

# General Purpose Financial Statements

## **For the year ended 30 June 2021**

## General Purpose Financial Statements

for the year ended 30 June 2021

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# City of Adelaide

## General Purpose Financial Statements

for the year ended 30 June 2021

### Certification of Financial Statements

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

In our opinion:

- the accompanying financial statements comply with the *Local Government Act 1999*, *Local Government (Financial Management) Regulations 2011* and Australian Accounting Standards,
- the financial statements present a true and fair view of the Council's financial position at 30 June 2021 and the results of its operations and cash flows for the financial year,
- internal controls implemented by the Council provide a reasonable assurance that the Council's financial records are complete, accurate and reliable and were effective throughout the financial year,
- the financial statements accurately reflect the Council's accounting and other records.



Clare Mockler  
Chief Executive Officer

Date: 08 October 2021



Sandy Verschoor  
Lord Mayor

Date: 08 October 2021

# Statement of Comprehensive Income

for the year ended 30 June 2021

\$ '000	Notes	2021	2020
<b>Income</b>			
Rates	2a	118,510	115,634
Statutory Charges	2b	10,709	11,770
User Charges	2c	61,250	61,036
Grants, Subsidies and Contributions	2g	5,432	8,560
Investment Income	2d	276	231
Reimbursements	2e	665	1,443
Other income	2f	540	539
<b>Total Income</b>		<b>197,382</b>	<b>199,213</b>
<b>Expenses</b>			
Employee costs	3a	74,410	79,757
Materials, Contracts and Other Expenses	3b	71,353	83,794
Depreciation, Amortisation and Impairment	3c	56,808	51,869
Finance Costs	3d	1,740	2,121
Net loss - Equity Accounted Council Businesses	18(a)	4	18
<b>Total Expenses</b>		<b>204,315</b>	<b>217,559</b>
<b>Operating Surplus / (Deficit)</b>		<b>(6,933)</b>	<b>(18,346)</b>
Physical Resources Received Free of Charge	2i	450	—
Asset Disposal & Fair Value Adjustments	4	(6,527)	1,092
Amounts Received Specifically for New or Upgraded Assets	2g	2,698	1,205
<b>Net Surplus / (Deficit)</b>		<b>(10,312)</b>	<b>(16,049)</b>
<b>Other Comprehensive Income</b>			
<b>Amounts which will not be reclassified subsequently to operating result</b>			
Changes in Revaluation Surplus - I,PP&E	9a	48,206	16,222
Net Actuarial Gain/(Loss) on Defined Benefit Plan		203	(47)
<b>Total Amounts which will not be reclassified subsequently to operating result</b>		<b>48,409</b>	<b>16,175</b>
<b>Total Other Comprehensive Income</b>		<b>48,409</b>	<b>16,175</b>
<b>Total Comprehensive Income</b>		<b>38,097</b>	<b>126</b>

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

# Statement of Financial Position

as at 30 June 2021

\$ '000	Notes	2021	2020
<b>ASSETS</b>			
<b>Current assets</b>			
Cash & Cash Equivalent Assets	5a	1,912	945
Trade & Other Receivables	5b	16,299	14,117
Other Financial Assets (Investments)	5c	—	51
Inventories	5d	506	576
Non-Current Assets Held for Sale	19	958	—
<b>Total current assets</b>		<b>19,675</b>	<b>15,689</b>
<b>Non-current assets</b>			
Financial Assets	6a	376	308
Equity Accounted Investments in Council Businesses	6b	1,119	672
Other Non-Current Assets	6c	2,107	2,161
Infrastructure, Property, Plant & Equipment	7a(i)	1,897,255	1,860,634
Investment Property	7a(ii)	2,870	2,860
<b>Total non-current assets</b>		<b>1,903,727</b>	<b>1,866,635</b>
<b>TOTAL ASSETS</b>		<b>1,923,402</b>	<b>1,882,324</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Trade & Other Payables	8a	24,843	18,557
Borrowings	8b	4,690	4,837
Provisions	8c	13,320	14,606
<b>Total Current Liabilities</b>		<b>42,853</b>	<b>38,000</b>
<b>Non-Current Liabilities</b>			
Trade & Other Payables	8a	1,293	293
Borrowings	8b	85,163	87,896
Provisions	8c	1,816	1,955
<b>Total Non-Current Liabilities</b>		<b>88,272</b>	<b>90,144</b>
<b>TOTAL LIABILITIES</b>		<b>131,125</b>	<b>128,144</b>
<b>Net Assets</b>		<b>1,792,277</b>	<b>1,754,180</b>
<b>EQUITY</b>			
Accumulated surplus		806,973	818,558
Asset revaluation reserves	9a	982,216	934,010
Other reserves	9b	3,088	1,612
<b>Total Council Equity</b>		<b>1,792,277</b>	<b>1,754,180</b>
<b>Total Equity</b>		<b>1,792,277</b>	<b>1,754,180</b>

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

# Statement of Changes in Equity

for the year ended 30 June 2021

\$ '000	Notes	Accumulated surplus	Asset revaluation reserve	Other reserves	Total equity
<b>2021</b>					
Balance at the end of previous reporting period		818,558	934,010	1,612	1,754,180
Net Surplus / (Deficit) for Year		(10,312)	—	—	(10,312)
<b>Other Comprehensive Income</b>					
- Gain (Loss) on Revaluation of I,PP&E	7a	—	48,206	—	48,206
- Defined Benefit Actuarial Gain		—	—	203	203
<b>Other comprehensive income</b>		<b>—</b>	<b>48,206</b>	<b>203</b>	<b>48,409</b>
<b>Total comprehensive income</b>		<b>(10,312)</b>	<b>48,206</b>	<b>203</b>	<b>38,097</b>
Transfers between Reserves		(1,273)	—	1,273	—
<b>Balance at the end of period</b>		<b>806,973</b>	<b>982,216</b>	<b>3,088</b>	<b>1,792,277</b>
<b>2020</b>					
Balance at the end of previous reporting period		834,607	917,788	1,659	1,754,054
Net Surplus / (Deficit) for Year		(16,049)	—	—	(16,049)
<b>Other Comprehensive Income</b>					
- Gain (Loss) on Revaluation of I,PP&E	7a	—	16,222	—	16,222
- Defined Benefit Actuarial Gain		—	—	(47)	(47)
<b>Other comprehensive income</b>		<b>—</b>	<b>16,222</b>	<b>(47)</b>	<b>16,175</b>
<b>Total comprehensive income</b>		<b>(16,049)</b>	<b>16,222</b>	<b>(47)</b>	<b>126</b>
<b>Balance at the end of period</b>		<b>818,558</b>	<b>934,010</b>	<b>1,612</b>	<b>1,754,180</b>

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

# Statement of Cash Flows

for the year ended 30 June 2021

\$ '000	Notes	2021	2020
<b>Cash flows from operating activities</b>			
<u>Receipts</u>			
Operating Receipts		198,572	198,532
Investment Receipts		276	231
<u>Payments</u>			
Operating Payments to Suppliers and Employees		(144,238)	(176,079)
Finance Payments		(1,740)	(2,121)
Payments for Materials, Contracts & Other Expenses		8	–
<b>Net cash provided by (or used in) Operating Activities</b>	10b	<u>52,878</u>	<u>20,563</u>
<b>Cash flows from investing activities</b>			
Amounts Received Specifically for New/Upgraded Assets		2,698	1,205
Sale of Replaced Assets		815	279
Sale of Surplus Assets		1,405	112
Repayments of Loans by Community Groups		–	78
Distributions Received from Equity Accounted Council Businesses		–	124
<u>Payments</u>			
Expenditure on Renewal/Replacement of Assets		(23,205)	(15,482)
Expenditure on New/Upgraded Assets		(12,425)	(16,865)
Net Purchase of Investment Securities		(17)	–
Capital contributed to Equity Accounted Council Businesses		(451)	(185)
<b>Net cash provided (or used in) investing activities</b>		<u>(31,180)</u>	<u>(30,734)</u>
<b>Cash flows from financing activities</b>			
<u>Receipts</u>			
Proceeds from Borrowings		87,900	113,700
Proceeds from Bonds & Deposits		1,007	–
<u>Payments</u>			
Repayments of Borrowings		(104,800)	(103,550)
Repayment of Finance Lease Liabilities		(4,838)	(4,731)
Repayment of Bonds & Deposits		–	(372)
<b>Net Cash provided by (or used in) Financing Activities</b>		<u>(20,731)</u>	<u>5,047</u>
<b>Net Increase (Decrease) in Cash Held</b>		<u>967</u>	<u>(5,124)</u>
plus: Cash & Cash Equivalents at beginning of period		945	6,069
<b>Cash and cash equivalents held at end of period</b>	10a	<u>1,912</u>	<u>945</u>
Additional Information:			
plus: Investments on hand – end of year	6b	376	359
<b>Total Cash, Cash Equivalents &amp; Investments</b>		<u>2,288</u>	<u>1,304</u>

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

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

Contents of the Notes accompanying the General Purpose Financial Statements

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## Notes to the Financial Statements

for the year ended 30 June 2021

### Note 1. Summary of Significant Accounting Policies

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

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

#### (1) Basis of Preparation

##### 1.1 Compliance with Australian Accounting Standards

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

The financial report was authorised for issue by certificate under regulation 14 of the *Local Government (Financial Management) Regulations 2011* dated 08 October 2021

##### 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 Estimates and assumptions

The COVID-19 pandemic has impacted the 2020/21 financial statements, which may impact on the comparability of some line items and amounts reported in these financial statements and/or the notes. The financial impacts are a direct result of either Council's response to the pandemic or due to mandatory shutdowns as directed by the Australian Government and the advice from the Australian Government Department of Health and SA Health.

