

MOSMAN COUNCIL

General Purpose Financial Reports for the year ended 30th June 2003

TABLE OF CONTENTS

	<u>Page</u>
Council Certificate [s 413 (2)(c)]	1
Principal Financial Statements	
Statement of Financial Performance	2
Statement of Financial Position	3
Statement of Changes in Equity	4
Statement of Cash Flows	5
Notes to, and forming part of, the Principal Financial Statements	
Note 1 - Significant Accounting Policies	N1-N7
Note 2 - Functions	N8-N9
Note 3 - Expenses from Ordinary Activities	N10-N11
Note 4 - Revenues from Ordinary Activities	N12-N14
Note 5 - Gain or Loss on Disposal of Assets	N15
Note 6 - Cash Assets and Investment Securities	N16-N17
Note 7 - Receivables	N18
Note 8 - Inventories & Other Assets	N19
Note 9 - Property, Plant & Equipment	N20-N23
Note 10 - Liabilities	N24-N25
Note 11 - Reconciliation to Statement of Cash Flows	N26-N27
Note 12 - Commitments for Expenditure	N28-N29
Note 13 - Statement of Performance Measurement	N30
Note 14 - Conditions Over Grants & Contributions	N31
Note 15 - Financial Instruments	N32-N33
Note 16 - Significant Variations from original Budget	N34-N35
Note 17 - Statement of Contribution Plans	N36-N37
Note 18 - Assets & Liabilities not Recognised	N38
Note 19 - Joint Ventures & Associated Entities	N39-N45
Auditors Report on the Financial Statements	
Auditors Report on the Conduct of the Audit	

MOSMAN COUNCIL

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2003

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

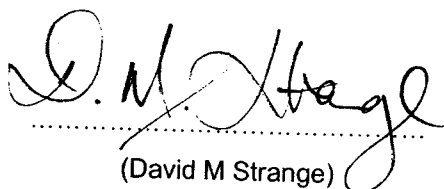
- The Local Government Act 1993 (as amended) and the Regulations made thereunder
- The Australian Accounting Standards and professional pronouncements
- The Local Government Code of Accounting Practice and Financial Reporting
- The Local Government Asset Accounting Manual.

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

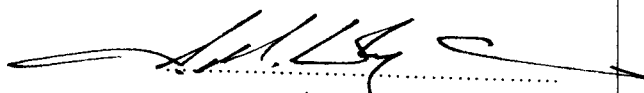
We are not aware of any matter that would render the reports false or misleading in any way.

Signed in accordance with a resolution of Council made on 21 OCTOBER 2003



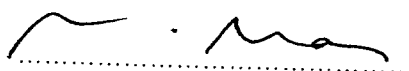
(David M Strange)

MAYOR



(Anthony M Whybrow, RFD, RD)

COUNCILLOR



(Vivian H R May)

GENERAL MANAGER



(Mark McDonald)

RESPONSIBLE ACCOUNTING OFFICER

MOSMAN COUNCIL

STATEMENT OF FINANCIAL PERFORMANCE for the year ended 30th June 2003

Budget 2003 \$'000		Notes	Actual 2003 \$'000	Actual 2002 \$'000
	EXPENSES FROM ORDINARY ACTIVITIES			
8,654	Employee Costs	3	9,172	8,398
7,019	Materials & Contracts		6,802	6,924
178	Borrowing Costs	3	186	184
3,100	Depreciation & Amortisation	3	2,855	2,891
4,160	Other Expenses	3	5,018	4,230
50	Loss from Disposal of Assets	5	-	-
<u>23,161</u>	Total Expenses from Ordinary Activities		<u>24,033</u>	<u>22,627</u>
	REVENUES FROM ORDINARY ACTIVITIES			
14,266	Rates & Annual Charges	4	14,137	13,509
5,584	User Charges & Fees	4	5,593	5,200
255	Investment Revenues	4	254	263
1,370	Grants & Contributions - Operating	4	1,779	1,427
1,140	Other Revenues	4	1,323	1,265
	Profit from Disposal of Assets	5	263	97
	Profit from interests in Joint Ventures & Associates	19	10	48
<u>22,615</u>	Revenues from Ordinary Activities before Capital Amounts		<u>23,359</u>	<u>21,809</u>
(546)	SURPLUS(DEFICIT) FROM ORDINARY ACTIVITIES BEFORE CAPITAL AMOUNTS		(674)	(818)
486	Grants & Contributions - Capital	4	520	869
<u>(60)</u>	NET SURPLUS(DEFICIT) FOR YEAR		<u>(154)</u>	<u>51</u>
This Statement is to be read in conjunction with the attached Notes.				

MOSMAN COUNCIL

STATEMENT OF FINANCIAL POSITION as at 30th June 2003

	Notes	Actual 2003 \$'000	Actual 2002 \$'000
CURRENT ASSETS			
Cash Assets	6	5,279	3,565
Receivables	7	2,103	2,133
Inventories	8	102	103
Other	8	178	300
TOTAL CURRENT ASSETS		<u>7,662</u>	<u>6,101</u>
NON-CURRENT ASSETS			
Receivables	7	356	-
Other	8	16	14
Property, Plant & Equipment	9	404,252	403,924
Investments accounted for using the equity method	19	459	604
TOTAL NON-CURRENT ASSETS		<u>405,083</u>	<u>404,542</u>
TOTAL ASSETS		<u>412,745</u>	<u>410,643</u>
CURRENT LIABILITIES			
Payables	10	2,475	2,022
Borrowings	10	694	525
Provisions	10	794	648
TOTAL CURRENT LIABILITIES		<u>3,963</u>	<u>3,195</u>
NON-CURRENT LIABILITIES			
Payables	10	2,854	2,500
Borrowings	10	5,193	3,987
Provisions	10	1,132	1,204
TOTAL NON CURRENT LIABILITIES		<u>9,179</u>	<u>7,691</u>
TOTAL LIABILITIES		<u>13,142</u>	<u>10,886</u>
NET ASSETS		<u>\$ 399,603</u>	<u>399,757</u>
EQUITY			
Accumulated Surplus		399,603	399,757
Asset Revaluation Reserve		-	-
TOTAL EQUITY		<u>\$ 399,603</u>	<u>399,757</u>

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 2003

	Note Ref	2003 \$'000	2002 \$'000
		Accum Surplus	Asset Reval. Reserve
Balance at beginning of the reporting period		399,757	-
Change in Net Assets recognised in the Statement of Financial Performance		(154)	
			51
Cash Contributions by Outside Equity Interests	19		-
Cash Distributions to Outside Equity Interests	19		-
Other Adjustments to Outside Equity Interest	19		-
Balance at end of the reporting period		399,603	-
		399,603	399,757
			399,706
			51
			399,706
			51
			399,706
			51
			399,706
			51
			399,706
			51
			399,706
			51
			399,706
			51
			399,706
			51
			399,706
			51
			399,706
			51
			399,706
			51
			399,706
			51
			399,706
			51
			399,706
			51
			399,706
			51
			399,706
			51
			399,706
			51
			399,706
			51
			399,706
			51
			399,706
			51
			399,706
			51
			399,706
			51
			399,706
			51
			399,706
			51
			399,706
			51
			399,706
			51
			399,706
			51
			399,706
			51
			399,706
			51
			399,706
			51
			399,706
			51
			399,706
			51
			399,706
			51
			399,706
			51
			399,706
			51
			399,706
			51
			399,706
			51
			399,706
			51
			399,706
			51
			399,706
			51
			399,706
			51
			399,706
			51
			399,706
			51
			399,706
			51
			399,706
			51
			399,706
			51
			399,706
			51
			399,706
			51
			399,706
			51
			399,706
			51
			399,706
			51
			399,706
			51
			399,706
			51
			399,706
			51
			399,706
			51
			399,706
			51
			399,706
			51
			399,706
			51
			399,706
			51
			399,706
			51
			399,706
			51
			399,706
			51
			399,706
			51
			399,706
			51
			399,706
			51
			399,706
			51
			399,706
			51
			399,706
			51
			399,706
			51
			399,706
			51
			399,706
			51
			399,706
			51
			399,706
			51
			399,706
			51
			399,706
			51
			399,706
			51
			399,706
			51
			399,706
			51
			399,706
			51
			399,706
			51
			399,706
			51
			399,706
			51
			399,706
			51
			399,706
			51
			399,706
			51
			399,706
			51
			399,706
			51
			399,706
			51
			399,706
			51
			399,706
			51
			399,706
			51
			399,706
			51
			399,706
			51
			399,706
			51
			399,706
			51
			399,706
			51
			399,706
			51
			399,706
			51
			399,706
			51
			399,706
			51
			399,706
			51
			399,706
			51
			399,706
			51
			399,706
			51
			399,706
			51
			399,706
			51
			399,706
			51
			399,706
			51
			399,706
			51
			399,706
			51
			399,706
			51
			399,706
			51
			399,706
			51

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

MOSMAN COUNCIL

STATEMENT OF CASH FLOWS for the year ended 30th June 2003

		Actual 2003 \$'000	Actual 2002 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
<u>Receipts</u>	Notes		
Rates & Annual Charges		14,164	13,621
User Charges & Fees		5,505	5,218
Investments Income		267	258
Grants & Contributions		2,460	2,473
Other operating receipts		1,787	1,641
<u>Payments</u>			
Employee Costs		(8,979)	(8,352)
Materials & Contracts		(6,775)	(7,821)
Borrowing Costs		(181)	(185)
Other operating payments		(4,967)	(4,109)
Net Cash provided by (or used in) Operating Activities	11	3,281	2,744
CASH FLOWS FROM INVESTING ACTIVITIES			
<u>Receipts</u>			
Proceeds from sale of Property, Plant & Equipment		410	720
Proceeds from sale of Real Estate	5, 8	-	-
Proceeds from sale of Investment Securities		-	-
Repayments from Deferred Debtors		-	-
Contributions to joint ventures by minority interests	19	-	-
Distribution received from associated entities	19	149	31
<u>Payments</u>			
Purchase of Property, Plant & Equipment		(3,501)	(3,107)
Purchase of Real Estate	8	-	-
Purchase of Investment Securities		-	-
Loans to Deferred Debtors		-	-
Distributions from joint ventures to minority interests	19	-	-
Capital contributed to associated entities	19	-	-
Net Cash provided by (or used in) Investing Activities		(2,942)	(2,356)
CASH FLOWS FROM FINANCING ACTIVITIES			
<u>Receipts</u>			
Proceeds from Borrowings & Advances		1,900	250
Proceeds from Retirement Home Contributions		-	-
<u>Payments</u>			
Repayments of Borrowings & Advances		(395)	(349)
Repayment of Finance Lease Liabilities		-	-
Other Payments		(130)	(130)
Repayment of Retirement Home Contributions		-	-
Net Cash provided by (or used in) Financing Activities		1,375	(229)
Net Increase (Decrease) in cash held		1,714	159
Cash at beginning of reporting period	11	3,565	3,406
Adjustment to opening Cash due to adoption of revised Accounting Standards	1	-	-
Adjustment to Cash arising from Council restructure	24	-	-
Cash at end of reporting period	11	5,279	3,565

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

Note 1

**SIGNIFICANT ACCOUNTING
POLICIES**

In accordance with the Australian Accounting Standard AAS6 - Accounting Policies: Determination, Application and Disclosure, the significant accounting policies adopted by Mosman Municipal Council are set out below.

1. 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
- ✦ Cremorne Early Childhood Centre

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.

2. 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.

3. 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.

4. 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.

