

MOSMAN COUNCIL

General Purpose Financial Reports for the year ended 30th June 2005

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MOSMAN COUNCIL

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2005

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

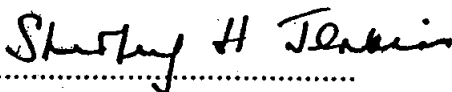
- The Local Government Act 1993 (as amended) and the Regulations made thereunder
- The Australian Accounting Standards and professional pronouncements
- The Local Government Code of Accounting Practice and Financial Reporting
- The Local Government Asset Accounting Manual.

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

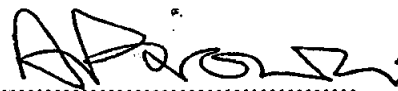
We are not aware of any matter that would render the reports false or misleading in any way.

Signed in accordance with a resolution of Council made on 5 September 2005



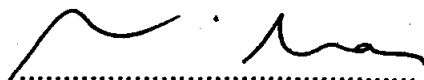
(Shirley H Jenkins)

MAYOR



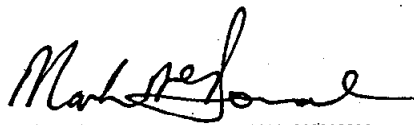
(Andrew Brown)

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 2005

Budget 2005 \$'000		Notes	Actual 2005 \$'000	Actual 2004 \$'000
EXPENSES FROM ORDINARY ACTIVITIES				
10,523	Employee Costs	3	10,634	10,014
6,905	Materials & Contracts		7,314	6,829
353	Borrowing Costs	3	366	256
3,000	Depreciation & Amortisation	3	3,405	3,345
4,458	Other Expenses	3	5,009	5,536
50	Loss from Disposal of Assets	5	52	-
	Loss from interests in Joint Ventures & Associates	19	-	-
<u>25,289</u>	Total Expenses from Ordinary Activities		<u>26,780</u>	<u>25,980</u>
REVENUES FROM ORDINARY ACTIVITIES				
14,837	Rates & Annual Charges	4	15,072	14,564
6,036	User Charges & Fees	4	5,846	5,684
336	Investment Revenues	4	367	328
1,603	Grants & Contributions - Operating	4	1,686	1,594
1,830	Other Revenues	4	1,551	1,371
	Profit from Disposal of Assets	5	-	30
	Profit from interests in Joint Ventures & Associates	19	64	51
<u>24,642</u>	Revenues from Ordinary Activities before Capital Amounts		<u>24,586</u>	<u>23,622</u>
(647)	SURPLUS(DEFICIT) FROM ORDINARY ACTIVITIES BEFORE CAPITAL AMOUNTS		<u>(2,194)</u>	<u>(2,358)</u>
<u>562</u>	Grants & Contributions - Capital	4	<u>644</u>	<u>6,631</u>
(85)	NET SURPLUS(DEFICIT) FOR YEAR		(1,550)	4,273

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

MOSMAN COUNCIL

STATEMENT OF FINANCIAL POSITION as at 30th June 2005

	Notes	Actual 2005 \$'000	Actual 2004 \$'000
CURRENT ASSETS			
Cash Assets	6	5,168	5,686
Receivables	7	2,033	1,801
Inventories	8	104	99
Other	8	131	70
TOTAL CURRENT ASSETS		<u>7,436</u>	<u>7,656</u>
NON-CURRENT ASSETS			
Receivables	7	55	44
Other	8	59	44
Property, Plant & Equipment	9	410,600	410,854
Investments accounted for using the equity method	19	466	476
TOTAL NON-CURRENT ASSETS		<u>411,180</u>	<u>411,418</u>
TOTAL ASSETS		<u>418,616</u>	<u>419,074</u>
CURRENT LIABILITIES			
Payables	10	2,175	2,324
Borrowings	10	1,020	892
Provisions	10	990	967
TOTAL CURRENT LIABILITIES		<u>4,185</u>	<u>4,183</u>
NON-CURRENT LIABILITIES			
Payables	10	3,709	3,220
Borrowings	10	6,931	6,651
Provisions	10	1,465	1,144
TOTAL NON CURRENT LIABILITIES		<u>12,105</u>	<u>11,015</u>
TOTAL LIABILITIES		<u>16,290</u>	<u>15,198</u>
NET ASSETS		<u>\$ 402,326</u>	<u>403,876</u>
EQUITY			
Accumulated Surplus		402,326	403,876
Asset Revaluation Reserve		-	-
Council Equity Interest		<u>402,326</u>	<u>403,876</u>
Outside Interest in Equity	19	-	-
TOTAL EQUITY		<u>\$ 402,326</u>	<u>403,876</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 2005

	Note Ref	2005 \$'000	2004 \$'000
		Accum Surplus	Asset Reval. Reserve
		Total	Total
Balance at beginning of the reporting period		403,876	399,603
Change in Net Assets recognised in the Statement of Financial Performance		(1,550)	4,273
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		402,326	403,876

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

MOSMAN COUNCIL

STATEMENT OF CASH FLOWS for the year ended 30th June 2005

Budget 2005 \$'000		Notes	Actual 2005 \$'000	Actual 2004 \$'000
	CASH FLOWS FROM OPERATING ACTIVITIES			
	<u>Receipts</u>			
14,887	Rates & Annual Charges		15,037	14,502
5,901	User Charges & Fees		6,370	5,943
346	Investments Income		366	314
2,395	Grants & Contributions		2,489	2,961
2,200	Other operating receipts		2,302	2,809
	<u>Payments</u>			
(10,358)	Employee Costs		(10,329)	(9,846)
(6,780)	Materials & Contracts		(7,864)	(8,014)
(350)	Borrowing Costs		(362)	(256)
(4,385)	Other operating payments		(5,560)	(5,477)
3,856	Net Cash provided by (or used in) Operating Activities	11	2,449	2,936
	CASH FLOWS FROM INVESTING ACTIVITIES			
	<u>Receipts</u>			
400	Proceeds from sale of Property, Plant & Equipment		491	754
	Proceeds from sale of Real Estate	5, 8	-	-
	Proceeds from sale of Investment Securities		-	-
	Repayments from Deferred Debtors		-	-
	Contributions to joint ventures by minority interests	19	-	-
30	Distribution received from associated entities	19	34	34
	<u>Payments</u>			
(4,833)	Purchase of Property, Plant & Equipment		(3,885)	(4,973)
	Purchase of Real Estate	8	-	-
	Shares in State Cover	8	(15)	-
	Purchase of Investment Securities		-	-
	Loans to Deferred Debtors		-	-
	Distributions from joint ventures to minority interests	19	-	-
	Capital contributed to associated entities	19	-	-
(4,403)	Net Cash provided by (or used in) Investing Activities		(3,375)	(4,185)
	CASH FLOWS FROM FINANCING ACTIVITIES			
	<u>Receipts</u>			
1,300	Proceeds from Borrowings & Advances		1,300	2,350
	Proceeds from Retirement Home Contributions		-	-
	<u>Payments</u>			
(763)	Repayments of Borrowings & Advances		(762)	(564)
	Repayment of Finance Lease Liabilities		-	-
(315)	Other		(130)	(130)
222	Net Cash provided by (or used in) Financing Activities		408	1,656
(325)	Net Increase (Decrease) in cash held		(518)	407
5,686	Cash at beginning of reporting period	11	5,686	5,279
	Adjustment to opening Cash due to adoption of revised Accounting Standards	1	-	-
	Adjustment to Cash arising from Council restructure	24	-	-
5,361	Cash at end of reporting period	11	5,168	5,686

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

Note 1

**SIGNIFICANT ACCOUNTING
POLICIES**

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

1. The Local Government Reporting Entity

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

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

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

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

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

2. Basis of Accounting**(i) Compliance**

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

(ii) **Basis of Accounting**

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

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

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

3. Rates

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

4. Grants, Contributions and Donations

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

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

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

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

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

5. 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 2005 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
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Asset Capitalisation thresholds include:

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

(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 which applies 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 2005.

Employer Liability	\$3,069,479
Employer Assets	\$3,501,282
Surplus	\$431,803

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 LibraryNetwork, 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.

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. First time adoption of International Financial Reporting Standards (IFRS's)

The anticipated financial effects of the adoption of International Financial Reporting Standards is set out in Note 22.

