int'n 2014-1	<i>Amendments to Australian Accounting Standards</i>
Int'n 2014-7	<i>Amendments to Australian Accounting Standards arising from AASB 9</i>

*(Standards not affecting the Port Augusta City Council have been excluded from the above list)*

AASB 7 Financial Instruments - Disclosures, AASB 9 Financial Instruments, AASB 15 Revenue from Contracts with Customers (all commence 1 January 2018) and AASB 16 Leases (commences 1 January 2019) are considered to be too remote in time to have a potentially material affect on the interpretation of the 2016/17 financial reports, and omitted on this basis.

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

# PORT AUGUSTA CITY COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2017

## NOTE 2 FUNCTIONS & ACTIVITIES OF THE COUNCIL

	REVENUES, EXPENSES AND ASSETS HAVE BEEN DIRECTLY ATTRIBUTED TO THE FOLLOWING FUNCTIONS & ACTIVITIES									
	INCOME		EXPENSES		SURPLUS/(DEFICIT)		GRANTS INCLUDED IN INCOME		TOTAL ASSETS HELD (CURRENT & NON-CURRENT)	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Administration										
City Management & Economic Development	4,445,412	1,467,545	732,337	771,967	3,713,076	695,579	4,445,045	1,467,441	142,000	142,000
Human Resource Management	457,292	400,910	206,354	256,163	250,938	144,747			33,651	76,151
Records Management			12,551	13,674	(12,551)	(13,674)			33,100	33,100
Financial & Customer Services	15,870,321	15,529,639	878,287	863,183	14,992,034	14,666,456	139,500		137,675	183,850
Information Technology			609,244	578,274	(609,244)	(578,274)			993,059	877,270
Work Health & Safety	109,730	95,016	11,999	10,249	97,731	84,767			26,000	26,000
Public Order & Safety										
General Inspection	165,163	141,827	320,982	327,872	(155,819)	(186,045)			522,157	529,396
Other General Services	48,902	62,163	48,176	68,013	726	(5,850)				
Health Services										
Substance Misuse Service	567,388	566,073	556,519	587,363	10,869	(21,290)	567,388	566,073	44,000	44,000
Sobering Up Unit	705,000	705,777	757,333	723,742	(52,333)	(17,965)	705,000	705,000	78,130	87,750
Nerrida Nursing Home	4,215,256	4,148,403	5,051,622	4,825,259	(836,366)	(676,856)	3,180,519	3,173,370		11,356,410
A.M. Ramsay Village	4,786,969	4,455,207	4,771,866	4,559,167	15,103	(103,960)	3,410,080	3,017,181		12,259,395
OPAL Program				30,038		(30,038)				
Immunisation Program	7,167	6,841	10,824	11,879	(3,657)	(5,038)	6,818	6,452		
Environmental Health	10,124	36,299	133,085	150,482	(122,961)	(114,183)			7,000	7,000
Social Security & Welfare										
Health Focus	265,059	256,901	307,688	303,678	(42,629)	(46,777)	235,497	232,017		
Childcare Service	858,518	999,461	1,204,889	1,151,581	(346,371)	(152,120)	369,737	464,884	2,609,350	2,601,369
Special Needs Program	292,765	318,087	430,912	417,837	(138,147)	(99,750)	242,144	287,023	893,622	886,622
DVA Shed Program	57,640	63,438	68,877	74,389	(11,237)	(10,951)			4,415	
HACC Project	82,482	88,680	87,135	83,282	(4,653)	5,398	69,209	83,186		
Youth Activities Service	4,000	4,000	11,224	41,938	(7,224)	(37,938)				
Ageing/Disability Planning			76,123	21,919	(76,123)	(21,919)				
Senior Citizens Centre			47,192	25,249	(47,192)	(25,249)			1,029,815	1,022,860
Housing & Community Amenities										
City Planning	64,457	64,023	223,123	214,043	(158,666)	(150,020)			30,150	30,150
Projects & Events	1,000	3,764	270,177	262,312	(269,177)	(258,548)			6,200	6,200
Community Harmony Program	298,459	303,187	344,380	400,155	(45,921)	(96,968)	298,459	303,187		
Community Donations			14,514	33,739	(14,514)	(33,739)				
Community Safety Program	73,272	62,105	325,583	319,236	(252,311)	(257,131)	23,260	22,800	437,204	437,204
Community Bus Service	16,666	35,924	48,636	40,892	(31,970)	(4,968)				
Halls			177	23,452	(177)	(23,452)			738,122	738,122
Civic Centre			369,099	325,116	(369,099)	(325,116)			5,936,619	5,955,619
Housing	77,099	71,677	143,058	107,128	(65,959)	(35,451)			2,829,331	2,829,331
Cemeteries	130,213	194,582	237,641	295,355	(107,428)	(100,773)		40,909	411,396	411,396
Sanitation & Garbage	1,626,551	1,518,274	1,764,011	1,649,863	(137,460)	(131,589)				
Foreshores			187,811	348,294	(187,811)	(348,294)			38,682,637	41,442,971
Public Conveniences			72,681	76,583	(72,681)	(76,583)				
Street Lighting			347,443	353,643	(347,443)	(353,643)				
Lakes Management			63,198	6,370	(63,198)	(6,370)			124,766	124,766
Other Property & Services	189,625	173,335	565,657	287,728	(376,032)	(114,393)	103,864	110,000	15,430,225	11,734,956
Stormwater Drainage			306,701	338,709	(306,701)	(338,709)			14,251,430	14,212,626
Waste Water Treatment Plant			235,200	296,143	(235,200)	(296,143)			3,483,514	3,483,514
Effluent Drainage	805,486	769,853	422,989	616,861	382,497	152,992			9,415,805	9,415,805



