



PORT AUGUSTA CITY COUNCIL

ABN 73 625 993 182

ANNUAL FINANCIAL STATEMENTS

**FOR YEAR ENDED
30 JUNE 2018**

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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 2018 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



S.C. JOHNSON
MAYOR

Date: 17/10/2018

STATEMENT OF COMPREHENSIVE INCOME

	Notes	2018 \$	2017 \$
INCOME			
Rates	3	18,847,675	18,085,820
Statutory charges	3	260,018	220,341
User charges	3	3,547,133	5,033,312
Grants, Subsidies & Contributions	3	9,182,862	14,645,780
Investment Income	3	61,910	102,507
Reimbursements	3	527,742	499,580
Other Income	3	1,511,104	1,746,547
Gain on the sale of held for sale assets	20	3,097,427	
TOTAL INCOME		37,035,871	40,333,887
EXPENSES			
Employee Costs	4	13,802,046	17,824,459
Materials, Contracts & Other Expenses	4	12,982,469	14,507,583
Finance Costs	4	929,554	1,285,328
Depreciation, Amortisation & Impairment	4	7,092,545	7,977,778
TOTAL EXPENSES		34,806,614	41,595,148
OPERATING SURPLUS / (DEFICIT)		2,229,257	(1,261,261)
Asset disposal and fair value adjustments	5	(162,989)	(128,538)
Amounts received specifically for new or upgraded assets	3	-	762,000
NET SURPLUS/(DEFICIT) transferred to Equity Statement		2,066,268	(627,799)
Other Comprehensive Income			
Changes in revaluation surplus - infrastructure, property, plant & equipment		-	(339,683)
Impairment (expense) / recoupments offset to asset revaluation reserve		(4,281,079)	(7,837,357)
TOTAL OTHER COMPREHENSIVE INCOME		(4,281,079)	(8,177,040)
TOTAL COMPREHENSIVE INCOME		(2,214,811)	(8,804,839)

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

Financial Assistance Grant Payment Reallocation	17/18	1,510,089	(1,510,089)
Financial Assistance Grant Payment Reallocation	18/19	(1,525,808)	
Gain on the sale of held for sale assets		(3,097,427)	
Adjusted Operating Surplus/(Deficit)		(883,889)	(2,771,350)

STATEMENT OF FINANCIAL POSITION

	Notes	2018 \$	2017 \$
ASSETS			
Current Assets			
Cash and cash equivalents	6	347,303	609,458
Trade & other receivables	6	2,505,970	1,882,376
Inventories	6	213,277	241,293
		3,066,550	2,733,127
Non-current Assets held for Sale	20	-	8,579,766
Total Current Assets		3,066,550	11,312,893
Non-current Assets			
Financial Assets	7	42,850	62,581
Infrastructure, Property, Plant & Equipment	8	195,798,875	204,166,445
Other Non-current Assets	7	-	-
Total Non-current Assets		195,841,725	204,229,026
TOTAL ASSETS		198,908,275	215,541,919
LIABILITIES			
Current Liabilities			
Trade & Other Payables	9	2,460,114	3,172,762
Borrowings	9	2,518,595	3,108,090
Provisions	9	2,174,872	2,343,661
		7,153,581	8,624,513
Liabilities Associated with Non-current Assets held for Sale	20	-	4,267,949
Total Current Liabilities		7,153,581	12,892,462
Non-current Liabilities			
Borrowings	9	15,026,512	23,717,316
Provisions	9	99,691	88,839
Total Non-current Liabilities		15,126,203	23,806,155
TOTAL LIABILITIES		22,279,784	36,698,617
NET ASSETS		176,628,491	178,843,302
EQUITY			
Accumulated Surplus(Deficit)		(5,337,598)	(8,238,648)
Asset Revaluation Reserve	10	181,966,089	187,081,950
TOTAL EQUITY		176,628,491	178,843,302

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

STATEMENT OF CHANGES IN EQUITY

		ACCUMULATED SURPLUS	ASSET REVALUATION RESERVE	TOTAL EQUITY
2018	Notes			
Balance at end of previous reporting period		(8,238,648)	187,081,950	178,843,302
Net Surplus/ (Deficit) for year		2,066,268		2,066,268
Other Comprehensive Income				
Gain on revaluation of property, plant & equipment				
Impairment (expense) / recoupments offset to asset revaluation reserve	10		(4,281,079)	(4,281,079)
Transfers between reserves	10	834,782	(834,782)	-
Balance at end of period		<u>(5,337,598)</u>	<u>181,966,089</u>	<u>176,628,491</u>
2017	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)
Other Comprehensive Income				
Gain on revaluation of property, plant & equipment	10		(8,177,039)	(8,177,039)
Impairment (expense) / recoupments offset to asset revaluation reserve				
Transfers between reserves				
Balance at end of period		<u>(8,238,648)</u>	<u>187,081,950</u>	<u>178,843,302</u>

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

STATEMENT OF CASH FLOWS

	Note	2018 \$	2017 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
<u>Receipts</u>			
Operating Receipts		36,252,318	40,303,902
Investment Receipts		61,910	102,507
<u>Payments</u>			
Operating Payments to suppliers & employees		(28,177,094)	(32,553,221)
Finance Payments		(1,049,906)	(1,342,235)
Net Cash provided by (or used in) Operating Activities		7,087,228	6,510,953
CASH FLOWS FROM INVESTING ACTIVITIES			
<u>Receipts</u>			
Amounts specifically for new or upgraded assets		-	762,000
Sale of replaced assets		177,727	104,545
Sale of surplus assets		374,690	-
Net disposal of held-for-sale assets		4,824,336	-
Repayments of loans by community groups		19,085	18,462
<u>Payments</u>			
Expenditure on renewal/replacement of assets		(2,320,857)	(1,275,102)
Expenditure on new/upgraded assets		(677,552)	(1,582,448)
Net Cash provided by (or used in) Investing Activities		2,397,429	(1,972,543)
CASH FLOWS FROM FINANCING ACTIVITIES			
<u>Receipts</u>			
Proceeds from Borrowings		1,891,383	3,291,442
Proceeds from Aged Care Facility deposits		179,000	766,000
<u>Payments</u>			
Repayments of Borrowings		(11,171,682)	(7,573,496)
Repayment of Aged Care Facility deposits		(645,513)	(793,932)
Net Cash provided by (or used in) Financing Activities		(9,746,812)	(4,309,986)
Net Increase (Decrease) in cash held		(262,155)	228,424
Cash & cash equivalents at beginning of period		609,458	3,885,800
Transfer to Non-current Assets Held for Sale	20	-	(3,504,766)
CASH & CASH EQUIVALENTS AT END OF PERIOD		347,303	609,458

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 17/10/2018.

