

# MOSMAN COUNCIL

## General Purpose Financial Reports for the year ended 30th June 2004

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# MOSMAN COUNCIL

## ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2004

### 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

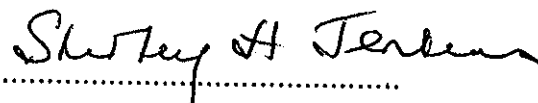
- The Local Government Act 1993 (as amended) and the Regulations made thereunder
- The Australian Accounting Standards and professional pronouncements
- The Local Government Code of Accounting Practice and Financial Reporting
- The Local Government Asset Accounting Manual.

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 6 September 2004



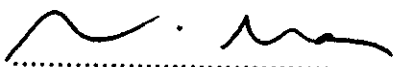
(Shirley H Jenkins)

**MAYOR**



(Andrew Brown)

**DEPUTY MAYOR**



(Vivian H R May, PSM)

**GENERAL MANAGER**



(Mark McDonald)

**RESPONSIBLE ACCOUNTING OFFICER**

# MOSMAN COUNCIL

## STATEMENT OF FINANCIAL PERFORMANCE for the year ended 30th June 2004

Budget 2004 \$'000		Notes	Actual 2004 \$'000	Actual 2003 \$'000
	<b>EXPENSES FROM ORDINARY ACTIVITIES</b>			
9,362	Employee Costs	3	10,014	9,172
6,723	Materials & Contracts		6,829	6,802
258	Borrowing Costs	3	256	186
3,000	Depreciation & Amortisation	3	3,345	2,855
4,618	Other Expenses	3	5,536	5,018
<u>23,961</u>	<b>Total Expenses from Ordinary Activities</b>		<u>25,980</u>	<u>24,033</u>
	<b>REVENUES FROM ORDINARY ACTIVITIES</b>			
14,600	Rates & Annual Charges	4	14,564	14,137
6,050	User Charges & Fees	4	5,684	5,575
250	Investment Revenues	4	328	254
1,409	Grants & Contributions - Operating	4	1,594	1,797
1,057	Other Revenues	4	1,371	1,323
5	Profit from Disposal of Assets	5	30	263
	Profit from interests in Joint Ventures & Associates	19	51	10
<u>23,371</u>	<b>Revenues from Ordinary Activities before Capital Amounts</b>		<u>23,622</u>	<u>23,359</u>
(590)	<b>SURPLUS(DEFICIT) FROM ORDINARY ACTIVITIES BEFORE CAPITAL AMOUNTS</b>		<u>(2,358)</u>	<u>(674)</u>
629	Grants & Contributions - Capital	4	6,631	520
<u>39</u>	<b>NET SURPLUS(DEFICIT) FOR YEAR</b>		<u>4,273</u>	<u>(154)</u>

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

# MOSMAN COUNCIL

## STATEMENT OF FINANCIAL POSITION as at 30th June 2004

	Notes	Actual 2004 \$'000	Actual 2003 \$'000
<b>CURRENT ASSETS</b>			
Cash Assets	6	5,686	5,279
Receivables	7	1,801	2,103
Inventories	8	99	102
Other	8	70	178
<b>TOTAL CURRENT ASSETS</b>		<u>7,656</u>	<u>7,662</u>
<b>NON-CURRENT ASSETS</b>			
Receivables	7	44	356
Other	8	44	16
Property, Plant & Equipment	9	410,854	404,252
Investments accounted for using the equity method	19	476	459
<b>TOTAL NON-CURRENT ASSETS</b>		<u>411,418</u>	<u>405,083</u>
<b>TOTAL ASSETS</b>		<u>419,074</u>	<u>412,745</u>
<b>CURRENT LIABILITIES</b>			
Payables	10	2,324	2,475
Borrowings	10	892	694
Provisions	10	967	794
<b>TOTAL CURRENT LIABILITIES</b>		<u>4,183</u>	<u>3,963</u>
<b>NON-CURRENT LIABILITIES</b>			
Payables	10	3,220	2,854
Borrowings	10	6,651	5,193
Provisions	10	1,144	1,132
<b>TOTAL NON CURRENT LIABILITIES</b>		<u>11,015</u>	<u>9,179</u>
<b>TOTAL LIABILITIES</b>		<u>15,198</u>	<u>13,142</u>
<b>NET ASSETS</b>		<u>\$ 403,876</u>	<u>399,603</u>
<b>EQUITY</b>			
Accumulated Surplus		403,876	399,603
Asset Revaluation Reserve		-	-
<b>TOTAL EQUITY</b>		<u>\$ 403,876</u>	<u>399,603</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 2004

	Note Ref	2004 \$'000	2003 \$'000
		Accum Surplus	Asset Reval. Reserve
Balance at beginning of the reporting period		399,603	-
Change in Net Assets recognised in the Statement of Financial Performance		4,273	399,603
			399,757
			(154)
			(154)
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		403,876	-
		403,876	399,603
		-	-
		403,876	399,603

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

# MOSMAN COUNCIL

## STATEMENT OF CASH FLOWS for the year ended 30th June 2004

Budget 2004 \$'000		Notes	Actual 2004 \$'000	Actual 2003 \$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
	<u>Receipts</u>			
14,650	Rates & Annual Charges		14,502	14,164
6,000	User Charges & Fees		5,943	5,505
275	Investments Income		314	267
1,500	Grants & Contributions		2,961	2,460
1,200	Other operating receipts		2,809	1,787
	<u>Payments</u>			
(9,500)	Employee Costs		(9,846)	(8,979)
(6,500)	Materials & Contracts		(8,014)	(6,775)
(275)	Borrowing Costs		(256)	(181)
(4,500)	Other operating payments		(5,477)	(4,967)
2,850	<b>Net Cash provided by (or used in) Operating Activities</b>	11	2,936	3,281
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
	<u>Receipts</u>			
565	Proceeds from sale of Property, Plant & Equipment	9	754	410
	Proceeds from sale of Real Estate	5, 8	-	-
	Proceeds from sale of Investment Securities		-	-
	Repayments from Deferred Debtors		-	-
30	Contributions to joint ventures by minority interests	19	-	-
	Distribution received from associated entities	19	34	149
	<u>Payments</u>			
(4,996)	Purchase of Property, Plant & Equipment		(4,973)	(3,501)
	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	-	-
(4,401)	<b>Net Cash provided by (or used in) Investing Activities</b>		(4,185)	(2,942)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
	<u>Receipts</u>			
2,350	Proceeds from Borrowings & Advances		2,350	1,900
	Proceeds from Retirement Home Contributions		-	-
	<u>Payments</u>			
(538)	Repayments of Borrowings & Advances		(564)	(395)
(305)	Other Payments		(130)	(130)
	Repayment of Finance Lease Liabilities		-	-
	Repayment of Retirement Home Contributions		-	-
1,507	<b>Net Cash provided by (or used in) Financing Activities</b>		1,656	1,375
(44)	<b>Net Increase (Decrease) in cash held</b>		407	1,714
5,279	Cash at beginning of reporting period	11	5,279	3,565
	Adjustment to opening Cash due to adoption of revised Accounting Standards	1	-	-
	Adjustment to Cash arising from Council restructure	24	-	-
5,235	<b>Cash at end of reporting period</b>	11	5,686	5,279

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

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**Note 1**

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.



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**5. Infringement Income**

Council accounts for income on infringement notices issued as follows:

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

**6. 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.

**7. 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 2004 is a net receivable totalling \$31,000 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 and costs awarded to Council.

Council's final costs are currently being assessed by the claimant.

Council's solicitors are confident that the matter will be finalised in the following 12 months.

## 8. 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.

## 9. Property, Plant & Equipment

### (9.1) 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.

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

### (9.2) 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

(9.3) **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
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Asset Capitalisation thresholds include:

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

#### (9.4) Depreciation

Depreciation is recognised on a straight-line basis for all categories of assets. From the financial year ended 30 June 2004, Council has changed its policy in relation to the depreciation of its Infrastructure assets and now depreciates them on a straight line basis rather than a reducing balance methodology.

This has had the effect of increasing the depreciation on Roads and Footpaths by \$268,000 and Stormwater Drainage by \$212,000.

#### (9.5) 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.

### 10. 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.

### 11. 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".

## 12. 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 2004.

Employer Liability	\$2,660,255
Employer Assets	\$2,946,622
Surplus	\$286,367

**13. 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).

**14. 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".

**15. 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 (C)

**16. 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.



**17. 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.

**18. 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.

**19. Insurances**

Council is a member of Statewide Mutual, a pool providing public liability insurance to Council. The Scheme has reported that the Liability Scheme has now achieved an overall surplus, notwithstanding that it is still carrying a Bad Debt Provision of \$4,967,000 as a result of the collapse of the HIH insurance group.

Council has been advised that as its portion of the surpluses achieved in the years since 1998 have offset its share of the deficit, Council has no contingent liability to the Scheme and an appropriate adjustment has been made to the prior years provision within Note 10.

Council hold 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.

**20. Rounding**

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

**21. Adoption of Australian Equivalents to International Financial Reporting Standards (IFRS's)**

Australia is currently preparing for the introduction of IFRS's effective for the financial years commencing on 1 January 2005. This will require the production of accounting data for future comparative purposes that will be required for the Council's financial accounts for the year ending 30 June 2006.

In accordance with AASB 1047 "Disclosing the Impact of Adopting AASB Equivalents to IASB Standards", Council is required to:

- include information regarding it's managing of the transition to IFRS's, and
- disclose key differences in accounting policies expected to arise as a result of the transition.

Accordingly, the following is provided:

The Council's Finance Department is accountable for achieving the transition to IFRS reporting, which must be finalised for the General Purpose Financial Report for the 12 months ending 30 June 2006. Presently, the Finance Department are assessing the significance of this transition and preparing for the implementation of Australian Equivalent IFRS's.

This transition to Australian Equivalent IFRS's will be a specific Management Plan Objective, and it is envisaged that the implementation project will consist of three phases:

### **1. Assessment and planning phase**

The assessment and planning phase aims to produce a high level overview of the impacts of conversion to IFRS reporting on existing accounting and reporting policies and procedures, systems and processes, business structures and staff.

