



PORT AUGUSTA CITY COUNCIL

ABN 73 625 993 182

ANNUAL FINANCIAL STATEMENTS

**FOR YEAR ENDED
30 JUNE 2019**

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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 2019 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 BANKS
CHIEF EXECUTIVE OFFICER



B BENBOW
MAYOR

Date: 15/10/2019

STATEMENT OF COMPREHENSIVE INCOME

	Notes	2019 \$	2018 \$
INCOME			
Rates	3	19,119,362	18,847,675
Statutory charges	3	262,492	260,018
User charges	3	2,879,612	3,547,133
Grants, Subsidies & Contributions	3	6,697,532	9,182,862
Investment Income	3	27,043	61,910
Reimbursements	3	696,628	527,742
Other Income	3	1,324,464	1,511,104
Gain on the sale of held for sale assets	20	-	3,097,427
TOTAL INCOME		31,007,133	37,035,871
EXPENSES			
Employee Costs	4	12,051,785	13,802,046
Materials, Contracts & Other Expenses	4	12,655,981	12,982,469
Finance Costs	4	663,452	929,554
Depreciation, Amortisation & Impairment	4	6,907,746	7,092,545
TOTAL EXPENSES		32,278,964	34,806,614
OPERATING SURPLUS / (DEFICIT)		(1,271,831)	2,229,257
Asset disposal and fair value adjustments	5	(755,193)	(162,989)
Amounts received specifically for new or upgraded assets	3	486,500	-
NET SURPLUS/(DEFICIT)		(1,540,524)	2,066,268
transferred to Equity Statement		(1,540,524)	2,066,268
Other Comprehensive Income			
Changes in revaluation surplus - infrastructure, property, plant & equipment		(279,468)	-
Impairment (expense) / recoupments offset to asset revaluation reserve		-	(4,281,079)
TOTAL OTHER COMPREHENSIVE INCOME		(279,468)	(4,281,079)
TOTAL COMPREHENSIVE INCOME		(1,819,992)	(2,214,811)

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

Financial Assistance Grant Payment Reallocation	18/19	1,525,808	1,510,089
Financial Assistance Grant Payment Reallocation	19/20	(1,557,484)	(1,525,808)
Supplementary Road Funding Reallocation	19/20	(141,579)	
Supplementary Road Funding Reallocation	20/21	(141,579)	
Gain on the sale of held for sale assets			(3,097,427)
Adjusted Operating Surplus/(Deficit)		(1,586,665)	(883,889)

STATEMENT OF FINANCIAL POSITION

		2019	2018
	Notes	\$	\$
ASSETS			
Current Assets			
Cash and cash equivalents	6	598,590	347,303
Trade & other receivables	6	1,167,986	2,505,970
Inventories	6	174,362	213,277
Total Current Assets		<u>1,940,938</u>	<u>3,066,550</u>
Non-current Assets			
Financial Assets	7	22,446	42,850
Infrastructure, Property, Plant & Equipment	8	190,076,130	195,798,875
Total Non-current Assets		<u>190,098,576</u>	<u>195,841,725</u>
TOTAL ASSETS		<u>192,039,514</u>	<u>198,908,275</u>
LIABILITIES			
Current Liabilities			
Trade & Other Payables	9	2,939,366	2,460,114
Borrowings	9	6,890,665	2,518,595
Provisions	9	2,076,517	2,174,872
Total Current Liabilities		<u>11,906,548</u>	<u>7,153,581</u>
Non-current Liabilities			
Borrowings	9	5,237,782	15,026,512
Provisions	9	86,685	99,691
Total Non-current Liabilities		<u>5,324,467</u>	<u>15,126,203</u>
TOTAL LIABILITIES		<u>17,231,015</u>	<u>22,279,784</u>
NET ASSETS		<u>174,808,499</u>	<u>176,628,491</u>
EQUITY			
Accumulated Surplus(Deficit)		(6,878,122)	(5,337,598)
Asset Revaluation Reserve	10	181,686,621	181,966,089
TOTAL EQUITY		<u>174,808,499</u>	<u>176,628,491</u>

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

STATEMENT OF CHANGES IN EQUITY

		ACCUMULATED SURPLUS	ASSET REVALUATION RESERVE	TOTAL EQUITY
2019	Notes			
Balance at end of previous reporting period		(5,337,598)	181,966,089	176,628,491
Net Surplus/ (Deficit) for year		(1,540,524)		(1,540,524)
Other Comprehensive Income				
Gain on revaluation of property, plant & equipment			(279,468)	(279,468)
Balance at end of period		<u>(6,878,122)</u>	<u>181,686,621</u>	<u>174,808,499</u>
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				
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>

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

STATEMENT OF CASH FLOWS

	Note	2019 \$	2018 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
<u>Receipts</u>			
Operating Receipts		32,313,556	36,252,318
Investment Receipts		27,043	61,910
<u>Payments</u>			
Operating Payments to suppliers & employees		(24,774,282)	(28,177,094)
Finance Payments		(728,087)	(1,049,906)
Net Cash provided by (or used in) Operating Activities		<u>6,838,230</u>	<u>7,087,228</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
<u>Receipts</u>			
Amounts specifically for new or upgraded assets		486,500	-
Sale of replaced assets		94,819	177,727
Sale of surplus assets		21,002	374,690
Net disposal of available-for-sale Financial Assets		-	4,824,336
Repayments of loans by community groups		19,732	19,085
<u>Payments</u>			
Expenditure on renewal/replacement of assets		(752,510)	(2,320,857)
Expenditure on new/upgraded assets		(1,039,826)	(677,552)
Net Cash provided by (or used in) Investing Activities		<u>(1,170,283)</u>	<u>2,397,429</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
<u>Receipts</u>			
Proceeds from Borrowings		-	1,891,383
Proceeds from Aged Care Facility deposits		-	179,000
<u>Payments</u>			
Repayments of Borrowings		(5,416,660)	(11,171,682)
Repayment of Aged Care Facility deposits		-	(645,513)
Net Cash provided by (or used in) Financing Activities		<u>(5,416,660)</u>	<u>(9,746,812)</u>
Net Increase (Decrease) in cash held		<u>251,287</u>	<u>(262,155)</u>
Cash & cash equivalents at beginning of period		<u>347,303</u>	<u>609,458</u>
CASH & CASH EQUIVALENTS AT END OF PERIOD		<u>598,590</u>	<u>347,303</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 on a going concern basis using the historical cost convention in accordance with Australian Accounting Standards as they apply to not-for-profit entities, other authoritative pronouncements of the Australian Accounting Standards Board, Interpretations and relevant South Australian legislation.

