

MOSMAN COUNCIL

General Purpose Financial Reports for the year ended 30th June 2008

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MOSMAN COUNCIL

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2008

STATEMENT BY COUNCILLORS AND MANAGEMENT MADE PURSUANT TO SECTION 413 (2)(c) OF THE LOCAL GOVERNMENT ACT 1993 (as amended)

The attached Annual Financial Statements have been drawn up in accordance with

- The Local Government Act 1993 (as amended) and the Regulations made thereunder
- The Australian Accounting Standards and professional pronouncements
- The Local Government Code of Accounting Practice and Financial Reporting
- The Local Government Asset Accounting Manual.

To the best of our knowledge and belief, these reports

- Present fairly the Council's financial position and operating result for the year, and
- Accord with Council's accounting and other records


We are not aware of any matter that would render the reports false or misleading in any way.

Signed in accordance with a resolution of Council made on 14 October 2008



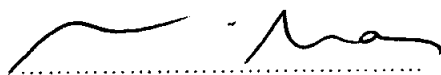
(Dominic J Lopez, OAM)

MAYOR



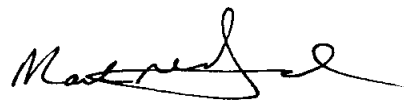
(Anne S Connon)

COUNCILLOR



(V H R May)

GENERAL MANAGER



(Mark McDonald)

RESPONSIBLE ACCOUNTING OFFICER

MOSMAN COUNCIL
INCOME STATEMENT
for the year ended 30th June 2008

Budget 2008 \$'000		Notes	Actual 2008 \$'000	Actual 2007 \$'000
INCOME				
Revenue:				
17,550	Rates & Annual Charges	3	17,615	16,216
5,424	User Charges & Fees	3	5,570	4,890
417	Investment Revenues	3	474	372
3,616	Other Revenues	3	12,167	3,715
1,612	Grants & Contributions - Operating	3	1,868	1,735
722	Grants & Contributions - Capital	3	1,878	2,296
Other Income:				
	Profit from Disposal of Assets	5	-	-
30	Profit from interests in Joint Ventures & Associates	19	42	86
29,371	Total Income from Continuing Operations		39,614	29,310
EXPENSES				
12,379	Employee Costs	4	12,081	11,598
9,837	Materials & Contracts	4	9,169	8,615
344	Borrowing Costs	4	367	402
3,400	Depreciation & Amortisation	4	3,451	3,422
3,802	Other Expenses	4	4,951	4,289
50	Loss from Disposal of Assets	5	27	66
	Loss from interests in Joint Ventures & Associates	19	-	-
29,812	Total expenses from Continuing Operations		30,046	28,392
(441)	NET OPERATING RESULT FOR YEAR		9,568	918
(1,163)	Net operating result before capital grants and contributions		\$ 7,690	\$ (1,378)

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

MOSMAN COUNCIL

BALANCE SHEET as at 30th June 2008

	Notes	Actual 2008 \$'000	Actual 2007 \$'000
CURRENT ASSETS			
Cash & cash equivalents	6	4,601	5,184
Receivables	7	2,795	2,730
Inventories	8	103	97
Other	8	252	78
TOTAL CURRENT ASSETS		7,751	8,089
NON-CURRENT ASSETS			
Receivables	7	89	126
Infrastructure, Property, Plant & Equipment	9	497,438	397,609
Investments accounted for using the equity method	19	410	368
Investment Property	14	38,237	29,915
TOTAL NON-CURRENT ASSETS		536,174	428,018
TOTAL ASSETS		543,925	436,107
CURRENT LIABILITIES			
Payables	10	6,467	6,236
Borrowings	10	1,395	1,369
Provisions	10	2,754	2,630
TOTAL CURRENT LIABILITIES		10,616	10,235
NON-CURRENT LIABILITIES			
Payables	10	-	-
Borrowings	10	5,091	5,871
Provisions	10	100	120
TOTAL NON CURRENT LIABILITIES		5,191	5,991
TOTAL LIABILITIES		15,807	16,226
NET ASSETS		\$ 528,118	419,881
EQUITY			
Accumulated Surplus	20	419,463	419,881
Revaluation Reserves	20	108,655	-
Council Equity Interest		528,118	419,881
Minority Equity Interest	19	-	-
TOTAL EQUITY		\$ 528,118	419,881

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

MOSMAN COUNCIL

STATEMENT OF CHANGES IN EQUITY for the year ended 30th June 2008

2008 \$'000					2007 \$'000				
	Retained Earnings	Asset Reval. Reserve	Council Equity Interest	Total		Retained Earnings	Asset Reval. Reserve	Council Equity Interest	Total
Balance at beginning of the reporting period	419,881	-	419,881	419,881		418,963		418,963	418,963
Transfers to/(from) Asset Revaluation Reserve		108,655	108,655	108,655			-	-	-
Other adjustments	(9,986)	-	(9,986)	(9,986)		-	-	-	-
Net movements recognised directly in equity	(9,986)	108,655	98,669	98,669		-	-	-	-
Net Operating Result for the year	9,568		9,568	9,568		918		918	918
Total recognised income and expense for the year	(418)	108,655	108,237	108,237		918	-	918	918
Balance at end of the reporting period	419,463	108,655	528,118	528,118		419,881	-	419,881	419,881
<i>Effect of correction of errors in previous years on retained earnings</i>	-9986								

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

MOSMAN COUNCIL
CASH FLOW STATEMENT
for the year ended 30th June 2008

Budget 2008 \$'000		Actual 2008 \$'000	Actual 2007 \$'000
	CASH FLOWS FROM OPERATING ACTIVITIES		
	<u>Receipts</u>		
17,575	Rates & Annual Charges	17,600	16,279
5,950	User Charges & Fees	5,852	5,054
395	Investments Income	477	371
2,534	Grants & Contributions	3,679	4,471
4,125	Other operating receipts	5,060	4,436
	<u>Payments</u>		
(12,580)	Employee Costs	(12,019)	(11,498)
(10,237)	Materials & Contracts	(9,415)	(9,314)
(344)	Borrowing Costs	(380)	(411)
(4,368)	Other operating payments	(5,847)	(4,646)
3,050	Net Cash provided by (or used in) Operating Activities	5,007	4,742
	CASH FLOWS FROM INVESTING ACTIVITIES		
	<u>Receipts</u>		
450	Proceeds from sale of Infrastructure, Property, Plant & Equipment	521	585
30	Distribution received from associated entities	-	31
	<u>Payments</u>		
(4,085)	Purchase of Infrastructure, Property, Plant & Equipment	(5,357)	(3,839)
(3,605)	Net Cash provided by (or used in) Investing Activities	(4,836)	(3,223)
	CASH FLOWS FROM FINANCING ACTIVITIES		
	<u>Receipts</u>		
615	Proceeds from Borrowings & Advances	615	500
	<u>Payments</u>		
(1,361)	Repayments of Borrowings & Advances	(1,046)	(1,304)
	Repayment of Deferred Creditors	(323)	
(746)	Net Cash provided by (or used in) Financing Activities	(754)	(804)
(1,301)	Net Increase (Decrease) in cash held	(583)	715
5,184	Cash Assets at beginning of reporting period	5,184	4,469
3,883	Cash Assets at end of reporting period	4,601	5,184

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

Note 1

SIGNIFICANT ACCOUNTING POLICIES
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1. Basis of Preparation**1.1 Compliance with Australian equivalents to International Financial Reporting Standards**

This general purpose financial report has been prepared in accordance with Australian equivalents to International Financial Reporting Standards (AIFRS), other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations, the NSW Local Government Act 1993 and regulations and the Local Government Code of Accounting Practice and Financial Reporting.

1.2 AAS27

Mosman Council is required to comply with AAS27 Financial Reporting by Local Government, and where AAS27 conflicts with AIFRS, the requirements of AAS27 have been applied. Where AAS27 makes reference to another accounting standard, the new Australian IFRS equivalent standards will apply. The specific "not for profit" reporting requirements also apply.

1.3 Historical Cost Convention

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, financial assets and liabilities at fair value through profit or loss, certain classes of infrastructure, property, plant and equipment and investment property.

1.4 Critical Accounting Estimates

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

2. The Local Government Reporting Entity

- (i) The consolidated financial statements include all funds and other activities through which the Council controls resources to carry on its functions. A description of the nature of the Council's operations and its principal activities are provided in Note 2(b) of this report.

The following funds and activities are included in the consolidated financial statements:

- General Fund
- Kimbriki Recycling and Waste Disposal Centre Joint Venture
- Shorelink Library Network Joint Venture

In the process of reporting on the Local Government as a single entity, all transactions and balances between funds and activity areas have been eliminated.

- (ii) The Council is required under Section 411 of the Local Government Act, 1993, to maintain a separate and distinct Trust Fund to account for all monies and property received by the Council in trust, which must be applied only for the purposes of or in accordance with the trusts relating to those monies.
- (iii) A separate statement of monies held in the Trust Fund is available for inspection at the Council offices to any person free of cost.

3. Basis of Accounting

(i) Compliance

The financial report complies with the applicable Australian Accounting Standards and professional pronouncements, the requirements of the Local Government Act and Regulations, the Local Government Code of Accounting Practice and Financial Reporting and the Local Government Asset Accounting Manual.

(ii) Basis of Accounting

The financial report has been prepared on the accrual basis of accounting and, except where specifically indicated in these Notes, in accordance with the historical cost convention.

The accounting policies adopted for the reporting period are consistent with those of the previous reporting period where otherwise indicated.

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

4. The Trust Fund

In accordance with the provisions of Section 411 of the Local Government Act 1993 (as amended), a separate and distinct Trust Fund is maintained to account for all monies and property received by the Council in trust which must be applied only for the purposes of or in accordance with the trusts relating to these monies. Trust monies and property subject to Council's control have been included in these reports.

Trust monies and property held by Council but subject to the control of other persons have been excluded from these reports. A separate statement of moneys held in the Trust Fund is available for inspection at the Council Office by any person free of charge.

5. Rates

The rating period and reporting period for the Council coincide. All rates levied for the year are recognised as revenue. Uncollected rates are recognised as receivables after providing for amounts due from unknown owners and postponed rates in accordance with the requirements of the Local Government Act 1993.

6. Grants, Contributions and Donations

Grants, donations and other contributions are recognised as revenues when the Council obtains control over the assets comprising the contributions. Control over granted assets is normally obtained upon their receipt. Where prior advice of grants has been received and expenditure has been incurred in accordance with the relevant terms and conditions, unreceived grant entitlements are recorded as receivables.

Contributions not received over which the Council has control are recognised as receivables.

Where grants, contributions and donations 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 the amounts pertained to those undischarged conditions are disclosed in these notes.

Also disclosed is the amount of grants, contributions recognised as revenues in a previous reporting period, which were expended in respect of the Council's operations for the current reporting period.

The Council has obligations to provide facilities from contributions required from developers under the provisions of S94 of the EPA Act 1991. These contributions may be expended only for the purposes for which the contributions were required, but the Council may, within each area of benefit, apply contributions according to the priorities established in the relevant contributions plans and accompanying works schedules.

7. Infringement Income

Council accounts for income on infringement notices issued as follows:

- An assessment of current year notices that have been unpaid and referred for court action are taken up as income.
- An assessment of current year notices that have not reached the stage of further legal action but that is outstanding at year end are taken up as income.
- No allowance is made for prior years fines income that has been referred for legal action due to the inability to determine its collectibility with certainty.

8. Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits held at call with financial institutions, other short term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

9. Receivables

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 1993 (as amended) and the Regulations and Determinations made thereunder.

Other receivables are generally unsecured and do not bear interest.

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

10. Inventories

Inventories held in respect of stores have been valued by using the weighted average cost on a continual basis, after adjustment for loss of service potential. Inventories held in respect of business undertakings have been valued at the lower of cost and net realisable value.

11. Infrastructure, Property, Plant & Equipment (IPPE)

Council's assets are being progressively revalued to fair value in accordance with a staged implementation advised by the Department of Local Government. At balance date the following classes of IPPE were stated at their fair value:

- Operational Land (External Valuation).
- Buildings – Specialised/Non Specialised (External Valuation).
- Plant & Equipment (as approximated by depreciated historical cost).

Increases in the carrying amounts arising on revaluation are credited to the asset revaluation reserve. To the extent that the increase reverses a decrease previously recognising profit or loss, the increase is first recognised in profit or loss. Decreases that reverse previous increases of the same asset are first charged against revaluation reserves directly in equity to the extent of the remaining reserve attributable to the asset; all other decreases are charged to the Income Statement.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to Council and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Land is not depreciated. Depreciation on other assets is calculated using the straight line method to allocate their cost, net of their residual values, over their estimated useful lives, as follows:

Office Equipment	5	-	10 years
Office Furniture	5	-	10 years
Vehicles & Road Equipment	5	-	10 years
Other Plant & Equipment	5	-	10 years
Buildings	100		years
Playground Equipment	5	-	10 years
Road Assets	100		years
Drains	100		years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if

the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the income statement.

12. Crown Reserves

Crown Reserves under Council's care and control are recognised as assets of the Council. While ownership of the reserves remain with the Crown, Council retains operational control of the reserves and is responsible for their maintenance and use in accordance with the specific purposes to which the reserves are dedicated.

Improvements on Crown Reserves are also recorded as assets, while maintenance costs incurred by Council and revenues relating to the reserves are recognised within Council's Income Statement.

A working party of interested representatives from both State and Local Government is being formed to consider the accounting issues relating to the Crown Reserves, with the intention of developing a consistent approach to their recognition and future accounting treatment across both tiers of government.

13. Impairment of Assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation 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. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

For non-cash generating assets of the Council such as roads, drains, public buildings and the like-value in use is represented by the asset's written down replacement cost.