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).

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 (to 2/11/2017)
AM Ramsay Village (to 2/11/2017)
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 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
June 2018	2 quarters of the 2018/19 allocation	\$1,525,808

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 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.

The Great Western Bridge and Eastside Mill Jetty were deemed to be at the end of their useful life and recognised as impaired during the 2017/18 year.

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 on costs) 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 2018 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 107	<i>Statement of Cash Flows</i>
AASB 1058	<i>Income of Not-for-Profit Entities</i>
AASB 2014-5	<i>Amendments to Australian Accounting Standards arising from AASB 15</i>
AASB 2015-8	<i>Amendments to Australian Accounting Standards – Effective Date of AASB 15</i>
AASB 2016-3	<i>Amendments to Australian Accounting Standards – Clarifications to AASB 15</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>
AASB 2017-6	<i>Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128 and Editorial Corrections</i>
AASB 2018-1	<i>Amendments to Australian Accounting Standards – Annual Improvements 2015-2017 Cycle [AASB 3, AASB 11, AASB 112 & AASB 123]</i>
AASB 2018-2	<i>Amendments to Australian Accounting Standards – Plan Amendment, Curtailment or Settlement [AASB 119]</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 effect on the interpretation of the 2017/18 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 ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

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)	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Administration										
City Management & Economic Development	2,956,558	4,445,412	760,549	732,337	2,196,010	3,713,076	2,943,041	4,445,045	47,867	63,258
Human Resource Management	283,167	457,292	146,522	206,354	136,645	250,938			17,707	20,998
Records Management			15,056	12,551	(15,056)	(12,551)			2,051	5,436
Financial & Customer Services	16,558,400	15,870,321	972,991	878,287	15,585,409	14,992,034	56,373	139,500	1,282,271	1,141,427
Information Technology			380,204	609,244	(380,204)	(609,244)			697,926	682,615
Work Health & Safety	141,438	109,730	24,342	11,999	117,096	97,731			27,558	14,958
Public Order & Safety										
General Inspection	227,021	165,163	328,863	320,982	(101,842)	(155,819)			267,396	276,345
Other General Services	112,496	48,902	118,689	48,176	(6,193)	726				
Health Services										
Substance Misuse Service	574,888	567,388	583,648	556,519	(8,760)	10,869	567,388	567,388	36,494	21,257
Sobering Up Unit	719,673	705,000	734,635	757,333	(14,962)	(52,333)	719,100	705,000	22,714	30,377
Nerrilda Nursing Home	1,448,395	4,215,256	1,767,413	5,051,622	(319,018)	(836,366)	1,090,618	3,180,519	19,857	85,809
A.M. Ramsay Village	1,686,495	4,786,969	1,639,592	4,771,866	46,903	15,103	1,223,584	3,410,080	52,305	86,810
Immunisation Program	9,572	7,167	11,356	10,824	(1,784)	(5,657)	9,261	6,818		
Environmental Health	11,782	10,124	131,896	133,085	(120,114)	(122,961)			4,200	26,177
Social Security & Welfare										
Health Focus	268,016	265,059	303,920	307,688	(35,904)	(42,629)	238,558	235,497	1,668	
Childcare Service	775,638	858,518	1,154,270	1,204,889	(378,632)	(346,371)	359,063	369,737	867,217	962,761
Special Needs Program	275,858	292,765	369,790	430,912	(93,932)	(138,147)	199,308	242,144	410,205	480,683
DVA Shed Program	55,062	57,640	53,396	68,877	1,666	(11,237)	43,266	42,711	3,810	4,230
HACC Project	75,249	82,482	76,636	87,135	(1,387)	(4,853)	70,108	69,209		
Youth Activities Service	3,000	4,000	4,677	11,224	(1,677)	(7,224)				
Service Reviews	3,097,427		131,920	76,123	2,965,507	(76,123)			330,107	8,579,766
Senior Citizens Centre	50,000		98,655	47,192	(48,655)	(47,192)	50,000		345,056	371,093
Housing & Community Amenities										
City Planning	91,127	64,457	259,667	223,123	(168,540)	(158,666)			670	14,409
Contracts & Events	6,000	1,000	240,414	270,177	(234,414)	(269,177)			468	780
Community Harmony Program	384,755	298,459	322,482	344,380	62,273	(45,921)	350,175	298,459		8,698
Community Donations			21,775	14,514	(21,775)	(14,514)				
Community Safety Program	63,014	73,272	324,795	325,583	(261,781)	(251,311)	23,260	23,260	238,360	278,063
Community Bus Service	10,083	16,666	19,680	48,636	(9,597)	(31,570)				
Halls			225	177	(225)	(177)			331,723	349,286
Civic Centre			390,604	369,099	(390,604)	(369,099)			2,453,919	2,599,727
Housing	61,253	77,099	116,273	143,058	(55,020)	(65,959)			1,167,412	1,225,438
Cemeteries	121,599	130,213	235,078	237,641	(113,479)	(107,428)			254,907	258,498
Sanitation & Garbage	1,554,586	1,626,551	1,613,118	1,764,011	(58,532)	(137,460)				
Foreshores			191,463	187,811	(191,463)	(187,811)			10,673,227	15,123,381
Public Conveniences			88,313	72,681	(88,313)	(72,681)				
Street Lighting			286,288	347,443	(286,288)	(347,443)				
Lakes Management			53,673	63,198	(53,673)	(63,198)			43,157	46,817
Other Property & Services	121,823	189,625	557,799	565,657	(435,876)	(376,052)	60,000	103,864	7,652,112	8,226,606
Stormwater Drainage			295,470	306,701	(295,470)	(306,701)			8,287,130	8,480,750
Waste Water Treatment Plant			241,981	235,200	(241,981)	(235,200)			2,911,106	2,973,562
Effluent Drainage	815,101	805,486	561,095	422,989	254,006	382,497			4,287,542	4,435,656

PORT AUGUSTA CITY COUNCIL

NOTES TO AND FORMING PART OF THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

