

SHOALHAVEN CITY COUNCIL

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

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COUNCIL OF THE CITY OF SHOALHAVEN

STATEMENT BY THE COUNCIL ON THE SPECIAL PURPOSE FINANCIAL REPORTS FOR THE PERIOD ENDED 30 JUNE 2004.

In accordance with the provisions of Section 413 of the Local Government Act, 1993 and Clause 22 of the Local Government (Financial Management) Regulations 1993, the Council at a duly convened meeting held on 28 September 2004 resolved to make the following statement on its Special Purpose Financial Reports for the period ended 30 June 2004.

Statement:

In the opinion of the members of Council: -

- a) The Councils Special Purpose Financial Reports have been drawn up in accordance with: -
- The Local Government Code of Accounting Practice and Financial Reporting; and,
 - The Local Government Asset Accounting Manual; and,
 - The Australian Accounting Standards.
- b) The Special Purpose Financial Reports give a true and fair view of Council's financial position as at 30 June 2004 and the operating result for the period ended 30 June 2004, and;
- c) The Special Purpose Financial Reports are in accordance with the Councils accounting and other records, and;
- d) The signatories to this statement do not know of anything that would make those reports false or misleading in any way.

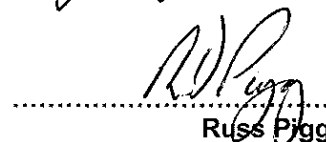
Mayor


.....
Greg Watson

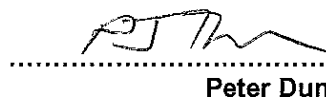
Councillor


.....
John Finkernagel

General Manager


.....
Russ Pigg

Responsible Accounting Officer


.....
Peter Dun

SHOALHAVEN CITY COUNCIL

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

Budget 2004 \$'000		Notes	Actual 2004 \$'000	Actual 2003 \$'000
	EXPENSES FROM ORDINARY ACTIVITIES			
38,143	Employee Costs	3	39,571	37,956
30,058	Materials & Contracts		28,852	28,497
4,398	Borrowing Costs	3	3,409	3,377
21,060	Depreciation & Amortisation	3	21,709	21,289
13,595	Other Operating Expenses	3	<u>13,176</u>	<u>12,506</u>
<u>107,254</u>	Total Expenses from Ordinary Activities		<u>106,717</u>	<u>103,625</u>
	REVENUES FROM ORDINARY ACTIVITIES			
66,940	Rates & Annual Charges	4	66,935	64,676
30,151	User Charges & Fees	4	33,412	30,760
3,717	Interest Received	4	4,554	3,820
15,467	Grants & Contributions - Operating	4	17,913	17,894
797	Other Operating Revenues	4	2,175	1,598
-	Profit from Disposal of Assets	5	<u>5,702</u>	<u>1,840</u>
<u>117,072</u>	Total Revenues from Ordinary Activities Before Capital Amounts		<u>130,691</u>	<u>120,588</u>
9,818	SURPLUS FROM ORDINARY ACTIVITIES BEFORE CAPITAL AMOUNTS		23,974	16,963
11,834	Grants & Contributions - Capital	4	<u>14,906</u>	<u>13,834</u>
<u>21,652</u>	SURPLUS FROM ALL ACTIVITIES		<u>\$ 38,880</u>	<u>\$ 30,797</u>

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

SHOALHAVEN CITY COUNCIL

STATEMENT OF FINANCIAL POSITION

as at 30 June 2004

	Notes	Actual 2004 \$'000	Actual 2003 \$'000
CURRENT ASSETS			
Cash Assets	6	37,724	43,230
Receivables	7	8,298	8,729
Inventories	8	2,760	2,793
Other	8	256	1,053
TOTAL CURRENT ASSETS		<u>49,038</u>	<u>55,805</u>
NON-CURRENT ASSETS			
Cash Assets	6	30,427	14,170
Investments	6	17,782	16,860
Receivables	7	3,365	3,719
Inventories	8	6,316	5,336
Property, Plant & Equipment	9	1,083,949	1,054,535
TOTAL NON-CURRENT ASSETS		<u>1,141,839</u>	<u>1,094,620</u>
TOTAL ASSETS		<u>1,190,877</u>	<u>1,150,425</u>
CURRENT LIABILITIES			
Payables	10	21,357	18,712
Borrowings	10	10,363	11,093
Provisions	10	4,202	3,639
TOTAL CURRENT LIABILITIES		<u>35,922</u>	<u>33,444</u>
NON-CURRENT LIABILITIES			
Borrowings	10	43,040	44,275
Provisions	10	21,947	21,618
TOTAL NON CURRENT LIABILITIES		<u>64,987</u>	<u>65,893</u>
TOTAL LIABILITIES		<u>100,909</u>	<u>99,337</u>
NET ASSETS		<u>\$ 1,089,968</u>	<u>1,051,088</u>
EQUITY			
Accumulated Surplus		1,051,327	1,012,447
Asset Revaluation Reserve		38,641	38,641
TOTAL EQUITY		<u>\$ 1,089,968</u>	<u>1,051,088</u>

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

SHOALHAVEN CITY COUNCIL

STATEMENT OF CHANGES IN EQUITY

for the year ended 30th June 2004

	2004 \$'000	2003 \$'000			
	Accum Surplus	Asset Reval Reserve	Total	Accum Surplus	Asset Reval Reserve
			Total		Total
Balance at beginning of the reporting period	1,012,447	38,641	1,051,088	961,650	38,641
Change in Net Assets recognised in the Statement of Financial Performance	38,880	-	38,880	30,797	-
Balance at end of the reporting period	1,051,327	38,641	1,089,968	1,012,447	38,641

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

SHOALHAVEN CITY COUNCIL

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

Budget 2004 \$'000		Notes	Actual 2004 \$'000	Actual 2003 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES				
<u>Receipts</u>				
66,940	Rates & Annual Charges		67,226	65,052
30,151	User Charges & Fees		34,905	33,237
3,717	Interest Received		4,350	3,798
27,301	Grants & Contributions		32,818	30,157
797	Other operating receipts		9,424	7,158
<u>Payments</u>				
(38,143)	Employee Costs		(38,805)	(37,438)
(30,058)	Materials & Contracts		(27,964)	(32,125)
(4,398)	Interest Paid		(3,563)	(3,519)
(13,565)	Other operating payments		(20,246)	(18,009)
42,742	Net Cash provided by (or used in) Operating Activities	11	58,145	48,311
CASH FLOWS FROM INVESTING ACTIVITIES				
<u>Receipts</u>				
3,747	Proceeds from sale of Property, Plant & Equipment		8,089	5,265
492	Proceeds from sale of Real Estate for resale	5, 8	2,746	1,256
-	Proceeds from sale of Investment Securities		1,971	1,058
-	Repayments from Deferred Debtors		55	187
<u>Payments</u>				
(55,533)	Purchase of Property, Plant & Equipment		(53,414)	(39,428)
(300)	Purchase of Real Estate for resale	8	(1,916)	(380)
-	Purchase of Investment Securities		-	(11,192)
-	Loans to Deferred Debtors		(67)	-
(51,594)	Net Cash provided by (or used in) Investing Activities		(42,536)	(43,234)
CASH FLOWS FROM FINANCING ACTIVITIES				
<u>Receipts</u>				
7,239	Proceeds from Borrowings & Advances		6,243	5,954
<u>Payments</u>				
(11,823)	Repayments of Borrowings & Advances		(11,101)	(12,530)
(4,584)	Net Cash provided by (or used in) Financing Activities		(4,858)	(6,576)
(13,436)	Net Increase (Decrease) in cash held		10,751	(1,499)
57,400	Cash Assets at beginning of reporting period	11	57,400	58,899
43,964	Cash Assets at end of reporting period	11	68,151	57,400

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

SHOALHAVEN CITY COUNCIL

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

Note 1 - SIGNIFICANT ACCOUNTING POLICIES

1. The Local Government Reporting Entity

The City of Shoalhaven has its principal business office at the City Administrative Centre, Bridge Road Nowra NSW 2541. Shoalhaven City Council is empowered by the New South Wales Local Government Act (LGA) 1993 and its Charter is specified in Section 8 of the Act.

A description of the nature of the Council's operation and its principal activities are provided in Note 2(b).

These General Purpose Statements incorporate the assets and liabilities of all entities controlled by Council (the parent entity) and the results of all controlled entities for the financial period ended being the 30th June 2004. They include the consolidated fund and other entities through which the Council controls resources to carry on its functions. In the process of reporting on the local government as a single unit, all transactions and balances between activities (for example, loans and transfers) have been eliminated.

1.1 The Consolidated Fund

As required by Section 409(1) of the Local Government Act 1993, all money and property received by Council is held in the Council's Consolidated Fund unless it is required to be held in the Council's Trust Fund. The consolidated fund and other entities through which the Council controls resources to carry on its functions have been included in the financial statements forming part of this report.

The following entities have been included as part of the Consolidated Fund:

- Shoalhaven City Council General Purpose Operations
- Shoalhaven City Council Water Supply Fund
- Shoalhaven City Council Sewerage Fund
- Shoalhaven City Council Domestic Waste Management Fund
- Southern Water Services

The General Purpose Financial Reports do not include the amounts attributable to management committees, as they are not considered to be material according to AAS5 – Materiality

1.2 The Trust Fund

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

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

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

Note 1 - Significant Accounting Policies (cont)

2. Basis of Accounting

2.1 Compliance

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

2.2 Basis

This General Purpose Financial Report has been prepared on an accrual accounting basis 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 except where otherwise indicated.

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

2.3 Transition to International Financial Reporting Standards

The transition to International Financial Reporting Standards is being managed on an industry wide basis. A National Local Government working party has been established, and the NSW Department of Local Government in conjunction with the Local Government Accounting Advisory Group will identify significant changes affecting the industry.

Due to the issue date of the Australian version of the International Accounting Standards, the assessment and planning phase is continuing at the date of preparation of these reports.

It has been established that Council must identify certain properties as investment properties, and to apply the provisions of AASB 140.

Council will be required to classify financial assets and liabilities in accordance with AASB 139. Additionally, Council will be required to recognise assets and liabilities of state defined superannuation plans.

Other matters will be identified by the above mentioned working parties during the current reporting period, and details will be provided in the 2004/05 Annual Financial Statements.

3. Rates

The rating period and reporting period for the Council coincide and, accordingly, all rates levied for the year are recognised as revenues. 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, grant entitlements not received are recorded as receivables.

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

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

Note 1 - Significant Accounting Policies (cont)

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 amounts subject to those undischarged conditions are disclosed in these notes as restricted assets. Also disclosed is the amount of grants, contributions and receivables recognised as revenues in a previous reporting period, which were obtained in respect of the Council's operations for the current reporting period.

5. Cash Assets and Investment Securities

Investments in Bank Bills, Promissory Notes and Term Deposits are recognised at cost. Interest revenues are recognised as they accrue. Bills of exchange which have been purchased at a discount to face value are recognised at cost; the discount brought to account during the reporting period is accounted for as interest received. Managed Funds are valued at market value in accordance with advice 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 maturity of three months or less from the date of acquisition. Where cash and investments held are subject to restrictions and Council's management plan for the ensuing reporting period does not provide for the discharge of those restrictions, the amounts have been classified as non-current.

6. Receivables

Receivables for rates and annual charges are secured over the subject land, and bear interest at rates determined in accordance with the Local Government Act 1993 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.

7. Inventories

7.1 Stores

Inventories held in respect of stores have been valued by using the weighted moving average cost method, 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.

7.2 Real Estate Assets Developments

Real Estate Assets developments have been classified as Inventory in accordance with Australian Accounting Standard AAS2 and are valued at the lower of cost or net realisable value. Cost includes the costs of acquisition, development, borrowing and other costs incurred on financing of that acquisition and up to the time of sale. The amount by which cost exceeds the net realisable value has been recognised as an expense.

Revenues arising from the sale of property are recognised in the operating statement when settlement is completed.

7.2 Other Real Estate held for resale

Properties not acquired for development, but which Council has decided to sell as surplus to requirements, are recorded at the carrying value at the time of that decision.

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

Note 1 - Significant Accounting Policies (cont)

Certain properties, auctioned for non-payment of rates in accordance with Chapter 17 of the Local Government Act but which failed to meet the reserve set by Council and are available for sale by private treaty, are recorded at the lower of the unpaid rates and charges at the time of auction or the reserve set by Council. Holding costs in relation to these properties are recognised as an expense when incurred.

8. Property, Plant & Equipment

8.1 Transitional Provisions

The accounting regulations applicable prior to 1 January 1993 did not require the capitalisation of infrastructure assets acquired or constructed. Australian Accounting Standard AAS 27 provides a transitional period for the capitalisation of these assets on a staged basis.

At the date of these accounts, the following infrastructure assets have not been capitalised:

Land under Roads

Pursuant to AASB 1045 Land Under Roads is not required to be brought to account until December 2006.

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

8.2 Materiality

Assets with an economic life in excess of one year are only capitalised where the cost of acquisition exceeds materiality thresholds established by Council for each type of asset. In determining (and in annually reviewing) such thresholds, regard is had to the nature of the asset and its estimated service life. Examples of capitalisation thresholds are provided in Note 9 to these accounts.

8.3 Valuation

The "Recoverable Amount Test" of paragraph 30 of AAS 10 does not apply to the Council except in relation to recognised trading operations.

At 1 July 2000 upon the commencement of Australian Accounting Standard AAS 38 "Revaluation of Non-Current Assets", Council elected pursuant to paragraph 10.4(a) of the standard to revert to the deemed cost basis for all classes of assets previously carried at revalued amounts. Further details are provided at Note 9.

Plant, equipment and similar assets are carried at historical cost less accumulated depreciation.

8.4 Depreciation of Non-Current Assets

All assets recognised are systematically depreciated over their useful lives in a manner that reflects the consumption of the service potential embodied in those assets.

Depreciation is recognised on a straight-line basis. Major depreciation periods for each class of asset are provided in Note 9. Depreciation periods for infrastructure assets have been estimated based on the best information available to Council, but appropriate records covering the entire life cycle of these assets are not available, and care should be used in interpreting financial information based on these estimates.

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

Note 1 - Significant Accounting Policies (cont)

8.5 Borrowing Costs

Borrowing costs in relation to qualifying assets (net of offsetting investment revenue) have been capitalised in accordance with Australian Accounting Standard AAS 34 "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.

9. Payables

9.1 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 date of invoice. No interest is payable on these amounts.

9.2 Payments Received in Advance & Deposits

Amounts received from external parties in advance of service delivery, and security deposits held against possible damage to Council assets, are recognised as liabilities until the service is delivered or damage reinstated, or the amount is refunded as the case may be.

10. Borrowings

Loans are carried at their principal amounts, which represent the present value of future cash flows associated with servicing the debt. Interest is accrued over the period to which it relates, and is recorded as part of "Payables".

11. Employee Entitlements

Employee entitlements are accrued on a pro-rata basis for annual leave, sick leave and long service leave in respect of services provided by employees up to the reporting date. Such accruals are assessed as at each reporting date, having regard to current and future rates of pay and other factors including experience of employee departures and their periods of service, and calculated in accordance with AASB1028 and the Local Government Code of Accounting Practice nominal value present value estimate. The amounts provided have been apportioned between current and non-current, the current provision being the entitlement estimated to be payable in the next twelve months.

The superannuation expense for the year is the amount of the contribution the Council makes to the various statutory superannuation plans that provide benefits to its employees. These payments fully discharge Council's liability for post-retirement employee benefits.

As at balance date a number of council staff were making contributions to a defined superannuation scheme referred to as the Local Government Superannuation Retirement and Defined Benefit Scheme. A defined benefit scheme may generally be described as one where the amount of benefits payable are, in part, defined by a members final salary. The value of accrued benefits in respect of all defined benefits plans in which Council participates has been determined on the basis of the present value of expected payments which arise from its membership in the superannuation scheme at the date of actuarial review. The actuarial review was performed as at 30 June 2004. The estimated assets and liabilities as at 30 June 2004 of Council in relation to the Local Government Superannuation Retirement and Defined Benefit Scheme is as follows:

Employer Liability	\$26,492K
Employer Assets	<u>\$29,343K</u>
Surplus	\$ 2,851K

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

Note 1 - Significant Accounting Policies (cont)

12. Financial Instruments

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

13. Construction Contracts

Construction works undertaken by Council for third parties (principally the Roads & Traffic Authority for works on national and state highways) are generally on an agency basis where the third party reimburses Council for actual costs incurred, and usually do not extend beyond the reporting period. As there is no profit component, such works are treated as 100% completed. Reimbursements not received are recognised as receivables and reimbursements received in advance are recognised as "payments received in advance".

14. Joint Ventures and Associated Entities

Council does not participate in any joint ventures.

15. Leases

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

16. Self-Generating and Regenerating Assets

All material Self-Generating and Regenerating Assets owned by the Council are held for the principal purposes of one or more of aesthetics, heritage, ecology, the environment or recreation, and accordingly Australian Accounting Standard AAS 35 "Self-Generating and Regenerating Assets" does not apply.

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 recoupment.
- 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 in the Statement of Financial Position 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. Rounding

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

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

Note 1 - Significant Accounting Policies (cont)

20. Self Insurance

Council has determined to self-insure for various risks including public liability. A provision for workers compensation has been made to recognise outstanding claims the amount of which is detailed in Note 10. Council also maintains cash and investments to meet expected future claims the amount of which is identified in Note 6.

