

Notice of Special Meeting of Audit Committee



MEMBERSHIP

Cr Peter Field (*Presiding Member*)

Cr Rob Unger

Mr Ross Haslam

(*Independent Member*)

Mr Daniel Edgecombe
(*Independent Member*)

Ms Deanne Bear
(*Independent Member*)

NOTICE is given pursuant to Sections 87 and 88 of the Local Government Act 1999 that the next AUDIT COMMITTEE MEETING will be held in the Civic Centre, 571 Montague Road, Modbury on WEDNESDAY 7 SEPTEMBER 2022 commencing at

A copy of the Agenda for the above meeting is supplied.

Members of the community are welcome to attend the meeting or listen and observe minutes via [Council's website](#).

JOHN MOYLE
CHIEF EXECUTIVE OFFICER

Dated: 01 September 2022

CITY OF TEA TREE GULLY

AUDIT COMMITTEE MEETING 7 SEPTEMBER 2022

AGENDA

1. Opening and Welcome

Acknowledgement of Country Statement - to be read out as arranged by the Presiding Member

2. Attendance Record:

- 2.1 Present
- 2.2 Apologies
- 2.3 Record of Officers in Attendance
- 2.4 Record of Number of Persons in the Public Gallery
- 2.5 Record of Media in Attendance

3. Confirmation of Minutes of the Previous Meeting – N/A

4. Public Forum *(must be related to an agenda item)*

Available to the public to address the Committee on policy, strategic matters or items that are currently before the Committee. Total time 10 mins with maximum of 2 mins per speaker. For more information refer to Council's website www.cttg.sa.gov.au

5. Deputations *(must be related to an agenda item)*

Requests from the public to address the meeting must be received in writing prior to the meeting and approved by the Presiding Member. For more information refer to Council's website www.cttg.sa.gov.au

6. Presentations - Nil

Requests to present to the meeting must be received in writing 5 days prior to the meeting and approved by the Presiding Member. For more information refer to Council's website www.cttg.sa.gov.au

7. Petitions - Nil

8. Declarations of Conflicts of Interest

Members are invited to declare any material, actual and/or perceived conflicts of interest in matters appearing before the Committee.

9. Adjourned Business - Nil

10. Motions Lying on the Table - Nil

11. Management Reports

Office of the Chief Executive Officer - Nil

Assets & Environment - Nil

Organisational Services & Excellence

11.1 Updated Internal Audit Plan 2022-235

11.2 Audited Financial Statements 2021-202216

Community & Cultural Development - Nil

12. Motion(s) on Notice - Nil

13. Motion(s) without Notice

14. Question(s) on Notice - Nil

15. Questions without Notice - Nil

16. Information Reports - Nil

17. Status Report on Resolutions - Nil

18. Other Business - Nil

19. Section 90(2) Local Government Act 1999 – Confidential Items

A record must be kept on the grounds that this decision is made.

20. Date of Next Ordinary Meeting

28 September 2022

21. Closure



REPORT FOR

AUDIT COMMITTEE MEETING

MEETING DATE

07 SEPTEMBER 2022

RECORD NO:

D22/148844

REPORT OF:

ORGANISATIONAL SERVICES & EXCELLENCE

TITLE:

UPDATED INTERNAL AUDIT PLAN 2022-23

Item 11.1

PURPOSE

To provide the Audit Committee with further options for inclusion in the Internal Audit Plan 2022-23, in accordance with resolution no. 39 from 27 July 2022 Committee meeting.

RECOMMENDATION

That having considered the report **titled “Updated Internal Audit Plan 2022-23”** and dated 7 September 2022, the Committee adopts the following internal audit projects to be added to the Internal Audit Plan 2022-23 in addition to those adopted at its meeting on 27 July 2022:

[Note: Committee to select projects to proceed – propose additional 2 to be undertaken]

- a. Precinct Planning; or
- c. Recycled water; or
- b. Commercial / Income Generating Opportunities

1. BACKGROUND

At its meeting on 27 July 2022, the Audit Committee (**“Committee”**) considered the Internal Audit Plan for 2022-23 and requested a further report be presented to the next Audit Committee meeting identifying further internal audit options for consideration.

The internal audit projects already endorsed by the Committee for 2022-23 are as follows:

- a. Strategic Environmental Management (new)
- b. Procurement – quotations (new)
- c. Strategic Social Infrastructure (continued from 2021-22)
- d. Strategic Asset Management (continued from 2021-22)
- e. Bushfire Prevention and Preparedness (continued from 2021-22)

2. DISCUSSION

The purpose of this report is to consider further options for internal audit projects to be undertaken in 2022-23, in addition to those already included in the plan. These options have been identified through analysis of:

- ☒ Council’s strategic objectives
- ☒ Council’s risk profile
- ☒ Other areas of importance and impact to Council (eg. finances)

2.1 Strategic Objectives

Council’s Strategic Plan 2025 recognises that we live in a global environmental with unprecedented levels of economic, social and environmental change. Some of the key challenges and opportunities have been identified in the Plan as follows:

- a. Ageing population
- b. Biodiversity
- c. Climate change/adaptation
- d. Community expectations
- e. Importance of place
- f. Leadership
- g. Population diversity
- h. Social isolation
- i. Technology
- j. Design and transport
- k. Water

‘Failure to achieve strategic and organisational plan objectives resulting in loss of community confidence and opportunities not capitalised’ is rated as a high risk on

Council's Strategic Risk Register. Two (2) of the four (4) additional internal audit project options identified, have the intention of addressing the challenges and opportunities that have been identified in the Plan, in order to further mitigate this risk. These challenges/opportunities are:

1. Importance of place
2. Water

2.1.1 Precinct Planning (importance of place)

Precinct Planning is undertaken to set out the planning intentions for a particular precinct. It is a place-based approach which is coordinated and deliberate in order to delivering cohesive and responsive placemaking or urban renewal outcomes. Precinct Plans can cover large or small areas and are sometimes referred to as Precinct Plans, Concept Plans, Master Plans or Area Plans. Council has a range of Precinct Plans, including:

1. Dry Creek Corridor, Modbury Precinct Masterplan
2. Meadowvale Concept Plan
3. Modbury Sporting Hub Master Plan
4. Modbury Heights Precinct Plan
5. Tea Tree Gully Township Precinct Plan
6. Civic Park Area Plan
7. Modbury Precinct
8. 10 Point Heritage Plans for Council owned buildings

These Precinct Plans have been developed to progress targeted precincts within the Council area. Given importance of place is considered one of the key challenges and **opportunities in Council's Strategic Plan, it may be worth considering taking a more** holistic approach to precinct planning across the City. Precinct planning through its focus on place-making not only addresses matters of place but contributes to achieving other objectives in the Strategic Plan ie. economic growth for local business, environmental benefits, community connection to place and leadership i.e. planning for existing and future communities.

An internal audit of this nature would likely provide an audit of existing precinct plans, a gap analysis of these plans, and a gap analysis on precinct planning overall in the City, and would recommend the components that should be included in an Integrated Planning Framework for the City of Tea Tree Gully that would assist Council with city wide planning and infrastructure asset management in the public realm. It is also proposed that the framework would recommend criteria against which to prioritise the development of precinct plans and recommend those precincts that are a high priority.

This is recommended as the top priority out of the internal audit project options provided within this report, given its alignment to strategic objectives.

2.1.2 Recycled Water

Council owns and operates a recycled water scheme that consist of a combination of Managed Aquifer Recharge (MAR) and treated effluent.

1. Eight stormwater MAR schemes, seven of which are operational - each of these schemes are linked via a single MAR distribution network and are used to supply **harvested stormwater for irrigation of Council's reserves and school ovals.**
2. Treated effluent from the Greenwith Road wastewater treatment plant (WWTP), operated by Council - **this is used to treat effluent (captured from 'sewer mining')** which is then distributed through the same recycled water distribution network.

The average variable operating expense for the recycled water scheme over the last three years is approximately \$650,000 per annum.

The following table shows the distribution of recycled water in support of delivering **Council services. The use of recycled water reduces Council's reliance on mains water** by about 220ML to 240ML per year or approximately \$700,000 per year.

Activities	Percentage of Water Demand (average demand)
Irrigation of Open Space (sporting fields and key reserves)	83% (~192 ML/yr)
Street sweeping	2% (~3.5 ML/yr)
Vehicle washing	5% (~11 ML/yr)
Water cart - dust suppression/tree screen establishment	4% (~9 ML/yr)
Drain cleaning	2% (~4.5 ML/yr)

Although there are substantial savings, operating the recycled water scheme comes at a considerable cost. The fixed cost of operating the scheme is approximately \$1.67/kL based on the current demand (includes depreciation, cost of risk and capital).

The year on year water pricing is volatile and has not been managed by an asset management plan and long term financial planning for the business. There is a 28% price variation for recycled water due to variability of operating expense year on year. Long term planning will enable the cost to be amortised over a longer period which will better inform future investment decisions.

Recycled water has the potential to significantly improve the resilience of the community in face of climate change (which is another key risk for Council and the community). However, an integrated approach to water management taking into consideration future water demand for the City and future supply which for the MAR scheme is still climate dependent.

Recent legislative reforms have provided greater flexibility for MAR scheme owners to **“bank” stormwater in aquifer for a 10 year period (via Water Allocation Plan)**. Proper planning by Council will enable stormwater management to be managed and bring about an environmental and cost benefit return on the investment.

Treated effluent is recognised globally as a climate independent resource. This has driven nations that have high climate change risk to invest into these schemes. There are different environmental benefits and financial cost associated treated effluent and MAR schemes which need to be considered collectively. Council has endorsed to undertake a number of studies that will inform strategic decision making regarding the recycled water schemes.

Project	2022-2023	2023-2024	2024-2025
Dry Creek Stormwater Management Plan	♦	♦	
Cobbler Creek Catchment Stormwater Management Plan	♦	♦	
River Torrens Stormwater Management Plan		♦	♦
Integrated Water Cycle Management Plan		♦	♦

Council has completed high level feasibility studies on opportunities to extend the scheme to include more irrigated open spaces. However, these studies need to be assessed taking into consideration an asset management plan and long term financial plan for the recycled water scheme.

To ensure that Council is future ready and is adopting an approach that is most sustainable and responds to climate change predictions (eg. rainfall), consideration could be given to doing an internal audit relating to the recycled water distribution system. This would likely cover an audit on the existing operation and performance of the system, as well as financial aspects, analysis of successes and challenges and identification of opportunities for improvement. Other factors will of course need to be taken into account, such as environmental considerations, however this internal audit project would provide a starting point that determines the financial feasibility of considering water resource options available to Council longer term. Data continues to be collected to enable further audit or analysis to be undertaken of other considerations at a later point in time.

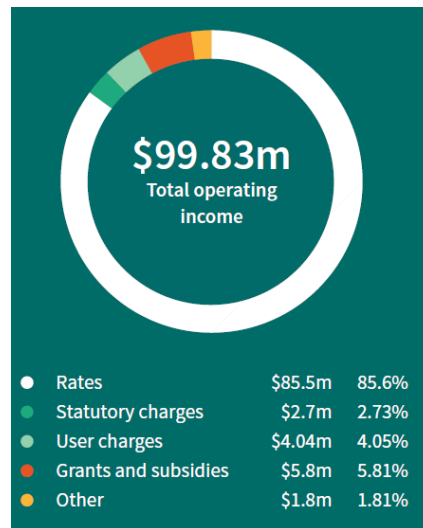
This is recommended as the second priority out of the internal audit project options provided within this report, given its alignment to strategic objectives.

2.2 Financial impacts

2.2.1 Commercial / Income Generating Opportunities

Out of a total operating income of \$99.83 million, the vast majority of this is generated by rates, as indicated in the extract below. In order to reduce reliance on rates and maintain rates at a responsible level, a potential internal audit project could audit and assess the effectiveness of other existing income generating activities outside of rates, and provide recommendations for optimising or improving existing approaches. The internal audit could also consider and propose alternative income streams for council and the feasibility of each of these streams.

While financial sustainability is only a medium risk to Council in the context of the broader risk profile, any potential option that could be considered to increase financial sustainability would be worthwhile, given the challenging economic conditions facing both Council and the community that are likely to continue into the future.



2.2.2 Payroll

While payroll is **listed as a moderate risk within Council's risk profile**, as a subset of financial sustainability, the financial impact of employee costs in comparison to the overall budget is relatively substantial. Employee costs equate to approximately \$37 million. Total operating expenditure is \$95.4 million, which makes the payroll function a substantial portion of the budget.

This option has been included as a potential internal audit project on the basis of financial impact to Council. However, it should be noted that a detailed review of the Payroll system and Human Capital Management System has commenced and is not considered an internal audit priority project for 2022-23.

2.3 Risk Profile

2.3.1 *Corporate performance monitoring and reporting*

‘Failure to deliver the strategic and organisational plan objectives’ is rated as a high risk in Council’s strategic risk profile. There are a range of reporting mechanisms and systems in place across the organisation to report on delivery of the 28 strategic and 12 organisational objectives, in addition to a range of departmental/portfolio and project reporting mechanisms. There would be benefit in reviewing and auditing the **organisation’s approach to corporate performance monitoring and reporting** holistically, with the aim to potentially identifying a more effective and efficient reporting structure to ensure key outcomes are being tracked and delivered in a sustainable and consistent manner for the organisation.

However, the Performance Measurement and Reporting element set up as part of the Community Value Program (which will involve service reviews across all key Council services), is a program which is being overseen by the Service Reviews Committee and may be considered a better approach to align to individual service reviews than undertaking it as part of the upcoming Internal Audit Plan for 2022-23. It is intended **that Council’s performance management be picked up for consideration as part of the Human Capital Management system replacement** (mentioned above). This would provide better line of sight for organisational performance to individual performance. It is noted that this may be suggested as a potential Internal Audit project in future years.

2.3.2 *Economic development opportunities*

‘Future viable economic development opportunities not realised’ is a high risk on Council’s strategic risk register. While this is an area of utmost importance and a key risk to the community, the significant changing landscape post COVID-19 and unknowns of the current economic climate makes it a difficult area to undertake an internal audit that may leverage workable outcomes. This topic would be better undertaken in future years following on from any federal or state government initiatives, and Community Value Program service reviews to ensure there is no duplication of effort. At this stage, only the option identified in section 2.2.1 of this report which proposes an internal audit on commercial / income generating opportunities, is the only economic development project proposed as these elements **are within Council’s jurisdiction and control.**

2.4 Proposed additional internal audit projects for 2022-23

Given there are five (5) internal audits already being undertaken for 2022-23, (three of which are continued from the 2021-22 Internal Audit Plan), and the limited internal audit budget available it is proposed the following additional two projects be added to the Internal Audit Plan for 2022-23:

- a. Precinct planning; and
- b. Recycled water; or
- c. Commercial / income generating opportunities

It is noted that depending on availability of internal audit resources and organisational requirements, further internal audit projects might be added in order to address potential risk exposures as required throughout the year (particularly those of a transactional nature).

3. FINANCIAL

During the formulation of the Internal Audit Plan, the budget for the delivery of internal audits for the upcoming financial year was considered to ensure the financial commitment to the organisation was realistic and sustainable whilst still operating in a budget environment resulting from the effects of COVID-19.

The internal budget of \$100,000 for 2022-23 does not currently cater for the additional internal audit project options identified. It is anticipated that as cost savings are identified throughout the year, as part of quarterly budget reviews, the cost of at least two internal audit projects could be incorporated and absorbed within this.

4. STRATEGIC OBJECTIVES

Strategic Plan

The following strategic objectives in Council's Strategic Plan 2025 are the most relevant to this report:

Objective	Comments
Leadership	
<i>Planning considers current and future community needs</i>	It is proposed that the internal audit plan present a balanced approach considered both strategic and other matters to address current and future community needs and expectations.
<i>Delivery of services is sustainable and adaptable</i>	A large part of internal audits proposed address the sustainability and adaptability of Council services.

<i>Decision making is informed, based on evidence and is consistent</i>	Internal audits presented to the Committee are based on consideration of Strategic Plan challenges and opportunities, strategic risk and organisation risk profile, other audits undertaken as well as data available from various systems.
---	---

5. LEGAL

Section 125 of the *Local Government Act 1999* requires Council to have a system of internal controls. Internal audits form a vital part of satisfying this legislative requirement and robust governance practices.

It is a function of Council (section 7(j) of the *Local Government Act 1999* to manage, improve and develop resources available to the council, which is one of the aspects considered in developing the Internal Audit Plan for 2022-23.

6. RISK – IDENTIFICATION AND MITIGATION

Internal audits are a key function in addressing risk exposure to Council's operations, processes and systems. Audits provide a level of assurance that recommended controls will mitigate the level of risk to the Council, while contributing to the risk management process. The Internal Audit Plan for 2022-2023 addresses key emerging risks identified in Council's Strategic Risk Register.

7. ACCESS AND INCLUSION

No specific access and inclusion impacts have been identified in relation to this report.

8. SOCIAL AND COMMUNITY IMPACT

The proposed internal audits have been identified as key areas that higher community impact, and therefore offer the greatest community value for the internal audit resources available to be allocated.

9. ENVIRONMENTAL

It is considered that no impact on the environment will be affected as a result of this report. Environmental risks have already been considered and addressed as part of the development of the internal audit plan for the upcoming financial year.