14. Investment Property

Investment property, principally comprising freehold buildings, is held for long term rental yields and is not occupied by the Council. Investment property is carried at fair value, representing open-market value determined annually by external valuers. Changes in fair values are recorded in the income statement as part of other income. Full revaluations are carried out every three years with an appropriate index used every year between the full revaluations.

15. Payables

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.

Payments Received in Advance & Deposits

Amounts 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.

16. Borrowings

Loans 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".

17. Employees' Benefits

Salaries, Wages & Compensated Absences

Liabilities for employees' entitlements to salaries, wages and compensated absences expected to be paid or settled within 12 months of reporting date are accrued at nominal amounts (including payroll based oncosts) measured in accordance with AASB 119 Employee Benefits.

Liabilities for employees 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.

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.

Superannuation

The Council makes employer superannuation contributions in respect of its employees to the Local Government Superannuation Scheme. The Scheme has two types of membership, each of which is funded differently.

Accumulation Fund Members

The accumulation fund receives both employer and employee contributions on a progressive basis. Employer contributions are normally based on a fixed percentage of employee earnings in accordance with Superannuation Guarantee Legislation (9% in 2007/08; 9% in 2006/07). No further liability accrues to the employer as the superannuation benefits accruing to employees are represented by their share of the net assets of the Fund.

Defined Benefit Members

Council makes employer contributions to the defined benefits categories of the Scheme at rates determined by the Scheme's Trustee. The rate is currently 0.95 times members' contributions (NIL% in 2004/2005), however increases to the full liability of 1.9 times members' contributions in 08/09. Employees also make member contributions to the Fund. As such, assets accumulate in the Fund to meet the member's benefits, as defined in the Trust Deed, as they accrue.

The Fund's Defined Benefit Plan is a multi-employer sponsored plan. As the Fund's assets and liabilities are pooled and are not allocated by employer, the Actuary is unable to allocate benefit liabilities, assets and costs between employers. As provided

by AASB 119.32(b), Council does not use defined benefit accounting for these contributions.

18. Construction Contracts

Construction works undertaken by Council for third parties (principally the Roads & Traffic Authority for works on national and state roads) 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. As there is no profit component, such works are treated as 100% completed. Reimbursements not received are recognised as receivables and reimbursements received in advance are recognised as "payments received in advance".

19. Joint Ventures and Associated Entities

Council participates in cooperative arrangements with other Councils for the provision of services and facilities, the accounting treatment for which have been affected by changes to the relevant Australian Accounting Standards. Adjustments to reflect Council's interests in these arrangements on adoption of the revised Standards have been carried direct to accumulated surplus in accordance with the transitional provisions of those Standards.

Entities over which Council exercises no "control" are disclosed in detail in Note 19 (b)

Entities over which another Council exercises "control" are disclosed in Note 19 (C)

20. Leases

"Lease arrangements have been accounted for in accordance with Australian Accounting Standard AASB 117 "Accounting for Leases".

In respect of finance leases, where Council substantially carries all of the risks incident to ownership, the leased items are initially recognised as assets and liabilities equal in amount to the present value of the minimum lease payments. The assets are disclosed as assets under lease, and are amortised to expense over the period during which the Council is expected to benefit from the use of the leased assets. Lease payments are allocated between interest expense and reduction of the lease liability, according to the interest rate implicit in the lease.

In respect of operating leases, where the lessor substantially retains all of the risks and benefits incident to ownership of the leased items, lease payments are charged to expense over the lease term.

21. GST Implications

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

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

22. Budget Information

The Income Statement and Note 2 provide budget information of revenues and expenditures by type and for each of the major activities of the Council. Budget figures presented are those approved by Council at the beginning of the financial year and do not include Council approved variations throughout the year. Short explanations of the most significant variations are given in Note 16, and further information of the nature and amount of all variations is available from the Council office upon request.

23. Rounding

In accordance with the Code of Accounting Practice all amounts shown in the Financial Statements have been rounded to the nearest thousand dollars.

24. New Accounting Standards and UIG Interpretations

Certain new accounting standards and UIG interpretations have been published that are not mandatory for the 30 June 2008 reporting period.

AASB 8	Operating Segments
AASB 101	Presentation of Financial Statements
AASB 123	Borrowing Costs
AASB 1004	Contributions
AASB 1050	Administered Items
AASB 1051	Land Under Roads
AASB 1052	Disaggregated Disclosures
AASB 2007-3	Amendments to Australian Accounting Standards arising from AASB 8 [AASB 5, AASB 6, AASB 102, AASB 107, AASB 119, AASB 127, AASB 134, AASB 136, AASB 1023 & AASB 1038]
AASB 2007-6	Amendments to Australian Accounting Standards arising from AASB 123 [AASB 1, AASB 101, AASB 107, AASB 111, AASB 116 & AASB 138 and Interpretations 1 & 12]
AASB 2007-8	Amendments to Australian Accounting Standards [AASB 1, AASB 2, AASB 4, AASB 5, AASB 107 & AASB 128]
AASB 2007-9	Amendments to Australian Accounting Standards arising from the Review of AASs 27, 29 and 31 [AASB 3, AASB 5, AASB 8, AASB 101, AASB 114, AASB 116, AASB 127 & AASB 137]
Interpretation 4	Determination whether an Arrangement contains a Lease
Interpretation 13	Customer Loyalty Programmes
Interpretation 14	AASB 119 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
Interpretation 129	Disclosure – Service Concession Arrangements
Interpretation 1038	Contributions by Owners Made to Wholly-Owned Public Sector Entities

Council is of the view that, with the exception of AASB 1051 – Land Under Roads, none of the above new standards or interpretations will affect any of the amounts recognised in the financial statements, but that they may impact certain information otherwise disclosed, or the format in which information is disclosed.

In the case of AASB 1051 – Land Under Roads, Council will be required to make an election to recognise, or not to recognise land under roads acquired before 30

June 2008, as at the first day of the next reporting period and to carry the adjustment to accumulated surplus. The adjustment may be material in amount. Council has not yet given consideration to the matter, and will await guidance in the Code of Accounting Practice.

NOTE 2A

FUNCTIONS

Revenues, expenses & assets have been directly attributed to the following functions.

FUNCTIONS	REVENUES			EXPENSES			OPERATING RESULT			GRANTS INCLUDE IN REVENUE		TOTAL ASSETS HELD *	
	Original Budget	Actual	Actual	Original Budget	Actual	Actual	Original Budget	Actual	Actual	2008	2007	2008	2007
	2008	2008	2007	2008	2008	2007	2008	2008	2007				
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
COUNCIL, COMMUNITY & COMMUNICATION (GOV)	1	4	13	995	947	960	(994)	(943)	(947)			36	29
RESOURCE & ASSET MANAGEMENT	2,853	12,485	4,847	7,769	6,636	6,425	(4,916)	5,849	(1,578)			43,989	35,265
URBAN PLANNING	637	411	127	776	638	717	(139)	(227)	(590)	303		22	18
DA & SERVICES	1,216	1,151	1,090	1,433	1,368	1,454	(217)	(217)	(364)			202	162
ENVIRONMENT	4,435	4,020	4,199	7,250	7,518	6,083	(2,815)	(3,498)	(1,884)	75	83	34,752	27,863
PARKS & REC	427	558	536	1,794	2,486	2,501	(1,367)	(1,928)	(1,965)	21	128	305,467	244,917
COMMUNITY SAFETY	95	259	158	964	1,185	1,550	(869)	(926)	(1,392)			231	185
COMMUNITY SERVICES	1,329	1,363	1,245	2,164	2,058	1,923	(835)	(695)	(678)	657	603	1,060	850
LIBRARY & INFORMATION	167	194	188	1,832	1,854	1,808	(1,665)	(1,660)	(1,620)	78	78	8,030	6,438
CULT DEV & SERVICES	402	437	484	1,227	1,188	1,346	(825)	(751)	(862)		40	4,205	3,375
TRANSPORT & TRAFFIC	2,851	3,719	2,704	3,438	3,981	3,498	(587)	(262)	(794)	157	165	145,932	117,005
LOCAL/REG ECONOMY			8	170	187	127	(170)	(187)	(119)				
TOTAL FUNCTIONS	14,413	24,601	15,599	29,812	30,046	28,392	(15,399)	(5,445)	(12,793)	1,291	1,097	543,925	436,107
General Purpose Revenues	14,958	15,013	13,711							746	729		
TOTAL	29,371	39,614	29,310	29,812	30,046	28,392	(441)	9,568	918	2,037	1,826	543,925	436,107

*CURRENT ASSETS HAVE BEEN PLACED WITHIN THE RESOURCE & ASSET MANAGEMENT FUNCTION AS THEY CANNOT BE RELIABLY ATTRIBUTED TO SPECIFIC FUNCTIONS

NOTE 2(b)**COMPONENTS OF FUNCTIONS**

The activities relating to the Council's functions reported on in Note 2(a) are as follows:

COUNCIL, COMMUNITY AND COMMUNICATION

Council Secretariat and Civic Involvement, Public Accountability, Governance & Communication.

RESOURCE & ASSET MANAGEMENT

Finance & Corporate Assets, Information and Communication Systems, Insurance & Risk Management, Human Resources, Emergency Management.

URBAN PLANNING

Zoning Framework, Planning Policy Development, Heritage Planning, Land Use Management Planning, Housing Strategy.

DEVELOPMENT APPLICATIONS & SERVICES

Development Administration.

ENVIRONMENT

Atmospheric Environment, Water Cycle Management, Biodiversity, Trees, Land Management, Noise, Waste Minimisation and Management, Cleansing, Disease Prevention, Companion Animals

PARKS & RECREATION

Parks, Gardens & Civic Spaces, Sporting Fields & Facilities, Beaches, Sea Pools & Foreshores,

COMMUNITY SAFETY

Community Involvement in Crime Prevention Strategies, Combating Offences Safety Construction, Emergency Services, Safety Patrols, Stormwater Drainage.

Note 2(b) – Components of Functions (cont)**COMMUNITY SERVICES**

Community Involvement, Children/Family, Youth, Older People, People with Disabilities, Early Childhood Health, Safe Communities, Aboriginal Culture, Heritage and Reconciliation.

LIBRARY & INFORMATION

Library Resources, Library Services, Library Information Technology, Library Building, Education, Local Studies, Community Information, Mosman Website.

CULTURAL DEVELOPMENT & SERVICES

Cultural Development, Gallery Exhibitions & Activities, Community Arts, Crafts & Activities, Community Events, Friend ship Agreements.

TRANSPORT & TRAFFIC

Roads, Facilities, Traffic Management, Pedestrians, Bicycles, Public Transport.

LOCAL REGION/ECONOMY

Business & Employment, Marketing Mosman, Regional Economic Development.

MOSMAN COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2008

Note 3 - INCOME

RATES & ANNUAL CHARGES	2008 \$'000	2007 \$'000
<u>Ordinary Rates</u>		
Residential	12,510	11,421
Business	1,342	1,224
	<u>13,852</u>	<u>12,645</u>
<u>Annual Charges</u>		
Domestic Waste Management	3,763	3,571
	<u>3,763</u>	<u>3,571</u>
Total Rates & Annual Charges	<u>17,615</u>	<u>16,216</u>
USER CHARGES & FEES		
<u>User Charges</u>		
Domestic Waste Management	24	20
Lease Rental (Property)	956	740
Meals on Wheels	100	83
Road Restoration	647	404
Staff Vehicle Leases	78	86
Market Days	102	104
Out of School Hours Care	163	167
Vacation Care	49	39
Cultural Centre Rental	111	107
Oval Rents	100	70
Reserve Rents	86	80
Childrens Leisure & Learning	20	20
Library - Photocopying	13	14
Mosman Occasional Child Care Centre	235	193
Mini Skips	30	23
Community Restaurant	30	28
Vehicular Crossing	46	21
Kidzone - Vacation	27	26
Civic Centre - Photocopying	5	8
Occasional Child Care	7	10
Dinghy Storage Racks	27	26
Other Waste Management	-	359
Work Zone Fees	165	-
Other	260	138
	<u>3,281</u>	<u>2,766</u>
<u>Fees</u>		
Planning & Building	2,154	1,980
Art Prize Fees	33	28
Other	102	116
	<u>2,289</u>	<u>2,124</u>
Total User Charges & Fees	<u>5,570</u>	<u>4,890</u>

MOSMAN COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2008

Note 3 - REVENUES (cont)

	2008 \$'000	2007 \$'000
INVESTMENT REVENUES		
Interest on overdue rates & charges	39	38
Interest on cash assets & investments		
externally restricted	60	35
internally restricted		
unrestricted	375	299
Premiums recognised on financial instruments		
Amortisation of discounts and premiums		
Gross Investment Revenues	474	372
Less: Interest deducted from		
capitalised borrowing costs		
Total Investment Revenues	474	372
OTHER REVENUES		
Commissions & Agency Fees	26	17
Certificate Fees	213	242
Fair value adjustments - investment property	8,322	-
Fines	1,520	1,256
Footpath Occupation	93	72
Lease Rental	69	60
Legal Fees Recovery (Rates)		9
Rental income - Investment Property	1,801	1,779
Adjust interest in associated entities	-	25
Other	123	255
Total Other Revenues	12,167	3,715

Note 19

MOSMAN COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2008

Note 3 - INCOME (cont)