Examples include:

1. Reduction in net income due to closure or reduction of services provided during the pandemic, including the Aquatic Centre, Off Street Parking, Expiations and On-Street Parking.
2. Payment of stimulus packages and investment in a wide range of initiatives to boost economic activity within the city to help City businesses and residents recover.
3. Hardship subsidies offered to ease rate and rental payments and costs of additional cleansing services to keep our City Safe.
3. Reduction in expenditure in relation to cancelled events.

COVID-19 is not expected to have a significant financial impact on Council operations with the Council working to reduce discretionary expenditure in the short term to help mitigate the effect of the reduced revenue and increased costs. It is expected further financial impacts will flow into the 2021/22 financial year but these have been largely taken into account during the development of the budget process for 2021/22 including, but not limited to expected reduction in net income resulting from lower visitation to the city as well as further stimulus / sponsorship packages to be offered to stimulate the city economy. The budget assumptions for 2021/22 assume that no further harsher restrictions are put in place by the government. However, Council has determined that there is no material uncertainty that casts doubt on Council's ability to continue as a going concern.

##### 1.4 Rounding

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

#### (2) The Local Government Reporting Entity

The City of Adelaide is incorporated under the South Australian *Local Government Act 1999* and has its principal place of business at 25 Pirie Street, Adelaide. These financial statements include the Council's direct operations and all entities through which Council controls resources to carry on its functions. In the process of reporting on the Council as a single unit, all transactions and balances between activity areas and controlled entities have been eliminated.

The principal activities and entities conducted other than in the Council's own name that have been included in these consolidated financial statements are:

1. Adelaide Central Market Authority
2. Adelaide Economic Development Agency (From 14 January 2021)

## Notes to the Financial Statements

for the year ended 30 June 2021

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

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3. Adelaide Park Lands Authority
4. Rundle Mall Management Authority (Until 14 January 2021)

Other entities in which Council has an interest but does not control are reported in Note 18.

#### (3) Income Recognition

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 Council expects to be entitled in a contract with a customer.

In other cases, AASB 1058 applies when Council 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 Council to acquire or construct a recognisable non-financial asset that is to be controlled by Council. In this case, Council recognises the excess as a liability that is recognised over time in surplus and deficit when (or as) the entity satisfies its obligations under the transfer.

Expiation fees are recognised as income when control over the expiation fee is obtained. Accordingly, uncollected expiation fees are not recognised as income until payment is received. This recognises that Council does not have control over the assets comprising the expiation fees until payment is received or awarded to Council by the judicial system.

#### (4) Cash, Cash Equivalents and other Financial Instruments

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

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

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

All financial instruments are recognised at fair value at the date of recognition. A detailed statement of the accounting policies applied to financial instruments forms part of Note 12.

#### (5) Inventories

Inventories held in respect of business undertakings have been valued at the lower of cost and net realisable value.

#### (6) Non-Current Assets Held for Sale

Non-Current Assets which Council has decided to sell as surplus to requirements, are recognised at the carrying value at the time of that decision.

#### (6) Infrastructure, Property, Plant & Equipment

##### 6.1 Initial Recognition

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

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

## Notes to the Financial Statements

for the year ended 30 June 2021

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

assets constructed by the Council includes the cost of all materials used in construction, direct labour on the project and an appropriate proportion of variable and fixed overhead.

Capital works still in progress at reporting date are recognised as Infrastructure, Property, Plant and Equipment.

#### 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. Items of property, plant and equipment with a total value less than \$5,000 are treated as an expense in the year of acquisition. All other items of property, plant and equipment are capitalised.

#### 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 Furniture & Equipment	3 to 20 years
Vehicles and Road-making Equipment	2 to 20 years
Other Plant & Equipment	3 to 25 years

##### *Buildings*

Structure – other	30 to 150 years
Structure – Heritage	300 years
Other Building Components	10 to 100 years

##### *Infrastructure*

Sealed Roads – Surface	10 to 25 years
Sealed Roads – Structure	30 to 80 years
Bridges – Major	20 to 100 years
Bridges – Minor	25 to 75 years
Footpaths and Bikeways	20 to 70 years
Kerb and Water Table	60 to 120 years
Stormwater Drainage Networks	50 to 125 years
Culverts	80 years
Weir Components	25 to 100 years
Basins	50 to 80 years
Earth retaining structures	30 to 80 years
Gross pollutant traps	80 years
Irrigation	15 to 25 years
Traffic Signals	10 to 30 years
Lighting and Electricals	25 to 30 years
Electrical Switch Boards	30 years
CCTV	5 to 10 years
Sports Fields	15 to 50 years

## Notes to the Financial Statements

for the year ended 30 June 2021

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

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Park Land and Open Space Assets	10 to 80 years
Statues & Monuments	Indefinite
Urban Elements	5 to 80 years
<i>Other Assets</i>	
Library Books	1 to 7 years
Civic Collection	indefinite
Right-of-Use Assets	3 to 15 years

#### 6.5 Impairment

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

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

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

#### (7) Investment property

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

Investment property is carried at fair value, representing an in-house valuation based on a capitalisation method.

Annual changes in the fair value of Investment Properties are recorded in the Statement of Comprehensive Income as part of "Investment Income".

Full revaluations are carried out every three to five years with an appropriate management review each year in between the full revaluations.

The last full revaluation for Council's Investment Properties was dated 30/06/2021.

#### (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 Statement of Comprehensive Income 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".

## Notes to the Financial Statements

for the year ended 30 June 2021

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

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#### **(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 average discount rate 1.52% (2020, 0.92%)

Weighted average settlement period 10 years (2020, 10 years)

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**

Council in respect of its employees supports two schemes; Local Government Superannuation Scheme and Corporation of the City of Adelaide Superannuation Plan. Both Schemes are managed by Statewide Super.

The Local Government Superannuation Scheme has two types of membership, each of which is funded differently. The Corporation of the City of Adelaide Superannuation Plan is closed to new members and supports Defined Benefit membership only. No changes in accounting policy have occurred during either the current or previous reporting periods. Details of the accounting policies applied and Council's involvement with the schemes are reported in Note 17.

#### **(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**

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**

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

##### **i) Right-of-Use-Assets**

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

The right-of-use assets are also subject to impairment.

## Notes to the Financial Statements

for the year ended 30 June 2021

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

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#### ii) Lease Liabilities

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

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

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 an expense on a straight-line basis over the lease term.

#### iv) Leases with a variable value

Council leases the Light Square Car Park from the Department of Further Education Employment, Science and Technology under a lease which commenced 9 January 1983 for a period of 60 years. This lease contains variable payment terms that are linked to the car park's net profit at the reporting date. Variable lease payments for this lease are recognised in the Statement of Comprehensive Income in the period in which the condition that triggers those payments occurs.

#### 12.2 Council as a lessor

Leases in which Council does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease term and is included in revenue in the Statement of Comprehensive Income due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

#### (13) Equity Accounted Council Businesses

Council participates in cooperative arrangements with other Councils for the provision of services and facilities. Council's interests in cooperative arrangements, which are only recognised if material, are accounted for in accordance with AASB 128 and set out in detail in Note 18.

#### (14) GST Implications

In accordance with Interpretation 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.

#### (15) New accounting standards and UIG interpretations

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

## Notes to the Financial Statements

for the year ended 30 June 2021

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

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#### **Standards issued by the AASB not yet effective**

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

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

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

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

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

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

#### **(16) 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.

#### **(17) Disclaimer**

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

# Notes to the Financial Statements

for the year ended 30 June 2021

## Note 2. Income

\$ '000	2021	2020
<b>(a) Rates</b>		
<b>General Rates</b>		
General Rates	120,133	119,316
Less: Mandatory Rebates	(5,482)	(5,453)
Less: Discretionary Rebates, Remissions & Write Offs	(1,924)	(3,261)
<b>Total General Rates</b>	<b>112,727</b>	<b>110,602</b>
<b>Other Rates (Including Service Charges)</b>		
Natural Resource Management Levy	1,902	1,875
Rundle Mall Separate Rate	3,840	3,850
Less: Rundle Mall Separate Rate Waived	–	(962)
Building Upgrade Finance	41	41
<b>Total Other Rates (Including Service Charges)</b>	<b>5,783</b>	<b>4,804</b>
<b>Other Charges</b>		
Penalties for Late Payment	–	228
<b>Total Other Charges</b>	<b>–</b>	<b>228</b>
<b>Total Rates</b>	<b>118,510</b>	<b>115,634</b>

## (b) Statutory Charges

Development Act Fees	1,635	1,721
Animal Registration Fees & Fines	29	32
Parking Fines / Expiation Fees	8,062	8,852
Other Fees, Fines, Penalties and Expiations	190	120
Encroachments Fees	191	469
Food Inspections Fees / Fines	23	28
Outdoor Dining Fees	–	69
Residential Parking Permits	50	47
Section 7 Searches	100	95
Temporary Parking Control Permits	393	283
Water Systems Fees	36	54
<b>Total Statutory Charges</b>	<b>10,709</b>	<b>11,770</b>



# City of Adelaide

## Notes to the Financial Statements

for the year ended 30 June 2021

### Note 2. Income (continued)

\$ '000	2021	2020
<b>(c) User Charges</b>		
Parking Fees	10,695	9,952
Property Lease	9,805	10,947
Sundry	192	153
Adelaide Aquatic Centre Charges	4,551	4,900
Adelaide Golf Links Charges	3,234	2,232
Adelaide Town Hall Charges	313	1,017
Bus Ticket Sales	7	10
Compost Sales	678	613
Event Fees	81	150
Library Centre	6	9
Off-Street Parking	27,341	26,285
Park Lands Events Fees	665	754
Property Recovery	3,321	3,741
Rundle Mall	361	273
<b>Total User Charges</b>	<b>61,250</b>	<b>61,036</b>
<b>(d) Investment Income</b>		
Interest on Investments		
- Local Government Finance Authority	51	35
- Banks & Other	16	28
Investment Property Rental Income	192	198
Financial Instrument - Fair Value Increase / (Decrease)	17	(30)
<b>Total Investment Income</b>	<b>276</b>	<b>231</b>
<b>(e) Reimbursements</b>		
Private Works	455	1,181
Other	210	262
<b>Total Reimbursements</b>	<b>665</b>	<b>1,443</b>
<b>(f) Other income</b>		
Insurance & Other Recoupments	301	326
Sundry	239	213
<b>Total Other income</b>	<b>540</b>	<b>539</b>

# City of Adelaide

## Notes to the Financial Statements

for the year ended 30 June 2021

### Note 2. Income (continued)

\$ '000	2021	2020
<b>(g) Grants, Subsidies, Contributions</b>		
Amounts Received Specifically for New or Upgraded Assets	2,698	1,205
<b>Total Amounts Received Specifically for New or Upgraded Assets</b>	<b>2,698</b>	<b>1,205</b>
Other Grants, Subsidies and Contributions	3,416	1,811
Untied - Financial Assistance Grant	948	669
Roads to Recovery	256	255
Home and Community Care Grant	287	288
Library and Communications	478	533
Sundry	47	4
State Government Grant - 88 O'Connell Street	—	5,000
<b>Total Other Grants, Subsidies and Contributions</b>	<b>5,432</b>	<b>8,560</b>
<b>Total Grants, Subsidies, Contributions</b>	<b>8,130</b>	<b>9,765</b>

The functions to which these grants relate are shown in Note 11.