10. ASSETS

It is considered that there will be no impact on Council's assets as a result of this report. Strategic asset management risks have been identified as a key ongoing area for consideration as part of the proposed Internal Audit Plan for 2022-23 (as part of continuation of an existing internal audit already underway).

11. PEOPLE AND WORK PLANS

Internal Audits are primarily outsourced to external specialist providers, with the coordination and monitoring of internal audits undertaken within existing available resources.

12. COMMUNITY AND STAKEHOLDER ENGAGEMENT

There is no proposed community or stakeholder engagement as part of this report.

13. COMMUNICATIONS OF COUNCIL DECISION

There is no proposed communications as part of this report, with the exception of working with relevant departments in the delivery of the internal audit plan.

14. INTERNAL REPORT CONSULTATION

The following staff have been included in the consultation process in the preparation of this Report. Relevant managers were consulted in the preparation of the Internal Audit Plan for 2022-2023.

Name	Position	Consulted about
Jon Foong	Group Coordinator, Water Waste & Environment Water, Waste & Environment	Recycled water internal audit
Justin Robbins	Manager Finance & Rating Operations	Commercial / Income Generating Opportunities internal audit; Payroll internal audit
Ingrid Wilkshire Ryan McMahon	Manager City Strategy Director Organisational Services & Excellence	Precinct planning internal audit Economic development opportunities internal audit; Corporate performance monitoring and reporting internal audit

Attachments

N/A

Report Authorisers

Ilona Cooper Manager Governance and Policy	8397 7310
Justin Robbins Manager Finance & Rating Operations	8397 7444
Ryan McMahon Director Organisational Services & Excellence	8397 7297



REPORT FOR

AUDIT COMMITTEE MEETING

MEETING DATE

07 SEPTEMBER 2022

RECORD NO:
REPORT OF:
TITLE:

D22/168930
ORGANISATIONAL SERVICES & EXCELLENCE
AUDITED FINANCIAL STATEMENTS 2021-2022

PURPOSE

To provide the Audit Committee with the 2021-22 Audited Financial Statements.

RECOMMENDATION

Resolution A

1. That the Audit Committee receives the audited financial statements for financial year ending 30 June 2022 as detailed in Attachment 1 to the report **titled “Audited Financial Statements 2021-2022” and dated 7 September 2022.**
2. That the Audit Committee, having reviewed the Audited Financial Statements for 2021-22 contained in Attachment 1 considers that the Audited Financial Statements 2021-2022 present fairly the state of affairs of Council.
3. That the Presiding Member of the Audit Committee be authorised to sign **Council’s Certificate of Audit Independence Statement that will accompany the** Financial Statements for financial year ending 30 June 2022.

Resolution B

That the Audit Committee recommends to Council:

That Council receives the audited financial statements for financial year ending 30 June 2022 as detailed in Attachment 1 to **the Audit Committee report titled “Audited Financial Statements 2021-2022” and dated 7 September 2022.**

1. BACKGROUND

The 2021-22 Audited Financial Statements have been prepared in accordance with the Australian Accounting Standards, the Local Government Act 1999 and associated Local Government Financial Management Regulations.

The Financial Statements (Attachment 1) have been reviewed by Council's external auditors, BDO, and this report is to formally present Council's Audited Financial Statements for the year ending 30 June 2022 and a copy of BDO's Annual Completion Report (Attachment 2) in accordance with Section 126(4)(a) of the Local Government Act 1999.

The Audited Financial Statements are required to be completed and adopted by Council and a copy be provided to the Minister and the SA Local Government Grants Commission on or before 30 November 2022.

The key financial indicators and LGA mandatory financial ratios indicates the **Council's financial status as:**

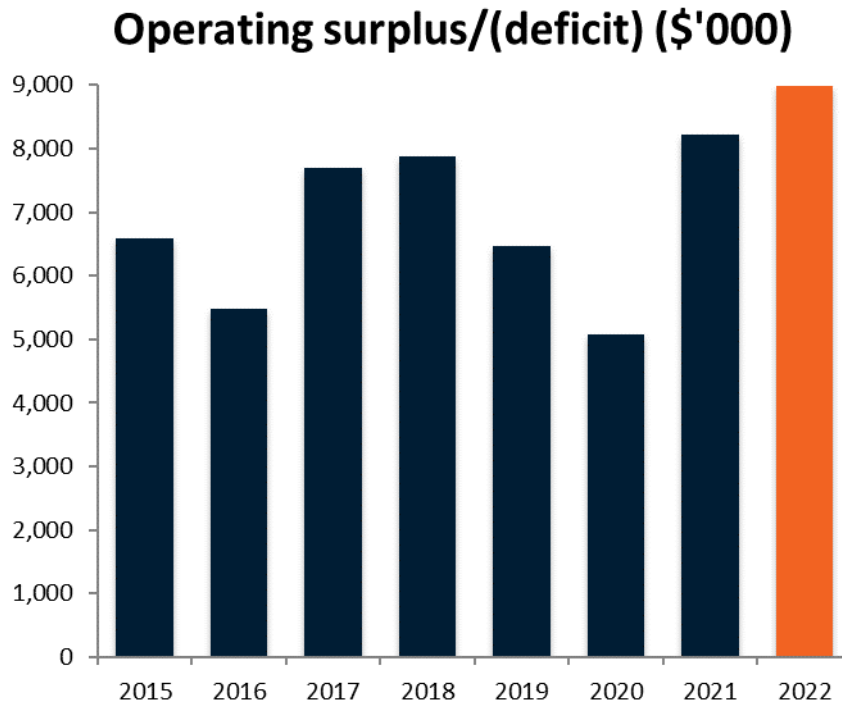
- a) The operating surplus ratio of 8.8% is positive and is an increase from the prior year figure of 8.2% and is well within the Council's target limit of 2.5% to 10%.
- b) The Net Financial Liabilities Ratio of 17.7% in 2021-22 reflects a decrease from 24.9% in 2020-21 and is below the Council's target limit of 25% to 35%.
- c) The Asset Sustainability Ratio for the year was 104.2%. The ratio is within the target range of 90% to 110% over a three-year rolling period.

2. DISCUSSION

Summary of 2021-22 Financial Results

An operating surplus of \$8.985m has been achieved compared to a surplus of \$8.223m in 2020-21. Council targets to deliver a modest operating surplus annually to lower our existing debt and to enable investment in asset upgrades in line with the Long Term Financial Plan.

The following graphs illustrate key comparatives for the last 8 years in Council's Operating surplus recognising that the operating surplus is used to fund new assets and debt repayment.

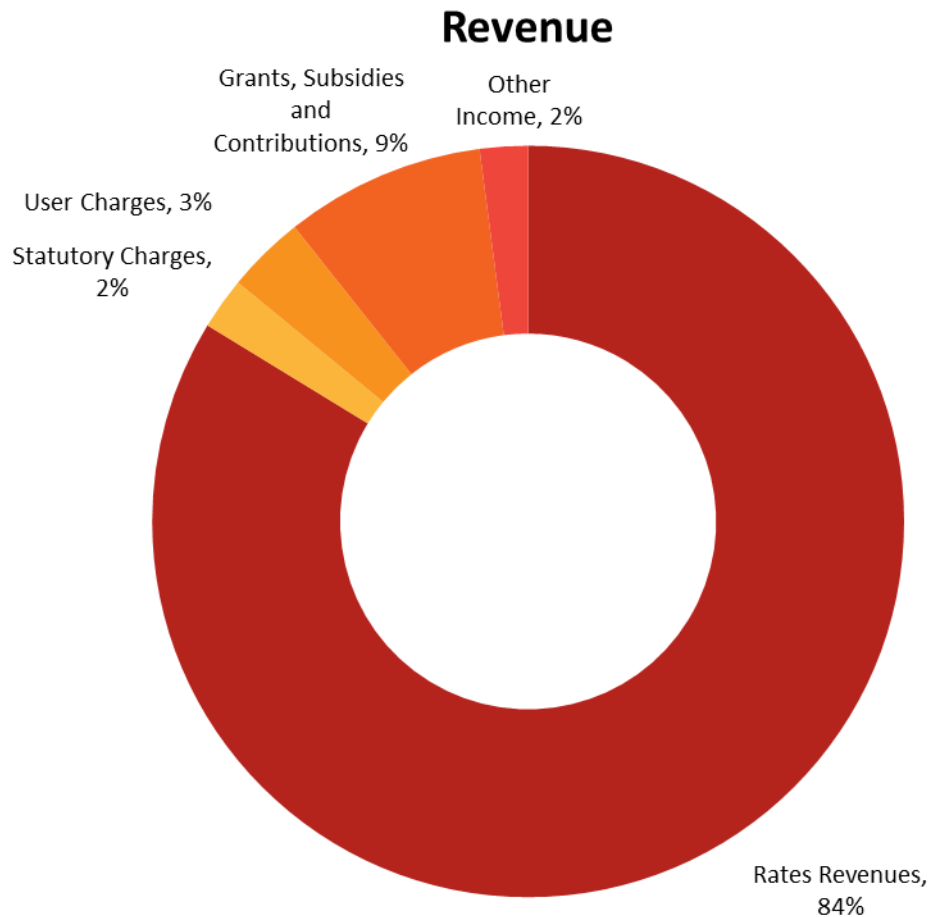


Income

Total income for the year was \$102.668m, an increase of \$4.405m over the prior year. Total rates raised in the year were \$85.972m. Rates make up 84% of **Council's total revenue.**

User charges have increased to \$3.451m, an increase of \$763k from the 2020-21 year. This was predominately due to the increase in Admission Fees, following the easing of COVID restrictions.

The following graph illustrates the income sources as a percentage of total income.



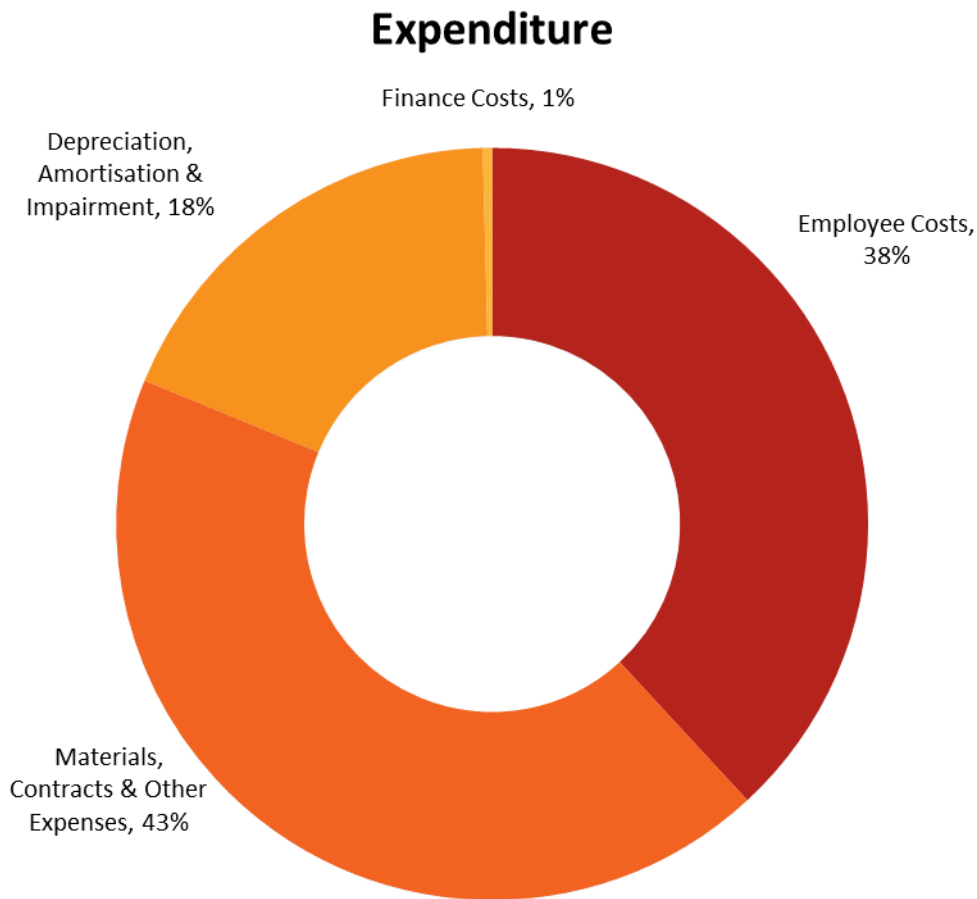
Expenses

Operating Expenditure for the year totaled \$93.683m, an increase of \$3.643m or 4.0% over the previous year.

The primary reason for the increase was an increase in Materials, Contracts and Other Expenditure of \$3.279m which is partially offset by an increase in contract wages in **Materials, Contract and Other Expenses but also reflects the Council's efficiency** dividend included in the Long-Term Financial Plan beginning to reduce employee costs.

Interest expense on loans for the year was \$372k, a decrease from 2020-21 of \$123k. This is due to higher grant revenue and also the carry forward of significant capital projects to the 2022-23 financial year.

The following graph illustrates operating expenditure as a percentage of total expenditure.



Cash/Financing

	2022 (\$000's)	2021 (\$000's)	Change (\$000's)
Cash and cash equivalents	8,432	3,908	4,524
Short term borrowings	-	-	-
Long term borrowings	-	(15,000)	(15,000)
Net Cash	8,432	(11,092)	19,524

Council’s net financing position has increased from last financial year predominately due to higher grant revenue and also the carry forward of significant capital projects to the 2022-23 financial year.

Statement of Financial Position

Assets

The \$4.690m balance of Trade and Other Receivables is slightly higher than the \$4.476m balance of 2020-21 due primarily to the increase in rates debtors.

The \$512k balance in Non-Current Assets Held for Sale relates to the portion of land at Australia Avenue which Council has resolved to divest.

Infrastructure, Property and Plant & Equipment (IPP&E) increased during the year by \$93.858m due primarily to the revaluation increase of Community Land.

The Community Wastewater Management System was transferred to SA Water on 30 June 2022. On this date the asset was revalued to nil resulting in the IPP&E to reduce by \$45m.

Other Non-Current assets is made up primarily of Work In Progress, this has increased to \$8.598m mainly due to the Modbury Bowling Club, the Mulkarra Street Bridge upgrade, the Modbury Soccer Club and the Bentley Skate Bowl re-design and other projects carried forward to the 2022-23. While these projects and others were predominately completed in 2021-22, they had not been finalised for capitalisation.

Liabilities

The Trade Payables balance of \$26.326m is an increase on the prior year balance of \$12.932m due primarily to the increase in Grants Received in Advance for capital projects.

Non-current borrowings have decreased by \$15m to nil. In 2021-22 Council does not have any Principal plus Interest loans to repay and is in line with the policy to have Cash Advance Debentures (CAD) facilities available to use and draw on as required, thus all borrowings are considered non-current.

Statement of Cash Flows

Total cash and cash equivalents at the end of the year was \$8.432m, a net increase in cash held of \$4.524m.

Net cash provided by operating activities was an inflow of \$39.310m. This represents an increase from the previous year mainly as a result of reduced payments to Suppliers and Employees.

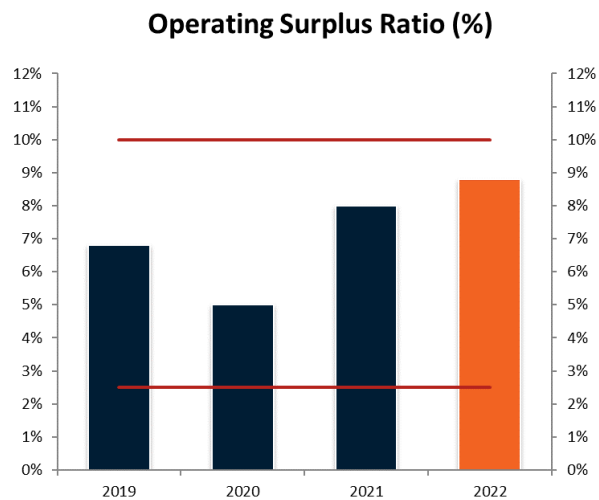
Net cash used in investing activities was \$19.883m, is a decrease on the previous year mainly due to the increased amounts received specifically for new/upgraded assets.

Net cash provided by financing activities have reduced to \$14.903m, which is primarily due to in reduction in borrowings of \$15.0m.

Financial Indicators

Indicator 1 – Operating Surplus Ratio

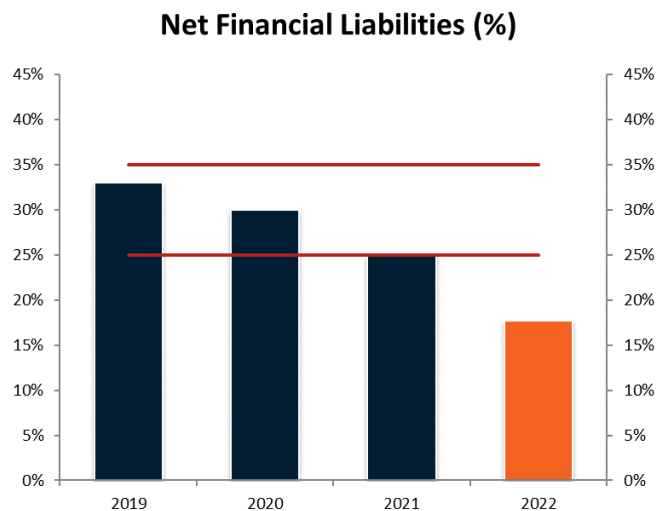
The Operating Surplus Ratio is the operating surplus/(deficit) expressed as a percentage of operating income.



