

City of Adelaide

GENERAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2023

Adelaide. Designed for Life.



City of Adelaide

General Purpose Financial Statements

for the year ended 30 June 2023

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General Purpose Financial Statements

for the year ended 30 June 2023

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 2023 and the results of its operations and cash flows for the financial year,
- internal controls implemented by the Council provide a reasonable assurance that the Council's financial records are complete, accurate and reliable and were effective throughout the financial year,
- the financial statements accurately reflect the Council's accounting and other records.

Clare Mockler
Chief Executive Officer

Date:

Dr Jane Lomax-Smith AM
Lord Mayor

Date:

Statement of Comprehensive Income

for the year ended 30 June 2023

\$ '000	Notes	2023	2022
Income			
Rates	2a	124,957	121,350
Statutory charges	2b	12,160	10,208
User charges	2c	66,916	63,132
Grants, subsidies and contributions - operating	2g	7,696	9,375
Investment income	2d	1,146	341
Reimbursements	2e	1,164	934
Other income	2f	1,436	366
Net gain - equity accounted council businesses	18(a)	10	–
Total income		<u>215,485</u>	<u>205,706</u>
Expenses			
Employee costs	3a	72,478	69,092
Materials, contracts and other expenses	3b	88,076	77,765
Depreciation, amortisation and impairment	3c	52,287	56,568
Finance costs	3d	952	1,277
Net loss - equity accounted council businesses	18(a)	–	27
Total expenses		<u>213,793</u>	<u>204,729</u>
Operating surplus / (deficit)		<u>1,692</u>	<u>977</u>
Physical resources received free of charge	2i	2,280	373
Asset disposal and fair value adjustments	4	(14,747)	(658)
Amounts received specifically for new or upgraded assets	2g	6,655	3,411
Net surplus / (deficit)		<u>(4,120)</u>	<u>4,103</u>
Other comprehensive income			
Amounts which will not be reclassified subsequently to operating result			
Changes in revaluation surplus - I,PP&E	9a	(6,328)	84,305
Impairment (expense) / recoupments offset to asset revaluation reserve	9a	(41,967)	–
Net Actuarial Gain/(Loss) on Defined Benefit Plan		–	(206)
Total amounts which will not be reclassified subsequently to operating result		<u>(48,295)</u>	<u>84,099</u>
Total other comprehensive income		<u>(48,295)</u>	<u>84,099</u>
Total comprehensive income		<u>(52,415)</u>	<u>88,202</u>

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 2023

\$ '000	Notes	2023	2022
ASSETS			
Current assets			
Cash and cash equivalent assets	5a	871	2,984
Trade and other receivables	5b	22,049	15,774
Other financial assets	5c	10,633	–
Inventories	5d	741	541
Non-current assets held for sale	19	26,000	5,965
Total current assets		<u>60,294</u>	<u>25,264</u>
Non-current assets			
Trade and other receivables	6a	838	466
Equity accounted investments in council businesses	6b	1,618	1,412
Other non-current assets	6c	44,452	42,473
Infrastructure, property, plant and equipment	7	1,823,299	1,906,716
Investment property	7	2,910	2,870
Total non-current assets		<u>1,873,117</u>	<u>1,953,937</u>
TOTAL ASSETS		<u>1,933,411</u>	<u>1,979,201</u>
LIABILITIES			
Current liabilities			
Trade and other payables	8a	33,165	24,286
Borrowings	8b	4,844	4,842
Provisions	8c	13,636	13,605
Total current liabilities		<u>51,645</u>	<u>42,733</u>
Non-current liabilities			
Trade and other payables	8a	293	293
Borrowings	8b	51,432	54,041
Provisions	8c	1,977	1,655
Total non-current liabilities		<u>53,702</u>	<u>55,989</u>
TOTAL LIABILITIES		<u>105,347</u>	<u>98,722</u>
Net assets		<u>1,828,064</u>	<u>1,880,479</u>
EQUITY			
Accumulated surplus		781,667	792,359
Asset revaluation reserves	9a	1,018,226	1,066,521
Other reserves	9b	28,171	21,599
Total council equity		<u>1,828,064</u>	<u>1,880,479</u>
Total equity		<u>1,828,064</u>	<u>1,880,479</u>

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 2023

\$ '000	Notes	Accumulated surplus	Asset revaluation reserve	Other reserves	Total equity
2023					
Balance at the end of previous reporting period		792,359	1,066,521	21,599	1,880,479
Net surplus / (deficit) for year		(4,120)	–	–	(4,120)
Other comprehensive income					
- Gain (Loss) on Revaluation of I,PP&E	7a	–	(6,328)	–	(6,328)
- IPP&E impairment (expense) / recoupments offset to ARR	7a	–	(41,967)	–	(41,967)
- Defined Benefit Actuarial Gain		–	–	–	–
Other comprehensive income		–	(48,295)	–	(48,295)
Total comprehensive income		(4,120)	(48,295)	–	(52,415)
Transfers between reserves		(6,572)	–	6,572	–
Balance at the end of period		781,667	1,018,226	28,171	1,828,064
2022					
Balance at the end of previous reporting period		806,973	982,216	3,088	1,792,277
Net surplus / (deficit) for year		4,103	–	–	4,103
Other comprehensive income					
- Gain (Loss) on Revaluation of I,PP&E	7a	–	84,305	–	84,305
- IPP&E impairment (expense) / recoupments offset to ARR	7a	–	–	–	–
- Defined Benefit Actuarial Gain		–	–	(206)	(206)
Other comprehensive income		–	84,305	(206)	84,099
Total comprehensive income		4,103	84,305	(206)	88,202
Transfers between reserves		(18,717)	–	18,717	–
Balance at the end of period		792,359	1,066,521	21,599	1,880,479

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 2023

\$ '000	Notes	2023	2022
Cash flows from operating activities			
<u>Receipts</u>			
Operating receipts		214,565	210,275
Investment receipts		491	341
<u>Payments</u>			
Operating payments to suppliers and employees		(159,149)	(146,555)
Finance payments		(20)	(1,277)
Net cash provided by (or used in) operating activities	10b	<u>55,887</u>	<u>62,784</u>
Cash flows from investing activities			
<u>Receipts</u>			
Amounts Received Specifically for New/Upgraded Assets		6,034	3,411
Sale of replaced assets		1,264	1,322
Sale of surplus assets		–	19,407
Sale of non current assets "held for sale"		6,440	–
<u>Payments</u>			
Expenditure on renewal/replacement of assets		(38,177)	(29,987)
Expenditure on new/upgraded assets		(15,971)	(22,832)
Net purchase of investment securities		(10,531)	(90)
Capital contributed to equity accounted Council businesses		(196)	(320)
Net cash provided (or used in) investing activities		<u>(51,137)</u>	<u>(29,089)</u>
Cash flows from financing activities			
<u>Receipts</u>			
Proceeds from Borrowings		15,800	82,350
<u>Payments</u>			
Repayments of Borrowings		(16,281)	(109,050)
Repayment of Finance Lease Liabilities		(6,339)	(4,724)
Repayment of bonds and deposits		(43)	(1,199)
Net cash provided by (or used in) financing activities		<u>(6,863)</u>	<u>(32,623)</u>
Net increase (decrease) in cash held		(2,113)	1,072
plus: cash & cash equivalents at beginning of period		2,984	1,912
Cash and cash equivalents held at end of period	10a	<u>871</u>	<u>2,984</u>
Additional information:			
plus: investments on hand – end of year	6b	10,997	466
Total cash, cash equivalents and investments		<u>11,868</u>	<u>3,450</u>

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

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Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

Note 1. Summary of Significant Accounting Policies

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

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

(1) Basis of preparation

1.1 Compliance with Australian Accounting Standards

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

The financial report was authorised for issue by certificate under regulation 14 of the *Local Government (Financial Management) Regulations 2011* dated 06 October 2023.

