



CITY OF PORT LINCOLN

GENERAL PURPOSE FINANCIAL REPORT

For the year ending 30 June 2023

Adopted by Council 16th October 2023

RM: FINAL2327 7.73.1.5



City of
Port Lincoln
Seafood Capital of Australia

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CITY OF PORT LINCOLN
General Purpose Financial Reports
for the year ended 30 June 2023

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Annual 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.

Peter Bond
CHIEF EXECUTIVE OFFICER

Diana Mislov
MAYOR

Date: 16 October 2023

We work on Barngarla Country. The City of Port Lincoln acknowledges Aboriginal and Torres Strait Islander peoples as the First Australians and their continuing connection to land, sea, culture and community. We pay respect to Elders past, present and emerging and are committed to working together on our reconciliation journey.

CITY OF PORT LINCOLN
Statement of Comprehensive Income
for the year ended 30 June 2023

	Notes	2023 \$	2022 \$
INCOME			
Rates	2	16,384,160	15,695,753
Statutory charges	2	349,092	381,863
User charges	2	2,914,073	2,723,218
Grants, subsidies and contributions - Capital	2	429,081	531,918
Grants, subsidies and contributions - Operating	2	3,352,218	2,965,097
Investment income	2	275,193	67,326
Reimbursements	2	624,188	553,496
Other income	2	1,074,944	941,045
Total Income		25,402,949	23,859,716
EXPENSES			
Employee costs	3	6,574,847	6,358,112
Materials, contracts & other expenses	3	12,911,977	11,498,614
Depreciation, amortisation & impairment	3	4,691,511	4,426,606
Finance costs	3	247,571	260,457
Total Expenses		24,425,906	22,543,789
OPERATING SURPLUS / (DEFICIT)		977,043	1,315,927
Asset disposal & fair value adjustments	4	(518,332)	(194,328)
Amounts received specifically for new or upgraded assets	2	1,031,101	202,000
Physical resources received free of charge	2	20,500	-
NET SURPLUS / (DEFICIT) transferred to Equity Statement		1,510,312	1,323,599
Other Comprehensive Income			
Changes in revaluation surplus - infrastructure, property, plant & equipment	9	10,301,739	3,055,905
Total Other Comprehensive Income		10,301,739	3,055,905
TOTAL COMPREHENSIVE INCOME		11,812,051	4,379,504

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

CITY OF PORT LINCOLN
Statement of Financial Position
as at 30 June 2023

ASSETS	Notes	2023	2022
		\$	\$
Current Assets			
Cash and cash equivalents	5	8,946,151	10,507,371
Trade & other receivables	5	2,139,021	1,913,526
Other financial assets	5	89,921	142,797
Total Current Assets		11,175,093	12,563,694
Non-current Assets			
Financial assets	6	467,713	557,634
Infrastructure, property, plant & equipment	7	233,014,246	223,219,488
Other non-current assets	6	3,687,760	566,959
Total Non-current Assets		237,169,719	224,344,081
Total Assets		248,344,812	236,907,775
LIABILITIES			
Current Liabilities			
Trade & other payables	8	4,380,936	3,973,976
Borrowings	8	708,973	718,290
Provisions	8	911,365	882,426
Total Current Liabilities		6,001,274	5,574,692
Non-current Liabilities			
Borrowings	8	6,104,589	6,814,994
Provisions	8	1,387,986	1,479,177
Total Non-current Liabilities		7,492,575	8,294,171
Total Liabilities		13,493,849	13,868,863
NET ASSETS		234,850,963	223,038,912
EQUITY			
Accumulated surplus		44,468,390	43,070,963
Asset revaluation reserves	9	188,921,150	178,619,411
Other reserves	9	1,461,423	1,348,538
TOTAL EQUITY		234,850,963	223,038,912

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

CITY OF PORT LINCOLN
Statement of Changes in Equity
for the year ended 30 June 2023

	Notes	Acc'd Surplus \$	Asset Rev'n Reserve \$	Other Reserves \$	TOTAL EQUITY \$
2023					
Balance at end of previous reporting period		43,070,963	178,619,411	1,348,538	223,038,912
Restated opening balance		43,070,963	178,619,411	1,348,538	223,038,912
Net Surplus / (Deficit) for Year		1,510,312	-	-	1,510,312
Other Comprehensive Income					
Gain on revaluation of infrastructure, property, plant & equipment	9	-	10,301,739	-	10,301,739
Transfers between reserves	9	(112,885)	-	112,885	-
Balance at end of period		44,468,390	188,921,150	1,461,423	234,850,963
2022					
Balance at end of previous reporting period		41,827,893	175,563,506	1,268,009	218,659,408
Restated opening balance		41,827,893	175,563,506	1,268,009	218,659,408
Net Surplus / (Deficit) for Year		1,323,599	-	-	1,323,599
Other Comprehensive Income					
Gain on revaluation of infrastructure, property, plant & equipment	9	-	3,055,905	-	3,055,905
Transfers between reserves	9	(80,529)	-	80,529	-
Balance at end of period		43,070,963	178,619,411	1,348,538	223,038,912

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

CITY OF PORT LINCOLN
Statement of Cash Flows
for the year ended 30 June 2023

	Notes	2023 \$	2022 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
<i>Receipts:</i>			
Rates - general & other		16,301,340	15,581,328
Fees & other charges		349,092	381,863
User charges		3,279,971	2,759,115
Investment receipts		275,193	66,326
Grants utilised for operating purposes		3,177,949	3,497,015
Reimbursements		624,188	553,496
Other revenues		1,077,229	879,167
<i>Payments:</i>			
Employee costs		(6,804,419)	(6,452,605)
Materials, contracts & other expenses		(12,522,475)	(10,064,881)
Finance payments		(197,568)	(260,457)
Net Cash provided by (or used in) Operating Activities	11(b)	5,560,500	6,940,367
CASH FLOWS FROM INVESTING ACTIVITIES			
<i>Receipts:</i>			
Amounts specifically for new or upgraded assets		1,031,101	202,000
Grants utilised for capital purposes		429,081	-
Sale of replaced assets	4	195,455	15,909
Repayments of loans by community groups		142,797	146,090
<i>Payments:</i>			
Expenditure on renewal/replacement of assets		(3,452,693)	(2,635,862)
Expenditure on new/upgraded assets		(4,608,989)	(1,254,805)
Loans made to community groups		-	(80,000)
Net Cash provided by (or used in) Investing Activities		(6,263,248)	(3,606,668)
CASH FLOWS FROM FINANCING ACTIVITIES			
<i>Receipts:</i>			
Proceeds from borrowings		-	80,000
<i>Payments:</i>			
Repayments of borrowings		(521,442)	(505,090)
Repayment of principal portion of lease liabilities		(198,280)	(184,876)
Repayment of aged care facility deposits		(138,750)	-
Net Cash provided by (or used in) Financing Activities		(858,472)	(609,966)
Net Increase (Decrease) in cash held		(1,561,220)	2,723,733
Cash & cash equivalents at beginning of period	11(a)	10,507,371	7,783,638
Cash & cash equivalents at end of period	11(a)	8,946,151	10,507,371

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

CITY OF PORT LINCOLN

Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

Note 1 - Significant Accounting Policies

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

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.

1.2 Historical Cost Convention

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

1.3 Critical Accounting Estimates

The preparation of financial statements in conformity with Australian Accounting Standards requires the use of certain critical accounting estimates and requires management to exercise its judgement in applying Council's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are specifically referred to in the relevant sections of these Notes.

1.4 Rounding

All amounts in the financial statements have been rounded to the nearest dollar.

2 The Local Government Reporting Entity

City of Port Lincoln is incorporated under the SA Local Government Act 1999 and has its principal place of business at Level 1, Civic Centre, 60 Tasman Terrace, Port Lincoln, South Australia. These consolidated 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.