1.1.2 Authorisation for Issue

The financial report was authorised for issue by certificate under regulation 14 of the Local Government (Financial Management) Regulations 2011 dated 15/10/2019.

1.1.3 Critical Accounting Estimates

The preparation of financial statements in conformity with Australian Accounting Standards requires the use of certain critical accounting estimates, and requires management to exercise its judgement in applying Council's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are specifically referred to in the relevant sections of these Notes.

1.1.4 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
Port Augusta Childcare Centre
Miriam High Special Needs Centre
Port Augusta Mens Shed
Substance Misuse Service
Sobering Up Unit
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
June 2019	2 quarters of the 2019/20 allocation	\$1,557,484

In June 2019, the Commonwealth Government also paid an advance of the Supplementary Road Funding for 2019/2020 and 2020/21, equating to \$283,158.

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 Adjusted 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.

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 2019 reporting period and have not been used in preparing these reports.

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>
AASB 2018-8	<i>Amendments to Australian Accounting Standards – Right-of-Use Assets of Not-for-Profit Entities</i>
Int'n 2016-7	<i>Amendments to Australian Accounting Standards – Australian Implementation Guidance for Not-for-Profit Entities</i>

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

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

AASB 7 Financial Instruments - Disclosures and AASB 9 Financial Instruments commenced from 1 July 2018 and have the effect that non-contractual receivables (e.g. rates & charges) are now treated as financial instruments. Although the disclosures made in Note 13 Financial Instruments have changed, there are no changes to the amounts disclosed.

AASB 15 Revenue from Contracts with Customers and AASB 1058 Income of Not-for-Profit Entities, which will commence from 1 July 2019, affect the timing with which revenues, particularly special purpose grants, are recognised. Amounts received in relation to contracts with sufficiently specific performance obligations will in future only be recognised as these obligations are fulfilled. In these Statements, the sum of \$486,500 has been recognised as "amounts received specifically for new and upgraded assets", in accordance with the current Standards, but would in future be recorded as a liability "Amounts in Advance" until the performance obligations have been fulfilled.

AASB 16 Leases, which will commence from 1 July 2019, requires that the right of use conveyed by leasing contracts - except leases with a maximum term of 12 months and leases for non-material amounts - be recognised as a form of Infrastructure, Property, Plant and Equipment, and that the lease liability be disclosed as a liability. At 30 June 2019, Council has no leases to which this treatment will need to be applied.

PORT AUGUSTA CITY COUNCIL

NOTES TO AND FORMING PART OF THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

