



## **AGENDA**

**FOR AUDIT COMMITTEE MEETING TO BE HELD ON**

**10 OCTOBER 2017 AT 6:30 PM**

**IN COMMITTEE ROOMS, 12 JAMES STREET, SALISBURY**

### **MEMBERS**

Cr G Reynolds (Chairman)  
Cr G Caruso  
Mr N Ediriweera  
Mr C Johnson (Deputy Chairman)  
Ms K Verrall

### **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, Mr M Petrovski

### **APOLOGIES**

### **LEAVE OF ABSENCE**

### **PRESENTATION OF MINUTES**

Presentation of the Minutes of the Audit Committee Meeting held on 11 July 2017.

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**REPORTS**

*Administration*

- 4.0.1 Appointment of Deputy Chairman - Audit Committee..... 7
- 4.0.2 Future Reports for the Audit Committee of Council..... 9

*Reports*

- 4.2.1 Report to the Audit Committee for the year ended 30 June 2017, prepared by Bentleys ..... 11
- 4.2.2 End of Financial Year Statements and Analysis ..... 27

**OTHER BUSINESS**

**CLOSE**



**MINUTES OF AUDIT COMMITTEE MEETING HELD IN COMMITTEE ROOMS, 12  
JAMES STREET, SALISBURY ON**

**11 JULY 2017**

**MEMBERS PRESENT**

Mr P Brass (Chairman)  
Mr C Johnson (Deputy Chairman)  
Cr G Caruso  
Cr G Reynolds (*from 7.35pm*)

**STAFF**

Chief Executive Officer, Mr J Harry (*from 7.10pm*)  
General Manager Business Excellence, Mr C Mansueto  
Manager Governance, Ms T Norman  
Business Analyst - Internal Audit & Risk, Mr G Kendall

The meeting commenced at 7.02 pm.

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

Mr David Papas, Director Assurance & Advisory, Bentleys – External Auditor was in attendance to present the Interim Report on Audit Findings.

**APOLOGIES**

An apology was received from Ms K Verrall.

**LEAVE OF ABSENCE**

Nil

**PRESENTATION OF MINUTES**

Moved Mr C Johnson  
Seconded Cr G Caruso

The Minutes of the Audit Committee Meeting held on 11 April 2017, be taken and read as confirmed.

**CARRIED**

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## REPORTS

### *Administration*

#### **4.0.1 Future Reports for the Audit Committee of Council**

Moved Mr C Johnson  
Seconded Cr G Caruso

1. The information be received.

**CARRIED**

### *Reports*

#### **4.2.1 Bentleys' Interim Report on Audit Findings**

Moved Cr G Caruso  
Seconded Mr C Johnson

1. The information be received.

**CARRIED**

#### **4.2.2 Annual Report 2016/17 - Internal Controls Framework and Audit Committee sections**

Moved Mr C Johnson  
Seconded Cr G Caruso

1. The information be received.
2. The draft text for the annual report regarding the operations and membership of the Audit Committee of Council and the Financial Internal Controls Framework, as set out in Attachment 1 to this report (Item No. 4.2.2, Audit Committee 11/07/2017), subject to the inclusion of reference of completion of the annual self-assessment process, be forwarded to the Communications and Customer Relations Division for inclusion in the draft annual report.

**CARRIED**

#### **4.2.3 Internal Audit Plan**

Moved Mr C Johnson  
Seconded Cr G Caruso

1. The information be received.

**CARRIED**

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**4.2.4 Update on the Risk Management and Internal Controls Activities for the 2016/17 and 2017/18 financial years and outstanding Internal Audit actions.**

*Cr G Reynolds entered the meeting at 07:35 pm.*

Moved Mr C Johnson  
Seconded Cr G Reynolds

1. The information be received.
2. The schedule of Risk Management and Internal Controls Activities 2017-18, as set out in Attachment 2 to this report (Item No. 4.2.4, Audit Committee 11/07/2017), be endorsed.

**CARRIED**

**OTHER BUSINESS**

Nil

The meeting closed at 7.40 pm.

CHAIRMAN.....

DATE.....



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<b>ITEM</b>	4.0.1
	<b>AUDIT COMMITTEE</b>
<b>DATE</b>	10 October 2017
<b>PREV REFS</b>	
<b>HEADING</b>	Appointment of Deputy Chairman - Audit Committee
<b>AUTHOR</b>	Michelle Woods, Projects Officer Governance, CEO and Governance
<b>CITY PLAN LINKS</b>	4.3 Have robust processes that support consistent service delivery and informed decision making.
<b>SUMMARY</b>	This report provides information with respect to the appointment and role of Deputy Chairman of the Audit Committee. In accordance with the Terms of Reference of the Audit Committee, an appointment is required to be made.

#### **RECOMMENDATION**

1. \_\_\_\_\_ be appointed as Deputy Chairman of the Audit Committee for the remainder of the term of Council.

#### **ATTACHMENTS**

There are no attachments to this report.

### **1. BACKGROUND**

1.1 At the February 2016 Council meeting it was resolved:

1. *Mr C Johnson be appointed as Deputy Chairman of the Audit Committee for a term concluding 1 September 2017, consistent with the appointment term of the Chairman of the Audit Committee.*

**CARRIED  
0908/2016**

1.2 In accordance with the Audit Committee terms of reference, the Committee is now required to make a new appointment for the position of Deputy Chairman.

### **2. REPORT**

2.1 The Terms of Reference for the Audit Committee provide:

- 2.1.1 *The Deputy Chairman will be appointed by the Council for a term determined by the Council following a recommendation from the Audit Committee made at the April Committee meeting in the year following a General Election, or as required.*

- 2.2 The Deputy Chairman acts in the role of Chairman in their absence.
- 2.3 As the current appointment for Mr Craig Johnson expired 01/09/2017, the Committee is asked to consider who should fulfill the position of Deputy Chairman of the Audit Committee.
- 2.4 It is recommended the term of the appointment be consistent with that of the Chairman, being for the remainder of the term of Council.

**3. CONCLUSION / PROPOSAL**

- 3.1 In accordance with the Terms of Reference for the Audit Committee, the Committee is now asked to consider the position of Deputy Chairman and determine who should fulfil this role and for what term.

**CO-ORDINATION**

Officer:	EXECUTIVE GROUP	MG
Date:	03/10/2017	06/09/17



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<b>ITEM</b>	4.0.2
	<b>AUDIT COMMITTEE</b>
<b>DATE</b>	10 October 2017
<b>HEADING</b>	Future Reports for the Audit Committee of Council
<b>AUTHOR</b>	Michelle Woods, Projects Officer Governance, CEO and Governance
<b>CITY PLAN LINKS</b>	4.3 Have robust processes that support consistent service delivery and informed decision making.
<b>SUMMARY</b>	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	A/MG
Date:	03/10/2017	28/09/2017



<b>ITEM</b>	4.2.1
	<b>AUDIT COMMITTEE</b>
<b>DATE</b>	10 October 2017
<b>HEADING</b>	Report to the Audit Committee for the year ended 30 June 2017, prepared by Bentleys
<b>AUTHOR</b>	George Kendall, Business Analyst - Internal Audit & Risk, CEO and Governance
<b>CITY PLAN LINKS</b>	4.3 Have robust processes that support consistent service delivery and informed decision making.
<b>SUMMARY</b>	<p>Bentleys 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 Bentleys' Final Report on Audit Findings for the year ended 30 June 2017 and provides a high level summary of all the work they have undertaken at the financial year end, with any key findings highlighted. Overall no issues were identified by Bentleys and an unqualified opinion will be given on both the City of Salisbury's financial statements and 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, Final Report on Audit Findings 30 June 2017

#### **1. BACKGROUND**

- 1.1 The City of Salisbury has engaged Bentleys to perform a financial statement audit for the year ended 30 June 2017 in accordance with Australian Auditing and Assurance Standards. Bentleys have to express an opinion on whether the financial report of Council has been prepared in accordance with Australian Accounting and Assurance 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 an assurance engagement was conducted on the financial internal controls of the City of Salisbury for the year 1 July 2016 to 30 June 2017, to ensure that they were in line with the requirements

of the South Australian Local Government Financial Management Group Inc. (SALGFMG) Better Practice Model and section 125 of the Act.

1.3 Bentleys have audited the City of Salisbury's 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 2016 to 30 June 2017.

1.4 Bentleys also reviewed the acquittal of certain specific grant programs within the 2016-17 financial year.

## **2. REPORT**

2.1 The attachment to this report provides a high level summary of the key areas of focus and the main findings from the work undertaken by Bentleys.

2.2 The procedures used by Bentleys included;

- Understanding the risk by completing risk assessments;
- Understanding the control environment and testing it for reliability;
- Undertaking substantive testing of the detail, (both the numbers and disclosures), based on the control environment and risks identified.

2.3 These procedures were used by Bentleys to test samples of financial internal controls.

2.4 Out of 371 financial internal controls applicable to the City of Salisbury, 151 were tested by Bentleys and one finding was made relating to a Payroll control, which has subsequently been addressed. Bentleys have confirmed that unqualified opinions will be provided on both financial statements and financial internal controls.

2.5 The financial statements and financial internal controls opinions will be provided by Bentleys after the Audit Committee of Council has reviewed the financial statements and all of the following documents have been sent to them:

- Auditor Independence Certification signed by the CEO and Chairman of the Audit Committee;
- Financial Statements certified by the Mayor and CEO;
- Management Representation Letter signed by the CEO and the General Manager Business Excellence.

## **3. CONCLUSION / PROPOSAL**

3.1 No findings were identified with the City of Salisbury's financial statements, financial internal controls and small grants programs, with the exception of the one finding regarding a Payroll control which has subsequently been addressed. This will result in the City of Salisbury achieving unqualified audit opinions on both the financial statements and financial internal controls.

- 3.2 This represents an excellent achievement for the City of Salisbury and is a testament to the effort expended by all those involved with the administration, assessment and review of financial internal controls.

**CO-ORDINATION**

Officer: Executive  
Group  
Date: 03/10/2017





# CITY OF SALISBURY

Final Report on Audit Findings  
30 June 2017

▶ Advisors    ▶ Accountants    ▶ Auditors

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## Executive summary

We have concluded our audit of the City of Salisbury for the year ended 30 June 2017 and report to management and those charged with governance the following matters for information purposes and for consideration of implementation or corrective action.

At the conclusion of our testing, using the information obtained we determined if there were any material matters or concerns that would impact the decision making ability of the users of the financial report.

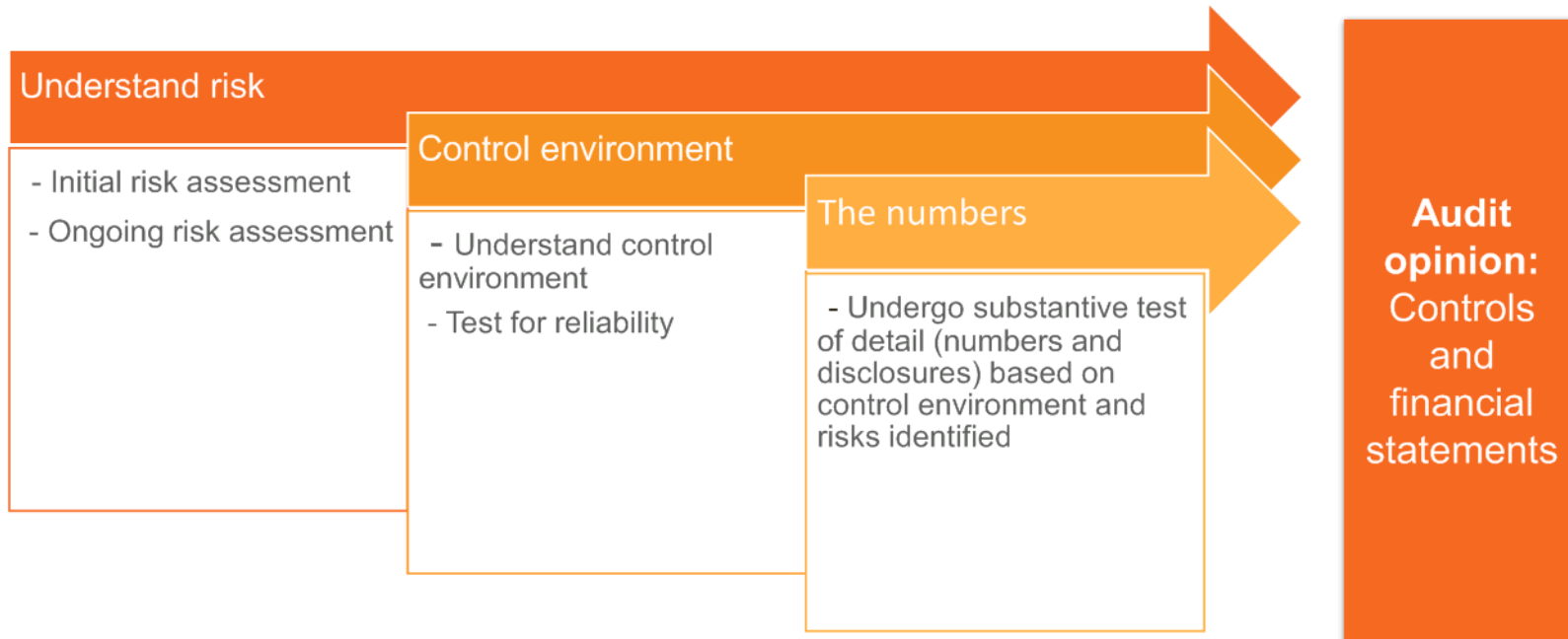
Summary of significant matters relating to the 2017 financial statement audit:

- No significant matters were identified for the 2017 audit.
- We intend to issue an unmodified opinion on the financial statements and internal controls opinion.

We would like to take this opportunity to thank management and staff for the assistance provided to us during the course of our audit.



# Audit objective & approach



## Key audit risks

We have identified the risks of financial statement material misstatement as part of our risk assessment procedures during the planning phase and the audit approach.