3 Income recognition

3.1 Revenue

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

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

CITY OF PORT LINCOLN

Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

Note 1 - Significant Accounting Policies

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 the council to acquire or construct a recognisable non-financial asset that is to be controlled by the council. In this case, the council recognises the excess as a liability that is recognised over time in profit and loss when (or as) the entity satisfies its obligations under the transfer.

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

	Cash Payment Received	Annual Allocation	Difference	
2020-21	\$ 1,691,450	\$ 1,806,686	-	\$ 115,236
2021-22	\$ 2,369,966	\$ 1,859,469	+	\$ 510,497
2022-23	\$ 2,704,754	\$ 2,025,547	+	\$ 679,207

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

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

3.2 Construction Contract Revenue

Construction works undertaken by Council for third parties are generally on an agency basis where the third party reimburses Council for actual costs incurred, and usually do not extend beyond the reporting period. Reimbursements not received are recognised as receivables and reimbursements received in advance are recognised as "payments received in advance".

For works undertaken on a fixed price contract basis, revenues are recognised over time using the input method, with costs incurred compared to total expected costs used as a measure of progress. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

4 Cash, Cash Equivalents and Other Financial Instruments

4.1 Cash, Cash Equivalent Assets

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.

4.2 Other Financial Instruments

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.

CITY OF PORT LINCOLN

Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

Note 1 - Significant Accounting Policies

All financial instruments are recognised at fair value at the date of recognition, except for trade receivables from a contract with a customer, which are measured at the transaction price. A detailed statement of the accounting policies applied to financial instruments also form part of Note 13.

5 Inventories

The City of Port Lincoln held inventory items valued at \$28,263 at the Visitor Information Centre as at 30 June 2023 which have not been included in these financial statements as they are immaterial.

6 Infrastructure, Property, Plant & Equipment

6.1 Initial Recognition

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

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

6.2 Materiality

Assets with an economic life in excess of one year are only capitalised where the cost of acquisition exceeds materiality thresholds established by Council for each type of asset. In determining (and in annually reviewing) such thresholds, regard is had to the nature of the asset and its estimated service life. Examples of capitalisation thresholds applied during the year are given in Note 7. No capitalisation threshold is applied to the acquisition of land or interests in land.

6.3 Subsequent Recognition

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

6.4 Depreciation of Non-Current Assets

Other than land, all infrastructure, property, plant and equipment assets recognised are systematically depreciated over their useful lives on a straight-line basis which, in the opinion of Council, best reflects the consumption of the service potential embodied in those assets.

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

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

6.5 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.

CITY OF PORT LINCOLN

Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

Note 1 - Significant Accounting Policies

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

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

6.6 Borrowing Costs

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

7 Payables

7.1 Goods & Services

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

7.2 Payments Received in Advance & Deposits

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

8 Borrowings

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

Borrowings are carried at their principal amounts which represent the present value of future cash flows associated with servicing the debt. Interest is accrued over the period to which it relates and is recorded as part of "Payables". Interest free loans are initially recognised at fair value with any difference between fair value and proceeds recognised in the profit and loss. The loan is subsequently measured at amortised cost with interest being recognised using the effective interest rate method.

9 Provisions

9.1 Employee Benefits

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 on costs) 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 on-costs) 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.

CITY OF PORT LINCOLN

Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

Note 1 - Significant Accounting Policies

Weighted average discount rate	2023: 7.29% Indoor, 7.39% Outdoor (2022: 9.5% Indoor, 5.83% Outdoor)
Weighted average settlement period	2023: 2.03 years Indoor, 2.07 years Outdoor (2022: 3.14 years Indoor, 1.94 years Outdoor)

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.

Superannuation:

The Council makes employer superannuation contributions in respect of its employees to the Statewide Superannuation Scheme. The Scheme has two types of membership, each of which is funded differently. Details of the accounting policies applied and Council's involvement with the schemes are reported in Note 18.

9.2 Provisions for reinstatement, restoration, 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.

10 Leases

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

Council as a lessee:

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

i) Right-of-use assets

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

Right of use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets.

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

CITY OF PORT LINCOLN

Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

Note 1 - Significant Accounting Policies

ii) Lease liabilities

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

12 GST Implications

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

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

13 Kirton Court Liability Adjustment

Upon entry to the facility, a resident is required to pay an accommodation bond which is initially recorded as a liability on the Balance Sheet. Council is entitled to receive retentions from the accommodation bond depending on the length a resident occupies the facility. A liability is recognised for exit entitlements which are required to be paid upon exit of the facility to the resident which is calculated in accordance with individual accommodation bond agreements entered into. The liability is calculated based on a combination of the value of the accommodation bond received (minus retentions) and the market value movement of individual units over the term of occupancy. The Council annually assesses the likely liability payable to residents which is adjusted to account for changes in market conditions. Any movement in the liability is reflected in the Statement of Comprehensive Income.

CITY OF PORT LINCOLN
Notes to and forming part of the Financial Statements
for the year ended 30 June 2023

Note 2 - INCOME

	2023	2022
	\$	\$
RATES REVENUES		
<u>General Rates</u>	12,985,694	12,442,079
Less: Mandatory rebates	(161,500)	(154,104)
Less: Discretionary rebates, remissions & write offs	(101,648)	(112,388)
	12,722,546	12,175,587
<u>Other Rates (including service charges)</u>		
Landscape Levy	712,685	703,026
Waste Collection Charge	2,369,428	2,260,897
Recycling Service Charge	446,666	427,065
	3,528,779	3,390,988
<u>Other Charges</u>		
Penalties for late payment	98,271	100,177
Legal & other costs recovered	34,564	29,001
	132,835	129,178
	16,384,160	15,695,753
STATUTORY CHARGES		
Development Act fees	102,554	98,966
Town planning fees	64,371	93,131
Health & septic tank Inspection fees	7,440	4,394
Animal registration fees & fines	139,771	139,558
Parking fines / expiation fees	497	4,902
Other licences, fees, & fines	34,459	40,912
	349,092	381,863
USER CHARGES		
Cemetery/crematoria fees	96,369	154,808
Kirton Court Units Maintenance Charge	23,473	27,864
Resource Recovery Centre	1,507,840	1,399,959
Property rental income	73,499	81,497
Visitor Information Centre	748,740	689,049
Nautilus Arts Centre and shop sales	338,102	268,727
Hall & equipment hire	22,387	5,258
Permit fees/cost recovery (footpath, dogs)	34,730	23,393
Water reuse sales	42,441	38,724
Sundry	26,492	33,939
	2,914,073	2,723,218

CITY OF PORT LINCOLN
Notes to and forming part of the Financial Statements
for the year ended 30 June 2023

Note 2 - INCOME (con't)

	2023	2022
	\$	\$
INVESTMENT INCOME		
Interest on investments:		
Local Government Finance Authority	170,803	32,955
Banks	82,117	5,739
Loans to community groups	22,273	28,632
	275,193	67,326
REIMBURSEMENTS		
Private works	373	1,961
Joint undertakings	171,907	231,269
Other	451,908	320,266
	624,188	553,496
OTHER INCOME		
Insurance & other recoupments	286,703	220,797
Rebates received	4,790	4,815
Plant & labour overheads allocated	616,652	582,291
Sundry	166,799	133,142
	1,074,944	941,045
GRANTS, SUBSIDIES, CONTRIBUTIONS		
<i>Amounts received specifically for new or upgraded assets</i>	1,031,101	202,000
<i>Other grants, subsidies and contributions - Capital</i>		
Local Roads & Community Infrastructure	429,081	531,918
	429,081	531,918
<i>Other grants, subsidies and contributions - Operating</i>		
Additional Grants Commission Financial Assistance Grant	2,080,647	1,401,440
Grants Commission Financial Assistance Grant	624,107	968,526
Roads to Recovery	224,104	224,101
Transport Relief Fund	149,883	38,190
Library	119,999	106,440
Nautilus Arts Centre	12,560	10,770
Grant Funding for Community Groups	46,000	-
Parnkalla Trail Grant	9,000	-
Economic Development Strategy Funding	20,000	-
Australia Day Grant	23,880	-
Arts Activation Contribution	-	70,000
COVID-19 Related Grants	-	47,204
Tourism	-	58,403
Sundry	42,038	40,023
	3,352,218	2,965,097
	4,812,400	3,699,015

The functions to which these grants relate are shown in Note 12.