	<u>Notes</u>	OPERATING		CAPITAL	
		2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
GRANTS					
General Purpose (Untied)					
Financial Assistance		683	665		
Pensioner Rates Subsidies (General)		63	64		
Specific Purpose					
Pensioner Rates Subsidies					
Domestic Waste Management		21	21		
Community Services		657	603		
Library Services		78	77		
Roads & Bridges		98	98		
Recreation & Culture			2	41	159
Traffic Facility		59	44		
Stormwater Quality Devices				107	
Creeks				23	40
Seawalls					2
Housing & Community Amenities		52	23	155	28
Other					
Total Grants & Subsidies		1,711	1,597	326	229
Comprising:					
- Commonwealth funding		683	665		
- State funding		1,028	932	326	229
- Other funding					
		1,711	1,597	326	229
CONTRIBUTIONS & DONATIONS					
Developer Contributions					
Section 94-Parking	17			234	899
Section 94 levies	17			195	869
Section 94A	17			782	70
RTA Contributions		76	66		
Transport & Communication		2	4	320	62
Community Development			10		
Recreation & Culture		69	57	12	22
Housing & Community		8		6	145
Public Safety		2		3	
Other			1		
Total Contributions & Donations		157	138	1,552	2,067
TOTAL GRANTS & CONTRIBUTIONS		1,868	1,735	1,878	2,296

MOSMAN COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2008

Note 3 - INCOME (cont)

CONDITIONS OVER GRANTS & CONTRIBUTIONS

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

	2008 \$'000		2007 \$'000	
	Grants	Contrib	Grants	Contrib
Unexpended at the close of the previous reporting period	349	1,049	358	522
Less: expended during the current period from revenues recognised in previous reporting periods				
Section 94/64 Developer Contributions		1,049		
Roads Infrastructure				
Heritage & Cultural Services				
RTA	21		6	
Library			15	
Youth				
Stormwater Reuse	48			
Seawalls	29			
Creek Rehabilitation	3			
Roads & Bridges			89	
Community Services	3		12	
Other				
Subtotal	104	1,049	122	0
Plus: amounts recognised as revenues in this reporting period but not yet expended in accordance with the conditions				
Section 94/64 Developer Contributions				
Roads Infrastructure				
Heritage & Cultural Services	21			
Community Care Services	16			
Community Services			3	
Library	7			
Recreation & Culture			40	
Housing & Community Amenities			68	0
Roads & Bridges				
Creek Rehabilitation			2	
SQIDS	130			
RTA				
Developer Contributions - Parking				
Developer Contributions - Open Space		468		527
Other				
Subtotal	174	468	113	527
Unexpended at the close of this reporting period and held as restricted assets	419	468	349	1,049
Net increase (decrease) in restricted assets in the	70	-581	-9	527

OPERATING LEASES providing revenue to the Council

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 above.

Investment Property

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

Lessees commitments under all non-cancellable lease agreements, including those relating to Investment property, are as follows:

	2008 \$'000	2007 \$'000
Not later than one year	1,784	1,792
Later than one year and not later than 5 years	5,602	5,697
Later than 5 years	3,588	4,428
	<u>10,974</u>	<u>11,917</u>

MOSMAN COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2008

Note 4 - EXPENSES

	2008 \$'000	2007 \$'000
EMPLOYEE COSTS		
Salaries and Wages	9,460	9,151
Travelling	125	111
Employee Leave Entitlements	1,200	1,099
Superannuation - defined contribution plan contributions	878	825
Superannuation - defined benefit plan contributions	96	108
Workers' Compensation Insurance	176	194
Fringe Benefits Tax	44	45
Training Costs (excluding Salaries)	111	107
Other	10	15
Less: Capitalised and distributed costs	(19)	(57)
Total Operating Employee Costs	12,081	11,598
Total Number of Employees	168	168
(Full time equivalent at end of reporting period)		
BORROWING COSTS		
Interest on Loans	337	356
Interest on other debts	30	46
Gross Interest Charges	367	402
Less: Borrowing Costs capitalised		
Total Interest Charges	367	402
MATERIALS & CONTRACTS		
Raw materials & consumables	215	255
Contractor and consultancy costs		
Bushcare	396	479
Tree Pruning/Removal	223	183
Parks, Gdns & Civic Spaces	455	485
Cleansing	1,743	1,612
Recreational Facilities	323	307
Waste Management	2,176	2,131
Infrastructure	970	400
Structures	589	382
Aged Services	127	111
Plant Running	170	149
Other	953	1,044
Auditor's Remuneration		
- Audit Services	34	26
- Other Services		
- Other Auditors		
Consultancies	156	279
Legal Expenses		
- Planning & Development	319	359
- Other Legal Expenses	46	115
Operating Leases	113	119
Printing	161	179
Total Materials & Contracts	9,169	8,615

MOSMAN COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2008

Note 4 - EXPENSES (cont)

	IMPAIRMENT		DEPRECIATION	
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000
DEPRECIATION, AMORTISATION & IMPAIRMENT				
Plant and Equipment	-	-	159	147
Office Equipment	-	-	63	71
Furniture & Fittings	-	-	22	18
Land Improvements	-	-	383	312
Buildings - non-specialised	-	-	205	235
Buildings - specialised	-	-	159	182
Other Structures	-	-	7	8
Infrastructure	-	-	-	-
- roads, bridges & footpaths	-	-	1,567	1,621
- bulk earthworks	-	-	-	-
- stormwater drainage	-	-	489	484
Other assets	-	-	-	-
- heritage collections	-	-	1	-
- library books	-	-	148	136
- other	-	-	248	208
Total Depreciation, Amortisation & Impairment	-	-	3,451	3,422

	2008	2007
	\$'000	\$'000
OTHER EXPENSES		
Advertising	163	225
Bad and Doubtful Debts	125	31
Bank & Financial Services	34	39
Catering	67	85
Computer/IT Services	396	388
Donations & Contributions to Local & Regional Bodies	420	316
Equipment Maintenance	51	42
Insurances	660	619
Leases (Property)	38	38
Leases (Photocopiers)	37	44
Light, Power & Heating	192	188
Mayoral Allowance	32	30
Councillors' Fees & Allowances	175	168
Councillors' (incl. Mayor) Expenses	55	59
Payments to other levels of Government	990	923
Postage & Couriers	79	79
Section 94 Car Parking Contribution Refund	329	-
Street Lighting	414	373
Subscriptions & Publications	70	61
Telephone & Communications	130	121
Waste Disposal & Recycling Centre	184	197
Water	57	69
Other	253	194
Total Other Expenses	4,951	4,289

MOSMAN COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2008

Note 5 - GAIN OR LOSS ON DISPOSAL OF ASSETS

	2008 \$'000	2007 \$'000
DISPOSAL OF PROPERTY		
Proceeds from disposal	63	10
Less: Carrying amount of assets sold		
Gain (Loss) on disposal	<u>63</u>	<u>10</u>
DISPOSAL OF INFRASTRUCTURE, PLANT & EQUIPMENT		
Proceeds from disposal	399	327
Less: Carrying amount of assets sold	489	403
Gain (Loss) on disposal	<u>(90)</u>	<u>(76)</u>
TOTAL GAIN (LOSS) ON DISPOSAL OF ASSETS	<u>(27)</u>	<u>(66)</u>

MOSMAN COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2008

Note 6 - CASH ASSETS & INVESTMENT SECURITIES

	2008		2007	
	\$'000		\$'000	
	<u>Current</u>	<u>Non-Current</u>	<u>Current</u>	<u>Non-Current</u>
CASH ASSETS				
Cash on Hand and at Bank	236		434	
Deposits at Call				
Short Term Deposits & Bills, etc	4,365		4,750	
Other				
Total Cash Assets	<u>4,601</u>		<u>5,184</u>	

Cash Assets comprise highly liquid investments with short periods to maturity subject to insignificant risk of changes of value.

MOSMAN COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2008

Note 6 - CASH ASSETS & INVESTMENT SECURITIES (cont)

RESTRICTED CASH ASSETS & INVESTMENT SECURITIES

	2008 \$'000		2007 \$'000	
	Current	Non-Current	Current	Non-Current
Cash & Cash Equivalent Assets	4,601	-	5,184	-
Investment Securities	-	-	-	-
TOTAL CASH & INVESTMENT SECURITIES	4,601	-	5,184	-
External Restrictions	898	-	1,415	-
Internal Restrictions	3,611	-	2,872	-
Unrestricted	92	-	897	-
	4,601	-	5,184	-

DETAILS OF MOVEMENTS OF RESTRICTED CASH ASSETS & INVESTMENT SECURITIES

Notes	Opening Balance 30 June 2007 \$'000	Movements		Closing Balance 30 June 2008 \$'000
		Transfers To Restriction \$'000	Transfers From Restriction \$'000	
External Restrictions				
Included in liabilities				
Unexpended Loans			-	
RTA Advances			-	
Self Insurance Claims			-	
Other			-	
	-	-	-	-
Other				
Developer Contributions	17 1,049	1,271	(1,852)	468
Unexpended Grants	349	70	-	419
Infrastructure Levy	-	11	-	11
Domestic Waste Management	17	-	(17)	-
	1,415	1,352	(1,869)	898
Total External Restrictions	1,415	1,352	(1,869)	898

External Restrictions arise pursuant to section 409(3) of the Local Government Act, the Local Government (Financial Management) Regulation 1999 and other applicable legislation. Further information relating to Developer Contributions is provided in Note 17 and Unexpended Grants in Note 3. Amounts raised by special rates (eg. Water & Sewer) or for Domestic Waste Management may only be used for those purposes.

Internal Restrictions

Employee Leave Entitlements	400	50	-	450
Plant replacement	10	40	-	50
Carry-over works	292	616	(292)	616
Deposits & Bonds	900	-	(50)	850
Civic Centre Security	42	-	(42)	-
Drill Hall Common	500	-	-	500
Capital Works Reserve	698	-	(280)	418
Swim Centre	30	41	-	71
Other/C/ Centre	-	41	-	41
Stormwater Programs	-	540	-	540
Grand Hall Air Mechanical Ventilation	-	75	-	75
Total Internal Restrictions	2,872	1,403	(664)	3,611

Internal Restrictions arise pursuant to resolutions of Council to set aside reserves of cash resources either relating to liabilities recognised in these reports or to fund future expenditure for the stated purpose. Such reserves are not permitted to exceed the amounts of cash assets and cash investments not otherwise restricted.

MOSMAN COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2008

Note 7 - RECEIVABLES

	2008 \$'000		2007 \$'000	
	Current	Non-Current	Current	Non-Current
Rates & Annual Charges	250	89	243	81
Interest & Extra Charges	13		14	
Rates Legals	2		6	
User Charges & Fees	1,652		1,450	
Accrued Revenues-Fines	790		730	
GST Receivable	249		179	
Investment Income	21		25	
Other levels of Government	197		58	
Other	137		416	45
Total	3,311	89	3,121	126
Less: Allowance for Doubtful Debts				
User Charges & Fees	473		348	
Other	43		43	
	2,795	89	2,730	126

Rates, Annual Charges, Interest & Extra Charges

Overdue rates and annual charges (being amounts not paid on or before the due date determined in accordance with the Local Government Act) are secured over the relevant land and are subject to simple interest at a rate of 10.00% (2007: 10.00%). Although Council is not materially exposed to any individual ratepayer, credit risk exposure is concentrated within the Council boundaries in the State of New South Wales.

Other levels of Government

Amounts due have been calculated in accordance with the terms and conditions of the respective programs following advice of approvals, and do not bear interest. All amounts are due by Departments and Agencies of the Government of New South Wales and the Government of Australia.

Other Receivables

Amounts due (other than User Charges which are secured over the relevant land) are 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 in the State of New South Wales.

RESTRICTED RECEIVABLES

Domestic Waste Management	88		82	
Total Restrictions	88	-	82	-
Unrestricted Receivables	2,707	89	2,648	126
Total Receivables	2,795	89	2,730	126

MOSMAN COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2008

Note 8 - INVENTORIES & OTHER ASSETS

	2008 \$'000		2007 \$'000	
	<u>Current</u>	<u>Non-Current</u>	<u>Current</u>	<u>Non-Current</u>
INVENTORIES				
Stores & Materials	55		53	
Trading Stock	48		44	
Total Inventories	<u>103</u>	<u>-</u>	<u>97</u>	<u>-</u>

Aggregate write-downs and other losses recognised as an expense, and reversals of these, were not material in amount in either year. All such reversals occurred principally as a result of clerical inaccuracies during stores operations.