# PORT AUGUSTA CITY COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2017

## NOTE 2 FUNCTIONS & ACTIVITIES CONTINUED

	REVENUES, EXPENSES AND ASSETS HAVE BEEN DIRECTLY ATTRIBUTED TO THE FOLLOWING FUNCTIONS & ACTIVITIES									
	INCOME		EXPENSES		SURPLUS/(DEFICIT)		GRANTS INCLUDED IN INCOME		TOTAL ASSETS HELD (CURRENT & NON-CURRENT)	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Recreation & Culture										
Library & Information Service	68,337	62,086	699,304	654,009	(630,967)	(591,923)	46,290	47,527	190,760	194,030
Fountain Gallery	3,950	1,750	80,761	26,905	(76,811)	(25,155)			1,931,237	1,931,237
Cultural Centre	103,076	122,847	804,376	637,826	(701,300)	(514,979)			9,424,348	9,355,420
StarClub Officer & Aquatic Centre Program		9,833	56,456	44,491	(56,456)	(34,658)			1,662,913	1,662,913
Ryan Mitchell Swimming Centre	178,568	184,547	605,861	553,434	(427,293)	(368,887)			3,091,849	3,065,036
Be Active Community Centre	540	27,931	30,809	40,572	(30,269)	(12,641)			555,570	555,570
Junior Sports Foundation										
Sporting Clubs				2,523		(2,523)				
Parks & Gardens & Playgrounds	1,655	37,457	1,012,247	1,069,562	(1,010,592)	(1,032,105)		35,000	7,676,675	8,923,541
Ovals		294	639,270	633,314	(639,270)	(633,020)			3,343,099	3,343,099
ETSA Oval Complex			86,960	83,506	(86,960)	(83,506)			561,246	561,246
Central Oval Community Hub	523,999	465,928	1,957,266	1,156,622	(1,433,267)	(690,694)	41,800	26,000	20,576,208	20,531,289
Mining Manufacturing & Construction Building Act	39,254	36,771	345,833	399,402	(306,579)	(362,631)			52,548	77,048
Transport & Communication										
Aerodromes	220,241	264,018	674,163	517,492	(453,922)	(253,474)			17,026,124	17,026,124
Maintenance of Roads, Bridges etc	729,304	608,885	4,172,925	3,964,426	(3,443,621)	(3,355,541)	689,244	596,516	148,770,012	147,602,891
Street Sweeping			137,160	128,252	(137,160)	(128,252)				
Footpaths			226,891	237,838	(226,891)	(237,838)				
Parking			12,581	12,744	(12,581)	(12,744)				
Economic Affairs										
Regional & Economic Development Related Projects	11,000	23,175	354,086	476,918	(343,086)	(453,743)				
Wadlata Interpretive Centre	160,587	170,593	567,191	466,129	(406,604)	(295,536)			7,961,307	7,974,761
Wadlata Retail Centre	215,810	222,166	212,634	203,438	3,176	18,728				
Wadlata Visitor Information Centre	36,754	50,760	239,673	210,008	(202,919)	(159,248)				
Wadlata Outback Tucker Box	226,271	241,888	247,879	236,819	(21,608)	5,069			70,850	70,850
Arid Lands Garden Interpretive Centre	661,376	689,048	980,038	923,968	(318,662)	(234,920)			4,036,013	4,018,905
Arid Lands Garden Operation		2,226	508,493	481,825	(508,493)	(479,599)				
Arid Lands Nursery Operation	120,714	111,837	176,875	142,825	(56,161)	(30,988)			370,147	384,150
Information Bays			12,850	4,565	(12,850)	(4,565)				
Public Debt Transactions										
Treasury - Debt Servicing	49,961	43,679	1,302,061	1,425,771	(1,252,100)	(1,382,092)				
Other Purposes NEC										
Machinery Operating	750,460	896,912	609,989	612,954	140,471	283,958	29,215	72,684		
Depot & Nursery			1,763,014	1,735,903	(1,763,014)	(1,735,903)			7,217,712	7,128,476
Engineering Services			800,205	891,059	(800,205)	(891,059)			187,151	187,150
Other NEC		9,233				9,233				
<b>TOTALS</b>	<b>40,333,873</b>	<b>36,826,855</b>	<b>41,595,148</b>	<b>39,867,920</b>	<b>(1,261,275)</b>	<b>(3,041,065)</b>	<b>14,645,780</b>	<b>11,299,330</b>	<b>333,037,142</b>	<b>355,549,569</b>

**PORT AUGUSTA CITY COUNCIL**

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2017

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**NOTE 3 INCOME**

<b>RATES REVENUES</b>	<b>Notes</b>	<b>2017 \$</b>	<b>2016 \$</b>
<b>GENERAL RATES</b>			
General Rates		16,146,512	15,846,867
Less Mandatory Rebates		185,637	138,240
Less Discretionary Rebates, remissions & write offs		<u>801,345</u>	<u>697,531</u>
		<u>15,159,530</u>	<u>15,011,096</u>
 <b>OTHER RATES (INCLUDING SERVICE CHARGES)</b>			
Natural Resource Management Levy		286,335	240,832
Community Waste Water Management Systems		805,486	769,853
Waste Management Levy		<u>1,585,365</u>	<u>1,515,218</u>
		<u>2,677,186</u>	<u>2,525,903</u>
 <b>OTHER CHARGES</b>			
Penalties for late payment		137,236	138,540
Legal & other costs recovered		<u>111,868</u>	<u>123,906</u>
		<u>249,104</u>	<u>262,446</u>
		<u>18,085,820</u>	<u>17,799,445</u>



**PORT AUGUSTA CITY COUNCIL**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2017**NOTE 3 INCOME (Continued)**

		2017	2016
	Notes	\$	\$
<b>STATUTORY CHARGES</b>			
Development Act Fees		21,626	31,644
Town Planning Fees		52,548	45,737
Animal Registration Fees & Fines		100,763	75,893
Parking Fines/expiation fees		31,290	23,806
Sundry		14,114	13,356
		<u>220,341</u>	<u>190,436</u>
 <b>USER CHARGES</b>			
Cemetery Fees		129,008	153,673
Halls Hire		3,784	6,498
Sales - General		953,435	968,083
Rentals		52,995	48,347
Nursing Home Fees		2,162,322	2,167,808
Childcare Fees		477,813	523,006
Swimming Pool & Aquatic Centre Fees		172,770	181,679
Wadlata Interpretive Centre Fees		152,290	164,336
Other Fees		911,778	936,810
Sundry		17,117	17,471
		<u>5,033,312</u>	<u>5,167,711</u>
 <b>INVESTMENT INCOME</b>			
Interest on Investments			
Local Government Finance Authority		99,255	102,924
Loans to community groups		3,252	3,852
		<u>102,507</u>	<u>106,776</u>
 <b>REIMBURSEMENTS</b>			
For Roadworks		32,654	5,693
For Private Works		7,406	6,676
Other		459,520	488,152
		<u>499,580</u>	<u>500,521</u>
 <b>OTHER INCOME</b>			
Insurance & other recoupments - infrastructure		1,145,402	1,184,328
Sundry		601,145	578,308
		<u>1,746,547</u>	<u>1,762,636</u>

**PORT AUGUSTA CITY COUNCIL**

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2017

**NOTE 3 INCOME (Continued)**

	Notes	2017 \$	2016 \$
<b>GRANTS, SUBSIDIES, CONTRIBUTIONS</b>			
Amounts received specifically for new or upgraded assets		762,000	458,000
Other grants, subsidies and contributions		14,645,780	11,299,330
		<u>15,407,780</u>	<u>11,757,330</u>
<i>The functions to which these grants relate are shown in Note 2.</i>			
<b>Sources of grants</b>			
Commonwealth government		9,638,279	8,785,991
State government		5,769,501	2,845,430
Other		0	125,909
		<u>15,407,780</u>	<u>11,757,330</u>