NOTE 2 FUNCTIONS & ACTIVITIES OF THE COUNCIL (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)	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Recreation & Culture										
Library & Information Service	65,758	68,337	679,775	699,304	(614,017)	(630,967)	47,097	46,290	60,905	81,999
Fountain Gallery	1,895	3,950	70,903	80,761	(69,008)	(76,811)			1,072,394	1,127,734
Cultural Centre	58,215	103,076	692,257	804,376	(634,042)	(701,300)			4,221,688	4,479,354
StarClub Officer & Aquatic Centre Program			57,070	56,456	(57,070)	(56,456)			609,077	648,842
Ryan Mitchell Swimming Centre	199,579	178,568	617,483	605,861	(417,904)	(427,293)			1,093,591	1,180,784
Be Active Community Centre		540	36,974	30,809	(36,974)	(30,269)				99,300
Parks & Gardens & Playgrounds	1,691	1,655	1,114,929	1,012,247	(1,113,236)	(1,010,592)			5,310,594	5,408,750
Ovals	1,364		573,720	639,270	(572,356)	(639,270)			962,145	1,059,155
ETSA Oval Complex			72,034	86,960	(72,034)	(86,960)			255,294	273,755
Central Oval Community Hub	467,321	523,999	2,051,454	1,957,266	(1,584,133)	(1,433,267)	26,000	41,800	17,723,182	18,527,268
Mining Manufacturing & Construction Building Act	32,710	39,254	360,783	345,833	(328,073)	(306,579)			22,367	25,790
Transport & Communication										
Aerodromes	278,121	220,241	684,493	674,163	(406,372)	(453,922)	45,680		13,491,742	13,850,442
Maintenance of Roads, Bridges etc	1,095,987	729,304	4,224,596	4,172,925	(3,128,609)	(3,443,621)	989,605	689,244	99,598,925	99,403,427
Street Sweeping			152,035	137,160	(152,035)	(137,160)				
Footpaths			233,294	226,891	(233,294)	(226,891)				
Parking			13,277	12,581	(13,277)	(12,581)				
Economic Affairs										
Regional & Economic Development Related Projects	12,992	11,000	289,326	354,086	(276,334)	(343,086)				
Wadlata Interpretive Centre	166,639	160,587	535,706	567,191	(369,067)	(406,604)			4,553,361	4,886,447
Wadlata Retail Centre	201,475	215,810	210,718	212,634	(9,243)	3,176				
Wadlata Visitor Information Centre	5,043	36,754	207,087	239,673	(202,044)	(202,919)				
Wadlata Outback Tucker Box	219,372	226,271	243,243	247,879	(23,871)	(21,608)			26,774	32,864
Arid Lands Garden Interpretive Centre	692,244	661,376	976,876	980,038	(284,632)	(218,662)			2,689,606	2,788,807
Arid Lands Garden Operation	41,756		452,133	508,493	(460,377)	(508,493)	41,750			
Arid Lands Nursery Operation	127,278	120,714	162,487	176,875	(35,209)	(56,161)			212,882	242,318
Information Bays			6,974	12,850	(6,974)	(12,850)				
Public Debt Transactions										
Treasury - Debt Servicing	46,858	49,961	954,269	1,302,061	(807,411)	(1,252,100)			410,906	708,440
Other Purposes										
Machinery Operating	760,097	750,474	697,603	609,989	62,494	140,485	29,627	29,215	2,224	8,969
Depot & Nursery			1,859,780	1,763,014	(1,859,780)	(1,763,014)			3,699,240	3,740,532
Engineering Services			946,124	800,205	(946,124)	(800,205)			153,236	91,271
TOTALS	37,035,871	40,333,887	34,806,614	41,595,148	2,229,257	(1,261,261)	9,182,862	14,645,780	198,908,275	215,541,919

NOTE 3 INCOME

RATES REVENUES	Notes	2018 \$	2017 \$
GENERAL RATES			
General Rates		16,780,294	16,146,512
Less Mandatory Rebates		222,000	185,637
Less Discretionary Rebates, remissions & write offs		<u>671,521</u>	<u>801,345</u>
		<u>15,886,773</u>	<u>15,159,530</u>
OTHER RATES (INCLUDING SERVICE CHARGES)			
Natural Resource Management Levy		304,347	286,335
Community Waste Water Management Systems		815,101	805,486
Waste Management Levy		<u>1,554,098</u>	<u>1,585,365</u>
		<u>2,673,546</u>	<u>2,677,186</u>
OTHER CHARGES			
Penalties for late payment		147,228	137,236
Legal & other costs recovered		<u>140,128</u>	<u>111,868</u>
		<u>287,356</u>	<u>249,104</u>
		<u>18,847,675</u>	<u>18,085,820</u>

NOTE 3 INCOME (CONTINUED)

	Notes	2018 \$	2017 \$
STATUTORY CHARGES			
Development Act Fees		24,841	21,626
Town Planning Fees		78,157	52,548
Animal Registration Fees & Fines		110,802	100,763
Parking Fines/expiation fees		30,582	31,290
Sundry		15,636	14,114
		<u>260,018</u>	<u>220,341</u>
USER CHARGES			
Cemetery Fees		120,823	129,008
Halls Hire		5,479	3,784
Sales - General		938,854	953,435
Rentals		54,723	52,995
Nursing Home Fees		745,455	2,162,322
Childcare Fees		406,533	477,813
Swimming Pool & Aquatic Centre Fees		194,079	172,770
Wadlata Interpretive Centre Fees		159,768	152,290
Other Fees		910,864	911,778
Sundry		10,555	17,117
		<u>3,547,133</u>	<u>5,033,312</u>
INVESTMENT INCOME			
Interest on Investments			
Local Government Finance Authority		59,281	99,255
Loans to community groups		2,629	3,252
		<u>61,910</u>	<u>102,507</u>
REIMBURSEMENTS			
For Roadworks		101,915	32,654
For Private Works		4,467	7,406
Other		421,360	459,520
		<u>527,742</u>	<u>499,580</u>
OTHER INCOME			
Insurance & other recoupments - infrastructure		1,001,678	1,145,402
Gains on the sale of held for sale assets		3,097,427	-
Sundry		509,426	601,145
		<u>4,608,531</u>	<u>1,746,547</u>

NOTE 3 INCOME (CONTINUED)