This phase will involve staff getting familiar with specific IFRS standards, education and general liaison with Local Government Industry bodies to provide the necessary background information.

It is considered that the assessment and planning phase to be complete in most respects as at 31 December 2004.

### **2. Design phase**

The design phase aims to formulate the changes required to existing accounting policies and procedures and systems and processes in order to ensure the transition to IFRS.

It is expected the design phase will be finalised by 30 June 2005.

### **3. Implementation phase**

The implementation phase will include implementation of identified Changes to accounting and business procedures, processes, and systems and operational training for staff.

It is expected that this phase will be substantially complete by 31 December 2006.

### **Key Differences between existing Accounting Standards and IFRS.**

At present, it is envisaged that the major differences in the accounting policies and reporting requirements that will be applied upon adopting Australian Equivalent IFRS's include:

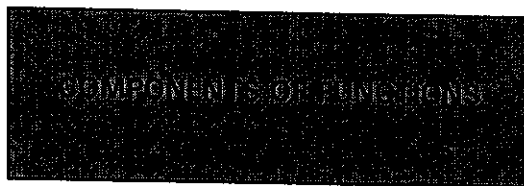
1. The "booking" of any surplus or deficit relating to any Defined Benefit Superannuation Plans that Council is a contributor to, rather than just a disclosure.
2. Future Changes in Accounting Policies will be retrospective to comparatives under the IFRS regime, rather than being booked in the current year.
3. A new asset category called "Investment Property" will be reported on the face of the Balance Sheet.
4. The standards prescribe a new classification of and measurement basis for Financial Instruments.

## 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 2004 \$'000	Actual 2004 \$'000	Actual 2003 \$'000	Original Budget 2004 \$'000	Actual 2004 \$'000	Actual 2003 \$'000	Original Budget 2004 \$'000	Actual 2004 \$'000	Actual 2003 \$'000	2004 \$'000	2003 \$'000	2004 \$'000
COUNCIL, COMMUNITY & COMMUNICATION			30	1,037	1,142	797	(1,037)	(1,442)	(767)			9
RESOURCE & ASSET MANAGEMENT	2,681	2,514	2,288	5,383	6,707	5,926	(2,702)	(4,193)	(3,638)			18,010
STRATEGIC TOWN PLANNING	575	510	162	940	280	497	(365)	236	(335)			20
BUILT ENVIRONMENT	926	998	967	1,171	1,225	1,422	(245)	(575)	(455)			207
NATURAL ENVIRONMENT	42	116	376	1,106	1,206	1,262	(1,064)	(760)	(886)			25,920
PUBLIC HEALTH	3,852	3,928	3,967	4,188	4,063	4,535	(336)	(454)	(568)	334		847
COMMUNITY SAFETY			213	1,044	928	1,066	(1,044)	(690)	(853)	8		551
COMMUNITY DEVELOPMENT & SERVICES	1,028	1,033	1,173	1,776	1,832	1,713	(748)	(770)	(540)	630		4,005
LIBRARY & INFORMATION	171	165	160	1,512	1,092	1,385	(1,341)	(1,327)	(1,225)	66		6,135
PARKS, RECREATION & CULTURE	457	537	1,222	2,599	2,365	2,499	(2,142)	(3,229)	(1,277)	41		238,642
TRANSPORT & TRAFFIC	2,011	2,074	1,852	3,072	3,280	2,758	(1,061)	(809)	(1,106)	268		118,399
ECONOMIC DEVELOPMENT	4		10	133	24	173	(129)	(524)	(163)			
TOTAL FUNCTIONS	11,747	12,940	12,220	23,961	25,986	24,033	(12,214)	(5,629)	(11,813)	1,347		412,745
General Purpose Revenues	12,253	12,818	11,659							697		
TOTAL	24,000	25,758	23,879	23,961	25,986	24,033	39	(4,273)	(154)	2,044		412,745

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

**NOTE 2(b)**

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 2004

### Note 3 - EXPENSES FROM ORDINARY ACTIVITIES

EMPLOYEE COSTS	2004 \$'000	2003 \$'000
Salaries and Wages	8,095	7,403
Travelling	66	30
Employee Leave Entitlements	1,002	843
Employee Leave Entitlements - On Costs	4	105
Superannuation	624	528
Workers' Compensation Insurance	182	189
Fringe Benefits Tax	74	51
Payroll Tax		
Training Costs (excluding Salaries)	88	115
Other	11	10
Less: Capitalised and distributed costs	(132)	(102)
<b>Total Operating Employee Costs</b>	<b>10,014</b>	<b>9,172</b>
<b>Total Number of Employees</b>	<b>167</b>	<b>164</b>
(Full time equivalent at end of reporting period)		
<b>BORROWING COSTS</b>		
Interest on Overdraft	1	1
Interest on Loans	255	185
Interest on Advances	-	
Charges on Finance Leases	-	
Interest on other debts	-	
<b>Gross Interest Charges</b>	<b>256</b>	<b>186</b>
Less: Borrowing Costs capitalised		
<b>Total Interest Charges</b>	<b>256</b>	<b>186</b>
<b>DEPRECIATION &amp; AMORTISATION</b>		
Plant and Equipment	153	124
Office Equipment	134	226
Furniture & Fittings	16	16
Leased Property, Plant & Equipment	-	
Land Improvements	270	217
Buildings	415	417
Other Structures	8	8
Infrastructure		
- roads, bridges & footpaths	1,601	1,339
- stormwater drainage	468	251
- water supply network not elsewhere Included	-	
- sewerage network not elsewhere included	-	
Other assets		
- heritage collections	-	
- library books	118	119
- other	162	138
Less: Capitalised and distributed costs		
<b>Total Depreciation &amp; Amortisation</b>	<b>3,345</b>	<b>2,855</b>

# MOSMAN COUNCIL

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2004

### Note 3 - EXPENSES FROM ORDINARY ACTIVITIES (cont)

	2004 \$'000	2003 \$'000
<b>OTHER EXPENSES</b>		
Advertising	197	199
Auditor's Remuneration		
- Audit Services	21	21
- Other Services		
- Other Auditors		
Bad and Doubtful Debts	40	149
Bank and Financial Charges	75	81
Catering	72	78
Computer/IT Expenses	458	292
Consultancies	459	372
Donations & Contributions to Local & Regional Bodies	309	278
Election Expenses	55	
Equipment Maintenance	53	52
Insurances	579	538
Self Insurances/(Surplus)/Deficit	(17)	(119)
Leases (Property)	48	41
Leases (Photocopiers)	60	64
Legal Expenses		
- Planning & Development	603	422
- Other Legal Expenses	68	108
Light, Power & Heating	169	137
Mayoral Allowance	27	26
Members' Fees & Allowances	151	146
Members' Expenses	46	64
Operating Lease	113	97
Payments to other levels of Government	742	723
Postage & Couriers	101	98
Printing & Stationery	143	142
Street Lighting	284	294
Subscriptions & Publications	55	53
Telephone & Communications	172	157
Waste Disposal & Recycling Centre	119	140
Water	66	102
Other	268	263
<b>Total Other Expenses</b>	<b>5,536</b>	<b>5,018</b>



# MOSMAN COUNCIL

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2004

### Note 4 - REVENUES FROM ORDINARY ACTIVITIES

<b>RATES &amp; ANNUAL CHARGES</b>	<b>2004 \$'000</b>	<b>2003 \$'000</b>
<u>Ordinary Rates</u>		
Residential	10,136	9,713
Business	1,141	1,099
	<u>11,277</u>	<u>10,812</u>
<u>Special Rates</u>		
	-	-
<u>Annual Charges</u>		
Domestic Waste Management	3,287	3,325
	<u>3,287</u>	<u>3,325</u>
<b>Total Rates &amp; Annual Charges</b>	<b><u>14,564</u></b>	<b><u>14,137</u></b>
<b>USER CHARGES &amp; FEES</b>		
<u>User Charges</u>		
Domestic Waste Management	15	14
Lease Rental (Property)	2,104	1,978
Meals on Wheels	95	109
Road Restoration	272	166
Staff Vehicle Leases	85	92
Market Days	75	58
Out of School Hours Care	90	99
Vacation Care	46	41
Cultural Centre Rental	88	79
Oval Rents	89	73
Reserve Rents	63	65
Childrens Leisure and Learning	26	20
Library-Photocopying	25	28
Mosman Occasional Child Care Centre	151	153
Mini-Skips	28	35
Community Restaurant	23	24
Vehicular Crossing	35	27
Kidzone-Vacation	29	25
Depot Hire	16	16
Civic Centre-Photocopying	13	10
Family Day Care	11	8
Occasional Child Care	10	2
Dinghy Storage Racks	12	15
Other Waste Management	415	464
Other	59	82
	<u>3,875</u>	<u>3,683</u>
<u>Fees</u>		
Planning & Building	1,634	1,704
Art Prize Fees	25	22
Sec 611 Charges		54
Other	150	112
	<u>1,809</u>	<u>1,892</u>
<b>Total User Charges &amp; Fees</b>	<b><u>5,684</u></b>	<b><u>5,575</u></b>

## MOSMAN COUNCIL

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2004

#### Note 4 - REVENUES FROM ORDINARY ACTIVITIES (cont)

	2004 \$'000	2003 \$'000
<b>INVESTMENT REVENUES</b>		
Interest on overdue rates & charges	25	25
Interest on investments attributable to Section 94 Contributions		
Other Investments	303	229
<b>Gross Investment Revenues</b>	<u>328</u>	<u>254</u>
<b>Total Investment Revenues</b>	<u>328</u>	<u>254</u>
<b>OTHER REVENUES</b>		
Commissions & Agency Fees	16	40
Certificate Fees	205	188
Fines	985	856
Footpath Occupation	52	51
Lease Rental	48	66
Legal Fees Recovery (Rates)	14	14
Other	51	108
<b>Total Other Revenues</b>	<u>1,371</u>	<u>1,323</u>