SHOALHAVEN CITY COUNCIL

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

Note 2 - FUNCTIONS

	REVENUES, EXPENSES AND ASSETS HAVE BEEN DIRECTLY ATTRIBUTED TO THE FOLLOWING FUNCTIONS & ACTIVITIES												
	REVENUES			EXPENSES			OPERATING RESULT			GRANTS INCLUDED IN REVENUES		TOTAL ASSETS HELD (CURRENT & NON-CURRENT)	
	ORIGINAL BUDGET 2004 \$'000	ACTUAL 2004 \$'000	ACTUAL 2003 \$'000	ORIGINAL BUDGET 2004 \$'000	ACTUAL 2004 \$'000	ACTUAL 2003 \$'000	ORIGINAL BUDGET 2004 \$'000	ACTUAL 2004 \$'000	ACTUAL 2003 \$'000	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
GOVERNANCE	-	-	-	896	815	610	(896)	(815)	(610)	-	-	-	-
ADMINISTRATION	919	2,255	1,739	9,042	8,614	7,653	(8,123)	(6,359)	(5,914)	654	55,101	36,668	
CITY SERVICES	7,705	9,984	12,588	28,465	27,219	26,462	(20,760)	(17,235)	(13,874)	7,118	622,602	664,948	
CORPORATE & COMMUNITY SERVICES	4,075	7,035	6,733	15,160	15,018	16,583	(11,085)	(7,983)	(9,850)	1,857	25,527	9,098	
DEVELOPMENT & ENVIRONMENTAL SERVICES	2,764	3,612	3,275	4,407	4,887	4,404	(1,643)	(1,275)	(1,129)	188	234	399	
COMMERCIAL OPERATIONS	3,416	3,263	3,146	7,462	6,825	6,464	(4,046)	(3,562)	(3,318)	5	28,081	3,745	
HOLIDAY HAVEN TOURIST PARKS	11,887	11,523	10,948	5,804	6,179	5,658	6,083	5,344	5,290	20	22,828	10,262	
INFORMATION TECHNOLOGY	501	865	588	3,082	3,492	3,643	(2,581)	(2,627)	(3,055)	-	2,348	3,602	
PLANNING SERVICES	345	683	401	1,560	1,715	1,380	(1,215)	(1,032)	(979)	257	316	259	
PROPERTY SERVICES	655	5,462	1,893	1,143	858	823	(488)	4,604	1,070	-	16,589	8,137	
WASTE MANAGEMENT	10,868	11,384	10,273	8,409	8,387	7,494	2,459	2,997	2,779	430	11,635	21,695	
WATER SUPPLY & SERVICES	16,504	19,518	18,505	9,533	11,273	10,207	6,972	8,245	8,298	1,116	183,705	180,882	
WASTE WATER SERVICES	28,259	27,399	25,810	12,292	11,435	12,244	15,968	15,964	13,566	1,382	221,911	210,730	
TOTALS - FUNCTIONS	87,898	102,983	95,899	107,254	106,717	103,625	(19,356)	(3,734)	(7,726)	12,468	1,190,877	1,150,425	
GENERAL PURPOSE REVENUES	41,008	42,614	38,523	41,008	42,614	38,523				10,104			
TOTALS	128,906	145,597	134,422	107,254	106,717	103,625	21,652	38,880	30,797	22,572	1,190,877	1,150,425	

The above functions conform to those used by the Australian Bureau of Statistics and provide a basis for comparison with other Councils.

SHOALHAVEN CITY COUNCIL

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

Note 2 (cont.) - COMPONENTS OF FUNCTIONS

The activities relating to Council functions are as follows:

Governance

Costs relating to Council's role as a component of democratic government, including elections, meetings and associated activities, area representation, and public disclosure and compliance, together with related administration costs.

Administration

Costs not otherwise attributable to functions.

City Services and Asset Construction and Maintenance

Road and bridge construction and maintenance, drainage works (incl. kerb and gutter), traffic facilities, streetscapes, car parks, parks, reserves and recreation facilities, public halls and buildings, coastal and flood plain management, emergency services (bushfire, state emergencies), land management (noxious weeds, fire hazards), technical support.

Corporate and Community Services

Corporate strategy, finance, purchasing and warehousing, insurances, corporate services (records, printing, building maintenance), welfare, aged and Aboriginal services, rangers.

Development and Environmental Services

Development assessments, building assessments, subdivision assessments, building inspections.

Commercial Operations

Cemeteries & crematoriums, aquatic management, mechanical workshop.

Holiday Haven Tourist Parks

Tourist and caravan/camping parks management.

Information Technology

IT support services, communications and technology services.

Planning Services

Town Planning.

Property Services

Development of property strategy, management of property portfolio, land subdivision and development, land tenure and conveyancing, land register and plans of management, survey plans and mapping.

Waste Management

Domestic waste collection, trade waste collection, waste disposal (landfill, transfer stations), waste minimisation (recycling).

Water Supply

Water resources (dams, reservoir), water reticulation (mains), water development control.

Waste Water Services

Waste water collection, waste water treatment Management

SHOALHAVEN CITY COUNCIL

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

Note 3 - EXPENSES FROM ORDINARY ACTIVITIES

EMPLOYEE COSTS	2004 \$'000	2003 \$'000
Salaries and Wages	30,642	27,549
Travelling	35	41
Employee Leave Entitlements	7,467	7,633
Superannuation	2,000	1,706
Workers' Compensation Insurance	713	982
Fringe Benefits Tax	134	174
Payroll Tax	466	412
Training Costs (excluding Salaries)	511	464
Other	38	55
Less: Capitalised and distributed costs	<u>(2,435)</u>	<u>(1,060)</u>
Total Operating Employee Costs	<u>39,571</u>	<u>37,956</u>
Total Number of Employees	714	685
<i>(Full time equivalent at end of reporting period)</i>		
BORROWING COSTS		
Interest on Loans	3,311	4,122
Interest on Advances	98	86
Gross Interest Charges	<u>3,409</u>	<u>4,208</u>
Less: Borrowing Costs capitalised	-	(831)
Total Interest Charges	<u>3,409</u>	<u>3,377</u>
DEPRECIATION & AMORTISATION		
Plant and Equipment	3,136	3,271
Office Equipment	1,007	941
Furniture & Fittings	113	104
Land Improvements	648	573
Buildings	1,337	1,305
Other Structures	1,330	1,220
Infrastructure		
- roads, bridges & footpaths	5,301	5,204
- stormwater drainage	1,351	1,343
- water supply network not elsewhere included	3,224	3,162
- sewerage network not elsewhere included	4,044	4,017
Other assets		
- library books	218	149
Total Depreciation & Amortisation	<u>21,709</u>	<u>21,289</u>

SHOALHAVEN CITY COUNCIL

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

Note 3 - EXPENSES FROM ORDINARY ACTIVITIES (cont)

	2004 \$'000	2003 \$'000
OTHER OPERATING EXPENSES		
Advertising, Postage and Stationery	1,716	1,590
Auditor's Remuneration		
- Audit Services	67	56
- Other Services	2	2
Bad and Doubtful Debts	(16)	(12)
Consultancies	754	882
Donations & Contributions to Local & Regional Bodies	1,003	730
Election Expenses	77	-
Insurances	2,276	1,863
Legal Expenses		
- Planning & Development	293	128
- Other Legal Expenses	194	217
Light, Power & Heating	2,309	2,315
Mayoral Allowance	27	26
Members' Fees & Allowances	154	158
Members' Expenses	78	87
Operating Lease Rentals - cancellable	91	137
Fuel	431	567
Bank Charges	324	309
Payments to other levels of Government	569	565
Street Lighting	1,017	703
Computer Software, Equipment & Maintenance	444	1,026
Telephone & Communications	691	592
Other	675	565
Total Other Operating Expenses	13,176	12,506

SHOALHAVEN CITY COUNCIL

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

Note 4 - REVENUES FROM ORDINARY ACTIVITIES

RATES & ANNUAL CHARGES	2004 \$'000	2003 \$'000
<u>Ordinary Rates</u>		
Residential	25,985	24,543
Farmland	1,298	1,284
Business	3,059	2,945
	<u>30,342</u>	<u>28,772</u>
<u>Special Rates</u>		
Town Improvement	8	8
Bushfire Levy	591	595
	<u>599</u>	<u>603</u>
<u>Annual Charges</u>		
Domestic Waste Management	7,210	6,696
Water Supply	8,620	9,002
Sewerage Services	19,847	19,385
Other Waste Management	317	218
	<u>35,994</u>	<u>35,301</u>
Total Rates & Annual Charges	<u>66,935</u>	<u>64,676</u>
 USER CHARGES & FEES		
<u>User Charges</u>		
Water Supply	5,672	4,506
Sewerage Services	1,256	1,141
Other Waste Management	3,090	2,800
	<u>10,018</u>	<u>8,447</u>
<u>Fees</u>		
Planning & Building	3,479	3,252
Private Works	2,885	2,634
Motor Vehicle Use	533	455
Cemeteries	809	886
Swimming/Aquatic Centre	2,146	1,113
Health Licence Fees	103	94
Rent & Hire of Council Property	613	697
Caravan and Tourist Park Fees	11,387	10,737
Other	1,439	2,445
	<u>23,394</u>	<u>22,313</u>
Total User Charges & Fees	<u>33,412</u>	<u>30,760</u>
 INTEREST		
Interest on overdue rates & charges	385	390
Interest on investments attributable to		
Section 94 Contributions	636	451
Water & Sewerage Contributions	27	38
Water Supplies	776	802
Sewerage Services	526	342
Other External Restrictions	774	579
Other Investments	1,424	1,215
Other Investment Revenues	6	12
Gross Interest Received	<u>4,554</u>	<u>3,829</u>
Less: Interest deducted from		
capitalised borrowing costs	-	(9)
Total Interest Revenue	<u>4,554</u>	<u>3,820</u>

SHOALHAVEN CITY COUNCIL

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

Note 4 - REVENUES FROM ORDINARY ACTIVITIES (cont)

	2004 \$'000	2003 \$'000
OTHER OPERATING REVENUES		
Self Insurance Provision Adjustment	400	141
Fines	477	320
Insurance Claims	816	665
Legal Fees Recovery (Rates)	116	126
Discount Received	12	14
Other	354	332
Total Other Operating Revenues	2,175	1,598

	OPERATING		CAPITAL	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
GRANTS				
General Purpose (Untied)				
Financial Assistance	9,006	8,655	-	-
Pensioner Rates Subsidies (General)	1,104	1,140	-	-
Specific Purpose				
Pensioner Rates Subsidies				
Water Supplies	497	508	-	-
Sewerage Services	448	457	-	-
Domestic Waste Management	365	362	-	-
Water Supplies	-	-	57	134
Sewerage Services	-	-	1,924	1,382
Community Centres	-	-	139	324
Roads & Bridges	1,936	1,727	2,603	3,287
Environmental Protection	422	701	62	326
Heritage & Cultural Services	7	-	80	120
Community Care Services	2,025	1,762	6	-
Bushfire & Emergency Services	332	512	302	375
Other	784	524	473	269
Total Grants & Subsidies	16,926	16,348	5,646	6,217

CONTRIBUTIONS & DONATIONS

Developer Contributions				
Roadworks	-	-	435	752
Drainage	-	-	31	57
Parking	-	-	(2)	271
Open Space	-	-	228	171
Community Facilities	-	-	526	627
Other	-	-	1,248	1,103
Aquatic Facilities	-	-	279	-
Water Supplies	-	-	2,376	2,316
Sewerage Services	-	2	2,317	1,982
Land	-	-	1,310	-
Bushfire & Emergency Services	831	1,382	113	-
Kerb & Gutter	-	-	166	16
Other	156	161	233	322
Total Contributions & Donations	987	1,546	9,260	7,617
TOTAL GRANTS & CONTRIBUTIONS	17,913	17,894	14,906	13,834

SHOALHAVEN CITY COUNCIL

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

Note 5 - GAIN OR LOSS ON DISPOSAL OF ASSETS

	2004 \$'000	2003 \$'000
DISPOSAL OF PROPERTY		
Proceeds from disposal	5,031	1,579
Less: Carrying amount of assets sold	<u>926</u>	<u>257</u>
Gain (Loss) on disposal	<u>4,105</u>	<u>1,322</u>
DISPOSAL OF PLANT & EQUIPMENT		
Proceeds from disposal	3,058	3,686
Less: Carrying amount of assets sold	<u>3,346</u>	<u>3,938</u>
Gain (Loss) on disposal	<u>(288)</u>	<u>(252)</u>
DISPOSAL OF REAL ESTATE DEVELOPMENT ASSETS		
Proceeds from disposal	2,746	1,256
Less: Carrying amount of assets sold	<u>861</u>	<u>486</u>
Gain (Loss) on disposal	<u>1,885</u>	<u>770</u>
TOTAL GAIN (LOSS) ON DISPOSAL OF ASSETS	<u>5,702</u>	<u>1,840</u>

SHOALHAVEN CITY COUNCIL

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

Note 6 - CASH ASSETS AND INVESTMENT SECURITIES

	2004 \$'000		2003 \$'000	
	<u>Current</u>	<u>Non-Current</u>	<u>Current</u>	<u>Non-Current</u>
CASH ASSETS				
Cash on Hand and at Bank	6,792		3,777	-
Short term Deposits & Bills, etc	30,932	30,427	39,453	14,170
Total Cash Assets	<u>37,724</u>	<u>30,427</u>	<u>43,230</u>	<u>14,170</u>
INVESTMENT SECURITIES				
Term Deposits	-	17,766	-	16,844
Other	-	16	-	16
Total Investment Securities	<u>-</u>	<u>17,782</u>	<u>-</u>	<u>16,860</u>
TOTAL CASH ASSETS & INVESTMENT SECURITIES	<u>37,724</u>	<u>48,209</u>	<u>43,230</u>	<u>31,030</u>

RESTRICTED CASH AND INVESTMENTS

	Ref	2004 \$'000		2003 \$'000	
		<u>Current</u>	<u>Non-Current</u>	<u>Current</u>	<u>Non-Current</u>
EXTERNAL RESTRICTIONS					
Included in liabilities					
Unexpended Loans		3,189	-	3,337	-
Self Insurance Claims		808	1,759	658	2,309
		<u>3,997</u>	<u>1,759</u>	<u>3,995</u>	<u>2,309</u>
Other					
Developer Contributions	17	-	14,479	857	11,586
Unexpended Grants	14	2,690	-	2,747	-
Water Supply funds		1,119	17,527	9,341	11,349
Sewerage funds		5,020	10,129	7,740	4,960
Domestic Waste Management		-	1,969	645	826
		<u>8,829</u>	<u>44,104</u>	<u>21,330</u>	<u>28,721</u>
Total External Restrictions		<u>12,826</u>	<u>45,863</u>	<u>25,325</u>	<u>31,030</u>
Total Internal Restrictions		11,143	-	13,628	-
TOTAL UNRESTRICTED	A	<u>13,755</u>	<u>2,346</u>	<u>4,277</u>	<u>-</u>
TOTAL CASH ASSETS & INVESTMENT SECURITIES		<u>37,724</u>	<u>48,209</u>	<u>43,230</u>	<u>31,030</u>

A: As at 30 June 2004 Council had not restricted funds allocated to works that had commenced prior to, but were not completed by, balance date. These works are funded by existing restricted cash and investments plus general revenue (unrestricted cash and investments). Existing restrictions are included in either external or internal restrictions however the general revenue component is included in unrestricted cash. For 2004 the amount of unrestricted cash required to fund uncompleted works as at 30 June was \$4,586K (\$3,015K 2003).

SHOALHAVEN CITY COUNCIL

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

Note 6 - CASH ASSETS & INVESTMENT SECURITIES (cont)

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

Notes	Opening Balance 30 June 2003 \$'000	Movements		Closing Balance 30 June 2004 \$'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
	12,443	7,795	5,759	14,479	-	14,479	-
17	2,747	22,492	22,549	2,690	2,690	-	-
14	20,690	20,314	22,358	18,646	1,119	17,527	-
	12,700	27,665	25,216	15,149	5,020	10,129	-
	1,471	1,273	775	1,969	-	1,969	-
	50,051	79,539	76,657	52,933	8,829	44,104	-

External Restrictions

Developer Contributions

Unexpended Grants

Water Supply funds

Sewerage funds

Domestic Waste Management

Total External Restrictions

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

Construction of Buildings

Replacement - Plant & Vehicles

Sporting Facilities

Strategic Projects

Gasworks Decontamination

Land Development Reserve

Total Internal Restrictions

2,704	2,000	-	4,704	4,704	-	-	-
393	-	-	393	393	-	-	-
379	379	213	545	545	-	-	-
98	54	8	144	144	-	-	-
8,721	3,266	7,906	4,081	4,081	-	-	-
269	75	-	344	344	-	-	-
1,064	1,725	1,857	932	932	-	-	-
13,628	7,499	9,984	11,143	11,143	-	-	-

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.