Area	Risk	Audit Approach	Outcome
Salisbury Water	Occurrence and accuracy of user charges in line with published rates.	We reviewed the user charges core controls and have not identified any material weaknesses in the processes.	Satisfactory
Residential Developments	Accounting treatment of Residential Developments including existence and valuation of the assets and the sale of the assets.	We have reviewed the accounting treatment and verified this balance at our year end visit. Council has sufficient resources and expertise to correctly account for and disclose these developments.	Satisfactory



# Key audit risks

Area	Risk	Audit Approach	Outcome
Asset Revaluations	The revaluation and useful lives assessment process in particular for Council Roads which is expected to attract a full revaluation for the year ended 30 June 2017.	We have reviewed the Fixed Assets Registers at our year end visit. Council has sufficient resources and expertise to correctly account for and disclose their fixed assets.	Satisfactory
Capital WIP	Accounting treatment of items in the Capital WIP account including the proposed building works, sport & recreation facilities upgrades, roads and footpath upgrades.	Our testing of Tenders and Contracts which contribute to Capital WIP at our interim visit did not find any significant issues with the control processes. We have reviewed the Capital WIP account and there have been no material issues noted.	Satisfactory










## Key audit risks

Area	Risk	Audit Approach	Outcome
Grant Revenue	Completeness, accuracy and compliance with grant agreements	We performed sample testing of Grants Revenue at our interim visit and did not find any errors in the completeness and accuracy of the balance.	Satisfactory
Related Parties	For the year ended 30 June 2017 Council has to comply with AASB 124 which has been revised to include Public Sector.	Our discussions with the Finance team note that they have collated the information for the new disclosure in line with our expectations.	Satisfactory



# Key findings

	Points considered	Rating	Reason
 <p>System and technology</p>	<ul style="list-style-type: none"> <li>• System integration</li> <li>• System knowledge</li> <li>• System access</li> </ul>		<p>The Technology One systems have adequate access. Staff with access are aware of their roles and use the systems appropriately.</p>
 <p>People</p>	<ul style="list-style-type: none"> <li>• Attitude</li> <li>• Culture</li> <li>• Embrace of change/challenge</li> </ul>		<p>The Finance Team appear to work cooperatively and we didn't experience any difficulties with our requests.</p>
 <p>Processes and controls</p>	<ul style="list-style-type: none"> <li>• Policies and procedures in place</li> <li>• Controls tested and reviewed sufficiently</li> </ul>		<p>The internal control framework appears well established. Roles are clearly defined and adhered to and the controls covered appear to be working.</p>
 <p>Financial</p>	<ul style="list-style-type: none"> <li>• Compliance with accounting standards</li> </ul>		<p>The financial report is materially correct and in line with accounting standards and the Council's Policies and Procedures.</p>



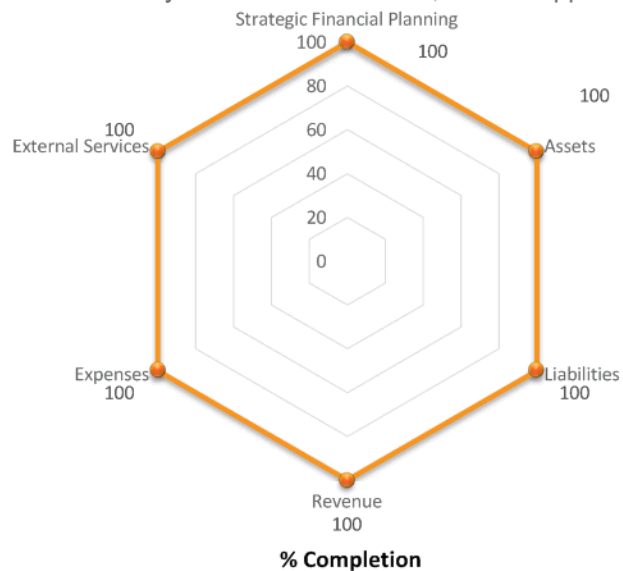
## Status of Prior Points Raised

Issue	Status
Payroll function not producing a Masterfile changes report.	We can confirm that the recommendations made by us in the interim management letter have been considered by City of Salisbury and subsequently adopted.  These recommendations include the implementation of a payroll exception report and having management review the pay run prior to payment.



# Internal controls update

The focus of our interim testing is assessing the internal controls of the organisation to determine if the information in the general ledger, that is being reported to management and used for the formation of the financial report, is likely to be accurate and reliable in all material respects. Below is a summary of the % progress of the planned internal controls tested to date. Our internal control review is based on a rolling testing method, whereby some controls are tested on a rotational basis and others tested annually, according to our consideration of the risk in each control area. For a more detailed summary of the controls tested, refer to appendix 1.





## Matters for those charged with governance

<p><b>Fraud</b></p>	<p>In the current year we have not identified any fraud within the organisation. It is important to note that while we may consider fraud, it is not the role of the external auditor to be a “fraud hunter”. Though fraud identification is not our purpose, we believe there are areas of the organisation that are inherently susceptible to fraud, for example:</p> <p><b>Organisational and financial reporting fraud:</b></p> <ul style="list-style-type: none"> <li>- Incorrect valuation of assets, including inappropriate estimate of useful lives</li> <li>- Incorrect impairment identification and assessment</li> <li>- Incorrect control environment assessment</li> </ul> <p><b>Individual employee fraud:</b></p> <ul style="list-style-type: none"> <li>- Lack of segregation of duties</li> <li>- Cash handling</li> <li>- Theft of inventory or minor assets (i.e. power tools)</li> </ul> <p>We believe it is important for management to continually consider and assess the control environment of the entity to identify areas where fraud can occur and ensure that those opportunities are removed and or monitored to reduce the risk and impact of fraud.</p>
<p><b>Legal compliance</b></p>	<p>Through our audit procedures we have not become aware of any non-compliance with applicable laws and regulations.</p>
<p><b>Financial reporting and accounting policies</b></p>	<p>We believe the accounting policies elected for the Council are reasonable and their application provides sufficient information for use of the decision makers.</p>
<p><b>Going concern</b></p>	<p>As part of our assessment we considered the appropriateness of the going concern assumption concluded by the Council and management. Our procedures indicate that this assumption is fair and that the going concern convention is appropriate.</p>
<p><b>Cooperation with management</b></p>	<p>The management team has been helpful and cooperative throughout the conduct of this year’s audit.</p>



# Appendix 1: Internal Control Coverage

Area	Planned coverage	Actual coverage	Percentage	Annual*	Rotational*
Budgets	11	11	100%	✓	
Taxation	2	2	100%		✓
GL	8	8	100%	✓	
Management Reporting	9	9	100%	✓	
Cash at Bank	4	4	100%		✓
Petty Cash	6	6	100%		✓
Credit Cards	5	5	100%		✓
Debtors	8	8	100%	✓	
Prepayments	0	0			✓
Loans and Grants	0	0			✓
Inventory	4	4	100%		✓
Fixed Assets	15	15	100%	✓	
Project Costing	2	2	100%		✓
Investments	3	3	100%		✓
AP Control	12	12	100%	✓	
Accrued Expenses	1	1	100%		✓
Borrowings	2	2	100%	✓	
Employee Provisions	1	1	100%		✓
Rates/Rate Rebates	11	11	100%	✓	
Grants	3	3	100%		✓
User Pay Income - Fee for Service	4	4	100%		✓
Receipting	6	6	100%	✓	
Other Revenue	1	1	100%		✓
Investment/Interest Income	0	0			✓
Purchasing and Procurement	5	5	100%	✓	
Employee Reimbursements	2	2	100%		✓
Other Expenses	2	2	100%		✓
Contracting	7	7	100%	✓	
Payroll	16	16	100%	✓	
Elected Members Expenses	1	1	100%		✓

\*Note:

Annual – Controls tested on an annual basis which are deemed key areas of the Council business.

Rotational – Controls tested on a rotational basis upon our discretion. These controls are selected on a risk basis approach as determined within the planning stage of the audit.



<b>ITEM</b>	4.2.2
	<b>AUDIT COMMITTEE</b>
<b>DATE</b>	10 October 2017
<b>HEADING</b>	End of Financial Year Statements and Analysis
<b>AUTHORS</b>	Tim Aplin, Senior Accountant, Business Excellence Kate George, Manager Financial Services, Business Excellence
<b>CITY PLAN LINKS</b>	4.2 Develop strong capability and commitment to continually improve Council's performance. 4.3 Have robust processes that support consistent service delivery and informed decision making.
<b>SUMMARY</b>	This report and the associated attachments, provides the Audit Committee with the information required to review the Annual Financial Statements for 2017 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 2017 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, Bentleys.

## ATTACHMENTS

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

1. Proposed Council General Business Item 1
2. Annual Financial Statements 2017

### 1. BACKGROUND

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

*(a) reviewing 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 2017.

### **2.2 External**

2.2.1 The Annual Financial Statements have been reviewed by Council's external Auditor Bentleys.

## **3. REPORT**

3.1 The City of Salisbury's Annual Financial Statements for 2017 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 2017.

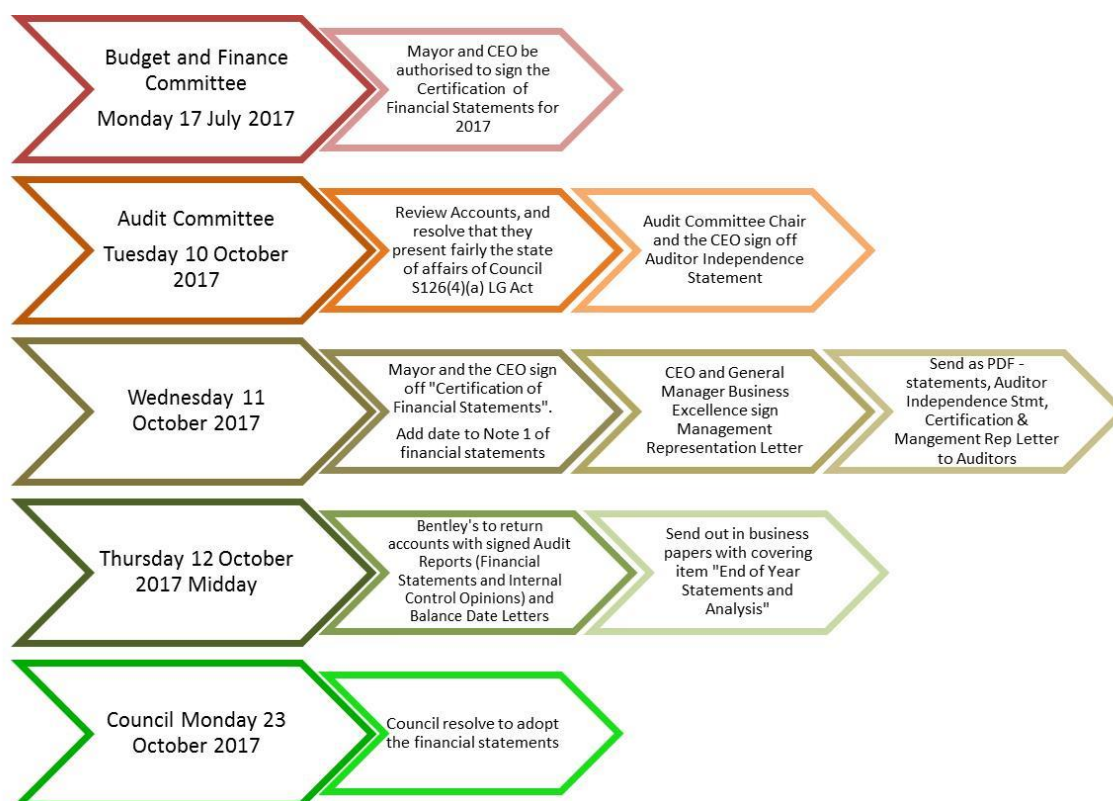
3.2 The City of Salisbury's Audit Committee is required under section 126(4)(a) of the Local Government Act 1999 to review the annual financial statements to ensure that they present fairly the state of affairs of the Council.

3.3 Our external auditors, Bentleys, have conducted their review of the Annual Financial Statements for 2017, and are awaiting the Audit Committees review prior to signing their audit opinion, after which the Annual Financial Statements for 2017 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 Bentleys prior to them furnishing their audit opinions on the Annual Financial Statements and Internal Control for 2017.

3.5 A timeline shown below demonstrates the process that is required to be followed to sign off the Annual Financial Statements for 2017.

### Sign off Process Annual Financial Statements for 2016/17



3.6 An analysis of the Annual Financial Statements and results for the year will be presented to Council on 23 October 2017, and a copy of that report is attached to this report for the Audit Committee's reference and review.

### 3.7 Independence of Council Auditor

3.7.1 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.*

## 4. CONCLUSION / PROPOSAL

4.1 The Annual Financial Statements for the year ended 30 June 2017 have been prepared by Council staff and have been audited by the City of Salisbury's external auditor Bentleys. Following the review of the Annual Financial

Statements for 2017 by the Audit Committee, the Statements will be certified by the Chief Executive Office and the Mayor and then Bentleys 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: Executive  
Group  
Date: 03/10/2017

<b>ITEM</b>	0.0
	<b>COUNCIL</b>
<b>DATE</b>	23 October 2017
<b>HEADING</b>	End of Year Financial Statement and Analysis
<b>AUTHORS</b>	Tim Aplin, Senior Accountant, Business Excellence Kate George, Manager Financial Services, Business Excellence
<b>CITY PLAN LINKS</b>	4.3 Have robust processes that support consistent service delivery and informed decision making. 4.2 Develop strong capability and commitment to continually improve Council's performance. Choose an item.
<b>SUMMARY</b>	<p>The City of Salisbury end of year processes for 2017 have been finalised and audited by Council's external auditor Bentleys. 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 10 October 2017. 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 2017 be adopted.

**ATTACHMENTS**

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

1. Annual Financial Statements for the year ended 30 June 2017

**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 presented in a manner consistent with the Model Financial Statements.*

ITEM 0.0

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**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 2017. This report has been reviewed by the City of Salisbury's Audit Committee at the meeting held 10 October 2017.