1.2 Critical accounting estimates

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

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

1.3 Rounding

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

1.4 Estimates and assumptions

The COVID-19 pandemic did not have a significant impact on the 2022/23 financial statements. Any expected financial impacts were taken into account through the budget process. As no restrictions were implemented by the Australian Government throughout the financial year Council saw an improvement to their income from user charges with increased patronage to the city.

The comparative results from the 2021/22 financial statements were impacted by the COVID-19 pandemic due to mandatory shutdowns as directed by the Australian Government and the advice from the Australian Government Department of Health and SA Health.

Examples of where the 2021/22 financial statements were impacted include:

1. Reduction in net income due to closure or reduction of services provided during the pandemic, including Off Street Parking, Expiations and On-Street Parking.
2. Payment of stimulus packages and investment in a wide range of initiatives to boost economic activity within the city to help city businesses and residents recover.
3. Reduction in expenditure in relation to cancelled events offset by expenditure through additional cleansing services to keep our city safe.

(2) The local government reporting entity

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

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

1. Adelaide Central Market Authority
2. Adelaide Economic Development Agency
3. Adelaide Park Lands Authority

Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

Note 1. Summary of Significant Accounting Policies (continued)

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.

Rates and utility charges

Rates and utility charges are recognised as revenue when Council obtains control over these receipts which is the beginning of the rating period to which they relate. Prepaid rates and utility charges are recognised as a financial liability until the beginning of the rating period. Discounts given and rebates are recognised in the same period as the rates and utility charges to which they relate.

Fee & statutory charges

Revenue arising from fees and charges are recognised at a point in time when the performance obligation is completed, and the customer receives the benefits of the goods/services being provided.

Licences and permits granted by Council are either short-term or low value. Revenue is recognised at the time the licence or permit is granted.

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. Contingent rents are recognised as revenue in the period in which they are earned.

Expiations

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.

Grant income

Where Council receives an asset for significantly below fair value, the asset is recognised at fair value, related liability (or equity items) are recorded and income then is recognised for any remaining asset value at the time that the asset is received. Where Council receive funding under an enforceable contract to acquire or construct a specified item of property, plant and equipment which will be under Council's control on completion, revenue is recognised as and when the obligation to construct or purchase is completed. For construction projects, this is generally as the construction progresses in accordance with costs incurred.

Physical assets contributed to Council are recognised as revenue when Council obtains control of the asset and there is sufficient data in the form of drawings and plans to determine the approximate specifications and values of such assets.

Where grant income arises from an agreement which is enforceable and contains sufficiently specific performance obligations, revenue is recognised when control of each performance obligation is satisfied. Performance obligations vary in each

Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

Note 1. Summary of Significant Accounting Policies (continued)

agreement and payment terms vary depending on terms of the grant. Cash is received upfront for some grants and on the achievement of certain payment milestones for others.

(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 and equipment

6.1 Initial recognition

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

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

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

6.2 Materiality

Assets with an economic life in excess of one year are only capitalised where the cost of acquisition exceeds materiality thresholds established by Council. Items of property, plant and equipment with a total value less than \$5,000 are treated as an expense in the year of acquisition. All other items of property, plant and equipment are capitalised.

6.3 Subsequent recognition

All material asset classes are revalued on a regular basis such that the carrying values are not materially different from fair value. Significant uncertainties exist in the estimation of fair value of a number of asset classes including land, buildings and associated structures and infrastructure. Further detail of these uncertainties, and of existing valuations, methods and valuers are provided at Note 7.

6.4 Depreciation of non-current assets

The majority of 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.

Assets that have an indefinite useful life are land, the formation components of footpaths, bikeways and roads, statues and monuments and the civic collection.

Depreciation methods, useful lives and residual values of classes of assets are reviewed annually.

Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

Note 1. Summary of Significant Accounting Policies (continued)

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 25 years
Vehicles and Road-making Equipment	2 to 20 years
Other Plant & Equipment	3 to 30 years

Buildings

Structure – Other	30 to 150 years
Structure – Heritage	250 years
Other Building Components	10 to 100 years

Infrastructure

Sealed Roads – Surface	15 to 25 years
Sealed Roads – Structure	30 to 80 years
Sealed Roads - Formation	Indefinite
Bridges – Major	20 to 100 years
Bridges – Minor	25 to 75 years
Footpaths and Bikeways - Surface	20 to 50 years
Footpaths and Bikeways - Pavement	30 to 100 years
Footpaths and Bikeways - Formation	Indefinite
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	10 to 30 years
Traffic Signals	10 to 30 years
Lighting and Electricals	25 to 30 years
Electrical Switch Boards	30 years
Ticket Machines	10 years
CCTV	5 to 10 years
Sports Fields	15 to 50 years
Park Land and Open Space Assets	5 to 80 years
Statues & Monuments	Indefinite
Urban Elements	5 to 80 years
Public Art	5 to 15 years

Other Assets

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.

Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

Note 1. Summary of Significant Accounting Policies (continued)

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 30/06/2023.

(8) Payables

8.1 Goods and services

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

8.2 Payments received in advance and deposits

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

(9) Borrowings

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

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

Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

Note 1. Summary of Significant Accounting Policies (continued)

(10) Employee benefits

10.1 Salaries, wages and 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 3.92% (2022, 3.77%)

Weighted average settlement period 10 years (2022, 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

The Council makes employer superannuation contributions in respect of its employees to the Hostplus Superannuation Scheme. The Scheme has two types of membership, each of which is funded differently. Details of the accounting policies applied and Council's involvement with the schemes are reported in Note 17.

(11) Provisions for reinstatement, restoration and rehabilitation

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

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

(12) Leases

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

12.1 Council as a lessee

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

i) Right-of-Use-Assets

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

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

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.

Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

Note 1. Summary of Significant Accounting Policies (continued)

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

Council applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date). It also applies the low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

iv) Leases with variable payments

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.

Additionally, Council also leases the Vaughan Place car park under a lease which expires 31 January 2030. The lease contains variable payment terms that are linked to the car park's net profit at the reporting date.

Variable lease payments for these leases 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) Non-Current Assets Held for Sale

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

(15) GST implications

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

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

(16) New accounting standards

The Council applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2022. The Council has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Standards issued by the AASB not yet effective

The AASB has issued Australian Accounting Standards and Interpretations which are not effective at 30 June 2023. These standards have not been adopted by Council and will be included in the financial statements on their effective date. Where the standard is expected to have a significant impact for Council then further information has been provided in this note.

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

Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

Note 1. Summary of Significant Accounting Policies (continued)

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

- *AASB 2020-1 Amendments to Australian Accounting Standards - Classification of Liabilities as Current or Non-Current* (amended by *AASB 2020-6 Amendments to Australian Accounting Standards - Classification of Liabilities as Current or Non-Current - Deferral of Effective Date*, *AASB 2022-6 Amendments to Australian Accounting Standards - Non-current Liabilities with Covenants*)
- *AASB 2021-2 Amendments to Australian Accounting Standards - Disclosure of Accounting Policies and Definition of Accounting Estimates* (This standard amends a number of Standards as follows: *AASB 7 Financial Instruments: Disclosures* – to clarify that information about measurement bases for financial instruments is expected to be material to an entity's financial statements, *AASB 101 Presentation of Financial Statements* - to require entities to disclose their material accounting policy information rather than their significant accounting policies, *AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors* - to clarify how entities should distinguish changes in accounting policies and changes in accounting estimates, *AASB 134 Interim Financial Reporting* - to identify material accounting policy information as a component of a complete set of financial statements, *AASB Practice Statement 2: Making Materiality Judgements* - to provide guidance on how to apply the concept of materiality to accounting policy disclosures)
- *AASB 2022-7 Editorial Corrections to Australian Accounting Standards and Repeal of Superseded and Redundant Standards*. (This standard amends a number of Standards as follows: *AASB 7 Financial Instruments: Disclosures*, August 2015, *AASB 116 Property, Plant and Equipment*, August 2015, *AASB 124 Related Party Disclosures*, July 2015, *AASB 128 Investments in Associates and Joint Ventures*, August 2015, *AASB 134 Interim Financial Reporting*, August 2015, *AASB 1054 Australian Additional Disclosures*, May 2011, *AASB Practice Statement 2: Making Materiality Judgements*, December 2017. This Standard repeals Australian Accounting Standards that have been superseded by other Standards but not formally repealed. It also repeals Standards that amend other Standards as their principal purpose but which have not been formally repealed, provided their Parliamentary disallowance period and legal commencement date have passed)