**INDIVIDUALLY SIGNIFICANT ITEMS**

In June 2017, Council received an advance payment of 50% of the 2017/2018 Grants Commission Financial Assistance Grant (FAG). 1,510,089

**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:*

<i>Unexpended at the close of the previous reporting period</i>	81,611	1,770,024
<i>Less: expended during the current period from revenues recognised in previous reporting periods</i>	81,611	1,770,024
<i>Subtotal</i>	0	0
<i>Plus: amounts recognised as revenues in this reporting period but not yet expended in accordance with the conditions</i>	1,686,502	81,611
<i>Subtotal</i>	1,686,502	81,611
<i>Unexpended at the close of this reporting period and held as restricted assets</i>	1,686,502	81,611
<i>Net increase (decrease) in restricted assets in the current reporting period</i>	1,604,891	(1,688,413)

**PORT AUGUSTA CITY COUNCIL**

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2017

**NOTE 4 EXPENSES**

	Notes	2017 \$	2016 \$
<b>EMPLOYEE COSTS</b>			
Salaries and Wages		14,169,879	14,559,690
Employee Leave Expenses		1,764,534	1,563,407
Superannuation - Defined Contribution Plan Contributions	17	1,255,297	1,147,439
Superannuation - Defined Benefit Plan Contributions	17	212,489	234,809
Superannuation - Other	17	27,684	107,035
Workers Compensation Insurance		645,140	596,689
Less: Capitalised and distributed costs		(250,564)	(448,219)
<b>Total Operating Employee Costs</b>		<b>17,824,459</b>	<b>17,760,850</b>
<b>Total Number of Employees</b>			
(Full time equivalent at end of reporting period)		219.4	224.2
<b>MATERIALS, CONTRACTS &amp; EXPENSES</b>			
<b>Prescribed Expenses</b>			
Auditor's Remuneration			
- Auditing the financial reports		19,200	17,000
Elected members' expenses		288,575	290,314
Election Expenses		3,781	3,714
Operating Lease Rentals - non cancellable leases	16		
- minimum lease payments		362,559	364,564
<b>Sub Total Prescribed Expenses</b>		<b>674,115</b>	<b>675,592</b>
<b>Other Materials, Contracts &amp; Expenses</b>			
Contractors		6,560,346	6,582,990
Utilities		1,858,093	2,076,731
Legal Expenses		95,232	188,082
Levies paid to government - NRM Levy		294,317	230,563
Other levies		13,351	35,770
Parts, Accessories & Consumables		1,890,757	1,996,721
Professional Services		194,502	200,901
Communications		225,592	230,581
Contributions & Donations		106,227	141,580
Insurances		530,499	558,009
Rates & Taxes		100,767	103,479
Travel & Accommodation		75,791	79,514
Affiliations		-	227
Advertising		100,830	129,377
Subscriptions		79,603	71,274
Training		99,597	100,026
Postage Printing Stationery		115,538	170,185
Plant Hire		592,925	608,171
Bank Charges		55,277	53,032
Sundry		844,224	856,224
<b>Sub Total Other Materials, Contracts &amp; Expenses</b>		<b>13,833,468</b>	<b>14,413,437</b>
<b>TOTAL MATERIALS, CONTRACTS &amp; EXPENSES</b>		<b>14,507,583</b>	<b>15,089,029</b>

**PORT AUGUSTA CITY COUNCIL**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2017**NOTE 4 EXPENSES (cont)**

	Notes	2017 \$	2016 \$
<b>FINANCE COSTS</b>			
Interest on overdraft & short-term borrowings		3,404	5,502
Interest on Loans		<u>1,281,924</u>	<u>1,410,339</u>
		<u>1,285,328</u>	<u>1,415,841</u>
 <b>DEPRECIATION, AMORTISATION &amp; IMPAIRMENT</b>			
<b>Depreciation</b>			
Buildings & Other Structures		3,304,797	1,907,093
Infrastructure		3,201,843	3,206,509
Plant & Equipment		657,928	391,046
Furniture & Equipment		<u>813,210</u>	<u>97,552</u>
		<u>7,977,778</u>	<u>5,602,200</u>

**PORT AUGUSTA CITY COUNCIL**

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2017

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**NOTE 5 ASSET DISPOSAL AND FAIR VALUE ADJUSTMENTS**

	Notes	2017 \$	2016 \$
<b>INFRASTRUCTURE, PROPERTY, PLANT &amp; EQUIPMENT</b>			
<i>Assets renewed or directly replaced</i>			
Proceeds from disposal		104,545	103,182
Less: Carrying amount of assets sold		<u>233,083</u>	<u>147,056</u>
<b>Gain (Loss) on disposal</b>		<u>(128,538)</u>	<u>(43,874)</u>
<b>NET GAIN(LOSS) ON DISPOSAL OR REVALUATION OF ASSETS</b>		<u>(128,538)</u>	<u>(43,874)</u>



**PORT AUGUSTA CITY COUNCIL**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2017**NOTE 6 CURRENT ASSETS**

	Notes	2017 \$	2016 \$
<b>CASH &amp; EQUIVALENT ASSETS</b>			
Cash on Hand and at Bank		404,171	32,330
Deposits at Call		<u>205,287</u>	<u>3,860,120</u>
		<u>609,458</u>	<u>3,892,450</u>
 <b>TRADE &amp; OTHER RECEIVABLES</b>			
Rates - General & Other		1,107,800	1,249,293
Accrued Revenues		240,606	70,216
Debtors - General		331,799	287,174
Other levels of Government		236,546	259,096
GST Recoupment		234,862	323,600
Prepayments		17,454	64,226
Loans to community organisations		<u>19,085</u>	<u>18,462</u>
		<u>2,188,152</u>	<u>2,272,067</u>
 Less: Allowance for Doubtful Debts		<u>305,776</u>	<u>228,099</u>
		<u>1,882,376</u>	<u>2,043,968</u>
 <b>INVENTORIES</b>			
Stores & Materials		81,062	92,251
Trading Stock		<u>160,231</u>	<u>164,463</u>
		<u>241,293</u>	<u>256,714</u>

**PORT AUGUSTA CITY COUNCIL**

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2017

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**NOTE 7 NON-CURRENT ASSETS**

	Notes	2017 \$	2016 \$
<b>FINANCIAL ASSETS</b>			
Receivables			
Loans to community organisations		<u>62,581</u>	<u>81,666</u>
<b>TOTAL FINANCIAL ASSETS</b>		<u>62,581</u>	<u>81,666</u>
Capital Works-in-Progress		-	-
Nursing Home Bed Places	20	<u>-</u>	<u>2,100,000</u>
<b>TOTAL OTHER NON-CURRENT ASSETS</b>		<u>-</u>	<u>2,100,000</u>

Nursing Home Bed Places have transferred to 'Non-current Assets Held for Sale'.