# MOSMAN COUNCIL

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2004

### Note 4 - REVENUES FROM ORDINARY ACTIVITIES (cont)

	OPERATING		CAPITAL	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
<b>GRANTS</b>				
General Purpose (Untied)				
Financial Assistance	608	617		
Pensioner Rates Subsidies (General)	74	80		
Specific Purpose				
Pensioner Rates Subsidies				
Domestic Waste Management	26	27		
Community Services	565	630		
Library Services	52	54	17	11
Roads & Bridges	91	95	258	104
Health	20	9		
Recreation & Culture	8	41	125	130
Stormwater		63	13	141
Traffic Facility	42	42		
Housing & Community Amenities	21			
Other				
<b>Total Grants &amp; Subsidies</b>	<b>1,507</b>	<b>1,658</b>	<b>413</b>	<b>386</b>
<b>CONTRIBUTIONS &amp; DONATIONS</b>				
Developer Contributions				
Parking			434	21
Open Space			380	84
Traffic		1		19
RTA Contributions	39	52		10
Transport & Communication	10			
Seawalls			9	
Drainage		20		
Community Development	13	25		
Recreation & Culture	9	12	5,387	
Ex Gratia Rates		26		
Other	16	3	8	
<b>Total Contributions &amp; Donations</b>	<b>87</b>	<b>139</b>	<b>6,218</b>	<b>134</b>
<b>TOTAL GRANTS &amp; CONTRIBUTIONS</b>	<b>1,594</b>	<b>1,797</b>	<b>6,631</b>	<b>520</b>

# MOSMAN COUNCIL

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2004

### Note 5 - GAIN OR LOSS ON DISPOSAL OF ASSETS

	2004 \$'000	2003 \$'000
<b>DISPOSAL OF PROPERTY</b>		
Proceeds from disposal	66	354
Less: Carrying amount of assets sold		56
<b>Gain (Loss) on disposal</b>	<u>66</u>	<u>298</u>
<b>DISPOSAL OF PLANT &amp; EQUIPMENT</b>		
Proceeds from disposal	623	335
Less: Carrying amount of assets sold	659	370
<b>Gain (Loss) on disposal</b>	<u>(36)</u>	<u>(35)</u>
<b>DISPOSAL OF REAL ESTATE DEVELOPMENT ASSETS</b>		
Proceeds from disposal		
Less: Carrying amount of assets sold		
<b>Gain (Loss) on disposal</b>	<u>-</u>	<u>-</u>
<b>TOTAL GAIN (LOSS) ON DISPOSAL OF ASSETS</b>	<u>30</u>	<u>263</u>

# MOSMAN COUNCIL

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2004

### Note 6 - CASH ASSETS & INVESTMENT SECURITIES

	2004 \$'000		2003 \$'000	
	<u>Current</u>	<u>Non-Current</u>	<u>Current</u>	<u>Non-Current</u>
<b>CASH ASSETS</b>				
Cash on Hand and at Bank	786		479	
Deposits at Call				
Short Term Deposits & Bills, etc	4,900		4,800	
Blank line				
<b>Total Cash Assets</b>	<u>5,686</u>	<u>-</u>	<u>5,279</u>	<u>-</u>
<b>INVESTMENT SECURITIES</b>				
Total Investment Securities	-	-	-	-
<b>TOTAL CASH ASSETS &amp; INVESTMENT SECURITIES</b>	<u>5,686</u>	<u>-</u>	<u>5,279</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 4.81% and 5.63% (2003 - 4.68% and 5.05%).

### RESTRICTED CASH ASSETS & INVESTMENT SECURITIES

		2004 \$'000		2003 \$'000	
		<u>Current</u>	<u>Non-Current</u>	<u>Current</u>	<u>Non-Current</u>
<b>EXTERNAL RESTRICTIONS</b>					
Included in liabilities					
Unexpended Loans					
RTA Advances					
Self Insurance Claims					
Other					
		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Other</b>					
Developer Contributions	17	125		-	
Unexpended Grants	14	232		302	
Contributions				20	
Domestic Waste Management		421		297	
Other					
		<u>778</u>	<u>-</u>	<u>619</u>	<u>-</u>
<b>Total External Restrictions</b>		<u>778</u>	<u>-</u>	<u>619</u>	<u>-</u>
<b>Total Internal Restrictions</b>		<u>3,322</u>	<u>-</u>	<u>2,932</u>	<u>-</u>
<b>TOTAL UNRESTRICTED</b>		<u>1,586</u>	<u>-</u>	<u>1,728</u>	<u>-</u>
<b>TOTAL CASH ASSETS &amp; INVESTMENT SECURITIES</b>		<u>5,686</u>	<u>-</u>	<u>5,279</u>	<u>-</u>

# MOSMAN COUNCIL

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30th June 2004

### Note 6 - CASH ASSETS & INVESTMENT SECURITIES (cont)

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

	Notes	Opening Balance 30 June 2003	Movements		Closing Balance 30 June 2004	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
<b>External Restrictions</b>								
Developer Contributions	17	-	814	689	125	125	-	-
RTA Contributions		-	-	-	-	-	-	-
Unexpended Grants		302	232	302	232	232	-	-
Domestic Waste Management		297	421	297	421	421	-	-
Other		-	-	-	-	-	-	-
<b>Total External Restrictions</b>		<b>599</b>	<b>1,467</b>	<b>1,288</b>	<b>778</b>	<b>778</b>	<b>-</b>	<b>-</b>

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.

<b>Internal Restrictions</b>								
Employee Leave Entitlements	350	100		9	450	350		100
Future Capital Acquisitions	9				-	-		-
Uncompleted Works	600	299		600	299	850		299
Deposits & Bonds	825	525			1,350	58		500
Skate Park Facility	58				58	110		-
Library Air Conditioning	110				110	42		-
Inkerman St Wharf	66			24	42	1,516		-
Community Environmental Contract	914	1,118		1,019	1,013	-		(503)
<b>Total Internal Restrictions</b>	<b>2,932</b>	<b>2,042</b>		<b>1,652</b>	<b>3,322</b>	<b>2,926</b>	<b>-</b>	<b>396</b>

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 2004

### Note 7 - RECEIVABLES

	2004 \$'000		2003 \$'000	
	Current	Non-Current	Current	Non-Current
Rates & Annual Charges	242	44	224	
Interest & Extra Charges	15		4	
Rates Legals	3		3	
User Charges & Fees	1,008		1,197	225
Accrued Revenues-Motor Vehicle Sales			65	
Accrued Revenues-Fines	339		380	
Accrued Revenues-Workers Comp. Prem.			56	
GST Receivable	200		106	
Investment Income	17		14	
Other levels of Government	125		54	
Joint Ventures	34		34	
Property Dev. Receivable				345
Retirement Home Contributions				
Other	97		213	
Total	2,080	44	2,350	570
Less: Provision for Doubtful Debts				
Rates & Annual Charges				
Interest & Extra Charges				
User Charges & Fees	270		241	214
Other levels of Government	9			
Other			6	
Total Receivables	1,801	44	2,103	356

#### 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% (2003: 9.00%). Although Council is not materially exposed to any individual ratepayer, credit risk exposure is concentrated within the Council boundaries in the State of New South Wales.

#### Other levels of Government

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

#### Other Receivables

Amounts due (other than User Charges which are secured over the relevant land) are unsecured and do not bear interest. Although Council is not materially exposed to any individual debtor, credit risk exposure is concentrated within the Council's boundaries in the State of New South Wales.

### RESTRICTED RECEIVABLES

Domestic Waste Management	77		55	
Total Restrictions	77	-	55	-
Unrestricted Receivables	1,724	44	2,048	356
Total Receivables	1,801	44	2,103	356

# MOSMAN COUNCIL

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2004

### Note 8 - INVENTORIES & OTHER ASSETS

	2004 \$'000		2003 \$'000	
	<u>Current</u>	<u>Non-Current</u>	<u>Current</u>	<u>Non-Current</u>
<b>INVENTORIES</b>				
Stores & Materials	54		57	
Trading Stock	45		45	
<b>Total Inventories</b>	<u>99</u>	<u>-</u>	<u>102</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	70		178	
Other		44		16
<b>Total Other Assets</b>	<u>70</u>	<u>44</u>	<u>178</u>	<u>16</u>
	<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 2004

### Note 9 - PROPERTY, PLANT & EQUIPMENT

	2003 \$'000				CARRYING AMOUNT MOVEMENTS DURING YEAR \$'000						2004 \$'000		
	AT COST	AT FAIR VALUE	ACCUM DEPN	CARRYING AMOUNT	Asset Purchases	Gross Book Value Trs	Asset Disposals	Depreciation	Acc. Depn Transfers	AT COST	AT FAIR VALUE	ACCUM DEPN	CARRYING AMOUNT
Plant & Equipment	1,744	-	625	1,119	796	404	(659)	(153)	93	2,117	-	703	1,414
Office Equipment	2,526	-	2,178	348	36	-	-	(134)	-	2,562	-	2,312	250
Furniture & Fittings	777	-	439	338	33	-	-	(16)	-	810	-	455	355
Land	113,848	-	-	113,848	400	-	-	-	-	114,248	-	-	114,248
- Operational	102,193	-	-	102,193	-	-	-	-	-	102,193	-	-	102,193
- Community	9,177	-	2,368	6,809	289	-	-	(270)	-	9,465	-	2,637	6,828
Land Improvements - depreciable	36,887	-	2,822	34,065	5,560	-	-	(415)	-	42,447	-	3,237	39,210
Buildings	154	-	60	94	-	-	-	(8)	-	153	-	67	86
Other Structures	159,044	-	40,666	118,378	1,558	(404)	-	(1,601)	(93)	160,198	-	42,174	118,024
Infrastructure	-	-	-	-	-	-	-	-	-	-	-	-	-
- Roads, bridges, footpaths	-	-	-	-	-	-	-	-	-	-	-	-	-
- Bulk earthworks (non-deprec.)	-	-	-	-	-	-	-	-	-	-	-	-	-
- Stormwater drainage	46,315	-	20,876	25,439	1,042	-	-	(468)	-	47,357	-	21,344	28,013
Other Assets	2,300	-	1,910	390	143	-	-	(118)	-	2,443	-	2,028	415
- Library Books	2,952	-	1,721	1,231	749	-	-	(162)	-	3,702	-	1,864	1,818
- Other	-	-	-	-	-	-	-	-	-	-	-	-	-
Totals	477,917	-	73,865	404,252	10,606	-	(659)	(3,345)	-	487,895	-	76,841	410,854