Effective for NFP annual reporting periods beginning on or after 1 January 2024

- *AASB 2022-5 Amendments to Australian Accounting Standards - Lease Liability in a Sale and Leaseback*. (This Standard makes amendments to *AASB 16 Leases*, February 2016. These amendments arise from the issuance of International Financial Reporting Standard Lease Liability in a Sale and Leaseback (Amendments to IFRS 16) by the International Accounting Standards Board (IASB) in September 2022)
- *AASB 2022-10 Amendments to Australian Accounting Standards - Fair Value Measurement of Non-Financial Assets of Not-for-Profit Public Sector Entities* (This Standard makes amendments to *AASB 13 Fair Value Measurement*, August 2015 for application by not-for profit public sector)

(17) 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.

(18) 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 and forming part of the Financial Statements

for the year ended 30 June 2023

Note 2. Income

\$ '000	2023	2022
(a) Rates		
General rates		
General rates	125,329	123,141
Less: mandatory rebates	(5,531)	(5,530)
Less: discretionary rebates, remissions and write-offs	(1,332)	(2,091)
Total general rates	118,466	115,520
Other rates (including service charges)		
Landscape levy	2,097	1,979
Rundle Mall Separate Rate	3,889	3,810
Building Upgrade Finance	41	41
Total other rates (including service charges)	6,027	5,830
Other charges		
Penalties for late payment	464	–
Total other charges	464	–
Total rates	124,957	121,350
(b) Statutory charges		
Development Act fees	2,080	1,921
Animal registration fees and fines	38	39
Parking fines / expiation fees	8,374	7,093
Other Fees, Fines, Penalties and Expiations	495	276
Encroachments Fees	454	328
Food Inspections Fees / Fines	20	23
Residential Parking Permits	51	50
Section 7 Searches	103	111
Temporary Parking Control Permits	523	316
Water Systems Fees	22	51
Total statutory charges	12,160	10,208

City of Adelaide

Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

Note 2. Income (continued)

\$ '000	2023	2022
(c) User charges		
Parking fees	11,393	10,302
Property lease	8,933	9,727
Sundry	47	120
Adelaide Aquatic Centre Charges	6,545	5,526
Adelaide Golf Links Charges	3,624	3,554
Adelaide Town Hall Charges	2,194	1,434
Bus Ticket Sales	–	6
Compost Sales	731	690
Event Fees	223	138
Library Centre	6	6
Off-Street Parking	30,804	27,911
Park Lands Events Fees	289	352
Property Recovery	1,737	3,087
Rundle Mall	390	279
<u>Total user charges</u>	<u>66,916</u>	<u>63,132</u>
(d) Investment income		
Interest on investments		
- Local Government Finance Authority	41	56
- Banks and other	348	8
Investment property rental income	193	187
Unwinding of premiums and discounts	655	–
Financial Instrument - Fair Value Increase / (Decrease)	(101)	90
Interest on Finance Leases	10	–
<u>Total investment income</u>	<u>1,146</u>	<u>341</u>
(e) Reimbursements		
Private works	985	567
Other	179	367
<u>Total reimbursements</u>	<u>1,164</u>	<u>934</u>
(f) Other income		
Insurance & Other Recoupments	651	28
Sundry	218	237
Commission	378	101
Other	189	–
<u>Total other income</u>	<u>1,436</u>	<u>366</u>

City of Adelaide

Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

Note 2. Income (continued)

\$ '000	2023	2022
(g) Grants, subsidies and contributions		
Amounts received specifically for new or upgraded assets	6,655	3,411
Total	6,655	3,411
Other grants, subsidies and contributions		
Other grants, subsidies and contributions	5,644	7,145
Untied - Financial Assistance Grant	1,287	1,178
Roads to Recovery	–	255
Home and Community Care Grant	253	291
Library and communications	491	504
Sundry	21	2
Total other grants, subsidies and contributions	7,696	9,375
Total grants, subsidies and contributions	14,351	12,786
The functions to which these grants relate are shown in Note 11.		
(i) Sources of grants		
Commonwealth Government	4,335	4,709
State Government	9,955	7,877
Other	61	200
Total	14,351	12,786
(h) Conditions over grants and contributions		
Grants and contributions which were obtained on the condition that they be expended for specified purposes or in a future period, but which are not yet expended in accordance with those conditions, are as follows:		
Unexpended at the close of the previous reporting period	14	14
Unexpended at the close of this reporting period	14	14
(i) Physical resources received free of charge		
Roads, bridges and footpaths	2,280	373
Total physical resources received free of charge	2,280	373

City of Adelaide

Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

Note 3. Expenses

\$ '000	Notes	2023	2022
(a) Employee costs			
Salaries and wages		64,347	61,317
Employee leave expense		8,042	7,290
Superannuation - defined contribution plan contributions	17	7,146	6,341
Workers' compensation insurance		1,414	1,624
Income Protection Insurance		345	324
Less: capitalised and distributed costs		(8,816)	(7,804)
<u>Total operating employee costs</u>		<u>72,478</u>	<u>69,092</u>
Number of Employees (full time equivalent at end of reporting period)		576	693
Number of Employees (temporary full time equivalent at end of reporting period)		117	116
(b) Materials, contracts and other expenses			
(i) Prescribed expenses			
Auditor's Remuneration		79	107
- Other services		184	-
Bad and doubtful debts		(170)	409
Elected members' expenses		521	500
Election expenses		352	147
Lease expense - low value assets / short term leases		150	29
Lease expense - variable payments		798	689
Other		111	78
<u>Subtotal - prescribed expenses</u>		<u>2,025</u>	<u>1,959</u>

City of Adelaide

Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

Note 3. Expenses (continued)

\$ '000	2023	2022
(ii) Other materials, contracts and expenses		
Contractors	15,947	14,558
Energy	7,037	5,761
Maintenance	9,044	8,144
Legal expenses	1,587	1,428
Levies Paid to Government - including NRM levy	2,546	2,346
Levies - other	41	41
Parts, accessories and consumables	5,416	5,892
Professional services	6,710	3,932
Advertising and Promotion	3,644	4,068
Bank Charges and Cash Collection	1,103	1,034
Catering	1,226	880
Cleaning	2,671	2,962
Communications	439	304
Contractual Expenses	726	363
Water	2,112	2,096
Entertainment - Council and Civic Events	131	56
External Plant Hire	1,315	1,273
Insurance	2,528	2,237
Investment Property Expenses	100	248
Minor Plant and Equipment	619	456
Printing, Freight and Postage	601	459
Rates and Taxes	324	327
Registrations	205	196
Searches	365	240
Security	2,255	2,025
Sponsorships, Contributions and Donations	11,348	10,829
Subscriptions	1,779	1,684
Training and Development	502	328
Waste Services	3,593	1,673
Other	196	71
Less: capitalised and distributed Costs	(59)	(105)
Subtotal - Other material, contracts and expenses	86,051	75,806
Total materials, contracts and other expenses	88,076	77,765

