



AGENDA

FOR AUDIT COMMITTEE MEETING TO BE HELD ON

11 OCTOBER 2016 AT 6:30 PM

IN COMMITTEE ROOMS, 12 JAMES STREET, SALISBURY

MEMBERS

Mr P Brass (Chairman)
Ms K Briggs
Mr C Johnson (Deputy Chairman)
Cr G Caruso
Cr G Reynolds

REQUIRED STAFF

Chief Executive Officer, Mr J Harry
General Manager Business Excellence, Mr C Mansueto
Business Analyst - Internal Audit & Risk, Mr G Kendall
Manager Governance, Ms T Norman
Manager Financial Services, Ms K George
Senior Accountant, Mr T Aplin

APOLOGIES

An apology has been received from Mr P Brass.

LEAVE OF ABSENCE

PRESENTATION OF MINUTES

Presentation of the Minutes of the Audit Committee Meeting held on 12 July 2016.

REPORTS

Administration

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Reports

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OTHER BUSINESS

CLOSE



**MINUTES OF AUDIT COMMITTEE MEETING HELD IN COMMITTEE ROOM 1,
12 JAMES STREET, SALISBURY ON
12 JULY 2016**

MEMBERS PRESENT

Mr P Brass (Chairman)
Ms K Briggs (via telephone)
Mr C Johnson (Deputy Chairman)

STAFF

General Manager Business Excellence, Mr C Mansueto
Manager Governance, Ms T Norman
Business Analyst - Internal Audit & Risk, Mr G Kendall

The meeting commenced at 6:13pm.

The Chairman welcomed the members, staff and the gallery to the meeting.

APOLOGIES

Apologies were received from Cr G Caruso and Cr G Reynolds.

LEAVE OF ABSENCE

Nil

PRESENTATION OF MINUTES

Moved Mr C Johnson
Seconded Ms K Briggs

The Minutes of the Audit Committee Meeting held on 12 April 2016, be
taken and read as confirmed.

CARRIED

REPORTS

Administration

4.0.1 Future Reports for the Audit Committee of Council

Moved Mr C Johnson
Seconded Ms K Briggs

1. The information be received.

CARRIED

Reports

4.2.1 Report on the External Review of Internal Audit

Moved Ms K Briggs
Seconded Mr C Johnson

1. The information be received.
2. A new item be included on the Audit Committee of Council Agenda, reporting on new and emerging risks at each Audit Committee meeting.

CARRIED

4.2.2 Audit Committee Self-Assessment Questionnaire

Moved Mr C Johnson
Seconded Ms K Briggs

1. The information be received.

CARRIED

4.2.3 Internal Audit Plan

Moved Mr C Johnson
Seconded Ms K Briggs

1. The information be received.

CARRIED

4.2.4 Internal Audit Annual Review and 2016/17 work schedule

Moved Ms K Briggs
Seconded Mr C Johnson

1. The information be received.
2. The schedule of Risk Management and Internal Control Activities 2016-17, as set out in Attachment 2 to this report (Item No. 4.2.4, Audit Committee 12/07/2016), be endorsed.

CARRIED

OTHER BUSINESS

ACOB1 Confidential Verbal Briefing – RAAF Base Edinburgh

Moved Mr C Johnson

Seconded Ms K Briggs

1. Pursuant to Section 90(2) and (3)(b)(i) and (ii) of the Local Government Act 1999, the principle that the meeting should be conducted in a place open to the public has been outweighed in relation to this matter because:
 - it relates to information the disclosure of which could reasonably be expected to confer a commercial advantage on a person with whom the council is conducting, or proposing to conduct, business, or to prejudice the commercial position of the council;

and

 - information the disclosure of which would, on balance, be contrary to the public interest.
2. In weighing up the factors related to disclosure,
 - disclosure of this matter to the public would demonstrate accountability and transparency of the Council's operations;
 - non disclosure of discussion and consideration of the verbal briefing relating to the RAAF Base Edinburgh contamination issue would protect Council's commercial interests relating to the operations of Salisbury Water.

On that basis the public's interest is best served by not disclosing the **Confidential Verbal briefing – RAAF Base Edinburgh** at this point in time.
3. Pursuant to Section 90(2) of the Local Government Act 1999 it is recommended the Council orders that all members of the public, except staff of the City of Salisbury on duty in attendance, be excluded from attendance at the meeting for this Agenda Item.

CARRIED

Mr P Brass declared a perceived conflict of interest on the basis that GHD has been engaged by Department of Defence to perform a review associated with this matter, and GHD is a member of Water Research Australia. Mr Brass chose to manage the perceived conflict of interest by declaring it on the public record and remaining in the meeting.

ACOB1 RAAF Base Edinburgh Verbal Briefing

Moved Mr C Johnson

Seconded Ms K Briggs

That the information be received.

CARRIED

Mr P Brass voted in FAVOUR of the MOTION.

The majority of members present voted in FAVOUR of the MOTION.

The meeting closed at 7.28pm.

CHAIRMAN.....

DATE.....

ITEM	4.0.1
	AUDIT COMMITTEE
DATE	11 October 2016
HEADING	Future Reports for the Audit Committee of Council
AUTHOR	Michelle Woods, Projects Officer Governance, CEO and Governance
CITY PLAN LINKS	4.4 To ensure informed and transparent decision-making that is accountable and legally compliant
SUMMARY	This item details reports to be presented to the Audit Committee of Council as a result of a previous Council resolution. If reports have been deferred to a subsequent meeting, this will be indicated, along with a reason for the deferral.

RECOMMENDATION

1. The information be received.

ATTACHMENTS

There are no attachments to this report.

1. BACKGROUND

- 1.1 A list of resolutions requiring a future report to Council (via the Audit Committee) is presented to each meeting for noting.

2. REPORT

- 2.1 At the time of preparing this report, there are currently no resolutions of Council requiring a further report to be presented to the Audit Committee.

3. CONCLUSION / PROPOSAL

- 3.1 Future reports for the Audit Committee of Council have been reviewed and there are none that require a report to be presented to the Audit Committee.

CO-ORDINATION

Officer:	Executive Group	MG
Date:	04/10/2016	19/09/2016

ITEM	4.2.1
	AUDIT COMMITTEE
DATE	11 October 2016
HEADING	End of Financial Year Statements and Analysis
AUTHORS	Tim Aplin, Senior Accountant, Business Excellence Kate George, Manager Financial Services, Business Excellence
CITY PLAN LINKS	4.4 To ensure informed and transparent decision-making that is accountable and legally compliant 4.5 To apply business and resource management that enables excellent service delivery and financial sustainability
SUMMARY	This report and the associated attachments, provides the Audit Committee with the information required to review the Annual Financial Statements for 2016 in accordance with the requirements of the Local Government Act 1999.

RECOMMENDATION

1. The information be received.
2. In accordance with Section 126(4)(a) of the Local Government Act 1999 the Audit Committee advises that it has reviewed the annual financial statements of the Council for the year ended 30 June 2016 and is satisfied they present fairly the state of affairs of Council.
3. In accordance with Regulation 22 of the Local Government (Financial Management) Regulations 2011 clauses (3) (a) and (4), that the Chief Executive Officer and the Chair of the City of Salisbury Audit Committee sign the statement to certify the independence of the Council Auditor, Deloitte Touch Tohmatsu.

ATTACHMENTS

This document should be read in conjunction with the following attachments:

1. Proposed Council General Business Item 1
2. Financial Statements for the Year Ended 30 June 2016

1. BACKGROUND

- 1.1 Section 126(4) of the Local Government Act 1999 details the functions of an audit committee which includes

(a) reviewing the annual financial statements to ensure that they present fairly the state of affairs of the council

- 1.2 The Local Government (Financial Management) Regulations 2011 Regulation 22 part 3 requires annually that the chief executive officer and the presiding member of the audit committee certify the independence of the council auditor for the respective financial year.

2. CONSULTATION / COMMUNICATION

2.1 Internal

- 2.1.1 This report provides the mechanism for consultation and communication with the Audit Committee regarding the City of Salisbury's Annual Financial Statements for the year ending 30 June 2016.

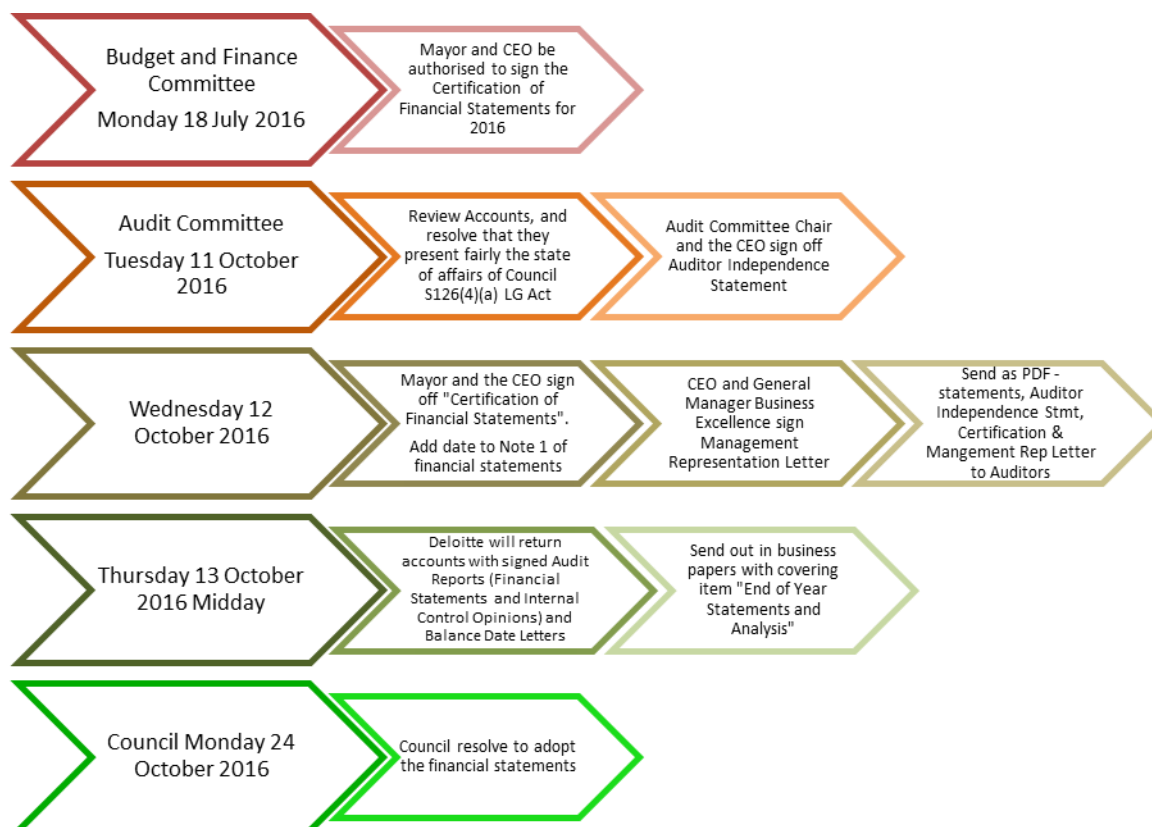
2.2 External

- 2.2.1 The Annual Financial Statements have been reviewed by Council's external Auditor Deloitte Touche Tohmatsu (Deloitte).

3. REPORT

- 3.1 The City of Salisbury's Annual Financial Statements for 2016 have been prepared in accordance with the Local Government Act 1999, the Local Government (Financial Management) Regulations 2011, the Australian Accounting Standards and the South Australian Model Financial Statements 2016.
- 3.2 The City of Salisbury's Audit Committee is required under section 126(4)(a) of the Local Government Act 1999 to review the annual financial statements to ensure that they present fairly the state of affairs of the Council.
- 3.3 Our external auditors, Deloitte, have conducted their review of the Annual Financial Statements for 2016, and are awaiting the Audit Committees review prior to signing their audit opinion, after which the Annual Financial Statements for 2016 can be certified and then adopted by Council.
- 3.4 The Chief Executive Officer and the Mayor will sign the Certification of Annual Financial Statements following the Audit Committee review, and it should be noted that this is also required by Deloitte prior to them furnishing their audit opinions on the Annual Financial Statements and Internal Control for 2016.
- 3.5 A timeline shown below demonstrates the process that is required to be followed to sign off the Annual Financial Statements for 2016.

Sign off Process Annual Financial Statements for 2015/16



- 3.6 An analysis of the Annual Financial Statements and results for the year will be presented to Council on 24 October 2016, and a copy of that report is attached to this report for the Audit Committee's reference and review.
- 3.7 Following discussions and advice from Deloitte, the Annual Financial Statements for 2015/16 include a restated Statement of Financial Position for the 2014/15 and 2013/14 Financial Years. Further, all of the comparative information where applicable throughout the Annual Financial Statements has been restated for the 2014/15 Financial Year. The reasoning behind these adjustments is disclosed in the attached report under Section 4 'Restatement of Prior Year Statements' and also disclosed in Note 22 of the attached Annual Financial Statements for 2016.

3.8 Independence of Council Auditor

- 3.8.1 Regulation 22 of the Local Government (Financial Management) Regulations 2011 provide in clauses (3) (a) and (4) that:

(3) *The following persons must each provide, on an annual basis, a statement that provides a certification as to compliance for the relevant financial year with the requirement that the auditor be independent of the council, council subsidiary or regional subsidiary (as the case may be):*

(a) *In a case involving a council or council subsidiary – the chief executive officer of the relevant council and the presiding member of the audit committee of the relevant body;*

(4) *A statement under sub-regulation (3) must accompany the financial statements for the relevant body.*

3.8.2 The City of Salisbury has engaged Deloitte to provide external audit services and also recently engaged Deloitte to provide taxation advice relative to the 2017 financial Year, and specifically in relation to GST on Property Sales. As part of the due diligence involved in accepting the taxation engagement, Deloitte reviewed whether their independence would be compromised by accepting the engagement and was satisfied that since the two engagements are separate, under the responsibility of different partners, and that they are only engaged to provide audit services work in the 2016 financial year whilst the taxation advice relates to the 2017 financial year, then their independence would be maintained. This will further be certified in Deloitte's Independence Declaration.

3.8.3 Accordingly it is recommended that the Chief Executive Officer and the Chair of the Audit Committee co-sign the following statement:

'To the best of our knowledge and belief, we confirm that, for the purpose of the audit of the City of Salisbury for the year ended 30th June 2016, the Council's Auditor, Deloitte Touche Tohmatsu, has maintained its independence in accordance with the requirements of the Local Government Act 1999 and the Local Government (Financial Management) Regulations 2011 made under that Act.'

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

4. CONCLUSION / PROPOSAL

4.1 The Annual Financial Statements for the year ended 30 June 2016 have been prepared by Council staff and have been audited by the City of Salisbury's external auditor Deloitte Touche Tohmatsu. Following the review of the Annual Financial Statements for 2016 by the Audit Committee, the Statements will be certified by the Chief Executive Office and the Mayor and then Deloitte will sign their audit opinion.

4.2 It is appropriate for the City of Salisbury's Audit Committee following their review of the Financial Statements to endorse, in accordance with Section 126 (4)(a) of the Local Government Act 1999, that they present fairly the state of affairs of Council and also that the external auditor's independence be certified in accordance with Regulation 22 of the Local Government (Financial Management) Regulations 2011.

CO-ORDINATION

Officer:

Date:

ITEM	0.0
	COUNCIL
DATE	24 October 2016
HEADING	End of Financial Year Statement and Analysis
AUTHORS	Tim Aplin, Senior Accountant, Business Excellence Kate George, Manager Financial Services, Business Excellence
CITY PLAN LINKS	4.3 Have robust processes that support consistent service delivery and informed decision making.
SUMMARY	<p>The City of Salisbury end of year processes for 2015/16 have been finalised and audited by Council's external auditor Deloitte Touche Tohmatsu. This report provides detail of actual results compared to prior year actuals and to the budget position.</p> <p>The annual financial statements have been reviewed by the Audit Committee at the meeting on the 11 October 2016. Further Council's external auditors are satisfied that they present fairly the state of affairs of the Council.</p>

RECOMMENDATION

1. The information be received.
2. The Annual Financial Statements for the year ended 30 June 2016 be adopted.

ATTACHMENTS

This document should be read in conjunction with the following attachments:

1. Annual Financial Statements for year ended 30 June 2016

1. BACKGROUND

1.1 Regulation 10 of the Local Government (Financial Management) Regulations 2011 requires the Council to

- (1) *...prepare and consider a report showing the audited financial results of each item shown in the statement of comprehensive income and balance sheet of the budgeted financial statements of the Council, ... for the previous financial year compared with the estimated financial results set out in the budget presented in a manner consistent with the Model Financial Statements.*
- (2) *...council's operating surplus ratio, net financial liabilities ratio and asset sustainability ratio compared with estimates set out in the budget...*

2. CONSULTATION / COMMUNICATION**2.1 Internal**

2.1.1 This report provides the mechanism for consultation and communication with Council regarding the City of Salisbury's Annual Financial Statements for the year ending 30 June 2016. This report has been reviewed by the City of Salisbury's Audit Committee at the meeting held 11 October 2016.

2.2 External

2.2.1 The Annual Financial Statements for 2015/16 have been reviewed by Council's external Auditors Deloitte Touche Tohmatsu.

3. REPORT

3.1 The City of Salisbury's Financial Statements for the 2015/16 Financial Year have been prepared in accordance with the Local Government Act 1999, the Local Government (Financial Management) Regulations 2011, the Australian Accounting Standards and the Model Financial Statements.

3.2 In accordance with Section 126(4)(a) of the Local Government Act 1999, the Audit Committee has reviewed the Annual Financial Statements to ensure they present fairly the state of affairs of the Council. The external auditors, Deloitte Touche Tohmatsu (Deloitte), have conducted their review and have provided an unqualified audit opinion.

3.3 The following comments are provided with respect to the 2015/16 Annual Financial Statements, with commentary highlighting significant movement's year on year.

4. RESTATEMENT OF PRIOR YEAR STATEMENTS

4.1 Following discussions and advice from Deloitte the Annual Financial Statements for 2015/16 include restated Statements of Financial Position for the 2014/15 and 2013/14 Financial Years. Further, components of the comparative information throughout the 2016 Annual Financial Statements have been restated. The reasoning behind these adjustments is disclosed in detail in Note 22 'Equity – Retained Earnings and Revaluation Reserve Adjustments' on page 55 of the attached report and has been summarised in the following paragraphs.

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- 4.2** As part of Council's end of financial year review it was ascertained that there were donated assets, primarily received as developer contributions from residential developments, that had not been recognised as assets in the 2014/15 Financial Statements. This resulted in a re- calculation of certain items within the 2014/15 Financial Statements, relating to the land improvement and infrastructure asset categories which were understated in the Statement of Financial Position. Further, as some of the assets were received in 2014/15, the amounts disclosed in the Statement of Comprehensive Income for depreciation and physical assets received free of charge was also understated. The total value of these assets is \$8,603k with \$1,493k relating to the 2014/15 year and \$7,110k relating to years prior to 2014/15.
- 4.3** In order to appropriately reflect the value of these assets received prior to 2014/15 an amount totaling \$7,110k has been adjusted against Opening Equity as at 1 July 2014 in the comparative figures within the 2015/16 Financial Statements.
- 4.4** To reflect the assets that related to the 2014/15 financial year a total adjustment of \$1,493k has been made. This is contained within the Statement of Comprehensive Income which had disclosed depreciation expense as \$23,421k, and has now been restated to \$23,531k and physical resources received free of charge was \$1,095k and has been corrected to \$2,691k. Consequently, the net surplus transferred to equity in both the Statement of Comprehensive Income and the Statement of Changes in Equity was understated by \$1,493k. This represents the written down value of the donated assets received in 2014/15.
- 4.5** Also, the amounts disclosed for Infrastructure, Property, Plant and Equipment were also effectively understated in the Statement of Financial Position for the 2014/15 year, with this amount being disclosed as \$1,292,828k restated to \$1,301,431k. Subsequently, net assets and the accumulated surplus were understated by \$8,603k.
- 4.6** Making these corrections to the prior periods provides the correct opening balances for the current reporting period and the most relevant comparisons for the prior periods.

