



ANNUAL FINANCIAL REPORT

For the year ended 30 June 2001

OPERATING STATEMENT

For the year ended 30 June 2001

	Note	2001 \$'000	2000 \$'000
OPERATING REVENUE			
Rates			
General		37,864	37,287
Other		1,818	1,477
Statutory charges		7,479	6,556
User charges		45,666	44,967
Operating grants and subsidies	2.	1,298	1,300
Investment income		269	135
Reimbursements and donations		32	26
Commercial revenue		196	-
Other	7.	1,727	610
TOTAL OPERATING REVENUE		96,349	92,358
OPERATING EXPENSES			
Employee costs	3.	34,077	31,900
Contractual services		20,137	19,130
Materials		7,213	6,536
Finance charges		1,083	1,339
Depreciation	4.	14,643	13,949
Loss on revaluations		-	20
Loss on disposal of non-current assets	6.	854	166
Other		12,750	13,384
TOTAL OPERATING EXPENSES		90,757	86,424
OPERATING SURPLUS BEFORE CAPITAL REVENUES		5,592	5,934
Capital revenues			
Capital grants, subsidies & monetary contributions	2.	1,124	1,873
Physical resources received free of charge	24.	562	2,023
CHANGE IN NET ASSETS RESULTING FROM OPERATIONS		7,278	9,830

The above operating statement should be read in conjunction with the accompanying notes

STATEMENT OF FINANCIAL POSITION

As at 30 June 2001

	Note	2001 \$'000	2000 \$'000
CURRENT ASSETS			
Cash	8.	24	120
Receivables	9.	5,090	3,828
Inventory at cost		78	371
Investments	8. 10.	775	946
Other	11.	96	380
Total Current Assets		6,063	5,645
NON-CURRENT ASSETS			
Receivables	12.	202	203
Land & Buildings	14.	604,072	610,049
Infrastructure	15.	133,983	136,154
Equipment, Furniture and Fittings	16.	9,714	10,362
Other	17.	43,579	33,733
Total Non-Current Assets		791,550	790,501
TOTAL ASSETS		797,613	796,146
CURRENT LIABILITIES			
Bank Overdraft	8.	166	-
Payables	18.	12,348	9,095
Provisions	18.	4,460	4,682
Loans	19.	5,964	12,581
Total Current Liabilities		22,938	26,358
NON-CURRENT LIABILITIES			
Provisions	18.	7,275	6,701
Loans	19.	7,719	10,684
Total Non-Current Liabilities		14,994	17,385
TOTAL LIABILITIES		37,932	43,743
NET ASSETS		759,681	752,403
EQUITY			
Accumulated surplus		656,866	650,373
Reserves		102,815	102,030
TOTAL EQUITY		759,681	752,403

The above statement of financial position should be read in conjunction with the accompanying notes.

STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2001

	Note	2001 \$'000	2000 \$'000
ACCUMULATED SURPLUS:			
Balance at beginning of year		650,373	641,573
Change in net assets resulting from operations		7,278	9,830
Transfer from works program reserve		1,030	-
Transfer to works program reserve		(1,815)	(1,030)
Balance at end of year		<u>656,866</u>	<u>650,373</u>
RESERVES:			
Asset Revaluation			
Balance at beginning of year		101,000	101,000
Revaluation increment / (decrement)	20.	-	-
Balance at end of year		<u>101,000</u>	<u>101,000</u>
Works Program			
Balance at beginning of year		1,030	-
Transfer to accumulated surplus		(1,030)	-
Transfer from accumulated surplus	20.	1,815	1,030
Balance at end of year		<u>1,815</u>	<u>1,030</u>
TOTAL RESERVE FUNDS:		<u>102,815</u>	<u>102,030</u>
BALANCE AT END OF YEAR		<u><u>759,681</u></u>	<u><u>752,403</u></u>

The statement of changes in equity should be read in conjunction with the accompanying notes.