# PORT AUGUSTA CITY COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2017

## NOTE 8 INFRASTRUCTURE, PROPERTY, PLANT & EQUIPMENT

	FAIR VALUE LEVEL	2016 \$				2017 \$			
		AT FAIR VALUE	AT COST	ACCUM DEP'N	CARRYING AMOUNT	AT FAIR VALUE	AT COST	ACCUM DEP'N	CARRYING AMOUNT
Land	2	2,737,418			2,737,418	2,262,267			2,262,267
Land	3	11,725,039			11,725,039	11,290,549			11,290,549
Buildings & Other Structures	2	16,654,498		(13,079,998)	3,574,500	5,449,766	273,931	(5,192,706)	530,991
Buildings & Other Structures	3	134,270,967		(57,199,849)	77,071,118	124,715,529	281,042	(56,358,752)	68,637,819
Infrastructure	3	173,029,738	1,685,097	(57,980,035)	116,734,800	172,366,679	3,554,082	(60,767,814)	115,152,947
Plant & Equipment	2	8,430,537		(3,575,354)	4,855,183	7,152,491	463,788	(3,473,928)	4,142,351
Furniture & Fittings	2	7,016,275		(3,240,191)	3,776,084	5,150,247	76,771	(3,077,497)	2,149,521
<b>TOTAL PROPERTY, PLANT &amp; EQUIPMENT</b>		353,864,472	1,685,097	(135,075,427)	220,474,142	328,387,528	4,649,614	(128,870,697)	204,166,445
<b>2016 Totals</b>		284,492,261	8,831,470	(109,400,192)	183,923,539	353,864,472	1,685,097	(135,075,427)	220,474,142

	FAIR VALUE LEVEL	2016 \$								2017 \$
		CARRYING AMOUNT	ADDITIONS		DISPOSALS	DEPRECIATION	IMPAIRMENT	TRANSFER	NET REVALUATION	CARRYING AMOUNT
			NEW/UPGRADE	RENEWALS						
Land	2	2,737,418			-		(145,151)	(330,000)		2,262,267
Land	3	11,725,039					(263,701)	(170,790)		11,290,549
Buildings & Other Structures	2	3,574,500	127,285	146,646		(188,465)	(1,676,183)	(1,452,792)		530,991
Buildings & Other Structures	3	77,071,118	263,543	17,499	-	(3,116,332)	(3,737,627)	(1,860,382)		68,637,819
Infrastructure	3	116,734,800	1,294,947	664,726		(3,201,843)			(339,683)	115,152,947
Plant & Equipment	2	4,855,183	19,881	443,906	(154,922)	(657,928)	(230,156)	(133,612)		4,142,351
Furniture & Fittings	2	3,776,084	74,446	2,325	(78,161)	(813,210)	(519,322)	(292,641)		2,149,521
<b>TOTAL PROPERTY, PLANT &amp; EQUIPMENT</b>		220,474,142	1,780,102	1,275,102	(233,083)	(7,977,778)	(6,572,140)	(4,240,217)	(339,683)	204,166,445
<b>2016 Totals</b>		183,923,540	23,723,660	1,361,005	(147,056)	(5,602,200)	-	-	17,215,192	220,474,142

**NOTE 8 (Cont) INFRASTRUCTURE, PROPERTY, PLANT & EQUIPMENT**

**Valuation of Assets**

At July 2004 upon the transition to AIFRS, Council elected pursuant to AASB 1.19 to retain previously established deemed cost under GAAP as it deemed cost. With subsequent additions at cost, this remains as the basis of recognition of non-material asset classes.

The requirements of AASB 13 Fair Value Measurement have been applied to all valuations undertaken since 1 July 2013.

**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.

**Transfers between fair value hierarchy levels**

In the course of revaluing all asset classes the nature of the inputs applied was reviewed in detail for each asset and where necessary, the asset reassigned to the appropriate fair value hierarchy level. Such transfers take effect as at the date of the revaluation.

### **Land**

Land assets were valued by Maloney Field Services as at 30 June 2016.

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

Pursuant to Council's election, 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.

Estimated future costs of reinstatement of land, capitalised in accordance with AASB 116.16(c) are reviewed annually (see Note 1) and depreciated over the estimated remaining life of the relevant asset.

### **Buildings & Other Structures**

Buildings & Other Structures were valued by Maloney Field Services as at 30 June 2016.

### **Infrastructure**

Community waste water management systems were valued by Tonkins Consulting as at 1 July 2015. Stormwater drainage and road infrastructure assets were valued by Tonkins Consulting as at 30 June 2016.

### **Plant & Equipment**

Plant & Equipment were valued by Maloney Field Services as at 30 June 2016.

### **Furniture & Fittings**

Furniture & Fittings were valued by Maloney Field Services as at 30 June 2016.



**PORT AUGUSTA CITY COUNCIL**

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2017

**NOTE 9 LIABILITIES**

	Notes	2017 Current \$	2017 Non-Current \$	2016 Current \$	2016 Non-Current \$
<b>TRADE &amp; OTHER PAYABLES</b>					
Goods & Services		1,980,611		2,260,088	
Payments received in advance		40,426		8,821	
Accrued expenses - other		1,151,725		1,140,381	
Aged Care Facility Deposits		-		3,605,524	
		<u>3,172,762</u>	<u>-</u>	<u>7,014,814</u>	<u>-</u>

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

2,632,000

**BORROWINGS**

Bank Overdraft		-		6,650	
Friends of the Arid Lands Botanic Garden		23,797	-	29,037	23,797
Loans - LGFA		<u>3,084,293</u>	<u>23,717,316</u>	<u>3,133,066</u>	<u>27,921,561</u>
		<u>3,108,090</u>	<u>23,717,316</u>	<u>3,168,753</u>	<u>27,945,358</u>

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

**PROVISIONS**

Provision for Annual Leave		1,067,923		1,452,274	
Provision for Long Service Leave		<u>1,275,738</u>	<u>88,839</u>	<u>1,525,288</u>	<u>94,313</u>
		<u>2,343,661</u>	<u>88,839</u>	<u>2,977,562</u>	<u>94,313</u>

Amounts included in provisions that are not expected to be settled within 12 months of the reporting date.