5. FINANCIAL STATEMENT ANALYSIS**5.1 Statement of Comprehensive Income 30 June 2016**

- 5.1.1** The Statement of Comprehensive Income shows an Operating Surplus before capital amounts and other comprehensive income of \$5,458k relative to the prior year restated Operating Surplus of \$8,321k (which has been impacted by increased depreciation of \$110k resulting from the restatement of the donated assets).
- 5.1.2** The main factor creating this significant change to our level of Operating Surplus is the cessation of the early payment of the Financial Assistance Grant (FAG). In prior years the Federal Government has made payments in advance of the year of allocation, however ceased this practice in June 2013/14, and recommenced the practice in June 2014/15 and again ceased in the 2015/16 financial year. Consequently the 2015/16 operating result includes only two quarterly payments of the FAG, with two payments totaling \$4,065k paid in advance in June 2015. Therefore the

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2014/15 results effectively include six quarterly payments of the FAG totaling \$12,015k and the 2015/16 results include only two quarterly payments totaling \$3,780k.

- 5.1.3 Rates Revenue has increased by 4.5% from \$83,929k in 2014/15 to \$87,704k in 2015/16. This is a reflection of Council's decision to increase rates in real terms, together with development growth in the city leading to a higher number of rateable properties; however it should be noted that there are also additional costs from this growth in rateable properties, primarily associated with infrastructure provision.
- 5.1.4 Statutory Charges received have increased by 9.1% from \$2,741k in 2014/15 to \$2,989k in 2015/16 with the significant impact being an increase in Development Act Fees \$155k relating to an increase in the number of building approvals and lodgment fees.
- 5.1.5 User Charges have decreased by 4.6% from \$5,898k in 2014/15 to \$5,629k in 2015/16, with the significant impact being the outsourcing of the Recreation Centre's \$480k. Note that the \$480k represents the income received from the Recreation Centers for July to September 2014, prior to take over of management in October 2014. Offsetting this decrease in User Charges, are increases in Water Supply \$109k predominantly related to non-residential usage and higher than anticipated property rental income \$109k related to commercial tenancies.
- 5.1.6 Grants, Subsidies and Contributions have decreased by 35.7% from \$18,001k in 2014/15 to \$11,583k in 2015/16; with the significant impact being the receipt of an early payment of two quarters if the 2015/16 FAG \$4,065k in 2014/15, with only two payments of the FAG being received in 2015/16. (refer to paragraph 5.1.2). In the 2015/16 year a total of \$3,780k was received in FAG payments, as compared to \$12,015k in 2014/15.
- 5.1.7 Investment Income has decreased by less than 1% from \$520k in 2014/15 to \$518k in 2015/16, primarily as a result of slightly lower interest rates but higher cash holdings as a result of the property developments. The average interest rate on short-term investments for 2014/15 was 2.51%, reducing to 2.04% for the 2015/16 year.
- 5.1.8 Reimbursements have decreased by 3.7% from \$561k in 2014/15 to \$540k in 2015/16, as a result of an overall decrease in the requirement for reimbursed works across the organisation. This is largely offset by lower associated expenditure.
- 5.1.9 Other Revenues have decreased by 7.6% from \$1,309k in 2014/15 to \$1,210k in 2015/16, predominantly resulting from an \$84k decrease in Workers Compensation Scheme Bonus.
- 5.1.10 Share of Profit Joint Ventures and Associated Entities decreased by 17.7% from \$859k in 2014/15 to \$707k in 2015/16. This reflects Council's Regional Subsidiaries performance with NAWMA producing a net surplus of \$1,377k in 2015/16 compared to \$1,454k in 2014/15, and Council Solutions producing a net deficit of \$6k in 2015/16 as compared to a net deficit of \$120k in 2014/15. Council's share of these results is a

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a \$707k net gain for NAWMA and a \$1k net loss for Council Solutions in 2015/16.

- 5.1.11 Employee Costs have decreased by less than 1% from \$34,832k in 2014/15 to \$34,651k in 2015/16. This overall decrease is largely due to a \$96k reduction in Workers Compensation Insurance Premiums. Further the 2014/15 balance included July to September salary costs for Recreation Services prior to the outsourcing in October 2014, reflecting a further decrease of \$257k. Offsetting these decreases are the EB adjustments of 2.5% for MOA staff and 3.0% for LGE staff, and other minor wage and salary movements.
- 5.1.12 Finance Costs have decreased by 12.3% from \$1,431k in 2014/15 to \$1,255k, which reflects a decrease in long term borrowings. There have been no new loans facilities established in 2015/16, primarily as a result of the level of cash held which has been favourably impacted by the proceeds from Council's property developments.
- 5.1.13 Asset disposal and fair value adjustments, amounts received specifically for new or upgraded assets and physical resources received free of charge, which are all items below the operating surplus, are discussed in detail in the budget and variance analysis below (refer Para 6.4).

5.2 Statement of Financial Position 30 June 2016

- 5.2.1 As previously mentioned in Section 4, the Statement of Financial Position for 2015/16 has had the prior year comparatives restated as a result of the adjustment for donated assets. Consequently all comparisons made below are against the new restated amounts.
- 5.2.2 The Statement of Financial Position as at 30 June 2016 shows that Net Assets (Total Assets less Total Liabilities) or 'Equity' has increased by 1.1% or \$14,697k from \$1,330,403k in 2014/15 to \$1,345,100k in 2015/16.
- 5.2.3 The increase in Infrastructure, Property, Plant and Equipment from \$1,301,431k to \$1,328,507k is the most significant impact and is largely the result of additions to our current portfolio, being \$28,183k for new/upgraded and donated assets and \$21,831k for renewal of assets. Also attributing to this is net asset revaluation increments totaling \$6,011k (Land and Land Improvement increments \$3,597k, Buildings and Other Structures \$617k and Infrastructure \$1,797k). Offsetting this increase is depreciation expense of \$23,802k associated with the asset additions.
- 5.2.4 As revealed in Note 15 Financial Indicators, Net Financial Liabilities have decreased from \$16,950k to \$15,596k and have decreased as a proportion of total operating revenue (15% to 14%). Net Financial Liabilities are defined as total liabilities less financial assets (excluding equity accounted investments in Council businesses), expressed as a percentage of total operating revenue.
- 5.2.5 The most significant movements impacting this ratio are in liabilities, specifically related to the level of loan principal outstanding, which has

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decreased from \$19,539k in 2014/15 to \$17,140k in 2015/16. There has also been a decrease in Trade and Other Payables, \$14,517k in 2014/15 to \$12,821k in 2015/16. There is also a decrease in Cash and Cash Equivalents as at 30 June 2016, \$19,460k in 2014/15 compared to \$16,816k in 2015/16 reflecting the cessation of the advanced FAG payments.

- 5.2.6 The Asset Sustainability ratio has trended downwards to 72% in 2015/16 which is lower than the 111% achieved in 2014/15 and higher than the 49% in 2013/14. This is a reflection of the lower cash expenditure incurred on the renewal/replacement of assets \$13,285k in 2015/16 as compared with \$18,438k planned expenditure per the Asset Management Plans, with further discussion in the next paragraph.
- 5.2.7 An Adjusted Asset Sustainability Ratio has been calculated to better reflect Council's achievements in renewing and maintaining its assets. This adjusted ratio of 90% is calculated against the renewal expenditure amount included within Council's Asset Management Plans (AMPs), adjusted to reflect changes in practice since the adoption of the plans. Adjustments are for items included in AMPs as renewal, which are actually upgrade or new, including \$2.3M in relation to buildings, with these amounts excluded from both the actual and planned expenditures in the adjusted ratio. Road assets are being maintained differently to how originally planned in the AMPs with renewal expenditure being directed to microsurfacing treatments, which are treated as a new component of our road assets, with the expectation that this will further extend the life of our road assets, which will decrease the cost of maintaining our road infrastructure over the longer term. These changes in practice will be reflected in future iterations of our AMPs with both Transport and Building AMPs being reviewed and updated in the 2016/17 financial year.

5.3 Statement of Cash Flows 30 June 2016

- 5.3.1 Note that the amounts included in the Statement of Cash Flows have not been impacted by the prior year restatements as the amounts adjusted for, donated assets and depreciation, are both non-cash items.
- 5.3.2 The Statement of Cash Flows shows a net decrease in cash and investments of \$2,644k from \$19,460k at 30 June 2015 to \$16,816k at 30 June 2016.
- 5.3.3 Net cash provided by Operating Activities at 30 June 2016 was \$27,013k as compared with \$38,481k in 2014/15. This decrease is primarily attributable to Grant, Subsidies and Contributions Income (\$12,363k in 2015/16 compared to \$18,001k in 2014/15) resulting from the cessation of the advance payment of the FAG, offset by higher Rates Revenue (\$87,773k in 2015/16 compared to \$83,670k in 2014/15). There is also an increase in payments made for Materials, Contracts & Other Expenses (\$55,321k in 2015/16 compared to \$47,683k in 2014/15).
- 5.3.4 Net cash outflows from Investing Activities have decreased from \$30,842k in 2014/15 to \$27,258k in 2015/16. This decrease is

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attributable to reduced expenditure on the renewal and replacement of assets \$8,246k, offset in part by a reduction in the cash inflows received from property developments of \$3,273k.

- 5.3.5 Cash payments from Financing Activities relate solely to Council's repayments of borrowings and have decreased from \$2,762k in 2014/15 to \$2,399k in 2015/16. This is a result of lower levels of total loan borrowings (\$19,539k 2014/15, \$17,140k 2015/16) with no new loan facilities being taken during the 2015/16 year as a result of the impact on the cash position from the proceeds of land settlements.

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6. BUDGET ACTUAL ANALYSIS

- 6.1** The analysis below is based on the comparison between the actual end of year results for the year ended 30 June 2016, and the original budget for same year. The commentary on the Income Statement is designed to explain the variations appropriate to this 'view'. Comment is made only to variances greater than \$50k unless there are significant issues that need to be brought to members' attention.



City Of Salisbury
Statement of Comprehensive Income
For the Period Ending 30 June 2016

INCOME

Rates	87,704	87,684	20
Statutory Charges	2,989	2,642	347
User Charges	5,629	5,354	274
Grants, Subsidies & Contributions	11,583	12,469	(886)
Investment Income	518	616	(98)
Reimbursement	540	201	339
Other Revenue	1,209	795	415
Share of Profit-Joint Ventures & Associates	707	0	707

Total Income

110,880 109,761 1,118

EXPENSES

Employee Costs	34,651	35,591	940
Materials, Contracts and Other Expenses	45,713	45,456	(257)
Finance Costs	1,255	2,100	845
Depreciation, amortisation & impairment	23,802	24,627	825
Share of Loss-Joint Ventures & Associates	1	0	(1)

Total Expenses

105,422 107,774 2,352

Operating Surplus/(Deficit) before Capital Amounts

5,458 1,987 3,470

Net gain (loss) on disposal or revaluation of assets	(1,588)	7,191	(8,779)
Amounts specifically for new or upgraded assets	1,437	1,416	21
Physical resources received free of charge	3,379	5,000	(1,621)

Net Surplus/(Deficit)

8,686 15,594 (6,908)

Comprehensive Income

Changes in Revaluation Surplus - I,PP&E

6,011 16,433 (10,422)

Total Comprehensive Income

14,697 32,027 (17,330)

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6.2 Income Analysis**6.2.1 Statutory Charges – Favourable Variance \$347k**

The favourable variance is primarily due to higher than budgeted Building and Development Lodgment fees \$274k and Planning fees \$139k resulting from greater than anticipated income generated from development projects. Included in the \$274k is \$179k relating to the External Client Services area. This is as a result of a higher number of applications received and processed as compared to budget. This is offset by lower than budgeted Dog License income \$61k.

6.2.2 User Charges – Favourable Variance \$274k

The favourable variance is primarily the result of higher than anticipated Property and Building income \$66k predominantly related to Rent from Commercial Tenants and Salisbury Water connection charges \$41k, plus \$54k higher than budgeted garbage fees at the Waste Transfer Station, which is related to higher than anticipated general gate income. The favourable variance also includes \$85k Library Services user charges where the budget allocation was initially classified as Other Revenue.

6.2.3 Grants, Subsidies & Contributions– Unfavourable Variance \$886k

The unfavourable variance is primarily the result of the advanced payment of the Financial Assistance Grant, with two quarters payments received at the end of the 2014/15 financial year resulting in an unfavourable variance against original budget of \$3,296k. This is offset by additional funding received compared to original budget for Roads to Recovery \$950k, Developer Contributions \$788k and the Home and Community Services Program \$229k. In addition there are further favourable variances relating to 2016/17 funding received for Crime Prevention \$100k, Resilient Salisbury Environmental Action Plan \$110k and \$50k for the Economic Regional Collaboration programs that were notified after the budget was endorsed.

6.2.4 Investment Income – Unfavourable Variance \$98k

The unfavourable variance is primarily the result of lower than anticipated interest received on our investment activity. This is related to our cash holding being used to fund expenditure rather than having to utilize short term cash advance debentures (CAD's).

6.2.5 Reimbursements – Favourable Variance \$339k

The favourable variance is primarily the result of various reimbursements received relating to works or services undertaken by Council, with the predominant areas being Recreational Services \$228k and Property and Buildings \$79k. These amounts relate to costs incurred within the materials, contracts and other expenses classification. Also impacting are numerous small amounts primarily from private works that are offset by the expenditure incurred.

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6.2.6 Other Revenue – Favourable Variance \$415k

The favourable variance is due to the higher than budgeted amounts received relating to the Workers Compensation Scheme Bonus \$268k, Fuel Tax Credit \$55k, Sundry Income \$53k and Permit Fees \$36k. This is offset by the Library Services user charges where the budget allocation of \$85k was initially classified as Other Revenue.

6.2.7 Net Gain – Equity Accounted Businesses – Favourable Variance \$707k

At the end of the financial year we have recognised our share of the operating results of the Northern Adelaide Waste Management Authority (NAWMA) Regional Subsidiary being income of \$707k. Our other Regional Subsidiary, Council Solutions, recognised a net loss as at 30 June 2016, and this has been disclosed under the expenses classification. It should be noted that from a budgeting perspective we budget for these entities to break even.

6.3 Expenditure Analysis

6.3.1 Employee Costs - Favourable Variance \$940k

The favourable variance is primarily due to operational positions being back filled by contractors / agency staff \$1,290k, which is reported in Materials, Contracts and Other Expenses below. Also contributing to this favourable variance is the normal lag in the appointment of positions within Council \$150k. Offsetting this variance is higher than budgeted amounts relating to employee entitlements \$302k, and a further \$203k that relates to externally funded positions that were not part of the original budget.

6.3.2 Materials, Contracts and Other Expenses – Unfavourable Variance \$257k

Contract labour, which is required to be classified as a contractual expense for reporting purposes, resulted in an overall unfavourable variance of \$1,290k. Contract labour is utilised to backfill for vacant positions within operational roles, and is offset by savings in employee costs reported in wages and salaries above. The impact of backfilling is largely offset by favourable variances related to electricity costs \$390k, the NAWMA waste disposal contract \$251k, Fuel Costs \$185k, Lease PC savings \$80k and minor equipment purchases \$74k.

6.3.3 Finance Costs – Favourable Variance \$845k

The favourable variance relates to the timing of cash receipts and disbursements, with the budget allowing for the drawdown on cash advance debentures, however this was not required during the year due to Council's cash position being bolstered by the property development sales.

6.3.4 Depreciation, Amortisation and Impairment – Favourable Variance \$825k

The favourable variance primarily is the result of a review of our asset valuations related to footpaths done as part of last end of financial year. It was found that our assets values were overstated due to the length of

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footpath segments not being reduced by privately owned driveways. This was adjusted at the 2015 end of financial year with the impact being the assets reduced in value, with subsequent flow on into depreciation expense. Applying this methodology to the original budget resulted in an expenditure saving at the budget first quarter budget review of \$600k. Also contributing is the impact of a review of the Water Business Unit's which extended the useful lives of some assets, resulting in a saving of \$435k when compared to original budget. Offsetting these favorable variances are the adjustments that have been made to road assets useful lives and residuals, following the AASB's decision (Detailed on page 10 of the attached Annual Financial Statements), which resulted in an increase depreciation expense of approximately \$365k when compared to original budget.

6.4 Non-Operating Items Analysis

- 6.4.1 The unfavourable amount of \$6,908k is comprised of variances within the following three categories:
- 6.4.2 Net Gain/(Loss) on disposal of assets is (\$8,779k) which is the result of the accounting losses, representing the written down value, for Land Improvement Assets \$329k, Building Assets \$1,314k and Infrastructure Assets \$3,126k. All of these assets have been renewed or replaced earlier than anticipated. Offsetting this amount is profits received from the sale of land associated with the Strategic Property Developments \$3,094k and a small gain on disposal relating to items of fleet and plant \$87k.
- 6.4.3 Amounts specifically for new or upgraded assets were favourable \$21k primarily as a result of slightly higher levels of grant funding received for capital projects than originally budgeted.
- 6.4.4 Physical resources received free of charge had an unfavourable variance of \$1,621k and is primarily the result of the donation of land, associated with reserves and vacant lots and infrastructure assets associated with roads and kerbing as part of property developments. Due to the complexities involved with budgeting these amounts a nominal figure is applied each financial year.

6.5 Other Comprehensive Income Analysis

- 6.5.1 Changes in revaluation surplus –I,PP&E shows a unfavourable variance to budget of \$10,422k. Budgeting for infrastructure revaluations is inherently complex, however the variance is the result of revaluation increments for Land and Land Improvements \$3,597k, Buildings \$617k and Infrastructure \$1,797k all being lower than initial budget estimates.

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6.6 Statement of Financial Position Analysis

- 6.6.1 The Statement of Financial Position for 2015/16 is set out below and details the actual end of financial position against the original budget. Commentary has been made on significant variances between the estimates as presented at the adoption of the budget and the 2015/16 end of year position.



City Of Salisbury
Statement of Financial Position
As at 30 June 2016

Assets**Current Assets**

Cash and Cash Equivalents
 Trade and Other Receivables
 Inventories

Total Current Assets**Non-Current Assets**

Financial Assets
 Equity Accounted Investments in Council Businesses
 Infrastructure, Property, Plant and Equipment
 Other Non-Current Assets

Total Non-Current Assets**Total Assets****Liabilities****Current Liabilities**

Trade and Other Payables
 Borrowings
 Provisions

Total Current Liabilities**Non-Current Liabilities**

Trade and Other Payables
 Borrowings
 Provisions

Total Non-Current Liabilities**Total Liabilities****Net Assets****Equity**

Accumulated Surplus
 Asset Revaluation Reserve
 Other Reserves

Total Equity

	Year to Date		Variance
	Actual	Original Budget	
	\$000	\$000	\$000
Assets			
Current Assets			
Cash and Cash Equivalents	16,816	17,790	(974)
Trade and Other Receivables	5,042	5,801	(759)
Inventories	270	466	(196)
Total Current Assets	22,128	24,057	(1,929)
Non-Current Assets			
Financial Assets	1,025	1,240	(215)
Equity Accounted Investments in Council Businesses	4,030	3,313	717
Infrastructure, Property, Plant and Equipment	1,328,507	1,334,573	(6,066)
Other Non-Current Assets	27,889	19,971	7,918
Total Non-Current Assets	1,361,451	1,359,097	2,354
Total Assets	1,383,579	1,383,154	425
Liabilities			
Current Liabilities			
Trade and Other Payables	12,821	11,255	(1,566)
Borrowings	2,560	2,560	0
Provisions	6,918	5,985	(933)
Total Current Liabilities	22,299	19,800	(2,499)
Non-Current Liabilities			
Trade and Other Payables	0	1,629	1,629
Borrowings	14,580	14,580	0
Provisions	1,600	78	(1,522)
Total Non-Current Liabilities	16,180	16,287	107
Total Liabilities	38,479	36,087	(2,392)
Net Assets	1,345,100	1,347,067	(1,967)
Equity			
Accumulated Surplus	309,864	270,128	39,736
Asset Revaluation Reserve	1,003,494	1,037,860	(34,366)
Other Reserves	31,742	39,079	(7,337)
Total Equity	1,345,100	1,347,067	(1,967)

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- 6.6.2 The Statement of Financial Position as at 30 June 2016 shows an unfavourable variance when compared to budget for Net Assets (Total Assets less Total Liabilities) or 'Equity' of \$1,967. This is attributable to lower levels of cash and cash equivalents \$974k primarily as a result of cash being utilized to fund carry forwards of capital projects rather than utilising Cash Advance Debentures, and lower levels of trade and other receivables \$759k associated with the delivery of Councils operating and capital projects.
- 6.6.3 Also impacting is a \$6,066k unfavourable variance in Infrastructure, Property, Plant and Equipment when compared to original budget, which is predominantly the result of lower than budgeted additions to our current asset portfolio during the financial year, offset in part by depreciation expense associated with asset additions.
- 6.6.4 Offsetting these unfavourable variances is a favourable variance against the budgeted amount for Other Non-Current Assets \$7,918k, which is the result of higher than budgeted property development projects infrastructure in progress \$11,828k, offset in part by lower than anticipated infrastructure projects in progress at the end of the financial year \$3,910k.
- 6.6.5 Liabilities are higher than budget by \$2,392k, with current and non-current provisions above original budget by \$2,455, with the main impact being higher than budgeted amounts relating to employee entitlement provisions being recognized, primarily reflecting lower levels of leave being taken.