OTHER ASSETS

Prepayments	252		78	
Total Other Assets	<u>252</u>	<u>-</u>	<u>78</u>	<u>-</u>

MOSMAN COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2008

Note 9 - INFRASTRUCTURE, PROPERTY, PLANT & EQUIPMENT

	2007 \$'000				CARRYING AMOUNT MOVEMENTS DURING YEAR \$'000					2008 \$'000			
	AT COST	AT FAIR VALUE	ACCUM DEPN	CARRYING AMOUNT	Asset Purchases	Asset Disposals	Depreciation	Adjust	Net Revaluation	AT COST	AT FAIR VALUE	ACCUM DEPN	CARRYING AMOUNT
Capital Work-in-progress	54	-	-	54	684	-	-	-	-	738	-	-	738
Plant & Equipment	2,281	-	(1,018)	1,263	454	(489)	(159)	-	-	2,058	(989)	-	1,069
Office Equipment	2,741	-	(2,575)	166	136	-	(63)	-	-	2,878	(2,639)	-	239
Furniture & Fittings	938	-	(512)	426	36	-	(22)	-	-	973	(533)	-	440
Leased Plant & Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-
Land	-	-	-	-	-	-	-	-	-	-	-	-	-
- Operational Land	6,473	-	-	6,473	-	-	-	-	96,695	103,168	-	-	103,168
- Community Land	216,643	-	-	216,643	-	-	-	-	-	216,643	-	-	216,643
- non deprec land improv'ts	-	-	-	-	-	-	-	-	-	-	-	-	-
- land under roads	-	-	-	-	-	-	-	-	-	-	-	-	-
Land Improvements - depreciable	10,873	-	(3,577)	7,296	239	-	(383)	(36)	-	10,979	(3,863)	-	7,116
Buildings - non-specialised	18,792	-	(2,221)	16,571	103	-	(205)	(6,428)	10,562	32,172	(11,569)	-	20,603
Buildings - specialised	11,510	-	(1,132)	10,378	145	-	(159)	(3,522)	1,398	14,036	(5,796)	-	8,240
Other Structures	154	-	(90)	64	-	-	(7)	-	-	154	(97)	-	57
Infrastructure	-	-	-	-	-	-	-	-	-	-	-	-	-
- Roads, bridges, footpaths	157,236	-	(47,025)	110,211	1,626	-	(1,567)	-	-	158,864	(48,594)	-	110,270
- Bulk earthworks (non-deprec.)	-	-	-	-	-	-	-	-	-	-	-	-	-
- Stormwater drainage	48,787	-	(22,786)	26,001	756	-	(489)	-	-	49,543	(23,275)	-	26,268
- Water Supply Network	-	-	-	-	-	-	-	-	-	-	-	-	-
- Sewerage Network	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Assets	-	-	-	-	-	-	-	-	-	-	-	-	-
- Heritage Collections	16	-	(1)	15	-	-	(1)	-	-	16	(2)	-	14
- Library Books	2,902	-	(2,406)	496	187	-	(148)	-	-	3,091	(2,556)	-	535
- Other	3,985	-	(2,433)	1,552	734	-	(248)	-	-	4,506	(2,468)	-	2,038
Future Reinstatement Costs	-	-	-	-	-	-	-	-	-	-	-	-	-
- Tips	-	-	-	-	-	-	-	-	-	-	-	-	-
- Quarries	-	-	-	-	-	-	-	-	-	-	-	-	-
- Other remediation assets	-	-	-	-	-	-	-	-	-	-	-	-	-
Totals	483,385	-	(85,776)	397,609	5,100	(489)	(3,451)	(9,986)	108,655	444,534	155,285	(102,381)	497,438

Asset acquisitions were apportioned between:

Building & Infrastructure Renewals	2,062
Building & Infrastructure New Assets	568
Other Assets	2,470

MOSMAN COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2008

Note 10 - LIABILITIES

	2008 \$'000		2007 \$'000	
	<u>Current</u>	<u>Non-Current</u>	<u>Current</u>	<u>Non-Current</u>
PAYABLES				
Goods & Services	1,758		1,509	
Payments received in advance	30		14	
Accrued Expenses - Interest on Loan	22		28	
Accrued Expenses - Interest on Other	13		20	
Deposits, Retentions & Bonds	4,644		4,665	
Total Payables	<u>6,467</u>	<u>-</u>	<u>6,236</u>	<u>-</u>
BORROWINGS				
Bank Overdraft				
Loans				
- Unsecured	1,072	4,249	1,046	4,706
Deferred Payment Liabilities	323	842	323	1,165
Total Borrowings	<u>1,395</u>	<u>5,091</u>	<u>1,369</u>	<u>5,871</u>

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

PROVISIONS				
Annual Leave	1,244		1,230	
Long Service Leave	1,510	100	1,400	120
Total Provisions	<u>2,754</u>	<u>100</u>	<u>2,630</u>	<u>120</u>

Reconciliation of Provisions

Class of Provision	O/Bal	Increase	Payments	Closing
Annual Leave	1,230	928	-914	1,244
Long Service Leave	1,520	272	-182	1,610
	<u>2,750</u>	<u>1,200</u>	<u>-1,096</u>	<u>2,854</u>

MOSMAN COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2008

NOTE 10 - LIABILITIES (cont)

		2008 \$'000		2007 \$'000	
		Current	Non-Current	Current	Non-Current
(1)	LIABILITIES relating to RESTRICTED ASSETS				
	<u>Domestic Waste Management</u>				
	Payables	88	-	-	-
	Interest Bearing Liabilities	-	-	-	-
	Provisions	-	-	-	-
	Subtotal	88	-	-	-
	<u>Other</u>				
	Payables	13	-	20	-
	Interest Bearing Liabilities	323	-	323	-
	Provisions	-	-	-	-
	Subtotal	336	-	343	-
	Total	424	-	343	-

(2) Current Liabilities not anticipated to be settled within the next 12 months

The following liabilities, even though classified as current, are not expected to be settled in the next 12 months

Employee Leave Entitlements	1,529	1,538
Security Bonds, Deposits & Retentions	4,124	3,965
	5,653	5,503

MOSMAN COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2008

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:

	2008 \$'000	2007 \$'000
Total Cash Assets (Note 6)	4,601	5,184
Less: Bank Overdraft (Note 10)	-	-
Balances per Cash Flow Statement	<u>4,601</u>	<u>5,184</u>

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

Net Operating Result from Income Statement	9,568	918
Add: Depreciation, Amortisation & Impairment	3,451	3,422
Increase in provision for doubtful debts	125	30
Increase in employee benefits provisions	104	141
Decrease in receivables	-	5
Decrease in inventories	-	23
Decrease in other assets	-	-
Increase in trade creditors	488	443
Increase in accrued expenses payable	-	-
Increase in other payables	-	-
Loss on Sale of Assets	27	66
	<u>13,763</u>	<u>5,048</u>
Less: Decrease in provision for doubtful debts	-	-
Increase in receivables	212	220
Increase in inventories	6	-
Increase in other assets	174	-
Decrease in trade creditors	-	-
Decrease in accrued expenses payable	-	-
Decrease in other payables	-	-
Equity share of profit in Associates	42	86
Fair value adjustments as revenue items	8,322	-
Net Cash provided by (or used in) operations	<u>5,007</u>	<u>4,742</u>

MOSMAN COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2008

Note 11 (cont) - RECONCILIATION TO CASH FLOW STATEMENT

	2008 \$'000	2007 \$'000
(c) Non-Cash Financing and Investing Activities		
Acquisition of assets by means of:		
- PWD Construction	-	-
- Bushfire Grants	-	-
- Developer Contributions received in kind	-	-
- Non-cash issues of Shares in Other Companies	-	-
- Estimated future reinstatement, etc costs	-	-
- Other	-	-
	<hr/>	<hr/>
- Finance Leases	-	-
- Land taken over for non-payment of Rates	-	-
	<hr/>	<hr/>
	<hr/>	<hr/>

(d) Financing Arrangements

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

Bank Overdrafts		
Total Facilities	90	90
Corporate Credit Cards	61	61

The bank overdraft facilities may be drawn at any time and may be terminated by the bank without notice. Interest rates on overdrafts are variable while the rates for loans are fixed for the period of the loan.

MOSMAN COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2008

Note 12 - COMMITMENTS FOR EXPENDITURE

	2008 \$'000	2007 \$'000
(a) Capital Commitments		
Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:		
Land		
Construction of Investment Property		
Buildings	1,250	
Plant & Equipment		
	<u>1,250</u>	<u>-</u>
These expenditures are payable:		
Not later than one year	1,250	
Later than one year and not later than 5 years		
Later than 5 years		
	<u>1,250</u>	<u>-</u>

Commitments for Capital Expenditures relating to Joint Ventures and Partnerships are set out in Note 19.

(b) Other Expenditure Commitments		
Other expenditure committed for (excluding inventories) at the reporting date but not recognised in the financial statements as liabilities:		
Audit Services	165	
Waste Management Services/Street & Gutter	9,357	13,885
Repairs & maintenance - Investment Property		
Other	1,736	1,400
	<u>11,258</u>	<u>15,285</u>
These expenditures are payable:		
Not later than one year	3,078	2,777
Later than one year and not later than 5 years	8,180	12,508
Later than 5 years		
	<u>11,258</u>	<u>15,285</u>

Commitments for other Expenditures relating to Joint Ventures and Partnerships are set out in Note 19.

(c) Finance Lease Commitments		
Commitments under finance leases at the reporting date are as follows:		

Not later than one year		
Later than one year and not later than 5 years		
Later than 5 years		
Minimum lease payments	-	-
Less: future finance charges		
Net Lease Liability	-	-
Representing lease liabilities:		
Current	-	-
Non-Current	-	-
	<u>-</u>	<u>-</u>

No Joint Ventures or Partnerships have any finance lease arrangements.

MOSMAN COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2008

Note 12 (CONT) - COMMITMENTS FOR EXPENDITURE

	2008 \$'000	2007 \$'000
(d) Operating Lease Commitments (Non-Cancellable)		
Commitments under non-cancellable operating leases at the reporting date but not recognised in the financial statements are payable as follows:		
<u>Total Future Minimum Lease Payments</u>		
Not later than one year	158	173
Later than one year and not later than 5 years	207	158
Later than 5 years	<u>365</u>	<u>331</u>

Council has entered into non-cancellable operating leases for various items of computer and other plant and equipment.

No lease imposes any additional restrictions on Council in relation to additional debt or further leasing.

Leases in relation to computer and office equipment permit Council, at expiry of the lease, to elect to re-lease, return or acquire the equipment leased.

No lease contains any escalation clause.

Commitments for Operating Lease Expenditures relating to Joint Ventures and Partnerships are set out in Note 19.

(e) Remuneration Commitments

Commitments for the payment of salaries and other remuneration under long-term employment contracts in existence at reporting date but not recognised as liabilities payable:

Not later than one year	733	702
Later than one year and not later than 5 years	1,584	1,066
Later than 5 years	<u>42</u>	
	<u>2,359</u>	<u>1,768</u>

MOSMAN COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2008

Note 13 - STATEMENT OF PERFORMANCE MEASUREMENT

	<u>Amounts</u>	<u>2008 Indicators</u>	2007	2006	2005
Unrestricted Current Ratio					
<u>Unrestricted Current Assets*</u>	\$6,765	1.49:1	1.50:1	1.46:1	1.61:1
Current Liabilities not relating to Restricted Assets	\$4,539				
Debt Service Ratio					
<u>Net Debt Service Cost</u>	\$1,736	4.74:1	6.56%	6.51%	5.11%
Operating Revenue	\$36,614				
Rate & Annual Charges Coverage Ratio					
<u>Rates & Annual Charges Revenues</u>	\$17,615	44.47%	55.33%	56.67%	59.74%
Total Revenues	\$39,614				
Rates & Annual Charges Outstanding Percentage					
<u>Rates & Annual Charges Outstanding</u>	\$354	1.97%	2.06%	2.57%	2.18%
Rates & Annual Charges Collectible	\$17,998				
Building & Infrastructure Renewals Ratio					
<u>Asset renewals</u>	\$2,062	0.85:1	New ratio introduced 2008 - no comparatives available.		
Depreciation, Amortisation, Impairment	\$2,420				

Detailed methods of calculation of these indicators is defined in the Code.

MOSMAN COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2008

Note 14 - INVESTMENT PROPERTY

	2008 \$'000	2007 \$'000
At fair value		
Opening balance at 1 July	29,915	29,915
Acquisitions	0	
Capitalised subsequent expenditure		
Classified as held for sale		
Net gain (loss) from fair value adjustment	8,322	
Transfer (to) from inventories or infrastructure, property, plant & equipment	0	
Carrying value of disposals	0	
Closing balance at 30 June	<u>38,237</u>	<u>29,915</u>
Amounts recognised in profit and loss		
Rental income	1,801	1,779
Outgoings recouped	9	8
Net gain (loss) from fair value adjustment	<u>1,810</u>	<u>1,787</u>
Repairs, maintenance & other operating expenses		
- <i>property generating rental income</i>	-42	-54
- <i>property not generating rental income</i>		
	<u>1,768</u>	<u>1,733</u>

Valuation basis

Fair value is the amount for which an asset could be exchanged between knowledgeable, willing parties in an arm's length transaction and reflects market conditions at the reporting date.

The 2008 valuation was made by Scott Fullarton Valuations.

Contractual arrangements - see Note 12.

MOSMAN COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2008

Note 15 - FINANCIAL RISK MANAGEMENT

Council's activities expose it to a variety of financial risks including price risk, credit risk, liquidity risk and interest rate risk. All financial instruments are denominated in Australian dollars, and hence currency risk does not apply.

Financial risk management is carried out by Finance section in accordance with policies approved by Council and in accordance with statutory requirements, and seeks to maximise revenue while protecting the corpus of the funds invested.

Council held the following financial instruments at balance date:

	Carrying Value		Fair Value	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Financial Assets				
Cash and Cash Equivalents	4,601	5,184	4,601	5,184
Receivables	2,884	2,856	2,884	2,856
	<u>7,485</u>	<u>8,040</u>	<u>7,485</u>	<u>8,040</u>
Financial Liabilities				
Payables	6,467	6,236	6,467	6,236
Borrowings	6,486	7,240	6,486	7,240
	<u>12,953</u>	<u>13,476</u>	<u>12,953</u>	<u>13,476</u>

Fair value is estimated as follows:

* Cash & equivalents, receivables & payables - due to the short-term nature, face value (carrying value) approximates fair value.

MOSMAN COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2008

Note 15 - FINANCIAL RISK MANAGEMENT (cont)

Interest Sensitivity Analysis

	2008 \$'000	2007 \$'000
Impact of a 10% movement in price of investments (for assets subject to price risk only)		
- Equity	-	-
- Income Statement	-	-
Impact of a 1% change in interest rates on cash & investments		
- Equity	46	52
- Income Statement	46	52

Receivables

Credit risk on receivables for rates, annual charges and service charges made under section 502 is minimised as these are secured over the subject land. The security extends to interest levied for late payment.

Other receivables are subject to a range of credit risk minimisation procedures as appropriate, varying from credit checks to specific security pledges. Council is not materially exposed to any individual debtor, and credit risk exposure is concentrated within the Council boundaries in the State of New South Wales. There are no material receivables that have been subject to re-negotiation of repayment terms.

