



# AUDIT COMMITTEE

## AGENDA & REPORTS

for the meeting

Friday 9 October 2020  
at 8.30am

in the Colonel Light Room  
Adelaide Town Hall



<b>Membership:</b>	The Lord Mayor 1 Council Member 3 External Independent Members 2 Proxy Council Members
<b>Quorum:</b>	3
<b>Presiding Member</b>	Mr David Powell
<b>Deputy Presiding Member</b>	Mr Ross Haslam
<b>Members</b>	The Right Honourable the Lord Mayor [Sandy Verschoor] Ms Paula Davies Councillor Hyde (Deputy Lord Mayor)
<b>Proxy Members</b>	<i>Councillor Knoll [proxy for the Lord Mayor]</i> <i>Councillor Couros [proxy for Councillor Hyde].</i>

## 1. Confirmation of Minutes – 7/8/2020

That the Minutes of the meeting of the City of Adelaide Audit Committee held on 7 August 2020 be taken as read and be confirmed as an accurate record of proceedings.

## 2. Acknowledgement of Country

‘Council acknowledges that we are meeting on traditional Country of the Kaurna people of the Adelaide Plains and pays respect to Elders past and present. We recognise and respect their cultural heritage, beliefs and relationship with the land. We acknowledge that they are of continuing importance to the Kaurna people living today.

And we also extend that respect to other Aboriginal Language Groups and other First Nations who are present today.’

## 3. Presiding Member Reports

## 4. Presentations

Nil

## 5. Reports

- 5.1. Internal Audit Progress Update [2020/00774] [Page 3]
- 5.2. Audited Financial Statements 2019-20 [2020/00273] [Page 7]
- 5.3. Matters arising from the 2019-20 External Audit [2020/00273] [Page 206]
- 5.4. Report on Financial Results 2019-20 [2020/00273] [Page 231]
- 5.5. Review undertaken of Audited Financial Statements 2019-20 [2020/00273] [Page 245]

**6. Emerging Key Risks****7. Independent Member Discussion****8. Other Business****9. Item Seeking Exclusion of the Public****9.1.** Exclusion of the Public to Consider [2018/04291] [Page 248]:

For the following items seeking consideration in confidence:

10.1 Update on Activities of the Strategic Risk and Internal Audit Group Meetings [s 90(3) (i)]

10.2 Confidential Discussion with External Auditors 2019-20 [s 90(3) (b)]

**10. Confidential Item**

**10.1.** Update on Activities of the Strategic Risk and Internal Audit Group Meetings [2020/01604] [Page 251]

**10.2.** Confidential Discussion with External Auditors 2019-20 [2020/00273] [Page 256]

**11. Closure**

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# Internal Audit Progress Update

**ITEM 5.1 09/10/2020**  
**Audit Committee**

Strategic Alignment - Enabling Priorities

2020/00774  
Public

**Program Contact:**  
Rudi Deco, Manager Governance  
8203 7442

**Approving Officer:**  
Mark Goldstone, Chief Executive  
Officer

## EXECUTIVE SUMMARY

To provide the Audit Committee with a progress update on the Internal Audit program, findings and recommendations.

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## RECOMMENDATION

### THAT THE AUDIT COMMITTEE

1. Notes the Internal Audit Progress Update report.
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## IMPLICATIONS AND FINANCIALS

City of Adelaide 2020-2024 Strategic Plan	<b>Strategic Alignment – Enabling Priorities</b> The role of the City of Adelaide is to uphold the values of integrity and accountability. To ensure that the Council delivers services to the community as a leader, advocate, and facilitator by maintaining a transparent decision-making process.
Policy	Not as a result of this report
Consultation	Not as a result of this report
Resource	Not as a result of this report
Risk / Legal / Legislative	Not as a result of this report
Opportunities	The Internal Audit program provides advice to the Audit Committee on assurance related activities to meet best practice standards.
20/21 Budget Allocation	\$70,000
Proposed 21/22 Budget Allocation	Not as a result of this report
Life of Project, Service, Initiative or (Expectancy of) Asset	Not as a result of this report
20/21 Budget Reconsideration (if applicable)	Not as a result of this report
Ongoing Costs (eg maintenance cost)	Not as a result of this report
Other Funding Sources	Not as a result of this report

## DISCUSSION

1. The role of Internal Audit is to assist Council, Audit Committee and the Chief Executive Officer in meeting their assurance obligations relating to corporate governance, the system of internal controls and identifying areas for more efficient processes.
2. Pursuant to the Audit Committee's Terms of Reference, approved by Council on 11 February 2020, the Audit Committee shall receive reports on all Internal Audit projects and shall review and monitor management's responsiveness to the findings and recommendations of the Internal Auditor (KPMG) and inhouse advice. At the request of the Audit Committee, full copies of all completed audit reports are included and can be viewed [here](#).
3. The Internal Audit Plan (the Plan) 2020/2021 was endorsed by Audit Committee at its meeting on 19 June 2020. The Audit Committee can at all times consider an amendment to the plan in context of operational needs and priorities.
4. A summary of internal audits (IA), strategic reviews (SR) and internal investigations (II) for the period May 2020 to September 2020 is provided below:

Completed projects:	Legislative Compliance Social Media Park Lands Expenditure
Continuing projects:	-
Projects commenced:	Post Audit Implementation Project Management Review

5. Recommendations arising from Internal Audit and Strategic Reviews are reported to the executive Strategic Risk and Internal Audit Group (SRIA). Associate Directors are involved (as appropriate) in the reviews and assist in drafting the management responses, agree on actions, and have overall responsibility of the completion dates.
6. Recommendations, agreed actions, responsibilities and timeframes for implementation are recorded centrally in Council's process mapping software system, Promapp. The implementation status of recommendations is tracked and reported to the Audit Committee.
7. Since the last Internal Audit Progress Update reported to the Audit Committee at its meeting on 1 May 2020, fifty (50) internal audit recommendations have been completed and eighty (80) recommendations are in progress – view [here](#), as summarised in the table below:

Risk	Definition	Overdue	In Progress	Total
High	Issue represents a control weakness which could have or is having major adverse effect on the ability to achieve project objectives. Requires a detailed plan of action to be put in place within 60 days with an expected resolution date and a substantial improvement within 3-6 months.	0	10	<b>10</b>
Moderate	Issue represents a control weakness which could have or is having a moderate effect on the ability to achieve process objectives. Requires a detailed plan of action to be put in place within 90 days with an expected resolution date and a substantial improvement within 6-9 months.	0	23	<b>23</b>
Low	Issue represents a minor control weakness, with minimal but reportable impact on the ability to achieve project objectives.	0	31	<b>31</b>

	Timeframe for action is subject to competing priorities and cost/benefit analysis, e.g. 9-12 months			
	<b>Total</b>	0	64	<b>64</b>
N/A	Improvement Opportunity	0	16	<b>16</b>

## DATA AND SUPPORTING INFORMATION

**Link 1** – Completed Audit Reports

**Link 2** – Progress Summary of Recommendations Report

## ATTACHMENTS

Nil

- END OF REPORT -

# Audited Financial Statements 2019-20

ITEM 5.2 09/10/2020

Audit Committee

Strategic Alignment - Strong Economies

2020/00273

Public

**Program Contact:**

Sonjoy Ghosh, AD Strategic  
Finance & Procurement 8203  
7655

**Approving Officer:**

Clare Mockler, Deputy CEO &  
Director Culture

## EXECUTIVE SUMMARY

As governed by the *Local Government (Financial Management) Regulations 2011 (SA)* (the Regulations), the Annual Financial Statements of Council must include a statement signed by the Chief Executive Officer and the Principal Member of Council.

The purpose of this report is to consider and approve for certification the Audited Financial Statements of Council for the year ended 30 June 2020.

## RECOMMENDATION

### THAT THE AUDIT COMMITTEE RECOMMENDS TO COUNCIL

#### That Council:

1. Considers that the Consolidated Financial Statements present fairly the financial position of the City of Adelaide, having reviewed the Consolidated Financial Statements for 2019-20, contained in Attachment A to Item 5.2 on the Agenda for the meeting of the Audit Committee held on 9 October 2020.
2. Receives the City of Adelaide's Consolidated Financial Statements for 2019-20, contained in Attachment A to Item 5.2 on the Agenda for the meeting of the Audit Committee held on 9 October 2020, subject to minor administrative changes and subsequent balance date event adjustments, to be certified by the Chief Executive Officer and the Lord Mayor.
3. Considers it is appropriate that the representation letter requested by the external auditor, contained in Attachment B to Item 5.2 on the Agenda for the meeting of the Audit Committee held on 9 October 2020, is signed by management.
4. Notes the Certification of Auditor Independence contained in Attachment C to Item 5.2 on the Agenda for the meeting of the Audit Committee held on 9 October 2020 by the Chief Executive Officer and the Presiding Member of the Audit Committee.
5. Notes the audited Adelaide Central Market Authority Financial Statements for 2019-20 as contained in Attachment D to Item 5.2 on the Agenda for the meeting of the Audit Committee held on 9 October 2020, have been audited and have been approved by the Adelaide Central Market Authority Board on 24 September 2020. These financial results have been included in the Consolidated Financial Statements of the City of Adelaide.
6. Notes the Rundle Mall Management Authority Financial Statements for 2019-20, contained in Attachment E to Item 5.2 on the Agenda for the meeting of the Audit Committee held on 9 October 2020, have been approved by the Rundle Mall Management Authority Board at its meeting on 21 September 2020, and certified by the Chair of the Board. These financial results are included in the Consolidated Financial Statements of the City of Adelaide; and
  - 6.1. Considers the Financial Statements for 2019-20 present fairly the financial position of the Rundle Mall Management Authority.

- 6.2. Notes the Certification of Auditor Independence in relation to Rundle Mall Management Authority, contained in Attachment E to Item 5.2 on the Agenda for the meeting of the Audit Committee held on 9 October 2020 is signed by the Chief Executive Officer and the Presiding Member of the Audit Committee.
  - 6.3. Notes the representation letter requested by the external auditor of the Rundle Mall Management Authority, contained in Attachment F to Item 5.2 on the Agenda for the meeting of the Audit Committee held on 9 October 2020, is signed by management.
  7. Notes the Adelaide Park Lands Authority Financial Statements for 2019-20, contained in Attachment G to Item 5.2 on the Agenda for the meeting of the Audit Committee held on 9 October 2020, are included in the Consolidated Financial Statements of the City of Adelaide; and
    - 7.1. Considers the Financial Statements for 2019-20 present fairly the financial position of the Adelaide Park Lands Authority and can be certified by the Lord Mayor as Chair of Adelaide Park Lands Authority.
    - 7.2. Considers it is appropriate that the representation letter requested by the external auditor of the Adelaide Park Lands Authority, contained in Attachment H to Item 5.2 on the Agenda for the meeting of the Audit Committee held on 9 October 2020, is signed by management;
    - 7.3. Notes the Certification of Auditor Independence in relation to the Adelaide Park Lands Authority, contained in Attachment I to Item 5.2 on the Agenda for the meeting of the Audit Committee held on 9 October 2020, and considers it is appropriate to be signed by the Chief Executive Officer and the Presiding Member of the Audit Committee;
  8. Notes the Council Solutions Regional Authority Financial Statements for 2019-20 as contained in Attachment J to Item 5.2 on the Agenda for the meeting of the Audit Committee held on 9 October 2020 have been audited and approved by the Council Solutions Regional Authority Board. These financial results have been included in the Consolidated Financial Statements of the City of Adelaide.
    - 8.1. Notes the Financial Statements for 2019-20 are as at 28 February 2020. Pursuant to Clause 33(1)(a) of Schedule 2 to the *Local Government Act 1999 (SA)*, and at the request of the constituent councils, City of Adelaide, City of Charles Sturt, City of Marion, City of Onkaparinga, City of Salisbury and the City of Tea Tree Gully, the Hon Stephan Knoll MP declared Council Solutions wound up, effective 2 April 2020.
  9. Notes the Brown Hill and Keswick Creeks Stormwater Board's Financial Statements for 2019-20 as contained in Attachment K to Item 5.2 on the Agenda for the meeting of the Audit Committee held on 9 October 2020. Council's equity interest of eight percent (8%) is included in the Consolidated Financial Statements of the City of Adelaide.
  10. Recommends the 2019-20 Consolidated Financial Statements of the City of Adelaide, and the Financial Statements of the Rundle Mall Management Authority, Adelaide Park Lands Authority, Adelaide Central Market Authority, Brown Hill and Keswick Creeks Stormwater Board and Council Solutions Regional Authority be presented to Council for noting on 13 October 2020.
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## IMPLICATIONS AND FINANCIALS

City of Adelaide 2020-2024 Strategic Plan	<b>Strategic Alignment – Strong Economies</b> Financial sustainability is critical to achieving our vision and Council will carefully manage its revenue, costs, debts, and assets.
Policy	Not as a result of this report
Consultation	Not as a result of this report
Resource	Not as a result of this report
Risk / Legal / Legislative	<i>Local Government Act 1999 (SA) and the Local Government (Financial Management) Regulations 2011 (SA)</i>
Opportunities	Not as a result of this report
20/21 Budget Allocation	Not as a result of this report
Proposed 21/22 Budget Allocation	Not as a result of this report
Life of Project, Service, Initiative or (Expectancy of) Asset	Not as a result of this report
20/21 Budget Reconsideration (if applicable)	Not as a result of this report
Ongoing Costs (e.g. maintenance cost)	Not as a result of this report
Other Funding Sources	Not as a result of this report

## DISCUSSION

1. The Consolidated Financial Statements for the year ended 30 June 2020 have been prepared in accordance with the *Local Government Act 1999* (SA) (the Act) and the *Local Government (Financial Management) Regulations 2011* (SA) (the Regulations) and all applicable Australian Accounting Standards. The format used in these statements is prescribed by legislation to be in accordance with the Model Financial Statements, approved by the Minister for Local Government in June 2020.
2. As per the Regulations, the Financial Statements of Council must include a statement signed by the Chief Executive Officer and the Principal Member of Council. The Chief Executive Officer and the Lord Mayor have been authorised by Council to certify the Annual Financial Statements in their final form.
3. The role of the external auditor is to provide an audit opinion to Council with respect to the audited financial statements. The external auditor, Mr Andrew Tickle of BDO, has completed the audit of the financial statements and in his report on matters arising from the audit (Audit Completion Report) has provided audit clearance for the Consolidated Financial Statements as part of a separate report to the Audit Committee.
4. Audit clearance is subject to BDO conducting a subsequent event review up to the date of signing of the Consolidated Financial Statements of the Corporation together with the required Letter of Representation being signed by the relevant parties, subsequent to the Audit Committee meeting on 9 October 2020.
5. The Financial Statements of the Adelaide Central Market Authority for the year ended 30 June 2020 have been audited by the appointed auditor BDO and formally approved by the Adelaide Central Market Authority Board on the 24 September 2020. The signed Financial Statements are included in **Attachment D** for presentation to Council in accordance with the Act and the Regulations.
6. The Financial Statements of the Rundle Mall Management Authority for the year ended 30 June 2020 have been audited by the appointed auditor BDO and formally approved by the Rundle Mall Management Authority Board on the 21 September 2020. The signed Financial Statements are included in **Attachment E** for presentation to Council in accordance with the Act and the Regulations.
7. The Financial Statements of the Adelaide Park Lands Authority for the year ended 30 June 2020 have been audited by the appointed auditor BDO and will be signed by the Lord Mayor as Chair of Adelaide Park Lands Authority at the Audit Committee meeting on 9 October 2020. The signed Financial Statements are included in **Attachment G** for presentation in accordance with the Act and the Regulations.
8. The Financial Statements of the Council Solutions Regional Authority for the year ended 30 June 2020 have been approved by the Council Solutions Regional Authority Board and signed by nominated board members and the appointed auditor, Ian G McDonald. The signed Council Solutions Regional Authority Financial Statements are included in **Attachment J** for presentation to Council in accordance with the Act and the Regulations.
9. The Financial Statements of the Brownhill and Keswick Creeks Stormwater Board for the year ended 30 June 2020 have been approved by the Brownhill and Keswick Creeks Stormwater Board and signed by nominated board members and the appointed auditor, Luke Williams. The signed Brownhill and Keswick Creeks Stormwater Board Financial Statements are included in **Attachment K** for presentation to Council in accordance with the Act and the Regulations.

### Consolidated Financial Statements

10. The statutory Consolidated Financial Statements of the Corporation, prepared in accordance with the Regulations and the relevant Australian Accounting Standards (AASB), have been completed for the 2019-20 year (**Attachment A**).
11. The Consolidated Financial Statements comprise the following:
  - 11.1. Council Certification.
  - 11.2. Statement of Comprehensive Income.
  - 11.3. Statement of Financial Position.
  - 11.4. Statement of Changes in Equity.
  - 11.5. Statement of Cash Flows.
  - 11.6. Notes to and forming part of the Financial Statements; and
  - 11.7. Independent Audit Report.

In addition, the Financial Statements are required to be accompanied by the:

- 11.8. Certification Statement of Independence of the City of Adelaide Auditor by the Chief Executive Officer and the Presiding Member of the Audit Committee, as well as the Audit Certificate of Audit Independence.

## Statement of Comprehensive Income

12. The major year on year movements in the Statement of Comprehensive Income are as follows:

- 12.1. Income increased by \$3.5m (1.77%) over the previous year and includes the following movements:

- 12.1.1. A decrease in user charges of \$6.3m driven by COVID-19 restrictions. On-street and off-street parking fees were down by \$900k and \$3.7m respectively due to fewer workers/visitors being in the City during the COVID-19 shutdown, and the reduced commercial rates being charged by Council in the U-Parks under the UPark Plus initiative. The closure of the Adelaide Aquatic Centre resulted in a reduction in income from fees of \$1.3m, while a further \$1.0m was provided as rent waivers to CoA and ACMA property tenants in the Council's capacity as landlord.
- 12.1.2. Rates revenue net increase of \$6.8m driven by valuation increases (0.9%), growth in new developments, additions, and alterations (1.3%) and a 2.94% growth in the number of assessments from 2018-19 that realised an additional \$8.4m in rate income. This was offset by an increase in rebates of \$866k and the \$962k waiver of the fourth quarter Rundle Mall separate rate for the purpose of managing and marketing the Rundle Mall precinct in response to COVID-19 crisis.
- 12.1.3. Offset by Grants, subsidies and contributions increasing by \$5m due to the second tranche of funding being received from the South Australian Government governing the acquisition and development of 88 O'Connell Street.
- 12.1.4. A reduction of \$1.6m in statutory charges, primarily expiation fees and parking fines as a result of the decision to pause issuing parking expiations during the COVID-19 shutdown and the reduction in the number of parking information officers operating in the City precinct areas.

- 12.2. Operating expenditure increased by \$1.8m (0.85%) over the previous year and includes the following movements:

- 12.2.1. Employee costs increased by \$2.8m. The uplift was primarily as a result of an additional \$3.0m in paid salaries and wages due to the approval of the new Enterprise Bargaining Agreement (\$1.5m), backpay (\$0.7m), and termination costs (\$0.8m). An additional \$1.6m of project related resourcing was unable to be capitalised in 2019-20 driven by the reduced works program following the COVID-19 shutdowns. The reduction in staffing numbers including casuals, and temporary staff realised additional savings in employee costs of \$1.9m.
- 12.2.2. Materials, Contracts and Other Expenses decreased by \$9.3m compared to 2018-19, primarily due to the introduction of AASB 16 Leases, which has resulted in a reduction in operating lease rental expenses of \$6.6m and a \$3.0m reduction in sponsorships, contributions and donations due to large once off contributions for the Ten Gigabit Adelaide project and the Anzac memorial being recognised in 2018-19.
- 12.2.3. Depreciation, Amortisation, and Impairment had a net increase of \$7.5m. The introduction of the new leasing standard AASB 16 Leases and the requirement to now recognise right of use assets contributed additional depreciation costs of \$5.4m and impairment costs relating to the Vaughan Place carpark of \$1.2m. Almost \$1m was due in part to the revaluation uplift of assets as well as additional purchases made during the year.
- 12.2.4. Finance costs in relation to the introduction of AASB 16 Leases recognised an additional \$983k of interest expense on lease liabilities, offset by a reduction in loan interest of \$300k as a result of a lower interest rate on borrowings.

- 12.3. Other non-operating items:

- 12.3.1. There was an uplift of \$8.8m relating to the reversal of revaluation decrements for traffic signals and public lighting. This was offset by an increase in asset disposals of \$3.4m being surplus assets identified as part of the asset register reconciliation performed for the new asset management system, Assetic.
- 12.3.2. A total of \$1.2m was received in grants, subsidies, or contributions towards new or upgraded assets, a reduction of \$4.4m compared to 2018-19. This movement is reflective of the introduction of the new grants standard AASB1058 Income of Not for profit Entities. Capital grants received during 2019-20 have been recorded as liabilities (payments received in advance) and recorded as revenue as the asset is constructed. Previously these grants would have been received as contribution income.



#### 12.4. Other Comprehensive Income includes the following movements:

- 12.4.1. There was an additional uplift in the revaluation reserve of \$16.2m for 2019-20. The revaluation program for 2019-20 focused on public lighting (\$7.5m), traffic signals (\$8.9m), stormwater and drainage (\$0.6m) offset by bridges (\$0.8m) which was largely the result of a forty percent reduction in the remaining useful life of the Adelaide Bridge. Valuations were conducted by external specialists using internal and external data sources.

#### Statement of Financial Position

13. Total Assets have increased by \$42m from 2018-19, largely due to the introduction of the new accounting standard AASB 16 Leases requiring the recognition at cost of \$45.8m in right of use assets, (offset by increased depreciation of \$5.4m and an impairment loss of \$1.2m), increase in rates debtors of \$3.9m resulting from ratepayers deferring payment of their quarter four payments as a result of Council adopting rates hardship assistance measures in response to COVID-19.
14. Total Liabilities have increased by \$43.2m due to an increase in borrowings of \$10.2m, the recognition of lease liabilities of \$41.1m upon adoption of AASB 16 Leases, \$3.1m in payments received in advance for capital grants carried forward and \$0.7m additional provision for salaries and wages under the new enterprise bargaining agreement and forced leave dispute as part of the implementation of the business continuity plan. Offsets recognised were a reduction in trade payables of \$7.4m and accrued expenses of \$2.9m as a direct response to COVID-19 and the decision by Council to review all non-essential expenditure and reduction of \$1.7m for accrued employee entitlements due to the salaried employee pay cycle falling on 30 June 2020.

#### Statement of Changes in Equity

15. Net equity decreased by \$1.068m to the prior year, predominantly due to the net deficit result for the year (\$17.243m) offset by the increase in the asset revaluation reserve of \$16.222m. The balance is reflected in a reduction in Other Reserves of \$0.047m the result of a reduction in the total net assets of Council's Defined Benefit Plan (superannuation).

#### Statement of Cash Flows

16. Council generated \$20.6m from its Operating Activities during the year compared to \$28.3m during 2018-19. Details of how this reconciles with the net deficit and changes in net assets are shown in Note 10b of the accounts.
17. During the year Council invested \$32.3m on the upgrade, renewal and acquisition of assets compared with \$49.2m in 2018-19. The reduction is due to COVID-19 impacts and the decision to place some projects on hold or carry forward into 2020-21.

#### Preliminary End of Year vs End of Year Final Position

18. The preliminary end of year position reported was for an operating deficit of \$10.46m compared to a final operating deficit of \$19.54m, a variance of \$9.1m. Noting that capitalisations were still taking place, the following adjustments occurred after preliminary end of year:
  - 18.1. At the beginning of 2019-20, and based on the capital projects planned, capital overhead was budgeted at \$7.3m. This determined an overhead rate of 13.9%, meaning each project would be grossed up by 13.9% to account for the overhead allocation. When finalising capital WIP, it was noted that due to the significant reduction in capital expenditure resulting from COVID-19, approximately \$3.1m of the original budget allocation would remain unallocated. Finance investigated allocating a higher percentage of overhead to the remaining projects, however an overhead allocation of 25% would need to have been made in order to allocate the entire \$7.3m as originally budgeted. This variation was considered to be inconsistent with previously applied overhead allocations and did not align with the actual events being that capital works had been reduced or delayed as a result of COVID-19.
  - 18.2. Additional non-capital costs were identified when finalising Work In Progress (WIP) of \$2.082m relating to the projects U031 - GIS Assessment, U032 - GIS Implementation, S791 – Smart Parking, R003 – Creek Rehabilitation, V411 – Server replacement and additional manual write offs. This figure also includes \$0.450m of employee costs that have been written off which was not captured at interim reporting stage.
  - 18.3. Initial estimates regarding the provision for WIP write-off relating to the Gawler UPark façade were considered to not be sufficient as the expenditure currently being incurred is largely investigation type costs towards the structural issues of the carpark. An additional provision of \$1.789m was allowed for.

- 18.4. Audit adjustment relating to the Vaughan Place carpark. Under the new AASB 16 Leases accounting standard, internal reporting showed that the carpark has been operating at a loss thereby requiring an assessment for impairment be undertaken. Based on additional financial modelling it was found the value of the leased asset needed to be reduced and an impairment cost of \$1.126m was recognised.
- 18.5. Audit adjustment of \$0.613m to increase the leave provision in relation to the on-going ASU leave matter as a result of the stand down provisions enacted during the BCP activation.
- 18.6. Capital spare parts adjustment of \$0.206m relating to closing stock balance which was unable to be posted prior to processing WIP projects.
- 18.7. A capital contribution of \$141k made by the CoA to Brownhill Keswick Creeks (BHKC) which related to July to December 2020 was treated by BHKC as a contribution in 2018-19 as the invoice was dated 30 June 2019. This discrepancy in treatment was picked up on receipt of the BHKC financial statements being received requiring the CoA to expense this amount in order to align with the BHKC financials.

#### **Representation Letter requested by the External Auditor**

19. As per the Audit Committee's Terms of Reference and consistent with the LGA Model Terms of Reference for an Audit Committee, it is recommended that the Audit Committee review any representation letter(s) requested by the external auditor before they are signed by management. The copy of the representation letter required by the external auditors, BDO is included as **Attachment B**.
20. The presentation of this representation letter is standard practice of any audit and provides the auditor confirmation from management, that, amongst other matters, accounting standards have been consistently applied, that all matters that need to be disclosed have been so disclosed and that the valuation of assets has been consistently applied. It is planned that this representation letter be signed by relevant parties, following approval of the Audit Committee, subsequent to the meeting on 9 October 2020.

#### **Certification Statement of Independence of Council Auditor**

21. Section 21(2) of the Regulations requires the Council's Chief Executive Officer and the Presiding Member of the Audit Committee to provide a statement, on an annual basis, that the council auditor is independent of the Council for the relevant financial year (**Attachment C**).
22. Section 22(5) of the Regulations requires the auditor of a Council to provide a written statement attesting to their independence. Council's Auditor, BDO, have provided a statement of Audit Independence in the Audit Completion Report, as prescribed in the Regulations.

#### **Adelaide Central Market Authority**

23. Adelaide Central Market Authority is a subsidiary under division 3, section 42 and schedule 2 of the Act.
24. Adelaide Central Market Authority Charter was endorsed by Council on 24 January 2012; the subsidiary was formed in May 2012. The City of Adelaide holds a 100% equity share in the Adelaide Central Market Authority.
25. The 2019-20 Financial Statements for Adelaide Central Market Authority (**Attachment D**) reflect a net deficit of \$13k for the year. This has been accounted for in the Consolidated Financial Statements of the Corporation for 2019-20.
26. The 2019-20 Financial Statements for Adelaide Central Market Authority were presented to the ACMA Board on Thursday 24 September 2020.

#### **Rundle Mall Management Authority**

27. The Rundle Mall Management Authority (RMMA) was enacted on 9 November 2008 as a subsidiary of Council with its primary role of promoting Rundle Mall.
28. The 2019-20 Financial Statements for RMMA (**Attachment E**) reflect a net deficit of \$24k for the year. This has been accounted for in the Consolidated Financial Statements of the Corporation for 2019-20.
29. The 2019-20 Financial Statements for RMMA were presented to the RMMA Board on Monday 21 September 2020.
30. Given the requirements of the Act and the terms of reference of the Audit Committee, it is considered appropriate for the Audit Committee to recommend that the Annual Financial Statements of RMMA together with any Letter of Representation be signed by the relevant parties.
31. Section 22(3) of the Regulations requires the Council's Chief Executive Officer and the Presiding Member of the Audit Committee to provide a statement, on an annual basis, that the RMMA Auditor is independent of RMMA for the relevant financial year (**Attachment E**).

32. As per the Audit Committee's Terms of Reference and consistent with the LGA Model Terms of Reference for an Audit Committee, it is recommended that the Audit Committee review any representation letter(s) requested by the external auditor before they are signed by management. The copy of the representation letter required by the external auditors, BDO is included (**Attachment F**).

#### **Adelaide Park Lands Authority**

33. The Adelaide Park Lands Authority (APLA) was enacted on 14 December 2006 as a subsidiary of Council with its primary role of providing policy and advice to Council and the State Government regarding the management of the Park Lands.
34. The 2019-20 Financial Statements for APLA (**Attachment G**) reflect a nil net surplus for the year. This has been accounted for in the Consolidated Financial Statements of the Corporation for 2019-20.
35. The 2019-20 Financial Statements for APLA will be forwarded to the Minister for Environment and Water, Hon. David Speirs MP following review of the Financial Statements by the Audit Committee at its meeting on 9 October 2020 as part of APLA's Annual Report.
36. Given the requirements of the Act and the terms of reference of the Audit Committee, it is considered appropriate for the Audit Committee to recommend that the Annual Financial Statements of APLA together with any Letter of Representation be signed by the relevant parties.
37. As per the Audit Committee's Terms of Reference and consistent with the LGA Model Terms of Reference for an Audit Committee, it is recommended that the Audit Committee review any representation letter(s) requested by the external auditor before they are signed by management. The copy of the representation letter required by the external auditors, BDO is included (**Attachment H**).
38. Section 22(3) of the Regulations requires the Council's Chief Executive Officer and the Presiding Member of the Audit Committee to provide a statement, on an annual basis, that the APLA Auditor is independent of APLA for the relevant financial year (**Attachment I**).

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

39. Council Solutions Regional Authority was a regional subsidiary under section 43 and Schedule 2 of the Act and given that City of Adelaide is a constituent Council it was a subsidiary of the City of Adelaide under the Act.
40. Council Solutions Regional Authority was established by six constituent Councils. Comprising the Cities of Adelaide, Charles Sturt, Marion, Onkaparinga, Salisbury, and Tea Tree Gully. Its Charter was endorsed by The South Australian Government Gazette on 20 December 2012 and the subsidiary commenced as an independent entity on 1 January 2013. The City of Adelaide holds a 16.67% equity share in Council Solutions Regional Authority.
41. Pursuant to clause 33(1)(a) of Schedule 2 of the Act, and at the request of the constituent councils, Council Solutions was wound up by the Minister for Transport, Infrastructure and Local Government, Hon Stephan Knoll MP effective 2 April 2020.
42. A distribution of \$123,736.78 was made to each of the constituent councils to close the bank account and finalise the winding up process.
43. The 2019-20 Financial Statements for Council Solutions (**Attachment J**) reflect a net deficit of \$86k for the year. The City of Adelaide's share of the Council Solutions Regional Authority net deficit is \$14k and this has been accounted for in the Consolidated Financial Statements.

#### **Brownhill and Keswick Creeks Stormwater Board**

44. Brownhill and Keswick Creeks Stormwater Board is a regional subsidiary under section 43 and schedule 2 of the Act and given that City of Adelaide is a constituent Council it is a subsidiary of the City of Adelaide under the Act.
45. Brownhill and Keswick Creeks Stormwater Board was established by several constituent Councils, comprising the Cities of Adelaide, Burnside, Mitcham, Unley, and West Torrens. Its Charter was endorsed by The South Australian Government and Gazetted on 27 February 2018. The City of Adelaide's equitable interest is 8.0%, its annual contribution is 8.0% of capital works and 20.0% of operating expenditure of the Regional Subsidiary.
46. The 2019-20 Financial Statements for the Brownhill and Keswick Creeks Stormwater Board (**Attachment K**) reflect a net deficit of \$45k for the year. The City of Adelaide's share of the net deficit is \$4k and this has been accounted for in the Consolidated Financial Statements along with the recognition of a capital contribution of \$184k.

## Internal Financial Controls

47. As per the Act, section 129(1) (b), the external auditor of Council must undertake an audit of the financial controls exercised by the Council during the relevant financial year in relation to revenue, expenditure, assets, and liabilities. The auditor must provide an audit opinion on these internal financial controls to provide reasonable assurance that the financial transactions of the Council have been conducted properly and in accordance with the Australian Accounting Standards.
48. In forming an opinion under section 129(3) (a), the auditor must give due consideration to the adequacy of the Council's policies, practices, and procedures of internal control under section 125 of the Act. The Council must ensure that appropriate measures are taken to implement and maintain the internal controls in order to assist the Council to carry out its activities in an efficient and orderly manner to achieve its objectives.

## Other Items

49. It is considered that the Consolidated Financial Statements give a true and fair view of the Corporation of the City of Adelaide's financial position as at 30 June 2020.
50. Following delivery of the external auditor BDO's final Audit Completion Report, discussions with the Auditors without management present and review of the Annual Financial Statements, it is considered appropriate for the Audit Committee to recommend that the Consolidated Financial Statements together with any Letter of Representation be signed by the relevant parties.
51. In addition, it is proposed that the Audit Committee recommends the presentation of the Consolidated Financial Statements of the City of Adelaide, Financial Statements of the Adelaide Central Market Authority, the Rundle Mall Management Authority, the Adelaide Park Lands Authority, the Council Solutions Regional Authority and the Brownhill and Keswick Creeks Stormwater Board to Council on 13 October 2020.