In the prior year, Council received the second tranche of funding under a grant agreement with the State Government governing the acquisition and development of 88 O'Connell Street. This has been reported as State Government Grant - 88 O'Connell Street.

#### (i) Sources of grants

Commonwealth Government	2,371	871
State Government	5,613	8,790
Other	146	104
<b>Total</b>	<b>8,130</b>	<b>9,765</b>

#### (h) Conditions over Grants & Contributions

Grants and contributions which were obtained on the condition that they be expended for specified purposes or in a future period, but which are not yet expended in accordance with those conditions, are as follows:

<b>Unexpended at the close of the previous reporting period</b>	<b>14</b>	<b>14</b>
<b>Unexpended at the close of this reporting period</b>	<b>14</b>	<b>14</b>

#### (i) Physical Resources Received Free of Charge

Other	450	—
<b>Total Physical Resources Received Free of Charge</b>	<b>450</b>	<b>—</b>

# Notes to the Financial Statements

for the year ended 30 June 2021

## Note 3. Expenses

\$ '000	Notes	2021	2020
<b>(a) Employee costs</b>			
Salaries and Wages		67,212	66,914
Employee Leave Expense		5,804	9,147
Superannuation - Defined Contribution Plan Contributions	17	6,020	6,718
Workers' Compensation Insurance		1,478	1,701
Income Protection Insurance		344	331
Less: Capitalised and Distributed Costs		(6,448)	(5,054)
<b>Total Operating Employee Costs</b>		<b>74,410</b>	<b>79,757</b>
Number of Employees (full time equivalent at end of reporting period)		657	628
Number of Employees (temporary full time equivalent at end of reporting period)		89	122
<b>(b) Materials, Contracts and Other Expenses</b>			
<b>(i) Prescribed Expenses</b>			
Auditor's Remuneration		67	63
Bad and Doubtful Debts		344	419
Elected Members' Expenses		486	474
Election Expenses		28	68
Operating Lease Rentals - Non-Cancellable Leases	16		
- Minimum Lease Payments		(6)	-
Lease Expense - Low Value Assets / Short Term Leases		34	87
Lease Expense - Variable Payments		766	767
Other		35	53
<b>Subtotal - Prescribed Expenses</b>		<b>1,754</b>	<b>1,931</b>

# Notes to the Financial Statements

for the year ended 30 June 2021

## Note 3. Expenses (continued)

\$ '000	Notes	2021	2020
<b>(ii) Other Materials, Contracts and Expenses</b>			
Contractors		17,329	23,854
Energy		5,504	5,812
Maintenance		7,954	8,629
Legal Expenses		1,531	1,445
Levies Paid to Government - including NRM levy		2,354	2,241
Levies - Other		41	41
Parts, Accessories & Consumables		4,774	6,353
Professional Services		4,134	7,419
Advertising and Promotion		2,581	2,681
Bank Charges and Cash Collection		988	994
Catering		133	312
Cleaning		3,094	2,904
Communications		325	452
Contractual Expenses		278	510
Water		2,088	3,169
Entertainment - Council and Civic Events		8	18
External Plant Hire		601	763
Insurance		2,165	2,075
Investment Property Expenses		156	153
Minor Plant and Equipment		513	380
Printing, Freight and Postage		459	565
Rates and Taxes		261	409
Registrations		204	210
Searches		278	490
Security		1,839	2,267
Sponsorships, Contributions and Donations		6,975	4,719
Subscriptions		1,670	1,255
Training and Development		244	455
Waste Services		1,674	1,512
Other		129	306
Less: Capitalised and Distributed Costs		(685)	(530)
<b>Subtotal - Other Material, Contracts &amp; Expenses</b>		<b>69,599</b>	<b>81,863</b>
<b>Total Materials, Contracts and Other Expenses</b>		<b>71,353</b>	<b>83,794</b>

# Notes to the Financial Statements

for the year ended 30 June 2021

## Note 3. Expenses (continued)

\$ '000	2021	2020
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### (c) Depreciation, Amortisation and Impairment

#### (i) Depreciation and Amortisation

Buildings	12,160	8,412
Infrastructure		
- Stormwater and Drainage	2,704	2,708
- Bridges	2,090	2,157
- Footpaths	6,682	6,627
- Footpath Landscaping	–	214
- Kerb & Water Table	1,412	1,406
- Public Lighting	5,121	4,001
- Roads	7,924	7,889
- Ticket Machines	307	329
- Traffic Signals	3,535	1,355
- Urban Elements	2,634	2,886
Right-of-use Assets	5,286	5,408
Plant & Equipment	2,212	1,701
Furniture & Fittings	2,411	3,681
Library Books	98	323
Park Land Improvements	2,232	1,646
<b>Subtotal</b>	<b>56,808</b>	<b>50,743</b>

#### (ii) Impairment

Right-of-Use Assets	–	1,123
Office, Furniture and Equipment	–	3
<b>Subtotal</b>	<b>–</b>	<b>1,126</b>

### Total Depreciation, Amortisation and Impairment

<b>56,808</b>	<b>51,869</b>
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### (d) Finance Costs

Interest on Loans	830	1,138
Interest on Leases	910	983
<b>Total Finance Costs</b>	<b>1,740</b>	<b>2,121</b>

## Notes to the Financial Statements

for the year ended 30 June 2021

### Note 4. Asset Disposal & Fair Value Adjustments

\$ '000	2021	2020
<b>Infrastructure, Property, Plant &amp; Equipment</b>		
<b>(i) Assets Renewed or Directly Replaced</b>		
Proceeds from Disposal	815	279
Less: Carrying Amount of Assets Sold	(4,472)	(3,627)
<b>Gain (Loss) on Disposal</b>	<b>(3,657)</b>	<b>(3,348)</b>
<b>(ii) Assets Surplus to Requirements</b>		
Proceeds from Disposal	1,405	112
Less: Carrying Amount of Assets Sold	(3,510)	(4,559)
<b>Gain (Loss) on Disposal</b>	<b>(2,105)</b>	<b>(4,447)</b>
<b>Fair Value Adjustments</b>		
Investment Property - Fair Value Increase / (Decrease)	(765)	(5)
Revaluation Decrements Previously Expensed, now Recouped	–	8,892
<b>Total Fair Value Adjustments</b>	<b>(765)</b>	<b>8,887</b>
<b>Net Gain (Loss) on Disposal or Revaluation of Assets</b>	<b>(6,527)</b>	<b>1,092</b>

# City of Adelaide

## Notes to the Financial Statements

for the year ended 30 June 2021

### Note 5. Current Assets

\$ '000	2021	2020
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#### (a) Cash & Cash Equivalent Assets

Cash on Hand at Bank	1,502	541
Deposits at Call	410	404
<b>Total Cash &amp; Cash Equivalent Assets</b>	<b>1,912</b>	<b>945</b>

#### (b) Trade & Other Receivables

Rates - General & Other	7,094	7,707
Accrued Revenues	2,689	1,734
Debtors - General	4,724	2,633
GST Recoupment	644	209
Prepayments	1,709	1,593
Deferred Rent	320	827
<b>Subtotal</b>	<b>17,180</b>	<b>14,703</b>
Less: Allowance for Doubtful Debts	(881)	(586)
<b>Total Trade &amp; Other Receivables</b>	<b>16,299</b>	<b>14,117</b>

#### (c) Other Financial Assets (Investments)

Ergo Apartments - Shared Equity Loans	—	51
<b>Total Other Financial Assets (Investments)</b>	<b>—</b>	<b>51</b>

Amounts included in other financial assets that are not expected to be received within 12 months of reporting date are disclosed in Note 13.