City of Adelaide

Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

Note 3. Expenses (continued)

\$ '000	2023	2022
(c) Depreciation, amortisation and impairment		
(i) Depreciation and amortisation		
Buildings	9,381	12,798
Infrastructure		
- Stormwater and Drainage	2,816	2,759
- Public Art	69	4
- Bridges	2,088	2,099
- Footpaths	7,783	6,805
- Kerb & Water Table	1,443	1,430
- Public Lighting	5,470	5,234
- Roads	7,196	7,080
- Ticket Machines	168	289
- Traffic Signals	3,042	3,102
- Urban Elements	3,172	3,220
Right-of-use assets	5,298	5,188
Plant and equipment	1,927	2,095
Furniture and fittings	1,202	1,417
Library books	–	561
Park Land Improvements	1,232	2,487
Subtotal	52,287	56,568
Total depreciation, amortisation and impairment	52,287	56,568
(d) Finance costs		
Interest on loans	24	261
Interest on leases	949	1,016
Other	3	–
Less: capitalised and distributed costs	(24)	–
Total finance costs	952	1,277

City of Adelaide

Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

Note 4. Asset disposal and fair value adjustments

\$ '000	2023	2022
Infrastructure, property, plant and equipment		
(i) Assets renewed or directly replaced		
Proceeds from disposal	1,264	1,322
Less: carrying amount of assets sold	(7,991)	(3,634)
Gain (loss) on disposal	(6,727)	(2,312)
(ii) Assets surplus to requirements		
Proceeds from disposal	6,586	64,907
Less: carrying amount of assets sold	(8,404)	(63,253)
Less: Write off of assets surplus to requirements	(6,232)	–
Gain (loss) on disposal	(8,050)	1,654
Fair value adjustments		
Investment property - fair value increase / (decrease)	30	–
Total fair value adjustments	30	–
Net gain (loss) on disposal or revaluation of assets	(14,747)	(658)

City of Adelaide

Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

Note 5. Current assets

\$ '000	2023	2022
(a) Cash and cash equivalent assets		
Cash on hand and at bank	450	2,573
Deposits at call	421	411
<u>Total cash and cash equivalent assets</u>	<u>871</u>	<u>2,984</u>
(b) Trade and other receivables		
Rates - general and other	6,992	6,228
Accrued revenues	5,431	3,197
Debtors - general	3,951	3,349
GST recoupment	2,375	1,930
Prepayments	3,481	2,196
Deferred Rent	85	163
Finance Lease Receivable	8	–
<u>Subtotal</u>	<u>22,323</u>	<u>17,063</u>
Less: provision for expected credit losses	(274)	(1,289)
<u>Total trade and other receivables</u>	<u>22,049</u>	<u>15,774</u>
(c) Other financial assets		
Other Financial Assets (Cash Investments)	10,633	–
<u>Total other financial assets (investments)</u>	<u>10,633</u>	<u>–</u>
Amounts included in other financial assets that are not expected to be received within 12 months of reporting date are disclosed in Note 13.		
Amounts included in other financial assets that are not expected to be received within 12 months of reporting date are disclosed in Note 12.		
(d) Inventories		
Stores and materials	527	339
Trading stock	180	150
Other	34	52
<u>Total inventories</u>	<u>741</u>	<u>541</u>

City of Adelaide

Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

Note 6. Non-current assets

\$ '000	Notes	2023	2022
(a) Trade and other receivables			
Receivables			
Finance Lease Receivable		474	–
Subtotal		<u>474</u>	<u>–</u>
Total receivables		<u>474</u>	<u>–</u>
Other financial assets (investments)			
Ergo Apartments - Shared Equity Loans at Fair Value through Surplus/(Deficit)		364	466
Total other financial assets (investments)		<u>364</u>	<u>466</u>
Total financial assets		<u>838</u>	<u>466</u>
(b) Equity accounted investments in council businesses			
The Brown Hill and Keswick Creeks Stormwater Board	18(a)i	1,618	1,412
Total equity accounted investments in Council businesses		<u>1,618</u>	<u>1,412</u>
(c) Other non-current assets			
Inventories			
Library books		2,796	–
Provision for obsolete stock		(1,532)	–
Total inventories		<u>1,264</u>	<u>–</u>
Other			
Other financial asset at amortised cost		17,916	17,261
Deferred rent		43	129
Prepayment for development contract		25,229	25,083
Total other		<u>43,188</u>	<u>42,473</u>
Total other non-current assets		<u>44,452</u>	<u>42,473</u>

Notes to and forming part of the Financial Statements
for the year ended 30 June 2023

Note 7. Infrastructure, property, plant & equipment and investment property

Infrastructure, property, plant and equipment

	as at 30/06/22				Asset movements during the reporting period													as at 30/06/23						
	Fair Value Level	At Fair Value	At Cost	Accumulated Depreciation	Carrying amount	Asset Additions New / Upgrade	Asset Additions Renewals	WDV of Asset Disposals	Depreciation Expense (Note 3c)	Impairment Loss (recognised in Equity) (Note 9)	WIP Transfers	Adjustments & Transfers	Projected Related Expenditure (Note 3b)	Reclassification	Gifted Assets	Trfs from/to "Held for Sale" category	Revaluation Decrements to P&L (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	
Capital work in progress		-	37,610	-	37,610	21,122	36,145	-	-	-	(50,359)	(359)	(345)	-	-	-	-	-	-	-	-	43,815	-	43,815
Land																								
Land - other	2	163,995	-	-	163,995	-	-	(245)	-	-	-	-	-	-	-	(26,000)	-	-	6,545	-	144,295	-	144,295	
Community Land	3	13,680	-	-	13,680	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	13,680	-	13,680	
Land - Crown	3	-	388,400	-	388,400	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	388,400	-	388,400	
Buildings																								
Buildings	2	301,993	-	(155,355)	146,638	-	-	(581)	(5,411)	(10,415)	1,878	-	-	436	-	-	-	-	-	-	302,409	-	(169,865)	132,544
Buildings	3	227,913	-	(94,511)	133,402	-	-	(1,304)	(3,970)	(31,552)	2,069	(490)	-	67	-	-	-	-	-	-	207,019	-	(108,796)	98,223
Park Land & Open Space Assets	3	57,565	-	(14,478)	43,087	-	-	(459)	(1,232)	-	4,011	-	-	-	-	-	(6,232)	(12,876)	-	-	47,623	-	(21,325)	26,298
Infrastructure																								
- Stormwater and Drainage	3	274,768	-	(140,674)	134,094	-	-	(163)	(2,816)	-	7,497	-	-	-	-	-	-	-	-	-	281,948	-	(143,336)	138,612
- Bridges	3	178,529	-	(119,026)	59,503	-	-	(29)	(2,088)	-	149	-	-	-	-	-	-	-	-	-	178,560	-	(121,025)	57,535
- Footpaths	3	481,057	-	(200,041)	281,016	-	-	(2,273)	(7,783)	-	9,210	-	-	-	-	-	-	(51)	-	-	486,357	-	(206,238)	280,119
- Kerb & Water Table	3	119,190	-	(47,365)	71,825	-	-	(176)	(1,443)	-	928	-	-	-	-	-	-	-	-	13	119,743	-	(48,595)	71,148
- Public Lighting	3	144,092	-	(79,867)	64,225	-	-	(556)	(5,470)	-	6,233	-	-	-	-	-	-	-	-	-	148,857	-	(84,426)	64,431
- Roads	3	292,938	-	(91,021)	201,917	-	-	(1,237)	(7,196)	-	5,472	-	-	-	2,280	-	-	-	-	26	296,524	-	(95,262)	201,262
- Ticket Machines	3	1,685	-	(319)	1,366	-	-	(39)	(168)	-	50	-	-	-	-	-	-	-	-	-	1,683	-	(474)	1,209
- Traffic Signals	3	60,525	-	(38,161)	22,364	-	-	(1,480)	(3,042)	-	1,993	-	-	-	-	-	-	-	-	-	59,352	-	(39,517)	19,835
- Urban Elements	3	56,201	-	(27,547)	28,654	-	-	(394)	(3,172)	-	3,052	-	-	-	-	-	-	-	-	-	58,371	-	(30,231)	28,140
- Public Art	3	38,914	-	(409)	38,505	-	-	(228)	(69)	-	584	-	-	-	-	-	-	-	-	15	39,281	-	(474)	38,807
Other																								
Right-of-Use Assets		64,922	-	(16,751)	48,171	-	-	-	(5,298)	-	-	3,264	-	-	-	-	-	-	-	-	67,951	-	(21,815)	46,136
Library Books		-	8,970	(7,068)	1,902	-	-	-	-	-	-	(1,902)	-	-	-	-	-	-	-	-	-	-	-	-
Equipment, Furniture and Fittings		-	42,577	(38,694)	3,883	-	125	(468)	(1,202)	-	3,675	-	-	895	-	-	-	-	-	-	-	13,407	(6,498)	6,909
Plant and Equipment		-	21,566	(10,435)	11,131	-	-	(798)	(1,927)	-	3,529	-	-	(1,399)	-	-	-	-	-	-	-	20,496	(9,961)	10,535
Civic Collection		-	11,348	-	11,348	-	-	-	-	-	18	-	-	-	-	-	-	-	-	-	-	11,366	-	11,366
Total infrastructure, property, plant and equipment		2,477,967	510,471	(1,081,722)	1,906,716	21,122	36,270	(10,430)	(52,287)	(41,967)	(11)	513	(345)	(1)	2,280	(26,000)	(6,232)	(12,927)	6,599		2,453,653	477,484	(1,107,838)	1,823,299
Comparatives		2,369,708	490,245	(962,698)	1,897,255	26,228	28,204	(63,889)	(56,568)	-	-	25	(1,215)	-	373	(8,005)	-	(10,835)	95,140		2,477,967	510,471	(1,081,722)	1,906,716