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# ATTACHMENTS

**Attachment A** – Audited Financial Statements CoA 2019-20

**Attachment B** – Audit Representation Letter CoA 2019-20

**Attachment C** – Certification of Auditor Independence CoA 2019-20

**Attachment D** – Audited Financial Statements ACMA 2019-20

**Attachment E** – Audited Financial Statements and Certifications RMMA 2019-20

**Attachment F** – Audit Representation Letter RMMA 2019-20

**Attachment G** – Audited Financial Statements APLA 2019-20

**Attachment H** – Audit Representation Letter APLA 2019-20

**Attachment I** – Certification of Auditor Independence APLA 2019-20

**Attachment J** – Audited Financial Statements Council Solutions 2019-20

**Attachment K** – Audited Financial Statements Brownhill & Keswick Creeks Stormwater Board 2019-20

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- END OF REPORT -

# City of Adelaide

GENERAL PURPOSE FINANCIAL STATEMENTS  
for the year ended 30 June 2020

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*Adelaide. Designed for Life.*



## City of Adelaide

### General Purpose Financial Statements

for the year ended 30 June 2020

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## City of Adelaide

### General Purpose Financial Statements

for the year ended 30 June 2020

#### 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 2020 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.

---

**Mark Goldstone**  
**Chief Executive Officer**

Date:

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**Sandy Verschoor**  
**Lord Mayor**

Date:

## City of Adelaide

## Statement of Comprehensive Income

for the year ended 30 June 2020

\$ '000	Notes	2020	2019
<b>Income</b>			
Rates	2a	115,634	108,846
Statutory Charges	2b	11,770	13,313
User Charges	2c	61,036	67,320
Grants, Subsidies and Contributions	2g	8,560	3,751
Investment Income	2d	231	298
Reimbursements	2e	1,443	1,502
Other income	2f	539	631
Net Gain - Equity Accounted Council Businesses	18	—	79
<b>Total Income</b>		<b>199,213</b>	<b>195,740</b>
<b>Expenses</b>			
Employee costs	3a	79,758	76,916
Materials, Contracts and Other Expenses	3b	84,987	94,261
Depreciation, Amortisation and Impairment	3c	51,869	44,292
Finance Costs	3d	2,121	1,448
Net loss - Equity Accounted Council Businesses	18	18	—
<b>Total Expenses</b>		<b>218,753</b>	<b>216,917</b>
<b>Operating Surplus / (Deficit)</b>		<b>(19,540)</b>	<b>(21,177)</b>
Asset Disposal & Fair Value Adjustments	4	1,092	(4,838)
Amounts Received Specifically for New or Upgraded Assets	2g	1,205	5,625
<b>Net Surplus / (Deficit)</b>		<b>(17,243)</b>	<b>(20,390)</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	16,222	181,546
Net Actuarial Gains on Defined Benefit Plan		(47)	90
<b>Total Amounts which will not be reclassified subsequently to operating result</b>		<b>16,175</b>	<b>181,636</b>
<b>Total Other Comprehensive Income</b>		<b>16,175</b>	<b>181,636</b>
<b>Total Comprehensive Income</b>		<b>(1,068)</b>	<b>161,246</b>

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



## City of Adelaide

## Statement of Financial Position

as at 30 June 2020

\$ '000	Notes	2020	2019
<b>ASSETS</b>			
<b>Current assets</b>			
Cash & Cash Equivalent Assets	5a	945	6,069
Trade & Other Receivables	5b	14,117	10,548
Other Financial Assets (Investments)	5c	51	159
Inventories	5d	576	641
<b>Total current assets</b>		<b>15,689</b>	<b>17,417</b>
<b>Non-current assets</b>			
Financial Assets	6a	308	278
Equity Accounted Investments in Council Businesses	6b	672	629
Other Non-Current Assets	6c	2,161	1,659
Infrastructure, Property, Plant & Equipment	7a	1,860,634	1,817,364
Investment Property	7b	2,860	2,865
<b>Total non-current assets</b>		<b>1,866,635</b>	<b>1,822,795</b>
<b>TOTAL ASSETS</b>		<b>1,882,324</b>	<b>1,840,212</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Trade & Other Payables	8a	19,751	28,529
Borrowings	8b	4,837	—
Provisions	8c	14,606	13,879
<b>Total Current Liabilities</b>		<b>39,194</b>	<b>42,408</b>
<b>Non-Current Liabilities</b>			
Trade & Other Payables	8a	293	293
Borrowings	8b	87,896	41,450
Provisions	8c	1,955	2,007
<b>Total Non-Current Liabilities</b>		<b>90,144</b>	<b>43,750</b>
<b>TOTAL LIABILITIES</b>		<b>129,338</b>	<b>86,158</b>
<b>Net Assets</b>		<b>1,752,986</b>	<b>1,754,054</b>
<b>EQUITY</b>			
Accumulated surplus		817,364	834,607
Asset revaluation reserves		934,010	917,788
Other reserves		1,612	1,659
<b>Total Equity</b>		<b>1,752,986</b>	<b>1,754,054</b>

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

## City of Adelaide

## Statement of Changes in Equity

for the year ended 30 June 2020

\$ '000	Notes	Accumulated surplus	Asset revaluation reserve	Other reserves	Total equity
<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		(17,243)	—	—	(17,243)
<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>(17,243)</b>	<b>16,222</b>	<b>(47)</b>	<b>(1,068)</b>
<b>Balance at the end of period</b>		<b>817,364</b>	<b>934,010</b>	<b>1,612</b>	<b>1,752,986</b>
<b>2019</b>					
Balance at the end of previous reporting period		854,997	736,242	1,569	1,592,808
Net Surplus / (Deficit) for Year		(20,390)	—	—	(20,390)
<b>Other Comprehensive Income</b>					
- Gain (Loss) on Revaluation of I,PP&E	7a	—	181,546	—	181,546
- Defined Benefit Actuarial Gain		—	—	90	90
<b>Other comprehensive income</b>		<b>—</b>	<b>181,546</b>	<b>90</b>	<b>181,636</b>
<b>Total comprehensive income</b>		<b>(20,390)</b>	<b>181,546</b>	<b>90</b>	<b>161,246</b>
<b>Balance at the end of period</b>		<b>834,607</b>	<b>917,788</b>	<b>1,659</b>	<b>1,754,054</b>

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

## City of Adelaide

## Statement of Cash Flows

for the year ended 30 June 2020

\$ '000	Notes	2020	2019
<b>Cash flows from operating activities</b>			
<u>Receipts</u>			
Operating Receipts		198,532	199,474
Investment Receipts		231	285
<u>Payments</u>			
Operating Payments to Suppliers and Employees		(176,079)	(169,956)
Finance Payments		(2,121)	(1,448)
<b>Net cash provided (or used in) operating activities</b>		<b>20,563</b>	<b>28,355</b>
<b>Cash flows from investing activities</b>			
Amounts Received Specifically for New/Upgraded Assets		1,205	5,625
Sale of Replaced Assets		279	561
Sale of Surplus Assets		112	1,025
Repayments of Loans by Community Groups		78	218
Distributions Received from Equity Accounted Council Businesses		124	—
<u>Payments</u>			
Expenditure on Renewal/Replacement of Assets		(15,482)	(21,819)
Expenditure on New/Upgraded Assets		(16,865)	(27,430)
Capital Contributed to Equity Accounted Council Businesses		(185)	(474)
<b>Net cash provided (or used in) investing activities</b>		<b>(30,734)</b>	<b>(42,294)</b>
<b>Cash flows from financing activities</b>			
<u>Receipts</u>			
Proceeds from Borrowings		10,150	13,450
<u>Payments</u>			
Repayment of Finance Lease Liabilities		(4,731)	—
Repayment of Bonds & Deposits		(372)	(180)
<b>Net Cash provided by (or used in) Financing Activities</b>		<b>5,047</b>	<b>13,270</b>
<b>Net Increase (Decrease) in Cash Held</b>		<b>(5,124)</b>	<b>(669)</b>
plus: Cash & Cash Equivalents at beginning of period		6,069	6,738
<b>Cash and cash equivalents held at end of period</b>	10a	<b>945</b>	<b>6,069</b>
Additional Information:			
plus: Investments on hand – end of year	6b	359	437
<b>Total Cash, Cash Equivalents &amp; Investments</b>		<b>1,304</b>	<b>6,506</b>

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

## City of Adelaide

### Notes to and forming part of the Principal Financial Statements for the year ended 30 June 2020

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## City of Adelaide

### Notes to the Financial Statements

for the year ended 30 June 2020

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

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

#### (1) Basis of Preparation

##### 1.1 Compliance with Australian Accounting Standards

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

The financial report was authorised for issue by certificate under regulation 14 of the *Local Government (Financial Management) Regulations 2011* dated 13 October 2020

##### 1.2 Critical Accounting Estimates

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

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

##### 1.3 Rounding

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

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

Adelaide City Council 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 Park Lands Authority
3. Rundle Mall Management Authority

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.

## City of Adelaide

### Notes to the Financial Statements

for the year ended 30 June 2020

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

##### 6.1 Initial Recognition

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

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

Capital works still in progress at balance 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

## City of Adelaide

### Notes to the Financial Statements

for the year ended 30 June 2020

#### Buildings

Structure – other	60 to 100 years
Structure – Heritage Buildings	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
Open Space Assets	10 to 80 years
Statues & Monuments	Indefinite
Urban Elements	5 to 80 years

#### Other Assets

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 30/06/2018.



## City of Adelaide

### Notes to the Financial Statements

for the year ended 30 June 2020

#### (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".

#### (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 0.92% (2019, 1.38%)

Weighted average settlement period 10 years (2019, 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.



## City of Adelaide

### Notes to the Financial Statements

for the year ended 30 June 2020

#### (12) Leases

##### Accounting policy applicable from 01 July 2019

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.

##### 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 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 UIG Abstract 1031 "Accounting for the Goods & Services Tax"

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

## City of Adelaide

### Notes to the Financial Statements

for the year ended 30 June 2020

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

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

Adelaide City Council has not applied any Australian Accounting Standards and Interpretations that have been issued but are not yet effective.

#### **Adoption of AASB 15 Revenue from Contracts with Customers and AASB 1058 Income of Not-for-Profit Entities**

Council applied AASB 15 and AASB 1058, for the first time from 1 July 2019. AASB 1058 clarifies and simplifies the income recognition requirements that apply to not-for-profit (NFP) entities, in conjunction with AASB 15. These Standards supersede the NFP income recognition requirements previously in AASB 1004 Contributions (with the exception of certain matters relating to public sector NFP entities) as well as current revenue recognition guidance including AASB 118 Revenue, AASB 111 Construction Contracts and the related Interpretations. The timing of income recognition depends on whether such a transaction gives rise to a liability or other performance obligation (a promise to transfer a good or service). Details of the accounting policy adopted for these standards can be found in Note 1 Significant Accounting Policies. Council has elected to adopt the modified retrospective method on transition to the new standards with an initial application date of 1 July 2019. The cumulative effect of initially applying AASB 15 and AASB 1058 is recognised at the date of initial application as an adjustment to the opening balance of Accumulated Surplus. Therefore, the comparative information was not restated and continues to be reported under AASB 111, AASB 118, AASB 1004 and related Interpretations.

Council has determined the impact of the new standards will mainly impact the timing of revenue recognition in relation to special purpose grants. These grants are provided to Council to construct or acquire an asset to be controlled by Council. They are accounted for under AASB 1058 and as such, amounts received in relation to these grants are recorded as a liability in "Payments Received in Advance" (included in Trade and Other Payables) and recorded in revenue as the asset is constructed. There is no impact of adopting the new standards as at 1 July 2019.

Set out below are the amounts by which each financial statement line item is affected as at and the for the year ended 30 June 2020 as a result of the adoption of AASB 15 and AASB 1058.

The first column shows amounts prepared under AASB 15 and AASB 1058 and the second column shows what the amounts would have been had AASB 15 and AASB 1058 not been adopted:

	AASB 15 / 1058	Previous AAS
	\$'000	\$'000
Grants, Subsidies and Contributions	8,560	8,818
Amounts Received Specifically for New or Upgraded Assets	1,205	4,323
Payments Received in Advance - Current	5,583	2,207

Changes in the grant funding received and payables under the old and new standards are the result of funding received by Council relating to projects to be completed in future periods.

#### **AASB 16 Leases**

Council applied AASB 16 Leases, for the first time from 1 July 2019. This standard requires that the right of use conveyed by leasing contracts (except leases with a maximum term of 12 months and leases for low-value assets) be recognised as a form of Infrastructure, Property, Plant and Equipment, and that the lease liability be disclosed as a liability.

#### **Adoption of AASB 16 Leases (AASB 16)**

AASB 16 supersedes AASB 117 Leases, Interpretation 4 Determining whether an Arrangement contains a Lease and other related Interpretations. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise most leases on the balance sheet under a single on-balance sheet model. Council has lease contracts for various buildings used in its activities. Before the adoption of AASB 16, Council classified each of its leases (as lessee) at the inception date as either a finance lease or an operating lease.

## City of Adelaide

### Notes to the Financial Statements

for the year ended 30 June 2020

Council adopted AASB 16 using the modified retrospective method of adoption. Under this method, the standard has been applied retrospectively with the cumulative effect of initially applying the standard recognised as an adjustment to the opening balance of Accumulated Surplus as at 1 July 2019 and comparatives have not been restated.

On adoption of AASB 16, Council utilised the following practical expedients:

- Contracts that had not previously been identified as containing a lease were not reassessed to determine whether a lease existed. Rather AASB 16 was only applied to leases previously identified under AASB 117.
- Council used hindsight in determining the lease term where the contract contained options to extend or terminate the lease.

Council recognised right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases with lease terms that end within 12 months of the date of initial application and leases of low-value assets. The right-of-use assets for all leases were recognised based on the amount equal to the lease liabilities. No adjustments were needed for any previously recognised prepaid or accrued lease expenses as there were none. Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

The effect of adopting AASB 16 as at 1 July 2019 (increase/(decrease)) is, as follows:

	\$'000
<b>Assets</b>	
Infrastructure, Property, Plant and Equip.	
- Right-of-Use-Assets	45,864
<b>Total Assets</b>	<b>45,864</b>
<b>Liabilities</b>	
Interest-bearing loans and borrowings	45,864
<b>Total Liabilities</b>	<b>45,864</b>
<b>Accumulated Surplus</b>	NIL

The lease liabilities as at 1 July 2019 can be reconciled to the operating lease commitments as of 30 June 2019, as follows:

	\$'000
Operating lease commitments as at 30 June 2019	48,091
<b>Less:</b> Variable lease payments that depend on an index rate and not included in the measurement of the lease liabilities at initial adoption	(33,450)
<b>Add:</b> undisclosed lease commitments as at 30 June 2019	7,699
<b>Add:</b> Options to extend not previously incorporated into the commitments note	28,309
Undiscounted lease payments	50,649
<b>Less:</b> effect of discounting using the incremental borrowing rate as at the date of initial application (weighted average incremental borrowing rate of 2.25%)	(4,785)
Lease liabilities for leases classified as operating leases under AASB 117	<b>45,864</b>
<b>Lease liabilities as at 1 July 2019</b>	<b>45,864</b>

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

The AASB has issued Australian Accounting Standards and Interpretations which are not effective at 30 June 2020, these standards have not been adopted by Council and all applicable new standards will be included in the financial statements

## City of Adelaide

### Notes to the Financial Statements

for the year ended 30 June 2020

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 Interpretations, 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 2020

- AASB 1059 Service Concession Arrangements: Grantors
- AASB 2018-6 Amendments to Australia Accounting Standards – Definition of a Business
- AASB 2018-7 Amendments to Australian Accounting Standards – Definition of Material
- AASB 2019-3 Amendments to Australian Accounting Standards – Interest Rate Benchmark Reform

#### Effective for NFP annual reporting periods beginning on or after 1 January 2021

- AASB 17 Insurance Contracts

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

- 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)

#### (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.

# City of Adelaide

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 2. Income

\$ '000	2020	2019
<b>(a) Rates</b>		
<b>General Rates</b>		
General Rates	117,091	108,714
Less: Mandatory Rebates	(5,454)	(5,042)
Less: Discretionary Rebates, Remissions & Write Offs	(1,035)	(581)
<b>Total General Rates</b>	<b>110,602</b>	<b>103,091</b>
<b>Other Rates (Including Service Charges)</b>		
Natural Resource Management Levy	1,875	1,676
Rundle Mall Separate Rate	3,850	3,702
Less: Rundle Mall Separate Rate Waived	(962)	—
Building Upgrade Finance	41	41
<b>Total Other Rates (Including Service Charges)</b>	<b>4,804</b>	<b>5,419</b>
<b>Other Charges</b>		
Penalties for Late Payment	228	336
<b>Total Other Charges</b>	<b>228</b>	<b>336</b>
<b>Total Rates</b>	<b>115,634</b>	<b>108,846</b>
<b>(b) Statutory Charges</b>		
Development Act Fees	1,721	1,605
Animal Registration Fees & Fines	32	22
Parking Fines / Expiation Fees	8,852	10,457
Other Fees, Fines, Penalties and Expiations	120	46
Encroachments Fees	469	241
Food Inspections Fees / Fines	28	39
Outdoor Dining Fees	69	405
Residential Parking Permits	47	45
Section 7 Searches	95	97
Temporary Parking Control Permits	283	299
Water Systems Fees	54	57
<b>Total Statutory Charges</b>	<b>11,770</b>	<b>13,313</b>

continued on next page ...

## City of Adelaide

### Notes to the Financial Statements

for the year ended 30 June 2020

#### Note 2. Income (continued)

\$ '000	2020	2019
<b>(c) User Charges</b>		
Parking Fees	9,952	10,854
Property Lease	10,947	11,201
Sundry	153	394
Adelaide Aquatic Centre Charges	4,900	6,228
Adelaide Golf Links Charges	2,232	2,056
Adelaide Town Hall Charges	1,017	1,302
Bus Ticket Sales	10	5
Compost Sales	613	608
Event Fees	150	73
Library Centre	9	30
Off-Street Parking	26,285	30,016
Park Lands Events Fees	754	650
Property Recovery	3,741	3,480
Rundle Mall	273	423
<b>Total User Charges</b>	<b>61,036</b>	<b>67,320</b>
<b>(d) Investment Income</b>		
Interest on Investments		
- Local Government Finance Authority	35	45
- Banks & Other	28	44
Investment Property Rental Income	198	196
Financial Instrument - Fair Value Increase / (Decrease)	(30)	13
<b>Total Investment Income</b>	<b>231</b>	<b>298</b>
<b>(e) Reimbursements</b>		
Private Works	1,181	1,096
Land Settlement	-	107
Other	262	299
<b>Total Reimbursements</b>	<b>1,443</b>	<b>1,502</b>
<b>(f) Other income</b>		
Insurance & Other Recoupments	326	497
Sundry	213	134
<b>Total Other income</b>	<b>539</b>	<b>631</b>

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## City of Adelaide

### Notes to the Financial Statements

for the year ended 30 June 2020

#### Note 2. Income (continued)

\$ '000	2020	2019
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#### (g) Grants, Subsidies, Contributions

Amounts Received Specifically for New or Upgraded Assets	1,205	5,625
<b>Total Amounts Received Specifically for New or Upgraded Assets</b>	<b>1,205</b>	<b>5,625</b>
Other Grants, Subsidies and Contributions	1,811	1,963
Untied - Financial Assistance Grant	669	474
Roads to Recovery	255	233
Home and Community Care Grant	288	504
Library and Communications	533	565
Sundry	4	12
State Government Grant - 88 O'Connell Street	5,000	—
<b>Total Other Grants, Subsidies and Contributions</b>	<b>8,560</b>	<b>3,751</b>
<b>Total Grants, Subsidies, Contributions</b>	<b>9,765</b>	<b>9,376</b>

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

The State Government Grant is the second tranche of funding under a grant agreement with the State Government governing the acquisition and development of 88 O'Connell Street.

#### (i) Sources of grants

Commonwealth Government	871	744
State Government	8,790	8,577
Other	104	55
<b>Total</b>	<b>9,765</b>	<b>9,376</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>13</b>
<b>Less:</b>		
<i>Expended during the current period from revenues recognised in previous reporting periods</i>		
Infrastructure	—	—
<b>Subtotal</b>	<b>—</b>	<b>—</b>
<b>Plus:</b>		
<i>Amounts recognised as revenues in this reporting period but not yet expended in accordance with the conditions</i>		
Infrastructure	—	1
<b>Subtotal</b>	<b>—</b>	<b>1</b>
<b>Unexpended at the close of this reporting period</b>	<b>14</b>	<b>14</b>
<b>Net increase (decrease) in assets subject to conditions in the current reporting period</b>	<b>—</b>	<b>1</b>

## City of Adelaide

### Notes to the Financial Statements

for the year ended 30 June 2020

#### Note 3. Expenses

\$ '000	Notes	2020	2019
<b>(a) Employee costs</b>			
Salaries and Wages		67,528	65,898
Employee Leave Expense		8,534	9,034
Superannuation - Defined Contribution Plan Contributions	17	6,718	6,609
Workers' Compensation Insurance		1,701	1,715
Income Protection Insurance		331	342
Less: Capitalised and Distributed Costs		(5,054)	(6,682)
<b>Total Operating Employee Costs</b>		<b>79,758</b>	<b>76,916</b>
Number of Employees (full time equivalent at end of reporting period)		628	673
Number of Employees (temporary full time equivalent at end of reporting period)		122	121
<b>(b) Materials, Contracts and Other Expenses</b>			
<b>(i) Prescribed Expenses</b>			
Auditor's Remuneration		63	68
Bad and Doubtful Debts		419	(16)
Elected Members' Expenses		469	484
Election Expenses		68	227
Operating Lease Rentals - Non-Cancellable Leases			
- Minimum Lease Payments		-	6,585
Lease Expense - Low Value Assets / Short Term Leases		906	-
<b>Subtotal - Prescribed Expenses</b>		<b>1,925</b>	<b>7,348</b>



## City of Adelaide

### Notes to the Financial Statements

for the year ended 30 June 2020

#### Note 3. Expenses (continued)

\$ '000	2020	2019
<b>(ii) Other Materials, Contracts and Expenses</b>		
Contractors	23,854	23,108
Energy	5,812	5,914
Maintenance	8,629	8,729
Legal Expenses	1,445	1,525
Levies Paid to Government - including NRM levy	2,241	2,182
Levies - Other	41	41
Parts, Accessories & Consumables	6,353	5,801
Professional Services	7,419	7,245
Advertising and Promotion	2,861	3,718
Bank Charges and Cash Collection	994	1,118
Catering	312	547
Cleaning	2,904	2,833
Communications	452	375
Contractual Expenses	510	394
Water	3,169	3,242
Entertainment - Council and Civic Events	18	86
External Plant Hire	763	922
Insurance	2,075	2,060
Investment Property Expenses	153	149
Minor Plant and Equipment	380	722
Printing, Freight and Postage	565	770
Rates and Taxes	409	342
Registrations	210	63
Searches	490	418
Security	2,267	2,123
Sponsorships, Contributions and Donations	5,914	9,082
Subscriptions	1,255	1,171
Training and Development	455	795
Waste Services	1,512	1,370
Other	130	313
Less: Capitalised and Distributed Costs	(530)	(245)
<b>Subtotal - Other Material, Contracts &amp; Expenses</b>	<b>83,062</b>	<b>86,913</b>
<b><u>Total Materials, Contracts and Other Expenses</u></b>	<b><u>84,987</u></b>	<b><u>94,261</u></b>

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## City of Adelaide

### Notes to the Financial Statements

for the year ended 30 June 2020

#### Note 3. Expenses (continued)

\$ '000	2020	2019
<b>(c) Depreciation, Amortisation and Impairment</b>		
<b>(i) Depreciation and Amortisation</b>		
Buildings	8,412	8,439
Infrastructure		
- Stormwater and Drainage	2,708	2,185
- Bridges	2,157	2,332
- Footpaths	6,627	7,493
- Footpath Landscaping	214	146
- Kerb & Water Table	1,406	952
- Public Lighting	4,001	3,601
- Roads	7,889	5,896
- Ticket Machines	329	403
- Traffic Signals	1,355	1,454
- Urban Elements	2,886	3,511
Right-of-use Assets	5,408	–
Plant & Equipment	1,701	1,702
Furniture & Fittings	3,681	3,858
Library Books	323	272
Park Land Improvements	1,646	2,048
<b>Subtotal</b>	<b>50,743</b>	<b>44,292</b>
<b>(ii) Impairment</b>		
Right-of-Use Assets	1,123	–
Office, Furniture and Equipment	3	–
<b>Subtotal</b>	<b>1,126</b>	<b>–</b>
<b>Total Depreciation, Amortisation and Impairment</b>	<b>51,869</b>	<b>44,292</b>
<b>(d) Finance Costs</b>		
Interest on Loans	1,138	1,448
Interest on Leases	983	–
<b>Total Finance Costs</b>	<b>2,121</b>	<b>1,448</b>

## City of Adelaide

## Notes to the Financial Statements

for the year ended 30 June 2020

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

\$ '000	2020	2019
<b>Infrastructure, Property, Plant &amp; Equipment</b>		
<b>(i) Assets Renewed or Directly Replaced</b>		
Proceeds from Disposal	279	561
Less: Carrying Amount of Assets Sold	(3,627)	(5,938)
<b>Gain (Loss) on Disposal</b>	<b>(3,348)</b>	<b>(5,377)</b>
<b>(ii) Assets Surplus to Requirements</b>		
Proceeds from Disposal	112	1,025
Less: Carrying Amount of Assets Sold	(4,559)	(16)
<b>Gain (Loss) on Disposal</b>	<b>(4,447)</b>	<b>1,009</b>
<b>Fair Value Adjustments</b>		
Investment Property - Fair Value Increase / (Decrease)	(5)	(470)
Revaluation Decrements Previously Expensed, now Recouped	8,892	—
<b>Total Fair Value Adjustments</b>	<b>8,887</b>	<b>(470)</b>
<b>Net Gain (Loss) on Disposal or Revaluation of Assets</b>	<b>1,092</b>	<b>(4,838)</b>

## City of Adelaide

### Notes to the Financial Statements

for the year ended 30 June 2020

#### Note 5. Current Assets

\$ '000	2020	2019
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##### (a) Cash & Cash Equivalent Assets

Cash on Hand at Bank	541	5,668
Deposits at Call	404	401
<b>Total Cash &amp; Cash Equivalent Assets</b>	<b>945</b>	<b>6,069</b>

##### (b) Trade & Other Receivables

Rates - General & Other	7,707	3,740
Accrued Revenues	1,734	1,626
Debtors - General	2,633	2,818
GST Recoupment	209	1,113
Prepayments	1,593	1,571
Deferred Rent	827	—
<b>Subtotal</b>	<b>14,703</b>	<b>10,868</b>
Less: Allowance for Doubtful Debts	(586)	(320)
<b>Total Trade &amp; Other Receivables</b>	<b>14,117</b>	<b>10,548</b>

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

Ergo Apartments - Shared Equity Loans	51	159
<b>Total Other Financial Assets (Investments)</b>	<b>51</b>	<b>159</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	395	409
Trading Stock	151	176
Other	30	56
<b>Total Inventories</b>	<b>576</b>	<b>641</b>

## City of Adelaide

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 6. Non-Current Assets

\$ '000	2020	2019
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## (a) Financial Assets

**Other Financial Assets (Investments)**

Ergo Apartments - Shared Equity Loans

**Total Other Financial Assets (Investments)**Total Financial Assets

	308	278
	308	278
	308	278

\$ '000	Notes	2020	2019
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## (b) Equity Accounted Investments in Council Businesses

Council Solutions Regional Authority

The Brown Hill and Keswick Creeks Stormwater Board

Total Equity Accounted Investments in Council Businesses

	18i	—	138
	18i	672	491
		672	629

## (c) Other Non-Current Assets

**Other**

Employee Entitlements (unfunded superannuation asset)

Deferred Rent

**Total Other**Total Other Non-Current Assets

	1,612	1,659
	549	—
	2,161	1,659
	2,161	1,659

## City of Adelaide

Notes to the Financial Statements  
for the year ended 30 June 2020

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

## (a) Infrastructure, Property, Plant &amp; Equipment

		as at 30/06/19				Asset movements during the reporting period													as at 30/06/20					
	Fair Value Level	At Fair Value	At Cost	Accumulated Depreciation	Carrying amount	Transition adjustment - AASB 16	Asset Additions New / Upgrade	Asset Additions Renewals	WDV of Asset Disposals	Depreciation Expense (Note 3c)	Impairment Loss (recognised in P/L) (Note 3c)	WIP Transfers	Adjustments & Transfers	Projected Related Expenditure (Note 3b)	Reclassification	Revaluation Decrements to Equity (ARR) (Note 3)	Reversal of prior period Revaluation Decrements to the P&L (Note 4)	Revaluation Increments to Equity (ARR) (Note 3)	At Fair Value	At Cost	Accumulated Depreciation	Carrying amount		
\$ '000																								
Capital Work in Progress		–	32,977	–	32,977	–	21,224	19,284	–	–	–	(50,203)	(356)	(7,963)	–	–	–	–	–	14,963	–	–	14,963	
Land																								
Land - Other	2	207,470	–	–	207,470	–	–	–	–	–	–	–	–	–	–	–	–	–	207,470	–	–	–	207,470	
Land - Other	3	12,640	–	–	12,640	–	–	–	–	–	–	–	–	–	–	–	–	–	12,640	–	–	–	12,640	
Buildings																								
Buildings	2	536,901	–	(342,909)	193,992	–	–	–	(31)	(3,873)	–	1,500	–	–	–	–	–	–	342,793	–	(151,205)	–	191,588	
Buildings	3	172,046	–	(75,068)	96,978	–	–	–	–	(4,539)	–	6,746	–	–	–	–	–	–	178,792	–	(79,607)	–	99,185	
Land - Crown	3	–	388,400	–	388,400	–	–	–	–	–	–	–	–	–	–	–	–	–	–	388,400	–	–	388,400	
Park Land & Open Space Assets	3	78,861	–	(44,316)	34,545	–	–	–	(428)	(1,646)	–	846	–	–	(17,630)	–	–	–	24,045	–	(8,358)	–	15,687	
Infrastructure																								
- Stormwater and Drainage	2	322,706	–	(189,269)	133,437	–	–	–	(262)	(2,708)	–	4,439	–	–	–	–	–	567	271,531	–	(136,058)	–	135,473	
- Bridges	3	156,630	–	(90,594)	66,036	–	–	–	(678)	(2,157)	–	1,690	–	–	7	(842)	–	–	179,281	–	(115,225)	–	64,056	
Footpaths	3	315,712	–	(109,789)	205,923	–	–	–	(1,347)	(6,627)	–	10,529	–	–	–	–	–	–	289,130	–	(80,652)	–	208,478	
- Footpath Landscaping	3	7,170	–	(146)	7,024	–	–	–	(53)	(214)	–	1,778	–	–	–	–	–	–	8,895	–	(360)	–	8,535	
- Kerb & Water Table	3	134,733	–	(62,468)	72,265	–	–	–	(1,503)	(1,406)	–	1,802	–	–	–	–	–	–	117,209	–	(46,051)	–	71,158	
- Public Lighting	3	91,286	–	(38,305)	52,981	–	–	–	(866)	(4,001)	–	8,409	–	–	180	–	6,548	7,527	140,938	–	(70,160)	–	70,778	
- Roads	3	382,818	–	(183,654)	199,164	–	–	–	(1,278)	(7,889)	–	6,521	–	–	–	–	–	–	291,670	–	(95,153)	–	196,517	
- Ticket Machines	3	3,682	–	(2,110)	1,572	–	–	–	(129)	(329)	–	450	–	–	–	–	–	–	2,508	–	(944)	–	1,564	
- Traffic Signals	3	28,813	–	(14,101)	14,712	–	–	–	(102)	(1,355)	–	1,491	–	–	(39)	–	2,343	8,970	60,234	–	(34,215)	–	26,019	
- Urban Elements	3	74,074	–	(10,813)	63,261	–	–	–	(1,133)	(2,886)	–	2,914	–	–	17,482	–	–	–	93,283	–	(13,646)	–	79,637	
Right-of-Use Assets		–	–	–	–	45,864	–	–	–	(5,408)	(1,123)	–	–	–	–	–	–	–	–	45,864	–	(6,531)	–	39,333
Other																								
Library Books		–	8,118	(6,087)	2,031	–	–	–	–	(323)	–	302	–	–	–	–	–	–	–	8,420	–	(6,410)	–	2,010
Furniture & Fittings		–	49,455	(39,239)	10,216	–	–	–	(9)	(3,681)	(3)	(1,531)	–	–	159	–	–	–	–	48,104	–	(42,953)	–	5,151
Plant & Equipment		–	20,557	(10,128)	10,429	–	162	–	(367)	(1,701)	–	2,317	–	–	(159)	–	–	–	–	20,662	–	(9,981)	–	10,681
Civic Collection		–	11,311	–	11,311	–	–	–	–	–	–	–	–	–	–	–	–	–	–	11,311	–	–	–	11,311
Total Infrastructure, Property, Plant & Equipment		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	
Comparatives		2,082,905	514,083	(959,703)	1,637,285	–	38,765	29,894	(5,954)	(44,292)	–	(567)	(771)	(18,539)	–	–	–	181,546	2,525,542	510,818	(1,218,996)	–	1,817,364	

## City of Adelaide

## Notes to the Financial Statements

for the year ended 30 June 2020

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

## (b) Investment Property

		as at 30/06/19				Asset movements during the reporting period							as at 30/06/20			
		At Fair Value	At Cost	Accumulated Depreciation	Carrying amount	Asset Additions New / Upgrade	Asset Additions Renewals	WDV of Asset Disposals	WIP Transfers	Revaluation Increments/ Decrements to P&L - Investment Properties (Note 4)	Revaluation Decrements to Equity (ARR) (Note 9)	Revaluation Increments to Equity (ARR) (Note 9)	At Fair Value	At Cost	Accumulated Depreciation	Carrying amount
\$ '000	Fair Value Level															
Buildings & Structures	2	2,865	–	–	2,865	–	–	–	–	(5)	–	–	2,860	–	–	2,860
<u>Total Investment Property</u>		<u>2,865</u>	<u>–</u>	<u>–</u>	<u>2,865</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>(5)</u>	<u>–</u>	<u>–</u>	<u>2,860</u>	<u>–</u>	<u>–</u>	<u>2,860</u>
Comparatives		2,865	–	–	2,865	–	–	–	470	(470)	–	–	2,865	–	–	2,865

## City of Adelaide

### Notes to the Financial Statements

for the year ended 30 June 2020

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

##### (c) 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.



## City of Adelaide

### Notes to the Financial Statements

for the year ended 30 June 2020

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

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 2003.

##### Land

Land, excluding Park Lands and Land under Roads were valued using the market approach during the reporting period ended 30 June 2018 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 2018 by independent valuers. Acquisitions subsequent to the most recent valuation have been measured at cost.

##### Infrastructure

###### *Footpaths*

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

###### *Traffic Signals*

The traffic signal network is periodically revalued with the most recent revaluation conducted for the period ended 30 June 2020. The valuation was conducted by independent valuers and assets are valued at current replacement cost less depreciation.

###### *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 ending 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.

###### *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.

###### *Roads*

Road assets were valued internally using the current replacement cost approach. The most recent valuation was conducted for the period ending 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.

###### *Stormwater and Drainage*

Stormwater and drainage assets are periodically valued with the most recent revaluation conducted for the period ending 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.

## City of Adelaide

### Notes to the Financial Statements

for the year ended 30 June 2020

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

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##### *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 ending 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.