CITY OF PORT LINCOLN
Notes to and forming part of the Financial Statements
for the year ended 30 June 2023

Note 2 - INCOME (con't)

	2023 \$	2022 \$
Sources of grants		
Commonwealth government	244,104	224,101
State government	4,398,823	2,161,005
Other	169,473	1,313,909
	4,812,400	3,699,015
Individually Significant Item		
<i>In June 2023 Council Received an advance payment of the Commonwealth Grants Commission Grant ("FAG") allocated to the 2023/24 financial year. As a result, Councils operating result in the current financial year has increased by \$2,080,647. In April 2022 Council received an advance payment of the FAG allocated to the 2022/23 financial year of \$1,401,440. This reduced the operating result in 2022/23. The net effect in 2022/23 due to the miss allocation of the FAG is a \$679,207 increase in the operating result in 2022/23.</i>	2,080,647	1,401,440
Conditions over grants & contributions		
<i>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:</i>		
<i>Unexpended at the close of the previous reporting period</i>	-	499,677
<i>Less: expended during the current period from revenues recognised in previous reporting periods:</i>		
<i>Roads to Recovery Grant</i>	-	(224,100)
<i>Local Roads and Community Infrastructure Grant</i>	-	(275,577)
<i>Subtotal</i>	-	(499,677)
<i>Plus: amounts recognised as revenues in this reporting period but not yet expended in accordance with the conditions</i>		
<i>Ravendale Inclusive Change Facilities Grant</i>	325,000	-
<i>Age and Dementia Friendly Communities Grant Funding</i>	40,000	-
<i>Climate, Environment and Water Grant</i>	4,250	-
<i>Connected and Active Communities Program Grant</i>	125,000	-
<i>Organic Waste Collection Grant</i>	54,918	-
<i>Local Roads and Community Infrastructure Funding - Phase 3</i>	211,793	-
<i>Subtotal</i>	760,961	-
<i>Unexpended at the close of this reporting period</i>	760,961	-
<i>Net increase / (decrease) in assets subject to conditions in the current reporting period</i>	760,961	(499,677)
PHYSICAL RESOURCES RECEIVED FREE OF CHARGE		
Land & Improvements	20,500	-
TOTAL PHYSICAL RESOURCES RECEIVED	20,500	-

CITY OF PORT LINCOLN
Notes to and forming part of the Financial Statements
for the year ended 30 June 2023

Note 3 - EXPENSE

	Notes	2023 \$	2022 \$
EMPLOYEE COSTS			
Salaries and Wages		5,527,116	5,664,229
Employee leave expense		234,315	238,656
Superannuation - defined contribution plan contributions	18	664,600	595,339
Superannuation - defined benefit plan contributions	18	37,159	34,591
Workers' Compensation Insurance		248,561	217,186
Less: Capitalised and distributed costs		(136,904)	(391,889)
Total Operating Employee Costs		6,574,847	6,358,112
Total Number of Employees		66	68
<i>(Full time equivalent at end of reporting period)</i>			
MATERIALS, CONTRACTS & OTHER EXPENSES			
<u>Prescribed Expenses</u>			
Auditor's Remuneration			
- Auditing the financial reports		23,000	26,030
Bad and Doubtful Debts		3,200	-
Elected members' expenses		243,893	206,832
Election expenses		85,746	-
Subtotal - Prescribed Expenses		355,839	232,862
<u>Other Materials, Contracts & Expenses</u>			
Waste management contract		3,126,245	2,820,031
Utilities		605,536	550,293
Insurance		559,387	458,343
Information technology communications		546,431	437,171
Advertising		34,150	53,376
Legal expenses		61,683	84,962
Levies paid to government - Regional Landscape Levy		712,988	694,331
- other levies		1,068,204	897,234
Library operations		168,874	166,309
Leisure Centre operations		393,407	455,704
Road maintenance expenses		247,246	216,985
External contractors		1,701,701	1,094,426
Repairs, maintenance & materials		57,073	77,275
Parts, accessories & consumables		63,566	57,661
Plant, machinery, fuel & oil		72,865	60,161
Professional services		446,986	306,661
Tourism expenses		751,273	707,748
Sundry		1,938,523	2,127,081
Subtotal - Other Materials, Contracts & Expenses		12,556,138	11,265,752
		12,911,977	11,498,614

CITY OF PORT LINCOLN
Notes to and forming part of the Financial Statements
for the year ended 30 June 2023

Note 3 - EXPENSE con't

	Notes	2023 \$	2022 \$
DEPRECIATION, AMORTISATION & IMPAIRMENT			
Buildings		616,583	663,940
Recycled Water Scheme		115,090	108,318
Road Pavement & Surface		923,787	647,007
Kerbing		350,657	317,972
Footpaths		286,644	242,334
Stormwater		460,838	430,961
Bridges		40,644	40,644
Other Community Assets		937,691	932,812
Leisure Centre		445,187	440,972
Plant & Equipment		206,919	237,739
Furniture & Fittings		68,636	125,884
Resource Recovery Centre - Landfill Cell 4		35,564	35,564
Resource Recovery Centre - Cell 4 Capping Provision		38	1,291
Resource Recovery Centre - Post Closure Remediation Provision		6,838	7,542
Right of Use Assets	17	196,395	193,626
		4,691,511	4,426,606
FINANCE COSTS			
Interest on loans		174,119	187,598
Interest on leases	17	22,816	23,639
Unwinding of present value discounts		50,636	49,220
		247,571	260,457

CITY OF PORT LINCOLN
Notes to and forming part of the Financial Statements
for the year ended 30 June 2023

	2023	2022
	\$	\$
Note 4 - ASSET DISPOSALS AND FAIR VALUE ADJUSTMENTS		
INFRASTRUCTURE, PROPERTY, PLANT & EQUIPMENT		
<i>Assets renewed or directly replaced</i>		
Proceeds from disposal	195,455	15,909
Less: Carrying amount of assets sold	(713,787)	(210,237)
Gain (Loss) on disposal	(518,332)	(194,328)
NET GAIN (LOSS) ON DISPOSAL OR REVALUATION OF ASSETS	(518,332)	(194,328)

Note 5 - CURRENT ASSETS

CASH & EQUIVALENT ASSETS		
Cash on Hand and at Bank	7,018,220	8,802,834
Deposits at Call	1,927,931	1,704,537
	8,946,151	10,507,371
TRADE & OTHER RECEIVABLES		
Rates - General & Other	1,466,978	1,384,158
Accrued Revenues	20,332	11,277
Debtors - general	601,078	426,809
GST Recoupment	23,869	66,017
Prepayments	-	3,167
Sundry	26,764	22,098
	2,139,021	1,913,526
OTHER FINANCIAL ASSETS		
Loans to Community Organisations	89,921	142,797
	89,921	142,797

Note 6 - NON-CURRENT ASSETS

FINANCIAL ASSETS		
Loans to Community Organisations	467,713	557,634
	467,713	557,634
OTHER NON-CURRENT ASSETS		
Capital Works-in-Progress	3,687,760	566,959
	3,687,760	566,959

CITY OF PORT LINCOLN
Notes to and forming part of the Financial Statements
for the year ended 30 June 2023