Council receives regular summary reports of receivables due, and detailed reports where appropriate.

At reporting date, all amounts receivable were reviewed, and adequate allowance made for amounts considered doubtful.

	2008 \$'000	2007 \$'000
Percentage of Rates & Annual Charges		
- Current	75%	74%
- Overdue	25%	26%

Payables

Borrowings

Payables and borrowings are subject to liquidity risk - the risk that insufficient funds may be on hand to meet payment obligations as they fall due. The investment portfolio is managed so as to provide adequate liquidity at all times, particularly during the periods between the quarterly receipt of rates instalments and grants. In addition, Council has access to overdraft facilities set out in Note 12.

Liquidity Sensitivity Table

The contractual undiscounted cash flows of Council's payables and borrowings are shown below:

	2008 '000	Due			Total Contractual I	Carrying Value
		≤ 1 year	2 - 5 years	> 5 years		
Payables		6,467	-		6,467	6,467
Borrowings		1,395	4,008	1,083	6,486	6,486
		<u>7,862</u>	<u>4,008</u>	<u>1,083</u>	<u>12,953</u>	<u>12,953</u>
	2007 '000	Due			Total Contractual Cash Flows	Carrying Value
		≤ 1 year	2 - 5 years	> 5 years		
Payables		6,236	-		6,236	6,236
Borrowings		1,369	4,778	1,093	7,240	7,240
		<u>7,605</u>	<u>4,778</u>	<u>1,093</u>	<u>13,476</u>	<u>13,476</u>

MOSMAN COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2008

Note 15 - FINANCIAL RISK MANAGEMENT (cont)

Borrowings are also subject to interest rate risk - the risk that changes in interest rates could adversely affect funding costs. Council manages this risk by generally borrowing long term, commonly at rates fixed for the duration of the loan. Bank overdraft and less than 10% of borrowings are at variable rates; the associated interest rate risk is not considered material.

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

	2008		2007	
	Wtd ave interest rate	Balance	Wtd ave interest rate	Balance
Loans - fixed interest rate	6.60%	<u>6,486</u>	6.24%	<u>7,240</u>
		<u>6,486</u>		<u>7,240</u>

MOSMAN COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2008

Note 16 - Significant Variations to Budget

Line items with a differential of greater than 10% to original budget

Investment Revenues - This line item exceeds the original budget by \$57K (14%). This can be attributed to a better than anticipated portfolio performance over the reporting year.

Other Revenues - This line item exceeds the original budget by \$8.551M (236%). This can be attributed to a net gain from fair value adjustment of investment properties of \$8.322M.

Grants & Contributions - Operating - This line item exceeds the original budget by \$256K (16%).

Grants & Contributions - Capital - This line item exceeds the original budget by \$1.156M (160%). This in the main can be attributed to S94 contributions exceeding budget by \$687K. Roads To Recovery exceeding budget by \$106K & Stormwater Quality related projects by \$282K.

Profit from Interests in Joint Ventures - This line item exceeds the original budget by \$12K (40%). This can be attributed to better than anticipated performance by the operations of the Joint Venture.

Other Expenses - This line item exceeds the original budget by \$1.149M (30%). This in the main can be attributed to a refund of a Section 94 contribution received in 06/07 and held in reserve totalling \$329K, Land & Environment Court legals exceeding budget by \$119K, Doubtful debts expense exceeding budget by \$125K & Fire Brigade levy exceeding budget by \$41K

Loss from Disposal of Assets - This line item varies from the original budget by \$23K. (46%). This can be attributed to a better than anticipated return on proceeds from disposal of property.

MOSMAN COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2008

Note 17 - STATEMENT OF CONTRIBUTION PLANS

SUMMARY OF CONTRIBUTIONS

PURPOSE	OPENING BALANCE	CONTRIBUTIONS RECEIVED DURING YEAR		INTEREST EARNED DURING YEAR	EXPENDED DURING YEAR	INTERNAL BORROW- INGS (to)/from	HELD AS RESTR- ICTED ASSET	EST. FUTURE CONTRIBS	EST. WORKS OUT- STANDING	EST. OVER/ (UNDER) FUNDING
		CASH	NON-CASH							
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Drainage										
Roads										
Traffic Facilities										
Parking		234			(234)					
Open Space-S94	978	195		23	(1,196)			1,219	1,219	
Open Space-S94A	71	782		37	(422)		468	4,875	4,875	
Community facilities										
Developer Agreements										
Other										
Subtotal S94 under plans	1,049	1,211		60	(1,852)		468	6,094	6,094	
Sec 94 not under plans										
Sec 94A levies										
Planning Agreements										
Sec 64 Contributions										
Total Contributions	1,049	1,211		60	(1,852)		468			

Note: The above summary of contribution plans represents the total of Council's individual contribution plans. Individual plan details are shown below.

CONTRIBUTION PLAN - S94 & S94A OPEN SPACE & CAR PARKING

PURPOSE	OPENING BALANCE	CONTRIBUTIONS RECEIVED DURING YEAR		INTEREST EARNED DURING YEAR	EXPENDED DURING YEAR	INTERNAL BORROW- INGS (to)/from	HELD AS RESTR- ICTED ASSET	EST. FUTURE CONTRIBS	EST. WORKS OUT- STANDING	EST. OVER/ (UNDER) FUNDING
		CASH	NON-CASH							
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Drainage										
Roads										
Traffic Facilities										
Parking		234			-234					
Open Space-S94	978	195		23	-1,196			1,219	1,219	
Open Space-S94A	71	782		37	-422		468	4,875	4,875	
Community facilities										
Developer Agreements										
Other										
Total	1,049	1,211		60	(1,852)		468	6,094	6,094	

MOSMAN COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2008

Note 18 - CONTINGENCIES & ASSETS & LIABILITIES NOT RECOGNISED IN THE BALANCE SHEET

The following assets and liabilities do not qualify for recognition in the Balance Sheet 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.

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.

HIH Insurance

Council's public risk insurance cover in previous years was insured or re-insured with a member of the HIH Insurance Group of companies

At reporting date, there are no known claims outstanding from that period.

Statewide Mutual

Council is a member of Statewide Mutual, an organisation formed for the purchase and management of certain insurances on behalf of its members. Council is liable to contribute its proportionate share of any shortfall arising through the scheme.

Statewide Mutual's Directors report that as at the reporting date, Mosman Council has no contingent liability to the scheme.

Details of an agreement between the Commonwealth and State Governments for the partial reimbursement of losses incurred were advised on 22 June 2004. Statewide Mutual is complying with the specified procedures but has not yet been advised whether its claim has been accepted.

STATECOVER MUTUAL Ltd

Council holds a partly paid share in Statecover Mutual Limited, a company providing workers compensation insurance cover for the Council. Council has a contingent liability to contribute further equity in the event of the capital base of the company being eroded.

Superannuation - Defined Benefits Schemes

The Local Government Superannuation Scheme - Pool B is a defined benefit plan that has been deemed to be a "multi-employer fund" for the purposes of AASB 119. Sufficient information is not available to account for the Scheme as a defined benefits plan because the assets to the scheme are pooled together for all Councils. The last valuation of the Scheme was performed by Mr Martin Stevenson BSc, FIA, FIAA on 18 March 2004 and covers the period ended 30 June 2003. It found that the Scheme's assets exceeded its past service liabilities by \$202M. This had resulted in Council's annual contributions being at half normal levels ceasing on 30/6/08.

MOSMAN COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2008

Note 19 - JOINT VENTURES & ASSOCIATED ENTITIES

Council participates in a number of cooperative arrangements with other Councils and other bodies. Depending on the extent of Council's interest and "control", these are set out in the following parts to this Note.

Note 19 (a) - Council's interest and "control" exceeds 50% of the cooperative organisation.

Note 19 (b) - Entities of which no one member has "control".

Note 19 (c) - Entities of which another member has "control".

Note 19 (d) - Joint venture operations not comprising an entity.

Note 19 (e) - Joint ventures not recognised.

(a) - Cooperative Organisations "Controlled" by Council

NIL

MOSMAN COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2008

Note 19 (b) (cont) - Entities not "Controlled" by any member

Shorelink Library Network	2008	2007
Council's respective interests are:		
- interest in outputs of the joint operation	13%	13%
- ownership interest in the joint operation	17%	17%
- the proportion of voting power in the joint operation	20%	20%
Movements in Investment in Joint Operation	\$'000	\$'000
Opening Balance	64	65
Amount recognised on inclusion in Council's accounts		
New Capital Contributions		
Share in Operating Result	-4	-1
Distributions Received		
Adjustment to Equity Share		
Share in Equity of Joint Operation	60	64

In accordance with the Code of Accounting Practice, reserves other than Asset Revaluation Reserve have been treated as internal restrictions of cash and investments, and are included in the Share in Equity of the Joint Operation.

Expenditure Commitments

Expenditure committed for (excluding inventories) at the reporting date but not recognised in the financial statements as liabilities:

Capital Expenditures payable

Not later than one year
Later than one year and not later than 5 years
Later than 5 years

0	0
---	---

Operating Expenditures payable

Not later than one year
Later than one year and not later than 5 years
Later than 5 years

0	0
---	---

Contingent Liabilities

Each member of the operation is jointly and severally liable for the debts of the operation

- arising from Council's share of the joint operation
- arising from joint and several liability of all members

Revenues, expenses, assets and liabilities of these operations included within these reports in accordance with Australian Accounting Standard AAS 19 "Accounting for Interests in Joint Ventures" are summarised below. Reporting periods and accounting policies adopted by both joint operations conform to those adopted by Council. No events have occurred after balance date the financial effects of which may materially affect the financial or operating performance of the joint operations for the next reporting period.

	2008	2007
	\$'000	\$'000
Operating Statement		
Share of joint venture revenues in operating revenues	76	74
Share of joint venture costs in operating expenses	79	75
Net Contribution	-3	-1
Balance Sheet		
Current Assets	41	38
Non-Current Assets	25	31
Share of Assets employed in Joint Ventures	66	69
Current Liabilities	6	5
Non-Current Liabilities		
Share of Liabilities incurred in Joint Ventures	6	5
NET INTEREST IN JOINT VENTURES	60	64

MOSMAN COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2008

Note 19 (c) (cont) - Entities "controlled" by another member

Kimbriki Waste Disposal Facility	2008	2007
Council's respective interests are:		
- interest in outputs of the joint operation	4%	4%
- ownership interest in the joint operation	4%	4%
- the proportion of voting power in the joint operation	17%	17%
Movements in Investment in Joint Operation	\$'000	\$'000
Opening Balance	304	248
Amount recognised on inclusion in Council's accounts		
New Capital Contributions		
Share in Operating Result	55	62
Distributions Received		-31
Adjustment to Equity Share	-9	25
Share in Equity of Joint Operation	350	304

In accordance with the Code of Accounting Practice, reserves other than Asset Revaluation Reserve have been treated as internal restrictions of cash and investments, and are included in the Share in Equity of the Joint Operation.

Expenditure Commitments

Expenditure committed for (excluding inventories) at the reporting date but not recognised in the financial statements as liabilities:

Capital Expenditures payable

Not later than one year

Later than one year and not later than 5 years

Later than 5 years

0	0
---	---

Operating Expenditures payable

Not later than one year

Later than one year and not later than 5 years

Later than 5 years

0	0
---	---

Contingent Liabilities

Each member of the operation is jointly and severally liable for the debts of the operation

- arising from Council's share of the joint operation

- arising from joint and several liability of all members

Council's interest in these bodies has been accounted for in accordance with Australian Accounting Standard AAS 14 "Accounting for Investments in Associates" and is disclosed as "Interest in Associated Bodies". Reporting periods and accounting policies adopted by both joint operations conform to those adopted by Council. No events have occurred after balance date the financial effects of which may materially affect the financial or operating performance of the joint operations for the next reporting period.

	2008	2007
	\$'000	\$'000
Net Surplus (deficit) of Associates	55	62
Share of Assets employed in Associates	425	343
Share of Liabilities incurred in Associates	-75	-39
NET INTEREST IN ASSOCIATES	350	304

MOSMAN COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2008

Note 20 - REVALUATION RESERVES & RETAINED EARNINGS

	2008 \$'000	2007 \$'000
<i>Infrastructure, Property, Plant & Equipment</i>		
Balance at beginning of reporting period	-	-
Add: Revaluation increments transferred to the reserve		
relating to:		
- Operational Land	96,695	
- Specialised Buildings	1,398	
- Non Specialised Buildings	10,562	
	Subtotal	
	<u>108,655</u>	<u>-</u>
Balance at end of reporting period	<u>108,655</u>	<u>-</u>

MOSMAN COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2008

Note 20 - REVALUATION RESERVES & RETAINED EARNINGS (CONT)

<i>Retained Earnings</i>	2008 \$'000	2007 \$'000
As previously reported (beginning of year)	419,881	418,963
Correction of errors - see below	(9,986)	
Net operating result for the year	9,568	918
At end of year	<u>419,463</u>	<u>419,881</u>

Correction of errors in previous years

(i)

In previous years Council had not consistently reviewed the estimates of useful lives of certain assets. In the course of the revaluations carried out in the current reporting period, it was found that the combined effect resulted in a significant reduction in the depreciation that had previously been charged. It was found to be impracticable to calculate the distortion occurring in each of the previous years, and the adjustment has been made to current year balances.

(6,735)

(ii) In the course of the revaluations carried out in the current reporting period, it was found that a number of buildings had been recognised in error.