##### **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.

## City of Adelaide

### Notes to the Financial Statements

for the year ended 30 June 2020

#### Note 8. Liabilities

\$ '000	2020 Current	2020 Non Current	2019 Current	2019 Non Current
<b>(a) Trade and Other Payables</b>				
Goods & Services	7,254	—	14,680	—
Payments Received in Advance	5,583	293	2,486	293
Accrued Expenses - Employee Entitlements	472	—	2,136	—
Accrued Expenses - Other	4,192	—	7,087	—
Deposits, Retentions & Bonds	598	—	970	—
Other	1,652	—	1,170	—
<b><u>TOTAL Trade and Other Payables</u></b>	<b><u>19,751</u></b>	<b><u>293</u></b>	<b><u>28,529</u></b>	<b><u>293</u></b>

\$ '000	Notes	2020 Current	2020 Non Current	2019 Current	2019 Non Current
<b>(b) Borrowings</b>					
Loans		—	51,600	—	41,450
Lease Liabilities	16	4,837	36,296	—	—
<b><u>TOTAL Borrowings</u></b>		<b><u>4,837</u></b>	<b><u>87,896</u></b>	<b><u>—</u></b>	<b><u>41,450</u></b>

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

#### (c) Provisions

Annual Leave Employee Entitlements	6,585	—	6,113	—
Long Service Leave Employee Entitlements	7,672	1,955	7,356	2,007
Other	349	—	410	—
<b><u>TOTAL Provisions</u></b>	<b><u>14,606</u></b>	<b><u>1,955</u></b>	<b><u>13,879</u></b>	<b><u>2,007</u></b>

## City of Adelaide

### Notes to the Financial Statements

for the year ended 30 June 2020

#### Note 9. Reserves

	as at 30/06/19				as at 30/06/20
\$ '000	Opening Balance	Increments (Decrements)	Transfers	Impairments	Closing Balance
(a) Asset Revaluation Reserve					
Buildings	161	—	—	—	161
Infrastructure					
- Stormwater and Drainage	94,178	567	—	—	94,745
- Bridges	56,847	(842)	—	—	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	—	—	—	17,616
Land and Buildings	387,966	—	—	—	387,966
Park Land Improvements	13,217	—	—	—	13,217
Other Assets	1,003	—	—	—	1,003
<b>Total Asset Revaluation Reserve</b>	<b>917,788</b>	<b>16,222</b>	<b>—</b>	<b>—</b>	<b>934,010</b>
Comparatives	736,242	181,546	—	—	917,788

	as at 30/06/19				as at 30/06/20
\$ '000	Opening Balance	Tfrs to Reserve	Tfrs from Reserve	Other Movements	Closing Balance
(b) Other Reserves					
Defined Benefit - Unfunded Superannuation Liability	1,659	—	(47)	—	1,612
<u>Total Other Reserves</u>	<u>1,659</u>	<u>—</u>	<u>(47)</u>	<u>—</u>	<u>1,612</u>
Comparatives	1,569	90	—	—	1,659

#### 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).

##### 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.

## City of Adelaide

### Notes to the Financial Statements

for the year ended 30 June 2020

#### Note 10. Reconciliation to Statement of Cash Flows

\$ '000	Notes	2020	2019
<b>(a) Reconciliation of Cash</b>			
Cash Assets comprise highly liquid investments with short periods to maturity subject to insignificant risk of changes of value. Cash at the end of the reporting period as shown in the Statement of Cash Flows is reconciled to the related items in the Balance Sheet as follows:			
Total Cash & Equivalent Assets	5	945	6,069
<b>Balances per Statement of Cash Flows</b>		<b>945</b>	<b>6,069</b>
<b>(b) Reconciliation of Change in Net Assets to Cash from Operating Activities</b>			
<b>Net Surplus/(Deficit)</b>		<b>(17,243)</b>	<b>(20,390)</b>
Non-Cash Items in Income Statements			
Depreciation, Amortisation & Impairment		51,869	44,292
Fair Value Adjustments		(8,887)	470
Equity Movements in Equity Accounted Investments (Increase) / Decrease		18	(79)
Grants for capital acquisitions treated as Investing Activity		(1,205)	(5,625)
Net (Gain) Loss on Disposals		7,795	4,368
Actuarial Gain (Loss) Unfunded Super		(47)	90
		<b>32,300</b>	<b>23,126</b>
<b>Add (Less): Changes in Net Current Assets</b>			
Net (Increase) / Decrease in Receivables		(3,835)	3,692
Change in Allowances for Under-Recovery of Receivables		(266)	95
Net (Increase) / Decrease in Inventories		65	(114)
Net (Increase) / Decrease in Other Assets		30	(280)
Net Increase / (Decrease) in Trade & Other Payables		(8,406)	680
Net Increase / (Decrease) in Unpaid Employee Benefits		472	33
Net Increase / (Decrease) in Other Provisions		203	1,123
<b>Net Cash provided by (or used in) operations</b>		<b>20,563</b>	<b>28,355</b>

## City of Adelaide

### Notes to the Financial Statements

for the year ended 30 June 2020

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

\$ '000	2020	2019
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#### (c) Reconciliation of Liabilities Arising from Financing Activities

##### Long-term Borrowings

Opening Balance	41,450	28,000
Borrowings	10,150	13,450
Leases	41,133	–
<b>Closing Balance</b>	<b>92,733</b>	<b>41,450</b>

##### Bonds & Deposits

Opening Balance	970	1,150
Bond / Deposit Payments During the Year	(372)	(180)
<b>Total Liabilities from Financing Activities</b>	<b>93,331</b>	<b>42,420</b>

#### (d) Financing Arrangements

Unrestricted access was available at balance 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 2020

#### Note 11a. Functions

Income, Expenses and Assets have been directly attributed to the following Functions / Activities.  
Details of these Functions / Activities are provided in Note 11b.

\$ '000	2020	INCOME	2020	EXPENSES	OPERATING SURPLUS (DEFICIT)		GRANTS INCLUDED IN INCOME		TOTAL ASSETS HELD (CURRENT & NON-CURRENT)	
		2019		2019	2020	2019	2020	2019	2020	2019
Functions/Activities										
Creative City	911	763	12,472	13,364	(11,561)	(12,601)	260	308	467,266	458,784
Liveable City	65,603	80,041	120,405	118,096	(54,802)	(38,055)	1,106	1,194	1,155,426	1,151,427
Smart City	91	4	10,195	2,916	(10,104)	(2,912)	—	—	195,259	200,194
Green City	1,253	1,490	15,741	17,592	(14,488)	(16,102)	56	178	382	437
Corporate	131,355	113,442	59,940	64,949	71,415	48,493	7,138	2,071	63,991	29,370
Total Functions/Activities	199,213	195,740	218,753	216,917	(19,540)	(21,177)	8,560	3,751	1,882,324	1,840,212

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

## City of Adelaide

### Notes to the Financial Statements

for the year ended 30 June 2020

#### Note 11b. Components of Functions

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The activities relating to Council functions are as follows:

##### **SMART CITY**

City Growth and Rundle Mall Management Authority

##### **GREEN CITY**

Sustainability, Park Lands Strategy and Public Realm Services

##### **LIVEABLE CITY**

Design Projects & Strategies, Community Safety & Health, Participation & Inclusion, Wellbeing & Resilience, Planning & Heritage, Customer Experience, Infrastructure Planning & Delivery, Public Realm Infrastructure, Commercial Businesses, Adelaide Central Market Authority and Adelaide Park Lands Authority

##### **CREATIVE CITY**

Culture & Lifelong Learning, Events Management, Civic Relationships & Partnerships and Visitor Growth

##### **CORPORATE**

CEO Office, Corporate Activities, Council Solutions, Finance, Governance, Information Management, Infrastructure Support, Marketing & Communications, On Street Parking, People, Planning Support, Program Management and Strategic Property



## City of Adelaide

### Notes to the Financial Statements

for the year ended 30 June 2020

#### Note 12. Financial Instruments

##### 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 6.3% (2019: 6.6%). 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.

###### Carrying Amount:

Fair Value

## City of Adelaide

### Notes to the Financial Statements

for the year ended 30 June 2020

#### Note 12. Financial Instruments (continued)

##### Liabilities - Creditors and Accruals

###### Accounting Policy:

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

###### Terms & 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.

## City of Adelaide

### Notes to the Financial Statements

for the year ended 30 June 2020

#### Note 12. Financial Instruments (continued)

\$ '000	Due < 1 year	Due > 1 year & ≤ 5 years	Due > 5 years	Total Contractual Cash Flows	Carrying Values
<b>2020</b>					
<b>Financial Assets</b>					
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	14,168
Non-Current Borrowings	—	—	51,600	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>16,941</b>	<b>75,656</b>	<b>112,477</b>	<b>106,901</b>
<b>2019</b>					
Cash & Equivalents	6,069	—	—	6,069	6,069
Receivables	4,124	—	—	4,124	4,124
Other Financial Assets	159	278	—	437	437
<b>Total Financial Assets</b>	<b>10,352</b>	<b>278</b>	<b>—</b>	<b>10,630</b>	<b>10,630</b>
<b>Financial Liabilities</b>					
Payables	26,043	—	—	26,043	26,043
Non-Current Borrowings	—	—	41,450	41,450	41,450
<b>Total Financial Liabilities</b>	<b>26,043</b>	<b>—</b>	<b>41,450</b>	<b>67,493</b>	<b>67,493</b>

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

\$ '000	2020		2019	
	Weighted Avg Interest Rate	Carrying Value	Weighted Avg Interest Rate	Carrying Value
Other Variable Rates	1.91%	51,600	2.73%	41,450
		<b>51,600</b>		<b>41,450</b>

#### Net Fair Value

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

## City of Adelaide

### Notes to the Financial Statements

for the year ended 30 June 2020

#### 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	2020	2019
<b>Capital Commitments</b>		
<b>Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:</b>		
Buildings	3,124	3,300
Drainage & Waterways	213	120
IT Corporate System	448	274
Lighting & Electrical	110	93
Park Lands & Squares	955	237
Plant & Equipment	11	314
Streetscapes	635	453
Transportation	811	7,835
Urban Elements	94	787
	<b>6,401</b>	<b>13,413</b>
<b>These expenditures are payable:</b>		
Not later than one year	6,401	13,413
	<b>6,401</b>	<b>13,413</b>

## City of Adelaide

### Notes to the Financial Statements

for the year ended 30 June 2020

#### Note 14. Financial Indicators

\$ '000	Amounts 2020	Indicator 2020	Prior periods	
			2019	2018

*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	(19,540)	(10)%	(11)%	(9)%
Total Operating Income	199,213			

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

##### 2. Net Financial Liabilities Ratio

Net Financial Liabilities	113,917	57%	35%	26%
Total Operating Income	199,213			

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

##### 3. Asset Renewal Funding Ratio

Net Asset Renewals	15,203	40%	76%	91%
Infrastructure & Asset Management Plan required expenditure	38,247			

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

## City of Adelaide

### Notes to the Financial Statements

for the year ended 30 June 2020

#### Note 15. Uniform Presentation of Finances

\$ '000	2020	2019
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The following is a high level summary of both operating and capital investment activities of the Council prepared on a simplified Uniform Presentation Framework basis.

All Councils in South Australia have agreed to summarise annual budgets and long-term financial plans on the same basis.

The arrangements ensure that all Councils provide a common 'core' of financial information, which enables meaningful comparisons of each Council's finances.

Income	199,213	195,740
less Expenses	(218,753)	(216,917)
<b>Operating Surplus / (Deficit)</b>	<b>(19,540)</b>	<b>(21,177)</b>

#### Net Outlays on Existing Assets

Capital Expenditure on Renewal and Replacement of Existing Assets	(15,482)	(21,819)
add back Depreciation, Amortisation and Impairment	51,869	44,292
add back Proceeds from Sale of Replaced Assets	279	561
	<b>36,666</b>	<b>23,034</b>

#### Net Outlays on New and Upgraded Assets

Capital Expenditure on New and Upgraded Assets (including Investment Property & Real Estate Developments)	(16,865)	(27,430)
add back Amounts Received Specifically for New and Upgraded Assets	1,205	5,625
add back Proceeds from Sale of Surplus Assets (including investment property, real estate developments & non-current assets held for resale)	112	1,025
	<b>(15,548)</b>	<b>(20,780)</b>

#### Net Lending / (Borrowing) for Financial Year

	<b>1,578</b>	<b>(18,923)</b>
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## City of Adelaide

### Notes to the Financial Statements

for the year ended 30 June 2020

#### 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:

##### Right of use assets

\$ '000	Buildings	Total
<b>2020</b>		
Adoption of AASB 16 at 1 July 2019	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 2020</b>	<b>39,333</b>	<b>39,333</b>

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

\$ '000	2020
Balance at 1 July	45,864
Accretion of interest	983
Payments	(5,714)
<b>Balance at 30 June</b>	<b>41,133</b>
<b>Classified as:</b>	
Current	4,837
Non Current	36,296

The maturity analysis of lease liabilities is included in Note 12.

The Group had total cash outflows for leases of \$5.714m

The following are the amounts recognised in profit or loss:

Depreciation expense of Right-of-Use Assets	5,408
Interest expense on lease liabilities	983
Expense relating to leases of low-value assets	906
<b>Total amount recognised in profit or loss</b>	<b>8,064</b>

## City of Adelaide

### Notes to the Financial Statements

for the year ended 30 June 2020

#### Note 16. Leases (continued)

##### (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 rent and hire of non-investment property 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	2020
---------	------

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

Not later than one year	6,402
Later than one year and not later than 5 years	14,059
Later than 5 years	24,491
	<u>44,952</u>



## City of Adelaide

### Notes to the Financial Statements

for the year ended 30 June 2020

#### Note 17. Superannuation

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

##### **Accumulation only Members**

Accumulation only members receive both employer and employee contributions on a progressive basis. Employer contributions are based on a fixed percentage of ordinary time earnings in accordance with superannuation guarantee legislation (9.50% in 2019/20; 9.50% in 2018/19). 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 2018/19) of "superannuation" salary.

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

The Salarylink section is a multi-employer sponsored plan. As the Salarylink section's assets and liabilities are pooled and are not allocated by each employer, and employees may transfer to another employer within the local government sector and retain membership of the Fund, the Actuary is unable to allocate benefit liabilities, assets and costs between employers. As provided by AASB 119.32(b), Council does not use defined benefit accounting for these contributions.

The most recent actuarial investigation was conducted by the Fund's actuary, Louise Campbell, FIAA, of Willis Towers Watson as at 30 June 2020. The Trustee has determined that the current funding arrangements are adequate for the expected Salarylink liabilities. However, future financial and economic circumstances may require changes to Council's contribution rates at some future time.

##### **Contributions to Other Superannuation Schemes**

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

## City of Adelaide

### Notes to the Financial Statements

for the year ended 30 June 2020

#### Note 18. 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	
	2020	2019	2020	2019
<b>Council's Share of Net Income</b>				
Joint Ventures	(18)	79	672	629
<b>Total Council's Share of Net Income</b>	<b>(18)</b>	<b>79</b>	<b>672</b>	<b>629</b>

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

##### (a) Carrying Amounts

\$ '000	Principal Activity	2020	2019
Council Solutions Regional Authority	Promotion of procurement and service delivery	—	138
The Brown Hill and Keswick Creeks Stormwater Board	Implementation & oversight of stormwater infrastructure	672	491
<b>Total Carrying Amounts - Joint Ventures &amp; Associates</b>		<b>672</b>	<b>629</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

\$ '000	Interest in Operating Result		Ownership Share of Equity		Proportion of Voting Power	
	2020	2019	2020	2019	2020	2019
Council Solutions Regional Authority	0.00%	17.00%	0.00%	17.00%	0.00%	17.00%
The Brown Hill and Keswick Creeks Stormwater Board	8.00%	8.00%	8.00%	8.00%	20.00%	20.00%

continued on next page ...

## City of Adelaide

### Notes to the Financial Statements

for the year ended 30 June 2020

#### Note 18. 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	
	2020	2019	2020	2019
Opening Balance	138	76	491	–
Share in Operating Result	(14)	62	(4)	17
New Capital Contributions	–	–	185	474
Distributions Received	(124)	–	–	–
<b>Council's Equity Share in the Joint Venture or Associate</b>	<b>–</b>	<b>138</b>	<b>672</b>	<b>491</b>

#### Note 18b. 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).

##### Adelaide Central Market Authority (ACMA)

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 2020	Ownership 2019	Voting Rights 2020	Voting Rights 2019
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 2019-20. 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 \$10,960,640 as at 30 June 2020.

##### Other disclosures

Council manages the operational running of the car park under ACMA's control for which a management fee is payable. This totalled \$493,321 for the year (\$446,111 2018-19).

Council has a lease agreement with ACMA for the Central Market Complex until the 30 September 2033. The lease charge totalled \$2,333,749 for the year (\$2,834,796 2018-19).

ACMA contracts staff from Council with the on-charge totalling \$920,293 for the year (\$1,152,526 2018-19).

An amount of \$944,785 was paid to the Authority as a grant from the City of Adelaide. The grant supports the Authority for the loss of rental income resulting from rent concessions made to Market tenants for the final quarter of the 2019-20 financial year, which were designed to support tenants experiencing financial hardship as a consequence of the COVID-19 pandemic.

## City of Adelaide

### Notes to the Financial Statements

for the year ended 30 June 2020

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

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 2020	Ownership 2019	Voting Rights 2020	Voting Rights 2019
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 2019-20 totalled \$215,000 (\$187,000 2018-19).

#### Other disclosures

APLA contracts staff from Council with the on-charge totalling \$142,792 for the year (\$136,860 2018-19).

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.

Interests in Subsidiary \$ '000	Ownership 2020	Ownership 2019	Voting Rights 2020	Voting Rights 2019
Council's Interest in Subsidiary	100%	100%	100%	100%

#### Other disclosures

RMMA contracts staff from Council with the on-charge totalling \$1,052,470 for the year (\$793,509 2018-19).

For the financial year 2019-20 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.

## City of Adelaide

### Notes to the Financial Statements

for the year ended 30 June 2020

#### Note 19. Contingencies & Assets / Liabilities Not Recognised in the Balance Sheet

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

##### 1. LAND UNDER ROADS

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

At reporting date, Council controlled **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.

#### Note 20. Events after the Reporting Date

Events that occur after the reporting date of 30 June 2020, up to and including the date when the financial statements are "authorised for issue" have been taken into account in preparing these statements.

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

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

## City of Adelaide

### Notes to the Financial Statements

for the year ended 30 June 2020

#### Note 21. 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	2020	2019
<b>The compensation paid to Key Management Personnel comprises:</b>		
Short-Term Employee Benefits	2,135	2,326
Post-Employment Benefits	136	158
Long-Term Benefits	–	22
<b>Total</b>	<b>2,271</b>	<b>2,506</b>

Compensation paid excludes reimbursement of expenses incurred on behalf of Council

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

Rentals for Council property	450	496
<b>Total</b>	<b>450</b>	<b>496</b>

Rentals for Council Property relates to Adelaide Central Market stall holdings. During the year the parties to the rental revenue disclosed received \$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.

#### Note 22. Capital City Development and Economic Development

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 \$36.4m for 2019-20 (\$47.4 m 2018-19). This represents 17.1% (22% 2018-19) of total expenditure for the year ended 30 June 2020.

In accordance with the requirements of the City of Adelaide Act 1998, expenditure of \$13.3m (\$13.7m 2018-19) was incurred for works, services and activities that directly related to Council's economic development program.

This represents 6.34% (6.38% 2018-19) of the total expenditure for the year ended 30 June 2020.

## City of Adelaide

### General Purpose Financial Statements for the year ended 30 June 2020

#### Independent Auditor's Report - Financial Statements

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Item 5.2 - Attachment A

## City of Adelaide

### General Purpose Financial Statements for the year ended 30 June 2020

#### Independent Auditor's Report - Internal Controls

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Item 5.2 - Attachment A



## City of Adelaide

### General Purpose Financial Statements

for the year ended 30 June 2020

#### 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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Mark Goldstone  
Chief Executive Officer

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David Powell  
Presiding Member, Audit Committee

Date:



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 420 King William Street  
 Adelaide SA 5000  
 GPO Box 2018, Adelaide SA 5001  
 AUSTRALIA

## 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 2020, I have maintained my independence in accordance with the requirements of APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code), Part 4A, published by the Accounting Professional and Ethical Standards Board, in accordance with the *Local Government Act 1999* and the *Local Government (Financial Management) Regulations 2011* made under that Act.

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

Andrew Tickle  
 Director

**BDO Audit (SA) Pty Ltd**

Adelaide, 10 September 2020

24/09/2020

Mr Andrew Tickle  
BDO Audit (SA) Pty Ltd  
Level 7, BDO Centre  
420 King William Street  
ADELAIDE SA 5000

Dear Mr Tickle

#### **AUDIT FOR YEAR ENDED 30 JUNE 2020 OF CITY OF ADELAIDE**

This representation letter is provided in connection with your audit of the financial report of City of Adelaide for the year ended 30 June 2020, for the purpose of expressing an opinion as to whether the financial report presents fairly in accordance with the Australian Accounting Standards, the Local Government Act 1999 and the Local Government (Financial Management) Regulations 2011.

We confirm that to the best of our knowledge and belief, having made such enquiries as we considered necessary for the purposes of appropriately informing ourselves:

#### **Financial report**

1. We have fulfilled our responsibilities, as set out in your engagement letter dated 16 January 2020, for the preparation for the financial report in accordance with Australian Accounting Standards, the Local Government Act 1999 and the Local Government (Financial Management) Regulations 2011; in particular that the financial report presents fairly in accordance therewith.
2. We have established and maintained adequate internal controls to facilitate the preparation of a reliable financial report and adequate records have been maintained. Any and all deficiencies in internal control of which we are aware have been communicated to you.
3. We confirm that the selection and application of accounting policies remains appropriate, and that there have been no changes to the accounting policies applied in the previous annual financial statements or the methods used in applying them, except as disclosed in Note 1 to the financial statements.
4. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.
5. We have no plans or intentions that may materially affect the carrying values, or classification, of assets and liabilities.

6. The entity has satisfactory title to all assets, and there are no liens or encumbrances on such assets that have not been disclosed, nor has any asset been pledged as collateral.
7. We acknowledge the existence of, and have disclosed to you all information in relation to a number of newly identified infrastructure assets during the period, which have not been accounted for in the Council's financial statements for the current reporting period as no reliable information is available.
8. We acknowledge that valuations of Infrastructure, Property, Plant & Equipment have been appropriately undertaken so as to ensure that the carrying amounts do not differ materially from that which would be determined using fair value at the end of the reporting. Individual classes of Infrastructure, Property, Plant & Equipment are assigned to the appropriate level in the AASB 13 fair value hierarchy.

#### **Books, records and documentation**

7. We have provided you with:
  - Access to all information of which we are aware that is relevant to the preparation of the financial report such as records, documentation and other matters;
  - All minutes of meetings held by the Board of Directors, Committees and shareholders since the end of the previous reporting period have been given to you for your inspection;
  - Additional information that you have requested from us for the purpose of the audit;
  - Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
8. All transactions have been recorded in the accounting records and are reflected in the financial report.

#### **Uncorrected Misstatements**

9. We acknowledge that there are no uncorrected misstatements.

#### **Related parties**

10. We have disclosed to you the identity of the entity's related parties and all the related party relationships and transactions.
11. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with Australian Accounting Standards in the financial report.

#### **Fraud**

12. We acknowledge our responsibility for the design, implementation and maintenance of accounting and internal control systems that are designed to prevent and detect fraud.
13. We have disclosed to you the results of our assessment of the risk that the financial report may be materially misstated as a result of fraud.

14. We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the entity and involves:
  - Management;
  - Employees who have significant roles in internal control; or
  - Others where fraud could have a material impact on the financial report.
15. We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the entity's financial report communicated by employees, former employees, analysts, regulators or others.

#### **Litigation and claims**

16. We have disclosed to you all known actual or possible litigation and claims whose effects should be considered in the financial report; and accounted for and disclosed in accordance with Australian Accounting Standards.

#### **Compliance with laws and regulations**

17. We have disclosed to you all known actual or possible non-compliance with laws and regulations whose effects should be considered when preparing the financial report.
18. There have been no instances of non-compliance of laws and regulations involving management or employees who have a significant role in internal control.  
There have been no communications from regulatory agencies concerning non-compliance with, or deficiencies in, financial reporting practices that could have a material effect on the financial report.

#### **Subsequent events**

19. All events occurring subsequent to the date of the financial report and for which adjustment or disclosure are required have been adjusted or disclosed.

#### **Other information**

20. We have informed you of all the documents that we expect to issue which may compromise other information accompanying the financial report.
21. The financial report and any other information obtained by you prior to the date of the auditor's report are consistent with one another, and the other information does not contain any material misstatements.
22. The final version of the other information will be provided to you when available, and prior to issuance to allow you to complete your procedures over this other information.

#### **Electronic presentation of Financial Report**

23. We are responsible for the electronic presentation of the financial report.
24. We will ensure that the electronic version of the audited financial report and the auditor's report on the web site will be identical to the final signed hard copy version.
25. We will clearly differentiate between audited and unaudited information in the construction of the entity's web site as we understand the risk of potential misrepresentation.

26. We have assessed the controls over the security and integrity of data on the web site and that adequate procedures are in place to ensure the integrity of the information published.
27. We will not present the auditor's report on the full financial statements with extracts only of the full financial statements.

Mark Goldstone

**Chief Executive Officer**

Sonjoy Ghosh

**Acting Associate Director Strategic Finance & Procurement**

## City of Adelaide

### General Purpose Financial Statements

for the year ended 30 June 2020

#### 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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**Mark Goldstone**  
Chief Executive Officer

---

**David Powell**  
Presiding Member, Audit Committee

Date:

# Adelaide Central Market Authority

GENERAL PURPOSE FINANCIAL STATEMENTS  
for the year ended 30 June 2020

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## Adelaide Central Market Authority

### General Purpose Financial Statements for the year ended 30 June 2020

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## Adelaide Central Market Authority

### General Purpose Financial Statements for the year ended 30 June 2020

### Certification of Financial Statements

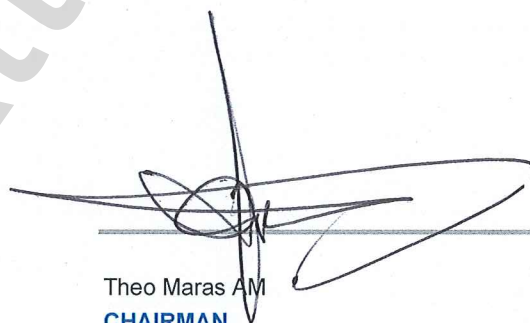
We have been authorised by the Adelaide Central Market Authority (the Authority) to certify the financial statements in their final form.

**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 Authority's financial position at 30 June 2020 and the results of its operations and cash flows for the financial year,
- internal controls implemented by the Authority provide a reasonable assurance that the Authority's financial records are complete, accurate and reliable and were effective throughout the financial year,
- the financial statements accurately reflect the Authority's accounting and other records.



Jodie Kannane  
**GENERAL MANAGER**



Theo Maras AM  
**CHAIRMAN**

**Date: 24 September 2020**

## Adelaide Central Market Authority

Statement of Comprehensive Income  
for the year ended 30 June 2020

\$ '000	Notes	2020	2019
<b>Income</b>			
User Charges	2a	8,386	9,192
Grants, Subsidies and Contributions	2d	945	-
Investment Income	2b	9	12
Other Income	2c	31	117
<b>Total Income</b>		<b>9,371</b>	<b>9,321</b>
<b>Expenses</b>			
Materials, Contracts & Other Expenses	3a	7,775	9,107
Depreciation, Amortisation & Impairment	3b	1,277	376
Finance Costs	3c	332	152
Contribution to City of Adelaide	3d	-	300
<b>Total Expenses</b>		<b>9,384</b>	<b>9,935</b>
<b>Operating Surplus / (Deficit)</b>		<b>(13)</b>	<b>(614)</b>
<b>Net Surplus / (Deficit) <sup>1</sup></b>		<b>(13)</b>	<b>(614)</b>
<b>Total Comprehensive Income</b>		<b>(13)</b>	<b>(614)</b>

<sup>1</sup> Transferred to Statement of Changes in Equity

## Adelaide Central Market Authority

## Statement of Financial Position

as at 30 June 2020

\$ '000	Notes	2020	2019
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and Cash Equivalents	4a	242	567
Trade & Other Receivables	4b	332	256
Inventories	4c	43	81
Other Current Assets	4d	295	-
<b>Subtotal</b>		<b>912</b>	<b>904</b>
<b>Total Current Assets</b>		<b>912</b>	<b>904</b>
<b>Non-Current Assets</b>			
Infrastructure, Property, Plant & Equipment	6a	17,115	8,849
Other Non-Current Assets	5a	395	-
<b>Total Non-Current Assets</b>		<b>17,510</b>	<b>8,849</b>
<b>TOTAL ASSETS</b>		<b>18,422</b>	<b>9,753</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Trade & Other Payables	7a	1,230	1,632
Borrowings	7b	718	-
<b>Subtotal</b>		<b>1,948</b>	<b>1,632</b>
<b>Total Current Liabilities</b>		<b>1,948</b>	<b>1,632</b>
<b>Non-Current Liabilities</b>			
Borrowings	7b	13,822	5,895
<b>Total Non-Current Liabilities</b>		<b>13,822</b>	<b>5,895</b>
<b>TOTAL LIABILITIES</b>		<b>15,770</b>	<b>7,527</b>
<b>Net Assets</b>		<b>2,652</b>	<b>2,226</b>
<b>EQUITY</b>			
Accumulated Surplus		402	415
Other Reserves	8a	2,250	1,811
<b>Total Equity</b>		<b>2,652</b>	<b>2,226</b>

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

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## Adelaide Central Market Authority

Statement of Changes in Equity  
for the year ended 30 June 2020

\$ '000	Accumulated Surplus	Other Reserves	Total Equity
<b>2020</b>			
Balance at the end of previous reporting period	415	1,811	2,226
Restated Opening Balance	415	1,811	2,226
Net Surplus / (Deficit) for Year	(13)	-	(13)
Other Comprehensive Income			
- Deemed contribution	-	439	439
Other Comprehensive Income	-	439	439
Total Comprehensive Income	(13)	439	426
Balance at the end of period	402	2,250	2,652
<b>2019</b>			
Balance at the end of previous reporting period	1,029	1,175	2,204
Restated Opening Balance	1,029	1,175	2,204
Net Surplus / (Deficit) for Year	(614)	-	(614)
Other Comprehensive Income			
- Deemed contribution	-	636	636
Other Comprehensive Income	-	636	636
Total Comprehensive Income	(614)	636	22
Balance at the end of period	415	1,811	2,226

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

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## Adelaide Central Market Authority

## Statement of Cash Flows

for the year ended 30 June 2020

\$ '000	Notes	2020	2019
<b>Cash Flows from Operating Activities</b>			
<u>Receipts</u>			
Operating Receipts		9,203	9,447
Investment Receipts		9	12
<u>Payments</u>			
Operating Payments to Suppliers and Employees		(8,746)	(9,917)
Finance Payments		(130)	-
<b>Net Cash provided by (or used in) Operating Activities</b>	9b	<b>336</b>	<b>(458)</b>
<b>Cash Flows from Investing Activities</b>			
<u>Receipts</u>			
Nil			
<u>Payments</u>			
Expenditure on Renewal/Replacement of Assets		(3,459)	(2,959)
<b>Net Cash provided by (or used in) Investing Activities</b>		<b>(3,459)</b>	<b>(2,959)</b>
<b>Cash Flows from Financing Activities</b>			
<u>Receipts</u>			
Proceeds from Borrowings		3,500	3,207
<u>Payments</u>			
Repayment of Lease Liabilities		(702)	-
<b>Net Cash provided by (or used in) Financing Activities</b>		<b>2,798</b>	<b>3,207</b>
<b>Net Increase (Decrease) in Cash Held</b>		<b>(325)</b>	<b>(210)</b>
plus: <b>Cash &amp; Cash Equivalents at beginning of period</b>	9	<b>567</b>	<b>777</b>
<b>Cash &amp; Cash Equivalents at end of period</b>	9	<b>242</b>	<b>567</b>

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

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## Adelaide Central Market Authority

### Notes to and forming part of the Financial Statements for the year ended 30 June 2020

#### Contents of the Notes accompanying the Financial Statements

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5a	Other Non-Current Assets	16
	<b>Fixed Assets</b>	
6a (i)	Infrastructure, Property, Plant & Equipment	17
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The principal accounting policies adopted by the Adelaide Central Market Authority (the Authority) in the preparation of these financial statements are set out below.

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

## 1 Basis of Preparation

### 1.1 Compliance with Australian Accounting Standards

This general purpose financial report has been prepared on a going concern basis using the historical cost convention (except as stated below) 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*.

### 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 the Authority's accounting policies.

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

### 1.3 Rounding

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

## 2 The Local Government Reporting Entity

The Adelaide Central Market Authority is incorporated under the South Australian *Local Government Act 1999* and has its principal place of business at 44-60 Gouger Street, Adelaide.

The Authority was enacted on 3 May 2012 as a subsidiary of the Corporation of the City of Adelaide with its primary role being to oversee the management and operation of the Adelaide Central Market.

## 3 Income Recognition

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

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

In other cases, AASB 1058 applies when the Authority enters into transactions where the consideration to acquire an asset is significantly less than the fair value of the asset principally to enable the Authority to further its objectives. The excess of the asset recognised (at fair value) over any 'related amounts' is recognised as income immediately, except in the case where a financial asset has been received to enable the Authority to acquire or construct a recognisable non-financial asset that is to be controlled by the Authority. In this case, the Authority recognises the excess as a liability that is recognised over time in profit and loss when (or as) the Authority satisfies its obligations under the transfer.

## 4 Cash, Cash Equivalents and other Financial Instruments

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

Most receivables relate to stall holder leases and are secured in part by bank or director's guarantees.

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.

## 5 Inventories

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

## 6 Infrastructure, Property, Plant & Equipment

### 6.1 Initial Recognition

All assets are initially recognised at cost

All non-current assets purchased or constructed are capitalised as the expenditure is incurred and depreciated as soon as the asset is held "ready for use". Cost is determined as the fair value of the assets given as consideration plus costs incidental to the acquisition, including architects' fees and engineering design fees and all other costs incurred.

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

### 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 the Authority. 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 Depreciation of Non-Current Assets

Property, plant and equipment assets recognised are systematically depreciated over their useful lives on a straight-line basis which, in the opinion of the Authority, 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.

#### *Plant, Furniture & Equipment*

Plant & Equipment	2 to 20 years
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#### *Buildings & Other Structures*

Buildings – other construction	5 to 50 years
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#### *Other Assets*

Right-of-Use Assets	10 years
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### 6.4 Impairment

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

For assets whose future economic benefits are not dependent on the ability to generate cash flows, and where the future economic benefits would be replaced if the Authority were deprived thereof, the value in use is the depreciated replacement cost. In assessing impairment for these assets, a rebuttable assumption is made that the current replacement cost exceeds the original cost of acquisition.

## 7 Payables

### 7.1 Goods & Services

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

### 7.2 Payments Received in Advance & Deposits

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

## 8 Borrowings

The loan from the City of Adelaide to the Adelaide Central Market Authority has not been formalised however, per AASB 9, it is recognised at fair value, net of transaction costs incurred and subsequently measured at amortised cost.

Any difference between the proceeds (net of transaction costs) and the fair value is recognised through the Statement of Changes in Equity.

Deemed interest, which is the effective unwinding of the discount applied to the fair value recognition, is recognised in the Statement of Comprehensive Income. The City of Adelaide's Long-Term Financial Plan has been referenced to determine the timing of the principal repayment.

## 9 Employee Benefits

The Authority does not have any employees. All employees are engaged through the parent entity, the City of Adelaide.

## 10 Leases

### Accounting policy applicable from 01 July 2019

The Authority 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 in exchange for consideration.

#### 10.1 The Authority as a lessee

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

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

The Authority 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, as follows:

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

##### ii.) Lease Liabilities

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

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

The Authority applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (ie, 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 low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

##### iv.) Leases with a variable value

The Authority leases the Central Market Complex from the Corporation of the City of Adelaide under a lease which commenced 1 October 2012 for a period of 21 years. This lease contains variable payment terms that are linked to the Authority's gross revenue for the year and net surplus 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.