5. Cash Assets and Investment Securities

Investments in Bank Bills, Promissory Notes and Term Deposits are recognised at cost. Interest revenues are recognised as they accrue. Bills of exchange which have been purchased at a discount to face value are recognised at cost.

the discount brought to account during the reporting period is accounted for as interest received. Managed Funds are valued at market value in accordance with audited certificates issued by each fund; changes in market value are recognised as interest received.

Cash Assets include all amounts readily convertible to cash on hand at Council's option with an insignificant risk of changes in value with a maturity of three months or less from the date of acquisition. Where cash and investments held are subject to restrictions and Council's Management Plan for the ensuing reporting period does not provide for the discharge of those restrictions, the amounts have been classified as non-current.

6. 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.

Within the books of account for the period ending 30 June 2003 is a net receivable totalling \$158,000 representing a contra to costs expensed by Council towards legal action instigated against it by the owner of a property in Mosman.

The claim alleges that Council was negligent by not redirecting stormwater away from the property resulting in a fire on 1 May 1988 which significantly damaged their residence.

Neither Council's Public Liability Insurer (FAI), nor its Professional Indemnity Insurers (C E Heath) would accept liability as there was a question as to whether it was a public liability or professional indemnity claim. These two companies have now gone into liquidation.

The matter was determined by Justice Hiddens in December 2001 where he ruled in favour of Council, granting Council's costs. The claimants subsequently lodged an appeal which was dismissed.

Council has been awarded costs totalling \$125,345.22. Interest is calculating on the debt.

Phillips Fox Solicitors acting on behalf of Council have commenced bankruptcy proceedings to recover the debt, however the property has now been sold and all funds are frozen pending Family Court procedures.

Council's solicitors are confident that the matter will be finalised in the short term.

7. 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.

8. Property, Plant & Equipment**(8.1) Transitional Provisions**

Infrastructure assets (which were expensed prior to 1 January 1993) have been capitalised in the accounts on a "staged" basis since June 1995. All assets, apart from land under roads (the transitional provisions applicable to land under roads have now extended pursuant to AASB 1045, released in October 2002, until 31 December 2006), have now been brought to account. The effect of recognising these non-current assets has increased Council's accumulated wealth by \$388M (3606%) since 1993. In addition, the annual estimated depreciation expense is approximately \$2.855M as compared to \$987K prior to their recognition.

All non-current assets purchased or constructed are capitalised as soon as the asset is held "ready for use".

(8.2) Materiality

Assets with an economic life which is determined to be longer than one year are only capitalised where the cost of acquisition/construction exceeds materiality thresholds which have been established by Council for each type of asset. In determining such thresholds, which are reviewed annually, regard is given to the nature of the asset and its estimated service life.

Examples of capitalisation thresholds applied during the year under review are provided below:

Land – Council land	Capitalise
Open Space	Capitalise
Land under roads	Capitalise
Roads, Bridges, Footpaths	
Construction/Reconstruction	Capitalise
Reseal/resheet/major repairs	Capitalise if value > \$1,000

(8.3) Valuation of Assets**Recoverable Amounts Test**

Council is exempted from the "Recoverable Amount Test" under the provision of paragraph 2.1 of AAS10 "Recoverable Amount of Non Current Assets".

Plant & Equipment, Office Equipment & Furniture & Fittings

Assets acquired after 1 January 1993 were recorded at historical cost. Assets acquired prior to that date and depreciated in accordance with the (now superseded) Local Government Accounting Regulations 1979 were recorded at deemed cost, being the carrying amount of those assets at 31 December 1992. All assets have now been measured on the "cost basis", being the carrying amount of those assets at 30 June 2001.

Asset capitalisation thresholds of these assets are detailed below:

Plant & Equipment	Capitalise if value > \$1,000
Office Equipment	Capitalise if value > \$500
Furniture & Fittings	Capitalise if value > \$500

Major depreciation periods are:

Plant & Equipment	10 years
Office Equipment	10 years
Furniture & Fittings	10 years

Land**Operational Land**

Land classified by Council as operational land in accordance with Part 2 of Chapter 6 of the Local Government Act 1993, and buildings thereon, were valued by independent valuation (Valuer General) in the reporting period ended 30 June 1995. A valuation was undertaken in 1998/9 to adjust for additional rateable properties. At 1 July 2000, Council elected to adopt its valuations and disclosed them on the cost basis in accordance with AAS38 (AASB 1041) paragraph 10.4(a) of the Standard.

Pursuant to Clause 8.2.1 of AAS36, Council has undertaken current valuations of all land.

Current Valuation:

A valuation of operational land was undertaken by Council officers using Valuer General Valuations with a Base Date of 30 June 2002. The market valuation was \$274.394M.

The new valuation has not been brought to account as Council has continued to adopt the "cost basis" for recording this asset.

Community Land

Land not classified by Council as operational land is deemed as community land and was valued by Council officers at municipal site value during the reporting period ended 30 June 1995.

At 1 July 2000, Council elected to adopt its valuations and disclosed them using the cost basis in accordance with AAS 38 (AASB1041) paragraph 10.4(a) of the Standard.

Pursuant to Clause 8.2.1 of AAS36, Council has undertaken current valuations of all land.

Current Valuation:

A valuation of community land was undertaken by Council officers using Valuer General Valuations with a Base Date of June 2002 as at 30 June 2003, and totalled \$232.067M.

The new valuation has not been brought to account as Council has continued to adopt the "cost basis" for recording this asset class.

Land Under Roads

Land Under Roads has not been valued or recognised as an asset in the statement of financial position (as allowed under transitional provisions for asset recognition contained in Australian Accounting Standard 27A-Paragraph 108). The transitional provisions applicable to land under roads have now extended pursuant to AASB1045, released in October 2002, until December 2006.

Buildings and Land Improvements

Buildings were valued by independent valuation during the reporting period ended 30 June 1996 and pursuant to Council's election are disclosed using the "cost basis". All acquisitions made after the respective dates of valuation are recorded at cost.

Land improvements and other structures were valued by independent valuation during the reporting period ended 30 June 2000. All acquisitions made after the respective dates of valuation are recorded at cost.

Major depreciation periods are:

Buildings	100 years
Playground Equipment	5 years
Benches and Seats	10 years
Asset capitalisation thresholds include:	

Buildings	Capitalise
Playground Equipment	Capitalise if value > \$1,000
Other Structures	Capitalise if value > \$1,000

Pursuant to Clause 8.2.1 of AAS36, Council has undertaken current valuations of all buildings.

Current Valuation:

An independent valuation of buildings, based on insurable value as at 30 June 2003 was undertaken by International Valuation Consultants with the valuation totalling \$43.268M.

The new valuation has not been brought to account as Council has continued to adopt the "cost basis" for recording this asset class.

Stormwater Drainage Assets

Stormwater drainage infrastructure was valued by Council officers as at 30 June 1997 at written down current replacement cost, based on actual costs incurred during the reporting period ended 30 June 1997. All acquisitions made after the respective dates of valuation were recorded at cost. All stormwater drainage assets have now been measured on the "cost basis", being the carrying amount of those assets at 30 June 2001 in accordance with AASB 1041.

Major depreciation periods are:

Drains	100 years
--------	-----------

Asset Capitalisation thresholds include:

Drains & culverts	capitalise if value > than \$1,000
-------------------	------------------------------------

Transport Assets

Transportation assets were valued by Council officers at written down current replacement cost during the reporting period ended 30 June 1996. All acquisitions made after the respective dates of valuation were recorded at cost. All transportation assets have now been measured on the "cost basis", being the carrying amount of those assets at 30 June 2001 in accordance with AASB 1041.

Major depreciation periods are:

Road assets	100 years
-------------	-----------

Asset Capitalisation thresholds include:

Road Construction & reconstruction	capitalise if value > than \$1,000
------------------------------------	------------------------------------

(8.4) Depreciation

Depreciation is recognised on a straight-line basis, except in the case of Drainage and Roads, Bridges and Footpath assets whereby Council utilises a reducing balance methodology since being brought to account in 1997 and 1996 respectively.

(8.5) Borrowing Costs

Borrowing costs in relation to qualifying assets (net of offsetting revenue) have been capitalised in accordance with Australian Accounting Standard AAS34 "Borrowing Costs". The amounts of borrowing costs recognised as an expense or as part of the carrying amount of qualifying assets are disclosed in Note 3, and the amount (if any) of interest revenue offset against borrowing costs in Note 4. All borrowing costs capitalised relate to funds borrowed specifically for the qualifying assets, and accordingly paragraph 5.2 of the standard does not apply.

9. 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.

10. 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".

11. Employees' Benefits

In June 2001, The Australian Accounting Standards Board (AASB) issued a new standard on 'Employee Benefits', AASB 1028. The new standard replaces AAS30 and will apply to annual reporting periods beginning on or after 1 July 2002.

Employee benefits are accrued on a pro-rata basis for annual leave, long service leave and enterprise agreement leave in respect of services provided by employees up to the reporting date in accordance with AASB 1028. Such accruals are assessed as at each reporting date, having regard to a number of factors including experience of employee departures, projected employee rates of pay and their periods of service.

The Standard requires liabilities in respect of wages and salaries, annual leave, and enterprise agreement leave (regardless of whether they are expected to be settled within 12 months of reporting date) to be measured at their 'nominal' amounts. The Standard also requires employee benefits liabilities (other than wages and salaries, annual leave and enterprise agreement leave) expected to be settled within 12 months of reporting date to be measured at their 'nominal'

amounts. The nominal basis of measurement uses remuneration rates that Council expects to pay as at each reporting period and does not discount cash flows to their present value.

Employee benefit liabilities (other than wages and salaries, annual leave and enterprise agreement leave) expected to be settled more than 12 months after reporting date to be measured at 'present value'. The Standard requires the market yields on national government bonds to be used in determining the present value of employee benefit liabilities.

Consistent with the revised Standard, Council has recognised the aggregate liability and aggregate asset arising from the employee benefits and related on-costs. In contrast to the previous Standard, Council previously disclosed the aggregate employee entitlement liability recognised which excluded on-costs.

The superannuation expense for the year is the amount of the statutory contribution the Council makes to the superannuation plan which provides benefits to its employees.

The following information has been received from the Local Government Superannuation Scheme pursuant to AASB 1028 in relation to Local Government Superannuation Retirement and Defined Benefit Scheme membership.

The Scheme's actuary has provided Mosman Council with its estimated position as at 30 June 2003.

Employer Liability	\$2,606,375.64
Employer Assets	\$3,182,590.80
Surplus	\$576,215.15

12. Financial Instruments

Council complies with Australian Accounting Standard AAS33 "Presentation & Disclosure of Financial Instruments", the disclosures required by that Standard are made in Note 6 (Cash Assets and Investment Securities), Note 7 (Receivables), and Note 15 (Financial Instruments).

13. 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".

14. 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" have been accounted for in accordance with Australian Accounting Standard AAS 19 "Accounting for Interests in Joint Ventures", Shorelink Library Network, and are disclosed in detail in Note 19 (b)

Entities over which another Council exercises "control" have been accounted for in accordance with Australian Accounting Standard AAS 14 "Accounting for Investments in Associates", Kimbriki Waste Disposal Facility, and are disclosed in Note 19 ©.

15. Leases

Lease arrangements have been accounted for in accordance with Australian Accounting Standard AAS17 "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.

16. GST Implications

In accordance with UIG Abstract 31 "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 Statement of Cash Flows are disclosed on a gross basis.

17. Budget Information

The Statement of Financial Performance 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.