Notes to and forming part of the Financial Statements
for the year ended 30 June 2023

Note 7. Infrastructure, property, plant & equipment and investment property

Investment property

	Fair Value Level	as at 30/06/22				Asset movements during the reporting period							as at 30/06/23			
		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																
Buildings and structures	2	2,870	–	–	2,870	–	–	–	10	30	–	–	2,910	–	–	2,910
Total investment property		2,870	–	–	2,870	–	–	–	10	30	–	–	2,910	–	–	2,910
Comparatives		2,870	–	–	2,870	–	–	–	–	–	–	–	2,870	–	–	2,870

Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

Note 7. Infrastructure, property, plant & equipment and investment property (continued)

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 7(a) 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.

Where there is no known market for buildings, infrastructure and other assets. These assets are valued at 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

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

Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

Note 7. Infrastructure, property, plant & equipment and 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 2023.

Land

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

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

Buildings

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

Infrastructure

Bridges

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

Footpaths

Footpaths were valued by Council officers using the current replacement cost approach. The most recent valuation was conducted during the period ended 30 June 2022 and was based on unit rates to replace the associated footpath component. All acquisitions made after this date are recorded at cost.

Kerb and Water Table

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

Public Art

Public art assets are revalued periodically by independent valuers. The most recent valuation was completed during the period ended 30 June 2022.

Public Lighting, Electrical and CCTV Network

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

Roads

Road assets were valued internally using the current replacement cost approach. The most recent valuation was conducted for the period ended 30 June 2019 and was based on the unit rates to replace the associated road component. In 2022 we

Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

Note 7. Infrastructure, property, plant & equipment and investment property (continued)

reassessed the componentisation of the Road, as well as their useful lives, this resulted in a revaluation increment recognised in the Asset Revaluation Reserve for the period ended 30 June 2022.

Stormwater and Drainage

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

Ticket Machines

Ticket machines were valued internally using the current replacement cost approach. The most recent valuation was conducted for the period ended 30 June 2022 and was based on the unit rates to replace the associated ticket machine component. All acquisitions made after the date of valuation are recorded at cost.

Traffic Signals

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

Urban Elements

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

Plant & Equipment

Plant and equipment is valued at historical cost less depreciation.

Equipment, Furniture & Fittings

Equipment, furniture and fittings is valued at historical cost less depreciation.

Civic Collection

The civic collection is recognised at historical cost.

Investment Property

Investment properties were valued internally by qualified personnel. 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. The most recent valuation was conducted for the period ended 30 June 2023.

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 and forming part of the Financial Statements

for the year ended 30 June 2023

Note 8. Liabilities

\$ '000	Notes	2023 Current	2023 Non Current	2022 Current	2022 Non Current
(a) Trade and other payables					
Goods and services		9,188	–	498	–
Payments received in advance		16,962	293	13,013	293
Accrued expenses - employee entitlements		1,276	–	1,215	–
Accrued expenses - other		4,153	–	7,676	–
Deposits, retentions and bonds		363	–	406	–
Other		1,223	–	1,478	–
<u>Total trade and other payables</u>		<u>33,165</u>	<u>293</u>	<u>24,286</u>	<u>293</u>

(b) Borrowings

Loans		–	7,519	–	8,000
Lease liabilities	16b	4,844	43,913	4,842	46,041
<u>Total Borrowings</u>		<u>4,844</u>	<u>51,432</u>	<u>4,842</u>	<u>54,041</u>

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

Borrowings as at 30 June 2023 are offset by the Future Fund Reserve of \$28,170,888 as disclosed under Note 9c.

(c) Provisions

Annual Leave Employee Entitlements		6,546	–	6,699	–
Long Service Leave Employee Entitlements		6,684	1,977	6,553	1,655
Other		406	–	353	–
<u>Total provisions</u>		<u>13,636</u>	<u>1,977</u>	<u>13,605</u>	<u>1,655</u>

City of Adelaide

Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

Note 9. Reserves

\$ '000	as at 30/06/22		Transfers	Impairments	as at 30/06/23	
	Opening Balance	Increments (Decrements)			Closing Balance	
(a) Asset revaluation reserve						
Land - other	164,019	6,545	–	–		170,564
Buildings	251,652	–	–	(41,967)		209,685
Infrastructure						
- Stormwater and Drainage	94,833	–	–	–		94,833
- Public Art	4,150	15	–	–		4,165
- Bridges	56,005	–	–	–		56,005
- Footpaths	221,881	(51)	–	–		221,830
- Kerb & Water Table	80,721	13	–	–		80,734
- Public Lighting	7,527	–	–	–		7,527
- Roads	130,716	26	–	–		130,742
- Ticket Machines	1,629	–	–	–		1,629
- Traffic Signals	8,970	–	–	–		8,970
- Urban Elements	30,538	–	–	–		30,538
Park Land Improvements	12,877	(12,877)	–	–		–
Other assets	1,003	–	–	–		1,003
Total asset revaluation reserve	1,066,521	(6,329)	–	(41,967)		1,018,225
Comparatives	982,216	84,305	–	–		1,066,521

\$ '000	as at 30/06/22		Tfrs to Reserve	Tfrs from Reserve	Other Movements	as at 30/06/23	
	Opening Balance					Closing Balance	
(b) Other reserves							
Other reserves ⁱ	21,599	6,572	–	–			28,171
Total other reserves	21,599	6,572	–	–			28,171
Comparatives	3,088	20,326	(1,609)	(206)			21,599

(i) Future Fund Reserve

Purposes of reserves

Asset revaluation reserves

The asset revaluation reserve is used to record increments and decrements arising from changes in fair value of non current assets (less any subsequent impairment losses, where applicable).