#### 10.2 The Authority as a lessor

Leases in which the Authority 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.

## 11 GST Implications

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

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

## 12 New and amended accounting standards and interpretations

In the current year, the Authority adopted all new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that are relevant to its operations and effective for the current reporting period. The impact of the new and revised Standards and Interpretations on the Authority's accounting policies has been disclosed below.

Adelaide Central Market Authority has not applied any Australian Accounting Standards and Interpretations that have been issued but are not yet effective.

### **Adoption of AASB 15 Revenue from Contracts with Customers and AASB 1058 Income of Not-for-Profit Entities**

The Authority applied AASB 15 and AASB 1058, for the first time from 1 July 2019. AASB 1058 clarifies and simplifies the income recognition requirements that apply to not-for-profit (NFP) entities, in conjunction with AASB 15. These Standards supersede the NFP income recognition requirements previously in AASB 1004 Contributions (except for certain matters relating to public sector NFP entities)

as well as current revenue recognition guidance including AASB 118 Revenue, AASB 111 Construction Contracts and the related Interpretations. The timing of income recognition depends on whether such a transaction gives rise to a liability or other performance obligation (a promise to transfer a good or service). Details of the accounting policy adopted for these standards can be found in Note 1 Significant Accounting Policies. The Authority has elected to adopt the modified retrospective method on transition to the new standards with an initial application date of 1 July 2019. The cumulative effect of initially applying AASB 15 and AASB 1058 is recognised at the date of initial application as an adjustment to the opening balance of Accumulated Surplus. Therefore, the comparative information was not restated and continues to be reported under AASB 111, AASB 118, AASB 1004 and related Interpretations.

### **AASB 16 Leases**

The Authority applied AASB 16 Leases, for the first time from 1 July 2019. This standard requires that the right of use conveyed by leasing contracts (except leases with a maximum term of 12 months and leases for low-value assets) be recognised as a form of Infrastructure, Property, Plant and Equipment, and that the lease liability be disclosed as a liability.

### **Adoption of AASB 16 Leases (AASB 16)**

AASB 16 supersedes AASB 117 Leases, Interpretation 4 Determining whether an Arrangement contains a Lease and other related Interpretations. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise most leases on the Statement of Financial Position under a single on-Statement of Financial Position model. The Authority has lease contracts for the Market complex and Market car parks. Before the adoption of AASB 16, the Authority classified each of its leases (as lessee) at the inception date as either a finance lease or an operating lease.

The Authority adopted AASB 16 using the modified retrospective method of adoption. Under this method, the standard has been applied retrospectively and comparatives have not been restated.

The Authority recognised right-of-use assets and lease liabilities for those leases previously classified

as operating leases, except for short-term leases with lease terms that end within 12 months of the date of initial application and leases of low-value assets. The right-of-use assets for all leases were recognised based on the amount equal to the lease liabilities. No adjustments were needed for any previously recognised prepaid or accrued lease expenses as there were none. Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

The lease liabilities as at 1 July 2019 can be reconciled to the operating lease commitments as of 30 June 2019, as follows:

	<b>\$'000</b>
Minimum operating lease commitments as at 30 June 2019	<b>8,132</b>
Less: variable lease payments that depend on an index rate and not included in the measurement of the lease liabilities at initial adoption	(1,478)
Undiscounted lease payments	<b>6,654</b>
Less: effect of discounting using the incremental borrowing rate as at the date of initial application	(570)
Lease liabilities for leases classified as operating leases under AASB 117	<b>6,084</b>
<b>Lease liabilities as at 1 July 2019</b>	<b>6,084</b>

of which:

Current liabilities (i)	702
Non-current liabilities (ii)	5,382

- (i) Included in current borrowings in the Statement of Financial Position; and
- (ii) Included in non-current borrowings in the Statement of Financial Position

Right of use assets of the same value as lease liabilities were recognised as a non-cash addition and included in Infrastructure, Property, Plant and Equipment in the Statement of Financial Position.

### 13. Standards issued by the AASB not yet effective

The AASB has issued Australian Accounting Standards and Interpretations which are not effective at 30 June 2020. The Authority does not anticipate

that new and amended Australian Accounting Standards, and Interpretations, issued but not yet effective at the time of compiling these illustrative statements will apply to the Authority's future reporting periods.

### 14 Comparative Figures

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

### 15 Disclaimer

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

## Adelaide Central Market Authority

### Notes to and forming part of the Financial Statements for the year ended 30 June 2020

#### Note 2. Income

\$ '000	2020	2019
<b>(a). User Charges</b>		
Property Lease	3,445	3,527
Off-Street Parking	4,186	4,801
Property Recovery	755	864
<b>Total User Charges</b>	<b>8,386</b>	<b>9,192</b>
<b>(b). Investment Income</b>		
- Banks & Other	9	12
<b>Total Investment Income</b>	<b>9</b>	<b>12</b>
<b>(c). Other Income</b>		
Merchandise Sales	12	26
General Sales	19	91
<b>Total Other Income</b>	<b>31</b>	<b>117</b>
<b>(d). Grants, Subsidies, Contributions</b>		
Other Grants, Subsidies and Contributions	945	-
<b>Total Other Grants, Subsidies and Contributions</b>	<b>945</b>	<b>-</b>
<b>Total Grants, Subsidies, Contributions</b>	<b>945</b>	<b>-</b>
An amount of \$944,785 was received by the Authority as a grant from the City of Adelaide. The grant supports the Authority for the loss of rental income resulting from rent concessions made to Market tenants for the final quarter of the 2019-20 financial year, which were designed to support tenants experiencing financial hardship as a consequence of the COVID-19 pandemic.		
<b>(i) Sources of grants</b>		
Other	945	-
<b>Total</b>	<b>945</b>	<b>-</b>

## Adelaide Central Market Authority

### Notes to and forming part of the Financial Statements for the year ended 30 June 2020

#### Note 3. Expenses

\$ '000	Notes	2020	2019
<b>(a). Materials, Contracts and Other Expenses</b>			
<b>(i) Prescribed Expenses</b>			
Nil			
Auditor's Remuneration			
Auditor's Remuneration		11	10
Bad and Doubtful Debts		34	-
Board Fees		117	116
Operating Lease Rentals - Non-Cancellable Leases	12		
- Minimum Lease Payments		-	4,125
Lease Expense - Variable Payments		2,352	-
<b>Subtotal - Prescribed Expenses</b>		<b>2,514</b>	<b>4,251</b>
<b>(ii) Other Materials, Contracts and Expenses</b>			
Contractors		1,480	1,242
Energy		721	761
Maintenance		412	362
Legal Expenses		21	45
Levies Paid to Government - including NRM levy		36	34
Parts, Accessories & Consumables		48	41
Professional Services		60	85
Advertising and Promotion		239	222
Bank Charges and Cash Collection		100	118
Catering		12	8
Cleaning		938	890
Water		121	128
Insurance		101	86
Minor Plant and Equipment		5	19
Printing, Freight and Postage		4	10
Rates and Taxes		52	21
Security		616	535
Subscriptions		2	-
Training and Development		1	15
Waste Services		266	217
Other		26	17
<b>Subtotal - Other Material, Contracts &amp; Expenses</b>		<b>5,261</b>	<b>4,856</b>
<b>Total Materials, Contracts and Other Expenses</b>		<b>7,775</b>	<b>9,107</b>



## Adelaide Central Market Authority

### Notes to and forming part of the Financial Statements for the year ended 30 June 2020

#### Note 3. Expenses (continued)

\$ '000	2020	2019
<b>(b). Depreciation, Amortisation and Impairment</b>		
<b>(i) Depreciation and Amortisation</b>		
Buildings	377	291
Right-of-Use Assets	760	-
Plant & Equipment	139	85
Furniture & Fittings	1	-
<b>Subtotal</b>	<b>1,277</b>	<b>376</b>
<b>Total Depreciation, Amortisation and Impairment</b>	<b>1,277</b>	<b>376</b>
<b>(c). Finance Costs</b>		
Interest on Loans	202	152
Interest on Leases	130	-
<b>Total Finance Costs</b>	<b>332</b>	<b>152</b>
<b>(d). Contribution to City of Adelaide</b>		
Contribution to City of Adelaide	-	300
<b>Subtotal</b>	<b>-</b>	<b>300</b>

## Adelaide Central Market Authority

### Notes to and forming part of the Financial Statements for the year ended 30 June 2020

#### Note 4. Current Assets

\$ '000	2020	2019
<b>(a). Cash &amp; Cash Equivalent Assets</b>		
Cash on Hand at Bank	242	567
<b>Total Cash &amp; Cash Equivalent Assets</b>	<b>242</b>	<b>567</b>
<b>(b). Trade &amp; Other Receivables</b>		
Accrued Revenues	105	164
Debtors - General	64	49
GST Recoupment	160	34
Prepayments	3	9
<b>Subtotal</b>	<b>332</b>	<b>256</b>
<b>Total Trade &amp; Other Receivables</b>	<b>332</b>	<b>256</b>
<b>(c). Inventories</b>		
Trading Stock	43	81
<b>Total Inventories</b>	<b>43</b>	<b>81</b>
<b>(d). Other Current Assets</b>		
Rent Receivable	295	-
<b>Total Other Current Assets</b>	<b>295</b>	<b>-</b>

During the year the Authority resolved to provide three month's rent relief to its tenants as a consequence of the COVID-19 pandemic. The rent concession has been recognised as a lease modification under AASB 16 Leases, and the revised consideration is recognised over the remaining lease term. The non-current portion of the modification is shown at Note 5. Non-Current Assets (i) Other.

#### Note 5. Non-Current Assets

\$ '000	2020	2019
<b>(a). Other Non-Current Assets</b>		
<b>(i) Other</b>		
Rent Receivable	395	-
<b>Total Other</b>	<b>395</b>	<b>-</b>
<b>Total Other Non-Current Assets</b>	<b>395</b>	<b>-</b>



## Adelaide Central Market Authority

Notes to and forming part of the Financial Statements  
for the year ended 30 June 2020

## Note 6a (i). Infrastructure, Property, Plant &amp; Equipment

\$ '000	Fair Value Level	as at 30/6/2019			Asset movements during the reporting period			as at 30/6/2020			
		At Cost	Accumulated Dep'n	Carrying Value	Asset Additions	Depreciation Expense (Note 3c)	Adjustments & Transfers	At Fair Value	At Cost	Accumulated Dep'n	Carrying Value
<b>Capital Work in Progress</b>		1,324	-	1,324	3,459	-	(4,432)	-	350	-	350
<b>Buildings</b>											
Buildings	2	7,431	(609)	6,822	-	(377)	3,311	-	10,741	(986)	9,755
<b>Other</b>											
Right-of-Use Assets		-	-	-	6,084	(760)	-	-	6,084	(760)	5,324
Plant & Equipment		999	(296)	703	-	(139)	1,099	-	2,099	(435)	1,664
Furniture & Fittings		-	-	-	-	(1)	22	-	23	(1)	22
<b>Total Infrastructure, Property, Plant &amp; Equipment</b>		<b>9,754</b>	<b>(905)</b>	<b>8,849</b>	<b>9,543</b>	<b>(1,277)</b>	<b>-</b>	<b>-</b>	<b>19,297</b>	<b>(2,182)</b>	<b>17,115</b>
<b>Comparatives</b>		7,122	(556)	<b>6,566</b>	2,959	(376)	(300)	-	9,754	(905)	<b>8,849</b>

## Adelaide Central Market Authority

### Notes to and forming part of the Financial Statements for the year ended 30 June 2020

#### Note 7. Liabilities

\$ '000	Notes	2020 Current	2020 Non Current	2019 Current	2019 Non Current
(a). Trade and Other Payables					
Payments Received in Advance		13	-	90	-
Accrued Expenses - Other		259	-	960	-
Loan from City of Adelaide		323	-	109	-
Other		635	-	473	-
Total Trade and Other Payables		1,230	-	1,632	-
(b). Borrowings					
Lease Liabilities	12	718	4,664	-	-
Loan from City of Adelaide		-	9,158	-	5,895
Total Borrowings		718	13,822	-	5,895

The Loan from City of Adelaide liability is secured over the future revenues of the Authority

## Adelaide Central Market Authority

### Notes to and forming part of the Financial Statements for the year ended 30 June 2020

#### Note 8. Reserves

\$ '000	1/7/2019	Tfrs to Reserve	Tfrs from Reserve	Other Movements	30/6/2020
<b>(a). Other Reserves</b>					
Fair Value Loan Adjustment	1,811	439	-	-	2,250
<b>Total Other Reserves</b>	<b>1,811</b>	<b>439</b>	<b>-</b>	<b>-</b>	<b>2,250</b>
<b>Comparatives</b>	<b>1,175</b>	<b>636</b>	<b>-</b>	<b>-</b>	<b>1,811</b>

#### OTHER RESERVES

The loan from the City of Adelaide to the Adelaide Central Market Authority has not been formalised and as such no commercial terms exist. AASB 9 *Financial Instruments* requires the loan be recognised at fair value. The difference between the loan amount (face value) and its fair value has been determined by the differential in the interest charged by Council (2020: 1.5% to 2.75%) and the rate offered by the Local Government Finance Authority (2020: 1.5%)

## Adelaide Central Market Authority

### Notes to and forming part of the Financial Statements for the year ended 30 June 2020

#### Note 9. Reconciliation to Statement of Cash Flows

\$ '000	Notes	2020	2019
<b>(a). Reconciliation of Cash</b>			
Cash Assets comprise highly liquid investments with short periods to maturity subject to insignificant risk of changes of value. Cash at the end of the reporting period as shown in the Statement of Cash Flows is reconciled to the related items in the Balance Sheet as follows:			
Total Cash & Equivalent Assets	4	242	567
<b>Balances per Statement of Cash Flows</b>		<b>242</b>	<b>567</b>
<b>(b). Reconciliation of Change in Net Assets to Cash from Operating Activities</b>			
<b>Net Surplus/(Deficit)</b>		<b>(13)</b>	<b>(614)</b>
Non-Cash Items in Income Statements			
Depreciation, Amortisation & Impairment		1,277	376
Notional Interest Charged		202	152
		<b>1,466</b>	<b>(86)</b>
<b>Add (Less): Changes in Net Current Assets</b>			
Net (Increase)/Decrease in Receivables		(76)	138
Net (Increase)/Decrease in Inventories		38	(44)
Net (Increase)/Decrease in Other Current Assets		(690)	-
Net Increase/(Decrease) in Trade & Other Payables		(402)	(466)
<b>Net Cash provided by (or used in) operations</b>		<b>336</b>	<b>(458)</b>
<b>(c). Non-Cash Financing and Investing Activities</b>			
<b>Long Term Borrowings</b>			
- Opening Balance		7,461	4,554
- Borrowings Advanced During the Year		3,500	2,907
- Fair Value Adjustment		(1,803)	(1,566)
<b>Closing Balance</b>		<b>9,158</b>	<b>5,895</b>
- Leases		5,382	-
<b>Total Liabilities from Financing Activities</b>		<b>14,540</b>	<b>5,895</b>

## Adelaide Central Market Authority

Notes to and forming part of the Financial Statements  
for the year ended 30 June 2020

## Note 10. Financial Instruments

\$ '000	Due < 1 year	Due > 1 year & ≤ 5 years	Due > 5 years	Total Contractual Cash Flows	Carrying Values
<b>2020</b>					
<b>Financial Assets</b>					
Cash & Equivalents	242	-	-	242	242
Receivables	169	-	-	169	169
<b>Total Financial Assets</b>	<b>411</b>	<b>-</b>	<b>-</b>	<b>411</b>	<b>411</b>
<b>Financial Liabilities</b>					
Payables	1,217	-	-	1,217	1,217
Non-Current Borrowings	-	-	10,961	10,961	9,158
Lease Liabilities	832	4,158	832	5,822	5,382
<b>Total Financial Liabilities</b>	<b>2,049</b>	<b>4,158</b>	<b>11,793</b>	<b>18,000</b>	<b>15,757</b>
<b>2019</b>					
<b>Financial Assets</b>					
Cash & Equivalents	567	-	-	567	567
Receivables	213	-	-	213	213
<b>Total Financial Assets</b>	<b>780</b>	<b>-</b>	<b>-</b>	<b>780</b>	<b>780</b>
<b>Financial Liabilities</b>					
Payables	1,542	-	-	1,542	1,542
Non-Current Borrowings	-	-	5,895	5,895	5,895
<b>Total Financial Liabilities</b>	<b>1,542</b>	<b>-</b>	<b>5,895</b>	<b>7,437</b>	<b>7,437</b>

The following interest rates were applicable to the Authority's borrowings at balance date:

	30 June 2020		30 June 2019	
	Weighted Avg Interest Rate	Carrying Value	Weighted Avg Interest Rate	Carrying Value
Fixed Interest Rates	2.26%	9,158	2.65%	5,895
		<b>9,158</b>		<b>5,895</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 Authority.

## Adelaide Central Market Authority

### Notes to and forming part of the Financial Statements for the year ended 30 June 2020

#### Note 10. Financial Instruments (continued)

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\$ '000

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##### Risk Exposures

**Credit Risk** represents the loss that would be recognised if counterparties fail to perform as contracted. The maximum credit risk on financial assets of the Authority is the carrying amount, net of any impairment. All Authority 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 Authority'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 the Authority'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 the Authority 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. The Authority 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. The Authority 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.

## Adelaide Central Market Authority

### Notes to and forming part of the Financial Statements for the year ended 30 June 2020

#### Note 11. Uniform Presentation of Finances

\$ '000	2020	2019
<p>The following is a high level summary of both operating and capital investment activities of the Authority 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	9,371	9,321
less Expenses	(9,384)	(9,935)
<b>Operating Surplus / (Deficit)</b>	<b>(13)</b>	<b>(614)</b>
<b>Net Outlays on Existing Assets</b>		
Capital Expenditure on Renewal and Replacement of Existing Assets	(3,459)	(2,959)
add back Depreciation, Amortisation and Impairment	1,277	376
<b>Subtotal</b>	<b>(2,182)</b>	<b>(2,583)</b>
<b>Net Lending / (Borrowing) for Financial Year</b>	<b>(2,195)</b>	<b>(3,197)</b>

## Adelaide Central Market Authority

### Notes to and forming part of the Financial Statements for the year ended 30 June 2020

#### Note 12. Leases

\$ '000

#### The Authority as a Lessee

##### Terms and conditions of leases

##### Land & Buildings

The Authority leases the Central Market Complex from the Corporation of the City of Adelaide under a lease which commenced 1 October 2012 for a period of 21 years. The annual rent payable is determined using a floating percentage of income and net surplus funds. Due to this variability, future rent payable cannot be accurately quantified and is not disclosed below. Lease costs associated with this arrangement are disclosed below and at Note 3 as Variable Lease Payments.

##### Right of use Asset

ACMA has entered into an agreement with the City of Adelaide regarding the use of the Star Carpark with Jian Yong Investments Pty Ltd, Eon Australia Pty Ltd, Tien-Sheng Lu, David Wang and Ying-Chieh Lu until 30 June 2027. The financial implications of this arrangement are disclosed in Right of Use Assets below.

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:

##### Right of use assets

	Right of Use Asset \$'000	Total \$'000
<b>2020</b>		
Adoption of AASB 16 at 1 July 2019	6,084	6,084
Depreciation charge	(761)	(761)
<b>Balance at 30 June 2020</b>	<b>5,323</b>	<b>5,323</b>



## Adelaide Central Market Authority

### Notes to and forming part of the Financial Statements for the year ended 30 June 2020

#### Note 12. Leases (continued)

##### The Authority as a Lessee (continued)

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

\$ '000	2020
<b>Balance at 1 July</b>	6,084
Accretion of interest	130
Payments	(832)
<b>Balance at 30 June</b>	<b>5,382</b>
<b>Classified as:</b>	
Current	718
Non Current	4,664

The maturity analysis of lease liabilities is included in Note 10.

The Group had total cash outflows for leases of \$831,694

The following are the amounts recognised in profit or loss:

Depreciation expense of Right-of-Use Assets	761
Interest expense on lease liabilities	130
Variable lease payments	2,352
<b>Total amount recognised in profit or loss</b>	<b>3,243</b>

##### The Authority as a Lessor

##### Leases Providing Revenue to the Authority

\$ '000	2020	2019
<b>Future minimum rentals receivable under non-cancellable operating leases as at 30 June, are as follows:</b>		
Not later than one year	2,789	2,899
Later than one year and not later than 5 years	6,248	4,254
Later than 5 years	41	17
	<b>9,078</b>	<b>7,170</b>

## Adelaide Central Market Authority

### Notes to and forming part of the Financial Statements for the year ended 30 June 2020

#### Note 13. Related Party Transactions

\$ '000	2020	2019
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#### Key Management Personnel

##### Transactions with Key Management Personnel

The Key Management Personnel of the Adelaide Central Market Authority include Board members and the General Manager. In all, 7 persons were paid the following total cumulative compensation:

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

Short-Term Employee Benefits	283	304
Post-Employment Benefits	16	18
<b>Total</b>	<b>299</b>	<b>322</b>

Amounts paid as direct reimbursement of expenses incurred on behalf of the Adelaide Central Market Authority have not been included above.

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

The Board of Adelaide Central Market Authority includes the Chairman of the Traders Advisory Group who is required to be a Lessee of a stall in the Adelaide Central Market and is elected by the Traders in March biennially. Adelaide Central Market Authority received the following rent amounts from Board members or Council elected members relating to 8 tenancies:

Stallholder Lease Rentals for properties managed by Adelaide Central Market	280	331
<b>Total</b>	<b>280</b>	<b>331</b>

#### Other Related Party Transactions

The Adelaide Central Market Authority (ACMA) has a lease agreement with the City of Adelaide (Council) for the Central Market Complex until 30 September 2033. The lease charge totalled \$2,352,106 for the year.

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

The Memorandum of Lease between Council and ACMA requires Base Rent payable on Gross Revenue at a rate notified by the lessor. The lessor notified the rate to be 30% from lease commencement.

Council has provided loan funding to ACMA valued at \$10,960,640 at 30 June 2020. The loan has been recognised in the Statement of Financial Position at fair value based on the projected repayment timing of the principal. There is no required principal repayment therefore these borrowings are reflected as non-current.

ACMA has entered into an agreement with Council regarding the use of the Star Carpark with Jian Yong Investments Pty Ltd, Eon Australia Pty Ltd, Tien-Sheng Lu, David Wang and Ying-Chieh Lu until 30 June 2027. This arrangement is recognised in accordance with Australian Accounting Standard AASB 16 Leases as a Right of Use asset. Interest and depreciation expense associated with the Right of Use asset totalling \$890,165 are included in the operating result of the Authority.

ACMA contracts staff from Council with the on-charge totalling \$920,293 for the year.



## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ADELAIDE CENTRAL MARKET AUTHORITY**

### **Report on the Audit of the Financial Report**

#### **Opinion**

We have audited the financial report of Adelaide Central Market Authority (the Authority), which comprises the statement of financial position as at 30 June 2020, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial report, including a summary of significant accounting policies, and the certification of the financial statements by the General Manager and Chairman of Adelaide Central Market Authority.

In our opinion the financial report of Adelaide Central Market Authority, presents fairly, in all material respects, the Authority's financial position as at 30 June 2020 and its financial performance 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 Authority 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 Authority, would be in the same terms if given to the Authority 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.

#### **Authority's Responsibility for the Financial Report**

The officers of the Authority 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 Authority'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 Authority's officers are responsible for assessing the Authority'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 Authority's officers either intend to liquidate the Authority 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\\_files/ar4.pdf](http://www.auasb.gov.au/auditors_files/ar4.pdf).

This description forms part of our auditor's report.

A stylized blue ink signature of 'BDO'.

**BDO Audit (SA) Pty Ltd**

A blue ink signature of 'Paul Gosnold'.

Paul Gosnold  
Director

Adelaide, 25 September 2020

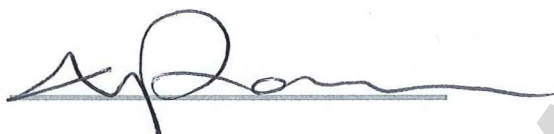
## Adelaide Central Market Authority

### General Purpose Financial Statements for the year ended 30 June 2020

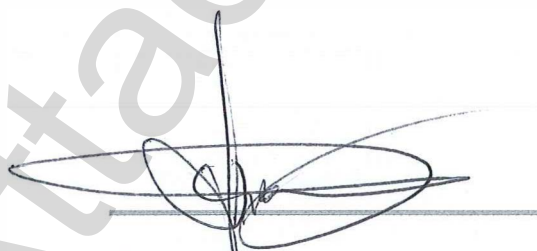
#### Certification of Auditor Independence

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

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



Jodie Kannane  
General Manager  
**ADELAIDE CENTRAL MARKET  
AUTHORITY**



Theo Maras  
Chairman  
**ADELAIDE CENTRAL MARKET AUTHORITY**

**Date: 24 September 2020**



### CERTIFICATION OF AUDITOR INDEPENDENCE

I confirm that, for the audit of the financial statements of the Adelaide Central Market Authority for the year ended 30 June 2020, 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*.

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

Paul Gosnold  
Director

**BDO Audit (SA) Pty Ltd**

Adelaide, 4 September 2020

# Rundle Mall Management Authority

GENERAL PURPOSE FINANCIAL STATEMENTS  
for the year ended 30 June 2020

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## Rundle Mall Management Authority

### General Purpose Financial Statements for the year ended 30 June 2020

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## Rundle Mall Management Authority


### General Purpose Financial Statements for the year ended 30 June 2020

### Certification of Financial Statements

**We have been authorised by the Authority 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 Authority's financial position at 30 June 2020 and the results of its operations and cash flows for the financial year,
- internal controls implemented by the Authority 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 Authority's accounting and other records.

  
Peter Joy per Robert McKay  
**CHAIR OF THE BOARD**

  
Johanna Williams  
**GENERAL MANAGER**

Date: 24th Sept 2020

## Rundle Mall Management Authority

### Statement of Comprehensive Income for the year ended 30 June 2020

\$ '000	Notes	2020	2019
<b>Income</b>			
Rates	2a	2,888	3,702
User Charges	2b	569	471
Grants, Subsidies and Contributions	2c	1,090	-
<b>Total Income</b>		<b>4,547</b>	<b>4,173</b>
<b>Expenses</b>			
Materials, Contracts & Other Expenses	3a	4,329	4,011
Depreciation, Amortisation & Impairment	3b	235	100
Finance Costs	3c	7	-
<b>Total Expenses</b>		<b>4,571</b>	<b>4,111</b>
<b>Operating Surplus / (Deficit)</b>		<b>(24)</b>	<b>62</b>
<b>Net Surplus / (Deficit) <sup>1</sup></b>		<b>(24)</b>	<b>62</b>
<b>Total Comprehensive Income</b>		<b>(24)</b>	<b>62</b>

<sup>1</sup> Transferred to Statement of Changes in Equity

# Rundle Mall Management Authority

## Statement of Financial Position

as at 30 June 2020

\$ '000	Notes	2020	2019
<b>ASSETS</b>			
<b>Current Assets</b>			
Trade & Other Receivables	4a	41	27
<b>Subtotal</b>		<b>41</b>	<b>27</b>
<b>Total Current Assets</b>		<b>41</b>	<b>27</b>
<b>Non-Current Assets</b>			
Infrastructure, Property, Plant & Equipment	5	543	262
<b>Total Non-Current Assets</b>		<b>543</b>	<b>262</b>
<b>TOTAL ASSETS</b>		<b>584</b>	<b>289</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Trade & Other Payables	6a	42	6
Borrowings	6b	73	-
<b>Total Current Liabilities</b>		<b>115</b>	<b>6</b>
<b>Non-Current Liabilities</b>			
Borrowings	6b	210	-
<b>Total Non-Current Liabilities</b>		<b>210</b>	<b>-</b>
<b>TOTAL LIABILITIES</b>		<b>325</b>	<b>6</b>
<b>Net Assets</b>		<b>259</b>	<b>283</b>
<b>EQUITY</b>			
Accumulated Surplus		259	283
<b>Total Council Equity</b>		<b>259</b>	<b>283</b>

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

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## Rundle Mall Management Authority

### Statement of Changes in Equity for the year ended 30 June 2020

\$ '000	Total Equity
<b>2020</b>	
Balance at the end of previous reporting period	283
Net Surplus / (Deficit) for Year	(24)
Total Comprehensive Income	(24)
Balance at the end of period	259
<b>2019</b>	
Balance at the end of previous reporting period	221
Net Surplus / (Deficit) for Year	62
Total Comprehensive Income	62
Balance at the end of period	283

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

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# Rundle Mall Management Authority

## Statement of Cash Flows

for the year ended 30 June 2020

\$ '000	Notes	2020	2019
<b>Cash Flows from Operating Activities</b>			
<u>Receipts</u>			
Operating Receipts		4,555	4,198
<u>Payments</u>			
Payments for Materials, Contracts & Other Expenses		(4,308)	(4,018)
Finance Payments		(7)	-
<b>Net Cash provided by (or used in) Operating Activities</b>	7a	<b>240</b>	<b>180</b>
<b>Cash Flows from Investing Activities</b>			
<u>Payments</u>			
Expenditure on New/Upgraded Assets		(162)	(180)
<b>Net Cash provided by (or used in) Investing Activities</b>		<b>(162)</b>	<b>(180)</b>
<b>Cash Flows from Financing Activities</b>			
Repayment of Lease Liabilities		(78)	-
Repayment of Other Borrowings		-	-
<b>Net Cash provided by (or used in) Financing Activities</b>		<b>(78)</b>	<b>-</b>
<b>Net Increase (Decrease) in Cash Held</b>		<b>-</b>	<b>-</b>

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

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## Rundle Mall Management Authority

### Notes to and forming part of the Financial Statements for the year ended 30 June 2020

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The principal accounting policies adopted by Rundle Mall Management Authority (the Authority) in the preparation of these financial statements are set out below.

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

## 1 Basis of Preparation

### 1.1 Compliance with Australian Accounting Standards

This general purpose financial report has been prepared on a going concern basis using the historical cost convention (except as stated below) 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*.

### 1.2 Rounding

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

## 2 Income Recognition

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

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

In other cases, AASB 1058 applies when the Authority enters into transactions where the consideration to acquire an asset is significantly less than the fair value of the asset principally to enable

the Authority to further its objectives. The excess of the asset recognised (at fair value) over any 'related amounts' is recognised as income immediately, except in the case where a financial asset has been received to enable the Authority to acquire or construct a recognisable non-financial asset that is to be controlled by the Authority. In this case, the Authority recognises the excess as a liability that is recognised over time in profit and loss when (or as) the Authority satisfies its obligations under the transfer.

## 3 Cash, Cash Equivalents and other Financial Instruments

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

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.

## 4 Infrastructure, Property, Plant & Equipment

### 4.1 Initial Recognition

All assets are initially recognised at cost.

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.

### 4.2 Materiality

Assets with an economic life in excess of one year are only capitalised where the cost of acquisition exceeds materiality thresholds established by the Authority. 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.

### 4.3 Depreciation of Non-Current Assets

Property, plant and equipment assets recognised are systematically depreciated over their useful lives on a straight-line basis which, in the opinion of the Authority, 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.

<i>Plant, Furniture &amp; Equipment</i>	
Other Plant & Equipment	3 years
<i>Other Assets</i>	
Right-of-Use Assets	3 years

### 4.4 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 the Authority were deprived thereof, are not subject to impairment testing.

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).

## 5 Payables

### 5.1 Payments Received in Advance & Deposits

Amounts other than grants received from external parties in advance of service delivery are recognised as liabilities until the service is delivered or damage reinstated, or the amount is refunded.

## 6 Employee Benefits

The Authority does not have any employees. All employees are engaged through the parent entity, the City of Adelaide

## 7 Leases

### Accounting policy applicable from 01 July 2019

The Authority 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 in exchange for consideration.

### 12.1 The Authority as a lessee

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

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

The Authority 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, as follows:

Plant and equipment	3 years
---------------------	---------

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

#### ii.) Lease Liabilities

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



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

The Authority applies the short-term lease recognition exemption to its short-term leases of plant and equipment (ie 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 plant and equipment that are low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

## 8 GST Implications

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

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

## 9 New and amended accounting standards and interpretations

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

Rundle Mall Management Authority has not applied any Australian Accounting Standards and Interpretations that have been issued but are not yet effective.

### **Adoption of AASB 15 Revenue from Contracts with Customers and AASB 1058 Income of Not-for-Profit Entities**

The Authority applied AASB 15 and AASB 1058, for the first time from 1 July 2019. AASB 1058 clarifies and simplifies the income recognition requirements that apply to not-for-profit (NFP) entities, in conjunction with AASB 15. These Standards supersede the NFP income recognition requirements previously in AASB 1004 Contributions (except for certain matters relating to public sector NFP entities) as well as current revenue recognition guidance including AASB 118 Revenue, AASB 111 Construction Contracts and the related Interpretations. The timing of income recognition depends on whether such a transaction gives rise to a liability or other performance obligation (a promise to transfer a good or service). Details of the accounting policy adopted for these standards can be found in Note 1 Significant Accounting Policies. The Authority has elected to adopt the modified retrospective method on transition to the new standards with an initial application date of 1 July 2019. The cumulative effect of initially applying AASB 15 and AASB 1058 is recognised at the date of initial application as an adjustment to the opening balance of Accumulated Surplus. Therefore, the comparative information was not restated and continues to be reported under AASB 111, AASB 118, AASB 1004 and related Interpretations.

## AASB 16 Leases

The Authority applied AASB 16 Leases, for the first time from 1 July 2019. This standard requires that the right of use conveyed by leasing contracts (except leases with a maximum term of 12 months and leases for low-value assets) be recognised as a form of Infrastructure, Property, Plant and Equipment, and that the lease liability be disclosed as a liability.

### **Adoption of AASB 16 Leases (AASB 16)**

AASB 16 supersedes AASB 117 Leases, Interpretation 4 Determining whether an Arrangement contains a Lease and other related Interpretations. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise most leases on the Statement of Comprehensive Income under a single on-Statement of Comprehensive Income model. The Authority has lease contracts for office and storage space. Before the adoption of AASB 16, the Authority classified each of its leases (as lessee) at the inception date as either a finance lease or an operating lease.

The Authority adopted AASB 16 using the modified retrospective method of adoption. Under this method, the standard has been applied retrospectively with the cumulative effect of initially applying the standard recognised as an adjustment to the opening balance of Accumulated Surplus as at 1 July 2019 and comparatives have not been restated.

The Authority recognised right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases with lease terms that end within 12 months of the date of initial application and leases of low-value assets. The right-of-use assets for all leases were recognised based on the amount equal to the lease liabilities. No adjustments were needed for any previously recognised prepaid or accrued lease expenses as there were none. Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

The lease liabilities as at 1 July 2019 can be reconciled to the operating lease commitments as of 30 June 2019, as follows:

	<b>\$'000</b>
Minimum operating lease commitments as at 30 June 2019	<b>0</b>
Add: Undisclosed lease commitments in 2019	374
Undiscounted lease payments	<b>374</b>
Less: effect of discounting using the incremental borrowing rate as at the date of initial application	(19)
Lease liabilities for leases classified as operating leases under AASB 117	<b>355</b>
<b>Lease liabilities as at 1 July 2019</b>	<b>355</b>

of which:

Current liabilities (i)	72
Non-current liabilities (ii)	283

- (i) Included in current borrowings in the Statement of Financial Position; and
- (ii) Included in non-current borrowings in the Statement of Financial Position

Right of use assets of the same value as lease liabilities were recognised as a non-cash addition

and included in Infrastructure, Property, Plant and Equipment in the Statement of Financial Position.