#### (d) Inventories

Stores & Materials	359	395
Trading Stock	118	151
Other	29	30
<b>Total Inventories</b>	<b>506</b>	<b>576</b>

# City of Adelaide

## Notes to the Financial Statements

for the year ended 30 June 2021

### Note 6. Non-Current Assets

\$ '000	2021	2020
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#### (a) Financial Assets

##### Other Financial Assets (Investments)

Ergo Apartments - Shared Equity Loans at Fair Value through Surplus/(Deficit)	376	308
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<b>Total Other Financial Assets (Investments)</b>	<b>376</b>	<b>308</b>
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<u>Total Financial Assets</u>	<u>376</u>	<u>308</u>
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\$ '000	Notes	2021	2020
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#### (b) Equity Accounted Investments in Council Businesses

The Brown Hill and Keswick Creeks Stormwater Board	18(a)i	1,119	672
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<u>Total Equity Accounted Investments in Council Businesses</u>		<u>1,119</u>	<u>672</u>
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#### (c) Other Non-Current Assets

##### Other

Employee Entitlements (unfunded superannuation asset)	1,815	1,612
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Deferred Rent	292	549
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<b>Total Other</b>	<b>2,107</b>	<b>2,161</b>
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<u>Total Other Non-Current Assets</u>	<u>2,107</u>	<u>2,161</u>
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City of Adelaide

Notes to the Financial Statements  
for the year ended 30 June 2021

Note 7. Infrastructure, Property, Plant & Equipment & Investment Property

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

		as at 30/06/20														as at 30/06/21														
		Fair Value Level	At Fair Value	At Cost	Accumulated Depreciation	Carrying amount	Transition adjustment and proposed AASB 16	Asset Additions New	Asset Disposals	VOU of Asset Disposals	Depreciation Expense (Note 3)	Impairment recognised in P/L (Note 3)	YPP Transfers	Adjustments & Transfers	Projected Related Expenditure (Note 3)	Reclassification to Other Assets	The benefit to "held for sale" category	Revaluation Decrements to Equity (Note 3)	Revaluation Decrements to the P/L (Note 3)	Revaluation Increments to Equity (Note 3)	At Fair Value	At Cost	Accumulated Depreciation	Carrying amount						
Capital Work in Progress	Land																													
	Land - Other	2		14,963	-	14,963	-	13,897	25,824	-	-	(34,586)	(455)	(3,751)	-	-	-	-	-	-	-	-	15,898	-	15,898					
	Community Land	3	207,470	-	-	207,470	-	-	-	-	-	-	-	-	(4,100)	-	-	-	-	-	17,860	221,230	-	-	221,230					
	Land - Crown	3	12,640	-	-	12,640	-	-	-	-	-	-	-	-	4,100	-	-	-	-	-	1,840	18,580	-	-	18,580					
	Buildings																													
	Buildings	2	-	388,400	-	388,400	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	388,400	-	-	388,400					
	Buildings	3	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
	Buildings	2	342,793	-	(151,205)	191,588	-	-	-	-	(6,632)	-	4,915	-	(30,977)	-	-	(958)	(420)	-	316,849	-	(159,334)	157,515						
	Buildings	3	178,792	-	(79,607)	99,185	-	-	-	-	(5,528)	-	5,531	-	30,977	-	-	-	-	-	16,004	237,550	-	(91,881)	145,669					
	Park Land & Open Space Assets	3	24,045	-	(8,358)	15,687	-	-	-	(125)	(2,232)	-	2,438	-	28,862	-	-	-	-	-	58,269	-	(13,636)	44,633						
	Infrastructure																													
	Stormwater and Drainage	3	271,531	-	(136,058)	135,473	-	-	-	-	(2,704)	-	1,706	-	-	-	-	-	-	-	272,877	-	(138,463)	134,414						
	Bridges	3	179,281	-	(115,225)	64,056	-	-	-	-	(970)	(2,090)	-	583	-	-	-	-	-	-	178,520	-	(116,942)	61,578						
	Footpaths	3	289,130	-	(80,652)	208,478	-	-	-	-	(6,682)	-	5,321	-	-	-	-	-	-	-	291,713	-	(86,139)	205,574						
	Foodpath Landscaping	3	8,895	-	(360)	8,535	-	-	-	-	-	-	-	-	(8,534)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Kerb & Water Table	3	117,209	-	(46,051)	71,158	-	-	-	-	(492)	(1,412)	-	2,145	-	-	-	-	-	-	118,198	-	(46,801)	71,397						
	Public Lighting	3	140,938	-	(70,160)	70,778	-	-	-	-	(243)	(5,121)	-	1,472	-	-	-	-	-	-	141,860	-	(74,973)	66,887						
	Roads	3	291,670	-	(95,153)	196,517	-	-	-	-	(820)	(7,924)	-	3,179	-	-	-	-	-	-	292,414	-	(101,462)	190,952						
	Ticket Machines	3	2,508	-	(944)	1,564	-	-	-	-	(307)	-	-	-	-	-	-	-	-	-	2,508	-	(1,251)	1,257						
Traffic Signals	3	60,234	-	(34,215)	26,019	-	-	-	-	(295)	(3,535)	-	1,315	-	-	-	-	-	-	59,996	-	(36,491)	23,505							
Urban Elements	3	93,283	-	(13,646)	79,637	-	-	-	-	(1,523)	(2,634)	-	847	-	(58,075)	-	-	-	-	55,852	-	(24,679)	31,173							
Public Art	3	-	-	-	-	-	-	-	-	-	-	-	-	37,747	-	450	-	-	-	38,712	-	-	38,712							
Other																														
Right-of-Use Assets																														
Library Books		-	45,864	(6,531)	39,333	-	-	-	-	(5,286)	-	-	18,858	-	-	-	-	-	-	64,580	-	(11,675)	52,905							
Furniture & Fittings		-	8,420	(6,410)	2,010	-	-	-	-	(98)	-	9	-	-	-	-	-	-	-	8,429	-	(6,508)	1,921							
Plant & Equipment		-	48,104	(42,953)	5,151	-	-	-	-	(512)	(2,411)	-	1,302	-	-	-	-	-	-	44,880	-	(41,359)	3,531							
Chic Collection		-	20,662	(9,981)	10,681	-	110	-	(498)	(2,212)	-	2,095	-	-	-	-	-	-	-	21,280	-	(11,104)	10,176							
		-	11,311	-	11,311	-	-	-	-	-	-	38	-	-	-	-	-	-	-	11,348	-	-	11,348							
Total Infrastructure, Property, Plant & Equipment			2,220,419	537,724	(897,509)	1,860,634	-	14,007	25,824	(7,994)	(56,808)	-	(775)	18,403	(3,751)	-	450	(958)	(420)	-	48,626	2,369,708	490,245	(962,698)	1,897,255					
Comparatives			2,525,542	510,818	(1,218,996)	1,817,364	45,864	21,386	19,284	(8,186)	(50,743)	(1,126)	-	(356)	(7,963)	-	-	(842)	8,891	17,064	2,220,419	537,724	(897,509)	1,860,634						

# City of Adelaide

## Notes to the Financial Statements for the year ended 30 June 2021

### Note 7. Infrastructure, Property, Plant & Equipment & Investment Property

#### (a(ii)) Investment Property

	as at 30/06/20				Asset movements during the reporting period							as at 30/06/21			
		Revaluation Increments/ Decrements	Revaluation Decrements to P&L - Investment Properties (Note 4)	Revaluation Increments to Equity (ARR) (Note 9)	Revaluation Increments to Equity (ARR) (Note 9)										
	Fair Value Level	At Fair Value	At Cost	Accumulated Depreciation	Carrying amount	Asset Additions New/ Upgrade	Asset Additions Renewals	WDV of Asset Disposals	WIP Transfers						
Buildings & Structures	2	2,860	-	-	2,860	-	-	-	775	(765)	-	-	2,870		
Total Investment Property		2,860	-	-	2,860	-	-	-	775	(765)	-	-	2,870		
Comparatives		2,865	-	-	2,865	-	-	-	-	(5)	-	-	2,860		

## Notes to the Financial Statements

for the year ended 30 June 2021

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

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#### (b) Valuation of Infrastructure, Property, Plant & Equipment and 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

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.

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.

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.

##### 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.

##### Highest and best use

Much of the land under Council's care and control has been declared as community land under the provisions of the *Local Government Act 1999*.

## Notes to the Financial Statements

for the year ended 30 June 2021

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

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Council's principal role as a provider of services to the community, promotes alignment with strategic outcomes as opposed to outright revenue generation. The highest and best use is taken to be the highest and best use available to Council, with a rebuttable presumption that the current use is the "highest and best use" incorporating such restrictions as mentioned above.

For buildings and other structures on and in the land, including infrastructure, "highest and best use" is determined in accordance with the land on and in which they are situated.

#### 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.

#### Park Land & Open Space Assets

Park Land and Open Space assets were valued by Council officers at current replacement cost during the reporting period ended 30 June 2016.

#### Land

Land, excluding Park Lands and Land under Roads were valued using the market approach during the reporting period ended 30 June 2021 by independent valuers.

Council being of the opinion that it is not possible to attribute a value sufficiently reliably to qualify for recognition, land under roads has not been recognised in these reports. Land acquired for road purposes during the year is initially recognised at cost, but transferred to fair value at reporting date, effectively writing off the expenditure.

#### Buildings

Building assets were valued using the market or current replacement cost approach with the most recent valuation conducted during the reporting period ended 30 June 2021 by independent valuers. Acquisitions subsequent to the most recent valuation have been measured at cost.

#### Infrastructure

##### *Bridges*

Bridge assets are revalued periodically by independent valuers. The most recent valuation was completed during the period ended 30 June 2020. Bridge assets are valued at current replacement cost less depreciation.

##### *Footpaths*

Footpaths were valued by Council officers at current replacement cost during the reporting period ended 30 June 2018.

##### *Kerb and Water Table*

Kerb and Water Table were valued internally using the current replacement cost approach. The most recent valuation was conducted for the period ended 30 June 2019 and was based on unit rates to replace the associated kerb component. All acquisitions made after the date of valuation are recorded at cost.

##### *Public Art*

Public art assets are revalued periodically by independent valuers. The most recent valuation was completed during the period ended 30 June 2017, when public art was included in the urban element asset class.

##### *Public Lighting, Electrical and CCTV Network*

Public lighting, electrical and CCTV network assets were valued internally using the current replacement cost approach. The most recent valuation was conducted for the period ended 30 June 2020 and was based on the unit rates to replace the associated component. All acquisitions made after the date of valuation are recorded at cost.

##### *Roads*

Road assets were valued internally using the current replacement cost approach. The most recent valuation was conducted for the period ended 30 June 2019 and was based on the unit rates to replace the associated road component. All acquisitions made after the date of valuation are recorded at cost.