6.7 Financial Indicator Analysis

- 6.7.1 The Financial Indicators as presented in the original budget, the operating surplus ratio, net financial liabilities ratio and the asset sustainability ratio are set out below and have been compared to actual results for the 2015/16 financial year.

Financial Indicators	Endorsed Operating Range	2015-16 Original Budget	2015-16 Actuals	Variance to Original Budget	2015-16 Adjusted Actuals	Variance to Original Budget
Operating Surplus Ratio	0-5%	2.27%	5.00%	2.73%	9.00%	6.73%
Net Financial Liabilities Ratio	<40%	10.30%	14.00%	-3.70%	N/A	N/A
Asset Sustainability Ratio	90-110%	100.00%	72.00%	-28.00%	90.00%	-10.00%

- 6.7.2 The operating surplus ratio of 5.00% provides a favourable variance of 2.73% when compared to budget. However, when adjusted for the timing impact of the early receipt of the Financial Assistance Grant the ratio increases to 9.00%, which is a favourable variance of 4%. This is primarily the result of the inclusion of the Net Gain from NAWMA in our actual results and higher than anticipated revenue generated from User Charges \$274k and Statutory Charges being \$347k above budget expectations. Regional subsidiaries are budgeted to break even; however our actual results include the equity share of asset revaluations within the

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subsidiaries. The current endorsed operating range for this indicator is 0%-5%.

- 6.7.3 Net Financial Liabilities of 14% produced an unfavourable variance of 3.7% when compared to budget, and this is primarily the result of our cash position being slightly lower than budget and also liabilities relating to current and non-current employee entitlement provisions being higher than budget. The actual result falls within the current endorsed operating range for this indicator, being less than 40%.
- 6.7.4 The Asset Sustainability ratio has produced an unfavourable variance of 28.00% and reflects the changes in practice since the initial adoption of the Asset Management Plans (AMPs), with items relating to buildings and road assets now being classified as new or upgraded assets. An Adjusted Asset Sustainability ratio has also been calculated taking into consideration these changes in the AMPs, which produced a ratio of 90% (refer Para. 5.2.7). This adjusted result falls within the current endorsed operating range for this indicator of 90% - 110%.

CO-ORDINATION

Officer:

Date:

City of Salisbury

GENERAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2016

*Excellence in building a community of opportunity and spirit
in a quality environment'*



City of Salisbury

General Purpose Financial Statements
for the year ended 30 June 2016

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City of Salisbury

General Purpose Financial Statements for the year ended 30 June 2016

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 2016 and the results of its operations and cash flows for the financial year,
- internal controls implemented by the Council provide a reasonable assurance that the Council's financial records are complete, accurate and reliable and were effective throughout the financial year,
- the financial statements accurately reflect the Council's accounting and other records.

John Harry
CHIEF EXECUTIVE OFFICER

Gillian Aldridge
MAYOR

Date:

City of Salisbury

General Purpose Financial Statements for the year ended 30 June 2016

Understanding Council's Financial Statements

Introduction

Each year, individual Local Governments across South Australia are required to present a set of audited Financial Statements to their Council and Community.

About the Certification of Financial Statements

The Financial Statements must be certified by the Chief Executive Officer and Mayor as "presenting a true & fair view" of the Council's financial results for the year, and ensuring both responsibility for and ownership of the Financial Statements across Council.

What you will find in the Statements

The Financial Statements set out the financial performance, financial position and cash flows of Council for the financial year ended 30 June 2016.

The format of the Financial Statements is standard across all South Australian Councils and complies with both the accounting and reporting requirements of Australian Accounting Standards and the requirements as set down in the South Australia Model Financial Statements.

The Financial Statements incorporate four "primary" financial statements:

1. A Statement of Comprehensive Income

A summary of Council's financial performance for the year, listing all income and expenses.

2. A Balance Sheet

A snapshot as at 30 June 2016 of Council's financial position including its assets and liabilities.

3. A Statement of Changes in Equity

The overall change for the year (in dollars) of Council's "net wealth".

4. A Statement of Cash Flows

Indicates where Council's cash came from and where it was spent.

About the Notes to the Financial Statements

The Notes to the Financial Statements provide greater detail and additional information on the four primary Financial Statements.

About the Auditor's Reports

Council's Financial Statements are required to be audited by external accountants (that generally specialise in Local Government).

In South Australia, the Auditor provides an audit report with an opinion on whether the Financial Statements present fairly the Council's financial performance and position.

About the Independence Certificates

Council's Financial Statements are also required to include signed Certificates by both the Council and the Auditors that the Council's Auditor has maintained its independence in accordance with the requirements of the *Local Government Act 1999* and the *Local Government (Financial Management) Regulations 2011*.

Who uses the Financial Statements?

The Financial Statements are publicly available documents and are used by (but not limited to) Councillors, Residents and Ratepayers, Employees, Suppliers, Contractors, Customers, the Local Government Association of South Australia, the SA Local Government Grants Commission, and Financiers including Banks and other Financial Institutions.

Under the *Local Government Act 1999* the Financial Statements must be made available at the principal office of the Council and on Council's website.

City of Salisbury

Statement of Comprehensive Income
for the year ended 30 June 2016

\$ '000	Notes	2016	Restated 2015
Income			
Rates Revenues	2a	87,704	83,929
Statutory Charges	2b	2,989	2,741
User Charges	2c	5,629	5,898
Grants, Subsidies and Contributions	2g	11,583	18,001
Investment Income	2d	518	520
Reimbursements	2e	540	561
Other Income	2f	1,210	1,309
Net Gain - Equity Accounted Council Businesses	19	707	859
Total Income		110,880	113,818
Expenses			
Employee Costs	3a	34,651	34,832
Materials, Contracts and Other Expenses	3b	45,713	45,683
Depreciation, Amortisation and Impairment	3c	23,802	23,531
Finance Costs	3d	1,255	1,431
Net loss - Equity Accounted Council Businesses	19	1	20
Total Expenses		105,422	105,497
Operating Surplus / (Deficit)		5,458	8,321
Asset Disposal and Fair Value Adjustments	4	(1,588)	3,198
Amounts Received Specifically for New or Upgraded Assets	2g	1,437	1,536
Physical Resources Received Free of Charge	2i	3,379	2,691
Net Surplus / (Deficit) ¹		8,686	15,746
Other Comprehensive Income			
<i>Amounts which will not be reclassified subsequently to operating result</i>			
Nil			
Changes in Revaluation Surplus - I,PP&E	9a	6,011	(16,807)
Share of Other Comprehensive Income - Equity Accounted Council Businesses	19	-	(829)
Total Other Comprehensive Income		6,011	(17,636)
Total Comprehensive Income		14,697	(1,890)

¹ Transferred to Equity Statement

The above statement should be read in conjunction with the accompanying Notes and Significant Accounting Policies

City of Salisbury

Statement of Financial Position

as at 30 June 2016

\$ '000	Notes	2016	Restated 2015	Restated 2014
ASSETS				
Current Assets				
Cash and Cash Equivalents	5a	16,816	19,460	14,583
Trade and Other Receivables	5b	5,042	4,831	5,667
Inventories	5c	270	271	458
Total Current Assets		22,128	24,562	20,708
Non-current Assets				
Financial Assets	6a	1,025	1,024	1,277
Equity Accounted Investments in Council Businesses	6b	4,030	3,323	3,313
Infrastructure, Property, Plant and Equipment	7a	1,328,507	1,301,431	1,314,852
Other Non-Current Assets	6c	27,889	42,328	33,255
Total Non-Current Assets		1,361,451	1,348,106	1,352,697
TOTAL ASSETS		1,383,579	1,372,668	1,373,405
LIABILITIES				
Current Liabilities				
Trade and Other Payables	8a	12,821	14,517	11,086
Borrowings	8b	2,560	2,399	2,762
Provisions	8c	6,918	6,620	6,064
Total Current Liabilities		22,299	23,536	19,912
Non-current Liabilities				
Borrowings	8b	14,580	17,140	19,539
Provisions	8c	1,600	1,589	1,661
Total Non-current Liabilities		16,180	18,729	21,200
TOTAL LIABILITIES		38,479	42,265	41,112
Net Assets		1,345,100	1,330,403	1,332,293
EQUITY				
Accumulated Surplus		309,864	305,007	278,288
Asset Revaluation Reserves	9a	1,003,494	997,483	1,015,119
Other Reserves	9b	31,742	27,913	38,886
Total Equity		1,345,100	1,330,403	1,332,293

The above statement should be read in conjunction with the accompanying Notes and Significant Accounting Policies.

City of Salisbury

Statement of Changes in Equity
for the year ended 30 June 2016

\$ '000	Notes	Asset			Total Equity
		Accumulated Surplus	Revaluation Reserve	Other Reserves	
2016					
Balance at the end of previous reporting period		305,007	997,483	27,913	1,330,403
Net Surplus / (Deficit) for Year		8,686	-	-	8,686
Other Comprehensive Income					
- Gain (Loss) on Revaluation of I,PP&E	7a	-	6,011	-	6,011
Other Comprehensive Income		-	6,011	-	6,011
Total Comprehensive Income		8,686	6,011	-	14,697
Transfers between Reserves		(3,829)	-	3,829	-
Balance at the end of period		309,864	1,003,494	31,742	1,345,100

\$ '000	Notes	Asset			Total Equity
		Accumulated Surplus	Revaluation Reserve	Other Reserves	
2015					
Balance at the end of previous reporting period		271,948	1,014,349	38,886	1,325,183
a. Adjustments (Correction of Prior Period Errors)	22	6,340	770	-	7,110
Restated Opening Balance		278,288	1,015,119	38,886	1,332,293
Net Surplus / (Deficit) for Year		15,746	-	-	15,746
Other Comprehensive Income					
- Gain (Loss) on Revaluation of I,PP&E	7a	-	(16,807)	-	(16,807)
- Share of OCI - Equity Accounted Council Businesses	19	-	(829)	-	(829)
Other Comprehensive Income		-	(17,636)	-	(17,636)
Total Comprehensive Income		15,746	(17,636)	-	(1,890)
Transfers between Reserves		10,973	-	(10,973)	-
Balance at the end of period		305,007	997,483	27,913	1,330,403

The above statement should be read in conjunction with the accompanying Notes and Significant Accounting Policies

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City of Salisbury

Statement of Cash Flows
for the year ended 30 June 2016

\$ '000	Notes	2016	2015
Cash Flows from Operating Activities			
<u>Receipts</u>			
Rates Receipts		87,773	83,670
Statutory Charges		2,989	2,741
User Charges		6,084	9,123
Grants, Subsidies and Contributions (operating purpose)		12,363	18,001
Investment Receipts		525	520
Reimbursements		594	582
Other Receipts		7,598	7,476
<u>Payments</u>			
Payments to Employees		(34,337)	(34,518)
Payments for Materials, Contracts and Other Expenses		(55,321)	(47,683)
Finance Payments		(1,255)	(1,431)
Net Cash provided by (or used in) Operating Activities	11b	27,013	38,481
Cash Flows from Investing Activities			
<u>Receipts</u>			
Amounts Received Specifically for New/Upgraded Assets		1,437	1,536
Sale of Replaced Assets		465	141
Net Disposal of Investment Securities		-	72
Sale of Real Estate Developments		7,782	11,055
Repayments of Loans by Community Groups		3	3
<u>Payments</u>			
Expenditure on Renewal/Replacement of Assets		(13,750)	(21,996)
Expenditure on New/Upgraded Assets		(18,837)	(17,298)
Development of Real Estate for Sale		(4,358)	(4,355)
Net Cash provided by (or used in) Investing Activities		(27,258)	(30,842)
Cash Flows from Financing Activities			
<u>Receipts</u>			
Nil			
<u>Payments</u>			
Nil			
Repayments of Borrowings		(2,399)	(2,762)
Net Cash provided by (or used in) Financing Activities		(2,399)	(2,762)
Net Increase (Decrease) in Cash Held		(2,644)	4,877
plus: Cash and Cash Equivalents at beginning of period	11	19,460	14,583
Cash and Cash Equivalents at end of period	11	16,816	19,460
Additional Information:			
plus: Investments on hand - end of year	6a	988	988
Total Cash, Cash Equivalents and Investments		17,804	20,448

The above statement should be read in conjunction with the accompanying Notes and Significant Accounting Policies.

City of Salisbury

Notes to and forming part of the Financial Statements
for the year ended 30 June 2016

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City of Salisbury

Notes to and forming part of the Financial Statements
for the year ended 30 June 2016

Note 1. Summary of Significant Accounting Policies

The principal accounting policies adopted by Council in the preparation of these consolidated financial statements are set out below.

These policies have been consistently applied to all the years presented, unless otherwise stated.

1 Basis of Preparation**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.

The financial report was authorised for issue by certificate under regulation 14 of the *Local Government (Financial Management) Regulations 2011* dated 12 October 2016.

1.2 Historical Cost Convention

Except as stated below, these financial statements have been prepared in accordance with the historical cost convention.

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.

1.4 Rounding

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

2 The Local Government Reporting Entity

City of Salisbury is incorporated under the South Australian *Local Government Act 1999* and has its principal place of business at 12 James Street, Salisbury. These financial statements include the Council's direct operations and all entities through

which Council controls resources to carry on its functions.

3 Income Recognition

Income is measured at the fair value of the consideration received or receivable. Income is recognised when the Council obtains control over the assets comprising the income, or when the amount due constitutes an enforceable debt, whichever first occurs.

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

In June of prior years, the Federal Government has paid amounts of untied financial assistance grant, which was recognised on receipt, in advance of the year of allocation. The Federal Government had indicated that this process of pre-paying grant funding was to cease after 2013/14 and was the case for the 2014/15 grant, which was paid entirely in the correct financial year. However, on 30 June 2015, Council received two quarters of the 2015/16 grant amounting to \$4,065,160. There were no untied financial assistance grants paid in advance during the 2015/16 reporting period. The advance payments received are summarised in the table below:

	Payment Received In Advance \$'000	
2010/11	2,399	Relates to 2011/12
2011/12	4,625	Relates to 2012/13
2012/13	4,394	Relates to 2013/14
2013/14	Nil	
2014/15	4,065	Relates to 2015/16
2015/16	Nil	

City of Salisbury

Notes to and forming part of the Financial Statements
for the year ended 30 June 2016

Note 1. Summary of Significant Accounting Policies (continued)

Because these grants are untied, AASB 1004 *Contributions* 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.

There were no untied financial assistance grants paid in advance during the 2015/16 reporting period.

4 Cash, 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 financial instruments forms part of Note 13.

5 Inventories

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

5.1 Real Estate Assets Developments

Real Estate Assets developments have been classified as Inventory in accordance with AASB 102 and are valued at the lower of cost or net realisable value. Cost includes the costs of acquisition, development, borrowing and other costs incurred on financing of that acquisition and up to the time of sale. Any amount by which cost exceeds the net realisable value has been recognised as an expense.

Revenues arising from the sale of property are recognised in the operating statement when settlement is completed.

5.2 Other Real Estate Held for Resale

Properties not acquired for development, but which Council has decided to sell as surplus to requirements, are recognised at the carrying value at the time of that decision.

6 Infrastructure, Property, Plant and 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.

Capital works still in progress at balance date are recognised as other non-current assets and transferred to infrastructure, property, plant and equipment when completed ready for use.

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 given in Note 7. No capitalisation threshold is applied to the acquisition of land or interests in land.

City of Salisbury

Notes to and forming part of the Financial Statements
for the year ended 30 June 2016

Note 1. Summary of Significant Accounting Policies

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. Significant uncertainties exist in the estimation of fair value of a number of asset classes including land, buildings and associated structures and infrastructure. Further detail of these uncertainties and of existing valuations, methods and valuers are provided at Note 7.

6.4 Depreciation of Non-Current Assets

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

Depreciation methods, useful lives and residual values of classes of assets are reviewed annually. Residual values are no longer recognised for any value relating to re-use of materials. This change in accounting estimate has resulted in the following changes on residual values and useful lives of infrastructure assets:

- The residual value for Road Pavement assets has been removed and the Road Pavement component has been split into two components being Road Base and Sub-Base.
- The useful lives for Road Base assets have been adjusted to 50 years for higher use roads (i.e. Collector roads) and 75 years for lower use roads (i.e. Residential roads).
- The useful lives for Road Sub-Base assets have been set at 150 years for higher use roads (i.e. Collector Roads) and 225 years for lower use roads (i.e. Residential roads).
- Other minor assets such as Streetscapes, Signs and Road Furniture assets have had their residual value removed.

The change in estimate has caused an increase in depreciation expense and resulted in decreased carrying value of infrastructure assets. Council have calculated the best estimate of the impact on depreciation expense in the current period as follows:

Asset Class	Impact	\$'000
Land Improvements	Decrease	54
Infrastructure	Increase	604
Total	Increase	550

Council has deemed it impractical to estimate the future year impact of these changes.

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

6.5 Impairment

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).

For 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, the value in use is the depreciated replacement cost. In assessing impairment for these assets, a rebuttable assumption is made that the current replacement cost exceeds the original cost of acquisition.

Where an asset that has been revalued is subsequently impaired, the impairment is first offset against such amount as stands to the credit of that class of assets in Asset Revaluation Reserve, any excess being recognised as an expense.

7 Payables**7.1 Goods and 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 date of the invoice received. No interest is payable on these amounts.

City of Salisbury

Notes to and forming part of the Financial Statements
for the year ended 30 June 2016

Note 1. Summary of Significant Accounting Policies

7.2 Payments Received in Advance and Deposits

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

8 Borrowings

Borrowings are 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 Employee Benefits

9.1 Salaries, Wages and 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-costs) measured in accordance with AASB 119.

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

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

9.2 Superannuation

The Council makes employer superannuation contributions in respect of its employees to the Statewide Superannuation Scheme. The Scheme has two types of membership, each of which is funded differently. Council also makes contributions to other Superannuation Schemes selected by employees under the 'Choice of Fund' legislation.

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 18.

10 Leases

Lease arrangements have been accounted for in accordance with 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.

11 Equity Accounted Council Businesses

Council participates in cooperative arrangements with other Councils for the provision of services and facilities. Council's interests in cooperative arrangements, which are only recognised if material, are accounted for in accordance with AASB 128 and set out in detail in Note 19.

12 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 New accounting standards and UIG interpretations

Certain new (or amended) accounting standards and interpretations have been published that are not mandatory for reporting periods ending 30 June 2016.

Council has not adopted any of these standards early.

Council's assessment of the impact of these new standards and interpretations is set out below.

City of Salisbury

Notes to and forming part of the Financial Statements
for the year ended 30 June 2016

Note 1. Summary of Significant Accounting Policies

Apart from the AASB disclosures below, there are no other standards that are 'not yet effective' which are expected to have a material impact on Council in the current or future reporting periods and on foreseeable future transactions.

Applicable to Local Government:**AASB 9 – Financial Instruments (and associated amending standards)**

AASB 9 replaces AASB 139 *Financial Instruments: Recognition and Measurement* and has an effective date for reporting periods beginning on or after 1 January 2018 (and must be applied retrospectively).