## 10. Standards issued by the AASB not yet effective

The AASB has issued Australian Accounting Standards and Interpretations which are not effective at 30 June 2020. The Authority does not anticipate that new and amended Australian Accounting Standards, and Interpretations, issued but not yet effective at the time of compiling these illustrative statements will apply to the Authority's future reporting periods.

## 11 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.

## 12 Disclaimer

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

## Rundle Mall Management Authority

### Notes to and forming part of the Financial Statements for the year ended 30 June 2020

#### Note 2. Income

\$ '000	2020	2019
<b>(a). Rates Revenues</b>		
Rundle Mall Separate Rate	2,888	3,702
<b>Total Rates Revenues</b>	<b>2,888</b>	<b>3,702</b>
<b>(b). User Charges</b>		
Rundle Mall	569	471
<b>Total User Charges</b>	<b>569</b>	<b>471</b>
<b>(c). Grants, Subsidies, Contributions</b>		
Other Grants, Subsidies and Contributions	1,090	-
<b>Total Grants, Subsidies, Contributions</b>	<b>1,090</b>	<b>-</b>

## Rundle Mall Management Authority

### Notes to and forming part of the Financial Statements for the year ended 30 June 2020

#### Note 3. Expenses

\$ '000	2020	2019
<b>(a). Materials, Contracts and Other Expenses</b>		
<b>(i) Prescribed Expenses</b>		
Auditor's Remuneration	1	1
Operating Lease Rentals - Non-Cancellable Leases (2019 only)		
- Minimum Lease Payments	-	104
Lease Expense - Low Value Assets / Short Term Leases	94	-
<b>Subtotal - Prescribed Expenses</b>	<b>95</b>	<b>105</b>
<b>(ii) Other Materials, Contracts and Expenses</b>		
Contractors	1,422	1,535
Energy	11	9
Maintenance	5	-
Legal Expenses	10	-
Parts, Accessories & Consumables	5	-
Professional Services	68	114
Sundry	44	28
Advertising and Promotion	1,558	1,572
Catering	9	7
Cleaning	12	9
Water	4	4
External Plant Hire	293	236
Insurance	14	13
Minor Plant and Equipment	10	32
Printing, Freight and Postage	35	34
Rates and Taxes	3	5
Security	310	270
Sponsorships, Contributions and Donations	405	22
Subscriptions	2	5
Training and Development	4	5
Waste Services	1	-
Other	9	6
<b>Subtotal - Other Material, Contracts &amp; Expenses</b>	<b>4,234</b>	<b>3,906</b>
<b>Total Materials, Contracts and Other Expenses</b>	<b>4,329</b>	<b>4,011</b>
<b>(b). Depreciation, Amortisation and Impairment</b>		
Right-of-Use Assets	75	-
Plant & Equipment	160	100
<b>Total Depreciation, Amortisation and Impairment</b>	<b>235</b>	<b>100</b>
<b>(c). Finance Costs</b>		
Interest on Leases	7	-
<b>Total Finance Costs</b>	<b>7</b>	<b>-</b>

## Rundle Mall Management Authority

### Notes to and forming part of the Financial Statements for the year ended 30 June 2020

#### Note 4. Current Assets

\$ '000	2020	2019
(a). Trade & Other Receivables		
Accrued Revenues	23	-
Debtors - General	8	18
GST Recoupment	-	9
Prepayments	10	-
<b>Total Trade &amp; Other Receivables</b>	<b>41</b>	<b>27</b>

## Rundle Mall Management Authority

Notes to and forming part of the Financial Statements  
for the year ended 30 June 2020

## Note 5 Infrastructure, Property, Plant &amp; Equipment

	as at 30/6/2019			Asset Movements during the Reporting Period		as at 30/6/2020			
	At Cost	Accumulated Dep'n	Carrying Value	Asset Additions	Depreciation Expense (Note 3c)	At Fair Value	At Cost	Accumulated Dep'n	Carrying Value
<b>\$ '000</b>									
<b>Plant and Equipment</b>									
Right-of-Use Assets	-	-	-	355	(75)	-	355	(75)	280
Plant & Equipment	365	(103)	262	162	(160)	-	526	(263)	263
<b>Total Infrastructure, Property, Plant &amp; Equipment</b>	<b>365</b>	<b>(103)</b>	<b>262</b>	<b>517</b>	<b>(235)</b>	<b>-</b>	<b>881</b>	<b>(338)</b>	<b>543</b>
<b>Comparatives</b>	<b>185</b>	<b>(3)</b>	<b>182</b>	<b>180</b>	<b>(100)</b>	<b>-</b>	<b>365</b>	<b>(103)</b>	<b>262</b>

## Rundle Mall Management Authority

### Notes to and forming part of the Financial Statements for the year ended 30 June 2020

#### Note 6. Liabilities

\$ '000	Notes	2020 Current	2020 Non Current	2019 Current	2019 Non Current
<b>(a). Trade and Other Payables</b>					
Payments Received in Advance		12	-	-	-
Accrued Expenses - Other		2	-	-	-
Loan from City of Adelaide		28	-	6	-
<b>Total Trade and Other Payables</b>		<b>42</b>	<b>-</b>	<b>6</b>	<b>-</b>
<b>(b). Borrowings</b>					
Lease Liabilities	10	73	210	-	-
<b>Total Borrowings</b>		<b>73</b>	<b>210</b>	<b>-</b>	<b>-</b>

#### Note 7. Reconciliation to Statement of Cash Flows

\$ '000	2020	2019
Cash Assets comprise highly liquid investments with short periods to maturity subject to insignificant risk of changes of value. Cash at the end of the reporting period as shown in the Statement of Cash Flows is reconciled to the related items in the Balance Sheet as follows:		
<b>(a). Reconciliation of Change in Net Assets to Cash from Operating Activities</b>		
<b>Net Surplus/(Deficit)</b>	<b>(24)</b>	<b>62</b>
Non-Cash Items in Income Statements		
Depreciation, Amortisation & Impairment	235	100
	<b>218</b>	<b>162</b>
<b>Add (Less): Changes in Net Current Assets</b>		
Net (Increase)/Decrease in Receivables	(14)	25
Net Increase/(Decrease) in Trade & Other Payables	36	(7)
<b>Net Cash provided by (or used in) operations</b>	<b>240</b>	<b>180</b>

Rundle Mall Management Authority

Notes to and forming part of the Financial Statements  
for the year ended 30 June 2020

Note 8. Financial Instruments

\$ '000	Due < 1 year	Due > 1 year & ≤ 5 years	Total Contractual Cash Flows	Carrying Values
<b>2020</b>				
<b><u>Financial Assets</u></b>				
Receivables	31	-	31	31
<b>Total Financial Assets</b>	<b>31</b>	<b>-</b>	<b>31</b>	<b>31</b>
<b><u>Financial Liabilities</u></b>				
Payables	42	-	42	42
Lease Liabilities	79	216	295	283
<b>Total Financial Liabilities</b>	<b>121</b>	<b>216</b>	<b>337</b>	<b>325</b>
<b>2019</b>				
<b><u>Financial Assets</u></b>				
Receivables	18	-	18	18
<b>Total Financial Assets</b>	<b>18</b>	<b>-</b>	<b>18</b>	<b>18</b>
<b><u>Financial Liabilities</u></b>				
Payables	6	-	6	6
<b>Total Financial Liabilities</b>	<b>6</b>	<b>-</b>	<b>6</b>	<b>6</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 Authority.



Rundle Mall Management Authority

Notes to and forming part of the Financial Statements  
for the year ended 30 June 2020

Note 9. Uniform Presentation of Finances

\$ '000	2020	2019
<p>The following is a high level summary of both operating and capital investment activities of the Authority 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	4,547	4,173
less Expenses	(4,571)	(4,111)
Operating Surplus / (Deficit)	(24)	62
Net Outlays on Existing Assets		
add back Depreciation, Amortisation and Impairment	235	100
Subtotal	235	100
Net Outlays on New and Upgraded Assets		
Capital Expenditure on New and Upgraded Assets	(162)	(180)
Subtotal	(162)	(180)
Net Lending / (Borrowing) for Financial Year	49	(18)

## Rundle Mall Management Authority

### Notes to and forming part of the Financial Statements for the year ended 30 June 2020

#### Note 10. Leases

\$ '000

##### The Authority as a Lessee

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:

##### Right of use assets

	Buildings \$'000	Total \$'000
<b>2020</b>		
Additions to right-of-use assets	355	355
Depreciation charge	(75)	(75)
<b>Balance at 30 June 2020</b>	<b>280</b>	<b>280</b>

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

\$ '000	2020
<b>Balance at 1 July</b>	-
Additions	355
Accretion of interest	7
Payments	(79)
<b>Balance at 30 June</b>	<b>283</b>
<b>Classified as:</b>	
Current	73
Non Current	210

The maturity analysis of lease liabilities is included in Note 8.

The Authority had total cash outflows for leases of \$78,743.

The following are the amounts recognised in profit or loss:

Depreciation expense of Right-of-Use Assets	75
Interest expense on lease liabilities	7
Expense relating to short term leases	94
<b>Total amount recognised in profit or loss</b>	<b>176</b>

Rundle Mall Management Authority

Notes to and forming part of the Financial Statements  
for the year ended 30 June 2020

Note 11. Related Party Transactions

\$ '000	2020	2019
Key Management Personnel		
Transactions with Key Management Personnel		
The Key Management Personnel of the Authority include Board Members and the General Manager. In all, 9 persons were paid the following total compensation:		
The compensation paid to Key Management Personnel comprises:		
Short-Term Employee Benefits	210	225
Post-Employment Benefits	15	-
Total	225	225

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

Other Related party Transactions

The Rundle Mall Management Authority contracts staff from the City of Adelaide. The cost of these services was \$1,052,470 for the year (2019 \$793,509).

## Rundle Mall Management Authority

### General Purpose Financial Statements for the year ended 30 June 2020

### Auditor's Report - Financial Statements

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## Rundle Mall Management Authority

### General Purpose Financial Statements for the year ended 30 June 2020

### Auditor's Report - Financial Statements

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## Rundle Mall Management Authority

### General Purpose Financial Statements for the year ended 30 June 2020

### Certification of Auditor Independence

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

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

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Mark Goldstone  
**CHIEF EXECUTIVE OFFICER**

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David Powell  
**PRESIDING MEMBER, AUDIT COMMITTEE**

**Date:**



### CERTIFICATION OF AUDITOR INDEPENDENCE

I confirm that, for the audit of the financial statements of the Rundle Mall Management Authority for the year ended 30 June 2020, 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*.

A handwritten signature in blue ink, appearing to read 'Andrew Tickle', is written over a large, light grey diagonal watermark that reads 'Item 5.2 - Attachment E'.

Andrew Tickle  
Director

**BDO Audit (SA) Pty Ltd**

Adelaide, 10 September 2020



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15/09/2020

Mr Andrew Tickle  
BDO Audit (SA) Pty Ltd  
7/420 King William Street  
ADELAIDE SA 5000

Dear Mr Tickle

#### **AUDIT FOR YEAR ENDED 30 JUNE 2020 OF RUNDLE MALL MANAGEMENT AUTHORITY**

This representation letter is provided in connection with your audit of the financial report of Rundle Mall Management Authority for the year ended 30 June 2020, for the purpose of expressing an opinion as to whether the financial report presents fairly in accordance with the Australian Accounting Standards, the Local Government Act 1999, the City of Adelaide Act 1998, and the Local Government (Financial Management) Regulations 2011.

We confirm that to the best of our knowledge and belief, having made such enquiries as we considered necessary for the purposes of appropriately informing ourselves:

#### **Financial report**

1. We have fulfilled our responsibilities, as set out in your engagement letter dated 16 January 2020, for the preparation for the financial report in accordance with Australian Accounting Standards, the Local Government Act 1999, the City of Adelaide Act 1998, and the Local Government (Financial Management) Regulations 2011; in particular that the financial report presents fairly in accordance therewith.
2. We have established and maintained adequate internal controls to facilitate the preparation of a reliable financial report and adequate records have been maintained. Any and all deficiencies in internal control of which we are aware have been communicated to you.
3. We confirm that the selection and application of accounting policies remains appropriate, and that there have been no changes to the accounting policies applied in the previous annual financial statements or the methods used in applying them, except as follows:
  - a. Initial application of new accounting standard AASB 15 Revenue from Contracts with Customers,



- b. Initial application of new accounting standard AASB 16 Leases, and
  - c. Initial application of new accounting standard AASB 1058 Income for Not for profit entities
- 4. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.
  - 5. We have no plans or intentions that may materially affect the carrying values, or classification, of assets and liabilities.
  - 6. The entity has satisfactory title to all assets, and there are no liens or encumbrances on such assets that have not been disclosed, nor has any asset been pledged as collateral.

#### **Books, records and documentation**

- 7. We have provided you with:
  - Access to all information of which we are aware that is relevant to the preparation of the financial report such as records, documentation and other matters;
  - All minutes of meetings held by the Board of Directors, Committees and shareholders since the end of the previous reporting period have been given to you for your inspection;
  - Additional information that you have requested from us for the purpose of the audit;
  - Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
- 8. All transactions have been recorded in the accounting records and are reflected in the financial report.

#### **Uncorrected Misstatements**

- 9. We note that you have not brought to our any uncorrected misstatements detected during the course of your audit.

#### **Related parties**

- 10. We have disclosed to you the identity of the entity's related parties and all the related party relationships and transactions.
- 11. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with Australian Accounting Standards in the financial report.

#### **Fraud**

- 12. We acknowledge our responsibility for the design, implementation and maintenance of accounting and internal control systems that are designed to prevent and detect fraud.
- 13. We have disclosed to you the results of our assessment of the risk that the financial report may be materially misstated as a result of fraud.



14. We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the entity and involves:
  - Management;
  - Employees who have significant roles in internal control; or
  - Others where fraud could have a material impact on the financial report.
15. We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the entity's financial report communicated by employees, former employees, analysts, regulators or others.

#### **Litigation and claims**

16. We have disclosed to you all known actual or possible litigation and claims whose effects should be considered in the financial report; and accounted for and disclosed in accordance with Australian Accounting Standards.

#### **Compliance with laws and regulations**

17. We have disclosed to you all known actual or possible non-compliance with laws and regulations whose effects should be considered when preparing the financial report.
18. There have been no instances of non-compliance of laws and regulations involving management or employees who have a significant role in internal control.  
There have been no communications from regulatory agencies concerning non-compliance with, or deficiencies in, financial reporting practices that could have a material effect on the financial report.

#### **Subsequent events**

19. All events occurring subsequent to the date of the financial report and for which adjustment or disclosure are required have been adjusted or disclosed.

#### **Other information**

20. We have informed you of all the documents that we expect to issue which may compromise other information accompanying the financial report.
21. The financial report and any other information obtained by you prior to the date of the auditor's report are consistent with one another, and the other information does not contain any material misstatements.
22. The final version of the other information will be provided to you when available, and prior to issuance to allow you to complete your procedures over this information.

#### **Electronic presentation of Financial Report**

23. We are responsible for the electronic presentation of the financial report.
24. We will ensure that the electronic version of the audited financial report and the auditor's report on the web site will be identical to the final signed hard copy version.
25. We will clearly differentiate between audited and unaudited information in the construction of the entity's web site as we understand the risk of potential misrepresentation.





26. We have assessed the controls over the security and integrity of data on the web site and that adequate procedures are in place to ensure the integrity of the information published.
27. We will not present the auditor's report on the full financial statements with extracts only of the full financial statements.

Yours faithfully

A handwritten signature in blue ink, appearing to read 'P Joy'.

Peter Joy  
Chairperson

per Robert McKay

A handwritten signature in blue ink, appearing to read 'J Williams'.

Johanna Williams  
General Manager



# Adelaide Park Lands Authority

GENERAL PURPOSE FINANCIAL STATEMENTS  
for the year ended 30 June 2020

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## Adelaide Park Lands Authority

### General Purpose Financial Statements for the year ended 30 June 2020

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## Adelaide Park Lands Authority

### General Purpose Financial Statements for the year ended 30 June 2020

### Certification of Financial Statements

**We have been authorised by the Authority 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 Authority's financial position at 30 June 2020 and the results of its operations and cash flows for the financial year,
- internal controls implemented by the Authority provide a reasonable assurance that the Authority's financial records are complete, accurate and reliable and were effective throughout the financial year,
- the financial statements accurately reflect the Authority's accounting and other records.

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Mark Goldstome  
**CHIEF EXECUTIVE OFFICER**

---

Sandy Verschoor  
**LORD MAYOR**

**Date:**

Adelaide Park Lands Authority

Statement of Comprehensive Income  
for the year ended 30 June 2020

\$ '000	Notes	2020	2019
<b>Income</b>			
Grants, Subsidies and Contributions	2a	215	187
<b>Total Income</b>		<b>215</b>	<b>187</b>
<b>Expenses</b>			
Materials, Contracts & Other Expenses	3a	215	187
<b>Total Expenses</b>		<b>215</b>	<b>187</b>
Operating Surplus / (Deficit)		-	-
Net Surplus / (Deficit)		-	-
<b>Total Comprehensive Income</b>		<b>-</b>	<b>-</b>

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

## Adelaide Park Lands Authority

## Statement of Financial Position

as at 30 June 2020

\$ '000	2020	2019
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and Cash Equivalents	-	-
Trade & Other Receivables	-	-
Other Financial Assets	-	-
Inventories	-	-
Other Current Assets	-	-
<b>Subtotal</b>	-	-
Non-Current Assets Held for Sale	-	-
<b>Total Current Assets</b>	-	-
<b>Non-Current Assets</b>		
Financial Assets	-	-
Equity Accounted Investments in Council Businesses	-	-
Infrastructure, Property, Plant & Equipment	-	-
Investment Property	-	-
Other Non-Current Assets	-	-
<b>Total Non-Current Assets</b>	-	-
<b>TOTAL ASSETS</b>	-	-
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Trade & Other Payables	-	-
Borrowings	-	-
Provisions	-	-
Other Current Liabilities	-	-
<b>Subtotal</b>	-	-
Liabilities relating to Non-Current Assets Held for Sale	-	-
<b>Total Current Liabilities</b>	-	-
<b>Non-Current Liabilities</b>		
Trade & Other Payables	-	-
Borrowings	-	-
Provisions	-	-
Liability - Equity Accounted Council Businesses	-	-
Other Non-Current Liabilities	-	-
<b>Total Non-Current Liabilities</b>	-	-
<b>TOTAL LIABILITIES</b>	-	-
<b>Net Assets</b>	-	-
<b>EQUITY</b>		
Accumulated Surplus	-	-
Asset Revaluation Reserves	-	-
Other Reserves	-	-
<b>Total Equity</b>	-	-

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

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Adelaide Park Lands Authority

Statement of Changes in Equity  
for the year ended 30 June 2020

\$ '000	Accumulated Surplus	Total Equity
<b>2020</b>		
Balance at the end of previous reporting period	-	-
Restated Opening Balance	-	-
Net Surplus / (Deficit) for Year	-	-
Total Comprehensive Income	-	-
Balance at the end of period	-	-
<b>2019</b>		
Balance at the end of previous reporting period	1	1
Adjustments (Correction of Prior Period Errors)	(1)	(1)
Restated Opening Balance	-	-
Net Surplus / (Deficit) for Year	-	-
Total Comprehensive Income	-	-
Balance at the end of period	-	-

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

## Adelaide Park Lands Authority

Statement of Cash Flows  
for the year ended 30 June 2020

\$ '000	2020	2019
<b>Cash Flows from Operating Activities</b>		
<b><u>Receipts</u></b>		
Operating Receipts	215	187
<b><u>Payments</u></b>		
Operating Payments to Suppliers and Employees	(215)	(187)
<b>Net Cash provided by (or used in) Operating Activities</b>	-	-
<b>Net Increase (Decrease) in Cash Held</b>	-	-
plus: <b>Cash &amp; Cash Equivalents at beginning of period</b>	-	-
<b>Cash &amp; Cash Equivalents at end of period</b>	-	-

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

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## Adelaide Park Lands Authority

### Notes to and forming part of the Financial Statements for the year ended 30 June 2020

#### Contents of the Notes accompanying the Financial Statements

Note	Details	Page
1	Significant Accounting Policies	8
2	Income	10
3	Expenses	11
4	Uniform Presentation of Finances	12
5	Related Party Transactions	13

The principal accounting policies adopted by the Adelaide Park Lands Authority (the Authority) in the preparation of these financial statements are set out below.

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

## 1 Basis of Preparation

### 1.1 Compliance with Australian Accounting Standards

This general purpose financial report has been prepared on a going concern basis using the historical cost convention (except as stated below) 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* on 1 October 2020.

### 1.2 Rounding

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

## 2 Income Recognition

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

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

In other cases, AASB 1058 applies when the Authority enters into transactions where the consideration to acquire an asset is significantly less than the fair value of the asset principally to enable

the Authority to further its objectives. The excess of the asset recognised (at fair value) over any 'related amounts' is recognised as income immediately, except in the case where a financial asset has been received to enable the Authority to acquire or construct a recognisable non-financial asset that is to be controlled by the Authority. In this case, the Authority recognises the excess as a liability that is recognised over time in profit and loss when (or as) the Authority satisfies its obligations under the transfer.

Income of the Authority was not impacted as a result of AASB 15 or AASB 1015 during the reporting period.

### 3 Cash, Cash Equivalents and other Financial Instruments

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

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.

### 4 Infrastructure, Property, Plant & Equipment

The Authority did not procure any non-current assets during the reporting period and does not hold any non-current assets as at the reporting date.

### 5 Employee Benefits

The Authority does not have any employees. All employees are engaged through the parent entity, the City of Adelaide

### 6 GST Implications

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

- Receivables and Creditors include GST receivable and payable.

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

## 7 New and amended accounting standards and interpretations

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

Adelaide Park Lands Authority has not applied any Australian Accounting Standards and Interpretations that have been issued but are not yet effective.

### **Adoption of AASB 15 Revenue from Contracts with Customers and AASB 1058 Income of Not-for-Profit Entities**

The Authority applied AASB 15 and AASB 1058, for the first time from 1 July 2019. AASB 1058 clarifies and simplifies the income recognition requirements that apply to not-for-profit (NFP) entities, in conjunction with AASB 15. These Standards supersede the NFP income recognition requirements previously in AASB 1004 Contributions (except for certain matters relating to public sector NFP entities) as well as current revenue recognition guidance including AASB 118 Revenue, AASB 111 Construction Contracts and the related Interpretations. The timing of income recognition depends on whether such a transaction gives rise to a liability or other performance obligation (a promise to transfer a good or service). The Authority has elected to adopt the modified retrospective method on transition to the new standards with an initial application date of 1 July 2019. The cumulative effect of initially applying AASB 15 and AASB 1058 is recognised at the date of initial application as an adjustment to the opening balance of Accumulated Surplus. Therefore, the comparative information was not restated and continues to be reported under

AASB 111, AASB 118, AASB 1004 and related Interpretations.

### **AASB 16 Leases**

The Authority does not have any leases as at the reporting date.

The Authority will apply AASB 16 Leases to all future leases.

## 8 Standards issued by the AASB not yet effective

The AASB has issued Australian Accounting Standards and Interpretations which are not effective at 30 June 2020.

The Authority does not anticipate that new and amended Australian Accounting Standards, and Interpretations, issued but not yet effective at the time of compiling these illustrative statements will apply to the Authority's future reporting periods.

## 9 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.

## 10 Disclaimer

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

## Adelaide Park Lands Authority

### Notes to and forming part of the Financial Statements for the year ended 30 June 2020

#### Note 2. Income

\$ '000	2020	2019
<b>(a). Grants, Subsidies, Contributions</b>		
Other Grants, Subsidies and Contributions	215	187
<b>Total Other Grants, Subsidies and Contributions</b>	<b>215</b>	<b>187</b>
<b>Total Grants, Subsidies, Contributions</b>	<b>215</b>	<b>187</b>
<b>(i) Sources of grants</b>		
City of Adelaide	215	187
<b>Total</b>	<b>215</b>	<b>187</b>

## Adelaide Park Lands Authority

### Notes to and forming part of the Financial Statements for the year ended 30 June 2020

#### Note 3. Expenses

\$ '000	2020	2019
<b>(a). Materials, Contracts and Other Expenses</b>		
<b>(i) Prescribed Expenses</b>		
Auditor's Remuneration	1	1
<b>Subtotal - Prescribed Expenses</b>	<b>1</b>	<b>1</b>
<b>(ii) Other Materials, Contracts and Expenses</b>		
Contractors	143	145
Legal Expenses	6	-
Sundry	-	1
Advertising and Promotion	-	12
Catering	-	3
External Plant Hire	-	2
Insurance	14	14
Sponsorships, Contributions and Donations	15	-
Sitting Fees	36	9
<b>Subtotal - Other Material, Contracts &amp; Expenses</b>	<b>214</b>	<b>186</b>
<b>Total Materials, Contracts and Other Expenses</b>	<b>215</b>	<b>187</b>

## Adelaide Park Lands Authority

### Notes to and forming part of the Financial Statements for the year ended 30 June 2020

#### Note 4. Uniform Presentation of Finances

\$ '000

2020

2019

The following is a high level summary of both operating and capital investment activities of the Council prepared on a simplified Uniform Presentation Framework basis.

All Councils in South Australia have agreed to summarise annual budgets and long-term financial plans on the same basis.

The arrangements ensure that all Councils provide a common 'core' of financial information, which enables meaningful comparisons of each Council's finances.

Income	215	187
less Expenses	(215)	(187)
<b>Operating Surplus / (Deficit)</b>	<b>-</b>	<b>-</b>
<b>Net Lending / (Borrowing) for Financial Year</b>	<b>-</b>	<b>-</b>



## Adelaide Park Lands Authority

### Notes to and forming part of the Financial Statements for the year ended 30 June 2020

#### Note 5. Related Party Transactions

\$ '000

2020

2019

#### Key Management Personnel

##### Transactions with Key Management Personnel

The Key Management Personnel of the Adelaide Park lands Authority include the Board Members. In all, 11 persons were paid the following total cumulative compensation:

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

Short-Term Employee Benefits

36

9

Total

36

9

##### Other Related party Transactions

The Adelaide Parklands Authority contracts staff from the City of Adelaide. The cost of these services was \$137,113 for the year (2019 \$136,860).

The City of Adelaide provides an annual contribution to APLA matching the total expenditure incurred during the financial year.

## Adelaide Park Lands Authority

### General Purpose Financial Statements for the year ended 30 June 2020

### Auditor's Report - Financial Statements

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Item 5.2 - Attachment G

## Adelaide Park Lands Authority

### General Purpose Financial Statements for the year ended 30 June 2020

### Auditor's Report - Financial Statements

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Item 5.2 - Attachment G

## Adelaide Park Lands Authority

### General Purpose Financial Statements for the year ended 30 June 2020

#### Certification of Auditor Independence

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

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

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Mark Goldstome  
**CHIEF EXECUTIVE OFFICER**

---

David Powell  
**PRESIDING MEMBER, AUDIT COMMITTEE**

**Date:**



### CERTIFICATION OF AUDITOR INDEPENDENCE

I confirm that, for the audit of the financial statements of the Adelaide Park Lands Authority for the year ended 30 June 2020, 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*.

A handwritten signature in blue ink, appearing to read 'Andrew Tickle', is written over a faint, diagonal watermark that reads 'Item 5.2 - Attachment G'.

Andrew Tickle  
Director

**BDO Audit (SA) Pty Ltd**

Adelaide, 10 September 2020

01/10/2020

Mr Andrew Tickle  
BDO Audit (SA) Pty Ltd  
7/420 King William Street  
ADELAIDE SA 5000

Dear Mr Tickle

#### **AUDIT FOR YEAR ENDED 30 JUNE 2020 OF ADELAIDE PARK LANDS AUTHORITY**

This representation letter is provided in connection with your audit of the financial report of Adelaide Park Lands Authority for the year ended 30 June 2020, for the purpose of expressing an opinion as to whether the financial report presents fairly in accordance with the Australian Accounting Standards.

We confirm that to the best of our knowledge and belief, having made such enquiries as we considered necessary for the purposes of appropriately informing ourselves:

#### **Financial report**

1. We have fulfilled our responsibilities, as set out in your engagement letter dated 16 January 2020, for the preparation for the financial report in accordance with Australian Accounting Standards, the Local Government Act 1999, the City of Adelaide Act 1998, and the Local Government (Financial Management) Regulations 2011; in particular that the financial report presents fairly in accordance therewith.
2. We have established and maintained adequate internal controls to facilitate the preparation of a reliable financial report and adequate records have been maintained. Any and all deficiencies in internal control of which we are aware have been communicated to you.
3. We confirm that the selection and application of accounting policies remains appropriate, and that there have been no changes to the accounting policies applied in the previous annual financial statements or the methods used in applying them, except as follows:
  - a. Initial application of new accounting standard AASB 15 Revenue from Contracts with Customers,
  - b. Initial application of new accounting standard AASB 16 Leases, and

- c. Initial application of new accounting standard AASB 1058 Income for Not for profit entities
4. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.
5. We have no plans or intentions that may materially affect the carrying values, or classification, of assets and liabilities.
6. The entity has satisfactory title to all assets, and there are no liens or encumbrances on such assets that have not been disclosed, nor has any asset been pledged as collateral.

#### **Books, records and documentation**

7. We have provided you with:
  - Access to all information of which we are aware that is relevant to the preparation of the financial report such as records, documentation and other matters;
  - All minutes of meetings held by the Board of Directors, Committees and shareholders since the end of the previous reporting period have been given to you for your inspection;
  - Additional information that you have requested from us for the purpose of the audit;
  - Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
8. All transactions have been recorded in the accounting records and are reflected in the financial report.

#### **Uncorrected Misstatements**

9. We note that you have not brought any uncorrected misstatements to our attention.

#### **Related parties**

10. We have disclosed to you the identity of the entity's related parties and all the related party relationships and transactions.
11. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with Australian Accounting Standards in the financial report.

#### **Fraud**

12. We acknowledge our responsibility for the design, implementation and maintenance of accounting and internal control systems that are designed to prevent and detect fraud.
13. We have disclosed to you the results of our assessment of the risk that the financial report may be materially misstated as a result of fraud.
14. We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the entity and involves:

- Management;
  - Employees who have significant roles in internal control; or
  - Others where fraud could have a material impact on the financial report.
15. We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the entity's financial report communicated by employees, former employees, analysts, regulators or others.

#### **Litigation and claims**

16. We have disclosed to you all known actual or possible litigation and claims whose effects should be considered in the financial report; and accounted for and disclosed in accordance with Australian Accounting Standards.

#### **Compliance with laws and regulations**

17. We have disclosed to you all known actual or possible non-compliance with laws and regulations whose effects should be considered when preparing the financial report.
18. There have been no instances of non-compliance of laws and regulations involving management or employees who have a significant role in internal control.
- There have been no communications from regulatory agencies concerning non-compliance with, or deficiencies in, financial reporting practices that could have a material effect on the financial report.

#### **Subsequent events**

19. All events occurring subsequent to the date of the financial report and for which adjustment or disclosure are required have been adjusted or disclosed.

#### **Other information**

20. We have informed you of all the documents that we expect to issue which may compromise other information accompanying the financial report.
21. The financial report and any other information obtained by you prior to the date of the auditor's report are consistent with one another, and the other information does not contain any material misstatements.
22. The final version of the other information will be provided to you when available, and prior to issuance to allow you to complete your procedures over this other information.

#### **Electronic presentation of Financial Report**

23. We are responsible for the electronic presentation of the financial report.
24. We will ensure that the electronic version of the audited financial report and the auditor's report on the web site will be identical to the final signed hard copy version.
25. We will clearly differentiate between audited and unaudited information in the construction of the entity's web site as we understand the risk of potential misrepresentation.



26. We have assessed the controls over the security and integrity of data on the web site and that adequate procedures are in place to ensure the integrity of the information published.
27. We will not present the auditor's report on the full financial statements with extracts only of the full financial statements.

Yours faithfully

Mark Goldstone  
CEO  
City of Adelaide

Sandy Verschoor  
Lord Mayor  
City of Adelaide

## Adelaide Park Lands Authority

### General Purpose Financial Statements for the year ended 30 June 2020

#### Certification of Auditor Independence

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

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

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Mark Goldstome  
**CHIEF EXECUTIVE OFFICER**

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David Powell  
**PRESIDING MEMBER, AUDIT COMMITTEE**

**Date:**

**COUNCIL SOLUTIONS REGIONAL AUTHORITY  
GENERAL PURPOSE FINANCIAL REPORTS  
for the period 1 July 2019 to 28 February 2020**

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**COUNCIL SOLUTIONS REGIONAL AUTHORITY  
CERTIFICATION OF FINANCIAL STATEMENTS  
for the period 1 July 2019 to 28 February 2020**

I have been authorised by the Council Solutions Regional Authority Board to certify the financial statements of the Council Solutions Regional Authority in their final form. In my 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 Solutions Regional Authority's financial position at 28 February 2020 and the results of its operations and cash flows for the period 1 July 2019 to 28 February 2020.
- Internal controls implemented by the Authority provide a reasonable assurance that the Authority's financial records are complete, accurate and reliable and were effective throughout the financial year.
- The financial statements accurately reflect the Council Solutions Regional Authority's accounting and other records.



Jeff Tate  
**Chair of The Board**

Date: 17 February 2020

**COUNCIL SOLUTIONS REGIONAL AUTHORITY**  
**STATEMENT OF COMPREHENSIVE INCOME**  
for the period 1 July 2019 to 28 February 2020

	Notes	2020 \$'000	2019 \$'000
<b>INCOME</b>			
Investment Income	2	2	7
Management Fees	2	218	1,056
Other Income	2	81	270
<b>Total Income</b>		<b>301</b>	<b>1,333</b>
<b>EXPENSES</b>			
Materials, contracts & other expenses	3	386	960
<b>Total Expenses</b>		<b>386</b>	<b>960</b>
<b>OPERATING SURPLUS / (DEFICIT)</b>		<b>(86)</b>	<b>373</b>
<b>NET SURPLUS / (DEFICIT)</b>		<b>(86)</b>	<b>373</b>
<b>Total Other Comprehensive Income</b>		<b>-</b>	<b>-</b>
<b>TOTAL COMPREHENSIVE INCOME</b>		<b>(86)</b>	<b>373</b>

This Statement is to be read in conjunction with the attached Notes.