SHOALHAVEN CITY COUNCIL

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

Note 7 - RECEIVABLES

	2004 \$'000		2003 \$'000	
	<u>Current</u>	<u>Non-Current</u>	<u>Current</u>	<u>Non-Current</u>
Rates & Annual Charges	2,137	2,129	2,059	2,258
Interest & Extra Charges	269	927	283	1,153
User Charges & Fees	2,961	-	2,776	-
Accrued Interest Revenues	447	-	243	-
Deferred Debtors	46	309	35	308
Other levels of Government	1,496	-	2,149	-
Accrued Revenues Other	1,106	-	1,370	-
Other	21	-	15	-
Total	8,483	3,365	8,930	3,719
Less: Provision for Doubtful Debts				
Rates & Annual Charges	151	-	151	-
User Charges & Fees	34	-	50	-
Total Receivables	8,298	3,365	8,729	3,719
RESTRICTED RECEIVABLES				
Water Supply	1,335	-	2,205	-
Sewerage Services	2,554	-	2,494	-
Domestic Waste Management	1,097	-	1,097	-
Total Restrictions	4,986	-	5,796	-
Unrestricted Receivables	3,312	3,365	2,933	3,719
Total Receivables	8,298	3,365	8,729	3,720

SHOALHAVEN CITY COUNCIL

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

Note 7 cont'd - RECEIVABLES

1. Rates and Annual Charges

Rates are secured by underlying properties. Interest is charged on overdue rates at 9.0%. Rates are due for payment on 31st August, 30th November, 28th February and 31st May. Overdue rates are those not paid within 1 day of the due date. The amount of the overdue rates and annual charges upon which interest is charged is \$5,193M (2003 \$5,470M). A provision for doubtful debts in respect of the class of debtor has been provided in an amount of \$151K.

2. User charges and fees

User charges and fees are unsecured. The credit risk for this class of debtor is 100% of the carrying value. A provision for doubtful debts in respect of the class of debtor has already been provided in an amount of \$34K.

3. Other levels of government

3.1 Government Grants & Subsidies

Government grants and subsidies have been guaranteed subject to the terms and conditions of the relevant agreement.

3.2 Goods & Services Tax

The Commonwealth Government guarantees the Goods and Services Tax refund outstanding at 30 June 2004. The amount due to Council at 30 June 2004 is \$1,365K

4. Deferred Debtors

Deferred Debtors relate to loans made to organisations external to Council for the provision of community facilities eg, buildings, sports facilities. In some cases the debt is secured by the facility constructed.

5. Accrued Revenue - Interest

Accrued interest on investments amounts to \$447K. Investments are comprised of term deposits, bills of exchange and managed funds. The average interest rate for investments that are held at 30 June 2004 is 5.66% (2003 4.76%).

Bills of exchange are generally subject to credit risk in the event of default by the acceptor. However ensuring that the banks have accepted the bills has mitigated the risk.

SHOALHAVEN CITY COUNCIL

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

Note 8 - INVENTORIES & OTHER ASSETS

	2004		2003	
	\$'000		\$'000	
	<u>Current</u>	<u>Non-Current</u>	<u>Current</u>	<u>Non-Current</u>
INVENTORIES				
Stores & Materials	1,567	-	1,675	-
Real Estate Developments	1,193	6,316	1,118	5,336
Total Inventories	<u>2,760</u>	<u>6,316</u>	<u>2,793</u>	<u>5,336</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	256	-	1,053	-
Total Other Assets	<u>256</u>	<u>-</u>	<u>1,053</u>	<u>-</u>

Real Estate Developments

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

Industrial & Commercial	1,193	6,316	1,118	5,336
Total Real Estate for Resale	<u>1,193</u>	<u>6,316</u>	<u>1,118</u>	<u>5,336</u>

Represented by:

Acquisition Costs	-	-	-	123
Development Costs	223	4,637	60	2,920
Borrowing Costs	-	11	-	5
Other Properties - Book Value	970	1,666	1,058	2,288
Total Real Estate for Resale	<u>1,193</u>	<u>6,314</u>	<u>1,118</u>	<u>5,336</u>

RESTRICTIONS EXIST IN RESPECT OF THE FOLLOWING:

Other Assets

Water Supplies	134	-	111	-
Sewerage Services	475	-	5	-
	<u>609</u>	<u>-</u>	<u>116</u>	<u>-</u>

SHOALHAVEN CITY COUNCIL

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

Note 9 - PROPERTY, PLANT & EQUIPMENT

	2003 \$'000				CARRYING AMOUNT MOVEMENTS DURING YEAR \$'000				2004 \$'000	
	AT COST	ACCUM DEPN	CARRYING AMOUNT	Asset Purchases	Asset Disposals	Depreciation	AT COST	ACCUM DEPN	CARRYING AMOUNT	
Plant & Equipment	40,308	14,423	25,885	8,605	(3,335)	(3,136)	44,230	16,211	28,019	
Office Equipment	10,024	6,036	3,988	1,087	(11)	(1,007)	10,846	6,789	4,057	
Furniture & Fittings	1,398	766	632	95	-	(113)	1,485	871	614	
Land										
- Council owned (freehold)	66,131	-	66,131	7,896	(352)	-	73,675	-	73,675	
- Council controlled	5,658	-	5,658	-	-	-	5,658	-	5,658	
Land Improvements - depreciable	21,959	2,450	19,509	60	-	(648)	22,019	3,098	18,921	
Buildings	80,765	18,796	61,969	6,753	(574)	(1,337)	86,903	20,092	66,811	
Other Structures	43,888	18,133	25,755	2,090	-	(1,330)	45,978	19,463	26,515	
Infrastructure										
- Roads, bridges, footpaths	483,896	100,603	383,293	10,301	-	(5,301)	494,197	105,904	388,293	
- Bulk earthworks (non-deprec.)	84,590	-	84,590	-	-	-	84,590	-	84,590	
- Stormwater drainage	55,892	19,846	36,046	151	-	(1,351)	56,043	21,197	34,846	
- Water Supply Network	226,222	74,483	151,739	8,445	-	(3,224)	234,667	77,707	156,960	
- Sewerage Network	259,917	71,108	188,809	9,581	-	(4,044)	269,498	75,152	194,346	
Other Assets										
- Library Books	3,475	2,944	531	331	-	(218)	3,806	3,162	644	
Totals	1,384,123	329,588	1,054,535	55,395	(4,272)	(21,709)	1,433,595	349,646	1,083,949	

SHOALHAVEN CITY COUNCIL

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

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

	2004 \$'000			2003 \$'000		
	AT COST	ACCUM DEPN	CARRYING AMOUNT	AT COST	ACCUM DEPN	CARRYING AMOUNT
Water Supply						
Plant & Equipment	3,792	1,764	2,028	3,466	1,706	1,760
Office Equipment	1,262	546	716	1,131	472	659
Furniture & Fittings	74	51	23	74	39	35
Land						
- Council owned (freehold)	2,237	-	2,237	2,160	-	2,160
Buildings & Other Structures	1,563	26	1,537	1,543	23	1,520
Water Supply Infrastructure	234,660	77,707	156,953	226,224	74,484	151,740
Total Water Supply	243,588	80,094	163,494	234,598	76,724	157,874
Sewerage Services						
Plant & Equipment	3,447	1,201	2,246	2,968	914	2,054
Office Equipment	604	209	395	473	138	335
Furniture & Fittings	62	14	48	62	12	50
Land						
- Council owned (freehold)	3,599	-	3,599	3,244	-	3,244
Buildings & Other Structures	1,462	164	1,298	1,423	133	1,290
Sewerage Infrastructure	269,208	75,152	194,056	259,667	71,108	188,559
Total Sewerage Services	278,382	76,740	201,642	267,837	72,305	195,532
Domestic Waste Management						
Plant & Equipment	2,040	438	1,602	1,323	61	1,262
Office Equipment	150	117	33	61	58	3
Furniture & Fittings	15	3	12	19	2	17
Land						
- Council owned (freehold)	1,246	-	1,246	566	-	566
Land Improvements - depreciabl	4,667	211	4,456	5,123	165	4,958
Buildings	2,805	1,558	1,247	1,306	944	362
Other Structures	434	37	397	739	30	709
Total Domestic Waste	11,357	2,364	8,993	9,137	1,260	7,877
TOTAL RESTRICTIONS	533,327	159,198	374,129	511,572	150,289	361,283

SHOALHAVEN CITY COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS For the year ending 30 June 2004

Note 9 (cont) - PROPERTY, PLANT & EQUIPMENT

Valuation of Assets

At 1 July 2000 upon the commencement of Australian Accounting Standard AAS 38 "Revaluation of Non-Current Assets", Council elected pursuant to paragraph 10.4(a) of the standard to revert to the deemed cost basis for all classes of assets previously carried at revalued amounts.

Plant & Equipment, Office Equipment, Furniture & Fittings, Leased Plant & Equipment

Assets acquired after 1 January 1993 are recorded at cost. Assets acquired prior to that date are recorded at deemed cost, being the carrying value of those assets as 31 December 1992.

Major depreciation periods are:

Office Equipment	10 years
Office Furniture	10 years
Vehicles & Road-making Equip	2 years
Earthmoving and Heavy Equipment	6 years
Other Plant & Equipment	10 years

Asset capitalisation thresholds include:

Office Furniture & Equipment	>\$1,000
Other Plant & Equipment	>\$2,000

Land - Council owned and Council controlled

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 in the reporting period ended 30 June 1995. Pursuant to Council's election, these amounts are disclosed at deemed cost.

Land not classified by Council as operational land was valued by Council officers at municipal site value during the reporting period ended 30 June 1995. Pursuant to Council's election, these amounts are disclosed at deemed cost.

All land acquired after 1 July 1995 is recorded at cost. No capitalisation threshold is applied to the acquisition of land or interests in land.

Current Valuation – A valuation of all Council land, operational and non-operational, was undertaken on a municipal site value basis by the NSW Valuer General as at 30 June 2003 and totalled \$1,039,764K. The valuation has not been brought to account as Council has continued to adopt the cost basis for recording this asset class.

Buildings

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**Note 9 – Property, Plant & Equipment (cont)**

Small Buildings (eg, toilet blocks)	50 years
Large Buildings	100 years

Asset capitalisation thresholds include:

New construction/extensions	Capitalise
Renovations	>\$2,000

Current Valuation – An independent valuation of buildings, based on replacement with new value, was undertaken by International Valuation Consultants as at 30 June 2003. The valuation of Council's buildings was \$114,653K. The valuation has not been brought to account as Council has continued to adopt the cost basis.

Land Improvements, Other Structures and Infrastructure

Land improvements and other structures were valued during the reporting period ended 30 June 1996 and pursuant to Council's election are disclosed at deemed cost. All acquisitions made after the respective dates of valuation are recorded at cost. Major depreciation periods are:

Bus Shelters	20 years
Sporting Facilities (eg tennis courts)	10 years
Other Structures	50 years

Asset capitalisation thresholds include:

Other Structures	>\$2,000
------------------	----------

Water and sewer infrastructure was valued by Council officers at written down current replacement cost during the reporting period ended 30 June 1995 and pursuant to Council's election are disclosed at deemed cost. All acquisitions made after the respective dates of valuation are recorded at cost. Major depreciation periods are:

Water and Sewer infrastructure	20 to 100 years
--------------------------------	-----------------

Augmentation works constructed subject to PWD schemes are recorded as follows:

- Where the scheme has not been commissioned, works are recorded at cost (including borrowing costs).
- Where the scheme has been commissioned but the final cost to Council has not been determined, the scheme has been recorded as a single asset and depreciated from the date of commissioning. The depreciation period has been selected, depending on the nature of the scheme, having regard to the depreciation period applicable to its major components.
- Where the final cost to Council has been determined the depreciation period has been selected from the depreciation periods shown above with regard to the nature of the scheme.

Asset capitalisation thresholds include:

Water and Sewer infrastructure	>\$2,000
--------------------------------	----------

Transportation assets were valued by Council officers at written down current replacement cost during the reporting period ended 30 June 1996 and pursuant to Council's election are disclosed at deemed cost. All acquisitions made after the respective dates of valuation are recorded at cost. Major depreciation periods are:

Roads Structure	100 years
-----------------	-----------

Asset capitalisation thresholds include:

Road construction & reconstruction	Capitalise
Reseal/resheet/major repairs	>\$2,000

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 9 – Property, Plant & Equipment (cont)

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 and pursuant to Council's election are disclosed at deemed cost. All acquisitions made after the respective dates of valuation are recorded at cost. Major depreciation periods are:

Stormwater Drainage 33 to 100 years

Asset capitalisation thresholds include:

Stormwater Drainage >\$5,000

All other assets

Assets acquired after 1 January 1993 are recorded at cost. Assets acquired prior to that date are recorded at deemed cost, being the carrying value of those assets at 31 December 1992.

Major depreciation periods are:

Library Books 5 years

Restricted Assets

Restrictions exist in relation to the following assets, which must be applied for the purposes for which special rates and other charges enabling their purchase were raised.

	2004	2003
	\$'000	\$'000
Water Supplies	163,494	157,874
Sewerage Services	201,642	195,532
Domestic Waste Management	8,993	7,877
Total	374,129	361,283

SHOALHAVEN CITY COUNCIL

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

Note 10 - LIABILITIES

	2004 \$'000		2003 \$'000	
	Current	Non-Current	Current	Non-Current
PAYABLES				
Goods & Services	13,254	-	10,279	-
Payments received in advance	22	-	60	-
Accrued Expenses	1,037	-	957	-
Other Levels of Government	5,391	-	5,730	-
Deposits, Retentions & Bonds	1,568	-	1,596	-
Other	85	-	90	-
Total Creditors	21,357	-	18,712	-
INTEREST BEARING LIABILITIES				
Loans	9,869	40,923	10,767	42,511
Government Advances	423	1,812	302	1,480
Ratepayer Advances	71	305	24	284
Total Borrowings	10,363	43,040	11,093	44,275

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

PROVISIONS				
Annual Leave	2,260	1,132	2,059	1,136
Sick Leave	444	11,052	558	10,474
Long Service Leave	690	8,004	364	7,699
Workers Compensation Self Insurance	808	1,759	658	2,309
Total Provisions	4,202	21,947	3,639	21,618

LIABILITIES relating to RESTRICTED ASSETS

Domestic Waste Management

Payables	680	-	685	-
Interest Bearing Liabilities	601	2,935	712	3,536
Subtotal	1,281	2,935	1,397	3,536

Water Supplies

Payables	4,838	-	6,930	-
Interest Bearing Liabilities	998	4,353	1,854	5,350
Subtotal	5,836	4,353	8,784	5,350

Sewerage Services

Payables	5,041	-	2,575	-
Interest Bearing Liabilities	2,889	12,373	3,417	15,262
Subtotal	7,930	12,373	5,992	15,262
TOTAL	15,047	19,661	16,173	24,148

SHOALHAVEN CITY COUNCIL

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

Note 10b - DESCRIPTION AND MOVEMENT IN PROVISIONS

Provision is made in respect of the estimated self insurance claims for workers' compensation based on an independent actuarial assessment. The amount of \$808K is expected to be settled within the next twelve months and is shown as current in Note 10.

Class of Provision	2003	2004			2004 Closing Balance \$'000
	Opening Balance \$'000	Increases to Provision \$'000	Reduction to Provision		
			Payments \$'000	Re-measurement \$'000	
Self Insurance	2,967	-	-	400	2,567
	2,967	-	-	400	2,567

SHOALHAVEN CITY COUNCIL

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

Note 11 - RECONCILIATION TO CASH FLOW STATEMENT

(a) Reconciliation of Cash

Cash Assets comprise highly liquid investments with short periods to maturity subject to insignificant risk of changes of value. Cash at the end of the reporting period as shown in the Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position as follows:

	2004 \$'000	2003 \$'000
Total Cash Assets (Note 6)	68,151	57,400
Less: Bank Overdraft	-	-
Balances per Statement of Cash Flows	68,151	57,400

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

Change in Net Assets resulting from Operations	38,880	30,797
Add: Depreciation and Amortisation	21,709	21,289
Increase in employee leave entitlements	892	668
Decrease in receivables	448	391
Decrease in inventories	905	-
Increase in creditors	3,233	-
	66,067	53,145
Less: Decrease in provision for doubtful debts	16	26
Increase in inventories	-	8
Decrease in creditors	-	886
Decrease in accrued expenses payable	223	558
Gain on Sale of Assets	5,702	1,840
Non-cash Capital Grants and Contributions	1,981	1,516
Net Cash provided by (or used in) operations	58,145	48,311

(c) Non-Cash Financing and Investing Activities

Acquisition of assets by means of:		
- PWD Construction	1,981	1,516
	1,981	1,516

(d) Financing Arrangements

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

Bank Overdrafts		
Total Facilities	400	400

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.