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 2005 \$'000	Actual 2005 \$'000	Actual 2004 \$'000	Original Budget 2005 \$'000	Actual 2005 \$'000	Actual 2004 \$'000	Original Budget 2005 \$'000	Actual 2005 \$'000	Actual 2004 \$'000	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
COUNCIL, COMMUNITY & COMMUNICATION (GOV)				926	925	1,142	(926)	(925)	(1,142)			5	8
RESOURCE & ASSET MANAGEMENT	3,437	3,153	2,514	5,732	6,477	6,707	(2,295)	(3,324)	(4,193)			13,040	18,169
STRATEGIC TOWN PLANNING	149	115	518	484	549	280	(335)	(434)	238	19		116	18
BUILT ENVIRONMENT	1,032	991	998	1,264	1,354	1,525	(232)	(393)	(527)			224	221
NATURAL ENVIRONMENT	87	114	116	1,003	1,500	1,906	(916)	(1,386)	(1,790)	73	34	26,852	26,796
PUBLIC HEALTH	3,844	3,987	3,928	4,992	4,357	4,063	(1,148)	(400)	(135)	24	46	958	1,041
COMMUNITY SAFETY	56	85	39	1,015	1,402	929	(959)	(1,317)	(890)			529	543
COMMUNITY DEVELOPMENT & SERVICES	1,136	1,169	1,093	2,019	2,049	1,864	(883)	(880)	(771)	529	565	3,997	3,951
LIBRARY & INFORMATION	171	165	165	1,537	1,550	1,492	(1,366)	(1,355)	(1,327)	73	69	6,175	6,128
PARKS, RECREATION & CULTURE	465	561	5,897	2,724	2,979	2,668	(2,259)	(2,418)	3,229	59	133	244,059	243,886
TRANSPORT & TRAFFIC	2,223	2,090	2,671	3,403	3,450	3,280	(1,180)	(1,360)	(609)	137	391	117,797	118,313
ECONOMIC DEVELOPMENT	4	1	1	190	128	124	(186)	(127)	(123)				
TOTAL FUNCTIONS	12,604	12,431	17,940	25,289	26,780	25,980	(12,685)	(13,349)	(8,040)	1,902	1,238	418,616	419,074
General Purpose Revenues	12,600	12,799	12,313							686	682		
TOTAL	25,204	25,230	30,253	25,289	26,780	25,980	(85)	(13,550)	4,273	1,908	1,920	418,616	419,074

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

NOTE 2(b)

COMPONENTS OF FUNCTIONS

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

COUNCIL, COMMUNITY AND COMMUNICATION

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

RESOURCE & ASSET MANAGEMENT

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

STRATEGIC TOWN PLANNING

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

BUILT ENVIRONMENT

Development Administration.

NATURAL ENVIRONMENT

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

PUBLIC HEALTH

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

COMMUNITY SAFETY

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

COMMUNITY DEVELOPMENT & SERVICES

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

Note 2(b) -Components of Functions continued

LIBRARY & INFORMATION

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

PARKS, RECREATION & CULTURE

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

TRANSPORT & TRAFFIC

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

ECONOMIC DEVELOPMENT

Business & Employment, Marketing Mosman, Regional Economic Development.

MOSMAN COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2005

Note 3 - EXPENSES FROM ORDINARY ACTIVITIES

EMPLOYEE COSTS	2005 \$'000	2004 \$'000
Salaries and Wages	8,362	8,095
Travelling	79	66
Employee Leave Entitlements	1,193	1,002
Employee Leave Entitlements - On Costs	15	4
Superannuation	680	624
Workers' Compensation Insurance	244	182
Fringe Benefits Tax	53	74
Payroll Tax		
Training Costs (excluding Salaries)	88	88
Other	12	11
Less: Capitalised and distributed costs	(92)	(132)
Total Operating Employee Costs	10,634	10,014
Total Number of Employees	165	167
(Full time equivalent at end of reporting period)		
BORROWING COSTS		
Interest on Overdraft	1	1
Interest on Loans	365	255
Interest on Advances		
Charges on Finance Leases		
Interest on other debts		
Gross Interest Charges	366	256
Less: Borrowing Costs capitalised		
Total Interest Charges	366	256
DEPRECIATION & AMORTISATION		
Plant and Equipment	152	153
Office Equipment	112	134
Furniture & Fittings	20	16
Leased Property, Plant & Equipment		
Land Improvements	297	270
Buildings	414	415
Other Structures	8	8
Infrastructure		
- roads, bridges & footpaths	1,612	1,601
- stormwater drainage	477	468
- water supply network not elsewhere included		
- sewerage network not elsewhere included		
Other assets		
- heritage collections		
- library books	119	118
- other	194	162
Less: Capitalised and distributed costs		
Total Depreciation & Amortisation	3,405	3,345

MOSMAN COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2005

Note 3 - EXPENSES FROM ORDINARY ACTIVITIES (cont)

	2005 \$'000	2004 \$'000
OTHER EXPENSES		
Advertising	203	197
Auditor's Remuneration		
- Audit Services	20	21
- Other Services		
- Other Auditors		
Bad & Doubtful Debts	31	40
Bank & Financial Charges	72	75
Catering	73	72
Computer/IT Expenses	376	458
Consultancies	220	459
Donations & Contributions to Local & Regional Bodies	312	309
Election Expenses	-	55
Equipment Maintenance	49	53
Insurances	578	579
Self Insurances/(Surplus)/Deficit		(17)
Leases (Property)	38	48
Leases (Photocopiers)	61	60
Legal Expenses		
- Planning & Development	366	603
- Other Legal Expenses	131	68
Light, Power & Heating	177	169
Mayoral Allowance	28	27
Members' Fees & Allowances	155	151
Members' Expenses	51	46
Operating Lease	151	113
Payments to other levels of Government	791	742
Postage & Couriers	89	101
Printing & Stationery	133	143
Street Lighting	302	284
Subscriptions & Publications	64	55
Telephone & Communications	155	172
Waste Disposal & Recycling Centre	132	119
Water	62	66
Other	189	268
Total Other Expenses	<u>5,009</u>	<u>5,536</u>

MOSMAN COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2005

Note 4 - REVENUES FROM ORDINARY ACTIVITIES

RATES & ANNUAL CHARGES	2005 \$'000	2004 \$'000
<u>Ordinary Rates</u>		
Residential	10,569	10,136
Business	1,187	1,141
	<u>11,756</u>	<u>11,277</u>
<u>Special Rates</u>		
	<u>-</u>	<u>-</u>
<u>Annual Charges</u>		
Domestic Waste Management	3,316	3,287
	<u>3,316</u>	<u>3,287</u>
Total Rates & Annual Charges	<u>15,072</u>	<u>14,564</u>
USER CHARGES & FEES		
<u>User Charges</u>		
Domestic Waste Management	15	15
Lease Rental (Property)	2,359	2,104
Meals On Wheels	79	95
Road Restoration	274	272
Staff Vehicle Leases	86	85
Market Days	89	75
Out of School Hours Care	105	90
Vacation Care	53	46
Cultural Centre Rental	87	88
Oval Rents	62	89
Reserve Rents	81	63
Childrens Leisure & Learning	24	26
Library - Photocopying	20	25
Mosman Occasional Child Care Centre	130	151
Mini-Skips	25	28
Community Restaurant	25	23
Vehicular Crossing	18	35
Kidzone - Vacation	29	29
Depot Hire	4	16
Civic Centre - Photocopying	10	13
Family Day Care	3	11
Occasional Child Care	11	10
Dinghy Storage Racks	21	12
Other Waste Management	391	415
Other	103	59
	<u>4,104</u>	<u>3,875</u>
<u>Fees</u>		
Planning & Building	1,613	1,634
Art Prize Fees	26	25
Other	103	150
	<u>1,742</u>	<u>1,809</u>
Total User Charges & Fees	<u>5,846</u>	<u>5,684</u>

MOSMAN COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2005

Note 4 - REVENUES FROM ORDINARY ACTIVITIES (cont)

	2005 \$'000	2004 \$'000
INVESTMENT REVENUES		
Interest on overdue rates and charges	30	25
Interest on investments attributable to Section 94 Contributions	10	
Other Investments	327	303
Gross Investment Revenues	<u>367</u>	<u>328</u>
Less: Interest deducted from capitalised borrowing costs		
Total Investment Revenues	<u>367</u>	<u>328</u>
OTHER REVENUES		
Commissions & Agency Fees	15	16
Certificate Fees	182	205
Fines	1,130	985
Footpath Occupation	52	52
Lease Rental	56	48
Legal Fees Recovery (Rates)	20	14
Other	96	51
Total Other Revenues	<u>1,551</u>	<u>1,371</u>

MOSMAN COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2005

Note 4 - REVENUES FROM ORDINARY ACTIVITIES (cont)

	OPERATING		CAPITAL	
	2005	2004	2005	2004
	\$'000	\$'000	\$'000	\$'000
GRANTS				
General Purpose (Untied)				
Financial Assistance	616	608		
Pensioner Rates Subsidies (General)	70	74		
Specific Purpose				
Pensioner Rates Subsidies				
Domestic Waste Management	24	26		
Community Services	629	565		
Library Services	58	52	15	17
Roads & Bridges	95	91		258
Health	-	20		
Recreation & Culture	57	8	75	125
Stormwater				13
Traffic Facility	42	42		
Housing & Community Amenities	7	21		
Other				
Total Grants & Subsidies	1,598	1,507	90	413
CONTRIBUTIONS & DONATIONS				
Developer Contributions				
Parking			80	434
Open Space			443	380
RTA Contributions	47	39	14	
Traffic Facility			1	
Transport & Communication	7	10		
Seawalls				9
Community Development	30	13		
Recreation & Culture	4	9	16	5,387
Other		16		8
Total Contributions & Donations	88	87	554	6,218
TOTAL GRANTS & CONTRIBUTIONS	1,686	1,594	644	6,631