STATEMENT OF CASH FLOWS

For the year ended 30 June 2001

		2001	2000
		\$'000	\$'000
	Note	Inflows (Outflows)	Inflows (Outflows)
CASH FLOWS FROM OPERATING ACTIVITIES			
Total operating payments		(72,304)	(73,738)
Total operating receipts		94,883	92,738
NETCASH PROVIDED BY OPERATING ACTIVITIES	24.	22,579	19,000
CASH FLOWS FROM FINANCING ACTIVITIES			
<i>Payments</i>			
Principal repayments on loans		(9,582)	(13,033)
Interest paid		(1,279)	(1,465)
<i>Receipts</i>			
Loans received		(0)	5,950
Interest received		248	165
NETCASH PROVIDED BY / (USED IN) FINANCING ACTIVITIES		(10,613)	(8,383)
CASH FLOWS FROM INVESTMENT ACTIVITIES			
<i>Payments</i>			
Purchase of capital items		(15,341)	(17,028)
<i>Receipts</i>			
Capital grants/subsidies/contributions		1,124	1,873
Sale of land & buildings		1,350	809
Sale of plant & equipment		468	999
NETCASH USED IN INVESTMENT ACTIVITIES		(12,399)	(13,347)
Net increase (decrease) in cash held		(433)	(2,730)
CASH AT BEGINNING OF YEAR		1,066	3,796
CASH AT END OF YEAR	8.	633	1,066

The above statement of cash flows should be read in conjunction with the accompanying notes.

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

For the year ended 30 June 2001

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Accounting

The financial report of the Corporation of the City of Adelaide has been prepared in accordance with the provisions of the Local Government Act 1999, as amended, the Local Government (Financial Management) Regulations 1999, as amended, the City of Adelaide Act 1998, and applicable Australian Accounting Standards. The report has been prepared on the accrual basis under the convention of historic cost accounting, with the exception that non-current assets, including infrastructure assets, other than investments and land held for resale have been revalued to their current cost less accumulated depreciation, and are then revalued on that basis at least every 5 years. The accounting policies adopted for the reporting period are consistent with those of the previous reporting period.

(b) The Local Government Reporting Entity

All funds through which the Corporation controls resources to carry on its functions have been included in the financial report.

In the process of reporting on the Corporation as a single unit, all transactions and balances between those funds (for example, loans and transfers between funds) have been eliminated in full.

(c) Acquisitions of Assets

The cost method of accounting is used for the initial acquisition of all assets. 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. Assets acquired at no cost of acquisition, or for nominal consideration, are initially recognised at their fair values as at the date of acquisition.

(d) Materiality

Items of property, plant and equipment with a total value of less than \$3,000 are treated as an expense in the year of acquisition. All other items of property, plant and equipment are capitalised.

(e) Recoverable Amount of Non-Current Assets

Non-current assets are written down to recoverable amount where the carrying value of any non-current asset exceeds recoverable amount. In determining the recoverable amount of non-current assets, the expected net cash flows have not been discounted to their present value.

(f) Depreciation of Non-current Assets

All non-current assets having a limited useful life are systematically depreciated over their useful lives in a manner which reflects the consumption of the service potential embodied in those assets. Land is not a depreciable asset.

Depreciation is recognised on a straight-line basis over the estimated useful life of each asset, from the time the asset is first put into use or is ready for use. Depreciation rates are reviewed each year. The following estimated useful lives are used in the calculation of depreciation:

• Land & Buildings	30 – 250 years
• Infrastructure	5 – 75 years
• Equipment, Furniture and Fittings	2 – 20 years
• Other	40 – 100 years

(g) Non-current Assets Constructed by the Corporation

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

(h) Maintenance and Repairs

Maintenance, repair costs and minor renewals are charged as expenses as incurred.

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

For the year ended 30 June 2001

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Employee Entitlements

(i) *Wages, Salaries and Annual Leave*

A liability is recognised, and is measured as the amount unpaid at balance date at current pay rates plus oncosts in respect of employees' services up to that date.