The overriding impact of AASB 9 is to change the requirements for the classification, measurement and disclosures associated with financial assets.

Under the new requirements the four current categories of financial assets stipulated in AASB 139 will be replaced with two measurement categories:

- Fair value, and
- Amortised costs (where financial assets will only be able to be measured at amortised costs where very specific conditions are met)

AASB 15 – Revenue from contracts with customers (and associated amending standards)

AASB 15 introduces a five step process for revenue recognition with the core principle of the new Standard being that entities recognise revenue so as to depict the transfer of goods or services to customers in amounts that reflect the consideration (that is, payment) to which the entity expects to be entitled in exchange for those goods and services.

The changes in revenue recognition requirements in AASB 15 may cause changes to accounting policies relating to the timing and amount of revenue recorded in the financial statements as well as additional disclosures.

The full impact of AASB 15 has not yet been ascertained or quantified.

AASB 15 will replace AASB 118 which covers contracts for goods and services and AASB 111 which covers construction contracts.

The effective date of this Standard is for annual reporting periods beginning on or after 1 January 2018.

AASB 124 – Related party disclosures

From 1 July 2016, AASB 124 *Related party disclosures* will apply to Council.

This means that Council will be required to disclose information about related parties and Council transactions with those related parties.

Related parties will more than likely include the Mayor, Councillors and certain Council employees. In addition, the close family members of those people and any organisations that they control or are associated with will be classified as related parties (and fall under the related party reporting requirements).

AASB 2014-10 Sale or contribution of Assets between an Investor and its Associate or Joint Venture

The amendments address an acknowledged inconsistency between the requirements in AASB 10 and those in AASB 128 (2011), in dealing with the sale or contribution of assets between an investor and its associate or joint venture.

The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business (whether it is housed in a subsidiary or not).

A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary.

The effective date of this Standard is for annual reporting periods beginning on or after 1 January 2016.

This Standard will only impact Council where there has been a sale or contribution of assets between the entity and the associate/joint venture.

City of Salisbury

Notes to and forming part of the Financial Statements
for the year ended 30 June 2016

Note 1. Summary of Significant Accounting Policies

AASB 2014 – Amendments to Australian Accounting Standards – Accounting for Acquisitions of Interests in Joint Operations (AASB 1 and AASB 11)

This Standard amends AASB 11 to provide guidance on the accounting for acquisitions of interests in joint operations in which the activity constitutes a business.

The amendments require:

- (a) The acquirer of an interest in a joint operation in which the activity constitutes a business, as defined in AASB 3 *Business Combinations*, to apply all of the principles on business combinations accounting in AASB 3 and other Australian Accounting Standards except for those principles that conflict with the guidance in AASB 11; and
- (b) The acquirer to disclose the information required by AASB 3 and other Australian Accounting Standards for business combinations.

This Standard also makes an editorial correction to AASB 11.

The effective date of this standard is for annual reporting periods beginning on or after 1 January 2016.

If a joint operation is acquired during the reporting period, then this standard clarifies the accounting for the acquisition to be in accordance with AASB 3, i.e. assets and liabilities acquired to be measured at fair value.

AASB 2016-2 Disclosure Initiative – changes to AASB 107 – Statement of Cashflows

From periods commencing on or after 1 January 2017 changes to AASB 107 will require Council to provide disclosures that enable users of Financial Statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

Effective for periods commencing 1 January 2019:

AASB 16 – Leases

From 1 January 2019 changes to AASB 16 require Council to disclose both operating and finance leases in the same manner. This impact is considered to be too remote in time to have a potentially material effect on the interpretation of the

2015/16 Financial Statements, and has been omitted on this basis.

Not applicable to Local Government per se:
None

14 Comparative Figures

To ensure comparability with the current reporting period's figures, some comparative period line items and amounts may have been reclassified or individually reported for the first time within these financial statements and/or the notes.

15 Disclaimer

Nothing contained within these statements may be taken to be an admission of any liability to any person under any circumstance.

City of Salisbury

Notes to and forming part of the Financial Statements
for the year ended 30 June 2016

Note 2. Income

\$ '000	Notes	2016	2015
(a). Rates Revenues			
General Rates			
General Rates		86,878	83,107
Less: Mandatory Rebates		(1,056)	(974)
Less: Discretionary Rebates, Remissions and Write Offs		(305)	(322)
Total General Rates		85,517	81,811
Other Rates (Including Service Charges)			
Natural Resource Management Levy		1,770	1,694
Salisbury Town Centre Separate Rate		160	185
Globe Derby Separate Rate		6	6
Mawson Centre Carparking Separate Rate		19	18
Total Other Rates		1,955	1,903
Other Charges			
Penalties for Late Payment		232	215
Total Other Charges		232	215
Total Rates Revenues		87,704	83,929
(b). Statutory Charges			
Development Act Fees		862	755
Town Planning Fees		429	380
Animal Registration Fees and Fines		1,106	1,089
Parking Fines / Expiation Fees		316	277
Other Licences, Fees and Fines		276	240
Total Statutory Charges		2,989	2,741
(c). User Charges			
Cemetery Fees		452	603
Property Lease		655	546
Waste Disposal Fees		1,336	1,307
Recreation Centres		36	515
Water Supply		2,097	1,988
Aged and Disability Services		469	414
Sundry		584	525
Total User Charges		5,629	5,898

City of Salisbury

Notes to and forming part of the Financial Statements
for the year ended 30 June 2016

Note 2. Income (continued)

\$ '000	Notes	2016	2015
(d). Investment Income			
Interest on Investments			
- Local Government Finance Authority		189	246
- Banks		327	272
- Loans to Community Groups		2	2
Total Investment Income		518	520
(e). Reimbursements			
Contract Maintenance		228	168
Other		312	393
Total Reimbursements		540	561
(f). Other Income			
Insurance & Other Recoupments - Infrastructure, IPP&E		14	1
Rebates Received		698	791
Sundry		423	386
Scrap Metal		52	87
Sponsorship		23	44
Total Other Income		1,210	1,309

City of Salisbury

Notes to and forming part of the Financial Statements
for the year ended 30 June 2016

Note 2. Income (continued)

\$ '000	Notes	2016	2015
(g). Grants, Subsidies, Contributions			
Amounts Received Specifically for New or Upgraded Assets		1,437	1,536
Total Amounts Received Specifically for New or Upgraded Assets		1,437	1,536
Other Grants, Subsidies and Contributions		11,583	13,936
Individually Significant Item - Additional Grants Commission Payment (refer below)		-	4,065
Total Grants, Subsidies, Contributions		13,020	19,537
The functions to which these grants relate are shown in Note 12.			
(i) Sources of grants			
Commonwealth Government		3,969	2,071
State Government		7,993	15,652
Other		1,058	1,814
Total		13,020	19,537
(ii) Individually Significant Items			
Nil			
Grant Commission (FAG) Grant Recognised as Income		-	4,065

As at 30 June 2016, Council did not receive any advance payments for the 2016/17 Financial Assistance Grant as per previous financial years.

City of Salisbury

Notes to and forming part of the Financial Statements
for the year ended 30 June 2016

Note 2. Income (continued)

\$ '000	Notes	2016	2015
(h). Conditions over Grants and 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		1,848	3,786
<i>Less:</i>			
<i>Expended during the current period from revenues</i>			
Roads Infrastructure		(394)	-
St Kilda Playground Renewal		(363)	(637)
Parafield Soccer		(200)	-
Resilient Salisbury		(99)	(46)
Business Advisory Service - Playford		(87)	(56)
Green Trails		(78)	(348)
Economic Regional Collaboration - Business Taskforce		(60)	(95)
Digital Growth Program		(50)	-
Pine Lakes ASR Tank and Booster		(32)	-
OPAL Program		(26)	(62)
Healthy Communities Initiative		(16)	(31)
Gawler St Salisbury Safety Initiative		(9)	-
Indigenous Capability and Development Program		(8)	(63)
Aged Friendly Retail Project		(7)	-
Leap Program		(5)	-
Acquisition portion 22 Stanley St Salisbury		-	(300)
Kings/Whites Road Roundabout		-	(295)
Acquisition portion 11 Hunt St Salisbury		-	(100)
Cultural Development Project Funds		-	(62)
Resource Recovery Park		-	(57)
Willowbrook Reserve - Connect Salisbury		-	(50)
Digital Enterprise Program		-	(13)
Digital Local Government Program		-	(13)
Other		(98)	(613)
Subtotal		(1,532)	(2,841)

City of Salisbury

Notes to and forming part of the Financial Statements
for the year ended 30 June 2016

Note 2. Income (continued)

\$ '000	Notes	2016	2015
<i>Plus:</i>			
<i>Amounts recognised as revenues in this reporting period but not yet expended in accordance with the conditions</i>			
Diment Road, Burton/Direk - Upgrade		280	-
St Kilda/Robinson Rd - Traff Mng Dev		134	-
Crime Prevention Grant		100	-
St Kilda CCTV Renewal - 16/17		41	-
Digital Growth Program		33	50
Economic Regional Collaboration - Business Taskforce		28	60
Building Safe Communities		26	-
Resilient Salisbury		11	30
Youth Network Grant		5	-
Waterwatch General Program		5	-
Roads Infrastructure		-	394
Parafield Soccer		-	200
Business Advisory Service - Playford		-	92
Pine Lakes ASR Tank and Booster		-	32
OPAL Program		-	25
Aged Friendly Retail Project		-	15
Leap Program		-	5
Other		2	-
Subtotal		665	903
Unexpended at the close of this reporting period		981	1,848
Net increase (decrease) in assets subject to conditions in the current reporting period		(867)	(1,938)
(i). Physical Resources Received Free of Charge			
Land and Improvements		2,280	198
Roads, Bridges and Footpaths		710	1,992
Stormwater Drainage		389	501
Total Physical Resources Received Free of Charge		3,379	2,691

City of Salisbury

Notes to and forming part of the Financial Statements
for the year ended 30 June 2016

Note 3. Expenses

\$ '000	Notes	2016	2015
(a). Employee Costs			
Salaries and Wages		28,162	28,142
Employee Leave Expense		5,049	5,162
Superannuation - Defined Contribution Plan Contributions	18	1,261	1,285
Superannuation - Defined Benefit Plan Contributions	18	1,787	1,781
Workers' Compensation Insurance		1,529	1,624
Less: Capitalised and Distributed Costs		(3,137)	(3,162)
Total Operating Employee Costs		34,651	34,832
Total Number of Employees (full time equivalent at end of reporting period)			
		408	428
(b). Materials, Contracts and Other Expenses			
(i) Prescribed Expenses			
Auditor's Remuneration			
- Auditing the Financial Reports		43	52
Bad and Doubtful Debts		4	20
Elected Members' Expenses		468	425
Election Expenses		39	339
Operating Lease Rentals - Cancellable Leases		957	1,138
Subtotal - Prescribed Expenses		1,511	1,974
(ii) Other Materials, Contracts and Expenses			
Contractors		30,400	29,733
Energy		3,702	4,050
Legal Expenses		256	211
Levies Paid to Government - NRM levy		1,738	1,694
Levies - Other		309	327
Parts, Accessories and Consumables		2,982	3,007
Sundry		2,951	2,817
Water Rates		870	886
Insurance		994	984
Subtotal - Other Material, Contracts & Expenses		44,202	43,709
Total Materials, Contracts and Other Expenses		45,713	45,683

City of Salisbury

Notes to and forming part of the Financial Statements
for the year ended 30 June 2016

Note 3. Expenses (continued)

\$ '000	Notes	2016	2015
(c). Depreciation, Amortisation and Impairment			
(i) Depreciation and Amortisation			
Land Improvements		4,177	4,382
Buildings and Other Structures		1,262	1,132
Infrastructure		16,491	16,301
Plant and Equipment		1,725	1,547
Library Books		147	169
Total Depreciation, Amortisation and Impairment		23,802	23,531
(d). Finance Costs			
Interest on Loans		1,255	1,431
Total Finance Costs		1,255	1,431

City of Salisbury

Notes to and forming part of the Financial Statements
for the year ended 30 June 2016

Note 4. Asset Disposal and Fair Value Adjustments

\$ '000	Notes	2016	2015
Infrastructure, Property, Plant and Equipment			
(i) Assets Renewed or Directly Replaced			
Proceeds from Disposal		465	141
Less: Carrying Amount of Assets Sold		(378)	(112)
Gain (Loss) on Disposal		87	29
(ii) Assets Surplus to Requirements			
Carrying Amount of Assets Sold		(4,769)	(2,225)
Gain (Loss) on Disposal		(4,769)	(2,225)
Real Estate Development Assets			
Proceeds from Disposal		7,782	10,875
Less: Carrying Amount of Assets Sold		(4,688)	(5,481)
Gain (Loss) on Disposal		3,094	5,394
Net Gain (Loss) on Disposal or Revaluation of Assets		(1,588)	3,198

City of Salisbury

Notes to and forming part of the Financial Statements
for the year ended 30 June 2016

Note 5. Current Assets

\$ '000	Notes	2016	2015
(a). Cash and Cash Equivalents			
Cash on Hand at Bank		2,388	4,948
Short Term Deposits and Bills, etc.		14,428	14,512
Total Cash and Cash Equivalents		16,816	19,460
(b). Trade and Other Receivables			
Rates - General and Other		2,390	2,385
Accrued Revenues		41	48
Debtors - General		1,128	1,272
GST Recoupment		1,061	929
Prepayments		418	194
Loans to Community Organisations		4	3
Subtotal		5,042	4,831
Total Trade and Other Receivables		5,042	4,831
(c). Inventories			
Stores and Materials		270	271
Total Inventories		270	271

City of Salisbury

Notes to and forming part of the Financial Statements
for the year ended 30 June 2016

Note 6. Non-Current Assets

\$ '000	Notes	2016	2015
(a). Financial Assets			
Receivables			
Council Rates Postponement Scheme		19	14
Loans to Community Organisations		18	22
Total Receivables		37	36
Other Financial Assets (Investments)			
Mortgage over Property - Affordable Housing Scheme		988	988
Total Other Financial Assets (Investments)		988	988
Total Financial Assets		1,025	1,024
(b). Equity Accounted Investments in Council Businesses			
Northern Adelaide Waste Management Authority	19	3,929	3,222
Council Solutions	19	101	101
Total Equity Accounted Investments in Council Businesses		4,030	3,323
(c). Other Non-Current Assets			
(i) Inventories			
Real Estate Developments		11,828	12,158
Total Inventories		11,828	12,158
(ii) Other			
Capital Works-in-Progress		16,061	30,170
Total Other		16,061	30,170
Total Other Non-Current Assets		27,889	42,328

City of Salisbury

Notes to and forming part of the Financial Statements
for the year ended 30 June 2016

Note 6. Non-Current Assets

\$ '000	Notes	2016	2015
Real Estate Developments - Current and Non-Current			
(Valued at the lower of cost and net realisable value)			
Residential		11,828	12,158
Total Real Estate for Resale		11,828	12,158
Represented by:			
Acquisition Costs		5,926	7,344
Development Costs		5,902	4,814
Total Real Estate of Resale		11,828	12,158
(ii) Apportionment of Real Estate Developments			
Non-Current Assets		11,828	12,158
		11,828	12,158

City of Salisbury

Notes to and forming part of the Financial Statements
for the year ended 30 June 2016

Note 7a (i). Infrastructure, Property, Plant and Equipment

\$ '000	Fair Value Level	as at 30/6/2015				Asset Movements during the Reporting Period							as at 30/6/2016			
		At Fair Value	At Cost	Accumulated Dep'n	Carrying Value	Asset Additions		WDV of Asset Disposals	Depreciation Expense (Note 3c)	This from/(to) Real Estate Assets	Revaluation Decrements to Equity (ARR) (Note 9)	Revaluation Increments to Equity (ARR) (Note 9)	At Fair Value	At Cost	Accumulated Dep'n	Carrying Value
						New / Upgrade	Renewals									
Land - Other	2	389,231	-	-	389,231	2,534	-	-	-	-	-	1,701	393,466	-	-	393,466
Land Improvements	3	144,693	-	52,988	91,705	8,340	5,138	(329)	(4,177)	-	-	1,896	159,789	-	57,216	102,573
Buildings and Other Structures	3	103,149	-	25,366	77,783	1,998	3,992	(1,314)	(1,262)	-	-	617	107,956	-	26,142	81,814
Infrastructure	3	1,156,607	-	422,845	733,762	12,396	12,701	(3,126)	(16,491)	-	-	1,797	1,180,145	-	439,106	741,039
Plant and Equipment		-	20,213	12,655	7,558	2,756	-	(378)	(1,725)	-	-	-	-	22,015	13,804	8,211
Library Books		-	1,392	-	1,392	159	-	-	(147)	-	-	-	-	1,404	-	1,404
Total Infrastructure, Property, Plant & Equipment		1,793,680	21,605	513,854	1,301,431	28,183	21,831	(5,147)	(23,802)	-	-	6,011	1,841,356	23,419	536,268	1,328,507
Comparatives		1,814,871	20,015	520,034	1,314,852	19,990	9,774	(2,337)	(23,531)	(510)	(21,051)	4,244	1,793,680	21,605	513,854	1,301,431

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City of Salisbury

Notes to and forming part of the Financial Statements
for the year ended 30 June 2016Note 7b. Valuation of Infrastructure, Property, Plant and Equipment and
Investment Property

\$ '000

Valuation of Assets

Council measures and recognises the following assets at fair value on a recurring basis after initial recognition:

- Land
- Land Improvements
- Infrastructure
- Buildings and Other Structures

Council does not subsequently measure any liabilities at fair value on a recurring basis, or any assets or liabilities at fair value on a non-recurring basis.

Information on Valuations

a) *Fair Value Hierarchy*

AASB 13 *Fair Value Measurement* requires the disclosure of fair value information according to the relevant level in the fair value hierarchy. This hierarchy categorises fair value measurements into one of three possible levels based on the lowest level that a significant input can be characterised into. The levels are outlined below:

Level 1	Level 2	Level 3
Measurements based on quoted prices (unadjusted) in active markets for identical assets that the entity can access at the measurement date.	Measurements based on inputs other than quoted prices included in Level 1 that are observable for the asset, either directly or indirectly.	Measurements based on unobservable inputs for the asset.

The fair value of assets that are not traded in an active market is determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data. If all significant inputs required to measure fair value are observable, the asset is included in Level 2. If one or more significant inputs are not based on observable market data, the asset or liability is included in Level 3.

b) *Valuation Techniques*

Council selects valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value. The availability of sufficient and relevant data primarily depends upon the specific characteristics of the asset being measured. The valuation techniques selected by Council are consistent with one or more of the following valuation approaches:

- *Market Approach* uses prices and other relevant information generated by market transactions involving identical or similar assets.
- *Income Approach* converts estimated future cash flows or income and expenses into a single current (ie. discounted) value.
- *Cost Approach* reflects the current replacement cost of an asset at its current service capacity.