SHOALHAVEN CITY COUNCIL

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

Note 12 - COMMITMENTS FOR EXPENDITURE

	2004 \$'000	2003 \$'000
(a) Capital Commitments		
Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:		
Land	94	-
Buildings	497	1,888
Other Structures	2,553	7,317
Plant & Equipment	564	546
	<u>3,708</u>	<u>9,751</u>
These expenditures are payable:		
Not later than one year	<u>3,708</u>	<u>9,751</u>
	<u>3,708</u>	<u>9,751</u>

SHOALHAVEN CITY COUNCIL

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

Note 13 - STATEMENT OF PERFORMANCE MEASUREMENT

	<u>Amounts</u>	<u>2004 Indicators</u>	2003	2002	2001
Current Ratio					
<u>Current Assets</u>	\$49,038	1.37:1	1.67:1	1.44:1	1.47:1
Current Liabilities	\$35,922				
 Unrestricted Current Ratio					
<u>Unrestricted Current Assets*</u>	\$30,617	1.47:1	1.42:1	1.48:1	1.67:1
Unrestricted Current Liabilities	\$20,875				
* as defined in the Code					
 Debt Service Ratio					
<u>Net Debt Service Cost</u>	\$14,510	11.8%	14.9%	15.6%	16.6%
Operating Revenue	\$122,888				
* as defined in the Code					
 Rate & Annual Charges Coverage Ratio					
<u>Rates & Annual Charges Revenues</u>	\$66,935	46.0%	48.1%	47.6%	51.1%
Total Revenues	\$145,597				
 Rates & Annual Charges Outstanding Percentage					
<u>Rates & Annual Charges Outstanding</u>	\$5,647	7.8%	7.8%	8.8%	9.0%
Rates & Annual Charges Collectible	\$72,888				

SHOALHAVEN CITY COUNCIL

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

Note 14 - CONDITIONS OVER GRANTS & CONTRIBUTIONS

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

	2004 \$'000		2003 \$'000	
	<u>Grants</u>	<u>Contrib</u>	<u>Grants</u>	<u>Contrib</u>
Unexpended at the close of the previous reporting period	2,747	12,443	1,847	10,317
Less: expended during the current period from revenues recognised in previous reporting periods	2,930	5,759	4,636	5,449
Plus: amounts recognised as revenues in this reporting period but not yet expended in accordance with the conditions	1,683	7,795	5,636	7,575
Unexpended at the close of this reporting period and held as restricted assets	2,690	14,479	2,747	12,443
Net increase (decrease) in restricted assets in the current reporting period.	(57)	2,036	900	2,126

SHOALHAVEN CITY COUNCIL

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

Note 15 - FINANCIAL INSTRUMENTS

Interest Rate Risk Exposures

2004	Floating Interest Rate '000	Fixed interest maturing in			Non- interest bearing '000	Total '000
		≤ 1 year '000	> 1 year ≥ 5 years '000	> 5 years '000		
Financial Assets						
Cash Assets	6,792	61,359	-	-	-	68,151
Investment Securities	-	15,538	2,228	-	16	17,782
Receivables						
Rates & Annual Charges	-	2,221	3,056	-	-	5,277
User Charges & Fees	-	-	-	-	2,961	2,961
Deferred Debtors	-	46	309	-	-	355
Other levels of Govt.	-	-	-	-	1,496	1,496
Other	-	-	-	-	21	21
Total	6,792	79,164	5,593	-	4,494	96,043

<i>Weighted Average Interest Rate</i>	0.00%	5.75%	7.75%	0.00%		
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Financial Liabilities

Payables

Goods & Services	-	-	-	-	13,254	13,254
Payments in advance	-	-	-	-	22	22
Other levels of Govt.	-	-	-	-	5,391	5,391
Deposits, Retentions, Bonds	-	-	-	-	1,568	1,568
Other	-	-	-	-	85	85
Interest Bearing Liabilities	-	12,709	25,533	15,161	-	53,403
Total	-	12,709	25,533	15,161	20,320	73,723

<i>Weighted Average Interest Rate</i>	0.00%	7.77%	6.33%	6.37%		
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2003

Financial Assets

Cash Assets	3,721	53,679	-	-	-	57,400
Investment Securities	-	11,193	3,675	1,976	16	16,860
Receivables						
Rates & Annual Charges	-	2,191	3,411	-	-	5,602
User Charges & Fees	-	-	-	-	2,726	2,726
Deferred Debtors	-	-	-	20	323	343
Other levels of Govt.	-	-	-	-	2,149	2,149
Other	-	-	-	-	15	15
Total	3,721	67,063	7,086	1,996	5,229	85,095

<i>Weighted Average Interest Rate</i>	3.40%	5.00%	7.37%	4.74%		
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Financial Liabilities

Payables

Goods & Services	-	-	-	-	10,279	10,279
Other levels of Govt.	-	-	-	-	5,730	5,730
Deposits, Retentions, Bonds	-	-	-	-	1,596	1,596
Other	-	-	-	-	90	90
Interest Bearing Liabilities	-	1,525	19,169	34,674	-	55,368
Total	-	1,525	19,169	34,674	17,695	73,063

<i>Weighted Average Interest Rate</i>	0.00%	8.24%	8.50%	6.37%		
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SHOALHAVEN CITY COUNCIL

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

Note 15 (CONT) - RECONCILIATION OF FINANCIAL ASSETS & LIABILITIES

	2004 \$'000	2003 \$'000
<u>Reconciliation of Financial Assets & Liabilities</u>		
Net financial assets from previous page		
Financial Assets	96,043	85,095
Financial Liabilities	<u>73,723</u>	<u>73,063</u>
	22,320	12,032
Non-financial assets and liabilities		
Accrued Revenues	1,553	1,613
Inventories	9,076	8,129
Property, Plant & Equipment	1,083,949	1,054,535
Other Assets	256	1,053
Accrued Expenses	(1,037)	(957)
Provisions	(26,149)	(25,257)
Other liabilities	-	(60)
	<u>1,067,648</u>	<u>1,039,056</u>
Net Assets per Statement of Financial Position	<u>1,089,968</u>	<u>1,051,088</u>

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.

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.

SHOALHAVEN CITY COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS For the year ended 30 June 2004

Note 16 - SIGNIFICANT VARIATIONS FROM ORIGINAL BUDGET

Council's original budget comprised part of the Management Plan adopted by Council on 23rd June 2003. The original projections on which the budget was based have been affected by a number of factors. These include State and Federal Government decisions including new grant programs, changing economic activity and by decisions made by the Council.

This Note sets out the principal variations between the original Budget and Actual results for the Statement of Financial Performance. Material favourable (F) and unfavourable (U) variances represent amounts 10% or more of the budgeted amount.

1 EXPENSES FROM ORDINARY ACTIVITIES

1.1 Borrowing Costs

Borrowing Costs were under budget by \$989K (F) (29%). The original budget allowed for loan borrowings in the Wastewater Fund that were not taken up by Council.

2 REVENUES FROM ORDINARY ACTIVITIES

2.1 Interest Received

The actual amount of interest received was over budget by \$837K (F) (18%). The result can largely be attributed to better than anticipated returns on investments, particularly after the Reserve Bank increased the official interest rates by 25 basis points (0.25%), in November and again in December.

2.2 Grants and Contributions - Operating

Operating Grants & Contributions received were over budget by \$2,446K (F) (14%). Some of the major grants and contributions received that were additional to budget include:

- Shoalhaven Area Consultative Committee - \$254K
- RID Squad - \$210K
- Road Maintenance - \$197K
- Citywide Growth Management Strategy - \$150K
- TV Black Spot Program - \$149K
- Small Business Answers Program - \$114K
- Linemarking/State Black Spot Funding - \$106K
- Sussex Inlet Settlement Strategy - \$100K
- Indigenous Employment Policy - \$94K

Note 16 continued.

2.3 Other Revenues from Ordinary Activities

Other Operating Revenues were over budget by \$1,378K (F) (63%). The result can largely be attributed to insurance claim revenue received and a self insurance provision adjustment. A large insurance claim was recognised during the year for the August wind storm damage.

2.4 Grants & Contributions – Capital

Capital Grants & Contributions received were over budget by \$3,072K (F) (21%). Some of the major grants and contributions received that were additional to budget include:

- Shoalhaven District Hospital Intersection - \$362K
- Culburra Sewerage Scheme - \$218K
- Arts/Cultural Centre Refurbishment - \$215K
- MR92 - \$211K
- Ulladulla Harbour Master Plan - \$145K
- Ulladulla Harbour Precinct Development - \$144K
- Acid Sulphates Soil Project - \$87K
- Kalandar Street - \$85K

SHOALHAVEN CITY COUNCIL

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

Note 17 - STATEMENT OF CONTRIBUTION PLANS

SUMMARY OF CONTRIBUTIONS

PURPOSE	OPENING BALANCE \$'000	CONTRIBUTIONS RECEIVED DURING YEAR		INTEREST EARNED DURING YEAR \$'000	EXPENDED DURING YEAR \$'000	EXPENDED IN ADVANCE \$'000	HELD AS RESTRICTED ASSET \$'000	WORKS PROVIDED TO DATE \$'000
		CASH \$'000	NON-CASH \$'000					
Drainage	171	31	-	12	18	-	196	184
Roads	2,932	435	-	158	604	108	2,921	6,415
Parking	411	(2)	-	17	6	-	420	988
Open Space	1,183	228	-	69	-	-	1,480	473
Community facilities	2,798	526	-	160	61	-	3,423	1,766
Other	3,703	1,248	-	220	647	-	4,524	4,165
Subtotal S94 under plans	11,198	2,466	-	636	1,336	108	12,964	13,991
Sec 64 Contributions	1,245	4,693	-	-	4,423	-	1,515	22,140
Total Contributions	12,443	7,159	-	636	5,759	108	14,479	36,131

Note: The above summary of contribution plans represents the total of Council's individual contribution plans. Individual plan details are shown below. Funds expended in advance relate to plan projects but have been provided for from Council funds and are not shown as expended during the year until the corresponding contribution is received during the reporting period.

CONTRIBUTION PLAN - 1

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	171	31	-	12	18	-	196	184
Roads	2,932	435	-	158	604	108	2,921	6,415
Parking	411	(2)	-	17	6	-	420	988
Open Space	1,183	228	-	69	-	-	1,480	473
Community facilities	2,798	526	-	160	61	-	3,423	1,766
Other	3,703	1,248	-	220	647	-	4,524	4,165
Total	11,198	2,466	-	636	1,336	108	12,964	13,991

SHOALHAVEN CITY COUNCIL

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

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

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

HIH Insurance

Up to 16 March 2001 Council had the following insurance coverage insured or re-insured with a member of the HIH Insurance group of companies;

- Workers Compensation - Excess Loss - over \$450K

At reporting date Council is not aware of any claims exceeding the excess.



CHARTERED ACCOUNTANTS

millington SBS
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INDEPENDENT AUDIT REPORT TO SHOALHAVEN CITY COUNCIL Year ended 30 June 2004

Scope

The financial report and Councillors' responsibility

The financial report comprises the statement of financial position, statement of financial performance, statement of changes in equity, statement of cash flows, accompanying notes to the financial statements, and the councillors' certificate for Shoalhaven City Council, for the year ended 30 June 2004. 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 true and fair presentation of the financial report in accordance with the *Local Government Act 1993*. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Audit approach

We conducted an independent audit in order to express an opinion to Council. Our audit was conducted in accordance with Australian Auditing Standards in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Local Government Act, 1993*, including compliance with Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the Council's and the consolidated entity's financial position, and of their performance as represented by the results of their operations and cash flows.

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report, and

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- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by Council.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.


Independence

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

Audit Opinion

In our opinion:

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


MILLINGTON/SBS
Chartered Accountants


Carl Millington
Principal

Sydney 30 September 2004



CHARTERED ACCOUNTANTS

millington SBS
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Level 11, 50 Clarence Street Sydney NSW 2000
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SHOALHAVEN CITY COUNCIL

INDEPENDENT AUDITOR'S REPORT ON THE CONDUCT OF THE AUDIT OF COUNCIL FOR THE YEAR ENDED 30 JUNE 2004 (Section 417(3) Local Government Act, 1993)

In accordance with the requirement of the Local Government Act, 1993, we provide this report on the conduct of the audit for the year ended 30 June 2004.

Audit Scope

In our audit report prepared in accordance with Section 417(1) of the Act, we directed Council's attention to the fact that the responsibility for the preparation of the financial reports, including adequate disclosure, is that of Council. This includes the maintenance of adequate accounting records and internal controls, the selection and application of accounting policies, and the safeguarding of the assets of Council.

Our audit, which was conducted to provide reasonable assurance of detecting material misstatements in the financial statements, accorded with Australian Auditing Standards and statutory requirements, and we:

- evaluated the accounting policies and significant accounting estimates used by the Council in preparing the financial report, and
- examined a sample of the evidence that supports the amounts and other disclosures in the financial report.

An audit does *not* guarantee that every amount and disclosure in the financial report is error free. The terms 'reasonable assurance' and 'material' recognise that an audit does not examine all evidence and transactions. However, the audit procedures used should identify errors or omissions significant enough to adversely affect decisions made by users of the financial report or indicate that the Council had failed in its reporting obligations.

Whilst the main objective of our audit is to express an opinion on the financial statements, and to provide comments on the conduct of the audit, our audit opinion is generally *not* intended to provide assurance:

- about the future viability of the Council,
- that it has carried out its activities effectively, efficiently and economically, or about the effectiveness of its internal controls.

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Financial Performance

Operating Result for 2004

The statement of financial performance discloses that Council's activities for the 2004 year resulted in a surplus from all activities of \$38.880M (2003 – surplus of \$30.797M).

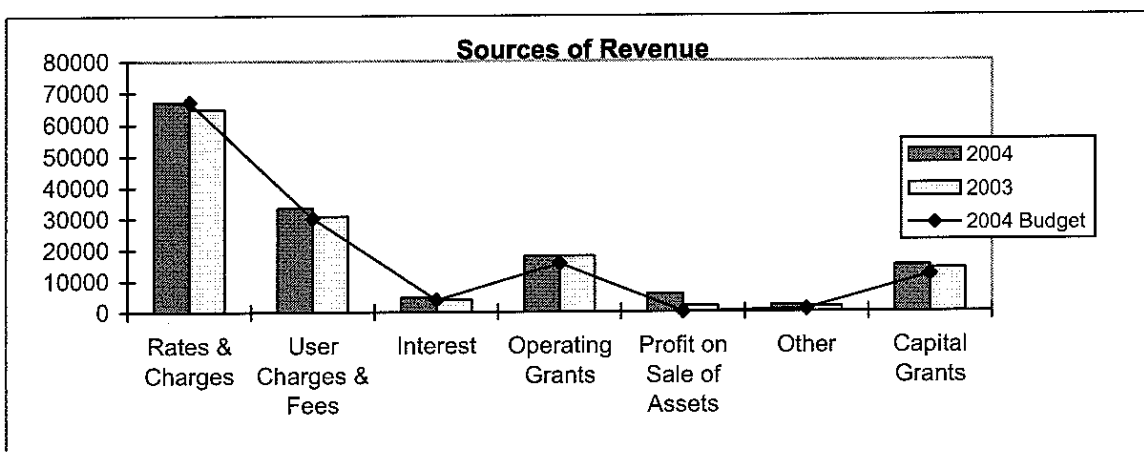
The consolidated result for the year ended 30 June 2004 was comprised of the following:

2003 \$'000		2004 \$'000	Budget \$'000
38,252	Surplus before capital amounts and depreciation	45,683	30,878
13,834	Revenue provided for capital purposes	14,906	11,834
52,086	Surplus before depreciation	60,589	42,712
21,289	Depreciation charge for year	21,709	21,060
30,797	Surplus from all activities	38,880	21,652

Significant variations from the original budget are disclosed in detail in Note 16 to the financial statements, with favourable variances in grants and contributions received, profit from disposal of assets, and other operating revenue having the major impact on the 2004 result.

Revenue

The majority of Council's revenue is derived from rates and charges, fees, and grants and contributions, illustrated in the following graph:



Rates and annual charges

Rates and annual charges represent approximately 46% of Council's total revenue in 2004 compared with 48% in 2003.

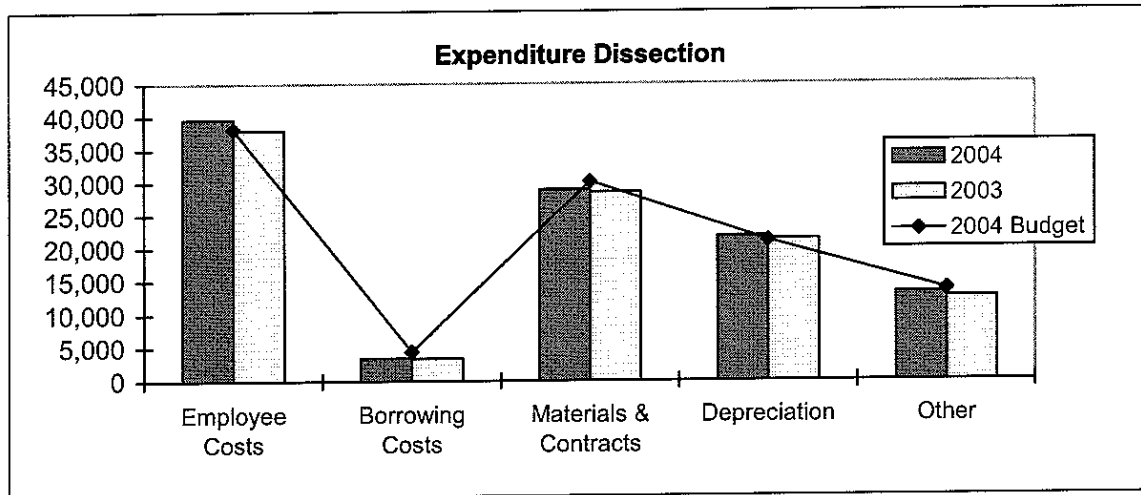
Total revenue derived from rates and annual charges amounted to \$66.935M and represented an increase of \$2.358M or 3.65% on 2003.

Grants and Contributions Received

During 2004 Council received operating grants and contributions totalling \$17.913M (\$17.894M in 2003), and capital grants and contributions amounting to \$14.906M (\$13.834M in 2003) representing 22% of Council's total revenue for the year.

Expenses from Ordinary Activities

Expenses from Council's ordinary activities totalled \$106.717M compared with \$103.625M in 2003. Council's original budget for the year provided for total expenditure of \$107.254M with actual expenses representing a 0.5% variation from budget.



Employee Costs

Operating employee costs as a percentage of total expenses remained stable at 37%, whilst the per capita cost based on full time equivalent employees increased from \$56.96K in 2003 to \$58.83K in 2004.

Total operating and capitalised employee costs increased by 7.66% with the dissection provided in Note 3(a) to the financial statements.

Depreciation

The amount calculated and charged for the depreciation of non-current assets totalled \$21.709M representing 20% of total expenses from ordinary activities. This compares with \$21.289M and 20% in 2003.