	Notes	2018 \$	2017 \$
GRANTS, SUBSIDIES, CONTRIBUTIONS			
Amounts received specifically for new or upgraded assets		-	762,000
Other grants, subsidies and contributions		<u>9,182,862</u>	<u>14,645,780</u>
		<u>9,182,862</u>	<u>15,407,780</u>
<i>The functions to which these grants relate are shown in Note 2.</i>			
Sources of grants			
Commonwealth government		4,299,781	9,638,279
State government		4,833,081	5,769,501
Other		<u>50,000</u>	<u>-</u>
		<u>9,182,862</u>	<u>15,407,780</u>

INDIVIDUALLY SIGNIFICANT ITEMS

In June 2017, the Commonwealth Government paid an advance of half of the Financial Assistance Grant for 2017/2018 and in June 2018 paid an advance of half of the Grant for 2018/2019.	1,525,808	1,510,089
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Conditions over grants & contributions

Grants and contributions which were obtained on the condition that they be expended for specified purposes or in a future period, but which are not yet expended in accordance with those conditions, are as follows:

Unexpended at the close of the previous reporting period	1,686,502	81,611
Less: expended during the current period from revenues recognised in previous reporting periods	<u>1,686,502</u>	<u>81,611</u>
Subtotal	0	0
Plus: amounts recognised as revenues in this reporting period but not yet expended in accordance with the conditions	1,569,558	1,686,502
Subtotal	1,569,558	1,686,502
Unexpended at the close of this reporting period and held as restricted assets	1,569,558	1,686,502
Net increase (decrease) in restricted assets in the current reporting period	(116,944)	1,604,891

NOTE 4 EXPENSES

	Notes	2018 \$	2017 \$
EMPLOYEE COSTS			
Salaries and Wages		10,947,671	14,169,879
Employee Leave Expenses		1,385,338	1,764,534
Superannuation - Defined Contribution Plan Contributions	17	986,615	1,255,297
Superannuation - Defined Benefit Plan Contributions	17	197,135	212,489
Superannuation - Other	17	18,767	27,684
Workers Compensation Insurance		653,474	645,140
Less: Capitalised and distributed costs		(386,954)	(250,564)
Total Operating Employee Costs		13,802,046	17,824,459
Total Number of Employees			
(Full time equivalent at end of reporting period)		133.3	219.4
MATERIALS, CONTRACTS & EXPENSES			
Prescribed Expenses			
Auditor's Remuneration			
- Auditing the financial reports		19,800	19,200
Elected members' expenses		275,584	288,575
Election Expenses		3,879	3,781
Operating Lease Rentals - non cancellable leases	16		
- minimum lease payments		216,985	362,559
Sub Total Prescribed Expenses		516,248	674,115
Other Materials, Contracts & Expenses			
Contractors		5,584,322	6,560,346
Utilities		1,768,673	1,858,093
Legal Expenses		138,959	95,232
Levies paid to government - NRM Levy		300,047	294,317
Other levies		11,494	13,351
Parts, Accessories & Consumables		1,601,735	1,890,757
Professional Services		66,917	194,502
Communications		220,773	225,592
Contributions & Donations		83,363	106,227
Insurances		531,378	530,499
Rates & Taxes		85,811	100,767
Travel & Accommodation		47,929	75,791
Advertising		68,246	100,830
Subscriptions		67,521	79,603
Training		74,008	99,597
Postage Printing Stationery		113,605	115,538
Plant Hire		585,111	592,925
Bank Charges		57,962	55,277
Sundry		1,058,367	844,224
Sub Total Other Materials, Contracts & Expenses		12,466,221	13,833,468
TOTAL MATERIALS, CONTRACTS & EXPENSES		12,982,469	14,507,583

NOTE 4 EXPENSES (CONTINUED)

	Notes	2018 \$	2017 \$
FINANCE COSTS			
Interest on overdraft & short-term borrowings		1,796	3,404
Interest on Loans		<u>927,758</u>	<u>1,281,924</u>
		<u>929,554</u>	<u>1,285,328</u>
 DEPRECIATION, AMORTISATION & IMPAIRMENT			
Depreciation			
Buildings & Other Structures		2,694,512	3,304,797
Infrastructure		3,251,018	3,201,843
Plant & Equipment		574,576	657,928
Furniture & Equipment		<u>572,439</u>	<u>813,210</u>
		<u>7,092,545</u>	<u>7,977,778</u>

NOTE 5 ASSET DISPOSAL & FAIR VALUE ADJUSTMENTS

	Notes	2018 \$	2017 \$
INFRASTRUCTURE, PROPERTY, PLANT & EQUIPMENT			
<i>Assets renewed or directly replaced</i>			
Proceeds from disposal		552,417	104,545
Less: Carrying amount of assets sold		<u>715,406</u>	<u>233,083</u>
Gain (Loss) on disposal		<u>(162,989)</u>	<u>(128,538)</u>
NET GAIN(LOSS) ON DISPOSAL OR REVALUATION OF ASSETS		<u>(162,989)</u>	<u>(128,538)</u>

NOTE 6 CURRENT ASSETS

	Notes	2018 \$	2017 \$
CASH & EQUIVALENT ASSETS			
Cash on Hand and at Bank		143,752	404,171
Deposits at Call		<u>203,551</u>	<u>205,287</u>
		<u>347,303</u>	<u>609,458</u>
 TRADE & OTHER RECEIVABLES			
Rates - General & Other		1,387,326	1,107,800
Accrued Revenues		408,491	240,606
Debtors - General		226,857	331,799
Other levels of Government		630,658	236,546
GST Recoupment		198,831	234,862
Prepayments		5,190	17,454
Loans to community organisations		<u>19,732</u>	<u>19,085</u>
		<u>2,877,085</u>	<u>2,188,152</u>
 Less: Allowance for Doubtful Debts		<u>371,115</u>	<u>305,776</u>
		<u>2,505,970</u>	<u>1,882,376</u>
 INVENTORIES			
Stores & Materials		82,156	81,062
Trading Stock		<u>131,121</u>	<u>160,231</u>
		<u>213,277</u>	<u>241,293</u>

NOTE 7 NON-CURRENT ASSETS

	Notes	2018 \$	2017 \$
FINANCIAL ASSETS			
Receivables			
Loans to community organisations		<u>42,850</u>	<u>62,581</u>
TOTAL FINANCIAL ASSETS		<u>42,850</u>	<u>62,581</u>