The Operating Surplus Ratio for 2021-22 was 8.8% which is an increase compared to the previous year (8.2%).

Indicator 2 – Net Financial Liabilities Ratio

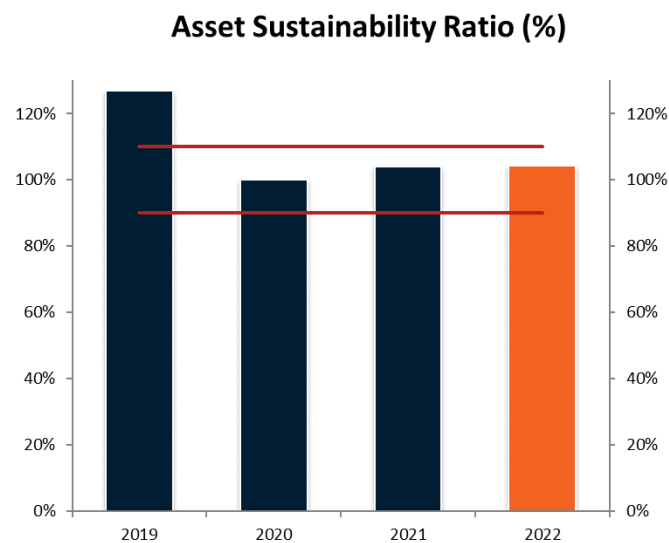
The Net Financial Liabilities Ratio is calculated by expressing net financial liabilities at the end of the financial year as a percentage of operating revenue for the year.



The Net Financial Liabilities Ratio of 17.7% was a decrease in 2021-22 from the 2020-21 ratio of 24.9%. The ratio is below the Council's target range of 25% - 35%. This ratio reduction is due to the 2021-22 capital project carry forwards and is predicted to return to 34% in the 2022-23 year.

Indicator 3 – Asset Sustainability Ratio

This ratio indicates the extent to which existing non-financial assets are being renewed and replaced compared with what is needed to cost effectively maintain service levels.



The Asset Sustainability Ratio for the year was 104.2%, a slight decrease from the 2020-21 year of 104.5%. The ratio is within than the target range of 90% to 110% over a three-year rolling period.

Annual Completion Report

The Annual Completion Report provided by the auditors and included as Attachment 2 reports on matters identified during the Final Audit review and provides an update on matters raised during the Interim Audit. The report states there were no material uncorrected mis-statements identified during the audit.

BDO (Council's External Auditors) will present this to Audit Committee Members during the Special Meeting of the Audit Committee on 7 September 2022.

Financial Performance against Budget

For the FYE 2022 the operating surplus recorded was \$8.985m in comparison to the third quarter budget review forecast surplus of \$7.134m and original budget surplus of \$5.991m. This represents an increased surplus over the third quarter budget for the year of \$1.8m.

Net financial liabilities (NFL) (including land held for resale) at 30 June 2022 was \$17.521m compared to \$23.968m as at 30 June 2021. This reduction in NFL is primarily attributed to 2021-22 Capital Works Expenditure being carried forward and delivered in 2022-23.

The NFL ratio for the year is 17.1% which is a reduction from the forecast Quarter Three ratio of 22% (after carry forward projects).

Table 1: Statement of Comprehensive Income for the year ended 30 June 2022 with comparison to Quarter Three Budget Review

Statement of Comprehensive Income

CITY OF TEA TREE GULLY

FOR THE YEAR ENDING 30 JUNE 2022

	FY2022 Actuals	FY2022 Q3 Budget	Variance to Q3 Budget
	\$'000	\$'000	\$'000
INCOME			
Rates	85,973	85,890	83
Statutory Charges	2,289	2,491	(202)
User Charges	3,451	3,452	(1)
Grants & Subsidies	8,832	8,212	621
Investment Income	52	43	9
Reimbursements	93	93	0
Other Revenues	1,978	2,338	(360)
TOTAL INCOME	102,668	102,519	149
EXPENSES			
Employee Costs	35,712	37,120	1,408
Materials, Contracts & Other Expenses	40,378	40,618	241
Depreciation	17,221	17,096	(125)
Finance Charges	372	550	178
TOTAL EXPENSES	93,683	95,385	1,702
OPERATING SURPLUS / (DEFICIT)	8,985	7,134	1,851
Net Gain/(Loss) on Disposal or Revaluation of Assets	(4,393)	(45,932)	41,539
Capital Grants	4,277	6,781	(2,505)
Capital Contributions	134	565	(430)
Physical resources received free of charge	157	157	0
NET SURPLUS / (DEFICIT) RESULTING FROM OPERATIONS	9,160	(31,294)	40,454

Income Variations

Grants & Subsidies is favorable to budget due to the reclassification grant related income from capital to operating to ensure the correct accounting treatment was applied. This results in an increase in Grants & Subsidies income of \$519k over the budgeted amount in operating, but a reduction against budget for capital income. Net movement was Nil.

Expenditure Variations

Employee costs reported a \$1.408m favorable variance to the Q3 Budget. This is in line with our planned efficiency target after the ERS and VSPs. There were also vacant positions in the organisation which results in savings in employee costs but increased spend in Materials, Contracts and Other on Contract Wages.

Materials, Contracts and Other is also favorable by \$241k.

To ensure the correct accounting treatment was applied, actuals were transferred from capital to operating on project funds which were operating in nature. The total of these projects was \$1.076m. Net movement to expenditure was Nil.

Removing this expense gives a total favorable spend to budget in MCO of \$1.317m. This saving was partially offsetting the unfavorable income and the ability to action some operating projects in the 2021-22 year were limited given contractor availability.

The estimate for depreciation was lower than actual by \$125k. This is a non-cash item and with capitalisation occurring at the end of the financial year and is attributed to assets acquired throughout the year.

Non-Operating Variations

Net Gain/(Loss) on Disposal of Revaluation of Assets was a \$41.539m favorable variance to the Q3 Budget, due to the change in accounting treatment used in the disposal of the Community Wastewater Management System.

Capital Grants reported a \$2.505m unfavorable variances to the Q3 Budget due to primarily to 2021-22 Capital Works Expenditure being carried forward and delivered in 2022-23.

3. FINANCIAL

The annual financial statements are general purpose statements to determine the financial performance of the Council for the FYE 2022 and the financial position as at 30 June 2022.

4. STRATEGIC OBJECTIVES

5. LEGAL

The annual financial statements are prepared in accordance with Australian Accounting Standards and Local Government (Financial Management) Regulations 1999.

6. RISK – IDENTIFICATION AND MITIGATION

Council's auditors will be available to meet with the committee when considering this report. As is custom and practice staff will be leaving the room if requested by the committee to allow for the committee to discuss any matters with the auditors.

7. COMMUNICATIONS OF COUNCIL DECISION

Staff will provide a summary of the financial statements and end of year capital works program at the meeting in the form of a presentation.

The annual financial statements will be published in the Annual Report, which will be provided to the Minister for Local Government; South Australian Local Government Grants Commission and other key stakeholders.

8. INTERNAL REPORT CONSULTATION

The following staff have been included in the consultation process in the preparation of this Report.

Name	Position	Consulted about
Stuart Simpson	Senior Accountant	Financial Statement Preparation

Attachments

1. 1	Draft Annual Financial Statements - CTTG - 2021-22	28
2. 2	Annual completion report 2021-22 from BDO	80

Report Authorisers

Rebecca Baines Team Leader Financial Accounting	8397 7362
Justin Robbins Manager Finance & Rating Operations	8397 7444
Ryan McMahon Director Organisational Services & Excellence	8397 7297

City of Tea Tree Gully

GENERAL PURPOSE FINANCIAL STATEMENTS for the year ended 30 June 2022



City of Tea Tree Gully

Financial Statements 2022

General Purpose Financial Statements

for the year ended 30 June 2022

Contents	Page
Council Certificate	2
Principal Financial Statements	
Statement of Comprehensive Income	3
Statement of Financial Position	4
Statement of Changes in Equity	5
Statement of Cash Flows	6
Notes to and forming part of the Financial Statements	7
Independent Auditor's Report – Financial Statements	n/a
Independent Auditor's Report – Internal Controls	n/a
Certificates of Audit Independence	
Council Certificate of Audit Independence	50
Audit Certificate of Audit Independence	51

City of Tea Tree Gully

Financial Statements 2022

General Purpose Financial Statements
for the year ended 30 June 2022

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 2022 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.

[GeneralManager]
Chief Executive Officer

dd MMMM yyyy

[Mayor]
Mayor

dd MMMM yyyy

City of Tea Tree Gully

Financial Statements 2022

Statement of Comprehensive Income
for the year ended 30 June 2022

\$ '000	Notes	2022	Restated 2021
Income			
Rates	2a	85,972	82,900
Statutory Charges	2b	2,290	2,554
User Charges	2c	3,451	2,688
Grants, Subsidies and Contributions	2g	8,832	7,588
Investment Income	2d	52	57
Reimbursements	2e	93	68
Other income	2f	1,978	2,408
Total Income		102,668	98,263
Expenses			
Employee costs	3a	35,712	36,066
Materials, Contracts and Other Expenses	3b	40,378	37,099
Depreciation, Amortisation and Impairment	3c	17,221	16,380
Finance Costs	3d	372	495
Total Expenses		93,683	90,040
Operating Surplus / (Deficit)		8,985	8,223
Physical Resources Received Free of Charge	2h	157	181
Asset Disposal & Fair Value Adjustments	4	(4,393)	297
Amounts Received Specifically for New or Upgraded Assets	2g	4,411	2,605
Net Surplus / (Deficit)		9,160	11,306
Other Comprehensive Income			
Amounts which will not be reclassified subsequently to operating result			
Changes in Revaluation Surplus - I,PP&E	9a	91,633	19,675
Total Amounts which will not be reclassified subsequently to operating result		91,633	19,675
Total Other Comprehensive Income		91,633	19,675
Total Comprehensive Income		100,793	30,981

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

City of Tea Tree Gully

Financial Statements 2022

Statement of Financial Position

as at 30 June 2022

\$ '000	Notes	2022	Restated 2021
ASSETS			
Current assets			
Cash & Cash Equivalent Assets	5a	8,432	3,908
Trade & Other Receivables	5b	4,690	4,476
Inventories	5c	43	33
Subtotal		13,165	8,417
Non-Current Assets Held for Sale	19	512	512
Subtotal		512	512
Total current assets		13,677	8,929
Non-current assets			
Other Non-Current Assets	6	8,598	7,986
Infrastructure, Property, Plant & Equipment	7a(i)	1,652,411	1,558,553
Total non-current assets		1,661,009	1,566,539
TOTAL ASSETS		1,674,686	1,575,468
LIABILITIES			
Current Liabilities			
Trade & Other Payables	8a	26,326	12,932
Provisions	8c	4,455	4,420
Total Current Liabilities		30,781	17,352
Non-Current Liabilities			
Borrowings	8b	—	15,000
Provisions	8c	507	511
Total Non-Current Liabilities		507	15,511
TOTAL LIABILITIES		31,288	32,863
Net Assets		1,643,398	1,542,605
EQUITY			
Accumulated Surplus		414,151	403,419
Asset Revaluation Reserves	9a	1,228,960	1,137,327
Other Reserves	9b	287	1,859
Total Council Equity		1,643,398	1,542,605
Total Equity		1,643,398	1,542,605

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

City of Tea Tree Gully

Financial Statements 2022

Statement of Changes in Equity
for the year ended 30 June 2022

\$ '000	Notes	Accumulated surplus	Asset revaluation reserve	Other reserves	Total equity
2022					
Balance at the end of previous reporting period		403,419	1,137,327	1,859	1,542,605
Net Surplus / (Deficit) for Year		9,160	–	–	9,160
Other Comprehensive Income					
- Gain (Loss) on Revaluation of I,PP&E	7a	–	91,633	–	91,633
Other comprehensive income		–	91,633	–	91,633
Total comprehensive income		9,160	91,633	–	100,793
Transfers between Reserves		1,572	–	(1,572)	–
Balance at the end of period		414,151	1,228,960	287	1,643,398
2021					
Balance at the end of previous reporting period		392,163	1,118,346	2,031	1,512,540
Adjustments (due to voluntary changes in Accounting Policies)	23	(222)	(694)	–	(916)
Net Surplus / (Deficit) for Year		11,478	–	(172)	11,306
Other Comprehensive Income					
- Gain (Loss) on Revaluation of I,PP&E	7a	–	19,675	–	19,675
Other comprehensive income		–	19,675	–	19,675
Total comprehensive income		11,478	19,675	(172)	30,981
Balance at the end of period		403,419	1,137,327	1,859	1,542,605

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

City of Tea Tree Gully

Financial Statements 2022

Statement of Cash Flows
for the year ended 30 June 2022

\$ '000	Notes	2022	Restated 2021
Cash Flows from Operating Activities			
<u>Receipts</u>			
Rates Receipts		85,754	82,855
Statutory Charges		2,290	2,923
User Charges		3,451	2,932
Grants, Subsidies and Contributions		8,832	7,680
Investment Receipts		52	57
Reimbursements		93	74
Other Receipts		14,259	9,274
<u>Payments</u>			
Payments to Employees		(35,555)	(36,876)
Payments for Materials, Contracts & Other Expenses		(39,494)	(42,926)
Finance Payments		(372)	(495)
Net Cash Provided by (or Used In) Operating Activities	11b	<u>39,310</u>	<u>25,498</u>
Cash Flows from Investing Activities			
<u>Receipts</u>			
Amounts Received Specifically for New/Upgraded Assets		4,411	2,605
Sale of Replaced Assets		857	447
<u>Payments</u>			
Expenditure on Renewal/Replacement of Assets		(16,283)	(16,771)
Expenditure on New/Upgraded Assets		(8,868)	(6,597)
Net Cash Provided (or Used In) Investing Activities		<u>(19,883)</u>	<u>(20,316)</u>
Cash Flows from Financing Activities			
<u>Receipts</u>			
Proceeds from Bonds & Deposits		97	53
<u>Payments</u>			
Repayments of Borrowings		(15,000)	(4,000)
Net Cash Provided by (or Used In) Financing Activities		<u>(14,903)</u>	<u>(3,947)</u>
Net Increase (Decrease) in Cash Held		<u>4,524</u>	<u>1,235</u>
plus: Cash & Cash Equivalents at Beginning of Period		3,908	2,673
Cash and Cash Equivalents Held at End of Period	11a	<u>8,432</u>	<u>3,908</u>

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

City of Tea Tree Gully

Financial Statements 2022

Notes to and forming part of the Financial Statements
for the year ended 30 June 2022

Contents of the Notes accompanying the General Purpose Financial Statements

Note	Details	Page
1	Summary of Significant Accounting Policies	8
2	Income	14
3	Expenses	16
4	Asset Disposal & Fair Value Adjustments	18
5	Current Assets	19
6	Non-Current Assets	19
7	Infrastructure, Property, Plant & Equipment	20
8	Liabilities	25
9	Reserves	26
10	Assets Subject to Restrictions	27
11	Reconciliation to Statement of Cash Flows	27
12(a)	Functions	29
12(b)	Components of Functions	30
13	Financial Instruments	31
14	Capital Expenditure Commitments	34
15	Financial Indicators	35
16	Uniform Presentation of Finances	39
17	Leases	40
18	Superannuation	41
19	Non-Current Assets Held for Sale & Discontinued Operations	42
20	Contingencies & Assets/Liabilities Not Recognised in the Balance Sheet	43
21	Events after the Balance Sheet Date	44
22	Related Party Transactions	45
23	Retrospective Adjustment due to Change in Accounting Policy	47

City of Tea Tree Gully

Financial Statements 2022

Notes to and forming part of the Financial Statements for the year ended 30 June 2022

Note 1. Summary of Significant Accounting Policies

The principal accounting policies adopted by Council in the preparation of these 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 7 September 2022.

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.

1.3 Rounding

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

1.4 Estimates and assumptions

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.

(2) The Local Government Reporting Entity

City of Tea Tree Gully is incorporated under the South Australian Local Government Act 1999 and has its principal place of business at 571 Montague Road, Modbury.

(3) Income Recognition

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

continued on next page ...

Page 8 of 51

City of Tea Tree Gully

Financial Statements 2022

Notes to and forming part of the Financial Statements for the year ended 30 June 2022

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:

	Cash Payment Received	Annual Allocation	Difference
2019/20	\$3,305,009	\$4,382,691	- \$1,077,682
2020/21	\$3,865,290	\$3,847,133	- \$18,157
2021/22	\$5,068,633	\$4,016,655	\$1,051,968

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

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

(4) Cash, Cash Equivalents and other Financial Instruments

Cash Assets include all amounts readily convertible to cash on hand at Council's option with an insignificant risk of changes in value with a maturity of three months or less from the date of acquisition.

Receivables for rates and annual charges are secured over the subject land, and bear interest at rates determined in accordance with the Local Government Act 1999. Other receivables are generally unsecured and do not bear interest.

All receivables are reviewed as at the reporting date and adequate allowance made for amounts the receipt of which is considered doubtful.

All financial instruments are recognised at fair value at the date of recognition, except for trade receivables from a contract with a customer, which are measured at the transaction price. 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

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.