Financial Position as at 30 June 2004

Council Equity

Net Assets at 30 June 2004 totalled \$1,090M (2003 - \$1,051M), comprised of accumulated surpluses of \$1,051M and asset revaluation reserve of \$38.64M

Working Capital

Council's consolidated working capital position, calculated by reference to the current assets and current liabilities disclosed on the Statement of Financial Position, amounted to \$13.116M (2003 - \$22.361M), resulting in a ratio of \$1.36 of current assets for each \$1 of current liabilities.

The impact of restrictions on Council's working capital is illustrated in the following analysis:

	2004	2003	% Change
	\$'000	\$'000	\$'000
Total Current Assets	49,038	55,805	-12.13
Less: Externally Restricted Assets	18,421	31,237	-41.03
<i>Unrestricted Current Assets</i>	30,617	24,568	24.62
Total Current Liabilities	35,922	33,444	7.41
Less: Liabilities Related to Restricted Assets	15,855	16,831	-5.80
	20,067	16,613	20.79
Net Current Assets	10,550	7,955	32.62
Less: Internal Restrictions (net of related liabilities)	7,749	10,924	-29.06
Unrestricted Net Current Assets	2,801	-2,969	197.71

This analysis indicates that at 30 June 2004, in addition to having sufficient net current assets to cover the external restrictions placed on those assets, Council had adequate funds to finance day-to-day operations with a satisfactory buffer for reasonable unforeseen costs. The improvement in Council's unrestricted net current asset balance is largely the result of utilisation of restricted assets.

Funding 2005 Operations

An analysis of the Management Plan and comparison with the financial position of Council at 30 June 2004 indicates that, after adding back depreciation of non-current assets, and taking into consideration anticipated capital expenditure and movements in restricted assets, there is sufficient provision for the funding of 2005 operations.

This analysis does not, however, take unfunded revoted expenditure into consideration, which will impact on the unrestricted cash assets of Council by requiring an additional \$4.586M of funding. Whilst Council's overall level of revotes has improved slightly on the prior year with the balance at 30 June 2004 (\$18.3M) representing 17.1% of total expenditure for the 2004 year, compared with \$19.9M and 19.2% for the 2003 year, the level of carry over works is higher than industry better practice guidelines of 5% of annual expenditure. Once again we strongly recommend that Council consider revising its planning and budgeting process to ensure that revotes are incorporated into the Management Plan and proposed operations for coming years, with the objective of reducing the level of carry over works.

Employee Leave Entitlements

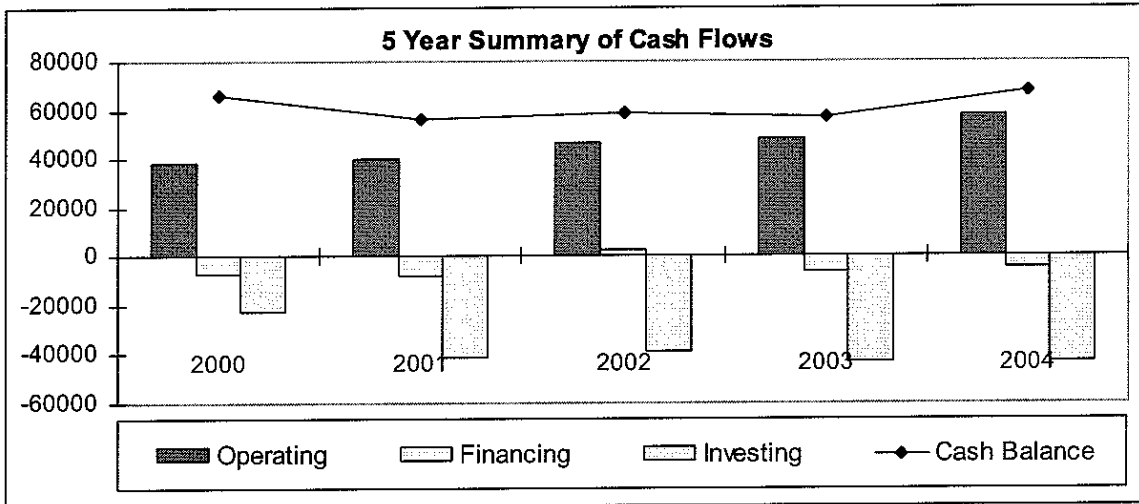
Council's total liability for employee leave entitlements increased by 5.8% on the 2003 balance to a total of \$23.582M. Average leave entitlements per employee (\$33.03K per FTE) have increased slightly on the previous year (\$32.54K per FTE), primarily as a result of increased pay rates and actual leave taken being less than the amount accrued in the year.

The adverse funding situation referred to in our 2003 audit report appears to have been addressed in 2004 with cash restricted to fund unexpected or excessive payments returning to approximately 20% of the total liability.

2004 Cash Flows, Cash Assets and Investment Securities

Net Cash Flows for Year

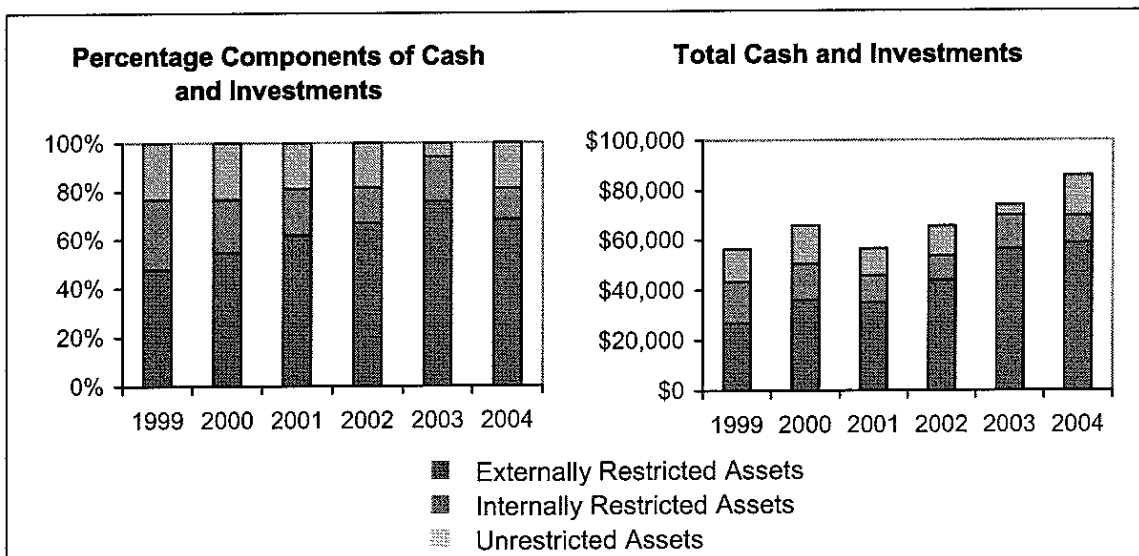
Council's total cash assets (as defined in current standards and regulations) increased by \$10.751M as a result of all activities in the 2004 year. This result was a combination of \$58.145M provided from operating activities, \$42.536M used in investing activities, and \$4.858M used in financing activities.



Assessment of Cash and Investment Securities

Council's cash and investment securities totalled \$85.933M at 30 June 2004, compared with \$74.260M the prior year. Of this amount, \$27.244M was not subject to external restrictions, with Council resolving that \$11.143M should be restricted for the specific purposes detailed on Note 6(b).

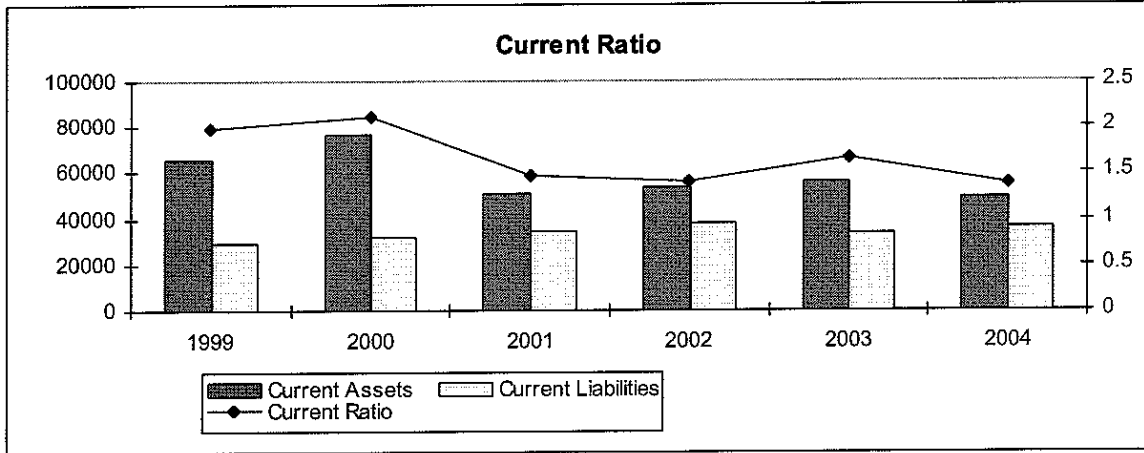
The trend of increasing balances of externally restricted cash appears to have been reversed in 2004, with an increase in the level of unrestricted cash and investments. This position is likely to improve further if Council resolves to pay dividends from its water supply and sewerage businesses. Refer to our comments later in this report on the payment of dividends. Council's future plans indicate that the majority of the externally restricted funds will be utilised over the next 5 years on water and sewer infrastructure, roads, community facilities and other projects.



Performance Indicators and Trends

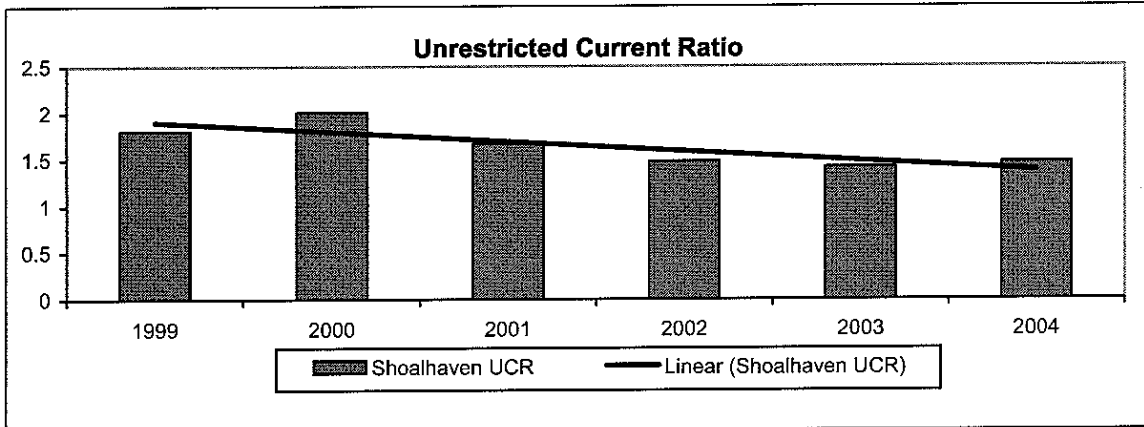
1. Current Ratio

Council's ratio of 1.37:1 is below industry better practice guidelines of 2.0:1 and has declined on the 2003 ratio of 1.67:1.



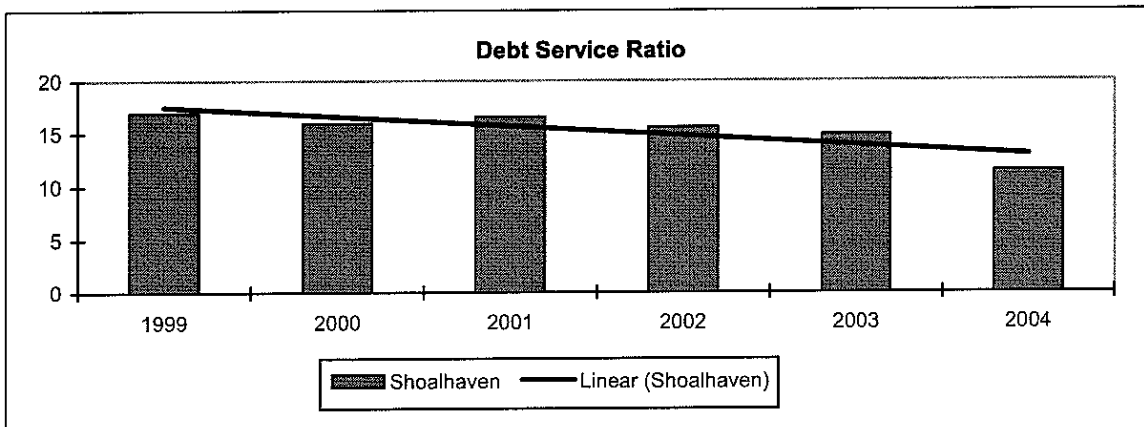
2. Unrestricted Current Ratio

This indicator continues to improve in line with changes to the composition of Council's cash assets and investment securities, with the actual result, i.e. 1.47:1 being within the acceptable range.



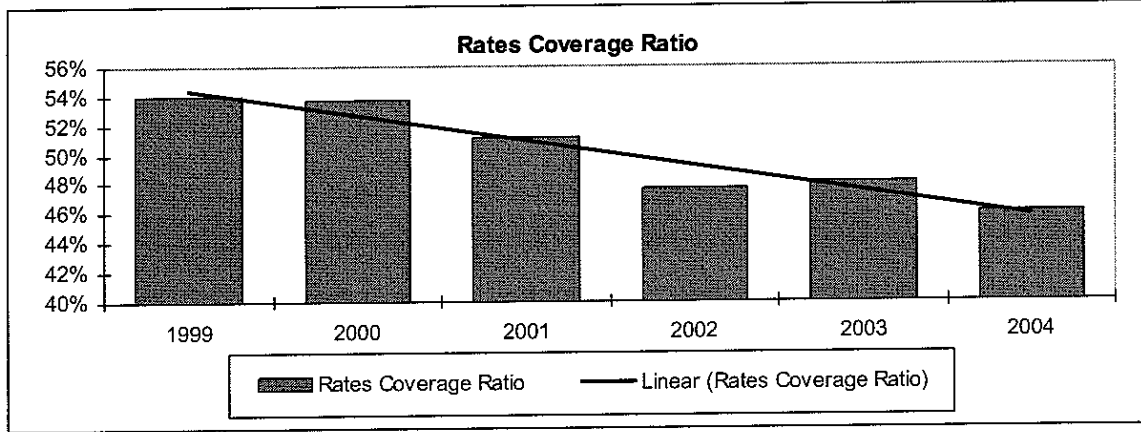
3. Debt Service Ratio

Council's ratio of 11.8% (2003 – 14.9%) is a continuation of the downward trend illustrated in the past three years, and again demonstrates the effect of the Council's intentional loan reduction programme.



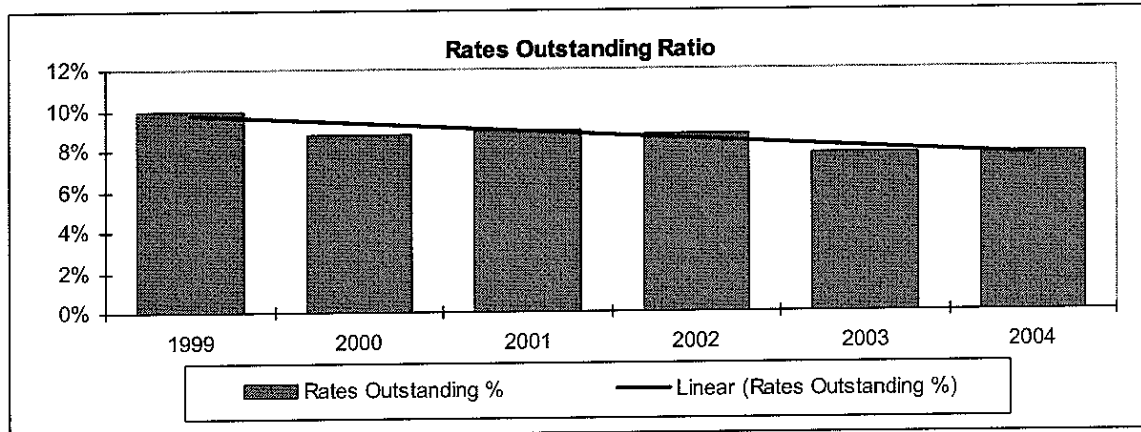
4. Rates and Annual Charges Coverage Ratio

Council's rates and annual charges revenue represents 46% of total revenue, which is lower than the overall State average, and is a continuation of the downward trend experienced in recent years.



5. Rates and Annual Charges Outstanding Percentage

The amount of rates uncollected at year end expressed as a percentage of the total rates and annual charges collectible remained static at 7.8% which is above industry better practice guidelines of approximately 5%, but overall indicates an improving trend.



Other Matters

Conduct of the audit

During the conduct of our audit, a number of issues arose that required additional explanation and investigation, however, we are able to report that all such issues have been appropriately attended to and there are no matters of audit significance that require mention in this report.

Water and Sewer Dividend

As a result of recent changes to the Local Government Act, 1993, Council is now permitted to pay a dividend from surpluses achieved in its water supply and sewerage businesses. Whilst the payment of this dividend has no impact on Council's general purpose financial report, it will be disclosed in the special purpose financial reports for the water supply and sewerage business of Council. The impact of these changes is to allow funds that were previously restricted for water and sewer uses only to be applied to any purpose under the Local Government Act or any other Act.