## Notes to the Financial Statements

for the year ended 30 June 2021

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

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#### *Stormwater and Drainage*

Stormwater and drainage assets are periodically valued with the most recent revaluation conducted for the period ended 30 June 2019 using the current replacement cost approach. The majority of the stormwater revaluation was conducted by an independent valuer, however the valuation of Council's gross pollutant traps and earth retaining walls was determined internally.

#### *Ticket Machines*

Ticket machines were valued internally using the current replacement cost approach. The most recent valuation was conducted for the period ended 30 June 2017 and was based on the unit rates to replace the associated ticket machine component. All acquisitions made after the date of valuation are recorded at cost.

#### *Traffic Signals*

Traffic Signal assets were valued internally using the current replacement cost approach. The most recent valuation was conducted for the period ended 30 June 2020 and was based on the unit rates to replace the associated traffic signal component. All acquisitions made after the date of valuation are recorded at cost.

#### *Urban Elements*

Urban elements were valued internally using the current replacement cost approach. The most recent valuation was conducted for the period ended 30 June 2021 and was based on unit rates to replace the associated asset. All acquisitions made after the date of valuation are recorded at cost.

### **Plant & Equipment**

Plant and equipment is valued at historical cost less depreciation.

### **Furniture & Fittings**

Furniture and Fittings is valued at historical cost less depreciation.

### **Civic Collection**

The civic collection is recognised at historical cost.

### **Investment Property**

Investment properties are valued annually. The basis of valuation is fair value being the amounts for which the properties could be exchanged between willing but not anxious parties in an arms length transaction, based on current prices in an active market for similar properties in the same location and subject to similar leases.

All investment properties are leased to tenants under long term operating leases with rentals payable monthly. Contractual obligations relating to the properties are disclosed in Note 16.

# Notes to the Financial Statements

for the year ended 30 June 2021

## Note 8. Liabilities

\$ '000	2021 Current	2021 Non Current	2020 Current	2020 Non Current
<b>(a) Trade and Other Payables</b>				
Goods & Services	6,389	–	6,060	–
Payments Received in Advance	9,115	293	5,583	293
Accrued Expenses - Employee Entitlements	950	–	472	–
Accrued Expenses - Other	6,511	–	4,192	–
Deposits, Retentions & Bonds	605	1,000	598	–
Other	1,273	–	1,652	–
<b><u>TOTAL Trade and Other Payables</u></b>	<b><u>24,843</u></b>	<b><u>1,293</u></b>	<b><u>18,557</u></b>	<b><u>293</u></b>

\$ '000	Notes	2021 Current	2021 Non Current	2020 Current	2020 Non Current
<b>(b) Borrowings</b>					
Loans		–	34,700	–	51,600
Lease Liabilities	16b	4,690	50,463	4,837	36,296
<b><u>TOTAL Borrowings</u></b>		<b><u>4,690</u></b>	<b><u>85,163</u></b>	<b><u>4,837</u></b>	<b><u>87,896</u></b>

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

## (c) Provisions

Annual Leave Employee Entitlements	6,321	–	6,585	–
Long Service Leave Employee Entitlements	6,646	1,816	7,672	1,955
Other	353	–	349	–
<b><u>TOTAL Provisions</u></b>	<b><u>13,320</u></b>	<b><u>1,816</u></b>	<b><u>14,606</u></b>	<b><u>1,955</u></b>

# Notes to the Financial Statements

for the year ended 30 June 2021

## Note 9. Reserves

	as at 30/06/20				as at 30/06/21
\$ '000	Opening Balance	Increments (Decrements)	Transfers	Impairments	Closing Balance
<b>(a) Asset Revaluation Reserve</b>					
Land - Other	147,420	19,700	—	—	167,120
Buildings	240,707	15,584	—	—	256,291
Infrastructure					
- Stormwater and Drainage	94,745	—	—	—	94,745
- Bridges	56,005	—	—	—	56,005
- Footpaths	146,093	—	—	—	146,093
- Kerb & Water Table	80,721	—	—	—	80,721
- Public Lighting	7,527	—	—	—	7,527
- Roads	115,054	—	—	—	115,054
- Statues & Fountains	3,730	—	—	—	3,730
- Ticket Machines	1,202	—	—	—	1,202
- Traffic Signals	8,970	—	—	—	8,970
- Urban Elements	17,616	12,922	—	—	30,538
Park Land Improvements	13,217	—	—	—	13,217
Other Assets	1,003	—	—	—	1,003
<b>Total Asset Revaluation Reserve</b>	<b>934,010</b>	<b>48,206</b>	<b>—</b>	<b>—</b>	<b>982,216</b>
Comparatives	917,788	16,222	—	—	934,010

	as at 30/06/20				as at 30/06/21
\$ '000	Opening Balance	Tfrs to Reserve	Tfrs from Reserve	Other Movements	Closing Balance
<b>(b) Other Reserves</b>					
Other Reserves <sup>i</sup>	—	1,273	—	—	1,273
Defined Benefit - Unfunded Superannuation Liability	1,612	203	—	—	1,815
<b>Total Other Reserves</b>	<b>1,612</b>	<b>1,476</b>	<b>—</b>	<b>—</b>	<b>3,088</b>
Comparatives	1,659	—	(47)	—	1,612

(i) Future Fund Reserve

## 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).

### Future Fund Reserve

A Future Fund Reserve was established to enable Council to fund the purchase of future income generating assets and to invest in strategic capital projects from the sale proceeds of assets identified through the Strategic Property Review.

### Defined Benefit Superannuation Reserve

This reserve is used to record the actuarial gains & losses on the Corporation of the City of Adelaide Superannuation Plan (CCASP) in line with AASB 119 requirements.

# Notes to the Financial Statements

for the year ended 30 June 2021

## Note 10. Reconciliation to Statement of Cash Flows

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

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

Total Cash & Equivalent Assets	5	1,912	945
<b>Balances per Statement of Cash Flows</b>		<b>1,912</b>	<b>945</b>

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

<b>Net Surplus/(Deficit)</b>	(10,312)	(16,049)
<b>Non-Cash Items in Income Statements</b>		
Depreciation, Amortisation & Impairment	56,808	51,869
Fair Value Adjustments	765	(8,887)
Equity Movements in Equity Accounted Investments (Increase) / Decrease	4	18
Non-Cash Asset Acquisitions	(450)	—
Grants for capital acquisitions treated as Investing Activity	(2,698)	(1,205)
Net (Gain) Loss on Disposals	5,762	7,795
Actuarial Gain (Loss) Unfunded Super	203	(47)
	<b>50,082</b>	<b>33,494</b>
<b>Add (Less): Changes in Net Current Assets</b>		
Net (Increase) / Decrease in Receivables	(2,477)	(3,835)
Change in Allowances for Under-Recovery of Receivables	(295)	(266)
Net (Increase) / Decrease in Inventories	70	65
Net (Increase) / Decrease in Other Assets	644	30
Net Increase / (Decrease) in Trade & Other Payables	6,279	(9,600)
Net Increase / (Decrease) in Unpaid Employee Benefits	(264)	472
Net Increase / (Decrease) in Other Provisions	(1,161)	203
<b>Net Cash provided by (or used in) operations</b>	<b>52,878</b>	<b>20,563</b>



# Notes to the Financial Statements

for the year ended 30 June 2021

## Note 10. Reconciliation to Statement of Cash Flows (continued)

\$ '000	2021	2020
<b>(c) Reconciliation of Liabilities Arising from Financing Activities</b>		
<b>Borrowings and Lease Liabilities</b>		
Opening Balance	92,733	41,450
Net Proceeds from/(Repayments of) Borrowings	(16,900)	10,150
Leases	14,020	41,133
<b>Closing Balance</b>	<b>89,853</b>	<b>92,733</b>
<b>Bonds &amp; Deposits</b>		
Opening Balance	598	970
Bond / Deposit Proceeds Received/(Repayments Made) During the Year	1,007	(372)
<b>Total Liabilities from Financing Activities</b>	<b>91,458</b>	<b>93,331</b>

## (d) Financing Arrangements

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

Bank Overdrafts	500	500
Corporate Credit Cards	600	600
LGFA Cash Advance Debenture Facility	100,000	100,000

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

# City of Adelaide

## Notes to the Financial Statements for the year ended 30 June 2021

### Note 11(a). Functions

Income, Expenses and Assets have been directly attributed to the following Functions / Activities. Details of these Functions/Activities are provided in Note 11(b).											
\$ '000	2021	INCOME		EXPENSES		OPERATING SURPLUS (DEFICIT)		GRANTS INCLUDED IN INCOME		TOTAL ASSETS HELD (CURRENT & NON-CURRENT)	
		2020	2021	2020	2021	2020	2021	2020	2021	2020	
<b>Functions/Activities</b>											
Arts, Culture and Events	1,667	2,513	10,685	11,227	(9,018)	(8,714)	—	—	50,060	49,058	
Community Development	356	437	2,654	2,685	(2,298)	(2,248)	287	288	—	—	
Community Safety	2,415	2,589	3,020	2,892	(605)	(303)	—	—	—	—	
Environmental Sustainability	128	92	2,538	2,446	(2,410)	(2,354)	—	—	—	—	
Library Services	296	418	5,420	5,636	(5,124)	(5,218)	478	533	1,921	2,010	
Park Lands and Open Space	2,030	640	21,757	24,146	(19,727)	(23,506)	—	—	465,325	446,649	
Parking	41,291	41,400	19,334	20,563	21,957	20,837	—	—	1,257	1,564	
Planning, Building and Heritage	511	524	3,559	2,498	(3,048)	(1,974)	—	—	—	—	
Property Management and Development	9,020	15,192	7,021	9,056	1,999	6,136	—	5,000	603,634	558,586	
Resource Recovery and Waste Management	726	925	4,651	4,507	(3,925)	(3,582)	—	—	—	—	
Social and Economic Planning	240	205	4,395	7,567	(4,155)	(7,362)	—	—	—	—	
Sports and Recreation	8,333	7,684	13,433	14,122	(5,100)	(6,438)	—	—	—	—	
Streets and Transportation	406	719	46,993	38,740	(46,587)	(38,021)	256	255	754,307	781,014	
Subsidiary Services	17,017	13,918	17,971	13,955	(954)	(37)	3,993	2,035	1,881	1,348	
Corporate and other Capital Costs	112,946	111,957	40,884	57,519	72,062	54,438	418	449	45,017	42,095	
<b>Total Functions/Activities</b>	<b>197,382</b>	<b>199,213</b>	<b>204,315</b>	<b>217,559</b>	<b>(6,933)</b>	<b>(18,346)</b>	<b>5,432</b>	<b>8,560</b>	<b>1,923,402</b>	<b>1,882,324</b>	

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.