(ii) *Long Service Leave*

In accordance with AAS30 the method of calculation of long service leave liability is based on an estimate of:

- ◆ The number of employees classified by years of service
- ◆ The service value, representing the expense incurred based on service to date
- ◆ The inflated liability taking into account remuneration rate increases
- ◆ The discounted liability as an estimate of the present value of future cash flows
- ◆ The probability of employees attaining legal entitlement to a prorata payment (based on actual experience over three financial years)

(iii) *Sick Leave*

Corporation employees accumulate non-vesting sick leave entitlements. In assessing its sick leave liability to comply with AAS30 the Corporation analysed employee payment and entitlement accrual experience and ascertained that in each year the amount paid was less than new entitlements accrued for that year. Therefore, in accordance with the view of the Urgent Issues Group of the Australian Accounting Standards Board, the Corporation has found that unused entitlements does not give rise to a liability at the end of the reporting period because it was probable that, based on past experience, sick leave expected to be taken in future reporting periods was less than entitlements which are expected to accrue in those periods.

(iv) *Superannuation*

The superannuation expense for the reporting period is the amount of the statutory contribution the Corporation makes to the Local Government Superannuation Scheme, which provide benefits to its employees.

During the year ended 30 June 1995, as a result of an actuarial assessment, the Corporation suspended contributions to the 'City of Adelaide Plan'. Details of those arrangements are set out in note 21.

(j) Investments

Investments are brought to account at cost. Interest revenues are recognised as they accrue.

(k) Land Held for Resale

Non-current land held for development or resale is valued at the lower of cost and net realisable value. Revenue arising from the sale of land is recognised in the operating statement on the signing of a valid unconditional contract of sale. Details of Land Held for Resale are set out in note 14.

(l) Leases

A distinction is made between finance leases, which effectively transfer from the lessor to the lessee substantially all the risks and benefits incidental to ownership of leased non-current assets, and operating leases under which the lessor effectively retains substantially all such risks and benefits.

Assets acquired under finance leases are capitalised. The initial amount of the leased asset and the corresponding lease liability is the present value of the minimum lease payments. The assets are amortised over the life of the relevant lease or, where ownership is expected to be obtained, the expected economic life of the asset. Lease payments are allocated between interest expense and the lease liability. The interest expense is charged against operating surplus when paid. Operating leases are not capitalised and lease payments are expensed as incurred.

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

For the year ended 30 June 2001

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) Revenue Recognition

Revenues are recognised when the Corporation obtains control over the assets arising from the contributions. Control over assets acquired from rates is obtained at the commencement of the rating period or, where earlier, upon receipt of the rates. Control over granted assets is normally obtained upon their receipt or upon prior notification that a grant has been secured and the timing of commencement of control depends upon the arrangements that exist between the grantor and the Corporation.

Contributions not received, over which the Corporation has control, are recognised as receivables. In respect of uncollected rates, provision is made for amounts considered uncollectable, although the rate collection provisions of the Local Government Act are such that rates, as a charge on the land and collectible as a last resort by sale of the property, can be considered to be virtually certain of collection in most instances.

Where contributions, recognised as revenues during the reporting period were obtained on the condition that they be expended in a particular manner or used over a particular period, and those conditions were undischarged as at the reporting date, the nature of and amounts pertaining to those undischarged conditions are disclosed in the notes.

(n) Cash

For purposes of the statement of cash flows, cash includes cash deposits which are readily convertible to cash on hand and which are used in the cash management function on a day-to-day basis, net of outstanding bank overdraft.

(o) Inventories

Inventories have been valued at the lower of cost and net realisable value. Costs have been assigned on the basis of the "Average Cost" method. Inventories comprise raw materials, spare parts, fuel and consumables.

(p) Comparatives

Where necessary to facilitate comparison, comparative figures have been adjusted to conform with changes in presentation in the current year.

(q) Receivables

Receivables are recorded at amounts due less any provision for doubtful debts.

(r) Accounts Payable

Accounts payable are recognised when the Corporation becomes obliged to make future payments resulting from the purchase of goods and services.

(s) Borrowings

Debentures, bank loans and other loans are recorded at an amount equal to the net proceeds received. Interest expense is recognised on an accrual basis.

(t) Financial Instruments

The Corporation has no forward foreign exchange contracts, forward interest rate contracts or other interest rate products. Exposure to interest rate and credit risk as at reporting date is detailed in Note 28.

(u) Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except:

- i. where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
- ii. for receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables.