For the year ended 30 June 2004, Council's available dividend calculations are as follows:

Water Supply Business

• Tax-Equivalent dividend	52,409	
• Dividend from Surplus	<u>1,350,331</u>	1,402,740

Sewerage Business

• Tax-Equivalent Dividend	36,078	
• Dividend from Surplus	<u>1,159,032</u>	<u>1,195,110</u>
		<u>\$2,597,850</u>

Under the guidelines issued by the Department of Energy, Utilities and Sustainability the tax-equivalent dividend must be paid, whereas the dividend from surplus can only be paid after Council has met the criteria set out in its "Best Practice Management of Water Supply and Sewerage Management Guidelines" issue in May 2004.

Payment of the proposed dividends would have the effect of increasing unrestricted assets and further improving the unrestricted net current asset position in the coming year.

Audit Conclusion

As a result of our audit we advise that no material deficiencies in the accounting records or financial reports have come to our attention during the conduct of the audit, and that Council's accounting records have been kept accurately and conscientiously and in accordance with requirements of the Local Government Act, 1993, and Regulations.

The general purpose financial report and special purpose financial report of Council for the year ended 30 June 2004 has been prepared in accordance with the Australian Accounting Standards, the Local Government Code of Accounting Practice and Financial Reporting (Update 12) and the Asset Accounting Manual.

Yours faithfully



millington SBS
Chartered Accountants



Carl Millington
Principal

Sydney 30 September 2004

SHOALHAVEN CITY COUNCIL

Special Purpose Financial Reports

for the year ended 30th June 2004

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COUNCIL OF THE CITY OF SHOALHAVEN

STATEMENT BY THE COUNCIL ON THE GENERAL PURPOSE FINANCIAL REPORTS FOR THE PERIOD ENDED 30 JUNE 2004.


In accordance with the provisions of Section 413 of the Local Government Act, 1993 and Clause 22 of the Local Government (Financial Management) Regulations 1993, the Council at a duly convened meeting held on 28 September 2004 resolved to make the following statement on its General Purpose Financial Reports for the period ended 30 June 2004.

Statement:

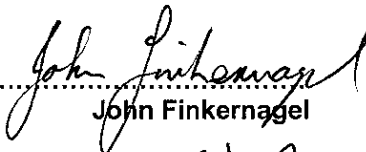
In the opinion of the members of Council: -

- a) The Council's General Purpose Financial Reports have been drawn up in accordance with: -
- The Local Government Code of Accounting Practice and Financial Reporting; and,
 - The Local Government Asset Accounting Manual; and,
 - The Australian Accounting Standards.
- b) The General Purpose Financial Reports give a true and fair view of Council's financial position as at 30 June 2004 and the operating result for the period ended 30 June 2004, and;
- c) The General Purpose Financial Reports are in accordance with the Council's accounting and other records, and;
- d) The signatories to this statement do not know of anything that would make those reports false or misleading in any way.

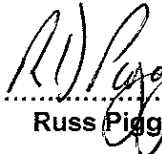
Mayor


.....
Greg Watson


Councillor


.....
John Finkernagel

General Manager


.....
Russ Pigg

Responsible Accounting Officer


.....
Peter Dun

SHOALHAVEN CITY COUNCIL

**STATEMENT OF FINANCIAL PERFORMANCE
WATER SUPPLY BUSINESS ACTIVITY
for the year ended 30th June 2004**

2002 '000	2003 '000		Notes	2004 '000
		EXPENSES FROM ORDINARY ACTIVITIES		
3,199	3,540	Employee Costs		2,372
2,190	2,323	Materials & Contracts		1,704
846	639	Borrowing Costs		438
3,525	3,640	Depreciation & Amortisation		3,591
2,897	2,585	Other Operating Expenses		5,059
13	3	Loss on Disposal of Assets		-
35	47	NCP Tax Equivalents	1	52
<u>12,705</u>	<u>12,777</u>	TOTAL		<u>13,216</u>
		REVENUE FROM ORDINARY ACTIVITIES		
8,848	9,002	Access Charges		8,856
4,355	4,833	User Charges		6,806
464	955	Interest Received		945
514	520	Grants & Contributions - Operating		501
1,660	1,475	Other Operating Revenues		1,212
-	-	Gain on Disposal of Assets		30
<u>15,841</u>	<u>16,785</u>	TOTAL		<u>18,350</u>
3,136	4,008	ORDINARY ACTIVITIES RESULT BEFORE CAPITAL AMOUNTS		5,134
1,894	2,450	Grants & Contributions - Capital		2,449
<u>5,030</u>	<u>6,458</u>	SURPLUS BEFORE TAX		<u>7,583</u>
941	1,202	Corporate Taxation Equivalent	1	1,540
<u>4,089</u>	<u>5,256</u>	SURPLUS FOR YEAR		<u>6,043</u>
155,178	160,243	Add: Accumulated Profits brought forward		166,748
35	47	<i>Adjustments for amounts unpaid</i>		
-	-	NCP Tax Equivalents retained	1	52
941	1,202	Debt Guarantee Fee retained	1	-
-	-	Corporate Tax Equivalent retained	1	1,540
-	-	Less: Dividends Paid	1	-
<u>160,243</u>	<u>166,748</u>	ACCUMULATED SURPLUS		<u>174,383</u>
2.57%	2.94%	RATE OF RETURN ON CAPITAL	1	3.41%
N/A	N/A	NOTIONAL SUBSIDY FROM COUNCIL	1	N/A
		<i>Calculation of Dividend Payable during next financial year</i>		
4,089	5,256	Surplus after tax		6,043
0	0	Less: Capital grants & contribs from LWUs		73
<u>4,089</u>	<u>5,256</u>	Surplus for dividend calculation purposes		<u>5,970</u>
		<i>Dividend calculated in accordance with Best Practice Management of Water Supply and Sewerage Guidelines</i>		
2,045	2,628		1	1,350

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

SHOALHAVEN CITY COUNCIL

**STATEMENT OF FINANCIAL PERFORMANCE
SEWERAGE BUSINESS ACTIVITY
for the year ended 30th June 2004**

2002 '000	2003 '000		Notes	2004 '000
		EXPENSES FROM ORDINARY ACTIVITIES		
1,773	2,062	Employee Costs		3,293
2,517	3,023	Materials & Contracts		3,392
1,236	873	Borrowing Costs		1,220
3,704	4,370	Depreciation & Amortisation		4,484
6,385	6,516	Other Operating Expenses		5,884
-	12	Loss on Disposal of Assets		-
80	60	NCP Tax Equivalents	1	36
<u>15,695</u>	<u>16,916</u>	TOTAL		<u>18,309</u>
		REVENUE FROM ORDINARY ACTIVITIES		
18,948	19,504	Access Charges		19,964
1,236	1,199	User Charges		2,154
111	390	Interest Received		575
466	466	Grants & Contributions - Operating		477
2,083	1,400	Other Operating Revenues		1,469
264	-	Gain on Disposal of Assets		26
<u>23,108</u>	<u>22,959</u>	TOTAL		<u>24,665</u>
7,413	6,043	ORDINARY ACTIVITIES RESULT BEFORE CAPITAL AMOUNTS		6,356
7,996	3,364	Grants & Contributions - Capital		4,276
<u>15,409</u>	<u>9,407</u>	SURPLUS BEFORE TAX		<u>10,632</u>
2,224	1,813	Corporate Taxation Equivalent	1	1,907
<u>13,185</u>	<u>7,594</u>	SURPLUS FOR YEAR		<u>8,725</u>
164,520	180,009	Add: Accumulated Profits brought forward		189,476
-	-	Adjustments for amounts unpaid		-
80	60	NCP Tax Equivalents retained	1	36
-	-	Debt Guarantee Fee retained		-
2,224	1,813	Corporate Tax Equivalent retained		1,907
-	-	Less: Dividends Paid	1	-
<u>180,009</u>	<u>189,476</u>	ACCUMULATED SURPLUS		<u>200,144</u>
4.48%	3.54%	RATE OF RETURN ON CAPITAL	1	3.76%
N/A	N/A	NOTIONAL SUBSIDY FROM COUNCIL	1	N/A
		<i>Calculation of Dividend Payable during next financial year</i>		
13,185	7,594	Surplus after tax		8,725
0	0	Less: Capital grants & contribs from LWUs		1,959
<u>13,185</u>	<u>7,594</u>	Surplus for dividend calculation purposes		<u>6,766</u>
		<i>Dividend calculated in accordance with Best Practice Management of Water Supply and Sewerage Guidelines</i>		
6,593	3,797		1	1,159

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

SHOALHAVEN CITY COUNCIL

**STATEMENT OF FINANCIAL PERFORMANCE OF BUSINESS ACTIVITIES
for the year ended 30th June 2004**

	Other Business Activities							
	Holiday Haven \$'000		Cemeteries \$'000		Mechanical Services \$'000		Electrical Services \$'000	
	2004	2003	2004	2003	2004	2003	2004	2003
EXPENSES FROM ORDINARY ACTIVITIES								
Employee Costs	215	165	348	333	1,640	1,552	1,044	926
Materials & Contracts	3,795	3,274	167	151	469	556	469	400
Borrowing Costs	541	204	114	114	-	-	-	-
Depreciation & Amortisation	1,079	1,039	81	69	14	15	-	-
Other Operating Expenses	3,105	2,958	627	659	891	898	384	636
NCP Imputation Payments	69	62	4	4	99	93	62	56
TOTAL	8,804	7,702	1,341	1,330	3,113	3,114	1,959	2,018
REVENUES FROM ORDINARY ACTIVITIES								
User Charges & Fees	11,489	11,358	819	893	238	2,963	95	1,966
Other Operating Revenues	578	-	1	-	2,708	-	1,776	-
TOTAL	12,067	11,358	820	893	2,946	2,963	1,871	1,966
ORDINARY ACTIVITIES RESULT BEFORE CAPITAL AMOUNTS	3,263	3,656	(521)	(437)	(167)	(151)	(88)	(52)
Corporate Taxation Equivalent	979	1,097	-	-	-	-	-	-
SURPLUS (DEFICIT) FOR YEAR	2,284	2,559	(521)	(437)	(167)	(151)	(88)	(52)
Add: Accumulated Profits brought forward	21,774	18,056	1,001	1,434	(52)	6	20	16
NCP Imputation Payments retained	1,048	1,159	4	4	99	93	62	56
Less: Dividends Paid	-	-	-	-	-	-	-	-
ACCUMULATED SURPLUS	25,106	21,774	484	1,001	(120)	(52)	(6)	20
RATE OF RETURN ON CAPITAL NOTIONAL SUBSIDY FROM COUNCIL	16.66%	17.79%	NIL	NIL	NIL	NIL	NIL	NIL
	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

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

SHOALHAVEN CITY COUNCIL

STATEMENT OF FINANCIAL POSITION WATER SUPPLY BUSINESS ACTIVITY for the year ended 30th June 2004

2003 \$'000		2004 \$'000
	CURRENT ASSETS	
9,341	Cash Assets	1,741
2,207	Receivables	1,321
1	Inventories	-
110	Other	199
<u>11,659</u>	TOTAL CURRENT ASSETS	<u>3,261</u>
	NON-CURRENT ASSETS	
11,349	Cash Assets	17,527
-	Receivables	287
157,874	Property, Plant & Equipment	163,497
<u>169,223</u>	TOTAL NON-CURRENT ASSETS	<u>181,311</u>
<u>180,882</u>	TOTAL ASSETS	<u>184,572</u>
	CURRENT LIABILITIES	
6,930	Payables	4,838
1,854	Interest bearing liabilities	998
<u>8,784</u>	TOTAL CURRENT LIABILITIES	<u>5,836</u>
	NON-CURRENT LIABILITIES	
5,350	Interest bearing liabilities	4,353
<u>5,350</u>	TOTAL NON CURRENT LIABILITIES	<u>4,353</u>
<u>14,134</u>	TOTAL LIABILITIES	<u>10,189</u>
<u>166,748</u>	NET ASSETS	<u>174,383</u>
	EQUITY	
166,748	Accumulated Surplus	174,383
<u>166,748</u>	TOTAL EQUITY	<u>174,383</u>

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

SHOALHAVEN CITY COUNCIL

STATEMENT OF FINANCIAL POSITION SEWERAGE BUSINESS ACTIVITY for the year ended 30th June 2004

2003 \$'000		2004 \$'000
	CURRENT ASSETS	
7,740	Cash Assets	5,914
2,494	Receivables	2,543
5	Other	88
<u>10,239</u>	TOTAL CURRENT ASSETS	<u>8,545</u>
	NON-CURRENT ASSETS	
4,959	Cash Assets	10,128
-	Receivables	131
195,532	Property, Plant & Equipment	201,643
<u>200,491</u>	TOTAL NON-CURRENT ASSETS	<u>211,902</u>
<u>210,730</u>	TOTAL ASSETS	<u>220,447</u>
	CURRENT LIABILITIES	
2,575	Payables	5,041
3,417	Interest bearing liabilities	2,889
<u>5,992</u>	TOTAL CURRENT LIABILITIES	<u>7,930</u>
	NON-CURRENT LIABILITIES	
15,262	Interest bearing liabilities	12,373
<u>15,262</u>	TOTAL NON CURRENT LIABILITIES	<u>12,373</u>
<u>21,254</u>	TOTAL LIABILITIES	<u>20,303</u>
<u>189,476</u>	NET ASSETS	<u>200,144</u>
	EQUITY	
189,476	Accumulated Surplus	200,144
<u>189,476</u>	TOTAL EQUITY	<u>200,144</u>

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

SHOALHAVEN CITY COUNCIL

**STATEMENT OF FINANCIAL POSITION by BUSINESS ACTIVITIES
for the year ended 30th June 2004**

Notes	Other Business Activities							
	Holiday Haven \$'000		Cemeteries \$'000		Mechanical Services \$'000		Electrical Services \$'000	
	2004	2003	2004	2003	2004	2003	2004	2003
CURRENT ASSETS								
Cash Assets	7,473	3,161	(1,730)	(1,121)	(443)	(206)	(33)	(18)
Receivables	589	585	116	141	93	113	3	13
Other	-	26	-	-	-	-	-	-
TOTAL CURRENT ASSETS	8,062	3,772	(1,614)	(980)	(350)	(93)	(30)	(5)
NON-CURRENT ASSETS								
Property, Plant & Equipment	22,828	21,695	3,693	3,640	259	93	50	58
TOTAL NON-CURRENT ASSETS	22,828	21,695	3,693	3,640	259	93	50	58
TOTAL ASSETS	30,890	25,467	2,079	2,660	(91)	-	20	53
CURRENT LIABILITIES								
Payables	268	145	45	35	29	52	25	33
Interest Bearing Liabilities	779	553	307	287	-	-	-	-
TOTAL CURRENT LIABILITIES	1,047	698	352	322	29	52	25	33
NON-CURRENT LIABILITIES								
Interest Bearing Liabilities	4,737	2,995	1,243	1,337	-	-	-	-
TOTAL NON CURRENT LIABILITIES	4,737	2,995	1,243	1,337	-	-	-	-
NET ASSETS	5,784	3,693	1,595	1,659	29	52	25	33
	25,106	21,774	484	1,001	(120)	(52)	(5)	20
EQUITY								
Accumulated Surplus	25,106	21,774	484	1,001	(120)	(52)	(6)	20
TOTAL EQUITY	25,106	21,774	484	1,001	(120)	(52)	(6)	20

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

SHOALHAVEN CITY COUNCIL

NOTES TO THE SPECIAL PURPOSE FINANCIAL REPORTS

For the year ended 30th June 2004

Note 1

SIGNIFICANT ACCOUNTING POLICIES

A Statement summarising the supplemental accounting policies adopted in the preparation of the Special Purpose Financial Reports 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 purpose of these statements, the Council is not a reporting entity.

These statements have been prepared in accordance with the requirements of applicable Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Consensus Views, the Local Government Act & Regulations, the Local Government Code of Accounting Practice and Financial Reporting, the Local Government Asset Accounting Manual and Guidelines for Best Practice Management of Water Supply and Sewerage.

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 imputed for the purposes of the National Competition Policy.

The Special Purpose Financial Reports include transactions between each of the business units and other areas of Council (examples of transactions include loans between units, rates, and water charges). For the purposes of preparing the General Purpose Financial Reports these transactions are eliminated. For this reason the assets reported for the Water and Sewer business units will not reconcile to Note 9 – Restricted Property, Plant and Equipment of the General Purpose Financial Reports.

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 Business - A Guide to Competitive Neutrality" issued by the Department of Local Government in July 1997 has also been adopted.

The pricing and 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
Shoalhaven Water – Water	Water Supply
Shoalhaven Water – Sewer	Sewerage Services
Holiday Haven	Caravan Park Operations
Shoalhaven Mechanical Services	Mechanical Services

Category 2

Name	Brief Description of Activity
Shoalhaven Memorial Gardens	Cemetery and Crematorium Services
Electrical Technology Services	Electrical Services

Monetary Amounts

Amounts shown in these financial statements are in Australian currency and rounded to the nearest one thousand dollars, with the exception of Note 2 (Water Supply Best Practice Management Disclosures A513) and Note 3 (Sewerage Best Practice Management Disclosures A514). As required by the Department of Energy & Utilities, the amounts shown in Notes 2 & 3 are shown in whole dollars.