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City of Salisbury

Notes to and forming part of the Financial Statements
for the year ended 30 June 2016Note 7b. Valuation of Infrastructure, Property, Plant and Equipment and
Investment Property

\$ '000

Each valuation technique requires inputs that reflect the assumptions that buyers and sellers would use when pricing the asset, including assumptions about risks. When selecting a valuation technique, Council gives priority to those techniques that maximise the use of observable inputs and minimise the use of unobservable inputs. Inputs that are developed using market data (such as publicly available information on actual transactions) and reflect the assumptions that buyers and sellers would generally use when pricing the asset or liability are considered observable, whereas inputs for which market data is not available and therefore are developed using the best information available about such assumptions are considered unobservable.

c) Capitalisation Thresholds

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

Office Furniture and Equipment	\$5,000
Plant and Light Vehicles	\$5,000
Buildings - new construction/extensions	\$10,000
Park and Playground Furniture and Equipment	\$5,000
Road construction and reconstruction	\$10,000
Paving and footpaths, Kerb and Gutter	\$5,000
Drains and Culverts	\$20,000
Reticulation extensions	\$20,000
Sidelines and household connections	\$5,000
Artworks	\$5,000

d) Estimated Useful Lives

Useful lives are estimated for each individual asset. In estimating useful lives, regard is had to technical and commercial obsolescence, as well as legal and other limitations on continued use. The range of useful lives for a representative range of assets is shown below, although individual assets may have an estimated total useful life of greater or lesser amount:

Plant, Furniture and Equipment:	
Office Equipment	3 to 10 years
Office Furniture	3 to 10 years
Vehicles and Road-making Equipment	4 to 25 years
Other Plant and Equipment	3 to 25 years
Building and Other Structures:	
Buildings	40 to 150 years
Playground Equipment	15 to 25 years
Benches, Seats, etc	5 to 15 years

City of Salisbury

Notes to and forming part of the Financial Statements
for the year ended 30 June 2016Note 7b. Valuation of Infrastructure, Property, Plant and Equipment and
Investment Property

\$ '000

Infrastructure:

Roads - Seal	20 to 25 years
Roads - Pavement	50 to 225 years
Unsealed Roads	5 to 10 years
Bridges	100 years
Footpaths	5 to 50 years
Kerb, Gutter and Medians	40 to 100 years
Drainage Pipes	80 to 100 years
Culverts, Headwalls and Junction Boxes	40 to 80 years
Dams and Reservoirs	100 years
Bores	50 years
Reticulation Pipes - PVC	60 to 80 years
Pumps and Telemetry	10 to 30 years

Other Assets:

Library Books	3 to 7 years
Artworks/Local History	Indefinite

e) Table of Fair Values 2015/16

	Level 1 \$'000s	Level 2 \$'000s	Level 3 \$'000s	Total \$'000s
Land	-	393,466	-	393,466
Land Improvements	-	-	159,789	159,789
Infrastructure	-	-	1,180,145	1,180,145
Building	-	-	107,956	107,956
Total	-	393,466	1,447,890	1,841,356

f) Disclosed Fair Value Measurements

Asset Category	Fair Value Hierarchy Level	Valuation Technique	Fair Value \$,000's
Land	2	Market Value	\$393,466
Valuations of assets in this category are undertaken using the State Valuer Generals Site Values.			

City of Salisbury

Notes to and forming part of the Financial Statements
for the year ended 30 June 2016Note 7b. Valuation of Infrastructure, Property, Plant and Equipment and
Investment Property

\$ '000

Asset Category	Fair Value Hierarchy Level	Valuation Technique	Fair Value \$,000's
Land Improvements	3	Cost Approach	\$159,789

Valuations of assets in this category are undertaken via one of three methods:

- a. Independent valuations are provided by Tonkin Consulting using a methodology that utilises observable Council specific contract rates to derive a unit rate used to calculate a depreciated replacement cost for each asset. Assets valued via this method include Footpaths, Kerbing and Carpark Pavement/Seals all situated on Council Reserves.
- b. Revalued using the Local Government Pricing Index (LGPI). Assets valued via this method include Fencing, Irrigation Equipment, Playgrounds, Sports Courts/Facilities, Reserve Furniture, Landscaping and Other Structures all situated on Council Reserves.
- c. Independent valuations were provided by Inside Infrastructure and Aquentia Consulting in 2014/15 (as sub-consultant to Inside Infrastructure) using a methodology that utilises observable rates and cost information from their extensive knowledge across the water industry. Assets valued via this method include all those associated with Councils Recycled Stormwater Business Unit, which includes assets such as Pipework, Pumps, Bores, Valves, Electrical and Computer Equipment. In 2015/16 an independent valuation of the current depreciated replacement cost for these assets was undertaken using an ASR Asset Price Index provided by Tonkin Consulting, derived from references to various construction guides (such as Rawlinsons Australian Construction Handbook).

Asset Category	Fair Value Hierarchy Level	Valuation Technique	Fair Value \$,000's
Infrastructure	3	Cost Approach	\$1,180,145

Valuation of assets in this category are undertaken via one of two methods:

- a. Independent valuations are provided by Tonkin Consulting using a methodology that utilises observable Council specific contract rates to derive a unit rate used to calculate a depreciated replacement cost for each asset. Assets valued via this method include Footpaths, Kerbing, Carpark Pavements/Seals, Road Pavement/Seals and Drainage Pipes/Pits all situated on Council Roads.
- b. Revalued using the Local Government Pricing Index (LGPI). Assets valued via this method include Bridges, Irrigation Equipment on Roads, Road Furniture, Landscaping on Roads, Open Drainage Systems and Drainage Dams.

City of Salisbury

Notes to and forming part of the Financial Statements
for the year ended 30 June 2016Note 7b. Valuation of Infrastructure, Property, Plant & Equipment &
Investment Property

\$ '000

Asset Category	Fair Value Hierarchy Level	Valuation Technique	Fair Value \$,000's
Buildings and Other Structures	3	Cost Approach	\$107,956
Valuation of assets in this category are undertaken via the following method:			
a. Independent valuation of the current depreciated replacement cost for buildings at a component level was undertaken by APV Valuers and Asset Management for the year ending 30 June 2010 and was indexed in the 2010/11 and 2011/12 financial years by APV Valuers and Asset Management using an index derived from references to various construction guides (such as Rawlinson's Australian Construction Handbook) and ABS data. In 2012/13, 2013/14, 2014/15 and 2015/16 an independent valuation of the current depreciated replacement cost for buildings was undertaken using a Building Component Price Index provided by Tonkin Consulting, derived from building rates contained within the Rawlinson's Australian Construction Handbook.			

The requirements of AASB 13 *Fair Value Measurement* have been applied to all valuations undertaken since 1 July 2013. There has been no change in the valuation technique(s) used to calculate the fair values disclosed in the financial statements from previous years.

Highest and best use

All of Council's non financial assets are considered as being utilised for the highest and best use unless market or other factors suggest a different use by market participants would maximise the value of the asset.

Land Under Roads

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.

Land

Much of the land under Council's care and control is Crown land or has been declared as community land under the provision of the *Local Government Act 1999*. Other types of restrictions on the land may also apply. Valuations of this land are based on the State Valuer General's Site Values, which are based on observable sales in an active market of similar properties with a similar land use on both vacant land and land with improvements. Adjustments to these values are then made by the State Valuer General taking into consideration the highest and best use of the property e.g. if there is a single house on the land but zoning would allow it to be divided for home units.

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City of Salisbury

Notes to and forming part of the Financial Statements
for the year ended 30 June 2016Note 7b. Valuation of Infrastructure, Property, Plant & Equipment &
Investment Property

\$ '000

Infrastructure, Buildings and Land Improvements

As there is no known active market for the majority of infrastructure, building and land improvement assets owned by Council, these assets have been valued at depreciated replacement cost using the *Cost Approach*. Upon revaluation, the current replacement cost and accumulated depreciation are restated such that the difference (the current depreciated replacement cost) represents the fair value of the asset determined in accordance with AASB 13 *Fair Value Measurement*.

This method involves the determination of the current cost to construct the asset (or its modern engineering equivalent) and then calculating the value of its remaining service capacity (depreciated replacement cost). Council utilise a number of observable and unobservable inputs in the calculation of these values which may include:

Observable Inputs:

- Council specific contract rates
- Recent construction costs for similar assets
- Independent valuations

Unobservable Inputs/Estimates:

- Quantities of materials used
- Economic (Useful) Lives of assets
- Residual Value of assets
- Preserved Value of assets
- Pattern of consumption of an assets economic benefits
- Condition
- Obsolescence
- Impairment
- Industry construction pricing indexes e.g. Rawlinson's Construction Handbook and Cost Guide
- Other construction pricing indexes e.g. Local Government Pricing Index which is an index developed by the Australian Bureau of Statistics and is prepared quarterly by the South Australia Centre for Economic Studies and is based on price movements in the goods and services purchased by Local Governments.

Street Trees

Council is of the opinion that street trees and tree screens are tangible assets that the City uses to support the provision of environmental and recreational services to the community, and have an initial cost that can be reliably measured (that is the cost of planting and establishment). It is therefore considered that costs relating to tree plantings for street trees and tree screens only meet the recognition criteria of property, plant and equipment and should be recognised as an asset.

City of Salisbury

Notes to and forming part of the Financial Statements for the year ended 30 June 2016

Note 7b. Valuation of Infrastructure, Property, Plant & Equipment & Investment Property

\$ '000

Plant, Furniture & Equipment

Assets are carried at cost, less any accumulated depreciation and impairment losses.

Library Books

Library books are accounted for under the replacement method. Library stock at 30 June 2016 is valued using nominal values recommended by PLAIN (Public Libraries Automated Information Network). All new purchases are treated as replacement items and the expense is classified as depreciation. This expense is then adjusted by the movement in the calculated value of the library stock.

City of Salisbury

Notes to and forming part of the Financial Statements
for the year ended 30 June 2016

Note 8. Liabilities

\$ '000	Notes	2016	2016	2015	2015
		Current	Non Current	Current	Non Current
(a). Trade and Other Payables					
Goods and Services		10,621	-	12,422	-
Payments Received in Advance		1,109	-	1,072	-
Accrued Expenses - Employee Entitlements		723	-	555	-
Accrued Expenses - Other		98	-	311	-
Deposits, Retentions and Bonds		270	-	157	-
Total Trade and Other Payables		12,821	-	14,517	-

(b). Borrowings

Loans	2,560	14,580	2,399	17,140
Total Borrowings	2,560	14,580	2,399	17,140

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

(c). Provisions

Employee Entitlements (including oncosts)	6,918	1,522	6,620	1,521
Salisbury Memorial Park Maintenance Provision	-	50	-	40
Mortgage Loss Provision	-	28	-	28
Total Provisions	6,918	1,600	6,620	1,589

	Salisbury Memorial Park Maintenance Provision	Mortgage Loss Provision
Opening Balance	40	28
Additional Amounts Recognised	10	-
Closing Balance	50	28

City of Salisbury

Notes to and forming part of the Financial Statements
for the year ended 30 June 2016

Note 9. Reserves

\$ '000	1/7/2015	Increments (Decrements)	Transfers	Impairments	30/6/2016
(a). Asset Revaluation Reserve					
Land - Other	300,746	1,701	-	-	302,447
Land Improvements	15,646	1,896	-	-	17,542
Buildings and Other Structures	33,955	617	-	-	34,572
Infrastructure	644,446	1,797	-	-	646,243
Library Books	2,338	-	-	-	2,338
JV's / Associates - Other Comprehensive Income	352	-	-	-	352
Total Asset Revaluation Reserve	997,483	6,011	-	-	1,003,494
Comparatives	1,015,119	(17,636)	-	-	997,483
\$ '000	1/7/2015	Tfrs to Reserve	Tfrs from Reserve	Other Movements	30/6/2016
(b). Other Reserves					
Plant Replacement Reserve	1,565	-	(636)	-	929
Subdivision Works Reserve	1,340	370	(123)	-	1,587
Open Space Reserve	1,294	477	-	-	1,771
Car Parking Reserve	907	37	-	-	944
Property Disposal Reserve	1,330	3,087	-	-	4,417
Mausoleum Perpetual Care Reserve	636	54	-	-	690
Salisbury Memorial Park Reserve	849	17	-	-	866
Carried Forward Funds Reserve	18,997	18,657	(18,997)	-	18,657
Salisbury Water Business Unit Reserve	995	886	-	-	1,881
Total Other Reserves	27,913	23,585	(19,756)	-	31,742
Comparatives	38,886	25,043	(36,016)	-	27,913

City of Salisbury

Notes to and forming part of the Financial Statements
for the year ended 30 June 2016

Note 9. Reserves (continued)

\$ '000

PURPOSES OF RESERVES

Asset Revaluation Reserves

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

Plant Replacement Reserve

Used to fund the purchase of items of major plant.

Subdivision Works Reserve

For developer contributions towards future drainage, footpaths, street signs and street trees.

Open Space Reserve

For developer contributions towards the future acquisition of open space areas.

Carpark Reserve

For the provision of car parking areas within the Salisbury Town Centre, Ingle Farm Town Centre and Mawson Lakes Town Centre.

Property Disposal Reserve

To retain the proceeds of any property sales under the provision of Section 194 of the *Local Government Act 1999* and subject to compliance with all legal requirements thereof, and to be utilised to repay debt or reduce future borrowings.

Mausoleum Perpetual Care Fund Reserve

To provide maintenance for the mausoleum at Salisbury Memorial Park.

Salisbury Memorial Park Reserve

To fund future development work and maintenance at the Salisbury Memorial Park.

Carried Forward Funds Reserve

Used for unspent budget funds at the end of financial year that are to be carried forward for use in the following year.

Salisbury Water Business Unit Reserve

Funded from surpluses generated by Salisbury Water. Allocations are only to be made following a resolution of Council and can only be utilised to fund either business development, asset renewal, offset losses or to distribute dividends to Council.

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City of Salisbury

Notes to and forming part of the Financial Statements
for the year ended 30 June 2016

Note 10. Assets Subject to Restrictions

\$ '000	Notes	2016	2015
<p>The uses of the following assets are restricted, wholly or partially, by legislation or other externally imposed requirements. The assets are required to be utilised for the purposes for which control was transferred to Council, or for which the revenues were originally obtained.</p>			
Cash and Financial Assets			
Unexpended amounts received from Federal Government			
Open Space Contributions	9	1,771	1,294
Developer Contributions	9	2,531	2,247
Unexpended Grants and Subsidy Funds	2	981	1,848
Total Cash & Financial Assets		5,283	5,389
Total Assets Subject to Externally Imposed Restrictions		5,283	5,389

Developer Contributions are received primarily to fund infrastructure works in new subdivisions. These funds are held in reserves until required and as such are regarded as restricted. Grant and Subsidy Funds received but not yet expended are regarded as restricted.

City of Salisbury

Notes to and forming part of the Financial Statements
for the year ended 30 June 2016

Note 11. Reconciliation to Statement of Cash Flows

\$ '000	Notes	2016	2015
(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 Balance Sheet as follows:			
Total Cash and Equivalent Assets	5	16,816	19,460
Balances per Statement of Cash Flows		16,816	19,460
(b). Reconciliation of Change in Net Assets to Cash from Operating Activities			
Net Surplus/(Deficit)		8,686	15,746
Non-Cash Items in Income Statements			
Depreciation, Amortisation and Impairment		23,802	23,531
Equity Movements in Equity Accounted Investments (Increase)/Decrease		(706)	(839)
Non-Cash Asset Acquisitions		(3,379)	(2,691)
Grants for Capital Acquisitions (Treated as Investing Activity Receipts)		(1,437)	(1,536)
Net (Gain) Loss on Disposals		1,588	(3,198)
		28,554	31,013
Add (Less): Changes in Net Current Assets			
Net (Increase)/Decrease in Receivables		(215)	854
Change in Allowances for Under-Recovery of Receivables		-	20
Net (Increase)/Decrease in Inventories		1	187
Net (Increase)/Decrease in Other Assets		-	(65)
Net Increase/(Decrease) in Trade and Other Payables		(1,636)	5,988
Net Increase/(Decrease) in Unpaid Employee Benefits		299	473
Net Increase/(Decrease) in Other Provisions		10	11
Net Cash provided by (or used in) operations		27,013	38,481
(c). Non-Cash Financing and Investing Activities			
Acquisition of assets by means of:			
- Physical Resources Received Free of Charge	2i	3,379	2,691
Total Non-Cash Financing & Investing Activities		3,379	2,691
(d). Financing Arrangements			
Unrestricted access was available at balance date to the following lines of credit:			
Bank Overdrafts		500	500
Corporate Credit Cards		500	500
LGFA Cash Advance Debenture Facility		28,747	28,747

The bank overdraft facilities may be drawn at any time and may be terminated by the bank without notice. Council also has immediate access to a short-term drawdown facility and variable interest rate borrowings under a cash advance facility from the Local Government Finance Authority of South Australia.

City of Salisbury

Notes to and forming part of the Financial Statements
for the year ended 30 June 2016

Note 12a. Functions

Functions/Activities	Income, Expenses and Assets have been directly attributed to the following Functions / Activities. Details of these Functions/Activities are provided in Note 12(b).									
	INCOME		EXPENSES		OPERATING SURPLUS (DEFICIT)		GRANTS INCLUDED IN INCOME		TOTAL ASSETS HELD (CURRENT & NON-CURRENT)	
	Actual 2016	Actual 2015	Actual 2016	Actual 2015	Actual 2016	Actual 2015	Actual 2016	Actual 2015	Actual 2016	Actual 2015
\$ '000										
Public Order and Safety	2,978	2,727	3,234	3,142	(256)	(415)	70	30	593	354
Health	186	175	1,573	1,565	(1,387)	(1,390)	9	14	204	88
Social Security and Welfare	3,265	3,197	6,227	5,622	(2,962)	(2,425)	2,660	2,615	23,804	23,818
Housing and Community Services	4,440	4,432	23,895	23,721	(19,455)	(19,289)	401	325	434,883	425,258
Recreation and Culture	1,101	1,532	21,186	21,602	(20,085)	(20,070)	511	565	851,091	826,447
Transport and Communication	3,741	3,494	8,362	8,305	(4,621)	(4,811)	3,736	3,494	6,080	6,453
Economic Affairs	300	602	5,734	5,179	(5,434)	(4,577)	183	432	158	173
Other, Not Attributed and Administration	94,162	96,800	35,210	36,341	58,952	60,459	4,013	10,526	66,766	90,077
Total Functions/Activities	110,173	112,959	105,421	105,477	4,752	7,482	11,583	18,001	1,383,579	1,372,668

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

City of Salisbury

Notes to and forming part of the Financial Statements
for the year ended 30 June 2016Note 12b. Components of Functions

\$ '000

The activities relating to Council functions are as follows:**Public Order and Safety**

Supervision of various laws, fire prevention, crime prevention and repair, road safety and dog control.

Health

Health Act administration, immunisation services and pest and pest plant control.

Social Security and Welfare

Operation of senior citizens centre, aged care services, youth services and community information.

Housing and Community Services

Town planning, community development planning, road sweeping, roadside rubbish collection, domestic refuse collection, operating of waste transfer station and rubbish tips, stormwater drainage, operation of the St Kilda Mangrove Trail, street signs, landscape design, tree management and operation of cemetery.

Recreation and Culture

Maintenance and operation of libraries, recreation centres, swimming pool, community centre, parks, gardens and reserves, neighbourhood houses, clubrooms, playgrounds, sports grounds, halls and plant nursery.

Transport and Communication

Construction and maintenance of roads, footpaths, bridges, parking facilities and bus shelters.

Economic Affairs

Building Act administration, economic initiatives, tourism.

Other, Not Attributed and Administration

Rates, public debt transactions, administration costs, capital works in progress and costs which relate to multiple functions but cannot accurately be split between these functions.

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City of Salisbury

Notes to and forming part of the Financial Statements
for the year ended 30 June 2016

Note 13. Financial Instruments

\$ '000

Recognised Financial Instruments

Bank, Deposits at Call, Short Term Deposits

Accounting Policy:

Carried at lower of cost and net realisable value; interest is recognised when earned.

Terms & Conditions:

Deposits are returning fixed interest rates between 1.9% and 2.35% (2015: 2.00% and 2.85%). Short term deposits have an average maturity of 35 days and an average interest rate of 2.04% (2015: 39 days and 2.51%).

Carrying Amount:

Approximates fair value due to the short term to maturity.

Receivables

Rates and Associated Charges

(including legals and penalties for late payment)

Note: These receivables do not meet the definition of "financial instruments" and have been excluded from the following disclosures.

Accounting Policy:

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

Terms & Conditions:

Secured over the subject land, arrears attract interest of 2% (2015: 2%). Council is not materially exposed to any individual debtor, credit risk exposure is concentrated within the Council's boundaries in the State.

Carrying Amount:

Approximates fair value (after deduction of any allowance).

Receivables

Fees and Other Charges**Accounting Policy:**

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

Terms & Conditions:

Unsecured, and do not bear interest. Council is not materially exposed to any individual debtor, credit risk exposure is concentrated within the Council's boundaries.

Carrying Amount:

Approximates fair value (after deduction of any allowance).

City of Salisbury

Notes to and forming part of the Financial Statements
for the year ended 30 June 2016

Note 13. Financial Instruments (continued)

\$ '000

Recognised Financial Instruments

Receivables

Other Levels of Government**Accounting Policy:**

Carried at nominal value.