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

For the year ended 30 June 2001

2001
\$'000

2000
\$'000

2. GRANTS AND SUBSIDIES

Grants and subsidies were received in respect of the following functions:

Administration	402	442
Social Security & Welfare	149	120
Housing and Community Amenities	585	273
Recreation and Culture	857	1,542
Transport & Communication	410	744
Economic Affairs	19	24
Total grant revenues	2,422	3,173
Operating	1,298	1,300
Capital	1,124	1,873
Total	2,422	3,173

3. EMPLOYEE COSTS

Employee costs comprised:

Wages and salaries	32,705	30,367
Workers compensation premium	821	829
Superannuation contribution to defined benefits plan	2,272	1,958
Long service leave	1,120	634
	36,918	33,788
Less:		
Amounts capitalised	(2,841)	(1,888)
	34,077	31,900

4. DEPRECIATION EXPENSE

Depreciation expense for the year was charged in respect of:

Buildings	4,911	4,966
Infrastructure	7,107	6,770
Plant, equipment, furniture and fittings	2,278	1,866
Other	347	347
	14,643	13,949

5. CONDITIONS OVER CONTRIBUTIONS

For the year ended 30 June 2001 there were no conditions over contributions received.

6. GAIN/ (LOSS) ON DISPOSAL OF NON-CURRENT ASSETS

Gain / (Loss) on disposal of land and buildings	(689)	42
Gain / (Loss) on disposal of plant, equipment and furniture	(165)	(208)
	(854)	(166)

7. OTHER INCOME

Income of \$1.1m from settlement of a contractual dispute has been recognised in Other Income.

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

For the year ended 30 June 2001

2001
\$'000

2000
\$'000

8. RECONCILIATION OF CASH

For the purposes of the statement of cash flows, cash includes cash on hand and deposits at call, net of outstanding bank overdrafts. Cash at the end of the financial year as shown in the statement of cash flows is reconciled to the related items in the statement of financial position as follows:

Cash at bank and on hand	24	120
Deposits at call	775	946
Less: Bank overdraft	(166)	-
Balances per statement of cash flows	633	1,066

Overdraft and loan facilities available

The Corporation has an overdraft facility of \$10.0m applicable to its operating bank account. The Corporation also has available a loan facility with the Local Government Finance Authority of \$15m which may be called upon as required. As at 30 June 2001 the unutilised amount of this facility was \$11.0m. This facility was a conversion from long term borrowing. The Corporation uses short term liquidity to minimise the use of the facility and reduce interest expense.

In addition to the loan facility with the Local Government Finance Authority the Corporation has fixed term loans of \$9.683m.

9. CURRENT ASSETS - Receivables

Debtors - Rates	672	753
Debtors - Other	4,574	3,318
Other - Loans	27	20
Less: Provision for doubtful debts	(183)	(263)
	5,090	3,828

10. CURRENT ASSETS - Investments

Government and semi-government bonds - at cost	-	1
Term deposits	775	945
	775	946

The term deposits value includes an amount of \$246,780 (\$652,901 in 1999/2000) relating to a bequest for the acquisition of library stock and development trusts. As such, restrictions are attached to their use.

11. CURRENT ASSETS - Other

Accrued interest receivable	38	24
Prepayments	58	356
	96	380

12. NON-CURRENT RECEIVABLES

Other - Loans	202	203
	202	203

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

For the year ended 30 June 2001

2001
\$'000

2000
\$'000

13. NON-CURRENT ASSETS - Reconciliations

Reconciliations of carrying amounts for each class of non current asset are set out below:

Asset Type	Land & Buildings		Infrastructure		Equipment Furniture & Fittings		Other	
	2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000
Carrying Amount - beginning of year	610,048	609,720	136,154	126,460	10,362	9,904	33,733	40,222
Additions	978	6,062	4,935	16,464	2,263	3,531	10,193	(6,121)
Revaluations	-	-	-	-	-	-	-	(20)
Transfers	-	-	-	-	-	-	-	-
Disposals	(2,042)	(768)	-	-	(633)	(1,207)	-	-
Depreciation	(4,912)	(4,966)	(7,107)	(6,770)	(2,278)	(1,866)	(348)	(347)
Carrying Amount - end of year	604,072	610,048	133,983	136,154	9,714	10,362	43,579	33,733

14. NON-CURRENT ASSETS - Land & Buildings

Land Held for Resale

1999 independent valuation	1,855	1,855
1999 net realisable value	3,082	4,600
	<u>4,937</u>	<u>6,455</u>

Net realisable value of land held for resale was internally reassessed in the year ended 30 June 1999 by the Corporation's valuation staff. Land at independent valuation was valued by First Pacific Davies in the year ended 30 June 1999 based on market value.

