



AGENDA

FOR AUDIT COMMITTEE MEETING TO BE HELD ON

12 OCTOBER 2021 AT 6:30 PM

**IN LITTLE PARA CONFERENCE ROOMS, SALISBURY COMMUNITY HUB,
34 CHURCH STREET, SALISBURY**

MEMBERS

Cr G Reynolds (Chair)
Ms P Davies
Mr N Ediriweera
Cr K Grenfell (Deputy Chair)
Mr C Johnson

REQUIRED STAFF

Chief Executive Officer, Mr J Harry
General Manager Business Excellence, Mr C Mansueto
Manager Governance, Mr R Deco
Team Leader Corporate Governance, Mr B Kahland
Internal Auditor & Risk Coordinator, Mr H Rafeeu

APOLOGIES

LEAVE OF ABSENCE

PRESENTATION OF MINUTES

Presentation of the Minutes of the Audit Committee Meeting held on 13 July 2021.

REPORTS

Administration

- 7.0.1 Future Reports for the Audit Committee
(please note there are no forward reports as a result of a Council resolution to be listed at this time)
- 7.0.2 Actions List 11

For Decision

- 7.1.1 Report to the Audit Committee for the year ended 30 June 2021, prepared by Bentleys 13
- 7.1.2 End of Financial Year Statement and Analysis 33

OTHER BUSINESS

- 7.4.1 In-Confidence Session with the External Auditor as per approved Audit Committee Annual Work Plan 2020/2021 *(verbal discussion)*
- 7.4.2 In-Confidence Session with the Internal Auditor as per approved Audit Committee Annual Work Plan 2021/2022 *(verbal discussion)*

CONFIDENTIAL ITEMS

7.4.1 In-Confidence Session with the External Auditor as per approved Audit Committee Annual Work Plan 2020/2021 (verbal discussion)

Recommendation

Pursuant to section 83(5) of the *Local Government Act 1999* the Chief Executive Officer has indicated that, if Council so determines, this matter may be considered in confidence under Part 3 of the *Local Government Act 1999* on grounds that:

1. *Pursuant to Section 90(2) and (3)(b)(i) and (b)(ii) and (d)(i) and (d)(ii) of the Local Government Act 1999, the principle that the meeting should be conducted in a place open to the public has been outweighed in relation to this matter because:*
 - *it relates to information the disclosure of which could reasonably be expected to confer a commercial advantage on a person with whom the council is conducting, or proposing to conduct, business, or to prejudice the commercial position of the council; and*
 - *information the disclosure of which would, on balance, be contrary to the public interest; and*
 - *commercial information of a confidential nature (not being a trade secret) the disclosure of which could reasonably be expected to prejudice the commercial position of the person who supplied the information, or to confer a commercial advantage on a third party; and*
 - *commercial information of a confidential nature (not being a trade secret) the disclosure of which would, on balance, be contrary to the public interest.*
2. *In weighing up the factors related to disclosure,*
 - *disclosure of this matter to the public would demonstrate accountability and transparency of the Council's operations*

*On that basis the public's interest is best served by not disclosing the **In-Confidence Session with the External Auditor as per approved Audit Committee Annual Work Plan 2020/2021 (verbal discussion)** item and discussion at this point in time.*
3. *Pursuant to Section 90(2) of the Local Government Act 1999 it is recommended the Council orders that all members of the public, except the Chief Executive Officer and External Auditor, be excluded from attendance at the meeting for this Agenda Item..*

7.4.2 In-Confidence Session with the Internal Auditor as per approved Audit Committee Annual Work Plan 2021/2022 (verbal discussion)

Recommendation

Pursuant to section 83(5) of the *Local Government Act 1999* the Chief Executive Officer has indicated that, if Council so determines, this matter may be considered in confidence under Part 3 of the *Local Government Act 1999* on grounds that:

1. *Pursuant to Section 90(2) and (3)(b)(i) and (b)(ii) and (d)(i) and (d)(ii) of the Local Government Act 1999, the principle that the meeting should be conducted in a place open to the public has been outweighed in relation to this matter because:*
 - *it relates to information the disclosure of which could reasonably be expected to confer a commercial advantage on a person with whom the council is conducting, or proposing to conduct, business, or to prejudice the commercial position of the council; and*
 - *information the disclosure of which would, on balance, be contrary to the public interest; and*
 - *commercial information of a confidential nature (not being a trade secret) the disclosure of which could reasonably be expected to prejudice the commercial position of the person who supplied the information, or to confer a commercial advantage on a third party; and*
 - *commercial information of a confidential nature (not being a trade secret) the disclosure of which would, on balance, be contrary to the public interest.*
2. *In weighing up the factors related to disclosure,*
 - *disclosure of this matter to the public would demonstrate accountability and transparency of the Council's operations*

*On that basis the public's interest is best served by not disclosing the **In-Confidence Session with the Internal Auditor as per approved Audit Committee Annual Work Plan 2021/2022 (verbal discussion)** item and discussion at this point in time.*
3. *Pursuant to Section 90(2) of the Local Government Act 1999 it is recommended the Council orders that all members of the public, except the Chief Executive Officer and Internal Auditor of the City of Salisbury, be excluded from attendance at the meeting for this Agenda Item.*

CLOSE



**MINUTES OF AUDIT COMMITTEE MEETING HELD IN THE LITTLE PARA
CONFERENCE ROOMS, SALISBURY COMMUNITY HUB, 34 CHURCH STREET,
SALISBURY ON**

13 JULY 2021

MEMBERS PRESENT

Cr G Reynolds (Chairman)
Ms P Davies
Mr N Ediriweera (*via Teams VC*)
Cr K Grenfell (Deputy Chairman)
Mr C Johnson

OBSERVERS

Mr. Matthew Brunato, Manager Audit & Assurance, Bentleys
Mr. Tim Muhlhausler, Partner, Galpins

STAFF

Chief Executive Officer, Mr J Harry
General Manager Business Excellence, Mr C Mansueto
Manager Governance, Mr R Deco
Internal Auditor & Risk Coordinator, Mr H Rafeeu

The meeting commenced at 6:33 pm.

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

APOLOGIES

Nil

LEAVE OF ABSENCE

Nil

PRESENTATION OF MINUTES

Moved Cr K Grenfell
Seconded Mr C Johnson

The Minutes of the Audit Committee Meeting held on 09 June 2021, be taken as read and confirmed.

CARRIED

The Minutes of the Confidential Audit Committee Meeting held on 09 June 2021 will be presented at the Audit Committee meeting scheduled on 12 October 2021.

REPORTS

Administration

7.0.1 Actions List

Moved Mr C Johnson
Seconded Cr K Grenfell

1. The information is noted.

CARRIED

7.0.2 Future Reports for the Audit Committee

Moved Cr K Grenfell
Seconded Mr C Johnson

1. The information is received.

CARRIED

For Decision

7.1.1 Bentley's Interim Report on Audit Findings

Moved Ms P Davies
Seconded Mr C Johnson

1. The information be received.

CARRIED

7.1.2 Internal Audit Report on Events Incident Management Framework Audit

Moved Mr C Johnson
Seconded Cr K Grenfell

1. That the final audit report for the Event Incident Management Framework audit with management comments as set out in Attachment 1 to this report (Audit Committee, 13/07/2021, Item No.7.1.2) is noted and that the responses of the Administration to the Event Incident Management Framework Audit Report contained therein are endorsed.

CARRIED

7.1.3 Audit Committee Annual Work Plan 2021/2022

Moved Mr C Johnson
Seconded Cr K Grenfell

1. That the Audit Committee Annual Work Plan for 2021/2022 as set out in section 2.6 of this report (Audit Committee, 13/07/2021, Item No. 7.1.3) is adopted.

CARRIED

Cr K Grenfell left the meeting at 6:55 pm.

Cr K Grenfell returned to the meeting at 6:57 pm.

7.1.4 Annual Report 2020/2021 - Internal Controls Framework and Audit Committee sections

Moved Mr C Johnson
Seconded Ms P Davies

1. That the proposed inclusions in the annual report relating to the operations and membership of the Audit Committee for the 2020/2021 financial year as set out in Attachment 1 to this report (Item 7.1.4 Audit Committee, 13/07/2021) be approved, incorporating following amendments, in addition to editorial changes:
 - correct Neil Ediriweera's title from Director to Partner.
 - correct the commencement year of Paula Davies from 2020 to 2021.

CARRIED

7.1.5 Risk Management and Internal Controls Activities

Moved Mr C Johnson

Seconded Mr N Ediriweera

1. The information is received.
2. The Update on Risk Management and Internal Controls Activities for 2020/2021, as set out in Attachment 1 to this report (Audit Committee, 13/07/2021, Item No. 7.1.5) is endorsed.

CARRIED

Cr K Grenfell left the meeting at 7:01 pm.

Cr K Grenfell returned to the meeting at 7:31pm.

7.1.6 3-Year Internal Audit Plan 2021/22-2023/24

Moved Mr C Johnson

Seconded Cr K Grenfell

1. That the updates made to the 3 year Internal Audit Plan 2021/22 to 2023/2024 as set out in Attachment 2 to this report (Audit Committee, 13/07/2021, Item No.7.1.6) and the accompanying high level indicative scope for pending audits as set out in Attachment 3 of this report (Audit Committee, 13/07/2021, Item No. 7.1.6), are endorsed.

CARRIED

7.1.7 Outstanding Actions Arising From Internal Audits

Moved Cr K Grenfell

Seconded Ms P Davies

1. That the Audit Committee endorses the update in this report and the full Internal Audit Log Actions Register in Attachment 1 to this report (Audit Committee, 13/07/2021, Item No.7.1.7) for Council approval.

CARRIED

7.1.8 Asset Policy Review

Moved Mr N Ediriweera
Seconded Ms P Davies

1. That the information be received.
2. That the Audit Committee recommends the Asset Depreciation Policy, as set out in Attachment 1 to this report (Audit Committee 13/07/2021 Item No. 7.1.8), to Council for adoption.

CARRIED

OTHER BUSINESS**Formal Recognition of the Internal Auditor & Risk Coordinator**

The CEO made a formal recognition of the high quality of work performed by the Internal Auditor & Risk Coordinator to bring the Audit Committee reporting to an outstanding level allowing Audit Committee for better informed decision making.

The meeting closed at 7:58pm.

CHAIRMAN.....

DATE.....

ITEM 7.0.2

AUDIT COMMITTEE

DATE 12 October 2021

HEADING Actions List

AUTHOR Hussain Rafeeu, Internal Auditor & Risk Coordinator, CEO and Governance

CITY PLAN LINKS 4.2 We deliver quality outcomes that meet the needs of our community
4.4 We plan effectively to address community needs and identify new opportunities

SUMMARY An action list has been developed to capture actions arising out of the City of Salisbury Audit Committee meetings. These actions do not replace the minutes from the Audit Committee, or the recommendations of the Committee that were submitted to Council for adoption. They are included in this report to support the Audit Committee.

RECOMMENDATION

That Council:

1. Notes the report.

ATTACHMENTS

There are no attachments to this report.

1. BACKGROUND

- 1.1 The Audit Committee has requested that an action list be maintained and included as an item on the agenda for each meeting. This report contains a list of actions identified at previous Audit Committee meetings.
- 1.2 The list of actions does not replace the minutes from the Audit Committee.

2. REPORT

- 2.1 The action list contains information regarding the date on which the action was identified, a description of the action, the action owner, the expected due date for completion of the action and the current status of the action.
- 2.2 Below is the list of actions arising out of the Audit Committee meeting, which has been compiled for the purpose of supporting the Audit Committee.
- 2.3 Actions will remain on the action list until the meeting after they have been completed. Once the action has been completed, and that completion has been reported to the Audit Committee, the item will be removed from the actions list.

No	Date	Action	Owner	Due Date	Status
23	13/07/2021	Provide the final report from External Auditor on the Audit of City of Salisbury's Internal Control Framework.	Internal Auditor and Risk Coordinator	November 2021	Complete. Presented to October 2021 Audit Committee.
24.	13/07/2021	Provide an assurance map for the City of Salisbury and include an intermediate update on the status of overall risk management practices and plans at the City of Salisbury.	Internal Auditor and Risk Coordinator	November 2021	In progress.
25.	13/07/2021	Make editorial corrections on the Internal Control Framework & Audit Committee sections information for the Annual Report 2020/2021.	Internal Auditor and Risk Coordinator	November 2021	Completed and included in the Draft Annual Report, included in October 2021 Audit Committee Agenda.

3. CONCLUSION / PROPOSAL

- 3.1 An action list has been developed for the Audit Committee. The action list will be maintained and presented to each Audit Committee meeting with an update on status of the relevant items. Any additional actions identified by the Audit Committee will be included on the action list as they arise.

ITEM	7.1.1
	AUDIT COMMITTEE
DATE	12 October 2021
HEADING	Report to the Audit Committee for the year ended 30 June 2021, prepared by Bentleys
AUTHOR	Hussain Rafeeu, Internal Auditor & Risk Coordinator, CEO and Governance
CITY PLAN LINKS	4.2 We deliver quality outcomes that meet the needs of our community.
SUMMARY	<p>For the financial year ending 30 June 2021, Bentleys was engaged to perform an audit on the City of Salisbury (COS or the Council)'s financial statements, and internal controls, in accordance with the <i>Local Government Act 1999</i> ("the Act") and the <i>Local Government (Financial Management) Regulations</i> (2011) ("the Regulations").</p> <p>This report presents Bentleys' final version of the Draft Independent Auditor's Report, the Final Report of Audit Findings, and final version of the Draft Independent Assurance Report on Internal Controls of the Council.</p> <p>Bentleys have issued an unmodified audit opinion over the financial report of the Council, and confirms that the Council has been audited as per the requirements of Section 129 and Section 125 of the Act and have complied, in all material respects, with Section 125 of the Act, in relation to Internal Controls established by the Council in relation to the receipt, expenditure and investment of money, acquisition and disposal of property and incurring of liabilities so as to provide reasonable assurance that the financial transactions of the Council have been conducted properly and in accordance with legislative provisions for the period 1 July 2020 to 30 June 2021.</p>
RECOMMENDATION	
<u>That Council:</u>	
1.	Approves Bentleys' Final Report on Audit Findings 30 June 2021, appearing as Attachment 4 to this report (Audit Committee 12 October 2021, Item7.1.1)
2.	Notes the Management Representation Letter requested by the Bentleys, appearing as Attachment 5 to this report (Audit Committee 12 October 2021, Item7.1.1), is signed by management.

ATTACHMENTS

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

1. Certification of Auditor Independence 2021
2. Draft-Independent Auditor's Report for the City of Salisbury for Year Ending 30 June 2021
3. Draft-Independent Assurance Report on Internal Controls for the City of Salisbury for Year Ending 30 June 2021
4. Final Report of Audit Findings - Year End Management Letter 2021
5. Management Representation Letter

1. BACKGROUND

- 1.1 COS engaged Bentleys to perform an audit on the financial statement for the year ended 30 June 2021.
- 1.2 In addition to the financial statements audit, an assurance engagement was conducted on the financial internal controls of the COS for the year 1 July 2020 to 30 June 2021, to ensure compliance with the requirements of the South Australian Local Government Financial Management Group Inc. (SALGFMG) Better Practice Model and section 125 of the *Local Government Act 1999* ("the Act").
- 1.3 Bentleys have audited the COS' 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 2020 to 30 June 2021.
- 1.4 Section 129(3) of the Act provides that Bentleys are required to provide Council an opinion with respect to the financial statements and whether the controls audited are sufficient to provide reasonable assurance that Council's financial transactions have been conducted properly and in accordance with the law. The audit must be carried out in accordance with the Australian Accounting and Assurance Standards, the Act and the *Local Government (Financial Management) Regulations* (2011) ("the Regulations").
- 1.5 Section 19(2) Part 6 Division 1 of the Regulations provides that Bentleys are required to apply Section 125 of the Act, informing the independent audit opinion on the financial statements.
- 1.6 Section 125 of the Act states that "*A council must ensure that appropriate policies, practices and procedures of internal control are implemented and maintained in order to assist the council to carry out its activities in an efficient and orderly manner to achieve its objectives, to ensure adherence to management policies, to safeguard the council's assets, and to secure (as far as possible) the accuracy and reliability of council records.*"

2. REPORT

- 2.1 Bentleys representatives David Papa, Partner, and Matthew Brunato, Manager Audit and Assurance, will attend the October 2021 Audit Committee meeting to present the findings of the Final Report of Audit Findings.
- 2.2 Bentleys have provided certification of auditor independence in performing the audit for the period 1 July 2020 to 30 June 2021 (Attachment 1).
- 2.3 Attachment 2 to this report is the final version of the Draft Independent Auditor's Report, where Bentleys have provided their independent audit opinion on the financial report of the Council, confirming that the financial report gives a true and fair view of the financial position of the City of Salisbury as of 30 June 2021, and of its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards, the Act and the Regulations.
- 2.4 Attachment 3 to this report is the final version of the Draft Independent Assurance Report on Internal Controls for the Council, and provides assurance that Council is compliant with necessary legislative compliance requirements.
- 2.5 Attachment 4 is Bentleys Final Management Letter covering the Report of Audit Findings. This report highlights to the Council's management and those charged with governance, on any material matters or concerns that would impact the decision-making ability of the users of the financial report.

One significant matter related to asset revaluations was reported as follows:

Observation: *The revaluation report has increased the replacement value for buildings and other structures by 10% to \$103m. The cost base of buildings and other structures has increased \$26.3m to \$124.7m, which is a 21% increase. Based on the review we noted the increase in revaluation is attributed to construction cost increases since the previous valuation, as well as the inclusion of newly constructed assets that had not been recognised in the last valuation undertaken.*

Significance: *Replacement cost is one of the key valuation inputs and is reflective of an increase in the market for commodities and building construction materials. However, we are uncertain whether this increase is permanent or whether there will be a cost correction in future periods. Any increases in replacement costs will cause increases in depreciation, which may further impact key ratios in future years such as the operating surplus ratio. Changes in replacement cost will also impact the following:*

- *Infrastructure Asset Management Plans (IAMP's)*
- *Long Term Financial Plans (LTFP's)*
- *Annual Budgets*
- *Asset maintenance plans*

We do not believe this will have a material impact on the financial report for the year ended 30 June 2021, however, this volatility may have long term impacts relating to asset management and related materials cost planning.