Future Fund Reserve

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

Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

Note 10. Reconciliation to Statement of Cash Flows

\$ '000	Notes	2023	2022
(a) Reconciliation of cash			
Cash Assets comprise highly liquid investments with short periods to maturity subject to insignificant risk of changes of value. Cash at the end of the reporting period as shown in the Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position as follows:			
Total cash and equivalent assets	5a	871	2,984
Total cash investments	5c	10,633	–
Balances per Statement of Cash Flows		11,504	2,984
(b) Reconciliation of change in net assets to cash from operating activities			
Net surplus/(deficit)		(4,120)	4,103
Non-cash items in income statements			
Depreciation, amortisation and impairment		52,287	56,568
Fair value adjustments		(30)	–
Equity Movements in Equity Accounted Investments (Increase) / Decrease		(10)	27
Premiums and discounts recognised and unwound		(655)	–
Non-cash asset acquisitions		(2,280)	(373)
Grants for capital acquisitions treated as investing activity		(6,655)	(3,411)
Net (gain)/loss on disposals		14,777	658
Interest on Financing Activity		950	1,016
		54,264	58,588
Add (less): changes in net current assets			
Net (Increase) / Decrease in Receivables		(5,338)	117
Change in allowances for under-recovery of receivables		1,015	(408)
Net (Increase) / Decrease in Inventories		(200)	(35)
Net (Increase) / Decrease in Other Assets		(3,129)	5,772
Net Increase / (Decrease) in Trade & Other Payables		8,922	(1,374)
Net Increase / (Decrease) in Unpaid Employee Benefits		(153)	378
Net Increase / (Decrease) in Other Provisions		506	(254)
Net cash provided by (or used in) operations		55,887	62,784

City of Adelaide

Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

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

\$ '000	2023	2022
(c) Reconciliation of Liabilities Arising from Financing Activities		
Borrowings and Lease Liabilities		
Opening Balance	58,883	89,853
Net Proceeds from/(Repayments of) Borrowings	(481)	(26,700)
Non-Cash Lease Additions	3,264	454
Non-Cash Accretion of interest	949	1,016
Lease Payments	(6,339)	(5,740)
Closing Balance	56,276	58,883
Non-cash financing (other)		
Bonds & Deposits		
Opening Balance	406	1,605
Bond / Deposit Proceeds Received/(Repayments Made) During the Year	(43)	(1,199)
Total Liabilities from Financing Activities	56,639	59,289

(d) Financing arrangements

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

Bank overdrafts	500	500
Corporate credit cards	600	600
LGFA cash advance debenture facility	100,000	100,000

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

Council has the following 2 cash advance debenture facilities with the LGFA:

\$30,000,000 expiring 16/12/2023

\$70,000,000 expiring 15/06/2033

City of Adelaide

Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

Note 11(a). Functions

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

\$ '000	INCOME		EXPENSES		OPERATING SURPLUS (DEFICIT)		GRANTS INCLUDED IN INCOME		TOTAL ASSETS HELD (CURRENT AND NON-CURRENT)	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
Functions/Activities										
Other	–	–	–	–	–	–	–	–	(27,926)	–
Arts, Culture and Events	4,384	2,293	14,879	14,904	(10,495)	(12,611)	724	1,908	50,173	50,262
Community Development	391	419	3,452	3,736	(3,061)	(3,317)	297	297	–	–
Community Safety	3,908	2,784	3,471	4,979	437	(2,195)	1,393	202	–	–
Environmental Sustainability	121	204	2,701	2,722	(2,580)	(2,518)	80	–	–	–
Library Services	531	427	5,006	6,638	(4,475)	(6,211)	491	504	–	1,902
Park Lands and Open Space	1,723	2,333	20,115	22,476	(18,392)	(20,143)	1,684	1,721	425,384	432,899
Parking	51,121	45,849	20,530	22,701	30,591	23,148	–	–	1,209	1,366
Planning, Building and Heritage	537	663	3,804	4,976	(3,267)	(4,313)	200	–	–	–
Property Management and Development	6,163	8,553	4,741	16,667	1,422	(8,114)	–	31	534,015	562,578
Resource Recovery and Waste Management	830	860	6,569	6,275	(5,739)	(5,415)	30	–	–	–
Social and Economic Planning	1,303	393	3,358	3,259	(2,055)	(2,866)	1,100	1,750	–	–
Sports and Recreation	11,135	9,832	13,974	16,028	(2,839)	(6,196)	37	–	–	–
Streets and Transportation	1,447	785	51,119	54,747	(49,672)	(53,962)	651	1,937	861,082	863,598
Subsidiary Services	9,442	9,440	9,190	13,306	252	(3,866)	201	263	–	–
Corporate and other Capital Costs	122,449	120,871	50,884	11,315	71,565	109,556	808	762	89,474	66,596
Total Functions/Activities	215,485	205,706	213,793	204,729	1,692	977	7,696	9,375	1,933,411	1,979,201

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

Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

Note 11(b). Components of functions

The activities relating to Council functions are as follows:

Arts, Culture and Events

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

Community Development

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

Community Safety

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

Environmental Sustainability

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

Library Services

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

Park Lands and Open Space

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

Parking

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

Planning, Building and Heritage

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

Property Management and Development

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

Resource Recovery and Waste Management

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

Social and Economic Planning

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

Sports and Recreation

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

Streets and Transportation

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

Subsidiary Services

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

Note 11(b). Components of functions (continued)

Corporate Services

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

Note 12. Financial instruments

Recognised financial instruments

Receivables - rates and associated charges

Accounting Policy:

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

Terms & Conditions:

Secured over the subject land, arrears attract interest of 5.8% (2022: 5.2%). Council is not materially exposed to any individual debtor. Credit risk exposure is concentrated within the Council's boundaries in the State.

Carrying Amount:

Approximates fair value (after deduction of any allowance).

Receivables - fees and other charges

Accounting Policy:

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

Terms & 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.

City of Adelaide

Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

Note 12. Financial instruments (continued)

Carrying Amount:

Fair Value

Receivables - Other Financial Assets

Accounting Policy:

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost.

Terms & Conditions:

Secured over the subject land. Council is not materially exposed to any individual debtor. Credit risk exposure is concentrated within the Council's boundaries in the State.

Carrying Amount:

At amortised cost.

Liabilities - creditors

Accounting policy:

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

Terms and conditions:

Liabilities are normally settled on 30 day terms.

Carrying amount:

Approximates fair value.

Liabilities - interest bearing borrowings

Accounting Policy:

Carried at 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.

Carrying Amount:

Approximates fair value.

Liabilities - leases

Accounting Policy:

Accounted for in accordance with AASB 16 as stated in Note 1.