## Notes to the Financial Statements

for the year ended 30 June 2021

### Note 11(b). Components of Functions

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**The activities relating to Council functions are as follows:**

**Arts, Culture and Events**

Enhances the cultural and creative elements of the City, enlivening it with things to do and see, and making the rich heritage of the City available to all.

**Community Development**

Creates opportunities for people to connect, learn, grow, and work with others to enhance their local communities.

**Community Safety**

Ensures a safe and healthy city environment for people to visit, work, study, live and do business.

**Environmental Sustainability**

Demonstrates environmental leadership through our goals to become a sustainable, carbon neutral and climate resilient city.

**Library Services**

Educate, engage and enable people to create, connect and be inspired, through free access to information and ideas, activities and programs, innovative technology and a range of resources which support lifelong learning.

**Park Lands and Open Space**

Encourages healthy lifestyles and experiences, through the provision, maintenance, protection and enhancement of our unique Park Lands, open spaces and community infrastructure.

**Parking**

Drives the availability and accessibility of car parking in the City and North Adelaide.

**Planning, Building and Heritage**

Ensures a well-planned and developed city, with consideration to the local area and protected heritage listings within the bounds of policy and legislation.

**Property Management and Development**

Leverages the development and management of Council's property assets and identifies opportunities in partnership with the private public sectors, to generate income, create employment opportunities, and reinvigorate city precincts, to build a prosperous city.

**Resource Recovery and Waste Management**

Educates and encourages the community to redefine the concept of waste, recover more resources and build a circular economy, whilst keeping the community clean and hygienic through effective management and collection of waste.

**Social and Economic Planning**

Creates liveable communities, vibrant economies and social cohesion through a well-designed and welcoming city, and resilient community.

**Sports and Recreation**

Encourage health and wellbeing by providing places, spaces and opportunities to access a range of community sports and recreation facilities throughout the City.

**Streets and Transportation**

Supports current needs and future growth for the delivery of safe, convenient, accessible, clean and appealing ways for people to move around the City.

**Subsidiary Services**

- Adelaide Central Market Authority oversees the management and operations of the Adelaide Central Market as a commercially sustainable, diverse, iconic, and unique fresh produce market.
- Adelaide Economic Development Agency delivers initiatives that work to increase visitation and use of the city, attract investment in the city, and position Rundle Mall as South Australia's premier retail and commercial shopping precinct.

## Notes to the Financial Statements

for the year ended 30 June 2021

### Note 11(b). Components of Functions (continued)

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#### Corporate Services

Our Corporate Services provide effective and efficient services and insights to strengthen and grow our organisational capability, and support a culture of accountability, transparency and innovation to best enable the delivery of our Community Services and Subsidiaries.

### Note 12. Financial Instruments

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#### Recognised Financial Instruments

##### Receivables - Rates & Associated Charges

###### Accounting Policy:

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

###### Terms & Conditions:

Secured over the subject land, arrears attract interest of 5.2% (2020: 6.3%). 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:

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

###### Terms & Conditions:

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

###### Carrying Amount:

Approximates fair value (after deduction of any allowance).

##### Receivables - Other Levels of Government

###### Accounting Policy:

Carried at nominal value.

###### 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.

##### Receivables - Shared Equity Contribution

###### Accounting Policy:

Accounted for in accordance with AASB 13

###### Terms & Conditions:

In accordance with AASB 13, the fair value measurement of the financial asset has been assessed as a level 2. The valuation adopted a sale price comparison approach where the sales prices of comparable property in a similar location are adjusted for key differences in key attributes such as car parks, bathrooms and outdoor areas.

## Notes to the Financial Statements

for the year ended 30 June 2021

### Note 12. Financial Instruments (continued)

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**Carrying Amount:**

Fair Value

#### **Liabilities - Creditors and Accruals**

**Accounting Policy:**

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

**Terms & Conditions:**

Liabilities are normally settled on 30 day terms.

**Carrying Amount:**

Approximates fair value.

#### **Liabilities - Interest Bearing Borrowings**

**Accounting Policy:**

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

**Terms & Conditions:**

Secured over future revenues, current loans are on a floating facility where surplus funds are used to pay down loan balances. Loans are procured via a tender process and interest rates are secured at drawdown.

**Carrying Amount:**

Approximates fair value.

#### **Liabilities - Leases**

**Accounting Policy:**

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

# Notes to the Financial Statements

for the year ended 30 June 2021

## Note 12. Financial Instruments (continued)

\$ '000	Due < 1 year	Due > 1 year & ≤ 5 years	Due > 5 years	Total Contractual Cash Flows	Carrying Values
<b>Financial Assets</b>					
<b>2021</b>					
Cash & Cash Equivalents	1,912	—	—	1,912	1,912
Receivables	6,532	—	—	6,532	6,532
Other Financial Assets	—	376	—	376	376
<b>Total Financial Assets</b>	<b>8,444</b>	<b>376</b>	<b>—</b>	<b>8,820</b>	<b>8,820</b>
<b>Financial Liabilities</b>					
Payables	17,919	—	—	17,919	16,728
Non-Current Borrowings	—	30,000	4,700	34,700	34,700
Leases	5,703	22,859	32,923	61,485	55,154
<b>Total Financial Liabilities</b>	<b>23,622</b>	<b>52,859</b>	<b>37,623</b>	<b>114,104</b>	<b>106,582</b>
<b>2020</b>					
Cash & Cash Equivalents	945	—	—	945	945
Receivables	3,781	—	—	3,781	3,781
Other Financial Assets	51	308	—	359	359
<b>Total Financial Assets</b>	<b>4,777</b>	<b>308</b>	<b>—</b>	<b>5,085</b>	<b>5,085</b>
<b>Financial Liabilities</b>					
Payables	14,168	—	—	14,168	12,974
Non-Current Borrowings	—	30,000	21,600	51,600	51,600
Leases	5,712	16,941	24,056	46,709	41,133
<b>Total Financial Liabilities</b>	<b>19,880</b>	<b>46,941</b>	<b>45,656</b>	<b>112,477</b>	<b>105,707</b>

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

\$ '000	2021		2020	
	Weighted Avg Interest Rate	Carrying Value	Weighted Avg Interest Rate	Carrying Value
Other Variable Rates	1.41%	34,700	1.91%	51,600
		<b>34,700</b>		<b>51,600</b>

### Net Fair Value

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

## Notes to the Financial Statements

for the year ended 30 June 2021

### Note 12. 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.

### Note 13. Capital Expenditure and Investment Property Commitments

\$ '000	2021	2020
<b>Capital Commitments</b>		
<b>Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:</b>		
Buildings	297	3,124
Drainage & Waterways	259	213
IT Corporate System	343	448
Lighting & Electrical	358	110
Park Lands & Squares	2,919	955
Plant & Equipment	1,104	11
Streetscapes	715	635
Transportation	7,040	811
Urban Elements	336	94
	<b>13,371</b>	<b>6,401</b>
<b>These expenditures are payable:</b>		
Not later than one year	13,371	6,401
	<b>13,371</b>	<b>6,401</b>

# Notes to the Financial Statements

for the year ended 30 June 2021

## Note 14. Financial Indicators

\$ '000	Indicator 2021	Indicators 2020	Indicators 2019
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*These Financial Indicators have been calculated in accordance with Information paper 9 - Local Government Financial Indicators prepared as part of the LGA Financial Sustainability Program for the Local Government Association of South Australia.*

### 1. Operating Surplus Ratio

Operating Surplus			
Total Operating Income	(4)%	(9)%	(11)%

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

### 2. Net Financial Liabilities Ratio

Net Financial Liabilities			
Total Operating Income	57%	57%	35%

*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.*

### Adjusted Operating Surplus Ratio

Operating Surplus			
Total Operating Income	(3.5)%	(9.2)%	(10.8)%

### Adjusted Net Financial Liabilities Ratio

Net Financial Liabilities			
Total Operating Income	57%	57%	35%

### 3. Asset Renewal Funding Ratio

Net Asset Renewals			
Infrastructure & Asset Management Plan required expenditure	72%	40%	76%

*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.*



## Notes to the Financial Statements

for the year ended 30 June 2021

### Note 15. Uniform Presentation of Finances

\$ '000	2021	2020
<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	197,382	199,213
less Expenses	(204,315)	(217,559)
<b>Operating Surplus / (Deficit)</b>	<b>(6,933)</b>	<b>(18,346)</b>
<b>Net Outlays on Existing Assets</b>		
Capital Expenditure on Renewal and Replacement of Existing Assets	(23,205)	(15,482)
add back Depreciation, Amortisation and Impairment	56,808	51,869
add back Proceeds from Sale of Replaced Assets	815	279
	<b>34,418</b>	<b>36,666</b>
<b>Net Outlays on New and Upgraded Assets</b>		
Capital Expenditure on New and Upgraded Assets (including Investment Property & Real Estate Developments)	(12,425)	(16,865)
add back Amounts Received Specifically for New and Upgraded Assets	2,698	1,205
add back Proceeds from Sale of Surplus Assets (including investment property, real estate developments & non-current assets held for resale)	1,405	112
	<b>(8,322)</b>	<b>(15,548)</b>
<b>Net Lending / (Borrowing) for Financial Year</b>	<b>19,163</b>	<b>2,772</b>

## Notes to the Financial Statements

for the year ended 30 June 2021

### Note 16. Leases

#### (i) Council as a lessee

##### Terms and conditions of leases

##### Buildings

Lease obligations for buildings are related to the provision of services by Council including car parks, libraries and community centres. Leases are of varying duration, terms and conditions. No lease imposes any additional restrictions on Council in relation to additional debt or further leasing.