Land and Buildings - Operating

1999 independent valuation	195,436	196,138
At cost	1,930	1,930
Less: Accumulated depreciation	(8,413)	(4,596)
	<u>188,953</u>	<u>193,472</u>

Land and buildings (operating), excluding Wingfield Waste Management Centre and adjacent land, were independently valued by First Pacific Davies in the year ended 30 June 1999. Land was valued at market value and buildings at written down replacement cost. Wingfield Waste Management Centre was independently valued by Maloney Field Services at market value, and adjacent land was valued by the Valuer General at market value.

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

For the year ended 30 June 2001

2001
\$'000

2000
\$'000

15. NON-CURRENT ASSETS - Infrastructure

Land and Buildings - Parks

1997 replacement cost	388,400	388,400
1999 net realisable value	-	-
1996 replacement cost	18,098	18,098
2000 replacement cost	850	850
At cost	8,465	7,355
Less: Accumulated depreciation	(5,631)	(4,582)
	<u>410,182</u>	<u>410,121</u>

Parklands, including city squares and sportsfields, were internally valued on 1 July 1997 by the Corporation's valuation staff at written down replacement cost. Infrastructure components located within parks were internally valued to written down replacement cost on 1 July 1996 by the Corporation's engineers. Assets received free of charge were valued at written down replacement cost on 30 June 2000 by the Corporation's engineers.

Total Land & Buildings:	<u><u>604,072</u></u>	<u><u>610,048</u></u>
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Infrastructure

1996 replacement cost	129,304	129,304
2000 replacement cost	1,173	1,173
At cost	31,974	27,039
Less: Accumulated depreciation	(28,468)	(21,362)
	<u><u>133,983</u></u>	<u><u>136,154</u></u>

Infrastructure assets include road pavement, bridges, footpaths, lighting, street furniture, stormwater drainage and Torrens Lake. Road pavement values do not include the land beneath the roads. Infrastructure assets were internally valued by the Corporation's engineers on 1 July 1996. Valuation has been based on written down replacement cost discounted for age and condition. Assets received free of charge were valued at written down replacement cost on 30 June 2000 by the Corporation's engineers.

16. NON-CURRENT ASSETS - Equipment/ Furniture & Fittings

Equipment, furniture and fittings - at cost	19,916	19,095
Less: Accumulated depreciation	(10,202)	(8,733)
	<u>9,714</u>	<u>10,362</u>

17. NON-CURRENT ASSETS - Other

1999 independent valuation	16,700	16,700
2000 replacement cost	1,114	1,114
At cost	26,200	16,007
Less: Accumulated depreciation	(435)	(88)
	<u>43,579</u>	<u>33,733</u>

Other assets include capital works in progress of \$25.4m (\$15.7m in 2000), civic collection items, antiques and library stock. Civic collection items and antiques were independently valued by Ian Bruce REIV (Aust.) FSAA in the year ended 30 June 1999 at replacement cost. Library stock was internally devalued in the year ended 30 June 2000 to written down replacement cost.

Restrictions on Assets

The nature of many of the Corporation's assets is such that they have restricted use either because of legal restrictions, heritage or community expectations so that these assets would continue to be held for the benefit of the community. Such assets would not be readily disposed.

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

For the year ended 30 June 2001

2001
\$'000

2000
\$'000

18. LIABILITIES - Payables and Provisions

Current

Payables:

Employee costs	2,073	571
Other Payables	9,278	7,389
Amounts received in advance	683	625
Interest on loans	314	510
	<u>12,348</u>	<u>9,095</u>

Provisions:

Annual leave	2,730	2,689
Long service leave	849	746
Halifax Street remediation costs	831	1,247
Other Remediation works	50	-
	<u>4,460</u>	<u>4,682</u>

Non-current

Provisions:

Long service leave	2,897	3,005
Wingfield Waste Management Centre remediation	4,378	3,696
	<u>7,275</u>	<u>6,701</u>

19. LIABILITIES - Loans (secured)

Current

Bank loans	956	1,438
Local Government Finance Authority	5,000	11,136
Commonwealth Government	4	7
State Government	4	-
	<u>5,964</u>	<u>12,581</u>

Non-current

Bank loans	2,042	4,780
Local Government Finance Authority	2,250	3,250
Commonwealth Government	2,650	2,654
State Government	777	-
	<u>7,719</u>	<u>10,684</u>

Loans are secured over General Rates income.