18. Insurances

Council is a member of Statewide Mutual, a pool providing public liability insurance to Council. Following the collapse of the HIH insurance group, Statewide Mutual has reported that the total deficit of the Scheme for the year ended 30 June 2003 is \$10,781,000 (\$47M at 30 June 2002). This consisted of an Operational Deficit of \$5,814,000 (\$23M at 30 June 2002) and a Bad Debt Provision of \$4,967,000 (\$24M at 30 June 2002). These losses must be funded by the 174 Members in the absence of any contributions by State or Federal Governments.

Council has been advised of the extent of its liability to meet the loss of the Mutual to 30 June 2002 and has brought this amount totalling \$16,893.63 (\$135,690.59 at 30 June 2002) to account in Note 10. At present, no action is being taken by the Mutual to make a call on Council for these funds, and accordingly the value has been disclosed as Non Current.

This liability may be reduced by any contribution made by the State or Federal Governments. In the absence of such contributions, the liability will be funded by future contributions to the scheme by the members.

19. Rounding

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

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 2003 \$'000	Actual 2003 \$'000	Actual 2002 \$'000	Original Budget 2003 \$'000	Actual 2003 \$'000	Actual 2002 \$'000	Original Budget 2003 \$'000	Actual 2003 \$'000	Actual 2002 \$'000	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
COUNCIL, COMMUNITY & COMMUNICATION	30		6	978	797	784	(978)	(767)	(681)			9	31
RESOURCE & ASSET MANAGEMENT	2,353	2,288	2,534	5,516	5,926	5,839	(3,163)	(3,639)	(3,815)			18,010	23,743
STRATEGIC TOWN PLANNING	274	162	226	521	497	398	(247)	(335)	(101)		10	20	22
BUILT ENVIRONMENT	825	967	992	942	1,422	1,015	(117)	(455)	44			207	223
NATURAL ENVIRONMENT	48	376	385	931	1,292	997	(883)	(886)	118	334	355	481	222
PUBLIC HEALTH	3,982	3,967	3,760	4,836	4,535	4,206	(854)	(568)	(317)	8		847	875
COMMUNITY SAFETY		213	186	894	1,086	1,551	(894)	(853)	(1,362)			25,990	25,350
COMMUNITY DEVELOPMENT & SERVICES	1,024	1,173	972	1,626	1,713	1,658	(602)	(540)	(497)		532	4,005	3,991
LIBRARY & INFORMATION	169	160	153	1,437	1,385	1,355	(1,268)	(1,225)	(1,052)	66	60	6,136	6,104
PARKS RECREATION & CULTURE	380	1,222	1,285	2,393	2,499	2,295	(2,013)	(1,277)	(1,606)			238,842	231,560
TRANSPORT & TRAFFIC	2,217	1,652	923	2,919	2,758	2,378	(702)	(1,106)	(1,202)	250	160	118,399	118,522
ECONOMIC DEVELOPMENT	6	10	17	168	173	151	(162)	(183)	(131)				
TOTAL FUNCTIONS	11,278	12,220	11,439	23,161	24,033	22,627	(11,883)	(11,813)	(11,188)	1,329	1,117	412,745	410,643
General Purpose Revenues	11,823	11,659	11,239							697	662		
TOTAL	23,101	23,879	22,678	23,161	24,033	22,627	(60)	(154)	51	2,028	1,779	412,745	410,643

*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.

STRATEGIC TOWN PLANNING

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

BUILT ENVIRONMENT

Development Administration.

NATURAL ENVIRONMENT

Atmospheric Environment, Water Cycle Management, Biodiversity, Trees, Land Management & Noise.

PUBLIC HEALTH

Waste Minimisation and Management, Cleansing, Disease Prevention, Companion Animals.

COMMUNITY SAFETY

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

COMMUNITY DEVELOPMENT & SERVICES

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

Note 2(b) -Components of Functions continued

LIBRARY & INFORMATION

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

PARKS, RECREATION & CULTURE

Parks, Gardens & Civic Spaces, Sporting Fields & Facilities, Beaches, Sea Pools & Foreshores, Cultural Development, Gallery Exhibitions & Activities, Community Arts, Crafts & Activities, Community Events, Friend ship Agreements.

TRANSPORT & TRAFFIC

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

ECONOMIC DEVELOPMENT

Business & Employment, Marketing Mosman, Regional Economic Development.

MOSMAN COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2003

Note 3 - EXPENSES FROM ORDINARY ACTIVITIES

EMPLOYEE COSTS	2003 \$'000	2002 \$'000
Salaries and Wages	7,301	6,675
Travelling	30	38
Employee Leave Entitlements	843	864
Employee Leave Entitlements - On Costs	105	
Superannuation	528	422
Workers' Compensation Insurance	189	202
Fringe Benefits Tax	51	66
Payroll Tax		
Training Costs (excluding Salaries)	115	122
Other	10	9
Less: Capitalised and distributed costs		
Total Operating Employee Costs	9,172	8,398
Total Number of Employees	164	157
(Full time equivalent at end of reporting period)		
BORROWING COSTS		
Interest on Overdraft	1	1
Interest on Loans	185	183
Interest on Advances	-	
Charges on Finance Leases	-	
Interest on other debts	-	
Gross Interest Charges	186	184
Less: Borrowing Costs capitalised		
Total Interest Charges	186	184
DEPRECIATION & AMORTISATION		
Plant and Equipment	124	126
Office Equipment	226	277
Furniture & Fittings	16	16
Leased Property, Plant & Equipment	-	
Land Improvements	217	211
Buildings	417	415
Other Structures	8	8
Infrastructure		
- roads, bridges & footpaths	1,339	1,349
- stormwater drainage	251	251
- water supply network not elsewhere included	-	
- sewerage network not elsewhere included	-	
Other assets		
- heritage collections	-	
- library books	119	120
- other	138	118
Less: Capitalised and distributed costs		
Total Depreciation & Amortisation	2,855	2,891

MOSMAN COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2003

Note 3 - EXPENSES FROM ORDINARY ACTIVITIES (cont)

	2003 \$'000	2002 \$'000
OTHER EXPENSES		
Advertising	199	162
Auditor's Remuneration		
- Audit Services	21	20
- Other Services		6
- Other Auditors		
Bad and Doubtful Debts	149	87
Bank and Financial Charges	81	104
Catering	78	72
Computer/IT Expenses	292	192
Consultancies	372	189
Donations & Contributions to Local & Regional Bodies	278	194
Equipment Maintenance	52	50
Insurances	538	379
Self Insurances/(Surplus)/Deficit	(119)	136
Leases (Property)	41	33
Leases (Photocopiers)	64	55
Legal Expenses		
- Planning & Development	422	159
- Other Legal Expenses	108	67
Light, Power & Heating	137	132
Mayoral Allowance	26	25
Members' Fees & Allowances	146	141
Members' Expenses	64	48
Operating Leases	97	48
Payments to other levels of Government	723	669
Postage & Couriers	98	87
Printing & Stationery	142	162
Street Lighting	294	284
Subscriptions & Publications	53	57
Telephone & Communications	157	175
Waste Disposal and Recycling Centre	140	140
Water	102	99
Other	263	258
Total Other Expenses	<u>5,018</u>	<u>4,230</u>

MOSMAN COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2003

Note 4 - REVENUES FROM ORDINARY ACTIVITIES

RATES & ANNUAL CHARGES	2003 \$'000	2002 \$'000
<u>Ordinary Rates</u>		
Residential	9,713	9,370
Farmland		
Mining		
Business	1,099	1,065
	<u>10,812</u>	<u>10,435</u>
<u>Special Rates</u>		
Water Supplies		
Sewerage Services		
Parking		
Mainstreet		
Tourism		
Other		
	<u>-</u>	<u>-</u>
<u>Annual Charges</u>		
Domestic Waste Management	3,325	3,074
Water Supply		
Sewerage Services		
Drainage		
Other Waste Management		
Other		
	<u>3,325</u>	<u>3,074</u>
Total Rates & Annual Charges	<u>14,137</u>	<u>13,509</u>
USER CHARGES & FEES		
<u>User Charges</u>		
Domestic Waste Management	14	21
Lease Rental (Property)	1,978	1,746
Meals on Wheels	109	110
Road Restoration	166	127
Staff Vehicle Leases	92	88
Market Days	58	70
Out of School Hours Care	99	98
Vacation Care	41	48
Cultural Centre Rental	79	71
Oval Rents	73	92
Reserve Rents	65	57
Childrens Leisure and Learning	20	26
Library-Photocopying	23	13
Mosman Occasional Child Care Centre	153	150
Mini-Skips	35	23
Community Restaurant	24	24
Vehicular Crossing	27	17
Kidzone-Vacation	25	5
Other Waste Management	464	503
Other	137	151
	<u>3,682</u>	<u>3,440</u>
<u>Fees</u>		
Planning & Building		
Regulatory/Statutory Fees	1,704	1,598
Art Prize Fees	22	22
Registration Fees		
RTA Claims - State Roads	19	19
Sec 611 Charges	54	54
Other	112	67
	<u>1,911</u>	<u>1,760</u>
Total User Charges & Fees	<u>5,593</u>	<u>5,200</u>

MOSMAN COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2003

Note 4 - REVENUES FROM ORDINARY ACTIVITIES (cont)

	2003 \$'000	2002 \$'000
INVESTMENT REVENUES		
Interest on overdue rates & charges	25	39
Interest on investments attributable to		
Section 94 Contributions		
Other External Restrictions		
Other Investments	229	224
Other Investment Revenues		
Gross Investment Revenues	<u>254</u>	<u>263</u>
Less: Interest deducted from		
capitalised borrowing costs		
Total Investment Revenues	<u>254</u>	<u>263</u>
 OTHER REVENUES		
Commissions & Agency Fees	40	18
Certificate Fees	188	223
Fines	856	828
Footpath Occupation	51	22
Insurance Claims		
Lease Rental	66	53
Legal Fees Recovery (Rates)	14	23
Other	108	98
Total Other Revenues	<u>1,323</u>	<u>1,265</u>

MOSMAN COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2003

Note 4 - REVENUES FROM ORDINARY ACTIVITIES (cont)

	OPERATING		CAPITAL	
	2003	2002	2003	2002
	\$'000	\$'000	\$'000	\$'000
GRANTS				
General Purpose (Untied)				
Financial Assistance	617	576		
Pensioner Rates Subsidies (General)	80	86		
Specific Purpose				
Pensioner Rates Subsidies				
Domestic Waste Management	27	29		
Community Services	631	460		72
Library Services	54	54	11	6
Roads & Bridges	76	69	104	20
Creek Rehabilitation		20		
Health	9			
Recreation	41	29	130	103
Seawalls				66
Stormwater	63		141	147
Traffic Facility	42	42		
Community Centres				
Heritage & Cultural Services				
Community Care Services				
Other				
Total Grants & Subsidies	1,640	1,365	386	414
CONTRIBUTIONS & DONATIONS				
Developer Contributions				
Subdivider Dedications				
Roadworks				
Drainage				
Traffic Facilities				
Parking			21	25
Open Space			84	429
Community Facilities				
Other				
Traffic	1		19	
RTA Contributions	52	19	10	
Water Supplies				
Drainage	20			
Community Development	25	11		
Cultural	12			
Library				1
Recreation		7		
Ex Gratia Rates	26	25		
Paving				
Kerb & Gutter				
Other	3			
Total Contributions & Donations	139	62	134	455
TOTAL GRANTS & CONTRIBUTIONS	1,779	1,427	520	869

MOSMAN COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2003

Note 5 - GAIN OR LOSS ON DISPOSAL OF ASSETS

	2003 \$'000	2002 \$'000
DISPOSAL OF PROPERTY		
Proceeds from disposal	354	229
Less: Carrying amount of assets sold	56	
Gain (Loss) on disposal	<u>298</u>	<u>229</u>
DISPOSAL OF PLANT & EQUIPMENT		
Proceeds from disposal	335	555
Less: Carrying amount of assets sold	370	687
Gain (Loss) on disposal	<u>(35)</u>	<u>(132)</u>
DISPOSAL OF REAL ESTATE DEVELOPMENT ASSETS		
Proceeds from disposal		
Less: Carrying amount of assets sold		
Gain (Loss) on disposal	<u>-</u>	<u>-</u>
TOTAL GAIN (LOSS) ON DISPOSAL OF ASSETS	<u>263</u>	<u>97</u>

MOSMAN COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2003

Note 6 - CASH ASSETS & INVESTMENT SECURITIES

	2003 \$'000		2002 \$'000	
	<u>Current</u>	<u>Non-Current</u>	<u>Current</u>	<u>Non-Current</u>
CASH ASSETS				
Cash on Hand and at Bank	479		165	
Deposits at Call				
Short Term Deposits & Bills, etc	4,800		3,400	
Total Cash Assets	<u>5,279</u>	<u>-</u>	<u>3,565</u>	<u>-</u>
INVESTMENT SECURITIES				
Term Deposits				
Bills of Exchange				
Treasury Corporation				
NCDs, FRNs				
Managed Funds				
Other				
Total Investment Securities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL CASH ASSETS & INVESTMENT SECURITIES	<u>5,279</u>	<u>-</u>	<u>3,565</u>	<u>-</u>

Cash Assets comprise highly liquid investments with short periods to maturity subject to insignificant risk of changes of value. Cash Assets subject to external restrictions that are not expected to be discharged during the next reporting period are classified as Non-Current.