Management response to this observation was "Noted and will be considered as part of our budgets, LTFP and IAMP's".

- 2.6 Bentleys have also reported a risk that the accounting treatment for the development of real estate assets may not be in line with the accounting policy adopted by Council, and the audit outcome was pending as a position paper was not prepared at the time of the audit, for them to determine whether the accounting treatment is in line with the accounting policy.

In this regard, Bentleys further confirm that a sale in relation to real estate development assets for the 2021 financial year amounting to \$1.3m is only a change in the classification on the statement of comprehensive income and they do not believe the current treatment would materially impact the users of the financial statements if incorrect.

Administration confirms that given that the treatment does not have an impact on the financial statement in any material sense, it is more timely to prepare the position paper for next financial year reporting and explain to the new incoming external auditor.

- 2.7 The procedures used by Bentleys to provide assurance on internal controls included;
- obtaining an understanding of internal controls in relation to the receipt;
 - expenditure and investment of money;
 - the acquisition and disposal of property and the incurring of liabilities;
 - evaluating management's assessment of these internal controls;
 - assessing the risk that a material weakness exists; and
 - testing and evaluating the design and implementation of controls on a sample basis on the assessed risks
- 2.8 These procedures were used by Bentleys to test samples of financial internal controls.
- 2.9 Of the financial internal controls tested by Bentleys, no findings were identified which require addressing by COS. Bentleys have confirmed that unqualified opinions will be provided on both financial statements and financial internal controls.
- 2.10 The financial statements and financial internal controls opinions will be provided by Bentleys after the Audit Committee has reviewed the financial statements and all of the following documents have been sent to them:
- Financial Statements certified by the Mayor and CEO;
 - Management Representation Letter signed by the CEO and the General Manager Business Excellence.
- 2.11 The Management Representation Letter requested by Bentleys to be signed by the CEO and the General Manager Business Excellence, is included in Attachment 5, for Audit Committee review as scheduled in the Audit Committee Annual Work Plan 2021/2022.

3. CONCLUSION / PROPOSAL

- 3.1 Bentleys confirms that no findings were identified that have a material impact on the financial report for the year ended 30 June 2021, and that internal controls are complied with in accordance with necessary legislative requirements. This will result in COS achieving unqualified audit opinions on both the financial statements and internal controls.

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Certification of Auditor Independence

I confirm that, for the audit of the financial statements of City of Salisbury for the year ended 30 June 2021, I have maintained my independence in accordance with the requirements of APES 110 – *Code of Ethics for Professional Accountants (including Independence Standards)*, Part 4A, published by the Accounting Professional and Ethical Standards Board, in accordance with the *Local Government Act 1999* and the *Local Government (Financial Management) Regulations 2011* made under that Act.

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

Bentleys SA Audit Partnership

David Papa
Partner

Dated at Adelaide this 21st day of September 2021



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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE CITY OF SALISBURY

Opinion

We have audited the accompanying financial report of the City of Salisbury, which comprises the statement of financial position as at 30 June 2021, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and the Certification of the Financial Statements.

In our opinion, the financial report gives a true and fair view of the financial position of the City of Salisbury as of 30 June 2021, and of its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards and the *Local Government Act 1999* and the *Local Government (Financial Management) Regulations 2011*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Report section of our report. We are independent of the entity in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Responsibilities of Management and Those Charged with Governance for the Financial Report

Management is responsible for the preparation of the financial report, which gives a true and fair view in accordance with Australian Accounting Standards and the *Local Government Act 1999* and the *Local Government (Financial Management) Regulations 2011*, and for such internal control as the committee and management determines is necessary to enable the preparation of a financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, management is responsible for assessing the entity's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless management either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the entity's financial reporting process.



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Advisors

Accountants

Auditors



Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website (<http://www.auasb.gov.au/Home.aspx>). This description forms part of our auditor's report.

BENTLEYS SA AUDIT PARTNERSHIP

DAVID PAPA
PARTNER

Dated at Adelaide this xx day of October 2021



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INDEPENDENT ASSURANCE REPORT ON INTERNAL CONTROLS OF THE CITY OF SALISBURY

Opinion

We have audited the compliance of the City of Salisbury (the Council) with the requirements of *Section 125 of the Local Government Act 1999* in relation to the Internal Controls established by the Council to ensure that financial transactions relating to the receipt, expenditure and investment of money, acquisition and disposal of property and incurring of liabilities for the period 1 July 2020 to 30 June 2021 are in accordance with legislative provisions.

In our opinion, the Council has complied, in all material respects, with *Section 125 of the Local Government Act 1999* in relation to Internal Controls, established by the Council in relation to the receipt, expenditure and investment of money, acquisition and disposal of property and incurring of liabilities so as to provide reasonable assurance that the financial transactions of the Council have been conducted properly and in accordance with legislative provisions for the period 1 July 2020 to 30 June 2021.

Limitation on Use

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

Limitations of Controls

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

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

Independence

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



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The Council's Responsibility for the Internal Controls

The Council is responsible for implementing and maintaining an adequate system of internal controls, in accordance with *Section 125 of the Local Government Act 1999* in relation to Internal Controls, to ensure that the receipt, expenditure and investment of money, the acquisition and disposal of property, and incurring of liabilities are in accordance with legislative provisions.

Our Responsibility

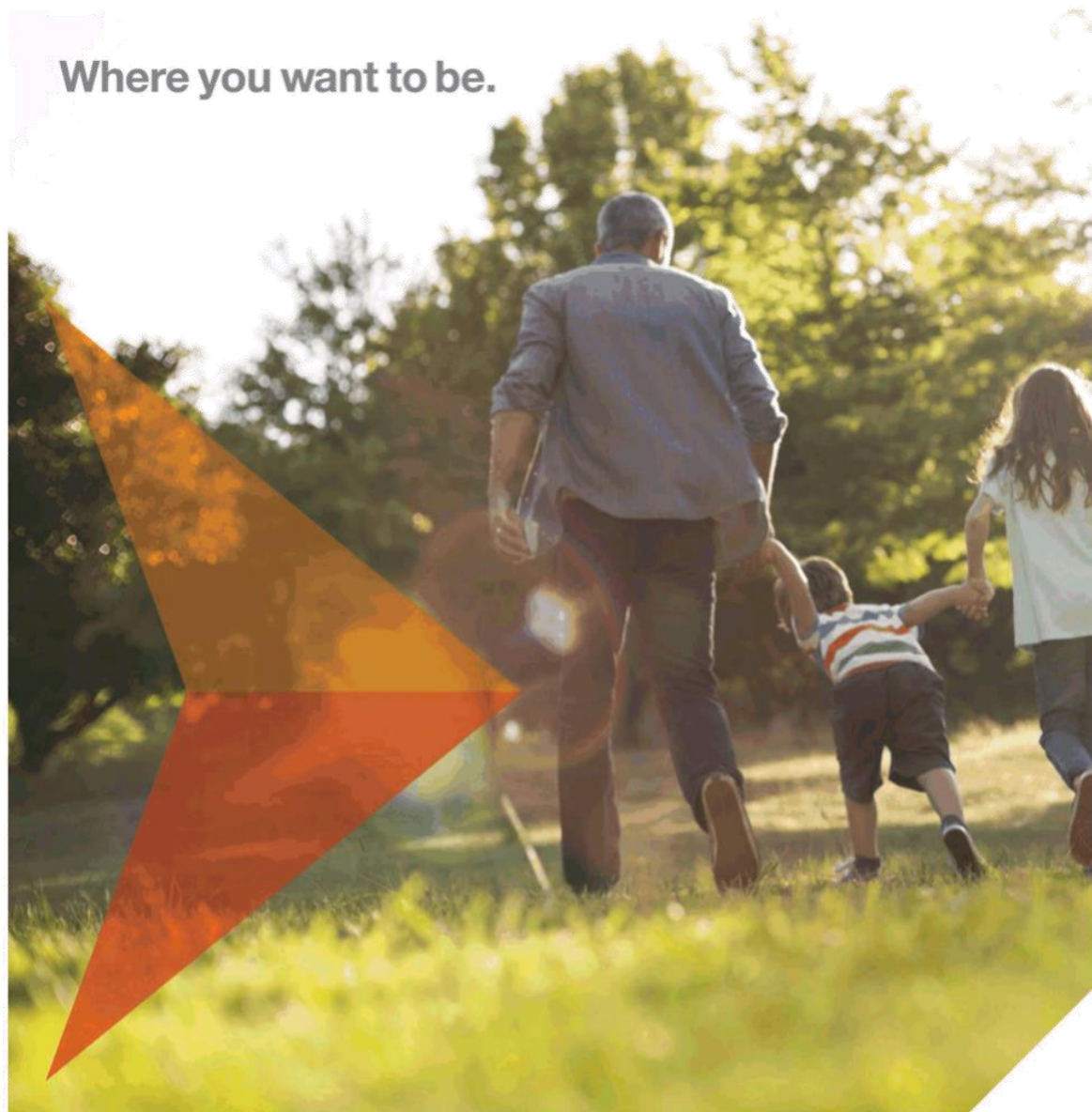
Our responsibility is to express an opinion on the Council's compliance with *Section 125 of the Local Government Act 1999* in relation only to the Internal Controls established by the Council to ensure that financial transactions relating to the receipt, expenditure and investment of money, acquisition and disposal of property and incurring of liabilities, based on our procedures. Our engagement has been conducted in accordance with applicable Australian Standards on Assurance Engagements ASAE 3000 *Assurance Engagements Other than Audits or Reviews of Historical Financial Information* and ASAE 3150 *Assurance Engagement on Controls*, issued by the Australian Auditing and Assurance Standards Board, in order to state whether, in all material respects, the Council has complied with *Section 125 of the Local Government Act 1999* in relation only to the Internal Controls specified above for the period 1 July 2020 to 30 June 2021. ASAE 3000 also requires us to comply with the relevant ethical requirements of the Australian professional accounting bodies.

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

BENTLEYS SA AUDIT PARTNERSHIP

DAVID PAPA
PARTNER

Dated at Adelaide this xx day of October 2021



Where you want to be.



September 2021

City of Salisbury

Report of Audit Finding

David Papa, Partner
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dpapa@adel.bentleys.com.au | bentleys.com.au

➤ Advisors ➤ Accountants ➤ Auditors

City of Salisbury // September 2021

**Executive
summary**

We are providing our final report on the audit of City of Salisbury for the year ending 30 June 2021.

Dear Cr Graham Reynolds

We have conducted our final audit of City of Salisbury for the year ending 30 June 2021 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.

The following matters are reported to management:

	Internal Controls	Financial Statements
Critical	-	-
Significant	-	Asset revaluations
Not Material	-	-
Area for Improvement	-	-

Note: an empty comment means nothing to report

We intend to issue an unmodified audit opinion over the financial report of City of Salisbury.

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

Sincerely,



David Papa

Partner,

+61 8 8372 7900

dpapa@adel.bentleys.com.au



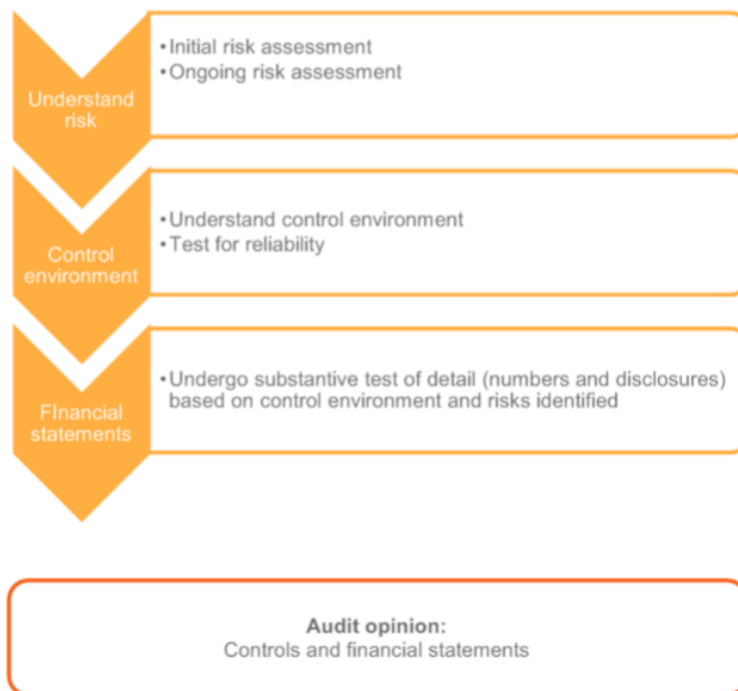
City of Salisbury // September 2021

Audit approach

Helping businesses achieve their goals and aspirations.

Bentleys SA's audit approach is based on organisational and financial risk. We develop an understanding of risks for your organisation that relate to the financial statements based on our understanding of your people, your organisation and your sector. This understanding helps us build an audit program that is tailored to you each year and enables us to form an opinion on your financial statements through a target "risk based" approach. The benefits of this approach are:

- Audit efficiency
- Increased organisational assurance
- A review of your control environment
- Timely and effective audits



3

City of Salisbury // September 2021

Identified audit risks

We have identified financial statement risk relating to this year's audit.

As your auditor, our requirement to identify risk commences at the planning phase of our audit and continues throughout the audit process until complete and the audit report is signed. Below we have detailed identified risks relating to the financial statements.

Risks identified at planning**Area****Asset revaluations****Risk**

The revaluation and useful lives assessment for buildings and infrastructure assets.

Audit Approach

We reviewed the fixed assets registers and independent valuations compared to the amounts reported at our year end visit.

Outcome

Satisfactory

Area**Accounting treatment for the development of real estate****Risk**

The accounting treatment for the development of real estate assets may not be in line with the accounting policy adopted by Council.

Audit Approach

Discuss with management and review the accounting treatment position paper to identify if the accounting treatment is in line with elected accounting policy.

Outcome

Pending. A position paper has not yet been prepared, and therefore we cannot conclude as to whether the accounting treatment is in line with the accounting policy.

We have identified the sales in relation to real estate development assets for the 2021 financial year is \$1.3m. As this is only a change in the classification on the statement of comprehensive income, we do not believe the current treatment would materially impact the users of the financial statements if incorrect.

As such, this will not impact our audit opinion over the financial report.



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City of Salisbury // September 2021

Identified audit risks

We have identified financial statement risk relating to this year's audit.

Risks identified through the audit

Area

Allocation of fieldwork staff between capital and operating expenditure

Risk

Management's focus on increasing utilisation of fieldwork staff to conduct capital works (see page 6) increases the risk of incorrect allocation of time between capital and operational work.

Audit Approach

We performed procedures to look into controls around the allocation of time and the coding of time to general ledger accounts.

Outcome

Satisfactory



City of Salisbury // September 2021

Financial
statement
matters for the
year

We bring the
following financial
statement matters to
your attention in
relation to your
financial statements.

Issue

Asset revaluations

Observation

The revaluation report has increased the replacement value for buildings and other structures by 10% to \$103m. The cost base of buildings and other structures has increased \$26.3m to \$124.7m, which is a 21% increase.

Based on the review we noted the increase in revaluation is attributed to construction cost increases since the previous valuation, as well as the inclusion of newly constructed assets that had not been recognised in the last valuation undertaken.

Significance

Replacement cost is one of the key valuation inputs and is reflective of an increase in the market for commodities and building construction materials. However, we are uncertain whether this increase is permanent or whether there will be a cost correction in future periods.

Any increases in replacement costs will cause increases in depreciation, which may further impact key ratios in future years such as the operating surplus ratio.

Changes in replacement cost will also impact the following:

- Infrastructure Asset Management Plans (IAMP's)
- Long Term Financial Plans (LTFP's)
- Annual Budgets
- Asset maintenance plans

We do not believe this will have a material impact on the financial report for the year ended 30 June 2021, however, this volatility may have long term impacts relating to asset management and related materials cost planning.

Management response

Noted and will be considered as part of our budgets, LTFP and IAMP's.



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City of Salisbury // September 2021

Matters for those charged with governance

Fraud

Whilst fraud is not the primary consideration when conducting an external audit, we have not identified any fraud as a result of our audit.

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.

Legal compliance

Through our audit procedures we have not become aware of any non-compliance with applicable laws and regulations.

Financial reporting and accounting policies

We believe the accounting policies elected for the Council are reasonable and their application provides sufficient information for use of the decision makers.

Going concern

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.

Cooperation with management

The management team has been helpful and cooperative throughout the conduct of this year's audit.



7

Where you want to be

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12 October 2021

Bentleys SA Audit Partnership
Level 5, 63 Pirie Street
ADELAIDE SA 5000

Dear Mr Papa,

RE: AUDIT FOR THE CITY OF SALISBURY FOR THE YEAR ENDED 30 JUNE 2021

This representation letter is provided in connection with your audit of the financial statements of **The City of Salisbury** for the year ended 30 June 2021 for the purpose of forming an opinion whether, in all material respects, the financial statements are presented fairly in accordance with the Local Government Act 1999, Local Government (Financial Management) Regulations 1999 and Australian Accounting Standards so as to present a view which is consistent with your understanding of The City of Salisbury's financial position, the results of its operations and its cash flows.

We acknowledge our responsibility for the preparation of the financial statements including adequate disclosure. We also acknowledge our responsibility for the implementation and operation of accounting and internal control systems that are designed to prevent and detect fraud and error.

We confirm, to the best of our knowledge and belief, the following representations:

We have implemented and maintained sufficient internal controls and processes within the Council and ensure all elected controls regarded as 'core' have complied with.