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)	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Administration										
City Management & Economic Development	3,033,277	2,956,558	850,257	760,549	2,183,021	2,196,010	3,033,277	2,943,041	19,749	47,867
Human Resource Management	162,987	283,167	134,944	146,522	28,043	136,645			398	17,707
Records Management			19,288	15,056	(19,288)	(15,056)			715	2,051
Financial & Customer Services	16,835,787	16,558,400	883,202	972,991	15,952,585	15,585,409		56,373	900,435	1,282,271
Information Technology			226,079	380,204	(226,079)	(380,204)			546,120	697,926
Work Health & Safety	160,584	141,438	53,731	24,342	106,853	117,096			28,672	27,558
Public Order & Safety										
General Inspection	263,089	227,021	410,666	328,863	(147,577)	(101,842)			274,921	267,396
Other General Services	30,226	112,496	32,038	118,689	(1,812)	(6,193)				
Health Services										
Substance Misuse Service	567,389	574,888	596,058	583,648	(28,669)	(8,760)	567,389	567,388	31,341	36,494
Sobering Up Unit	733,482	719,673	762,136	734,635	(28,654)	(14,962)	733,482	719,100	16,620	22,714
Nerrilda Nursing Home		1,448,395		1,767,413		(319,018)		1,090,618		19,857
A.M. Ramsay Village		1,686,495		1,639,592		46,903		1,223,584		52,305
Aged Care Programs	196,390		27,659		168,731				7,702	
OPAL Program										
Immunisation Program	15,575	9,572	18,011	11,356	(2,436)	(1,784)	15,315	9,261		
Environmental Health	18,933	11,782	120,884	131,896	(101,951)	(120,114)			3,427	4,200
Social Security & Welfare										
Health Focus	268,722	268,016	292,533	303,920	(23,811)	(35,904)	242,137	238,558		1,668
Childcare Service	862,781	775,638	1,165,970	1,154,270	(303,189)	(378,632)	505,334	359,063	780,105	867,217
Special Needs Program	212,228	275,858	283,624	369,790	(71,396)	(93,932)	155,882	199,308	416,761	410,205
DVA Shed Program	57,531	55,062	60,958	53,396	(3,427)	1,666	43,829	43,266	3,391	3,810
HACC Project	76,269	75,249	81,352	76,636	(5,083)	(1,387)	71,160	70,108		
Youth Activities Service	2,000	3,000	2,077	4,677	(77)	(1,677)	2,000			
Service Reviews		3,097,427	324,001	131,920	(324,001)	2,965,507				330,107
Senior Citizens Centre		50,000	47,069	98,655	(47,069)	(48,655)		50,000	322,909	345,056
Housing & Community Amenities										
City Planning	72,295	91,127	254,997	259,667	(182,702)	(168,540)			338	670
Contracts & Events	6,691	6,000	230,179	240,414	(223,488)	(234,414)			1,226	468
Community Harmony Program	396,676	384,755	285,361	322,482	111,315	62,273	382,792	350,175		
Community Donations			22,978	21,775	(22,978)	(21,775)				
Community Safety Program	11,630	63,014	286,047	324,795	(274,417)	(261,781)	11,630	23,260	228,830	238,360
Community Bus Service		10,083	228	19,680	(228)	(9,597)				
Halls				225		(225)			314,160	331,723
Civic Centre			369,240	390,604	(369,240)	(390,604)			2,314,388	2,453,919
Housing	60,929	61,253	116,949	116,273	(56,020)	(55,020)			1,109,959	1,167,412
Cemeteries	180,230	121,599	259,576	235,078	(79,346)	(113,479)			239,475	254,907
Sanitation & Garbage	1,588,154	1,554,586	1,583,055	1,613,118	5,099	(58,532)				
Foreshores			201,760	191,463	(201,760)	(191,463)			10,429,364	10,673,227
Public Conveniences			99,795	88,313	(99,795)	(88,313)				
Street Lighting			305,907	286,288	(305,907)	(286,288)				
Lakes Management	255,500		281,799	53,673	(26,299)	(53,673)	255,500		59,782	43,157
Other Property & Services	108,435	121,823	734,084	557,799	(625,649)	(435,976)	30,000	60,000	7,552,805	7,652,112
Stormwater Drainage			282,941	295,470	(282,941)	(295,470)			8,120,442	8,287,130
Waste Water Treatment Plant			286,337	241,981	(286,337)	(241,981)			2,848,649	2,911,106
Effluent Drainage	742,950	815,101	619,887	561,095	123,063	254,006			4,139,428	4,287,542

*Expenses includes depreciation and full cost attribution

PORT AUGUSTA CITY COUNCIL

NOTES TO AND FORMING PART OF THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

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)	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Recreation & Culture										
Library & Information Service	72,068	65,758	716,800	679,775	(644,732)	(614,017)	57,162	47,097	47,109	60,905
Fountain Gallery		1,895	60,325	70,903	(60,325)	(69,008)			997,014	1,072,394
Cultural Centre	156,339	58,215	701,000	692,257	(544,661)	(634,042)	25,000		4,046,787	4,221,688
Aquatic Centre	695		45,600	57,070	(44,905)	(57,070)			570,364	609,077
Ryan Mitchell Swimming Centre	190,881	199,579	598,829	617,483	(407,948)	(417,904)			896,502	1,093,591
Be Active Community Centre			701	36,974	(701)	(36,974)				
Parks & Gardens & Playgrounds	605	1,691	1,119,104	1,114,929	(1,118,499)	(1,113,238)			5,197,607	5,310,594
Ovals	3,698	1,364	639,240	573,720	(635,542)	(572,356)			881,597	962,145
ETSA Oval Complex			174,017	72,034	(174,017)	(72,034)			257,705	255,294
Central Oval Community Hub	459,224	467,321	1,937,068	2,051,454	(1,477,844)	(1,584,133)	28,409	26,000	17,141,619	17,723,182
Mining Manufacturing & Construction										
Building Act	26,337	32,710	364,474	360,783	(338,137)	(328,073)			16,497	22,367
Transport & Communication										
Aerodromes	430,695	278,121	794,407	684,493	(363,712)	(406,372)	82,500	45,680	13,069,678	13,491,742
Maintenance of Roads, Bridges etc	482,829	1,095,987	4,330,486	4,224,596	(3,847,657)	(3,128,609)	424,737	989,605	96,822,109	99,598,925
Street Sweeping			152,018	152,035	(152,018)	(152,035)				
Footpaths			323,417	233,294	(323,417)	(233,294)				
Parking			12,997	13,277	(12,997)	(13,277)				
Economic Affairs										
Regional & Economic Development Related Projects	12,656	12,992	294,026	289,326	(281,370)	(276,334)				
Wadlata Interpretive Centre	184,911	166,639	609,289	535,706	(424,378)	(369,067)			4,312,537	4,553,361
Wadlata Retail Centre	207,506	201,475	237,171	210,718	(29,665)	(9,243)				
Wadlata Visitor Information Centre	44,378	5,043	306,423	207,087	(262,045)	(202,044)				
Wadlata Outback Tucker Box	213,036	219,372	268,380	243,243	(55,344)	(23,871)			23,719	26,774
Arid Lands Garden Interpretive Centre	716,035	692,244	1,015,724	976,876	(299,689)	(284,632)			2,557,008	2,689,606
Arid Lands Garden Operation		41,756	470,282	452,133	(470,282)	(410,377)		41,750		
Arid Lands Nursery Operation	150,112	127,278	220,276	162,487	(70,164)	(35,209)			162,573	212,882
Information Bays			2,457	6,974	(2,457)	(6,974)				
Public Debt Transactions										
Treasury - Debt Servicing	27,043	46,858	712,678	954,269	(685,635)	(907,411)			641,760	410,906
Other Purposes										
Machinery Operating	707,345	760,097	580,796	697,603	126,549	62,494	29,997	29,627	2,828	2,224
Depot & Nursery			1,945,557	1,859,780	(1,945,557)	(1,859,780)			3,533,854	3,699,240
Engineering Services			1,031,765	946,124	(1,031,765)	(946,124)			148,535	153,236
TOTALS	31,007,133	37,035,871	32,278,964	34,806,614	(1,271,831)	2,229,257	6,697,532	9,182,862	192,039,514	198,908,275