The permitted forms of investment in financial instruments of the Council are defined in an order made by the Minister of Local Government on 16 November 2000, and may broadly be described as "Trustee Securities". Accordingly, credit risk is considered to be insignificant. Deposits and Bills are with, or have been accepted by, banks and credit unions and bear various rates of interest between 4.68% and 5.05% (2002 - 4.25% and 5.16%).

RESTRICTED CASH ASSETS & INVESTMENT SECURITIES

	2003 \$'000		2002 \$'000	
	<u>Current</u>	<u>Non-Current</u>	<u>Current</u>	<u>Non-Current</u>
EXTERNAL RESTRICTIONS				
Included in liabilities				
Unexpended Loans				
RTA Advances				
Self Insurance Claims				
Other				
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other				
Developer Contributions	17	-	-	
RTA Contributions				
Unexpended Grants	14	302	274	
Unexpended Contributions	14	20	-	
Domestic Waste Management		297	-	
Other				
	<u>619</u>	<u>-</u>	<u>274</u>	<u>-</u>
Total External Restrictions	<u>619</u>	<u>-</u>	<u>274</u>	<u>-</u>
Total Internal Restrictions	<u>2,932</u>	<u>-</u>	<u>2,256</u>	<u>-</u>
TOTAL UNRESTRICTED	<u>1,728</u>	<u>-</u>	<u>1,035</u>	<u>-</u>
TOTAL CASH ASSETS & INVESTMENT SECURITIES	<u>5,279</u>	<u>-</u>	<u>3,565</u>	<u>-</u>

MOSMAN COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2003

Note 6 - CASH ASSETS & INVESTMENT SECURITIES (cont)

DETAILS OF MOVEMENTS & UTILISATION OF RESTRICTED CASH ASSETS & INVESTMENT SECURITIES

Notes	Opening Balance 30 June 2002	Movements		Closing Balance 30 June 2003	Proposed Utilisation of Restriction		
		Transfers To Restriction	Transfers From Restriction		Less than 1 Year	Between 1 and 5 years	Greater than 5 years
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
External Restrictions							
Developer Contributions	-	105	105	-	-	-	-
RTA Contributions	-	-	-	-	-	-	-
Unexpended Grants	274	302	274	302	302	-	-
Unexpended Contributions	-	20	-	20	20	-	-
Domestic Waste Management	-	352	55	297	297	-	-
Total External Restrictions	274	779	434	619	619	-	-

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 14. 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	350	-	-	350	-	350	-
Capital Works Reserve	45	-	45	-	-	-	-
Future Capital Acquisitions	60	9	60	9	-	9	-
Uncompleted Works	798	600	798	600	600	-	-
Deposits & Bonds	1,003	825	1,003	825	825	-	-
Skate Park Facility	-	58	-	58	58	-	-
Library Air Conditioning	-	110	-	110	110	-	-
Inkerman Street Wharf	-	66	-	66	66	-	-
Community Environmental Ctrct	-	2,168	-	914	914	-	-
Sinking Funds	-	-	1,254	-	-	-	-
Total Internal Restrictions	2,256	3,836	3,160	2,932	2,573	359	-

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 2003

Note 7 - RECEIVABLES

	2003 \$'000		2002 \$'000	
	Current	Non-Current	Current	Non-Current
Rates & Annual Charges	224		251	
Interest & Extra Charges	4		12	
Rates Legal Costs	3		8	
User Charges & Fees	1,197	225	1,320	183
Accrued Revenues-Motor Vehicle Sales	65		131	
Accrued Revenues-Fines	380		158	
Accrued Revenues-Workers Comp.Pren	56			
Accrued Revenues-Other			13	
GST Receivable	106		152	
Investment Income	14		8	
Other levels of Government	54		54	
Joint Ventures	34		28	
Property Devel. Receivable		345		
Other	213		145	
Total	2,350	570	2,280	183
Less: Provision for Doubtful Debts				
Rates & Annual Charges				
Interest & Extra Charges				
User Charges & Fees	241	214	133	183
Other	6		14	
Total Receivables	2,103	356	2,133	-

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 9.00% (2002: 11.00%). 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

Water Supply	-	-		
Sewerage Services	-	-		
Domestic Waste Management	55		59	
Other				
Total Restrictions	55	-	59	-
Unrestricted Receivables	2,048	356	2,074	-
Total Receivables	2,103	356	2,133	-

MOSMAN COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2003

Note 8 - INVENTORIES & OTHER ASSETS

	2003 \$'000		2002 \$'000	
	<u>Current</u>	<u>Non-Current</u>	<u>Current</u>	<u>Non-Current</u>
INVENTORIES				
Stores & Materials	57		62	
Trading Stock	45		41	
Real Estate Developments	-	-	-	-
Other				
Total Inventories	<u>102</u>	<u>-</u>	<u>103</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	178		300	
Other		16		14
Total Other Assets	<u>178</u>	<u>16</u>	<u>300</u>	<u>14</u>

Real Estate Developments

(Valued at the lower of cost and net realisable value)

Residential

Industrial & Commercial

Other Properties surplus to
requirements

Total Real Estate for Resale

	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
--	----------	----------	----------	----------

Represented by:

Acquisition Costs

Development Costs

Borrowing Costs

Other Holding Costs

Other Properties - Book Value

	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
--	----------	----------	----------	----------

Less: Provision for Under-Recovery

Total Real Estate for Resale

	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
--	----------	----------	----------	----------

MOSMAN COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2003

Note 9 - PROPERTY, PLANT & EQUIPMENT

	2002 \$'000				CARRYING AMOUNT MOVEMENTS DURING YEAR \$'000						2003 \$'000			
	AT COST	AT FAIR VALUE	ACCUM DEPN	CARRYING AMOUNT	Asset Purchases	Council Restructure	Asset Disposals	Depreciation	Write Downs (ref Note 3)	Net Revaluation	AT COST	AT FAIR VALUE	ACCUM DEPN	CARRYING AMOUNT
Plant & Equipment	1,664	-	665	999	614	-	(370)	(124)	-	-	1,744	-	625	1,119
Office Equipment	2,370	-	1,952	418	156	-	-	(226)	-	-	2,526	-	2,178	348
Furniture & Fittings	729	-	423	306	48	-	-	(16)	-	-	777	-	439	338
Leased Plant & Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Land														
- Operational	113,783	-	-	113,783	121	-	(56)	-	-	-	113,848	-	-	113,848
- Community	102,193	-	-	102,193	-	-	-	-	-	-	102,193	-	-	102,193
- non deprec land improv'ts	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- land under roads	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Land Improvements - depreciable														
Buildings	8,895	-	2,150	6,745	281	-	-	(217)	-	-	9,177	-	2,368	6,809
Other Structures	36,760	-	2,405	34,355	127	-	-	(417)	-	-	36,887	-	2,822	34,065
Infrastructure	154	-	52	102	-	-	-	(8)	-	-	154	-	60	94
- Roads, bridges, footpaths	157,849	-	39,327	118,522	1,195	-	-	(1,339)	-	-	159,044	-	40,666	118,378
- Bulk earthworks (non-deprec.)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- Stormwater drainage	45,803	-	20,625	25,178	512	-	-	(251)	-	-	46,315	-	20,876	25,439
- Water Supply Network	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- Sewerage Network	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Assets														
- Heritage Collections	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- Library Books	2,160	-	1,790	370	139	-	-	(119)	-	-	2,300	-	1,910	390
- Other	2,537	-	1,584	953	416	-	-	(138)	-	-	2,952	-	1,721	1,231
Totals	474,897	-	70,973	403,924	3,609	-	(426)	(2,855)	-	-	477,917	-	73,665	404,252

MOSMAN COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2003

Note 9 (cont) - RESTRICTED PROPERTY, PLANT & EQUIPMENT

2003				2002			
\$'000				\$'000			
AT COST	AT VALUATION	ACCUM DEPN	CARRYING AMOUNT	AT COST	AT VALUATION	ACCUM DEPN	CARRYING AMOUNT

N 12 f

Domestic Waste Management									
Plant & Equipment									
Office Equipment									
Furniture & Fittings									
Leased Plant & Equipment									
Land									
- Operational									
- Community									
- non depreciable land improv'ts									
Land Improvements - depreciable									
Buildings									
Other Structures									
- Other									
Total Domestic Waste	121	-	-	-	-	121	-	-	-
Other (specify)									
Plant & Equipment									
Office Equipment									
Furniture & Fittings									
Leased Plant & Equipment									
Land									
- Council owned (freehold)									
- Council controlled									
- non depreciable land improv'ts									
Land Improvements - depreciable									
Buildings									
Other Structures									
Other Assets									
- Heritage Collections									
- Library Books									
- Other									
Total	-	-	-	-	-	-	-	-	-
TOTAL RESTRICTIONS	121	-	-	-	-	121	-	-	-

MOSMAN COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2003

Note 10 - LIABILITIES

	2003 \$'000		2002 \$'000	
	<u>Current</u>	<u>Non-Current</u>	<u>Current</u>	<u>Non-Current</u>
PAYABLES				
Goods & Services	1,611		981	
Payments received in advance	6		10	
Accrued Expenses-Interest on Loans	33		28	
Advances				
Retirement Home Contributions				
Deposits, Retentions & Bonds	825	2,854	1,003	2,500
Other				
Total Payables	<u>2,475</u>	<u>2,854</u>	<u>2,022</u>	<u>2,500</u>
BORROWINGS				
Bank Overdraft				
Loans	564	3,893	395	2,557
Government Advances				
Ratepayer Advances				
Finance Lease Liability				
Deferred Payment Liabilities	130	1,300	130	1,430
Other				
Total Borrowings	<u>694</u>	<u>5,193</u>	<u>525</u>	<u>3,987</u>
<i>All interest bearing liabilities are secured over the future revenues of the Council.</i>				
PROVISIONS				
Annual Leave	639	244	548	267
Sick Leave				
Long Service Leave	102	819	100	801
ELE On Costs	53	52		
Self Insurance Claims		17		136
Total Provisions	<u>794</u>	<u>1,132</u>	<u>648</u>	<u>1,204</u>
LIABILITIES relating to RESTRICTED ASSETS				
<i>Domestic Waste Management</i>				
<i>Payables</i>	-		55	
<i>Interest Bearing Liabilities</i>				
<i>Provisions</i>				
<i>Subtotal</i>	<u>-</u>	<u>-</u>	<u>55</u>	<u>-</u>
TOTAL	<u>-</u>	<u>-</u>	<u>55</u>	<u>-</u>