MOSMAN COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2005

Note 5 - GAIN OR LOSS ON DISPOSAL OF ASSETS

	2005 \$'000	2004 \$'000
DISPOSAL OF PROPERTY		
Proceeds from disposal	13	66
Less: Carrying amount of assets sold		
Gain (Loss) on disposal	<u>13</u>	<u>66</u>
DISPOSAL OF PLANT & EQUIPMENT		
Proceeds from disposal	569	623
Less: Carrying amount of assets sold	634	659
Gain (Loss) on disposal	<u>(65)</u>	<u>(36)</u>
DISPOSAL OF REAL ESTATE DEVELOPMENT ASSETS		
Proceeds from disposal		
Less: Carrying amount of assets sold		
Gain (Loss) on disposal	<u>-</u>	<u>-</u>
DISPOSAL OF INVESTMENT SECURITIES		
Proceeds from disposal		
Less: Carrying amount of assets sold		
Gain (Loss) on disposal	<u>-</u>	<u>-</u>
TOTAL GAIN (LOSS) ON DISPOSAL OF ASSETS	<u>(52)</u>	<u>30</u>

MOSMAN COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2005

Note 6 - CASH ASSETS & INVESTMENT SECURITIES

	2005 \$'000		2004 \$'000	
	<u>Current</u>	<u>Non-Current</u>	<u>Current</u>	<u>Non-Current</u>
CASH ASSETS				
Cash on Hand and at Bank	218		786	
Deposits at Call				
Short Term Deposits & Bills, etc	4,950		4,900	
Blank line				
Total Cash Assets	<u>5,168</u>	<u>-</u>	<u>5,686</u>	<u>-</u>
INVESTMENT SECURITIES				
Term Deposits				
Bills of Exchange				
Treasury Corporation				
NCDs, FRNs				
Managed Funds				
Other				
Total Investment Securities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL CASH ASSETS & INVESTMENT SECURITIES	<u>5,168</u>	<u>-</u>	<u>5,686</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 5.41 and 5.89% (2004 -4.68% and 5.05%).

RESTRICTED CASH ASSETS & INVESTMENT SECURITIES

		2005 \$'000		2004 \$'000	
		<u>Current</u>	<u>Non-Current</u>	<u>Current</u>	<u>Non-Current</u>
EXTERNAL RESTRICTIONS					
Included in liabilities					
Unexpended Loans					
RTA Advances					
Self Insurance Claims					
Other					
		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other					
Developer Contributions	17	310		125	
RTA Contributions					
Unexpended Grants	14	60		232	
Water Supply funds		-	-		
Sewerage funds		-	-		
Domestic Waste Management		249		421	
Other					
		<u>619</u>	<u>-</u>	<u>778</u>	<u>-</u>
Total External Restrictions		<u>619</u>	<u>-</u>	<u>778</u>	<u>-</u>
Total Internal Restrictions		<u>2,922</u>	<u>-</u>	<u>3,322</u>	<u>-</u>
TOTAL UNRESTRICTED		<u>1,627</u>	<u>-</u>	<u>1,586</u>	<u>-</u>
TOTAL CASH ASSETS & INVESTMENT SECURITIES		<u>5,168</u>	<u>-</u>	<u>5,686</u>	<u>-</u>

MOSMAN COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2005

Note 6 - CASH ASSETS & INVESTMENT SECURITIES (cont)

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

	Notes	Opening Balance 30 June 2004 \$'000	Movements		Closing Balance 30 June 2005 \$'000	Proposed Utilisation of Restriction		
			Transfers To Restriction \$'000	Transfers From Restriction \$'000		Less than 1 Year \$'000	Between 1 and 5 years \$'000	Greater than 5 years \$'000
External Restrictions								
Developer Contributions	17	125	533	348	310	310	-	-
RTA Contributions		-	-	-	-	-	-	-
Unexpended Grants		232	31	203	60	60	-	-
Water Supply funds		-	-	-	-	-	-	-
Sewerage funds		-	-	-	-	-	-	-
Domestic Waste Management		421	-	172	249	249	-	-
Other		-	-	-	-	-	-	-
Total External Restrictions		778	564	723	619	619	-	-

External Restrictions arise pursuant to section 409(3) of the Local Government Act, the Local Government (Financial Management) Regulation 1999 and other applicable legislation. Further information relating to Developer Contributions is provided in Note 17 and Unexpended Grants in Note 14. Amounts raised by special rates (eg. Water & Sewer) or for Domestic Waste Management may only be used for those purposes.

Internal Restrictions								
Employee Leave Entitlements		450	50		500	450		50
Uncompleted Works		299	183	299	183	183		-
Deposits & Bonds		1,350		450	900	730		170
Skate Park Facility		58		58	-	-		-
Library Air Conditioning		110			110	110		-
Inkerman St Wharf		42		16	26	26		-
Community Environmental Contract		1,013	58		1,071	1,071		-
Balmoral/Cliffton Gardens Marine			50		50	50		-
Asset Management System			50		50	50		-
Civic Centre Security			22		22	22		-
Balmoral Bathurst Fire Consultancy			10		10	10		-
Total Internal Restrictions		3,322	423	823	2,922	2,702	-	220

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 2005

Note 7 - RECEIVABLES

	2005 \$'000		2004 \$'000	
	Current	Non-Current	Current	Non-Current
Rates & Annual Charges	266	55	242	44
Interest & Extra Charges	12		15	
Rates Legals	3		3	
User Charges & Fees	973		1,008	
Accrued Revenues - Fines	410		339	
GST Receivable	200		200	
Investment Income	21		17	
Other levels of Government	134		125	
Joint Ventures	74		34	
Other	250		97	
Total	2,343	55	2,080	44
Less: Provision for Doubtful Debts				
Rates & Annual Charges				
Interest & Extra Charges				
User Charges & Fees	301		270	
Other	9		9	
	2,033	55	1,801	44

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% (2004: 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.

AGGREGATE ASSET ARISING FROM EMPLOYEE BENEFITS

0	0
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RESTRICTED RECEIVABLES

Domestic Waste Management	82		77	
Other				
Total Restrictions	82	-	77	-
Unrestricted Receivables	1,951	55	1,724	44
Total Receivables	2,033	55	1,801	44

MOSMAN COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2005

Note 8 - INVENTORIES & OTHER ASSETS

	2005		2004	
	\$'000		\$'000	
	<u>Current</u>	<u>Non-Current</u>	<u>Current</u>	<u>Non-Current</u>
INVENTORIES				
Stores & Materials	59		54	
Trading Stock	45		45	
Real Estate Developments	-	-	-	-
Other				
Total Inventories	<u>104</u>	<u>-</u>	<u>99</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	131		70	
Other		59		44
Total Other Assets	<u>131</u>	<u>59</u>	<u>70</u>	<u>44</u>

MOSMAN COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2005

Note 9 - PROPERTY, PLANT & EQUIPMENT

	2004 \$'000					CARRYING AMOUNT MOVEMENTS DURING YEAR					2005 \$'000			
	AT COST	AT FAIR VALUE	ACCUM DEPN	CARRYING AMOUNT	Asset Purchases	Council Restructure	Asset Disposals	Depreciation	Write Downs (ref Note 3)	Net Revaluation	AT COST	AT FAIR VALUE	ACCUM DEPN	CARRYING AMOUNT
Plant & Equipment	2,117	-	703	1,414	738	-	(634)	(152)	-	-	2,129	-	763	1,366
Office Equipment	2,582	-	2,312	250	58	-	-	(112)	-	-	2,620	-	2,424	198
Furniture & Fittings	810	-	455	355	49	-	-	(20)	-	-	859	-	475	384
Leased Plant & Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Land	114,248	-	-	114,248	-	-	-	-	-	-	114,248	-	-	114,248
- Operational	102,193	-	-	102,193	-	-	-	-	-	-	102,193	-	-	102,193
- Community	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- non deprec land improv'ts	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- land under roads	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Land Improvements - depreciable	9,465	-	-	6,828	420	-	-	(297)	-	-	9,885	-	2,934	6,951
Buildings	42,447	-	3,237	39,210	380	-	-	(414)	-	-	42,827	-	3,651	39,176
Other Structures	153	-	67	86	-	-	-	(8)	-	-	154	-	78	78
Infrastructure	160,198	-	42,174	118,024	1,110	-	-	(1,612)	-	-	161,307	-	43,785	117,522
- Roads, bridges, footpaths	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- Bulk earthworks (non-deprec.)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- Stormwater drainage	47,357	-	21,344	26,013	643	-	-	(477)	-	-	48,000	-	21,821	26,179
- Water Supply Network	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- Sewerage Network	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- Heritage Collections	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- Library Books	2,443	-	2,028	415	153	-	-	(119)	-	-	2,596	-	2,147	449
- Other	3,702	-	1,884	1,818	234	-	-	(194)	-	-	3,936	-	2,078	1,858
Totals	487,895	-	76,841	410,854	3,765	-	(634)	(3,405)	-	-	490,754	-	80,154	410,600