1,313,988

1,911,602

**PORT AUGUSTA CITY COUNCIL**

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2017

**NOTE 10 RESERVES**

<b>ASSET REVALUATION RESERVE</b>	<b>30/06/2016</b>	<b>Net Increments (Decrements)</b>	<b>Impairment</b>	<b>30/06/2017</b>
Notes	\$	\$		\$
Land	14,975,031		(408,851)	14,566,180
Buildings & Other Structures	56,714,666		(5,413,810)	51,300,856
Infrastructure	115,329,366	(339,683)		114,989,683
Plant & Equipment	3,501,485		(230,156)	3,271,329
Furniture & Fittings	2,638,442		(519,322)	2,119,120
Nursing Home Bed Places	2,100,000		(1,265,218)	834,782
<b>Total Infrastructure, Property, Plant &amp; Equipment</b>	<b>195,258,990</b>	<b>(339,683)</b>	<b>(7,837,357)</b>	<b>187,081,950</b>

**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 and available-for-sale financial assets.

**NOTE 11 RECONCILIATION TO CASH FLOW STATEMENT**

**(a) Reconciliation of Cash**

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

	Notes	2017 \$	2016 \$
Total Cash & Equivalent Assets	6	609,458	3,892,450
Less: Short-term borrowings	BS	-	6,650
Balances per Statement of Cash Flows		<u>609,458</u>	<u>3,885,800</u>

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

Net Surplus (Deficit)	(627,799)	(2,626,939)
<b>Non-cash items in Income Statement</b>		
Depreciation, amortisation & impairment	7,977,778	5,602,200
Change in allowances for under-recovery	77,677	-
Grants for capital acquisitions treated as investing activity	(762,000)	(458,000)
Nursing Home Deposits	(74,526)	(118,633)
Net increase (decrease) in unpaid employee benefits	125,508	(38,843)
Net (Gain) Loss on Disposals	128,538	43,874
	<u>6,845,176</u>	<u>2,403,659</u>
<b>Add (Less): Changes in Net Current Assets</b>		
Net (increase) decrease in receivables	84,538	352,999
Net (increase) decrease in inventories	15,421	(8,078)
Net increase (decrease) in trade & other payables	(434,182)	360,365
<b>Net Cash provided by (or used in) operations</b>	<u>6,510,953</u>	<u>3,108,945</u>

**(c) Financing Arrangements**

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

Bank Overdrafts	700,000	700,000
Corporate Credit Cards	36,000	36,000
LGFA Cash Advance Debenture Facility	7,598,325	3,478,373

The bank overdraft facilities may be drawn at any time and may be terminated by the bank without notice.

# PORT AUGUSTA CITY COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2017

## NOTE 12 FINANCIAL INSTRUMENTS

### 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 of 2.0% (2016: between 2.15% and 2.40%) and variable interest rates of 1.5% (2016: 1.75%).

**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:** 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.

**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. Although Council is not materially exposed to any individual debtor, credit risk exposure is concentrated within the Council's boundaries.

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

**Receivables - other levels of government** **Accounting Policy:** 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 the Governments of the Commonwealth & State.

**Carrying amount:** approximates fair value.

**Receivables - Retirement Home Contributions** **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:** Amounts due have been calculated in accordance with the terms and conditions of the respective legislation.

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

**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.

**Carrying amount:** approximates fair value.

**Liabilities - Retirement Home Contributions** **Accounting Policy:** To avoid inconvenience when complying with the separate audit requirements imposed by the relevant legislation, amounts are carried at nominal values.

**Terms & conditions:** Pursuant to Commonwealth legislation certain intending residents are required to contribute amounts on an interest free basis. The amounts are subject to certain deductions as prescribed by the legislation, the balance being repaid on termination of tenancy.

**Carrying amount:** approximates fair value for short tenancies; may be non-materially overstated for longer tenancies.

**Liabilities - Interest Bearing Loans** **Accounting Policy:** Carried at the principal amounts. Interest is charged as an expense as it accrues.

**Terms & conditions:** secured over future revenues, loans are repayable by equal 6 monthly instalments of principal & interest; interest is charged at fixed rates between 4.25% and 7.48% (2016: 4.25% and 7.48%)

**Carrying amount:** approximates fair value.

**Liabilities - Finance Leases** **Accounting Policy:** accounted for in accordance with AASB 117.

**PORT AUGUSTA CITY COUNCIL**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2017**

**NOTE 12 FINANCIAL INSTRUMENTS (Continued)**

**Liquidity Analysis**

	2017	Due ≤ 1 year	Due > 1 year ≥ 5 years	Due > 5 years	Total Contractual Cash Flows	Carrying Values
<b>Financial Assets</b>		\$	\$	\$	\$	\$
Cash & Equivalents		609,458			609,458	609,458
Receivables		539,714			539,714	539,714
<b>Total</b>		1,149,172	-	-	1,149,172	1,149,172
<b>Financial Liabilities</b>						
Payables		1,980,611			1,980,611	1,980,611
NHA Bonds		-			-	-
Borrowings		3,750,369	11,973,439	27,959,073	43,682,881	43,682,881
<b>Total</b>		5,730,980	11,973,439	27,959,073	45,663,492	45,663,492
	2016	Due ≤ 1 year	Due > 1 year ≥ 5 years	Due > 5 years	Total Contractual Cash Flows	Carrying Values
<b>Financial Assets</b>		\$	\$	\$	\$	\$
Cash & Equivalents		3,892,450			3,892,450	3,892,450
Receivables		471,075			471,075	471,075
<b>Total</b>		4,363,525	-	-	4,363,525	4,363,525
<b>Financial Liabilities</b>						
Payables		2,260,088			2,260,088	2,260,088
NHA Bonds		3,605,524			3,605,524	3,605,524
Borrowings		3,961,141	12,669,912	34,668,843	51,299,896	51,299,896
<b>Total</b>		9,833,403	12,669,912	34,668,843	57,172,158	57,172,158

The following interest rates were applicable to Council's borrowings at balance day.

	30 June 2017		30 June 2016	
	Weighted Average Interest Rate %	Carrying Value	Weighted Average Interest Rate %	Carrying Value
Overdraft		-		6,650
Other Variable Rates	3.75	12,601,675	4.00	13,721,628
Fixed Interest Rates	5.08	31,081,206	5.50	37,578,268
		<u>43,682,881</u>		<u>51,306,546</u>

**NET FAIR VALUE**

All carrying values approximate fair value for all recognised financial instruments. With the exception of investments, there is no recognised market for the financial assets of the Council.

**RISK EXPOSURES**

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

**Market Risk** is the risk that fair value 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 or 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 Policy (LGA Information Paper 15), liabilities have a range of maturity dates based on cash inflows. Council also has available a range of bank overdraft and short-term draw down 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.