There have been no irregularities involving management or employees who have a significant role in the accounting and internal control systems or that could have a material effect on the financial statements;

We have disclosed to you all significant facts relating to any frauds or suspected frauds known to us that may have affected the entity;

We have disclosed to you the results of our assessment of the risk that the financial report may be materially misstated as a result of fraud;

We have made available to you all books of account and supporting documentation and all minutes of meetings. Where minutes have not been prepared for recent meetings, a summary of decisions taken at those meetings has been made available to you;

We confirm the completeness of the information provided regarding the identification of related parties, and balances and transactions with related parties;

The financial statements are free of material misstatements, including omissions;

We believe the effects of those uncorrected financial report misstatements noted by you or your staff during the audit are immaterial, both individually and in aggregate to the financial report taken as a whole;

The Council has complied with all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance;

We have disclosed to you all known incidences of possible or actual non-compliance with laws and regulations whose effects should be considered when preparing the financial report;

The following have been properly recorded and, when appropriate, adequately disclosed in the financial statements:

- The identity of, and balances and transactions with, related parties;
- Losses arising from sale and purchase commitments;
- Agreements and options to buy back assets previously sold,
- Assets pledged as collateral.

We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements;

The Council has satisfactory title to all assets and there are no liens or encumbrances on the company's assets, except for those that are disclosed in notes to the financial statements;

We have recorded or disclosed, as appropriate, all liabilities, both actual and contingent;

There have been no events subsequent to period end which require adjustment of or disclosure in the financial statements or Notes thereto;

All claims that have been received in connection with litigation do not require adjustment of or disclosure in the financial statements or Notes thereto;

There are no formal or informal set-off arrangements with any of our cash and investment accounts. We have no other line of credit arrangements,

There are reasonable grounds to believe that the Council will be able to pay its debts as and when they become due and payable.

CEO

Date

General Manager Business Excellence

Date

ITEM 7.1.2**AUDIT COMMITTEE****DATE** 12 October 2021**HEADING** End of Financial Year Statement and Analysis**AUTHORS** Kate George, Manager Financial Services, Business Excellence
Tim Aplin, Senior Accountant, Business Excellence**CITY PLAN LINKS** 4.2 We deliver quality outcomes that meet the needs of our community**SUMMARY** This report and the associated attachments, provides the Audit Committee with the information required to review the Annual Financial Statements for 2021 in accordance with the requirements of the Local Government Act 1999.**RECOMMENDATION**That Council:

1. Receives the information.
2. Approves, in accordance with Section 126(4)(a) of the Local Government Act 1999, that the Audit Committee's advice that it has reviewed the annual financial statements of the Council for the year ended 30 June 2021 and is satisfied they present fairly the state of affairs of Council.
3. Approves, 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.
4. Approves that the draft analysis of the Annual Financial Statements, as presented in Attachment 1 to this report (Audit Committee 13 October 2021, Item 7.1.2), be included in the End of Year Financial Statements Report to Council.

ATTACHMENTS

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

1. Proposed Council General Item Business 1
2. City of Salisbury Annual Financial Statements 2021

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 2021.

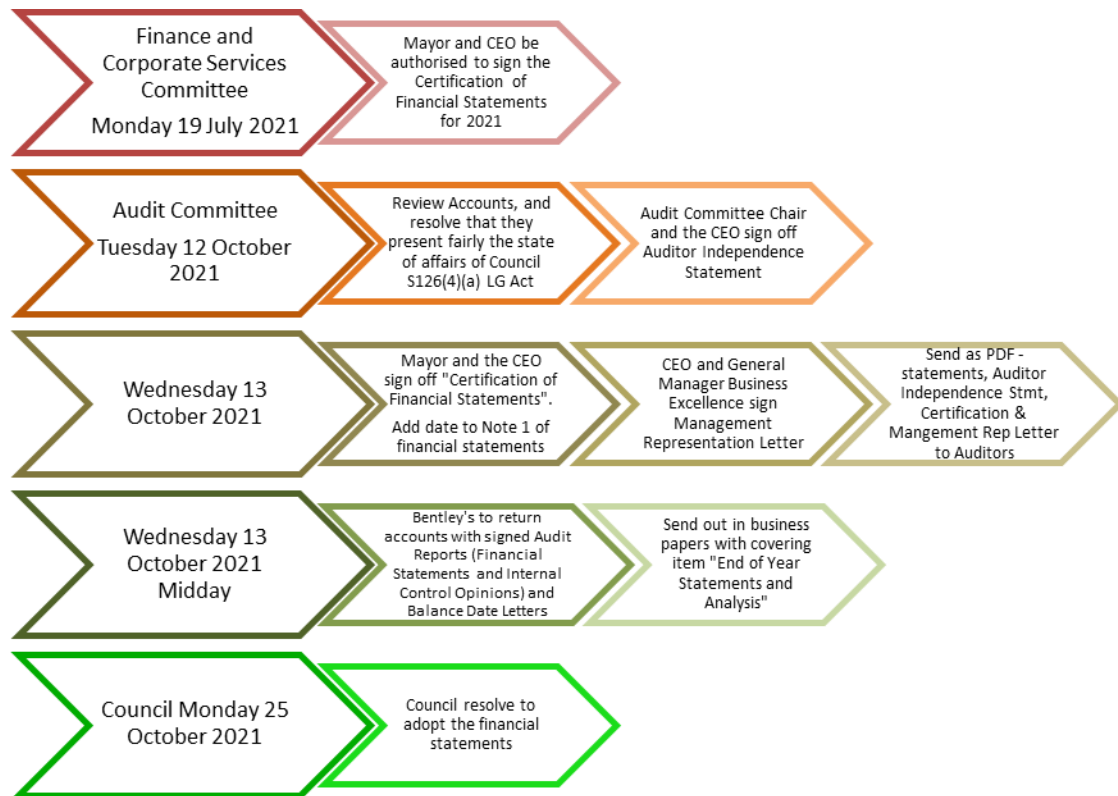
2.2 External

- 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 2021 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 2021.
- 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 2021, and are awaiting the Audit Committee's review prior to signing their audit opinion, after which the Annual Financial Statements for 2021 can be certified and then adopted by Council.
- 3.4 The Chief Executive Officer and the Mayor will sign the Certification of the 2021 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 Controls for 2021.
- 3.5 A timeline shown below demonstrates the process that is required to be followed to sign off the Annual Financial Statements for 2021.

Sign off Process Annual Financial Statements for 2021



3.6 An analysis of the Annual Financial Statements and results for the year will be presented to Council on 25 October 2021, 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 2021 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 2021 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.
- 4.3 The draft analysis of the Annual Financial Statements, as presented in Attachment 1 be recommended by the Audit Committee for inclusion in the End of Year Financial Statements Report to Council.

ITEM 0.0

ITEM	0.0
	COUNCIL
DATE	25 October 2021
HEADING	End of Year Financial Statement and Analysis
AUTHORS	Kate George, Manager Financial Services, Business Excellence Tim Aplin, Senior Accountant, Business Excellence Melissa Hamilton, Assistant Accountant, Business Excellence
CITY PLAN LINKS	4.2 We deliver quality outcomes that meet the needs of our community Choose an item. Choose an item.
SUMMARY	<p>The City of Salisbury end of year processes for the financial year ended 30 June 2021 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 also been reviewed by the Audit Committee at the meeting on 12 October 2021. Further Council's external auditors are satisfied that they present fairly the state of affairs of the Council.</p>

RECOMMENDATIONThat Council:

1. Receives the information
2. The Annual Financial Statements for the year ended 30 June 2021 be adopted.

ATTACHMENTS

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

1. Annual Financial Statements for the year ended 30 June 2021

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 renewal funding ratio compared with estimates set out in the budget presented in a manner consistent with the Model Financial Statements.*

ITEM 0.0

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 (AFS) for the year ending 30 June 2021. This report has been reviewed by the City of Salisbury's Audit Committee at the meeting held 12 October 2021 and feedback from the Committee has been included into the 2021 AFS.

2.2 External

- 2.2.1 The AFS for 2021 have been audited by Council's Auditors, Bentleys, and they have provided an unqualified audit opinion.

3. REPORT

- 3.1 The City of Salisbury's Financial Statements for the 2021 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 South Australian 2021 Model Financial Statements.
- 3.2 In accordance with Section 126(4)(a) of the *Local Government Act 1999* the Audit Committee advised that it has reviewed the annual financial statements of the Council for the year ended 30 June 2021 and is satisfied they present fairly the state of affairs of Council.
- 3.3 The external auditors Bentleys have conducted their audit and have provided an unqualified audit opinion on the Annual Financial Statements.
- 3.4 The following comments are provided with respect to the 2021 AFS, with commentary highlighting significant movements' year on year.
- 3.5 Please note the date convention that has been used in this report, where 2021 refers to the 2020/21 financial year and 2020 refers to the 2019/20 financial year.

4. FINANCIAL STATEMENT ANALYSIS**4.1 Statement of Comprehensive Income**Year on Year Comparative

- 4.1.1 The Statement of Comprehensive Income shows an Operating Surplus before capital amounts and other comprehensive income of \$10,013k compared to \$9,520k in the prior year.
- 4.1.2 Whilst the Operating Surplus has slightly increased by \$493k from the prior year, there are a number of contributing variances. Income has overall increased by \$1,651k from 2020, with the main contributing factors being Statutory charges \$810k as a result of an increase in development activity, rate revenue has increased \$467k primarily due to city growth, and the Council's share of profit in NAWMA \$868k. User charges have remained fairly consistent, only increasing \$136k which is in line with the 0% fees and charges increase implemented as a part of Council's of COVID-19 support measures.

ITEM 0.0

- 4.1.3 Overall expenditure has decreased by \$1,158k inclusive of LED lighting program of \$1,011k being expensed, and adjusting for this on-off adjustment the reduction in expenditure is \$2,169k, and is mainly attributable to savings within Materials Contracts and Other Expenditure. The reduction in expenditure is reflective of Operating Surplus Initiatives implemented as part of the COVID-19 support measures. Offsetting is an increase in Depreciation \$1,913k which is as a result of changes associated with the building audit recently completed and the associated revaluations increasing the building assets value by \$9,509k with a \$446k increase in depreciation, plus the Salisbury Community Hub assets recognised for a full year in 2021 which was an increase of \$617k, and other new assets coming on stream. Further details on these movements are outlined in the paragraphs below.
- 4.1.4 Rate Revenue has increased by 0.46% from \$101,654k in 2020 to \$102,121k in 2021, being an increase of \$467k. In response to the impacts of COVID-19, Council endorsed a 0% rate increase in the 2021 year, therefore this increase is primarily the result of development growth in the city resulting from an increase in the number of rateable properties. It should be noted that there are also additional costs from this development growth primarily associated with infrastructure and provision of services.
- 4.1.5 Statutory Charges have increased by 27.04%, being an increase of \$810k from \$2,995k in 2020 to \$3,805k in 2021. The most significant impacts are increases in Building Fees \$507k and Planning Fees \$434k as a result of higher levels of development applications processed that is attributable to the Governments Stimulus Programs implemented during 2021. Offsetting these favourable variances are decreases in Parking Fines as a result of Council utilising a more educative approach within the community during the height of the COVID-19 pandemic, resulting in warnings and advice being given to the community rather than the issuing of fines.
- 4.1.6 User Charges have increased by 2.83%, being an increase of \$136k from \$4,794k in 2020 to \$4,930k in 2021, with increases in Salisbury Water charges \$85k as a result of higher non-residential sales compared to 2020 and Waste Disposal income \$42k associated with residents purchasing additional bins. Corporate Sign leasing income has also increased \$49k as a result of a delays in invoicing customers impacted by COVID-19, this is purely a timing increase. This is partially offset by decreases in Sports/Club rental income \$45k as a result of the waiving of rents as part of the COVID-19 recovery package endorsed by Council.
- 4.1.7 Grants, Subsidies and Contributions have increased by 1.19% from \$14,939k in 2020 to \$15,116k in 2021, being an increase of \$177k. The Financial Assistance Grant total for 2020 was \$8,386k, compared with 2021 allocation of \$8,475k, with an equal number of installments being received in each year, but with advance payments being based on estimates this has resulted in \$8,159k being received in 2020, compared with \$8,883k in 2021, being a \$724k favourable variance comparing year on year. This can be seen in the table below:

ITEM 0.0

Financial Assistance Grant	2021	2020	
Details of Payment	\$'000s	\$'000s	Notes
Standard Payment	4,146	3,830	[A]
Advance Payment	4,737	4,329	[B]
	8,883	8,159	

[A] Standard Payment represents two quarters of 2020 and 2021 allocation.
[B] Advance Payment represents estimated two quarters of the next years allocation.

Also contributing to the favourable variance is higher than anticipated South Australian Government Home Assist funding received in 2021 \$61k and additional Aged Housing Support funding \$57k for program expansions. Offsetting these favourable variances is lower Roads to Recovery funding received in 2021 of \$777k.

- 4.1.8 Investment Income has decreased by 51.58%, being a decrease of \$128k from \$248k in 2020 to \$120k in 2021, primarily as a result of interest rates being lower than the prior year; with the average interest rate on short-term investments for 2021 being 0.38%, compared to 0.45% average rate for 2020, and lower cash holdings throughout the year.
- 4.1.9 Reimbursements have decreased by 69.11% or a \$1,100k decrease from \$1,592k in 2020 to \$492k in 2021 which primarily relates to a significant reimbursement of \$1,087k received in 2020 relating to the 2019 financial year's public lighting payments pursuant to the Australian Energy Regulator Consent Orders and agreed with the energy supplier.
- 4.1.10 Other Income has increased by 39.53% from \$1,067k in 2020 to \$1,489k in 2021 being an increase of \$422k, which is primarily a result of \$128k higher Workers Compensation Bonus funds received in 2021 compared to the prior year. Also contributing is \$214k legal fees recovered from previously held court matters.
- 4.1.11 Net Gain – Equity Accounted Council Businesses has increased by \$868k from \$102k in 2020 to \$970k in 2021. The 2021 result reflects Council's share of NAWMA's performance with them producing a net surplus of \$1,891k and Council's share being \$970k. This has increased from an overall net surplus of \$169k in 2020 and Council's share being \$102k.
- 4.1.12 Employee Costs have increased by 0.69%, being an increase of \$253k from \$36,863k in 2020 to \$37,116k in 2021. The EB adjustment of 2.50% for MOA staff and 2.50% for LGE staff is offset by an increase in capitalisation of staff due to higher levels of staff engagement in the construction and design of the accelerated COVID-19 Infrastructure Recovery program. Workers Compensation Insurance has also increased \$333k from \$1,416k in 2020 to \$1,749k in 2021 as a result of an increase in contribution rate from 3.88% to 4.05%.
- 4.1.13 Materials, Contracts and Other Expenses has decreased by 1.61%, being a decrease of \$858k from \$53,267k in 2020 to \$52,409k in 2021. As part

ITEM 0.0

of Councils COVID-19 recovery program, the Operating Surplus Initiatives were implemented during the 2021 year to offset the loss of revenue associated with a zero percent rate increase. As such, the primary factors in the decrease in expenditure are within various programs such as Park Maintenance \$446k, Tree Management \$446k, Kerb and Gutter replacement program \$588k, Footpath Maintenance \$307k and Roads \$245k. There was also a reduction in legal expenses from 2020 of \$215k, which is a difficult area to forecast due to the adhoc and uncertain nature of this type of expenditure. Operating Lease rental expenditure has also decreased by \$381k from 2020 as a result of a shift from short term leasing of IT Equipment and a number of these leases reaching final term.

Offsetting these decreases is a one-off impact from the LED Lighting Program of \$1,011k. The program was for the replacement of street lighting luminaires with LED's and was initially anticipated to be capital item. However upon detailed review of the SA Power Networks agreement, and through discussions with our external auditors, it was determined with Bentley's that it should be treated as an operating expense. The rationale is that while the agreement states we retain title to the luminaires, the terms of the agreement are so restrictive that we do not maintain control. Having control is a key element required for any costs to be capitalised as an asset under the Australian Accounting Standards. Consequently a total of \$1,011k was required to be expensed.

Electricity costs in terms of supply and consumption actually decreased from the 2020 year, by \$562k.

Also increasing from 2020 is expenditure associated with the Waste Management \$1,308k which is primarily the result of the increase in the Solid Waste Levy from \$110 per tonne to \$140 per tonne with this increase being recognised for the full year in 2021. Verge Mowing also increased from 2020 by \$119k due to additional cuts being scheduled in line with the expanded program and an increase in Community Grants \$124k as part of the COVID-19 support measures. Various other increases/decreases have occurred throughout the 2021 year as a result of variations in contracts and other factors.

- 4.1.14 Depreciation costs have increased by \$1,912k from \$26,950k in 2020 compared to \$28,862k in 2021. Infrastructure depreciation has increased from \$23,388k in 2020 to \$25,104k in 2021. This is primarily related to the audit and valuation of Building Assets completed in 2021 resulting in an overall increase of \$9.5M in building asset values, with an associated increase in deprecation of \$446k. Further, the full year impact of depreciation on the Community Hub compared to only 58% last year has also contributed to the increase, resulting in \$617k additional depreciation. Incremental adjustments to unit rates and indexation increases in all asset classes flowing from the prior year revaluation and addition of new assets has also contributed to the increase in Infrastructure Depreciation. Also contributing is an increase in Plant Furniture and Equipment depreciation from \$2,931k in 2020 to \$3,128k in 2021 as a result of furniture and equipment associated with the

ITEM 0.0

Community Hub with the current year reflecting a full year of depreciation expense and some large sized items of fleet such as Road Sweepers purchased during 2021.