MOSMAN COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2005

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

	2005 \$'000				2004 \$'000			
	AT COST	AT VALUATION	ACCUM DEPN	CARRYING AMOUNT	AT COST	AT VALUATION	ACCUM DEPN	CARRYING AMOUNT
Water Supply 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 Total Water Supply	-	-	-	-	-	-	-	-
Sewerage Services 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 Total Sewerage Services	-	-	-	-	-	-	-	-

MOSMAN COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2005

Note 10 - LIABILITIES

	2005 \$'000		2004 \$'000	
	<u>Current</u>	<u>Non-Current</u>	<u>Current</u>	<u>Non-Current</u>
PAYABLES				
Goods & Services	1,359		1,213	
Payments received in advance	49		45	
Accrued Expenses-Interest on Loans	37		33	
Accrued Expenses-Other			183	
Deposits, Retentions & Bonds	730	3,709	850	3,220
Other				
Total Payables	<u>2,175</u>	<u>3,709</u>	<u>2,324</u>	<u>3,220</u>
BORROWINGS				
Bank Overdraft				
Loans	890	5,891	762	5,481
Deferred Payment Liabilities	130	1,040	130	1,170
Other				
Total Borrowings	<u>1,020</u>	<u>6,931</u>	<u>892</u>	<u>6,651</u>

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

PROVISIONS				
Annual Leave	774	226	733	196
Sick Leave				
Long Service Leave	153	1,178	174	900
ELE On Costs	63	61	60	48
Total Provisions	<u>990</u>	<u>1,465</u>	<u>967</u>	<u>1,144</u>

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

MOSMAN COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2005

NOTE 10 - LIABILITIES (cont)

	2005 \$'000		2004 \$'000	
	<u>Current</u>	<u>Non-Current</u>	<u>Current</u>	<u>Non-Current</u>
AGGREGATE LIABILITY ARISING FROM EMPLOYEE BENEFITS	927	1,404	967	1,144
<i>LIABILITIES relating to RESTRICTED ASSETS</i>				
<i>Domestic Waste Management</i>				
<i>Payables</i>				
<i>Interest Bearing Liabilities</i>				
<i>Provisions</i>				
<i>Subtotal</i>	-	-	-	-
<i>Water Supplies</i>				
<i>Payables</i>	-	-		
<i>Interest Bearing Liabilities</i>	-	-		
<i>Provisions</i>	-	-		
<i>Subtotal</i>	-	-	-	-
<i>Sewerage Services</i>				
<i>Payables</i>	-	-		
<i>Interest Bearing Liabilities</i>	-	-		
<i>Provisions</i>	-	-		
<i>Subtotal</i>	-	-	-	-
<i>Other</i>				
<i>Payables</i>				
<i>Interest Bearing Liabilities</i>				
<i>Provisions</i>				
<i>Subtotal</i>	-	-	-	-
TOTAL	-	-	-	-

MOSMAN COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2005

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:

	2005 \$'000	2004 \$'000
Total Cash Assets (Note 6)	5,168	5,686
Less: Bank Overdraft (Note 10)	-	-
Balances per Statement of Cash Flows	<u>5,168</u>	<u>5,686</u>

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

Change in Net Assets resulting from Operations	(1,550)	4,273
Minority Interest in Operating Result	-	-
Add: Depreciation and Amortisation	3,405	3,345
Increase in provision for doubtful debts	31	-
Increase in employee benefits	344	202
Increase in other provisions	-	-
Decrease in receivables	-	386
Decrease in inventories	-	3
Decrease in other current assets	-	108
Increase in trade creditors	440	-
Increase in accrued expenses payable	-	-
Increase in other payables	-	292
Loss on Sale of Assets	52	-
Equity share of loss in Associates	-	-
Equity adjustment in Associates (decrease)	-	-
Decrements from Revaluations	-	-
Loss on Council restructure	-	-
	<u>2,722</u>	<u>8,609</u>
Less: Decrease in provision for doubtful debts	-	182
Decrease in employee benefits	-	-
Decrease in other provisions	-	17
Increase in receivables	143	-
Increase in inventories	5	-
Increase in other assets	61	28
Decrease in trade creditors	-	-
Decrease in accrued expenses payable	-	-
Decrease in other payables	-	-
Gain on Sale of Assets	-	30
Equity share of profit in Associates	64	51
Equity adjustment in Associates (increase)	-	-
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>2,449</u>	<u>2,936</u>

MOSMAN COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2005

Note 11 (cont) - RECONCILIATION TO CASH FLOW STATEMENT

	2005 \$'000	2004 \$'000
(c) Non-Cash Financing and Investing Activities		
Acquisition of assets by means of:		
- PWD Construction	-	
- Bushfire Grants	-	
- Developer Contributions received in kind	-	
- Non-cash issues of Shares in Other Companies	-	
- Land		400
- Buildings		5,310
- Other	-	
	<hr/>	<hr/>
	-	5,710
- Finance Leases	-	
- Consideration by way of amount owing from 30 June 03		(345)
- Land taken over for non-payment of Rates	-	
	<hr/>	<hr/>
	-	5,365

(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 2005

Note 12 - COMMITMENTS FOR EXPENDITURE

	2005 \$'000	2004 \$'000
(a) Capital Commitments		
Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:		
Land	875	875
Buildings		355
Plant & Equipment	158	
	<u>1,033</u>	<u>1,230</u>
These expenditures are payable:		
Not later than one year	333	530
Later than one year and not later than 5 years	700	700
Later than 5 years	<u>1,033</u>	<u>1,230</u>

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

(b) Other Expenditure Commitments

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

Audit Services	23	23
Waste Management Services	2,179	2,070
Other		
	<u>2,202</u>	<u>2,093</u>
These expenditures are payable:		
Not later than one year	2,202	2,093
Later than one year and not later than 5 years		
Later than 5 years	<u>2,202</u>	<u>2,093</u>

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

(c) Finance Lease Commitments

Commitments under finance leases at the reporting date are as follows:

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

No Joint Ventures or Partnerships have any finance lease arrangements.

MOSMAN COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2005

Note 12 (CONT) - COMMITMENTS FOR EXPENDITURE

	2005 \$'000	2004 \$'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	184	221
Later than one year and not later than 5 years		
Later than 5 years		
	<u>184</u>	<u>221</u>

MOSMAN COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2005

Note 13 - STATEMENT OF PERFORMANCE MEASUREMENT

		2005	2004	2003	2002
	<u>Amounts</u>	<u>Indicators</u>			
Current Ratio					
<u>Current Assets</u>	\$7,436	1.78:1	1.83:1	1.93:1	1.91:1
<u>Current Liabilities</u>	\$4,185				
Unrestricted Current Ratio					
<u>Unrestricted Current Assets*</u>	\$6,735	1.61:1	1.63:1	1.76:1	1.84:1
<u>Current Liabilities not relating to Restricted Assets</u>	\$4,185				
* as defined in the Code					
Debt Service Ratio					
<u>Net Debt Service Cost</u>	\$1,258	5.33%	4.18%	3.19%	3.15%
<u>Operating Revenue</u>	\$23,586				
* as defined in the Code					
Rate & Annual Charges					
Coverage Ratio					
<u>Rates & Annual Charges Revenues</u>	\$15,072	59.74%	48.14%	59.20%	56.56%
<u>Total Revenues</u>	\$25,230				
Rates & Annual Charges					
Outstanding Percentage					
<u>Rates & Annual Charges Outstanding</u>	\$336	2.18%	2.05%	1.60%	1.94%
<u>Rates & Annual Charges Collectible</u>	\$15,406				

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 2005

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:

	2005 \$'000		2004 \$'000	
	<u>Grants</u>	<u>Contrib</u>	<u>Grants</u>	<u>Contrib</u>
Unexpended at the close of the previous reporting period	232	125	302	20
Summarised as follows:				
Community Services-Family First	86		147	
Roads & Bridges			97	20
Stormwater	105		58	
Beat Graffiti-Youth	5			
Recreation & Culture	15			
Health	20			
Library	1			
Open Space		125		
Less: expended during the current period from revenues recognised in previous reporting periods				
Community Services-Family First	71		61	
Roads & Bridges			97	20
Stormwater	105		58	
Youth	5			
Recreation & Culture	2			
Health	20			
Library				
Other				
Subtotal	203	0	216	20
Plus: amounts recognised as revenues in this reporting period but not yet expended in accordance with the conditions				
Youth	19		5	
Recreation & Culture			15	
Health			20	
Library			1	
Stormwater			105	
Community Services	12			
Open Space		185		125
Subtotal	31	185	146	125
Unexpended at the close of this reporting period and held as restricted assets	60	310	232	125
Net increase (decrease) in restricted assets in the current reporting period.	-172	185	-70	105