MOSMAN COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2003

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 Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position as follows:

	2003 \$'000	2002 \$'000
Total Cash Assets (Note 6)	5,279	3,565
Less: Bank Overdraft (Note 10)	-	-
Balances per Statement of Cash Flows	<u>5,279</u>	<u>3,565</u>

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

Change in Net Assets resulting from Operations	(154)	51
Minority Interest in Operating Result	-	-
Add: Depreciation and Amortisation	2,855	2,891
Increase in provision for doubtful debts	131	87
Increase in employee benefits	193	66
Increase in other provisions	-	136
Decrease in receivables	-	-
Decrease in inventories	1	28
Decrease in other current assets	122	-
Increase in payables	699	-
Increase in accrued expenses payable	-	-
Increase in other current liabilities	-	303
Loss on Sale of Assets	-	-
Equity share of loss in Associates	-	-
Equity adjustment in Associates (decrease)	-	-
Decrements from Revaluations	-	-
Loss on Council restructure	-	-
	<u>3,847</u>	<u>3,562</u>
Less: Decrease in provision for doubtful debts	-	-
Decrease in employee benefits	-	-
Decrease in other provisions	119	-
Increase in receivables	172	209
Increase in inventories	-	-
Increase in other current assets	2	240
Decrease in payables	-	223
Decrease in accrued expenses payable	-	1
Decrease in other current liabilities	-	-
Gain on Sale of Assets	263	97
Equity share of profit in Associates	-	-
Equity adjustment in Associates (increase)	10	48
Reversal of previous Revaluation Decrements	-	-
Non-cash Capital Grants and Contributions	-	-
Gain on Council restructure	-	-
Net Cash provided by (or used in) operations	<u>3,281</u>	<u>2,744</u>

MOSMAN COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2003

Note 11 (CONT) - RECONCILIATION TO CASH FLOW STATEMENT

	2003 \$'000	2002 \$'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	-	
- 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	40	40

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 2003

Note 12 - COMMITMENTS FOR EXPENDITURE

	2003 \$'000	2002 \$'000
(a) Capital Commitments		
Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:		
Land		
Buildings	134	
Plant & Equipment	10	18
	<u>144</u>	<u>18</u>
These expenditures are payable:		
Not later than one year	144	18
Later than one year and not later than 5 years		
Later than 5 years		
	<u>144</u>	<u>18</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	22	23
Waste Management Services	2,029	1,948
Other		
	<u>2,051</u>	<u>1,971</u>
These expenditures are payable:		
Not later than one year	2,051	1,971
Later than one year and not later than 5 years		
Later than 5 years		
	<u>2,051</u>	<u>1,971</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	<u>-</u>	<u>-</u>
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 2003

Note 12 (CONT) - COMMITMENTS FOR EXPENDITURE

	2003 \$'000	2002 \$'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	110	129
Later than one year and not later than 5 years		
Later than 5 years	<u>110</u>	<u>129</u>

MOSMAN COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2003

Note 13 - STATEMENT OF PERFORMANCE MEASUREMENT

	<u>Amounts</u>	<u>2003 Indicators</u>	2002	2001	2000
Current Ratio					
<u>Current Assets</u>	\$7,662	1.93:1	1.91:1	1.86:1	1.36:1
<u>Current Liabilities</u>	\$3,963				
Unrestricted Current Ratio					
<u>Unrestricted Current Assets*</u>	\$6,988	1.76:1	1.84:1	1.64:1	1.25:1
<u>Current Liabilities not relating to Restricted Assets</u>	\$3,963				
* as defined in the Code					
Debt Service Ratio					
<u>Net Debt Service Cost</u>	\$711	3.19%	3.15%	2.98%	2.89%
<u>Operating Revenue</u>	\$22,277				
* as defined in the Code					
Rate & Annual Charges					
Coverage Ratio					
<u>Rates & Annual Charges Revenues</u>	\$14,137	59.20%	59.56%	59.48%	58.23%
<u>Total Revenues</u>	\$23,879				
Rates & Annual Charges					
Outstanding Percentage					
<u>Rates & Annual Charges Outstanding</u>	\$231	1.60%	1.94%	2.81%	3.68%
<u>Rates & Annual Charges Collectible</u>	\$14,433				

With the adoption of Australian Accounting Standard AAS 36 (AASB 1040), Cash Assets subject to restrictions that are not expected to be discharged in the next reporting period are required to be disclosed as non-current. This requirement has had a material effect on the following performance ratios which are restated below on the basis that would have applied had AAS 36 not been adopted.

MOSMAN COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2003

Note 14 - 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:

	2003 \$'000		2002 \$'000	
	<u>Grants</u>	<u>Contrib</u>	<u>Grants</u>	<u>Contrib</u>
Unexpended at the close of the previous reporting period	274	0	607	
Less: expended during the current period from revenues recognised in previous reporting periods				
Section 94/64 Developer Contributions				
Roads Infrastructure				
Heritage & Cultural Services				
Community Care Services				
Other	274		601	
Subtotal	<u>274</u>	<u>0</u>	<u>601</u>	<u>0</u>
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	97	20		
Stormwater Devices	58			
Library Services				
Heritage & Cultural Services				
Community Care Services	147			
Other			268	
Subtotal	<u>302</u>	<u>20</u>	<u>268</u>	<u>0</u>
Unexpended at the close of this reporting period and held as restricted assets	<u>302</u>	<u>20</u>	<u>274</u>	<u>0</u>
Net increase (decrease) in restricted assets in the current reporting period.	<u>28</u>	<u>20</u>	<u>-333</u>	<u>0</u>

MOSMAN COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2003

Note 15 - FINANCIAL INSTRUMENTS

Interest Rate Risk Exposures

2003	Floating Interest Rate '000	Fixed interest maturing in ≤ 1 year '000	> 1 year ≥ 5 years '000	> 5 years '000	Non- interest bearing '000	Total '000	
Financial Assets							
Cash Assets		5,279				5,279	4.91%
Investment Securities		-			-	-	
Receivables							
Rates & Annual Charges		231	-			231	4.91%
User Charges & Fees		967				967	
Deferred Debtors		345	-			345	
Other levels of Govt.		54			-	54	
Retirement Home Contribs.					-	-	
Other		207				207	
Other Assets					-	-	
Total		7,083	-	-	-	7,083	

Weighted Average Interest
Rate

Financial Liabilities

Payables							
Goods & Services					1,611	1,611	
Payments in advance					6	6	
Advances					-	-	
Retirement Home Contribs.					-	-	
Deposits, Retentions, Bonds					3,679	3,679	3.00%
Other					-	-	
Interest Bearing Liabilities	-	564	3,893		1,430	5,887	6.27%
Finance Lease Liabilities		-	-		-	-	
Total	-	564	3,893	-	6,726	11,183	

Weighted Average Interest
Rate

2002

Financial Assets

Cash Assets					3,565	3,565	4.63%
Investment Securities		-			-	-	
Receivables							
Rates & Annual Charges		271	-			271	4.63%
User Charges & Fees		1,187			-	1,187	
Deferred Debtors		-	-			-	
Other levels of Govt.		54			-	54	
Retirement Home Contribs.					-	-	
Other		131			-	131	
Other Assets					-	-	
Total	-	1,643	-	-	3,565	5,208	

Weighted Average Interest
Rate

Financial Liabilities

Payables							
Goods & Services					981	981	
Payments in advance					10	10	
Advances					-	-	
Retirement Home Contribs.					-	-	
Deposits, Retentions, Bonds					3,503	3,503	3%
Other					-	-	
Interest Bearing Liabilities		395	2,557		1,560	4,512	6.54%
Finance Lease Liabilities		-	-		-	-	
Total	-	395	2,557	-	6,054	9,006	

Weighted Average Interest
Rate

MOSMAN COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2003

Note 15 (CONT) - FINANCIAL INSTRUMENTS

Credit Risk Exposures

Credit risk represents the loss that would be recognised if counterparties fail to perform as contracted. The maximum credit risk on financial assets of the Council is the carrying amount, net of any provision for doubtful debts. Except as detailed in Note 7 in relation to individual classes of financial assets, exposure is concentrated within the Council's boundaries within the State of New South Wales, and there is no material exposure to any individual debtor.

Reconciliation of Financial Assets & Liabilities

	2003 \$'000	2002 \$'000
Net financial assets from previous page		
Financial Assets	7,083	5,208
Financial Liabilities	11,183	9,006
	<u>-4,100</u>	<u>-3,798</u>
Non-financial assets and liabilities		
Accrued Revenues	655	490
Inventories	102	103
Property, Plant & Equipment	404,252	403,924
Interest in Associated Bodies	459	604
Other Assets	194	314
Accrued Expenses	-33	-28
Provisions	-1,926	-1,852
Other liabilities		
	<u>403,703</u>	<u>403,555</u>
Net Assets per Statement of Financial Position	<u>399,603</u>	<u>399,757</u>

Net Fair Value

All carrying values approximate fair value for all recognised financial instruments. With the exception of investments, there is no recognised market for the financial assets of the Council.

MOSMAN COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2003

Note 16 Significant Variations from Original Budget

Line items within Statement of Financial Performance with a differential of greater than 10% of original budget:

Other Expenses:

Largely due to the cost of Legal & Consultancy costs associated with the Land & Environment Court together with an unbudgeted increase in Council's Provision for Doubtful Debts.

Grants & Contributions - Operating:

Receipt of unbudgeted Families First Grant of \$147K together with unbudgeted RTA Stormwater contributions accounts for the greater than budgeted result.

Other Revenues:

Greater than anticipated revenues in areas such as certificates & miscellaneous revenues.

Profit on Disposal of Assets:

Largely due to an unbudgeted transfer of Council owned land associated with Mosman Swim Centre complex.

MOSMAN COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30th June 2003

Note 17 - STATEMENT OF CONTRIBUTION PLANS

SUMMARY OF CONTRIBUTIONS

PURPOSE	OPENING BALANCE \$'000	CONTRIBUTIONS RECEIVED DURING YEAR		INTEREST EARNED DURING YEAR \$'000	EXPENDED DURING YEAR \$'000	EXPENDED IN ADVANCE \$'000	HELD AS RESTRICTED ASSET \$'000	WORKS PROVIDED TO DATE \$'000
		CASH \$'000	NON-CASH \$'000					
Drainage								
Roads								
Traffic Facilities								
Parking		21			21			542
Open Space		84			84			913
Community facilities								
Other								
Subtotal S94 under plans		105			105			1,455
Sec 94 not under plans								
Sec 64 Contributions								
Total Contributions		105			105			1,455

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

CONTRIBUTION PLANS - OPEN SPACE & CAR PARKING

PURPOSE	OPENING BALANCE \$'000	CONTRIBUTIONS RECEIVED DURING YEAR		INTEREST EARNED DURING YEAR \$'000	EXPENDED DURING YEAR \$'000	EXPENDED IN ADVANCE \$'000	HELD AS RESTRICTED ASSET \$'000	WORKS PROVIDED TO DATE \$'000
		CASH \$'000	NON-CASH \$'000					
Drainage								
Roads								
Traffic Facilities								
Parking		21			21			542
Open Space		84			84			913
Community facilities								
Other								
Total		105			105			1,455

MOSMAN COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2003

Note 18 - CONTINGENCIES & ASSETS & LIABILITIES NOT RECOGNISED IN THE STATEMENT OF FINANCIAL POSITION

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

Statewide Mutual

Council is a member of Statewide Mutual, a pool providing public liability insurance to Council. Following the collapse of the HIH insurance group, Statewide Mutual has reported a loss for the year ended 30 June 2003 of \$10,781,000. This consisted of an operational deficit of \$5,814,000 and a bad debt provision of \$4,967,000. These losses must be funded by the 174 Members in the absence of any contributions by State or Federal Governments.