# MOSMAN COUNCIL

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2004

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

	2004 \$'000				2003 \$'000			
	AT COST	AT VALUATION	ACCUM DEPN	CARRYING AMOUNT	AT COST	AT VALUATION	ACCUM DEPN	CARRYING AMOUNT
<b>Water Supply</b>								
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								
Water Supply Infrastructure								
- Other								
<b>Total Water Supply</b>	-	-	-	-	-	-	-	-
<b>Sewerage Services</b>								
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								
Sewerage Infrastructure								
- Roads, bridges, footpaths								
- Other								
<b>Total Sewerage Services</b>	-	-	-	-	-	-	-	-

# MOSMAN COUNCIL

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2004

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

	2004 \$'000				2003 \$'000		
	AT COST	AT VALUATION	ACCUM DEPN	CARRYING AMOUNT	AT COST	AT VALUATION	ACCUM DEPN
<b>Water Supply</b>							
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							
Water Supply Infrastructure							
- Other							
<b>Total Water Supply</b>	-	-	-	-	-	-	-
<b>Sewerage Services</b>							
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							
Sewerage Infrastructure							
- Roads, bridges, footpaths							
- Other							
<b>Total Sewerage Services</b>	-	-	-	-	-	-	-

[illegible]

# MOSMAN COUNCIL

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2004

### Note 10 - LIABILITIES

	2004 \$'000		2003 \$'000	
	Current	Non-Current	Current	Non-Current
<b>PAYABLES</b>				
Goods & Services	1,213		1,611	
Payments received in advance	45		6	
Accrued Expenses-Interest on Loans	33		33	
Accrued Expenses-Other	183			
Deposits, Retentions & Bonds	850	3,220	825	2,854
Other				
<b>Total Payables</b>	<b>2,324</b>	<b>3,220</b>	<b>2,475</b>	<b>2,854</b>
<b>BORROWINGS</b>				
Bank Overdraft				
Loans	762	5,481	564	3,893
Deferred Payment Liabilities	130	1,170	130	1,300
Other				
<b>Total Borrowings</b>	<b>892</b>	<b>6,651</b>	<b>694</b>	<b>5,193</b>

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

<b>PROVISIONS</b>				
Annual Leave	733	196	639	244
Sick Leave				
Long Service Leave	174	900	102	819
ELE On Costs	60	48	53	52
Self Insurance Claims				17
<b>Total Provisions</b>	<b>967</b>	<b>1,144</b>	<b>794</b>	<b>1,132</b>

<b>Movements in Provision - Insurance Losses</b>	Current & Non-Current	Current & Non-Current
Opening Balance	17	136
Add Additional amounts recognised		
(Less) Payments		
Add (Less) Remeasurement Adjustments	(17)	(119)
Add (Less) Transfer on Council restructure		
Closing Balance	-	17

# MOSMAN COUNCIL

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2004

### NOTE 10 - LIABILITIES (cont)

	2004 \$'000		2003 \$'000	
	<u>Current</u>	<u>Non-Current</u>	<u>Current</u>	<u>Non-Current</u>
<b>AGGREGATE LIABILITY ARISING FROM EMPLOYEE BENEFITS</b>	<b>967</b>	<b>1,144</b>	<b>794</b>	<b>1,132</b>
<b>LIABILITIES relating to RESTRICTED ASSETS</b>				
<u>Domestic Waste Management</u>				
Payables				
Interest Bearing Liabilities				
Provisions				
Subtotal	-	-	-	-
<u>Water Supplies</u>				
Payables	-	-		
Interest Bearing Liabilities	-	-		
Provisions	-	-		
Subtotal	-	-	-	-
<u>Sewerage Services</u>				
Payables	-	-		
Interest Bearing Liabilities	-	-		
Provisions	-	-		
Subtotal	-	-	-	-
<u>Other</u>				
Payables				
Interest Bearing Liabilities				
Provisions				
Subtotal	-	-	-	-
<b>TOTAL</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

# MOSMAN COUNCIL

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2004

### 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:

	2004 \$'000	2003 \$'000
Total Cash Assets (Note 6)	5,686	5,279
Less: Bank Overdraft (Note 10)	-	-
Balances per Statement of Cash Flows	<u>5,686</u>	<u>5,279</u>

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

Change in Net Assets resulting from Operations	4,273	(154)
Minority Interest in Operating Result	-	-
Add: Depreciation and Amortisation	3,345	2,855
Increase in provision for doubtful debts	-	131
Increase in employee benefits	202	193
Increase in other provisions	-	-
Decrease in receivables	386	-
Decrease in inventories	3	1
Decrease in other current assets	108	122
Increase in trade creditors	-	-
Increase in accrued expenses payable	-	-
Increase in other payables	292	699
Loss on Sale of Assets	-	-
Equity share of loss in Associates	-	-
Equity adjustment in Associates (decrease)	-	-
Decrements from Revaluations	-	-
Loss on Council restructure	-	-
	<u>8,609</u>	<u>3,847</u>
Less: Decrease in provision for doubtful debts	182	-
Decrease in employee benefits	-	-
Decrease in other provisions	17	119
Increase in receivables	-	172
Increase in inventories	-	-
Increase in other assets	28	2
Decrease in trade creditors	-	-
Decrease in accrued expenses payable	-	-
Decrease in other payables	-	-
Gain on Sale of Assets	30	263
Equity share of profit in Associates	51	-
Equity adjustment in Associates (increase)	-	10
Reversal of previous Revaluation Decrements	-	-
Non-cash Capital Grants and Contributions	5,365	-
Gain on Council restructure	-	-
Net Cash provided by (or used in) operations	<u>2,936</u>	<u>3,281</u>

# MOSMAN COUNCIL

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2004

### Note 11 (cont) - RECONCILIATION TO CASH FLOW STATEMENT

	2004 \$'000	2003 \$'000
<b>(c) Non-Cash Financing and Investing Activities</b>		
Acquisition of assets by means of:		
- PWD Construction	-	
- Bushfire Grants	-	
- Developer Contributions received in kind	-	
- Non-cash issues of Shares in Other Companies	-	
- Land	400	
- Buildings	5,310	
- Other	-	
	<u>5,710</u>	<u>-</u>
- Finance Leases	-	
- Consideration by way of amount owing from 30 June 03	(345)	
- Land taken over for non-payment of Rates	-	
	<u>5,365</u>	<u>-</u>

### (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	38	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 2004

### Note 12 - COMMITMENTS FOR EXPENDITURE

	2004 \$'000	2003 \$'000
<b>(a) Capital Commitments</b>		
Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:		
Land	875	
Buildings	355	134
Plant & Equipment		10
	<u>1,230</u>	<u>144</u>
These expenditures are payable:		
Not later than one year	530	144
Later than one year and not later than 5 years	700	
Later than 5 years		
	<u>1,230</u>	<u>144</u>

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

<b>(b) Other Expenditure Commitments</b>		
Other expenditure committed for (excluding inventories) at the reporting date but not recognised in the financial statements as liabilities:		
Audit Services	23	22
Waste Management Services	2,070	2,029
Other		
	<u>2,093</u>	<u>2,051</u>
These expenditures are payable:		
Not later than one year	2,093	2,051
Later than one year and not later than 5 years		
Later than 5 years		
	<u>2,093</u>	<u>2,051</u>

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

<b>(c) Finance Lease Commitments</b>		
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	<u>-</u>	<u>-</u>
Less: future finance charges	<u>-</u>	<u>-</u>
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 2004

#### Note 12 (CONT) - COMMITMENTS FOR EXPENDITURE

	2004 \$'000	2003 \$'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	221	110
Later than one year and not later than 5 years		
Later than 5 years		
	<u>221</u>	<u>110</u>

# MOSMAN COUNCIL

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2004

### Note 13 - STATEMENT OF PERFORMANCE MEASUREMENT

	2004	2003	2002	2001
<u>Amounts</u>	<u>Indicators</u>			
<b>Current Ratio</b>				
<u>Current Assets</u>	\$7,656	1.83:1	1.93:1	1.91:1
<u>Current Liabilities</u>	\$4,183			1.86:1
<b>Unrestricted Current Ratio</b>				
<u>Unrestricted Current Assets*</u>	\$6,801	1.63:1	1.76:1	1.84:1
<u>Current Liabilities not relating to Restricted Assets</u>	\$4,183			1.64:1
* as defined in the Code				
<b>Debt Service Ratio</b>				
<u>Net Debt Service Cost</u>	\$950	4.18%	3.19%	3.15%
<u>Operating Revenue</u>	\$22,710			2.98%
* as defined in the Code				
<b>Rate &amp; Annual Charges</b>				
<b>Coverage Ratio</b>				
<u>Rates &amp; Annual Charges Revenues</u>	\$14,564	48.14%	59.20%	56.56%
<u>Total Revenues</u>	\$30,253			59.48%
<b>Rates &amp; Annual Charges</b>				
<b>Outstanding Percentage</b>				
<u>Rates &amp; Annual Charges Outstanding</u>	\$304	2.05%	1.60%	1.94%
<u>Rates &amp; Annual Charges Collectible</u>	\$14,820			2.81%