NOTE 8 INFRASTRUCTURE, PROPERTY, PLANT & EQUIPMENT

	FAIR VALUE LEVEL	2017 \$				2018 \$			
		AT FAIR VALUE	AT COST	ACCUM DEP'N	CARRYING AMOUNT	AT FAIR VALUE	AT COST	ACCUM DEP'N	CARRYING AMOUNT
Land	2	2,212,178			2,212,178	1,736,934			1,736,934
Land	3	11,340,638			11,340,638	11,340,638			11,340,638
Buildings & Other Structures	2	5,399,956	273,931	(5,192,706)	481,181	1,894,555	257,047	(1,584,856)	566,746
Buildings & Other Structures	3	124,765,339	281,042	(56,356,752)	68,687,629	108,260,323	558,753	(46,782,419)	62,036,657
Infrastructure	3	172,366,679	3,554,082	(60,767,814)	115,152,947	172,366,679	6,088,393	(64,018,832)	114,436,240
Plant & Equipment	2	7,152,491	463,788	(3,475,928)	4,142,351	6,604,784	1,188,014	(3,697,084)	4,095,714
Furniture & Fittings	2	5,150,247	76,771	(3,077,497)	2,149,521	5,146,026	46,937	(3,607,017)	1,585,946
TOTAL PROPERTY, PLANT & EQUIPMENT									
		328,387,528	4,649,614	(128,870,697)	204,166,445	307,349,939	8,139,144	(119,890,208)	195,798,875
2017 Totals		353,864,472	1,685,097	(135,025,427)	220,474,142	328,387,528	4,649,614	(128,870,697)	204,166,445

	FAIR VALUE LEVEL	2017 \$							2018 \$
		CARRYING AMOUNT	ADDITIONS		DISPOSALS	DEPRECIATION	IMPAIRMENT	TRANSFER	NET REVALUATION
			NEW/UPGRADE	RENEWALS					
Land	2	2,212,178			(475,244)				
Land	3	11,340,638							
Buildings & Other Structures	2	481,181	94,603	31,805		(40,843)			
Buildings & Other Structures	3	68,687,629	120,219	163,556		(2,653,668)	(4,281,079)		
Infrastructure	3	115,152,947	523,047	2,011,264		(3,251,018)			
Plant & Equipment	2	4,142,351	176,577	576,944	(225,581)	(574,577)			
Furniture & Fittings	2	2,149,521	19,754	3,691	(14,581)	(572,429)			
TOTAL PROPERTY, PLANT & EQUIPMENT									
		204,166,445	934,200	2,787,260	(715,406)	(7,092,545)	(4,281,079)	-	-
2017 Totals		220,474,142	1,780,102	1,275,102	(233,083)	(7,927,778)	(6,572,140)	(4,280,217)	(329,683)

NOTE 8 INFRASTRUCTURE, PROPERTY, PLANT & EQUIPMENT (CONTINUED)

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.

NOTE 9 LIABILITIES

	Notes	2018 Current \$	2018 Non-Current \$	2017 Current \$	2017 Non-Current \$
TRADE & OTHER PAYABLES					
Goods & Services		1,799,533		1,980,611	
Payments received in advance		-		40,426	
Accrued expenses - other		660,581		1,151,725	
		<u>2,460,114</u>	<u>-</u>	<u>3,172,762</u>	<u>-</u>
BORROWINGS					
Friends of the Arid Lands Botanic Garden		-	-	23,797	-
Loans - LGFA		2,518,595	15,026,512	3,084,293	23,717,316
		<u>2,518,595</u>	<u>15,026,512</u>	<u>3,108,090</u>	<u>23,717,316</u>

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

PROVISIONS					
Provision for Annual Leave		992,998		1,067,923	
Provision for Long Service Leave		1,181,874	99,691	1,275,738	88,839
		<u>2,174,872</u>	<u>99,691</u>	<u>2,343,661</u>	<u>88,839</u>

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

1,109,926 1,313,988

NOTE 10 RESERVES

ASSET REVALUATION RESERVE	Notes	30/06/2017 \$	Net Increments (Decrements) \$	Impairment	Transfers on Sale \$	30/06/2018 \$
Land		14,566,180	-	-	-	14,566,180
Buildings & Other Structures		51,300,856	-	(4,281,079)	-	47,019,777
Infrastructure		114,989,683	-	-	-	114,989,683
Plant & Equipment		3,271,329	-	-	-	3,271,329
Furniture & Fittings		2,119,120	-	-	-	2,119,120
Nursing Home Bed Places		834,782	-	-	(834,782)	-
Total Infrastructure, Property, Plant & Equipment		187,081,950	-	(4,281,079)	(834,782)	181,966,089

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	2018 \$	2017 \$
Total Cash & Equivalent Assets	6	347,303	609,458
Balances per Statement of Cash Flows		347,303	609,458

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

Net Surplus (Deficit)	2,066,268	(627,799)
Non-cash items in Income Statement		
Depreciation, amortisation & impairment	7,092,545	7,977,778
Change in allowances for under-recovery	65,339	77,677
Grants for capital acquisitions treated as investing activity	-	(762,000)
Nursing Home Deposits	(26,507)	(74,526)
Net increase (decrease) in unpaid employee benefits	(157,937)	125,508
Net (Gain) Loss on Disposals	162,989	128,538
	9,202,697	6,845,176
Add (Less): Changes in Net Current Assets		
Net (increase) decrease in receivables	(707,785)	84,538
Net (increase) decrease in inventories	28,016	15,421
Net increase (decrease) in trade & other payables	(1,435,699)	(434,182)
Net Cash provided by (or used in) operations	7,087,228	6,510,953