2.2 External

2.2.1 The Annual Financial Statements for 2017 have been reviewed by Council's external Auditors Bentleys.

**3. REPORT**

3.1 The City of Salisbury's Financial Statements for the 2017 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 Bentleys have conducted their review and have provided an unqualified audit opinion.

3.3 The following comments are provided with respect to the 2017 Annual Financial Statements, with commentary highlighting significant movements year on year.

3.4 Please note the date convention that has been used in this report, where 2017 refers to the 2016/17 financial year and 2016 refers to the 2015/16 financial year.

**4. FINANCIAL STATEMENT ANALYSIS**

**4.1 Statement of Comprehensive Income**

4.1.1 The Statement of Comprehensive Income shows an Operating Surplus before capital amounts and other comprehensive income of \$10,795k compared to prior year of \$5,458k.

4.1.2 The main factor creating this significant change to our level of Operating Surplus is the recommencement of the early payment of the Financial Assistance Grant.

4.1.3 In prior years the Federal Government has made payments in advance of the year of allocation, however ceased this practice in June 2014, and recommenced the practice in June 2015 and again ceased in the 2016 financial year. This has subsequently been reintroduced in the 2017 financial year, resulting in the 2017 operating result including six quarterly payments of the Financial Assistance Grant totaling \$11,757k and the 2016 results include only two quarterly payments totaling \$3,780k, the impact being an additional \$7,977k financial assistance grant funding received when compared to 2016.

4.1.4 Rates Revenue has increased by 4.26% from \$87,704k in 2016 to \$91,438k in 2017. This increase is due to the rate increase of 3% for the 2017 financial year, combined with development growth in the city



## ITEM 0.0

- 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.
- 4.1.5 Statutory Charges received have increased by 1.22% from \$2,989k in 2016 to \$3,026k in 2017 with the significant impact being an increase in Planning Application Fees \$62k relating to higher dollar value applications received for large developments.
- 4.1.6 User Charges have increased by 2.13% from \$5,629k in 2016 to \$5,749k in 2017, with the significant impact being increases in Waste Transfer Station Fees \$211k, Commercial Lease Income \$134k and Cemetery Fees \$127k. Offsetting these increases in User Charges are decreases in Water Supply \$424k, which is predominantly related to non-residential usage.
- 4.1.7 Grants, Subsidies and Contributions have increased by 50.23% from \$11,583k in 2016 to \$17,401k in 2017; with the significant impact being the receipt of an early payment of two quarters of the 2018 Financial Assistance Grant \$3,995k in 2017, compared to only two payments of the Financial Assistance Grant being received in 2015/16. This was as a result of two quarters of the 2016 Financial Assistance Grant being received early in 2015 (refer to paragraph 4.1.3). In the 2017 year a total of \$11,757k was received in Financial Assistance Grant payments, as compared to \$3,780k in 2016.
- 4.1.8 Investment Income has increased by 8.47% from \$518k in 2016 to \$562k in 2017, primarily as a result of higher cash holdings associated with property developments. The average interest rate on short-term investments for 2017 was 1.73%, which is a reduction from 2.04% in 2016.
- 4.1.9 Reimbursements have increased by 1.23% from \$540k in 2016 to \$547k in 2017, which is a minor increase and results from an overall increase in the requirement for reimbursed works offset by higher associated expenditure.
- 4.1.10 Other Revenues have increased by 11.09% from \$1,210k in 2016 to \$1,343k in 2017, predominantly resulting from a \$30k increase in Special Distribution funds received from Local Government Risk Services, \$31k relating to higher than budgeted receipts from the sale of scrap metal payments and numerous other minor variances.
- 4.1.11 Share of Profit Joint Ventures and Associated Entities decreased from a \$707k net gain in 2016 to an \$83k net loss in 2017. This reflects Council's Regional Subsidiaries performance, with NAWMA producing a net deficit of \$150k in 2017 compared to a net surplus of \$1,311k in 2016, and Council Solutions producing a net deficit of \$76k in 2017 as compared to a net deficit of \$5k in 2016. Council's share of these results in 2017 is a net loss of \$70k for NAWMA and a \$13k net loss for Council Solutions.
- 4.1.12 Employee Costs have increased from \$34,651k in 2016 to \$34,883k in 2017. Offsetting the EB adjustment of 2.5% for MOA staff and 3.0% for LGE staff are vacancies and other wage and salary movements.

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- 4.1.13 Materials, Contracts and Other Expenses have increased by 5.91% from \$45,713k in 2016 to \$48,418k in 2017, resulting from an increase in contractor expenditure for the 2017 year, particularly in the Refuse Disposal and associated EPA levy, estimated at \$400k for the financial year, Verge Mowing \$431k and Kerb and Gutter Replacement \$240k. A further, unexpected impact was in the Tree Management Program which had an end of year unfavorable variance of \$320k, and was impacted as a result of storm activity throughout 2017; however the majority of this cost was offset by savings in other parks and landscape activities.
- 4.1.14 Depreciation costs have increased from \$23,802k in 2016 to \$24,781k in 2017 related to the addition of new assets to our infrastructure portfolio as well as incremental adjustments to unit rates and indexation increases flowing from the prior year revaluations of infrastructure assets.
- 4.1.15 Finance Costs have decreased by 11.87% from \$1,255k in 2016 to \$1,106k in 2017, which reflects a real decrease in long term borrowings. During the 2017 financial year, special purpose borrowings of \$500k were established, however this is offset by a \$500k Loan Receivable.
- 4.1.16 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 5.4.2).

#### 4.2 Statement of Financial Position 30 June 2017

- 4.2.1 The Statement of Financial Position as at 30 June 2017 shows that Net Assets (Total Assets less Total Liabilities) or 'Equity' has increased by 2.5% or \$33,975k from \$1,345M in 2016 to \$1,379M in 2017.
- 4.2.2 The increase in Infrastructure, Property, Plant and Equipment from \$1,329M to \$1,355M is the most significant impact and is largely the result of additions to our current portfolio, being \$18,249k for new/upgraded and donated assets and \$21,190k for renewal of assets. Also contributing to this is net asset revaluation increments totaling \$13,431k (increments for Land and Land Improvements \$14,852k and Infrastructure \$23,117k, offset a decrement in Buildings and Other Structures \$24,538k). Offsetting this overall increase is accumulated depreciation increase of \$24,781k.
- 4.2.3 As revealed in Note 15 Financial Indicators, Net Financial Liabilities have decreased from \$15,596k to \$2,045k and have decreased as a proportion of total operating revenue from 14% to 2%. 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.
- 4.2.4 The most significant movement impacting this ratio is Council's cash position as at 30 June 2017, which has increased from \$16,816k in 2016 to \$28,576k in 2017, reflecting the advance receipt of two quarters of the 2018 Financial Assistance Grant (refer paragraph 4.1.3) and property settlement funds received, with cash being held for supplier payments in July and August which are traditionally high with delivery of capital projects necessitating higher creditor payments and also once off yearly

## ITEM 0.0

payments such WorkCover and Insurance Premiums. The decrease in Net Financial Liabilities is also attributable to Council's debt levels, which have decreased from \$17,140k in 2016 to \$15,067k in 2017.

- 4.2.5 The Asset Sustainability ratio has trended upwards to 133% in 2017 which is higher than the 72% achieved in 2016 and higher than the 111% in 2015. This is a reflection of higher cash expenditure on renewal/replacement of assets \$24,613k in 2017 when compared with \$18,510k planned expenditure per the Asset Management Plans. It was expected that this ratio would trend upwards in 2017, as it reflects the 'catch up' in renewal spend from 2016, where the result was 72%. It should be noted that the calculated three year weighted average of the ratio is 106% which is in the target range endorsed by Council of between 90%-110%.

#### 4.3 Statement of Cash Flows 30 June 2017

- 4.3.1 The Statement of Cash Flows shows a net increase in cash and investments of \$11,760k from \$16,816k at 30 June 2016 to \$28,576k at 30 June 2017.
- 4.3.2 Net cash provided by Operating Activities at 30 June 2017 was \$36,757k as compared with \$27,013k in 2016. This increase is primarily attributable to Grant, Subsidies and Contributions Income (\$17,811k in 2017 compared to \$12,363k in 2016) resulting from the reintroduction of the advance payment of the Financial Assistance Grant. Also impacting are higher Rates Revenue (\$91,245k in 2017 compared to \$87,773k in 2016).
- 4.3.3 Operating Activity payments have remained consistent \$90,481k in 2017 compared to \$90,913k in 2016).
- 4.3.4 Net cash used in Investing Activities has decreased from \$27,258k in 2016 to \$22,924k in 2017 primarily as a result of \$3,577k more cash received from Real Estate Developments and other Asset disposals. This is offset by a relatively constant amount of expenditure on infrastructure assets, noting that the expenditure of property development has declined given the stage of the tranche 1 and 2 projects.
- 4.3.5 Net cash used in Financing Activities relate solely to Council's investment and borrowings activities. Overall net cash used in finance activities has decreased from \$2,399k in 2016 to \$2,073k in 2017. The cash for loan repayments increased from \$2,399k in 2016 to \$2,573k in 2017, with more cash being utilised to repay loan principle rather than service interest given that we are in the later stages of our long term borrowings. Offsetting this is an increase in cash received from borrowings of \$500k reflecting funds received for a special purpose loan facility established in 2017 that is full offset by a loan receivable. The cash received as at 30 June 2017 from this loan receivable is disclosed in cash received from investing activities.

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**5. BUDGET ACTUAL ANALYSIS**

- 5.1 The analysis below is based on the comparison between the actual end of year results for the year ended 30 June 2017, and the original budget for same year. The commentary on the Statement of Comprehensive Income 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**  
**As at 30 June 2017**

Income	Actual \$000	Original Budget \$000	Variance \$000
Rates Revenues	91,438	91,358	80
Statutory Charges	3,026	2,673	353
User Charges	5,749	5,875	(126)
Grants, Subsidies & Contributions	17,401	13,477	3,925
Investment Income	562	147	415
Reimbursement	547	249	298
Other Income	1,344	736	608
<b>Total Income</b>	<b>120,066</b>	<b>114,513</b>	<b>5,553</b>
<b>Expenses</b>			
Employee Costs	34,883	37,036	2,153
Materials, Contracts and Other Expenses	48,418	46,843	(1,574)
Depreciation, amortisation & impairment	24,781	25,565	784
Finance Costs	1,106	1,881	775
Net Loss - Equity Accounted Council Businesses	83	0	(83)
<b>Total Expenses</b>	<b>109,271</b>	<b>111,325</b>	<b>2,054</b>
<b>Operating Surplus/(Deficit)</b>	<b>10,795</b>	<b>3,189</b>	<b>7,606</b>
Asset Disposal and Fair Value Adjustments	4,073	10,878	(6,805)
Amounts Received Specifically for New or Upgraded Assets	1,935	5,694	(3,759)
Physical Resources Received Free of Charge	3,741	4,000	(259)
<b>Net Surplus/(Deficit)</b>	<b>20,544</b>	<b>23,761</b>	<b>(3,216)</b>
<b>Other Comprehensive Income</b>			
Changes in Revaluation Surplus - I,PP&E	13,431	22,061	(8,630)
<b>Total Other Comprehensive Income</b>	<b>13,431</b>	<b>22,061</b>	<b>(8,630)</b>
<b>Total Comprehensive Income</b>	<b>33,975</b>	<b>45,822</b>	<b>(11,846)</b>

## ITEM 0.0

**5.2 Income Analysis**

## 5.2.1 Rates Revenues – Favourable Variance \$80k

The favourable variance is primarily the result of lower than budgeted Government Rates Rebates applied \$97k, offset by higher tier remission costs \$16k.

## 5.2.2 Statutory Charges – Favourable Variance \$353k

The favourable variance is primarily due to higher than budgeted Building and Development Lodgment fees \$214k and Planning fees \$160k resulting from higher than anticipated income generated from development projects. Included in the \$214k is \$180k 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 \$36k.

## 5.2.3 User Charges – Unfavourable Variance \$126k

The unfavourable variance is primarily the result of lower than anticipated Water Supply \$857k predominantly related to non-residential customers resulting from a late start to the irrigation season and high rainfalls. Offsetting this unfavourable variance, are higher than budgeted Fees income generated at the Waste Transfer Station \$281k and Commercial Tenants Lease Income \$161k and Cemetery Fees \$125k.

## 5.2.4 Grants, Subsidies &amp; Contributions – Favourable Variance \$3,925k

The favourable variance is the result of the advanced payment of the 2017/18 Financial Assistance Grant, with two quarters of the 2018 allocation received in June 2017.

## 5.2.5 Investment Income – Favourable Variance \$415k

The favourable variance is primarily the result of higher than anticipated interest received on our investment activity as a result of higher cash holdings through timing of property settlements.

## 5.2.6 Reimbursements – Favourable Variance \$298k

The favourable variance is the result of various reimbursements received relating to works or services undertaken by Council, with the predominant areas being Recreational Services contract management \$154k and Security charges \$33k. 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.

## 5.2.7 Other Revenue – Favourable Variance \$608k

The favourable variance is due to higher than budgeted amounts received relating to Sundry Income \$163k, the Workers Compensation Scheme Bonus \$88k, Training Income \$64k and the receipt of an unbudgeted distribution from the Local Government Risk Services \$170k.

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**5.3 Expenditure Analysis****5.3.1 Employee Costs - Favourable Variance \$2,153k**

The favourable variance is primarily due to some positions being back filled by contractors / agency staff \$1,537k, 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 of \$644k. Offsetting this variance is higher than budgeted amounts relating to employee entitlements \$242k.

**5.3.2 Materials, Contracts and Other Expenses – Unfavourable Variance \$1,574k**

Contract labour, which is required to be classified as a contractual expense for reporting purposes, resulted in an unfavourable variance of \$1,537k. 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. Other impacts which net each other are favourable variances related to electricity \$331k, primarily related to Street Lighting costs that were estimated to be favourable compared to original budget estimates at the end of the financial year, however an adjustment was not made due to uncertainty in potential cost increases for contracts in place at other Councils facilities, and fuel costs \$131k which were adjusted as part of the year's budget reviews. These favourable variances are offset in part by the additional EPA levy of \$400k which was announced after the adoption of the budgeted.