Terms and Conditions:

Amounts due have been calculated in accordance with the terms and conditions of the respective programs following advice of approvals, and do not bear interest. All amounts are due by Departments and Agencies of State and Federal Governments.

Carrying Amount:

Approximates fair value.

Liabilities

Creditors and Accruals**Accounting Policy:**

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

Terms and Conditions:

Liabilities are normally settled on 30 day terms.

Carrying Amount:

Approximates fair value.

Liabilities

Interest Bearing Borrowings**Accounting Policy:**

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

Terms and Conditions:

Secured over future revenues, borrowings are repayable (describe basis); interest is charged at fixed (or variable - describe) rates between 5.6% and 7.07% (2015: 5.60% and 7.52%).

Carrying Amount:

Approximates fair value.

City of Salisbury

Notes to and forming part of the Financial Statements
for the year ended 30 June 2016

Note 13. Financial Instruments (continued)

\$ '000	Due < 1 year	Due > 1 year & ≤ 5 years	Due > 5 years	Total Contractual Cash Flows	Carrying Values
2016					
Financial Assets					
Cash and Equivalents	16,816	-	-	16,816	16,816
Receivables	1,173	18	-	1,191	1,191
Other Financial Assets	-	-	988	988	988
Total Financial Assets	17,989	18	988	18,995	18,995
Financial Liabilities					
Payables	11,712	-	-	11,712	11,712
Current Borrowings	3,661	-	-	3,661	2,560
Non-Current Borrowings	-	13,136	5,389	18,525	14,580
Total Financial Liabilities	15,373	13,136	5,389	33,898	28,852

\$ '000	Due < 1 year	Due > 1 year & ≤ 5 years	Due > 5 years	Total Contractual Cash Flows	Carrying Values
2015					
Financial Assets					
Cash and Equivalents	19,460	-	-	19,460	19,460
Receivables	1,323	22	-	1,345	1,345
Other Financial Assets	-	-	988	988	988
Total Financial Assets	20,783	22	988	21,793	21,793
Financial Liabilities					
Payables	13,445	-	-	13,445	13,445
Current Borrowings	3,661	-	-	3,661	2,399
Non-Current Borrowings	-	14,688	7,498	22,186	17,140
Total Financial Liabilities	17,106	14,688	7,498	39,292	32,984

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

	30 June 2016		30 June 2015	
	Weighted Avg Interest Rate	Carrying Value	Weighted Avg Interest Rate	Carrying Value
Overdraft	7.22%	-	7.47%	-
Other Variable Rates	0.00%	20,228	0.00%	21,654
Fixed Interest Rates	6.34%	8,624	6.78%	11,330
		28,852		32,984

Net Fair Value

All carrying values approximate fair value for all recognised financial instruments. There is no recognised market for the financial assets of the Council.

City of Salisbury

Notes to and forming part of the Financial Statements
for the year ended 30 June 2016

Note 13. Financial Instruments (continued)

\$ '000

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. Councils investments are made with the SA Local Government Finance Authority and are guaranteed by the SA Government, and also with the NAB. Except as detailed in Notes 5 and 6 in relation to individual classes of receivables, exposure is concentrated within the Council's boundaries, and there is no material exposure to any individual debtor.

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

Liquidity Risk is the risk that Council will encounter difficulty in meeting obligations with financial liabilities. In accordance with the model Treasury Management Policy (LGA Information Paper 15), liabilities have a range of maturity dates. Council also has available a range of bank overdraft and standby borrowing facilities that it can access.

Interest Rate Risk is the risk that future cash flows will fluctuate because of changes in market interest rates. Council has a balance of both fixed and variable interest rate borrowings and investments. Cash flow fluctuations are managed holistically in seeking to minimise interest costs over the longer term in a risk averse manner.

City of Salisbury

Notes to and forming part of the Financial Statements
for the year ended 30 June 2016

Note 14. Commitments for Expenditure

\$ '000	Notes	2016	2015
(a). Capital Commitments			
Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:			
Buildings		3,756	1,421
Infrastructure		6,994	6,810
Plant and Equipment		36	740
		<u>10,786</u>	<u>8,971</u>
These expenditures are payable:			
Not later than one year		<u>10,786</u>	<u>8,971</u>
		<u>10,786</u>	<u>8,971</u>
(b). Other Expenditure Commitments			
Other expenditure committed for (excluding inventories) at the reporting date but not recognised in the financial statements as liabilities:			
Audit Services		55	57
		<u>55</u>	<u>57</u>
These expenditures are payable:			
Not later than one year		<u>55</u>	<u>57</u>
		<u>55</u>	<u>57</u>
(c). Finance Lease Commitments			
Council has no Finance Leases.			

City of Salisbury

Notes to and forming part of the Financial Statements
for the year ended 30 June 2016

Note 15. Financial Indicators

\$ '000	Amounts	Indicator	Prior Periods	
	2016	2016	2015	2014

These Financial Indicators have been calculated in accordance with *Information paper 9 - Local Government Financial Indicators* prepared as part of the LGA Financial Sustainability Program for the Local Government Association of South Australia. The Information Paper was revised in May 2015 and the financial indicators for the previous years have been re-calculated in accordance with the revised formulas.

1. Operating Surplus Ratio

Operating Surplus	5,458			
Total Operating Revenue	110,880	5%	7%	0%

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

1a. Adjusted Operating Surplus Ratio

In recent years the Federal Government has made advance payments prior to 30th June from future year allocations of financial assistance grants, as explained in Note 1. The Adjusted Operating Surplus Ratio adjusts for the resulting distortion in the disclosed operating result for each year.	9,523			
	110,880	9%	4%	4%

2. Net Financial Liabilities Ratio

Net Financial Liabilities	15,596			
Total Operating Revenue	110,880	14%	15%	19%

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.

3. Asset Sustainability Ratio

Net Asset Renewals	13,285			
Infrastructure and Asset Management Plan required expenditure	18,438	72%	111%	49%

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.

3a. Adjusted Operating Surplus Ratio

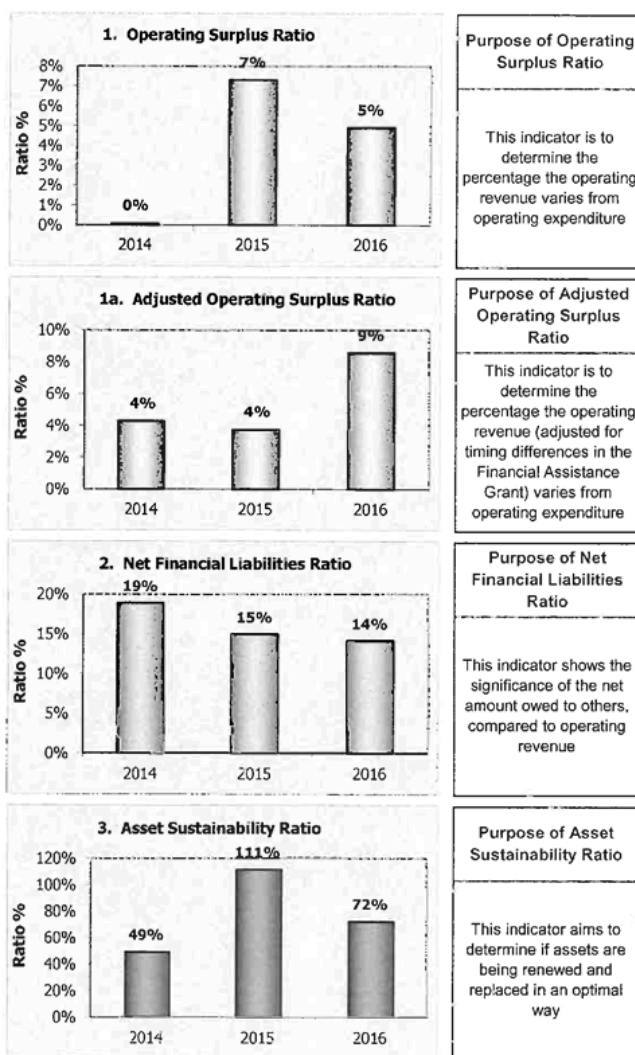
The Adjusted Asset Sustainability Ratio is provided as it better reflects City of Salisbury's achievements in renewing and maintaining its assets. The denominator of the ratio is the renewal disclosed in the Asset Management Plans (AMPs) adjusted to reflect changes in practice since the adoption of the plans.	13,285			
	14,765	90%		

Adjustments are for items included in AMPs as renewal, which are actually upgrade or new including \$2.3M in relation to buildings, with these amounts excluded from both the actual and planned expenditures in the adjusted ratio. Road assets are being maintained differently to how originally planned in the AMPs with renewal expenditure being directed to microsurfacing treatments, which are treated as a new component of our road assets, with the expectation that this will further extend the life of our road assets, which will decrease the cost of maintaining our road infrastructure over the longer term. These changes in practice will be reflected in future iterations of our AMPs with both Transport and Building AMPs being reviewed and updated in the 2016/17 financial year.

City of Salisbury

Notes to and forming part of the Financial Statements
for the year ended 30 June 2016

Note 15. Financial Indicators - Graphs (continued)



City of Salisbury

Notes to and forming part of the Financial Statements
for the year ended 30 June 2016

Note 16. Uniform Presentation of Finances

\$ '000	2016	2015
The following is a high level summary of both operating and capital investment activities of the Council prepared on a simplified Uniform Presentation Framework basis.		
All Councils in South Australia have agreed to summarise annual budgets and long-term financial plans on the same basis.		
The arrangements ensure that all Councils provide a common 'core' of financial information, which enables meaningful comparisons of each Council's finances.		
Income	110,880	113,818
less Expenses	(105,422)	(105,497)
Operating Surplus / (Deficit)	5,458	8,321
less Net Outlays on Existing Assets		
Capital Expenditure on Renewal and Replacement of Existing Assets	13,750	21,996
less Depreciation, Amortisation and Impairment	(23,802)	(23,531)
less Proceeds from Sale of Replaced Assets	(465)	(141)
Subtotal	(10,517)	(1,676)
less Net Outlays on New and Upgraded Assets		
Capital Expenditure on New and Upgraded Assets (including Investment Property and Real Estate Developments)	23,195	21,653
less Amounts Received Specifically for New and Upgraded Assets	(1,437)	(1,536)
less Proceeds from Sale of Surplus Assets (including Investment Property and Real Estate Developments)	(7,782)	(10,875)
Subtotal	13,976	9,242
Net Lending / (Borrowing) for Financial Year	1,999	755

City of Salisbury

Notes to and forming part of the Financial Statements
for the year ended 30 June 2016

Note 17. Operating Leases

\$ '000

2016

2015

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 2.

(i) Investment Property

Rentals received, and outgoings reimbursed, in relation to Investment Property are also disclosed in Note 2. These lease agreements, all of which are classified as operating leases, are made on a non-cancellable basis wherever practicable

Leases commitments under all non-cancellable lease agreements, including those relating to Investment Property, are as follows:

Not later than one year	612	603
Later than one year and not later than 5 years	1,042	1,554
Later than 5 years	2,242	2,018
	<u>3,896</u>	<u>4,175</u>

(ii) Lease Payment Commitments of Council

Council has entered into non-cancellable operating leases for various items of computer and other plant and equipment. 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 imposes any additional restrictions on Council in relation to additional debt or further leasing.

No leases contain any escalation clause.

Commitments under non-cancellable operating leases that have not been recognised in the financial statements are as follows:

Not later than one year	737	907
Later than one year and not later than 5 years	697	889
	<u>1,434</u>	<u>1,796</u>

City of Salisbury

Notes to and forming part of the Financial Statements
for the year ended 30 June 2016

Note 18. Superannuation

\$ '000

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

Accumulation only Members

Accumulation only members receive both employer and employee contributions on a progressive basis. Employer contributions are based on a fixed percentage of ordinary time earnings in accordance with superannuation guarantee legislation (9.50% in 2015/16; 9.50% in 2014/15). No further liability accrues to the Council as the superannuation benefits accruing to employees are represented by their share of the net assets of the Fund.

Salarylink (Defined Benefit Fund) Members

Salarylink is a defined benefit scheme where the benefit payable is based on a formula determined by the member's contribution rate, number of years and level of contribution and final average salary. Council makes employer contributions to Salarylink as determined by the Fund's Trustee based on advice from the appointed Actuary. The rate is currently 6.3% (6.3% in 2014/15) 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, A C Miller, FIAA, of Russell Employee Benefits Pty Ltd as at 30 June 2014. The Trustee has determined that the current funding arrangements are adequate for the expected Salarylink liabilities. However, future financial and economic circumstances may require changes to Council's contribution rates at some future time.

Contributions to Other Superannuation Schemes

Council also makes contributions to other superannuation schemes selected by employees under the "choice of fund" legislation. All such schemes are of the accumulation type, where the superannuation benefits accruing to the employee are represented by their share of the net assets of the scheme, and no further liability attaches to the Council.

City of Salisbury

Notes to and forming part of the Financial Statements
for the year ended 30 June 2016

Note 19. Interests in Other Entities

\$ '000

All joint ventures and associates are required to prepare Annual Financial Statements that comply with the SA Local Government Model Financial Statements.

	Council's Share of Net Income		Council's Share of Net Assets	
	2016	2015	2016	2015
Joint Ventures	706	839	4,030	3,323
Total	706	839	4,030	3,323

(i) JOINT VENTURES, ASSOCIATES AND JOINT OPERATIONS

(a) Carrying Amounts

Name of Entity	Principal Activity	2016	2015
Northern Adelaide Waste Management Authority	Waste Management	3,929	3,221
Council Solutions	Procurement	101	102
Total Carrying Amounts - Joint Ventures and Associates		4,030	3,323

Northern Adelaide Waste Management Authority

Manages the waste collection, recycling and waste disposal for the Cities of Salisbury and Playford and the Town of Gawler.

Council Solutions

Established by the Cities of Adelaide, Charles Sturt, Marion, Onkaparinga, Salisbury and Tea Tree Gully in December 2012, this regional subsidiary has been established for the purposes of providing a centre of excellence in procurement and to provide services to the Constituent.

(b) Relevant Interests

Name of Entity	Interest in Operating Result		Ownership Share of Equity		Proportion of Voting Power	
	2016	2015	2016	2015	2016	2015
Northern Adelaide Waste Management Authority	57%	57%	57%		33%	
Council Solutions	17%	17%	17%		17%	

(c) Movement in Investment in Joint Venture or Associate

	Northern Adelaide Waste Management Authority		Council Solutions	
	2016	2015	2016	2015
Opening Balance	3,221	3,191	102	122
Share in Operating Result	707	859	(1)	(20)
Share in Other Comprehensive Income	-	(829)	-	-
Council's Equity Share in the Joint Venture or Associate	3,928	3,221	101	102

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City of Salisbury

Notes to and forming part of the Financial Statements
for the year ended 30 June 2016

Note 19. Interests in Other Entities (continued)

\$ '000

(d) Summarised Financial Information of the Equity Accounted Business

Statement of Financial Position	Northern Adelaide Waste Management Authority		Council Solutions	
	2016	2015	2016	2015
Cash and Cash Equivalents	3,600	4,212	267	446
Other Current Assets	2,852	3,061	390	204
Non-Current Assets	9,699	5,878	-	-
Total Assets	16,151	13,151	657	650
Current Trade and Other Payables	2,243	2,238	28	21
Current Financial Liabilities	1,579	1,305	27	21
Current Provisions	318	293	-	-
Non-Current Financial Liabilities	2,518	1,597	-	-
Non-Current Provisions	2,556	2,092	-	-
Total Liabilities	9,214	7,525	55	42
Net Assets	6,937	5,626	602	608
Statement of Comprehensive Income	Northern Adelaide Waste Management Authority		Council Solutions	
	2016	2015	2016	2015
Other Income	25,951	24,780	110	31
Contributions from Constituent Councils	-	-	933	926
Interest Income	248	206	10	20
Total Income	26,199	24,986	1,053	977
Employee Costs	1,731	1,353	-	-
Materials, Contracts & Other Expenses	21,466	20,472	1,058	1,097
Depreciation, Amortisation and Impairment	1,374	1,475	-	-
Finance Costs	246	224	-	-
Total Expenses	24,817	23,524	1,058	1,097
Other Revenue / Expense Items	(5)	(8)	-	-
Operating Result	1,377	1,454	(5)	(120)

City of Salisbury

Notes to and forming part of the Financial Statements
for the year ended 30 June 2016

Note 19. Interests in Other Entities (continued)

\$ '000

(e). Share of Joint Operations Expenditure Commitments

Expenditure committed for (excluding inventories) at the reporting date but not recognised in the financial statements as liabilities:

(i) Capital Expenditures Payable

No capital expenditure is committed at the reporting date that has not been recognised in the financial statements as a liability.

(ii) Operating Expenditures Payable

	Northern Adelaide Waste Management Authority		Council Solutions	
	2016	2015	2016	2015
Not later than one year	20,003	13,517	-	-
Later than one year and not later than 5 years	9,882	8,299	-	-
Later than 5 years	-	-	-	-
	<u>29,885</u>	<u>21,816</u>	<u>-</u>	<u>-</u>

The Northern Adelaide Waste Management Authority manages multiple external contracts with external suppliers for the collection, processing and disposal of waste on behalf of its Constituent Councils and customers. The commitments disclosed above reflect a consolidation of multiple contracts entered into with external suppliers. In future years, all contracts will be required to be renewed with external suppliers in accordance with adopted procurement policies and procedures of the Authority.

(iii) Lease Payment Commitments Payable

	Northern Adelaide Waste Management Authority		Council Solutions	
	2016	2015	2016	2015
Not later than one year	855	563	-	-
Later than one year and not later than 5 years	2,895	2,252	-	-
Later than 5 years	600	2,815	-	-
	<u>4,350</u>	<u>5,630</u>	<u>-</u>	<u>-</u>

(ii) INDIVIDUALLY IMMATERIAL COUNCIL BUSINESSES

Council did not have any individually immaterial businesses

(iii) UNCONSOLIDATED STRUCTURED ENTITIES

Council has no Unconsolidated Structured Entities

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City of Salisbury

Notes to and forming part of the Financial Statements
for the year ended 30 June 2016

Note 20. Contingencies & Assets/Liabilities Not Recognised in the Balance Sheet

\$ '000

The following assets and liabilities do not qualify for recognition in the Balance Sheet but knowledge is considered relevant to the users of the financial report in making and evaluating decisions about the allocation of scarce resources.

1. LAND UNDER ROADS

As reported in the Financial 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 the 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.

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 deductible "insurance excesses", the amount of which varies according to the class of insurance.

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

3. BANK GUARANTEES

Council in the past had guaranteed certain loans and other banking facilities advanced to community organisations and sporting bodies. These loans have now been discharged by the respective parties and consequently Council has no exposure at reporting date (2015: \$25,012).

A Bank Guarantee amounting to \$940,000 has been issued in favour of the Commonwealth Government Department of Families, Housing, Community Services and Indigenous Affairs as security for an equivalent grant under the Housing Affordability Fund. This Guarantee is due to expire on 31 December 2016 and Council does not expect to incur any loss arising from the Guarantee.

4. LEGAL MATTERS

Council is the planning consent authority for its area under the *Development Act 1993* (as amended). Pursuant to that Act, certain persons aggrieved by a planning decision of the Council may appeal. It is normal practice that parties bear their own legal costs. At the date of these reports, Council had no notice of appeals against planning decisions made prior to reporting date. All known costs have been recognised, but the amount of further costs cannot be known until the appeals are determined.

5. CEMETERY

Council operates a Cemetery Facility - Salisbury Memorial Park. A Contingent Liability exists for the ongoing maintenance of this Cemetery. This liability remains for a period of 100 years after the expiry of the lease on the last burial of the site. In addition, Council has negotiated a new lease of the Mausoleum, requiring the facility to be maintained by the lessee. The lessee will continue to contribute to the Perpetual Care Fund to ensure that maintenance of the facility for the next 100 years is funded. The contribution value will be assessed twice during the proposed lease period for adjustment purposes to ensure the Fund will be sufficient to provide for the ongoing maintenance of the Mausoleum.