(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	13,770,535	7,598,325

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

NOTE 12 FINANCIAL INSTRUMENTS

Recognised Financial Instruments

Bank, Deposits at Call, Short Term Deposits	<p>Accounting Policy: Carried at lower of cost and net realisable value; interest is recognised when earned.</p> <p>Terms & conditions: Deposits are returning fixed interest rates of 2.0% (2017: 2.0%) and variable interest rates of 1.5% (2017: 1.5%).</p> <p>Carrying amount: approximates fair value due to the short term to maturity.</p>
Receivables - Rates & Associated Charges (including legals & penalties for late payment)	<p>Accounting Policy: Carried at nominal values less any allowance for doubtful debts. An allowance for doubtful debts is recognised (and re-assessed annually) when collection in full is no longer probable.</p> <p>Terms & conditions: 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.</p> <p>Carrying amount: approximates fair value (after deduction of any allowance).</p>
Receivables - Fees & other charges	<p>Accounting Policy: Carried at nominal values less any allowance for doubtful debts. An allowance for doubtful debts is recognised (and re-assessed annually) when collection in full is no longer probable.</p> <p>Terms & conditions: Unsecured, and do not bear interest. Although Council is not materially exposed to any individual debtor, credit risk exposure is concentrated within the Council's boundaries.</p> <p>Carrying amount: approximates fair value (after deduction of any allowance).</p>
Receivables - other levels of government	<p>Accounting Policy: Carried at nominal value.</p> <p>Terms & conditions: Amounts due have been calculated in accordance with the terms and conditions of the respective programs following advice of approvals, and do not bear interest. All amounts are due by Departments and Agencies of the Governments of the Commonwealth & State.</p>
Receivables - Retirement Home Contributions	<p>Carrying amount: approximates fair value.</p> <p>Accounting Policy: Carried at nominal values less any allowance for doubtful debts. An allowance for doubtful debts is recognised (and re-assessed annually) when collection in full is no longer probable.</p> <p>Terms & conditions: Amounts due have been calculated in accordance with the terms and conditions of the respective legislation.</p>
Liabilities - Creditors and Accruals	<p>Carrying amount: approximates fair value (after deduction of any allowance).</p> <p>Accounting Policy: Liabilities are recognised for amounts to be paid in the future for goods and services received, whether or not billed to the Council.</p> <p>Terms & conditions: Liabilities are normally settled on 30 day terms.</p> <p>Carrying amount: approximates fair value.</p>
Liabilities - Retirement Home Contributions	<p>Accounting Policy: To avoid inconvenience when complying with the separate audit requirements imposed by the relevant legislation, amounts are carried at nominal values.</p> <p>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.</p> <p>Carrying amount: approximates fair value for short tenancies; may be non-materially over-stated for longer tenancies.</p>
Liabilities - Interest Bearing Loans	<p>Accounting Policy: Carried at the principal amounts. Interest is charged as an expense as it accrues.</p> <p>Terms & conditions: secured over future revenues, loans are repayable by equal 6 monthly instalments of principal & interest; interest is charged at fixed rates between 4.25% and 6.7% (2017: 4.25% and 7.48%)</p> <p>Carrying amount: approximates fair value.</p>
Liabilities - Finance Leases	<p>Accounting Policy: accounted for in accordance with AASB 117.</p>

NOTE 12 FINANCIAL INSTRUMENTS (CONTINUED)

Liquidity Analysis

	2018	Due ≤ 1 year	Due > 1 year ≥ 5 years	Due > 5 years	Total Contractual Cash Flows	Carrying Values
Financial Assets		\$	\$	\$	\$	\$
Cash & Equivalents		347,303			347,303	347,303
Receivables		919,813			919,813	919,813
Total		1,267,116	-	-	1,267,116	1,267,116
Financial Liabilities						
Payables		1,799,533			1,799,533	1,799,533
Borrowings		3,043,887	5,022,823	20,322,670	28,389,380	17,545,107
Total		4,843,420	5,022,823	20,322,670	30,188,913	19,344,640
	2017	Due ≤ 1 year	Due > 1 year ≥ 5 years	Due > 5 years	Total Contractual Cash Flows	Carrying Values
Financial Assets		\$	\$	\$	\$	\$
Cash & Equivalents		609,458			609,458	609,458
Receivables		539,714			539,714	539,714
Total		1,149,172	-	-	1,149,172	1,149,172
Financial Liabilities						
Payables		1,980,611			1,980,611	1,980,611
Borrowings		3,750,369	11,973,439	27,959,073	43,682,881	26,825,406
Total		5,730,980	11,973,439	27,959,073	45,663,492	28,806,017

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

	30 June 2018		30 June 2017	
	Weighted Average Interest Rate %	Carrying Value	Weighted Average Interest Rate %	Carrying Value
Overdraft		-		-
Other Variable Rates	3.60	6,429,466	3.75	12,601,675
Fixed Interest Rates	4.99	11,115,641	5.08	31,081,206
		17,545,107		43,682,881

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>	2018	2017
		\$	\$
Other Expenditure Commitments			
Other expenditure committed for (excluding inventories) at the reporting date but not recognised in the financial statements as liabilities:			
Audit Services		67,650	89,100
Waste Collection Contract		208,155	1,011,738
Refuse Reserve Contract		1,597,194	2,065,548
Parks & Gardens Contract		565,137	99,698
Cleaning Services		815,802	16,653
Security Services		<u>361,173</u>	<u>461,720</u>
		<u>3,615,111</u>	<u>3,744,457</u>
These expenditures are payable:			
Less than one year		2,175,891	1,985,790
Not later than 5 years		<u>1,439,220</u>	<u>1,758,667</u>
		<u>3,615,111</u>	<u>3,744,457</u>

NOTE 14 FINANCIAL PERFORMANCE INDICATORS

	2018	2017
<p>These Financial Indicators have been calculated in accordance with <i>Information Paper - Local Government Financial Indicators</i> 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.</p>		
<p>Operating Surplus Ratio</p> <p><u>Operating Surplus</u></p> <p>Total Operating Revenue</p>	6.0%	(3.1%)
<p>This ratio expresses the operating surplus as a percentage of operating revenue.</p>		
Adjusted Operating Surplus Ratio	(2.6%)	(7.1%)
<p>In June 2017, the Commonwealth Government paid an advance of half of the Financial Assistance Grant for 2017/2018 and in June 2018 paid an advance of half of the Grant for 2018/2019 (see Note 1 Recognition of Income). The Adjusted Surplus Ratio adjusts for this distortion. The 2018 Ratio has also been adjusted to remove the "Gain on the sale of held for sale assets" amount, however the Residential Aged Care Facilities operating deficit of \$272,115 is included.</p>		
Net Financial Liabilities	19,383,661	30,639,436
<p>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</p>		
<p>Net Financial Liabilities Ratio</p> <p><u>Net Financial Liabilities</u></p> <p>Total Operating Revenue</p>	52.3%	76.0%
Adjusted Net Financial Liabilities Ratio	61.6%	82.8%
<p>In June 2017, the Commonwealth Government paid an advance of half of the Financial Assistance Grant for 2017/2018 and in June 2018 paid an advance of half of the Grant for 2018/2019 (see Note 1 Recognition of Income). The Adjusted Net Financial Liabilities Ratio adjusts for this distortion. The 2018 Ratio has also been adjusted to remove the "Gain on the sale of held for sale assets" amount.</p>		
<p>Asset Sustainability Ratio</p> <p><u>Net Asset Renewals</u></p> <p>Depreciation / Optimal Level of Expenditure per AMP</p>	40.1%	19.4%
<p>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.</p>		
<p>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.</p>		

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.