Note 7 - INFRASTRUCTURE, PROPERTY, PLANT & EQUIPMENT

		2022				2023			
		\$				\$			
	Fair Value Level	Fair Value	Cost	Acc' Dep'n	Carrying Amount	Fair Value	Cost	Acc' Dep'n	Carrying Amount
Land	2	78,360,000	400,000	-	78,760,000	78,360,000	420,500	-	78,780,500
Buildings	2	1,300,000	-	(92,682)	1,207,318	1,288,000	11,785	(121,087)	1,178,698
Buildings	3	34,156,447	777,216	(10,915,118)	24,018,545	32,709,375	2,453,011	(10,645,871)	24,516,515
Recycled Water Scheme	3	3,387,200	32,778	(1,555,836)	1,864,142	3,387,200	50,817	(1,670,926)	1,767,091
Road Pavement & Surface	3	34,046,396	3,505,920	(12,561,182)	24,991,134	46,561,927	577,750	(14,910,136)	32,229,541
Kerbing	3	22,291,870	23,632	(7,451,904)	14,863,598	24,629,843	-	(8,544,710)	16,085,133
Footpaths	3	13,866,130	766,943	(3,059,550)	11,573,523	16,989,671	204,746	(4,561,078)	12,633,339
Stormwater	3	32,912,560	1,662,845	(11,077,213)	23,498,192	32,818,555	1,856,739	(11,474,519)	23,200,775
Bridges	3	5,308,200	9,359	(624,423)	4,693,136	5,308,200	9,359	(665,067)	4,652,492
Other Community Assets	3	29,655,821	2,070,060	(12,695,312)	19,030,569	29,501,061	3,681,952	(13,521,779)	19,661,234
Leisure Centre	3	15,335,591	5,385,711	(4,974,260)	15,747,042	15,335,591	5,467,031	(5,419,447)	15,383,175
Plant & Equipment		-	2,660,618	(1,716,579)	944,039	-	2,880,611	(1,717,632)	1,162,979
Furniture & Fittings		-	1,774,762	(1,614,196)	160,566	-	1,789,259	(1,592,269)	196,990
Resource Recovery Centre - Landfill Cell 4		-	1,423,579	(462,585)	960,994	-	1,423,579	(498,149)	925,430
Resource Recovery Centre - Cell 4 Capping Provision	3	834,558	-	(792,928)	41,630	794,198	-	(792,966)	1,232
Resource Recovery Centre - Post Closure Remediation Provision	3	469,481	-	(221,132)	248,349	446,777	-	(227,970)	218,807
Right of Use Assets	3	1,133,723	-	(517,013)	616,710	1,133,723	-	(713,408)	420,315
Total IPP&E		273,057,977	20,493,423	(70,331,913)	223,219,487	289,264,121	20,827,139	(77,077,014)	233,014,246
Comparatives		262,757,451	26,298,221	(65,228,140)	223,827,532	273,057,977	20,493,423	(70,331,913)	223,219,487

This Note continues on the following pages.

CITY OF PORT LINCOLN
Notes to and forming part of the Financial Statements
for the year ended 30 June 2023

Note 7 (con't) - INFRASTRUCTURE, PROPERTY, PLANT & EQUIPMENT

	2022	Carrying Amounts Movement During the Year					2023	
	\$	\$					\$	
	Carrying Amount	Additions		Disposals	Dep'n	Adjustments	Net Reval'n	Carrying Amount
New / Upgrade		Renewals						
Land	78,760,000	20,500	-	-	-	-	-	78,780,500
Buildings	1,207,318	-	11,785	(9,586)	(30,819)	-	-	1,178,698
Buildings	24,018,545	910,891	764,904	(592,061)	(585,764)	-	-	24,516,515
Recycled Water Scheme	1,864,142	-	18,039	-	(115,090)	-	-	1,767,091
Road Pavement & Surface	24,991,134	-	577,750	(3,389)	(923,787)	-	7,587,833	32,229,541
Kerbing	14,863,598	-	-	-	(350,657)	-	1,572,192	16,085,133
Footpaths	11,573,523	180,009	24,737	-	(286,644)	-	1,141,714	12,633,339
Stormwater	23,498,192	-	193,894	(30,473)	(460,838)	-	-	23,200,775
Bridges	4,693,136	-	-	-	(40,644)	-	-	4,652,492
Other Community Assets	19,030,569	1,605,780	6,112	(43,536)	(937,691)	-	-	19,661,234
Leisure Centre	15,747,042	-	81,320	-	(445,187)	-	-	15,383,175
Plant & Equipment	944,039	379,878	72,807	(26,826)	(206,919)	-	-	1,162,979
Furniture & Fittings	160,566	47,618	65,358	(7,916)	(68,636)	-	-	196,990
Resource Recovery Centre - Landfill Cell 4	960,994	-	-	-	(35,564)	-	-	925,430
Resource Recovery Centre - Cell 4 Capping Provision	41,630	-	-	-	(38)	(40,360)	-	1,232
Resource Recovery Centre - Post Closure Remediation Provision	248,349	-	-	-	(6,838)	(22,704)	-	218,807
Right of Use Assets	616,710	-	-	-	(196,395)	-	-	420,315
Total IPP&E	223,219,487	3,144,676	1,816,706	(713,787)	(4,691,511)	(63,064)	10,301,739	233,014,246
Comparatives	223,827,532	1,254,805	2,232,019	(210,237)	(4,426,606)	(2,513,931)	3,055,905	223,219,487

This note continues on the following pages.

CITY OF PORT LINCOLN
Notes to and forming part of the Financial Statements
for the year ended 30 June 2023

Note 7 (con't) – INFRASTRUCTURE, PROPERTY, PLANT & EQUIPMENT

Valuation of Assets

General Valuation Principles

Accounting procedure: 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, fair value is taken to be the current replacement cost.

Highest and best use: For land which Council has an unfettered right to sell, the "highest and best use" recognises the possibility of the demolition or substantial modification of some or all of the existing buildings and structures affixed to the land.

Much of the land under Council's care and control is Crown land or has been declared as community land under the provisions of the Local Government Act 1999. Other types of restrictions also exist.

For land subject to these restrictions, 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". The reason for the current use of a large proportion of Council's assets being other than the "highest and best use" relates to Council's principal role as the provider of services to the community, rather than the use of those assets for the generation of revenue.

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

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

The determination of the cost to construct the asset (or its modern engineering equivalent) using current prices for materials and labour, the quantities of each being estimated based on recent experience of this or similar Councils, or on industry construction guides where these are more appropriate.

The calculation of the depreciation that would have accumulated since original construction using current estimates of residual value and useful life under the prime cost depreciation method adopted by Council.

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

CITY OF PORT LINCOLN
Notes to and forming part of the Financial Statements
for the year ended 30 June 2023

Note 7 (con't) – INFRASTRUCTURE, PROPERTY, PLANT & EQUIPMENT

Capitalisation thresholds used by Council for a representative range of assets are shown below. No capitalisation threshold is applied to the acquisition of land or interests in land, nor any other assets not listed below.

Office Furniture & Fittings	3,000
Office Equipment	3,000
Plant & Equipment	3,000

Estimated Useful Lives: Useful lives are estimated for each individual asset. In estimating useful lives, regard is had to technical and commercial obsolescence, as well as legal and other limitations on continued use. The range of useful lives for a representative range of assets is shown below, although individual assets may have an estimated total useful life of greater or lesser amount:

Building Assets	4 to 300 years
Recycled Water Scheme Assets	5 to 150 years
Road Surface Assets	13 to 66 years
Road Base Assets	60 to 300 years
Kerb & Gutter Assets	50 to 70 years
Footpath Assets	20 to 200 years
Stormwater Assets	10 to 100 years
Bridge Assets	50 to 200 years
Other Community Assets	5 to 210 years
Leisure Centre Assets	5 to 150 years
Plant & Equipment	2 to 20 years
Furniture & Fittings	2 to 30 years
Resource Recovery Centre Landfill Cell 4	30 to 40 years
Right of Use Assets	1 to 20 years

CITY OF PORT LINCOLN

Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

Note 7 (con't) – INFRASTRUCTURE, PROPERTY, PLANT & EQUIPMENT

Land & Land Improvements

Council being of the opinion that it is not possible to attribute a value sufficiently reliably to qualify for recognition, land under roads has not been recognised in these reports. 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.