**5.3.3 Depreciation, Amortisation and Impairment –Favourable Variance \$784k**

The overall favourable variance is primarily due to budgeting for the removal of residual values as required by a change in approach by the Australian Accounting Standards Board. The removal of residuals also requires reassessment of useful lives. These changes for our road assets were incorporated into the 2017 Actuals, however, as the Building Audit was incomplete at the end of financial year, the impact from these changes is not reflected in the 2017 result, leading to the favourable variance of \$956k, with this increase in depreciation being reflected in 2018 onwards, and has been incorporated into the 2018 budget. Offsetting this favourable variance are unfavorable variances in depreciation for Library Books \$99k and Plant and Equipment \$74k.

**5.3.4 Finance Costs – Favourable Variance \$775k**

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.

**5.3.5 Net Loss – Equity Accounted Council Businesses – Unfavourable Variance \$83k**

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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 a net loss of \$70k and our other Regional Subsidiary, Council Solutions a \$13k net loss. It should be noted that from a budgeting perspective we budget for these entities to break even.

#### 5.4 Non-Operating Items Analysis

5.4.1 Net Gain/(Loss) on disposal of assets is \$6,805k unfavourable. The largest impact results from the timing of property development sales, with the original budget including the sale of all remaining lots for Tranche 1 Projects with net proceeds estimated at \$2,956k and a significant portion Tranche 2 lots being sold with net proceeds estimated at \$8,258k. However, actual net proceeds for Tranche 1 was \$1,686k and Tranche 2 \$5,172, with an overall shortfall of \$4,356k. It should be noted that this is purely a timing issue with planned sales for 2017 occurring in the 2018 financial year. For the sales actually achieved in 2017 sales occurred earlier in the financial year which contributed to greater interest revenue and lower borrowing costs.

Further impacting this variance is an unfavourable variance of \$2,508k which related to accounting losses that represent the written down value of assets disposed of. This includes Land Improvement Assets \$27k, Building Assets \$913k and Infrastructure Assets \$1,904k. All of these assets have been renewed or replaced earlier than anticipated. Slightly offsetting this are favourable variances for Plant and Equipment Disposals \$39k and Financial Asset Disposals \$20k.

5.4.2 Amounts specifically for new or upgraded assets were unfavourable \$3,759k primarily as a result of lower levels of grant funding received for capital projects than originally budgeted, predominantly relating to Diment Road Upgrade \$1,750k, Major Flood Mitigation Works \$594k, Traffic Management Devices \$396k, Dry Creek Erosion Control \$200k and Bicycle Network Improvements \$50k, all of which were adjusted via Budget Reviews throughout 2017.

5.4.3 Physical resources received free of charge had an unfavourable variance of \$259k which is a relatively minor variance. This amount represents the assets donated to Council which is usually associated with external property development and residential infill, with typical assets being road, kerbing, footpaths, drainage, and verges. It should be noted that the budget is an estimated figure due to the complexities involved in determining the expected levels of donated assets.

#### 5.5 Other Comprehensive Income Analysis

5.5.1 Changes in revaluation surplus – IPP&E shows a unfavourable variance to budget of \$8,630k. Budgeting for infrastructure revaluations is inherently complex, however the variance is the result of revaluation increments for Land and Land Improvements \$13,499k, Infrastructure

## ITEM 0.0

\$23,117k, offset by revaluation decrements for Buildings \$24,538k. Noting that the decrements result for the asset audits undertaken in the 2017 financial year.

### 5.6 Statement of Financial Position Analysis

5.6.1 The Statement of Financial Position for 2017 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 2017 end of year position.

**City Of Salisbury**  
**Statement of Financial Position**  
**As at 30 June 2017**

	Actual \$000	Original Budget \$000 [1]	Variance \$000
<b>Assets</b>			
<b>Current Assets</b>			
Cash and Cash Equivalents	28,576	20,643	7,933
Trade and Other Receivables	5,848	4,978	870
Inventories	5,144	6,125	(981)
<b>Total Current Assets</b>	<b>39,568</b>	<b>31,746</b>	<b>7,822</b>
<b>Non-Current Assets</b>			
Financial Assets	1,327	988	339
Equity Accounted Investments in Council Businesses	3,946	3,323	623
Infrastructure, Property, Plant and Equipment	1,354,629	1,364,288	(9,659)
Other Non-Current Assets	17,401	30,170	(12,769)
<b>Total Non-Current Assets</b>	<b>1,377,303</b>	<b>1,398,769</b>	<b>(21,466)</b>
<b>Total Assets</b>	<b>1,416,871</b>	<b>1,430,515</b>	<b>(13,644)</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Trade and Other Payables	13,674	14,570	896
Borrowings	2,350	2,500	150
Provisions	7,241	6,936	(305)
<b>Total Current Liabilities</b>	<b>23,265</b>	<b>24,006</b>	<b>741</b>
<b>Non-Current Liabilities</b>			
Trade and Other Payables	-	-	-
Borrowings	12,717	12,079	(638)
Provisions	1,814	1,608	(206)
<b>Total Non-Current Liabilities</b>	<b>14,531</b>	<b>13,687</b>	<b>(844)</b>
<b>Total Liabilities</b>	<b>37,796</b>	<b>37,693</b>	<b>(103)</b>
<b>Net Assets</b>	<b>1,379,075</b>	<b>1,392,822</b>	<b>(13,747)</b>
<b>Equity</b>			
Accumulated Surplus	333,969	337,752	(3,783)
Asset Revaluation Reserve	1,016,925	1,035,200	(18,275)
Other Reserves	28,181	19,870	8,311
<b>Total Equity</b>	<b>1,379,075</b>	<b>1,392,822</b>	<b>(13,747)</b>

[1] The original budget is that endorsed by Council, however a reclassification adjustment has been made. Specifically there was an amount of \$1,527k disclosed as Non Current Trade and Other Payables, which should have been disclosed as Non Current Provisions. To ensure accurate reporting this amount has been reclassified in the Statement of Financial Position above, noting that this has no effect on the substance of the endorsed budget.



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5.6.2 The Statement of Financial Position as at 30 June 2017 shows a unfavourable variance when compared to budget for Net Assets (Total Assets less Total Liabilities) or 'Equity' of \$13,747k. This variance is made up of the following:

- Total Current Assets are \$7,822k favourable when compared to the original budget. This is primarily as a result of cash and cash equivalents being favourable by \$7,933k. This is in part due to the receipt in June of the advance payment of two quarters of the 2018 Financial Assistance Grant \$3,995k. A further contributing factor is that the original budget is based on 100% delivery of all projects and operating expenditure, where there is always a level of carry forward, which has a favourable impact on our cash position. Trade and Other Receivables are also favourable \$870k, which is offset by an unfavourable variance in Inventories \$981k, both of which are related to timing.
- Infrastructure, Property, Plant and Equipment is \$9,659k unfavourable when compared to original budget, predominately as a result of revaluation adjustments of \$13,431 being lower than budgeted expectations of \$22,061k, noting that these adjustments are inherently complex, and are derived from periodic detailed asset audits.
- Other Non-current assets are \$12,769k lower than budget estimate, which is a result of lower than anticipated infrastructure projects in progress at the end of 2017. The budget was set with the last known actual result (30 June 2015), as it is expected to remain relatively static, although the mix of projects will of course change over time. The large reduction results from many of the property development project assets being completed, and no new property development projects underway at 30 June 2017.
- Liabilities are overall higher than budget by \$103k, with current and non-current provisions above Original Budget by \$511k with the main impact being slightly higher than budgeted amounts relating to employee entitlement provisions being recognised, primarily reflecting lower levels of leave being taken. Offsetting the unfavourable variances in provisions are a favourable variance in Trade and Other Payables \$896k, reflecting lower amounts owed to Creditors at the end of the financial year.

## 5.7 Financial Indicator Analysis

5.7.1 The Financial Indicators as presented in the original budget are set out below and have been compared to actual results for the 2017 financial year. Also included are adjusted Financial Indicators which normalises the ratio's for the timing of the Financial Assistance Grant.

## ITEM 0.0

Financial Indicators	Endorsed Operating Range	2016-17 Original Budget	2016-17 Actuals	Variance to Original Budget	2016-17 Adjusted Actuals	Variance to Original Budget
Operating Surplus Ratio	0-5%	2.80%	9.00%	6.20%	5.70%	2.90%
Net Financial Liabilities Ratio	<40%	9.70%	1.70%	8.00%	5.03%	4.67%
Asset Sustainability Ratio	90-110%	98.00%	133.00%	35.00%	N/A	N/A

5.7.2 The operating surplus ratio of 9.00% provides a favourable variance of 6.20% when compared to budget. However, when adjusted for the timing impact of the early receipt of the 2018 Financial Assistance Grant the ratio decreases to 5.70%, which is a favourable variance of 2.90%. This is primarily the result of higher than budgeted revenue generated from Statutory Charges \$353k, Investment Income \$415k, Reimbursements \$298k and Other Income \$608k. The current endorsed operating range for this indicator is 0.5%-5%.

5.7.3 Net Financial Liabilities of 1.70% produced a favourable variance of 8.00% when compared to budget, primarily the result of our cash position being \$7,933k higher than budget expectations. When adjusted for the timing impact of the early receipt of the 2018 Financial Assistance Grant the ratio increases to 5.03%, which is a favourable variance of 4.67%. The actual result falls within the current endorsed operating range for this indicator, being less than 40%.

5.7.4 The Asset Sustainability ratio of 133% provides a favourable variance of 35.00% when compared to budget, and is higher than the 72% achieved in 2016 and the 111% in 2015. It should be noted that the calculated three year weighted average ratio is 106% which is in the target range endorsed by Council of between 90%-110%. This result is a reflection of higher cash expenditure incurred on the renewal/replacement of assets \$24,613k in 2017 when compared with \$18,510k planned expenditure per the Asset Management Plans, for this year, and reflects delivery of prior year projects. The actual result is above the current endorsed operating range for this indicator, however it was expected that this ratio would trend upwards in 2017 as it reflects the 'catch up' in renewal spend from 2016.

#### 5.8 Conclusion / Proposal

5.8.1 The financial statements have been prepared in accordance with the applicable Australian Accounting Standards and legislative requirements, and are recommended to Council for adoption.

#### CO-ORDINATION

Officer:

Date:

# City of Salisbury

GENERAL PURPOSE FINANCIAL STATEMENTS  
for the year ended 30 June 2017

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*Salisbury - a flourishing City with opportunity for all*



## City of Salisbury

### General Purpose Financial Statements for the year ended 30 June 2017

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## City of Salisbury

### General Purpose Financial Statements for the year ended 30 June 2017

#### Certification of Financial Statements

**We have been authorised by the Council to certify the financial statements in their final form.**

**In our opinion:**

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

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John Harry  
**CHIEF EXECUTIVE OFFICER**

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Gillian Aldridge  
**MAYOR**

**Date:**

## City of Salisbury

### General Purpose Financial Statements for the year ended 30 June 2017

#### Understanding Council's Financial Statements

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##### 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 and 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 2017.

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 2017 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 2017

\$ '000	Notes	2017	2016
<b>Income</b>			
Rates Revenues	2a	91,438	87,704
Statutory Charges	2b	3,026	2,989
User Charges	2c	5,749	5,629
Grants, Subsidies and Contributions	2g	17,401	11,583
Investment Income	2d	562	518
Reimbursements	2e	547	540
Other Income	2f	1,343	1,210
Net Gain - Equity Accounted Council Businesses	19	-	707
<b>Total Income</b>		<b>120,066</b>	<b>110,880</b>
<b>Expenses</b>			
Employee Costs	3a	34,883	34,651
Materials, Contracts and Other Expenses	3b	48,418	45,713
Depreciation, Amortisation and Impairment	3c	24,781	23,802
Finance Costs	3d	1,106	1,255
Net Loss - Equity Accounted Council Businesses	19	83	1
<b>Total Expenses</b>		<b>109,271</b>	<b>105,422</b>
<b>Operating Surplus / (Deficit)</b>		<b>10,795</b>	<b>5,458</b>
Asset Disposal and Fair Value Adjustments	4	4,073	(1,588)
Amounts Received Specifically for New or Upgraded Assets	2g	1,935	1,437
Physical Resources Received Free of Charge	2i	3,741	3,379
<b>Net Surplus / (Deficit) <sup>1</sup></b>		<b>20,544</b>	<b>8,686</b>
<b>Other Comprehensive Income</b>			
<i>Amounts which will not be reclassified subsequently to operating result</i>			
Changes in Revaluation Surplus - I,PP&E	9a	13,431	6,011
<b>Total Other Comprehensive Income</b>		<b>13,431</b>	<b>6,011</b>
<b>Total Comprehensive Income</b>		<b>33,975</b>	<b>14,697</b>

<sup>1</sup> Transferred to Equity Statement

## City of Salisbury

Statement of Financial Position  
as at 30 June 2017

\$ '000	Notes	2017	2016
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and Cash Equivalents	5a	28,576	16,816
Trade and Other Receivables	5b	5,848	5,042
Inventories	5c	5,144	10,256
<b>Total Current Assets</b>		<b>39,568</b>	<b>32,114</b>
<b>Non-Current Assets</b>			
Financial Assets	6a	1,327	1,025
Equity Accounted Investments in Council Businesses	6b	3,946	4,030
Infrastructure, Property, Plant and Equipment	7a	1,354,629	1,328,507
Other Non-Current Assets	6c	17,401	17,903
<b>Total Non-Current Assets</b>		<b>1,377,303</b>	<b>1,351,465</b>
<b>TOTAL ASSETS</b>		<b>1,416,871</b>	<b>1,383,579</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Trade and Other Payables	8a	13,674	12,821
Borrowings	8b	2,350	2,560
Provisions	8c	7,241	6,918
<b>Total Current Liabilities</b>		<b>23,265</b>	<b>22,299</b>
<b>Non-Current Liabilities</b>			
Borrowings	8b	12,717	14,580
Provisions	8c	1,814	1,600
<b>Total Non-Current Liabilities</b>		<b>14,531</b>	<b>16,180</b>
<b>TOTAL LIABILITIES</b>		<b>37,796</b>	<b>38,479</b>
<b>Net Assets</b>		<b>1,379,075</b>	<b>1,345,100</b>
<b>EQUITY</b>			
Accumulated Surplus		333,969	309,864
Asset Revaluation Reserves	9a	1,016,925	1,003,494
Other Reserves	9b	28,181	31,742
<b>Total Council Equity</b>		<b>1,379,075</b>	<b>1,345,100</b>