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

#### (a) Right of use assets

\$ '000	Buildings	Total
<b>2021</b>		
Opening balance	39,333	39,333
Adjustments to right-of-use assets due to re-measurement of lease liability	18,858	18,858
Depreciation charge	(5,286)	(5,286)
<b>Balance at 30 June</b>	<b>52,905</b>	<b>52,905</b>
<b>2020</b>		
Opening balance	45,864	45,864
Depreciation charge	(5,408)	(5,408)
Impairment of right-of-use assets	(1,123)	(1,123)
<b>Balance at 30 June</b>	<b>39,333</b>	<b>39,333</b>

#### (b) Lease liabilities

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

\$ '000	2021	2020
Balance at 1 July	41,133	45,864
Additions	18,858	—
Accretion of interest	910	983
Payments	(5,747)	(5,714)
<b>Balance at 30 June</b>	<b>55,154</b>	<b>41,133</b>
<b>Classified as:</b>		
Current	4,691	4,837
Non Current	50,463	36,296

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

The Group had total cash outflows for leases of \$5.747m

# Notes to the Financial Statements

for the year ended 30 June 2021

## Note 16. Leases (continued)

\$ '000	2021	2020
The following are the amounts recognised in profit or loss:		
Depreciation expense of Right-of-Use Assets	5,286	5,408
Interest expense on lease liabilities	910	983
Expense relating to short term leases	18	—
Expense relating to leases of low-value assets	16	87
Variable lease payments	766	767
Other	35	53
<b>Total amount recognised in profit or loss</b>	<b>7,031</b>	<b>7,298</b>

### (ii) Council as a lessor

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 property lease income in Note 2.

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

\$ '000	2021	2020
<b>Future minimum rentals receivable under non-cancellable operating leases as at 30 June, are as follows:</b>		
Not later than one year	5,895	6,402
Later than one year and not later than 5 years	12,049	14,059
Later than 5 years	20,962	24,491
	<b>38,906</b>	<b>44,952</b>

## Notes to the Financial Statements

for the year ended 30 June 2021

### Note 17. Superannuation

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

#### **Accumulation only Members**

Accumulation only members receive both employer and employee contributions on a progressive basis. Employer contributions are based on a fixed percentage of ordinary time earnings in accordance with superannuation guarantee legislation (9.50% in 2020/21; 9.50% in 2019/20). No further liability accrues to the Council as the superannuation benefits accruing to employees are represented by their share of the net assets of the Fund.

#### **Salarylink (Defined Benefit Fund) Members**

Salarylink is a defined benefit scheme where the benefit payable is based on a formula determined by the member's contribution rate, number of years and level of contribution and final average salary. Council makes employer contributions to Salarylink as determined by the Fund's Trustee based on advice from the appointed Actuary. The rate is currently 6.3% (6.3% in 2019/20) of "superannuation" salary.

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

The Salarylink section is a multi-employer sponsored plan. As the Salarylink section's assets and liabilities are pooled and are not allocated by each employer, and employees may transfer to another employer within the local government sector and retain membership of the Fund, the Actuary is unable to allocate benefit liabilities, assets and costs between employers. As provided by AASB 119.34(a), Council does not use defined benefit accounting for these contributions.

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

# Notes to the Financial Statements

for the year ended 30 June 2021

## Note 18(a). Interests in Other Entities

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

\$ '000	Council's Share of Net Income		Council's Share of Net Assets	
	2021	2020	2021	2020
<b>Council's Share of Net Income</b>				
Joint Ventures	(4)	(18)	1,119	672
<b>Total Council's Share of Net Income</b>	<b>(4)</b>	<b>(18)</b>	<b>1,119</b>	<b>672</b>

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

#### (a) Carrying Amounts

\$ '000	Principal Activity	2021	2020
Council Solutions Regional Authority	Promotion of procurement and service delivery	—	—
The Brown Hill and Keswick Creeks Stormwater Board	Implementation & oversight of stormwater infrastructure	1,119	672
<b>Total Carrying Amounts - Joint Ventures &amp; Associates</b>		<b>1,119</b>	<b>672</b>

#### **Council Solutions Regional Authority**

Council Solutions Regional Authority was wound up as at 2 April 2020.

#### **The Brown Hill and Keswick Creeks Stormwater Board**

The Brown Hill and Keswick Creeks Stormwater Board was established by five constituent councils on the 27 February 2018. It comprises the Cities of Adelaide, Burnside, Unley, Mitcham and West Torrens. The purpose of the Board is to oversee the construction of stormwater infrastructure and to implement the Brown Hill and Keswick Creeks Stormwater Board Stormwater Management Plan.

#### (b) Relevant Interests

	Interest in Operating Result		Ownership Share of Equity		Proportion of Voting Power	
	2021	2020	2021	2020	2021	2020
The Brown Hill and Keswick Creeks Stormwater Board	8.00%	8.00%	8.00%	8.00%	20.00%	20.00%

## Notes to the Financial Statements

for the year ended 30 June 2021

### Note 18(a). Interests in Other Entities (continued)

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

\$ '000	Council Solutions Regional Authority		The Brown Hill and Keswick Creeks Stormwater Board	
	2021	2020	2021	2020
Opening Balance	—	138	672	491
Share in Operating Result	—	(14)	(4)	(4)
New Capital Contributions	—	—	451	185
Distributions Received	—	(124)	—	—
<b>Council's Equity Share in the Joint Venture or Associate</b>	<b>—</b>	<b>—</b>	<b>1,119</b>	<b>672</b>

### Note 18(b). Controlled Entities

#### Subsidiaries

Council's consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with AASB 10 and the accounting policy described in Note 1(2).

Name of Operation/Entity	Principal Activity and Place of Business
<b>Adelaide Central Market Authority (ACMA)</b>	Adelaide Central Market Authority was enacted on 3 May 2012 as a subsidiary of Council with its primary role being to oversee the management and operation of Adelaide Central Market in accordance with the Adelaide Central Market Authority Charter, the Market Charter and Council's Strategic Plan.

Interests in Subsidiary \$ '000	Ownership 2021	Ownership 2020	Voting Rights 2021	Voting Rights 2020
Council's Interest in Subsidiary	100%	100%	100%	100%

#### The nature and extent of significant restrictions relating to the Subsidiary

A 30% dividend is payable to Council annually on surplus amounts above the Asset Renewal Provision. No dividend was payable during 2020-21. The remaining surplus is retained in either a capital renewal or capital enhancement fund for future requirements.

#### The nature of risks associated with Council's interests in the Subsidiary

Council has provided ACMA with loan funding of \$12,627,881 as at 30 June 2021.

#### Other disclosures

Council manages the operational running of the car park under ACMA's control for which a management fee is payable. This totalled \$505,546 for the year (\$493,321 2019-20).

Council has a lease agreement with ACMA for the Central Market Complex until the 30 September 2033. The lease charge totalled \$2,741,870 for the year (\$2,333,749 2019-20).

ACMA contracts staff from Council with the on-charge totalling \$834,950 for the year (\$920,293 2019-20).

On 8 June 2021 Council resolved to amend the ACMA Charter so that the focus of the Authority is to deliver a 'One Market' approach, amalgamating the management of Adelaide Central Market and the Central Market Arcade. Notice of the amendment was subsequently placed in the Government Gazette on 8 July 2021. Effective from this date, ACMA is responsible for operating the Market and Arcade with the market assets and car park operation transferred to and operated by the City Of Adelaide. As a result, the Authority's property, plant and equipment was classified as held for distribution to owners at 30 June 2021 and measured at the lower of its carrying amount and fair value less costs to distribute. The borrowings with City

# Notes to the Financial Statements

for the year ended 30 June 2021

## Note 18(b). Controlled Entities (continued)

Interests in Subsidiary \$ '000	Ownership 2021	Ownership 2020	Voting Rights 2021	Voting Rights 2020
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of Adelaide and lease liabilities associated with the Star Carpark have been classified as current as the Authority expects to settle the liability in its normal operating cycle.

Following the amendments to the Authority's charter, ACMA has declared a distribution to its owner, the City of Adelaide of \$2,531,000. This will settle in its normal operating cycle.

Council, as the parent company, has provided an equity contribution of \$649,000 for the year to continue to support ACMA on a going concern basis.

Name of Operation/Entity	Principal Activity and Place of Business
<b>Adelaide Park Lands Authority (APLA)</b>	Adelaide Park Lands Authority was enacted on 14 December 2006 as a subsidiary of Council with its primary role being the provision of policy and advice to Council and the State Government in regard to the management of the Park Lands.

Interests in Subsidiary \$ '000	Ownership 2021	Ownership 2020	Voting Rights 2021	Voting Rights 2020
Council's Interest in Subsidiary	100%	100%	100%	100%

### The nature and extent of significant restrictions relating to the Subsidiary

Council funds the operations of APLA through the provision of an annual grant which for 2020-21 totalled \$121,655 (\$215,000 2019-20).

### Other disclosures

APLA contracts staff from Council with the on-charge totalling \$65,052 for the year (\$142,792 2019-20).