MOSMAN COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2005

Note 15 - FINANCIAL INSTRUMENTS

Interest Rate Risk Exposures

2005	Floating Interest Rate '000	Fixed interest maturing in ≤ 1 year '000	> 1 year ≥ 5 years '000	> 5 years '000	Non- interest bearing '000	Total '000
Financial Assets						
Cash Assets		5,168			-	5,168
Investment Securities		-			-	-
Receivables						
Rates & Annual Charges		266	55		15	336
User Charges & Fees					672	672
Accrued Revenues-Fines					410	410
GST Receivable					200	200
Investment Income		21				21
Other levels of Govt.					134	134
Joint Ventures					74	74
Other					241	241
Total	-	5,455	55	-	1,746	7,256

Weighted Average Interest Rate 5.6% 9.0%

Financial Liabilities

Payables						
Goods & Services					1,359	1,359
Payments in advance					49	49
Accrued Expenses-Int on Loans		37				37
Accrued Expenses-Other					-	-
Deposits, Retentions, Bonds					4,439	4,439
Other					-	-
Interest Bearing Liabilities	-	890	5,891		1,170	7,951
Finance Lease Liabilities		-	-		-	-
Total	-	927	5,891	-	7,017	13,835

Weighted Average Interest Rate 5.72% 6.01%

2004

Financial Assets

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.					125	125
Joint Ventures					34	34
Other					88	88
Other Assets						-
Total	-	5,945	44	-	1,542	7,531

Weighted Average Interest Rate 5.3% 9.0%

Financial Liabilities

Payables						
Goods & Services					1,213	1,213
Payments in advance					45	45
Accrued Expenses-Int on Loans		33				33
Accrued Expenses-Other					183	183
Deposits, Retentions, Bonds		4,070			-	4,070
Other					-	-
Interest Bearing Liabilities		762	5,481		1,300	7,543
Finance Lease Liabilities		-	-		-	-
Total	-	4,865	5,481	-	2,741	13,087

Weighted Average Interest Rate 5.76% 6.03%

MOSMAN COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2005

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

	2005 \$'000	2004 \$'000
Net financial assets from previous page		
Financial Assets	7,256	7,531
Financial Liabilities	<u>13,835</u>	<u>13,087</u>
	-6,579	-5,556
Non-financial assets and liabilities		
Accrued Revenues	0	0
Inventories	104	99
Property, Plant & Equipment	410,600	410,854
Interest in Associated Bodies	466	476
Other Assets	190	114
Accrued Expenses	0	0
Provisions	-2,455	-2,111
Other liabilities		
	<u>408,905</u>	<u>409,432</u>
Net Assets per Statement of Financial Position	<u>402,326</u>	<u>403,876</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 2005

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 \$405K. This can be attributed to an adjustment of the depreciation method for roads and drainage assets in conjunction with the 2003/2004 Financial Statements. The original budget figure adopted by Council for 2004/2005 was based on a reducing balance methodology.

Other Expenses - This line item shows a variance to budget of \$551K. This in the main can be attributed to Legal Costs-Land & Environment Court (\$216K above original budget & Development Application External Consultants (\$87K above original budget).

Other Revenues - This line item shows a variance to budget of \$279K. This in the main can be attributed to a lower than anticipated level of income achieved for certificate fees.

Grants & Contributions - Capital - This line item shows a variance to budget of \$82K. This can be attributed to a greater than anticipated level of Section 94 Open Space Contributions (\$138K above original budget).

MOSMAN COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2005

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		80			80			1,056
Parking		443		10	268		310	1,298
Open Space	125							
Community facilities								
Other								
Subtotal S94 under plans	125	523		10	348		310	2,354
Sec 94 not under plans								
Sec 64 Contributions								
Total Contributions	125	523		10	348		310	2,354

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		80			80			1,056
Parking		443		10	268		310	1,298
Open Space	125							
Community facilities								
Other								
Total	125	523		10	348		310	2,354

MOSMAN COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2005

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 HHH 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.

STATECOVER MUTUAL Ltd

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

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 2005

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 2005

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

Shorelink Library Network	2005	2004
Council's respective interests are:		
- interest in outputs of the joint operation	13%	13%
- ownership interest in the joint operation	17%	17%
- the proportion of voting power in the joint operation	20%	20%
Movements in Investment in Joint Operation	\$'000	\$'000
Opening Balance	75	104
Amount recognised on adoption of AAS19		
New Capital Contributions		
Share in Operating Result	-12	-29
Distributions Received		
Adjustment to Equity Share		
Share in Equity of Joint Operation	<u>63</u>	<u>75</u>

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

Expenditure Commitments

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

Capital Expenditures payable

Not later than one year

Later than one year and not later than 5 years

Later than 5 years

<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

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.

	2005	2004
	\$'000	\$'000
Operating Statement		
Share of joint venture revenues in operating revenues	63	58
Share of joint venture costs in operating expenses	<u>72</u>	<u>81</u>
Net Contribution	<u>-9</u>	<u>-23</u>
Statement of Financial Position		
Current Assets	43	44
Non-Current Assets	<u>23</u>	<u>36</u>
Share of Assets employed in Joint Ventures	<u>66</u>	<u>80</u>
Current Liabilities	2	2
Non-Current Liabilities	<u>1</u>	<u>3</u>
Share of Liabilities incurred in Joint Ventures	<u>3</u>	<u>5</u>
NET INTEREST IN JOINT VENTURES	<u>63</u>	<u>75</u>

MOSMAN COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2005

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

Kimbriki Waste Disposal Facility	2005	2004
Council's respective interests are:		
- interest in outputs of the joint operation	3%	4%
- ownership interest in the joint operation	4%	4%
- the proportion of voting power in the joint operation	17%	17%
 <u>Movements in Investment in Joint Operation</u>	 <u>\$'000</u>	 <u>\$'000</u>
Opening Balance	401	355
Amount recognised on adoption of AAS14		
New Capital Contributions		
Share in Operating Result	76	80
Distributions Receivable	-74	-34
Adjustment to Equity Share		
Share in Equity of Joint Operation	<u>403</u>	<u>401</u>

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

Expenditure Commitments

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

Capital Expenditures payable

Not later than one year

Later than one year and not later than 5 years

Later than 5 years

<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.

	2005	2004
	\$'000	\$'000
Net Surplus (deficit) of Associates	<u>76</u>	<u>80</u>
Share of Assets employed in Associates	520	459
Share of Liabilities incurred in Associates	-117	-58
NET INTEREST IN ASSOCIATES	<u>403</u>	<u>401</u>

MOSMAN COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2005

NOTE 22 - IMPACTS OF INTERNATIONAL FINANCIAL REPORTING STANDARDS

The adoption of Australian equivalents to International Financial Reporting Standards from 1 July 2005 is expected to affect the amounts disclosed in the Council's Statement of Financial Position at 30 June 2005 as shown below. Items (including reclassifications) not affecting the net amounts reported in these Statements are not disclosed in this Note.

	Notes	AASB 30/6/2005 \$	AIFRS 1/7/2005 \$
Investment Properties (AASB 140)			
Council has identified certain properties as Investment Properties and, pursuant to AASB 140.30 has elected to adopt the cost model.			
These assets are currently included in Property, Plant & Equipment and are recorded at cost.			
Property, Plant & Equipment(at cost less accumulated depreciation)		13,243	
Investment Properties(at cost less accumulated depreciation)			13,243
Financial Instruments (AASB 132 & 139)			
Council has elected to apply the exemption from restatement of comparatives for AASB 132 Financial Instruments: Disclosure and Presentation and AASB 139 Financial Instruments: Recognition and Measurement. It has therefore continued to apply the AGAAP rules to financial assets and financial liabilities for the year ended 30 June 2005. The adjustments required for differences between previous AGAAP and AASB 132 and AASB 139 will be determined and recognised at 1 July 2005.			
Impairment of Assets (AASB 136)			
Where there are indicators of impairment, all assets in scope should be subject to an impairment test. An asset is impaired when its carrying amount exceeds its recoverable amount (the higher of fair value less costs to sell and value in use). The indicators should provide objective evidence of impairment as a result of a past event that occurred subsequent to the initial recognition of the asset.			
Council is unaware of any events or circumstances that indicates that assets are impaired.			
Employee Benefits Provisions (AASB 119)			
Liabilities for employee benefits (other than long service leave) payable more than 12 months beyond reporting date, currently measured at nominal values, are required to be measured as the present value of the future cash outflows.			
Provisions for Employee Benefits(at nominal amounts)		2,455	
Provisions for Employee Benefits(at present value)			2,411
Retirement Benefit Obligations (AASB 119)			
Council is the sponsor of a defined benefit superannuation fund. Under existing Australian GAAP, a liability or asset in respect of defined benefit superannuation does not need to be recognised in the provision for employee benefits. Under AASB 119, a liability or asset in respect of defined benefit superannuation is recognised and measured as the difference between the present value of employees' accrued benefits at the reporting date and the net market value of the superannuation fund's assets at that date.			
Assets (share of actuarial surplus calculated in the fund)		NOT RECOGNISED	432
Provision for Future Reinstatement (AASB 137)			
Council has identified a potential site where it may have an obligation to reinstate that site to a specified condition. This obligation cannot be reliably measured at this time and once determined will be recognised within the books at 1 July 2005.			
Provision for Future Reinstatement(at present value)		NOT RECOGNISED	
Unexpired costs capitalised			
TOTAL EQUITY		402,326	402,802
Net Difference in Equity at 30 June 2005			476