**COUNCIL SOLUTIONS REGIONAL AUTHORITY**  
**BALANCE SHEET**  
as at 28 February 2020

	Notes	2020 \$'000	2019 \$'000
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	4	-	539
Receivables	4	743	342
<b>Total Current Assets</b>	4,7	<b>743</b>	<b>881</b>
<b>Total Assets</b>		<b>743</b>	<b>881</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Trade & Other Payables		743	37
Other Current Liabilities		-	15
<b>Total Current Liabilities</b>	5,7	<b>743</b>	<b>52</b>
<b>Total Liabilities</b>	5,7	<b>743</b>	<b>52</b>
<b>NET ASSETS</b>		<b>-</b>	<b>829</b>
<b>EQUITY</b>			
Accumulated Surplus		-	686
Share Capital		-	143
<b>TOTAL EQUITY</b>		<b>-</b>	<b>829</b>

This Statement is to be read in conjunction with the attached Notes.

**COUNCIL SOLUTIONS REGIONAL AUTHORITY**  
**STATEMENT OF CHANGES IN EQUITY**  
for the period 1 July 2019 to 28 February 2020

	Initial Contribution by Owners \$'000	Accumulated Surplus \$'000	Total \$'000
<b>2020</b>			
Opening Balance	143	686	829
Net Surplus for Year	-	(86)	(86)
Distribution of Capital on winding up	(143)	(600)	(743)
Balance at end of period	-	-	-
	Initial Contribution by Owners \$'000	Accumulated Surplus \$'000	Total \$'000
<b>2019</b>			
Opening Balance	143	313	456
Net Surplus for Year	-	373	373
Balance at end of period	143	686	829

## COUNCIL SOLUTIONS REGIONAL AUTHORITY

### Notes to and forming part of the Financial Statements for the period 1 July 2019 to 28 February 2020

#### Note 1 - Significant Accounting Policies

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

Council Solutions Regional Authority is a Regional Subsidiary under Section 43 and Schedule 2 of the Local Government Act 1999. The Constituent Councils and their respective share of equity are as follows:

Constituent Council	Equity Share
Adelaide City Council	16.67%
City of Charles Sturt	16.67%
City of Marion	16.67%
City of Onkaparinga	16.67%
City of Salisbury	16.67%
City of Tea Tree Gully	16.67%

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial report was authorised for issue by certificate under regulation 14 of the *Local Government (Financial Management) Regulations 2011*.

#### 1 Basis of Preparation

The financial report has been prepared on an accruals basis and is based on historical costs. All amounts in the financial statements have been rounded to the nearest thousand dollars (\$'000).

#### 2 Income recognition

Management Fee Income is recognised when the Constituent Councils enter into the purchase of a good or service from a Supplier contracted to provide the Authority (or in the case of some prior contracts that were created jointly between the six constituent Council) with a Management Fee.

#### 3 Cash, Cash Equivalents and other Financial Instruments

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

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.

#### 4 Infrastructure, Property, Plant & Equipment

The Authority did not procure any non-current assets during the reporting period and does not hold any non-current assets as at the reporting date.

#### 5 Employee Benefits

All employees are employed through Adelaide City Council, one of the Constituent Councils. Those employees are then contracted to the Authority.



## COUNCIL SOLUTIONS REGIONAL AUTHORITY

### Notes to and forming part of the Financial Statements for the year ending 28 February 2020

#### Note 1 - Significant Accounting Policies, con't

##### 6 GST Implications

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

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

##### 7 Comparative Information

Comparative information has been reclassified to be consistent with the current year disclosure of equivalent information in accordance with Australian Accounting Standards.

##### 8 Critical Accounting Estimates and Judgements

The Authority evaluates estimates and judgements incorporated into the financial report based on historical knowledge and best available current information.

Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the authority.

Accounts receivable are reviewed at each reporting date to establish the collectability.

##### 9 Pending Accounting Standards

Certain new accounting standards and UIG interpretations have been published that are not mandatory for the 30 June 2019 reporting period and have not been used in preparing these reports.

AASB 7	Financial Instruments – Disclosures
AASB 9	Financial Instruments
AASB 15	Revenue from Contracts with Customers
AASB 16	Leases
AASB 1058	Income of Not-for-Profit Entities

Standards containing consequential amendments to other Standards and Interpretations arising from the above - AASB 2010-7, AASB 2014-1, AASB 2014-3, AASB 2014-4, AASB 2014-5, AASB 2014-6, AASB 2014-7, AASB 2014-8, AASB 2014-9, AASB 2014-10, AASB 2015-1, AASB 2015-2, AASB 2015-3, AASB 2015-4, AASB 2015-5, AASB 2015-6 and AASB 2015-7.

(Standards not affecting local government have been excluded from the above list.)

AASB 16 Leases, which will commence from 1 July 2019, requires that the right of use conveyed by leasing contracts - except leases with a maximum term of 12 months and leases for non-material amounts - be recognised as a form of Infrastructure, Property, Plant and Equipment, and that the lease liability be disclosed as a liability.

At 28 February 2020, Council has no leases to which this treatment will need to be applied.

**COUNCIL SOLUTIONS REGIONAL AUTHORITY**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
for the period 1 July 2019 to 28 February 2020

**Note 2 - INCOME**

	2020 \$'000	2019 \$'000
<b>INVESTMENTS</b>		
Interest Income	2	7
	<u>2</u>	<u>7</u>
<b>REBATES</b>		
Management Fees	218	1,056
	<u>218</u>	<u>1,056</u>
<b>OTHER INCOME</b>		
Reimbursements	81	270
	<u>81</u>	<u>270</u>

**Note 3 - EXPENSES**

	2020 \$'000	2019 \$'000
<b>MATERIALS, CONTRACTS &amp; OTHER EXPENSES</b>		
Advertising	-	-
Audit Fees	2	4
Catering	0	1
Contractors	24	40
Consultant Fees	1	92
Insurance	11	28
IT Expenses	-	23
Legal Fees	24	35
Membership Fees & Subscriptions	32	5
Motor Vehicle	2	2
Reimbursements - Salary & Wages	247	665
Rent	25	27
Sitting Fees	14	19
Sundry	0	13
Telephone	2	2
Training and Development	2	4
	<u>386</u>	<u>960</u>

**COUNCIL SOLUTIONS REGIONAL AUTHORITY**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
for the period 1 July 2019 to 28 February 2020

**Note 4 - CURRENT ASSETS**

	2020 \$'000	2019 \$'000
<b>CASH &amp; CASH EQUIVALENTS</b>		
Cash at Bank	-	539
	-	539
<b>RECEIVABLES</b>		
Accounts Receivables	33	226
Accrued Income	-	116
City of Adelaide	710	-
	743	342
<b>TOTAL CURRENT ASSETS</b>	743	881

**Note 5 - LIABILITIES**

	2020 \$'000	2019 \$'000
<b>TRADE &amp; OTHER PAYABLES</b>		
Creditors	743	28
Expenses Accrued	-	9
	743	37
<b>OTHER CURRENT LIABILITIES</b>		
Payable to Adelaide City Council	-	15
	-	15
<b>TOTAL LIABILITIES</b>	743	52

**COUNCIL SOLUTIONS REGIONAL AUTHORITY**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**for the period 1 July 2019 to 28 February 2020**

**Note 6 - RECONCILIATION TO CASH FLOW STATEMENT**

**(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 Cash Flow Statement is reconciled to the related items in the Balance Sheet.

	2020 \$'000	2019 \$'000
Cash at Bank	-	539
<b>Balances per Cash Flow Statement</b>	<b>-</b>	<b>539</b>

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

Net Surplus	(86)	373
Net (increase)/decrease in Receivables	(401)	222
Net increase/(decrease) in Current Liabilities	(52)	(230)
<b>Net Cash provided by (or used in) operations</b>	<b>(539)</b>	<b>365</b>

**COUNCIL SOLUTIONS REGIONAL AUTHORITY**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**for the period 1 July 2019 to 28 February 2020**

**Note 7 - FINANCIAL INSTRUMENTS**

**(a) Interest Rate Risk**

The Authority's exposure to interest rate risk, which is the risk that the value of a financial instrument will fluctuate as a result of changes in market interest rates, and the effective weighted average interest rates on those applicable financial assets and liabilities is as follows;

	Weighted Average Interest Rate	Fair Value of Variable Interest Rate Instruments	Fair Value of Fixed Interest rate instruments maturing within One Year	Fair Value of Fixed Interest rate instruments maturing Due > 1 less 5 Yrs	Fair Value of Fixed Interest rate instruments maturing Due > 5 Yrs	Fair Value of Non-Interest Bearing Instruments
		\$'000	\$'000	\$'000	\$'000	\$'000
<b>2019-20</b>						
<b>Financial Assets:</b>						
Cash	1.9%	-	-	-	-	-
Receivables	0.0%	-	-	-	-	743
<b>Total Financial Assets</b>		-	-	-	-	743
<b>Financial Liabilities:</b>						
Creditors and Provisions	0.0%	-	-	-	-	743
<b>Total Financial Liabilities</b>		-	-	-	-	743

	Weighted Average Interest Rate	Fair Value of Variable Interest Rate Instruments	Fair Value of Fixed Interest rate instruments maturing within One Year	Fair Value of Fixed Interest rate instruments maturing Due > 1 less 5 Yrs	Fair Value of Fixed Interest rate instruments maturing Due > 5 Yrs	Fair Value of Non-Interest Bearing Instruments
		\$'000	\$'000	\$'000	\$'000	\$'000
<b>2018-19</b>						
<b>Financial Assets:</b>						
Cash	1.9%	539	-	-	-	539
Receivables	0.0%	-	-	-	-	342
<b>Total Financial Assets</b>		539	-	-	-	881
<b>Financial Liabilities:</b>						
Creditors and Provisions	0.0%	-	-	-	-	52
<b>Total Financial Liabilities</b>		-	-	-	-	52

**(b) Credit Risk**

Credit Risk represents the loss that would be recognised if other entities failed to perform as contracted.

The Authority's exposure to credit risk is summarised as follows;

Receivables - the Authority's maximum exposure is disclosed in the financial statements net of any provision for doubtful debts

**(c) Net Fair Value**

The net fair value of a financial instrument is defined as its value net of all costs to settle the asset and liability

The financial assets and liabilities as stated or referred to in notes (a) and (b) above, are stated at their face value (less provision for doubtful debts if applicable).

Due to the nature of financial instruments held in the Authority, the cost associated with their settlement would not be material, and hence, have not been considered.

**COUNCIL SOLUTIONS REGIONAL AUTHORITY  
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
for the period 1 July 2019 to 28 February 2020**

**Note 8 - RELATED PARTY DISCLOSURES**

**KEY MANAGEMENT PERSONNEL**

The Key Management Personnel of the Council include the Chair of the Board, the Board, Independent Members of the Audit Committee and the General Manager.

Salaries, allowances & other short term benefits paid by Council Solutions to KMP were \$49k (2018-19) and \$232k (2018-19)

The following qualifying related party disclosures have been identified:

<b>Related Party Entity</b>	<b>Amounts received from related parties during the period 1 July 2019 to 28 February 2020</b>	<b>Amounts outstanding from related parties as at 28 February 2020</b>	<b>Amounts outstanding to related parties as at 28 February 2020</b>
	<b>\$ '000</b>	<b>\$ '000</b>	<b>\$ '000</b>
City of Adelaide	22	-	-
City of Charles Sturt	22	-	-
City of Marion	22	-	-
City of Salisbury	-	-	-
City of Tea Tree Gully	-	-	-
City of Onkaparinga	-	-	-

The above amounts received represent reimbursements of designated project costs paid by the above listed Constituent Councils to Council Solutions at various times throughout the year. These amounts have been approved by the Board and reported on as part of the ongoing annual budget setting and budget review process.

Council Solutions provides procurement services to the above listed entities.

## Council Solutions Regional Authority

### Certification Of Auditor Independence for the period 1 July 2019 to 28 February 2020

To the best of our knowledge and belief, we confirm that, for the purpose of the audit of the Council Solutions Regional Authority for the period 1 July 2019 to 28 February 2020, the Council's Auditor, Ian G McDonald FCA, 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) (b) Local Government (Financial Management) Regulations 2011.

.....  
**Jeff Tate**  
**CHAIR - Council Solutions**

Date: 17 February 2020

.....  
**Tanya Johnston**  
**Presiding Member of Audit Committee**

Date: 06 FEB 2020

.....  
**Kirk Richardson**  
**ACTING CHIEF EXECUTIVE OFFICER**  
**City of Onkaparinga**

Date: 28/01/2020

.....  
**Mark Goldstone**  
**CHIEF EXECUTIVE OFFICER**  
**Adelaide City Council**

Date: 29/1/2020

.....  
**Paul Sutton**  
**CHIEF EXECUTIVE OFFICER**  
**City of Charles Sturt**

Date: 24/01/2020

.....  
**Adrian Skull**  
**CHIEF EXECUTIVE OFFICER**  
**City of Marion**

Date: 24 January 2020

.....  
**John Harry**  
**CHIEF EXECUTIVE OFFICER**  
**City of Salisbury**

Date: 3/1/2020

.....  
**John Moyle**  
**CHIEF EXECUTIVE OFFICER**  
**Tea Tree Gully Council**

Date: 24<sup>th</sup> January 2020

## **Council Solutions Regional Authority**

### **ANNUAL FINANCIAL STATEMENTS** **For the period 1/7/2019 to 28/2/2019**

#### **STATEMENT BY AUDITOR**

We confirm that, for the audit of the financial statements of the Council Solutions Regional Authority for the period ended 28 February 2020, we have maintained our independence in accordance with the requirements of APES 110 – Code of Ethics for Professional Accountants, Section 290, published by the Accounting Professional and Ethical Standards Board, in accordance with the *Local Government Act 1999 and the Local Government (Financial Management) Regulations 2011* made under that Act.

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



**Ian G McDonald FCA**

Dated this 4th day of February 2020



## Council Solutions Regional Authority Independent Auditor's Report

We have audited the attached financial statements, being a general purpose financial report, of Council Solutions Regional Authority for the period 1/7/2019 to 28/2/2020.

### Opinion

In our opinion, the financial statements of the Authority are properly drawn up:

- a) to present fairly the financial position of the Authority as at the 28 February 2020 and the results of its operations for the period then ended, and;
- b) according to Australian Accounting Standards.

### Basis for Opinion

For the audit of the Authority we have maintained our independence in accordance with the relevant ethical requirements of APES 110 Section 290. We believe that the audit evidence that we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Other Information – Basis of Accounting and Restriction on Distribution

Without modifying our opinion, we draw attention to Note 1 to the financial report, which describes the basis of accounting. The financial report is prepared to assist the authority to meet the requirements of Local Government Act 1999 together with the Local Government (Financial Management Regulations 2011. As a result, the financial report may not be suitable for another purpose. Our report is intended solely for the members.

### Responsibilities of Management for the Financial Report

The Board of Management is responsible for the preparation of the financial report in accordance with Local Government Act 1999 together with the Local Government (Financial Management Regulations 2011 and for such internal control as management determines is necessary to enable the preparation of a financial report that is free from material misstatement, whether due to fraud or error.

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

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the schedule is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement in the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the association's preparation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the association's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial report.

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



Ian G McDonald FCA  
Registered Company Auditor

Dated at Grange this 18<sup>th</sup> day of February 2020

**Brown Hill and Keswick Creeks Stormwater Board**

**2019/20 Audit**

1. Independent Auditor's Report
2. Audited Financial Statements
3. Board's Certification of Financial Statements for the year ended 30 June 2020
4. Board's Certification of Auditor Independence
5. Auditor's Independence Declaration
6. Certificates of Auditor Independence
  - a. City of Adelaide
  - b. City of Burnside
  - c. City of Mitcham
  - d. City of Unley
  - e. City of West Torrens

David Chant CA, FCPA  
Simon Smith CA, FCPA  
David Sullivan CA, CPA  
Jason Seidel CA  
Renaë Nicholson CA  
Tim Muhlhauser CA  
Aaron Coonan CA  
Luke Williams CA, CPA  
Daniel Moon CA



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## INDEPENDENT AUDITOR'S REPORT

To the members of the Brown Hill and Keswick Creeks Stormwater Board

### Report on the Audit of the Financial Report

#### Opinion

We have audited the accompanying financial report of the Brown Hill and Keswick Creeks Stormwater Board ("the Board"), which comprises the balance sheet as at 30 June 2020, the statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the statement by the Executive Officer and the Chairperson.

In our opinion, the accompanying financial report presents fairly, in all material aspects, the financial position of the Board as at 30 June 2020, and its financial performance and its cash flows for the year then ended in accordance with the Australian Accounting Standards, *Local Government Act 1999* and *Local Government (Financial Management) Regulations 2011*.

#### Basis for Opinion

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

#### Responsibility for the Financial Report

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

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

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

## Auditor's Responsibility 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 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.

As part of an audit in accordance with Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

## GALPINS ACCOUNTANTS, AUDITORS & BUSINESS CONSULTANTS



**Luke Williams** CA, CPA, Registered Company Auditor

Partner

21 / 9 / 2020

# **BROWN HILL & KESWICK CREEKS STORMWATER BOARD**

## **Financial Statements**

**For the Year Ended 30 June 2020**

# BROWN HILL & KESWICK CREEKS STORMWATER BOARD

## Contents

### For the Year Ended 30 June 2020

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## BROWN HILL &amp; KESWICK CREEKS STORMWATER BOARD

# Statement of Profit or Loss and Other Comprehensive Income

## For the Year Ended 30 June 2020

		2020	2019
	Note	\$	\$
Contributions	4	388,655	618,195
Investment income	4	24,737	15,826
Employee Costs	5	(270,290)	(234,663)
Materials, contracts and other expenses	5	(151,631)	(181,510)
Depreciation	5	(36,646)	(2,180)
Finance costs	5	(198)	(192)
<b>Operating surplus / (deficit)</b>		<b>(45,373)</b>	<b>215,476</b>
Capital funding / grants	4	1,761,766	-
<b>Total surplus</b>		<b>1,716,393</b>	<b>215,476</b>
<b>Other comprehensive income</b>		<b>-</b>	<b>-</b>
<b>Total comprehensive income for the year</b>		<b>1,716,393</b>	<b>215,476</b>

The accompanying notes form part of these financial statements.

## BROWN HILL &amp; KESWICK CREEKS STORMWATER BOARD

## Statement of Financial Position

As At 30 June 2020

	Note	2020 \$	2019 \$
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	6	5,002,849	3,966,683
Trade and other receivables	7	325,122	2,024,173
<b>TOTAL CURRENT ASSETS</b>		<b>5,327,971</b>	<b>5,990,856</b>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	8	6,410,219	3,209,193
<b>TOTAL NON-CURRENT ASSETS</b>		<b>6,410,219</b>	<b>3,209,193</b>
<b>TOTAL ASSETS</b>		<b>11,738,190</b>	<b>9,200,049</b>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Trade and other payables	9	1,568,187	3,052,742
Employee benefits	10	10,739	6,500
<b>TOTAL CURRENT LIABILITIES</b>		<b>1,578,926</b>	<b>3,059,242</b>
<b>TOTAL LIABILITIES</b>		<b>1,578,926</b>	<b>3,059,242</b>
<b>NET ASSETS</b>		<b>10,159,264</b>	<b>6,140,807</b>
<b>EQUITY</b>			
Capital contributions	11	8,231,343	5,929,279
Capital funding / grants		1,761,766	-
Retained earnings		166,155	211,528
<b>TOTAL EQUITY</b>		<b>10,159,264</b>	<b>6,140,807</b>

The accompanying notes form part of these financial statements.



## BROWN HILL &amp; KESWICK CREEKS STORMWATER BOARD

# Statement of Changes in Equity

## For the Year Ended 30 June 2020

2020

	Capital Contributions of Councils	Capital Funding and Grants	Accumulated Surplus	Total
Note	\$	\$	\$	\$
<b>Balance at 1 July 2019</b>	<b>5,929,279</b>	<b>-</b>	<b>211,528</b>	<b>6,140,807</b>
Surplus for the year	-	-	1,716,393	1,716,393
Capital contributions of Councils	2,302,064	-	-	2,302,064
Transfer capital funding / grants	-	1,761,766	(1,761,766)	-
<b>Balance at 30 June 2020</b>	<b>8,231,343</b>	<b>1,761,766</b>	<b>166,155</b>	<b>10,159,264</b>

2019

	Capital Contributions of Councils	Capital Funding and Grants	Accumulated Surplus	Total
Note	\$	\$	\$	\$
<b>Balance at 1 July 2018</b>	<b>246,870</b>	<b>-</b>	<b>(3,948)</b>	<b>242,922</b>
Surplus for the year	-	-	215,476	215,476
Capital contributions of Councils	5,682,409	-	-	5,682,409
<b>Balance at 30 June 2019</b>	<b>5,929,279</b>	<b>-</b>	<b>211,528</b>	<b>6,140,807</b>

The accompanying notes form part of these financial statements.

## BROWN HILL &amp; KESWICK CREEKS STORMWATER BOARD

## Statement of Cash Flows

### For the Year Ended 30 June 2020

	Note	2020 \$	2019 \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Operating receipts from constituent councils		394,922	1,246,839
Payments to employees		(266,051)	(228,163)
Payments to suppliers		(1,810,552)	(502,539)
Interest received		24,539	15,634
Net cash provided by / (used in) operating activities	12	(1,657,142)	531,771
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Purchase of property, plant and equipment		(3,237,673)	(223,324)
Net cash provided used in investing activities		(3,237,673)	(223,324)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>			
Contributions from Constituent Councils		4,169,214	3,658,236
SMA Funding		1,696,767	-
NRM Board Water Sustainability Funding		65,000	-
Net cash provided by financing activities		5,930,981	3,658,236
Net increase in cash and cash equivalents held		1,036,166	3,966,683
Cash and cash equivalents at beginning of year		3,966,683	-
Cash and cash equivalents at end of financial year	6	5,002,849	3,966,683

The accompanying notes form part of these financial statements.

## BROWN HILL & KESWICK CREEKS STORMWATER BOARD

### Notes to the Financial Statements

For the Year Ended 30 June 2020

#### 1 Basis of Preparation

The financial statements are general purpose financial statements that have been prepared in accordance with the Australian Accounting Standards as they apply to not-for-profit entities, other authoritative pronouncements of the Australian Accounting Standards Board (AASB), Urgent Issues Group Interpretations (UIGs) and relevant South Australian Legislation. These financial statements comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The Brown Hill and Keswick Creeks Stormwater Board (the Board) is a Local Government Regional Subsidiary established under Section 43 of and Schedule 2 to the Local Government Act 1999. The Regional Subsidiary is under the control of City of Adelaide, City of Burnside, City of Unley, City of Mitcham and City of West Torrens.

The Board was established by a Gazettal dated 27 February 2018. The Board has been established to implement the construction and maintenance of infrastructure and other measures for the purposes of a stormwater management plan prepared by the constituent councils and approved by the Stormwater Management Authority.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in financial statements containing relevant and reliable information about transactions, events and conditions to which they apply. Material accounting policies adopted in the preparation of these financial statements are presented below and have been applied consistently unless otherwise stated.

The financial statements, except for cash flow information, have been prepared on an accruals basis and are based on historical costs. The amount presented in the financial statements have been rounded to the nearest dollar.

The financial statements were authorised for issue on September 2020 by the members of the Board.

#### 2 Summary of Significant Accounting Policies

##### (a) Revenue and other income

###### Revenue from contracts with customers

The core principle of AASB 15 is that revenue is recognised on a basis that reflects the transfer of promised goods or services to customers at an amount that reflects the consideration the Board expects to receive in exchange for those goods or services. Revenue is recognised by applying a five-step model as follows:

1. Identify the contract with the customer
2. Identify the performance obligations
3. Determine the transaction price
4. Allocate the transaction price to the performance obligations
5. Recognise revenue as and when control of the performance obligations is transferred

Generally, the timing of the payment for sale of goods and rendering of services corresponds closely to the timing of satisfaction of the performance obligations, however where there is a difference, it will result in the recognition of a receivable, contract asset or contract liability.

None of the revenue streams of the Board have any significant financing terms as there is less than 12 months between receipt of funds and satisfaction of performance obligations.

## BROWN HILL & KESWICK CREEKS STORMWATER BOARD

### Notes to the Financial Statements

For the Year Ended 30 June 2020

#### 2 Summary of Significant Accounting Policies

##### (a) Revenue and other income

###### Revenue from contracts with customers

All revenue is stated net of the amount of goods and services tax (GST).

###### Specific revenue streams

The revenue recognition policies for the principal revenue streams of the Board are:

###### Operating revenue from constituent councils

Operating revenue from constituent councils is recognised as income as and when the Board becomes entitled to receive the funds. This is outlined within the Boards Annual Business Plan which is agreed with all constituent councils.

###### Interest revenue

Interest revenue is recognised using the effective interest method, which for all floating rate financial assets is inherent in the instrument.

###### Other income

Other income is recognised on an accruals basis when the Board is entitled to it.

##### (b) Equity

###### Capital contributions

Capital contributions received from constituent councils are recognised as capital contributions by owners and recognised directly in equity.

##### (c) Income Tax

The activities of the Board are exempt from taxation under the Income Tax Assessment Act.

##### (d) Goods and services tax (GST)

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO).

Receivables and payables are stated inclusive of GST.

Cash flows in the statement of cash flows are included on a gross basis and the GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

##### (e) Property, plant and equipment

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

## BROWN HILL & KESWICK CREEKS STORMWATER BOARD

### Notes to the Financial Statements

For the Year Ended 30 June 2020

#### 2 Summary of Significant Accounting Policies

##### (e) Property, plant and equipment

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, engineering design costs and all other costs incurred.

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

The Board considers that it controls the infrastructure assets in accordance with its Charter. The constructed infrastructure assets may be located on land owned by constituent councils.

Assets with an economic life in excess of one year are only capitalised where the cost of acquisition exceeds the materiality thresholds set by the Board within the capitalisation policy. In determining (and in annually reviewing) such thresholds, regard is had to the nature of the asset and its estimated service life. Current thresholds applicable to Board assets are as follows:

Stormwater infrastructure - \$10,000

Computer equipment - \$5,000

Office equipment - \$1,000

Each class of property, plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation and impairment.

##### Depreciation

Property, plant and equipment, excluding freehold land, is depreciated on a straight-line basis over the asset's useful life to the Board, commencing when the asset is ready for use.

The depreciation rates used for each class of depreciable asset are shown below:

Fixed asset class	Depreciation rate
Stormwater infrastructure	1% - 2%
Freehold Land	0%
Land improvements	1% - 10%
Office equipment	10%
Computer Equipment	10% - 33%

At the end of each annual reporting period, the depreciation method, useful life and residual value of each asset is reviewed. Any revisions are accounted for prospectively as a change in estimate.

##### (f) Financial instruments

Financial instruments are recognised initially on the date that the Board becomes party to the contractual provisions of the instrument.

## BROWN HILL & KESWICK CREEKS STORMWATER BOARD

### Notes to the Financial Statements For the Year Ended 30 June 2020

#### 2 Summary of Significant Accounting Policies

##### (f) Financial instruments

On initial recognition, all financial instruments are measured at fair value plus transaction costs (except for instruments measured at fair value through profit or loss where transaction costs are expensed as incurred).

##### Financial assets

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

##### *Classification*

On initial recognition, the Board classifies its financial assets into the following categories, those measured at:

- amortised cost
- fair value through profit or loss - FVTPL
- fair value through other comprehensive income - equity instrument (FVOCI - equity)
- fair value through other comprehensive income - debt investments (FVOCI - debt)

Financial assets are not reclassified subsequent to their initial recognition unless the Board changes its business model for managing financial assets.

##### *Amortised cost*

Assets measured at amortised cost are financial assets where:

- the business model is to hold assets to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows are solely payments of principal and interest on the principal amount outstanding.

The Board's financial assets measured at amortised cost comprise trade and other receivables and cash and cash equivalents in the statement of financial position.

Subsequent to initial recognition, these assets are carried at amortised cost using the effective interest rate method less provision for impairment.

Interest income and impairment are recognised in profit or loss. Gain or loss on derecognition is recognised in profit or loss.

## BROWN HILL & KESWICK CREEKS STORMWATER BOARD

### Notes to the Financial Statements

For the Year Ended 30 June 2020

#### 2 Summary of Significant Accounting Policies

##### (f) Financial instruments

###### *Impairment of trade receivables*

Impairment of trade receivables have been determined using the simplified approach in AASB 9 which uses an estimation of lifetime expected credit losses. The Board has determined the probability of non-payment of the receivable and multiplied this by the amount of the expected loss arising from default.

The amount of the impairment is recorded in a separate allowance account with the loss being recognised in finance expense. Once the receivable is determined to be uncollectable then the gross carrying amount is written off against the associated allowance.

###### **Financial liabilities**

The Board measures all financial liabilities initially at fair value less transaction costs, subsequently financial liabilities are measured at amortised cost using the effective interest rate method.

The financial liabilities of the Board comprise trade payables.

##### (g) Impairment

At the end of each reporting period the Board assesses whether there is any indication that an asset may be impaired. The assessment will consider both external and internal sources of information. If such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of that asset, being the higher of the asset's fair value less costs to sell and its value-in-use, to the asset's carrying amount. Any excess of the asset's carrying amount over its recoverable amount is immediately recognised in profit or loss.

Where future economic benefits of the asset are not primarily dependent upon the asset's ability to generate net cash inflows and when the entity would, if deprived of the asset, replace its remaining future economic benefits, value in use is determined as the depreciated replacement cost of an asset.

Where an impairment loss on a revalued asset is identified, this is recognised against the revaluation surplus in respect of the same class of asset to the extent that the impairment loss does not exceed the amount in the revaluation surplus for that class of asset.

Reversal indicators are considered in subsequent periods for all assets which have suffered an impairment loss.

##### (h) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits and short-term investments which are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

##### (i) Trade and other payables

Accounts payable and other payables represent the liability outstanding at the end of the reporting period for goods and services received by the Board during the reporting period that remain unpaid. The balance is recognised as a current liability with the amounts normally paid within 30 days of recognition of the liability.

## BROWN HILL & KESWICK CREEKS STORMWATER BOARD

### Notes to the Financial Statements

For the Year Ended 30 June 2020

#### 2 Summary of Significant Accounting Policies

##### (i) Trade and other receivables

These include amounts due from owner councils for capital contributions, the ATO and accrued interest on deposits in financial institutions. Receivables expected to be collected within 12 months of the end of the reporting period are classified as current assets. All other receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment.

##### (j) Employee benefits

Provision is made for the Board's liability for employee benefits arising from services rendered by employees to the end of the reporting period. Employee benefits that are expected to be wholly settled within one year have been measured at the amounts expected to be paid when the liability is settled.

Employee benefits expected to be settled more than one year after the end of the reporting period have been measured at the present value of the estimated future cash outflows to be made for those benefits. In determining the liability, consideration is given to employee wage increases and the probability that the employee may satisfy vesting requirements. Cashflows are discounted using market yields on government bond rates, with terms to maturity that match the expected timing of cashflows. Changes in the measurement of the liability are recognised in profit or loss.

No accrual is made for sick leave. The Board does not make payment for untaken sick leave.

##### Superannuation

All superannuation schemes to which the Board makes contributions on behalf of employees 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 Board.

##### (k) Adoption of new and revised accounting standards

The Board has adopted all standards which became effective for the first time at 30 June 2020, the adoption of these standards has not caused any material adjustments to the reported financial position, performance or cash flow of the Board.

##### (l) Economic dependence

Brown Hill and Keswick Creeks Stormwater Board is dependent on its constituent councils and other funding bodies for the majority of its revenue used to achieve its objectives. At the date of this report, the Board believe that the Member Councils and other bodies will continue to support the Board.

#### 3 Critical Accounting Estimates and Judgments

The Board makes estimates and judgements during the preparation of these financial statements regarding assumptions about current and future events affecting transactions and balances.

These estimates and judgements are based on the best information available at the time of preparing the financial statements, however as additional information is known then the actual results may differ from the estimates.

The significant estimates and judgements made have been described below.



## BROWN HILL & KESWICK CREEKS STORMWATER BOARD

### Notes to the Financial Statements

For the Year Ended 30 June 2020

#### 3 Critical Accounting Estimates and Judgments

##### Key estimates - impairment of property, plant and equipment

The Board assesses impairment at the end of each reporting period by evaluating conditions specific to the Board that may be indicative of impairment triggers.

##### Key estimates - receivables

The receivables at reporting date have been reviewed to determine whether there is any objective evidence that any of the receivables are impaired. An impairment provision is included for any receivable where the entire balance is not considered collectible. The impairment provision is based on the best information at the reporting date.

#### 4 Income

	2020 \$	2019 \$
<b>Operating Contributions</b>		
- City of Mitcham	77,731	123,639
- City of Burnside	77,731	123,639
- City of West Torrens	77,731	123,639
- The Corporation of the City of Adelaide	77,731	123,639
- The Corporation of the City of Unley	77,731	123,639
<b>Total Operating Contributions</b>	<b>388,655</b>	618,195
<b>Other Income</b>		
- Bank Interest	24,737	15,826
<b>Total Other Income</b>	<b>24,737</b>	15,826
<b>Capital Funding / Grants</b>		
- Stormwater Management Authority	1,696,766	-
- NRM Water Sustainability Grant	65,000	-
<b>Total Capital Funding / Grants</b>	<b>1,761,766</b>	-
<b>Total Income</b>	<b>2,175,158</b>	634,021

In accordance with the Charter of the Brown Hill and Keswick Creek Stormwater Board Schedule 1, operating contributions are received equally from each of the constituent councils at an agreed rate. The total value of operating contributions to be received is agreed in the annual business plan prepared by the Board.

## BROWN HILL &amp; KESWICK CREEKS STORM WATER BOARD

## Notes to the Financial Statements

For the Year Ended 30 June 2020

## 5 Expenses

	2020	2019
	\$	\$
<b>Employee Costs</b>		
Salaries and Wages - Board	83,500	60,000
Salaries and Wages - Employee	162,282	155,595
Reimbursements Board	-	5,207
Superannuation contributions	22,947	12,619
Workers compensation	1,561	1,242
<b>Total Employee Costs</b>	<b>270,290</b>	<b>234,663</b>
Total Number of Employees	1	1
<b>Materials, Contracts &amp; Other Expenses</b>		
Prescribed Expenses - Audit Remuneration	5,000	3,870
Administration	16,788	30,360
Entertainment & Catering	4,400	4,298
Contractor & Consultant Services	19,160	28,720
Human Resources	-	12,800
Insurance - Mutual Liability Scheme	43,458	52,784
IT Expenses	3,671	7,047
Legal Expenses	10,031	10,853
Professional Services	48,788	30,532
Sundry	335	246
<b>Total Materials, Contracts &amp; Other Expenses</b>	<b>151,631</b>	<b>181,510</b>
<b>Depreciation</b>		
Depreciation - Office Equipment	2,313	2,180
Depreciation - Hawthorn Reserve Creek Upgrade	34,333	-
<b>Total Depreciation</b>	<b>36,646</b>	<b>2,180</b>
<b>Finance Costs</b>		
Bank Fees	161	174
Interest Expense	37	18
<b>Total Finance Costs</b>	<b>198</b>	<b>192</b>
<b>Total Expenses</b>	<b>458,765</b>	<b>418,545</b>

# BROWN HILL & KESWICK CREEKS STORMWATER BOARD

## Notes to the Financial Statements For the Year Ended 30 June 2020

### 6 Cash and Cash Equivalents

	2020	2019
	\$	\$
Cash at bank and in hand	5,002,849	3,966,683
	<u>5,002,849</u>	<u>3,966,683</u>

As at 30 June 2020 cash held includes an amount of \$3,416,019 (2019: \$2,722,399) which is restricted for the purpose of approved capital development projects.