Freehold land and land over which Council has control, but does not have title, is recognised on the cost basis. No capitalisation threshold is applied to the acquisition of land or interests in land.

Land assets were last revalued as at 30 June 2019 by APV.

Buildings, Other Community Assets & Leisure Centre

Buildings, Other Community Assets and Leisure Centre assets were revalued as at 30 June 2019 by APV, using the market and fair value valuation techniques. All acquisitions made after the respective date of valuation are recorded at cost.

Infrastructure

Road pavement and surface, kerbing & footpath asset classes were recently revalued by Tonkin Consulting as at 1 July 2022. All acquisitions made after the respective valuation date are recorded at cost.

Stormwater assets were revalued by Tonkin Consulting as at 1 July 2021. All acquisitions made after the respective date of valuation are recorded at cost.

Bridge assets were revalued by APV as at 1 July 2019 using the fair value technique.

Plant, Equipment, Furniture & Fittings

These assets are recognised on the cost basis.

Recycled Water Scheme

Recycled water scheme assets were revalued by APV as at 1 July 2019 using the fair value technique. All acquisitions made after the respective date of revision are recorded at cost.

Resource Recovery Centre

The Resource Recovery Centre asset class' are valued based on Net Present Value of future cash outflows expected to cap, rehabilitate and restore the landfill assets. The last revaluation occurred as at 1 July 2020 by GHD. Council undertakes an annual review of the Cell 4 Capping Provision and Post Closure Remediation Provision.

Right of Use Assets

The accounting of Councils right to use assets is detailed in Note 17. Council last undertook an assessment of the right of use assets as at 1 July 2019.

CITY OF PORT LINCOLN
Notes to and forming part of the Financial Statements
for the year ended 30 June 2023

Note 8 - LIABILITIES

	Notes	2023		2022	
		Current	Non-current	Current	Non-current
TRADE & OTHER PAYABLES					
Goods & Services		2,225,103	-	2,124,405	-
Payments received in advance		1,072,676	-	690,348	-
Accrued expenses - employee entitlements		27,237	-	206,985	-
Accrued expenses - other		63,166	-	63,799	-
Aged Care Facility Deposits		704,625	-	850,750	-
GST Payable		4,554	-	2,269	-
Other		283,575	-	35,420	-
		4,380,936	-	3,973,976	-
BORROWINGS					
Loans		499,541	5,854,524	520,010	6,355,497
Leases Liabilities	17	209,432	250,065	198,280	459,497
		708,973	6,104,589	718,290	6,814,994
PROVISIONS					
Employee entitlements - Long Service Leave		423,198	45,628	413,214	124,391
Employee entitlements - Annual Leave		488,167	-	469,212	-
Resource Recovery Centre - Cell 4 Capping		-	859,081	-	867,035
Resource Recovery Centre - Post Closure Remediation		-	483,277	-	487,751
		911,365	1,387,986	882,426	1,479,177

Movements in Provisions 2023 year only <i>(current & non-current)</i>	<i>Resource Recovery Centre - Cell 4 Capping</i>	<i>Resource Recovery Centre - Post Closure Remediation</i>
Opening Balance	867,035	487,751
Add Unwinding of present value discounts	32,406	18,230
Add (Less) Remeasurement Adjustments	(40,360)	(22,704)
Closing Balance	859,081	483,277

CITY OF PORT LINCOLN
Notes to and forming part of the Financial Statements
for the year ended 30 June 2023

Note 9 - RESERVES

ASSET REVALUATION RESERVE	1/7/2022	Net Increments/ (Decrements)	Transfers, Impairments	30/6/2023
	\$	\$	\$	\$
Land	84,185,468	-	-	84,185,468
Buildings	22,526,593	-	-	22,526,593
Recycled Water Scheme	522,478	-	-	522,478
Road Pavement & Surface	13,808,556	7,587,833	-	21,396,389
Kerbing	14,821,925	1,572,192	-	16,394,117
Footpaths	9,500,650	1,141,714	-	10,642,364
Stormwater	14,004,998	-	-	14,004,998
Bridges	1,030,092	-	-	1,030,092
Other Community Assets	13,820,648	-	-	13,820,648
Lesiure Centre	4,398,003	-	-	4,398,003
TOTAL	178,619,411	10,301,739	-	188,921,150
Comparatives	175,563,506	3,055,905	-	178,619,411

OTHER RESERVES	1/7/2022	Transfers to Reserve	Transfers from Reserve	30/6/2023
	\$	\$	\$	\$
Community Pier Fund	30,434	880	-	31,314
Prepaid Burials	62,196	4,029	(5,160)	61,065
Open Space Contributions	73,424	2,073	-	75,497
Community Infrastructure Fund	520,743	14,711	-	535,454
CBD Carpark	320,927	9,052	-	329,979
Kirton Court Capital Upgrade	93,541	2,641	-	96,182
Risk Management Fund	247,255	84,677	-	331,932
Indoor Acquaic Facility Reserve	18	1,744	(1,762)	-
TOTAL OTHER RESERVES	1,348,538	119,807	(6,922)	1,461,423
Comparatives	1,268,009	1,182,543	(1,102,014)	1,348,538

PURPOSES OF RESERVES

Asset Revaluation Reserve

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).

Other Reserves

Community Pier Fund - Funds held for improvement to community pier infrastructure.

Prepaid Burials - Payment received for burials that will occur in the future.

Open Space Contributions - Funds held specifically for the development of Open Spaces.

Community Infrastructure Fund - Income from sale of significant assets held for the projects identified in the Strategic Directions Plan.

CBD Carpark - Funds received from Developers in lieu of parking allocations, for future parking development.

Kirton Court Capital Upgrades - Funds held for the upgrade of Kirton Court Units as required.

Risk Management Fund - Funds held for the implementation of Risk Management & WHS Initiatives.

Indoor Acquaic Facility Fund - Account used to hold remaining funds from the refurbishment of the Facility. Council closed this account during the financial year.

CITY OF PORT LINCOLN
Notes to and forming part of the Financial Statements
for the year ended 30 June 2023

Note 10 - ASSETS SUBJECT TO RESTRICTIONS

The uses of the following assets are restricted, wholly or partially, by legislation or other externally imposed requirements. The assets are required to be utilised for the purposes for which control was transferred to Council, or for which the revenues were originally obtained.

	2023	2022
CASH & FINANCIAL ASSETS	\$	\$
Way 2 Go - Footpath Grant Funding	-	33,000
Whait Reserve redevelopment funding	-	322,910
TOTAL ASSETS SUBJECT TO EXTERNALLY IMPOSED RESTRICTIONS	-	355,910

CITY OF PORT LINCOLN
Notes to and forming part of the Financial Statements
for the year ended 30 June 2023

Note 11 - RECONCILIATION TO CASH FLOW STATEMENT

(a) Reconciliation of Cash

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

	Notes	2023 \$	2022 \$
Total cash & equivalent assets	5	8,946,151	10,507,371
Balances per Cash Flow Statement		<u>8,946,151</u>	<u>10,507,371</u>

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

Net Surplus (Deficit)		1,510,312	1,323,599
Non-cash items in Income Statement			
Depreciation, amortisation & impairment		4,691,511	4,426,606
Net increase (decrease) in unpaid employee benefits		(229,572)	(94,493)
Non-cash asset acquisitions		(20,500)	-
Grants for capital acquisitions treated as Investing Activity		(1,460,182)	(202,000)
Net (Gain) Loss on Disposals		518,332	194,328
		<u>5,009,901</u>	<u>5,648,040</u>
Add (Less): Changes in Net Current Assets			
Net (increase) decrease in receivables		(223,210)	(299,508)
Net increase (decrease) in trade & other payables		773,809	1,542,615
Net increase (decrease) in other provisions		-	49,220
Net Cash provided by (or used in) operations		<u>5,560,500</u>	<u>6,940,367</u>

(c) Non-Cash Financing and Investing Activities

Acquisition of assets by means of:

Physical resources received free of charge	8	20,500	-
		<u>20,500</u>	<u>-</u>

(d) Financing Arrangements

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

Bendigo Bank Variable Interest Rate Loan		2,700,000	2,900,000
Corporate Credit Cards		20,000	20,000
Local Government Finance Authority Cash Advance Debenture facilities		4,900,000	4,900,000

The Bendigo Bank Variable Interest Rate Loan's full draw down capacity at 30 June 2023 was \$2,700,000, however Council had drawn down \$2,698,569 leaving a \$1,431 credit. The balance of the corporate credit card is cleared in full each month via a direct debit to Council's at call account, therefore interest charges are avoided. The Cash Advance Debenture facilities may be drawn down at any time by Council.