Council has been advised of the extent of its liability to meet the loss of the Mutual to 30 June 2003 and has brought this amount to account in Note 10. At present, no action is being taken by the Mutual to make a call on Council for these funds, and accordingly the value has been disclosed as Non Current.

This liability may be reduced by any contribution made by the State or Federal Governments. In the absence of such contributions, the liability will be funded by future contributions to the scheme by the members.

Statecover Mutual Limited

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 erosion of the capital base of the company.

Mosman Swim Centre

Council has entered into an agreement which entitles it to receive assets in the form of a 25 metre indoor swimming pool and cafe (including the strata land title therein). These assets have not yet been recognised in these accounts due to the title and control of these assets being contingent upon their completion in accordance with the deed and Council's development consent.

MOSMAN COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2003

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

Shorelink Library Network	2003	2002
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	156	168
Amount recognised on adoption of AAS19		
New Capital Contributions		
Share in Operating Result	-52	-12
Distributions Received		
Adjustment to Equity Share		
Share in Equity of Joint Operation	104	156

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 (including capital expenditure) at the reporting date but not recognised in the financial statements as liabilities:

Capital Expenditures payable

Not later than one year		12
Later than one year and not later than 5 years		
Later than 5 years		
	0	12

Operating Expenditures payable

Not later than one year		1
Later than one year and not later than 5 years		1
Later than 5 years		
	0	2

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.

	2003	2002
	\$'000	\$'000
Operating Statement		
Share of joint venture revenues in operating revenues	54	50
Share of joint venture costs in operating expenses	77	60
Net Contribution	-23	-10
Statement of Financial Position		
Current Assets	45	49
Non-Current Assets	65	112
Share of Assets employed in Joint Ventures	110	161
Current Liabilities	2	3
Non-Current Liabilities	4	2
Share of Liabilities incurred in Joint Ventures	6	5
NET INTEREST IN JOINT VENTURES	104	156

MOSMAN COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2003

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

Kimbriki Waste Disposal Facility	2003	2002
Council's respective interests are:		
- interest in outputs of the joint operation	4%	3%
- 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	448	416
Amount recognised on adoption of AAS14		
New Capital Contributions		
Share in Operating Result	62	60
Distributions Received	-155	-28
Adjustment to Equity Share		
Share in Equity of Joint Operation	355	448

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

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.

	2003	2002
	\$'000	\$'000
Net Surplus (deficit) of Associates	62	60
Share of Assets employed in Associates	411	502
Share of Liabilities incurred in Associates	-56	-54
NET INTEREST IN ASSOCIATES	355	448



SPENCER STEER

MOSMAN MUNICIPAL COUNCIL

GENERAL PURPOSE FINANCIAL REPORT

INDEPENDENT AUDITORS' REPORT

SCOPE

We have audited the *general purpose financial report* of Mosman Municipal Council for the year ended 30 June, 2003, comprising the Statement by Council, Statement of Financial Performance, Statement of Financial Position and Statement of Changes in Equity, Statement of Cash Flows and accompanying Notes to the Accounts. The financial statements include the consolidated accounts of the economic entity comprising the Council and the entities it controlled at the year's end or from time to time during the year. The Council is responsible for the preparation and presentation of the financial statements and the information they contain. We have conducted an independent audit of these financial statements in order to express an opinion on them to the Council. In respect of the original budget figures disclosed in the Statement of Financial Performance and Note 2(a), we have not examined the underlying basis of their preparation. Similarly, we have not examined the variations from the adopted budget disclosed in Note 16 and therefore express no opinion on them.

Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance as to whether the financial statements are free of material misstatement. Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial statements, and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion as to whether, in all material respects, the financial statements are presented fairly in accordance with Accounting Standards and other mandatory professional reporting requirements in Australia and statutory requirements under the Local Government Act 1993 so as to present a view which is consistent with our understanding of the Council's and the economic entity's financial position, the result of their operations and their cash flows.

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

AUDIT OPINION

In our opinion,

- (a) the accounting records of the Council have been kept in accordance with the requirements of Division 2 of Part 3 of the Local Government Act, 1993;
- (b) the general purpose financial report
 - (i) has been prepared in accordance with the requirements of Division 2 of Part 3 of the Local Government Act, 1993;
 - (ii) is consistent with the Council's accounting records; and
 - (iii) present fairly the Council's financial position and the results of its operations;
- (c) we have been able to obtain all the information relevant to the conduct of our audit;
- (d) there were no material deficiencies in the accounting records or financial reports.

SPENCER STEER
Chartered Accountants

N. MAH CHUT
Partner

Dated at Sydney this 23rd day of October 2003.



SPENCER STEER

23 October 2003

The Mayor
Mosman Municipal Council
PO Box 211
SPIT JUNCTION NSW 2088

Mayor,

Audit Report - Year Ended 30 June 2003

We are pleased to advise completion of the audit of Council's books and records for the year ended 30 June 2003 and that all information required by us was readily available. We have signed and attached 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 Purpose Financial Report; and
- The Special Purpose Financial Report.

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 Accounting Standard AAS27 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 Statement of Financial Performance discloses a decrease in net assets, as a result of operations for the year of \$154,000 as compared with an increase \$51,000 in the 2001/2002 financial year.



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

	2003 \$000	% of Total	2002 \$000	% of Total	Increase (Decrease) \$000
Ordinary Expenses					
Employees Costs	9,172	38%	8,398	37%	774
Depreciation	2,855	12%	2,891	13%	(36)
Other	12,006	50%	11,338	50%	668
	24,033	100%	22,627	100%	1,406
Ordinary Revenues before Capital					
Rates & Annual Charges	14,137	61%	13,509	62%	628
Grants & Contributions	1,779	8%	1,427	7%	352
Other	7,443	32%	6,873	32%	570
	23,359	100%	21,809	100%	1,550
Surplus(Deficit) from Ordinary Activities before Capital items	\$ (674)		\$ (818)		\$ 144
Capital Revenues	520		869		(349)
Surplus(Deficit) from all Activities	\$ (154)		\$ 51		\$ (205)

Notable fluctuations from the previous year consisted of;

- legal expenses increased by \$304,000 to \$530,000 which included \$422,000 relating to planning and development issues.
- consultancies increased by \$183,000 to \$372,000 and can also be attributed to planning and development issues.
- employee on costs were recognized for the first time and amounted to \$105,000 as a result of revised accounting standards pertaining to employees leave entitlements.
- exposure to the accumulated deficit of Statewide Mutual decreased by \$119,000 to \$17,000.
- developers contributions under Section 94 received during the year amounted to \$105,000, an reduction of \$349,000 over the previous year.
- recognition of a profit on resulting from the transfer of land to the developer of the Mosman Swimming Centre amounting to \$289,000.

1.2 Funding Result

The Operating Deficit of \$154,000 does not take into account the effect of capital revenues and expenditures that formed part of Council's annual budget.



Council raises revenues (rates, annual and user charges, borrowings, etc) based upon projected operating costs, capital outlays and projects. In reviewing Council's overall financial performance it is useful to consider the total source and mix of operating and capital revenues and where they were applied to during the year.

The table below sets out to illustrate the funding result for the year with a comparison to the previous year.

	2003	2002
	\$000	\$000
Funds were provided by:-		
Operating Result (as above)	(154)	51
Add back non funding items:-		
- Depreciation	2,855	2,891
- Book Value of Assets Sold	426	687
- (Surplus)Deficit in Joint Ventures	(10)	(48)
	<u>3,117</u>	<u>3,581</u>
New Loan Borrowings	1,900	250
Net Transfers from Externally Restricted Assets	0	381
Distributions from Joint Ventures	155	28
Net Movements between Current/Non Current Assets & Liabilities	70	373
	<u>5,242</u>	<u>4,613</u>
Funds were applied to:-		
Purchase and Construction of Assets	(3,609)	(3,353)
Principal repaid on Loans	(395)	(349)
Principal Repaid on Deferred Creditors	(130)	(130)
Net Transfers to Externally Restricted Assets	(396)	0
Net Transfers to Internal Reserves	(854)	(193)
	<u>(5,384)</u>	<u>(4,025)</u>
Increase(Decrease) in Available Working Capital for the Year	\$ (142)	\$ 588

2. FINANCIAL POSITION

2.1 Available Working Capital

Available Working Capital is a financial indicator, which adjusts Council's Net Current Asset position to take into account funds set aside for future works and commitments and for liabilities that are funded in the 2003/04 budget. Available Working Capital stood at \$2.406 million on 30 June 2003 and was made up as follows;



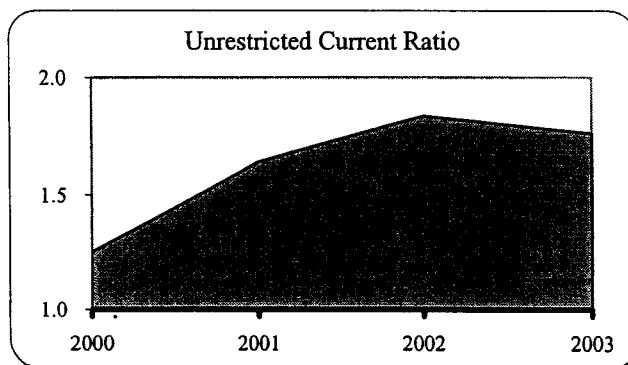
	2003 \$000	2002 \$000	Change \$000
Net Current Assets (as per the Accounts)	3,699	2,906	793
<i>Add(Less): Budgetted to Pay(Receive) in the next 12 months</i>			
- Borrowings	694	525	169
- Employees Leave Entitlements	794	648	146
<i>Less: Externally Restricted Assets</i>	<i>(674)</i>	<i>(278)</i>	<i>(396)</i>
<i>Less: Internally Restricted Assets</i>	<i>(2,107)</i>	<i>(1,253)</i>	<i>(854)</i>
Available Working Capital as at 30 June	\$ 2,406	\$ 2,548	(142)

The level of Available Working Capital should be at a sufficient level, in order to finance hard core debtors and 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 2003 was sound.

2.2 Current Ratio

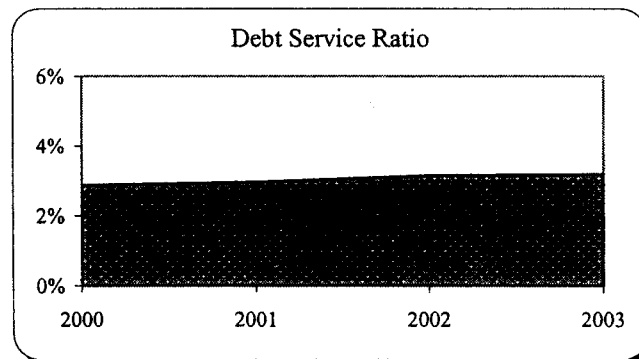
This ratio is a good indicator of Council's ability to operate and meet its debts in the short term.