(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 Special Purpose Financial Reports. For the purposes of disclosing comparative information relevant to the private sector equivalent the following taxation equivalents have been applied to all Council nominated business activities (this does not include Council's non-business activities):

	Notional Rate Applied %
Corporate Tax Rate	30%
Land Tax	1.7% where land value exceeds \$317,000
Stamp Duty (Mortgage)	\$5 plus \$4 for every \$1,000(or part) over \$16,000 (per loan)
Payroll Tax	6.0%

In accordance with the guidelines for Best Practice Management of Water Supply and Sewerage, a payment for the amount calculated as the annual tax equivalent charges (excluding income tax) must be paid from Water Supply and Sewerage Business activities. The payment of taxation equivalent charges, referred to in the Best Practice Management of Water Supply and Sewerage Guides as a "Dividend for Taxation Equivalent", may be applied for any purpose allowed under the Local Government Act, 1993. Achievement of substantial compliance against the guidelines for Best Practice Management of Water Supply and Sewerage is not a prerequisite for the payment of tax equivalent charges but the payment must not exceed \$3 per assessment.

Income Tax

An income tax equivalent has been applied on the profits of each 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 of 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 for the reporting period.

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.

Accordingly, there is no need for disclosure of internal charges in the General Purpose Financial Reports. The rate applied of 30% is the equivalent company tax rate prevalent as at balance date. No adjustments have been made for variations that have occurred during the year.

Local Government Rates and Charges

A calculation of the equivalent rates and charges for all Category 1 businesses has been applied to all assets owned or exclusively used by the business activity.

Loan and Debt Guarantee Fees

The debt guarantee fee is designed to ensure that Council business activities face "true" commercial borrowing costs in line with private sector competitors. In order to calculate a debt guarantee fee, Council is required to determine what the differential borrowing rate would have been between the commercial rate and the Council's borrowing rate for its business activities. It has been decided that there is no differential and therefore no debt guarantee fees are included in the SPFR.

(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 Statement of Financial Performance by Business Activities.

(iii) Return on Investments (Rate of Return)

The Policy statement requires that councils with Category 1 businesses "would be expected to generate a return on capital funds employed that is comparable to rates of return for private businesses operating in a similar field". Funds are subsequently available for meeting commitments or financing future investment strategies. The rate of return is disclosed for each of Council's business activities on the Statement of Financial Performance.

(iv) Dividends

Council is not required to pay dividends to either itself as owner of a range of businesses or to any external entities.

Local Government Water Supply and Sewerage Businesses are permitted to pay an annual dividend from its water supply or sewerage business surplus. The dividend, calculated and approved in accordance with the Best Practice Management Guidelines, must not exceed 50% of this surplus in any one year, or the number of water supply or sewerage assessments at 30 June 2004 multiplied by \$30 (less the payment of tax equivalent charges not exceeding \$3 per assessment).

Dividend payment calculations for the Water Supply & Sewerage Businesses are based on the following provisions of the Best Practice Management of Water Supply and Sewerage Guidelines :-

- (a) The dividend from surplus must not exceed 50% of the Net Operating Surplus (after tax and adjustment for Government Capital Grants)
- (b) The dividend from surplus must not exceed the number of water supply or sewerage assessments at 30 June of the relevant year multiplied by \$30, less the dividend for tax-equivalents which must not exceed \$3 per assessment.
- (c) The dividend from surplus may only be paid so that the total dividend from surplus paid in each rolling three year period does not exceed the total relevant surplus in the same period.

In accordance with the guidelines for Best Practice Management of Water Supply and Sewerage, a Dividend Payment form, Statement of Compliance, unqualified independent Financial Audit Report and Compliance Audit Report are submitted to the Department of Energy, Utilities and Sustainability.

Adjustment for Equity in Operating Statement

A complete trial balance is not maintained for the following business activities; Holiday Haven, Workshop, Cemetery and Electrical. The accounts that are maintained have been reported accordingly. The amount for Equity is determined by reference to the Statement of Financial Position and the amount for Accumulated Profits brought forward in the Operating Statement is adjusted accordingly.



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**INDEPENDENT AUDIT REPORT TO SHOALHAVEN CITY COUNCIL
Special Purpose Financial Report
Year ended 30 June 2004**

Scope

We have audited the attached financial report, being a special purpose financial report, of Shoalhaven City for the financial year ended 30 June 2004, comprising the Council Certificate, Statement of Financial Performance by Business Activity, Statement of Financial Position by Business Activity, and accompanying notes to the special purpose financial statements. The financial statements include the accounts of the declared business activities of the Council. The Council is responsible for the financial report and has determined that the accounting policies used and described in Note 1 to the financial reports are appropriate to their needs. We have conducted an independent audit of the financial report in order to express an opinion on it to Council. No opinion is expressed as to whether the accounting policies used, and described in Note 1, are appropriate to the needs of the Council.

The special purpose financial report has been prepared for distribution to the Council and the New South Wales 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 audit report or on the financial report to which it relates to any person other than the Council or the New South Wales Department of Local Government, or for any purpose other than that for which it was prepared.

Our audit has been conducted in accordance with Australian Auditing Standards. Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report and the evaluation of significant accounting estimates. These procedures have been undertaken to form an opinion whether, in all material respects, the financial report is presented fairly in accordance with the accounting policies described in Note 1 to the financial statements. These policies do not require the application of all Accounting Standards and UIG Consensus Views.

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 Shoalhaven City for the year ended 30 June 2004 presents fairly in accordance with the requirements of Australian accounting standards described in Note 1 to the special purpose financial report and the Local Government Code of Accounting Practice and Financial Reporting.


MILLINGTON SBS
Chartered Accountants


Carl Millington
Principal

Sydney 30 September 2004

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**INDEPENDENT AUDIT REPORT TO SHOALHAVEN CITY COUNCIL
Shoalhaven Water Special Purpose Financial Report
Year ended 30 June 2004**

Scope

The financial report and Councillors' responsibility

The special purpose financial report for Shoalhaven Water forms part of the special purpose financial reports for Council's business activities and consists of a statement of financial performance for the year ended 30 June 2004, a statement of financial position as at 30 June 2004, and best practice management disclosures in Note 2. Significant accounting policies determined and applied by Council are disclosed in Note 1 and apply to all Council's business activities.

This special purpose financial report has been prepared for distribution to the Council and the New South Wales Department of Local Government for the purpose of fulfilling the requirements of National Competition Policy reporting, and to the Department of Energy, Utilities and Sustainability for the purposes of complying with the *Best Practice Management of Water Supply and Sewerage Guidelines*. We disclaim any assumption of responsibility for any reliance on this audit report or on the financial report to which it relates to any person other than the Council, the New South Wales Department of Local Government, or the Department of Energy, Utilities and Sustainability, or for any purpose other than that for which it was prepared.

Council is responsible for the financial report and has determined that the accounting policies used and described in Note 1 to the financial reports are appropriate to their needs. Council's responsibility also extends to the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, for the accounting policies and accounting estimates inherent in the financial report, and the adoption of methodology that will result in the calculation of fair and reasonable cost allocations.

Audit approach

The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

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We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the accounting policies described in Note 1 to the financial statements. No opinion is expressed as to whether the accounting policies used, and described in Note 1, are appropriate to the needs of the Council. We also performed procedures to assess whether the costing system utilised by Council was suitable for capturing and allocating both direct and indirect costs, and the identification and allocation of applicable overhead costs.

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report;
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by Council; and
- reviewing the costing system used by Council and the reasonableness of direct costs and overhead allocations.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

Audit Opinion

In our opinion:

- (a) the special purpose financial report of Shoalhaven Water:
 - (i) is consistent with Council's accounting records;
 - (iii) presents fairly Shoalhaven Water's financial position and the results of its operations for the year ended 30 June 2004;
 - (iv) is in accordance with Australian accounting standards described in Note 1 to the special purpose financial report and the Local Government Code of Accounting Practice and Financial Reporting (Update 12);
- (c) the costing system used by Council to capture and allocate direct costs and overheads appears to be a fair and reasonable basis for the reallocation of overheads to the water supply business;
- (c) all information relevant to the conduct of the audit has been obtained; and
- (d) there are no material deficiencies in the accounting records or financial reports that we have become aware of in the course of the audit.


MILLINGTON SBS
Chartered Accountants


Carl Millington
Principal

Sydney 30 September 2004



CHARTERED ACCOUNTANTS

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**INDEPENDENT AUDIT REPORT TO SHOALHAVEN CITY COUNCIL
Shoalhaven Water Wastewater Special Purpose Financial Report
Year ended 30 June 2004**

Scope

The financial report and Councillors' responsibility

The special purpose financial report for Shoalhaven Water Wastewater forms part of the special purpose financial reports for Council's business activities and consists of a statement of financial performance for the year ended 30 June 2004, a statement of financial position as at 30 June 2004, and best practice management disclosures in Note 2. Significant accounting policies determined and applied by Council are disclosed in Note 1 and apply to all Council's business activities.

This special purpose financial report has been prepared for distribution to the Council and the New South Wales Department of Local Government for the purpose of fulfilling the requirements of National Competition Policy reporting, and to the Department of Energy, Utilities and Sustainability for the purposes of complying with the *Best Practice Management of Water Supply and Sewerage Guidelines*. We disclaim any assumption of responsibility for any reliance on this audit report or on the financial report to which it relates to any person other than the Council, the New South Wales Department of Local Government, or the Department of Energy, Utilities and Sustainability, or for any purpose other than that for which it was prepared.

Council is responsible for the financial report and has determined that the accounting policies used and described in Note 1 to the financial reports are appropriate to their needs. Council's responsibility also extends to the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, for the accounting policies and accounting estimates inherent in the financial report, and the adoption of methodology that will result in the calculation of fair and reasonable cost allocations.

Audit approach

The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

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We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the accounting policies described in Note 1 to the financial statements. No opinion is expressed as to whether the accounting policies used, and described in Note 1, are appropriate to the needs of the Council. We also performed procedures to assess whether the costing system utilised by Council was suitable for capturing and allocating both direct and indirect costs, and the identification and allocation of applicable overhead costs.

We formed our audit opinion on the basis of these procedures, which included:


- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report;
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by Council; and
- reviewing the costing system used by Council and the reasonableness of direct costs and overhead allocations.


While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

Audit Opinion

In our opinion:

- (a) the special purpose financial report of Shoalhaven Water Wastewater:
 - (i) is consistent with Council's accounting records;
 - (iii) presents fairly Shoalhaven Water's financial position and the results of its operations for the year ended 30 June 2004;
 - (iv) is in accordance with Australian accounting standards described in Note 1 to the special purpose financial report and the Local Government Code of Accounting Practice and Financial Reporting (Update 12);
- (c) the costing system used by Council to capture and allocate direct costs and overheads appears to be a fair and reasonable basis for the reallocation of overheads to the water supply business;
- (c) all information relevant to the conduct of the audit has been obtained; and
- (d) there are no material deficiencies in the accounting records or financial reports that we have become aware of in the course of the audit.


MILLINGTON SBS
Chartered Accountants


Carl Millington
Principal

Sydney 30 September 2004

SHOALHAVEN CITY COUNCIL

Special Schedules

for the year ended 30th June 2004

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SHOALHAVEN CITY COUNCIL

SPECIAL SCHEDULE NO 1 NET COST OF SERVICES for the year ended 30th June 2004

\$'000

Function or Activity	OPERATING EXPENSES		OPERATING REVENUES		NET COST OF SERVICES		
	Expenses	Group Totals	Revenues - Ord. Activities	Capital Rev. Ord. Activities	Group Totals	Net Cost	Group Totals
GOVERNANCE	815		-	-		(815)	
		815			-		(815)
ADMINISTRATION							
Corporate Support	16,101		1,958	1,250		(12,893)	
Engineering & Works	7,292		1,990	14		(5,288)	
Other Support Services	-		-	149		149	
		23,393			5,361		(18,032)
PUBLIC ORDER & SAFETY							
Fire Protection - Other	913		333	56		(524)	
Animal Control	360		164	-		(196)	
Beach Control	253		2	-		(251)	
Enforcement of Local Govt Regulations	627		399	-		(228)	
Emergency Services	132		21	313		202	
Other	114		1	-		(113)	
		2,399			1,289		(1,110)
HEALTH							
Administration & Inspection	840		142	-		(698)	
Immunisations	23		18	-		(5)	
Food Control	-		48	-		48	
Noxious Plants	254		125	-		(129)	
Health Centres	-		8	-		8	
Other	1		8	1		8	
		1,118			350		(768)
COMMUNITY SERVICES & EDUCATION							
Administration	40		-	-		(40)	
Family Day Care	1,294		1,331	-		37	
Child Care	38		-	44		6	
Youth Services	87		19	-		(68)	
Aged & Disabled	110		26	31		(53)	
Aboriginal Services	190		131	-		(59)	
Other Community Services	69		21	-		(48)	
Education	36		3	-		(33)	
		1,864			1,606		(258)
HOUSING & COMMUNITY AMENITIES							
Town Planning	1,715		682	85		(948)	
Domestic Waste Management	1,844		7,907	-		6,063	
Other Waste Management	6,586		3,452	25		(3,109)	
Street Cleaning	300		-	-		(300)	
Urban Stormwater Drainage	383		2	81		(300)	
Environmental Protection	2,830		484	363		(1,983)	
Public Cemeteries	719		820	-		101	
Public Conveniences	605		6	-		(599)	
Other Community Amenities	42		-	-		(42)	
		15,024			13,907		(1,117)
WATER SUPPLIES	11,272		17,069	2,449		8,246	
		11,272			19,518		8,246
SEWERAGE SERVICES	11,436		23,123	4,276		15,963	
		11,436			27,399		15,963

SHOALHAVEN CITY COUNCIL

SPECIAL SCHEDULE NO 1 NET COST OF SERVICES for the year ended 30th June 2004

\$'000

Function or Activity	OPERATING EXPENSES		OPERATING REVENUES			NET COST OF SERVICES	
	Expenses	Group Totals	Revenues - Ord. Activities	Capital Rev. Ord. Activities	Group Totals	Net Cost	Group Totals
RECREATION & CULTURE							
Public Libraries	1,723		480	22		(1,221)	
Museums	6		1	-		(5)	
Community Centres	14		40	437		463	
Public Halls	497		124	-		(373)	
Other Cultural Services	304		30	215		(59)	
Swimming Pools	3,822		2,159	307		(1,356)	
Sporting Grounds	1,078		61	1,099		82	
Parks & Gardens, Lakes	1,517		32	265		(1,220)	
Other Sport & Recreation	562		134	153		(275)	
		9,523			5,559		(3,964)
MINING, MANUFACTURING & CONSTRUCTION							
Building Control	3,617		3,170	-		(447)	
Quarries & Pits	6		-	-		(6)	
		3,623			3,170		(453)
TRANSPORT & COMMUNICATION							
Urban Roads: Local	5,208		1,504	1,243		(2,461)	
Urban Roads: Regional	41		1	23		(17)	
Sealed Rural Roads: Local	1,607		2	303		(1,302)	
Sealed Rural Roads: Regional	1,072		402	216		(454)	
Unsealed Rural Roads: Local	2,413		6	84		(2,323)	
Unsealed Rural Roads: Regional	67		-	267		200	
Bridges - Urban Roads: Local	167		-	72		(95)	
Bridges - Sealed Rural Roads: Local	63		-	-		(63)	
Bridges - Sealed Rural Roads: Regional	167		5	416		254	
Footpaths	716		17	178		(521)	
Parking Areas	111		4	22		(85)	
Bus Shelters & Services	82		-	70		(12)	
Water Transport	516		39	176		(301)	
Street Lighting	1,095		60	-		(1,035)	
Other	2,678		697	200		(1,781)	
		16,003			6,007		(9,996)
ECONOMIC AFFAIRS							
Caravan Parks	6,451		11,524	-		5,073	
Tourism & Area Promotion	1,136		168	-		(968)	
Industrial Development Promotion	696		1,734	-		1,038	
Real Estate Development	461		4,827	-		4,366	
Other Business Undertakings	1,503		564	-		(939)	
		10,247			18,817		8,570
TOTALS - FUNCTIONS							
		106,717			102,983		(3,734)
General Purpose Revenues					42,614		42,614
SURPLUS FROM ALL ACTIVITIES							38,880

SHOALHAVEN CITY COUNCIL

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

\$'000

Classification of Debt	Principal Outstanding at beginning of year		New Loans Raised	Debt Redemption		Tfrs to Sinking Funds	Interest applicable for year	Principal outstanding at end of year	
	Current	Non-Current		From Revenue	Sinking Funds			Current	Non-Current
LOANS (by source)									
Commonwealth Government	-	100	-	-	-	-	-	-	100
Financial Institutions	10,612	40,210	5,389	10,613	-	-	3,311	9,244	36,354
Other	155	2,201	-	155	-	-	-	78	2,123
Total Loans	10,767	42,511	5,389	10,768	-	-	3,311	9,322	38,577
OTHER LONG TERM DEBT									
Ratepayers' Advances	24	284	99	31	-	-	16	71	305
Government Advances	302	1,480	755	302	-	-	82	423	1,812
Total Other Long Term Debt	326	1,764	854	333	-	-	98	494	2,117
TOTAL LONG TERM DEBT	11,093	44,275	6,243	11,101	-	-	3,409	9,816	40,693
									50,510

This Schedule excludes Internal Loans and refinancing of existing borrowings.