	2018 \$	2017 \$
Income	37,035,871	40,333,887
less Expenses	<u>34,806,614</u>	<u>41,595,148</u>
	<u>2,229,257</u>	<u>(1,261,261)</u>
less Net Outlays on Existing Assets		
Capital Expenditure on renewal and replacement of Existing Assets	2,320,857	1,275,102
less Depreciation, Amortisation and Impairment	(7,092,545)	(7,977,778)
less Proceeds from Sale of Replaced Assets	<u>(177,727)</u>	<u>(104,545)</u>
	<u>(4,949,415)</u>	<u>(6,807,221)</u>
less Net Outlays on New and Upgraded Assets		
Capital Expenditure on New and Upgraded Assets (<i>Including investment property & real estate developments</i>)	677,552	1,582,448
less Amounts specifically for New and Upgraded Assets	-	(762,000)
less Proceeds from Sale of Surplus Assets (<i>including investment property and real estate developments</i>)	<u>(374,690)</u>	<u>-</u>
	<u>302,862</u>	<u>820,448</u>
Net Lending / (Borrowing) for Financial Year	<u>6,875,810</u>	<u>4,725,512</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.

	2018	2017
	\$	\$
Not later than one year	75,795	300,819
Later than one year and not later than 5 years	<u>7,682</u>	<u>544,687</u>
	<u>83,477</u>	<u>845,506</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 2017/18; 9.50% in 2016/17). 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 2016/17) 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 actuarial investigation was conducted by the Fund's actuary, Louise Campbell, FIAA, of Willie Towers Watson as at 30 June 2017. 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.

NOTE 18 SEGMENT REPORTING

The Port Augusta City Council previously operated two Residential Aged Care Facilities (RACF's) in the City being Nerrilda and A.M. Ramsay Village, until the sale transfer of these facilities on 2/11/2017. This segment report has been produced to comply with the requirements of the Commonwealth Government, a major funding source.

BUSINESS SEGMENTS	TOTAL COUNCIL 2018 \$	RACF 2018 \$	OTHER 2018 \$	TOTAL COUNCIL 2017 \$	RACF 2017 \$	OTHER 2017 \$
REVENUE						
Grants & Subsidies	9,182,862	2,314,202	6,868,660	14,645,780	6,590,599	8,055,181
User Charges	3,547,133	784,344	2,762,789	5,033,312	2,261,030	2,772,282
Reimbursements	527,742	5,017	522,725	499,580	28,490	471,090
Investment Income	61,910	15,052	46,858	102,507	52,546	49,961
Other Revenue	20,618,797	16,275	20,602,522	20,052,708	69,560	19,983,148
Gain on the sale of held for sale assets	3,097,427		3,097,427			
TOTAL REVENUE	37,035,871	3,134,890	33,900,981	40,333,887	9,002,225	31,331,662
EXPENDITURE						
Operating Costs	27,714,069	3,407,005	24,307,064	33,617,370	9,170,241	24,447,129
Depreciation	7,092,545		7,092,545	7,977,778	653,247	7,324,531
	34,806,614	3,407,005	31,399,609	41,595,148	9,823,488	31,771,660
Operating (Loss)/Surplus before Capital Revenues	2,229,257	(272,115)	2,501,372	(1,261,261)	(821,263)	(439,998)
Capital Revenues or Asset Disposal Adjustments	(162,989)		(162,989)	633,462		633,462
RESULT						
Operating Result (Loss)/Surplus	2,066,268	(272,115)	2,338,383	(627,799)	(821,263)	193,464
ASSETS						
Current Assets	3,066,550		3,066,550	2,733,127	172,617	2,560,510
Non-current Assets	195,841,725		195,841,725	204,229,026		204,229,026
Intangible Assets						
Non-current Assets held for Sale				8,579,766	8,579,766	
TOTAL ASSETS	198,908,275		198,908,275	215,541,919	8,752,383	206,789,536
LIABILITIES						
Current Liabilities	7,153,581		7,153,581	8,624,513	696,914	7,927,599
Non-Current Liabilities	15,126,203		15,126,203	23,806,155	385,706	23,420,449
Liabilities Associated with Non-current Assets Held for Sale				4,267,949	4,267,949	
TOTAL LIABILITIES	22,279,784		22,279,784	36,698,617	5,350,569	31,348,048
NET ASSETS	176,628,491		176,628,491	178,843,302	3,401,814	175,441,488

NOTE 18 SEGMENT REPORTING (CONTINUED)

Breakdown of Residential Aged Care Facilities (RACF's) as per previous page.

REVENUE	\$	EXPENSES	\$
Government Subsidies	2,287,695	Wages & Superannuation - Care	1,734,308
Resident Charges	784,344	Wages & Superannuation - Admin	158,404
Capital Grants	-	Wages & Superannuation - Other	47,501
Bond Retentions / Draw Downs	26,507	Management Fees	109,250
Interest Income	15,052	Depreciation & Amortisation	-
Donations & Contributions	203	Interest	34,898
Other Operating Revenue	21,089	Building Repairs & Maintenance	104,024
TOTAL OPERATING REVENUE	3,134,890	Insurance	322,895
		Motor Vehicles	7,003
		Utilities	82,098
		Other Expenses	806,624
		TOTAL EXPENSES	3,407,005
SEGMENT RESULT SURPLUS(DEFICIT)			(272,115)

SEGMENT ASSETS	\$	SEGMENT LIABILITIES	\$
Current Assets		Current Liabilities	
Investment	-	Borrowings	-
Trade Receivables	-	Trade Payables	-
Other Current Assets	-	Employee Provisions	-
Non-current Assets Held for Sale	-	Accommodation Bonds	-
		Other Current Liabilities	-
		Liabilities Associated with Non-current Assets Held for Sale	-
TOTAL CURRENT ASSETS	-	TOTAL CURRENT LIABILITIES	-
Property, Plant & Equipment	-	Loans	-
Intangibles	-	Employee Provisions	-
Other Non-Current Assets	-	Accommodation Bonds	-
TOTAL NON-CURRENT ASSETS	-	TOTAL LIABILITIES	-
SEGMENT TOTAL ASSETS	-	SEGMENT TOTAL LIABILITIES	-
SEGMENT NET ASSETS	-		

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 entered into asset sale agreements for Nerrilda Nursing Home and AM Ramsay Village including 'Homestead Park' land in July 2017. Settlement for aged care facilities occurred on 2 November 2017, and 15 August 2018 for 'Homestead Park' land.