City of Adelaide

Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

Note 12. Financial instruments (continued)

\$ '000	Due < 1 year	Due > 1 year and ≤ 5 years	Due > 5 years	Total Contractual Cash Flows	Carrying Values
Financial assets and liabilities					
2023					
Financial assets					
Cash and cash equivalents	871	–	–	871	871
Receivables	9,397	83	575	10,055	9,590
Other financial assets	10,633	18,864	–	29,497	28,913
Total financial assets	20,901	18,947	575	40,423	39,374
Financial liabilities					
Payables	16,203	–	–	16,203	16,203
Non-current borrowings	–	7,519	–	7,519	7,519
Lease liabilities	5,726	23,964	23,711	53,401	48,757
Total financial liabilities	21,929	31,483	23,711	77,123	72,479
Total financial assets and liabilities	42,830	50,430	24,286	117,546	111,853
2022					
Financial assets					
Cash and cash equivalents	2,984	–	–	2,984	2,984
Receivables	6,546	–	–	6,546	5,257
Other financial assets	–	18,966	–	18,966	17,727
Total financial assets	9,530	18,966	–	28,496	25,968
Financial liabilities					
Payables	11,273	–	–	11,273	11,273
Non-current borrowings	–	8,000	–	8,000	8,000
Lease liabilities	5,771	23,146	27,309	56,226	50,883
Total financial liabilities	17,044	31,146	27,309	75,499	70,156
Total financial assets and liabilities	26,574	50,112	27,309	103,995	96,124

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

\$ '000	2023		2022	
	Weighted Avg Interest Rate	Carrying Value	Weighted Avg Interest Rate	Carrying Value
Other variable rates	3.86%	7,519	1.38%	8,000
Fixed interest rates	0.00%	(433)	0.00%	–
		7,086		8,000

Net fair value

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

Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

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 variable interest rate borrowings and fixed cash 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	2023	2022
Capital commitments		
Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:		
Buildings	21,906	31,543
Drainage & Waterways	1,941	270
IT Corporate System	261	25
Lighting & Electrical	2,163	671
Park Lands & Squares	617	4,026
Plant & Equipment	746	4,524
Streetscapes	34	–
Transportation	4,723	5,393
Urban Elements	482	351
	32,873	46,803
These expenditures are payable:		
Not later than one year	18,343	35,943
Later than one year and not later than 5 years	14,530	10,860
	32,873	46,803

Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

Note 14. Financial indicators

\$ '000	Amounts 2023	Indicator 2023	Indicators 2022 2021	
<p><i>These Financial Indicators have been calculated in accordance with Information paper 9 - Local Government Financial Indicators prepared as part of the LGA Financial Sustainability Program for the Local Government Association of South Australia.</i></p>				
1. Operating Surplus Ratio				
Operating surplus	1,692	0.8%	0.5%	(3.5)%
Total operating income	215,485			
<p><i>This ratio expresses the operating surplus as a percentage of total operating revenue.</i></p>				
2. Net Financial Liabilities Ratio				
Net financial liabilities	70,956	33%	39%	57%
Total operating income	215,485			
<p><i>Net Financial Liabilities are defined as total liabilities less financial assets (excluding equity accounted investments in Council businesses). These are expressed as a percentage of total operating revenue.</i></p>				
Adjusted Operating Surplus Ratio				
Operating surplus	1,335	0.6%	0.4%	(3.5)%
Total operating income	215,128			
Adjustments to Ratios				
<p><i>In recent years the Federal Government has made advance payments prior to 30th June from future year allocations of financial assistance grants. These Adjusted Ratios correct for the resulting distortion in key ratios for each year and provide a more accurate basis for comparison.</i></p>				
Adjusted Net Financial Liabilities Ratio				
Net financial liabilities	71,934	33%	39%	57%
Total operating income	215,128			
3. Asset Renewal Funding Ratio				
Asset renewals	36,913	73%	46%	72%
Infrastructure and Asset Management Plan required expenditure	50,501			

Asset renewals expenditure is defined as capital expenditure on the renewal and replacement of existing assets relative to the optimal level planned, and excludes new capital expenditure on the acquisition of additional assets.

City of Adelaide

Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

Note 15. Uniform presentation of finances

\$ '000	2023	2022
<p>The following is a high level summary of both operating and capital investment activities of the Council prepared on a simplified Uniform Presentation Framework basis.</p> <p>All Councils in South Australia have agreed to summarise annual budgets and long-term financial plans on the same basis.</p> <p>The arrangements ensure that all Councils provide a common 'core' of financial information, which enables meaningful comparisons of each Council's finances.</p>		
<u>Income</u>		
Rates	124,957	121,350
Statutory charges	12,160	10,208
User charges	66,916	63,132
Grants, subsidies and contributions - operating	7,696	9,375
Investment income	1,146	341
Reimbursements	1,164	934
Other income	1,436	366
Net gain - equity accounted council businesses	10	-
Total Income	215,485	205,706
<u>Expenses</u>		
Employee costs	72,478	69,092
Materials, contracts and other expenses	88,076	77,765
Depreciation, amortisation and impairment	52,287	56,568
Finance costs	952	1,277
Net loss - equity accounted council businesses	-	27
Total Expenses	213,793	204,729
Operating surplus / (deficit)	1,692	977
Adjusted Operating surplus / (deficit)	1,692	977
<u>Net outlays on existing assets</u>		
Capital expenditure on renewal and replacement of existing assets	(38,177)	(29,987)
Add back depreciation, amortisation and impairment	52,287	56,568
Add back proceeds from sale of replaced assets	1,264	1,322
	15,374	27,903
<u>Net outlays on new and upgraded assets</u>		
Capital expenditure on new and upgraded assets (including investment property and real estate developments)	(15,971)	(22,832)
Add back amounts received specifically for new and upgraded assets	6,034	3,411
Add back proceeds from sale of surplus assets (including investment property, real estate developments and non-current assets held for resale)	6,440	19,407
	(3,497)	(14)
Annual net impact to financing activities (surplus/(deficit))	13,569	28,866

Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

Note 16. Leases

(i) Council as a lessee

Terms and conditions of leases

Buildings

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

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

(a) Right of use assets

\$ '000	Buildings	Total
2023		
Opening balance	48,171	48,171
Additions to right-of-use assets	–	–
Adjustments to right-of-use assets due to re-measurement of lease liability	3,264	3,264
Depreciation charge	(5,298)	(5,298)
Balance at 30 June	46,137	46,137
2022		
Opening balance	52,905	52,905
Additions to right-of-use assets	117	117
Adjustments to right-of-use assets due to re-measurement of lease liability	337	337
Depreciation charge	(5,188)	(5,188)
Balance at 30 June	48,171	48,171

(b) Lease liabilities

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

\$ '000	2023	2022
Balance at 1 July	50,883	55,154
Additions	3,264	454
Accretion of interest	949	1,016
Payments	(6,339)	(5,741)
Balance at 30 June	48,757	50,883
Classified as:		
Current	4,844	4,842
Non-current	43,913	46,041

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

The Group had total cash outflows for leases of \$6.339m

City of Adelaide

Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

Note 16. Leases (continued)

\$ '000	2023	2022
The following are the amounts recognised in profit or loss:		
Depreciation expense of right-of-use assets	5,298	5,188
Interest expense on lease liabilities	949	1,016
Expense relating to short term leases	121	16
Expense relating to leases of low-value assets	17	13
Variable lease payments	798	689
Other	111	78
Total amount recognised in profit or loss	7,294	7,000

(ii) Council as a lessor

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

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

Council has one leasing arrangement it deems to be a finance lease as disclosed under Notes 5 and 6.

\$ '000	2023	2022
Future minimum rentals receivable under non-cancellable operating leases as at 30 June, are as follows:		
Not later than one year	6,948	7,080
Later than one year and not later than 5 years	13,521	13,661
Later than 5 years	27,025	25,170
	47,494	45,911

Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

Note 17. Superannuation

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

Accumulation only members

Accumulation only members receive both employer and employee contributions on a progressive basis. Employer contributions are based on a fixed percentage of ordinary time earnings in accordance with superannuation guarantee legislation (10.50% in 2022/23; 10.00% in 2021/22). 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 2021/22) of "superannuation" salary.

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

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

The most recent actuarial investigation was conducted by the Fund's actuary, Louise Campbell, FIAA, of Willis Towers Watson as at 30 June 2021. The Trustee has determined that the current funding arrangements are adequate for the expected Salarylink liabilities. However, future financial and economic circumstances may require changes to Council's contribution rates at some future time.