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 2004

### 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:

	2004 \$'000		2003 \$'000	
	<u>Grants</u>	<u>Contrib</u>	<u>Grants</u>	<u>Contrib</u>
Unexpended at the close of the previous reporting period	302	20	274	0
Summarised as follows:				
Community Services-Family First	147			
Road & Bridges	97	20		
Stormwater	58		264	
Management Plan			10	
Less: expended during the current period from revenues recognised in previous reporting periods				
Summarised as follows:				
Community Services-Family First	61			
Roads & Bridges	97	20		
Stormwater	58		264	
Other			10	
Subtotal	216	20	0	0
Plus: amounts recognised as revenues in this reporting period but not yet expended in accordance with the conditions				
Summarised as follows:				
Beat Graffiti-Youth	5			
Recreation & Culture	15			
Health	20			
Library	1			
Stormwater	105		58	
Roads & Bridges			97	
Community Services-Family First			147	
Other				20
Subtotal	146	0	302	20
Unexpended at the close of this reporting period and held as restricted assets	232	0	302	20
Net increase (decrease) in restricted assets in the current reporting period.	-70	-20	28	20

# MOSMAN COUNCIL

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2004

### Note 15 - FINANCIAL INSTRUMENTS

#### Interest Rate Risk Exposures

2004	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
<b>Financial Assets</b>						
Cash Assets		5,686				5,686
Investment Securities						
Receivables						
Rates & Annual Charges		242	44		18	304
User Charges & Fees					738	738
Accrued Revenues- Fines					339	339
GST Receivable					200	200
Investment Income		17				17
Other levels of Govt.					116	116
Joint Ventures					34	34
Other					97	97
Other Assets						
<b>Total</b>	-	5,945	44	-	1,542	7,531
Weighted Average Interest Rate		5.3%	9%			

#### Financial Liabilities

<b>Payables</b>						
Goods & Services					1,213	1,213
Payments in advance					45	45
Accrued Expenses- Int on Loans		33				33
Accrued Expenses- Other					183	183
Retirement Home Contribs.					-	-
Deposits, Retentions, Bonds		4,070			-	4,070
Other					-	-
Interest Bearing Liabilities	-	762	5,481		1,300	7,543
Finance Lease Liabilities						
<b>Total</b>	-	4,865	5,481	-	2,741	13,087
Weighted Average Interest Rate		5.76%	6.03%			

#### 2003

#### Financial Assets

Cash Assets		5,279				5,279
Investment Securities						
Receivables						
Rates & Annual Charges		224	-		7	231
User Charges & Fees					967	967
Accrued Revenues-Motor Veh.					65	65
Accrued Revenues- Fines					380	380
Accrued Revenues-W/Comp					56	56
GST Receivable					106	106
Investment Income		14				14
Property Dev Receivable					345	345
Other levels of Govt.					54	54
Joint Ventures					34	34
Other					207	207
Other Assets					16	16
<b>Total</b>	-	5,517	-	-	2,237	7,754
Weighted Average Interest Rate		5.22%				

#### Financial Liabilities

<b>Payables</b>						
Goods & Services					1,611	1,611
Payments in advance					6	6
Accrued Expenses- Int on Loans		33				33
Advances					-	-
Retirement Home Contribs.					-	-
Deposits, Retentions, Bonds		3,679			-	3,679
Other					-	-
Interest Bearing Liabilities	-	564	3,893		1,430	5,887
Finance Lease Liabilities						
<b>Total</b>	-	4,276	3,893	-	3,047	11,216
Weighted Average Interest Rate		5.68%	5.95%			

# MOSMAN COUNCIL

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2004

### 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

	2004 \$'000	2003 \$'000
Net financial assets from previous page		
Financial Assets	7,531	7,754
Financial Liabilities	13,087	11,216
	<u>-5,556</u>	<u>-3,462</u>
Non-financial assets and liabilities		
Accrued Revenues	0	0
Inventories	99	102
Property, Plant & Equipment	410,854	404,252
Interest in Associated Bodies	476	459
Other Assets	114	178
Accrued Expenses	0	0
Provisions	-2,111	-1,926
Other liabilities	0	0
	<u>409,432</u>	<u>403,065</u>
Net Assets per Statement of Financial Position	<u>403,876</u>	<u>399,603</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 2004**

#### **Note 16 - Significant Variations to Budget**

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

**Depreciation** - This line item shows a variance to budget of \$345K. This can be attributed to an adjustment of depreciation method for roads and drainage assets.(From Reducing Balance Method to Straight Line). Depreciation on road based assets increased by \$268K and \$212K.

**Other Expenses** - This line item shows a variance to budget of \$918K. This in the main can be attributed to Legal Costs-Land & Environment Court (in excess of \$485K above original budget) & consultancy costs (in excess of \$80K above original budget).

**Investment Revenues** - This line item shows a variance to budget of \$78K. This is a result of a greater than anticipated return to budget of external investments.

**Grants & Contributions - Operating** - This line item shows a variance to budget of \$185K. This can be attributable to incremental increases above budget in a number of community services programs along with an unbudgeted Environmental Grant of \$20K.

**Other Revenues** - This line item shows a variance to budget of \$314K. This in the main was attributable to Certificate & Fines income superior to original budget.

**Grants & Contributions - Capital** - This line item shows a variance to budget of \$6,002M. This in the main was due to a non cash transfer of Mosman Swim Centre asset of \$5.365M & S94 Car Parking & Open Space contributions in excess of original budget by \$325K & \$75K respectively.

# MOSMAN COUNCIL

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2004

### 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		434			434			976
Open Space		380			255		125	1,168
Community facilities								
Other								
Subtotal S94 under plans		814			689		125	2,144
Sec 94 not under plans								
Sec 64 Contributions								
<b>Total Contributions</b>		<b>814</b>			<b>689</b>		<b>125</b>	<b>2,144</b>

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

#### 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		434			434			976
Open Space		380			255		125	1,168
Community facilities								
Other								
<b>Total</b>		<b>814</b>			<b>689</b>		<b>125</b>	<b>2,144</b>



# **MOSMAN COUNCIL**

## **NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2004**

### **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.

#### **Potential Insurance Losses**

Council is a multi-purpose organisation providing a large range of building, parks infrastructure, playgrounds and other facilities accessible to the public. At any time, it is likely that claims will have been made against Council that remain unsettled.

Council insures against all known insurable risks using a range of insurance policies, each of which is subject to a deductible "insurance excess", the amount of which varies according to the class of insurance.

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

#### **Statewide Mutual**

Council is a member of Statewide Mutual, a pool providing public liability insurance to Council. The Scheme has reported that the Liability Scheme has now achieved an overall surplus, notwithstanding that it is still carrying a Bad Debt Provision of \$4,967,000 as a result of the collapse of the HIH insurance group.

Council has been advised that as its portion of the surpluses achieved in the years since 1998 have offset its share of the deficit, Council has no contingent liability to the Scheme and an appropriate adjustment has been made to the prior years provision within Note 10.

#### **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.

#### **Infringement Income**

As detailed in Note 1, Infringement Income outstanding at year end only includes an assessment of current year notices issued, but outstanding.

Notices outstanding from prior years and escalated for further legal action have not been brought to account due to the inability to determine the likely final amounts payable to Council.

These prior year notices represent an asset not recognised at year end.

## **MOSMAN COUNCIL**

### **NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2004**

#### **Note 19 - JOINT VENTURES & ASSOCIATED ENTITIES**

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

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

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

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

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

Note 19 (e) - Joint ventures not recognised.

#### **(a) - Cooperative Organisations "Controlled" by Council**

NIL

# MOSMAN COUNCIL

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2004

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

<b>Shorelink Library Network</b>	<b>2004</b>	<b>2003</b>
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%
<b>Movements in Investment in Joint Operation</b>	<b>\$'000</b>	<b>\$'000</b>
Opening Balance	104	156
Amount recognised on adoption of AAS19		
New Capital Contributions		
Share in Operating Result	-29	-52
Distributions Received		
Adjustment to Equity Share		
<b>Share in Equity of Joint Operation</b>	<b>75</b>	<b>104</b>

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

Later than one year and not later than 5 years

Later than 5 years

0	0
---	---

#### Operating Expenditures payable

Not later than one year

Later than one year and not later than 5 years

Later than 5 years

0	0
---	---

### Contingent Liabilities

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

- arising from Council's share of the joint operation

- arising from joint and several liability of all members

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

	<b>2004</b>	<b>2003</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Operating Statement</b>		
Share of joint venture revenues in operating revenues	58	54
Share of joint venture costs in operating expenses	81	77
<b>Net Contribution</b>	<b>-23</b>	<b>-23</b>
<b>Statement of Financial Position</b>		
Current Assets	44	45
Non-Current Assets	36	65
Share of Assets employed in Joint Ventures	80	110
Current Liabilities	2	2
Non-Current Liabilities	3	4
Share of Liabilities incurred in Joint Ventures	5	6
<b>NET INTEREST IN JOINT VENTURES</b>	<b>75</b>	<b>104</b>

# MOSMAN COUNCIL

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2004

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

<b>Kimbriki Waste Disposal Facility</b>	<b>2004</b>	<b>2003</b>
Council's respective interests are:		
- interest in outputs of the joint operation	4%	4%
- ownership interest in the joint operation	4%	4%
- the proportion of voting power in the joint operation	17%	17%
<b>Movements in Investment in Joint Operation</b>	<b>\$'000</b>	<b>\$'000</b>
Opening Balance	355	448
Amount recognised on adoption of AAS14		
New Capital Contributions		
Share in Operating Result	80	62
Distributions Received/Receivable	-34	-155
Adjustment to Equity Share		
<b>Share in Equity of Joint Operation</b>	<b>401</b>	<b>355</b>

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

Later than one year and not later than 5 years

Later than 5 years

<u>0</u>	<u>0</u>
----------	----------

#### Operating Expenditures payable

Not later than one year

Later than one year and not later than 5 years

Later than 5 years

<u>0</u>	<u>0</u>
----------	----------

### 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.

	<b>2004</b>	<b>2003</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Net Surplus (deficit) of Associates</b>	<b>80</b>	<b>62</b>
Share of Assets employed in Associates	459	411
Share of Liabilities incurred in Associates	-58	-56
<b>NET INTEREST IN ASSOCIATES</b>	<b>401</b>	<b>355</b>

## **MOSMAN COUNCIL**

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
for the year ended 30th June 2004**

### **Note 19 (cont) - JOINT VENTURES & ASSOCIATED ENTITIES**

**(d) - Joint venture operations not comprising an entity**

NIL

**(e) - Joint venture operations not recognised**

NIL



**SPENCER STEER**  
CHARTERED ACCOUNTANTS

**MOSMAN COUNCIL**

**GENERAL PURPOSE FINANCIAL REPORT**

**INDEPENDENT AUDITORS' REPORT**

**SCOPE**

We have audited the *general purpose financial report* of Mosman Council for the year ended 30 June 2004, comprising the Statement by Council, Statement of Financial Performance, Statement of Financial Position, 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, Statement of Cash Flows 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) presents 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; and
- (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 7th day of September 2004



**SPENCER STEER**  
CHARTERED ACCOUNTANTS

7 September 2004

The Mayor  
Mosman Council  
PO Box 211  
SPIT JUNCTION NSW 2088

Mayor,

**Audit Report - Year Ended 30 June 2004**

We are pleased to advise completion of the audit of Council's books and records for the year ended 30 June 2004 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 and Special Purpose Financial Reports.