(3,251)

Total

(9,986)



SPENCER STEER
CHARTERED ACCOUNTANTS

MOSMAN COUNCIL

GENERAL PURPOSE FINANCIAL REPORT

INDEPENDENT AUDITORS' REPORT

REPORT ON THE FINANCIAL REPORT

We have audited the accompanying *general purpose financial report* of *Mosman Council*, which comprises the Balance Sheet as at 30 June 2008, Income Statement, Statement of Changes in Equity and Cash Flow Statement for the year ended on that date, a summary of significant accounting policies and other explanatory notes and the Statement by Councillors and Management. The financial report includes the consolidated financial statements of the economic entity and the entities it controlled at year end or from time to time during the year.

Responsibility of Council 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) and the Local Government Act 1993. This responsibility includes the maintenance of adequate accounting records and internal controls designed to prevent and detect fraud and error; designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement. Our audit responsibility does not extend to the original budget information disclosed in the Income Statement, Cash Flow Statement, and Note 2(a) or the budget variation explanations disclosed in Note 16. Nor does our responsibility extend to the projected future developer contributions and costs disclosed in Note 17. Accordingly, no opinion is expressed on these matters.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Council's internal control. An audit also



SPENCER STEER
CHARTERED ACCOUNTANTS

includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Council, as well as evaluating the overall presentation of the financial report.

Our audit did not involve an analysis of the prudence of business decisions made by Council or management.

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

Independence

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements.

Auditor's Opinion

In our opinion,

- (a) the Council's accounting records have been kept in accordance with the requirements of the Local Government Act 1993, Chapter 13 part 3 Division 2; and
- (b) the financial report:
 - (i) has been presented in accordance with the requirements of this Division;
 - (ii) is consistent with the Council's accounting records;
 - (iii) presents fairly the Council's financial position, the results of its operations and its cash flows; and
 - (iv) is in accordance with applicable Accounting Standards and other mandatory professional reporting requirements in Australia.
- (c) all information relevant to the conduct of the audit has been obtained; and
- (d) there are no material deficiencies in the accounting records or financial report that have we have become aware of during the course of the audit.

SPENCER STEER
Chartered Accountants

N. MAH CHUT
Partner

Dated at Sydney this 15th day of October 2008



SPENCER STEER
CHARTERED ACCOUNTANTS

15 October 2008

The Mayor
Mosman Council
PO Box 211
SPIT JUNCTION NSW 2088

Mayor,

Audit Report - Year Ended 30 June 2008

We are pleased to advise completion of the audit of Council's books and records for the year ended 30 June 2008 and that all information required by us was readily available. We have signed our reports as required under Section 417(1) of the Local Government Act, 1993 and the Local Government Code of Accounting Practice and Financial Reporting to the General and Special Purpose Financial Reports.

Our audit has been conducted in accordance with Australian Auditing Standards so as to express an opinion on both the General and Special Purpose Financial Reports of the Council. We have ensured that the accounts have been prepared in accordance with Australian equivalents to International Financial Reporting Standards (AIFRS) and the Local Government Code of Accounting Practice and Financial Reporting.

This report on the conduct of the audit is also issued under Section 417(1) and we now offer the following comments on the financial statements and the audit;

1. RESULTS FOR THE YEAR

1.1 *Operating Result*

The operating result for the year was a Surplus of \$9.568 million as compared with a \$918,000 in the previous year.

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The following table sets out the results for the year and the extent (%) that each category of revenue and expenses contributed to the total.

	2008	% of	2007	% of	Increase
	\$000	Total	\$000	Total	(Decrease)
					\$000
Revenues before capital items					
Rates & annual charges	17,615	47%	16,216	60%	1,399
User charges, fees & other revenues	17,779	47%	8,691	32%	9,088
Grants & contributions provided for operating purposes	1,868	5%	1,735	6%	133
Interest & investment revenue	474	1%	372	1%	102
	37,736	100%	27,014	100%	10,722
Expenses					
Employee benefits & costs	12,081	40%	11,598	41%	483
Materials, contracts & other expenses	14,147	47%	12,970	46%	1,177
Depreciation, amortisation & impairment	3,451	11%	3,422	12%	29
Borrowing costs	367	1%	402	1%	(35)
	30,046	100%	28,392	100%	1,654
Surplus(Deficit) before capital items	\$ 7,690		\$ (1,378)		\$ 9,068
Grants & contributions provided for capital purposes	1,878		2,296		(418)
Net Surplus(Deficit) for the year	\$ 9,568		\$ 918		\$ 8,650

The table above shows an overall increase over the previous year of \$8.650 million and can almost be entirely attributed to the recognition of the fair value increase to investment properties amounting to \$8.322 million.

1.2 Funding Result

The operating result does not take into account all revenues and all expenditures and in reviewing the overall financial performance of Council it is useful to take into account the total source of revenues and where they were spent during the year which is illustrated in the table below.



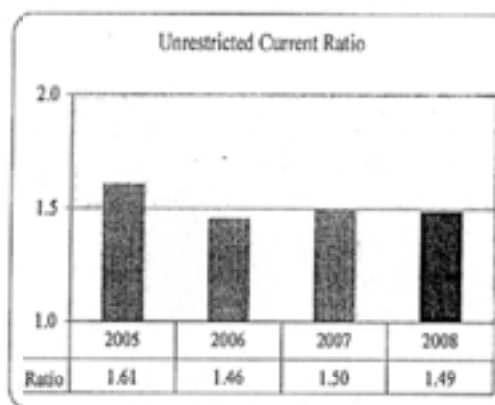
	2008	2007
	\$000	\$000
Funds were provided by:-		
Operating Result (as above)	9,568	918
Add back non funding items:-		
- Depreciation, amortisation & impairment	3,451	3,422
- Book value of non current assets sold	489	403
- (Gain)Loss of fair value to investment properties	(8,322)	0
- (Surplus)Deficit in joint ventures	(42)	(86)
	5,144	4,657
New loan borrowings	615	500
Transfers from externally restricted assets (net)	592	0
Distributions from joint ventures	0	31
Net Changes in current/non current assets & liabilities	120	523
	6,471	5,711
Funds were applied to:-		
Purchase and construction of assets	(5,100)	(3,683)
Principal repaid on loans	(1,369)	(1,304)
Transfers to externally restricted assets (net)	0	(373)
Transfers to internal reserves (net)	(739)	(500)
	(7,208)	(5,860)
Increase(Decrease) in Available Working Capital	(737)	(149)

2. FINANCIAL POSITION

2.1 Unrestricted Current Ratio

The Unrestricted Current Ratio is a financial indicator specific to local government and represents Council's ability to meet its debts and obligations as they fall due.

After eliminating externally restricted assets and current liabilities not expected to be paid within the next 12 months net current assets amounted to \$2.226 million representing a factor of 1.49 to 1.



2.2 Available Working Capital – (Working Funds)

A more meaningful financial indicator specific to local government is the level of **Available Working Capital**. Net Current Assets are adjusted by eliminating both external and internal reserves held for future purposes.



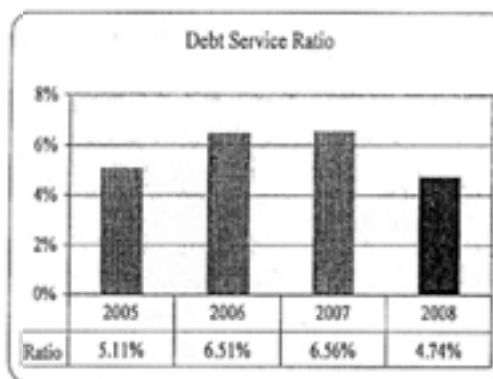
At the close of the year the Available Working Capital of Council stood at \$1.755 million as detailed below;

	2008	2007	Change
	\$000	\$000	\$000
Net Current Assets (Working Capital) as per Accounts	(2,865)	(2,146)	(719)
<i>Add:</i> Payables & provisions not expected to be realised in the next 12 months included above	5,653	5,503	150
Adjusted Net Current Assets	2,788	3,357	(569)
<i>Add:</i> Budgeted & expected to pay in the next 12 months			
- Borrowings	1,395	1,369	26
- Employees leave entitlements	1,225	1,092	133
- Deposits & retention moneys	520	700	(180)
<i>Less:</i> Externally restricted assets	(562)	(1,154)	592
<i>Less:</i> Internally restricted assets	(3,611)	(2,872)	(739)
Available Working Capital as at 30 June	\$ 1,755	\$ 2,492	\$ (737)

The balance of Available Working Capital should be at a level to manage Council's day to day operations including the financing of hard core debtors, stores and to provide a buffer against unforeseen and unbudgeted expenditures. Taking into consideration the nature and level of the internally restricted assets (Reserves) set aside we are of the opinion that Available Working Capital as at 30 June 2008 was satisfactory.

2.3 Debt

Operating revenue (excluding special purpose grants and contributions) required to service debt (loan repayments) was 4.74%.



2.4 Summary

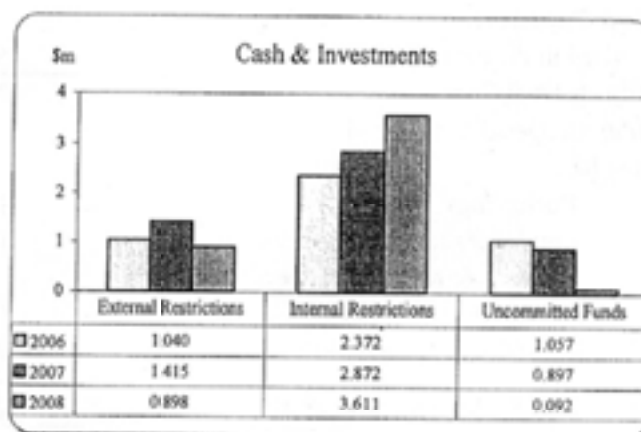
Council's overall financial position, when taking into account the above financial indicators is, in our opinion, satisfactory.

3. CASH ASSETS

3.1 Cash & Investments

Cash and investments held at the close of the year amounted to \$4.601 million as compared with \$5.184 million and \$4.469 million at the close of financial years 2007 and 2006 respectively.

The chart alongside summarises the purposes for which cash and investments were held.



Externally restricted cash and investments are restricted in their use by externally imposed requirements and consist of unexpended development contributions under Section 94 - \$468,000, specific purpose grants - \$419,000 and infrastructure levy - \$11,000.

Internally restricted cash and investments have been restricted in their use by resolution or policy of Council to reflect forward plans, identified programs of works, and are, in fact, Council's "Reserves". These Reserves totalled \$3.611 million and their purposes are more fully disclosed in Notes 6 of the financial statements.

Unrestricted cash and investments amounted to \$92,000, which is available to provide liquidity for day to day operations.

3.2 Cash Flows

The Cash Flow Statement illustrates the flow of cash (highly liquid cash and investments) moving in and out of Council during the year and reveals that Cash Assets decreased by \$583,000 to \$4.601 million at the close of the year.

In addition to operating activities which contributed net cash of \$5.007 million were the proceeds from the sale of assets (\$521,000) and new loans (\$615,000). Cash outflows other than operating activities were used to repay loans (\$1.046 million) and deferred creditors (\$323,000) and to purchase and construct assets (\$5.357 million).



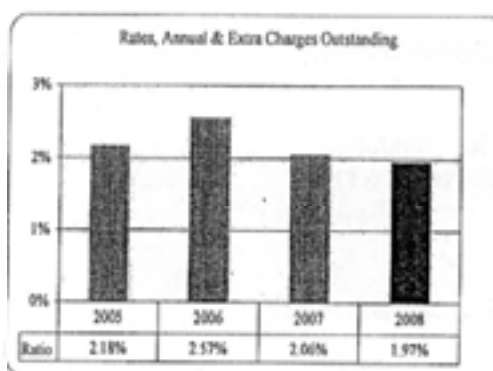
4. RECEIVABLES

4.1 Rates & Annual Charges (excluding interest & extra charges)

Net rates and annual charges levied during the year totalled \$17.615 million and represented 44.47% of Council's total revenues. Including arrears, the total rates and annual charges collectible was \$17.939 million of which \$17.600 million (98.11%) was collected.

4.2 Rates, Annual & Extra Charges

Arrears of rates, annual & extra charges stood at \$354,000 at the end of the year & represented 1.97% of those receivables.



4.3 Other Receivables

Receivables (other than Rates & Annual Charges) totalled \$3.046 million and mainly consisted of user charges and fees - \$1.652 million and infringements notices - \$790,000. Those considered to be uncertain of collection have been provided for as doubtful debts and this provision amounted to \$516,000.

5. PAYABLES

5.1 Employees Leave Entitlements

Council's provision for its liability toward employees leave entitlements and associated on costs amounted to \$2.854 million. A cash reserve of \$450,000 was held at year end representing 15.77% of this liability.

5.2 Deposits, Retentions & Bonds

Deposits, retentions and bonds held at year end amounted to \$4.644 million and a cash reserve was held amounting to \$850,000 representing 18.30% of this liability and was sufficient to meet anticipated repayments in the near future.

6. REVALUATION OF ASSETS

The current year saw the revaluation of property, buildings, plant and equipment to fair value. Previously, these assets were carried at cost and depreciated over their useful lives. The

revaluation process resulted in a net increase of \$98.669 million and was credited directly to Equity. Notes 1.11 & 9 of the financial statements provide further details.

Fair value revaluations of infrastructure assets such as roads, footpaths, drains and bridges are required to be carried out during the next financial year and to community land during the 2009/2010 financial year.

7. CONCLUSION

We wish to record our appreciation to your General Manager and his staff for their ready co-operation and the courtesies extended to us during the conduct of the audit.