- 4.1.15 Finance Costs have decreased by 17.41% being a decrease of \$136k from \$777k in 2020 to \$641k in 2021, which reflects a real decrease in Council's long term borrowings. Interest costs on borrowings decreased \$128k from 2020 to 2021, and the nominal interest costs associated with leased assets decreased from \$110k in 2020 to \$98k in 2021, noting this is offset by an adjustment to actual lease costs of the same amount.
- 4.1.16 Net Loss - Equity Accounted Council Businesses decreased from a \$14k net loss in 2020 to a net gain position in 2021 (Refer paragraph 4.1.11). In 2020 we recognised a net loss of \$14k for Council Solutions, resulting from the final distribution received upon wind up of \$124k compared to the carrying value of our interest in Council Solution's \$138k. Council Solutions was wound up in October 2020.
- 4.1.17 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 (section 5.5).

4.2 Statement of Financial Position 30 June 2021

- 4.2.1 The Statement of Financial Position as at 30 June 2021 shows Net Assets (Total Assets less Total Liabilities) or 'Equity' has increased by 3.07% or \$46,666k from \$1,518M in 2020 to \$1,565M in 2021.
- 4.2.2 Infrastructure, Property, Plant and Equipment has significantly increased by \$35M from \$1,516M in 2020 to \$1,551M in the 2021 year and is largely the result of additions to our current asset portfolio \$38,812k. Also contributing to this is net asset revaluation increments totaling \$28,681k, primarily being revaluation increments for Land \$12,869k and Buildings \$9,509k. Offsetting these increases is accumulated depreciation totaling \$28,862k and disposals of assets renewed or replaced \$3,927k. Further to the significant increase in Infrastructure Assets is an increase in Capital Works in Progress from \$16,474k in 2020 to \$20,731k in 2021, which is primarily associated with the accelerated infrastructure program.
- 4.2.3 Cash held by Council has increased by \$8,025k, from \$1,776k in 2020 to \$9,801k in 2021, with the main contributing factors being an increase in capital income received in 2021 of \$4,499k, primarily associated with the Local Roads and Community Infrastructure grant funding and \$810k higher Statutory fees received as a result of an increase in development activity across the region. Proceeds received from Property settlements have also increased in 2021 by \$1,964k associated with the Hoyle Green Development.
- 4.2.4 As contained in AFS Note 15 'Financial Indicators', Net Financial Liabilities have decreased \$7,312k from \$21,896k to \$14,584k, with the position as a proportion of total operating income having decreased from

ITEM 0.0

17.2% to 11.3%. Net Financial Liabilities are defined as total liabilities less financial assets expressed as a percentage of total operating revenue. The decrease in the Net Financial Liabilities predominantly results from higher levels of cash holdings in 2021 when compared to 2020. Council's level of cash has increased \$8,025k from the 2020 year and total financial liabilities have remained relatively stable, increasing by \$811k. The resulting ratio of 11.3% is well inside the target range endorsed by Council for this indicator of less than 70%.

- 4.2.5 The Asset Renewal Funding Ratio has trended downwards to 76.0% in 2021 from 103.5% achieved in 2020 (noting 2019 was 82.2%). This reflects net cash expenditure on the renewal/replacement of assets \$13,590k in 2021 as compared to the planned expenditure as per the Infrastructure Asset Management Plans (IAMP) \$17,881k, and reflects timing of delivery of renewal impacts on the year on year results. The ratio is lower than the endorsed range of between 90% - 110%, primarily as a result of the timing of delivery of renewal impacts, however it should be noted that \$6,099k was identified to be carried forward from 2021 to 2022 that is associated with renewal projects. If the carry forward amount of \$6,099k had of been spent during the 2021 financial year, the ratio would have been 110%.

4.3 Statement of Cash Flows 30 June 2021

- 4.3.1 The Statement of Cash Flows shows a net increase in cash and investments of \$8,025k, compared to a net decrease of \$26,001k for the prior financial year, resulting in a cash balance of \$9,801k at 30 June 2021.
- 4.3.2 Net cash provided by Operating Activities at 30 June 2021 was \$40,477k as compared with \$32,949k in 2020, being an increase of \$7,528k. This increase is primarily due to lower cash outflows for Materials, Contracts and Other Expenses, of \$8,597k, with outflows in 2020 being \$67,819k compared to \$59,222k in 2021. This is the primarily the result of lower infrastructure expenditure during the 2021 year as a result of the timing of the delivery of the infrastructure program and with high cash outflows in 2020 associated with the finalisation of the Community Hub. There is also a minor increase in Payments to Employees, increasing from \$36,299k in 2020 to \$36,959k in 2021 which reflects the EB increases and movements within employee entitlements.
- 4.3.3 Net cash used in Investing Activities has decreased \$26,440k from \$56,641k in 2020 to \$30,201k in 2021. In 2021 expenditure on Renewal/Replacement of Assets was \$14,171k, as compared to \$17,745k in 2020 a decrease of \$3,574k. In 2021 expenditure on New/Upgraded Assets was \$24,765, as compared to \$41,501k in 2020 a decrease of \$16,736k with 2020 including significant cash outflows with the completion of the Salisbury Community Hub. It is worth noting that infrastructure expenditure to be carried forward into 2022 totals \$6,099k for renewal projects.

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- 4.3.4 Net cash used in Financing Activities relates solely to Council's investment and borrowings activities. Overall net cash used in financing activities has decreased by \$58k from \$2,309k in 2020 to \$2,251k in 2021, which is related an increase in the repayment of lease liabilities \$146k as a result of new leases being entered into, offset in part by a decrease in repayments of fixed term borrowings \$204k.

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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 2021, and the 2021 original budget. 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 2021

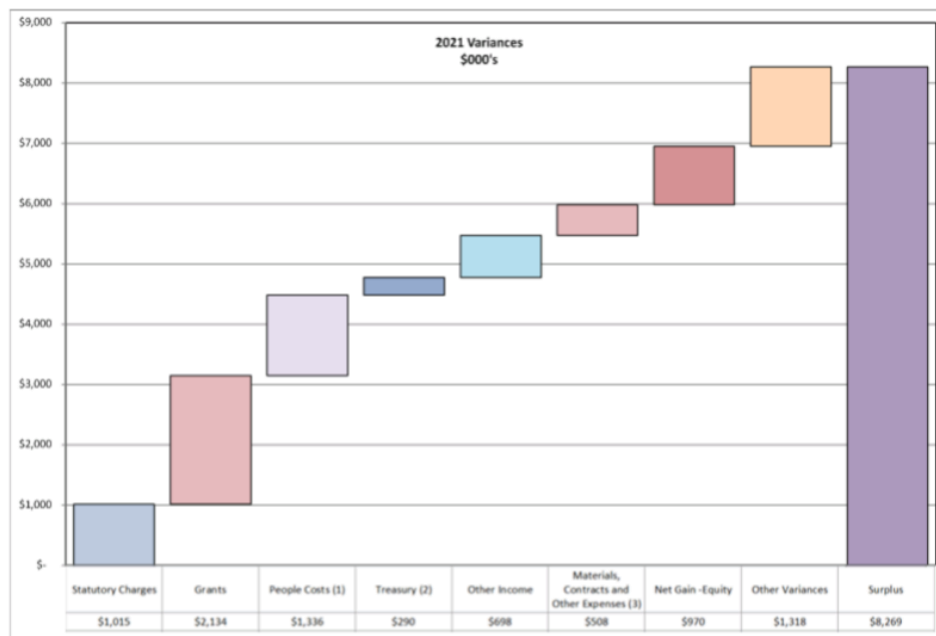
	Actual \$000	End of Financial Year Original Budget \$000	Variance \$000
Income			
Rates Revenues	102,121	101,869	253
Statutory Charges	3,805	2,790	1,015
User Charges	4,930	5,027	(97)
Grants, Subsidies & Contributions	15,116	12,982	2,134
Investment Income	120	78	42
Reimbursement	492	193	299
Other Income	1,489	791	698
Net Gain - Equity Accounted Council Businesses	970	-	970
Total Income	129,042	123,730	5,313
Expenses			
Employee Costs	37,116	39,101	1,984
Materials, Contracts and Other Expenses	52,409	52,269	(140)
Depreciation, amortisation & impairment	28,862	28,871	9
Finance Costs	641	889	248
Net Loss - Equity Accounted Council Businesses	-	855	855
Total Expenses	119,029	121,985	2,956
Operating Surplus/(Deficit)	10,013	1,745	8,269
Asset Disposal and Fair Value Adjustments	(1,599)	2,529	(4,128)
Amounts Received Specifically for New or Upgraded Assets	5,776	4,702	1,074
Physical Resources Received Free of Charge	3,795	1,500	2,295
Net Surplus/(Deficit) ⁽¹⁾	17,985	10,476	7,510
Other Comprehensive Income			
Changes in Revaluation Surplus - I,PP&E	28,681	23,226	5,455
Total Other Comprehensive Income	28,681	23,226	5,455
Total Comprehensive Income	46,666	33,702	12,965

(1) Transferred to Equity Statement

ITEM 0.0

5.2 Waterfall Analysis

5.2.1 The graph below shows the major components contributing to the increased surplus achieved in 2021 compared to budget. Following the graph is a table which provides a high level commentary on the variances, with more detail contained in section 5.3 of this report.



- (1) People Costs is expenditure category "Employee Costs" less agency costs for backfilling vacancies which is disclosed within "Materials, Contracts and Other Expenses"
- (2) Treasury Costs is income category "Investment Income" together with savings on expenditure category "Finance Costs"
- (3) Materials, Contracts and Other Expenses have been adjusted for the variance in Agency costs for backfilling vacancies, which has been adjusted against People Costs.

2021 Variances	
Statutory Charges	The higher variance primarily relates to higher than budgeted Development and Planning Fees received \$1,181k.
Grants	The higher variance results from higher than budgeted Financial Assistance Grant funding \$1,309k and Developer Contributions \$718k as compared to original budget.
People Costs	The higher variance relates to staff vacancies held during COVID-19 and lower levels of annual leave taken throughout the year.
Other Income	The higher variance primarily relates to legal costs recovered \$214k and higher than budgeted Workers Compensation Bonus payment \$131k as compared to budget.
Materials, Contracts &	Year on Year Materials Contracts and Other expenditure has reduced by \$508k, however the real reduction is \$1,519k which

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Other	reflects savings achieved through the Operating Surplus Initiative and timing of programs, offset by agency costs used to backfill vacancies reported under People Costs. The actual reduction of \$508k includes the one-off expense for the LED Lighting Program of \$1,011k which failed to meet the capitalization requirements of the accounting standards as detailed in para 4.1.13.
Net Gain – Equity Accounted Business	The favourable variance reflects Council's share of results in our Regional Subsidiary NAWMA, which produced a net surplus of \$1,891k in 2021.

5.3 Income Analysis**5.3.1 Rates Revenues – Favourable Variance \$253k**

The favourable variance is primarily the result of higher final growth numbers compared to original budget estimates, resulting from an increase in the number of rateable properties.

5.3.2 Statutory Charges – Favourable Variance \$1,015k

The favourable variance is primarily due to higher than budgeted Building and Development Lodgment fees \$758k and Planning fees \$423k predominantly associated to a higher number of applications processed during the financial year. The increase in applications is related to the Government Stimulus Packages offered during the peak of the COVID-19 pandemic. Offsetting this favourable variance is lower than budgeted Parking Fines \$181k with Inspectors utilising a more educative approach to parking infringements rather than issuing fines.

5.3.3 User Charges – Unfavourable Variance \$97k

The unfavourable variance is primarily related to the impacts of the COVID-19 pandemic within program areas. The areas significantly impacted are in the Community Home Support Program with Client Contributions \$83k lower than budgeted primarily within Social Activities \$42k and Minor Modifications \$23k. This is as a result of the suspension and modifications of various services provided in line with COVID-19 restrictions. Meal and Catering Income was also lower than original budgeted predictions \$56k within the Jack Young and Para Hills Centres. Hall hire income was also impacted by COVID-19 restrictions and suspensions, particularly in Twelve25 \$30k and Community Home Support \$21k. Other minor variances occurred within Libraries and other Community areas as a result of COVID-19 implications also.

Council's response to the financial impacts on the community also resulted in Sports/Recreation and Community Groups lease income being waived for a period of July to September 2020 which resulted in income received being \$66k lower than budgeted.

Offsetting these unfavourable variances is higher than budgeted Polaris Centre Mentoring Income \$45k, as a result of Council obtaining accreditation to provide SME advisory services during the 2021 year. Salisbury Water User charges are also favourable to original budget \$61k

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as a result of an increase in Water Connections \$24k and lower than budgeted Rebates \$37k.

Offsetting the unfavourable variances is Cemetery Licence income which was \$82k higher than original budget, primarily as a result of an increase in pre-need licences purchased during the year, partially offset by lower than budgeted burials \$37k.

5.3.4 Grants, Subsidies and Contributions – Favourable Variance \$2,134k

The favourable variance primarily relates to higher budgeted Financial Assistance Grant and Untied Local Road funding of \$1,309k and unbudgeted developer contributions totaling \$718k which were also received, however these are restricted contributions and will be expended in upcoming years on related capital projects.

There are also a number of minor variances associated with various grant funded programs received during the 2021 year.

5.3.5 Reimbursements – Favourable Variance \$299k

The favourable variance is primarily the result of various reimbursements received relating to works or services undertaken by Council, with the key areas being Recreational Services Contract Management \$222k and Security costs \$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.

5.3.6 Other Income – Favourable Variance \$698k

The favourable variance is due to higher than budgeted amounts received including unbudgeted legal costs recovered \$214k, higher than budgeted Workers Compensation Bonus payment \$131k, the unbudgeted special distribution from the Local Government Risk Services \$76k and unbudgeted revenue from the profit share arrangement with Belgravia \$54k. Also contributing is other Sundry Income \$152k made up of numerous minor variances, including sponsorship income \$40k, Permit Fees \$20k and Equipment Salvage sale income \$19k.

5.3.7 Net Gain – Equity Accounted Council Businesses – Favourable Variance \$970k

The favourable variance reflects Council's share of results in our Regional Subsidiary NAWMA, who produced a net surplus of \$1,891k in 2021, (details of which are contained in paragraph 4.1.11). NAWMA originally budgeted for a significant net loss and accordingly we budgeted for Council's share of that loss (refer paragraph 5.4.2). The turn-around from a loss to a surplus is the result of numerous factors however the most important was the very strong rebound on the sale of recycled paper and cardboard which was around a \$3M favorable net impact to NAWMA. This was as a result of the short supply in the global recycled fibre market which was caused by COVID-19.

5.4 Expenditure Analysis

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5.4.1 Employee Costs - Favourable Variance \$1,984k

The favourable variance is primarily as a result of the utilisation of contractors and agency staff \$834k to provide backup to operational roles during recruitment of vacancies as well as for other service delivery positions, which is reported in Materials, Contracts and Other Expenses below. There were also vacancies during the year which resulted in the end result being favourable to original budget, with these savings declared to the Wages and Salaries Provision. The Provision ended the year with savings of \$300k, with allocations also made throughout the year to support operational requirements.

Also contributing to the favourable variance is lower levels of Annual Leave taken than original budget predictions \$448k and LSL Provision requirements \$314k. Capitalisation of staff time was also higher than budgeted predictions, due to higher levels of staff engagement in the construction and design of the accelerated COVID-19 Infrastructure Recovery program.

Offsetting the favourable variances is higher than budgeted Workers Compensation costs \$352k as a result of an increase in the estimated percentage rate from the previous year (3.88% in 2020 as compared to 4.05% in 2021).

5.4.2 Materials, Contracts and Other Expenses - Unfavourable Variance \$140k

Contract labour, which is required to be classified as a contractual expense for reporting purposes, resulted in an unfavourable variance of \$834k compared to original budget. Contract labour utilised to backfill for vacant positions and offset by savings of \$643k in employee costs is reported in wages and salaries above. Also incorporated in the Contract labour unfavourable variance is \$99k associated with Grant funded positions, and \$92k related to other service delivery positions and other minor variances. It should be noted that this is a variance against original budget and that amounts that have subsequently been adjusted for at Budget Reviews and through allocations from the wages and salaries provision.

Electricity costs are also unfavourable to original budget primarily as a result of the changeover to LED Street Lighting \$692k, noting the amount required to be expensed to operating was \$1,011k (refer paragraph 4.1.13 for details), and Waste Management \$335k. Community Grants are also higher than original budget \$125k as a result of an increase in grant allocations as part of the COVID-19 recovery program.

Offsetting these unfavourable variances are reductions in contractual expenditure across variances programs, collectively with the COVID-19 Operating Surplus Initiatives implemented during the 2021 year to offset the loss of revenue associated with a zero percent rate increase. The most significant favourable variances within programs are in Kerb &

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Gutter Replacement works \$1,075k, Operating components of the Council Building Renewal Program \$724k, Footpath Maintenance \$368k, Sportsfield Cutting \$172k and Building Maintenance (Graffiti) \$175k. It is also worth noting that a total of \$503k operating components of infrastructure projects has been carried forward for expenditure to the 2022 financial year.

Operating lease rentals have ended the year \$461k favourable as a result of the impacts of the accounting standard *AASB 16 Leases*, however this impact is offset by associated costs in interest expense and depreciation in line with the standard.

Fuel costs are also favourable to original budget \$141k as a result of a reduction in price per litre during 2021, adjustments were made at Budget Reviews to reflect these savings and other various minor variances contributing to the overall variance at year end.

5.4.1 Finance Costs – Favourable Variance \$248k

The favourable variance relates to the timing of cash receipts and disbursements, with the budget allowing for the drawdown on cash advance debentures to fund major projects; however this was only required once during the first quarter of the 2021 and subsequently repaid at the end of that quarter, resulting in a favourable budget of \$340k against original budget expectations. The total projects carried forward into the 2022 year totaling \$26M has had the effect of reducing our cash requirements in 2021 and increase our cash requirements in 2022.

Offsetting this favourable variance is interest expense associated with Right-of-use leased assets \$98k in line with accounting standard *AASB 16 Leases*. This is not included in the original budget predictions due to the uncertainty of the amount to be recognised.