20. RESERVES

Asset Revaluation Reserve

Balance at beginning of year	101,000	101,000
Increment / (Decrement) on revaluation	-	-
	<u>101,000</u>	<u>101,000</u>

Works Program Reserve

This reserve represents the funding required to complete the Council approved works program as at balance date.

Balance at beginning of year	1,030	-
Transfer from accumulated surplus	(1,030)	1,030
Transfer to accumulated surplus	1,815	-
	<u>1,815</u>	<u>1,030</u>

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

For the year ended 30 June 2001

	2001	2000
	\$'000	\$'000

21. SUPERANNUATION

The Corporation contributes in respect of its employees to two defined benefit schemes; the Local Government Superannuation Scheme and the Corporation of the City of Adelaide Superannuation Plan ("the Plans"). The Corporation of the City of Adelaide Superannuation Plan is now closed to new members.

The Corporation contributes to the Local Government Superannuation Scheme in accordance with statutory requirements and the Corporation of the City of Adelaide Superannuation Plan amounts determined by actuarial assessments. As such, assets accumulate in the Plans to meet members' benefits as they accrue. If the assets of the Plans were insufficient to satisfy benefits payable to its beneficiaries, the Corporation would be required to meet its share of the deficiency.

No liability of the Corporation has been recognised as at the reporting date. The Corporation's proportion of the net market value of the scheme assets cannot be determined reliably. Any surplus between the employees' accrued benefits and the Corporation's share of the net market value of the scheme remains within the scheme and is not returned to the Corporation.

As a result of the recommendations of the actuarial review the Corporation suspended contributions to the Corporation of the City of Adelaide Superannuation Plan.

Corporation of the City of Adelaide Superannuation Plan

As at 30 June 2001, the date of the most recent (unaudited) financial report:

Vested benefits as at 1 July 2001	7,213	
Net market value of assets as at 30 June 2001	11,731	

As at 1 July 2000, the date of the most recent actuarial review:

Accrued benefits as at date of last measurement - 1 July 2000	7,314	
Net market value of assets as at 1 July 2000	11,801	
Net market value of assets in excess of accrued benefits as at 1 July 2000	4,487	

In accordance with the requirements of AAS30 details in respect of contributions paid to the defined benefits plan of the Local Government Superannuation Scheme are detailed at note 3.

22. COMMITMENTS FOR CAPITAL EXPENDITURE

At the reporting date the Corporation had entered into contracts, which are due for payment within 12 months, for the following capital expenditure:

Infrastructure	1,699	1,093
Land and Buildings	32	856
Plant and equipment	297	44
	<hr/>	<hr/>
	2,028	1,993

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

For the year ended 30 June 2001

2001
\$'000

2000
\$'000

23. LEASE COMMITMENTS

At the reporting date the Corporation had the following lease obligations which have not been recognised as liabilities in the Statement of Financial Position:

Not later than one year	1,690	1,920
Later than one year and not later than two years	1,720	1,939
Later than two years and not later than five years	5,469	6,148
Later than five years	30,574	33,845
	39,453	43,852

These lease obligations are predominantly for the lease of land and buildings.