MOSMAN COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2005

NOTE 22 (cont) - IMPACTS OF INTERNATIONAL FINANCIAL REPORTING STANDARDS

The following are the consequential changes in the Statement of Financial Performance / Income Statement resulting from the adoption of the above policies and Standards

	AASB 30/6/2005	AIFRS 1/7/2005
Notes	\$	\$
Investment Properties (AASB 140)		
Depreciation expense recognised in Statement of Financial Performance		NIL
- net (increase) decrease in at cost recognised in Income Statement	NIL	
Financial Instruments		
Net increase (decrease) in expense recognised		
Employee Benefits Provisions (AASB 119)		
Net increase (decrease) in expense recognised		4
Retirement Benefit Obligations (Defined Benefits Scheme)		
Net increase in other revenues recognised (share of actuarial surplus)		(146)
Provision for Future Reinstatement (AASB 137)		
Unwinding of present value discount (borrowing cost)	NIL	
Additional depreciation	NIL	
Excess reinstatement costs written off	NIL	
NET RESULT FOR YEAR (Surplus)/Loss	<u><u>1,550</u></u>	<u>1,408</u>
Adjustment to Opening Equity (increase)/decrease		<u>(335)</u>
Net Difference in Equity at 30 June 2005		<u><u>476</u></u>



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 2005, 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 6th day of September 2005



SPENCER STEER
CHARTERED ACCOUNTANTS

6 September 2005

The Mayor
Mosman Council
PO Box 211
SPIT JUNCTION NSW 2088

Mayor,

Audit Report - Year Ended 30 June 2005

We are pleased to advise completion of the audit of Council's books and records for the year ended 30 June 2005 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 Deficit of \$1.550 million as compared with a Surplus of \$4.273 million 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.

	2005	% of Total	2004	% of Total	Increase (Decrease)
	\$000		\$000		\$000
Ordinary Expenses					
Employees Costs	10,634	40%	10,014	39%	620
Depreciation	3,405	13%	3,345	13%	60
Other	12,741	48%	12,621	49%	120
	26,780	100%	25,980	100%	800
Ordinary Revenues before Capital					
Rates & Annual Charges	15,072	61%	14,564	62%	508
Grants & Contributions	1,686	7%	1,594	7%	92
Other	7,828	32%	7,464	32%	364
	24,586	100%	23,622	100%	964
Surplus(Deficit) from Ordinary Activities before Capital items	\$ (2,194)		\$ (2,358)		\$ 164
Capital Revenues	644		6,631		(5,987)
Surplus(Deficit) for the year	\$ (1,550)		\$ 4,273		\$ (5,823)

The table above shows an overall decline over the previous year of \$5.823 million. Capital revenues decreased by \$5.987 million. The previous year included the recognition of the Mosman Swim Centre (a non cash capital contribution) of \$5.365 million. Other fluctuations of note consisted of;

- rates levied increased by \$479,000 to \$11.756 million.
- domestic waste management charges increased by \$29,000 to \$3.316 million.
- increases in other revenues included were mainly attributable to increased property rentals and parking infringements.

1.2 Funding Result

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



Funds were provided by:-

	2005 \$000	2004 \$000
Operating Result (as above)	(1,550)	4,273
Add back non funding items:-		
- Depreciation	3,405	3,345
- Book Value of Assets Sold	634	659
- (Surplus)Deficit in Joint Ventures	(64)	(51)
	2,425	8,226
New Loan Borrowings	1,300	2,350
Net Transfers from Externally Restricted Assets	154	0
Net Transfers from Internal Reserves	280	0
Distributions from Joint Ventures	74	34
Net Changes in Current/Non Current Assets & Liabilities	807	835
	5,040	11,445

Funds were applied to:-

Purchase and Construction of Assets	(3,785)	(5,241)
Recognition of the Mosman Swim Centre	0	(5,365)
Principal Repaid on Loans	(762)	(564)
Principal Repaid on Deferred Creditors	(130)	(130)
Net Transfers to Externally Restricted Assets	0	(181)
Net Transfers to Internal Reserves	0	(365)
	(4,677)	(11,846)
Increase(Decrease) in Available Working Capital	\$ 363	\$ (401)

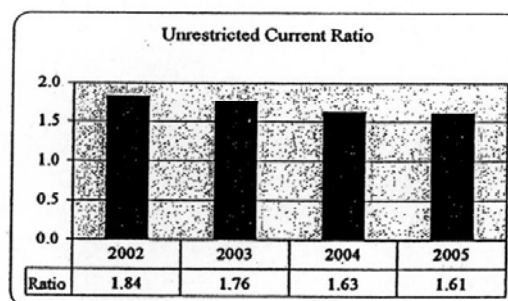
2. FINANCIAL POSITION

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 \$3.251 million representing a factor of 1.78 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 **1.61 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.



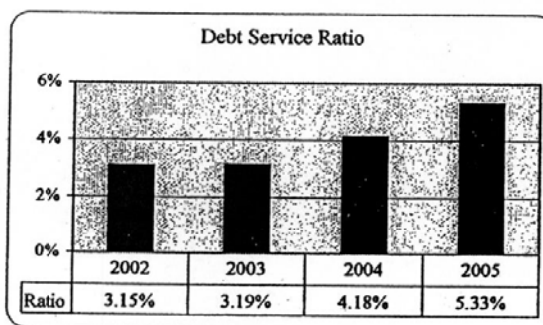
At the close of the year the Available Working Capital of Council stood at \$2.368 million as detailed below;

	2005	2004	Change
	\$000	\$000	\$000
Net Current Assets (Working Capital) as per Accounts	3,251	3,473	(222)
<i>Add:</i> Budgetted to Pay in the next 12 months			
- Borrowings	1,020	892	128
- Employees Leave Entitlements	990	967	23
Adjusted Working Capital	5,261	5,332	(71)
<i>Less:</i> Externally Restricted Assets	(701)	(855)	154
<i>Less:</i> Internally Restricted Assets	(2,192)	(2,472)	280
Available Working Capital as at 30 June	\$ 2,368	\$ 2,005	\$ 363

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 2005 was satisfactory.

2.3 Debt

Operating revenue (excluding special purpose grants and contributions) required to service debt (loan repayments) was 5.33% and as can be seen in the chart alongside has been gradually increasing.



2.4 Summary

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

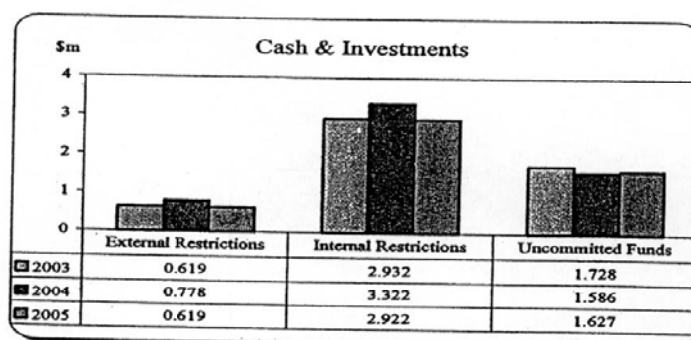
3. CASH ASSETS

3.1 Cash & Investments

Cash and investments held at the close of the year amounted to \$ 5.168 million as compared with \$5.686 million and \$5.279 million at the close of financial years 2004 and 2003 respectively.



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



Externally restricted cash and investments are restricted in their use by externally imposed requirements and consist of unexpended development contributions under Section 94 of \$310,000, domestic waste management charges of \$249,000 and specific purpose grants of \$60,000.

Internally restricted cash and investments have been restricted in their use by resolution or policy of Council to reflect forward plans, identified programs of works, and are, in fact, Council's "Reserves". These Reserves totalled \$2.922 million and their purposes are more fully disclosed in Notes 6 of the financial statements.