5.4.2 Net Loss – Equity Accounted Council Businesses – Favourable Variance \$855k

Based on NAWMA budget predictions, Council had included an amount reflecting our share of a Net Loss in NAWMA'S operating surplus, however their performance actually resulted in a significant surplus, refer to paragraph 5.3.7 for further detail.

5.5 Non-Operating Items Analysis

- 5.5.1 Net Gain/(Loss) on disposal of assets is \$4,128k unfavourable, resulting primarily from the early renewal of assets which necessitates the writing off of the remaining value, and totals \$3,336k for 2021. This includes Building Assets \$69k, Land Improvement Assets \$449k and Infrastructure Assets \$2,818k. All of these assets have been renewed or replaced earlier than expected given the lives of these assets, resulting in a residual value needing to be written off.

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The original budget also anticipated a gain of \$2,287k for net proceeds from property sales based on the pipeline of projects at the time of setting the budget, however net proceeds from property sales for 2021 was \$1,383k, related to the Hoyle Green Development. These unfavourable variances are slightly offset by \$300k accounting gain on disposal of items of Plant, Furniture and Equipment.

5.5.2 Amounts specifically for new or upgraded assets were favourable \$1,074k primarily as a result of higher levels of grant funding received for infrastructure projects than originally budgeted as a result of Council receiving a total of \$3,290k grant funding for the Local Roads and Community Infrastructure Program relating to various infrastructure programs across the community. These were adjusted for in Budget Reviews throughout the financial year.

5.5.3 Physical resources received free of charge had a favourable variance of \$2,295k. This amount normally represents the assets donated to Council which are 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. There has been a total of \$3,795k worth of assets donated to Council during the 2021 year, comprising of \$86k Land, \$1,551k Infrastructure and \$2,157k Land Improvement Assets.

5.6 Other Comprehensive Income Analysis

5.6.1 Changes in Revaluation Surplus – IPP&E resulted in a favourable variance to budget of \$5,455k. Budgeting for infrastructure revaluations is inherently complex, however the variance is the result of revaluation increments for Land \$12,869k, Land Improvements \$666k, Buildings \$9,509k and Infrastructure \$5,637k.

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5.7 Statement of Financial Position Analysis

- 5.7.1 The Statement of Financial Position for 2021 is set out below and details the actual end of financial year position against the original endorsed budget. Commentary has been made on significant variances between the estimates as presented at the adoption of the budget and the 2021 end of year position.

City Of Salisbury
Statement of Financial Position
As at 30 June 2021

	Actual \$000	End of Financial Year Original Budget \$000	Variance \$000
Current Assets			
Cash and Cash Equivalents	9,801	-	9,801
Trade and Other Receivables	8,242	6,274	1,967
Inventories	1,608	2,488	(880)
Total Current Assets	19,651	8,762	10,888
Non Current Assets			
Financial Assets	1,040	365	675
Equity Accounted Investments in Council Businesses	4,824	3,036	1,788
Infrastructure, Property, Plant and Equipment	1,550,676	1,590,982	(40,306)
Other Non-Current Assets	22,336	37,895	(15,559)
Total Non Current Assets	1,578,876	1,632,278	(53,401)
Total Assets	1,598,527	1,641,041	(42,513)
Current Liabilities			
Cash Advance Debentures	-	(41,661)	41,661
Trade and Other Payables	(14,798)	(16,389)	1,591
Borrowings	(2,150)	(1,735)	(415)
Provisions	(7,873)	(7,352)	(521)
Total Current Liabilities	(24,821)	(67,137)	42,316
Non Current Liabilities			
Borrowings	(7,013)	(5,090)	(1,923)
Provisions	(1,833)	(1,659)	(174)
Total Non Current Liabilities	(8,846)	(6,749)	(2,097)
Total Liabilities	(33,667)	(73,886)	40,219
Net Assets	1,564,860	1,567,154	(2,294)
Equity			
Accumulated Surplus	(380,558)	(394,994)	14,436
Asset Revaluation Reserves	(1,146,735)	(1,152,239)	5,504
Other Reserves	(37,568)	(19,921)	(17,647)
Total Equity	(1,564,860)	(1,567,154)	2,294

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5.7.1 The Statement of Financial Position as at 30 June 2021 shows an unfavourable variance when compared to budget for Net Assets (Total Assets less Total Liabilities) or 'Equity' of \$2,293k. This variance is primarily made up of the following items:

- Infrastructure, Property, Plant and Equipment is \$40,306k lower than originally budgeted. This is primarily as a result of forecast infrastructure additions being higher than actuals as a result of the timing of the infrastructure program and the carry forward of the program into the 2022 year, plus other revaluation adjustments on infrastructure assets, noting that these adjustments are inherently complex, and are derived from periodic detailed asset audits.
- Other Non-current assets are \$15,559k lower than budget estimates, which is primarily the result of lower than anticipated infrastructure projects in progress at the end of 2021. The budget was set with the last known actual result (30 June 2020), as it is expected to remain relatively static, although the mix of projects will of course change over time.
- Liabilities are overall lower than budget by \$42,316k predominantly due to the Original Budget including an expectation that Council would need to drawdown on Cash Advance Debentures \$41,661k which was not required as a result of the level of carry forwards included in the actual results \$26M and the level of returned funds \$13.0M, noting that carried forward funds will potentially increase our cash requirements in 2022.

5.8 Financial Indicator Analysis

5.8.1 The Financial Indicators as presented in the original budget are set out below and have been compared to actual results for the 2021 financial year. Also included are adjusted Financial Indicators which normalise the ratios for the timing of the Financial Assistance Grant.

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Financial Indicators	Endorsed Operating Range	2020-21 Original Budget	2020-21 Actuals	Variance to Original Budget	2020-21 Adjusted Actuals	Variance to Original Budget
Operating Surplus Ratio	0.5% - 5%	1.41%	7.76%	6.35%	7.47%	6.06%
Net Financial Liabilities Ratio	<70%	54.30%	11.30%	43.00%	11.34%	42.96%
Asset Renewal Funding Ratio	90-110%	122.00%	76.00%	(46.00%)	N/A	N/A

5.8.2 The operating surplus ratio of 7.76% is a favourable variance of 6.35% when compared to budget. However, when adjusted for the year on year timing impact of the early receipt of the 2022 Financial Assistance Grant, plus the advance payment in the prior year of the 2021 Financial Assistance Grant the ratio decreases slightly to 7.47%, which is a favorable variance of 6.06% to budget. Excluding the Grant receipts, the main factors contributing to this variance are Statutory charges \$1,015k (Paragraph 5.3.2) and Employee costs \$1,984k (Paragraph 5.4.1), with reasons for these variances explained above. The current endorsed operating range for this indicator is 0.5%-5%.

5.8.3 Net Financial Liabilities was 11.30% for 2021 which is favourable by 43.00% when compared to the original budget, primarily as a result of our budget expectations that we would be in a Cash Advance Debentures of \$41,661k in 2021 which was ultimately not required, primarily as a result of the timing of the delivery of the infrastructure program. The actual result falls within the current endorsed operating range for this indicator, being less than 70%.

5.8.4 The Asset Renewal Funding Ratio of 76.00% is an unfavourable variance of 46.00% when compared to budget, and is lower than the 103.5% achieved in 2020 and the 82.2% in 2019. The ratio for 2021 is also lower than the endorsed range of between 90% - 110%. This is a result of expenditure timing as compared to original budget, with \$6,099k in renewal projects carried forward into 2022, and had this been spent in the 2021 financial year, the ratio would have been 110%. Whilst outside of the endorsed range, this ratio is expected to trend upwards in the 2022 year. Further it should be noted that the calculated three year weighted average ratio is 87.2% which is just outside the endorsed range.

6. CONCLUSION / PROPOSAL

6.1.1 The Annual Financial Statements for 2021 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 2021

A progressive, sustainable and connected community



City of Salisbury**General Purpose Financial Statements**for the year ended 30 June 2021

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City of Salisbury

General Purpose Financial Statements

for the year ended 30 June 2021

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 2021 and the results of its operations and cash flows for the financial year,
- internal controls implemented by the Council provide a reasonable assurance that the Council's financial records are complete, accurate and reliable and were effective throughout the financial year,
- the financial statements accurately reflect the Council's accounting and other records.

John Harry
Chief Executive Officer

13 October 2021

Gillian Aldrige
Mayor

13 October 2021

City of Salisbury

General Purpose Financial Statements

for the year ended 30 June 2021

Understanding Council's Financial Statements

Introduction

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

About the Certification of Financial Statements

The Financial Statements must be certified by the Chief Executive Officer and Mayor as 'presenting a true 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 2021.

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. **Statement of Comprehensive Income**
A summary of Council's financial performance for the year, listing all income & expenses.
2. **Statement of Financial Position**
A 30 June snapshot of Council's financial position including its assets and liabilities.
3. **Statement of Changes in Equity**
The overall change for the year (in dollars) of Council's "net wealth".
4. **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 2021

\$ '000	Notes	2021	2020
Income			
Rates	2a	102,121	101,654
Statutory Charges	2b	3,805	2,995
User Charges	2c	4,930	4,794
Grants, Subsidies and Contributions	2g	15,116	14,939
Investment Income	2d	120	248
Reimbursements	2e	492	1,592
Other income	2f	1,488	1,067
Net Gain - Equity Accounted Council Businesses	19(a)	970	102
Total Income		129,042	127,391
Expenses			
Employee costs	3a	37,116	36,863
Materials, Contracts and Other Expenses	3b	52,409	53,267
Depreciation, Amortisation and Impairment	3c	28,862	26,950
Finance Costs	3d	642	777
Net loss - Equity Accounted Council Businesses	19(a)	-	14
Total Expenses		119,029	117,871
Operating Surplus / (Deficit)		10,013	9,520
Physical Resources Received Free of Charge	2i	3,795	-
Asset Disposal and Fair Value Adjustments	4	(1,599)	(3,532)
Amounts Received Specifically for New or Upgraded Assets	2g	5,776	1,277
Net Surplus / (Deficit)		17,985	7,265
Other Comprehensive Income			
Amounts which will not be reclassified subsequently to operating result			
Changes in Revaluation Surplus - I, PP&E	9a	28,681	10,844
Total Amounts which will not be reclassified subsequently to operating result		28,681	10,844
Total Other Comprehensive Income		28,681	10,844
Total Comprehensive Income		46,666	18,109

The above Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

City of Salisbury

Statement of Financial Position

as at 30 June 2021

\$ '000	Notes	2021	2020
ASSETS			
Current Assets			
Cash and Cash Equivalent Assets	5a	9,801	1,776
Trade and Other Receivables	5b	8,242	8,067
Inventories	5c	1,608	2,185
Total Current Assets		19,651	12,028
Non-Current Assets			
Financial Assets	6a	1,040	1,117
Equity Accounted Investments in Council Businesses	6b	4,824	3,855
Other Non-Current Assets	6c	22,336	18,079
Infrastructure, Property, Plant and Equipment	7a(i)	1,550,676	1,515,971
Total Non-Current Assets		1,578,876	1,539,022
TOTAL ASSETS		1,598,527	1,551,050
LIABILITIES			
Current Liabilities			
Trade and Other Payables	8a	14,798	12,067
Borrowings	8b	2,150	2,060
Provisions	8c	7,873	7,722
Total Current Liabilities		24,821	21,849
Non-Current Liabilities			
Borrowings	8b	7,013	9,240
Provisions	8c	1,833	1,767
Total Non-Current Liabilities		8,846	11,007
TOTAL LIABILITIES		33,667	32,856
Net Assets		1,564,860	1,518,194
EQUITY			
Accumulated surplus		380,558	373,183
Asset revaluation reserves	9a	1,146,734	1,118,053
Other reserves	9b	37,568	26,958
Total Council Equity		1,564,860	1,518,194
Total Equity		1,564,860	1,518,194

The above Statement of Financial Position should be read in conjunction with the accompanying notes.

City of Salisbury

Statement of Changes in Equity

for the year ended 30 June 2021

\$ '000	Notes	Accumulated surplus	Asset revaluation reserve	Other reserves	Total equity
2021					
Balance at the end of previous reporting period		373,183	1,118,053	26,958	1,518,194
Net Surplus / (Deficit) for Year		17,985	–	–	17,985
Other Comprehensive Income					
- Gain (Loss) on Revaluation of I,PP&E	7a	–	28,681	–	28,681
Other Comprehensive Income		–	28,681	–	28,681
Total Comprehensive Income		17,985	28,681	–	46,666
Transfers between Reserves		(10,610)	–	10,610	–
Balance at the end of period		380,558	1,146,734	37,568	1,564,860
2020					
Balance at the end of previous reporting period		372,291	1,107,209	20,585	1,500,085
Net Surplus / (Deficit) for Year		7,265	–	–	7,265
Other Comprehensive Income					
- Gain (Loss) on Revaluation of I,PP&E	7a	–	10,844	–	10,844
Other Comprehensive Income		–	10,844	–	10,844
Total Comprehensive Income		7,265	10,844	–	18,109
Transfers between Reserves		(6,373)	–	6,373	–
Balance at the end of period		373,183	1,118,053	26,958	1,518,194

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes.

City of Salisbury

Statement of Cash Flows

for the year ended 30 June 2021

\$ '000	Notes	2021	2020
Cash flows from operating activities			
<u>Receipts</u>			
Rates		102,430	100,847
Statutory Charges		3,942	3,082
User Charges		5,506	5,517
Grants, Subsidies and Contributions (operating purpose)		15,415	15,007
Investment Receipts		120	265
Reimbursements		541	1,751
Other Receipts		9,346	11,375
<u>Payments</u>			
Payments to Employees		(36,959)	(36,299)
Payments for Materials, Contracts and Other Expenses		(59,222)	(67,819)
Finance Payments		(642)	(777)
Net cash provided by (or used in) Operating Activities	11b	<u>40,477</u>	<u>32,949</u>
Cash flows from investing activities			
Net Disposal of Investment Securities		75	–
Sale of Real Estate Developments		2,489	525
Amounts Received Specifically for New/Upgraded Assets		5,776	1,277
Sale of Replaced Assets		581	347
Sale of Surplus Assets		363	462
Repayments of Loans by Community Groups		30	14
Distributions Received from Equity Accounted Council Businesses		–	124
<u>Payments</u>			
Expenditure on Renewal/Replacement of Assets		(14,171)	(17,745)
Expenditure on New/Upgraded Assets		(24,765)	(41,501)
Development of Real Estate for Sale		(579)	(144)
Net cash provided (or used in) investing activities		<u>(30,201)</u>	<u>(56,641)</u>
Cash flows from financing activities			
<u>Payments</u>			
Repayments of Borrowings		(1,773)	(1,977)
Repayment of Lease Liabilities		(478)	(332)
Net Cash provided by (or used in) Financing Activities		<u>(2,251)</u>	<u>(2,309)</u>
Net Increase (Decrease) in Cash Held		<u>8,025</u>	<u>(26,001)</u>
plus: Cash and Cash Equivalents at beginning of period		1,776	27,777
Cash and cash equivalents held at end of period	11a	<u>9,801</u>	<u>1,776</u>
Additional Information:			
plus: Investments on hand – end of year	6b	615	690
Total Cash, Cash Equivalents and Investments		<u>10,416</u>	<u>2,466</u>

The above Statement of Cash Flows should be read in conjunction with the accompanying notes.

City of Salisbury

Notes to and forming part of the Principal Financial Statements for the year ended 30 June 2021

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City of Salisbury

Notes to the Financial Statements

for the year ended 30 June 2021

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.

The financial report was authorised for issue by certificate under regulation 14 of the *Local Government (Financial Management) Regulations 2011* dated 13 October 2021.

1.2 Historical Cost Convention

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

1.2 Critical Accounting Estimates

The preparation of financial statements in conformity with Australian Accounting Standards requires the use of certain critical accounting estimates and requires management to exercise its judgement in applying Council's accounting policies.

The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are specifically referred to in the relevant sections of these Notes.

1.4 Rounding

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

(2) The Local Government Reporting Entity

City of Salisbury is incorporated under the *South Australian Local Government Act 1999* and has its principal place of business at 34 Church Street, Salisbury. These financial statements include the Council's direct operations and all entities through which Council controls resources to carry on its functions.

Other entities in which Council has an interest but does not *control* are reported in Note 19.

(3) Income Recognition

The Council recognises revenue under *AASB 1058 Income of Not-for-Profit Entities* or *AASB 15 Revenue from Contracts with Customers* when appropriate.

In cases where there is an enforceable contract with a customer with sufficiently specific performance obligations, the transaction is accounted for under AASB 15 where income is recognised when (or as) the performance obligations are satisfied (i.e. when it transfers control of a product or service to a customer). Revenue is measured based on the consideration to which the Council expects to be entitled in a contract with a customer.

In other cases, AASB 1058 applies when a not-for-profit (NFP) entity enters into transactions where the consideration to acquire an asset is significantly less than the fair value of the asset principally to enable the entity to further its objectives. The excess of the asset recognised (at fair value) over any related amounts is recognised as income immediately, except in the case where a financial asset has been received to enable the council to acquire or construct a recognisable non-financial asset that is to be controlled by the council. In this case, the council recognises the excess as a liability that is recognised over time in profit and loss when (or as) the entity satisfies its obligations under the transfer.

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City of Salisbury

Notes to the Financial Statements

for the year ended 30 June 2021

Note 1. Summary of Significant Accounting Policies (continued)

In recent years the payment of untied grants (financial assistance grants/local roads/supplementary grants) has varied from the annual allocation as shown in the table below:

Financial Year	Payment Received In Advance \$'000	Comments
2018/19	4,556	Relates to 2019/20
2019/20	4,329	Relates to 2020/21
2020/21	4,737	Relates to 2021/22

Because these grants as applicable for the current reporting period 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.

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City of Salisbury

Notes to the Financial Statements

for the year ended 30 June 2021

Note 1. Summary of Significant Accounting Policies (continued)

(6) Infrastructure, Property, Plant and Equipment

6.1 Initial Recognition

All assets are initially recognised at cost. For assets acquired at no cost or for nominal consideration, cost is determined as fair value at the date of acquisition.