Our audit has been conducted in accordance with Australian Auditing Standards so as to express an opinion on both the General and Special Purpose Financial Reports of the Council. We have ensured that the accounts have been prepared in accordance with Australian 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 operating result for the year was a Surplus of \$4.273 million as compared with a Deficit of \$154,000 in the previous year.



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

	2004	% of Total	2003	% of Total	Increase (Decrease)
	\$000		\$000		\$000
<b>Ordinary Expenses</b>					
Employees Costs	10,014	39%	9,172	38%	842
Depreciation	3,345	13%	2,855	12%	490
Other	12,621	49%	12,006	50%	615
	<b>25,980</b>	<b>100%</b>	<b>24,033</b>	<b>100%</b>	<b>1,947</b>
<b>Ordinary Revenues before Capital</b>					
Rates & Annual Charges	14,564	62%	14,137	61%	427
Grants & Contributions	1,594	7%	1,797	8%	(203)
Other	7,464	32%	7,425	32%	39
	<b>23,622</b>	<b>100%</b>	<b>23,359</b>	<b>100%</b>	<b>263</b>
<b>Surplus(Deficit) from Ordinary Activities before Capital items</b>	<b>\$ (2,358)</b>		<b>\$ (674)</b>		<b>\$ (1,684)</b>
Capital Revenues	6,631		520		6,111
<b>Surplus(Deficit) for the year</b>	<b>\$ 4,273</b>		<b>\$ (154)</b>		<b>\$ 4,427</b>

The table above shows an overall improvement over the previous year of \$4.427 million. Capital revenues increased by \$6.111 million and consisted of a non cash capital contribution of \$5.365 million representing the Mosman Swim Centre and an increase in cash contributions from developers under Section 94 of \$709,000. Operating revenues before capital increased slightly (1.12%) however, operating expenses increased by 8.11%.

## 1.2 Funding Result

The operating result does not take into account revenues and expenditures of a capital nature. In reviewing the overall financial performance of Council it is useful to consider the total source of revenues and where they were applied during the year.





The table below illustrates the funding result for the year;

	2004	2003
	\$000	\$000
<b>Funds were provided by:-</b>		
Operating Result (as above)	4,273	(154)
Add back non funding items:-		
- Depreciation	3,345	2,855
- Book Value of Assets Sold	659	426
- (Surplus)Deficit in Joint Ventures	(51)	(10)
	<u>8,226</u>	<u>3,117</u>
New Loan Borrowings	2,350	1,900
Distributions from Joint Ventures	34	155
Net Changes in Current/Non Current Assets & Liabilities	835	70
	<u>11,445</u>	<u>5,242</u>
<b>Funds were applied to:-</b>		
Purchase and Construction of Assets	(10,606)	(3,609)
Principal repaid on Loans	(564)	(395)
Principal Repaid on Deferred Creditors	(130)	(130)
Net Transfers to Externally Restricted Assets	(181)	(396)
Net Transfers to Internal Reserves	(365)	(854)
	<u>(11,846)</u>	<u>(5,384)</u>
<b>Increase(Decrease) in Available Working Capital</b>	<b>\$ (401)</b>	<b>\$ (142)</b>

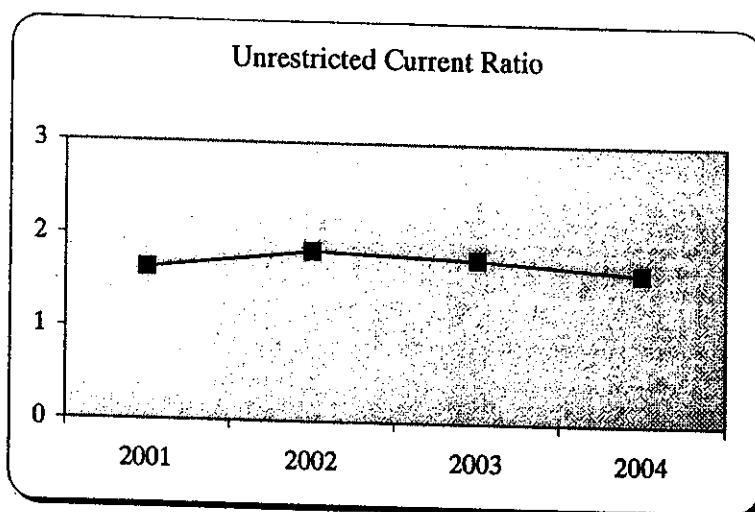
## 2. FINANCIAL POSITION

### 2.1 Current Ratios

The *Current Ratio* is a good indicator of the ability of a business to meet its debts and obligations as they fall due. Current assets exceeded current liabilities by \$3.473 million representing a factor of 1.83 to 1.

The *Unrestricted Current Ratio* is a more specific financial indicator for local government. It eliminates net externally restricted assets that must be set aside by law and it in fact represents the general funds of Council.

The *Unrestricted Current Ratio* at the close of the year was 1.63 to 1.



## 2.2 Available Working Capital – (Working Funds)

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

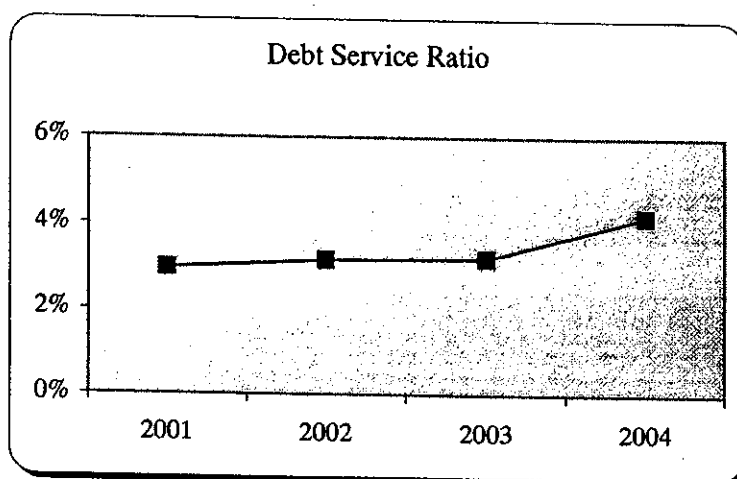
At the close of the year the Available Working Capital of Council stood at \$2.005 million as detailed below;

	2004 \$000	2003 \$000	Change \$000
<b>Net Current Assets (Working Capital) as per Accounts</b>	<b>3,473</b>	<b>3,699</b>	<b>(226)</b>
<i>Add(Less): Budgetted to Pay(Receive) in the next 12 months</i>			
- Borrowings	892	694	198
- Employees Leave Entitlements	967	794	173
<b>Adjusted Working Capital</b>	<b>5,332</b>	<b>5,187</b>	<b>145</b>
<i>Less: Externally Restricted Assets</i>	<i>(855)</i>	<i>(674)</i>	<i>(181)</i>
<i>Less: Internally Restricted Assets</i>	<i>(2,472)</i>	<i>(2,107)</i>	<i>(365)</i>
<b>Available Working Capital as at 30 June</b>	<b>\$ 2,005</b>	<b>\$ 2,406</b>	<b>\$ (401)</b>

The balance of Available Working Capital should be at a level to manage Council's day to day operations including the financing of hard core debtors, stores and to provide a buffer against unforeseen and unbudgeted expenditures. Taking into consideration the nature and level of the internally restricted assets (Reserves) set aside we are of the opinion that Available Working Capital as at 30 June 2004 was satisfactory.

### 2.3 Debt

Operating revenue (excluding special purpose grants and contributions) required to service debt was 4.18%.



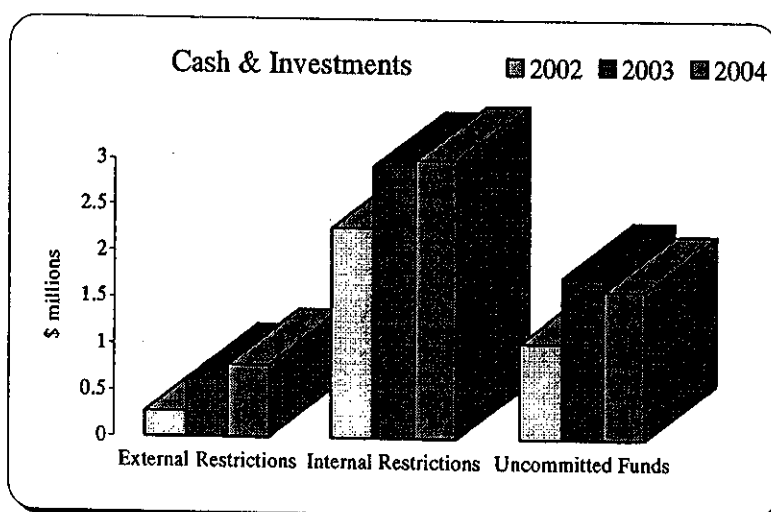
### 2.4 Summary

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

## 3. CASH ASSETS

### 3.1 Cash & Investments

Cash and investments held at the close of the year amounted to \$5.686 million as compared with \$5.279 million and \$3.565 million at the close of financial years 2003 and 2002 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 consist of unexpended development contributions under Section 94 of \$125,000, domestic waste management charges of \$421,000 and specific purpose grants of \$232,000.