The Purchaser was 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 were met through clauses within sale agreements. All staff were offered employment with Edenfield Family Care, including a transfer of leave liabilities. Existing Resident Agreements transferred to Edenfield Family Care.

Financial Performance

	2018	2017
	\$	\$
Revenue	3,134,890	9,002,225
Expenses (excluding depreciation)	3,407,005	9,170,241
Depreciation expense	-	653,247
Operating Result of discontinued operations	(272,115)	(821,263)

Carrying Amount of Assets and Liabilities

Cash	-	3,504,766
Intangible Assets	-	834,783
Infrastructure, property, plant and equipment	-	4,240,217
Total Assets	-	8,579,766
Accommodation Bonds	-	3,503,066
Current Employee Entitlements	-	730,218
Non-current Employee Entitlements	-	34,665
Total Liabilities	-	4,267,949
Net Assets	-	4,311,817

The balances of these Assets and Liabilities were re-classified and transferred to "Held for Sale" as at 30/6/2017.

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

Gain on the sale of held for sale assets

	2018	2017
	\$	\$
Proceeds From Sale of Assets	5,154,443	-
Carrying Value	(1,301,771)	-
Costs to Sell Assets	(755,245)	-
Gain on the sale of Held for Sale Assets	3,097,427	-

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, 16 persons were paid the following total compensation:

	2018
Salaries, allowances & other short term benefits	\$ 1,234,096
Post-employment benefits	\$ -
Long term benefits	\$ 11,411
Termination benefits	\$ 43,878
TOTAL	\$ 1,289,385

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:

	2018
Contributions for fringe benefits tax purposes	\$ 102
Planning & building application fees	\$ 2,493
Rentals for Council property	\$ -
TOTAL	\$ 2,595

Key management personnel or close family members (including related parties) lodged a total of eight 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.

Two 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.

Two Elected Members are members of the management committee for an organisation which received a rate rebate of \$1,325. An Elected Member is a member of the management committee for an organisation which received a contribution of \$909 for an event.

An Elected Member has a close family member who is involved in a business, with total purchases amounting to \$2,467.

Two Elected Members are involved in separate businesses with total purchases amounting to \$48,649 and \$126 respectively.

An employee is a member of the management committee for an organisation which paid council \$66,030.

An employee is a member of the management committee for an organisation which paid council \$3,800.

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



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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 2018, 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 2018, 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



Simon Smith CA, FCPA, Registered Company Auditor
Partner

17 / 10 / 2018

GENERAL PURPOSE FINANCIAL STATEMENTS
For the year ended 30 June 2018

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 2018, 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



Simon Smith CA, FCPA Registered Company Auditor
Partner

17 / 10 / 2018


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 2018, 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

/ / 2018

David Chant CA, FCPA
Simon Smith CA, FCPA
David Sullivan CA, CPA
Jason Seidel CA
Renae Nicholson CA
Tim Muhlhausler CA
Aaron Coonan CA
Luke Williams CA, CPA
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INDEPENDENT AUDITOR'S REPORT

To the Members of The Corporation of the City of Port Augusta

Independent Assurance report on the Internal Controls of The Corporation of the City of Port Augusta

Opinion

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 2017 to 30 June 2018 have been conducted properly and in accordance with law.

In our opinion, the Corporation of the City of Port Augusta 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 2017 to 30 June 2018.

Basis for Opinion

We conducted our engagement in accordance with applicable Australian Standards on Assurance Engagements ASAE 3100 *Compliance Engagements*, issued by the Australian Auditing and Assurance Standards Board, in order to state whether, in all material respects, the Council has complied with Section 125 of the *Local Government Act 1999* in relation only to the Internal Controls specified above for the period 1 July 2017 to 30 June 2018. ASAE 3100 also requires us to comply with the relevant ethical requirements of the Australian professional accounting bodies.

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

The Council's Responsibility for Internal controls

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

Our Independence and Quality Control

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

Auditor's responsibility

Our responsibility is to express an opinion on the Council's compliance with Section 125 of the Local Government Act 1999 in relation only to the Internal Controls established by the Council to ensure that financial transactions relating to the receipt, expenditure and investment of money, acquisition and disposal of property and incurring of liabilities, based on our procedures. Our engagement has been conducted in accordance with applicable Australian Standards on Assurance Engagements ASAE 3100 Compliance Engagements, issued by the Australian Auditing and Assurance Standards Board, in order to state whether, in all material respects, the Council has complied with Section 125 of the Local Government Act 1999 in relation only to the Internal Controls specified above for the period 1 July 2017 to 30 June 2018. ASAE 3100 also requires us to comply with the relevant ethical requirements of the Australian professional accounting bodies.

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

Limitations of Controls

Because of the inherent limitations of any internal control structure it is possible that, even if the controls are suitably designed and operating effectively, the control objectives may not be achieved so that fraud, error, or non-compliance with laws and regulations may occur and not be detected.

An assurance engagement on controls is not designed to detect all instances of controls operating ineffectively as it is not performed continuously throughout the period and the tests performed are on a sample basis. Any projection of the outcome of the evaluation of controls to future periods is subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with them may deteriorate.

Limitation of Use

This report has been prepared for the members of the Council in Accordance with Section 129 of the Local Government Act 1999 in relation to the Internal Controls Specified above. We disclaim any assumption of responsibility for any reliance on this report to any persons or users other than the members of the Council, or for any purpose other than which it was prepared

GALPINS ACCOUNTANTS, AUDITORS & BUSINESS CONSULTANTS

Simon Smith CA, FCPA, Registered Company Auditor
Partner

17/10/ 2018