### 7 Trade and Other Receivables

CURRENT		
Trade receivables	71,500	1,938,650
GST receivable	253,622	85,523
<b>Total current trade and other receivables</b>	<u>325,122</u>	<u>2,024,173</u>

The carrying value of trade receivables is considered a reasonable approximation of fair value due to the short-term nature of the balances.

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable in the financial statements.

### 8 Property, plant and equipment

#### Capital Works in Progress

South Parklands Stormwater (Victoria Park)	829,633	183,335
Upper Brown Hill Creek - Area 1 Creek Works	2,243,546	101,195
Upper Brown Hill Creek - Area 1 Land Acquisition	349,276	30,065
Hawthorn Reserve Creek Upgrade	-	2,884,985
Upper Brown Hill Creek - Area 3 Millswood	8,500	-
Discretionary Projects	7,300	7,300
<b>Total Capital Works in Progress</b>	<u>3,438,255</u>	<u>3,206,880</u>

#### Infrastructure and Land Improvements

Hawthorn Reserve Creek Upgrade at Cost	3,006,297	-
Accumulated Depreciation	(34,333)	-
<b>Total Infrastructure and Land Improvements</b>	<u>2,971,964</u>	<u>-</u>

#### Office Equipment

At cost	4,493	4,493
Accumulated depreciation	(4,493)	(2,180)
<b>Total Office Equipment</b>	<u>-</u>	<u>2,313</u>

#### Total Property, Plant and Equipment

<u>6,410,219</u>	<u>3,209,193</u>
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## BROWN HILL &amp; KESWICK CREEKS STORMWATER BOARD

## Notes to the Financial Statements

For the Year Ended 30 June 2020

## 8 Property, plant and equipment

## (a) Movements in carrying amounts of property, plant and equipment

Movement in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year:

	Capital Works in Progress \$	Infrastructure and Land Improvements \$	Office Equipment \$	Total \$
<b>Year ended 30 June 2020</b>				
Balance at the beginning of year	3,206,880	-	2,313	3,209,193
Additions	3,237,672	-	-	3,237,672
Transfers	(3,006,297)	3,006,297	-	-
Depreciation Expense	-	(34,333)	(2,313)	(36,646)
<b>Balance at the end of the year</b>	<b>3,438,255</b>	<b>2,971,964</b>	<b>-</b>	<b>6,410,219</b>

	Capital Works in Progress \$	Infrastructure and Land Improvements \$	Office Equipment \$	Total \$
<b>Year ended 30 June 2019</b>				
Balance at the beginning of year	249,189	-	-	249,189
Additions	2,957,691	-	4,493	2,962,184
Depreciation Expense	-	-	(2,180)	(2,180)
<b>Balance at the end of the year</b>	<b>3,206,880</b>	<b>-</b>	<b>2,313</b>	<b>3,209,193</b>

## 9 Trade and Other Payables

	2020 \$	2019 \$
<b>CURRENT</b>		
Trade payables	1,556,813	3,045,090
Credit Card	366	257
PAYG Payable	4,576	5,665
Superannuation Payable	5,800	1,730
Wages Payable	632	-
	<b>1,568,187</b>	<b>3,052,742</b>

Trade and other payables are unsecured, non-interest bearing and are normally settled within 30 days. The carrying value of trade and other payables is considered a reasonable approximation of fair value due to the short term nature of the balances.

## BROWN HILL &amp; KESWICK CREEKS STORMWATER BOARD

## Notes to the Financial Statements

### For the Year Ended 30 June 2020

**10 Employee Benefits**

	2020 \$	2019 \$
CURRENT		
Provision for employee benefits	10,739	6,500
	<u>10,739</u>	<u>6,500</u>

**11 Capital Contributions of Constituent Councils****Contributions by Owners**

City of Mitcham	823,134	592,928
City of Burnside	987,761	711,513
City of West Torrens	4,033,358	2,905,346
The Corporation of the City of Adelaide	658,508	474,343
Corporation of the City of Unley	1,728,582	1,245,149
<b>Total Contributions by Owners</b>	<u>8,231,343</u>	<u>5,929,279</u>

**City of Mitcham Movement Table**

Opening balance	592,928	24,687
Contributions	230,206	568,241
<b>Closing balance</b>	<u>823,134</u>	<u>592,928</u>

**City of Burnside Movement Table**

Opening balance	711,513	29,624
Contributions	276,248	681,889
<b>Closing balance</b>	<u>987,761</u>	<u>711,513</u>

**City of West Torrens Movement Table**

Opening balance	2,905,346	120,966
Contributions	1,128,012	2,784,380
<b>Closing balance</b>	<u>4,033,358</u>	<u>2,905,346</u>

## BROWN HILL &amp; KESWICK CREEKS STORMWATER BOARD

## Notes to the Financial Statements

### For the Year Ended 30 June 2020

**11 Capital Contributions of Constituent Councils**

	2020 \$	2019 \$
<b>The Corporation of the City of Adelaide Movement Table</b>		
Opening balance	474,343	19,750
Contributions	184,165	454,593
<b>Closing balance</b>	<b>658,508</b>	<b>474,343</b>
<b>Corporation of the City of Unley Movement Table</b>		
Opening balance	1,245,149	51,843
Contributions	483,433	1,193,306
<b>Closing balance</b>	<b>1,728,582</b>	<b>1,245,149</b>

Capital contributions of Constituent Councils are payments received for investing in infrastructure. The rates of contributions are agreed in the Charter of the Board.

**12 Cash Flow Information****(a) Reconciliation of result for the year to cashflows from operating activities**

Reconciliation of net income to net cash provided by operating activities:

Surplus / (Deficit) for the year	1,716,394	215,476
Cash flows excluded from profit attributable to operating activities		
Capital funding / grants	(1,761,767)	-
Non-cash flows in profit:		
- depreciation	36,646	2,180
Changes in assets and liabilities:		
- (increase)/decrease in trade and other receivables	1,699,051	-
- increase/(decrease) in trade and other payables	(1,484,555)	307,615
- increase/(decrease) in employee benefits	4,239	6,500
<b>Cashflows from operations</b>	<b>(1,657,142)</b>	<b>531,771</b>

**13 Financial Risk Management**

The Board is exposed to a variety of financial risks through its use of financial instruments. The most significant financial risks to which the Board is exposed to are described below:

**Specific risks**

- Liquidity risk
- Credit risk

## BROWN HILL & KESWICK CREEKS STORMWATER BOARD

### Notes to the Financial Statements For the Year Ended 30 June 2020

#### 13 Financial Risk Management

##### Financial instruments used

The principal categories of financial instrument used by the Board are:

- Trade receivables
- Cash at bank
- Trade and other payables

##### Objectives, policies and processes

The Board of Directors have overall responsibility for the establishment of the Board's financial risk management framework. This includes the development of policies covering specific areas such as liquidity risk, credit risk and market risk.

Details of significant accounting policies and methods adopted including the criteria for the recognition, the basis of measurement and the basis on which income and expenses are recognised with respect to each class of financial asset, financial liability and equity instruments are disclosed in Note 2 Summary of Significant Accounting Policies.

Mitigation strategies for specific risks faced are described below:

##### Liquidity risk

Liquidity risk arises from the Board's management of working capital. It is the risk that the Board will encounter difficulty in meeting its financial obligations as they fall due.

The Board manages this risk by preparing and monitoring budgets, only investing surplus cash with major financial institutions and proactively monitoring the recovery of unpaid debts.

At the reporting date, the Board has sufficient liquid resources to meet its obligations under all reasonably expected circumstances. The following table depicts the categorisation of financial instruments held by the Board, noting that due to the nature of the balances held, carrying value is equal to fair value:

	2020 \$	2019 \$
<b>Financial assets</b>		
Held at amortised cost		
Cash and cash equivalents	5,002,849	3,966,683
Trade and other receivables	325,122	2,024,173
<b>Total financial assets</b>	<b>5,327,971</b>	<b>5,990,856</b>
<b>Financial liabilities</b>		
Held at amortised cost		
Trade and other payables	1,568,187	3,052,742
<b>Total financial liabilities</b>	<b>1,568,187</b>	<b>3,052,742</b>

# BROWN HILL & KESWICK CREEKS STORMWATER BOARD

## Notes to the Financial Statements For the Year Ended 30 June 2020

### 13 Financial Risk Management

#### Objectives, policies and processes

The table below reflects the undiscounted contractual maturity analysis for financial liabilities

	Weighted average		Within 1 Year		1 to 5 Years	
	Interest rate					
	2020	2019	2020	2019	2020	2019
	%	%	\$	\$	\$	\$
<b>Financial liabilities due for payment</b>						
Trade and other payables (excluding estimated annual leave)	-	-	1,568,187	3,052,742	-	-
			Over 5 Years		Total	
			2020	2019	2020	2019
			\$	\$	\$	\$
<b>Financial liabilities due for payment</b>						
Trade and other payables (excluding estimated annual leave)	-	-	-	-	1,568,187	3,052,742

The timing of expected outflows is not expected to be materially different from contracted cashflows.

#### Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Board.

Credit risk arises from cash and cash equivalents, deposits with banks and financial institutions, as well as credit exposure to customers, including outstanding receivables and committed transactions.

The credit risk for liquid funds and other short-term financial assets is considered negligible, since the counterparties are reputable banks with high quality external credit ratings.

Credit risk is managed through maintaining procedures to regularly monitor the financial stability of customers and counterparties. There is no collateral held by the Board securing trade and other receivables.



# BROWN HILL & KESWICK CREEKS STORMWATER BOARD

## Notes to the Financial Statements

For the Year Ended 30 June 2020

### 14 Contingent Liabilities and Contingent Assets

In the opinion of the Directors, the Board is unaware of any liability, contingent or otherwise, which has not already been recorded elsewhere in this financial report at 30 June 2020 (30 June 2019: None).

### 15 Commitments for Expenditure

	2020	2019
	\$	\$
<b>(a) Capital Commitments</b>		
<b>Contracted Commitments</b>		
<b>South Park Lands</b>		
Project Management	280,107	-
Design Contract	7,997	-
	<b>288,104</b>	<b>-</b>
<b>Upper Brown Hill Creek - Area 1</b>		
Construction Contract	763,585	169,000
Project Management Contract	76,492	-
	<b>840,077</b>	<b>169,000</b>
<b>Total Contracted Commitments</b>	<b>1,128,181</b>	<b>169,000</b>

All contracted commitments noted above are expected to be paid within the next twelve months.

### 16 Events Occurring After the Reporting Date

No matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Board, the results of those operations, or the state of affairs of the Board in future financial years

### 17 Related Parties

Key management personnel of the Board include the Project Director and members of the Board appointed under section 112 of the Local Government Act 1999.

Payments made to key management personnel were as follows:

Salaries and Wages for the year ending 30 June 2020 \$245,782 (2019: \$221,714)

Other related parties include close family members of key management personnel and entities that are controlled or significantly influenced by those key management personnel or their close family members. There were no transactions with other related parties for the year ending 30 June 2020 (2019: Nil).

### 18 Statutory Information

The registered office and principal place of business of the Board is:

Brown Hill & Keswick Creeks Stormwater Board  
PO Box 124 Unley SA 5061

## BROWN HILL & KESWICK CREEKS STORM WATER BOARD

### CERTIFICATION OF FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

In the opinion of the committee, the Financial Statements comprising of the Statement of Financial Performance, Statement of Financial Position, Statement of Changes in Members' Funds, Statement of Cash Flows and Notes to the Financial Statements:

1. Presents a true and fair view of the financial position of Brown Hill and Keswick Creeks Stormwater Board as at 30 June 2020 and its performance for the year ended on that date in accordance with Accounting Standards and other mandatory professional reporting requirements.
2. At the date of this statement, there are reasonable grounds to believe that Brown Hill and Keswick Creeks Stormwater Board will be able to pay its debts as and when they fall due.

The Board is responsible for the reliability, accuracy and completeness of the accounting records and the disclosure of all material and relevant information.

This statement is made in accordance with a resolution of the Board and is signed for and on behalf of the Board by:

*Judy Choate*

Judy Choate (Sep 17, 2020 16:58 GMT+9.5)

Name: Judith Choate  
Position: Chairperson  
Date: September 2020  
Sep 17, 2020

*G T Vogt*

G T Vogt (Sep 17, 2020 11:35 GMT+9.5)

Name: G T Vogt  
Position: Board Member  
Date: September 2020  
Sep 17, 2020

# BROWN HILL & KESWICK CREEKS STORM WATER BOARD

## ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

### CERTIFICATION OF AUDITOR INDEPENDENCE

To the best of our knowledge and belief, we confirm that, for the purpose of the audit of Brown Hill and Keswick creeks Stormwater Board for the year ended 30 June 2020, the Board's Auditor, Galpins 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*

Judy Choate

Judy Choate (Sep 17, 2020 16:58 GMT+9.5)

Name: Judith Choate  
Position: Chairperson  
  
Date: September 2020  
Sep 17, 2020

G T Vogt

G T Vogt (Sep 17, 2020 11:35 GMT+9.5)

Name: G T Vogt  
Position: Board Member  
  
Date: September 2020  
Sep 17, 2020







# For Signature - 20200908 BHKCSB Draft Financial statements

Final Audit Report

2020-09-17

Created:	2020-09-17
By:	Patricia Coonan (patricia@thinkpurple.com.au)
Status:	Signed
Transaction ID:	CBJCHBCAABAAhOVx_6PwvP9VJ4lxLAOzZkOb6H8ZjE71

## "For Signature - 20200908 BHKCSB Draft Financial statements" History

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**AUDITOR'S INDEPENDENCE DECLARATION UNDER REGULATION 22(5) OF THE LOCAL GOVERNMENT (FINANCIAL MANAGEMENT) REGULATIONS 2011 TO THE MEMBERS OF THE BROWN HILL KESWICK CREEK STORMWATER BOARD**

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2020 there has been:

- i. no contraventions of the auditor independence requirements as set out in the Local Government Act 1999 and the Local Government (Financial Management) Regulations 2011 in relation to the audit; and,
- ii. no contraventions of Section 290 of APES 110: Code of Ethics for Professional Accountants (including Independence Standards) (the Code) or any other applicable code of professional conduct in relation to the audit.

**GALPINS ACCOUNTANTS, AUDITORS & BUSINESS CONSULTANTS**



**Luke Williams** CA, Registered Company Auditor  
Partner

21 / 9 / 2020

**Brown Hill and Keswick Creeks Stormwater Board****Certification of Auditor Independence****for the year ended 30 June 2020**

To the best of our knowledge and belief, we confirm that, for the purpose of the audit of the Brown Hill and Keswick Creeks Stormwater Board for the year ended 30 June 2020, the Board's Auditor, Galpins, has maintained its independence in accordance with requirements of 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.

Mark Goldstone

CEO, City of Adelaide .....

Date

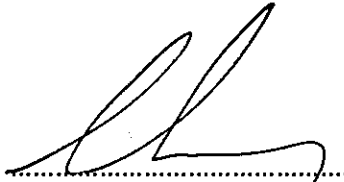
24 / 9 /2020

**Brown Hill and Keswick Creeks Stormwater Board****Certification of Auditor Independence****for the year ended 30 June 2020**

To the best of our knowledge and belief, we confirm that, for the purpose of the audit of the Brown Hill and Keswick Creeks Stormwater Board for the year ended 30 June 2020, the Board's Auditor, Galpins, has maintained its independence in accordance with requirements of 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.

Chris Cowley  
CEO, City of Burnside



Date

24/9/2020



**Brown Hill and Keswick Creeks Stormwater Board****Certification of Auditor Independence****for the year ended 30 June 2020**

To the best of our knowledge and belief, we confirm that, for the purpose of the audit of the Brown Hill and Keswick Creeks Stormwater Board for the year ended 30 June 2020, the Board's Auditor, Galpins, has maintained its independence in accordance with requirements of 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.



Matthew Pears

CEO, City of Mitcham

Date 23.9.20



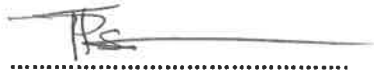
**Brown Hill and Keswick Creeks Stormwater Board****Certification of Auditor Independence****for the year ended 30 June 2020**

To the best of our knowledge and belief, we confirm that, for the purpose of the audit of the Brown Hill and Keswick Creeks Stormwater Board for the year ended 30 June 2020, the Board's Auditor, Galpins, has maintained its independence in accordance with requirements of 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.

Peter Tsokas

CEO, City of Unley



Date

18 / 09/2020

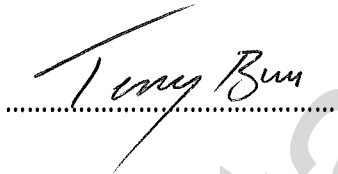
**Brown Hill and Keswick Creeks Stormwater Board****Certification of Auditor Independence****for the year ended 30 June 2020**

To the best of our knowledge and belief, we confirm that, for the purpose of the audit of the Brown Hill and Keswick Creeks Stormwater Board for the year ended 30 June 2020, the Board's Auditor, Galpins, has maintained its independence in accordance with requirements of 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.

Terry Buss PSM

CEO, City of West Torrens



Date

18 / 9 / 2020

# Matters arising from the 2019-20 External Audit

**ITEM 5.3** 09/10/2020  
**Audit Committee**

Strategic Alignment - Strong Economies

2020/00273  
Public

**Program Contact:**  
Sonjoy Ghosh, AD Strategic  
Finance & Procurement 8203  
7655

**Approving Officer:**  
Clare Mockler, Deputy CEO &  
Director Culture

## EXECUTIVE SUMMARY

Under Section 129 of the *Local Government Act 1999 (SA)* (the Act) the external auditor appointed by Council must provide to the Council a report on particular matters arising from the audit of its financial statements and the controls exercised by Council. The report must specifically identify any irregularity in Council's accounting practices or the management of the Council's financial affairs identified by the auditor during the course of the audit.

BDO has now completed their end of year audit and have provided an "Annual Completion Report for the year ended 30 June 2020" to the Presiding Member of the Audit Committee, refer **Attachment A**.

BDO's report notes they have identified no material deficiencies in internal controls which would impact audit testing or expose the Council to risk of material misstatement of results for the year ended 30 June 2020.

## RECOMMENDATION

### THAT THE AUDIT COMMITTEE

1. Notes the "Annual Completion Report for the year ended 30 June 2020" from Council's external auditors, BDO, contained in Attachment A to Item 5.3 on the Agenda for the meeting of the Audit Committee held on 9 October 2020.

## IMPLICATIONS AND FINANCIALS

City of Adelaide 2020-2024 Strategic Plan	<b>Strategic Alignment – Strong Economies</b> Financial sustainability is critical to achieving our vision and Council will carefully manage its revenue, costs, debts, and assets.
Policy	Not as a result of this report
Consultation	Not as a result of this report
Resource	Not as a result of this report
Risk / Legal / Legislative	Section 129 of the <i>Local Government Act 1999 (SA)</i>
Opportunities	Not as a result of this report
20/21 Budget Allocation	Not as a result of this report
Proposed 21/22 Budget Allocation	Not as a result of this report
Life of Project, Service, Initiative or (Expectancy of) Asset	Not as a result of this report
20/21 Budget Reconsideration (if applicable)	Not as a result of this report
Ongoing Costs (eg maintenance cost)	Not as a result of this report
Other Funding Sources	Not as a result of this report

## DISCUSSION

1. In accordance with Section 128 of the *Local Government Act 1999 (SA)* (the Act), the Council must have an auditor, appointed by Council on the recommendation of Council's Audit Committee. Council's auditor is BDO.
2. In accordance with Section 129 of the Act, the role of the external auditor is to undertake an annual review and provide an audit opinion on Council's financial statements and the controls exercised by Council in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities. The auditor must provide to the Council a report on particular matters arising from the audit, specifically identifying any irregularity in the Council's accounting practices or the management of the Council's financial affairs identified by the auditor during the course of the audit.
3. Combined with the opportunity to discuss the findings of the auditor in confidence, and receipt of the annual financial statements report, the Audit Committee has sufficient relevant information to assist their determination that the financial accounts give a true and fair view of the Corporation of the City of Adelaide's state of affairs as at the date.
4. At the meeting of the Audit Committee on 7 February 2020, the Audit Committee endorsed the proposed 2019-20 End of Year financial reporting process and external audit timetable. The timetable included presenting a report to the Audit Committee as well as providing the opportunity to discuss the findings of the auditor in confidence, without management being present.
5. In accordance with the Act this report will be provided by the auditor to the Audit Committee and the Principal Member of the Council (who must then ensure that a copy is provided to the Chief Executive Officer and other members of Council).
6. At the Audit Committee Meeting held on 19 June 2020, BDO provided an "Interim Report" on the 2019-20 external audit. BDO's Interim Report noted that to date they have found no material deficiencies in internal controls which would impact audit testing or expose the Council to any risk of material misstatement or results for the year ended 30 June 2020. In addition, BDO's Interim Report provided a status update on key issues that Council were taking appropriate action on.

### Report on Matters Arising from the Audit

7. The external auditor, Mr Andrew Tickle of BDO has completed the audit of the financial statements and provided audit clearance for the Audited Financial Statements subject to:
  - 7.1. Subsequent events audit procedures to be performed by the auditors up to date of the audit report
  - 7.2. Receipt of signed management representation letter
  - 7.3. Receipt of final Annual Financial Statements certified by the CEO and the Principal Member of Council.

These are scheduled to be completed subsequent to the Audit Committee meeting on 9 October 2020.
8. As part of their audit process BDO have tabled their final Annual Completion Report dealing with matters arising from the audit included as **Attachment A**.  
This report addresses the following:
  - 8.1. The status of the Audit
  - 8.2. Key accounting and audit matters
  - 8.3. Adoption and impacts of new accounting standards
  - 8.4. Summary of any misstatements
  - 8.5. Impacts of COVID-19
  - 8.6. Internal controls.
9. The Audit was conducted in accordance with the Australian Auditing Standards per the Act and provides Council with reasonable assurance that the Financial Statements are free of material misstatement.
10. The Report identified no material deficiencies existed in the accounting treatment and disclosures of matters previously identified as significant risks.
11. The Audit has not identified any significant deficiencies with internal controls.
12. The Audit has concluded that the consolidated financial report of the City of Adelaide presents fairly, in all material respects, the Council's financial position as at 30 June 2020.

## ATTACHMENTS

**Attachment A** – Annual Completion Report for year ended 30 June 2020

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- END OF REPORT -

# CITY OF ADELAIDE

Annual completion report

YEAR ENDED 30 JUNE 2020



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Dear Audit Committee Members

We are pleased to present this report to the Audit Committee of City of Adelaide ('Council') in relation to the 30 June 2020 annual audit.

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

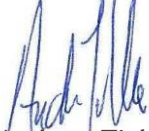
We have set out in this document the significant matters arising from our audit. This summary covers those matters we believe to be material in the context of our work.

We look forward to the Audit Committee meeting on 9 October 2020 where we will have the opportunity to discuss this report.

Should you require clarification on any matter in this report before this date, please do not hesitate to contact me on +61 8 7324 6082.

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

Yours faithfully



**Andrew Tickle**

Engagement Partner

Adelaide, 24 September 2020



# EXECUTIVE SUMMARY

## PURPOSE

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

## SCOPE

Our audit was conducted in accordance with Australian Auditing Standards and the *Local Government Act 1999* and the *Local Government (Financial Management) Regulations 2011* for the year ended 30 June 2020.

## STATUS OF THE AUDIT

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

- ▶ Final review of the financial statements;
- ▶ Receipt of management representations on various matters;
- ▶ Review of subsequent events post 30 June 2020; and
- ▶ Receipt of formally adopted financial statements and agreement of these to the final draft provided to us to date.

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

## SUMMARY OF MISSTATEMENTS

We have not identified any misstatements during our audit.

## COVID-19

As outlined in our interim management letter, the effects of COVID-19 needed to be incorporated into the preparation of the financial report for the year ended 30 June 2020. In performing our audit, the number of areas within the financial reporting process were identified as having been materially impacted.

Refer to the next section which includes detail on the impact of COVID-19 on the financial report, the audit response and respective findings.

## AREAS OF AUDIT FOCUS

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

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

## IMPACT OF COVID-19

On 31 January 2020, the World Health Organisation (WHO) announced a global health emergency because of a new strain of coronavirus and the risks to the international community as the virus spreads globally beyond its point of origin. Because of the rapid increase in exposure globally, on 11 March 2020, the WHO classified the COVID-19 outbreak as a pandemic. Besides the serious public health threat that has arisen from the outbreak of COVID-19, it continues to have serious economic impacts on many businesses.

### COVID-19 AND THE FINANCIAL REPORT

The following table sets out the areas of the 30 June 2020 financial report and financial reporting process that were impacted by the COVID-19 pandemic. It also sets out our audit response to these impacts and our findings.

Area	Impact on the financial report	Audit response and summary of findings
Control environment	Potential deficiencies in the control environment may arise as a result of staff working from home due to social distancing and shelter-at-home directives.	Our response included updating our understanding of the control environment and the review of key internal controls while social distancing protocols were in place. We did not note any instances of a control failure.
COVID-19 concession	During the year, Council provided 3 month rent relief for its tenants and 3 month Rundle Mall levy waiver for its traders as a consequence of COVID-19. These concessions may have not been accounted for in accordance with the requirements of the new Standards AASB 16 <i>Leases</i> and AASB 1058 <i>Income of Not-for-Profit Entities</i> .	Under AASB 16 the rent relief for future periods is assessed as a lease modification and the lessor shall recognise lease payments from operating leases as income on a straight-line basis over the remaining lease term. This has resulted in a rent receivable of \$1.38mil being recognised in the statement of financial position as at reporting date.  The levy waived for the year has been correctly recognised in statement of comprehensive income for the year in accordance with AASB 1058.



Area	Impact on the financial report	Audit response and summary of findings
Non-current assets	The economic impact of COVID-19 could be an indicator of impairment of non-current assets.	<p>Council has right-of-use assets of \$45.86m arising from the adoption of AASB 16 from 1 July 2019. Most of this relates to Council's leased car parks and they are subject to impairment assessment and testing if impairment indicator exists. Based on the significant economic changes resulting from COVID-19 it was concluded that COVID-19 was an impairment indicator for the right-of-use assets relating to the car parks.</p> <p>The recoverable amount of these assets was estimated, and this resulted in an impairment expense of \$1.12m for Vaughan Place car park that has been appropriately recognised in the statement of comprehensive income for the year.</p>

## AREAS OF AUDIT FOCUS

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

In addition to the areas impacted by the COVID-19 pandemic, we set out below the areas that were considered significant risks of material misstatement along with an outline of the work performed and a summary of findings.

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

Description	Audit work performed	Summary of findings
Council's infrastructure assets are carried at valuation. There is a risk that these balances are misstated as a result of the application of inappropriate valuation methodologies, or incorrect underlying assumptions.	<p>This year Council's assets have been revalued by Council's employees in conjunction with independent valuers for bridges, traffic signals and public lighting.</p> <p>We have evaluated the competence, capability and objectivity of the independent valuers, obtained an understanding of their work, and evaluated its appropriateness.</p>	<p>We noted that the revaluation has resulted in a net increase in value of Council's assets of \$25mil, including a decrement of \$0.8mil for Council's bridges. \$8.8mil of this was previously recognised in surplus or deficit as an impairment loss and therefore has been reversed in the same manner in the current reporting period.</p> <p>Similar to the prior year, the main reason for the movement is the reassessment of the conditions of the assets by independent valuers, compared to their depreciated position in the asset record.</p> <p>No other exceptions were noted from our testing.</p>

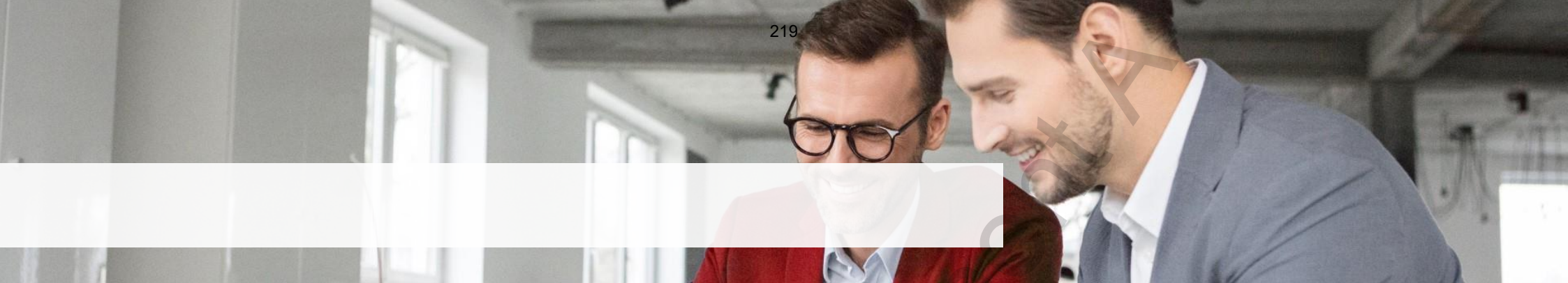
### Accounting treatment of Capital Work In Progress (WIP)

Description	Audit work performed	Summary of findings
There is a risk that the accounting treatment of items captured within capital WIP may not be in accordance with Australian Accounting Standards.	<p>We obtained the WIP Schedule and reviewed in detail a sample of projects outstanding as at the end of the year to ensure that they are likely to generate assets.</p> <p>We performed sample testing of assets transferred out of capital WIP to ensure that the categorisation and value allocated to assets are appropriate.</p>	<p>We noted a significant decrease in the WIP balance this year, largely in relation to the timing of when the projects completed and transferred out of Capital WIP into IPPE during the year.</p> <p>Furthermore, we noted that the capital WIP write-off this year included \$3.7mil in relation to the work done to date for Gawler Place UPark. We discussed with management and understood that the write-off provision was made based on the latest status on the legal dispute between Council and the landlord. We obtained solicitor representation letter on this matter and we are satisfied with the proposed accounting treatment.</p> <p>No exceptions were noted in relation to the accounting treatment of capital work in progress.</p>

### Accounting treatment for grant funding and the initial adoption of AASB 1058 *Income of Not-for-profit Entities* and AASB 15 *Revenue from Contracts with Customers*

Description	Audit work performed	Summary of findings
There is a risk of error in the calculation of grant income recognised and deferred at the end of the year by reference to the grant agreements and relevant Australian Accounting Standards.	<p>We enquired with management on the revenue recognition accounting policies and their specific consideration of the new standards AASB 1058 and AASB 15, including relevant disclosures in the financial statements.</p> <p>We reviewed grant revenue recognition for consistency with Council's accounting policies and Australian Accounting Standards. We obtained a schedule of grant income recognised and deferred at year end. We selected a sample of grants and obtained the agreements to review in detail and ensure that they have been recognised in accordance with applicable accounting standards.</p>	No issues were noted from our testing.





### Management override of internal controls

Description	Audit work performed	Summary of findings
Australian Auditing Standards require that we presume there is a risk that management has the ability to manipulate accounting records and override controls that otherwise appear to be operating effectively	<p>We tested general journals posted during the year and at the end of the reporting period to consider appropriateness.</p> <p>We reviewed accounting estimates for management biases for fraud. We sought to corroborate management explanations with independent supporting evidence whenever possible.</p>	We did not identify any evidence of misstatements due to management override of internal controls.



## Initial adoption of new Accounting Standards AASB 15 *Revenue from Contracts with Customers*, AASB 1058 *Income of Not-for-Profit Entities*, and AASB 16 *Leases*

Description	Audit work performed	Summary of findings
AASB 16 <i>Leases</i> applies for the first time this reporting period and is expected to result in a right of use asset and associated lease liability being recognised in the statement of financial position, as well as depreciation and interest costs being recorded in the statement of profit or loss and other comprehensive income as opposed to rent expense.	<p>We made inquiries with management in respect of ongoing lease commitments, rent concessions provided, and sought to corroborate management representations to appropriate supporting documents.</p> <p>We reviewed the adoption impact at the date of application and the respective disclosures in the financial statements.</p>	<p>Council had adopted AASB 16 retrospectively from 1 July 2019 applying a number of practical expedients. As a result, there has been no impact on Council's opening accumulated surplus.</p> <p>Lessor accounting under AASB 16 remains largely unchanged from AASB 117 and therefore has no impact on Council's financial statements, except for the aforementioned rent concessions provided to tenants as a consequence of COVID-19.</p> <p>As a lessee, Council lease properties for its city library and car parks under agreements that span over a number of years. Upon initial adoption, Council recognised a right-of-use asset balance of \$45.86mil in the statement of financial position and a lease liability of the same amount.</p> <p>Furthermore, for the year ended 30 June 2020, management has assessed that it is reasonably certain to exercise a number of extension options available for the purpose of AASB 16 accounting. In future periods, management will need to reassess if there is any change in the original assessment of the lease terms.</p>

# INTERNAL CONTROL

## CURRENT YEAR

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

The standard defines a deficiency in internal control as follows:

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

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

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

The matters being reported are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to the Audit Committee.

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

## OTHER REPORTING REQUIREMENTS

### INDEPENDENCE AND ETHICS

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

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

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

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

BDO has not provided any other services during the audit to City of Adelaide.

The *Local Government Act 1999* requires the lead auditor to make a declaration to the Council regarding independence. The Auditor Independence declaration has been provided to Council.

### NON-COMPLIANCE WITH LAWS AND REGULATIONS

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

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

### FRAUD

Management have confirmed that there were no matters of fraud identified for the period under audit, or subsequently. It should be noted that our audit is not designed to detect fraud however should instances of fraud come to our attention we will report them to you.

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



# APPENDIX 1 PROPOSED AUDIT REPORT

## INDEPENDENT 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 2019 to 30 June 2020 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 2019 to 30 June 2020.

### 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.

**BDO Audit (SA) Pty Ltd**

Andrew Tickle  
Director

Adelaide, XX Month 20XX

## 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 (the Council), which comprises the consolidated statement of financial position as at 30 June 2020, the consolidated statement of profit and loss and other 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 2020 and its financial performance 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 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.

**BDO Audit (SA) Pty Ltd**

Andrew Tickle  
Director

Adelaide, XX Month 20XX

## APPENDIX 2 NEW DEVELOPMENTS

We wish to bring to your attention some upcoming changes in financial reporting which may cause significant changes to your future reported financial position and performance. We have provided an overview of the major changes below and would be happy to discuss the impact on your business and assist with transition where applicable.

### AASB 2020-4 AMENDMENTS TO AUSTRALIAN ACCOUNTING STANDARDS - COVID-19 RELATED RENT CONCESSIONS

Effective for annual reporting periods beginning on or after 1 June 2020, this change introduces a practical expedient that permits lessees not to assess whether a rent concession that occurs as a direct consequence of the COVID-19 pandemic is a lease modification, provided all of the following criteria are met:

- ▶ Change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately prior to the change
- ▶ Any reduction in lease payments affects only payments originally due on or before 30 June 2021 (for example, a concession would meet this condition if it resulted in reduced lease payments on or before 30 June 2021 and increased lease payments that extend beyond 30 June 2021)
- ▶ There is no substantive change to other terms and conditions of the lease.