*Expenses includes depreciation and full cost attribution

NOTE 3 INCOME

RATES REVENUES	Notes	2019 \$	2018 \$
GENERAL RATES			
General Rates		17,160,628	16,780,294
Less Mandatory Rebates		340,789	222,000
Less Discretionary Rebates, remissions & write offs		<u>583,809</u>	<u>671,521</u>
		<u>16,236,030</u>	<u>15,886,773</u>
OTHER RATES (INCLUDING SERVICE CHARGES)			
Natural Resource Management Levy		274,096	304,347
Community Waste Water Management Systems		706,558	815,101
Waste Management Levy		<u>1,580,863</u>	<u>1,554,098</u>
		<u>2,561,517</u>	<u>2,673,546</u>
OTHER CHARGES			
Penalties for late payment		139,818	147,228
Legal & other costs recovered		<u>181,997</u>	<u>140,128</u>
		<u>321,815</u>	<u>287,356</u>
		<u>19,119,362</u>	<u>18,847,675</u>

NOTE 3 INCOME (CONTINUED)

	2019	2018
	\$	\$
STATUTORY CHARGES		
Development Act Fees	28,918	24,841
Town Planning Fees	63,579	78,157
Animal Registration & Expiation Fees	114,664	110,802
Parking Expiation Fees	39,933	30,582
Sundry	15,398	15,636
	<u>262,492</u>	<u>260,018</u>
USER CHARGES		
Cemetery Fees	179,853	120,823
Halls Hire	5,868	5,479
Sales - General	948,661	938,854
Rentals	57,624	54,723
Nursing Home Fees	-	745,455
Childcare Fees	328,656	406,533
Swimming Pool Fees	184,381	194,079
Wadlata Fees	182,450	159,768
Arid Lands Fees	187,409	188,878
Other Fees	804,281	721,986
Sundry	429	10,555
	<u>2,879,612</u>	<u>3,547,133</u>
INVESTMENT INCOME		
Interest on Investments		
Local Government Finance Authority	25,060	59,281
Loans to community groups	1,983	2,629
	<u>27,043</u>	<u>61,910</u>
REIMBURSEMENTS		
For Roadworks	48,243	101,915
For Private Works	9,849	4,467
Other	638,536	421,360
	<u>696,628</u>	<u>527,742</u>
OTHER INCOME		
Insurance & other recoupments - infrastructure	830,328	1,001,678
Gains on the sale of held for sale assets	-	3,097,427
Sundry	494,136	509,426
	<u>1,324,464</u>	<u>4,608,531</u>

NOTE 3 INCOME (CONTINUED)

	Notes	2019 \$	2018 \$
GRANTS, SUBSIDIES, CONTRIBUTIONS			
Amounts received specifically for new or upgraded assets		486,500	-
Other grants, subsidies and contributions		<u>6,697,532</u>	<u>9,182,862</u>
		<u>7,184,032</u>	<u>9,182,862</u>

The functions to which these grants relate are shown in Note 2.

Sources of grants

Commonwealth government	1,584,955	4,299,781
State government	5,599,077	4,833,081
Other	<u>-</u>	<u>50,000</u>
	<u>7,184,032</u>	<u>9,182,862</u>

INDIVIDUALLY SIGNIFICANT ITEMS

In June 2018, the Commonwealth Government paid an advance of half of the Financial Assistance Grant for 2018/2019 and in June 2019 paid an advance of half of the Grant for 2019/2020.

1,557,484	1,525,808
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In June 2019, the Commonwealth Government paid an advance of the Supplementary Road Funding for 2019/2020 and 2020/21.

283,158	-
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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	1,569,558	1,686,502
Less: expended during the current period from revenues recognised in previous reporting periods	<u>1,569,558</u>	<u>1,686,502</u>
Subtotal	-	-
Plus: amounts recognised as revenues in this reporting period but not yet expended in accordance with the conditions	1,840,642	1,569,558
Subtotal	<u>1,840,642</u>	<u>1,569,558</u>
Unexpended at the close of this reporting period and held as restricted assets	1,840,642	1,569,558
Net increase (decrease) in restricted assets in the current reporting period	271,084	(116,944)