All non-current assets purchased or constructed are capitalised as the expenditure is incurred and depreciated as soon as the asset is held 'ready for use'. Cost is determined as the fair value of the assets given as consideration plus costs incidental to the acquisition, including architects' fees and engineering design fees and all other costs incurred. The cost of non-current assets constructed by the Council includes the cost of all materials used in construction, direct labour on the project and an appropriate proportion of variable and fixed overhead.

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

6.2 Materiality

Assets with an economic life in excess of one year are only capitalised where the cost of acquisition exceeds materiality thresholds established by Council for each type of asset. In determining (and in annually reviewing) such thresholds, regard is had to the nature of the asset and its estimated service life.

Examples of capitalisation thresholds applied during the year are 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.

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

6.5 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.

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City of Salisbury

Notes to the Financial Statements

for the year ended 30 June 2021

Note 1. Summary of Significant Accounting Policies (continued)

6.6 Impairment

Assets whose future economic benefits are not dependent on the ability to generate cash flows, and where the future economic benefits would be replaced if Council were deprived thereof, are not subject to impairment testing.

Other assets that are subject to depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount (which is higher of the present value of future cash inflows or value in use).

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

(7) Payables

7.1 Goods and Services

Creditors are amounts due to external parties for the supply of goods and services and are recognised as liabilities when the goods and services are received. Creditors are normally paid 30 days after the month of invoice, however during the COVID-19 pandemic Council introduced measures to assist the community and payment terms were amended to 14 day terms up to 31 August 2020. No interest is payable on these amounts.

7.2 Payments Received in Advance and Deposits

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

(8) Borrowings

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

(9) Employee Benefits

9.1 Salaries, Wages and Compensated Absences

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

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

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

9.2 Superannuation

The Council makes employer superannuation contributions in respect of its employees to the Statewide Superannuation Scheme. The Scheme has two types of membership, each of which is funded differently. 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.

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City of Salisbury

Notes to the Financial Statements

for the year ended 30 June 2021

Note 1. Summary of Significant Accounting Policies (continued)

(10) Leases

The Council assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Lease arrangements have been accounted for in accordance with AASB 16 *Leases* which was applied by Council for the first time from 1 July 2019.

10.1 Council as a lessee

The Council recognises lease liabilities to make lease payments and right of use assets representing the right to use the underlying assets.

i) Right of Use Assets

The Council recognises right of use assets at the commencement date of the lease. Right of use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right of use assets includes the amount of lease liabilities recognised, initial direct costs incurred, lease payments made at or before the commencement date less any lease incentives received and the estimate of costs to be incurred to restore the leased asset. Right of use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets. Land is amortised over a period of 30 years, details for both as follows:

Plant and equipment	3 to 5 years
Water Harvesting Site	30 years

The right of use assets are also subject to impairment. Refer to the accounting policies above.

ii) Lease Liabilities

At the commencement date of the lease, the Council recognises lease liabilities measured at the present value of lease payments to be made over the lease term. In calculating the present value of lease payments, the Council uses its incremental borrowing rate or the interest rate implicit in the lease.

iii) Short term leases and leases of low-value assets

The Council applies the short term lease recognition exemption to its short term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date). It also applies the low value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short term leases and leases of low value assets are recognised as expense on a straight-line basis 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 are accounted for in accordance with AASB 128 *Investments in Associates and Joint Ventures* and set out in detail in Note 19.

(12) GST Implications

In accordance with Interpretation Abstract 1031 '*Accounting for the Goods and 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.

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City of Salisbury

Notes to the Financial Statements

for the year ended 30 June 2021

Note 1. Summary of Significant Accounting Policies (continued)

(13) New accounting standards and UIG interpretations

The Council applied for the first time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2020. New standards and amendments relevant to the Council are listed below. The Council has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Amendments to AASB 101 and AASB 108 Definition of Material

The amendments provide a new definition of material that states, 'information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity'. The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. These amendments had no impact on the financial statements nor is there expected to be any future impact to the Council.

Standards issued by the AASB not yet effective

The AASB has issued Australian Accounting Standards and Interpretations which are not effective at 30 June 2021, these standards have not been adopted by Council and will be included in the financial statements on their effective date. Where the standard is expected to have a significant impact for Council then further information has been provided in this note.

The following list identifies all the new and amended Australian Accounting Standards, and Interpretation, that were issued but not yet effective at the time of compiling these illustrative statements that could be applicable to Councils.

Effective for NFP annual reporting periods beginning on or after 1 January 2022

- AASB 2020-3 Amendments to Australian Accounting Standards - Annual Improvements 2018-2020 and Other Amendments
- AASB 2014-10 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (amended by AASB 2015-10 and AASB 2017-5)

Effective for NFP annual reporting periods beginning on or after 1 January 2023

- AASB 2020-1 Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-Current and associated standards.

(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 the Financial Statements

for the year ended 30 June 2021

Note 2. Income

\$ '000	2021	2020
(a) Rates		
General Rates		
General Rates	101,670	100,748
Less: Mandatory Rebates	(1,217)	(1,249)
Less: Discretionary Rebates, Remissions and Write Offs	(776)	(362)
Total General Rates	99,677	99,137
Other Rates (Including Service Charges)		
Green Adelaide Board Regional Landscape Levy	2,016	2,067
Salisbury Business Association Separate Rate	118	156
Globe Derby Community Club Separate Rate	7	6
Total Other Rates (Including Service Charges)	2,141	2,229
Other Charges		
Penalties for Late Payment	303	288
Total Other Charges	303	288
Total Rates	102,121	101,654
(b) Statutory Charges		
Development Act Fees	1,536	1,028
Town Planning Fees	832	398
Animal Registration Fees and Fines	821	828
Parking Fines / Expiation Fees	157	316
Other Licences, Fees and Fines	459	425
Total Statutory Charges	3,805	2,995
(c) User Charges		
Water Supply	2,505	2,420
Property Lease	831	875
Cemetery Fees	541	536
Aged and Disability Services	388	450
Waste Disposal Fees	52	9
Sundry	613	504
Total User Charges	4,930	4,794
(d) Investment Income		
Interest on Investments		
- Local Government Finance Authority	46	137
- Banks and Other	61	89
- Loans to Community Groups	13	22
Total Investment Income	120	248

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City of Salisbury

Notes to the Financial Statements

for the year ended 30 June 2021

Note 2. Income (continued)

\$ '000	2021	2020
(e) Reimbursements		
Other	270	318
Contract Maintenance	222	251
Street Lighting	–	1,023
Total Reimbursements	492	1,592
(f) Other income		
Rebates Received	749	661
Sundry	739	406
Total Other income	1,488	1,067
(g) Grants, Subsidies, Contributions		
Amounts Received Specifically for New or Upgraded Assets	5,776	1,277
Total Amounts Received Specifically for New or Upgraded Assets	5,776	1,277
Other Grants, Subsidies and Contributions	6,232	6,780
Untied Financial Assistance Grant	4,147	3,830
Individually Significant Item - Additional Financial Assistance Grant (refer below)	4,737	4,329
Total Other Grants, Subsidies and Contributions	15,116	14,939
Total Grants, Subsidies, Contributions	20,892	16,216
The functions to which these grants, subsidies and contributions relate are disclosed in Note 12, with the exception of Amounts Received Specifically for New or Upgraded Assets.		
(i) Sources of grants		
Commonwealth Government	5,360	2,876
State Government	14,719	12,738
Other	813	602
Total	20,892	16,216
(ii) Individually Significant Items		
Advanced Financial Assistance Grant Recognised as Income	4,737	4,329

On 9 June 2021, Council received advance payment of the first two quarters of the 2021/2022 Financial Assistance Grant, totalling \$4,737k (comprising \$3,688k in general purpose funding and \$1,049k 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, as detailed in Note 1. Potential material effects will be experienced when the timing of these grant payments are once again restored to a normal schedule.

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City of Salisbury

Notes to the Financial Statements

for the year ended 30 June 2021

Note 2. Income (continued)

\$ '000	2021	2020
(h) Conditions over Grants & Contributions		
Grants and contributions which were obtained on the condition that they be expended for specified purposes or in a future period, but which are not yet expended in accordance with those conditions, are as follows:		
Unexpended at the close of the previous reporting period	1,043	2,115
Less:		
<i>Expended during the current period from revenues recognised in previous reporting periods</i>		
Dry Creek Park Way - City Wide Trails	(200)	(800)
NDIS Participants	(75)	-
Risk and Governance - Special Distribution Fund	(58)	-
OH&S - Special Distribution Fund	(52)	-
Tea Tree Gully Business Advisory Services	(50)	(60)
Preventative WHS Programs - Special Distribution Fund	(39)	-
Mindset for Life Program	(38)	-
Waterwatch	(38)	-
ACE Project (Accredited)	(21)	-
Perspex Screens for Public PC's - Special Distribution Fund	(15)	-
ACE Project (Non-accredited)	(13)	-
Drug and Alcohol Framework	(8)	(7)
Pooraka Farm Family Fun Day	(5)	-
Pauls Drive Valley View - Major Flooding	-	(657)
Fostering Integration Grant	-	(49)
Home and Community Support Program	-	(41)
The Shed Project	-	(5)
Subtotal	(612)	(1,619)

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City of Salisbury

Notes to the Financial Statements

for the year ended 30 June 2021

Note 2. Income (continued)

\$ '000	2021	2020
Plus:		
<i>Amounts recognised as revenues in this reporting period but not yet expended in accordance with the conditions</i>		
Technology Drive Mawson Lakes - Dual Traffic	929	—
Verge Development	341	—
Fairbanks Drive Toilets and Sports Facility	323	—
Little Para River Capital Works	317	—
Salisbury Oval Indoor Community Cricket Facility	311	—
Newlyn Terrace Parafield Gardens - Tree Screen Renewal	284	—
Burton Community Hub - Shed and Community Garden	250	—
Mawson Lakes Irrigation System Upgrade	250	—
Strowan Park Picnic and Open Space	174	—
Tea Tree Gully Business Advisory Services	164	182
Morella Community Centre Outdoor Kitchen	144	—
Twelve25 Entry Upgrade and Landscaping	143	—
Redhill Road Ingle Farm - Traffic Improvements	115	—
Mawson Lakes School - Kiss and Drop	100	—
Belfree and Elder Smith Road - Major Traffic	80	—
Waterwatch General	71	38
OH&S - Special Distribution Fund	30	52
Risk and Governance - Special Distribution Fund	6	58
Mindset for Life Program	3	41
NDIS Participants	—	75
Preventative WHS Programs - Special Distribution Fund	—	39
ACE Project (Accredited)	—	21
Perspex Screens for Public PC's - Special Distribution Fund	—	15
ACE Project (Non-Accredited)	—	13
Drug and Alcohol Framework	—	8
Pooraka Farm Family Fun Day	—	5
Other	136	—
Subtotal	4,171	547
Unexpended at the close of this reporting period	4,602	1,043
Net increase (decrease) in assets subject to conditions in the current reporting period	3,559	(1,072)
 (i) Physical Resources Received Free of Charge		
Land and Improvements	86	—
Roads, Bridges and Footpaths	1,551	—
Stormwater Drainage	2,158	—
Total Physical Resources Received Free of Charge	3,795	—

City of Salisbury

Notes to the Financial Statements

for the year ended 30 June 2021

Note 3. Expenses

\$ '000	Notes	2021	2020
(a) Employee costs			
Salaries and Wages		31,083	30,608
Employee Leave Expense		5,344	5,094
Superannuation - Defined Contribution Plan Contributions	18	658	743
Superannuation - Defined Benefit Plan Contributions	18	2,765	2,698
Workers' Compensation Insurance		1,749	1,416
Less: Capitalised and Distributed Costs		(4,483)	(3,696)
Total Operating Employee Costs		37,116	36,863
Total Number of Employees (full time equivalent at end of reporting period)		405	412
(b) Materials, Contracts and Other Expenses			
(i) Prescribed Expenses			
Auditor's Remuneration			
- Auditing the Financial Reports		35	32
Bad and Doubtful Debts		2	2
Elected Members' Expenses		482	472
Election Expenses		36	41
Lease Expense - Low Value Assets / Short Term Leases		143	524
Subtotal - Prescribed Expenses		698	1,071
(ii) Other Materials, Contracts and Expenses			
Contractors		34,779	35,722
Energy		5,186	4,737
Legal Expenses		209	425
Levies Paid to Government - Regional Landscape Levy		2,046	2,038
Levies - Other		360	350
Parts, Accessories and Consumables		2,599	2,874
Insurance		1,102	1,058
Water Rates		800	911
Sundry		4,630	4,081
Subtotal - Other Material, Contracts and Expenses		51,711	52,196
Total Materials, Contracts and Other Expenses		52,409	53,267

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City of Salisbury

Notes to the Financial Statements

for the year ended 30 June 2021

Note 3. Expenses (continued)

\$ '000	2021	2020
(c) Depreciation, Amortisation and Impairment		
(i) Depreciation and Amortisation		
Land Improvements	5,754	5,545
Buildings and Other Structures	4,175	3,112
Infrastructure	15,175	14,731
Right-of-Use Assets	449	444
Plant and Equipment	3,128	2,931
Library Books	181	187
Subtotal	28,862	26,950
Total Depreciation, Amortisation and Impairment	28,862	26,950
(d) Finance Costs		
Interest on Loans	532	659
Interest on Leases	98	110
Interest on Cash Advance Debentures	12	8
Total Finance Costs	642	777

Note 4. Asset Disposal and Fair Value Adjustments

\$ '000	2021	2020
Infrastructure, Property, Plant and Equipment		
(i) Assets Renewed or Directly Replaced		
Proceeds from Disposal	581	347
Less: Carrying Amount of Assets Sold	(3,621)	(3,914)
Gain (Loss) on Disposal	(3,040)	(3,567)
(ii) Assets Surplus to Requirements		
Proceeds from Disposal	363	462
Less: Carrying Amount of Assets Sold	(305)	(754)
Gain (Loss) on Disposal	58	(292)
Real Estate Development Assets		
Proceeds from Disposal	2,489	525
Less: Carrying Amount of Assets Sold	(1,106)	(198)
Gain (Loss) on Disposal	1,383	327
Net Gain (Loss) on Disposal or Revaluation of Assets	(1,599)	(3,532)

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City of Salisbury

Notes to the Financial Statements

for the year ended 30 June 2021

Note 5. Current Assets

\$ '000	Notes	2021	2020
(a) Cash and Cash Equivalent Assets			
Cash on Hand at Bank		1,021	689
Short Term Deposits		8,780	1,087
Total Cash and Cash Equivalent Assets		9,801	1,776
(b) Trade and Other Receivables			
Rates - General and Other		3,926	3,950
Debtors - General		2,766	2,458
GST Recoupment		983	1,168
Prepayments		535	461
Loans to Community Organisations		32	30
Subtotal		8,242	8,067
Total Trade and Other Receivables		8,242	8,067
(c) Inventories			
Stores and Materials		247	285
Real Estate Developments	6	1,339	1,865
Cemetery Plinths, Vaults and Inurnments		22	35
Total Inventories		1,608	2,185

Note 6. Non-Current Assets

\$ '000	2021	2020
(a) Financial Assets		
Receivables		
Council Rates Postponement Scheme	58	28
Loans to Community Organisations	367	399
Subtotal	425	427
Total Receivables	425	427
Other Financial Assets (Investments)		
Mortgages over Property - Affordable Housing Scheme	615	690
Total Other Financial Assets (Investments)	615	690
Total Financial Assets	1,040	1,117

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City of Salisbury

Notes to the Financial Statements

for the year ended 30 June 2021

Note 6. Non-Current Assets (continued)

\$ '000	Notes	2021	2020
(b) Equity Accounted Investments in Council Businesses			
Northern Adelaide Waste Management Authority	19	4,824	3,855
Total Equity Accounted Investments in Council Businesses		4,824	3,855

Council Solutions was wound up as at 15 October 2019 and the net equity was distributed to the Constituent Councils in line with the respective interests.

(c) Other Non-Current Assets**Inventories**

Real Estate Developments

1,395	1,395
-------	-------

Total Inventories

1,395	1,395
-------	-------

Other

Capital Works-in-Progress

20,731	16,474
--------	--------

Intangible Assets - Water Licenses

210	210
-----	-----

Total Other

20,941	16,684
--------	--------

Total Other Non-Current Assets

22,336	18,079
--------	--------

Other disclosures

Real Estate Developments - Current and Non-Current

(Valued at the lower of cost and net realisable value)

Residential

2,734	3,260
-------	-------

Total Real Estate for Resale

2,734	3,260
-------	-------

Represented by:

Acquisition Costs

1,396	1,771
-------	-------

Development Costs

1,338	1,489
-------	-------

Subtotal

2,734	3,260
-------	-------

(i) Apportionment of Real Estate Developments

Current Assets

1,339	1,865
-------	-------

Non-Current Assets

1,395	1,395
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City of Salisbury

Notes to the Financial Statements

for the year ended 30 June 2021

Note 7. Infrastructure, Property, Plant and Equipment

(a(i)) Infrastructure, Property, Plant and Equipment

\$ '000	Fair Value Level	as at 30/06/20				Asset movements during the reporting period						as at 30/06/21			
		At Fair Value	At Cost	Accumulated Depreciation	Carrying amount	Transition adjustment - AASB 16	Asset Additions New / Upgrade	Asset Additions Renewals	WDV of Asset Disposals	Depreciation Expense (Note 3c)	Revaluation Increments to Equity (ARR) (Note 9)	At Fair Value	At Cost	Accumulated Depreciation	Carrying amount
Land - Other	2	474,567	-	-	474,567	-	376	-	(86)	-	12,869	487,726	-	-	487,726
Land Improvements	3	198,484	-	(79,445)	119,039	-	7,675	3,730	(472)	(5,754)	666	206,252	-	(81,368)	124,884
Buildings and Other Structures	3	121,857	-	(27,065)	94,792	-	1,267	1,847	(198)	(4,175)	9,509	151,019	-	(47,977)	103,042
Infrastructure	3	1,249,584	-	(440,247)	809,337	-	12,319	9,965	(2,864)	(15,175)	5,637	1,282,339	-	(463,120)	819,219
Right-of-Use Assets		-	3,034	(444)	2,590	-	114	-	-	(449)	-	-	3,148	(893)	2,255
Plant and Equipment		-	32,013	(17,619)	14,394	-	501	862	(307)	(3,128)	-	-	32,470	(20,148)	12,322
Library Books		-	2,494	(1,242)	1,252	-	156	-	-	(181)	-	-	2,416	(1,188)	1,228
Total Infrastructure, Property, Plant & Equipment		2,044,492	37,541	(566,062)	1,515,971	-	22,408	16,404	(3,927)	(28,862)	28,681	2,127,336	38,034	(614,694)	1,550,676
Comparatives		1,977,818	28,707	(547,860)	1,458,665	3,034	57,270	17,776	(4,668)	(26,950)	10,844	2,044,492	37,541	(566,062)	1,515,971

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City of Salisbury

Notes to the Financial Statements

for the year ended 30 June 2021

Note 7. Infrastructure, Property, Plant and Equipment (continued)

(b) Valuation of Infrastructure, Property, Plant & Equipment & Investment Property

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.

a) Fair Value Hierarchy

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

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

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

b) Valuation Techniques

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

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

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.