Certain properties, auctioned for non-payment of rates in accordance with the Local Government Act but which failed to meet the reserve set by Council and are available for sale by private treaty, are recorded at the lower of the unpaid rates and charges at the time of auction or the reserve set by Council. Holding costs in relation to these properties are recognised as an expense when incurred.

(6) Infrastructure, Property, Plant & Equipment

6.1 Initial Recognition

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

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.

continued on next page ...

Page 9 of 51

City of Tea Tree Gully

Financial Statements 2022

Notes to and forming part of the Financial Statements for the year ended 30 June 2022

Note 1. Summary of Significant Accounting Policies (continued)

6.2 Materiality

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

Examples of capitalisation thresholds applied during the year are given below. No capitalisation threshold is applied to the acquisition of land or interests in land.

Office Furniture & Equipment	\$3,000
Fleet & Plant	\$3,000
Buildings - new construction/extensions	\$5,000
Information Technology	\$3,000

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.

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

Plant, Furniture & Equipment

Office Equipment	3 to 10 years
Office Furniture	4 to 20 years
Plant and Equipment	3 to 8 years
Technology	3 to 15 years

Building & Other Structures

Footings	60 to 150 years
Envelope	45 to 150 years
Fitout - Flooring	15 to 35 years
Fitout - Internal	30 to 100 years
Roof	10 to 100 years
Mechanical Services	15 to 40 years
Fire Services	40 years
Hydraulics	50 to 150 years
Electrical	50 to 150 years

Infrastructure

Road – Formation	Indefinite
Road – Pavement	40 to 250 years
Road – Seal	15 to 60 years
Kerb and Gutter	80 to 200 years
Footpaths	15 to 200 years
Bridges	30 to 250 years
Traffic Control	40 to 150 years

continued on next page ...

Page 10 of 51

City of Tea Tree Gully

Financial Statements 2022

Notes to and forming part of the Financial Statements
for the year ended 30 June 2022

Note 1. Summary of Significant Accounting Policies (continued)

Stormwater	50 to 200 years
CWMS	60 to 200 years
Signage	5 to 7 years

Other Assets

Wetlands	100 to 200 years
Irrigation Systems	25 to 40 years
Public Lighting	33 to 60 years
Playing Courts	10 to 200 years
Playgrounds	20 to 65 years

6.5 Impairment

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

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

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

6.6 Borrowing Costs

Borrowing costs in relation to qualifying assets (net of offsetting investment revenue) have been capitalised in accordance with AASB 123 "Borrowing Costs". The amounts of borrowing costs recognised as an expense or as part of the carrying amount of qualifying assets are disclosed in Note 3, and the amount (if any) of interest revenue offset against borrowing costs in Note 2.

(7) Investment property

Investment property comprises land &/or buildings that are principally held for long-term rental yields, capital gains or both that is not occupied by Council.

Our Council does not presently hold any properties that it considers investment properties

(8) Payables**8.1 Goods & Services**

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

8.2 Payments Received in Advance & Deposits

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

(9) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred and are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the income statement over the period of the borrowings using the effective interest method.

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".

continued on next page ...

Page 11 of 51

City of Tea Tree Gully

Financial Statements 2022

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

Note 1. Summary of Significant Accounting Policies (continued)

(10) Employee Benefits

10.1 Salaries, Wages & Compensated Absences

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

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

Weighted avg. discount rate 2.901% (2021, 3.813%)

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.

10.2 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. Details of the accounting policies applied and Council's involvement with the schemes are reported in Note 18.

(11) Provisions for Reinstatement, Restoration and Rehabilitation

Close down and restoration costs include the dismantling and demolition of infrastructure and the removal of residual materials and remediation and rehabilitation of disturbed areas. Estimated close down and restoration costs are provided for in the accounting period when the obligation arising from the related disturbance occurs and are carried at the net present value of estimated future costs.

Although estimated future costs are based on a closure plan, such plans are based on current environmental requirements which may change. Council's policy to maximise recycling is extending the operational life of these facilities, and significant uncertainty exists in the estimation of the future closure date.

(12) 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.

12.1 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.

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.

continued on next page ...

Page 12 of 51

City of Tea Tree Gully

Financial Statements 2022

Notes to and forming part of the Financial Statements for the year ended 30 June 2022

Note 1. Summary of Significant Accounting Policies (continued)

(13) GST Implications

In accordance with UIG Abstract 1031 "Accounting for the Goods & Services Tax"

- Receivables and Creditors include GST receivable and payable.
- Except in relation to input taxed activities, revenues and operating expenditures exclude GST receivable and payable.
- Non-current assets and capital expenditures include GST net of any recoupment.
- Amounts included in the Statement of Cash Flows are disclosed on a gross basis.

(14) New accounting standards and UIG interpretations

Standards issued by the AASB not yet effective

The AASB has issued Australian Accounting Standards and Interpretations which are not effective at 30 June 2022, 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

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 (amended by AASB 2020-6)
- AASB 2021-2 Amendments to Australian Accounting Standards - Disclosure of Accounting Policies and Definition of Accounting Estimates (amended by AASB 2021-6)

Effective for NFP annual reporting periods beginning on or after 1 January 2025

- AASB 2014-10 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (amended by AASB 2015-10, AASB 2017-5 and AASB 2021-7)

(15) 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.

(16) Significant Asset Disposal - Community Wastewater Management Systems

During the financial year ended 30 June 2022, the Council entered into an agreement in which the ownership of the Community Wastewater Management Systems (CWMS) assets would transfer from Council to SA Water. As per the State Labor Party election commitment, this arrangement will enable SA Water to charge existing City of Tea Tree Gully CWMS customers SA Water Sewer rates from 1 July 2022. As a result, the assets were disposed of on 30 June 2022 when the control of the assets were transferred to SA Water. The assets were revalued to its fair value immediately prior to the transfer to assets held for sale, and the value decrement to the extent of any credit balance existing in the asset revaluation reserve in respect of the asset, was recognised in other comprehensive income. The remaining decrement was recognised in surplus or deficit for the year.

(17) Disclaimer

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

City of Tea Tree Gully

Financial Statements 2022

Notes to and forming part of the Financial Statements
for the year ended 30 June 2022

Note 2. Income

\$ '000	2022	2021
(a) Rates		
General Rates		
General Rates	82,171	79,206
Less: Discretionary Rebates, Remissions & Write Offs	(1,496)	(1,508)
Total General Rates	80,675	77,698
Other Rates (Including Service Charges)		
Landscape Levy	1,831	1,815
Community Wastewater Management Systems	3,466	3,387
Total Other Rates (Including Service Charges)	5,297	5,202
Total Rates	85,972	82,900
(b) Statutory Charges		
Development Act Fees	979	1,138
Animal Registration Fees & Fines	602	603
Parking Fines / Expiation Fees	632	734
Other Licences, Fees & Fines	77	79
Total Statutory Charges	2,290	2,554
(c) User Charges		
Sundry	585	410
Admission Fees, Cemeteries and Rents	2,580	2,023
Canteen Income	284	253
Bus Charter Income	2	2
Total User Charges	3,451	2,688
(d) Investment Income		
Interest on Investments		
- Local Government Finance Authority	34	34
- Banks & Other	18	23
Total Investment Income	52	57

continued on next page ...

Page 14 of 51

City of Tea Tree Gully

Financial Statements 2022

Notes to and forming part of the Financial Statements
for the year ended 30 June 2022

Note 2. Income (continued)

\$ '000	2022	2021
(e) Reimbursements		
Other	93	68
Total Reimbursements	93	68
(f) Other income		
Insurance & Other Recoupments - Infrastructure, IPP&E	195	161
Rebates Received	988	1,494
Sundry	795	753
Total Other income	1,978	2,408
(g) Grants, Subsidies, Contributions		
Amounts Received Specifically for New or Upgraded Assets	4,411	2,605
Total Amounts Received Specifically for New or Upgraded Assets	4,411	2,605
Other Grants, Subsidies and Contributions	8,832	7,588
Total Other Grants, Subsidies and Contributions	8,832	7,588
Total Grants, Subsidies, Contributions	13,243	10,193
The functions to which these grants relate are shown in Note 12.		
(i) Sources of grants		
Commonwealth Government	9,537	7,082
State Government	2,661	2,376
Other	1,045	735
Total	13,243	10,193
(h) Physical Resources Received Free of Charge		
Library Materials	—	181
Other	157	—
Total Physical Resources Received Free of Charge	157	181

City of Tea Tree Gully

Financial Statements 2022

Notes to and forming part of the Financial Statements
for the year ended 30 June 2022

Note 3. Expenses

\$ '000	Notes	2022	2021
(a) Employee costs			
Salaries and Wages		28,846	28,972
Employee Leave Expense		3,584	3,658
Superannuation - Defined Contribution Plan Contributions	18	2,309	2,185
Superannuation - Defined Benefit Plan Contributions	18	681	772
Workers' Compensation Insurance		1,479	1,509
Less: Capitalised and Distributed Costs		(1,187)	(1,030)
Total Operating Employee Costs		35,712	36,066
Total Number of Employees (full time equivalent at end of reporting period)		346	342
(b) Materials, Contracts and Other Expenses			
(i) Prescribed Expenses			
Auditor's Remuneration			
- Auditing the Financial Reports		31	35
Bad and Doubtful Debts		32	(118)
Elected Members' Expenses		359	366
Election Expenses		75	33
Subtotal - Prescribed Expenses		497	316
(ii) Other Materials, Contracts and Expenses			
Contractors		16,074	14,468
Contractors - Waste		4,126	4,090
Contractors - Consultants Fees		833	817
Advertising		63	58
Energy		2,977	2,499
Fringe Benefits		41	17
Insurance		1,468	1,318
Licence Fees		1,575	1,077
Water Rates		1,616	1,833
Levies - Solid Waste Levy		2,974	2,700
Legal Expenses		382	337
Levies Paid to Government - NRM levy		1,816	1,342
Levies - Other		65	530
Parts, Accessories & Consumables		5,724	5,480
Sundry		147	217
Subtotal - Other Material, Contracts & Expenses		39,881	36,783
Total Materials, Contracts and Other Expenses		40,378	37,099

continued on next page ...

Page 16 of 51

City of Tea Tree Gully

Financial Statements 2022

Notes to and forming part of the Financial Statements
for the year ended 30 June 2022

Note 3. Expenses (continued)

\$ '000	2022	2021
(c) Depreciation, Amortisation and Impairment		
(i) Depreciation and Amortisation		
Buildings & Other Structures	2,070	1,911
Infrastructure		
- Stormwater Drainage	1,935	1,920
- Roads	4,860	4,805
- Footpaths	1,226	1,197
- Bridges	64	64
- Traffic Control Devices	860	602
- Community Wastewater Management	457	452
- Lighting	212	176
Plant & Equipment	2,062	2,112
Furniture & Fittings	67	66
Technology	1,524	1,273
Playground Equipment	292	287
Irrigation Systems	434	385
Fencing and Other Landscaping	366	337
Sporting Courts, Facilities	420	424
Playing Field Formation	201	207
Carpark Facilities	171	162
Subtotal	17,221	16,380
Total Depreciation, Amortisation and Impairment	17,221	16,380
(d) Finance Costs		
Interest on Loans	138	272
Bank Fees & Other Finance Charges	234	223
Total Finance Costs	372	495

City of Tea Tree Gully

Financial Statements 2022

Notes to and forming part of the Financial Statements
for the year ended 30 June 2022

Note 4. Asset Disposal & Fair Value Adjustments

\$ '000	2022	2021
Infrastructure, Property, Plant & Equipment		
(i) Assets Renewed or Directly Replaced		
Proceeds from Disposal	857	447
Less: Carrying Amount of Assets Sold	(998)	(150)
Gain (Loss) on Disposal	(141)	297
(ii) Assets Surplus to Requirements		
Less: Carrying Amount of Assets Sold	(4,252)	—
Gain (Loss) on Disposal	(4,252)	—
Net Gain (Loss) on Disposal or Revaluation of Assets	(4,393)	297

City of Tea Tree Gully

Financial Statements 2022

Notes to and forming part of the Financial Statements
for the year ended 30 June 2022

Note 5. Current Assets

\$ '000	2022	2021
---------	------	------

(a) Cash & Cash Equivalent Assets

Cash on Hand at Bank	8,432	3,908
Total Cash & Cash Equivalent Assets	8,432	3,908

(b) Trade & Other Receivables

Rates - General & Other	2,134	1,916
Accrued Revenues	2	29
Debtors - General	1,666	1,899
GST Recoupment	796	691
Prepayments	204	32
Subtotal	4,802	4,567
Less: Allowance for Doubtful Debts	(112)	(91)
Total Trade & Other Receivables	4,690	4,476

(c) Inventories

Stores & Materials	43	33
Total Inventories	43	33

Note 6. Non-Current Assets

\$ '000	2022	2021
---------	------	------

Other Non-Current Assets

Other

Capital Works-in-Progress	8,598	7,986
Total Other	8,598	7,986
Total Other Non-Current Assets	8,598	7,986

City of Tea Tree Gully

Financial Statements 2022

Notes to and forming part of the Financial Statements
for the year ended 30 June 2022

Note 7. Infrastructure, Property, Plant & Equipment

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

\$ '000	Fair Value Level	as at 30/06/21				Asset movements during the reporting period						as at 30/06/22			
		At Fair Value	At Cost	Accumulated Depreciation	Carrying amount	Asset Additions New / Upgrade	Asset Additions Renewals	WDV of Asset Disposals	Depreciation Expense (Note 3c)	WIP Transfers	Revaluation Increments to Equity (ARR) (Note 9)	At Fair Value	At Cost	Accumulated Depreciation	Carrying amount
Land - Community	3	558,250	627	—	558,877	—	419	—	—	61	127,377	686,254	480	—	686,734
Land - Other	2	28,111	—	—	28,111	—	—	—	—	—	5,441	33,554	—	—	33,554
Buildings & Other Structures	3	93,365	27,863	(27,442)	93,786	2,508	1,380	—	(2,070)	2,756	—	93,364	34,944	(29,512)	98,796
Infrastructure															
- Stormwater Drainage	3	212,382	2,788	(24,169)	191,001	246	294	—	(1,935)	77	—	212,382	3,405	(26,104)	189,683
- Roads	3	535,710	6,764	(80,850)	461,624	792	2,415	—	(4,860)	1,348	—	535,709	11,319	(85,710)	461,318
- Footpaths	3	95,203	7,593	(21,262)	81,534	2,452	309	—	(1,226)	678	—	95,202	11,032	(22,487)	83,747
- Bridges	3	6,620	91	(1,161)	5,550	345	—	—	(64)	21	—	6,620	457	(1,226)	5,851
- Traffic Control Devices	3	25,745	3,103	(8,305)	20,543	238	212	—	(860)	237	—	25,745	3,790	(9,165)	20,370
- Community Wastewater Management	3	55,018	1,464	(11,000)	45,482	273	139	(4,252)	(457)	—	(41,185)	—	—	—	—
- Lighting	3	4,457	4,245	(1,787)	6,915	730	463	—	(212)	64	—	4,457	5,502	(2,000)	7,959
Plant & Equipment		—	20,654	(12,996)	7,658	—	1,863	(246)	(2,062)	—	—	—	21,150	(13,938)	7,212
Furniture & Fittings		—	909	(415)	494	4	11	—	(67)	—	—	—	924	(482)	442
Technology		—	8,283	(3,976)	4,307	25	676	(735)	(1,524)	1,138	—	—	8,769	(4,881)	3,888
Playground Equipment	3	8,457	1,104	(2,408)	7,153	40	93	(17)	(292)	2	—	8,457	1,214	(2,692)	6,979
Irrigation Systems	3	12,618	2,335	(4,150)	10,803	564	—	—	(434)	27	—	12,618	2,926	(4,583)	10,961
Fencing and Other Landscaping	3	1,428	6,363	(2,264)	5,527	587	61	—	(366)	302	—	1,428	7,312	(2,630)	6,110
Sporting Courts, Facilities	3	15,780	1,821	(4,707)	12,894	4	180	—	(420)	—	—	15,781	2,005	(5,127)	12,659
Playing Field Formation	3	4,993	3,560	(2,088)	6,465	3	—	—	(201)	—	—	4,993	3,563	(2,289)	6,267
Carpark Facilities	3	10,368	1,698	(2,237)	9,829	57	75	—	(171)	93	—	10,367	1,922	(2,408)	9,881
Total Infrastructure, Property, Plant & Equipment		1,668,505	101,265	(211,217)	1,558,553	8,868	8,590	(5,250)	(17,221)	6,804	91,633	1,746,931	120,714	(215,234)	1,652,411
Comparatives		1,647,688	92,757	(202,077)	1,538,368	6,871	9,650	(150)	(16,790)	1,709	19,861	1,668,505	101,265	(211,217)	1,558,553

continued on next page ...

Page 20 of 51

City of Tea Tree Gully

Financial Statements 2022

Notes to and forming part of the Financial Statements for the year ended 30 June 2022

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

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

Valuation of Assets

The fair value of assets and liabilities must be estimated in accordance with various Accounting Standards for either recognition and measurement requirements or for disclosure purposes.

AASB 13 Fair Value Measurement requires all assets and liabilities measured at fair value to be assigned to a "level" in the fair value hierarchy as follows:

Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Refer to Note 7a for the disclosure of the Fair Value Levels of Infrastructure, Property, Plant and Equipment Assets.