Unrestricted cash and investments amounted to \$1.627 million, which are available to provide liquidity for day to day operations.

3.2 Cash Flows

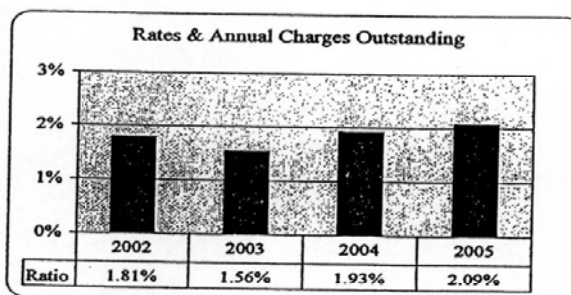
The Statement of Cash Flows illustrates the flow of cash moving in and out of Council during the year and reveals that Cash Assets decreased by \$518,000 to \$5.168 million at the close of the year. In addition to operating activities which contributed net cash of \$2.449 million were the proceeds from the sale of assets (\$491,000), new loans (\$1.300 million) and distributions from joint venture operations (\$34,000). Cash outflows other than operating activities were used to repay loans (\$762,000) and deferred creditors (\$130,000), and to purchase and construct assets (\$3.900 million).

4. RECEIVABLES

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

Net rates and annual charges levied during the year totalled \$15.072 million and represented 59.74% of Council's total revenues. Including arrears, the total rates and annual charges collectible was \$15.358 million of which \$15.037 million (97.91%) was collected.

Arrears stood at \$321,000 at the end of the year and represented 2.09% of those receivables.





SPENCER STEER
CHARTERED ACCOUNTANTS

4.2 Other Receivables

Receivables (other than Rates & Annual Charges) totalled \$2.077 million. Those considered to be uncertain of collection have been provided for as doubtful debts and this provision amounted to \$310,000.

5. PAYABLES

Employees Leave Entitlements

Council's provision for its liability toward employees leave entitlements and associated on costs amounted to \$2.455 million. A cash reserve of \$500,000 was held at year end representing 20.37% of this liability and was, in our opinion, sufficient to enable Council to meet unbudgeted and unanticipated retirements.

6. NEW ACCOUNTING STANDARDS

Australia is currently preparing for the introduction of International Financial Reporting Standards (IFRS) for reporting periods beginning on or after 1 January 2005. The Australian equivalents to IFRS will be first reflected in Council's financial statements for the year ending 30 June 2006. Whilst the new accounting standards may have a significant impact on the reported results and financial position of some councils, we do not see any significant impact to Mosman's financial results, cash flows or financial position. Current standards require the disclosure of the likely monetary impacts of the new standards had they been applied for the year ending 30 June 2005. These impacts are detailed in Note 22 to the financial statements.

7. CONCLUSION

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

Yours faithfully,
SPENCER STEER
Chartered Accountants

N. MAH CHUT
Partner

MOSMAN COUNCIL

Special Purpose Financial Reports and Special Schedules For the year ending 30 June 2005

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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 2005, 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 6th day of September 2005

MOSMAN COUNCIL

SPECIAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2005

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

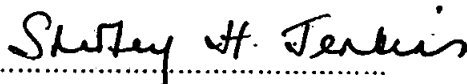
- NSW Government Policy Statement *"Application of National Competition Policy to Local Government"*
- Department of Local Government guidelines *"Pricing & Costing for Council Businesses: A Guide to Competitive Neutrality"*.
- The Department of Energy, Utilities and Sustainability *"Best Practice Management 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 5 September 2005



(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 2005

	Business Activities					
	Commercial Property Management		Development Approvals		Core Group (Private Works) Activities	
	2005	2004	2005	2004	2005	2004
EXPENSES FROM ORDINARY ACTIVITIES						
Employee costs	50	57	708	689	285	266
Materials & Contracts	20	15	9	10	112	102
Borrowing Costs	NIL	NIL	NIL	NIL	NIL	NIL
Depreciation & Amortisation	149	149	NIL	NIL	32	26
Other Operating Expenses	10	10	256	280	17	38
Loss on Disposal of Assets	NIL	NIL	NIL	NIL	NIL	NIL
NCP Imputation Payments	92	103	NIL	NIL	23	29
TOTAL OPERATING EXPENSES	321	334	973	979	469	461
REVENUES FROM ORDINARY ACTIVITIES						
Rates & Annual Charges	NIL	NIL	NIL	NIL	NIL	NIL
User Charges & Fees	2,331	2,104	719	728	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	378	346
Gain on Disposal of Assets	NIL	NIL	NIL	NIL	NIL	NIL
TOTAL OPERATING REVENUES	2,331	2,104	719	728	378	346
ORDINARY ACTIVITIES RESULT BEFORE CAPITAL AMOUNTS	2,010	1,770	-254	-251	-91	-115
Grants & Contributions – Capital	NIL	5,365	NIL	NIL	NIL	NIL
Abnormal Items	NIL	NIL	NIL	NIL	NIL	NIL
RESULT FROM ORDINARY ACTIVITIES	2,010	7,135	-254	-251	-91	-115
SURPLUS (DEFICIT) BEFORE TAX	2,010	7,135	-254	-251	-91	-115
Corporate Taxation Equivalent (based on Operating result before capital)	603	2,141	NIL	NIL	NIL	NIL
CHANGE IN NET ASSETS RESULTING FROM OPERATIONS AFTER TAX	1,407	4,994	-254	-251	-91	-115
Opening Retained Profits	18,894	13,678	-130	-115	1,333	1,279
Adjustments for Amounts Unpaid	N/A	N/A	N/A	N/A	N/A	N/A
*Taxation Equivalent Payments	92	103	NIL	NIL	23	34
*Debt Guarantee Fee	NIL	NIL	NIL	NIL	NIL	NIL
*Corporate Taxation Equivalent	603	2,141	NIL	NIL	NIL	NIL
*Dividend Payment	-2,251	-2,022	NIL	NIL	NIL	NIL
*Equity Contribution	NIL	NIL	NIL	NIL	NIL	NIL
*Council subsidy	NIL	NIL	241	236	177	135
Closing Retained Profits	18,745	18,894	-143	-130	1,442	1,333
RETURN ON CAPITAL (%)	8%	26%	N/A	N/A	N/A	N/A
SUBSIDY FROM COUNCIL	NIL	NIL	241	236	177	135

MOSMAN COUNCIL
STATEMENT OF FINANCIAL POSITION BY BUSINESS ACTIVITIES
As at 30 June 2005

	2005 - \$'000					
	Business Activities					
	Commercial Property Management		Development Approvals		Core Group (Private Works) Activities	
	2005	2004	2005	2004	2005	2004
CURRENT ASSETS						
Cash on hand and at bank	NIL	NIL	NIL	NIL	NIL	NIL
Investments	NIL	NIL	NIL	NIL	NIL	NIL
Receivables	203	200	NIL	NIL	83	NIL
Inventories	NIL	NIL	NIL	NIL	NIL	NIL
Other	NIL	NIL	NIL	NIL	NIL	NIL
TOTAL CURRENT ASSETS	203	200	NIL	NIL	83	NIL
NON CURRENT ASSETS						
Cash Assets	NIL	NIL	NIL	NIL	NIL	NIL
Investment Securities	NIL	NIL	NIL	NIL	NIL	NIL
Receivables	NIL	NIL	NIL	NIL	NIL	NIL
Inventories	NIL	NIL	NIL	NIL	59	54
Other	NIL	NIL	NIL	NIL	NIL	NIL
Property, Plant & Equipment	18,745	18,894	NIL	NIL	1,441	1,399
TOTAL NON CURRENT ASSETS	18,745	18,894	NIL	NIL	1,500	1,453
TOTAL ASSETS	18,948	19,094	NIL	NIL	1,583	1,453
CURRENT LIABILITIES						
Payables	203	200	NIL	NIL	NIL	NIL
Interest bearing liabilities	NIL	NIL	NIL	NIL	NIL	NIL
Provisions	NIL	NIL	63	75	39	39
TOTAL CURRENT LIABILITIES	203	200	63	75	39	39
NON CURRENT LIABILITIES						
Payables	NIL	NIL	NIL	NIL	NIL	NIL
Interest bearing liabilities	NIL	NIL	NIL	NIL	NIL	NIL
Provisions	NIL	NIL	80	55	102	81
TOTAL NON-CURRENT LIABILITIES	NIL	NIL	80	55	102	81
TOTAL LIABILITIES	203	200	143	130	141	120
NET ASSETS	18,745	18,894	-143	-130	1,442	1,333
EQUITY						
Accumulated Surplus	18,745	18,894	-143	-130	1,442	1,333
Asset Revaluation Reserve	NIL	NIL	NIL	NIL	NIL	NIL
TOTAL EQUITY	18,745	18,894	-143	-130	1,442	1,333

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:

Category 1

Name	Brief Description of Activity
Commercial Property Management	Property Rental Portfolio

Category 2

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

(i) Taxation Equivalent Payments

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

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

Income Tax

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

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

(ii) Subsidies

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

(iii) Dividends

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

DECLARED BUSINESS ACTIVITIES

Commercial Property Management

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

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

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

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

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

Development Approvals

Takes into account the development approvals process within Council.