*Internally restricted cash and investments* have been restricted in their use by resolution or policy of Council to reflect forward plans, identified programs of works, and are, in fact, Council's "Reserves". These Reserves totalled \$3.322 million and their purposes are more fully disclosed in Notes 6 of the financial statements.

*Unrestricted cash and investments* amounted to \$1.586 million, which are available to provide liquidity for day to day operations.

### 3.2 Cash Flows

The Statement of Cash Flows illustrates the flow of cash moving in and out of Council during the year and reveals that Cash Assets increased by \$407,000 to \$5.686 million at the close of the year.

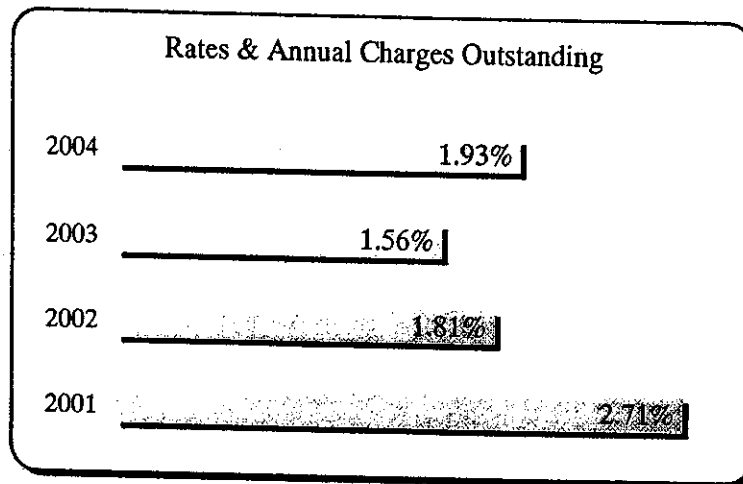
In addition to operating activities which contributed net cash of \$2.936 million were the proceeds from the sale of assets (\$754,000), new loans (\$2.350 million) and distributions from joint venture operations (\$34,000). Cash outflows other than operating activities were used to repay loans (\$564,000), deferred creditors (\$130,000) and to purchase and construct assets (\$4.973 million).

## 4. RECEIVABLES

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

Net rates and annual charges levied during the year totalled \$14.564 million and represented 48.14% of Council's total revenues.

Including arrears, the total rates and annual charges collectible was \$14.788 million of which \$14.502 million (98.07%) was collected. Arrears stood at \$286,000 at the end of the year and represented 1.93% of those receivables. Both these indicators are commendable.



#### **4.2 Other Receivables**

Receivables (other than Rates & Annual Charges) totalled \$1.838 million and included user charges and fees of \$1.008 million. Those considered to be uncertain of collection have been provided for as doubtful debts and this provision amounted to \$279,000.

#### **5. PAYABLES**

##### ***Employees Leave Entitlements***

Council's provision for its liability toward employees leave entitlements and associated on costs amounted to \$2.111 million.

A cash reserve of \$450,000 was held at year end representing 21.32% of Council's obligation to their employees and is, in our opinion, sufficient to enable Council to meet unbudgeted and unanticipated retirements.

#### **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

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# **MOSMAN COUNCIL**

## **Special Purpose Financial Reports and Special Schedules For the year ending 30 June 2004**

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**SPENCER STEER**  
CHARTERED ACCOUNTANTS

**MOSMAN COUNCIL**

**SPECIAL PURPOSE FINANCIAL REPORT**

**INDEPENDENT AUDITORS' REPORT**

**SCOPE**

We have audited the *special purpose financial report* of Mosman Council for the year ended 30 June 2004, comprising the Statement by Council, Statement of Financial 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 7th day of September 2004

**A3**

# MOSMAN COUNCIL

## SPECIAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2004

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

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

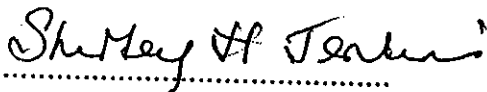
- NSW Government Policy Statement *"Application of National Competition Policy to Local Government"*
- Department of Local Government guidelines *"Pricing & Costing for Council Businesses: A Guide to Competitive Neutrality"*.
- The Department of Energy, Utilities and Sustainability *"Best Practice Management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

To the best of our knowledge and belief, these reports

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

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

Signed in accordance with a resolution of Council made on 6 September 2004



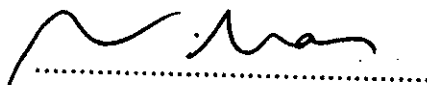
(Shirley H Jenkins)

MAYOR



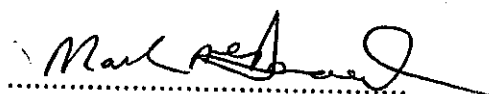
(Andrew Brown)

DEPUTY MAYOR



(Vivian H R May, PSM)

GENERAL MANAGER



(Mark McDonald)

RESPONSIBLE ACCOUNTING OFFICER



**MOSMAN COUNCIL**  
**STATEMENT OF FINANCIAL PERFORMANCE OF BUSINESS ACTIVITIES**  
As at 30 June 2004

	Business Activities					
	Commercial Property Management		Development Approvals		Core Group (Private Works) Activities	
	2004	2003	2004	2003	2004	2003
<b>EXPENSES FROM ORDINARY ACTIVITIES</b>						
Employee costs	57	80	689	650	266	247
Materials & Contracts	15	25	10	25	102	93
Borrowing Costs	NIL	NIL	NIL	NIL	NIL	NIL
Depreciation & Amortisation	149	149	NIL	NIL	26	20
Other Operating Expenses	10	25	280	203	38	61
Loss on Disposal of Assets	NIL	NIL	NIL	NIL	NIL	NIL
NCP Imputation Payments	103	98	NIL	NIL	29	30
<b>TOTAL OPERATING EXPENSES</b>	<b>334</b>	<b>377</b>	<b>979</b>	<b>878</b>	<b>461</b>	<b>451</b>
<b>REVENUES FROM ORDINARY ACTIVITIES</b>						
Rates & Annual Charges	NIL	NIL	NIL	NIL	NIL	NIL
User Charges & Fees	2,104	1,817	728	712	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	346	278
Gain on Disposal of Assets	NIL	NIL	NIL	NIL	NIL	NIL
<b>TOTAL OPERATING REVENUES</b>	<b>2,104</b>	<b>1,817</b>	<b>728</b>	<b>712</b>	<b>346</b>	<b>278</b>
<b>ORDINARY ACTIVITIES RESULT BEFORE CAPITAL AMOUNTS</b>	<b>1,770</b>	<b>1,440</b>	<b>-251</b>	<b>-166</b>	<b>-115</b>	<b>-173</b>
Grants & Contributions – Capital	5,365	NIL	NIL	NIL	NIL	NIL
Abnormal Items	NIL	NIL	NIL	NIL	NIL	NIL
<b>RESULT FROM ORDINARY ACTIVITIES</b>	<b>7,135</b>	<b>1,440</b>	<b>-251</b>	<b>-166</b>	<b>-115</b>	<b>-173</b>
<b>SURPLUS (DEFICIT) BEFORE TAX</b>	<b>7,135</b>	<b>1,440</b>	<b>-251</b>	<b>-166</b>	<b>-115</b>	<b>-173</b>
Corporate Taxation Equivalent	2,141	432	NIL	NIL	NIL	NIL
(based on Operating result before capital)						
<b>CHANGE IN NET ASSETS RESULTING FROM OPERATIONS AFTER TAX</b>	<b>4,994</b>	<b>1,008</b>	<b>-251</b>	<b>-166</b>	<b>-115</b>	<b>-173</b>
Opening Retained Profits	13,678	13,827	-115	-128	1,279	1,316
Adjustments for Amounts Unpaid	N/A	N/A	N/A	N/A	N/A	N/A
*Taxation Equivalent Payments	103	98	NIL	NIL	34	30
*Debt Guarantee Fee	NIL	NIL	NIL	NIL	NIL	NIL
*Corporate Taxation Equivalent	2,141	432	NIL	NIL	NIL	NIL
*Dividend Payment	-2,022	-1,687	NIL	NIL	NIL	NIL
*Equity Contribution	NIL	NIL	NIL	NIL	NIL	NIL
*Council subsidy	NIL	NIL	236	179	135	106
<b>Closing Retained Profits</b>	<b>18,894</b>	<b>13,678</b>	<b>-130</b>	<b>-115</b>	<b>1,333</b>	<b>1,279</b>
<b>RETURN ON CAPITAL (%)</b>	<b>26%</b>	<b>7%</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>
<b>SUBSIDY FROM COUNCIL</b>	<b>NIL</b>	<b>NIL</b>	<b>236</b>	<b>179</b>	<b>135</b>	<b>106</b>