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City of Salisbury

Notes to and forming part of the Financial Statements for the year ended 30 June 2016

Note 21. Events after the Balance Sheet Date

Events that occur after the reporting date of 30 June 2016, up to and including the date when the financial statements are "authorised for issue" have been taken into account in preparing these statements.

Council has adopted the date of receipt of the Auditors' Report as the appropriate "authorised for issue" date relating to these General Purpose Financial Statements.

Accordingly, the "authorised for issue" date is 12/10/16.

Council is unaware of any material or significant "non adjusting events" that should be disclosed.

City of Salisbury

Notes to and forming part of the Financial Statements
for the year ended 30 June 2016

Note 22. Equity - Retained Earnings and Revaluation Reserves Adjustments

\$ '000

2016

2015

(a). Correction of Error/s relating to a Previous Reporting Period

As part of the City of Salisbury's 2016 end of financial year review of its Infrastructure Assets it was ascertained that there were donated assets, received as developer contributions that had not been recognised as assets in the City of Salisbury's financial statements as at 30 June 2015 and prior periods.

This resulted in an error in the calculation of certain line items within the financial statements, specifically the opening written down value, additions at cost and depreciation relating to the land improvements and infrastructure asset categories, which were understated in the statement of financial position. Further, as some of these assets were received in the 2015 financial year, the amounts disclosed in the statement of comprehensive income for depreciation and physical assets received free of charge were also understated. The total value of these asset received that related to prior financial years was \$8,603k

In order to appropriately value the donated assets the City of Salisbury firstly applied the 2014/15 Unit Rates to the replacement value of the assets that were received in the 2014/15 financial year resulting in an increase of \$1,486k. Secondly Council reviewed the assets received that pre-dated the 2014/15 financial year and deemed it impractical to revalue these assets at the relevant unit rates for the years that they were received. Consequently Council revalued these assets utilising the 2014/15 Unit Rates and made this adjustment against the opening balance of both Accumulated Surplus \$6,340k and the Asset Revaluation Reserve \$770k in 2014/15, reflecting what Council estimates the value of use of these Assets would have been at the end of the 2013/14 Financial Year.

This resulted in the financial statements for the year ended 30 June 2015 disclosing depreciation expense of \$23,421k when it should have been disclosed as \$23,531k and physical resources received free of charge of \$1,095k, where it should have been \$2,691k. Consequently the net surplus transferred to equity line item on both the statement of comprehensive income and the statement of changes in equity was understated by \$1,486k which represents the value of the donated assets received in the 2015 financial year.

The amounts disclosed for infrastructure, property, plant and equipment were also effectively understated as the financial statements of the year ended 30 June 2015 disclosed this amount as being \$1,292,828k when it should have been disclosed as \$1,301,431k. Consequently net assets and the accumulated surplus line items on the statement of financial position were understated \$8,603k.

In accordance with AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors' the following tables represent changes in the relevant line items for the comparative year 2014.

	2015 Revised	Movement	2015 Original
Table 1 - Statement of Comprehensive Income (Extract)			
Depreciation, amortisation & impairment	(23,531)	(110)	(23,421)
Physical resources received free of charge	2,691	1,596	1,095
Net surplus / (deficit) transferred to equity statement	15,746	1,486	14,260
Changes in Revaluation Surplus - I, PP&E	(16,807)	7	(16,814)
Total comprehensive income	(1,890)	1,493	(3,383)
Table 2 - Statement of Financial Position (Extract)			
Non-current assets:			
Infrastructure, property, plant and equipment	1,301,431	8,603	1,292,828
Equity:			
Accumulated surplus	305,007	7,826	297,181
Asset Revaluation Reserve	997,483	777	996,706

City of Salisbury

Notes to and forming part of the Financial Statements
for the year ended 30 June 2016

Note 22. Equity - Retained Earnings and Revaluation Reserves Adjustments (cont)

	2015 Revised	Movement	2015 Original
Table 3 - Statement of Changes in Equity (Extract)			
Accumulated Surplus			
Balance at the end of previous reporting period	271,948	-	271,948
Restated opening balance	278,288	6,340	271,948
Net surplus/(deficit) for the year	15,746	1,486	14,260
Transfers between reserves	10,973	-	10,973
Balance at the end of the period	305,007	7,826	297,181
Table 3 - Statement of Changes in Equity (Extract) (cont)			
Asset Revaluation Reserve			
Balance at the end of previous reporting period	1,014,349	-	1,014,349
Restated opening balance	1,015,119	770	1,014,349
Gain (Loss) on revaluation of IPP&E	(16,807)	7	(16,814)
Share of OCI - Equity Accounted Council Businesses	829	-	829
Balance at the end of the period	997,483	777	996,706
Table 4 - Infrastructure, Property, Plant and Equipment (extract)			
Land Improvements:			
Opening balance at fair value	144,693	21	144,672
Accumulated Depreciation	(52,988)	(1)	(52,987)
Carrying amount as at 30 June 2014	91,705	20	91,685
Infrastructure:			
Opening balance at fair value	1,155,005	7,090	1,147,915
Additions at cost	1,596	1,596	-
Revaluation Increments to Equity (ARR) (Note 9)	7	7	-
Accumulated Depreciation	(422,845)	(109)	(422,736)
Carrying amount as at 30 June 2014	733,762	8,583	725,179

(b). Retrospective Restatement to Opening Equity

In accordance with AASB 108 - Accounting Policies, Changes in Accounting Estimates and Errors, the above Prior Period Errors have been recognised retrospectively.

These amounted to the following Equity Adjustments:

- Adjustments to Opening Equity - 1/7/14	7,110
(relating to adjustments for the 30/6/14 reporting year end and prior periods)	
Total Prior Period Adjustments - Prior Period Errors	7,110

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City of Salisbury

General Purpose Financial Statements
for the year ended 30 June 2016

Auditor's Report - Financial Statements

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City of Salisbury

General Purpose Financial Statements
for the year ended 30 June 2016

Auditor's Report - Financial Statements

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City of Salisbury

General Purpose Financial Statements
for the year ended 30 June 2016

Auditor's Report - Internal Controls

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City of Salisbury

General Purpose Financial Statements
for the year ended 30 June 2016

Auditor's Report - Internal Controls

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City of Salisbury

General Purpose Financial Statements for the year ended 30 June 2016

Certification of Auditor Independence

To the best of our knowledge and belief, we confirm that, for the purpose of the audit of City of Salisbury for the year ended 30 June 2016, the Council's Auditor, Deloitte Touche Tohmatsu has maintained its independence in accordance with the requirements of the *Local Government Act 1999* and the *Local Government (Financial Management) Regulations 2011* made under that Act

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

John Harry
CHIEF EXECUTIVE OFFICER

Peter Brass
PRESIDING MEMBER, AUDIT COMMITTEE

Date:

ITEM	4.2.2
	AUDIT COMMITTEE
DATE	11 October 2016
HEADING	Financial Internal Controls Report 2016, prepared by Deloitte
AUTHOR	George Kendall, Business Analyst - Internal Audit & Risk, CEO and Governance
CITY PLAN LINKS	4.4 To ensure informed and transparent decision-making that is accountable and legally compliant
SUMMARY	<p>Section 125 of the <i>Local Government Act 1999</i> (the Act) requires councils to ensure that “appropriate policies, practices and procedures of internal control are implemented and maintained”. In order to verify the compliance with this requirement, the City of Salisbury has engaged the services of Deloitte to conduct an audit on financial internal controls as a part of the 2016 end of financial year external audit, and report their findings to the Audit Committee of Council.</p> <p>This report presents a copy of Deloitte’s report on the City of Salisbury’s financial internal controls for 2015-16. Overall no findings were made by Deloitte and an unqualified opinion will be given on the City of Salisbury’s financial internal controls.</p>

RECOMMENDATION

1. The information be received.

ATTACHMENTS

This document should be read in conjunction with the following attachments:

1. City of Salisbury - 2016 Internal Controls Assessment, Final Report

1. BACKGROUND

- 1.1 The City of Salisbury has implemented the South Australian Local Government Financial Management Group (SALGFMG) *Better Practice Model – Financial Internal Controls* in order to comply with section 125 of the Act. This model defines financial internal controls either as core or additional controls.
- 1.2 Core controls are defined as; the most important controls for Councils of all sizes and locations. Councils must consider implementing these controls and if not adopted, the reasons for this must be documented and reassessed on a regular basis.

- 1.3 Additional controls are defined as applicable; dependent on risk profile, size and functions of Council. For controls that are clearly not applicable (e.g. relate to a function not carried out by Council), there is no need to document this fact. If the control could be applicable to Council but is not adopted, the reasons for not adopting should be documented and reassessed on a regular basis.
- 1.4 Deloitte have audited the City of Salisbury's compliance with the requirements of section 125 of the Act in relation to the financial internal controls over the:
- receipt, expenditure and investment of money,
 - acquisition and disposal of property; and
 - incursion of liabilities
- for the period 1 July 2015 to 30 June 2016. The nature of this part of the end of financial year external audit, was a compliance audit, conducted in line with the applicable Australian Standards on Assurance Engagements ASAE 3100 *Compliance Engagements*, issued by the Australian Auditing and Assurance Standards Board.
- 1.5 All South Australian councils have to have an external audit of their financial internal controls. The final report from Deloitte on the City of Salisbury's financial internal controls for 2015-16 is Attachment 1 to this report.

2. REPORT

- 2.1 The procedures used by Deloitte to audit financial internal controls included;
- obtaining an understanding of controls in relation to;
 - the receipt expenditure and investment of money;
 - the acquisition and disposal of property and the incursion of liabilities;
 - evaluating management's assessment of these controls;
 - assessing the risk that a material weakness exists;
 - testing the design and operating effectiveness of controls on a sample basis.
- 2.2 These procedures were used by Deloitte to test samples of core controls across all categories, with a specific emphasis this year on the Strategic Financial Planning and Liabilities categories. The sample of core controls tested represented just over 63% of the core controls that apply to the City of Salisbury. In this instance no additional controls were tested.
- 2.3 Out of 194 core controls, 123 were tested by Deloitte and no findings were made. Deloitte confirmed that an unqualified financial internal controls opinion will be provided.
- 2.4 The financial internal controls opinion will be provided by Deloitte after the Audit Committee of Council has reviewed the financial statements and all of the following documents have been sent to them;
- Auditor Independence Statement signed by the CEO and Chairman of the Audit Committee;
 - Financial Statements certified by the Mayor and the CEO;
 - Management Representation Letter signed by the CEO and the General Manager Business Excellence.

3. CONCLUSION / PROPOSAL

- 3.1 The overall result of the financial internal controls audit was that no findings were made by Deloitte and an unqualified opinion will be given on financial internal controls. This represents an excellent achievement for the City of Salisbury and is a testament to the effort expended by all those involved with the implementation, administration, assessment and review of financial internal controls, but particularly staff within the Financial Services Division.

CO-ORDINATION

Officer:	MG	Exec
Date:	15/09/2016	4/10/2016

City of Salisbury
Local Government Act Better Practice
– Internal Controls Recommendations
June 2016 Financial Year



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Mr George Kendall
BA Internal Audit & Risk
City of Salisbury
12 James Street
Salisbury SA 5108

9 September 2016

Dear George

Re: Local Government Act Better Practice – Internal Controls Recommendations

We attach our report from the recently concluded work performed for the internal control audit.

We would like to take this opportunity to thank you and your staff for the co-operation which we have received in performing this engagement.

Should you have any questions or wish to discuss anything further, please contact me on (08) 8407 7085.

Yours faithfully

A handwritten signature in black ink, appearing to read "Penny Woods", enclosed within a simple oval border.

Penny Woods
Partner
Deloitte Touche Tohmatsu

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1 Executive summary

1.1 Background and objectives

Background

The Local Government Act 1999 (the “Act”) requires local government auditors to provide separate formal opinions in relation to:

- The financial statements audit; and
- Financial internal controls audit as prescribed in Section 125 of the Act.

To comply with these changes Council has implemented an internal control framework as prescribed in the South Australian Local Government Financial Management Group (“SALGFMG”) Better Practice Model – Financial Internal Controls.

Deloitte has tested the design and implementation for a sample of the population of core controls implemented by Council.

Objectives

We provide you with this report which details the results of our testing and recommendation for improvement, which has been compiled following our procedures performed in relation to our reasonable assurance engagement on the Council’s compliance with Section 125 of the Act.

Selection for testing

We have selected controls for testing on a three year rotation basis as follows:

Control Areas	Number of Controls		First year	Testing Rotation	
	Core	Additional	2014	2015	2016
Strategy	41	17	Yes		Yes
Assets	75	76	Yes	Yes	
Liabilities	32	51	Yes		Yes
Revenue	34	44	Yes		
Expenses	42	63	Yes		
External Services	9	7	Yes	Yes	
	233	258			

In addition, we have also tested controls that are deemed to be at higher risk of non-compliance, including, but not limited to, controls that had a finding last year, controls that have changed since last year and controls for which the assessor or reviewer has changed since last year.

1.2 Overview of findings

Control environment

The tables below summarises:

1. Controls within the Better Practice Model as provided by the SALGFMG;
2. Number of controls tested by Deloitte; and
3. Any control deficiency identified by Deloitte on the specific controls tested.

Work performed	
Number of unique core controls	194
Number of core controls tested	123
Number of controls with NO Finding	123
Number of controls with residual findings	0

Summary per significant business cycle:

Summary	Strategic Planning	Revenue	Expenses	Assets	Liabilities	External Services	Total
Number of controls tested	36	14	19	25	25	4	123
Findings	0	0	0	0	0	0	0
No Findings	36	14	19	25	25	4	123

These tests were performed between June 2016 and September 2016.

Findings

Deloitte noted no control deficiencies were identified in the LGA internal controls tested during the financial period.

2 Limitation of our work

General use restriction

This report is prepared solely for the internal use of City of Salisbury Council. This report is not intended to and should not be used or relied upon by anyone else and we accept no duty of care to any other person or entity. The report has been prepared for the purpose set out in our engagement letter dated 16 June 2016. You should not refer to or use our name or the advice for any other purpose.

ITEM	4.2.3
	AUDIT COMMITTEE
DATE	11 October 2016
HEADING	Report to the Audit Committee for the year ended 30 June 2016, prepared by Deloitte
AUTHOR	George Kendall, Business Analyst - Internal Audit & Risk, CEO and Governance
CITY PLAN LINKS	4.4 To ensure informed and transparent decision-making that is accountable and legally compliant
SUMMARY	<p>Deloitte have been engaged by the City of Salisbury to perform an end of financial year audit on the financial statements, financial internal controls and the acquittals of certain specific grants programs, with the findings to be reported to the Audit Committee of Council.</p> <p>This report presents a copy of Deloitte's Report to the City of Salisbury's Audit Committee of Council for the year ended 30 June 2016. It provides a high level summary of all the work they have undertaken at the financial year end and identifies any key findings.</p>

RECOMMENDATION

1. The information be received.

ATTACHMENTS

This document should be read in conjunction with the following attachments:

1. City of Salisbury Report to the Audit Committee for the year ended 30 June 2016

1. BACKGROUND

- 1.1 The City of Salisbury has engaged Deloitte to perform a financial statement audit for the year ended 30 June 2016 in accordance with Australian Auditing standards. Deloitte have to express an opinion on whether the financial report of Council has been prepared in accordance with Australian Accounting Standards, the *Local Government Act 1999* (the Act) and the *Local Government (Financial Management) Regulations 2011* (the Regulations).
- 1.2 In addition to the financial statements audit a compliance audit is conducted on the financial internal controls of the City of Salisbury for the year 1 July 2015 to the 30 June 2016, to ensure that they are in line with the requirements of the South Australian Local Government Financial Group (SALGFMG) Better Practice Model and section 125 of the Act.

1.3 Deloitte also reviewed the acquittal of certain specific grant programs within the 2015-16 financial year.

1.4 The transmittal letter within the report contains the following sentence:

“We have prepared this report solely for the use of the Committee and it would be inappropriate for this report to be made available to third parties and, if such a third party were to obtain a copy without our prior written consent, we would not accept responsibility for any reliance that they might place on it.”

Deloitte have been advised that the City of Salisbury has a legislative obligation to “publish the notice and the agenda for the meeting on a website determined by the chief executive officer” (s.84(1a)(b) *Local Government Act 1999*) which means the report will be made available to third parties in order to meet that legislative obligation.

2. REPORT

2.1 Specific reports on the analysis of the City of Salisbury’s financial statements and financial internal controls provide in depth information on these two areas and can be found under agenda items 4.2.1 and 4.2.2 respectively. The attachment to this report provides a high level summary of the key areas of focus and main findings from the work undertaken by Deloitte.

2.2 Deloitte were provided with full access to staff and documentation throughout their work.

2.3 Confirmation of Deloitte’s independence is also provided in the report, in compliance with the Code of Ethics for Professional Accountants, the Act and the Regulations.

3. CONCLUSION / PROPOSAL

3.1 Overall the work performed by Deloitte on the City of Salisbury’s financial statements, financial internal controls and small grants programs highlighted no findings. This will result in the City of Salisbury achieving unqualified audit opinions on both the financial statements and financial internal controls. In addition no findings were identified with the small grants programs audited.

CO-ORDINATION

Officer:	MG	Exec
Date:	30/09/2016	4/10/2016



City of Salisbury

Report to the Audit Committee for the
year ended 30 June 2016



Mr Peter Brass
Chairman of the Audit Committee of
Council
City of Salisbury
12 James Street
SALISBURY SA 5108

26 September 2016

Dear Sir

Report to the Audit Committee – for the year ended 30 June 2016.

In accordance with the requirements of the Australian Auditing Standards for us to communicate with those charged with governance, we include in the attached report matters arising from our audit of the financial report of City of Salisbury (the Council) for the year ended 30 June 2016 which we consider appropriate for the attention of the Audit Committee (the "Committee"). These matters have been discussed with management of the Entity and their comments have been included, where appropriate.

We look forward to the Committee meeting on 11 October 2016 where we will have the opportunity to discuss this report. In the interim, should you require clarification on any matter in this report please do not hesitate to contact us.

We have substantially completed our audit and subject to the satisfactory resolution of the matters detailed in Section 2 we expect to issue an unmodified audit report.

We have prepared this report solely for the use of the Committee and it would be inappropriate for this report to be made available to third parties and, if such a third party were to obtain a copy without our prior written consent, we would not accept responsibility for any reliance that they might place on it.

We would like to take this opportunity to extend our appreciation to management and staff for their assistance and cooperation during the course of our audit.

Yours faithfully
Deloitte Touche Tohmatsu

A handwritten signature in black ink, appearing to read "PJ Woods", written over a horizontal line.

PJ Woods
Partner

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1. Executive summary

1.1 Overview

Section

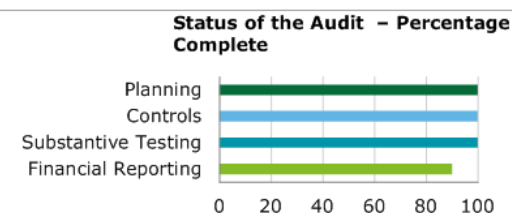
Comment

Status of audit and outstanding matters Refer to Section 2

Our audit of the financial report is substantially complete.
We expect to issue an unmodified audit report on the financial report, subject to the satisfactory completion of the matters noted in Section 2.3.

Our reasonable assurance engagement under ASAE 3100 with respect to the Council's compliance with Section 125 of the Local Government Act is substantially complete.

We expect to issue an unmodified audit opinion in relation to this engagement subject to the satisfactory completion of the matters noted in Section 2.3.



Internal control Refer to Section 4

In performing our audit we have not identified any significant deficiencies in internal control relating to the prevention and detection of fraud and error which would impact upon our ability to provide our opinion on the financial report.

Our internal controls testing in compliance with section 125 of the Local Government Act 1999, did not identify any findings.

Summary of uncorrected misstatements Ref to Appendix A

We have not identified any uncorrected misstatements for the financial year ended 30 June 2016.

Summary of uncorrected disclosure deficiencies Ref to Appendix B

We have not identified any uncorrected disclosure deficiencies in the financial report.