## City of Salisbury

Statement of Changes in Equity  
for the year ended 30 June 2017

\$ '000	Notes	Asset			Total Equity
		Accumulated Surplus	Revaluation Reserve	Other Reserves	
<b>2017</b>					
<b>Balance at the end of previous reporting period</b>		309,864	1,003,494	31,742	1,345,100
<b>Net Surplus / (Deficit) for Year</b>		20,544	-	-	20,544
Other Comprehensive Income					
- Gain (Loss) on Revaluation of I,PP&E	7a	-	13,431	-	13,431
<b>Other Comprehensive Income</b>		-	13,431	-	13,431
<b>Total Comprehensive Income</b>		<b>20,544</b>	<b>13,431</b>	<b>-</b>	<b>33,975</b>
Transfers between Reserves					
		3,561	-	(3,561)	-
<b>Balance at the end of period</b>		<b>333,969</b>	<b>1,016,925</b>	<b>28,181</b>	<b>1,379,075</b>

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

## City of Salisbury

Statement of Cash Flows  
for the year ended 30 June 2017

\$ '000	Notes	2017	2016
<b>Cash Flows from Operating Activities</b>			
<u>Receipts</u>			
Rates Receipts		91,245	87,773
Statutory Charges		3,124	2,989
User Charges		4,881	6,084
Grants, Subsidies and Contributions (operating purpose)		17,811	12,363
Investment Receipts		557	525
Reimbursements		602	594
Other Receipts		9,018	7,598
<u>Payments</u>			
Payments to Employees		(35,233)	(34,337)
Payments for Materials, Contracts and Other Expenses		(54,142)	(55,321)
Finance Payments		(1,106)	(1,255)
<b>Net Cash provided by (or used in) Operating Activities</b>	11b	<b>36,757</b>	<b>27,013</b>
<b>Cash Flows from Investing Activities</b>			
<u>Receipts</u>			
Amounts Received Specifically for New/Upgraded Assets		1,935	1,437
Sale of Replaced Assets		479	465
Net Disposal of Investment Securities		177	-
Sale of Real Estate Developments		11,359	7,782
Repayments of Loans by Community Groups		19	3
<u>Payments</u>			
Expenditure on Renewal/Replacement of Assets		(25,092)	(13,750)
Expenditure on New/Upgraded Assets		(10,610)	(18,837)
Development of Real Estate for Sale		(691)	(4,358)
Loans Made to Community Groups		(500)	-
<b>Net Cash provided by (or used in) Investing Activities</b>		<b>(22,924)</b>	<b>(27,258)</b>
<b>Cash Flows from Financing Activities</b>			
<u>Receipts</u>			
Proceeds from Borrowings		500	-
<u>Payments</u>			
Repayments of Borrowings		(2,573)	(2,399)
<b>Net Cash provided by (or used in) Financing Activities</b>		<b>(2,073)</b>	<b>(2,399)</b>
<b>Net Increase (Decrease) in Cash Held</b>		<b>11,760</b>	<b>(2,644)</b>
plus: <b>Cash &amp; Cash Equivalents at beginning of period</b>	11	<b>16,816</b>	<b>19,460</b>
<b>Cash &amp; Cash Equivalents at end of period</b>	11	<b>28,576</b>	<b>16,816</b>
Additional Information:			
plus: <b>Investments on hand - end of year</b>	6a	<b>831</b>	<b>988</b>
<b>Total Cash, Cash Equivalents &amp; Investments</b>		<b>29,407</b>	<b>17,804</b>

## City of Salisbury

### Notes to and forming part of the Financial Statements for the year ended 30 June 2017

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## City of Salisbury

### Notes to and forming part of the Financial Statements for the year ended 30 June 2017

#### 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 on a going concern basis using the historical cost convention in accordance with Australian Accounting Standards as they apply to not-for-profit entities, other authoritative pronouncements of the Australian Accounting Standards Board, Interpretations and relevant South Australian legislation.

AASB 2016-4 Recoverable Amount of Non Cash-Generating Specialised Assets of Not-for-Profit Entities has been adopted early in the preparation of these financial reports.

This Standard removes the requirement for impairment testing of non-cash generating specialised assets that are carried at fair value. The early adoption of this Standard has not resulted in any changes to any amounts disclosed in these reports.

The financial report was authorised for issue by certificate under regulation 14 of the *Local Government (Financial Management) Regulations 2011* dated 11 October 2017.

##### 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

The 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 recent years the payment of untied financial assistance grants has varied from the annual allocation. 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. However on 09 June 2017, Council received two quarters of the 2017/18 grant

## City of Salisbury

### Notes to and forming part of the Financial Statements for the year ended 30 June 2017

#### Note 1. Summary of Significant Accounting Policies (continued)

amounting to \$3,995,448. The advanced payments received are summarised in the below table:

	Payment Received In Advance \$'000	
2014/15	4,065	Relates to 2015/16
2015/16	Nil	
2016/17	3,995	Relates to 2017/18

Because these grants are untied, the Australian Accounting Standards require that payments be recognised upon receipt. Accordingly, the operating results of these periods have been distorted compared to those that would have been reported had the grants been paid in the year to which they were allocated.

The Operating Surplus Ratio disclosed in Note 15 has also been calculated after adjusting for the distortions resulting from the differences between the actual grants received and the grants entitlements allocated.

#### 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 Inventories 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 & 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.

## City of Salisbury

### Notes to and forming part of the Financial Statements for the year ended 30 June 2017

#### Note 1. Summary of Significant Accounting Policies

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

##### 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;

these reviews are conducted either internally or externally through the completion of asset audits and valuations. As a result of these reviews, the following changes in accounting estimates have occurred that will impact the future depreciation of Councils infrastructure assets.

- Residual values for Building component assets has been removed.
- The useful lives for Building component assets have been adjusted to between 10 and 80 years.
- The useful lives of Road Seal assets have been adjusted to between 20 years (for higher use roads such as Collector roads) and 40 years (for lower use roads such as Residential roads).
- The useful lives of Road Base assets have been adjusted to between 60 years (for higher use roads such as Collector roads) and 150 years (for lower use roads such as Residential roads).
- The useful lives of Road Sub-Base assets have been adjusted to between 180 years (for higher use roads such as Collector roads) and 300 years (for lower use roads such as Residential roads).
- The useful life of Concrete and Block Paved Footpaths has been adjusted to 80 years.
- The useful life of Kerbing and Medians has been adjusted to between 180 and 300 years to align with the renewal of Road Sub-Base assets as part of a full road reconstruction.
- The useful lives of Drainage component assets (such as Headwalls, Box Culverts etc.) have been adjusted to between 20 and 100 years.
- The useful life of Concrete Sports Surfaces has been adjusted to 30 years.
- The useful life of Street Trees has been adjusted to 50 years.

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.

## City of Salisbury

### Notes to and forming part of the Financial Statements for the year ended 30 June 2017

#### Note 1. Summary of Significant Accounting Policies (continued)

##### 6.5 Intangible Assets

Intangible Assets have been accounted for in accordance with the requirements of AASB 138 Intangible Assets. An item is recognised as an intangible if it meets the definition of an intangible asset, it is probable that future economic benefits will flow to Council and the cost of the asset can be reliably measured.

Intangible assets are tested for impairment yearly, or when there is objective evidence or an indication that these assets may be impaired. Further determinations on useful lives are reviewed annually.

##### 6.6 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 & Services

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

##### 7.2 Payments Received in Advance & Deposits

Amounts 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 & Compensated Absences

Liabilities for employees' entitlements to salaries, wages and compensated absences expected to be paid or settled within 12 months of reporting date are accrued at nominal amounts (including payroll based oncosts) measured in accordance with AASB 119.

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

## City of Salisbury

### Notes to and forming part of the Financial Statements for the year ended 30 June 2017

#### Note 1. Summary of Significant Accounting Policies

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 Australian Accounting Standard AASB 117. In respect of operating leases, where the lessor substantially retains all of the risks and benefits incident to ownership of the leased items, lease payments are charged to expense over the lease term.

#### 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

In the current year, Council adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that are relevant to its operations and effective for the current reporting period. The adoption of the new and revised Standards and Interpretations has not resulted in any material changes to Council's accounting policies.

The City of Salisbury has not applied any Australian Accounting Standards and Interpretations that have been issued but are not yet effective.

This year Council has applied AASB 124 Related Party Disclosures for the first time. As a result Council has disclosed more information about related parties and transactions with those related parties. This information is presented in Note 22.

Apart from the AASB's listed below, there are no other amended Australian Accounting Standards or Interpretations which were issued at the date of authorisation of the financial report, but have future commencement dates, that are likely to have a material impact on the financial statements.

#### Effective for annual reporting periods beginning on or after 1 January 2018

- AASB 9 *Financial Instruments*
- AASB 15 *Revenue from Contracts with Customers*

#### Effective for annual reporting periods beginning on or after 1 January 2019

- AASB 16 *Leases*



## City of Salisbury

### Notes to and forming part of the Financial Statements for the year ended 30 June 2017

#### Note 1. Summary of Significant Accounting Policies (continued)

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##### 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 2017

## Note 2. Income

\$ '000	Notes	2017	2016
<b>(a). Rates Revenues</b>			
<b>General Rates</b>			
General Rates		90,582	86,878
Less: Mandatory Rebates		(1,102)	(1,056)
Less: Discretionary Rebates, Remissions and Write Offs		(319)	(305)
<b>Total General Rates</b>		<b>89,161</b>	<b>85,517</b>
<b>Other Rates (Including Service Charges)</b>			
Natural Resource Management Levy		1,875	1,770
Salisbury Town Centre Separate Rate		160	160
Globe Derby Separate Rate		6	6
Mawson Centre Carparking Separate Rate <sup>1</sup>		-	19
<b>Total Other Rates</b>		<b>2,041</b>	<b>1,955</b>
<sup>1</sup> Mawson Lakes Carparking Separate Rate was abolished by Council Resolution 0981/2016 in March 2016.			
<b>Other Charges</b>			
Penalties for Late Payment		236	232
<b>Total Other Charges</b>		<b>236</b>	<b>232</b>
<b>Total Rates Revenues</b>		<b>91,438</b>	<b>87,704</b>
<b>(b). Statutory Charges</b>			
Development Act Fees		873	862
Town Planning Fees		491	429
Animal Registration Fees and Fines		1,088	1,106
Parking Fines and Expiation Fees		296	316
Other Licences, Fees and Fines		278	276
<b>Total Statutory Charges</b>		<b>3,026</b>	<b>2,989</b>
<b>(c). User Charges</b>			
Cemetery Fees		579	452
Property Leases		790	655
Waste Disposal Fees		1,549	1,336
Water Supply		1,674	2,097
Aged and Disability Services		528	469
Sundry		629	620
<b>Total User Charges</b>		<b>5,749</b>	<b>5,629</b>

## City of Salisbury

Notes to and forming part of the Financial Statements  
for the year ended 30 June 2017

## Note 2. Income (continued)

\$ '000	Notes	2017	2016
<b>(d). Investment Income</b>			
Interest on Investments			
- Local Government Finance Authority		195	189
- Banks and Other		354	327
- Loans to Community Groups		13	2
<b>Total Investment Income</b>		<b>562</b>	<b>518</b>
<b>(e). Reimbursements</b>			
Contract Maintenance		154	228
Other		393	312
<b>Total Reimbursements</b>		<b>547</b>	<b>540</b>
<b>(f). Other Income</b>			
Insurance and Other Recoupments - Infrastructure, IPP&E		10	14
Rebates Received		767	698
Sundry		566	498
<b>Total Other Income</b>		<b>1,343</b>	<b>1,210</b>

## City of Salisbury

### Notes to and forming part of the Financial Statements for the year ended 30 June 2017

#### Note 2. Income (continued)

\$ '000	Notes	2017	2016
<b>(g). Grants, Subsidies, Contributions</b>			
Amounts Received Specifically for New or Upgraded Assets		1,935	1,437
<b>Total Amounts Received Specifically for New or Upgraded Assets</b>		<b>1,935</b>	<b>1,437</b>
Other Grants, Subsidies and Contributions		13,406	11,583
Individually Significant Item - Advance Grants Commission Payment (refer below)		3,995	-
<b>Total Grants, Subsidies, Contributions</b>		<b>19,336</b>	<b>13,020</b>

The functions to which these grants relate are shown in Note 12.

#### (i) Sources of grants

Commonwealth Government	2,398	3,969
State Government	15,718	7,993
Other	1,220	1,058
<b>Total</b>	<b>19,336</b>	<b>13,020</b>

#### (ii) Individually Significant Items

Advanced Grant Commission Grant Recognised as Income	3,995	-
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On 9 June 2017, Council received payment of the first two instalments of the 2017/18 Financial Assistance Grant, totalling \$3,995k and comprised of \$3,210k in general purpose funding and \$785k in untied local road funding. This has materially increased Council's operating results in the current year, as these amounts are recognised as income upon receipt. Potential material effects will be experienced when the timing of these grant payments are once again restored to a normal schedule.