CITY OF PORT LINCOLN
Notes to and forming part of the Financial Statements
for the year ended 30 June 2023

Note 12 - FUNCTIONS

INCOMES, EXPENSES AND ASSETS HAVE BEEN DIRECTLY ATTRIBUTED TO THE FOLLOWING FUNCTIONS & ACTIVITIES

	INCOME		EXPENSES		OPERATING SURPLUS (DEFICIT)		GRANTS INCLUDED IN INCOME		TOTAL ASSETS HELD (CURRENT & NON-CURRENT)	
	ACTUAL	ACTUAL	ACTUAL	ACTUAL	ACTUAL	ACTUAL			2023	2022
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Administration	16,609,119	15,367,876	5,753,912	4,777,341	10,855,207	10,590,535	2,353,259	1,898,931	101,766,162	100,125,879
Public Order & Safety	163,834	155,391	583,204	576,926	(419,370)	(421,535)	-	-	245,945	245,945
Health	24,562	18,430	261,412	321,368	(236,850)	(302,938)	-	-	5,596	5,596
Social Security & Welfare	31,567	40,239	36,751	189,854	(5,184)	(149,615)	-	5,000	13,631	11,432
Housing & Community Services	4,876,081	4,660,682	6,012,119	5,654,438	(1,136,038)	(993,756)	175,688	65,615	26,116,182	26,478,030
Protection of the Environment	42,441	38,724	191,207	180,708	(148,766)	(141,984)	-	-	3,317,603	3,414,654
Sport Recreation & Culture	780,987	831,451	4,734,681	4,541,305	(3,953,694)	(3,709,854)	857,349	311,201	31,704,336	31,017,212
Mining, Manufacture & Construction	64,371	93,131	130,034	166,319	(65,663)	(73,188)	-	-	-	-
Transport & Communication	1,089,589	1,138,973	2,315,615	1,893,305	(1,226,026)	(754,332)	1,099,913	1,149,865	37,075,884	27,596,773
Economic Affairs	833,835	757,500	1,626,761	1,521,240	(792,926)	(763,740)	326,191	268,403	743,545	244,204
Other Purposes	886,563	757,319	2,780,209	2,720,985	(1,893,646)	(1,963,666)	-	-	47,355,928	47,768,050
TOTALS	25,402,949	23,859,716	24,425,906	22,543,789	977,043	1,315,927	4,812,400	3,699,015	248,344,812	236,907,775

CITY OF PORT LINCOLN

Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

Note 12 (con't) - COMPONENTS OF FUNCTIONS

The activities relating to Council functions are as follows:

Administration & Governance

Governance, Administration, Elected Members, Organisational Support Services, Accounting/Finance, Payroll, Human Resources, Information Technology, Grant Funding, Communication, Rates Administration, Records, Contract Management, Customer Service, Other Support Services, Revenues, LGGC - General Purpose.

Public Order

Dog and Cat Control and Fire Protection.

Health

Health Services, Health Inspection, Pest Control, Health, Immunisation.

Social Security & Welfare

Aged Homes Facilities, Crime Prevention, Youth, Family, Community Support.

Housing & Community Amenities

Cemeteries, Crematoria, Public Conveniences, Sanitary and Garbage, Waste Management, Domestic Waste, Green Waste, Recycling, Street Cleaning, Street Lighting, Town Planning, Stormwater and Drainage.

Protection of the Environment

Coastal Protection, Recycled Water Scheme.

Sport & Recreation

Jetties, Other Marine Facilities, Parks & Gardens, Indoor and Outdoor Sports Facilities, Swimming Facility, Halls, Library, Performing Arts and Other Recreation.

Mining, Manufacturing & Construction

Building Act Work.

Transport & Communication

Bridges, Footpaths and Kerbing, Roads - sealed, Roads - Formed, Roads - Natural Formed, Roads - Unformed, Traffic Management, LGGC - Roads and other Transport.

Economic Affairs

Economic Development, Tourism, Regional Contribution, Parking Off Street.

Other Purposes

Public Debt Transactions, Plant Operations, Depot, Vandalism, Transport Asset Management.

CITY OF PORT LINCOLN
Notes to and forming part of the Financial Statements
for the year ended 30 June 2023

Note 13 - FINANCIAL INSTRUMENTS

All financial instruments are categorised as *loans and receivables*.

Accounting Policies - Recognised Financial Instruments

Bank, Deposits at Call, Short Term Deposits

Accounting Policy: Carried at lower of cost and net realisable value. Interest is recognised when earned.

Terms & conditions: The transaction bank account returned variable interest rates range of 1.45% to 4.20% (2021/22: 0.35% and 1.05%). Deposits at call returned variable interest rates range of 1.55% to 4.30% (2021/22: 0.30%, 0.55% and 1.05%). Council did not secure a short term deposit in 2022/23.

Carrying amount: Approximates fair value due to the short term to maturity.

Receivables - Rates & Associated

Accounting Policy: Carried at nominal values less any allowances 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 0.42% (2021/22: 0.42%). Although 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 - Fees & other charges

Accounting Policy: Carried at nominal values less any allowance for doubtful debt. 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. Although 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).

Liabilities - Creditors and Accruals

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

Terms & conditions: Liabilities are normally settled on 30 day terms.

Carrying amount: Approximates fair value.

Liabilities - Retirement Home Contributions

Accounting Policy: To avoid inconvenience when complying with the separate audit requirements imposed by the relevant legislation, amounts are carried at nominal values.

Terms & conditions: Pursuant to Commonwealth legislation certain intending residents are required to contribute amounts on an interest free basis. The amounts are subject to certain deductions as prescribed by the legislation, the balance being repaid on termination of tenancy.

Carrying amount: approximates fair value for short tenancies; may be non-materially over-stated for longer tenancies.

CITY OF PORT LINCOLN
Notes to and forming part of the Financial Statements
for the year ended 30 June 2023

Note 13 - FINANCIAL INSTRUMENTS (con't)

Liabilities - Interest Bearing Borrowings

Accounting Policy: Carried at the principal amounts. Interest is charged as an expense as it accrues.

Terms & conditions: secured over future revenues, borrowings are repayable (six monthly); interest is charged at fixed interest rates range of 2.00% to 5.60% (2021/22: range of 2.00% to 5.60%) and variable interest rates range of 3.64% and 5.96% (2021/22: 1.93%, 1.97% and 3.64%).

Carrying amount: Approximates fair value.