In such cases, the concessions are accounted for as if they were not a lease modification. On first time adoption for the year ended 30 June 2021, the cumulative effect of initially applying the amendment will be recognised as an adjustment to opening balances of retained earnings on 1 July 2020.

### AASB 2018-6 AMENDMENTS TO AUSTRALIAN ACCOUNTING STANDARDS - DEFINITION OF A BUSINESS

The nature of this amendment clarifies the definition of a 'business' in AASB 3 *Business Combinations* (AASB 3) to assist in determining whether a transaction should be accounted for as a business combination or as an asset acquisition.

The main amendments include:

- ▶ Narrowing the definition of 'outputs' and a 'business' to focus on returns from selling goods and services to customers, rather than on cost reductions
- ▶ Amending guidance on inputs, processes and outputs to align with the new definition of a 'business'
- ▶ Clarifying that to be considered a 'business', an acquired set of activities and assets must include, as a minimum, an input and a substantive process, that together significantly contribute to the ability to create outputs.

There will be no impact on the financial statements when these amendments are first adopted because they apply prospectively to acquisitions occurring on or after the beginning of the first annual reporting period beginning on or after 1 January 2020, i.e. on or after 1 July 2020.



## APPENDIX 2 NEW DEVELOPMENTS CONTINUED

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

Effective for annual reporting periods beginning on or after 1 January 2022, there are four main changes to the classification requirements within AASB 101 *Presentation of financial statements*:

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

As these amendments only apply for the first time to the 30 June 2023 balance sheet (and 30 June 2022 comparative balance sheet), companies are not yet able to make an assessment of the impacts regarding the right to defer settlement, compliance with bank covenants, and intention to settle.

## APPENDIX 3 RESPONDING TO COVID-19

### COVID-19 AND YOUR BUSINESS

The unprecedented COVID-19 crisis affecting the globe has directly and materially impacted economic activity in Australia and throughout the world. This has caused some otherwise healthy businesses to experience material reductions to revenue while overhead expenses have remained relatively fixed. This inevitably leads to a cash flow crisis and even solvency concerns.

Download **Coronavirus (COVID-19) Business impact and risk response guide** ►



If your business is in this situation, an immediate and robust business rescue plan is necessary to give you the best chance to ensure long-term viability. Being proactive is critical.

Clients facing this scenario can click on the icon opposite for a detailed business impact and risk response guide. This provides guidance on the following areas:

- People and leadership
- Sustainability
- Operations
- Supply chain
- Health and safety.

There are a number of areas of a business that may continue to be impacted by the COVID-19 outbreak. BDO have therefore provided guidance on appropriate actions to mitigate the impact and manage associated risks to [‘Keep your business running’](#).

The Australian Government has also released a number of economic measures in response of COVID-19 and BDO can continue to help you navigate these stimulus measures. Please refer to BDO’s [‘Stimulus measures’](#) resource page where BDO advisers continue to provide expert commentary on these measures and how businesses can access them via a range of technical updates, webinars and articles.

### COVID-19 AND FUTURE REPORTING PERIODS

We understand that this changing environment may continue to create challenges from a financial reporting perspective and create risks that entities may not have encountered before. BDO will continue to work closely with management to ensure these challenges are addressed on a timely basis.

Please refer to BDO’s [IFRS Advisory Coronavirus](#) resource page which continues to be updated with financial reporting bulletins and accounting news articles which address ongoing financial reporting considerations for businesses.

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

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# Report on Financial Results 2019-20

**ITEM 5.4** 09/10/2020

**Audit Committee**

Strategic Alignment - Strong Economies

2020/00273

Public

**Program Contact:**

Sonjoy Ghosh, AD Strategic  
Finance & Procurement 8203  
7655

**Approving Officer:**

Clare Mockler, Deputy CEO &  
Director Culture

## EXECUTIVE SUMMARY

It is a requirement under the *Local Government (Financial Management) Regulations 2011 (SA)* that a Council consider a report on the financial results for the City of Adelaide and its subsidiaries that compares the end of year audited financial results of each entity to their estimated financial results set out in the budget.

## RECOMMENDATION

### THAT THE AUDIT COMMITTEE

1. Notes the 2019-20 Report on the financial results for the City of Adelaide and its subsidiaries, contained in Attachments A, B, C and D to Item 5.4 on the Agenda for the meeting of the City of Adelaide Audit Committee held on 9 October 2020.

## IMPLICATIONS AND FINANCIALS

City of Adelaide 2020-2024 Strategic Plan	<b>Strategic Alignment – Strong Economies</b> Financial sustainability is critical to achieving our vision and Council will carefully manage its revenue, costs, debts, and assets.
Policy	Not as a result of this report
Consultation	Not as a result of this report
Resource	Not as a result of this report
Risk / Legal / Legislative	Regulation 10 of the <i>Local Government (Financial Management) Regulations 2011 (SA)</i>
Opportunities	Not as a result of this report
20/21 Budget Allocation	Not as a result of this report
Proposed 21/22 Budget Allocation	Not as a result of this report
Life of Project, Service, Initiative or (Expectancy of) Asset	Not as a result of this report
20/21 Budget Reconsideration (if applicable)	Not as a result of this report
Ongoing Costs (eg maintenance cost)	Not as a result of this report
Other Funding Sources	Not as a result of this report

## DISCUSSION

1. Regulation 10 of the *Local Government (Financial Management) Regulations 2011 (SA)* requires a separate report on financial results to be presented to Council, including the audited financial results for the previous financial year compared with the estimated financial results set out in the budget. These must be presented in a manner consistent with the Model Financial Statements.
  2. The report on the financial results comparing the audited financial results for the City of Adelaide and its subsidiaries for the 2019-20 financial year with the estimated financial results set out in the 2019-20 budget are contained in **Attachments A, B, C and D**.
- 

## ATTACHMENTS

**Attachment A** – 2019-20 Report on financial results for City of Adelaide

**Attachment B** – 2019-20 Report on financial results for Adelaide Central Market Authority

**Attachment C** – 2019-20 Report on financial results for Rundle Mall Management Authority

**Attachment D** – 2019-20 Report on financial results for Adelaide Park Lands Authority

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- END OF REPORT -

## Report on Financial Results for City of Adelaide

### Statement of Comprehensive Income

for the year ended 30 June 2020

\$ '000	Notes	Actual	Budget
<b>Income</b>			
Rates Revenues	1	115,634	114,341
Statutory Charges	2	11,770	13,984
User Charges	3	61,036	72,153
Grants, Subsidies and Contributions	4	8,560	9,653
Investment Income	5	231	36
Reimbursements	6	1,443	526
Other Income		539	424
<b>Total Income</b>		<b>199,213</b>	<b>211,117</b>
<b>Expenses</b>			
Employee Costs	7	79,758	77,465
Materials, Contracts & Other Expenses	8	84,984	79,037
Depreciation, Amortisation & Impairment	9	51,869	48,323
Finance Costs	10	2,121	7,139
Net loss - Equity Accounted Council Businesses		21	-
<b>Total Expenses</b>		<b>218,753</b>	<b>211,964</b>
<b>Operating Surplus / (Deficit)</b>		<b>(19,540)</b>	<b>(847)</b>
Asset Disposal & Fair Value Adjustments	11	1,092	-
Amounts Received Specifically for New or Upgraded Assets	12	1,205	37,166
<b>Net Surplus / (Deficit)</b>		<b>(17,243)</b>	<b>36,319</b>
<b>Other Comprehensive Income</b>			
Changes in Revaluation Surplus - I,PP&E	13	16,222	-
Net actuarial gains/(losses) on CCASP sub-fund		(47)	-
<b>Total Other Comprehensive Income</b>		<b>16,175</b>	<b>-</b>
<b>Total Comprehensive Income</b>		<b>(1,068)</b>	<b>36,319</b>



# Statement of Financial Position

for the year ended 30 June 2020

\$ '000	Notes	Actual	Budget
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and Cash Equivalents		945	85
Trade & Other Receivables		14,117	14,652
Other Financial Assets		51	159
Inventories		576	527
<b>Total Current Assets</b>		<b>15,689</b>	<b>15,423</b>
<b>Non-Current Assets</b>			
Financial Assets		308	387
Equity Accounted Investments in Council Businesses		672	76
Other Non-Current Assets		2,161	1,569
Infrastructure, Property, Plant & Equipment		1,860,634	1,733,698
Investment Property		2,860	2,923
<b>Total Non-Current Assets</b>		<b>1,866,635</b>	<b>1,738,653</b>
<b>TOTAL ASSETS</b>		<b>1,882,324</b>	<b>1,754,076</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Trade & Other Payables		19,751	21,593
Borrowings (Finance Leases)	14	4,837	1,562
Provisions		14,606	13,259
<b>Total Current Liabilities</b>		<b>39,194</b>	<b>36,414</b>
<b>Non-Current Liabilities</b>			
Trade & Other Payables		293	-
Borrowings	15	51,600	71,980
Borrowings (Finance Leases)	14	36,296	15,167
Provisions		1,955	2,067
<b>Total Non-Current Liabilities</b>		<b>90,144</b>	<b>89,214</b>
<b>TOTAL LIABILITIES</b>		<b>129,338</b>	<b>125,628</b>
<b>Net Assets</b>		<b>1,752,986</b>	<b>1,628,448</b>
<b>EQUITY</b>			
Accumulated Surplus		817,364	895,638
Asset Revaluation Reserves	16	934,010	736,242
Other Reserves		1,612	1,569
<b>Total Council Equity</b>		<b>1,752,986</b>	<b>1,633,449</b>



## Financial Indicators

for the year ended 30 June 2020

	Actual	Budget
<p>These Financial Indicators have been calculated in accordance with <i>Information paper 9 - Local Government Financial Indicators</i> prepared as part of the LGA Financial Sustainability Program for the Local Government Association of South Australia.</p>		
<b>1. Operating Surplus Ratio</b>		
Operating Surplus	-19,540	
Total Operating Revenue	199,213	
<i>This ratio expresses the operating surplus as a percentage of total operating revenue.</i>	-10%	0%
<b>2. Net Financial Liabilities Ratio</b>		
Net Financial Liabilities	113,917	
Total Operating Revenue Less NRM Levy	199,213	
<i>Net financial Liabilities are defined as total liabilities less financial assets (excluding equity accounted investments in Council businesses). These are expressed as a percentage of total operating revenue (excluding NRM levy). A negative figure denotes a Net Financial Asset Position.</i>	57%	56%
<b>3. Asset Sustainability Ratio</b>		
Net Asset Renewals	15,203	
Infrastructure & Asset Management Plan required expenditure	38,207	
<i>Net asset renewals expenditure is defined as net capital expenditure on the renewal and replacement of existing assets, and excludes new capital expenditure on the acquisition of additional assets.</i>	40%	89%

## Notes to the Reports:

### 1. Rates Revenue

Increase in rates income \$1.05m compared to original forecast along with a fewer budgeted objections \$0.94m. Waiver of Rundle Mall 4th quarter levy (\$0.96m)

### 2. Statutory Charges

The majority of the variance is a result of lower than anticipated income from expiations (\$2.7m) which is a direct result of fewer cars parking in the city following COVID-19 restrictions, with minor favourable variances in encroachments \$0.2m and city works permits \$0.3m

### 3. User Charges

Variances in user charges are predominately due to COVID-19 restrictions. Fewer vehicles utilising on street parking (\$2m) and UParks (\$3.8m). Impacts were also evident due to the closure of the Aquatic Centre (\$1.7m), Town Hall (\$0.3m) and Golf Links (\$0.2m). Rent free period in commercial properties (\$0.6m), the Commercial target not being realised resulted in a variance of (\$1.4m)

### 4. Grants and Subsidies

Reduced spend on Building Upgrade Finance for the year resulted in reduction in recognition of funding already received (\$0.3m). APLA grant included in budget in error as is internally funded (\$0.3m). Attraction of new grants unrealised (\$0.2m)

## Notes to the Reports (continued):

### 5. Investment Income

Variance is due to a change in classification of property investment income; budget was incorporated into user charges.

### 6. Reimbursements

Reimbursements were \$0.9m higher than budget, primarily as a result of increased private works requests completed by Public Realm

### 7. Employee Costs

Approximately \$3m less wages recovered from capital expenditure due to a reduced capital works program from COVID. This was offset by \$1.5m due to actual FTE lower than budgeted throughout the year.

### 8. Materials, Contracts & Other Expenses

Overspend in contractors (\$8.1m) including temp staff, WIP write off and Public Realm, Maintenance (\$0.8m) and unbudgeted Bad Debts (\$0.4m) offset by favourable variances in Energy/Water \$0.9m, Advertising \$0.7m, Contractual Services \$0.4m, Training & Development \$0.4m, Other minor favourable variances \$0.9m

### 9. Depreciation, Amortisation and Impairment

Impairment of \$1.1m (not budgeted) recognised in relation to one of Council's right of use assets.

Increased depreciation of \$2.5m relates to right of use assets due to the budget incremental borrowing rate being greater than the resultant actual rate. This had the effect of increasing the overall value of right of use assets.

### 10. Finance Costs

Lower than anticipated interest charges on lease liabilities calculated under AASB16 as well as lower than anticipated borrowings.

### 11. Asset Disposals and Fair Value Adjustments

The \$1.091m net gain on asset disposals and fair value adjustments comprises an accounting adjustment to reverse previously recognised decrements in valuation of \$2.3m for traffic signals and \$6.5m for public lighting.

This was offset by a \$4.6m loss on net surplus assets, mostly being assets requiring disposal as part of the asset register reconciliation performed for the new asset management system.

Additionally \$3.3m loss on asset renewals is due to the renewal of assets prior to them reaching the end of their useful life. This was predominantly seen in roads and footpaths (\$1.0m and \$0.7m) as well as works performed on Morphet Bridge (\$0.5m)

### 12. Amounts Received specifically for New or Upgraded Assets

Variance due to delays in major projects (\$10.8m) and timing of receipt of income from major development (\$25m)

### 13. Changes in Revaluation Surplus

The movement represents an accounting adjustment for the net increase in the asset valuations conducted during 2019-20 against the asset revaluation reserve. Due to the timing of the finalisation of the FY19 revaluations being after the setting of the budget, the movement considers two years worth of revaluation adjustments. FY19 saw an increment of \$181.5m while FY20 revaluations saw an increment of \$14.1m for public lighting (\$6.5m recognised through P&L and \$7.5m through equity), \$11.3m for traffic signals (\$2.3m recognised through P&L and \$9.0m through equity) and a decrement of \$0.8m to bridges.

### 14. Borrowings (Finance Leases)

Lease liabilities higher than budgeted due to the budgeted discount rate being greater than the eventual actual rate.

### 15. Borrowings - Non Current

Actual borrowings were lower than anticipated

### 16. Asset Revaluation Reserves

The movement represents an accounting adjustment for the net increase in the asset valuations conducted during 2019-20 against the asset revaluation reserve. Due to the timing of the finalisation of the FY19 revaluations being after the setting of the budget, the movement considers two years worth of revaluation adjustments. FY19 saw an increment of \$181.5m while FY20 revaluations saw an increment of \$15.7 through the revaluation reserve (increments of \$7.5m for public lighting and \$9.0m for traffic signals offset by a decrement of \$0.8m for bridges).



**CITY OF  
ADELAIDE**

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ABN 20 903 762 572

23/09/2020

Mr Andrew Tickle  
BDO Audit (SA) Pty Ltd  
Level 7, BDO Centre  
420 King William Street  
ADELAIDE SA 5000

Dear Mr Tickle

## **AUDIT FOR YEAR ENDED 30 JUNE 2019 OF CITY OF ADELAIDE - ACTUAL WAGES DECLARATION**

This representation letter is provided in connection with your audit of the Actual Wages Declaration of the City of Adelaide for the year ended 30 June 2020, for the purpose of expressing an opinion as to whether the Actual Wages Declaration presents fairly in accordance with the Local Government Association Workers Compensation Scheme.

We confirm that to the best of our knowledge and belief, having made such enquiries as we considered necessary for the purposes of appropriately informing ourselves:

### **Actual Wages Declaration**

1. We have fulfilled our responsibilities, as set out in your engagement letter dated 16 January 2020, for the preparation for the Actual Wages Declaration in accordance with Local Government Association Workers Compensation Scheme; in particular that the Actual Wages Declaration presents fairly in accordance therewith.
2. We have established and maintained adequate internal controls to facilitate the preparation of a reliable Actual Wages Declaration and adequate records have been maintained. Any and all deficiencies in internal control of which we are aware have been communicated to you.
3. We confirm that the selection and application of accounting policies remains appropriate, and that there have been no changes to the accounting policies applied in the previous annual financial statements or the methods used in applying them.

### **Books, records and documentation**

4. We have provided you with:
  - Access to all information of which we are aware that is relevant to the preparation of the Actual Wages Declaration such as records, documentation and other matters;



- Additional information that you have requested from us for the purpose of the audit;
  - Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
5. All transactions have been recorded in the accounting records and are reflected in the Actual Wages Declaration.

#### **Uncorrected Misstatements**

6. We acknowledge that there have been no uncorrected misstatements detected during the course of your audit.

#### **Related parties**

7. We have disclosed to you the identity of the entity's related parties and all the related party relationships and transactions.

#### **Fraud**

8. We acknowledge our responsibility for the design, implementation and maintenance of accounting and internal control systems that are designed to prevent and detect fraud.
9. We have disclosed to you the results of our assessment of the risk that the Actual Wages Declaration may be materially misstated as a result of fraud.
10. We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the entity and involves:
- Management;
  - Employees who have significant roles in internal control; or
  - Others where fraud could have a material impact on the financial report.
11. We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the entity's Actual Wages Declaration communicated by employees, former employees, analysts, regulators or others.

#### **Litigation and claims**

12. We have disclosed to you all known actual or possible litigation and claims whose effects should be considered in the financial report; and accounted for and disclosed in accordance with Australian Accounting Standards.

#### **Compliance with laws and regulations**

13. We have disclosed to you all known actual or possible non-compliance with laws and regulations whose effects should be considered when preparing the Actual Wages Declaration.
14. There have been no instances of non-compliance of laws and regulations involving management or employees who have a significant role in internal control. There have been no communications from regulatory agencies concerning non-compliance with, or deficiencies in, financial reporting practices that could have a material effect on the Actual Wages Declaration.



**Subsequent events**

15. All events occurring subsequent to the date of the Actual Wages Declaration and for which adjustment or disclosure are required have been adjusted or disclosed.

Yours faithfully



Sonjoy Ghosh

Acting Associate Director Finance & Procurement



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Item 5.4 - Attachment B

## Report on Financial Results for Rundle Mall Management Authority

### Statement of Comprehensive Income

for the year ended 30 June 2020

\$ '000	Notes	Actual	Budget
<b>Income</b>			
Rates Revenue	1	2,888	3,852
User Charges		569	545
Grants, Subsidies and Contributions	1	1,090	
<b>Total Income</b>		<b>4,547</b>	<b>4,397</b>
<b>Expenses</b>			
Materials, Contracts & Other Expenses		4,329	4,235
Depreciation, Amortisation & Impairment	2	235	160
Finance Costs	3	7	
<b>Total Expenses</b>		<b>4,571</b>	<b>4,395</b>
<b>Operating Surplus / (Deficit)</b>		<b>(24)</b>	<b>2</b>
<b>Total Other Comprehensive Income</b>		<b>-</b>	<b>-</b>
<b>Total Comprehensive Income</b>		<b>(24)</b>	<b>2</b>

### Statement of Financial Position

as at 30 June 2020

\$ '000	Notes	Actual	Budget
<b>ASSETS</b>			
<b>Current Assets</b>			
Trade & Other Receivables		41	27
<b>Total Current Assets</b>		<b>41</b>	<b>27</b>
<b>Non-Current Assets</b>			
Infrastructure, Property & Plant & Equipment	4	543	264
<b>Total Non-Current Assets</b>		<b>543</b>	<b>264</b>
<b>TOTAL ASSETS</b>		<b>584</b>	<b>291</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Trade & Other Payables		42	6
Borrowings	5	73	
<b>Total Current Liabilities</b>		<b>115</b>	<b>6</b>
<b>Non Current Liabilities</b>			
Borrowings	5	210	
<b>Total Current Liabilities</b>		<b>210</b>	<b>0</b>
<b>TOTAL LIABILITIES</b>		<b>325</b>	<b>6</b>
<b>Net Assets</b>		<b>259</b>	<b>285</b>
<b>EQUITY</b>			
Accumulated Surplus		259	285
<b>Total Equity</b>		<b>259</b>	<b>285</b>

## Notes to the Reports:

### 1. User Charges / Grants, Subsidies and Contributions

In Quarter 4 City of Adelaide provided support to Rundle Mall traders with 100% waive of the Rundle Mall Separate Rate. RMMA therefore had a reduction of \$1.0m in income with City of Adelaide providing a contribution to replace the income.

### 2. Depreciation, Amortisation & Impairment

Depreciation now includes recognition of the right of use asset for the lease on the RMMA offices (\$0.1m) under AASB 16 Leases

### 3. Finance Costs

Finance Costs now includes recognition of the right of use asset for the lease on the RMMA offices (\$0.1m) under AASB 16 Leases

### 4. Infrastructure, Property & Plant & Equipment

Infrastructure, Property & Plant & Equipment now includes recognition of the right of use asset for the lease on the RMMA offices (\$0.3m) under AASB 16 Leases

### 5. Borrowings

Borrowings is the lease liability for the RMMA offices under AASB 16 Leases represented as \$0.1m current and \$0.2m non-current.



## Report on Financial Results for Adelaide Park Lands Authority

### Statement of Comprehensive Income

for the year ended 30 June 2020

\$ '000	Notes	Actual	Budget
<b>Income</b>			
Grants, Subsidies and Contributions	1	215	329
<b>Total Income</b>		<b>215</b>	<b>329</b>
<b>Expenses</b>			
Materials, Contracts & Other Expenses	1	215	329
<b>Total Expenses</b>		<b>215</b>	<b>329</b>
Operating Surplus / (Deficit)		-	-
Net Surplus / (Deficit)		-	-
<b>Total Comprehensive Income</b>		<b>-</b>	<b>-</b>

### Statement of Financial Position

as at 30 June 2020

\$ '000	Actual	Budget
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and Cash Equivalents	-	1
<b>Total Current Assets</b>	<b>-</b>	<b>1</b>
<b>TOTAL ASSETS</b>	<b>-</b>	<b>1</b>
<b>Net Assets</b>	<b>-</b>	<b>1</b>
<b>EQUITY</b>		
Accumulated Surplus	-	1
<b>Total Equity</b>	<b>-</b>	<b>1</b>

### Notes to the Reports:

#### 1. Grants, Subsidies and Contributions / Materials, Contracts & Other Expenses

The variance between actual results and budget is due to project funding for the World Heritage listing (\$100k) which didn't incur any external expenses.

The remaining variance is driven by lower than budgeted sitting fees (\$10k), internal labour recharges (\$2k), annual leave (\$2k) and catering provision (\$1k).

# Review undertaken of Audited Financial Statements 2019-20

**ITEM 5.5** 09/10/2020  
**Audit Committee**

Strategic Alignment - Strong Economies

2020/00273  
Public

**Program Contact:**  
Sonjoy Ghosh, AD Strategic  
Finance & Procurement 8203  
7655

**Approving Officer:**  
Clare Mockler, Deputy CEO &  
Director Culture

## EXECUTIVE SUMMARY

This report outlines the improvements identified following a review of the process undertaken to prepare the 2019-20 Financial Statements.

## RECOMMENDATION

### THAT THE AUDIT COMMITTEE RECOMMENDS TO COUNCIL

#### That Council:

1. Notes the approach undertaken to prepare the 2019-20 Financial Statements.
2. Notes the focus on financial sustainability and progress made towards improved financial planning and reporting this financial year, which has included Council's adoption of an Asset Accounting Policy and Fixed Asset Guidelines on 8 September 2020.
3. Recommends the following improvement plan for the management of the work in progress (WIP) for the infrastructure program:
  - 3.1. Revise practices and processes so that all asset custodians and employees who have asset management and asset accounting responsibilities are acting in accordance with the Asset Accounting Policy and Fixed Asset Guidelines.
  - 3.2. Formalise the focus on the management of capital Work in Progress in the context of the City of Adelaide's budget setting process, quarterly budget reviews and the preparation of financial statements, including:
    - 3.2.1 Review and refine the budgeting and forecasting capitalisation and write-off expense per project and review and resolve variances quarterly
    - 3.2.2 Review and refine the capital project overhead expenses allocation and adjust quarterly to reflect any changes to the infrastructure program overall
    - 3.2.3 Improve the end of year revaluation process to allow for adjustments to end of year processes.

## IMPLICATIONS AND FINANCIALS

City of Adelaide 2020-2024 Strategic Plan	<b>Strategic Alignment – Strong Economies</b> Financial sustainability is critical to achieving our vision and Council will carefully manage its revenue, costs, debts, and assets.
Policy	Not as a result of this report
Consultation	Not as a result of this report
Resource	Not as a result of this report
Risk / Legal / Legislative	<i>Local Government Act 1999 (SA) and the Local Government (Financial Management) Regulations 2011 (SA)</i>
Opportunities	The improvement opportunities will strengthen the activities of the Audit Committee.
20/21 Budget Allocation	Not as a result of this report
Proposed 21/22 Budget Allocation	Not as a result of this report
Life of Project, Service, Initiative or (Expectancy of) Asset	Not as a result of this report
20/21 Budget Reconsideration (if applicable)	Not as a result of this report
Ongoing Costs (e.g. maintenance cost)	Not as a result of this report
Other Funding Sources	Not as a result of this report

## DISCUSSION

1. On 28 September 2020 the Executive was provided with a draft set of audited Financial Statements for the year ended 30 June 2020 which showed a Net Operating Deficit which was materially different to that presented to the Committee of Council of 5 August 2020.
2. The preliminary end of year position reported was for an operating deficit of \$10.46m compared to a final operating deficit of \$19.54m, a variance of \$9.1m. The variance is largely due to capitalisation adjustments that occurred after the preliminary end of year reporting.
3. Over the past 12 months, and in the response to the financial impact of the COVID-19 crisis, the City of Adelaide has focused on its long-term financial sustainability. Working closely with Audit Committee and Council, has made considerable progress made towards improving its financial planning and reporting, including:
  - 3.1 Reviewing the range of financial levers that can be utilised to create future capacity to support City recovery and adopting Recovery Principles
  - 3.2 Revising the presentation of quarterly financial and performance reports for greater clarity and ease of understanding
  - 3.3 Developing a Long Term Financial Plan enabling Council to model and test the impact of various scenarios, including increased borrowings to purchase income generating assets and invest in strategic capital projects, with the aim of facilitating more informed decision making and deliver increased benefits to City residents, ratepayers and businesses.
  - 3.4 Revising the Treasury Policy and prudential limit ratios to better reflect Council's ability to fund and service existing and future debt, and creating a reserve fund to be known as the "Future Fund", to enable Council to fund the purchase of future income generating assets or to invest in strategic capital projects from the sale proceeds of Council assets.
  - 3.5 Adopting an Asset Accounting Policy and Fixed Asset Guidelines on 8 September 2020.
4. An improvement plan for the management of the work in progress (WIP) for the infrastructure program has been identified in response to the review of the Audited Financial Statements 2019-20 and the resulting variance in the Net Operating Deficit, and will be incorporated into the implementation of the Asset Accounting Policy and Fixed Asset Guidelines:
  - 4.1 Revise practices and processes so that all asset custodians and employees who have asset management and asset accounting responsibilities are acting in accordance with the Asset Accounting Policy and Fixed Asset Guidelines.
  - 4.2 Formalise the focus on the management of capital Work in Progress in the context of the City of Adelaide's budget setting process, quarterly budget reviews and the preparation of financial statements, including:
    - 4.2.1 Review and refine the budgeting and forecasting capitalisation and write-off expense per project and review and resolve variances quarterly
    - 4.2.2 Review and refine the capital project overhead expenses allocation and adjust quarterly to reflect any changes to the infrastructure program overall
    - 4.2.3 Improve the end of year revaluation process to allow for adjustments to end of year processes.
5. The above proposed improvements will be scheduled into the Audit Committee work plan for 2020-21.

## ATTACHMENTS

Nil

- END OF REPORT -

# Exclusion of the Public

**ITEM 9.1** 09/10/2020  
**Audit Committee**

**Program Contact:**  
Rudi Deco, Manager  
Governance 8203 7442

2018/04291  
Public

**Approving Officer:**  
Mark Goldstone, Chief  
Executive Officer

## EXECUTIVE SUMMARY

It is the recommendation of the Chief Executive Officer that the public be excluded from this Audit Committee meeting for the consideration of information and matters contained in the Agenda.

For the following confidential items:

- 10.1** Update on Activities of the Strategic Risk and Internal Audit Group Meetings [s 90(3) (i)]
- 10.2** Confidential Discussion with External Auditors 2019-20 [s 90(3) (b)]

The Order to Exclude for Items 10.1 and 10.2

1. Identifies the information and matters (grounds) from s 90(3) of the *Local Government Act 1999 (SA)* utilised to request consideration in confidence.
2. Identifies the basis – how the information falls within the grounds identified and why it is necessary and appropriate to act in a meeting closed to the public.
3. In addition identifies for the following grounds – s 90(3) (b), (d) or (j) - how information open to the public would be contrary to the public interest.

## ORDER TO EXCLUDE FOR ITEM 10.1

### THAT THE AUDIT COMMITTEE

1. Having taken into account the relevant consideration contained in s 90(3) (i) and s 90(2) & (7) of the *Local Government Act 1999 (SA)*, this meeting of the Audit Committee dated 9/10/2020 resolves that it is necessary and appropriate to act in a meeting closed to the public for the consideration of Item 10.1 [Update on Activities of the Strategic Risk and Internal Audit Group Meetings] listed on the Agenda.

#### Grounds and Basis

This Item is confidential nature because the report includes information on Council litigation.

The disclosure of information in this report could reasonably be expected to prejudice the outcome of Council's actual litigation.

The Audit Committee is satisfied that the principle that the meeting be conducted in a place open to the public has been outweighed in the circumstances because the disclosure of this information relates to actual litigation of council.

2. Pursuant to s 90(2) of the *Local Government Act 1999 (SA)* this meeting of the Audit Committee dated 9/10/2020 orders that the public (with the exception of members of Corporation staff and any person permitted to remain) be excluded from this meeting to enable this meeting to receive, discuss or consider in confidence Item 10.1 [Update on Activities of the Strategic Risk and Internal Audit Group Meetings] listed in the Agenda, on the grounds that such item of business, contains information and matters of a kind referred to in s 90(3) (i) of the Act.

## ORDER TO EXCLUDE FOR ITEM 10.2

### THAT THE AUDIT COMMITTEE

1. Having taken into account the relevant consideration contained in s 90(3) (b) and s 90(2) & (7) of the *Local Government Act 1999 (SA)*, this meeting of the Audit Committee dated 9/10/2020 resolves that it is necessary and appropriate to act in a meeting closed to the public as the consideration of Item 10.2 [Confidential Discussion with External Auditors 2019-20] listed on the Agenda in a meeting open to the public would on balance be contrary to the public interest.

#### Grounds and Basis

This Item is confidential because in accordance with Section 7.7.3 of the Audit Committee Terms of Reference, the Audit Committee is required to meet with the external auditors at least once per year, without management present in order to discuss their responsibilities and any issues arising from the external audit.

The disclosure of information in this report may result in the release of information that would breach the Audit Committee's Terms of Reference and may adversely impact the commercial position of the Council.

#### Public Interest

The Audit Committee is satisfied that the principle that the meeting be conducted in a place open to the public has been outweighed in the circumstances because the disclosure of this information may result in the release of information of a commercial advantage that may adversely impact the Council and would breach the Terms of Reference of the Audit Committee.

2. Pursuant to s 90(2) of the *Local Government Act 1999 (SA)*, this meeting of the Audit Committee dated 9/10/2020 orders that the public (with the exception of members of Corporation staff and any person permitted to remain) be excluded from this meeting to enable this meeting to receive, discuss or consider in confidence Item 10.2 [Confidential Discussion with External Auditors 2019-20] listed in the Agenda, on the grounds that such item of business, contains information and matters of a kind referred to in s 90(3) (b) of the Act.

## DISCUSSION

1. s 90(1) of the *Local Government Act 1999 (SA)*, directs that a meeting of a Council Committee must be conducted in a place open to the public.
2. s 90(2) of the *Local Government Act 1999 (SA)*, states that a Council Committee may order that the public be excluded from attendance at a meeting if the Council Committee considers it to be necessary and appropriate to act in a meeting closed to the public to receive, discuss or consider in confidence any information or matter listed in s 90(3).
3. s 90(3) prescribes the information and matters that a Council may order that the public be excluded from.
4. s 90(4) of the *Local Government Act 1999 (SA)*, advises that in considering whether an order should be made under s 90(2), it is irrelevant that discussion of a matter in public may:
  - 4.1 cause embarrassment to the council or council committee concerned, or to members or employees of the council; or
  - 4.2 cause a loss of confidence in the council or council committee.'
  - 4.3 involve discussion of a matter that is controversial within the council area; or
  - 4.4 make the council susceptible to adverse criticism.
5. s 90(7) of the *Local Government Act 1999 (SA)* requires that an order to exclude the public:
  - 5.1 Identify the information and matters (grounds) from s 90(3) of the *Local Government Act 1999 (SA)* utilised to request consideration in confidence;
  - 5.2 Identify the basis – how the information falls within the grounds identified and why it is necessary and appropriate to act in a meeting closed to the public; and
  - 5.3 In addition identify for the following grounds – s 90(3) (b), (d) or (j) - how information open to the public would be contrary to the public interest.
6. s 87(10) of the *Local Government Act 1999 (SA)* has been utilised to identify in the Agenda and on the Report for the meeting, that the following matters are submitted seeking consideration in confidence.
  - 6.4 Information contained in Item 10.1 – Update on Activities of the Strategic Risk and Internal Audit Group Meetings
    - 6.4.1 Is not subject to an Existing Confidentiality Order
    - 6.4.2 The grounds utilised to request consideration in confidence is s 90(3) (i)
      - (i) Information relating to the actual litigation, or litigation that the council or council committee believes on reasonable grounds will take place, involving the council or an employee of the council
  - 6.5 Information contained in Item 10.2 – Confidential Discussion with External Auditors 2019-20
    - 6.4.1 Is not subject to an Existing Confidentiality Order
    - 6.4.2 The grounds utilised to request consideration in confidence is s 90(3) (b)
      - (b) information the disclosure of which –
        - (i) could reasonably be expected to confer a commercial advantage on a person with whom the council is conducting, or proposing to conduct business or to prejudice the commercial position of the council; and
        - (ii) would, on balance, be contrary to the public interest.

## ATTACHMENTS

Nil

- END OF REPORT -

## Confidential Item 10.1

Update on Activities of the Strategic Risk and Internal Audit Group Meetings

Section 90 (3) (i) of the *Local Government Act 1999* (SA)

Pages 251 to 255

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## Confidential Item 10.2

Confidential Discussion with External Auditors 2019-20

Section 90 (3) (b) of the *Local Government Act 1999* (SA)

Pages 256 to 258

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