NOTE 4 EXPENSES

	Notes	2019 \$	2018 \$
EMPLOYEE COSTS			
Salaries and Wages		9,718,412	10,947,671
Employee Leave Expenses		1,112,524	1,385,338
Superannuation - Defined Contribution Plan Contributions	17	834,222	986,615
Superannuation - Defined Benefit Plan Contributions	17	171,916	197,135
Superannuation - Other	17	12,254	18,767
Workers Compensation Insurance		428,482	653,474
Less: Capitalised and distributed costs		<u>(226,025)</u>	<u>(386,954)</u>
Total Operating Employee Costs		<u>12,051,785</u>	<u>13,802,046</u>
Total Number of Employees			
(Full time equivalent at end of reporting period)		138.6	133.3
MATERIALS, CONTRACTS & EXPENSES			
Prescribed Expenses			
Auditor's Remuneration			
- Auditing the financial reports		24,200	19,800
Elected members' expenses		289,278	275,584
Election Expenses		57,701	3,879
Operating Lease Rentals - non cancellable leases	16		
- minimum lease payments		<u>106,595</u>	<u>216,985</u>
Sub Total Prescribed Expenses		<u>477,774</u>	<u>516,248</u>
Other Materials, Contracts & Expenses			
Contractors		5,596,437	5,584,322
Utilities		2,037,923	1,768,673
Legal Expenses		150,516	138,959
Levies paid to government - NRM Levy		273,931	300,047
Other levies		-	11,494
Parts, Accessories & Consumables		1,552,779	1,601,735
Professional Services		800	66,917
Communications		259,754	220,773
Contributions & Donations		84,833	83,363
Insurances		508,500	531,378
Rates & Taxes		59,136	85,811
Travel & Accommodation		47,754	47,929
Affiliations		227	-
Advertising		82,651	68,246
Subscriptions		53,774	67,521
Training		67,265	74,008
Postage Printing Stationery		88,334	113,605
Plant Hire		607,247	585,111
Bank Charges		60,036	57,962
Sundry		<u>646,310</u>	<u>1,058,367</u>
Sub Total Other Materials, Contracts & Expenses		<u>12,178,207</u>	<u>12,466,221</u>
TOTAL MATERIALS, CONTRACTS & EXPENSES		<u>12,655,981</u>	<u>12,982,469</u>

NOTE 4 EXPENSES (CONTINUED)

	Notes	2019 \$	2018 \$
FINANCE COSTS			
Interest on overdraft & short-term borrowings		-	1,796
Interest on Loans		<u>663,452</u>	<u>927,758</u>
		<u>663,452</u>	<u>929,554</u>
DEPRECIATION, AMORTISATION & IMPAIRMENT			
Depreciation			
Buildings & Other Structures		2,667,315	2,694,512
Infrastructure		3,208,141	3,251,018
Plant & Equipment		572,113	574,576
Furniture & Equipment		<u>460,177</u>	<u>572,439</u>
		<u>6,907,746</u>	<u>7,092,545</u>

NOTE 5 ASSET DISPOSAL & FAIR VALUE ADJUSTMENTS

	Notes	2019 \$	2018 \$
INFRASTRUCTURE, PROPERTY, PLANT & EQUIPMENT			
<i>Assets renewed or directly replaced</i>			
Proceeds from disposal		115,821	552,417
Less: Carrying amount of assets disposed		<u>871,014</u>	<u>715,406</u>
NET GAIN(LOSS) ON DISPOSAL OR REVALUATION OF ASSETS		<u>(755,193)</u>	<u>(162,989)</u>

NOTE 6 CURRENT ASSETS

	Notes	2019 \$	2018 \$
CASH & EQUIVALENT ASSETS			
Cash on Hand and at Bank		403,426	143,752
Deposits at Call		<u>195,164</u>	<u>203,551</u>
		<u>598,590</u>	<u>347,303</u>
TRADE & OTHER RECEIVABLES			
Rates - General & Other		945,323	1,387,326
Accrued Revenues		129,477	408,491
Debtors - General		210,328	226,857
Other levels of Government		62,457	630,658
GST Recoupment		209,261	198,831
Prepayments		-	5,190
Loans to community organisations		<u>20,403</u>	<u>19,732</u>
		<u>1,577,249</u>	<u>2,877,085</u>
Less: Allowance for Doubtful Debts		<u>409,263</u>	<u>371,115</u>
		<u>1,167,986</u>	<u>2,505,970</u>
INVENTORIES			
Stores & Materials		63,353	82,156
Trading Stock		<u>111,009</u>	<u>131,121</u>
		<u>174,362</u>	<u>213,277</u>

NOTE 7 NON-CURRENT ASSETS

	Notes	2019 \$	2018 \$
FINANCIAL ASSETS			
Receivables			
Loans to community organisations		<u>22,446</u>	<u>42,850</u>
TOTAL FINANCIAL ASSETS		<u>22,446</u>	<u>42,850</u>

NOTE 8 INFRASTRUCTURE, PROPERTY, PLANT & EQUIPMENT

	FAIR VALUE LEVEL	2018 \$				2019 \$			
		AT FAIR VALUE	AT COST	ACCUM DEP'N	CARRYING AMOUNT	AT FAIR VALUE	AT COST	ACCUM DEP'N	CARRYING AMOUNT
Land	2	1,736,934			1,736,934	1,736,934			1,736,934
Land	3	11,340,638			11,340,638	11,340,638			11,340,638
Buildings & Other Structures	2	1,894,555	257,047	(1,584,856)	566,746	1,525,058	630,087	(1,263,080)	892,065
Buildings & Other Structures	3	108,260,323	558,753	(46,782,419)	62,036,657	107,473,564	604,618	(48,788,343)	59,289,839
Infrastructure	3	172,366,679	6,088,393	(64,018,832)	114,436,240	169,841,383	7,335,959	(65,247,514)	111,929,828
Plant & Equipment	2	6,604,784	1,188,014	(3,697,084)	4,095,714	5,955,235	1,682,079	(3,850,551)	3,786,763
Furniture & Fittings	2	5,146,026	46,937	(3,607,017)	1,585,946	4,946,775	53,892	(3,900,604)	1,100,063
TOTAL PROPERTY, PLANT & EQUIPMENT		307,349,939	8,139,144	(119,690,208)	195,798,875	302,819,587	10,306,635	(123,050,092)	190,076,130
2018 Totals		328,387,528	4,649,614	(128,870,697)	204,166,445	307,349,939	8,139,144	(119,690,208)	195,798,875