Information on Valuations

Fair value hierarchy level 2 valuations - Certain land, and the buildings and structures thereon, are shown above as being based on fair value hierarchy level 2 valuation inputs. They are based on prices for similar assets in an active market, with directly or indirectly observable adjustments for specific advantages or disadvantages attaching to the particular asset.

Fair value hierarchy level 3 valuations of land - Valuations of Crown land, community land and land subject to other restrictions on use or disposal, shown above as being based on fair value hierarchy level 3 valuation inputs, are based on prices for similar assets in an active market, but include adjustments for specific advantages or disadvantages attaching to the particular asset that are not directly or indirectly observable in that market, or the number and / or amount of observable adjustments of which are so great that the valuation is more fairly described as being based on level 3 valuation inputs.

Fair value hierarchy level 3 valuations of buildings, infrastructure and other assets - There is no known market for buildings, infrastructure and other assets. These assets are valued at depreciated current replacement cost. This method involves:

- The determination of the cost to construct the asset (or its modern engineering equivalent) using current prices for materials and labour, the quantities of each being estimated based on recent experience of this or similar Councils, or on industry construction guides where these are more appropriate.
- The calculation of the depreciation that would have accumulated since original construction using current estimates of residual value and useful life under the prime cost depreciation method adopted by Council.

This method has significant inherent uncertainties, relying on estimates of quantities of materials and labour, residual values and useful lives, and the possibility of changes in prices for materials and labour, and the potential for development of more efficient construction techniques. Accordingly, formal sensitivity analysis does not provide useful information.

Transfers between fair value hierarchy levels

In the course of revaluing (name the asset classes), the nature of the inputs applied was reviewed in detail for each asset and where necessary, the asset reassigned to the appropriate fair value hierarchy level. Such transfers take effect as at the date of the revaluation.

Other Information

At 1 July 2004 upon the transition to AIFRS, Council elected pursuant to AASB 1.D5 to retain a previously established deemed cost under GAAP as its deemed cost. With subsequent addition at cost, this remains as the basis of recognition of non-material asset classes.

Upon revaluation, the current new replacement cost and accumulated depreciation are re-stated such that the difference represents the fair value of the asset determined in accordance with AASB 13 Fair Value Measurement: accumulated depreciation is taken to be the difference between current new replacement cost and fair value. In the case of land, current replacement cost is taken to be the fair value.

continued on next page ...

Page 21 of 51

City of Tea Tree Gully

Financial Statements 2022

Notes to and forming part of the Financial Statements for the year ended 30 June 2022

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

Highest and best use

All of Council's non financial assets are considered as being utilised for their highest and best use.

Transition to AASB 13 - Fair Value Measurement

The requirements of AASB 13 Fair Value Measurement have been applied to all valuations undertaken since 1 July 2013 as shown by the valuation dates by individual asset classes below.

Land & Land Improvements

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.

Freehold land and land over which Council has control, but does not have title, is recognised on the cost basis.

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

Estimated future costs of reinstatement of land, capitalised in accordance with AASB 116.16(c) are reviewed annually (see Note 1).

During the year, a desktop valuation has been completed based on market evidence of valuations provided by the Valuer General in 2021-22 as at 30 June 2022. The property valuation data provided from the Valuer General in 2021-22 resulted in an average 25% increase in property valuations.

Buildings & Other Structures

Buildings and other structures are generally recognised at fair value, based on current market values. However, special purpose buildings (such as public toilets) for which there is no market are valued at depreciated current replacement cost. Buildings that Council does not intend to replace at the end of their useful life are valued at the market value of the "highest and best" use. These assets were valued as at 30 June 2017 by APV Valuers and Asset Management. Assets will be depreciated by a consumption method.

- Basis of valuation: Fair Value
- Date of valuation: 30 June 2017
- Valuer: APV Valuers & Asset Management, 3/97 Pirie St, Adelaide SA 5000

During 2018/19 a valuation inspection was conducted by APV Valuers & Asset Management, a number of Park Shelters were identified and valued at market rates.

Infrastructure

Infrastructure assets were valued by APV Valuers and Asset Management as at 30 June 2019 to reflect their service potential.

Assets have been depreciated by a consumption based method from 1 July 2009. Valuations of Signs were based on an estimated quantity of signs and an estimated average cost per sign. Technology infrastructure which was acquired in the financial year has been included with these classes of assets.

Stormwater Drainage and Community Wastewater Management

- Basis of valuation: Fair Value
- Date of valuation: 30 June 2019
- Valuer: APV Valuers & Asset Management, 3/97 Pirie St, Adelaide SA 5000

During the financial year ended 30 June 2022, the Council entered into an agreement in which the ownership of the Community Wastewater Management Systems (CWMS) assets would transfer from Council to SA Water. As per the State Labor Party election commitment, this arrangement will enable SA Water to charge existing City of Tea Tree Gully CWMS customers SA Water Sewer rates from 1 July 2022. As a result, the assets were disposed of on 30 June 2022 when the control of the assets were transferred to SA Water. The assets were revalued to its fair value immediately prior to the transfer to assets held for sale, and the value decrement to the extent of any credit balance existing in the asset revaluation reserve in respect of the asset, was recognised in other comprehensive income. The remaining decrement was recognised in surplus or deficit for the year.

Roads, Kerb and Gutter, Footpaths

- Basis of valuation: Fair Value
- Date of valuation: 30 June 2019

continued on next page ...

Page 22 of 51

City of Tea Tree Gully

Financial Statements 2022

Notes to and forming part of the Financial Statements for the year ended 30 June 2022

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

- Valuer: APV Valuers & Asset Management, 3/97 Pirie Street, Adelaide SA 5000

Structures, Bridges, Car Parks

- Basis of valuation: Fair Value
- Date of valuation: 30 June 2019
- Valuer: APV Valuers & Asset Management, 3/97 Pirie Street, Adelaide SA 5000

A desktop valuation has been completed on our Car Park assets during 2019/20 resulting in improved componentisation.

Traffic Control Devices

- Basis of valuation: Fair Value
- Date of valuation: 30 June 2019
- Valuer: APV Valuers & Asset Management, 3/97 Pirie Street, Adelaide SA 5000

Lighting

- Basis of valuation: Fair Value
- Date of valuation: 30 June 2015
- Valuer: APV Valuers & Asset Management, 3/97 Pirie Street, Adelaide SA 5000

Plant, Furniture & Equipment

These assets are recognised on the cost basis.

Library Assets

Due to a voluntary change in Accounting Policy, Library Assets have been removed from Infrastructure, Property, Plant & Equipment during the financial year ended 30 June 2022. For more information, see Note 23. Retrospective Adjustment due to Changes in Accounting Policies.

Playground Equipment

Playground equipment was revalued by APV Valuers and Asset Management in 2019 to reflect service potential. Condition based assessment was undertaken as part of the valuation on 30 June 2019. Additions completed in late 2019 are included at cost.

- Basis of valuation: Fair Value
- Date of valuation: 30 June 2019
- Valuer: APV Valuers & Asset Management, 3/97 Pirie Street, Adelaide SA 5000

Irrigation Systems

Irrigation assets were revalued by APV Valuers and Asset Management in 2019 to reflect service potential. Condition based assessment was undertaken as part of the valuation on 30 June 2019. Additions completed in late 2019 are included at cost.

- Basis of valuation: Fair Value
- Date of valuation: 30 June 2019
- Valuer: APV Valuers & Asset Management, 3/97 Pirie Street, Adelaide SA 5000

Fencing and Other Landscaping

Fencing assets were revalued by APV Valuers and Asset Management in 2019 to reflect service potential. Condition based assessment was undertaken as part of the valuation on 30 June 2019. Additions completed in late 2019 are included at cost.

- Basis of valuation: Fair Value
- Date of valuation: 30 June 2019
- Valuer: APV Valuers & Asset Management, 3/97 Pirie Street, Adelaide SA 5000

Sporting Courts and Facilities

continued on next page ...

Page 23 of 51

City of Tea Tree Gully

Financial Statements 2022

Notes to and forming part of the Financial Statements
for the year ended 30 June 2022**Note 7. Infrastructure, Property, Plant & Equipment (continued)**

Sporting Courts and Facilities were valued by APV Valuers to reflect their service potential as at 30 June 2019. Full condition based assessment was undertaken as part of the revaluation on 30 June 2019. Assets have been depreciated by a consumption based method from 1 July 2009.

- Basis of valuation: Fair Value
- Date of valuation: 30 June 2019
- Valuer: APV Valuers & Asset Management, 3/97 Pirie Street, Adelaide SA 5000

Playing Field Formation

Playing Field Formation were valued by APV Valuers and Asset Management in 2019 to reflect service potential.

- Basis of valuation: Fair Value
- Date of valuation: 30 June 2019
- Valuer: APV Valuers & Asset Management, 3/97 Pirie Street, Adelaide SA 5000

City of Tea Tree Gully

Financial Statements 2022

Notes to and forming part of the Financial Statements
for the year ended 30 June 2022

Note 8. Liabilities

\$ '000	2022 Current	2022 Non Current	2021 Current	2021 Non Current
(a) Trade and Other Payables				
Goods & Services	174	—	108	—
Payments Received in Advance	17,561	—	5,456	—
Accrued Expenses - Employee Entitlements	3,222	—	3,096	—
Accrued Expenses - Other	5,046	—	4,021	—
Deposits, Retentions & Bonds	243	—	146	—
Other	80	—	105	—
Total Trade and Other Payables	26,326	—	12,932	—

(b) Borrowings

Loans	—	—	—	15,000
Total Borrowings	—	—	—	15,000

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

(c) Provisions

Employee Entitlements (including oncosts)	4,455	507	4,420	511
Total Provisions	4,455	507	4,420	511

City of Tea Tree Gully

Financial Statements 2022

Notes to and forming part of the Financial Statements
for the year ended 30 June 2022

Note 9. Reserves

	as at 30/06/21				as at 30/06/22
\$ '000	Opening Balance	Increments (Decrements)	Transfers	Impairments	Closing Balance
(a) Asset Revaluation Reserve					
Land - Community	459,459	127,377	—	—	586,836
Land - Other	4,573	5,441	—	—	10,014
Buildings & Other Structures Infrastructure	31,457	—	—	—	31,457
- Stormwater Drainage	134,530	—	—	—	134,530
- Roads	363,554	—	—	—	363,554
- Footpaths	57,218	—	—	—	57,218
- Bridges	3,880	—	—	—	3,880
- Traffic Control Devices	11,490	—	—	—	11,490
- Community Wastewater Management	41,185	(41,185)	—	—	—
Plant & Equipment	75	—	—	—	75
Playground Equipment	1,358	—	—	—	1,358
Irrigation Systems	1,549	—	—	—	1,549
Fencing and Other Landscaping	494	—	—	—	494
Sporting Courts, Facilities	2,008	—	—	—	2,008
Carpark Facilities	1,961	—	—	—	1,961
Other Assets	22,536	—	—	—	22,536
Total Asset Revaluation Reserve	1,137,327	91,633	—	—	1,228,960

	as at 30/06/21				as at 30/06/22
\$ '000	Opening Balance	Tfrs to Reserve	Tfrs from Reserve	Other Movements	Closing Balance
(b) Other Reserves					
Community Waste Water Management	1,572	—	(1,572)	—	—
Developer Contribution Reserve	186	—	—	—	186
Pathways North East Reserve	101	—	—	—	101
Total Other Reserves	1,859	—	(1,572)	—	287

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).

Community Waste Water Management

The Community Waste Water Management (CWMS) Other Reserve is to fund maintenance and upgrade of Council's community wastewater pipe network. During the financial year ended 30 June 2022, the balance of the CWMS Other Reserve was transferred to Accumulated Surplus on disposal of the CWMS Assets.

continued on next page ...

Page 26 of 51

City of Tea Tree Gully

Financial Statements 2022

Notes to and forming part of the Financial Statements
for the year ended 30 June 2022

Note 9. Reserves (continued)

Developer Contribution Reserve

The Developer Contribution Reserve is a reserve where contributions are made to fund infrastructure projects in particular areas.

Pathways North East Reserve

The Pathways North East Reserve is a reserve to fund youth projects.

Note 10. Assets Subject to Restrictions

Council does not hold any assets subject to restrictions.

Note 11. Reconciliation to Statement of Cash Flows

\$ '000	Notes	2022	2021
---------	-------	------	------

(a) Reconciliation of Cash

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

Total Cash & Equivalent Assets	5	8,432	3,908
Balances per Statement of Cash Flows		8,432	3,908

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

Net Surplus/(Deficit)	9,160	11,306
Non-Cash Items in Income Statements		
Depreciation, Amortisation & Impairment	17,221	16,380
Non-Cash Asset Acquisitions	(157)	(181)
Grants for capital acquisitions treated as Investing Activity	(4,411)	(2,605)
Net (Gain) Loss on Disposals	4,393	(297)
	26,206	24,603
Add (Less): Changes in Net Current Assets		
Net (Increase)/Decrease in Receivables	(235)	75
Change in Allowances for Under-Recovery of Receivables	(21)	119
Net (Increase)/Decrease in Inventories	(10)	83
Net (Increase)/Decrease in Other Assets	42	(238)
Net Increase/(Decrease) in Trade & Other Payables	13,297	667
Net Increase/(Decrease) in Unpaid Employee Benefits	31	189
Net Cash provided by (or used in) operations	39,310	25,498

continued on next page ...

Page 27 of 51

City of Tea Tree Gully

Financial Statements 2022

Notes to and forming part of the Financial Statements
for the year ended 30 June 2022

Note 11. Reconciliation to Statement of Cash Flows (continued)

\$ '000	Notes	2022	2021
(c) Non-Cash Financing and Investing Activities			
Acquisition of assets by means of:			
Physical Resources Received Free of Charge	2h	157	181
Amounts recognised in Income Statement		157	181
Total Non-Cash Financing and Investing Activities		157	181

(d) Financing Arrangements**Unrestricted access was available at balance date to the following lines of credit:**

Bank Overdrafts	300	300
Corporate Credit Cards	900	800
LGFA Cash Advance Debenture Facility	42,000	44,000

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

Council has access to cash facilities of \$42 million and minimises interest expense by transferring funds between cash at bank and the debenture facility.

City of Tea Tree Gully

Financial Statements 2022

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

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)	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
Functions/Activities										
Office of the CEO	47	55	1,468	2,891	(1,421)	(2,836)	—	—	—	—
Assets and Environment	1,995	2,513	56,599	56,280	(54,604)	(53,767)	1,179	1,673	1,661,631	1,567,071
Community and Cultural Development	7,539	7,206	14,702	14,224	(7,163)	(7,018)	2,057	2,118	1,586	1,853
Organisational Services & Excellence	92,731	88,665	20,709	17,290	72,022	71,375	5,596	3,797	11,469	6,544
Total Functions/Activities	102,312	98,439	93,478	90,685	8,834	7,754	8,832	7,588	1,674,686	1,575,468

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

City of Tea Tree Gully

Financial Statements 2022

Notes to and forming part of the Financial Statements for the year ended 30 June 2022

Note 12(b). Components of Functions

The activities relating to Council functions are as follows:

OFFICE OF THE CEO

Office of the Chief Executive Officer, Governance and Policy, City Strategy.

ASSETS AND ENVIRONMENT

Civil and Buildings Projects, Operations, Fleet and Property Services, Civil Assets, Civil Operations, Waste and Environment Operations, Parks, Strategic Assets.

COMMUNITY AND CULTURAL DEVELOPMENT

City Development, Community Development and Engagement, Community Safety, Library Services, Recreation and Leisure Services.

ORGANISATIONAL SERVICES & EXCELLENCE

Continuous Improvement, Customer and Communications, Finance and Rating Operations, Information Technology Solutions, Organisational Development, Procurement and Contract Management.

City of Tea Tree Gully

Financial Statements 2022

Notes to and forming part of the Financial Statements for the year ended 30 June 2022

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 & Conditions:

Deposits are returning fixed interest rates between 0.3% and 0.6% (2021: 0.3% and 0.6%).

Carrying Amount:

Approximates fair value due to the short term to maturity.

Receivables - Rates & Associated Charges

Accounting Policy:

Initially recognised at fair value and subsequently measured at amortised cost. An impairment provision is recognised using the expected credit loss method.

Terms & Conditions:

Secured over the subject land, arrears attract interest of 5.05% (2021: 5.05%). 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 & Other Charges

Accounting Policy:

Initially recognised at fair value and subsequently measured at amortised cost. An impairment provision is recognised using the expected credit loss method.

Terms & Conditions:

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

Carrying Amount:

Approximates fair value (after deduction of any allowance).

Receivables - Other Levels of Government

Accounting Policy:

Initially recognised at fair value and subsequently measured at amortised cost. An impairment provision is recognised using the expected credit loss method.

Terms & Conditions:

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

Carrying Amount:

Approximates fair value.

Liabilities - Creditors and Accruals

Accounting Policy:

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

continued on next page ...

Page 31 of 51

City of Tea Tree Gully

Financial Statements 2022

Notes to and forming part of the Financial Statements
for the year ended 30 June 2022

Note 13. Financial Instruments (continued)

Terms & Conditions:

Liabilities are normally settled on 30 day terms.

Carrying Amount:

Approximates fair value.

Liabilities - Interest Bearing Borrowings**Accounting Policy:**

Initially recognised at fair value and subsequently at amortised cost using the effective interest rate.