24. RECONCILIATION OF INCREASE IN NET ASSETS RESULTING FROM OPERATIONS TO NET CASH INFLOW FROM OPERATING ACTIVITIES

Net cash provided by operating activities	22,579	19,000
Depreciation expense	(14,643)	(13,949)
Interest payments treated as a financing activity	(1,279)	(1,464)
Interest receipts treated as a financing activity	247	165
Increase in payables for capital	2,460	
Net gain (loss) on disposal of non-current assets	(854)	(166)
Loss on revaluation of non-current assets	-	(20)
Change in operating assets and liabilities		
Increase (decrease) in rates receivable	(82)	(254)
Increase (decrease) in other debtors	1,342	(261)
Increase (decrease) in inventories	(293)	35
Increase (decrease) in other current assets	(283)	(172)
(Increase) decrease in payables/amounts in advance	(3,252)	(143)
(Increase) decrease in provisions	(352)	3,164
Operating surplus	5,590	5,935

During the financial year the Corporation received assets free of charge at a replacement cost of \$0.562m. The receipt of these assets is not reflected in the statement of cashflows.

25. EMPLOYEE ENTITLEMENTS

The aggregate employee entitlement liability recognised and included in the financial statements is as follows:

Provision for employee entitlements:

Current (note 18.)	3,580	3,435
Non-current (note 18.)	2,897	3,005
	6,476	6,440

26. REMUNERATION OF AUDITORS

Auditing the financial report

	43	42
	43	42

27. ECONOMIC DEVELOPMENT PROGRAM

Operating expenditure of \$3.0 million (\$2.8 million in 1999/2000) was incurred in relation to Council's commitments under the Capital City Development Program. This represented 4.4% (3.3% in 1999/2000) of the total operating expenditure for the year ended 30 June 2001.

Operating expenditure of \$6.3 million (\$5.1 million in 1999/2000) was incurred for works, services and activities that directly related to Council's economic development program for the City of Adelaide. This represented 7.0% (6% in 1999/2000) of the total operating expenditure for the year ended 30 June 2001.

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

For the year ended 30 June 2001

28. FINANCIAL INSTRUMENTS

Interest Rate Risk

The following table details the exposure to interest rate risk as at the reporting date. All other financial instruments and liabilities are non-interest bearing.

	Weighted Average Interest Rate	Variable Interest Rate	Fixed Interest Rate Maturity				Total
			Less than 1 Year	1 to 5 Years	More than 5 Years	Non-Interest Bearing	
	%	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
2001							
Financial Assets:							
Cash	0.00	-	-	-	-	24	24
Term deposits	4.75	-	775	-	-	-	775
Receivables - Loans	6.60	-	20	116	66	-	202
		-	795	116	66	24	1,001
Financial Liabilities:							
Overdraft	4.90	166	-	-	-	-	166
Loans - Bank	5.88	-	956	2,036	6	-	2,998
Loans - Local Government Finance Authority	5.98	-	5,000	2,250	-	-	7,250
Loans - Commonwealth Government	6.49	-	4	-	2,650	-	2,654
Loans - State Government	6.01	-	4	457	320	-	781
		166	5,964	4,743	2,976	-	13,849
2000							
Financial Assets	5.88	100	966	116	87	20	1,289
Financial Liabilities	6.36	-	11,659	8,611	2,995	-	23,265

Credit Risk

The carrying amount of financial assets recorded in the financial statements, net of any provisions for losses, represents the economic entity's maximum exposure to credit risk without taking into account the value of any collateral or other security obtained.

Net Fair Value

The carrying amount of financial assets and financial liabilities recorded in the financial statements represents their respective net fair values, determined in accordance with the accounting policies disclosed in note 1 to the accounts.

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

For the year ended 30 June 2001

29. FUNCTIONS/ACTIVITIES OF THE MUNICIPALITY

The Corporation has prepared its Operating Statement in accordance with the nature and type of revenue and expenses. In accordance with Australian Accounting Standards the following schedules detail the Corporation's revenue, expenses and assets by functions and activities. These schedules are prepared in a form consistent with the reporting requirements of the Australian Bureau of Statistics.

The activities of the Corporation are categorised into the following broad functions:

Administration

General operations, Corporation operations, elections, Corporation offices, rates, general grants.

Public Order & Safety

Fire protection, dog control.

Health

Health Inspection, immunisation.

Social Security & Welfare

Aged and disabled services, families, children, and community welfare.

Housing & Community Services

Housing, town planning, community development, sanitation and garbage, urban storm water drainage, and protection of the environment.

Recreation & Culture

Libraries, cultural services, sport and recreation.

Agricultural Services

Soil erosion control.