	FAIR VALUE LEVEL	2018 \$						2019 \$
		CARRYING AMOUNT	ADDITIONS		DISPOSALS	DEPRECIATION	IMPAIRMENT	NET REVALUATION
			NEW/UPGRADE	RENEWALS				
Land	2	1,736,934						
Land	3	11,340,638						
Buildings & Other Structures	2	566,746	244,878	179,123		(41,938)		(56,744)
Buildings & Other Structures	3	62,036,657	31,595	14,269		(2,625,376)		(167,306)
Infrastructure	3	114,436,240	734,205	630,393	(676,806)	(3,208,141)		13,937
Plant & Equipment	2	4,095,714	15,455	478,610	(194,208)	(572,114)		(36,694)
Furniture & Fittings	2	1,585,946	6,955		(460,177)			(32,661)
TOTAL PROPERTY, PLANT & EQUIPMENT		195,798,875	1,033,088	1,302,395	(871,014)	(6,907,746)	-	(279,468)
2018 Totals		204,166,445	934,200	2,787,260	(715,406)	(7,092,545)	(4,281,079)	-

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 its 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.

Revaluation adjustments have occurred for 2018/19 to remove assets from the asset register which are not owned by Council. These assets were identified during the Insurance Review project. As the amounts are immaterial, these adjustments have been processed through the Asset Revaluation Reserve rather than restating comparative amounts.

NOTE 9 LIABILITIES

	Notes	2019 Current \$	2019 Non-Current \$	2018 Current \$	2018 Non-Current \$
TRADE & OTHER PAYABLES					
Goods & Services		2,487,705	-	1,799,533	-
Accrued expenses - other		<u>451,661</u>	<u>-</u>	<u>660,581</u>	<u>-</u>
		<u>2,939,366</u>	<u>-</u>	<u>2,460,114</u>	<u>-</u>
BORROWINGS					
Loans - LGFA		<u>6,890,665</u>	<u>5,237,782</u>	<u>2,518,595</u>	<u>15,026,512</u>
		<u>6,890,665</u>	<u>5,237,782</u>	<u>2,518,595</u>	<u>15,026,512</u>

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

PROVISIONS

Provision for Annual Leave		976,292	-	992,998	-
Provision for Long Service Leave		<u>1,100,225</u>	<u>86,685</u>	<u>1,181,874</u>	<u>99,691</u>
		<u>2,076,517</u>	<u>86,685</u>	<u>2,174,872</u>	<u>99,691</u>

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

		1,151,021	-	1,109,926	-
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NOTE 10 RESERVES

ASSET REVALUATION RESERVE	30/06/2018	Net Increments (Decrements)	30/06/2019
Notes	\$	\$	\$
Land	14,566,180		14,566,180
Buildings & Other Structures	47,019,777	(224,050)	46,795,727
Infrastructure	114,989,683	13,937	115,003,620
Plant & Equipment	3,271,329	(36,694)	3,234,635
Furniture & Fittings	2,119,120	(32,661)	2,086,459
Total Infrastructure, Property, Plant & Equipment	181,966,089	(279,468)	181,686,621

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.

Revaluation adjustments have occurred for 2018/19 to remove assets from the asset register which are not owned by Council. These assets were identified during the Insurance Review project. As the amounts are immaterial, these adjustments have been processed through the Asset Revaluation Reserve rather than restating comparative amounts.

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	2019 \$	2018 \$
Total Cash & Equivalent Assets	6	<u>598,590</u>	<u>347,303</u>
Balances per Statement of Cash Flows		<u>598,590</u>	<u>347,303</u>

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

Net Surplus (Deficit)	(1,540,524)	2,066,268
Non-cash items in Income Statement		
Depreciation, amortisation & impairment	6,907,746	7,092,545
Change in allowances for under-recovery	38,148	65,339
Grants for capital acquisitions treated as investing activity	(486,500)	-
Nursing Home Deposits	-	(26,507)
Net increase (decrease) in unpaid employee benefits	(111,361)	(157,937)
Net (Gain) Loss on Disposals	<u>755,194</u>	<u>162,989</u>
	<u>5,562,703</u>	<u>9,202,697</u>
Add (Less): Changes in Net Current Assets		
Net (increase) decrease in receivables	1,300,507	(707,785)
Net (increase) decrease in inventories	38,915	28,016
Net increase (decrease) in trade & other payables	<u>(63,895)</u>	<u>(1,435,699)</u>
Net Cash provided by (or used in) operations	<u>6,838,230</u>	<u>7,087,228</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	16,668,596	13,770,535

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 1.5% (2018: 2.0%) and variable interest rates of 1.25% (2018: 1.0%).</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> <p>Carrying amount: approximates fair value.</p>
Receivables - Retirement Home Contributions	<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> <p>Carrying amount: approximates fair value (after deduction of any allowance).</p>
Liabilities - Creditors and Accruals	<p>Accounting Policy: Liabilities are recognised for amounts to be paid in the future for goods and services received, whether or not billed to the Council.</p> <p>Terms & conditions: Liabilities are normally settled on 30 day terms.</p> <p>Carrying amount: approximates fair value.</p>
Liabilities - 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 3.35% and 6.7% (2018: 4.25% and 6.70%)</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

	Due ≤ 1 year	Due > 1 year ≥ 5 years	Due > 5 years	Total Contractual Cash Flows	Carrying Values
2019					
Financial Assets	\$	\$	\$	\$	\$
Cash & Equivalents	598,590	-	-	598,590	598,590
Receivables	1,169,297	911	-	1,170,208	1,170,208
Other Financial Assets	20,403	22,448	-	42,851	42,851
Total	1,788,290	23,359	-	1,811,649	1,811,649
Financial Liabilities					
Payables	2,487,705	-	-	2,487,705	2,487,705
Borrowings	7,302,588	1,787,739	-	9,090,327	12,128,447
Total	9,790,293	1,787,739	-	11,578,032	14,616,152
2018					
Financial Assets	\$	\$	\$	\$	\$
Cash & Equivalents	347,303	-	-	347,303	347,303
Receivables	2,502,763	2,222	-	2,504,985	2,504,985
Other Financial Assets	19,732	42,851	-	62,583	62,583
Total	2,869,798	45,073	-	2,914,871	2,914,871
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