**Note 13 COMMITMENTS FOR EXPENDITURE**

	<u>Notes</u>	2017 \$	2016 \$
<b>Other Expenditure Commitments</b>			
Other expenditure committed for (excluding inventories) at the reporting date but not recognised in the financial statements as liabilities:			
Audit Services		89,100	110,000
Waste Collection Contract		1,011,738	1,011,738
Refuse Reserve Contract		2,065,548	2,748,452
Parks & Gardens Contract		99,698	403,128
Cleaning Services		16,653	150,742
Catering Services		-	234,000
Security Services		461,720	814,628
		<u>3,744,457</u>	<u>5,472,688</u>
These expenditures are payable:			
Less than one year		1,985,790	2,639,239
Not later than 5 years		1,758,667	2,833,449
		<u>3,744,457</u>	<u>5,472,688</u>



**Note 14 FINANCIAL PERFORMANCE INDICATORS****2017****2016**

These Financial Indicators have been calculated in accordance with *Information Paper - 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.

**Operating Surplus Ratio****(3.1%)****(8.3%)**Operating Surplus

Total Operating Revenue

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

**Adjusted Operating Surplus Ratio****(7.1%)****(4.0%)**

In June, 2017, the Commonwealth Government made an advance of two quarterly payments of the Financial Assistance Grant for 2017/2018. (see Note 1 Recognition of Income). The Adjusted Surplus Ratio adjusts for this distortion.

**Net Financial Liabilities**

30,639,436

35,182,716

Net Financial Liabilities are defined as total liabilities less financial assets(excluding equity accounted investments in Council businesses). These are expressed as a percentage of total operating revenue

**Net Financial Liabilities Ratio**

76.0%

95.5%

Net Financial Liabilities

Total Operating Revenue

**Asset Sustainability Ratio**Net Asset Renewals

19.4%

23.7%

Depreciation / Optimal Level of Expenditure per AMP

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.

Optimal Level of Expenditure per AMP has been used as the denominator for Infrastructure Assets with an Asset Management Plan. Depreciation expense has been included in the denominator for classes of assets without an AMP.



**NOTE 15 UNIFORM PRESENTATION OF FINANCES**

The following is a high level summary of both operating and capital investment activities of the Council prepared on a uniform and consistent basis. All Councils in South Australia have agreed to summarise annual budgets and long-term financial plans on the same basis. The arrangements ensure that all Councils provide a common 'core' of financial information, which enables meaningful comparisons of each Council's finances.

	2017 \$	2016 \$
Income	40,333,887	36,826,855
less Expenses	41,595,148	39,867,920
	<u>(1,261,261)</u>	<u>(3,041,065)</u>
<b>less Net Outlays on Existing Assets</b>		
Capital Expenditure on renewal and replacement of Existing Assets	1,275,102	1,615,856
less Depreciation, Amortisation and Impairment	(7,977,778)	(5,602,200)
less Proceeds from Sale of Replaced Assets	(104,545)	43,874
	<u>(6,807,221)</u>	<u>(3,942,470)</u>
<b>less Net Outlays on New and Upgraded Assets</b>		
Capital Expenditure on New and Upgraded Assets ( <i>Including investment property &amp; real estate developments</i> )	1,582,448	2,362,303
less Amounts specifically for New and Upgraded Assets	(762,000)	(458,000)
	<u>820,448</u>	<u>1,904,303</u>
<b>Net Lending / (Borrowing) for Financial Year</b>	<u>4,725,512</u>	<u>(1,002,898)</u>

**NOTE 16 OPERATING LEASES*****Leases providing revenue to the Council***

Council owns various buildings, plant and other facilities that are available for hire or lease (on a non-cancellable basis wherever practicable) in accordance with the published revenue policy. Rentals received from such leases are disclosed as rent and hire of non-investment property in Note 3.

***Lease payment commitments of Council***

Council has entered into non-cancellable operating leases for various items of computer equipment. No contingent rentals were paid during the current or previous reporting periods.

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

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

No lease contains any escalation clause.

Commitments under non-cancellable operating leases that have not been recognised in the financial statements are as follows: No contingent rentals were paid during the current or previous reporting periods.

	2017	2016
	\$	\$
Not later than one year	300,819	333,609
Later than one year and not later than 5 years	544,687	244,022
	<u>845,506</u>	<u>577,631</u>

**NOTE 17 SUPERANNUATION**

The Council makes employer superannuation contributions in respect of its employees to the Statewide Superannuation Scheme and to HESTA. The Statewide Superannuation has two types of membership, each of which is funded differently. Permanent and contract employees of the South Australian Local Government sector have the option to contribute to Marketlink and/or Salarylink. All other employees (including casuals) have all contributions allocated to Marketlink.

**Marketlink (Accumulation Fund) Members**

Marketlink receives both employer and employee contributions on a progressive basis. Employer contributions are based on a fixed percentage of employee earnings in accordance with superannuation guarantee legislation (9.50% in 2016/17; 9.50% in 2015/16). No further liability accrues to the Council as the superannuation benefits accruing to employees are represented by their share of the net assets of the Fund.

**Salarylink (Defined Benefit) 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 Scheme's Trustee based on advice from the Scheme's Actuary. The rate is currently 6.3% (6.3% in 2015/16) of "superannuation" salary.

Given that Employer contributions are based on a fixed percentage of employee earnings in accordance with superannuation guarantee legislation, the remaining 3% for Salarylink members is allocated to their Marketlink account. Employees also make member contributions to the Fund. As such, assets accumulate in the Fund to meet the member's benefits, as defined in the Trust Deed, as they accrue.

The Salarylink Plan is a multi-employer sponsored plan. As the Fund's assets and liabilities are pooled and are not allocated by employer, and employees may transfer to another employee 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 full actuarial investigation was conducted by the Fund's actuary, A.C. Miller, FIAA, of Russell Employee Benefits Pty Ltd as at 30 June 2014. The Trustee has determined that the current funding arrangements are adequate for the expected Salarylink liabilities. However, future financial and economic circumstances may require changes to Council's contribution rates at some future time.

**Contributions to other 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 employees are represented by their share of net assets of the scheme, and no further liability attaches to the Council.