**MOSMAN COUNCIL**  
**STATEMENT OF FINANCIAL POSITION BY BUSINESS ACTIVITIES**  
As at 30 June 2004

	2004 - \$'000					
	Business Activities					
	Commercial Property Management		Development Approvals		Core Group (Private Works) Activities	
	2004	2003	2004	2003	2004	2003
<b>CURRENT ASSETS</b>						
Cash on hand and at bank	NIL	NIL	NIL	NIL	NIL	NIL
Investments	NIL	NIL	NIL	NIL	NIL	NIL
Receivables	200	164	NIL	NIL	NIL	NIL
Inventories	NIL	NIL	NIL	NIL	NIL	NIL
Other	NIL	NIL	NIL	NIL	NIL	NIL
<b>TOTAL CURRENT ASSETS</b>	<b>200</b>	<b>164</b>	<b>NIL</b>	<b>NIL</b>	<b>NIL</b>	<b>NIL</b>
<b>NON CURRENT ASSETS</b>						
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	54	57
Other	NIL	NIL	NIL	NIL	NIL	NIL
Property, Plant & Equipment	18,894	13,678	NIL	NIL	1,399	1,326
<b>TOTAL NON CURRENT ASSETS</b>	<b>18,894</b>	<b>13,678</b>	<b>NIL</b>	<b>NIL</b>	<b>1,453</b>	<b>1,383</b>
<b>TOTAL ASSETS</b>	<b>19,094</b>	<b>13,842</b>	<b>NIL</b>	<b>NIL</b>	<b>1,453</b>	<b>1,383</b>
<b>CURRENT LIABILITIES</b>						
Payables	200	164	NIL	NIL	NIL	NIL
Interest bearing liabilities	NIL	NIL	NIL	NIL	NIL	NIL
Provisions	NIL	NIL	75	85	39	35
<b>TOTAL CURRENT LIABILITIES</b>	<b>200</b>	<b>164</b>	<b>75</b>	<b>85</b>	<b>39</b>	<b>35</b>
<b>NON CURRENT LIABILITIES</b>						
Payables	NIL	NIL	NIL	NIL	NIL	NIL
Interest bearing liabilities	NIL	NIL	NIL	NIL	NIL	NIL
Provisions	NIL	NIL	55	30	81	69
<b>TOTAL NON-CURRENT LIABILITIES</b>	<b>NIL</b>	<b>NIL</b>	<b>55</b>	<b>30</b>	<b>81</b>	<b>69</b>
<b>TOTAL LIABILITIES</b>	<b>200</b>	<b>164</b>	<b>130</b>	<b>115</b>	<b>120</b>	<b>104</b>
<b>NET ASSETS</b>	<b>18,894</b>	<b>13,678</b>	<b>-130</b>	<b>-115</b>	<b>1,333</b>	<b>1,279</b>
<b>EQUITY</b>						
Accumulated Surplus	18,894	13,678	-130	-115	1,333	1,279
Asset Revaluation Reserve	NIL	NIL	NIL	NIL	NIL	NIL
<b>TOTAL EQUITY</b>	<b>18,894</b>	<b>13,678</b>	<b>-130</b>	<b>-115</b>	<b>1,333</b>	<b>1,279</b>

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## NOTES TO THE SPECIAL PURPOSE FINANCIAL REPORTS

### Note 1

#### SIGNIFICANT ACCOUNTING POLICIES

A statement summarising the 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:

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**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.

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## **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 2004

\$'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
<b>GOVERNANCE</b>	850					850	
<b>ADMINISTRATION</b>		850			-		850
Corporate Support	4,856		27			4,829	
Engineering & Works	385		118			267	
Other Support Services	320		71			249	
<b>PUBLIC ORDER &amp; SAFETY</b>		5,561			216		5,345
Statutory Contribution - Fire Service Levy	598					598	
Fire Protection - Other	5					5	
Animal Control	113		18			95	
Beach Control	52		16			36	
Enforcement of Local Govt Regulations	298		85	18		195	
Emergency Services	51					51	
Other	32		39			(7)	
<b>HEALTH</b>		1,149			176		973
Administration & Inspection	190					190	
Immunisations	15		7			8	
Food Control	14		20			(6)	
Insect/Vermin Control						-	
Noxious Plants	5					5	
Health Centres	12					12	
Other	25		5			20	
<b>COMMUNITY SERVICES &amp; EDUCATION</b>		261			32		229
Administration	246					246	
Family Day Care	179		195			(16)	
Child Care	575		440			135	
Youth Services	269		48			221	
Other Families & Children						-	
Aged & Disabled	502		403			99	
Migrant Services						-	
Aboriginal Services						-	
Other Community Services	57					57	
Education						-	
<b>HOUSING &amp; COMMUNITY AMENITIES</b>		1,828			1,086		742
Housing						-	
Town Planning	1,579		907			672	
Domestic Waste Management	2,926		3,330			(404)	
Other Waste Management	415		500			(85)	
Street Cleaning	771					771	
Other Sanitation & Garbage	467					467	
Urban Stormwater Drainage	606		1	13		592	
Environmental Protection	1,046		28			1,018	
Public Cemeteries						-	
Public Conveniences	205					205	
Other Community Amenities	278			404		(126)	
		8,293			5,183		3,110

# 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
<b>WATER SUPPLIES</b>						-
<b>SEWERAGE SERVICES</b>		-			-	-
<b>RECREATION &amp; CULTURE</b>		-			-	-
Public Libraries	1,472		147	17		1,308
Museums						-
Art Galleries	284		121			163
Community Centres	220		88			132
Public Halls						-
Other Cultural Services	302		81			221
Swimming Pools	63		21	5,387		(5,345)
Sporting Grounds	507		89	15		403
Parks & Gardens, Lakes	917		106	77		734
Other Sport & Recreation						-
<b>FUEL &amp; ENERGY</b>		3,765			6,149	(2,384)
Gas Supplies						-
<b>MINING, MANUFACTURING &amp; CONSTRUCTION</b>		-			-	-
Building Control	549		227			322
Abattoirs						-
Quarries & Pits						-
Other						-
<b>TRANSPORT &amp; COMMUNICATION</b>		549			227	322
Urban Roads: Local	1,878		529	258		1,091
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	273		52			221
Aerodromes						-
Parking Areas	452		1,316	434		(1,298)
Bus Shelters & Services	17					17
Water Transport	5					5
RTA Works - State Roads						-
Street Lighting	293		60			233
Other	426					426
		3,344			2,649	695

# 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
<b>ECONOMIC AFFAIRS</b>							
Camping Areas						-	
Caravan Parks						-	
Tourism & Area Promotion	79		18			61	
Industrial Development Promotion						-	
Saleyards & Markets						-	
Real Estate Development						-	
Commercial Nurseries						-	
Other Business Undertakings	301		2,145	8		(1,852)	
		380			2,171		(1,791)
<b>TOTALS - FUNCTIONS</b>		25,980			17,889		8,091
General Purpose Revenues			12,313			12,313	
Joint Ventures/Associated Entities			51			51	
Correction of Fundamental Error						-	
		-			12,364		12,364
<b>SURPLUS (DEFICIT) FROM ORDINARY ACTIVITIES BEFORE EXTRAORDINARY ITEMS</b>							4,273
Extraordinary Items & Council Restructure							
<b>SURPLUS (DEFICIT) FROM ALL ACTIVITIES</b>							4,273



# MOSMAN COUNCIL

## SPECIAL SCHEDULE NO 2 (1) STATEMENT OF LONG TERM DEBT (ALL PURPOSE) for the year ended 30th June 2004

\$'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
<b>LOANS (by source)</b>									
Commonwealth Government			-						
Treasury Corporation			-						
Other State Government			-						
Public Subscription			-						
Financial Institutions	564	3,893	4,457	564			255	762	5,481
Other			-						
<b>Total Loans</b>	<b>564</b>	<b>3,893</b>	<b>4,457</b>	<b>564</b>	<b>-</b>	<b>-</b>	<b>255</b>	<b>762</b>	<b>5,481</b>
<b>OTHER LONG TERM DEBT</b>									
Ratepayers' Advances	-	-	-					-	-
Government Advances	-	-	-					-	-
Finance Leases	-	-	-					-	-
Deferred Payment	130	1,300	1,430	130				130	1,170
Other	-	-	-					-	-
<b>Total Other Long Term Debt</b>	<b>130</b>	<b>1,300</b>	<b>1,430</b>	<b>130</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>130</b>	<b>1,170</b>
<b>TOTAL LONG TERM DEBT</b>	<b>694</b>	<b>5,193</b>	<b>5,887</b>	<b>694</b>	<b>-</b>	<b>-</b>	<b>255</b>	<b>892</b>	<b>6,651</b>
									<b>7,543</b>

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 2004

\$'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			
<b>Totals</b>	-	-	-

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
<b>Totals</b>							-	-	-

# MOSMAN COUNCIL

## SPECIAL SCHEDULE NO 7 CONDITION OF PUBLIC WORKS as at 30th June 2004

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
Public Buildings	<i>References</i>	<i>Note 9</i>	<i>Note 3</i>			<i>Note 9</i>			<i>Local Govt. Act 1993, Section 428 (2d)</i>		
	Council Offices	1%	105	7,741		813	6,928	2		200	225
	Works Depot	1%	9	921		84	837	2		10	10
	Houses	1%	12	1,220		108	1,112	3		2	2
	Library	1%	35	3,389		293	3,096	2		40	43
	Childcare Centres	1%	5	512		94	418	3		10	5
	Art Gallery	1%	33	3,307		246	3,061	1		50	50
	Amenities/Toilets	2%	13	636		102	534	3		15	15
	Bus Shelters	5%	8	154		67	87	3		10	10
	Others	1%	203	24,720		1,497	23,223	3		200	200
	<b>Subtotal</b>		<b>423</b>	<b>42,600</b>	<b>-</b>	<b>3,304</b>	<b>39,296</b>		<b>-</b>	<b>537</b>	<b>560</b>
	Public Roads										
	Sealed Roads										
Public Roads	Structure	1%	1,327	133,232		38,915	94,317	4	4,700	500	730
	Unsealed Roads										
	Bridges										
	Footpaths	1%	139	14,054		1,770	12,284	5	2,800	300	303
	Cycleways										
	Kerb & Gutter	1%	128	12,783		1,456	11,327	3		65	40
	Road Furniture	1%	7	129		33	96	3		60	60
	<b>Subtotal</b>		<b>1,601</b>	<b>160,198</b>	<b>-</b>	<b>42,174</b>	<b>118,024</b>		<b>7,500</b>	<b>925</b>	<b>1,133</b>

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 2004

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%	315	31,500		16,281	15,219	4	11,397	1,139	56
	HW Inlets	1%	17	1,700		964	736	3		50	56
Drainage Works	HW Outlets	1%	74	7,400		2,390	5,010	3		50	56
	Junction Pits	1%	25	2,500		1,584	916	3		50	56
	S/Water Devices	1%	37	4,257		125	4,132	2			
	Subtotal		468	47,357	-	21,344	26,013		11,397	1,289	224
Total Classes - All Assets			2,492	250,155	-	66,822	183,333		18,897	2,751	1,917

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 2004

### "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                                 |