Mining, Manufacturing, Construction

Building control.

Transport & Communication

Road construction and maintenance, footpaths, bridges, parking, buses and street furniture.

Economic Affairs.

Tourism, city markets.

Other Purposes.

Plant operations, investment properties and other.

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

For the year ended 30 June 2001

29. (a) Operating Result by Functions

Functions/ Activity	Income		Expenses		Net	
	2001	2000	2001	2000	2001	2000
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Administration	42,383	38,952	24,218	22,064	18,165	16,888
Public Order & Safety	7	8	295	274	(288)	(266)
Health	25	19	709	990	(684)	(971)
Social security & welfare	118	53	618	420	(500)	(367)
Housing & community services	15,849	15,168	19,068	18,132	(3,219)	(2,964)
Recreation & culture	6,384	6,506	17,126	15,464	(10,742)	(8,958)
Agricultural services	-	-	73	78	(73)	(78)
Mining, manufacture, construction	192	510	1,137	1,033	(945)	(523)
Transport and Communication	26,734	27,908	19,054	19,363	7,680	8,545
Economic affairs	2,139	2,100	2,024	1,948	115	152
Other purposes	4,204	5,030	6,436	6,658	(2,232)	(1,628)
	98,035	96,254	90,757	86,424	7,278	9,830

29. (b) Assets & liabilities

Functions/ Activity	2001	2000
	\$'000	\$'000
Current assets	6,063	5,645
Current liabilities	(22,938)	(26,358)
Non-current assets		
Administration	43,560	43,263
Public Order & safety	2	2
Health	112	119
Social security & welfare	1,068	1,077
Housing & community services	72,812	73,084
Recreation & culture	449,922	450,917
Agricultural services	23	25
Mining, manufacture, construction	13	17
Transport and Communication	212,391	207,194
Economic affairs	1,604	979
Other purposes	10,043	13,824
Non-current liabilities	(14,994)	(17,385)
Equity	(759,681)	(752,403)
	-	-

CHIEF EXECUTIVE OFFICER'S STATEMENT

I Susan Law the person for the time being occupying the position of Chief Executive Officer of the Corporation of the City of Adelaide do hereby state that the financial statements for the 2000/2001 financial year are to the best of my knowledge presented fairly and in accordance with accounting procedures which have been maintained in accordance with the *Local Government Act 1999*, as amended, and the *City of Adelaide Act 1998*.

.....
Dated: / /

ADOPTION STATEMENT

Laid before The Corporation of the City of Adelaide and adopted on 26 November 2001.

.....
Susan Law
Chief Executive Officer

.....
Alfred Huang
Lord Mayor

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE COUNCIL OF THE CITY OF ADELAIDE

Scope

We have audited the financial report of City of Adelaide for the year ended 30 June 2001, consisting of the operating statement, statement of financial position, statement of cash flows, statement of changes in equity, accompanying notes and the Chief Executive Officers' statement, set out on pages 1 to 18. The Chief Executive Officer is responsible for the financial report. We have conducted an independent audit of the financial report in order to express an opinion on it to the members of the Council of the City of Adelaide.

Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance whether the financial report is free of material misstatements. Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report, and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion whether, in all material respects, the financial report is presented fairly in accordance with Accounting Standards, mandatory professional statements and the Local Government Act 1999, and the Local Government (Financial Management) Regulations 1999, so as to present a view which is consistent with our understanding of the City of Adelaide's financial position, and performance as represented by the results of its operations and its cash flows.

The audit opinion expressed in this report has been formed on the above basis:

Audit Opinion

In our opinion, the financial report of the City of Adelaide is properly drawn up:

- (a) so as to present fairly;
 - (i) the Council's state of affairs as at 30 June 2001 and its operating results and cash flows for the year ended on that date; and
 - (ii) the other matters required by the Local Government Act 1999, and the Local Government (Financial Management) Regulations 1999 to be dealt with in the accounts;
- (b) in accordance with the provisions of the Local Government Act 1999, and the Local Government (Financial Management) Regulations 1999; and
- (c) in accordance with applicable Accounting Standards and mandatory professional statements.

KPMG

Signed at Adelaide this day of November 2001

Grant D Drabsch
Partner