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

	30 June 2019		30 June 2018	
	Weighted Average Interest Rate %	Carrying Value	Weighted Average Interest Rate %	Carrying Value
Overdraft		-		-
Other Variable Rates	3.35	3,531,403	3.60	6,429,466
Fixed Interest Rates	5.05	8,597,044	4.99	11,115,641
		12,128,447		17,545,107

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

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>	2019 \$	2018 \$
Other Expenditure Commitments			
Other expenditure committed for (excluding inventories) at the reporting date but not recognised in the financial statements as liabilities:			
Audit Services		22,550	67,650
Waste Collection Contract		3,878,865	208,155
Refuse Reserve Contract		804,000	1,597,194
Parks & Gardens Contract		110,835	565,137
Cleaning Services		537,656	815,802
Security Services		<u>375,540</u>	<u>361,173</u>
		<u>5,729,446</u>	<u>3,615,111</u>
These expenditures are payable:			
Less than one year		2,226,730	2,175,891
Not later than 5 years		<u>3,502,716</u>	<u>1,439,220</u>
		<u>5,729,446</u>	<u>3,615,111</u>

NOTE 14 FINANCIAL PERFORMANCE INDICATORS

	2019	2018
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.		

Operating Surplus Ratio	(4.1%)	6.0%
<u>Operating Surplus</u>		
Total Operating Revenue		

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

Adjusted Operating Surplus Ratio	(5.2%)	(2.6%)
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The 2018 Adjusted Operating Surplus Ratio has been adjusted to account for the advance payment of the Financial Assistance Grant and 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.

The 2019 Ratio has been adjusted to account for the advance payment of the Financial Assistance Grant and the Supplementary Road Funding.

Net Financial Liabilities	15,441,993	19,383,661
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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	49.8%	52.3%
<u>Net Financial Liabilities</u>		
Total Operating Revenue		

Adjusted Net Financial Liabilities Ratio	56.3%	61.6%
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The 2018 Adjusted Operating Surplus Ratio has been adjusted to account for the advance payment of the Financial Assistance Grant and to remove the "Gain on the sale of held for sale assets" amount.

The 2019 Ratio has been adjusted to account for the advance payment of the Financial Assistance Grant and the Supplementary Road Funding.

Asset Renewal Funding Ratio		
<u>Expenditure on renewal/replacement of assets</u>	53.6%	40.1%
Optimal level of such expenditure per I&		

This ratio indicates the extent to which existing non-financial assets are being renewed and replaced, compared with the asset renewal and replacement expenditure identified as warranted in a Council's infrastructure and asset management plan.

Contents, Plant and Vehicles asset class has now been excluded from this ratio from 2018/19 onwards as there is no asset management plan for this class of assets.

The draft Building and Land Asset Management Plan expenditure has been included in this Ratio for 2018/19 (previously depreciation had been used). The draft is yet to be reviewed and adopted by Council.

The Asset Management Plan for Bridge and Marine Structures indicates capital expenditure of \$11.58m which has not been included in this Ratio for neither 2017/18 nor 2018/19. The demolition of the Eastside Jetty took place during 2018/19 as per Council resolution. The Old Bridge has been deemed to be at end of life, and Council is yet to make a formal resolution on the remaining marine assets.

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.

	2019 \$	2018 \$
Income	31,007,133	37,035,871
less Expenses	<u>32,278,964</u>	<u>34,806,614</u>
	<u>(1,271,831)</u>	<u>2,229,257</u>
less Net Outlays on Existing Assets		
Capital Expenditure on renewal and replacement of Existing Assets	752,510	2,320,857
less Depreciation, Amortisation and Impairment	(6,907,746)	(7,092,545)
less Proceeds from Sale of Replaced Assets	<u>(94,819)</u>	<u>(177,727)</u>
	<u>(6,250,055)</u>	<u>(4,949,415)</u>
less Net Outlays on New and Upgraded Assets		
Capital Expenditure on New and Upgraded Assets (<i>Including investment property & real estate developments</i>)	1,039,826	677,552
less Amounts specifically for New and Upgraded Assets	(486,500)	-
less Proceeds from Sale of Surplus Assets (<i>including investment property and real estate developments</i>)	<u>(21,002)</u>	<u>(374,690)</u>
	<u>532,324</u>	<u>302,862</u>
Net Lending / (Borrowing) for Financial Year	<u>4,445,900</u>	<u>6,875,810</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.

	2019	2018
	\$	\$
Not later than one year	7,682	75,795
Later than one year and not later than 5 years	-	7,682
	<u>7,682</u>	<u>83,477</u>

NOTE 17 SUPERANNUATION

The Council makes employer superannuation contributions in respect of its employees to the Statewide Super (formerly Local Government Superannuation Scheme). There are two types of membership, each of which is funded differently. Permanent and contract employees of the South Australian Local Government sector with Salarylink benefits prior to 24 November 2009 have the option to contribute to 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 2018/19; 9.50% in 2017/18). 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 2017/18) of "superannuation" salary.