Liquidity Analysis

2023	Due < 1 year	Due > 1 year ≤ 5 years	Due > 5 years	Total Contractual Cash Flows	Carrying Values
Financial Assets	\$	\$	\$	\$	\$
Cash & Equivalents	8,946,151	-	-	8,946,151	8,946,151
Receivables	2,068,056	-	-	2,068,056	2,068,056
Other Financial Assets	113,743	434,145	77,778	625,666	557,634
Total	11,127,950	434,145	77,778	11,639,873	11,571,841
Financial Liabilities					
Payables	3,649,074	704,625	-	4,353,699	4,353,699
Current Borrowings	825,794	-	-	825,794	499,541
Lease Liabilities	221,750	212,996	56,656	491,402	459,497
Non-Current Borrowings	-	3,073,337	4,718,914	7,792,251	5,854,524
Total	4,696,618	3,990,958	4,775,570	13,463,146	11,167,261

2022	Due < 1 year	Due > 1 year; ≤ 5 years	Due > 5 years	Total Contractual Cash Flows	Carrying Values
Financial Assets	\$	\$	\$	\$	\$
Cash & Equivalents	10,507,371	-	-	10,507,371	10,507,371
Receivables	1,913,526	-	-	1,913,526	1,913,526
Other Financial Assets	174,730	498,622	294,851	968,203	700,431
Total	12,595,627	498,622	294,851	13,389,100	13,121,328
Financial Liabilities					
Payables	2,852,442	850,750	-	3,703,192	3,703,192
Current Borrowings	718,510	-	-	718,510	520,010
Lease Liabilities	215,873	429,810	61,590	707,273	657,777
Non-Current Borrowings	-	2,576,580	4,880,242	7,456,822	6,355,497
Total	3,786,825	3,857,140	4,941,832	12,585,797	11,236,476

CITY OF PORT LINCOLN
Notes to and forming part of the Financial Statements
for the year ended 30 June 2023

Note 13 - FINANCIAL INSTRUMENTS (con't)

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

	30 June 2023		30 June 2022	
	Weighted Average Interest Rate	Carrying Value	Weighted Average Interest Rate	Carrying Value
	%	\$	%	\$
Other Variable Rates	5.96	2,698,569	3.64	2,898,501
Fixed Interest Rates	4.59	3,655,497	4.59	3,977,006
		<u>6,354,066</u>		<u>6,875,507</u>

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.

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. Except as detailed in Notes 5 & 6 in relation to individual classes of receivables, exposure is concentrated within the Council's boundaries, and there is no material exposure to any individual debtor.

Market Risk is the risk that fair values of financial assets will fluctuate as a result of changes in market prices. All of Council's financial assets are denominated in Australian dollars and are not traded on any market, and hence neither market risk nor currency risk apply.

Liquidity Risk is the risk that Council will encounter difficulty in meeting obligations with financial liabilities. In accordance with the model Treasury Management Policy (LGA Information Paper 15), liabilities have a range of maturity dates. Council also has available a range of bank overdraft and standby borrowing facilities that it can access.

Interest Rate Risk is the risk that future cash flows will fluctuate because of changes in market interest rates. Council has a balance of both fixed and variable interest rate borrowings and investments. Cash flow fluctuations are managed holistically in seeking to minimise interest costs over the longer term in a risk averse manner.

Expected Credit Losses (ECLs). Council has made an assessment on possible future losses and does not expect material future credit losses.

CITY OF PORT LINCOLN
Notes to and forming part of the Financial Statements
for the year ended 30 June 2023

Note 14 - COMMITMENTS FOR EXPENDITURE

	2023	2022
	\$	\$
Capital Commitments		
Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:		
Foreshore Project - Seawall & Parnkalla Trail	887,214	-
Foreshore Plaza	1,260,077	-
Foreshore Project	-	874,514
Town Jetty renewal	1,167,589	-
Marina Footbridge - safety upgrades	93,298	-
Nelson Square Project	280,224	-
Whait Reserve Redevelopment Project - Boardwalk & Nature Play	90,000	-
Whait Reserve Redevelopment Project - Footpaths	-	158,393
Resource Recovery Centre Flare	7,425	-
	3,785,827	1,032,907
These expenditures are payable:		
Not later than one year	3,785,827	1,032,907
	3,785,827	1,032,907

CITY OF PORT LINCOLN
Notes to and forming part of the Financial Statements
for the year ended 30 June 2023

Note 15 - FINANCIAL INDICATORS

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. Detailed methods of calculation are set out in the SA Model Statements.

	2023	2022	2021
Operating Surplus Ratio			
<u>Operating Surplus</u>	3.8%	5.5%	2.7%
Total Operating Income			

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

Net Financial Liabilities Ratio

<u>Net Financial Liabilities</u>	7%	3%	24%
Total Operating Income			

Net Financial Liabilities are defined as total liabilities less financial assets. These are expressed as a percentage of total operating revenue.

Adjustments to Ratios

*In recent years the Federal Government has made advance payments prior to 30th June from future year allocations of financial assistance grants, as explained in Note 1. These **Adjusted Ratios** correct for the resulting distortion in key ratios for each year and provide a more accurate basis for comparison.*

Adjusted Operating Surplus Ratio	1.2%	3.4%	2.8%
Adjusted Net Financial Liabilities Ratio	16%	9%	28%

Asset Renewal Funding Ratio

<u>Outlays on Existing Assets</u>	144%	101%	29%
Asset Renewals - Strategic Asset Management Plan			

Net asset renewals expenditure is defined as net 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 PORT LINCOLN
Notes to and forming part of the Financial Statements
for the year ended 30 June 2023

Note 16 - UNIFORM PRESENTATION OF FINANCES

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, adjusted for timing differences associated with prepaid Federal assistance Grants required to be recognised as revenue on receipt in accordance with Australian Accounting Standards.

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

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

	2023	2022
	\$	\$
Income		
<i>Rates</i>	16,384,160	15,695,753
<i>Statutory charges</i>	349,092	381,863
<i>User charges</i>	2,914,073	2,723,218
<i>Grants, subsidies and contributions - Operating</i>	3,352,218	2,965,097
<i>Investment income</i>	275,193	67,326
<i>Reimbursements</i>	624,188	553,496
<i>Other income</i>	1,074,944	941,045
	25,402,949	23,859,716
Expenses		
<i>Employee costs</i>	(6,574,847)	(6,358,112)
<i>Materials, contracts and other expenses</i>	(12,911,977)	(11,498,614)
<i>Depreciation, amortisation and impairment</i>	(4,691,511)	(4,426,606)
<i>Finance costs</i>	(247,571)	(260,457)
	(24,425,906)	(22,543,789)
Operating Surplus / (Deficit)	977,043	1,315,927
<i>Timing adjustment for grant revenue</i>	(679,207)	(510,497)
Adjusted Operating Surplus / (Deficit)	297,836	805,430
Net Outlays on Existing Assets		
Capital Expenditure on renewal and replacement of Existing Assets	(3,452,693)	(2,635,862)
Add back Depreciation, Amortisation and Impairment	4,691,511	4,426,606
Proceeds from Sale of Replaced Assets	195,455	15,909
	1,434,273	1,806,653
Net Outlays on New and Upgraded Assets		
Capital Expenditure on New and Upgraded Assets	(4,608,989)	(1,254,805)
Amounts received specifically for New and Upgraded Assets	1,031,101	202,000
	(3,577,888)	(1,052,805)
Annual Net Impact to Financing Activities (Surplus/(Deficit))	(1,845,779)	1,559,278

CITY OF PORT LINCOLN
Notes to and forming part of the Financial Statements
for the year ended 30 June 2023

Note 17 - LEASES

Council as a Lessee

Right of Use Assets

Council is lessee of five non-cancellable operating leases within Port Lincoln. Four for buildings and one for a marina pontoon.

Set out below are the carrying amounts (written down value) of right of use assets recognised within Infrastructure Property, Plant & Equipment:

Right of Use Assets (<i>Carrying Value</i>)	Building & Other Structures
	\$
At 1 July 2022	616,710
Depreciation Charge	(196,395)
At 30 June 2023	420,315

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

	2023
	\$
Opening Balance 1 July 2022	657,777
Interest	22,816
Payments	(221,096)
Closing Balance 30 June 2023	459,497
Current	209,432
Non Current	250,065

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

Council had total cash outflows for leases of: \$ 221,096

The following are amounts recognised on profit or loss:

Depreciation expense right of use assets	196,395
Interest expense on lease liabilities	50,636
Total amount recognised in profit and loss	247,031

Council as a Lessor

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

Future minimum rentals receivable under non-cancellable operating leases as at 30 June 2023 are as follows:

	2023	2022
	\$	\$
Within one year	52,539	46,922
After one year but not more than five years	52,367	89,159
	104,906	136,081

CITY OF PORT LINCOLN
Notes to and forming part of the Financial Statements
for the year ended 30 June 2023

Note 18 – SUPERANNUATION

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

Accumulation only Members

Accumulation only members receive both employer and employee contributions on a progressive basis. Employer contributions are based on a fixed percentage of ordinary time earnings in accordance with superannuation guarantee legislation (10.5% in 2022-23; 10% 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.