The Statement of Performance Measurement (Note 13) discloses current assets exceeding current liabilities by a factor of **1.93 to 1**. After allowing for externally restricted assets and specific purpose liabilities, this ratio referred to as the *Unrestricted Current Ratio* was **1.76 to 1** and in fact represents the general funds of Council.



2.3 *Debt Service Ratio*

Operating revenue (excluding special purpose grants and contributions) required to service debt was 3.19% and as can be seen below has remained consistent over the past 4 years.



2.4 *Summary*

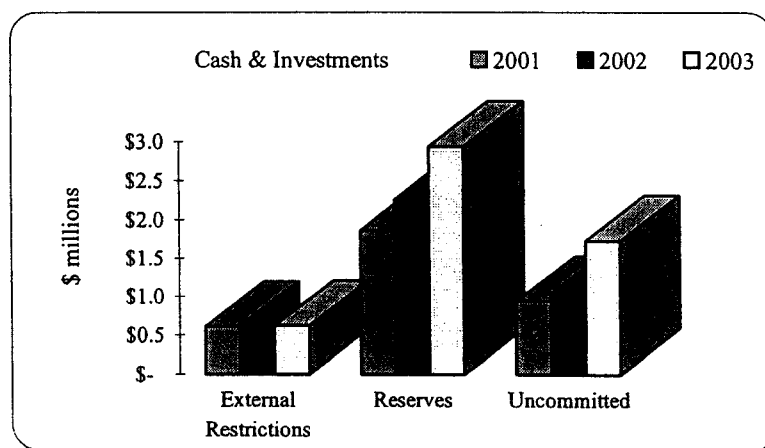
Council's overall financial position, when taking into account the above financial indicators, is in our opinion, sound.

3. CASH ASSETS

3.1 *Cash & Investments*

Cash and investments held at the close of the year amounted to \$5.279 million as compared with \$3.565 million and \$3.406 million at the close of financial years 2002 and 2001 respectively.

The following table summarizes the purposes for which cash and investments were held;



Externally restricted cash and investments are restricted in their use by externally imposed requirements and consisted of unexpended grants and contributions of \$322,000 and domestic waste management charges of \$297,000.

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 \$2.932 million.

Their purposes are more fully disclosed in Note 6 of the financial statements.

Unrestricted cash and investments amounted to \$1.728 million, which are available to provide liquidity for day to day operations and form the basis of Council's sound financial position.

3.2 Cash Flows

The Statement of Cash Flows illustrates the movement of cash flowing into and out of Council during the year (including GST paid and collected) and reveals that Council's cash assets increased by \$1.714 million from an opening balance of \$3.565 million.

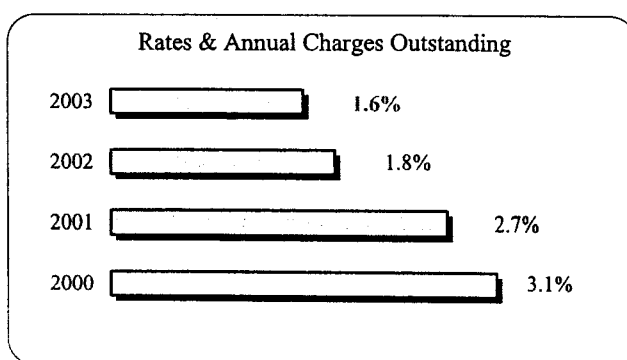
Operating activities contributed net cash of \$3.281 million and was supplemented by the receipt of loan moneys (\$1.9 million), assets sales (\$410,000) and distributions from joint ventures (\$149,000). Cash outflows other than operating activities were used to repay borrowings and long term creditors (\$525,000), and to purchase and construct assets (\$3.501 million).

4. RECEIVABLES

4.1 Rates & Annual Charges

Net rates and annual charges levied during the year totalled \$14.137 million, representing 59.8% of Council's total revenues, which is consistent with previous years.

The total rates and annual charges receivable (including arrears) was \$14.388 million. Arrears at the close of the year amounted to \$224,000 representing 1.56% of those receivables and a collection rate of 98.44%. Both these indicators are commendable.





4.2 Other Receivables

Receivables (other than Rates & Annual Charges) total \$2.696 million and a break up is provided in Note 7 to the financial statements.

The Provision for Doubtful Debts in respect of the above receivables stood at \$461,000 and includes Section 611 charges in respect of telecommunication cables (\$214,000) which are in dispute.

We have examined the outstanding balances and conclude that the provision appears adequate.

5. PAYABLES

Employees Leave Entitlements

Council's provision for its liability toward employees leave entitlements and associated on costs amounted to \$1.909 million.

Reserves should be held to enable Council to meet unbudgeted and unanticipated retirements. At the close of the year, \$350,000 was held for this purpose, which represents 18.3% of Council's obligation to their employees and is, in our opinion, adequate.

6. 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 MUNICIPAL COUNCIL

Special Purpose Financial Reports and Special Schedules For the year ending 30 June 2003

TABLE OF CONTENTS

	<u>Page</u>
Auditor's Report	A3
Council's Certificate	1
<i>Special Purpose Financial Reports</i>	
• Statement of Financial Performance by Business Activity	2
• Statement of Financial Position by Business Activity	3
 Notes to the Special Purpose Financial Statements	
Note 1 Significant Accounting Policies	4

<i>Special Schedules (Not Audited)</i>		
Special Schedule 1	Net Cost of Services	S1
Special Schedule 2(a)	Statement of Long term Debt (All Purpose)	S4-S5
Special Schedule 7	Condition of Public Works	S12-S13-S14



SPENCER STEER

MOSMAN MUNICIPAL COUNCIL

SPECIAL PURPOSE FINANCIAL REPORT

INDEPENDENT AUDITORS' REPORT

SCOPE

We have audited the *special purpose financial report* of Mosman Municipal Council for the year ended 30 June 2003, comprising the Statement by Council, Statement Financial of Performance of Business Activities, Statement of Financial Position by Business Activities, and accompanying Notes to the Accounts. The financial statements include the accounts of the declared business activities of the Council. The Council is responsible for the preparation and presentation of the financial statements and the information they contain. We have conducted an independent audit of these financial statements in order to express an opinion on them to the Council.

The special purpose 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 statements to which it relates to any person other than the Council or the Department of Local Government or for any purpose other than for which the report was prepared.

Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance as to whether the financial statements are free of material misstatement. Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial statements, and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion as to whether, in all material respects, the financial statements are presented fairly in accordance with those Australian Accounting Standards adopted and the Local Government Code of Accounting Practice and Financial Reporting so as to present a view which is consistent with our understanding of the business activities of the Council and their financial position and the result of their operations.

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

AUDIT 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 23rd day of October 2003

MOSMAN COUNCIL

SPECIAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2003

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

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

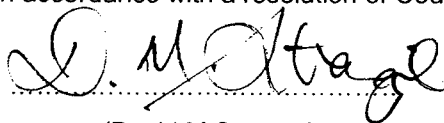
- NSW Government Policy Statement "*Application of National Competition Policy to Local Government*"
- Department of Local Government guidelines "*Pricing & Costing for Council Businesses: A Guide to Competitive Neutrality*".

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

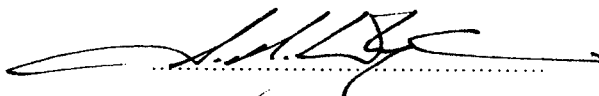
We are not aware of any matter that would render the reports false or misleading in any way.

Signed in accordance with a resolution of Council made on 21 OCTOBER 2003



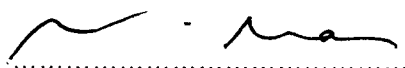
(David M Strange)

MAYOR



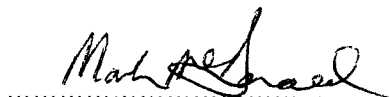
(Anthony M Whybrow, RFD, RD)

COUNCILLOR



(Vivian H R May)

GENERAL MANAGER



(Mark McDonald)

RESPONSIBLE ACCOUNTING OFFICER

MOSMAN MUNICIPAL COUNCIL
STATEMENT OF FINANCIAL PERFORMANCE OF BUSINESS ACTIVITIES
As at 30 June 2003

Specify each Business Activity and Category:	Business Activities					
	Commercial Property Management		Development Approvals		Core Group (Private Works) Activities	
	2003	2002	2003	2002	2003	2002
EXPENSES FROM ORDINARY ACTIVITIES						
Employee costs	80	75	650	620	247	246
Materials & Contracts	25	20	25	20	93	112
Borrowing Costs	NIL	NIL	NIL	NIL	NIL	NIL
Depreciation & Amortisation	149	146	NIL	NIL	20	23
Other Operating Expenses	25	20	203	96	61	39
Loss on Disposal of Assets	NIL	NIL	NIL	NIL	NIL	NIL
NCP Imputation Payments	98	106	NIL	25	30	1
TOTAL OPERATING EXPENSES	377	367	878	761	451	421
REVENUES FROM ORDINARY ACTIVITIES						
Rates & Annual Charges	NIL	NIL	NIL	NIL	NIL	NIL
User Charges & Fees	1,817	1,746	712	705	NIL	NIL
Interest Received	NIL	NIL	NIL	NIL	NIL	NIL
Grants & Contributions – Operating	NIL	NIL	NIL	NIL	NIL	NIL
Other Operating Revenues	NIL	NIL	NIL	NIL	278	312
Gain on Disposal of Assets	NIL	NIL	NIL	NIL	NIL	NIL
TOTAL OPERATING REVENUES	1,817	1,746	712	705	278	312
ORDINARY ACTIVITIES RESULT BEFORE CAPITAL AMOUNTS	1,440	1,379	-166	-56	-173	-109
Grants & Contributions – Capital	NIL	NIL	NIL	NIL	NIL	NIL
Abnormal Items	NIL	NIL	NIL	NIL	NIL	NIL
RESULT FROM ORDINARY ACTIVITIES	1,440	1,379	-166	-56	-173	-109
SURPLUS (DEFICIT) BEFORE TAX	1,440	1,379	-166	-56	-173	-109
Corporate Taxation Equivalent (based on Operating result before capital)	432	414	NIL	NIL	NIL	NIL
CHANGE IN NET ASSETS RESULTING FROM OPERATIONS AFTER TAX	1,008	965	-166	-56	-173	-109
Opening Retained Profits	13,827	13,973	-128	-166	1,316	1,183
Adjustments for Amounts Unpaid	N/A	N/A	N/A	N/A	N/A	N/A
*Taxation Equivalent Payments	98	106	NIL	NIL	30	1
*Debt Guarantee Fee	NIL	NIL	NIL	NIL	NIL	NIL
*Corporate Taxation Equivalent	432	414	NIL	NIL	NIL	NIL
*Dividend Payment	1,687	1,631	NIL	NIL	NIL	NIL
*Equity Contribution	NIL	NIL	NIL	NIL	NIL	NIL
*Council subsidy	NIL	NIL	179	94	106	241
Closing Retained Profits	13,678	13,827	-115	-128	1,279	1,316
RETURN ON CAPITAL (%)	N/A	N/A	N/A	N/A	N/A	N/A
SUBSIDY FROM COUNCIL	NIL	NIL	179	94	106	241