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

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

The most recent actuarial investigation was conducted by the Fund's actuary, 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 2019 \$	RACF 2019 \$	OTHER 2019 \$	TOTAL COUNCIL 2018 \$	RACF 2018 \$	OTHER 2018 \$
REVENUE						
Grants & Subsidies	6,697,532	-	6,697,532	9,182,862	2,314,202	6,868,660
User Charges	2,879,612	-	2,879,612	3,547,133	784,344	2,762,789
Reimbursements	696,628	-	696,628	527,742	5,017	522,725
Investment Income	27,043	-	27,043	61,910	15,052	46,858
Other Revenue	20,706,318	-	20,706,318	20,618,797	16,275	20,602,522
Gain on the sale of held for sale assets	-	-	-	3,097,427	-	3,097,427
TOTAL REVENUE	31,007,133		31,007,133	37,035,871	3,134,890	33,900,981
EXPENDITURE						
Operating Costs	25,371,218	-	25,371,218	27,714,069	3,407,005	24,307,064
Depreciation	6,907,746	-	6,907,746	7,092,545	-	7,092,545
	32,278,964	-	32,278,964	34,806,614	3,407,005	31,399,609
Operating (Loss)/Surplus before Capital Revenues	(1,271,831)	-	(1,271,831)	2,229,257	(272,115)	2,501,372
Capital Revenues or Asset Disposal Adjustments	(268,693)	-	-268,693	(162,989)	-	-162,989
RESULT						
Net Result (Loss)/Surplus	(1,540,524)	-	(1,540,524)	2,066,268	(272,115)	2,338,383
ASSETS						
Current Assets	1,940,938	-	1,940,938	3,066,550	-	3,066,550
Non-current Assets	190,098,576	-	190,098,576	195,841,725	-	195,841,725
TOTAL ASSETS	192,039,514	-	192,039,514	198,908,275	-	198,908,275
LIABILITIES						
Current Liabilities	11,906,548	-	11,906,548	7,153,581	-	7,153,581
Non-Current Liabilities	5,324,467	-	5,324,467	15,126,203	-	15,126,203
TOTAL LIABILITIES	17,231,015	-	17,231,015	22,279,784	-	22,279,784
NET ASSETS	174,808,499	-	174,808,499	176,628,491	-	176,628,491

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

	2019	2018
	\$	\$
Revenue	-	3,134,890
Expenses (excluding depreciation)	-	3,407,005
Depreciation expense	-	-
Operating Result of discontinued operations	-	(272,115)

Gain on the sale of held for sale assets

	2019	2018
	\$	\$
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, 17 persons were paid the following total compensation:

	2019
Salaries, allowances & other short term benefits	\$ 1,201,554
Post-employment benefits	\$ -
Long term benefits	\$ 5,621
Termination benefits	\$ 41,972
TOTAL	\$ 1,249,147

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:

	2019
Contributions for fringe benefits tax purposes	\$ 102
Planning & building application fees	\$ -
Rentals for Council property	\$ 6,057
TOTAL	\$ 6,159

Key management personnel or close family members (including related parties) lodged a total of nil planning and building applications during the year

Six 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.

An Elected Member is a member of the management committee for an organisation which received a rate rebate of \$1,341.

An Elected Member has a close family member who is involved in a business with total purchases amounting to \$2,454.

An Elected Member is a member of the management committee for an organisation which received a contribution of \$1,543 for an event.

An Elected Member is involved in a business with total purchases amounting to \$4,514. Council also paid this organisation \$722.

An employee is a member of the management committee for an organisation which paid council \$66,209. Council also paid this organisation \$309.

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.

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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 2019, the statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the Council Certificate of the 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 2019, 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.



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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

15 / 10 / 2019

PORT AUGUSTA CITY COUNCIL

GENERAL PURPOSE FINANCIAL STATEMENTS

For the year ended 30 June 2019

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 2019, I have maintained my independence in accordance with the requirements of APES 110 – Code of Ethics for Professional Accountants, Section 290, published by the Accounting Professional and Ethical Standards Board, in accordance with the Local Government Act 1999 and the Local Government (Financial Management) Regulations 2011 made under that Act.

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

8 / 10 / 2019

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 2019, 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



ALAN RUSHBROOK
PRESIDING MEMBER
AUDIT COMMITTEE

15 / 10 / 2019

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 2018 to 30 June 2019 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 2018 to 30 June 2019.

Basis for Opinion

We conducted our engagement in accordance with applicable Australian Standards on Assurance Engagements ASAE 3100 *Compliance Engagements*, issued by the Australian Auditing and Assurance Standards Board, in order to state whether, in all material respects, the Council has complied with Section 125 of the *Local Government Act 1999* in relation only to the Internal Controls specified above for the period 1 July 2018 to 30 June 2019. ASAE 3100 also requires us to comply with the relevant ethical requirements of the Australian professional accounting bodies.

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

The Council's Responsibility for Internal controls

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

Our Independence and Quality Control

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



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Auditor's responsibility

Our responsibility is to express an opinion on the Council's compliance with Section 125 of the Local Government Act 1999 in relation only to the Internal Controls established by the Council to ensure that financial transactions relating to the receipt, expenditure and investment of money, acquisition and disposal of property and incurring of liabilities, based on our procedures. Our engagement has been conducted in accordance with applicable Australian Standards on Assurance Engagements ASAE 3100 Compliance Engagements, issued by the Australian Auditing and Assurance Standards Board, in order to state whether, in all material respects, the Council has complied with Section 125 of the Local Government Act 1999 in relation only to the Internal Controls specified above for the period 1 July 2018 to 30 June 2019. ASAE 3100 also requires us to comply with the relevant ethical requirements of the Australian professional accounting bodies.

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

Limitations of Controls

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

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

Limitation of Use

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

GALPINS ACCOUNTANTS, AUDITORS & BUSINESS CONSULTANTS

Simon Smith CA, FCPA, Registered Company Auditor
Partner

15/10/ 2019