Terms & Conditions:

Secured over future revenues, borrowings are repayable (describe basis); interest is charged at variable rates between 1.3% and 6.72% (2021: 1.3% and 6.72%).

Carrying Amount:

Approximates fair value.

Liabilities - Leases**Accounting Policy:**

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

\$ '000	Due < 1 year	Due > 1 year & ≤ 5 years	Due > 5 years	Total Contractual Cash Flows	Carrying Values
Financial Assets and Liabilities					
2022					
Financial Assets					
Cash & Cash Equivalents	8,432	—	—	8,432	8,432
Receivables	2,352	—	—	2,352	2,352
Total Financial Assets	10,784	—	—	10,784	10,784
Financial Liabilities					
Payables	8,765	—	—	8,765	8,765
Total Financial Liabilities	8,765	—	—	8,765	8,765
2021					
Financial Assets					
Cash & Cash Equivalents	3,908	—	—	3,908	3,908
Receivables	2,528	—	—	2,528	2,528
Total Financial Assets	6,436	—	—	6,436	6,436
Financial Liabilities					
Payables	7,476	—	—	7,476	7,476
Non-Current Borrowings	15,000	—	—	15,000	15,000
Total Financial Liabilities	22,476	—	—	22,476	22,476

continued on next page ...

Page 32 of 51

City of Tea Tree Gully

Financial Statements 2022

Notes to and forming part of the Financial Statements
for the year ended 30 June 2022

Note 13. Financial Instruments (continued)

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

\$ '000	2022		2021	
	Weighted Avg Interest Rate	Carrying Value	Weighted Avg Interest Rate	Carrying Value
Other Variable Rates	0.00%	—	1.57%	15,000
		—		15,000

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.

continued on next page ...

Page 33 of 51

City of Tea Tree Gully

Financial Statements 2022

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

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

Market Risk is the risk that fair 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.

Expected Credit Losses (ECL)

Council uses an allowance matrix to measure expected credit losses for receivables from individual customers, which comprise a large number of small balances. As rates and annual charges are secured over subject land no allowance for such receivables is made. The following table provides information about Council's ECLs from receivables (excluding secured rates and charges, GST and other amounts held in trust). Impairment analysis is performed each reporting date. ECLS are based on credit history adjusted for forward looking estimates and economic conditions.

Set out below is the movement in the allowance for expected credit losses:

Note 14. Capital Expenditure Commitments

\$ '000	2022	2021
---------	------	------

Capital Commitments

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

Buildings	1,713	1,064
City Beautification	2,493	1,002
Sporting courts/pitch renewal/Open Space	450	431
Other projects	453	177
	5,109	2,674

These expenditures are payable:

Not later than one year	5,109	2,674
	5,109	2,674

City of Tea Tree Gully

Financial Statements 2022

Notes to and forming part of the Financial Statements
for the year ended 30 June 2022

Note 15. Financial Indicators

	Amounts	Indicator	Prior Periods	
\$ '000	2022	2022	2021	2020

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.

Operating Surplus

8,985 8,223 5,067

Is the Operating Surplus (Deficit) before capital amounts.

Operating Surplus Ratio

Operating Surplus	8,985			
Total Operating Income	102,668	8.8%	8.2%	5.2%

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

Net Financial Liabilities (excluding Non-Current Assets Held for Sale)

18,123 24,479 28,849

Net Financial Liabilities are defined as total liabilities less financial assets (excluding equity accounted investments in Council businesses) and excluding non-current assets held for sale).

Net Financial Liabilities Ratio (excluding Non-Current Assets Held for Sale)

Net Financial Liabilities	18,123			
Total Operating Income	102,668	17.7%	24.9%	29.7%

Net Financial Liabilities are defined as total liabilities less financial assets (excluding equity accounted investments in Council businesses). These are expressed as a percentage of total operating revenue.

Net Financial Liabilities (including Non-Current Assets Held for Sale)

17,521 23,968 28,338

Net Financial Liabilities are defined as total liabilities less financial assets (excluding equity accounted investments in Council businesses) and including non-current assets held for sale.

City of Tea Tree Gully

Financial Statements 2022

Notes to and forming part of the Financial Statements
for the year ended 30 June 2022

Note 15. Financial Indicators (continued)

\$ '000	Amounts 2022	Indicator 2022	Prior Periods 20212020	
Net Financial Liabilities Ratio (including Non-Current Assets Held for Sale)				
Net Financial Liabilities	17,521	17.1%	24.3%	29.2%
Total Operating Income	102,668			
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.				
Adjustments to Ratios				
In recent years the Federal Government has made advance payments prior to 30th June from future year allocations of financial assistance grants, as explained in Note 1. These Adjusted Ratios correct for the resulting distortion in key ratios for each year and provide a more accurate basis for comparison.				
Adjusted Operating Surplus Ratio		7.8%	8.2%	5.2%
Adjusted Net Financial Liabilities Ratio		17.8%	24.9%	29.7%
Interest Cover Ratio				
Finance Costs Expense less Investment Income	320	0.3%	0.4%	1.1%
Total Operating Income	102,668			
Interest Cover is defined as finance costs expense (excluding unwinding of present value discounts and premiums) less Investment Income as a percentage of Total Operating Income (less Investment Income).				
Asset Renewal Funding Ratio				
Net Asset Renewals	16,283	104.2%	104.5%	100.1%
Infrastructure & Asset Management Plan required expenditure	15,628			
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.				
Fiscal Balance		6,323	4,287	2,927
Net lending position or net borrowing requirement in uniform presentation of finances				

City of Tea Tree Gully

Financial Statements 2022

Notes to and forming part of the Financial Statements
for the year ended 30 June 2022

Note 15. Financial Indicators - Graphs

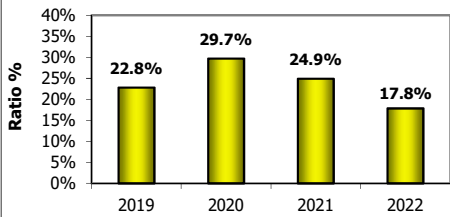
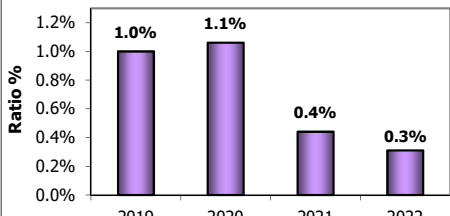
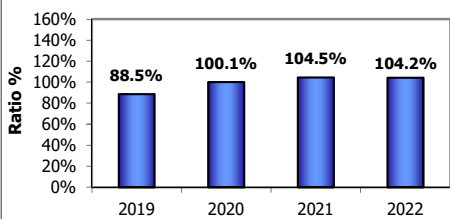
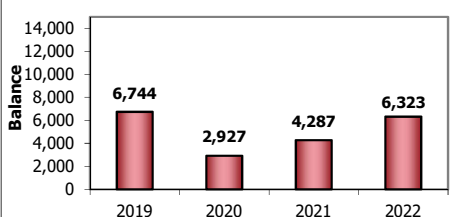
<div><div>Operating Surplus Ratio</div><div><div>Ratio %</div><div><div><div><div>12%</div><div>10%</div><div>8%</div><div>6%</div><div>4%</div><div>2%</div><div>0%</div></div><div><div>2019</div><div>2020</div><div>2021</div><div>2022</div></div></div><div><div>8.5%</div><div>5.2%</div><div>8.2%</div><div>8.8%</div></div></div></div></div>	<div><div>Purpose of Operating Surplus Ratio</div><div><div>This indicator is to determine the percentage the operating revenue varies from operating expenditure</div></div></div>	<div><div>Commentary on 2021/22 Result</div><div><div>2021/22 Ratio8.8%</div><div><div>Operating Surplus Ratio is the operating surplus (deficit) before capital. The Operating Surplus Ratio for 2021/22 is 8.8% which is within Council's target of 2.5% - 10%.</div></div></div></div>
<div><div>Adjusted Operating Surplus Ratio</div><div><div>Ratio %</div><div><div><div><div>12%</div><div>10%</div><div>8%</div><div>6%</div><div>4%</div><div>2%</div><div>0%</div></div><div><div>2019</div><div>2020</div><div>2021</div><div>2022</div></div></div><div><div>8.2%</div><div>5.2%</div><div>8.2%</div><div>7.8%</div></div></div></div></div>	<div><div>Purpose of Adjusted Operating Surplus Ratio</div><div><div>This indicator is to determine the percentage the operating revenue (adjusted for timing differences in the Financial Assistance Grant) varies from operating expenditure</div></div></div>	<div><div>Commentary on 2021/22 Result</div><div><div>2021/22 Ratio7.8%</div><div><div>The Adjusted Operating Surplus Ratio is the operating surplus (deficit) before capital adjusted for timing differences from the Financial Assistance Grants and Supplementary Road Funding payments. The Adjusted Operating Surplus Ratio for 2021/22 is 7.8% which is within Council's target of 2.5% - 10%.</div></div></div></div>
<div><div>Net Financial Liabilities Ratio (excluding Non-Current Assets Held for Sale)</div><div><div>Ratio %</div><div><div><div><div>40%</div><div>30%</div><div>20%</div><div>10%</div><div>0%</div></div><div><div>2019</div><div>2020</div><div>2021</div><div>2022</div></div></div><div><div>23.2%</div><div>29.7%</div><div>24.9%</div><div>17.7%</div></div></div></div></div>	<div><div>Purpose of Net Financial Liabilities Ratio</div><div><div>This indicator shows the significance of the net amount owed to others, compared to operating revenue</div></div></div>	<div><div>Commentary on 2021/22 Result</div><div><div>2021/22 Ratio17.7%</div><div><div>The Net Financial Liabilities Ratio (excluding Non-Current Assets Held for Sale) for 2021/22 is 17.7% which is slightly under Council's target of 25% - 35%.</div></div></div></div>
<div><div>Net Financial Liabilities Ratio (including Non-Current Assets Held for Sale)</div><div><div>Ratio %</div><div><div><div><div>40%</div><div>35%</div><div>30%</div><div>25%</div><div>20%</div><div>15%</div><div>10%</div><div>5%</div><div>0%</div></div><div><div>2019</div><div>2020</div><div>2021</div><div>2022</div></div></div><div><div>20.2%</div><div>29.2%</div><div>24.4%</div><div>17.1%</div></div></div></div></div>	<div><div>Purpose of Net Financial Liabilities Ratio</div><div><div>This indicator shows the significance of the net amount owed to others, compared to operating revenue</div></div></div>	<div><div>Commentary on 2021/22 Result</div><div><div>2021/22 Ratio17.1%</div><div><div>The Net Financial Liabilities Ratio (including Non-Current Assets Held for Sale) for 2021/22 is 17.1% which slightly under Council's target of 25% - 35%.</div></div></div></div>

City of Tea Tree Gully

Financial Statements 2022

Notes to and forming part of the Financial Statements
for the year ended 30 June 2022

Note 15. Financial Indicators - Graphs (continued)

<p>Adjusted Net Financial Liabilities Ratio</p>  <table><tr><th>Year</th><th>Ratio %</th></tr><tr><td>2019</td><td>22.8%</td></tr><tr><td>2020</td><td>29.7%</td></tr><tr><td>2021</td><td>24.9%</td></tr><tr><td>2022</td><td>17.8%</td></tr></table>	Year	Ratio %	2019	22.8%	2020	29.7%	2021	24.9%	2022	17.8%	<p>Purpose of Adjusted Net Financial Liabilities Ratio</p> <p>This indicator is to determine the percentage the operating revenue (adjusted for timing differences in the Financial Assistance Grant) varies from operating expenditure</p>	<p>Commentary on 2021/22 Result</p> <table><tr><td>2021/22 Ratio</td><td>17.8%</td></tr></table> <p>The Adjusted Net Financial Liabilities Ratio (excluding Non-Current Assets Held for Sale) for 2021/22 is 17.8% which is slightly under Council's target of 25% - 35%.</p>	2021/22 Ratio	17.8%
Year	Ratio %													
2019	22.8%													
2020	29.7%													
2021	24.9%													
2022	17.8%													
2021/22 Ratio	17.8%													
<p>Interest Cover Ratio</p>  <table><tr><th>Year</th><th>Ratio %</th></tr><tr><td>2019</td><td>1.0%</td></tr><tr><td>2020</td><td>1.1%</td></tr><tr><td>2021</td><td>0.4%</td></tr><tr><td>2022</td><td>0.3%</td></tr></table>	Year	Ratio %	2019	1.0%	2020	1.1%	2021	0.4%	2022	0.3%	<p>Purpose of Interest Cover Ratio</p> <p>This indicator measures the ability to pay interest on outstanding debt</p>	<p>Commentary on 2021/22 Result</p> <table><tr><td>2021/22 Ratio</td><td>0.3%</td></tr></table> <p>The percentage of revenue allocated to interest (investment income) for 2021/22 is 0.3%.</p>	2021/22 Ratio	0.3%
Year	Ratio %													
2019	1.0%													
2020	1.1%													
2021	0.4%													
2022	0.3%													
2021/22 Ratio	0.3%													
<p>Asset Renewal Funding Ratio</p>  <table><tr><th>Year</th><th>Ratio %</th></tr><tr><td>2019</td><td>88.5%</td></tr><tr><td>2020</td><td>100.1%</td></tr><tr><td>2021</td><td>104.5%</td></tr><tr><td>2022</td><td>104.2%</td></tr></table>	Year	Ratio %	2019	88.5%	2020	100.1%	2021	104.5%	2022	104.2%	<p>Purpose of Asset Renewal Funding Ratio</p> <p>This indicator aims to determine if assets are being renewed and replaced in an optimal way</p>	<p>Commentary on 2021/22 Result</p> <table><tr><td>2021/22 Ratio</td><td>104.2%</td></tr></table> <p>The Asset Sustainability Ratio for 2021/22 is 104.2% within the target ratio of 90% - 110% over a three year rolling period.</p>	2021/22 Ratio	104.2%
Year	Ratio %													
2019	88.5%													
2020	100.1%													
2021	104.5%													
2022	104.2%													
2021/22 Ratio	104.2%													
<p>Fiscal Balance</p>  <table><tr><th>Year</th><th>Balance</th></tr><tr><td>2019</td><td>6,744</td></tr><tr><td>2020</td><td>2,927</td></tr><tr><td>2021</td><td>4,287</td></tr><tr><td>2022</td><td>6,323</td></tr></table>	Year	Balance	2019	6,744	2020	2,927	2021	4,287	2022	6,323	<p>Purpose of Fiscal Balance</p> <p>Indicates the lending position or net borrowing requirement in uniform presentation of finances</p>	<p>Commentary on 2021/22 Result</p> <table><tr><td>2021/22 Ratio</td><td>6,323</td></tr></table> <p>The Fiscal Balance ensures that Council has the capacity to reduce debt. The Fiscal Balance position in 2021/22 was \$6,323.</p>	2021/22 Ratio	6,323
Year	Balance													
2019	6,744													
2020	2,927													
2021	4,287													
2022	6,323													
2021/22 Ratio	6,323													

City of Tea Tree Gully

Financial Statements 2022

Notes to and forming part of the Financial Statements
for the year ended 30 June 2022

Note 16. Uniform Presentation of Finances

\$ '000	2022	2021
<p>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.</p> <p>All Councils in South Australia have agreed to summarise annual budgets and long-term financial plans on the same basis.</p> <p>The arrangements ensure that all Councils provide a common 'core' of financial information, which enables meaningful comparisons of each Council's finances.</p>		
Income	102,668	98,263
less Expenses	(93,683)	(90,040)
Operating Surplus / (Deficit)	8,985	8,223
Net Outlays on Existing Assets		
Capital Expenditure on Renewal and Replacement of Existing Assets	(16,283)	(16,771)
add back Depreciation, Amortisation and Impairment	17,221	16,380
add back Proceeds from Sale of Replaced Assets	857	447
	1,795	56
Net Outlays on New and Upgraded Assets		
Capital Expenditure on New and Upgraded Assets	(8,868)	(6,597)
add back Amounts Received Specifically for New and Upgraded Assets	4,411	2,605
	(4,457)	(3,992)
Net Lending / (Borrowing) for Financial Year	6,323	4,287

City of Tea Tree Gully

Financial Statements 2022

Notes to and forming part of the Financial Statements
for the year ended 30 June 2022

Note 17. Leases

(i) Council as a lessee

Council does not have any Leases.

(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.

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	2022	2021
---------	------	------

Future minimum rentals receivable under non-cancellable operating leases as at 30 June, are as follows:

Not later than one year	181	196
Later than one year and not later than 5 years	592	659
Later than 5 years	683	810
	<u>1,456</u>	<u>1,665</u>

City of Tea Tree Gully

Financial Statements 2022

Notes to and forming part of the Financial Statements for the year ended 30 June 2022

Note 18. Superannuation

The Council makes employer superannuation contributions in respect of its employees to Hostplus (formerly Statewide Super and 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 (10.00% in 2021/22; 9.50% in 2020/21). 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 2020/21) 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 2021. 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 Tea Tree Gully

Financial Statements 2022

Notes to and forming part of the Financial Statements
for the year ended 30 June 2022

Note 19. Non-Current Assets Held for Sale & Discontinued Operations

\$ '000	2022	2021
---------	------	------

Carrying Amounts of Assets and Liabilities

Assets

Land	512	512
------	-----	-----

Total Assets	512	512
---------------------	------------	------------

Net Assets	512	512
-------------------	------------	------------

Council has resolved to dispose of a portion of Australia Avenue Reserve.