MOSMAN MUNICIPAL COUNCIL
STATEMENT OF FINANCIAL POSITION BY BUSINESS ACTIVITIES
As at 30 June 2003

Specify each Business Activity and Category:	2003 - \$'000					
	Business Activities					
	Commercial Property Management		Development Approvals		Core Group (Private Works) Activities	
	2003	2002	2003	2002	2003	2002
CURRENT ASSETS						
Cash on hand and at bank	NIL	NIL	NIL	NIL	NIL	NIL
Investments	NIL	NIL	NIL	NIL	NIL	NIL
Receivables	164	338	NIL	NIL	NIL	NIL
Inventories	NIL	NIL	NIL	NIL	NIL	NIL
Other	NIL	NIL	NIL	NIL	NIL	NIL
TOTAL CURRENT ASSETS	164	338	NIL	NIL	NIL	NIL
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	57	62
Other	NIL	NIL	NIL	NIL	NIL	NIL
Property, Plant & Equipment	13,678	13,827	NIL	NIL	1,326	1,346
TOTAL NON CURRENT ASSETS	13,678	13,827	NIL	NIL	1,383	1,408
TOTAL ASSETS	13,842	14,165	NIL	NIL	1,383	1,408
CURRENT LIABILITIES						
Payables	164	338	NIL	NIL	NIL	NIL
Interest bearing liabilities	NIL	NIL	NIL	NIL	NIL	NIL
Provisions	NIL	NIL	85	100	35	29
TOTAL CURRENT LIABILITIES	164	338	85	100	35	29
NON CURRENT LIABILITIES						
Payables	NIL	NIL	NIL	NIL	NIL	NIL
Interest bearing liabilities	NIL	NIL	NIL	NIL	NIL	NIL
Provisions	NIL	NIL	30	28	69	63
TOTAL NON-CURRENT LIABILITIES	NIL	NIL	30	28	69	63
TOTAL LIABILITIES	164	338	115	128	104	92
NET ASSETS	13,678	13,827	-115	-128	1,279	1,316
EQUITY						
Accumulated Surplus	13,678	13,827	-115	-128	1,279	1,316
Asset Revaluation Reserve	NIL	NIL	NIL	NIL	NIL	NIL
TOTAL EQUITY	13,678	13,827	-115	-128	1,279	1,316

NOTES TO THE SPECIAL PURPOSE FINANCIAL REPORTS

Note 1

SIGNIFICANT ACCOUNTING POLICIES

Refer Section 10.

A statement summarising the supplemental accounting policies adopted in the preparation of the SPFR for National Competition Policy reporting purposes follows.

These financial statements are a Special Purpose Financial Report (SPFR) prepared for use by the Council and Department of Local Government. For the purposes of these statements, the council is not a reporting entity.

The statements have been prepared in accordance with the requirements of the following applicable Accounting Standards and other mandatory professional reporting requirements:

- AAS1 Profit and Loss or other Operating Statements
- AAS2 Inventories
- AAS4 Depreciation
- AAS5 Materiality
- AAS8 Events Occurring after Balance Date
- SAC1 Definition of a Reporting Entity

No other applicable Accounting Standards or mandatory professional reporting requirements have been applied.

The statements are also prepared on an accruals basis. They are based on historic costs and do not take into account changing money values or, except where specifically stated, current values of non-current assets. Certain taxes and other costs, appropriately described, have been input for the purposes of the National Competition Policy.

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
N/A	

Category 2

Name	Brief Description of Activity
Commercial Property Management	Property Rental Portfolio
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	1.7
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. Dividend payments to council are also restricted to those activities which do not levy special rates or charges (water, sewer, domestic waste management).

Council operates the following restricted activities, Domestic Waste Management (DWM). The Local Government Act 1993 requires that all operating surpluses or deficits of these funds are credited/debited to the equity of those funds.

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 2003

\$'000

Function or Activity	OPERATING EXPENSES		OPERATING REVENUES			NET COST OF SERVICES	
	Expenses	Group Totals	Revenues - Ord. Activities	Capital Rev. Ord. Activities	Group Totals	Net Cost	Group Totals
GOVERNANCE	800					800	
ADMINISTRATION		800			-		800
Corporate Support	4,652		19			4,633	
Engineering & Works	369		117			252	
Other Support Services	309		110			199	
		5,330			246		5,084
PUBLIC ORDER & SAFETY							
Statutory Contribution - Fire Service Levy	583					583	
Fire Protection - Other						-	
Animal Control	85		42			43	
Beach Control	67		28			39	
Enforcement of Local Govt Regulations	380		157			223	
Emergency Services	44					44	
Other	91		153			(62)	
		1,250			380		870
HEALTH							
Administration & Inspection	150					150	
Immunisations	10		5			5	
Food Control	16		22			(6)	
Insect/Vermin Control						-	
Noxious Plants	2					2	
Health Centres	9					9	
Other	12		11			1	
		199			38		161
COMMUNITY SERVICES & EDUCATION							
Administration	214					214	
Family Day Care	171		153			18	
Child Care	552		444			108	
Youth Services	214		17			197	
Other Families & Children			147			(147)	
Aged & Disabled	517		408			109	
Migrant Services						-	
Aboriginal Services						-	
Other Community Services	25					25	
Education						-	
		1,693			1,169		524
HOUSING & COMMUNITY AMENITIES							
Housing						-	
Town Planning	1,306		903	21		382	
Domestic Waste Management	2,874		3,325			(451)	
Other Waste Management	408		491			(83)	
Street Cleaning	749					749	
Other Sanitation & Garbage	435					435	
Urban Stormwater Drainage	359		84	141		134	
Environmental Protection	850					850	
Public Cemeteries						-	
Public Conveniences	221					221	
Other Community Amenities	310			84		226	
		7,512			5,049		2,463

MOSMAN COUNCIL

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

Function or Activity	OPERATING EXPENSES		OPERATING REVENUES		NET COST OF SERVICES		
	Expenses	Group Totals	Revenues - Ord. Activities	Capital Rev. Ord. Activities	Group Totals	Net Cost	Group Totals
WATER SUPPLIES						-	
SEWERAGE SERVICES		-			-	-	-
RECREATION & CULTURE							
Public Libraries	1,540		149	12		1,379	
Museums						-	
Art Galleries	202		151			51	
Community Centres	150		79			71	
Public Halls						-	
Other Cultural Services	380		86			294	
Swimming Pools			1			(1)	
Sporting Grounds	469		75			394	
Parks & Gardens, Lakes	774		102	130		542	
Other Sport & Recreation						-	
FUEL & ENERGY		3,515			785		2,730
Gas Supplies						-	
MINING, MANUFACTURING & CONSTRUCTION							
Building Control	588		223			365	
Abattoirs						-	
Quarries & Pits						-	
Other						-	
TRANSPORT & COMMUNICATION		588			223		365
Urban Roads: Local	1,212		810	113		289	
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	233		51	19		163	
Aerodromes						-	
Parking Areas	486		1,148			(662)	
Bus Shelters & Services	21					21	
Water Transport						-	
RTA Works - State Roads	22		19			3	
Street Lighting	288		65			223	
Other	521					521	
		2,783			2,225		558

MOSMAN COUNCIL

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

Function or Activity	OPERATING EXPENSES		OPERATING REVENUES			NET COST OF SERVICES	
	Expenses	Group Totals	Revenues - Ord. Activities	Capital Rev. Ord. Activities	Group Totals	Net Cost	Group Totals
ECONOMIC AFFAIRS							
Camping Areas						-	
Caravan Parks						-	
Tourism & Area Promotion	138		10			128	
Industrial Development Promotion						-	
Saleyards & Markets						-	
Real Estate Development						-	
Commercial Nurseries						-	
Other Business Undertakings	251		2,111			(1,860)	
		389			2,121		(1,732)
TOTALS - FUNCTIONS		24,059			12,236		11,823
General Purpose Revenues			11,659			11,659	
Joint Ventures/Associated Entities			10			10	
Correction of Fundamental Error						-	
		-			11,669		11,669
SURPLUS (DEFICIT) FROM ORDINARY ACTIVITIES BEFORE EXTRAORDINARY ITEMS							(154)
Extraordinary Items & Council Restructure							
SURPLUS (DEFICIT) FROM ALL ACTIVITIES							(154)

MOSMAN COUNCIL

SPECIAL SCHEDULE NO 2 (1) STATEMENT OF LONG TERM DEBT (ALL PURPOSE) for the year ended 30th June 2003

\$'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		From Revenue	Sinking Funds			Current	Non-Current
LOANS (by source)									
Commonwealth Government		-							-
Treasury Corporation		-							-
Other State Government		-							-
Public Subscription		-							-
Financial Institutions	395	2,557	1,900	395			185	564	3,893
Other		-							4,457
Total Loans	395	2,557	1,900	395	-	-	185	564	3,893
OTHER LONG TERM DEBT									
Ratepayers' Advances	-	-						-	-
Government Advances	-	-						-	-
Finance Leases	-	-						-	-
Deferred Payment	130	1,430		130				130	1,300
Other	-	-						-	1,430
Total Other Long Term Debt	130	1,430	-	130	-	-	-	130	1,300
TOTAL LONG TERM DEBT	525	3,987	1,900	525	-	-	185	694	5,193
									5,887

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 2003

\$'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 2003

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
Public Buildings	References	Note 9	Note 3		Note 9				Local Govt. Act 1993, Section 428 (2d)		
	Council Offices	1%	105	7,662		708	6,954	2		200	172
	Works Depot	1%	9	921		75	846	2		6	6
	Houses	1%	13	1,220		96	1,124	3		-	
	Library	1%	35	3,435		259	3,176	2		100	100
	Childcare Centres	1%	5	512		89	423	3		50	48
	Art Gallery	1%	33	3,307		213	3,094	1		50	50
	Amenities/Toilets	2%	13	636		89	547	3		120	115
	Bus Shelters	5%	8	154		60	94	3		15	10
	Others	1%	204	19,194		1,293	17,901	3		200	200
	Subtotal		425	37,041	-	2,882	34,159		-	526	491
	Public Roads										
	Sealed Roads										
	Structure	1%	1,100	132,461		37,681	94,780		2,000	1,000	731
	Unsealed Roads										
	Bridges										
	Footpaths	1%	120	13,678		1,630	12,048		4,300	500	451
	Cycleways										
	Kerb & Gutter	1%	115	12,777		1,328	11,449			40	40
	Road Furniture	20%	4	128		27	101			15	13
	Subtotal		1,339	159,044	-	40,666	118,378		6,300	1,555	1,235

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 2003

Asset Class	Asset Category	Depreciation Rate (%)	Depreciation Expense '000	Cost '000	Valuation '000	Accumulated Depreciation '000	Carrying Value '000	Asset Condition (see Notes attached)	Estimated Cost to bring to a Satisfactory Standard '000	Estimated Annual Maintenance Expense '000	Program Maintenance Works for current year '000
<i>Local Govt. Act 1993, Section 428 (2d)</i>											
Water	References	Note 9	Note 3		Note 9						
	Treatment Plants										
	Water Connections										
	Bores										
	Reservoirs										
	Dams										
	Hydrants										
Sewerage	Stop Valves										
	Pipelines										
	Pump Stations										
	Subtotal		-	-	-	-	-		-	-	-
	Pump Stations										
	Pipelines										
	Manholes										
Drainage Works	Air Vent Stacks										
	Treatment Works										
	Connections										
	Subtotal		-	-	-	-	-		-	-	-
	Retarding Basins										
	Gully Pits	1%	157	31,500		15,966	15,534	4		43	43
	HW Inlets	1%	8	1,700		947	753	4		43	43
Total Classes - All Assets	HW Outlets	1%	51	7,400		2,316	5,084	4		43	43
	Junction Pits	1%	10	2,500		1,559	941	4		43	43
	SWater Devices	1%	25	3,215		88	3,127	2		43	43
	Subtotal		251	46,315	-	20,876	25,439		-	215	215
			2,015	242,400	-	64,424	177,976		6,300	2,296	1,941

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 2003

"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. Proposed or potential enhancements to the existing asset have been ignored. 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 |