## City of Salisbury

Notes to and forming part of the Financial Statements  
for the year ended 30 June 2017

## Note 2. Income (continued)

\$ '000	Notes	2017	2016
<b>(h). Conditions over Grants and Contributions</b>			
Grants and contributions which were obtained on the condition that they be expended for specified purposes or in a future period, but which are not yet expended in accordance with those conditions, are as follows:			
<b>Unexpended at the close of the previous reporting period</b>		981	1,848
<i>Less:</i>			
<i>Expended during the current period from revenues recognised in previous reporting periods</i>			
Roads Infrastructure		(280)	(394)
Green Trails		(279)	(78)
St Kilda/Robinson Road - Traffic Management Device		(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)	-
Mawson Lakes Signs		(24)	-
Resilient Salisbury		(11)	(99)
Aged Friendly Retail Project		(8)	(7)
Playford Business Services		(5)	(87)
Youth Network Grant		(5)	-
Waterwatch General Program		(5)	-
St Kilda Playground Renewal		-	(363)
Parafield Soccer		-	(200)
Pine Lakes Aquifer Storage/Storage Tank/Booster		-	(32)
OPAL (Obesity Prevention and Lifestyle) Program		-	(26)
Healthy Communities Initiative		-	(16)
Gawler Street Salisbury Safety Initiative		-	(9)
Indigenous Capability and Development Program		-	(8)
LEAP Program		-	(5)
Other		(2)	(98)
<b>Subtotal</b>		<b>(981)</b>	<b>(1,532)</b>

## City of Salisbury

Notes to and forming part of the Financial Statements  
for the year ended 30 June 2017

## Note 2. Income (continued)

\$ '000	Notes	2017	2016
<i>Plus:</i>			
<i>Amounts recognised as revenues in this reporting period but not yet expended in accordance with the conditions</i>			
Economic Regional Collaboration - Business Taskforce		137	28
Digital Growth Program		128	33
Aged Friendly SA Grant		17	-
Aboriginal Sports Development		10	-
Resilient Salisbury		9	11
Duke of Edinburgh		8	-
Fairbanks Drive/Byron Bay Drive Traffic Management		6	-
Youth Network Grant		5	5
Diment Road Burton/Direk Upgrade		-	280
St Kilda/Robinson Road - Traffic Management Device		-	134
Crime Prevention Grant		-	100
St Kilda CCTV Renewal - 16/17		-	41
Building Safe Communities		-	26
Waterwatch General Program		-	5
Other		5	2
<b>Subtotal</b>		<b>325</b>	<b>665</b>
<b>Unexpended at the close of this reporting period</b>		<b>325</b>	<b>981</b>
<b>Net increase (decrease) in assets subject to conditions in the current reporting period</b>		<b>(656)</b>	<b>(867)</b>
 (i). Physical Resources Received Free of Charge			
Land and Improvements		602	2,280
Roads, Bridges and Footpaths		2,237	710
Stormwater Drainage		902	389
<b>Total Physical Resources Received Free of Charge</b>		<b>3,741</b>	<b>3,379</b>

## City of Salisbury

Notes to and forming part of the Financial Statements  
for the year ended 30 June 2017

## Note 3. Expenses

\$ '000	Notes	2017	2016
<b>(a). Employee Costs</b>			
Salaries and Wages		28,225	28,162
Employee Leave Expense		5,276	5,049
Superannuation - Defined Contribution Plan Contributions	18	1,242	1,261
Superannuation - Defined Benefit Plan Contributions	18	1,766	1,787
Workers' Compensation Insurance		1,545	1,529
Less: Capitalised and Distributed Costs		(3,171)	(3,137)
<b>Total Operating Employee Costs</b>		<b>34,883</b>	<b>34,651</b>
Total Number of Employees (full time equivalent at end of reporting period)		407	408
<b>(b). Materials, Contracts and Other Expenses</b>			
<b>(i) Prescribed Expenses</b>			
Auditor's Remuneration			
- Auditing the Financial Reports		59	43
Bad and Doubtful Debts		12	4
Elected Members' Expenses		467	468
Election Expenses		121	39
Operating Lease Rentals - Cancellable Leases		748	957
<b>Subtotal - Prescribed Expenses</b>		<b>1,407</b>	<b>1,511</b>
<b>(ii) Other Materials, Contracts and Expenses</b>			
Contractors		33,221	30,400
Energy		3,785	3,702
Parts, Accessories and Consumables		3,027	2,982
Sundry		3,009	2,951
Levies Paid to Government - NRM Levy		1,874	1,738
Insurance		926	994
Water Rates		592	870
Levies - Other		330	309
Legal Expenses		247	256
<b>Subtotal - Other Material, Contracts and Expenses</b>		<b>47,011</b>	<b>44,202</b>
<b>Total Materials, Contracts and Other Expenses</b>		<b>48,418</b>	<b>45,713</b>

## City of Salisbury

Notes to and forming part of the Financial Statements  
for the year ended 30 June 2017

## Note 3. Expenses (continued)

\$ '000	Notes	2017	2016
<b>(c). Depreciation, Amortisation and Impairment</b>			
<b>(i) Depreciation and Amortisation</b>			
Land Improvements		4,565	4,177
Buildings and Other Structures		1,293	1,262
Infrastructure		16,954	16,491
Plant and Equipment		1,760	1,725
Library Books		209	147
<b>Subtotal</b>		<b>24,781</b>	<b>23,802</b>
<b>(d). Finance Costs</b>			
Interest on Loans		1,106	1,255
<b>Total Finance Costs</b>		<b>1,106</b>	<b>1,255</b>



## City of Salisbury

Notes to and forming part of the Financial Statements  
for the year ended 30 June 2017

## Note 4. Asset Disposal and Fair Value Adjustments

\$ '000	Notes	2017	2016
<b>Infrastructure, Property, Plant and Equipment</b>			
<b>(i) Assets Renewed or Directly Replaced</b>			
Proceeds from Disposal		479	465
Less: Carrying Amount of Assets Sold		(3,231)	(5,065)
<b>Gain (Loss) on Disposal</b>		<b>(2,752)</b>	<b>(4,600)</b>
<b>(ii) Assets Surplus to Requirements</b>			
Carrying Amount of Assets Sold		(53)	(82)
<b>Gain (Loss) on Disposal</b>		<b>(53)</b>	<b>(82)</b>
<b>Real Estate Development Assets</b>			
Proceeds from Disposal		11,359	7,782
Less: Carrying Amount of Assets Sold		(4,501)	(4,688)
<b>Gain (Loss) on Disposal</b>		<b>6,858</b>	<b>3,094</b>
<b>Other Financial Assets</b>			
Proceeds from Disposal		177	-
Less: Carrying Amount of Assets Sold		(157)	-
<b>Gain (Loss) on Disposal</b>		<b>20</b>	<b>-</b>
<b>Net Gain (Loss) on Disposal or Revaluation of Assets</b>		<b>4,073</b>	<b>(1,588)</b>

Upon review of the prior year comparatives, it was noted that there were classification issues relating to infrastructure asset disposals. Specifically these had been incorrectly classified as Asset Surplus to Requirements, rather than Assets Renewed or Directly Replaced. This classification issue has been resolved and the current year and prior year comparatives now reflect the true nature of the asset disposals. This reclassification does not affect other components of the Annual Financial Statements.

## City of Salisbury

Notes to and forming part of the Financial Statements  
for the year ended 30 June 2017

## Note 5. Current Assets

\$ '000	Notes	2017	2016
<b>(a). Cash and Cash Equivalents</b>			
Cash on Hand at Bank		688	2,388
Short Term Deposits and Bills, etc.		27,888	14,428
<b>Total Cash and Cash Equivalents</b>		<b>28,576</b>	<b>16,816</b>
<b>(b). Trade and Other Receivables</b>			
Rates - General and Other		2,751	2,390
Accrued Revenues		46	41
Debtors - General		2,331	1,128
GST Recoupment		274	1,061
Prepayments		417	418
Loans to Community Organisations		29	4
<b>Total Trade and Other Receivables</b>		<b>5,848</b>	<b>5,042</b>
<b>(c). Inventories</b>			
Stores and Materials		250	244
Real Estate Developments <sup>1</sup>	6	4,855	9,986
Cemetery Plinths and Vaults		39	26
<b>Total Inventories</b>		<b>5,144</b>	<b>10,256</b>

<sup>1</sup> Real Estate Development Inventories have been reclassified between Non-Current and Current Assets for both the current reporting period and the prior year comparatives to correctly reflect the timing of these projects.

## City of Salisbury

Notes to and forming part of the Financial Statements  
for the year ended 30 June 2017

## Note 6. Non-Current Assets

\$ '000	Notes	2017	2016
<b>(a). Financial Assets</b>			
<b>Receivables</b>			
Council Rates Postponement Scheme		22	19
Loans to Community Organisations		474	18
<b>Total Receivables</b>		<b>496</b>	<b>37</b>
<b>Other Financial Assets (Investments)</b>			
Mortgages over Property - Affordable Housing Scheme		831	988
<b>Total Other Financial Assets (Investments)</b>		<b>831</b>	<b>988</b>
<b>Total Financial Assets</b>		<b>1,327</b>	<b>1,025</b>
<b>(b). Equity Accounted Investments in Council Businesses</b>			
Northern Adelaide Waste Management Authority	19	3,858	3,929
Council Solutions	19	88	101
<b>Total Equity Accounted Investments in Council Businesses</b>		<b>3,946</b>	<b>4,030</b>
<b>(c). Other Non-Current Assets</b>			
<b>(i) Inventories</b>			
Real Estate Developments		1,846	1,842
<b>Total Inventories</b>		<b>1,846</b>	<b>1,842</b>
<b>(ii) Other</b>			
Capital Works-in-Progress		15,389	16,061
Intangible Assets		166	-
<b>Total Other</b>		<b>15,555</b>	<b>16,061</b>
<b>Total Other Non-Current Assets</b>		<b>17,401</b>	<b>17,903</b>

## City of Salisbury

Notes to and forming part of the Financial Statements  
for the year ended 30 June 2017

### Note 6. Non-Current Assets (continued)

\$ '000	Notes	2017	2016
<b>Real Estate Developments - Current and Non-Current</b>			
(Valued at the lower of cost and net realisable value)			
Residential		6,701	11,828
<b>Total Real Estate for Resale</b>		<b>6,701</b>	<b>11,828</b>
<b>Represented by:</b>			
Acquisition Costs		3,886	5,926
Development Costs		2,815	5,902
<b>Total Real Estate of Resale</b>		<b>6,701</b>	<b>11,828</b>
<b>Apportionment of Real Estate Developments</b>			
Current Assets		4,855	9,986
Non-Current Assets		1,846	1,842
		<b>6,701</b>	<b>11,828</b>

City of Salisbury

Notes to and forming part of the Financial Statements for the year ended 30 June 2017

Note 7a. Infrastructure, Property, Plant and Equipment

	Fair Value Level	as at 30/6/2016				Asset Movements during the Reporting Period							as at 30/6/2017			
		At Fair Value	At Cost	Accumulated Dep'n	Carrying Value	New / Upgrade	Renewals	WDV of Asset Disposals	Depreciation Expense (Note 3c)	Tins from/(to) Real Estate Assets	Revaluation Decrements to Equity (ARR) (Note 5)	Revaluation Increments to Equity (ARR) (Note 9)	At Fair Value	At Cost	Accumulated Dep'n	Carrying Value
\$ '000																
Land - Other	2	393,466	-	-	393,466	1,359	-	-	-	1,317	-	13,499	409,641	-	-	409,641
Land Improvements	3	159,789	-	57,216	102,573	4,877	4,167	(27)	(4,565)	-	-	1,353	170,588	-	62,210	108,378
Buildings and Other Structures	3	107,966	-	26,142	81,814	349	5,757	(913)	(1,293)	-	(24,538)	-	81,408	-	20,232	61,176
Infrastructure	3	1,180,145	-	439,106	741,039	9,398	11,266	(1,904)	(16,954)	-	-	23,117	1,154,166	23,022	383,204	765,962
Plant and Equipment		-	22,015	13,804	8,211	2,112	(440)	(1,760)	(1,760)	-	-	-	-	-	14,899	8,123
Library Books		-	1,404	-	1,404	154	-	-	(209)	-	-	-	-	1,349	-	1,349
<b>Total Infrastructure, Property, Plant and Equipment</b>		<b>1,841,356</b>	<b>23,419</b>	<b>536,268</b>	<b>1,328,507</b>	<b>19,249</b>	<b>21,190</b>	<b>(3,284)</b>	<b>(24,781)</b>	<b>1,317</b>	<b>(24,538)</b>	<b>37,969</b>	<b>1,815,803</b>	<b>24,371</b>	<b>485,545</b>	<b>1,354,629</b>
Comparatives		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

## City of Salisbury

### Notes to and forming part of the Financial Statements for the year ended 30 June 2017

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

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\$ '000

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##### 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:

<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
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 of 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.

## City of Salisbury

### Notes to and forming part of the Financial Statements for the year ended 30 June 2017

#### Note 7b. Valuation of Infrastructure, Property, Plant and Equipment and Investment Property (continued)

\$ '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	\$10,000
Reticulation extensions	\$5,000
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	2 to 20 years
Other Plant and Equipment	3 to 20 years
Building and Other Structures:	
Building Components	10 to 80 years
Playground Equipment	15 to 25 years
Benches, Seats, etc	10 to 15 years

## City of Salisbury

### Notes to and forming part of the Financial Statements for the year ended 30 June 2017

#### Note 7b. Valuation of Infrastructure, Property, Plant and Equipment and Investment Property (continued)

\$ '000

Infrastructure:

Roads - Seal	20 to 40 years
Roads - Base	60 to 150 years
Roads - Sub-Base	180 to 300 years
Unsealed Roads	5 to 10 years
Bridges	100 years
Footpaths	8 to 80 years
Kerb, Gutter and Medians	50 to 300 years
Drainage Pipes	80 to 100 years
Culverts, Headwalls and Junction Boxes	40 to 100 years
Dams and Reservoirs	400 years
Bores	75 years
Reticulation Pipes - PVC	60 to 80 years
Pumps and Telemetry	10 to 50 years

Other Assets:

Library Books	3 to 7 years
Artworks/Local History	Indefinite

e) Table of Fair Values 2016/17

	Level 1 \$'000s	Level 2 \$'000s	Level 3 \$'000s	Total \$'000s
Land	-	409,641	-	409,641
Land Improvements	-	-	170,588	170,588
Buildings and Other Structures	-	-	81,408	81,408
Infrastructure	-	-	1,154,166	1,154,166
<b>Total</b>	-	<b>409,641</b>	<b>1,406,162</b>	<b>1,815,803</b>

f) Disclosed Fair Value Measurements

Asset Category	Fair Value	Valuation	Fair Value
Land	2	Market Value	\$409,641

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 2017Note 7b. Valuation of Infrastructure, Property, Plant and Equipment and  
Investment Property (continued)

\$ '000

Asset Category	Fair Value	Valuation	Fair Value
Land Improvements	3	Cost Approach	\$170,588

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, Kerbing, Sports Courts/Facilities, Reserve Furniture, Landscaping and Other Structures all situated on Council Reserves.

c. Independent valuations were provided by Inside Infrastructure and Aquent 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 and 2016/17 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	Valuation	Fair Value
Buildings and Other Structures	3	Cost Approach	\$81,408

Valuation of assets in this category are undertaken via the following method:

a. Independent valuation of the current depreciated replacement value and depreciated replacement cost for buildings at a component level was undertaken by GHD for the year ending 30 June 2017 using a methodology that utilises observable rates and cost information from their extensive knowledge across Building Infrastructure.