Name of Operation/Entity	Principal Activity and Place of Business
<b>Rundle Mall Management Authority (RMMA)</b>	The Rundle Mall Subsidiary was enacted on 9 October 2008 as a subsidiary of Council with its primary role being the promotion of the Rundle Mall. On 6 October 2020, Council resolved to amend the Charter of RMMA and rename it Adelaide Economic Development Agency. Notice of the amendment was subsequently placed in the Government Gazette on 14 January 2021.

Interests in Subsidiary \$ '000	Ownership 2021	Ownership 2020	Voting Rights 2021	Voting Rights 2020
Council's Interest in Subsidiary	0%	100%	0%	100%

### Other disclosures

RMMA contracts staff from Council with the on-charge totalling \$552,310 for the period to 14 January 2021 (\$1,052,470 2019-20).

In the prior year, Council contributed \$962,456 to the Authority, which was in equal proportion to rates waived to support Rundle Mall Traders as a consequence of the COVID-19 crisis.

## Notes to the Financial Statements

for the year ended 30 June 2021

### Note 18(b). Controlled Entities (continued)

#### Name of Operation/Entity

Name of Operation/Entity	Principal Activity and Place of Business
<b>Adelaide Economic Development Agency (AEDA)</b>	The Adelaide Economic Development Agency was enacted on 14 January 2021 as a subsidiary of Council with its primary role being to accelerate economic growth in the city, growing the visitor economy, supporting residential growth, and marketing the city as a whole including Rundle Mall

Interests in Subsidiary \$ '000	Ownership 2021	Ownership 2020	Voting Rights 2021	Voting Rights 2020
Council's Interest in Subsidiary	100%	0%	100%	0%

#### Other disclosures

AEDA contracts staff from Council with the on-charge totalling \$1,427,545 for the period 14 January 2021 to 30 June 2021.

Aggregate amount of transactions with Council

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

#### Details of Assets & Disposal Groups

At 30 June 2021, Council had entered into negotiations to sell a building. As a result, the building has been classified as held for sale in the financial statements.

\$ '000	2021	2020
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#### (ii). Carrying Amounts of Assets and Liabilities

##### Assets

Infrastructure, Property, Plant and Equipment	958	—
<b>Total Assets</b>	<b>958</b>	<b>—</b>
<b>Net Assets</b>	<b>958</b>	<b>—</b>

This disposal group was previously classified as part of Buildings in Note 7.

As the consideration expected to be received exceeds the carrying amount, these assets have been recognised at the carrying amount.



## Notes to the Financial Statements

for the year ended 30 June 2021

### Note 20. Contingencies & Assets / Liabilities Not Recognised in the Statement of Financial Position

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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 **190 km** of road reserves of an average width of **9.55 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. LEGAL EXPENSES

Council is the planning consent authority for its area under the *Development Act 1993* (as amended). Pursuant to that Act, certain persons aggrieved by a planning decision of the Council may appeal. It is normal practice that parties bear their own legal costs.

All known costs have been recognised, but the amount of further costs cannot be known until the appeals are determined.

Council has an ongoing matter in the Supreme Court of SA. The nature of the matter is such that it is unlikely that Council will be liable for any damages, but it will be liable to perform works in dispute. Council could also be subject to costs ordered against it.

Council disputes a matter in relation to the interpretation of its applicable industrial award, enterprise agreement and the Fair Work Act. The matter relates to the forced stand-down of employees in response to the COVID-19 crisis. As a result, the financial statements have recognised an amount to provide for any potential re-instatement of employee leave provisions.

Council has been served with a pre-action notice for which an estimate of financial settlement is unable to be provided for at this stage. As a result, the financial statements have not recognised a provision for any future settlement costs.

#### 4. OTHER CONTINGENT LIABILITIES

Council has committed to expenditure of \$1,327,361 as at 30 June 2021 through the Heritage Incentive Scheme (HIS). The payment of the scheme is contingent on the satisfaction that all the HIS grant requirements have been met. As a result, the financial statements have not recognised this liability.

#### 5. MAJOR PROPERTY DEVELOPMENTS

Council has entered into contracts to redevelop both the Central Market Arcade, and 88 O'Connell Street. No liabilities or assets associated with the developments have been recognised in the financial statements as construction has not commenced

#### 6. CONTINGENT ASSETS

Council has entered into a contract to redevelop the Central Market Arcade whereby Council will sell the Air Rights above the existing Arcade. This asset is contingent on construction commencing. As a result, the financial statements have not recognised this asset.

## Notes to the Financial Statements

for the year ended 30 June 2021

### Note 21. Events after the Reporting Date

Events that occur after the reporting date of 30 June 2021, up to and including the date when the financial statements are "authorised for issue" have been taken into account in preparing these statements.

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

Council is aware of the following "non adjusting events" that merit disclosure;

Building assets held for sale. Subsequent to the reporting date, the following 2 buildings were classified as held for sale:

- The community land title of 211 Pirie Street was revoked by Council on 13 July 2021 and actively marketed for sale by expression of interest, with an option to consider the adjoining Pirie/Flinders UPark carpark as a value add. The future financial effect is not reliably estimated at this time.
- Whitmore Square Commercial Tenancy was approved by Council on 13 July 2021 to negotiate an offer for the tenancy space and one associated car park space. The sale settled on the 27 August 2021.

### Note 22. Related Party Transactions

#### Key Management Personnel

##### Transactions with Key Management Personnel

The Key Management Personnel of the Council include the Lord Mayor, Councillors, CEO and Directors. In all, 21 persons were paid the following total compensation:

\$ '000	2021	2020
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##### The compensation paid to Key Management Personnel comprises:

Short-Term Employee Benefits	2,430	2,135
Post-Employment Benefits	282	136
<b>Total</b>	<b>2,712</b>	<b>2,271</b>

Compensation paid excludes reimbursement of expenses incurred on behalf of Council

##### Receipts from Key Management Personnel comprise:

Rentals for Council property	355	450
<b>Total</b>	<b>355</b>	<b>450</b>

Rentals for Council Property relates to Adelaide Central Market stall holdings. During the period, the parties to the rental revenue disclosed received \$73,264 (2019-20: \$136,000) in COVID19 rent waiver and other rent abatement in accordance with a decision of City of Adelaide to provide rent relief to all Adelaide Central Market stallholders.

## Notes to the Financial Statements

for the year ended 30 June 2021

### Note 23. Capital City Development and Economic Development

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Expenditure incurred in accordance with the Capital City Committee Capital City Development Program per Section 34(1)(b) of the *City of Adelaide Act 1998* totalled \$24.1m for 2020-21 (\$36.4 m 2019-20). This represents 13.59% (17.1% 2019-20) of total expenditure for the year ended 30 June 2021.

In accordance with the requirements of the *City of Adelaide Act 1998*, expenditure of \$12.6m (\$13.3m 2019-20) was incurred for works, services and activities that directly related to Council's economic development program.

This represents 7.11% (6.34% 2019-20) of the total expenditure for the year ended 30 June 2021.

## INDEPENDENT AUDITOR'S REPORT TO THE PRINCIPAL MEMBER OF CITY OF ADELAIDE

### Report on the Audit of the Financial Report

#### Opinion

We have audited the financial report of City of Adelaide and its subsidiaries (the Council), which comprises the consolidated statement of financial position as at 30 June 2021, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated 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 financial report of City of Adelaide, presents fairly, in all material respects, the Council's financial position as at 30 June 2021, and its financial performance and its cash flows for the year ended on that date 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.

#### Information Other than the Financial Report and Auditor's Report Thereon

Management is responsible for the other information. The other information obtained at the date of this auditor's report is the general purpose financial reports of the following regional subsidiaries of Rundle Mall Management Authority, Adelaide Park Lands Authority, Adelaide Central Market Authority, Adelaide Economic Development Agency and the Annual Report of The Brown Hill and Keswick Creeks Stormwater Board.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report of the City of Adelaide, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.



If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

#### **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. 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\\_responsibilities/ar3.pdf](http://www.auasb.gov.au/auditors_responsibilities/ar3.pdf)

This description forms part of our auditor's report.

A stylized blue ink signature of the letters 'BDO'.

**BDO Audit (SA) Pty Ltd**

A blue ink signature that reads 'Paul Gosnold' in a cursive script.

Paul Gosnold  
Director

Adelaide, 8 October 2021

## **INDEPENDENT ASSURANCE REPORT ON THE INTERNAL CONTROLS OF CITY OF ADELAIDE**

### **Opinion**

We have undertaken a reasonable assurance engagement on the design and the operating effectiveness of controls established by City of Adelaide ('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 2020 to 30 June 2021 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 2020 to 30 June 2021.

### **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.

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.

A handwritten signature in blue ink that reads 'BDO'.

**BDO Audit (SA) Pty Ltd**

A handwritten signature in blue ink that reads 'Paul Gosnold'.

Paul Gosnold  
Director

Adelaide, 8 October 2021

## City of Adelaide

### General Purpose Financial Statements

for the year ended 30 June 2021

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#### Certification of Auditor Independence


To the best of our knowledge and belief, we confirm that, for the purpose of the audit of Adelaide City Council for the year ended 30 June 2020, the Council's Auditor, BDO (Audit) SA has maintained its independence in accordance with the requirements of the *Local Government Act 1999* and the *Local Government (Financial Management) Regulations 2011* made under that Act.

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



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Clare Mockler  
Chief Executive Officer



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David Powell  
Presiding Member, Audit Committee

Date: 08 October 2021



## CERTIFICATION OF AUDITOR INDEPENDENCE

I confirm that, for the audit of the financial statements of the City of Adelaide for the year ended 30 June 2021, I have maintained my independence in accordance with the requirements of APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (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*.



Paul Gosnold  
Director

**BDO Audit (SA) Pty Ltd**

Adelaide, 30 September 2021

**Adelaide.  
Designed for Life.**



**City of Adelaide**  
25 Pirie Street  
Adelaide SA 5000

**P** 08 8203 7203  
**W** [cityofadelaide.com.au](http://cityofadelaide.com.au)