1. Executive summary (cont.)

1.2 Audit focus areas

Statement of Financial Position	FY 2016 (\$'000)
Cash and cash equivalents	16,816
Trade and other receivables	5,042
Inventories	270
Total current assets	22,128
Financial assets	1,025
Equity accounted investments	4,030
Infrastructure, property, plant and equipment	1,328,507
Other non-current assets	27,889
Total non-current assets	1,361,451
Trade and other payables	12,821
Borrowings	2,560
Provisions	6,918
Total current liabilities	22,299
Borrowings	14,580
Provisions	1,600
Total non-current liabilities	16,180
Net Assets	1,345,100
Accumulated surplus	309,864
Asset revaluation reserve	1,003,494
Other reserves	31,742
Total equity	1,345,100

Our audit procedures were focused on those areas of the Council's financial report that were identified and assessed as audit risks.

We detail below the key areas of focus which we have identified as relevant to our audit. Our procedures and related findings relating to these areas are noted below. For a detailed discussion of these items, please refer to Section 3 of this report.

① Infrastructure, property, plant and equipment

Given the nature and magnitude of the Council's fixed assets, this account balance has been identified as an audit focus area.

Major project spend was assessed to determine whether expenditure was appropriately capitalised. Progress against budgets was also reviewed.

Particular focus was placed on the review of capital expenditure approvals at the inception of projects as well as the verification of expenditure against Delegated Authorities throughout the project life.

The fair value of land, buildings and infrastructure was assessed by external valuers including Tonkin Consulting and the Valuer General. We have analysed the methodology and basis for the determination of fair value of assets as well as the level of appropriate disclosures to ensure the fair value is appropriately determined and disclosed. In addition, we have involved our internal infrastructure, property, plant and equipment valuation specialist in assessing the reasonableness of the overall valuation.

1. Executive summary (cont.)

1.2 Key areas of focus and response

Statement of Comprehensive Income	FY 2016 (\$'000)	② Rates revenue and grant income	③ Expenditure
Rates revenue	87,704	<p>Rate revenue has been identified as a significant transaction cycle given the size of account balance.</p> <p>Given the stability of rate revenue, we have established an expectation of the overall rate revenue using published rates and Valuer General reports to support property valuations.</p> <p>No issues in relation to rate revenue were noted.</p> <p>Grant revenue has been identified as a material account balance in relation to recognition requirements as set out in <i>AASB 1004 Contributions</i>. In accordance with this standard local government councils are required to recognise the revenue at the point where:</p> <ol style="list-style-type: none"> 1. The Council has a right to receive the revenue, or 2. The Council has control over the grant funding. <p>Based on the above, we have assessed the revenue recognised during the current year and ensured no grant revenue was inappropriately deferred to the statement of financial position.</p>	<p>Given the volume, magnitude and public accountability of Council expenditures the preventative and detective controls over expenditures, including the budgetary cycle were given consideration.</p> <p>Detailed testing has been performed over operating expenditure, by agreeing a selection of recorded transactions to supporting external documents.</p> <p>For employee costs, an expectation was developed using staff numbers, average pay and known increases awarded. That expectation was compared to the recorded balances and the difference was within a threshold (determined by us) and concluded to be materially correct.</p> <p>Depreciation expenditure was analysed for each asset category for compliance with the Council approved policy which also included an assessment of the useful lives and residual values of the fixed assets.</p> <p>No issues in relation to these account balances were noted.</p>
Statutory charges	2,989		
User charges	5,629		
Grants, subsidies and contributions	11,583		
Other income	2,975		
Total income	110,880		
Employee costs	34,651		
Materials, contracts and other expenses	45,713		
Depreciation, amortisation and impairment	23,802		
Finance costs	1,255		
Net loss – equity investments	1		
Total expenses	105,422		
Operating surplus	5,458		
Other non operating income	8,686		
Other comprehensive income	6,011		
Total comprehensive income	14,697		

2. Purpose and scope

2.1 Scope

We were engaged to perform an audit of City of Salisbury (the Council) for the year ended 30 June 2016 in accordance with Australian Auditing Standards. Our audit is performed to enable us to express an opinion as to whether the financial report of the Council has been prepared in accordance with Australian Accounting Standards and the *Local Government Act 1999* and the *Local Government (Financial Management) Regulations 2011*.

We were also engaged to perform a compliance audit of the Council with the requirements of Section 125 of the *Local Government Act 1999* in relation to the Internal Controls established by the Council to ensure that the receipt, expenditure and investment of money, acquisition and disposal of property and incurring of liabilities for the period 1 July 2015 to 30 June 2016 are in accordance with legislative provisions.

2.2 Purpose of the report

We have prepared this report for the City of Salisbury's Committee to assist you in fulfilling your obligation to oversee the financial reporting and disclosure process of the Council for which management is responsible. This report includes only those matters that have come to our attention as a result of performing our audit procedures which we believe are appropriate to present to the Committee.

2.3 Status of the audit and outstanding matters

Our audit of the financial report is substantially complete.

We expect to issue unmodified audit opinions on the financial report, grant audits, audit of the Workers Compensation Declaration and ASAE 3100 engagement with respect to the Council's compliance with Section 125 of the *Local Government Act 1999* subject to the completion of:

- appropriate procedures relating to subsequent events up to the date of our audit opinion;
- Receipt of the signed written representation letter from management; and
- Adoption of the accounts by the Council and signing of Certification of the financial report by the Chief Executive Officer and Mayor.

3. Audit focus areas

Our audit procedures were focused on those areas of the Council's financial report that were identified and assessed as audit risks. These areas were identified as a result of:

- The risk assessment processes undertaken during the planning phase and throughout our engagement;
- our understanding of the entity risks faced by the City of Salisbury, obtained through our prior experiences providing services to the City of Salisbury as well as a number of other Councils across South Australia and Australia; and
- discussions with management during the course of our audit.

We detail below the areas of focus which we have identified as relevant to our audit that include significant risks and other areas of interest that we are required to and/or have determined should be, communicated to you.

3.1 Infrastructure, property, plant and equipment

Focus area	Findings
<p>The majority of Infrastructure, Property, Plant & Equipment gets re-valued on an annual basis at a value equal to depreciated replacement cost per Council policy. In the 2016 financial year the revaluation resulted in a net increase in revaluation surplus of \$6,011,000.</p> <p>During the financial year a review of the Council's infrastructure assets was undertaken and a number of changes were made including:</p> <ul style="list-style-type: none"> • Residual values for road pavement assets were removed; • Useful lives for road pavement assets have been reassessed and adjusted to 50 to 225 years (previously 40-80 years); and • Other minor assets including streetscapes, signs and road furniture have had their residual values removed. <p>These changes have been disclosed in the financials as a change in accounting estimate in accordance with AASB 108.</p>	<p>Deloitte performed the following:</p> <p>Evaluation of the assumptions made by your experts (Tonkin and Valuer General) in their valuation reports, by comparing the assumptions they have made with prior year valuation reports and understanding any material variances. We note the main differences relate to the removal of residual value of the majority of the assets and the componentization of certain assets into short-life and long-life parts due to the change of interpretation of accounting standards relating to fixed assets. Such variances are in line with our understanding.</p> <p>Our detail testing covered the following areas:</p> <ul style="list-style-type: none"> ➤ Existence of fixed assets; ➤ Additions of fixed assets; ➤ Disposal of fixed assets; and ➤ rights and obligations of assets free of charge. <p>We have also performed the following procedures:</p> <ul style="list-style-type: none"> ➤ Developed an expectation of depreciation expenditure in accordance with policy; ➤ Reviewed the reconciliation of the fixed asset register to the financial statements; and ➤ Involved our valuation specialist in assessing the reasonableness of the overall valuation methodology used by Council's valuers. <p>A number of free of charge assets who's practical completion was achieved in prior years were identified in the current year as a result of timing delays of notifications from the Department of Planning, Transport and Infrastructure as well as delays from property developers confirming the status of completion. This resulted in restating 2015 comparative numbers. Consequently the 30 June 2015 net assets and equity balances were understated by \$8.603M. This restatement has been correctly disclosed in accordance with AASB 108.</p> <p>Overall we are comfortable with the current fixed asset position as at 30 June 2016.</p>

4. Internal control

Objective

We were engaged to perform a compliance audit of the Council with the requirements of Section 125 of the *Local Government Act 1999* in relation to the Internal Controls established by the Council to ensure that the receipt, expenditure and investment of money, acquisition and disposal of property and incurring of liabilities for the period 1 July 2015 to 30 June 2016 are in accordance with legislative provisions.

Summary of internal control

The 31 business processes are divided into 6 risk categories including Assets, Liabilities, Expenses, Revenue, Strategic Financial Planning and External Services. The Better Practice Model provided by the Local Government Association (LGA) identifies risks for each business process and suggests several controls to address each risk. In total there are 491 controls, of which 233 are considered "Core" and 258 are considered "Additional".

Summary of results

We have performed the control assessment on a rotation basis for each of six risk categories. For the financial year ended 2016, we have selected the risk categories of Assets and External Services as well as scoping in controls that fit the following profile:

- control activities which are different from last year and different from the Better Practice Model;
- control activities which have different assessors or reviewers from last year;
- control activities which have a rating for assessor or reviewer which are equal or less than 2;
- control activities which the rating for assessor and reviewers are different by 2 or more;
- control activities which had findings identified from last year; and
- control activities which are significant to the statutory audit.

In performing our audit of the Council for the year ended 30 June 2016 we have not identified any deficiencies in internal controls relating to the prevention and detection of fraud and error which would impact upon our ability to provide our opinion on the financial report for the year ended 30 June 2016. There were also no control findings as part of our engagement on the compliance with section 125 of the *Local Government Act 1999*.

Future Considerations

The Council has implemented 233 core controls in accordance with the recommendations of the Better Practice Model, in order to comply with Section 125 of the *Local Government Act 1999*. We recommend that management perform further risk profiling analysis on these core controls to identify the key controls required to address the risks specific to the council. This will allow both our testing and the Council's self-assessments to be more focussed.

5. Other communications

Independence

We confirm that we have maintained our independence in accordance with the independence requirements of the *Local Government Act 1999* and the *Local Government (Financial Management) Regulations 2011*, and intend to sign the Auditor's Independence Declaration (Appendix D) to be included in the Financial Report for the year ended 30 June 2016.

Non-compliance with applicable laws and regulations

In performing our audit of the Council for the year ended 30 June 2016 we have not become aware of any instances of non-compliance with applicable laws and regulations that would have an impact on the determination of material amounts and disclosures in the financial report.

Use of specialists

As planned, specialists assisted in the audit to the extent we considered necessary:

- **Valuation specialists** have been consulted in the evaluation of property and infrastructure valuations; and
- **Computer assurance specialists** are used on a rotational basis to assist in the evaluation of internal controls and in the use of our computerised audit applications.

Appendices

Appendix A

Summary of uncorrected misstatements

In performing our audit, we have not identified any uncorrected misstatements that we believe could, either individually or in aggregate, have a material effect on the financial report for the year ended 30 June 2016.

Appendix B

Summary of uncorrected disclosure deficiencies

In performing our audit of City of Salisbury for the year ended 30 June 2016 no material uncorrected disclosure deficiencies were detected in the financial report.

Appendix C

There continues to be constant developments in financial reporting mainly driven by harmonisation of international accounting practices. We continue to provide regular analysis of the latest accounting developments through our IAS Plus website, www.iasplus.com/en. We have set out below some of the recent accounting developments that are of relevance to the City of Salisbury and impact the financial report for June 2016 and beyond.

Developments in financial reporting

C.1 Standards in issue not yet effective for the year ended 30 June 2016

The following new and revised Accounting Standards and amendments have been issued by the Australian Accounting Standards Board ("AASB") which are not yet effective that are of relevance to the City of Salisbury:

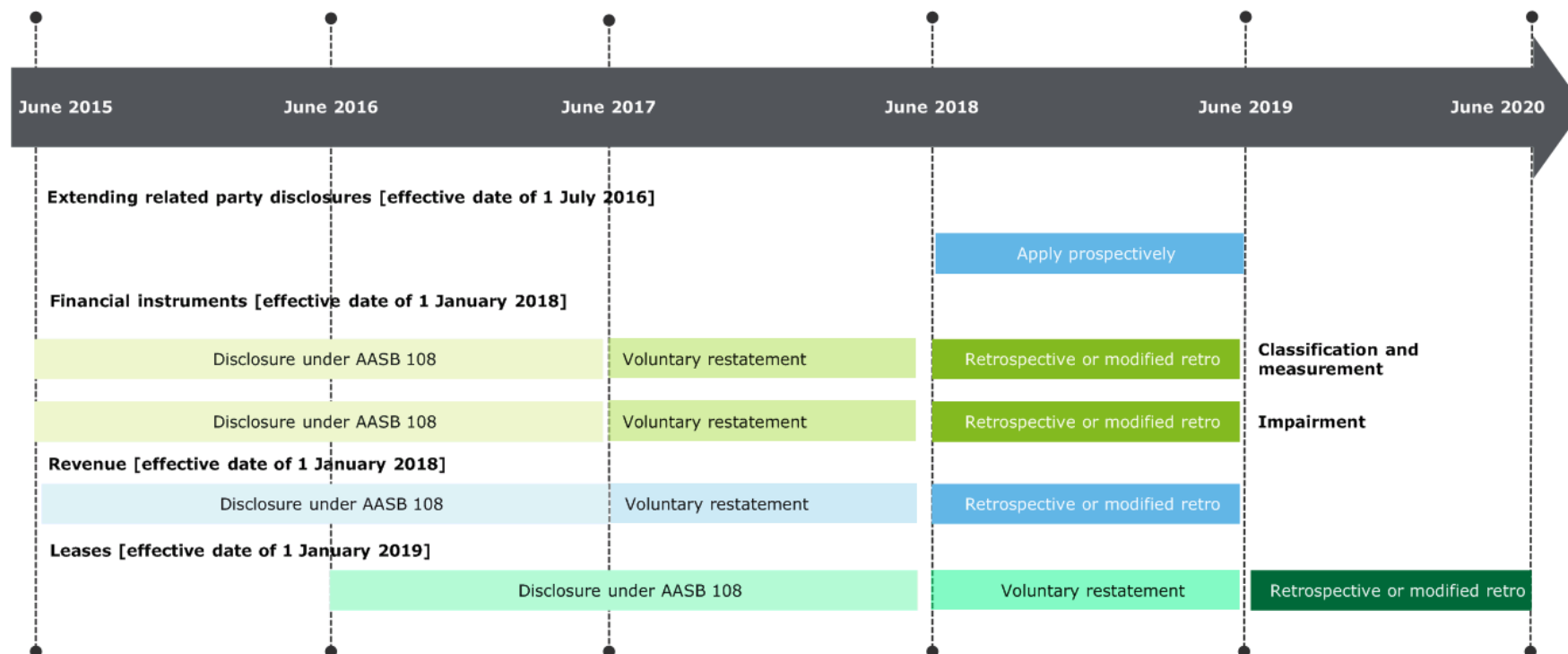
Standard/Interpretation	Effective
AASB 2015-6 Extending related party disclosures to not-for-profit public sector entities	1 July 2016
AASB 9 Financial Instruments 2014	1 January 2018
AASB 15 Revenue from Contracts with Customers, AASB 2014-5 Amendments to Australian Accounting Standards arising from AASB 15, AASB 2015-8 Amendments to Australian Accounting Standards – Effective date of AASB 15, AASB 2016-3 Amendments to Australian Accounting Standards – Clarifications to AASB 15, ED 260 Income of Not-for-Profit Entities	1 January 2018
AASB 16 Leases	1 January 2019

Appendix C (cont.)

Developments in financial reporting (cont.)

C.2 Project updates timeline

We have set out below a summary of the major projects that may be relevant to the City of Salisbury.



Appendix C (cont.)

Developments in financial reporting		
Standard/ Interpretation	Effective Date	Impact of the new standard/interpretation
Extending related party disclosures	1 July 2016	<ul style="list-style-type: none"> Extends the scope of AASB 124 to not-for-profit public sector entities. Implementation guidance is included in the amendment to assist application of the Standard by not-for-profit public sector entities.
Financial Instrument	1 January 2018	<ul style="list-style-type: none"> The final version of AASB 9 brings together the classification and measurement, impairment and hedge accounting phases of the IASB's project to replace AASB 139 Financial Instruments: Recognition and Measurement. The Standard carries over the existing derecognition requirements from AASB 139 but all other areas of AASB 139 have been revised.
Revenue	1 January 2018	<ul style="list-style-type: none"> The objective of this project is to develop a not-for-profit sector Accounting Standard that provides a basis for accounting for resource inflows and, where needed, develop not-for-profit sector specific guidance. In response to the concerns over the income recognition model in AASB 1004 Contributions, the AASB issued ED 260 Income of Not-for-Profit Entities back in April 2015. The Exposure Draft 260 proposes requirements for the recognition, measurement and disclosure of income of Australian not-for-profit entities in the public and private sectors. The key proposal in the Exposure Draft is the removal of the "reciprocal v non-reciprocal" income recognition requirements of AASB 1004. As a replacement, the Exposure Draft proposes that the timing of revenue recognition by a not-for-profit entity in relation to a transaction should be based on whether: (a) the transaction occurs in a contract (that is, an agreement with another party that creates enforceable rights and obligations); and, if so, (b) whether the contract includes performance obligations (which are promises by the entity to transfer goods or services to the customer). When (a) and (b) above are met, the not-for-profit entity would apply AASB 15. Under that Standard, the entity would recognise revenue when (or as) it satisfies each performance obligation by transferring a promised good or service to the customer (which occurs when the customer obtains control of that good or service). ED 260 includes material on "enforceable agreements" and "sufficiently specific transfer" to assist not-for-profit sector constituents to apply the proposed income recognition requirements. In contrast, unless both (a) and (b) above are met, the not-for-profit entity would immediately recognise income under the replacement standard of AASB 1004. Examples of transactions and other events that are within the scope of the replacement standard are: voluntary transfers (e.g. donations, grants and appropriations to government departments and agencies) and compulsory transfers (e.g. taxes, rates and fines).
Leases	1 January 2019	<ul style="list-style-type: none"> Removes distinction between operating and finance lease Requires the lessee to recognise, for all leases: <ul style="list-style-type: none"> An asset representing its right to use the leased item for the lease term, including rights under options A liability for its obligation to pay rentals, including contingent rental and residual value options.

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Appendix D

Draft independence declaration

Mr Peter Brass
Chairman of the Audit Committee of Council
City of Salisbury
12 James Street
SALISBURY SA 5108

11 October 2016

Dear Sir

Auditor's Independence Declaration to the City of Salisbury

In accordance with the *Local Government (Financial Management) Regulations 2011*, I am pleased to provide the following declaration of independence to the councillors of the City of Salisbury.

I confirm that, for the audit of the financial statements of the City of Salisbury for the 30 June 2016 financial year, 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, and in accordance with the requirements of the *Local Government Act 1999* and the *Local Government (Financial Management) Regulations 2011* made under that Act

Yours faithfully
Deloitte Touche Tohmatsu

Penny Woods
Partner

Appendix E

Independence letter for the Audit Committee

Mr Peter Brass
Chairman of the Audit Committee of Council
City of Salisbury
12 James Street
SALISBURY SA 5108

11 October 2016

Dear Sir

Independence letter for the Audit Committee

Deloitte Touche Tohmatsu ("Deloitte") has prepared the following letter to facilitate our communication with the Audit Committee of the City of Salisbury (the "Council") and to assist you in meeting your requirements under the *Local Government Act 1999* to communicate matters to the members of Council regarding Auditor independence.

Independence

The *Local Government Act 1999* and our professional standards require that we communicate with you whether there have been any contraventions of the auditor independence requirements of the *Local Government Act 1999* or of any applicable code of professional conduct in relation to the audit.

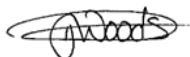
To the best of our knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Local Government Act 1999* or of any applicable code of professional conduct in relation to the audit for the financial year ended 30 June 2016.

We are not aware of any relationships between Deloitte and the Council that, in our professional judgment, may reasonably be thought to bear on our independence.

This report is intended solely for the information and use of the Council and management for the purposes stated herein, and is not intended to be and should not be used or relied upon by any other person or by any person for any other purpose.

Should you have any queries or wish to discuss this matter further please do not hesitate to contact me on 8407 7085.

Yours faithfully
Deloitte Touche Tohmatsu



Penny Woods
Partner



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