During 2017/18 Council initially undertook a review of the internal overhead costs, such as project management, supervision and design, that are directly related to the renewal of Council's Transport and Stormwater assets. The purpose of the review was to ensure that the appropriate level of direct internal overhead costs (expressed as a percentage) were being reflected in the unit rates that are utilised to revalue these asset classes. These overhead percentages were independently reviewed by Tonkin Consulting and continue to be incorporated into their review of Council's Asset Valuations.

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City of Salisbury

Notes to the Financial Statements

for the year ended 30 June 2021

Note 7. Infrastructure, Property, Plant and Equipment (continued)

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 120 years
Playground Equipment	15 to 25 years
Benches, Seats, etc	10 to 15 years

Infrastructure

Roads - Seal	20 to 40 years
Roads - Base	50 to 150 years
Roads - Sub-Base	150 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	50 to 80 years
Pumps and Telemetry	10 to 50 years

Other Assets

Library Books	3 to 7 years
Artworks/Local History	Indefinite
Street Trees	50 years
Right of Use Assets	3 to 5 years

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City of Salisbury

Notes to the Financial Statements

for the year ended 30 June 2021

Note 7. Infrastructure, Property, Plant and Equipment (continued)

e) Table of Fair Values 2020/21

	Level 1 \$'000s	Level 2 \$'000s	Level 3 \$'000s	Total \$'000s
Land	-	487,726	-	487,726
Land Improvements	-	-	124,884	124,884
Buildings and Other Structures	-	3,790	99,252	103,042
Infrastructure	-	-	819,219	819,219
Total	-	491,516	1,043,355	1,534,871

f) Disclosed Fair Value Measurements

Asset Category	Fair Value Hierarchy Level	Valuation Technique	Fair Value \$'000s
Land	2	Market Value	487,726

Valuations of assets in this category are undertaken using the State Valuer Generals Site Values.

Asset Category	Fair Value Hierarchy Level	Valuation Technique	Fair Value \$'000s
Land Improvements	3	Cost Approach	124,884

Valuations of assets in this category are undertaken via one of the following 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 current replacement cost for each asset. Assets valued via this method include Footpaths and Carpark Pavement/Seals all situated on Council Reserves.

b. Revalued using the Local Government Pricing Index (LGPI) for 2020/21. Assets valued via this method include Fencing, Irrigation Equipment, Playgrounds, Sports Courts/Facilities, Reserve Furniture, Landscaping and Other Structures all situated on Council Reserves.

c. Independent valuations provided by Tonkin Consulting in 2020/21 using a methodology that utilises observable Council cost information as well as their knowledge of the water industry and references to various construction guides (such as Rawlinsons Australian Construction Handbook) to derive an index for each asset component associated with Councils Recycled Stormwater Business Unit, which includes assets such as Pipework, Pumps, Bores, Valves, Electrical and Computer Equipment. In 2020/21, an independent valuation of the current 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).

d. Independent valuations initially provided by JLL in 2017/18 using a methodology that utilises observable rates and cost information from their research across the Playground and Fitness Equipment industries. Assets valued via this method included Playgrounds and Fitness Equipment. These assets have been revalued from 2018/19 to 2020/21 utilising the Local Government Pricing Index (LGPI).

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City of Salisbury

Notes to the Financial Statements

for the year ended 30 June 2021

Note 7. Infrastructure, Property, Plant and Equipment (continued)

Asset Category	Fair Value Hierarchy Level	Valuation Technique	Fair Value \$'000s
Building and Other Structures	2	Market Value	3,790
Building and Other Structures	3	Cost Approach	99,252
Total			103,042

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

a. Independent market valuations were provided by Public Private Property for the 2020/21 financial year using a methodology that utilises observable, comparable market sales data in the Salisbury Council area.

Independent valuation of the current replacement cost for buildings at a component level was undertaken by Sproutt - Professional Engineering Services and Public Private Property as at 1 July 2020 using a methodology that utilises observable rates and cost information from their extensive knowledge across Building Infrastructure. As at 30 June 2021 for the 2020/21 financial year, an independent valuation of the current replacement cost for these assets was undertaken using Building Component Indexes provided by Tonkin Consulting, derived from references to the Rawlinsons Australian Construction Handbook.

Asset Category	Fair Value Hierarchy Level	Valuation Technique	Fair Value \$'000s
Infrastructure	3	Cost Approach	819,219

Valuation of assets in this category are undertaken via one of the following 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 current 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 or under Council Roads.

b. Independent valuations initially 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. In the financial years from 2017/18 to 2020/21 these assets were revalued using the LGPI.

c. Revalued using the 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.

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City of Salisbury

Notes to the Financial Statements

for the year ended 30 June 2021

Note 7. Infrastructure, Property, Plant and Equipment (continued)

Highest and best use

All of Council's non financial assets are considered as being utilised for their 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 General's Site Values, which are based on observable sales in an active market of similar properties with a similar land use on both vacant land and land with improvements. Adjustments to these values are then made by the State Valuer General taking into consideration the highest and best use of the property e.g. if there is a single house on the land but zoning would allow it to be divided for home units.

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 current replacement cost using the *Cost Approach*. Upon revaluation, the current replacement cost and accumulated depreciation are restated such that the difference (the current 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 (current 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 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 are carried at cost less any accumulated impairment losses.

Testing for impairment, in accordance with *AASB 136 Impairment of Assets*, is undertaken annually, or whenever there may be an indication that the intangible assets may be impaired. The determination that these Water Licences have an indefinite useful life is reviewed annually to determine whether events and circumstances continue to support an indefinite useful life assessment.

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City of Salisbury

Notes to the Financial Statements

for the year ended 30 June 2021

Note 7. Infrastructure, Property, Plant and Equipment (continued)

Street Trees

Council is of the opinion that street trees and tree screens are tangible assets that Council 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 Tree and Tree Screen renewal programs only meet the recognition criteria of property, plant and equipment and are recognised as an asset.

Plant, Furniture and Fittings

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 2021 is valued using nominal values recommended by the Public Library Service (PLS). 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.

Right of Use Assets

Valued as the initial measurement of the lease liability being the present value of future lease payments and any initial direct costs, pre-paid lease payments and any estimated costs to dismantle.

City of Salisbury

Notes to the Financial Statements

for the year ended 30 June 2021

Note 8. Liabilities

\$ '000	Notes	2021 Current	2021 Non Current	2020 Current	2020 Non Current
(a) Trade and Other Payables					
Goods and Services		11,502	–	10,104	–
Payments Received in Advance		2,560	–	1,558	–
Accrued Expenses - Employee Entitlements		356	–	238	–
Accrued Expenses - Other		32	–	45	–
Deposits, Retentions and Bonds		348	–	122	–
Total Trade and Other Payables		14,798	–	12,067	–

(b) Borrowings

Loans		1,735	5,090	1,773	6,825
Lease Liabilities	17b	415	1,923	287	2,415
Total Borrowings		2,150	7,013	2,060	9,240

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

(c) Provisions

Salisbury Memorial Park Maintenance Provision		–	100	–	90
Mortgage Loss Provision		–	16	–	23
Employee Entitlements (including oncosts)		7,873	1,717	7,722	1,654
Total Provisions		7,873	1,833	7,722	1,767

Movements in Provisions

	Salisbury Memorial Park Maintenance Provision 2021	Mortgage Loss Provision 2021
2021 (current and non-current)		
Opening Balance	90	23
Additional Amounts Recognised	10	(7)
Closing Balance	100	16

City of Salisbury

Notes to the Financial Statements

for the year ended 30 June 2021

Note 9. Reserves

	as at 30/06/20		as at 30/06/21
\$ '000	Opening Balance	Increments (Decrements)	Closing Balance
(a) Asset Revaluation Reserve			
Land - Other	373,924	12,869	386,793
Land Improvements	28,195	666	28,861
Buildings and Other Structures	7,198	9,509	16,707
Infrastructure	706,398	5,637	712,035
Library Books	2,338	-	2,338
Total Asset Revaluation Reserve	1,118,053	28,681	1,146,734
Comparatives	1,107,209	10,844	1,118,053

	as at 30/06/20			as at 30/06/21
\$ '000	Opening Balance	Tfrs to Reserve	Tfrs from Reserve	Closing Balance
(b) Other Reserves				
Development and Public Infrastructure Reserve	1,430	534	(208)	1,756
Open Space Reserve	1,356	225	(100)	1,481
Car Parking Reserve	947	4	-	951
Property Disposal Reserve	751	1,686	-	2,437
Mausoleum Perpetual Care Reserve	858	17	-	875
Salisbury Memorial Park Reserve	912	3	-	915
Carried Forward Funds Reserve	18,595	26,089	(18,595)	26,089
Salisbury Water Business Unit Reserve	2,109	955	-	3,064
Total Other Reserves	26,958	29,513	(18,903)	37,568
Comparatives	20,585	19,517	(13,144)	26,958

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City of Salisbury

Notes to the Financial Statements

for the year ended 30 June 2021

Note 9. Reserves (continued)

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).

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 received that are to be utilised towards the future acquisition of open space areas.

Carpark Reserve

For the provision of future renewal and maintenance 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, including surplus land and redevelopments, under the provision of Section 194 of the *Local Government Act 1999* and subject to compliance with all legal requirements thereof, and the cash proceeds received from Council's real estate developments. These proceeds are to be utilised to repay current debt or reduce future borrowing requirements.

Mausoleum Perpetual Care Fund Reserve

To provide maintenance for the Mausoleum situated 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

Generated by the allocation of surpluses, and offset by deficits resulting from the operations of the Salisbury Water Business Unit. Allocations from the Reserve can only 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 the Financial Statements

for the year ended 30 June 2021

Note 10. Assets Subject to Restrictions

\$ '000	2021	2020
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.		
Cash and Financial Assets		
Open Space Contributions	1,481	1,356
Developer Contributions	2,706	2,377
Unexpended Grants and Subsidy Funds	4,602	1,043
Total Cash and Financial Assets	8,789	4,776
Total Assets Subject to Externally Imposed Restrictions	8,789	4,776

Open Space Contributions are received primarily to fund reserves/playspaces and other recreational areas within new subdivisions. Developer Contributions are received primarily to fund infrastructure works in new subdivisions. These funds are held in Reserves (as disclosed in Note 9) until required and as such are regarded as restricted. Grant and Subsidy Funds received but not yet expended are regarded as restricted, and are disclosed in Note 2h.

City of Salisbury

Notes to the Financial Statements

for the year ended 30 June 2021

Note 11. Reconciliation to Statement of Cash Flows

\$ '000	Notes	2021	2020
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(a) Reconciliation of Cash

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

Total Cash and Equivalent Assets	5	9,801	1,776
Balances per Statement of Cash Flows		9,801	1,776

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

Net Surplus/(Deficit)	17,985	7,265
Non-Cash Items in Income Statements		
Depreciation, Amortisation and Impairment	28,862	26,950
Equity Movements in Equity Accounted Investments (Increase)/Decrease	(970)	(88)
Non-Cash Asset Acquisitions	(3,795)	–
Grants for capital acquisitions treated as Investing Activity	(5,776)	(1,277)
Net (Gain) Loss on Disposals	1,599	3,532
	37,905	36,382
Add (Less): Changes in Net Current Assets		
Net (Increase)/Decrease in Receivables	(203)	892
Net (Increase)/Decrease in Inventories	51	(28)
Net (Increase)/Decrease in Other Assets	–	(44)
Net Increase/(Decrease) in Trade & Other Payables	2,507	(4,731)
Net Increase/(Decrease) in Unpaid Employee Benefits	214	468
Net Increase/(Decrease) in Other Provisions	3	10
Net Cash provided by (or used in) operations	40,477	32,949

(c) Financing Arrangements

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

Bank Overdrafts	500	500
Corporate Credit Cards	500	500
LGFA Cash Advance Debenture Facility	50,317	78,917

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

City of Salisbury

Notes to the Financial Statements

for the year ended 30 June 2021

Note 12(a). Functions

Income, Expenses and Assets have been directly attributed to the following Functions / Activities. Details of these Functions/Activities are provided in Note 12(b).										
\$ '000	INCOME		EXPENSES		OPERATING SURPLUS (DEFICIT)		GRANTS INCLUDED IN INCOME		TOTAL ASSETS HELD (CURRENT & NON-CURRENT)	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
Functions/Activities										
Public Order and Safety	3,889	2,941	3,960	3,705	(71)	(764)	–	–	582	879
Health	210	242	1,586	1,757	(1,376)	(1,515)	5	5	5,112	529
Social Security and Welfare	3,517	3,528	8,586	7,586	(5,069)	(4,058)	3,048	2,996	15,692	25,221
Housing and Community Services	3,653	4,470	37,252	31,139	(33,599)	(26,669)	248	230	495,900	483,403
Recreation and Culture	1,123	1,156	35,266	30,251	(34,143)	(29,095)	574	614	491,546	470,930
Transport and Communication	3,350	4,081	18,643	19,413	(15,293)	(15,332)	3,324	4,080	507,828	498,906
Economic Affairs	135	155	7,621	6,297	(7,486)	(6,142)	32	63	88	256
Other, Not Attributed and Admin	112,195	110,716	6,115	17,709	106,080	93,007	7,885	6,951	81,779	70,926
Total Functions/Activities	128,072	127,289	119,029	117,857	9,043	9,432	15,116	14,939	1,598,527	1,551,050

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

City of Salisbury

Notes to the Financial Statements

for the year ended 30 June 2021

Note 12(b). Components of Functions

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 a senior leisure 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, 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 centres, parks, gardens and reserves, clubrooms, playgrounds, sports grounds and halls.

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 the Financial Statements

for the year ended 30 June 2021

Note 13. Financial Instruments

Recognised Financial Instruments

Bank, Deposits at Call, Short Term Deposits

Accounting Policy:

Initially recognised at fair value and subsequently measured at amortised cost, interest is recognised when earned.

Terms and Conditions:

Deposits are returning fixed interest rates between 0.30% and 0.45% (2020: 1.3% and 1.9%). Short term deposits have an average maturity of 30 days and an average interest rate of 0.375% (2020: 91 days and 1.6%).

Carrying Amount:

Approximates fair value due to the short term to maturity.

Receivables - Rates and Associated 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:

Secured over the subject land, arrears attract interest of 2% (2020: 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).

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.

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City of Salisbury

Notes to the Financial Statements

for the year ended 30 June 2021

Note 13. Financial Instruments (continued)

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, however due to the financial impacts of COVID-19 on the community terms were changed by Council to settle on 14 day terms from March 2020 and subsequently reverted back to 30 day terms at the end of August 2020.

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% (2020: 4.0% and 7.01%).

Carrying Amount:

Approximates fair value.

Liabilities - Leases

Accounting Policy:

Accounted for in accordance with *AASB 16 Leases* as stated in Note 17.

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City of Salisbury

Notes to the Financial Statements

for the year ended 30 June 2021

Note 13. Financial Instruments (continued)

\$ '000	Due < 1 year	Due > 1 year & ≤ 5 years	Due > 5 years	Total Contractual Cash Flows	Carrying Values
Financial Assets					
2021					
Cash and Cash Equivalents	9,801	–	–	9,801	9,801
Receivables	6,724	425	–	7,149	7,149
Other Financial Assets	–	–	615	615	615
Total Financial Assets	16,525	425	615	17,565	17,565
Financial Liabilities					
Payables	12,238	–	–	12,238	12,238
Current Borrowings	2,154	–	–	2,154	1,735
Non-Current Borrowings	–	5,612	201	5,813	5,090
Leases	415	1,923	–	2,338	2,338
Total Financial Liabilities	14,807	7,535	201	22,543	21,401
2020					
Cash and Cash Equivalents	1,776	–	–	1,776	1,776
Receivables	6,438	427	–	6,865	6,865
Other Financial Assets	–	–	690	690	690
Total Financial Assets	8,214	427	690	9,331	9,331
Financial Liabilities					
Payables	10,509	–	–	10,509	10,509
Current Borrowings	2,310	–	–	2,310	1,773
Non-Current Borrowings	–	7,721	246	7,967	6,825
Leases	287	2,415	–	2,702	2,702
Total Financial Liabilities	13,106	10,136	246	23,488	21,809

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

\$ '000	2021		2020	
	Weighted Avg Interest Rate	Carrying Value	Weighted Avg Interest Rate	Carrying Value
Overdraft	6.47%	–	6.47%	–
Fixed Interest Rates	5.82%	6,825	5.99%	8,598
		6,825		8,598

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.

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City of Salisbury

Notes to the Financial Statements

for the year ended 30 June 2021

Note 13. Financial Instruments (continued)

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.