Superannuation - City of Port Lincoln Enterprise Bargaining Agreement 2022-2025

Council also contributes additional 3% superannuation payments, for employees who are covered by the City of Port Lincoln Enterprise Bargaining Agreement. Staff that are permanent employees under the Local Government, Tourism & Hospitality Award also receive an additional 3% contribution, while staff who fall outside of the Enterprise Bargaining Agreement on Individual Common Law Contracts receive an additional contribution between 1.5% and 3% dependent on negotiation and existing contracts.

CITY OF PORT LINCOLN

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

Note 19 - CONTINGENT ASSETS AND CONTINGENT LIABILITIES

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

1. LAND UNDER ROADS

As reported elsewhere in these 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 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.

At reporting date, Council controlled 166 km of road reserves of average width 20 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 a deductible "insurance excess", the amount of which varies according to the class of insurance.

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

3. BANK GUARANTEES

Council held bank guarantees for various projects from contractors, amounting to \$1,352,061 (2021/22: \$1,204,167) at reporting date.

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

4. LEGAL EXPENSES

Council is the planning consent authority for its area under the Development Act 1993 (as amended). Pursuant to that Act, certain persons aggrieved by a planning decision of the Council may appeal. It is normal practice that parties bear their own legal costs. At the date of these reports, Council had notice of nil appeals against planning decisions made prior to reporting date. All known costs have been recognised, but the amount of further costs cannot be known until the appeals are determined.

CITY OF PORT LINCOLN
Notes to and forming part of the Financial Statements
for the year ended 30 June 2023

Note 20 - RELATED PARTY DISCLOSURES

KEY MANAGEMENT PERSONNEL

The Key Management Personnel ("KMP") of the Council include the Mayor, Councillors, CEO and certain prescribed officers under section 112 of the Local Government Act 1999. In all, 28 persons were paid the following total compensation:

	2023	2022
	\$	\$
Salaries, allowances & other short term benefits	1,809,319	1,781,117
Long term benefits	178,214	202,079
Termination benefits	-	47,917
TOTAL	1,987,533	2,031,113

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

	2023	2022
	\$	\$
Contributions for fringe benefits tax purposes	14,450	13,890
Planning and building applications fees	-	2,400
TOTAL	14,450	16,290

PARTIES RELATED TO KEY MANAGEMENT PERSONNEL

Relatives of KMPs own retail businesses from which various supplies were purchased as required either for cash or on 15 day account. Purchases from none of these individual businesses exceeded \$6,635 during the year. The cumulative spend to these related party business' totalled \$8,753 during the financial year with a total outstanding creditor amount of \$282.

Three close family members of KMP are employed by Council in accordance with the terms of the Award, and as recorded in the public Register of Salaries maintained in accordance with section 105 of the *Local Government Act 1999*.

One KMP is an Independent Member of the Eyre Peninsula Landscapes Board. Council collected \$712,806 on behalf of this Board and paid \$712,806 to the Board during the year.

One KMP received a sitting fee for chairing a Board of Council amounting to \$906.

Four KMP were on local Community Boards which received a cumulative amount of \$45,000 in community grant funding from Council during the year.

KMP or close family members (including related parties) lodged a total of one planning and building application during the year. In accordance with the Local Government Act 1999, this person declared conflicts of interest and took no part in the assessment or approval processes for these applications.

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Independent Auditor's Report

To the members of the City of Port Lincoln

Opinion

We have audited the accompanying financial report of the City of Port Lincoln (the Council), which comprises the statement of financial position as at 30 June 2023, statement of comprehensive income, statement of changes in equity, the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and the Certification of the Financial Statements.

In our opinion, the financial report presents fairly, in all material aspects, the financial position of the Council as at 30 June 2023, and its financial performance and its cash flows for the year then ended in accordance with the *Local Government Act 1999* and the *Local Government (Financial Management) Regulation 2011* and the Australian Accounting Standards.

Basis for Opinion

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

Council's Responsibility for the Financial Report

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

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

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

Auditor's Responsibilities for the Audit of the Financial Report

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

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

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

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

DEAN NEWBERY



JIM KEOGH
Director

19/10/2023

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INDEPENDENT ASSURANCE REPORT ON THE INTERNAL CONTROLS OF THE CITY OF PORT LINCOLN

Opinion

In our opinion, the City of Port Lincoln (the Council) has complied, in all material respects, with Section 125 of the *Local Government Act 1999* in relation to the Internal Controls established by the Council relating to the receipt, expenditure and investment of money, acquisition and disposal of property and incurring of liabilities so as to provide reasonable assurance that the financial transactions of the Council have been conducted properly and in accordance with law for the period 1 July 2022 to 30 June 2023.

Basis for opinion

We have audited the Internal Controls of the Council under the requirements of *Section 125 of the Local Government Act 1999* in relation only to the Internal Controls established by the Council to ensure that financial transactions relating to the receipt, expenditure and investment of money, acquisition and disposal of property and incurring of liabilities for the period 1 July 2022 to 30 June 2023 have been conducted properly and in accordance with law.

We conducted our engagement in accordance with Standard on Assurance Engagements *ASAE 3000 Assurance Engagements Other than Audits or Reviews of Historical Financial Information* and *ASAE 3150 Assurance Engagements on Controls* issued by the Auditing and Assurance Standards Board.

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

The Council's Responsibility for the Internal Controls

The Council is responsible for implementing and maintaining an adequate system of internal controls, in accordance with *Section 125 of the Local Government Act 1999* to ensure that the receipt, expenditure and investment of money, the acquisition and disposal of property, and incurring of liabilities have been conducted properly and in accordance with law.

Our Independence and Quality Control

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

Assurance Practitioner's Responsibilities

Our responsibility is to express an opinion on the Council's compliance with *Section 125 of the Local Government Act 1999* in relation only to the Internal Controls established by the Council to ensure that financial transactions relating to the receipt, expenditure and investment of money, acquisition and disposal of property and incurring of liabilities, based on our procedures have been conducted properly and in accordance with law.

ASAE 3150 requires that we plan and perform our procedures to obtain reasonable assurance about whether, in all material respects, the controls are suitably designed to achieve the control objectives and the controls operating effectively through the period. ASAE 3000 also requires us to comply with the relevant ethical requirements for the Australian professional accounting bodies.

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

Limitation on Use

This report has been prepared for the members of the Council in accordance with *Section 129(1)(b) of the Local Government Act 1999* in relation to the Internal Controls specified above. We disclaim any assumption of responsibility for any reliance on this report to any persons or users other than the members of the Council, or for any purpose other than that for which it was prepared.

Limitations of Controls

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

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

DEAN NEWBERY



JIM KEOGH

Director

19/10/2023



City of Port Lincoln

Seafood Capital of Australia

Annual 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 City of Port Lincoln for the year ended 30 June 2023, the Council's Auditor, Dean Newbery & Partners, 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*.

Peter Bond
CHIEF EXECUTIVE OFFICER

Pamela Lee
PRESIDING MEMBER
AUDIT & RISK COMMITTEE

Date: 10 October 2023

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Certification of Auditor's Independence

I confirm that, for the audit of the financial statements of the City of Port Lincoln 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, Part 4A, published by the Accounting Professional and Ethical Standards Board, in accordance with the *Local Government Act 1999 and the Local Government (Financial Management) Regulations 2011* made under that Act.

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



JIM KEOGH

Director

DEAN NEWBERY

19/10/2023

CONTACT

Council Administration

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