## City of Salisbury

### Notes to and forming part of the Financial Statements for the year ended 30 June 2017

#### Note 7b. Valuation of Infrastructure, Property, Plant and Equipment and Investment Property (continued)

\$'000

Asset Category	Fair Value	Valuation	Fair Value
Infrastructure	3	Cost Approach	\$1,154,166
Valuation of assets in this category are undertaken via one of four 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. Independent valuations were provided by IMG and Assetic in 2016/17 (as sub-consultant to IMG) using a methodology that utilises observable Council specific contract rates and rates and cost information from their extensive knowledge across Road Infrastructure. Assets valued via this method include Road Surfaces and Road Pavements.			
c. Independent valuations were provided by SMEC in 2016/17 using a methodology that utilises observable rates and cost information from their extensive knowledge of water retention related infrastructure. Assets valued via this method include Major Drainage Dams.			
d. 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 Minor Drainage Dams.			

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 Councils 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 Generals 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.

## City of Salisbury

### Notes to and forming part of the Financial Statements for the year ended 30 June 2017

#### Note 7b. Valuation of Infrastructure, Property, Plant and Equipment and Investment Property (continued)

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\$ '000

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##### 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.

##### Intangible Assets

Intangible Assets have been accounted for in accordance with the requirements of AASB 138 *Intangible Assets*. Council has purchased, from the market in arm's length transactions, Water Licences that enable the harvesting and sale of stormwater, and is of the opinion that these Water Licences meet the definition and recognition requirements of Intangible Assets, specifically intangible assets with an indefinite useful life. Initial recognition of these Water Licences is at cost, and after initial recognition they shall be carried at cost less any accumulated impairment losses. Testing for impairment, in accordance with AASB 136 *Impairment of Assets*, will be undertaken annually and also whenever there may be an indication that the intangible asset may be impaired. Further the determination that these Water Licences have an indefinite useful life will also be reviewed annually to determine whether events and circumstances continue to support an indefinite useful life assessment.

## City of Salisbury

### Notes to and forming part of the Financial Statements for the year ended 30 June 2017

#### Note 7b. Valuation of Infrastructure, Property, Plant and Equipment and Investment Property (continued)

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\$ '000

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##### **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.

##### **Plant, Furniture and 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 2017 is valued using nominal values recommended by PLS (Public Library Service). 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 2017

## Note 8. Liabilities

\$ '000	Notes	2017		2016	
		Current	Non Current	Current	Non Current
<b>(a). Trade and Other Payables</b>					
Goods and Services		12,203	-	10,621	-
Payments Received in Advance		1,207	-	1,109	-
Accrued Expenses - Employee Entitlements		-	-	723	-
Accrued Expenses - Other		56	-	98	-
Deposits, Retentions and Bonds		208	-	270	-
<b>Total Trade and Other Payables</b>		<b>13,674</b>	<b>-</b>	<b>12,821</b>	<b>-</b>

**(b). Borrowings**

Loans		2,350	12,717	2,560	14,580
<b>Total Borrowings</b>		<b>2,350</b>	<b>12,717</b>	<b>2,560</b>	<b>14,580</b>

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

**(c). Provisions**

Employee Entitlements (including oncosts)		7,241	1,726	6,918	1,522
Salisbury Memorial Park Maintenance Provision		-	60	-	50
Mortgage Loss Provision		-	28	-	28
<b>Total Provisions</b>		<b>7,241</b>	<b>1,814</b>	<b>6,918</b>	<b>1,600</b>

	Salisbury Memorial Park Maintenance Provision	Mortgage Loss Provision
<b>Opening Balance</b>	50	28
Additional Amounts Recognised	10	-
<b>Closing Balance</b>	<b>60</b>	<b>28</b>

## City of Salisbury

Notes to and forming part of the Financial Statements  
for the year ended 30 June 2017

## Note 9. Reserves

\$ '000	1/7/2016	Increments (Decrements)	Transfers	Impairments	30/6/2017
<b>(a). Asset Revaluation Reserve</b>					
Land - Other	302,447	13,499	-	-	315,946
Land Improvements	17,542	1,353	-	-	18,895
Buildings and Other Structures	34,572	(24,538)	-	-	10,034
Infrastructure	646,243	23,117	-	-	669,360
Library Books	2,338	-	-	-	2,338
JV's / Associates - Other Comprehensive Income	352	-	-	-	352
<b>Total Asset Revaluation Reserve</b>	<b>1,003,494</b>	<b>13,431</b>	<b>-</b>	<b>-</b>	<b>1,016,925</b>
<b>Comparatives</b>	<b>997,483</b>	<b>6,011</b>	<b>-</b>	<b>-</b>	<b>1,003,494</b>
<b>(b). Other Reserves</b>					
\$ '000	1/7/2016	Tfrs to Reserve	Tfrs from Reserve	Other Movements	30/6/2017
Plant Replacement Reserve	929	-	(53)	(526)	350
Development and Public Infrastructure Reserve	1,587	114	(97)	-	1,604
Open Space Reserve	1,771	84	(810)	-	1,045
Car Parking Reserve	944	14	-	-	958
Property Disposal Reserve	4,417	6,138	(6,654)	-	3,901
Mausoleum Perpetual Care Reserve	690	82	-	-	772
Salisbury Memorial Park Reserve	866	13	-	-	879
Carried Forward Funds Reserve	18,657	16,791	(18,657)	-	16,791
Salisbury Water Business Unit Reserve	1,881	-	-	-	1,881
<b>Total Other Reserves</b>	<b>31,742</b>	<b>23,236</b>	<b>(26,271)</b>	<b>(526)</b>	<b>28,181</b>
<b>Comparatives</b>	<b>27,913</b>	<b>23,585</b>	<b>(19,756)</b>	<b>-</b>	<b>31,742</b>

## City of Salisbury

### Notes to and forming part of the Financial Statements for the year ended 30 June 2017

#### Note 9. Reserves (continued)

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\$ '000

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#### 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.

##### **Development and Public Infrastructure Reserve**

The Development and Public Infrastructure Reserve contains developer contributions towards future footpaths, street signs and street trees specific to the development site. It also contains developer contributions towards future works associated with drainage systems, water pipes and pumps, Council road network, trails and bridges necessary to facilitate the development and external to the development site.

##### **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.

## City of Salisbury

Notes to and forming part of the Financial Statements  
for the year ended 30 June 2017

### Note 10. Assets Subject to Restrictions

\$ '000	Notes	2017	2016
<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>			
<b>Cash and Financial Assets</b>			
<b>Unexpended amounts received from Federal Government</b>			
Open Space Contributions	9	1,045	1,771
Developer Contributions	9	2,562	2,531
Unexpended Grants and Subsidy Funds	2	325	981
<b>Total Cash and Financial Assets</b>		<b>3,932</b>	<b>5,283</b>

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 2017

## Note 11. Reconciliation to Statement of Cash Flows

\$ '000	Notes	2017	2016
<b>(a). Reconciliation of Cash</b>			
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	28,576	16,816
<b>Balances per Statement of Cash Flows</b>		<b>28,576</b>	<b>16,816</b>
<b>(b). Reconciliation of Change in Net Assets to Cash from Operating Activities</b>			
<b>Net Surplus/(Deficit)</b>		<b>20,544</b>	<b>8,686</b>
Non-Cash Items in Income Statements			
Depreciation, Amortisation and Impairment		24,781	23,802
Equity Movements in Equity Accounted Investments (Increase)/Decrease		83	(706)
Non-Cash Asset Acquisitions		(3,741)	(3,379)
Grants for Capital Acquisitions (Treated as Investing Activity Receipts)		(1,935)	(1,437)
Net (Gain) Loss on Disposals		(4,073)	1,588
		<b>35,659</b>	<b>28,554</b>
<b>Add (Less): Changes in Net Current Assets</b>			
Net (Increase)/Decrease in Receivables		(784)	(215)
Net (Increase)/Decrease in Inventories		(19)	1
Net Increase/(Decrease) in Trade and Other Payables		1,364	(1,636)
Net Increase/(Decrease) in Unpaid Employee Benefits		527	299
Net Increase/(Decrease) in Other Provisions		10	10
<b>Net Cash provided by (or used in) operations</b>		<b>36,757</b>	<b>27,013</b>
<b>(c). Non-Cash Financing and Investing Activities</b>			
<b>Acquisition of assets by means of:</b>			
- Physical Resources Received Free of Charge	2i	3,741	3,379
<b>Total Non-Cash Financing and Investing Activities</b>		<b>3,741</b>	<b>3,379</b>
<b>(d). Financing Arrangements</b>			
<b>Unrestricted access was available at balance date to the following lines of credit:</b>			
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 2017

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 2017	Actual 2016	Actual 2017	Actual 2016	Actual 2017	Actual 2016	Actual 2017	Actual 2016	Actual 2017	Actual 2016			
<b>\$ '000</b>													
Public Order and Safety	3,068	2,978	3,668	3,234	(600)	(256)	60	70	862	593			
Health	177	186	1,570	1,573	(1,393)	(1,387)	13	9	286	204			
Social Security and Welfare	3,349	3,265	6,385	6,227	(3,036)	(2,962)	2,670	2,660	19,644	23,804			
Housing and Community Services	4,232	4,440	25,906	23,895	(21,674)	(19,455)	214	401	439,242	434,883			
Recreation and Culture	1,140	1,101	20,960	21,186	(19,820)	(20,085)	596	511	868,738	851,091			
Transport and Communication	3,862	3,741	9,136	8,362	(5,274)	(4,621)	3,855	3,736	6,138	6,080			
Economic Affairs	476	300	5,707	5,734	(5,231)	(5,434)	385	183	159	158			
Other, Not Attributed and Administration	103,762	94,162	35,656	35,210	67,906	58,952	9,608	4,013	81,802	66,766			
<b>Total Functions/Activities</b>	<b>120,066</b>	<b>110,173</b>	<b>109,188</b>	<b>105,421</b>	<b>10,878</b>	<b>4,752</b>	<b>17,401</b>	<b>11,583</b>	<b>1,416,871</b>	<b>1,383,579</b>			

Revenues and expenses exclude net gain (loss) on disposal or revaluation of assets, net gain (loss) from joint ventures & 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 2017

### Note 12b. Components of Functions

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\$'000

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**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.

## City of Salisbury

### Notes to and forming part of the Financial Statements for the year ended 30 June 2017

#### 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 1.65% and 2.0% (2016: 1.9% and 2.35%). Short term deposits have an average maturity of 37 days and an average interest rate of 1.73% (2016: 35 days and 2.04%).

##### 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 and Conditions:

Secured over the subject land, arrears attract interest of 2.0% (2016: 2.0%). 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 and 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 2017

## Note 13. Financial Instruments (continued)

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 \$ '000
 

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**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 biannually; interest is charged at fixed rates between 4.0% and 7.01% (2016: 5.60% and 7.07%).

**Carrying Amount:**

Approximates fair value.

## City of Salisbury

Notes to and forming part of the Financial Statements  
for the year ended 30 June 2017

## Note 13. Financial Instruments (continued)

\$ '000	Due < 1 year	Due > 1 year & ≤ 5 years	Due > 5 years	Total Contractual Cash Flows	Carrying Values
<b>2017</b>					
<b>Financial Assets</b>					
Cash and Equivalents	28,576	-	-	28,576	28,576
Receivables	2,406	474	-	2,880	2,880
Other Financial Assets	-	-	831	831	831
<b>Total Financial Assets</b>	<b>30,982</b>	<b>474</b>	<b>831</b>	<b>32,287</b>	<b>32,287</b>
<b>Financial Liabilities</b>					
Payables	12,467	-	-	12,467	12,467
Current Borrowings	3,306	-	-	3,306	2,350
Non-Current Borrowings	-	11,684	4,183	15,867	12,717
<b>Total Financial Liabilities</b>	<b>15,773</b>	<b>11,684</b>	<b>4,183</b>	<b>31,640</b>	<b>27,534</b>
<b>2016</b>					
<b>Financial Assets</b>					
Cash and Equivalents	16,816	-	-	16,816	16,816
Receivables	1,173	18	-	1,191	1,191
Other Financial Assets	-	-	988	988	988
<b>Total Financial Assets</b>	<b>17,989</b>	<b>18</b>	<b>988</b>	<b>18,995</b>	<b>18,995</b>
<b>Financial Liabilities</b>					
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
<b>Total Financial Liabilities</b>	<b>15,373</b>	<b>13,136</b>	<b>5,389</b>	<b>33,898</b>	<b>28,852</b>

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

	30 June 2017		30 June 2016	
	Weighted Avg Interest Rate	Carrying Value	Weighted Avg Interest Rate	Carrying Value
Overdraft	7.12%	-	7.22%	-
Other Variable Rates	0.00%	-	0.00%	-
Fixed Interest Rates	6.25%	15,067	6.34%	17,140
		<b>15,067</b>		<b>17,140</b>

**Net Fair Value**

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

## City of Salisbury

Notes to and forming part of the Financial Statements  
for the year ended 30 June 2017

## Note 13. Financial Instruments (continued)

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\$ '000

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**Risk Exposures**

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

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

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

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

## City of Salisbury

Notes to and forming part of the Financial Statements  
for the year ended 30 June 2017

## Note 14. Commitments for Expenditure

\$ '000	Notes	2017	2016
<b>(a). Capital Commitments</b>			
<b>Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:</b>			
Buildings		924	3,756
Infrastructure		7,721	6,994
Plant and Equipment		12	36
		<u>8,657</u>	<u>10,786</u>
<b>These expenditures are payable:</b>			
Not later than one year		8,657	10,786
		<u>8,657</u>	<u>10,786</u>
<b>(b). Other Expenditure Commitments</b>			
<b>Other expenditure committed for (excluding inventories) at the reporting date but not recognised in the financial statements as liabilities:</b>			
Audit Services		37	55
		<u>37</u>	<u>55</u>
<b>These expenditures are payable:</b>			
Not later than one year		37	55
		<u>37</u>	<u>55</u>
<b>(c). Finance Lease Commitments</b>			
Council has no Finance Leases.			