SHOALHAVEN CITY COUNCIL

SPECIAL SCHEDULE NO 2 (2) STATEMENT OF INTERNAL LOANS for the year ended 30th June 2004

\$'000

SUMMARY OF INTERNAL LOANS

Borrower (by purpose)	Amount Originally Raised	Total Repaid During Year Principal & Interest	Principal Outstanding at End of Year
General	3,000	442	417
Totals	3,000	442	417

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
General	Water	15/09/1994	10/01/1995	10	10/01/2005	8.00%	2,065	304	287
General	Sewer	15/09/1994	10/01/1995	10	10/01/2005	8.00%	935	138	130
Totals							3,000	442	417

SHOALHAVEN CITY COUNCIL

SPECIAL SCHEDULE NO 3 WATER SUPPLY OPERATIONS (Gross including Internal Transactions) for the year ended 30th June 2004

<u>A. OPERATING TRANSACTIONS</u>	2004	2003
<u>EXPENSES</u>	\$'000	\$'000
1.a. Management - Administration	3,459	3,483
b. - Engineering & Supervision	945	758
2 Operations		
a. - Dams & Weirs - Operation Expenses	28	48
b. - Maintenance Expenses	14	11
c. - Mains - Operation Expenses	670	645
d. -Maintenance Expenses	749	770
e. - Reservoirs - Operation Expenses	151	142
f. - Maintenance Expenses	82	85
g. - Pumping Stations - Operation Expenses	97	104
h. - Energy Costs	563	631
i. - Maintenance Expenses	45	58
j. - Treatment - Operation Expenses	602	561
k. - Chemical Costs	423	487
l. - Maintenance Expenses	163	229
m. - Other - Operation Expenses	209	245
n. - Maintenance Expenses	15	11
o. - Purchase of Water	46	8
3.a. Depreciation - System Assets	3,410	3,481
b. - Plant & Equipment	181	159
4.a. Miscellaneous - Interest	438	639
b. - Other	-	174
- NCP Tax & Other Equivalents	52	47
5 Total Expenses	12,342	12,776
 <u>REVENUE</u>		
6 Residential Charges		
a. - Access (including rates)	8,348	8,478
b. - User Charges	2,398	1,975
7 Non-Residential Charges		
a. - Access (including rates)	508	524
b. - User Charges	3,274	2,858
8 Extra Charges	-	-
9 Interest	945	955
10 Other Revenues	1,469	1,477
11.a. Grants - Acquisition of Assets	57	134
b. - Pensioner Rebates	497	508
c. - Other	5	10
12.a. Contributions - Developer Charges	2,376	2,316
c. - Other Contributions	15	2
13 Total Revenues	19,892	19,237
 14 Gain (Loss) on Disposal of Assets	33	(3)
15 OPERATING RESULT	7,583	6,458
 15a. Operating Result before Grants for Acquisition of Assets	7,525	6,371

SHOALHAVEN CITY COUNCIL

SPECIAL SCHEDULE NO 3 - WATER SUPPLY OPERATIONS (cont)

B. CAPITAL TRANSACTIONS	2004 \$'000	2003 \$'000
<u>Non - Operating Expenditure</u>		
16 Acquisition of Fixed Assets		
a. - Subsidised Scheme	6,215	4,552
b. - Other New System Assets	1,219	808
c. - Renewals	1,084	492
d. - Plant & Equipment	962	484
17 Repayment of Debt		
a. - Loans	1,854	2,438
18 Transfers to Sinking Funds	-	-
19 Total Non-Operating Expenditure	11,334	8,774

<u>Non-Operating Funds Employed</u>		
20 Proceeds from Disposal of Assets	298	305
21 Borrowings Utilised		
a. - Loans	-	-
23 Total Non-Operating Funds Employed	298	305

C. RATES & CHARGES		
24 Number of Assessments		
a. - Residential (occupied)	40,382	
b. - Residential (unoccupied)	3,574	
c. - Non-Residential (occupied)	2,671	
d. - Non -Residential (unoccupied)	131	
25 Number of ETs for which Developer Charges were	1,066	ET
26 Total Amount of Pensioner Rebates	903	\$'000

D. BEST PRACTICE ANNUAL CHARGES & DEVELOPER CHARGES		
27 Annual Charges		
a. Does Council have best-practice water supply annual charges and usage charges?	<input type="checkbox"/> Y <input type="checkbox"/>	
If Yes, go to 28a.		
If No, has Council removed <u>land value</u> from access charges (i.e. rates)	<input type="checkbox"/> 0 <input type="checkbox"/>	
b. Cross subsidy <u>from</u> residential customers using less than allowance		-
c. Cross subsidy <u>to</u> non-residential customers		-
d. Cross subsidy <u>to</u> large connections in unmetered supplies		-
28 Developer Charges		
a. Has Council completed a water supply Development Servicing Plan?	<input type="checkbox"/> N <input type="checkbox"/>	Ref A
b. Total cross-subsidy in water supply developer charges for 2002/03		-
29 TOTAL OF CROSS SUBSIDIES		-

Councils which have not yet implemented best practice water supply pricing should disclose cross subsidies in items 27b, 27c and 27d above. However, disclosure of cross-subsidies is **not** required where a Council has implemented best practice pricing and is phasing in such pricing over a period of 3 years.

Ref A - Completion 30th September 2004

SHOALHAVEN CITY COUNCIL

SPECIAL SCHEDULE NO 4 WATER SUPPLY - NET ASSETS COMMITTED (Gross including Internal Transactions) for the year ended 30th June 2004

ASSETS	<u>Current</u> \$'000	<u>Non-Current</u> \$'000	<u>Total</u> \$'000
27 Cash and Investments			
a. - Developer Charges	622	-	622
b. - Specific Purpose Grants	-	-	-
c. - Accrued Leave	-	-	-
d. - Unexpended Loans	-	-	-
e. - Sinking Funds	-	-	-
f. - Other	1,119	17,527	18,646
28 Receivables			
a. - Specific Purpose Grants	-	-	-
b. - Rates & Availability Charges	608	-	608
c. - Other	713	287	1,000
29 Inventories	-	-	-
30 Property, Plant & Equipment			
a. - System Assets		160,727	160,727
b. - Plant & Equipment		2,770	2,770
31 Other	199	-	199
32 Total Assets	<u>3,261</u>	<u>181,311</u>	<u>184,572</u>
LIABILITIES			
33 Bank Overdraft	-	-	-
34 Creditors	4,838	-	4,838
35 Borrowings			
a. - Loans	998	4,353	5,351
b. - Advances	-	-	-
c. - Finance Leases	-	-	-
36 Provisions			
- Dividend	-	-	-
- Other	-	-	-
37 Total Liabilities	<u>5,836</u>	<u>4,353</u>	<u>10,189</u>
38 NET ASSETS COMMITTED	<u>(2,575)</u>	<u>176,958</u>	<u>174,383</u>
EQUITY			
39 Accumulated Surplus			174,383
41 Total Equity			<u>174,383</u>
42 Current Replacement Cost of System Assets			238,460
43 Accumulated Current Cost Depreciation of System Assets			77,733
44 Written Down Current Cost of System Assets			<u>160,727</u>

SHOALHAVEN CITY COUNCIL

SPECIAL SCHEDULE NO 5 SEWERAGE SERVICE OPERATIONS (Gross including Internal Transactions) for the year ended 30th June 2004

A. OPERATING TRANSACTIONS	2004	2003
EXPENSES	\$'000	\$'000
1.a. Management - Administration	3,600	3,636
b. - Engineering & Supervision	944	740
2 Operations & Maintenance Expenses		
a. -Mains - Operation Expenses	834	837
b. -Maintenance Expenses	368	259
c. - Pumping Stations - Operation Expenses	1,077	998
d. - Energy Costs	256	234
e. - Maintenance Expenses	433	561
f. - Treatment - Operation Expenses	1,593	1,408
g. - Chemical Costs	178	188
h. - Energy Costs	280	275
i. - Effluent Management	76	60
j. - Biosolids Management	405	243
k. - Maintenance Expenses	335	541
l. - Other - Operation Expenses	1,186	1,090
m. - Maintenance Expenses	22	-
3.a. Depreciation - System Assets	4,218	4,123
b. - Plant & Equipment	267	248
4.a. Miscellaneous - Interest	1,220	873
b. - Other	7	531
- NCP Tax & Other Equivalents	36	60
5 Total Expenses	17,335	16,905
REVENUE		
6 Residential Charges (including rates)	18,500	18,545
7 Non-Residential Charges		
a. Access (including rates)	887	958
b. User Charges	797	734
8 Trade Waste Charges		
a. Access (including rates)	4	2
b. User Charges	3	15
c. Excess Mass Charges & Re-inspection Fees	-	-
9 Extra Charges	1,079	450
10 Interest	575	390
11 Other Revenues	1,342	1,400
12.a. Grants - Acquisition of Assets	1,924	1,382
b. - Pensioner Rebates	448	457
c. - Other	28	7
13.a. Contributions - Developer Charges	2,317	1,982
c. - Other Contributions	35	2
14 Total Revenues	27,939	26,324
15 Gain (Loss) on Disposal of Assets	28	(12)
16 OPERATING RESULT	10,632	9,407
16.a. Operating Result before Grants for Acquisition of Assets	8,708	8,085

SHOALHAVEN CITY COUNCIL

SPECIAL SCHEDULE NO 5 - SEWERAGE SERVICE OPERATIONS (cont)

	2004 \$'000	2003 \$'000
B. CAPITAL TRANSACTIONS		
Non - Operating Expenditure		
17 Acquisition of Fixed Assets		
a. - Subsidised Scheme	5,720	4,405
b. - Other New System Assets	2,377	742
c. - Renewals	1,875	967
d. - Plant & Equipment	717	554
18 Repayment of Debt		
a. - Loans	3,417	4,540
20 Total Non-Operating Expenditure	14,106	11,208

Non-Operating Funds Employed		
21 Proceeds of Disposal of Assets	118	244
22 Borrowings Utilised		
a. - Loans	-	-
24 Total Non-Operating Funds Employed	118	244

C. RATES AND CHARGES		
25 Number of Assessments		
a. - Residential (occupied)	35,073	
b. - Residential (unoccupied)	2,677	
c. - Non-Residential (occupied)	2,039	
d. - Non-Residential (unoccupied)	48	
26 Number of ETs for which Developer Charges were	1,223	ET
27 Total Amount of Pensioner Rebates	815	\$'000

D. BEST PRACTICE ANNUAL CHARGES & DEVELOPER CHARGES		
28 Annual Charges		
a Does Council have best-practice sewerage annual charges, usage charges and trade waste fees and charges?	Y	
If Yes, go to 29a.		
If No, has Council removed land value from access charges (i.e. rates)	0	
b Cross subsidy to non-residential customers		-
c Cross subsidy to trade waste dischargers		-
29 Developer Charges		
a Has Council completed a sewerage Development Servicing Plan?	N	Ref A
b Total cross-subsidy in sewerage developer charges for 2002/03		-
30 TOTAL OF CROSS SUBSIDIES		-

Councils which have not yet implemented best practice sewerage pricing and trade waste pricing should disclose cross subsidies in items 28b and 28c above. However, disclosure of cross-subsidies is **not** required where a Council has implemented best practice sewerage and liquid trade waste pricing and is phasing in such pricing over a period of 3 years.

Ref A - Completion 30th September 2004

SHOALHAVEN CITY COUNCIL

SPECIAL SCHEDULE NO 6 SEWERAGE SERVICES - NET ASSETS COMMITTED (Gross including Internal Transactions) for the year ended 30th June 2004

ASSETS	<u>Current</u> \$'000	<u>Non-Current</u> \$'000	<u>Total</u> \$'000
28 Cash and Investments			
a. - Developer Charges	894	-	894
b. - Specific Purpose Grants	-	-	-
c. - Accrued Leave	-	-	-
d. - Unexpended Loans	-	-	-
e. - Sinking Funds	-	-	-
f. - Other	5,020	10,128	15,148
29 Receivables			
a. - Specific Purpose Grants	-	-	-
b. - Rates & Availability Charges	1,050	-	1,050
c. - Other	1,493	131	1,624
30 Inventories	-	-	-
31 Property, Plant & Equipment			
a. - System Assets	-	198,967	198,967
b. - Plant & Equipment	-	2,676	2,676
32 Other	88	-	88
33 Total Assets	<u>8,545</u>	<u>211,902</u>	<u>220,447</u>
 LIABILITIES			
34 Bank Overdraft	-	-	-
35 Creditors	5,041	-	5,041
36 Borrowings			
a. - Loans	2,889	12,373	15,262
b. - Advances	-	-	-
c. - Finance Leases	-	-	-
37 Provisions			
- Dividend	-	-	-
- Other	-	-	-
38 Total Liabilities	<u>7,930</u>	<u>12,373</u>	<u>20,303</u>
39 NET ASSETS COMMITTED	<u>615</u>	<u>199,529</u>	<u>200,144</u>
 EQUITY			
40 Accumulated Surplus			200,144
42 Total Equity			<u>200,144</u>
43 Current Replacement Cost of System Assets			274,282
44 Accumulated Current Cost Depreciation of System Assets			75,315
45 Written Down Current Cost of System Assets			<u>198,967</u>

SHOALHAVEN CITY COUNCIL

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

Asset Class	Asset Category	Depreciation Rate (%)	Depreciation Expense	Cost	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	
		Note 9	Note 3	'000	Note 9	'000		'000	'000	'000	
	<i>References</i>										
Public Buildings & Other Structures	Administration Buildings	1-5%	319	14,844	3,007	11,837	1	0	380	380	
	Works Depots	2-5%	17	7,264	2,967	4,297	1	0	267	267	
	Halls/Community/Cultural Buildings	1-2%	337	20,409	6,816	13,593	1	7,470	294	286	
	Sports Grounds, Facilities & Parks	2-10%	539	20,725	12,087	8,638	2	3,865	2,796	2,833	
	Commercial & Industrial Properties	1-2%	89	4,681	674	4,007	2	756	153	67	
	Bus Shelters	5%	21	419	189	230	2	356	106	52	
	Animal Control	2%	4	216	70	146	2	30	30	30	
	Cemeteries/Crematorium	1-10%	68	3,372	542	2,830	1	0	50	50	
	Swimming Pools/Leisure Centres	1-10%	178	21,226	2,488	18,738	1	0	568	580	
	Tourist/Caravan Parks	2-10%	557	14,590	3,281	11,309	1	0	721	1,057	
	Libraries	2-10%	116	2,121	257	1,864	1	0	25	25	
	Waste Depots	2%	49	3,160	1,556	1,604	2	37	8	8	
	Wharves/Jetties/Boat Ramps	2%	144	5,768	1,823	3,944	2	3,148	115	98	
	Fire Control & Emergency Services	2%	95	7,572	1,222	6,350	2	184	37	86	
	Amenities/Toilets	2%	135	5,968	2,315	3,653	2	1,087	647	720	
	Subtotal		2,667	132,332	39,294	93,039		16,933	6,197	6,539	
Public	Roads	1%	3,593	458,274	76,765	381,510	2	13,075	9,462	6,992	
	Bridges	1%	299	27,068	6,045	21,023	2	5,357	275	305	
	Footpaths	1-2%	510	25,922	7,502	18,420	2	384	187	194	
	Kerb & Gutter	1-4%	841	60,127	13,394	46,733	2	1,508	288	327	
	Carparks	1%	58	7,604	2,276	5,327	2	1,213	173	147	
	Subtotal		5,301	578,995	105,982	473,013		21,537	10,385	7,965	

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

SHOALHAVEN CITY COUNCIL

SPECIAL SCHEDULE NO 7 - CONDITION OF PUBLIC WORKS (cont) as at 30 June 2004

Asset Class	Asset Category	Depreciation Rate (%)	Depreciation Expense '000	Cost '000	Accumulated Depreciation '000	Carrying Value '000	Asset Condition (see Notes attached)	Estimated Cost to bring to a Satisfactory Standard '000	Estimated Annual Maintenance Expense '000	Program Maintenance Works for current year '000
	<i>References</i>	<i>Note 9</i>	<i>Note 3</i>		<i>Note 9</i>			<i>Local Govt. Act. 1993, Section 428 (2d)</i>		
Water	Infrastructure Including:									
	- Treatment Plants	1-2%	3,224	234,809	77,751	157,057	1	0	1,723	1,723
	- Dams and Reservoirs	1-2%					1			
	- Pumping Stations	1-2%					1			
	- Pipelines/Mains	1-2%	3,224	234,809	77,751	157,057	1	0	1,723	1,723
	Subtotal									
Sewerage	Infrastructure Including:									
	- Treatment Plants	1-2%	4,044	269,686	75,291	194,395	1	0	1,344	1,344
	- Pumping Stations	1-2%					1			
	- Pipelines/Mains	1-2%	4,044	269,686	75,291	194,395	1	0	1,344	1,344
	Subtotal									
Drainage Works	Infrastructure including									
	- Stormwater Drainage Pits	1%	1,351	56,054	21,197	34,856	2	4,180	730	521
	- Stormwater Drainage Pipes	1%								
	- Stormwater Drainage Infrastructure	1%	1,351	56,054	21,197	34,856		4,180	730	521
	Subtotal									
Total Classes - All Assets			16,587	1,271,876	319,515	952,360		42,650	20,379	18,092

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

SHOALHAVEN CITY COUNCIL

as at 30 June 2004

"SATISFACTORY" CONDITION OF PUBLIC ASSETS

In assessing the condition of Public Assets Council has had regard to the condition, function and location of each asset. Proposed or potential enhancements to the existing asset have been ignored. Assets within each Asset Category have been assessed on an overall basis, recognising that an average standard of "satisfactory" may be achieved even though certain assets may be above or below that standard on an individual basis.

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

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

ASSET CONDITION

The following condition codes have been used in this Schedule.

- 1 Good /Satisfactory - asset considered to be in a good condition able to meet current levels of service. Some, but minimal, work may be required.
- 2 Work Required - asset considered to require work to be in a condition to satisfactorily meet current levels of service.