# PORT AUGUSTA CITY COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2017

## NOTE 18 SEGMENT REPORTING

The Port Augusta City Council operates two Residential Aged Care Facilities (RACF's) in the City being Nerrilda and A.M. Ramsay Village. This segment report has been produced to comply with the requirements of the Commonwealth Government, a major funding source

BUSINESS SEGMENTS	TOTAL COUNCIL 2017 \$	RACF 2017 \$	OTHER 2017 \$	TOTAL COUNCIL 2016 \$	RACF 2016 \$	OTHER 2016 \$
<b>REVENUE</b>						
Grants & Subsidies	14,645,780	6,590,599	8,055,181	11,299,330	6,190,551	5,108,779
User Charges	5,033,312	2,261,030	2,772,282	5,167,711	2,255,906	2,911,805
Reimbursements	499,580	28,490	471,090	500,521	23,496	477,025
Investment Income	102,507	52,546	49,961	106,776	63,097	43,679
Other Revenue	20,052,708	69,560	19,983,148	19,752,517	70,560	19,681,957
<b>TOTAL REVENUE</b>	<b>40,333,887</b>	<b>9,002,225</b>	<b>31,331,662</b>	<b>36,826,855</b>	<b>8,603,610</b>	<b>28,223,245</b>
<b>EXPENDITURE</b>						
Operating Costs	33,617,370	9,170,241	24,447,129	34,265,720	8,923,276	25,342,444
Depreciation	7,977,778	653,247	7,324,531	5,602,200	461,150	5,141,050
	41,595,148	9,823,488	31,771,660	39,867,920	9,384,426	30,483,494
<b>Operating (Loss)/Surplus before Capital Revenues</b>	<b>(1,261,261)</b>	<b>(821,263)</b>	<b>(439,998)</b>	<b>(3,041,065)</b>	<b>(780,816)</b>	<b>(2,260,249)</b>
Capital Revenues	633,462		633,462	414,126		414,126
<b>RESULT</b>						
<b>Operating Result (Loss)/Surplus</b>	<b>(627,799)</b>	<b>(821,263)</b>	<b>193,464</b>	<b>(2,626,939)</b>	<b>(780,816)</b>	<b>(1,846,123)</b>
<b>ASSETS</b>						
Current Assets	2,733,127	172,617	2,560,510	6,193,132	3,769,092	2,424,040
Non-current Assets	204,229,026	0	204,229,026	220,555,808	7,361,146	213,194,662
Intangible Assets				2,100,000	2,100,000	
Non-current Assets held for Sale	8,579,766	8,579,766				
<b>TOTAL ASSETS</b>	<b>215,541,919</b>	<b>8,752,383</b>	<b>206,789,536</b>	<b>228,848,940</b>	<b>13,230,238</b>	<b>215,618,702</b>
<b>LIABILITIES</b>						
Current Liabilities	8,624,513	696,914	7,927,599	13,161,129	4,880,970	8,280,159
Non-Current Liabilities	23,806,155	385,706	23,420,449	28,039,671	611,833	27,427,838
Liabilities Associated with Non-current Assets Held for Sale	4,267,949	4,267,949				
<b>TOTAL LIABILITIES</b>	<b>36,698,617</b>	<b>5,350,569</b>	<b>31,348,048</b>	<b>41,200,800</b>	<b>5,492,803</b>	<b>35,707,997</b>
<b>NET ASSETS</b>	<b>178,843,302</b>	<b>3,401,814</b>	<b>175,441,488</b>	<b>187,648,140</b>	<b>7,737,435</b>	<b>179,910,705</b>

**NOTE 18 SEGMENT REPORTING CONTINUED**

<b>REVENUE</b>	<b>\$</b>	<b>EXPENSES</b>	<b>\$</b>
Government Subsidies	6,516,073	Wages & Superannuation - Care	4,563,000
Resident Charges	2,261,030	Wages & Superannuation - Admin	386,183
Capital Grants	0	Wages & Superannuation - Other	876,001
Bond Retentions / Draw Downs	74,526	Management Fees	365,285
Interest Income	52,546	Depreciation & Amortisation	653,247
Donations & Contributions	22,926	Interest	55,069
Other Operating Revenue	75,124		
<b>TOTAL OPERATING REVENUE</b>	<b>9,002,225</b>	Building Repairs & Maintenance	158,183
		Insurance	331,527
		Motor Vehicles	17,128
		Utilities	222,516
		Other Expenses	2,195,349
		<b>TOTAL EXPENSES</b>	<b>9,823,488</b>
<b>SEGMENT RESULT SURPLUS(DEFICIT)</b>			<b>(821,263)</b>
<b>SEGMENT ASSETS</b>	<b>\$</b>	<b>SEGMENT LIABILITIES</b>	<b>\$</b>
<b>Current Assets</b>		<b>Current Liabilities</b>	
Investment	0	Borrowings	202,625
Trade Receivables	172,617	Trade Payables	286,065
Other Current Assets	0	Employee Provisions	0
Non-current Assets Held for Sale	8,579,766	Accommodation Bonds	0
		Other Current Liabilities	208,224
		Liabilities Associated with Non-current Assets Held for Sale	4,267,949
<b>TOTAL CURRENT ASSETS</b>	<b>8,752,383</b>	<b>TOTAL CURRENT LIABILITIES</b>	<b>4,964,863</b>
Property, Plant & Equipment	0	Loans	385,706
Intangibles	0	Employee Provisions	0
Other Non-Current Assets	0	Accommodation Bonds	0
<b>TOTAL NON-CURRENT ASSETS</b>	<b>0</b>	<b>TOTAL LIABILITIES</b>	<b>385,706</b>
<b>SEGMENT TOTAL ASSETS</b>	<b>8,752,383</b>	<b>SEGMENT TOTAL LIABILITIES</b>	<b>5,350,569</b>
<b>SEGMENT NET ASSETS</b>	<b>3,401,814</b>		

**NOTE 19      CONTINGENCIES & ASSETS & LIABILITIES NOT RECOGNISED IN THE STATEMENT  
OF FINANCIAL POSITION**

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

**1. LAND UNDER ROADS**

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

At reporting date, Council controlled 410km of road reserves of average width 20 metres.

**2. POTENTIAL INSURANCE LOSSES**

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

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

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



**NOTE 20 CURRENT ASSETS HELD FOR SALE & DISCONTINUED OPERATIONS**

**Sale of Aged Care Facilities**

Port Augusta Council has signed asset sale agreements for Nemilda Nursing Home and AM Ramsay Village including 'Homestead Park' land in July 2017, with an anticipated settlement date of 1 November 2017

The Purchaser is Edenfield Family Care, a family owned organisation that has an excellent reputation for quality care in Adelaide's northern suburbs and pride themselves on being dedicated to aged care.

Original caveats have been met through clauses within sale agreements. All staff will be offered employment with Edenfield Family Care, including a transfer of leave liabilities. Residents will not be impacted and existing Resident Agreements will transfer across to Edenfield Family Care.