Note 14. Capital Expenditure and Investment Property Commitments

\$ '000	2021	2020
---------	------	------

(a) Capital Commitments

Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:

Buildings	1,679	2,530
Infrastructure	16,049	5,904
Plant & Equipment	931	715
	<u>18,659</u>	<u>9,149</u>

These expenditures are payable:

Not later than one year	18,659	9,149
	<u>18,659</u>	<u>9,149</u>

(b) Other Expenditure Commitments

Other non-capital expenditure commitments in relation to investment properties at the reporting date but not recognised in the financial statements as liabilities:

Audit Services	33	33
	<u>33</u>	<u>33</u>

These expenditures are payable:

Not later than one year	33	33
	<u>33</u>	<u>33</u>

City of Salisbury

Notes to the Financial Statements

for the year ended 30 June 2021

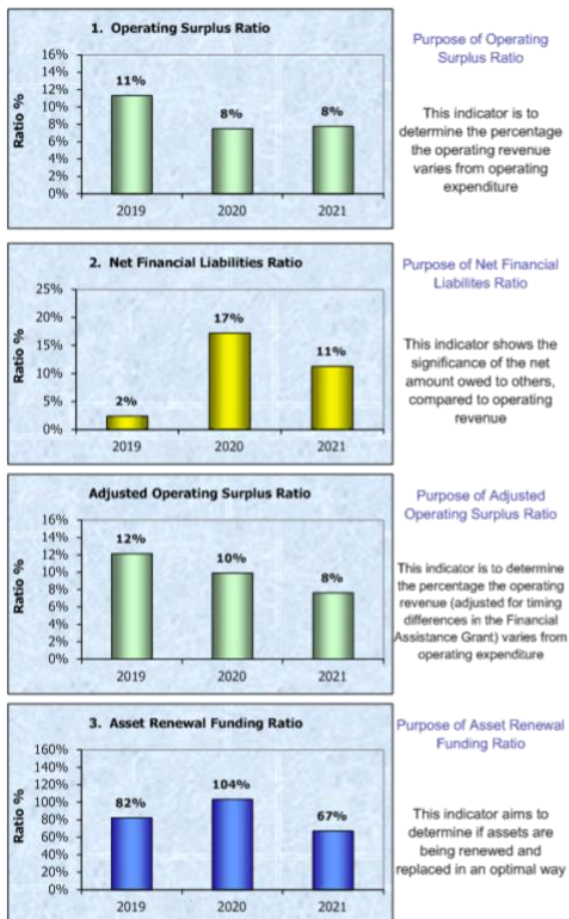
Note 15. Financial Indicators

\$ '000	Amounts 2021	Indicator 2021	Indicators 2020	Indicators 2019
<i>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.</i>				
1. Operating Surplus Ratio				
Operating Surplus	10,013	7.8%	7.5%	11.3%
Total Operating Income	129,042			
<i>This ratio expresses the operating surplus as a percentage of total operating revenue.</i>				
2. Net Financial Liabilities Ratio				
Net Financial Liabilities	14,584	11.3%	17.2%	2.4%
Total Operating Income	129,042			
<i>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.</i>				
Adjustments to Ratios				
<i>In recent years the Federal Government has made advance payments prior to 30 June from future year allocations of financial assistance and supplementary local roads grants, as explained in Note 1. The Adjusted Operating Surplus Ratio adjusts for the resulting distortion in the disclosed operating result for each year.</i>				
Adjusted Operating Surplus Ratio				
Operating Surplus	9,605	7.5%	7.6%	9.9%
Total Operating Income	128,634			
3. Asset Renewal Funding Ratio				
Net Asset Renewals	13,590	76.0%	103.5%	82.2%
Infrastructure & Asset Management Plan required expenditure	17,881			
<i>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.</i>				

City of Salisbury

Notes to and forming part of the Financial Statements
for the year ended 30 June 2021

Note 15. Financial Indicators - Graphs (continued)



City of Salisbury

Notes to the Financial Statements

for the year ended 30 June 2021

Note 16. Uniform Presentation of Finances

\$ '000	2021	2020
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	129,042	127,391
less Expenses	(119,029)	(117,871)
Operating Surplus / (Deficit)	10,013	9,520
Net Outlays on Existing Assets		
Capital Expenditure on Renewal and Replacement of Existing Assets	(14,171)	(17,745)
add back Depreciation, Amortisation and Impairment	28,862	26,950
add back Proceeds from Sale of Replaced Assets	581	347
	15,272	9,552
Net Outlays on New and Upgraded Assets		
Capital Expenditure on New and Upgraded Assets (including Investment Property and Real Estate Developments)	(27,833)	(41,645)
add back Amounts Received Specifically for New and Upgraded Assets	5,776	1,277
add back Proceeds from Sale of Surplus Assets (including investment property, real estate developments & non-current assets held for resale)	2,852	987
	(19,205)	(39,381)
Net Lending / (Borrowing) for Financial Year	6,080	(20,309)

City of Salisbury

Notes to the Financial Statements

for the year ended 30 June 2021

Note 17. Leases

(i) Council as a lessee

Terms and conditions of leases

Council leases information technology equipment and a parcel of land utilised as part of its recycled water operations. The repayments for the information technology assets are fixed and the land is subject to yearly increases in-line with contractual requirements. Information technology leases are either 3 or 5 year terms, and the land has a contractual agreement in place until 2048, with another right of renewal.

Set out below are the carrying amounts of right-of-use assets recognised within Infrastructure, Property, Plant and Equipment and the movements during the period:

(a) Right of use assets

\$ '000	Information Technology Assets	Land	Total
2021			
Opening balance	1,429	1,161	2,590
Additions to right-of-use assets	32	–	32
Adjustments to right-of-use assets due to re-measurement of lease liability	82	(1)	81
Depreciation charge	(407)	(41)	(448)
Balance at 30 June	1,136	1,119	2,255
2020			
Opening balance	1,832	1,202	3,034
Additions to right-of-use assets	–	–	–
Adjustments to right-of-use assets due to re-measurement of lease liability	–	–	–
Depreciation charge	(403)	(41)	(444)
Balance at 30 June	1,429	1,161	2,590

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City of Salisbury

Notes to the Financial Statements

for the year ended 30 June 2021

Note 17. Leases (continued)

(b) Lease liabilities

Set out below are the carrying amounts of lease liabilities (included under interest-bearing loans and borrowings) and the movements during the period:

\$ '000	2021	2020
Balance at 1 July	2,702	3,034
Additions	32	–
Accretion of interest	98	112
Payments	(512)	(444)
Other	18	–
Balance at 30 June	2,338	2,702
Classified as:		
Current	415	399
Non Current	1,923	2,303

The maturity analysis of lease liabilities is included in Note 13.

The Group had total cash outflows for leases of \$592k.

The following are the amounts recognised in profit or loss:

Depreciation expense of Right-of-Use Assets	449	444
Interest expense on lease liabilities	98	112
Expense relating to short term leases	143	524
Total amount recognised in profit or loss	690	1,080

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City of Salisbury

Notes to the Financial Statements

for the year ended 30 June 2021

Note 17. Leases (continued)

(ii) Council as a lessor

Leases Providing Revenue to the Council

Council owns various buildings, plant and other facilities that are available for hire or lease (on a non-cancellable basis wherever practicable) in accordance with the published revenue policy. Rentals received from such leases are disclosed as rent and hire of non-investment property in Note 2.

(i) Investment Property

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

\$ '000	2021	2020
Future minimum rentals receivable under non-cancellable operating leases as at 30 June, are as follows:		
Not later than one year	1,033	878
Later than one year and not later than 5 years	2,779	2,843
Later than 5 years	2,599	3,467
	6,411	7,188

City of Salisbury

Notes to the Financial Statements

for the year ended 30 June 2021

Note 18. Superannuation

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 2020/21; 9.50% in 2019/20). 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 2019/20) 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 119.34(a), Council does not use defined benefit accounting for these contributions.

The most recent actuarial investigation was conducted by the Fund's actuary, Louise Campbell, FIAA, of Willis Towers Watson as at 30 June 2020. 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 the Financial Statements

for the year ended 30 June 2021

Note 19. Interests in Other Entities

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

\$ '000	Council's Share of Net Income		Council's Share of Net Assets	
	2021	2020	2021	2020
Council's Share of Net Income				
Joint Ventures	970	88	4,824	3,855
Total Council's Share of Net Income	970	88	4,824	3,855

((a)i) Joint Ventures, Associates and Joint Operations

(a) Carrying Amounts

\$ '000	Principal Activity	2021	2020
Northern Adelaide Waste Management Authority	Waste Management	4,824	3,855
Total Carrying Amounts - Joint Ventures and Associates		4,824	3,855

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.

Whilst the City of Salisbury has a 54.73% share of equity in NAWMA for the 2021 Financial Year, Council is of the opinion that it does not have control over NAWMA's operations. The rationale being that all three Constituent Councils hold equal voting power at 33.33% and NAWMA's Chairperson and CEO are independent from the constituent Councils. Therefore the ability for Council to control NAWMA's operations is limited to Council's voting power at 33.33%, not its share of equity at 54.73%. Accordingly Council has utilised the equity accounting method to recognise its share of equity in NAWMA for the 2021 Financial Year.

(b) Relevant Interests

	Interest in Operating Result		Ownership Share of Equity		Proportion of Voting Power	
	2021	2020	2021	2020	2021	2020
Northern Adelaide Waste Management Authority	54.73%	55.67%	54.73%	55.67%	33.33%	33.33%
Council Solutions	0.00%	17.00%	0.00%	17.00%	0.00%	17.00%

Council Solutions

Council Solutions was established for the purposes of providing a centre of excellence in procurement to Constituent Councils, however this regional subsidiary was formally wound up as at 15 October 2019 and the net equity was distributed to the Constituent Councils in-line with the respective interests.

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City of Salisbury

Notes to the Financial Statements

for the year ended 30 June 2021

Note 19. Interests in Other Entities (continued)

(c) Movement in Investment in Joint Venture or Associate

\$ '000	Northern Adelaide Waste Management Authority		Council Solutions	
	2021	2020	2021	2020
Opening Balance	3,854	3,753	–	138
Share in Operating Result	970	102	–	(14)
Adjustments to Equity	–	–	–	(124)
Council's Equity Share in the Joint Venture or Associate	4,824	3,855	–	–

(d) Summarised Financial Information of the Equity Accounted Business

Statement of Financial Position

Cash and Cash Equivalents	7,167	3,804	–	–
Other Current Assets	4,194	3,873	–	743
Non-Current Assets	22,914	23,828	–	–
Total Assets	34,275	31,505	–	743
Current Trade and Other Payables	6,667	5,856	–	743
Current Financial Liabilities	2,527	2,522	–	–
Current Provisions	366	255	–	–
Non-Current Financial Liabilities	10,512	12,446	–	–
Non-Current Provisions	5,388	3,502	–	–
Total Liabilities	25,460	24,581	–	743
Net Assets	8,815	6,924	–	–

Statement of Comprehensive Income

Other Income	45,686	38,648	–	81
Management Fees	–	–	–	218
Interest Income	240	210	–	2
Total Income	45,926	38,858	–	301
Employee Costs	3,827	3,042	–	–
Materials, Contracts and Other Expenses	36,523	33,754	–	386
Depreciation, Amortisation and Impairment	3,250	2,841	–	–
Finance Costs	512	529	–	–
Total Expenses	44,112	40,166	–	386
Operating Result	1,814	(1,308)	–	(85)

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City of Salisbury

Notes to the Financial Statements

for the year ended 30 June 2021

Note 19. Interests in Other Entities (continued)

(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:

\$ '000	2021	2020
(i) Capital Expenditures Payable		
Not later than one year	16,791	18,976
Later than one year and not later than 5 years	35,506	62,492
	<u>52,297</u>	<u>81,468</u>

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

(ii) Lease Payments Commitments Payable

Not later than one year	1,428	1,466
Later than one year and not later than 5 years	4,064	4,899
	<u>5,492</u>	<u>6,365</u>

((a)ii) Individually Immaterial Council Businesses

Council did not have any individually immaterial businesses

((a)iii) Unconsolidated Structured Entities

Council has no Unconsolidated Structured Entities

City of Salisbury

Notes to the Financial Statements

for the year ended 30 June 2021

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

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 notice of nil 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 is party to a leasing arrangement for the management and operations of the Mausoleum situated at Salisbury Memorial Park. As part of this lease the lessee is required to contribute to the Perpetual Care Fund which was established to fund the long term maintenance of the Mausoleum upon expiry of the lease.

Note 21. Events after the Statement of Financial Position Date

Events that occur after the reporting date of 30 June 2021, 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 13 October 2021.

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

City of Salisbury

Notes to the Financial Statements

for the year ended 30 June 2021

Note 22. Related Party Transactions

Key Management Personnel

Transactions with Key Management Personnel

The Key Management Personnel (KMP) of the Council include the Mayor, Councillors, CEO, General Managers and certain prescribed officers under section 112 of the *Local Government Act 1999*, as well as 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, 48 persons were paid the following total compensation:

\$ '000	2021	2020
The compensation paid to Key Management Personnel comprises:		
Short-Term Employee Benefits	5,459	5,419
Post-Employment Benefits	454	451
Long-Term Benefits	717	704
Total	6,630	6,574

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

Receipts from Key Management Personnel comprise:

There have been no other material amounts received from KMP 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 Council's 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 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 Council's Regional Subsidiaries, during the financial year:

	Payments	Outstanding
Northern Adelaide Waste Management Authority	15,148	1,422
Total	15,148	1,422

Budgeted future year expenditure at the reporting date but not recognised in the financial statements as liabilities:

Northern Adelaide Waste Management Authority	14,570
Total	14,570

The budgeted expenditures are payable no later than one year from the reporting date



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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE CITY OF SALISBURY

Opinion

We have audited the accompanying financial report of the City of Salisbury, which comprises the statement of financial position as at 30 June 2021, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and the Certification of the Financial Statements.

In our opinion, the financial report gives a true and fair view of the financial position of the City of Salisbury as of 30 June 2021, and of its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards and the *Local Government Act 1999* and the *Local Government (Financial Management) Regulations 2011*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Report section of our report. We are independent of the entity in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Responsibilities of Management and Those Charged with Governance for the Financial Report

Management is responsible for the preparation of the financial report, which gives a true and fair view in accordance with Australian Accounting Standards and the *Local Government Act 1999* and the *Local Government (Financial Management) Regulations 2011*, and for such internal control as the committee and management determines is necessary to enable the preparation of a financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, management is responsible for assessing the entity's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless management either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the entity's financial reporting process.



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**Auditor's Responsibilities for the Audit of the Financial Report**

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website (<http://www.auasb.gov.au/Home.aspx>). This description forms part of our auditor's report.

BENTLEYS SA AUDIT PARTNERSHIP

DAVID PAPA
PARTNER

Dated at Adelaide this xx day of October 2021

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INDEPENDENT ASSURANCE REPORT ON INTERNAL CONTROLS OF THE CITY OF SALISBURY

Opinion

We have audited the compliance of the City of Salisbury (the Council) with the requirements of *Section 125 of the Local Government Act 1999* in relation to the Internal Controls established by the Council to ensure that financial transactions relating to the receipt, expenditure and investment of money, acquisition and disposal of property and incurring of liabilities for the period 1 July 2020 to 30 June 2021 are in accordance with legislative provisions.

In our opinion, the Council has complied, in all material respects, with *Section 125 of the Local Government Act 1999* in relation to Internal Controls, established by the Council in relation to the receipt, expenditure and investment of money, acquisition and disposal of property and incurring of liabilities so as to provide reasonable assurance that the financial transactions of the Council have been conducted properly and in accordance with legislative provisions for the period 1 July 2020 to 30 June 2021.

Limitation on Use

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

Limitations of Controls

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

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

Independence

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



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The Council's Responsibility for the Internal Controls

The Council is responsible for implementing and maintaining an adequate system of internal controls, in accordance with *Section 125 of the Local Government Act 1999* in relation to Internal Controls, to ensure that the receipt, expenditure and investment of money, the acquisition and disposal of property, and incurring of liabilities are in accordance with legislative provisions.

Our Responsibility

Our responsibility is to express an opinion on the Council's compliance with *Section 125 of the Local Government Act 1999* in relation only to the Internal Controls established by the Council to ensure that financial transactions relating to the receipt, expenditure and investment of money, acquisition and disposal of property and incurring of liabilities, based on our procedures. Our engagement has been conducted in accordance with applicable Australian Standards on Assurance Engagements ASAE 3000 *Assurance Engagements Other than Audits or Reviews of Historical Financial Information* and ASAE 3150 *Assurance Engagement on Controls*, issued by the Australian Auditing and Assurance Standards Board, in order to state whether, in all material respects, the Council has complied with *Section 125 of the Local Government Act 1999* in relation only to the Internal Controls specified above for the period 1 July 2020 to 30 June 2021. ASAE 3000 also requires us to comply with the relevant ethical requirements of the Australian professional accounting bodies.

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

BENTLEYS SA AUDIT PARTNERSHIP

DAVID PAPA
PARTNER

Dated at Adelaide this xx day of October 2021

City of Salisbury

General Purpose Financial Statements

for the year ended 30 June 2021

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 2021, 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*.

John Harry
Chief Executive Officer

Graham Reynolds
Presiding Member, Audit Committee

Date: dd MMMM yyyy

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Certification of Auditor Independence

I confirm that, for the audit of the financial statements of City of Salisbury for the year ended 30 June 2021, I have maintained my independence in accordance with the requirements of APES 110 – *Code of Ethics for Professional Accountants (including Independence Standards)*, Part 4A, published by the Accounting Professional and Ethical Standards Board, in accordance with the *Local Government Act 1999* and the *Local Government (Financial Management) Regulations 2011* made under that Act.

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

Bentleys SA Audit Partnership

David Papa
Partner

Dated at Adelaide this 21st day of September 2021



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