Contributions to other superannuation schemes

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

City of Adelaide

Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

Note 18(a). Interests in other entities

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

\$ '000	Council's Share of Net Income		Council's Share of Net Assets	
	2023	2022	2023	2022
Council's share of net income				
Joint ventures	10	(27)	1,618	1,412
Total Council's share of net income	10	(27)	1,618	1,412

(i) Joint ventures, associates and joint operations

(a) Carrying amounts

\$ '000	Principal Activity	2023	2022
The Brown Hill and Keswick Creeks Stormwater Board	Implementation & oversight of stormwater infrastructure	1,618	1,412
Total carrying amounts - joint ventures and associates		1,618	1,412

The Brown Hill and Keswick Creeks Stormwater Board

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

(b) Relevant interests

	Interest in Operating Result		Ownership Share of Equity		Proportion of Voting Power	
	2023	2022	2023	2022	2023	2022
The Brown Hill and Keswick Creeks Stormwater Board	8.00%	8.00%	8.00%	8.00%	20.00%	20.00%

City of Adelaide

Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

Note 18(a). Interests in other entities (continued)

(c) Movement in investment in joint venture or associate

\$ '000	The Brown Hill and Keswick Creeks Stormwater Board	
	2023	2022
Opening Balance	1,412	1,119
Share in Operating Result	10	(27)
New Capital Contributions	196	320
Council's equity share in the joint venture or associate	1,618	1,412

Note 18(b). Controlled entities

Subsidiaries

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

Name of Operation/Entity	Principal Activity and Place of Business
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	Ownership 2023	Ownership 2022	Voting Rights 2023	Voting Rights 2022
Council's Interest in Subsidiary	100%	100%	100%	100%

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

In prior year the ACMA Charter was amended resulting in the loan from the City of Adelaide, and the lease liability being transferred to the City of Adelaide during 2021-22.

Other disclosures

Council has a lease agreement with ACMA for the Central Market Complex from 8 July 2021 for a period on 20 years. The lease contains payment terms of \$1 per annum and is deemed a "Peppercorn" lease.

ACMA contracts staff from Council with the cost totalling \$1,107,190 for the year (\$966,880 2021-22).

City of Adelaide

Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

Note 18(b). Controlled entities (continued)

Name of Operation/Entity	Principal Activity and Place of Business
Adelaide Park Lands Authority (APLA)	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	Ownership 2023	Ownership 2022	Voting Rights 2023	Voting Rights 2022
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 2022-23 totalled \$181,156 (\$155,428 2021-22).

Other disclosures

APLA contracts staff from Council with the cost totalling \$94,105 for the year (\$74,370 2021-22).

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

Interests in Subsidiary	Ownership 2023	Ownership 2022	Voting Rights 2023	Voting Rights 2022
Council's Interest in Subsidiary	100%	100%	100%	100%

Other disclosures

AEDA contracts staff from Council with the costs totalling \$3,983,167 (\$3,599,747 2021-22).

In prior year, plant & equipment assets were transferred to the City of Adelaide at their net carrying value of \$170,171. In 2022-23 the City of Adelaide charged a management fee of \$38,964 in regards to these assets.

In the period an amount of \$9,833,670 (\$8,896,835 2021-22) was received by the Agency as contribution from the City of Adelaide.

Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

Note 19. Non-current assets held for sale and discontinued operations

Details of assets and disposal groups

At 30 June 2023, Council were actively selling land located at the former Franklin Street bus terminal. As a result, the land has been classified as held for sale in the financial statements.

In prior year, Council were actively selling residential apartments within the same building located on Whitmore Square. All apartments were sold during the year.

\$ '000	2023	2022
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(i). Carrying Amounts of Assets and Liabilities

Assets

Infrastructure, property, plant and equipment	26,000	5,965
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Total assets	26,000	5,965
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Net assets	26,000	5,965
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This disposal group was previously classified as part of Land in Note 7 (2022: Buildings).

As the consideration expected to be received exceeds the carrying amount, these assets have been recognised at their carrying amount since the transfer to Assets Held for Sale.

Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

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

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 is a party to an ongoing matter in the Supreme Court of SA for which a likely estimate of financial settlement is unable to be provided for at this stage. As a result, the financial statements have not recognised a provision for any future settlement costs.

4. Other contingent liabilities

Council has committed to expenditure of \$1,596,403 as at 30 June 2023 through the Heritage Incentive Scheme (HIS). The payment of the scheme is contingent on the satisfaction that all the HIS grant requirements have been met. As a result, the financial statements have not recognised this liability.

Council is in negotiation with the State Government to finalise the development of a new Adelaide Aquatic Centre. There is a possible obligation regarding the demolition and rehabilitation of the existing facility which will only be confirmed by the signing of the final contract with the State Government. This had not occurred at the time the financial statements were approved and as such, no provision has been recognised.

City of Adelaide

Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

Note 21. Events after the Reporting Date

Events that occur after the reporting date of 30 June 2023, 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.

Note 22. Related party transactions

Key management personnel

Transactions with key management personnel

The Key Management Personnel of the Council include the Lord Mayor, Councillors, Chief Executive Officer, Chief Operating Officer, Directors and the Adelaide Economic Development Agency Managing Director.

In all, 19 persons were paid the following total compensation:

\$ '000	2023	2022
The compensation paid to key management personnel comprises:		
Short-term employee benefits	1,971	2,312
Post-employment benefits	180	164
Long-term benefits	27	–
Termination benefits	308	137
Total	2,486	2,613

Compensation paid excludes reimbursement of expenses incurred on behalf of Council

Receipts from key management personnel comprise:

Rentals for Council property	100	272
Total	100	272

Rentals for Council Property relates to Adelaide Central Market stall holdings. During the period, the parties to the rental revenue disclosed received \$2,889 (2021-22: \$6,933) 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.

Other than amounts paid as ratepayers or residents (e.g. rates, swimming pool entry fees, etc.), during the year the following transactions occurred with related parties of the City of Adelaide. These transactions were on normal commercial terms and conditions no more favourable than those available to other persons unless otherwise stated.

- Local Government Finance Authority (LGFA) for whom M. Sedgman, COO, is Board Chair - Interest paid to LGFA of \$23,674
- LGFA for whom M. Sedgman, COO, is Board Chair - Interest received from LGFA of \$505,742
- Local Government Professionals SA (LGPSA) for whom M. Sedgman, COO, is President - Subscriptions and Training paid to LGPSA of \$91,296

Note 23. Capital City Development and Economic Development

Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

Note 23. Capital City Development and Economic Development (continued)

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 \$42.8m for 2022-23 (\$33.6 m 2021-22). This represents 20.28% (16.37% 2021-22) of total expenditure for the year ended 30 June 2023.

In accordance with the requirements of the *City of Adelaide Act 1998*, expenditure of \$16.3m (\$13.3m 2021-22) was incurred for works, services and activities that directly related to Council's economic development program. This represents 7.73% (6.49% 2021-22) of the total expenditure for the year ended 30 June 2023.

City of Adelaide

General Purpose Financial Statements

for the year ended 30 June 2023

Independent Auditor's Report - Financial Statements

City of Adelaide

General Purpose Financial Statements

for the year ended 30 June 2023

Independent Auditor's Report - Internal Controls

General Purpose Financial Statements

for the year ended 30 June 2023

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 2023, the Council's Auditor, BDO Audit Pty Ltd has maintained its independence in accordance with the requirements of the *Local Government Act 1999* and the *Local Government (Financial Management) Regulations 2011* made under that Act.

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

Clare Mockler
Chief Executive Officer

David Powell
Presiding Member, Audit Committee

Date:

General Purpose Financial Statements

for the year ended 30 June 2023

Statement by Auditor

I confirm that, for the audit of the financial statements of Adelaide City Council for the year ended 30 June 2023, I have maintained my independence in accordance with the requirements of APES 110 – Code of Ethics for Professional Accountants, Section 290, published by the Accounting Professional and Ethical Standards Board, in accordance with the *Local Government Act 1999* and the *Local Government (Financial Management) Regulations 2011* made under that Act.

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

Auditor's Name

Audit Firm Name

Date: 06 October 2023