***Financial Performance***

	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
Revenue	9,002,225	8,603,610
Expenses (excluding depreciation)	9,170,241	8,923,276
Depreciation expense	653,247	461,150
Operating Result of discontinued operations	<u>(821,263)</u>	<u>(780,816)</u>

***Carrying Amount of Assets and Liabilities***

Cash	3,504,766	3,652,475
Intangible Assets	834,783	2,100,000
Infrastructure, property, plant and equipment	4,240,217	9,936,297
<b>Total Assets</b>	<u><b>8,579,766</b></u>	<u><b>15,688,772</b></u>
Accommodation Bonds	3,503,066	3,605,525
Current Employee Entitlements	730,218	604,351
Non-current Employee Entitlements	34,665	23,502
<b>Total Liabilities</b>	<u><b>4,267,949</b></u>	<u><b>4,233,378</b></u>
<b>Net Assets</b>	<u><b>4,311,817</b></u>	<u><b>11,455,394</b></u>

As the carrying amount exceeds the consideration expected to be received, infrastructure assets have been recognised at fair value less cost to sell. Council incurred an impairment loss of \$7,837,356 in relation to this transfer.

This disposal group was previously classified as part of Residential Aged Care Facilities (RACF's) in Note 18.

**NOTE 21 RELATED PARTY DISCLOSURES**

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, 20 persons were paid the following total compensation:

	<b>2017</b>
Salaries, allowances & other short term benefits	\$ 1,549,037
Post-employment benefits	\$ -
Long term benefits	\$ 23,088
Termination benefits	\$ -
<b>TOTAL</b>	<b>\$ 1,572,125</b>

Amounts paid as direct reimbursement of expenses incurred on behalf of Council have not been included above.

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

	<b>2017</b>
Contributions for fringe benefits tax purposes	\$ 155
Planning & building application fees	\$ 536
Rentals for Council property	\$ -
<b>TOTAL</b>	<b>\$ 691</b>

Key management personnel or close family members (including related parties) lodged a total of two planning and building applications during the year. In accordance with the Local Government Act 1999, these persons took no part in the assessment or approval processes for these applications.

Five close family members of the key management personnel are employed by Council in accordance with the terms of the Award, and as recorded in the public Register of Salaries maintained in accordance with section 105 of the Local Government Act 1999.

The Mayor and an Elected Members close family member both hold positions on the management committee of an organisation with total purchases amounting to \$3.7k. The Auxillary group of this organisation also received a community grant of \$2k.

Two Elected Members are members of the management committee for an organisation which received a rate rebate of \$1.3k

An Elected Member has a close family member who is involved in a business, with total purchases amounting to \$4.7k

An Elected Member is involved in a business with total purchases amounting to \$57.0k

An Elected Member is a member of the management committee for an organisation which received a contribution of \$1.0k for an event.

An employee is a member of the management committee for an organisation which paid council \$94.4k.

In accordance with the Local Government Act 1999, these persons declare a conflict of interest and leave the meeting environs when any matter affecting the organisation is discussed or voted upon.

David Chant FCPA  
Simon Smith FCPA  
David Sullivan CPA  
Jason Seidel CA  
Renae Nicholson CA  
Tim Muhlhausler CA  
Aaron Coonan CA  
Luke Williams CPA

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## INDEPENDENT AUDITOR'S REPORT

To The Corporation of the City of Port Augusta

### Report on the Financial Report

#### Audit Opinion

We have audited the accompanying financial report of the Corporation of the City of Port Augusta (the Council), which comprises the statement of financial position as at 30 June 2017, the statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the Council Certificate of the Corporation of the City of Port Augusta.

In our opinion, the financial report presents fairly, in all material respects, the financial position of the Corporation of the City of Port Augusta as at 30 June 2017, and its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards, Local Government Act 1999 and Local Government (Financial Management) Regulations 2011.

#### Basis for Audit 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, and we have fulfilled our other ethical responsibilities in accordance with the Code.

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

#### The Corporation of the City of Port Augusta Responsibility for the Financial Report

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



## Auditor's Responsibility

Our 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 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 audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Association'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 management'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 Association'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 Association 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

17 / 10 / 2017



David Chant FCPA  
Simon Smith FCPA  
David Sullivan CPA  
Jason Seidel CA  
Renae Nicholson CA  
Tim Muhlhausler CA  
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## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE THE CORPORATION OF THE CITY OF PORT AUGUSTA

### INDEPENDENT ASSURANCE REPORT ON THE INTERNAL CONTROLS OF THE CORPORATION OF THE CITY OF PORT AUGUSTA

We have audited the compliance of the Corporation of the City of Port Augusta (the Council) with the requirements of *Section 125 of the Local Government Act 1999* in relation only to the Internal Controls established by the Council to ensure that financial transactions relating to the receipt, expenditure and investment of money, acquisition and disposal of property and incurring of liabilities for the period 1 July 2016 to 30 June 2017 have been conducted properly and in accordance with law.

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

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

#### Auditor's responsibility

Our responsibility is to express an opinion on the Council's compliance with *Section 125 of the Local Government Act 1999* in relation only to the Internal Controls established by the Council to ensure that financial transactions relating to the receipt, expenditure and investment of money, acquisition and disposal of property and incurring of liabilities, based on our procedures. Our engagement has been conducted in accordance with applicable Australian Standards on Assurance Engagements ASAE 3100 Compliance Engagements, issued by the Australian Auditing and Assurance Standards Board, in order to state whether, in all material respects, the Council has complied with Section 125 of the Local Government Act 1999 in relation only to the Internal Controls specified above for the period 1 July 2016 to 30 June 2017. ASAE 3100 also requires us to comply with the relevant ethical requirements of the Australian professional accounting bodies.

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

#### 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.

### **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 internal 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.

### **Independence**

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

### **Audit Opinion**

In our opinion, the Council has complied, in all material respects, with *Section 125 of the Local Government Act 1999* in relation to Internal Controls established by the Council in relation to the receipt, expenditure and investment of money, acquisition and disposal of property and incurring of liabilities so as to provide reasonable assurance that the financial transactions of the Council have been conducted properly and in accordance with law for the period 1 July 2016 to 30 June 2017.

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



**Tim Muhlhausler** CA Registered Company Auditor

Partner

17 / 10 / 2017




**ANNUAL FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 30 JUNE 2017**

**CERTIFICATION OF AUDITOR INDEPENDENCE**

To the best of our knowledge and belief, we confirm that, for the purpose of the audit of the Port Augusta City Council for the year ended 30 June 2017, the Council's Auditor, Galpins, have maintained their 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.



**JOHN BANKS**  
**CHIEF EXECUTIVE OFFICER**



**JOHN COMRIE**  
**PRESIDING MEMBER**  
**AUDIT COMMITTEE**

18/10/2017

## **The Corporation of the City of Port Augusta**

### **GENERAL PURPOSE FINANCIAL STATEMENTS** **For the year ended 30 June 2017**

#### **Statement by Auditor**

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

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

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



**Tim Muhlhausler** CA Registered Company Auditor  
Partner

17 / 10 / 2017