As the consideration expected to be received exceeds the carrying amount, this asset has been recognised at the carrying amount. Part of the proceeds will be used to upgrade the remaining reserve.

City of Tea Tree Gully

Financial Statements 2022

Notes to and forming part of the Financial Statements for the year ended 30 June 2022

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

The following assets and liabilities do not qualify for recognition in the Statement of Financial Position, 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.

At reporting date, Council controlled **602 km** of road reserves of average width **15 metres**.

2. Potential insurance losses

Council is a multi-purpose organisation providing a large range of building, parks infrastructure, playgrounds and other facilities accessible to the public. At any time, it is likely that claims will have been made against Council that remain unsettled.

Council insures against all known insurable risks using a range of insurance policies, each of which is subject to deductible "insurance excesses", the amount of which varies according to the class of insurance.

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

3. Bank guarantees

Council has guaranteed certain loans and other banking facilities advanced to community organisations and sporting bodies, amounting to **\$264,957** (2021: **\$281,118**) at reporting date.

Council does not expect to incur any loss arising from these guarantees.

4. Legal expenses

Council is the planning consent authority for its area under the Planning, Development and Infrastructure Act 2016 (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 three appeals against planning decisions made prior to reporting date. All known costs have been recognised, but the amount of further costs cannot be known until the appeals are determined.

5. Other events

Council has a comprehensive Safety First Strategy in place to ensure compliance with the Work, Health and Safety Legislation and the WorkCover Performance Standards for Self-Insured Employers. Our Council is also a member of the Local Government Workers Compensation Scheme.

City of Tea Tree Gully

Financial Statements 2022

Notes to and forming part of the Financial Statements for the year ended 30 June 2022

Note 21. Events after the Balance Sheet Date

Events that occur after the reporting date of 30 June 2022, 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.

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

City of Tea Tree Gully

Financial Statements 2022

Notes to and forming part of the Financial Statements
for the year ended 30 June 2022

Note 22. Related Party Transactions

Key Management Personnel

Transactions with Key Management Personnel

The Key Management Personnel of the Council include the Mayor, Councillors, CEO and certain prescribed officers under section 112 of the Local Government Act 1999. In all, 37 persons were paid the following total compensation:

\$ '000	2022	2021
The compensation paid to Key Management Personnel comprises:		
Executive Staff (4 FTE)	992	981
Non-Executive Staff (20 FTE)	3,140	3,541
Elected Members (13)	359	366
Total	4,491	4,888

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

Receipts from Key Management Personnel comprise:

Other than amounts paid as ratepayers or residents (e.g. rates, swimming pool entry fees, etc.), Council received the following amounts in total:

Contributions for Fringe Benefits Tax purposes	8	17
Total	8	17

Council's Executive and Management staff have access to enter into a salary sacrificed arrangement for the private use of a motor vehicle. Any Fringe Benefits tax liability that arises for such use is calculated and deducted from their salary to fully offset the Fringe Benefits Tax payable.

Council contains some key management personnel that have relationships with parties that Council may transact with on a regular basis. Relationships include: Animal Welfare League, Ardtornish Primary School, Australian Labor Party, Australian Local Government Women's Association SA Branch, Australian Scholarship Group, Banksia Park International High School Governing Council, Change Management Institute of SA, City of Adelaide Lions Club, City of Campbelltown, Comedy Capers Gang Show, Community Centres SA, Computer Site Solutions, Dernancourt Community Garden Inc., Elizabeth and Districts Junior Soccer Association Inc., Every Life Matters Salisbury Suicide Prevention Network, Field Consulting Services, Golden Grove High School Governing Council, Golden Grove Homestead Children's Centre, Golden Grove Recreation and Arts Advisory Group, Greater Adelaide Region of Councils, Highbury Primary School, Hope Valley Football Club and Hope Valley Cricket Club, International Business Analysis Australia, Justice of Peace for State of SA, LGA Procurement, Liberal Party of Australia (Various Branches), Lions Club City of Adelaide Inc., Local Government Association of South Australia, Military Wives Choir, Modbury Bowls Club, Modbury High School, Modbury Meals on Wheels, Modbury Sporting Club, Modbury Vista Soccer Club, Murray Darling Association, Neighbourhood Watch (Various Branches), North East Zodiac Netball Club, Northside Baptist Church, Pedare Christian College, Percy Sovereign Chapter, Progressive Left Unions and Sub-Branched, Royal Agricultural & Horticultural Society of SA, Royal Association of Justices, Salisbury Rotary Club, Sferas Park Suites and Convention Centre, Soul Origin, South Australian Districts Netball Association, South Australian Labor Party, St Francis Xavier Catholic School, Tea Tree Gully City Soccer Club, Tea Tree Gully Community Services Forum, Tea Tree Gully Gymsports Inc., Tea Tree Gully RSL, Tea Tree Gully Urban Trees Fund, The Executive Connection, Wynn Vale Community House Kindergarten, Wynn Vale Primary School.

The nature of these organisation's activities with Council typically include the provision of services to Council, and lease property from Council; they may also be the recipient of grants from Council. Transactions with these organisations are immaterial in amount and nature, with the exception of:

Local Government Association: \$154,027 (Funds Paid)
 Local Government Association: \$42,990 (Funds Received)
 Local Government Association Mutual Liability Scheme: \$637,437 (Funds Paid)
 Local Government Workers Compensation Scheme: \$1,890,296 (Funds Paid)
 South Australian District Netball Association: \$47,263 (Funds Received)

continued on next page ...

Page 45 of 51

City of Tea Tree Gully

Financial Statements 2022

Notes to and forming part of the Financial Statements for the year ended 30 June 2022

Note 22. Related Party Transactions (continued)

Sfera's Parks Suites and Convention Centre: \$35,798 (Funds Paid)
Sfera's Parks Suites and Convention Centre: \$25,057 (Funds Received)

Key management personnel and their close family members may either have an employment relationship or committee role with these organisations and/or access their services. All matters when addressed by Council staff are covered by Council's conflict-of-interest procedures.

City of Tea Tree Gully

Financial Statements 2022

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

Note 23. Retrospective Adjustment due to Change in Accounting Policy

During the financial year ended 30 June 2022, Council voluntarily changed its accounting policy for Library Books. Previously, Council had capitalised library books and performed an annual revaluation of the library books. The Council now account for the purchase of library books via expensing these costs through the Statement of Comprehensive Income. The Council judges that this policy provides reliable and more relevant information due to the nature of this expenditure.

The change in accounting policy has been accounted for retrospectively, and the comparative information for the financial year ended 30 June 2021 has been restated. The effect of the change is an increase of \$135,000 in the Net Surplus / (Deficit) and a reduction of \$51,000 in Total Comprehensive Income for the financial year ended 30 June 2021. Furthermore, the opening Accumulated Surplus for the financial year ended 30 June 2021, has been reduced by \$221,000, which is the amount of the adjustment relating to periods before the financial year ended 30 June 2021.

Independent Auditor's Report - Financial Statements

Independent Auditor's Report - Financial Statements: ONLY PDF inserted here

Council needs to uplift custom PDF here - please uplift via "ONLY PDF" choice in the Home/TOC screen

Independent Auditor's Report - Internal Controls

Independent Auditor's Report - Internal Controls: ONLY PDF inserted here

Council needs to uplift custom PDF here - please uplift via "ONLY PDF" choice in the Home/TOC screen

Item 11.2

Attachment 1

City of Tea Tree Gully

Financial Statements 2022

General Purpose Financial Statements
for the year ended 30 June 2022**Certification of Auditor Independence**

To the best of our knowledge and belief, we confirm that, for the purpose of the audit of City of Tea Tree Gully for the year ended 30 June 2022, the Council's Auditor, BDO Audit Pty Ltd 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*.

Ryan McMahon
Chief Executive Officer

Peter Field
Presiding Member Audit Committee

Date: dd MMMM yyyy

City of Tea Tree Gully

Financial Statements 2022

General Purpose Financial Statements
for the year ended 30 June 2022**Statement by Auditor**

I confirm that, for the audit of the financial statements of City of Tea Tree Gully for the year ended 30 June 2022, I have maintained my independence in accordance with the requirements of APES 110 – Code of Ethics for Professional Accountants, Section 290, published by the Accounting Professional and Ethical Standards Board, in accordance with the *Local Government Act 1999* and the *Local Government (Financial Management) Regulations 2011* made under that Act.

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

Auditor's Name**Audit Firm Name****Date: dd MMMM yyyy**



IDEAS | PEOPLE | TRUST



CONTENTS

Executive Summary 4

Areas of audit focus 5

Summary of misstatements 8

Internal control 9

Other reporting requirements 10

Appendix 1 Proposed audit report 11

Appendix 2 Auditor independence declaration 15

Appendix 3 New developments 16

Appendix 4 ESG and your business 18



Attachment 2

Item 11.2

Dear Audit Committee Members

We are pleased to present this report to the Audit Committee of City of Tea Tree Gully (the 'Council') in relation to the 30 June 2022 annual audit.

As at the date of this report, we have substantially completed our audit and subject to the satisfactory resolution of the matters outlined in the Executive Summary, we expect to issue an unmodified audit report.


We have set out in this document the significant matters arising from our audit. This summary covers those matters we believe to be material in the context of our work.

We look forward to the Audit Committee meeting on 7 September 2022 where we will have the opportunity to discuss this report.

Should you require clarification on any matter in this report before this date, please do not hesitate to contact us.


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

Yours faithfully

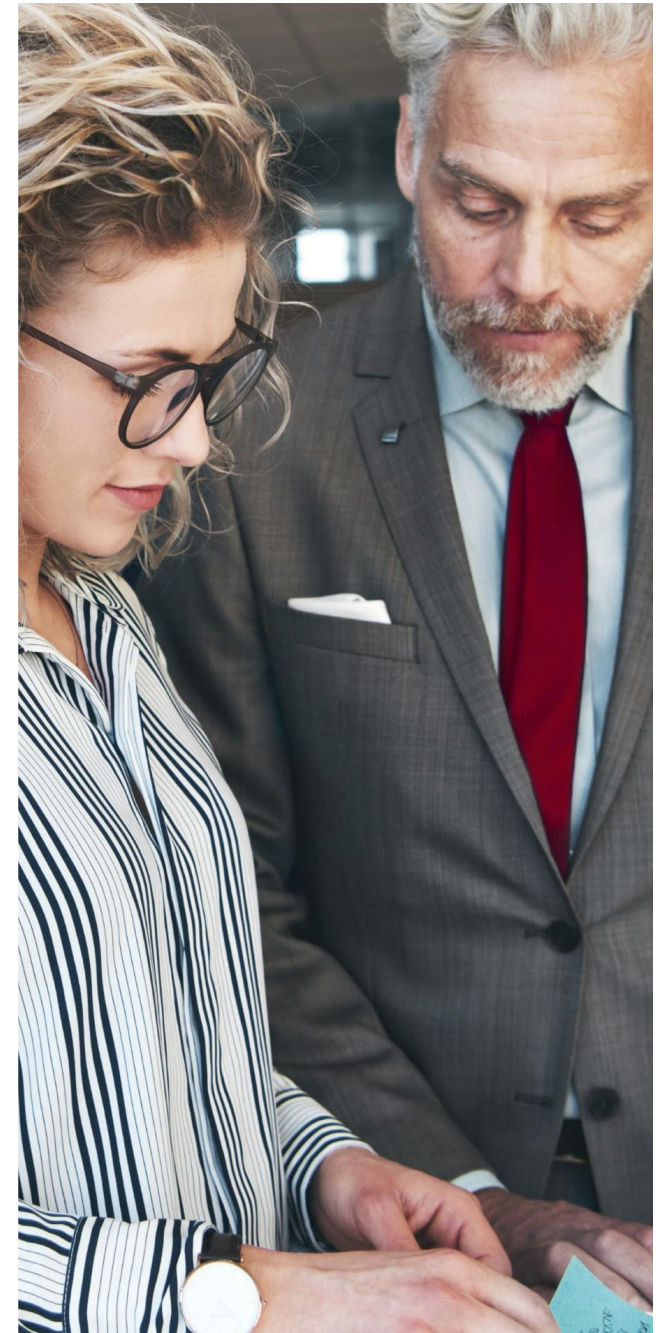


Andrew Tickle
Engagement Partner

Adelaide, 31 August 2022



Linh Dao
Associate Director





EXECUTIVE SUMMARY

PURPOSE

The purpose of this report is to communicate significant matters arising from our audit to the Audit Committee. This report has been discussed with management.

SCOPE

Our audit was conducted in accordance with Australian Auditing Standards, the *Local Government Act 1999* and the *Local Government (Financial Management) Regulations 2011* for the year ended 30 June 2022.

STATUS OF THE AUDIT

Our audit of the financial report is substantially complete. We expect to issue an unmodified audit report, subject to satisfactory completion of the following:

- ▶ Final review of the financial statements
- ▶ Receipt of management representations on various matters
- ▶ Review of subsequent events post 30 June 2022; and
- ▶ Receipt of formally adopted financial statements and agreement of these to the draft provided to us to date.

A draft of the proposed audit report is included at [Appendix 1](#).

SUMMARY OF MISSTATEMENTS

We have identified misstatements during our audit. The list of corrected misstatements is included in the respective [section](#) of this report.

We have not identified any uncorrected misstatements that, in our judgement, either individually or in aggregate, could have a material effect on the financial report for the year ended 30 June 2022.

AREAS OF AUDIT FOCUS

In performing our audit, we have identified those matters that, in the auditor's judgement, were of the most significance in the audit of the financial report. Our audit procedures also focused on areas that were considered to represent significant risks of material misstatement. These areas of focus are outlined below:

- ▶ Accounting treatment of Capital Work In Progress (WIP)
- ▶ Revaluation, depreciation, useful lives and residual values of infrastructure assets
- ▶ Management override of internal controls
- ▶ Cut-off of grant funding and accuracy of any amounts deferred as at 30 June 2022
- ▶ Disposal of CWMS; and
- ▶ Change in accounting software for infrastructure assets

Refer to the relevant section for details on the significant risk areas and other areas focused on during the audit.

AREAS OF AUDIT FOCUS

We identified the risk areas as part of our risk assessment procedures undertaken during the planning phase and continued to be alert for risks during the course of the audit. Our audit procedures focused on areas that were considered to represent risks of material misstatement.

We set out the areas that were considered significant risks of material misstatement along with an outline of the work performed and a summary of findings.

Accounting treatment of Capital Work In Progress (WIP)

Description	Audit work performed	Summary of findings
There is a risk that the accounting treatment of items captured within Capital WIP may not be in accordance with Australian Accounting Standards.	We obtained the WIP schedule and reviewed in detail a sample of projects outstanding at the end of the year to test they are likely to generate assets. We also reviewed a sample of assets transferred out of the Capital WIP to check that the categorisation and value allocated to the relevant fixed asset class is appropriate.	No exceptions were noted in relation to the accounting treatment of capital of work in progress.

Revaluation, depreciation, useful lives and residual values of infrastructure assets

Description	Audit work performed	Summary of findings
Council's infrastructure, land and buildings are carried at valuation. There is a risk that these balances are misstated as a result of the application of inappropriate valuation methodologies or incorrect underlying assumptions.	This year, Council's land was revalued internally based on indexation with reference to the Valuer General Report rates. We have obtained details of these calculations and tested the accuracy and the appropriateness of indexation applied.	We noted the revaluation has resulted in an increment of \$132.8mil in land value credited to the Asset Revaluation Reserve.

AREAS OF AUDIT FOCUS CONTINUED

Management Override of Internal Controls

Description	Audit work performed	Summary of findings
Australian Auditing Standards require that we presume there is a risk that management has the ability to manipulate accounting records and override control that otherwise appear to be operating effectively.	<p>Our response included a review of key internal controls at the Council to mitigate the risk of management override.</p> <p>We tested the appropriateness of journal entries and other adjustments made in the preparation of the financial report. We also reviewed accounting estimates for bias, and evaluated the business rationale (or lack of) of any significant transactions that are outside of the normal course of business or that otherwise appear to be unusual.</p>	No exceptions were noted from our audit procedures.

Cut-off of Grant Fundings and Accuracy of Any Amounts Deferred at 30 June 2022

Description	Audit work performed	Summary of findings
There is a risk of error in the calculation of grant income recognised and deferred at the end of the year by reference to grant agreements and Australian Accounting Standards.	We obtained the schedule of grant income recognised and deferred at year end. We selected a sample of grants, obtained the agreements to review in detail and tested that they have been recognised in accordance with AASB 15 <i>Revenue from Contracts with Customers</i> and AASB 1058 <i>Income of Not-for-Profit Entities</i> .	We noted a significant increase in the balance of grant income received and deferred as at 30 June 2022 increasing from \$5.5mil at 30 June 2021 to \$17.6mil at 30 June 2022. The majority of amounts deferred are for capital work. These amounts will be recognised as income as the construction work is completed in accordance with the relevant standards.

AREAS OF AUDIT FOCUS CONTINUED

Disposal of CWMS

Description

During the year, Council entered into an agreement with SA Water to transfer of all CWMS assets for nil consideration. These arrangements are complex and the assets are of significant value, and there is a risk of error in relation to the accounting for the above.