## City of Salisbury

Notes to and forming part of the Financial Statements  
for the year ended 30 June 2017

## Note 15. Financial Indicators

\$ '000	Amounts	Indicator	Prior Periods	
	2017	2017	2016	2015

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.

**1. Operating Surplus Ratio**

Operating Surplus	10,795			
Total Operating Revenue	120,066	9%	5%	7%

*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 30 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.

	6,800			
	120,066	6%	9%	4%

**2. Net Financial Liabilities Ratio**

Net Financial Liabilities	2,045			
Total Operating Revenue	120,066	2%	14%	15%

*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**

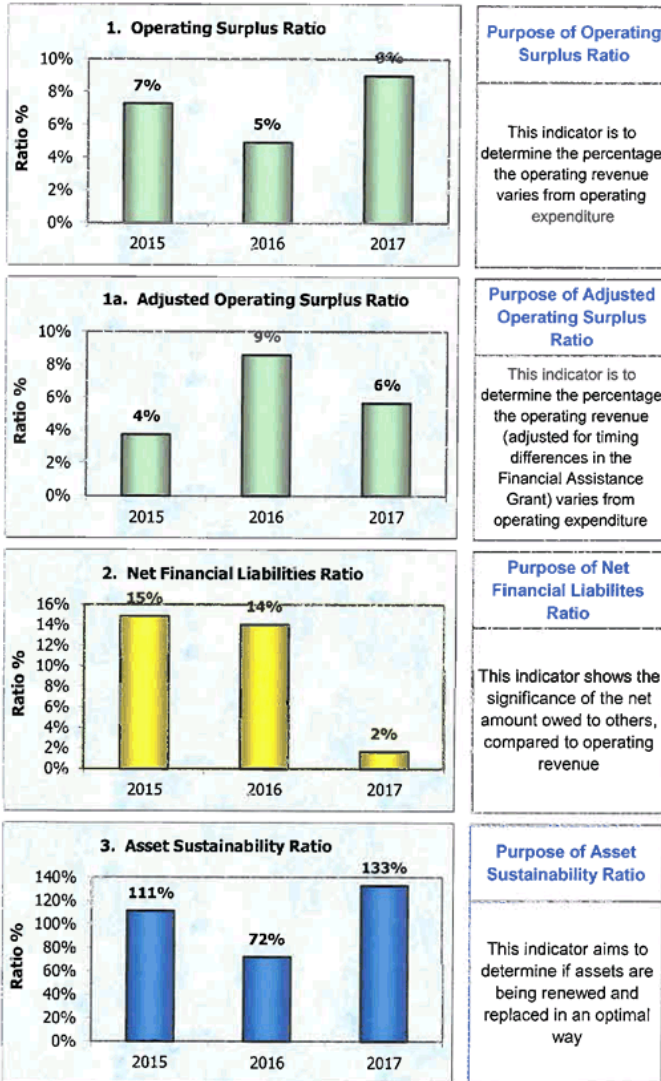
Net Asset Renewals	24,613			
Infrastructure and Asset Management Plan required expenditure	18,510	133%	72%	111%

*Net asset renewals expenditure is defined as net capital expenditure on the renewal and replacement of existing assets, and excludes new capital expenditure on the acquisition of additional assets.*

City of Salisbury

Notes to and forming part of the Financial Statements  
for the year ended 30 June 2017

Note 15. Financial Indicators - Graphs (continued)



## City of Salisbury

Notes to and forming part of the Financial Statements  
for the year ended 30 June 2017

## Note 16. Uniform Presentation of Finances

\$ '000	2017	2016
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	120,066	110,880
less Expenses	(109,271)	(105,422)
<b>Operating Surplus / (Deficit)</b>	<b>10,795</b>	<b>5,458</b>
<b>less Net Outlays on Existing Assets</b>		
Capital Expenditure on Renewal and Replacement of Existing Assets	25,092	13,750
less Depreciation, Amortisation and Impairment	(24,781)	(23,802)
less Proceeds from Sale of Replaced Assets	(479)	(465)
<b>Subtotal</b>	<b>(168)</b>	<b>(10,517)</b>
<b>less Net Outlays on New and Upgraded Assets</b>		
Capital Expenditure on New and Upgraded Assets (including Investment Property and Real Estate Developments)	11,301	23,195
less Amounts Received Specifically for New and Upgraded Assets	(1,935)	(1,437)
less Proceeds from Sale of Surplus Assets (including Investment Property and Real Estate Developments)	(11,359)	(7,782)
<b>Subtotal</b>	<b>(1,993)</b>	<b>13,976</b>
<b>Net Lending / (Borrowing) for Financial Year</b>	<b>12,956</b>	<b>1,999</b>

## City of Salisbury

Notes to and forming part of the Financial Statements  
for the year ended 30 June 2017

## Note 17. Operating Leases

\$ '000	2017	2016
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**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

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

Not later than one year	647	612
Later than one year and not later than 5 years	1,032	1,042
Later than 5 years	2,302	2,242
	<u>3,981</u>	<u>3,896</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 lease contains 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	575	737
Later than one year and not later than 5 years	354	697
	<u>929</u>	<u>1,434</u>

## City of Salisbury

### Notes to and forming part of the Financial Statements for the year ended 30 June 2017

#### 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 2016/17; 9.50% in 2015/16). No further liability accrues to the Council as the superannuation benefits accruing to employees are represented by their share of the net assets of the Fund.

##### Salarylink (Defined Benefit 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 2015/16) 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 2017

## 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	
	2017	2016	2017	2016
Joint Ventures	(83)	706	3,946	4,030
<b>Total</b>	<b>(83)</b>	<b>706</b>	<b>3,946</b>	<b>4,030</b>

## (i) JOINT VENTURES, ASSOCIATES AND JOINT OPERATIONS

## (a) Carrying Amounts

Name of Entity	Principal Activity	2017	2016
Northern Adelaide Waste Management Authority	Waste Management	3,858	3,929
Council Solutions	Procurement	88	101
<b>Total Carrying Amounts - Joint Ventures &amp; Associates</b>		<b>3,946</b>	<b>4,030</b>

**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	
	2017	2016	2017	2016	2017	2016
Northern Adelaide Waste Management Authority	57%	57%	57%	57%	57%	33%
Council Solutions	17%	17%	17%	17%	17%	17%

## (c) Movement in Investment in Joint Venture or Associate

	Northern Adelaide Waste Management Authority		Council Solutions	
	2017	2016	2017	2016
Opening Balance	3,928	3,221	101	102
Share in Operating Result	(70)	707	(13)	(1)
<b>Council's Equity Share in the Joint Venture or Associate</b>	<b>3,858</b>	<b>3,928</b>	<b>88</b>	<b>101</b>

## City of Salisbury

Notes to and forming part of the Financial Statements  
for the year ended 30 June 2017

## 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	
	2017	2016	2017	2016
Cash and Cash Equivalents	4,282	3,600	334	267
Other Current Assets	2,466	2,852	469	390
Non-Current Assets	10,723	9,699	-	-
<b>Total Assets</b>	<b>17,471</b>	<b>16,151</b>	<b>803</b>	<b>657</b>
Current Trade and Other Payables	2,768	2,243	222	28
Current Financial Liabilities	791	1,579	55	27
Current Provisions	366	318	-	-
Non-Current Financial Liabilities	4,331	2,518	-	-
Non-Current Provisions	2,428	2,556	-	-
<b>Total Liabilities</b>	<b>10,684</b>	<b>9,214</b>	<b>277</b>	<b>55</b>
<b>Net Assets</b>	<b>6,787</b>	<b>6,937</b>	<b>526</b>	<b>602</b>
<b>Statement of Comprehensive Income</b>	<b>Northern Adelaide Waste Management Authority</b>		<b>Council Solutions</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
Other Income	27,148	25,951	61	110
Contributions from Constituent Councils	-	-	1,167	933
Interest Income	171	248	6	10
<b>Total Income</b>	<b>27,319</b>	<b>26,199</b>	<b>1,234</b>	<b>1,053</b>
Employee Costs	1,773	1,731	-	-
Materials, Contracts & Other Expenses	24,205	21,466	1,310	1,058
Depreciation, Amortisation and Impairment	1,360	1,374	-	-
Finance Costs	281	246	-	-
<b>Total Expenses</b>	<b>27,619</b>	<b>24,817</b>	<b>1,310</b>	<b>1,058</b>
Other Revenue / Expense Items	(30)	(5)	-	-
<b>Operating Result</b>	<b>(330)</b>	<b>1,377</b>	<b>(76)</b>	<b>(5)</b>

## City of Salisbury

### Notes to and forming part of the Financial Statements for the year ended 30 June 2017

#### 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.

	Northern Adelaide Waste Management Authority		Council Solutions	
	2017	2016	2017	2016
<b>(ii) Operating Expenditures Payable</b>				
Not later than one year	9,620	20,003	-	-
Later than one year and not later than 5 years	9,881	9,882	-	-
Later than 5 years	57,422	-	-	-
	<b>76,923</b>	<b>29,885</b>	-	-

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

Not later than one year	994	855	-	-
Later than one year and not later than 5 years	3,476	2,895	-	-
Later than 5 years	73	600	-	-
	<b>4,543</b>	<b>4,350</b>	-	-

##### (iv) INDIVIDUALLY IMMATERIAL COUNCIL BUSINESSES

Council did not have any individually immaterial businesses

##### (v) UNCONSOLIDATED STRUCTURED ENTITIES

Council has no Unconsolidated Structured Entities



## City of Salisbury

### Notes to and forming part of the Financial Statements for the year ended 30 June 2017

#### 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. 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.

##### 4. 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.

## City of Salisbury

Notes to and forming part of the Financial Statements  
for the year ended 30 June 2017

### Note 21. Events after the Balance Sheet Date

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\$'000

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Events that occur after the reporting date of 30 June 2017, 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 12/10/17.

**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 2017

## Note 22. Related Party Transactions

\$ '000	2017
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## Key Management Personnel

## Transactions with Key Management Personnel

The Key Management Personnel (KMP) of Council include the Mayor, Councillors, CEO and General Managers, certain prescribed officers under section 112 of the Local Government Act 1999 and other personnel that satisfy the criteria of KMP as contained within AASB 124 Related Party Transactions. In some circumstances members of the KMP have left Council during the financial year, however their compensation has still been included. In all, 55 persons were paid the following total compensation:

**The compensation paid to Key Management Personnel comprises:**

Short-Term Employee Benefits	5,336
Post-Employment Benefits	427
Long-Term Benefits	754
<b>Total</b>	<b>6,517</b>

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

**Receipts from Key Management Personnel:**

A Councillor operates a retail business and has a formal commercial agreement in place with Council under which they sell tickets to use a Council facility on Council's behalf. The details of this arrangement are the Councillor purchases books of tickets from Council, and pays Council 70% of the face value, therefore retaining 30% of the sales revenue. In the 2017 Financial Year, total income generated from tickets sold on Council's behalf was \$59k and the amount retained by the Councillor equated to \$18k.

There have been no other material amounts received from Key Management Personnel during the financial year, other than amounts paid in their capacity as ratepayers or residents (e.g. rates, swimming pool entry fees, etc.)

**Transactions with Regional Subsidiaries:**

In regards to Councils Regional Subsidiaries, further information relating to their specific activities and carrying amounts are disclosed in Note 19. Council is an equity owner, along with other member Councils, of both of these subsidiaries. Member Councils have equal representation on the Board of both Regional Subsidiaries and accordingly have influence over both the financial and operational decisions of the subsidiaries. However, no one Member Council individually has control over these decisions. The following material transactions occurred with Councils Regional Subsidiaries, during the financial year:

Details	Payments	Outstanding	Total
Northern Adelaide Waste Management Authority	13,485	993	14,478
<b>Total</b>	<b>13,485</b>	<b>993</b>	<b>14,478</b>

Amounts payable that are outstanding at 30 June 2017 are recorded in Trade and Other Payables in Note 8.

## City of Salisbury

### General Purpose Financial Statements for the year ended 30 June 2017

### Auditor's Report - Financial Statements

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## City of Salisbury

### General Purpose Financial Statements for the year ended 30 June 2017

### Auditor's Report - Financial Statements

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## City of Salisbury

### General Purpose Financial Statements for the year ended 30 June 2017

#### Auditor's Report - Internal Controls

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## City of Salisbury

### General Purpose Financial Statements for the year ended 30 June 2017

#### Certification of Auditor Independence

To the best of our knowledge and belief, we confirm that, for the purpose of the audit of City of Salisbury for the year ended 30 June 2017, the Council's Auditor, Bentleys 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*.

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John Harry  
**CHIEF EXECUTIVE OFFICER**

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Councillor Graham Reynolds  
**PRESIDING MEMBER, AUDIT COMMITTEE**

**Date:**