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

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

Core Group (Private Works) Activities

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

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

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

MOSMAN COUNCIL

SPECIAL SCHEDULE NO 1 NET COST OF SERVICES for the year ended 30th June 2005

\$'000

Function or Activity	OPERATING EXPENSES		OPERATING REVENUES			NET COST OF SERVICES	
	Expenses	Group Totals	Revenues - Ord. Activities	Capital Rev. Ord. Activities	Group Totals	Net Cost	Group Totals
GOVERNANCE	925					925	
ADMINISTRATION		925			-		925
Corporate Support	3,910		126			3,784	
Engineering & Works	394		93			301	
Other Support Services	350		18			332	
PUBLIC ORDER & SAFETY		4,654			237		4,417
Statutory Contribution - Fire Service Levy	645					645	
Fire Protection - Other	6					6	
Animal Control	37		20			17	
Beach Control	45		25			20	
Enforcement of Local Govt Regulations	241		44			197	
Emergency Services	53					53	
Other	40		85			(45)	
HEALTH		1,067			174		893
Administration & Inspection	242					242	
Immunisations	15		11			4	
Food Control	18		20			(2)	
Insect/Vermin Control						-	
Noxious Plants	5					5	
Health Centres	14					14	
Other	25		5			20	
COMMUNITY SERVICES & EDUCATION		319			36		283
Administration	285					285	
Family Day Care	179		181			(2)	
Child Care	642		452			190	
Youth Services	293		74			219	
Other Families & Children						-	
Aged & Disabled	543		452			91	
Migrant Services						-	
Aboriginal Services						-	
Other Community Services	79					79	
Education						-	
HOUSING & COMMUNITY AMENITIES		2,021			1,159		862
Housing						-	
Town Planning	1,583		877			706	
Domestic Waste Management	3,414		3,340			74	
Other Waste Management	391		415			(24)	
Street Cleaning	783					783	
Other Sanitation & Garbage	487					487	
Urban Stormwater Drainage	638		6			632	
Environmental Protection	1,153		21			1,132	
Public Cemeteries						-	
Public Conveniences	209					209	
Other Community Amenities	290			443		(153)	
		8,948			5,102		3,846

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

Function or Activity	OPERATING EXPENSES		OPERATING REVENUES		NET COST OF SERVICES		
	Expenses	Group Totals	Revenues - Ord. Activities	Capital Rev. Ord. Activities	Group Totals	Net Cost	Group Totals
WATER SUPPLIES						-	
SEWERAGE SERVICES						-	
RECREATION & CULTURE							
Public Libraries	1,667		150	15		1,502	
Museums						-	
Art Galleries	325		91			234	
Community Centres	259		87			172	
Public Halls						-	
Other Cultural Services	392		98			294	
Swimming Pools	152		153	7		(8)	
Sporting Grounds	497		62	9		426	
Parks & Gardens, Lakes	907		148	30		729	
Other Sport & Recreation	12			45		(33)	
		4,211			895		3,316
FUEL & ENERGY							
Gas Supplies						-	
MINING, MANUFACTURING & CONSTRUCTION							
Building Control	567		218			349	
Abattoirs						-	
Quarries & Pits						-	
Other						-	
		567			218		349
TRANSPORT & COMMUNICATION							
Urban Roads: Local	2,126		509	15		1,602	
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	301		53			248	
Aerodromes						-	
Parking Areas	575		1,459	80		(964)	
Bus Shelters & Services	13					13	
Water Transport	3					3	
RTA Works - State Roads						-	
Street Lighting	308		60			248	
Other	479					479	
		3,805			2,176		1,629

MOSMAN COUNCIL

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

Function or Activity	OPERATING EXPENSES		OPERATING REVENUES			NET COST OF SERVICES	
	Expenses	Group Totals	Revenues - Ord. Activities	Capital Rev. Ord. Activities	Group Totals	Net Cost	Group Totals
ECONOMIC AFFAIRS							
Camping Areas						-	
Caravan Parks						-	
Tourism & Area Promotion	82		4			78	
Industrial Development Promotion						-	
Saleyards & Markets						-	
Real Estate Development						-	
Commercial Nurseries						-	
Other Business Undertakings	181		2,366			(2,185)	
		263			2,370		(2,107)
TOTALS - FUNCTIONS		26,780			12,367		14,413
General Purpose Revenues			12,799			12,799	
Joint Ventures/Associated Entities			64			64	
Correction of Fundamental Error						-	
		-			12,863		12,863
SURPLUS (DEFICIT) FROM ORDINARY ACTIVITIES BEFORE EXTRAORDINARY ITEMS							(1,550)
Extraordinary Items & Council Restructure							
SURPLUS (DEFICIT) FROM ALL ACTIVITIES							(1,550)

MOSMAN COUNCIL

SPECIAL SCHEDULE NO 2 (1) STATEMENT OF LONG TERM DEBT (ALL PURPOSE) for the year ended 30th June 2005

\$'000

Classification of Debt	Principal Outstanding at beginning of year		New Loans Raised	Debt Redemption		Tfrs to Sinking Funds	Interest applicable for year	Principal outstanding at end of year	
	Current	Non-Current		From Revenue	Sinking Funds			Current	Non-Current
LOANS (by source)									
Commonwealth Government		-							-
Treasury Corporation		-							-
Other State Government		-							-
Public Subscription		-							-
Financial Institutions	762	5,481	6,243	762			366	890	5,891
Other		-							6,781
Total Loans	762	5,481	6,243	762	-	-	366	890	5,891
OTHER LONG TERM DEBT									
Ratepayers' Advances	-	-						-	-
Government Advances		-							-
Finance Leases		-							-
Deferred Payment	130	1,170	1,300	130				130	1,040
Other									1,170
Total Other Long Term Debt	130	1,170	1,300	130	-	-	-	130	1,040
TOTAL LONG TERM DEBT	892	6,651	7,543	892	-	-	366	1,020	6,931
									7,951

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 2005

\$'000

SUMMARY OF INTERNAL LOANS

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

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

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

MOSMAN COUNCIL

SPECIAL SCHEDULE NO 7 CONDITION OF PUBLIC WORKS as at 30th June 2005

Asset Class	Asset Category	Depreciation Rate (%)	Depreciation Expense	Cost	Valuation	Accumulated Depreciation	Carrying Value	Asset Condition (see Notes attached)	Estimated Cost to bring to a Satisfactory Standard	Estimated Annual Maintenance Expense	Program Maintenance Works for current year
			'000	'000	'000	'000	'000		'000	'000	'000
Public Buildings	References	Note 9	Note 3		Note 9				Local Govt. Act 1993, Section 428 (2d)		
	Council Offices	1%	78	7,818		891	6,927	2		200	227
	Works Depot	1%	9	926		93	833	2		10	10
	Houses	1%	12	1,220		121	1,099	3		5	5
	Library	1%	35	3,403		328	3,075	2		40	50
	Childcare Centres	1%	5	512		100	412	3		10	10
	Art Gallery	1%	34	3,355		280	3,075	1		50	113
	Amenities/Toilets	2%	13	636		115	521	3		15	5
	Bus Shelters	5%	8	154		75	79	3		10	5
	Others	1%	228	24,957		1,724	23,233	3		200	200
	Subtotal		422	42,981	-	3,727	39,254		-	540	625
	Public Roads										
Public Roads	Sealed Roads										
	Structure	1%	1,337	134,046		40,252	93,794	4	5,000	500	730
	Unsealed Roads										
	Bridges										
	Footpaths	1%	143	14,329		1,912	12,417	5	3,000	300	304
	Cycleways										
	Kerb & Gutter	1%	128	12,802		1,584	11,218	3		60	41
Public Roads	Road Furniture	1%	4	130		37	93	3		60	60
	Subtotal		1,612	161,307	-	43,785	117,522		8,000	920	1,135

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 2005

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
Local Govt. Act 1993, Section 428 (2d)											
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		16,596	14,904		11,500	1,150	41
	HW Inlets	1%	17	1,700		981	719			50	41
Total Classes - All Assets	HW Outlets	1%	74	7,400		2,464	4,936			50	41
	Junction Pits	1%	25	2,500		1,609	891			50	41
	S/Water Devices	1%	46	4,900		171	4,729				
	Subtotal		477	48,000	-	21,821	26,179		11,500	1,300	164
Total Classes - All Assets			2,511	252,288	-	69,333	182,955		19,500	2,760	1,924

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 2005

"SATISFACTORY" CONDITION OF PUBLIC ASSETS

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

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

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

ASSET CONDITION

The following condition codes have been used in this Schedule.

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