Audit work performed

We made inquiries of management as to the position at 30 June 2022 and audited the accounting treatment of these assets and any potential transfer by reference to supporting documents including management's position papers, relevant agreements, correspondence and the requirements of applicable Accounting Standards.

We assessed if relevant disclosures made to the financial statements are in accordance with the applicable reporting framework, in particular AASB 5 *Non-current Assets Held for Sale and Discontinued Operations*.

Summary of findings

During the year, Council committed to the transfer of all CWMS assets to SA Water and at the time such commitment was made, these were transferred to non-current assets held for disposals. In accordance with the Accounting Standards, immediately prior to the transfer Council revalued the assets to their fair value and the assets were disposed at the reporting date. The transaction resulted in a decrement of \$41.2mil debited to asset revaluation reserve and an expense of \$4.2mil recognised through surplus or deficit for the year ended 30 June 2022.

Change in Accounting Software for Infrastructure Assets

Description

During the year, Assetic was replaced by TechnologyOne as the fixed asset management system. There is a risk that the opening balances and relevant asset attributes have not been transferred across appropriately which could result in material misstatements.

Audit work performed

The change process has been considered as part of our IT general control review process. We agreed the opening balances of the Infrastructure Assets per TechnologyOne to the audited financial statements last year. We also tested a sample of assets to ensure relevant asset attributes have been brought across IT applications appropriately.

Summary of findings

No exceptions were noted from our testing.



CORRECTED MISSTATEMENTS

We identified the following misstatement during the course of our audit which have been corrected:

Description	Assets	(Liabilities)	Reserves	(Profit)/Loss
To adjust the increment incorrectly applied to the non-current assets held for sale	(\$90,458)	-	\$90,458	-
Net effect of corrected misstatements	(\$90,458)	-	\$90,458	-



INTERNAL CONTROL

CURRENT YEAR

In accordance with ASA 265 *Communicating Deficiencies in Internal Control to Those Charged with Governance and Management*, we are required to communicate in writing, significant deficiencies in internal control identified during our audit to those charged with governance on a timely basis.

The standard defines a deficiency in internal control as:

1. A control is designed, implemented or operated in such a way that it is unable to prevent, or detect and correct, misstatements in the financial report on a timely basis; or
2. A control necessary to prevent, or detect and correct, misstatements in the financial report on a timely basis is missing.

Significant deficiency in internal control means a deficiency or combination of deficiencies in internal control that, in the auditor's professional judgement, is of sufficient importance to merit the attention of the Audit Committee.

Our audit procedures did not identify any significant deficiencies that in our professional judgment are of sufficient importance to merit the attention of the Audit Committee.

We intend to provide an unqualified audit report in relation to compliance with Section 125 of the *Local Government Act 1999*.

OTHER REPORTING REQUIREMENTS

INDEPENDENCE AND ETHICS

In conducting our audit, we are required to comply with the independence requirements of the *Local Government Act 1999* and the *Local Government (Financial Management) Regulations 2011* and Part 4A of APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)*.

We have obtained independence declarations from all staff engaged in the audit.

We also have policies and procedures in place to identify any threats to our independence, and to appropriately deal with and if relevant mitigate those risks.

We have not become aware of any issue that would cause any member of the engagement team, BDO or any BDO network firm to contravene any ethical requirement or any regulatory requirement that applies to the audit engagement.

BDO has not provided any other services during the audit to City of Tea Tree Gully.

The *Local Government Act 1999* requires the lead auditor to make a declaration to the directors regarding independence. We are in a position to make this declaration, a draft of which has been included at [Appendix 2](#).

NON-COMPLIANCE WITH LAWS AND REGULATIONS

We have made enquiries in relation to any non-compliance with laws and regulations during the course of our audit. We have not identified any instances of non-compliance with laws and regulations as a result of our enquiries.

We have not identified any reportable matters during the course of our audit.

FRAUD

We have obtained understanding of the nature of fraud detected by management during the year and the circumstances in which they occurred. We have evaluated the possible effect on the financial report and its implications on other aspects of our audit including our risk assessment and have concluded that the financial statements are not materially misstated in relation to this matter, and that it has not caused us to revise our overall risk assessment.

It should be noted that our audit is not designed to detect fraud however should instances of fraud come to our attention we will report them to you.

We have not identified any instances of fraud during the course of our audit.



APPENDIX 1 PROPOSED AUDIT REPORT

INDEPENDENT AUDITOR'S REPORT TO THE PRINCIPAL MEMBER OF CITY OF TEA TREE GULLY

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of City of Tea Tree Gully (the Council), which comprises the statement of financial position as at 30 June 2022, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial report, including a summary of significant accounting policies, and the certification of the financial statements.

In our opinion the accompanying financial report presents fairly, in all material respects, the Council's financial position as at 30 June 2022, and its financial performance and its cash flows for the year ended in accordance with Australian Accounting Standards, 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 Council in accordance with the *Local Government Act 1999* and 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 confirm that the independence declaration required by the *Local Government Act 1999*, which has been given to the Council, would be in the same terms if given to the Council as at the time of this auditor's report.

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

Council's Responsibility for the Financial Report

The Council's officers are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards, the *Local Government Act 1999* and the *Local Government (Financial Management) Regulations 2011* and for such internal control as the Council's officers determine is necessary to enable the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error.

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

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.



APPENDIX 1 PROPOSED AUDIT REPORT *CONTINUED*

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>) at:

http://www.auasb.gov.au/auditors_files/ar4.pdf.

This description forms part of our auditor's report.

BDO Audit Pty Ltd

Andrew Tickle

Director

Adelaide, XX Month 20XX



APPENDIX 1 PROPOSED AUDIT REPORT *CONTINUED*

INDEPENDENT ASSURANCE REPORT

ON THE INTERNAL CONTROLS OF THE CITY OF TEA TREE GULLY

Opinion

We have undertaken a reasonable assurance engagement on the design and the operating effectiveness of controls established by City of Tea Tree Gully ('the Council') in relation to financial transactions relating to the receipt, expenditure and investment of money, acquisition and disposal of property and incurring of liabilities, throughout the period 1 July 2021 to 30 June 2022 relevant to ensuring such transactions have been conducted properly and in accordance with law.

In our opinion, in all material respects:

- (a) The controls established by Council in relation to financial transactions relating to the receipt, expenditure and investment of money, acquisition and disposal of property and incurring of liabilities were suitably designed to ensure such transactions have been conducted properly and in accordance with law; and
- (b) The controls operated effectively as designed throughout the period from 1 July 2021 to 30 June 2022.

Basis for opinion

We conducted our engagement in accordance with Standard on Assurance Engagements ASAE 3150 Assurance Engagements on Controls issued by the Auditing and Assurance Standards Board.

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

The Council's responsibilities for the internal controls

The Council is responsible for:

- a) The receipt, expenditure and investment of money, acquisition and disposal of property and incurring of liabilities;
- b) Identifying the control objectives
- c) Identifying the risks that threaten achievement of the control objectives
- d) Designing controls to mitigate those risks, so that those risks will not prevent achievement of the identified control objectives; and
- e) Operating effectively the controls as designed throughout the period.

Our independence and quality control

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

Assurance practitioner's responsibilities

Our responsibility is to express an opinion, in all material respects, on the suitability of the design to achieve the control objectives and the operating effectiveness of controls established by Council in relation to financial transactions relating to the receipt, expenditure and investment of money, acquisition and disposal of property and incurring of liabilities. ASAE 3150 requires that we plan and perform our procedures to obtain reasonable assurance about whether, in all material respects, the controls are suitably designed to achieve the control objectives and the controls operated effectively throughout the period.

APPENDIX 1 PROPOSED AUDIT REPORT *CONTINUED*

An assurance engagement to report on the design and operating effectiveness of controls involves performing procedures to obtain evidence about the suitability of the design of controls to achieve the control objectives and the operating effectiveness of controls throughout the period. The procedures selected depend on our judgement, including the assessment of the risks that the controls are not suitably designed or the controls did not operate effectively. Our procedures included testing the operating effectiveness of those controls that we consider necessary to achieve the control objectives identified. An assurance engagement of this type also includes evaluating the suitability of the control objectives.

Limitations of controls

Because of the inherent limitations of an assurance engagement, together with 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 and so fraud, error, or non-compliance with laws and regulations may occur and not be detected.

An assurance engagement on operating effectiveness of 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.

BDO Audit Pty Ltd

Andrew Tickle
Director

Adelaide, XX Month 2022



APPENDIX 2 AUDITOR INDEPENDENCE DECLARATION

We set out below our draft Auditor independence declaration.

CERTIFICATION OF AUDITOR INDEPENDENCE

I confirm that, for the audit of the financial statements of City of Tea Tree Gully for the year ended 30 June 2022, I have maintained my independence in accordance with the requirements of APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code), 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*.

Andrew Tickle
Director

BDO Audit Pty Ltd
Adelaide, XX Month 2022

APPENDIX 3 NEW DEVELOPMENTS

We wish to bring to your attention some upcoming changes in financial reporting which may cause significant changes to your future reported financial position and performance.

AASB 2020-1 AMENDMENTS TO AUSTRALIAN ACCOUNTING STANDARDS - CLASSIFICATION OF LIABILITIES AS CURRENT OR NON-CURRENT

Effective for annual reporting periods beginning on or after 1 January 2023, there are four main changes to the classification requirements within AASB 101 *Presentation of financial statements*:

- ▶ The requirement for an 'unconditional' right has been deleted from paragraph 69(d) because covenants in banking agreements would rarely result in unconditional rights.
- ▶ The right to defer settlement must exist at the end of the reporting period. If the right to defer settlement is dependent upon the entity complying with specified conditions (covenants), the right to defer only exists at reporting date if the entity complies with those conditions at reporting date.
- ▶ Classification is based on the right to defer settlement, and not intention (paragraph 73), and
- ▶ If a liability could be settled by an entity transferring its own equity instruments prior to maturity (e.g. a convertible bond), classification is determined without considering the possibility of earlier settlement by conversion to equity, but only if the conversion feature is classified as equity under IAS 32.

As these amendments only apply for the first time to the 30 June 2024 balance sheet (and 30 June 2023 comparative balance sheet), companies are not yet able to make an assessment of the impacts regarding the right to defer settlement, compliance with bank covenants, and intention to settle.

AASB 2021-2 AMENDMENTS TO AUSTRALIAN ACCOUNTING STANDARDS - DISCLOSURE OF ACCOUNTING POLICIES, AND DEFINITION OF ACCOUNTING ESTIMATES

Applicable to annual reporting periods commencing on or after 1 January 2023, this amending standard defines an 'accounting estimate' as monetary amounts in the financial statements that are subject to estimation uncertainty. This captures, for example, expected credit losses for receivables, or the fair value of an item recognised in the financial statements at fair value.

Accounting estimates are developed using measurement techniques including estimation techniques (such as used to determine expected credit losses or value in use) and valuation techniques (such as the income approach to determine fair value), and inputs. This amending standard clarifies that a change in an estimate occurs when there is either a change in a measurement technique or a change in an input.

It further clarifies that only material accounting policy information must be disclosed in the financial statements. This is the case when it relates to material transactions, other events or conditions, and:

- ▶ The entity has changed its accounting policy during the period
- ▶ There are one or more accounting policy options in Accounting Standards
- ▶ The accounting policy was developed applying the hierarchy in AASB 108
- ▶ Significant judgement was required in applying the accounting policy
- ▶ The accounting is complex.

APPENDIX 3 NEW DEVELOPMENTS CONTINUED

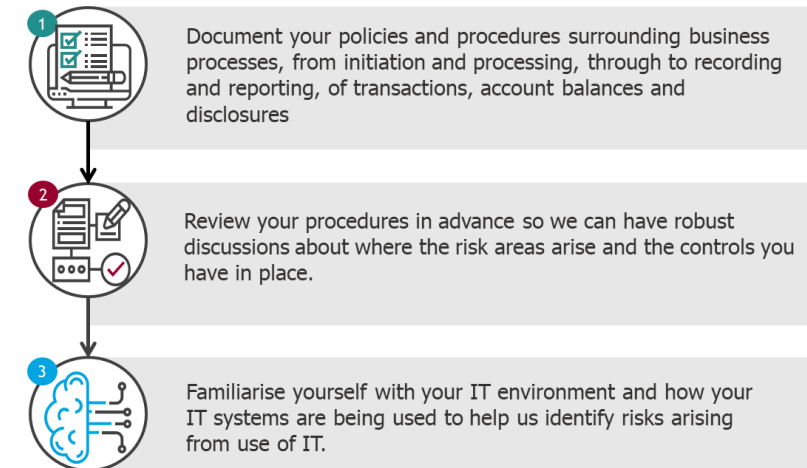
REVISED AUDITING STANDARD - ASA 315, IDENTIFYING AND ASSESSING THE RISKS OF MATERIAL MISSTATEMENT

Australian Auditing Standard 315 *identifying and Assessing the Risks of Material Misstatement (Revised)* (ASA 315) is effective for financial reporting periods beginning on or after December 15, 2021. It requires a more granular process of identification risks of material misstatement (RMM) in an entity, with a separate assessment of inherent risk and control risk for assertion level RMMs, to drive a more efficient and risk-responsive audit.

HOW HAS IT CHANGED?

- ▶ Requirement to perform a separate assessment of inherent risk and control risk for risks of material misstatement (RMMs) identified at the assertion level
- ▶ Spectrum of inherent risk, based on the likelihood and magnitude of an RMM
- ▶ Use of inherent risk factors (complexity, subjectivity, change, uncertainty or susceptibility to misstatement due to management bias or fraud) to drive risk identification.
- ▶ Identification of 'risks arising from the use of IT' based on integrity of information in the information system; risks arising from ineffective design or non-application of controls
- ▶ Understanding controls over processes that support the effective operation of the IT environment

HOW CAN YOU ASSIST US TO TRANSITION TO THIS REVISED STANDARD?



APPENDIX 4 ESG AND YOUR BUSINESS

WHAT IS ESG?

ESG is the acronym for Environmental, Social and Governance. It is a holistic concept about an organisation's ability to create and sustain long-term value in a rapidly changing world, and managing the risks and opportunities associated with these changes.

ESG metrics are not part of mandatory [financial reporting](#) required by Australian Accounting Standards or International Financial Reporting Standards, but organisations across the world are increasingly making disclosures in their annual report or in a standalone sustainability report.

ESG is used as a framework to assess how an organisation manages risks and opportunities that changing market and non-market conditions create. ESG also puts a heavy emphasis on risk management, because monitoring and mitigating risks across all three dimensions is an important priority for any company that is serious about ESG. The three categories of ESG factors are as follow:-

- ▶ **Environmental** factors address an organisation's environmental impact and environmental stewardship. It is focused on improving the environmental performance of an organisation.
- ▶ **Social** factors refers to how an organisation manages relationships with, and creates value for, stakeholders. The social dimension is focused on an organisation's impact on its employees, customers and the community.
- ▶ **Governance** factors refers to an organisation's leadership and management philosophy, practices, policies, internal controls, and shareholder rights. The governance dimension is focused on an organisation's leadership and structure.

WHY IS ESG IMPORTANT FOR YOUR BUSINESS?

Investors across the globe are increasingly demanding organisations to outline their ESG framework and approach in order to assess the organisation's long-term sustainability. ESG has a potential significant impact on the following fundamental business issues relevant to the long-term success of the organisation:

- ▶ **Corporate reputation** - ESG can enhance a company's license to operate making it easier to accomplish business objectives and respond to crisis scenarios with key stakeholder groups.
- ▶ **Risk reduction** - ESG can assist with the identification of immediate and long-term risks depending on the industry and business model.
- ▶ **Opportunity management** - Shifting market and non-market conditions can expose unmet needs for new products and/or services, potential customer bases, and potential strategic relationships for addressing ESG issues.
- ▶ **Culture & intrinsic value** - ESG maturity is an indicator of a company's commitment to building a high performing, purpose-driven workforce and inclusive culture.

A robust ESG strategy can help attract the right talent and investors. To achieve a shift in sustainability we need to stop viewing ESG as a 'nice to have', it should be part of business strategy and risk management which can have a direct and positive impact on financial performance.

If you would like to speak with us about implementing an ESG framework in your organisation or providing assurance on your framework, please contact your audit engagement partner initially.

1300 138 991
www.bdo.com.au

Distinctively different - it's how we see you
AUDIT • TAX • ADVISORY

NEW SOUTH WALES
NORTHERN TERRITORY
QUEENSLAND
SOUTH AUSTRALIA
TASMANIA
VICTORIA
WESTERN AUSTRALIA

We have prepared this report solely for the use of City of Tea Tree Gully. As you know, this report forms part of a continuing dialogue between the company and us and, therefore, it is not intended to include every matter, whether large or small, that has come to our attention. For this reason we believe that it would be inappropriate for this report to be made available to third parties and, if such a third party were to obtain a copy of this report without prior consent, we would not accept any responsibility for any reliance they may place on it.

BDO Audit Pty Ltd ABN 33 134 022 870 is a member of a national association of independent entities which are all members of BDO Australia Ltd ABN 77 050 110 275, an Australian company limited by guarantee. BDO Audit Pty Ltd and BDO Australia Ltd are members of BDO International Ltd, a UK company limited by guarantee, and form part of the international BDO network of independent member firms. Liability limited by a scheme approved under Professional Standards Legislation.

www.bdo.com.au