Yours faithfully,
SPENCER STEER
Chartered Accountants



N. MAH CHUT
Partner

MOSMAN COUNCIL

Special Purpose Financial Reports and Special Schedules For the year ending 30 June 2008

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SPENCER STEER
CHARTERED ACCOUNTANTS

MOSMAN COUNCIL
SPECIAL PURPOSE FINANCIAL REPORT
INDEPENDENT AUDITORS' REPORT

REPORT ON THE FINANCIAL REPORT

We have audited the accompanying *special purpose financial report* of *Mosman Council*, which comprises the Balance Sheet as at 30 June 2008, Income Statement for the year ended on that date, a summary of significant accounting policies and other explanatory notes and the Statement by Councillors and Management. The financial report includes the consolidated financial statements of the economic entity and the entities it controlled at year end or from time to time during the year.

Responsibility of Council for the Financial Report

The Council is responsible for the preparation and fair presentation of the financial report in accordance the Local Government Act 1993 and have determined that the accounting policies described in Note 1 to the financial statements, which form part of the financial report, are appropriate to meet the financial reporting requirements of the Department of Local Government. This responsibility includes the maintenance of adequate accounting records and internal controls designed to prevent and detect fraud and error; designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

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

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

accounting estimates made by the Council, as well as evaluating the overall presentation of the financial report.

The financial report has been prepared for distribution to the Council and the Department of Local Government for the purpose of fulfilling the requirements of National Competition Policy reporting. We disclaim any assumption of responsibility for any reliance on this report or on the financial report to which it relates to any person other than the Council or the Department of Local Government, or for any purpose other than that for which it was prepared.

Our audit did not involve an analysis of the prudence of business decisions made by Council or management.

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

Independence

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements.

Auditor's Opinion

In our opinion, the special purpose financial report of the Council is presented fairly in accordance with the requirements of those applicable Accounting Standards detailed in Note 1 and the Local Government Code of Accounting Practice and Financial Reporting.

SPENCER STEER
Chartered Accountants



N. MAH CHUT
Partner

Dated at Sydney this 15th day of October 2008

MOSMAN NSW COUNCIL

SPECIAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2008

STATEMENT BY COUNCILLORS AND MANAGEMENT MADE PURSUANT TO THE LOCAL GOVERNMENT CODE OF ACCOUNTING PRACTICE AND FINANCIAL REPORTING

The attached special purpose Financial Statements have been drawn up in accordance with the Local Government Code of Accounting Practice and Financial Reporting and the

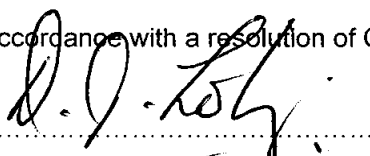
- NSW Government Policy Statement "*Application of National Competition Policy to Local Government*"
- Department of Local Government guidelines "*Pricing & Costing for Council Businesses: A Guide to Competitive Neutrality*".
- The Department of Energy, Utilities and Sustainability "*Best Practice Management of Water Supply and Sewerage*" guidelines.

To the best of our knowledge and belief, these reports

- Present fairly the financial position and operating result for each of Council's declared Business Units for the year, and
- Accord with Council's accounting and other records

We are not aware of any matter that would render the reports false or misleading in any way.

Signed in accordance with a resolution of Council made on 14 October 2008



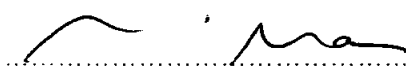
(Dominic J Lopez, OAM)

MAYOR



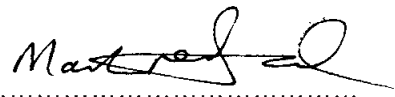
(Anne S Connon)

COUNCILLOR



(V H R May)

GENERAL MANAGER



(Mark McDonald)

RESPONSIBLE ACCOUNTING OFFICER

MOSMAN COUNCIL
INCOME STATEMENT OF BUSINESS ACTIVITIES
As at 30 June 2008

	Business Activities					
	Commercial Property Management		Development Approvals		Core Group (Private Works) Activities	
	2008	2007	2008	2007	2008	2007
EXPENSES FROM ORDINARY ACTIVITIES						
Employee costs	53	46	796	794	301	299
Materials & Contracts	42	23	3	2	121	140
Borrowing Costs	NIL	NIL	NIL	NIL	NIL	NIL
Depreciation & Amortisation	55	29	NIL	NIL	10	10
Other Operating Expenses	15	13	329	447	7	3
Loss on Disposal of Assets	NIL	NIL	NIL	NIL	NIL	NIL
NCP Imputation Payments	92	92	NIL	NIL	23	23
TOTAL OPERATING EXPENSES	257	203	1,128	1,243	462	475
REVENUES FROM ORDINARY ACTIVITIES						
Rates & Annual Charges	NIL	NIL	NIL	NIL	NIL	NIL
User Charges & Fees	955	538	946	888	NIL	NIL
Interest Received	NIL	NIL	NIL	NIL	NIL	NIL
Grants & Contributions – Operating	NIL	NIL	NIL	NIL	NIL	NIL
Other Operating Revenues	10,123	1780	NIL	NIL	361	434
Gain on Disposal of Assets	NIL	NIL	NIL	NIL	NIL	NIL
TOTAL OPERATING REVENUES	11,078	2,318	946	888	361	434
ORDINARY ACTIVITIES RESULT BEFORE CAPITAL AMOUNTS	10,821	2,115	-182	-355	-101	-41
Grants & Contributions – Capital	NIL	NIL	NIL	NIL	NIL	NIL
Abnormal Items	NIL	NIL	NIL	NIL	NIL	NIL
RESULT FROM ORDINARY ACTIVITIES	10,821	2,115	-182	-355	-101	-41
SURPLUS (DEFICIT) BEFORE TAX	10,821	2,115	-182	-355	-101	-41
Corporate Taxation Equivalent (based on Operating result before capital)	750	635	NIL	NIL	NIL	NIL
CHANGE IN NET ASSETS RESULTING FROM OPERATIONS AFTER TAX	10,071	1,480	-182	-355	-101	-41
Opening Retained Profits	35,460	35,389	-197	-177	1,468	1,481
Adjustments for Amounts Unpaid	N/A	N/A	N/A	N/A	N/A	N/A
*Taxation Equivalent Payments	92	92	NIL	NIL	23	23
*Debt Guarantee Fee	NIL	NIL	NIL	NIL	NIL	NIL
*Corporate Taxation Equivalent	750	635	NIL	NIL	NIL	NIL
*Dividend Payment	-2,646	-2,136	NIL	NIL	NIL	NIL
*Equity Contribution	NIL	NIL	NIL	NIL	NIL	NIL
*Council subsidy	NIL	NIL	166	335	146	5
Closing Retained Profits	43,727	35,460	-213	-197	1,536	1,468
RETURN ON CAPITAL (%)	4%	4%	N/A	N/A	N/A	N/A
SUBSIDY FROM COUNCIL	NIL	NIL	166	335	146	5

MOSMAN COUNCIL
BALANCE SHEET BY BUSINESS ACTIVITIES
As at 30 June 2007

	2008 - \$'000					
	Business Activities					
	Commercial Property Management		Development Approvals		Core Group (Private Works) Activities	
	2008	2007	2008	2007	2008	2007
CURRENT ASSETS						
Cash on hand and at bank	NIL	NIL	NIL	NIL	NIL	NIL
Investments	NIL	NIL	NIL	NIL	NIL	NIL
Receivables	243	280	NIL	NIL	150	120
Inventories	NIL	NIL	NIL	NIL	NIL	NIL
Other	NIL	NIL	NIL	NIL	NIL	NIL
TOTAL CURRENT ASSETS	243	280	NIL	NIL	150	120
NON CURRENT ASSETS						
Cash Assets	NIL	NIL	NIL	NIL	NIL	NIL
Investment Securities	NIL	NIL	NIL	NIL	NIL	NIL
Receivables	NIL	NIL	NIL	NIL	NIL	NIL
Inventories	NIL	NIL	NIL	NIL	55	53
Investment Property	38,237	29,915	NIL	NIL	NIL	NIL
Property, Plant & Equipment	5,490	5,545	NIL	NIL	1,446	1,456
TOTAL NON CURRENT ASSETS	43,727	35,460	NIL	NIL	1,501	1,509
TOTAL ASSETS	43,970	35,740	NIL	NIL	1,651	1,629
CURRENT LIABILITIES						
Payables	243	280	NIL	NIL	NIL	NIL
Interest bearing liabilities	NIL	NIL	NIL	NIL	NIL	NIL
Provisions	NIL	NIL	85	89	34	47
TOTAL CURRENT LIABILITIES	243	280	85	89	34	47
NON CURRENT LIABILITIES						
Payables	NIL	NIL	NIL	NIL	NIL	NIL
Interest bearing liabilities	NIL	NIL	NIL	NIL	NIL	NIL
Provisions	NIL	NIL	128	108	81	114
TOTAL NON-CURRENT LIABILITIES	NIL	NIL	128	108	81	114
TOTAL LIABILITIES	243	280	213	197	115	161
NET ASSETS	43,727	35,460	-213	-197	1,536	1,468
EQUITY						
Accumulated Surplus	43,727	35,460	-213	-197	1,536	1,468
Asset Revaluation Reserve	NIL	NIL	NIL	NIL	NIL	NIL
TOTAL EQUITY	43,727	35,460	-213	-197	1,536	1,468

NOTES TO THE SPECIAL PURPOSE FINANCIAL REPORTS

Note 1

SIGNIFICANT ACCOUNTING POLICIES

These financial statements are a Special Purpose Financial Report (SPFR) prepared for use by the Council and Department of Local Government. They have been prepared to report the results of business units determined by Council in accordance with the requirements of National Competition Policy guidelines.

Basis of Accounting

The financial reports comply with the Local Government Code of Accounting Practice and Financial Reporting and the Local Government Asset Accounting Manual, and with the principles of the June 1996 NSW Government Policy Statement "Application of National Competition Policy to Local Government" and the Department of Local Government's July 1997 guidelines "Pricing and Costing for Council Businesses: A Guide to Competitive Neutrality".

Except where directed to the contrary by the above documents, the financial report also complies with all applicable Australian Accounting Standards and professional pronouncements and is based on information consistent with that forming the basis of Council's general purpose Annual Financial Statements for the year.

The financial report has been prepared on the accrual basis of accounting and except where specifically indicated in these Notes or in the Notes to the general purpose Annual Financial Statements, in accordance with the historical cost convention.

National Competition Policy

Council has adopted the principle of 'competitive neutrality' to its business activities as part of the national competition policy which is being applied throughout Australia at all levels of government. The framework for its application is set out in the June 1996 Government Policy statement on the "Application of National Competition Policy to Local Government". The "Pricing & Costing for Council Businesses A Guide to Competitive Neutrality" issued by the Department of Local Government in July 1997 has also been adopted.

The pricing & costing guidelines outline the process for identifying and allocating costs to activities and provide a standard of disclosure requirements. These disclosures are reflected in Council's pricing and/or financial reporting systems and include taxation equivalents; council subsidies; return on investments (rate of return); and dividends paid.

Declared Business Activities

In accordance with *Pricing & Costing for Council Businesses - A Guide to Competitive Neutrality*, council has declared that the following are to be considered as business activities:

Category 1

Name	Brief Description of Activity
Commercial Property Management	Property Rental Portfolio

SP4

Category 2

Name	Brief Description of Activity
Development Approvals	Local Development Management
Core Group(Private Works)	Private Works

(i) Taxation Equivalent Payments

Council is liable to pay various taxes and financial duties. Where this is the case, they are disclosed as a cost of operations (General Purpose Financial Report) just like all other costs. However, where council does not pay some taxes which are generally paid by private sector businesses, such as income tax, these equivalent tax payments have been applied to all council nominated business activities and are reflected in the SPFR. For the purposes of disclosing comparative information relevant to the private sector equivalent the following taxation equivalents have been applied to all council nominated business activities (this does not include council's non-business activities):

	Notional Rate Applied %
Corporate Tax Rate	30
Land Tax	1.4
Stamp Duty	N/A
Payroll Tax	N/A
Other Taxes or Charges	N/A

Income Tax

An income tax equivalent has been applied on the profits of the business. Whilst income tax is not a specific cost for the purpose of pricing a good or service, it needs to be taken into account in terms of assessing the rate of return required on capital invested. Accordingly, the return on capital invested is set at a pre-tax level (Operating Result before Capital Amounts) as would be applied by a private sector competitor - that is, it should include a provision equivalent to the corporate income tax rate, currently 30%.

Income Tax is only applied where a positive Operating Result before Capital Amounts has been achieved. Since the taxation equivalent is notional, that is, it is payable to the "Council" as the owner of business operations, it represents an internal payment and has no effect on the operations of the council.

(ii) Subsidies

Government policy requires that subsidies provided to customers and the funding of those subsidies must be explicitly disclosed. Subsidies occur where council provides services on a less than cost recovery basis. This option is exercised on a range of services in order for council to meet its community service obligations. The overall effect of subsidies is contained within the Operating Statement by Business Activities.

(iii) Dividends

Council is not required to pay dividends to either itself as owner of a range of businesses or to any external entities. Consequently, any form of dividend payment is purely notional.

DECLARED BUSINESS ACTIVITIES

Commercial Property Management

Takes into account Council's Commercial Property Portfolio and includes properties such as Mosman Square and Library Walk shops, Boronia House & Library Walk flats & Balmoral Bathers Pavilion.

Employee costs are broken down between Corporate Services administration staff and property managers.

Depreciation costs are those attributable to Council properties from Council's assets register.

All leave entitlements for this category have been fully expensed and paid to Mosman Council during the year.

The relevant Taxation Equivalent payment for this category is land tax.

Development Approvals

Takes into account the development approvals process within Council.

Employee costs are representative of those staff directly involved in the service. Other operating expenses includes rental, utility costs and a percentage of other operating expenses from Note 4 in the General Purpose Financial Reports.

No Depreciation expenses are attributable as the service is deemed to rent the office area concerned from Council.

Core Group (Private Works) Activities

Represents Council's core outdoor staff and the various contracts undertaken by the group during the financial year.

Depreciation expenses are attributable to Council's Depot & various plant items.

The relevant Taxation Equivalent payment for this category is land tax.

MOSMAN COUNCIL

SPECIAL SCHEDULE NO 1 NET COST OF SERVICES for the year ended 30th June 2008

\$'000

Function or Activity	Expenses from continuing operations		Income from continuing operations			NET COST OF SERVICES	
	Expenses	Group Totals	Non-capital revenues	Capital revenues	Group Totals	Net Cost	Group Totals
GOVERNANCE	1,050					1,050	
		1,050			-		1,050
ADMINISTRATION							
Corporate Support	4,803		164			4,639	
Engineering & Works	505		84			421	
Other Support Services	398					398	
		5,706			248		5,458
PUBLIC ORDER & SAFETY							
Statutory Contribution - Fire Service Levy	834					834	
Fire Protection - Other						-	
Animal Control	35		14			21	
Beach Control	20		29			(9)	
Enforcement of Local Govt Regulations	310		227			83	
Emergency Services	52					52	
Other	31		244	3		(216)	
		1,282			517		765
HEALTH							
Administration & Inspection	125		2			123	
Immunisations	19		12			7	
Food Control	38		34			4	
Insect/Vermin Control						-	
Noxious Plants	24					24	
Health Centres	17					17	
Other			6			(6)	
		223			54		169
COMMUNITY SERVICES & EDUCATION							
Administration	334		1			333	
Family Day Care	129		168			(39)	
Child Care	620		600			20	
Youth Services	249		4			245	
Other Families & Children						-	
Aged & Disabled	634		578			56	
Migrant Services						-	
Aboriginal Services						-	
Other Community Services	57					57	
Education						-	
		2,023			1,351		672
HOUSING & COMMUNITY AMENITIES							
Housing						-	
Town Planning	1,434		1,118	3		313	
Domestic Waste Management	4,144		3,784			360	
Other Waste Management	142		99			43	
Street Cleaning	874					874	
Other Sanitation & Garbage	604					604	
Drainage						-	
Stormwater Management	693		1	285		407	
Environmental Protection	913		16			897	
Public Cemeteries						-	
Public Conveniences	257					257	
Other Community Amenities	52			977		(925)	
		9,113			6,283		2,830

MOSMAN COUNCIL

SPECIAL SCHEDULE NO 1 - NET COST OF SERVICES (cont)

Function or Activity	Expenses from continuing operations		Income from continuing operations			NET COST OF SERVICES	
	Expenses	Group Totals	Non-capital revenues	Capital revenues	Group Totals	Net Cost	Group Totals
WATER SUPPLIES						-	
		-			-	-	-
SEWERAGE SERVICES						-	
		-			-	-	-
RECREATION & CULTURE		-					
Public Libraries	1,916		182	12		1,722	
Museums						-	
Art Galleries	297		160			137	
Community Centres	134		111	63		(40)	
Public Halls						-	
Other Cultural Services	552		154			398	
Swimming Pools	277		272			5	
Sporting Grounds	692		100			592	
Parks & Gardens, Lakes	1,331		111			1,220	
Other Sport & Recreation	19					19	
		5,218			1,165		4,053
FUEL & ENERGY							
Gas Supplies						-	
		-			-	-	-
MINING, MANUFACTURING & CONSTRUCTION							
Building Control	842		133			709	
Abattoirs						-	
Quarries & Pits						-	
Other						-	
		842			133		709
TRANSPORT & COMMUNICATION							
Urban Roads: Local	2,328		1,005	291		1,032	
Urban Roads: Regional						-	
Sealed Rural Roads: Local						-	
Sealed Rural Roads: Regional						-	
Unsealed Rural Roads: Local						-	
Unsealed Rural Roads: Regional						-	
Bridges - Urban Roads: Local						-	
Bridges - Urban Roads: Regional						-	
Bridges - Sealed Rural Roads: Local						-	
Bridges - Sealed Rural Roads: Regional						-	
Bridges - Unsealed Rural Roads: Local						-	
Bridges - Unsealed Rural Roads: Regional						-	
Footpaths	371		182	10		179	
Aerodromes						-	
Parking Areas	792		2,015	234		(1,457)	
Bus Shelters & Services	10					10	
Water Transport	3					3	
RTA Works - State Roads						-	
Street Lighting	420		66			354	
Other	340					340	
		4,264			3,803		461

MOSMAN COUNCIL

SPECIAL SCHEDULE NO 1 - NET COST OF SERVICES (cont)

Function or Activity	Expenses from continuing operations		Income from continuing operations			NET COST OF SERVICES	
	Expenses	Group Totals	Non-capital revenues	Capital revenues	Group Totals	Net Cost	Group Totals
ECONOMIC AFFAIRS							
Camping Areas						-	
Caravan Parks						-	
Tourism & Area Promotion	145		14			- 131	
Industrial Development Promotion						-	
Saleyards & Markets						-	
Real Estate Development						-	
Commercial Nurseries						-	
Other Business Undertakings	180		10,991			(10,811)	
		325			11,005		(10,680)
TOTALS - FUNCTIONS		30,046			24,559		5,487
General Purpose Revenues			15,013			15,013	
Equity accounted income (loss)			42			42	
					15,055		15,055
NET OPERATING RESULT FOR YEAR							9,568

MOSMAN COUNCIL

SPECIAL SCHEDULE NO 2 (1) STATEMENT OF LONG TERM DEBT (ALL PURPOSE) for the year ended 30th June 2008

\$'000

Classification of Debt	Principal Outstanding at beginning of year			New Loans Raised	Debt Redemption		Tfrs to Sinking Funds	Interest applicable for year	Principal outstanding at end of year		
	Current	Non-Current	Total		From Revenue	Sinking Funds			Current	Non-Current	Total
LOANS (by source)											
Commonwealth Government			-								-
Treasury Corporation			-								-
Other State Government			-								-
Public Subscription			-								-
Financial Institutions	1,046	4,706	5,752	615	1,046			337	1,072	4,249	5,321
Other			-								-
Total Loans	1,046	4,706	5,752	615	1,046	-	-	337	1,072	4,249	5,321
OTHER LONG TERM DEBT											
Ratepayers' Advances			-								-
Government Advances			-								-
Finance Leases			-								-
Deferred Payment	323	1,165	1,488		323			30	323	842	1,165
Other			-								-
Total Other Long Term Debt	323	1,165	1,488	-	323	-	-	30	323	842	1,165
TOTAL LONG TERM DEBT	1,369	5,871	7,240	615	1,369	-	-	367	1,395	5,091	6,486

This Schedule excludes Internal Loans and refinancing of existing borrowings.

MOSMAN COUNCIL

SPECIAL SCHEDULE NO 2 (2) STATEMENT OF INTERNAL LOANS for the year ended 30th June 2008

\$'000

SUMMARY OF INTERNAL LOANS

Borrower (by purpose)	Amount Originally Raised	Total Repaid During Year Principal & Interest	Principal Outstanding at End of Year
General			
Water			
Sewerage			
Domestic Waste Management			
Gas			
Other			
Totals	-	-	-

The above summary of internal loans represents the total of Council's internal loans categorised according to the purpose of the borrower. Details of individual internal loans are set out below.

Borrower (by purpose)	Lender (by purpose)	Date of Minister's Approval	Date Raised	Term (years)	Maturity Date	Rate of Interest	Amount Originally Raised	Paid During Year - Princ and Interest	Principal Outstanding End of Year
Totals							-	-	-

MOSMAN COUNCIL
SPECIAL SCHEDULE NO 7
CONDITION OF PUBLIC WORKS
as at 30th June 2008

Asset Class	Asset Category	Depreciation Rate (%)	Depreciation Expense	Cost	Fair Value	Accumulated Depreciation	Carrying Value	Asset Condition (see Notes attached)	Estimated Cost to bring to a Satisfactory Standard	Estimated Annual Maintenance Expense	Program Maintenance Works for current year
			'000	'000	'000	'000	'000		'000	'000	'000
	<i>References</i>	<i>Note 9</i>	<i>Note 4</i>		<i>Note 9</i>				<i>Local Govt. Act 1993, Section 428 (2d)</i>		
Public Buildings	Council Offices	1	57		11,603	5,884	5,719	4	122	163	123
	Works Depot	1	10		1,631	481	1,150	4	25	33	12
	Halls						-		-	-	-
	Houses						-		-	-	-
	Bus Shelters	5	8	154		97	57	2	-	-	-
	Library	1	91		5,644	1,893	3,751	4	109	147	113
	Childcare Centres	1	10		1,262	498	764	4	10	35	36
	Art Galley	1	4		6,790	1,387	5,403	4	125	168	113
	Amenities/Toilets	2	9		2,312	980	1,332	4	221	290	164
	Other	1	182		16,966	6,242	10,724	4	47	49	92
	Subtotal		371	154	46,208	17,462	28,900		659	884	654
Public Roads	Sealed Roads						-				
	Unsealed Roads						-				
	Sealed Roads Structure	1	1,286	130,705		44,272	86,433	4	5,320	685	760
	Bridges						-		-	-	-
	Footpaths	1	148	15,009		2,348	12,661	5	3,192	240	350
	Cycleways	1	4	236		5	231	1	-	-	-
	Kerb & Gutter	1	129	12,914		1,969	10,945	4	53	34	50
	Road Furniture						-	3	-	41	72
	Subtotal		1,567	158,864	-	48,594	110,270		8,565	1,000	1,232

This Schedule is to be read in conjunction with the explanatory notes following.

MOSMAN COUNCIL

SPECIAL SCHEDULE NO 7 - CONDITION OF PUBLIC WORKS (cont) as at 30th June 2008

Asset Class	Asset Category	Depreciation Rate (%)	Depreciation Expense	Cost	Valuation	Accumulated Depreciation	Carrying Value	Asset Condition (see Notes attached)	Estimated Cost to bring to a Satisfactory Standard	Estimated Annual Maintenance Expense	Program Maintenance Works for current year
			'000	'000	'000	'000	'000		'000	'000	'000
Water	<i>References</i>	<i>Note 9</i>	<i>Note 4</i>			<i>Note 9</i>			<i>Local Govt. Act 1993, Section 428 (2d)</i>		
	Treatment Plants						-				
	Water Connections						-				
	Bores						-				
	Reservoirs						-				
	Dams						-				
	Hydrants						-				
	Stop Valves						-				
	Pipelines						-				
	Pump Stations						-				
	Subtotal			-	-	-	-		-	-	-
Sewerage	Pump Stations						-				
	Pipelines						-				
	Manholes						-				
	Air Vent Stacks						-				
	Treatment Works						-				
	Connections						-				
	Subtotal			-	-	-	-		-	-	-
Drainage Works	Retarding Basins						-				
	Gully Pits	1	318	32,263		15,157	17,106	4	12,247	583	139
	HW Inlets	1	17	1,742		818	923	3	-	31	7
	HW Outlets	1	75	7,580		3,561	4,019	3	-	137	33
	Junction Pits	1	25	2,561		1,203	1,358	3	-	46	11
	S/W Devices	1	53	5,397		2,536	2,862	2	-	98	23
	Converters	1					-				
	Subtotal		489	49,543	-	23,275	26,268		12,247	896	213
Total Classes - All Assets			2,427	208,561	46,208	89,331	165,438		21,471	2,780	2,099

This Schedule is to be read in conjunction with the explanatory notes following.

MOSMAN COUNCIL

SPECIAL SCHEDULE NO 7 - CONDITION OF PUBLIC WORKS (cont) as at 30th June 2008

"SATISFACTORY" CONDITION OF PUBLIC ASSETS

In assessing the condition of Public Assets Council has had regard to the condition, function and location of each asset, based on the original design standard. Changes in standards or proposed or potential enhancements to the existing asset design standard have been ignored (Code p A702). Assets within each Asset Category have been assessed on an overall basis, recognising that an average standard of "satisfactory" may be achieved even though certain assets may be above or below that standard on an individual basis.

Council recognises that the standard that it considers to be "satisfactory" may be different from that adopted by other Councils.

The information contained in this Schedule comprises accounting estimates formulated in accordance with the NSW Local Government Code of Accounting Practice and Financial Reporting. Nothing contained within this Schedule may be taken to be an admission of any liability to any person under any circumstance.

ASSET CONDITION

The following condition codes have been used in this Schedule.

- | | |
|---|---|
| 1 | Newly constructed |
| 2 | Over 5 years old but fully maintained in "as new" condition |
| 3 | Good condition |
| 4 | Average condition |
| 5 | Partly worn - beyond 50% of economic life. |
| 6 | Worn but serviceable |
| 7 | Poor - replacement required |

MOSMAN COUNCIL

SPECIAL SCHEDULE NO 8 - FINANCIAL PROJECTIONS as at 30th June 2008

	2008 \$'m	2009 \$'m	2010 \$'m	2011 \$'m	2012 \$'m	2013 \$'m
Recurrent Budget						
Income from continuing operations	39,614	31,158	31,763	32,659	33,581	34,532
Expenses from continuing operations	30,046	30,779	31,758	32,800	33,872	34,929
Operating result from continuing operations	9,568	379	5	(141)	(291)	(397)
Capital Budget						
New Works	1297	4,494	3,389			
Replacement of existing assets	3803	3,329	3,810	3,386	3,886	3,486
	5,100	7,823	7,199	3,386	3,886	3,486
<i>Funded by</i>						
- Loans		3,560	2,300			
- Asset Sales	399		450		475	
- Reserves	1372	1,500				
- Grants/Contributions	308	644	13	150	175	200
- Recurrent revenue	2963	2,119	4,436	3,236	3,236	3,286
- Other	58					
	5,100	7,823	7,199	3,386	3,886	3,486