

# **SHOALHAVEN CITY COUNCIL**

## **GENERAL PURPOSE FINANCIAL REPORTS**

**For the year ended 30<sup>th</sup> June 2002**

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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 2002.

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 24 September 2002 resolved to make the following statement on its General Purpose Financial Reports for the period ended 30 June 2002.

#### Statement:

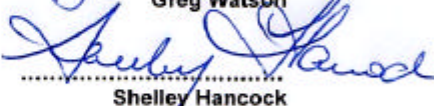
In the opinion of the members of Council: -

- 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 2002 and the operating result for the period ended 30 June 2002, 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.

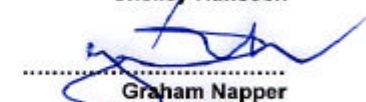
Mayor

  
.....  
Greg Watson

Councillor

  
.....  
Shelley Hancock

General Manager

  
.....  
Graham Napper

Responsible Accounting Officer

  
.....  
Peter Dun

**SHOALHAVEN CITY COUNCIL**  
**STATEMENT OF FINANCIAL PERFORMANCE**  
for the year ended 30th June 2002

Budget 2002 \$'000		Notes	Actual 2002 \$'000	Actual 2001 \$'000
	<b>EXPENSES FROM ORDINARY ACTIVITIES</b>			
33,510	Employee Costs	3	34,730	31,906
24,331	Materials & Contracts		26,975	22,660
4,490	Borrowing Costs	3	4,143	4,737
20,167	Depreciation	3	19,807	19,076
11,265	Other Expenses from Ordinary Activities	3	10,787	11,572
-	Loss from Disposal of Assets	5	59	246
<u>93,763</u>	<b>Total Expenses from Ordinary Activities</b>		<u>96,501</u>	<u>90,197</u>
	<b>REVENUES FROM ORDINARY ACTIVITIES</b>			
62,868	Rates & Annual Charges	4	61,803	60,093
20,378	User Charges & Fees	4	26,776	23,772
2,671	Interest Received	4	3,128	4,386
14,206	Grants & Contributions - Operating	4	16,737	15,576
<u>2,727</u>	Other Revenues from Ordinary Activities	4	<u>1,067</u>	<u>854</u>
<u>102,850</u>	<b>Total Revenues from Ordinary Activities before Capital Amounts</b>		<u>109,511</u>	<u>104,681</u>
9,087	<b>SURPLUS(DEFICIT) FROM ORDINARY ACTIVITIES BEFORE CAPITAL AMOUNTS</b>		13,010	14,484
<u>12,467</u>	Grants & Contributions provided for Capital Purposes	4	<u>20,196</u>	<u>12,941</u>
<u>21,554</u>	<b>NET SURPLUS ATTRIBUTABLE TO COUNCIL</b>		<u>33,206</u>	<u>27,425</u>

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

# SHOALHAVEN CITY COUNCIL

## STATEMENT OF FINANCIAL POSITION

for the year ended 30th June 2002

	Notes	Actual 2002 \$'000	Actual 2001 \$'000
<b>CURRENT ASSETS</b>			
Cash Assets	6	40,540	37,540
Receivables	7	9,118	9,817
Inventories	8	2,792	2,789
Other	8	1,058	666
<b>TOTAL CURRENT ASSETS</b>		<b>53,508</b>	<b>50,812</b>
<b>NON-CURRENT ASSETS</b>			
Cash Assets	6	18,359	11,207
Investment Securities	6	6,725	7,768
Receivables	7	3,882	3,324
Inventories	8	5,430	5,613
Property, Plant & Equipment	9	1,039,075	1,008,654
<b>TOTAL NON-CURRENT ASSETS</b>		<b>1,073,471</b>	<b>1,036,566</b>
<b>TOTAL ASSETS</b>		<b>1,126,979</b>	<b>1,087,378</b>
<b>CURRENT LIABILITIES</b>			
Payables	10	20,156	19,359
Interest Bearing Liabilities	10	12,542	11,829
Provisions	10	5,145	3,264
<b>TOTAL CURRENT LIABILITIES</b>		<b>37,843</b>	<b>34,452</b>
<b>NON-CURRENT LIABILITIES</b>			
Interest Bearing Liabilities	10	49,402	47,186
Provisions	10	19,444	18,656
<b>TOTAL NON CURRENT LIABILITIES</b>		<b>68,846</b>	<b>65,842</b>
<b>TOTAL LIABILITIES</b>		<b>106,689</b>	<b>100,294</b>
<b>NET ASSETS</b>		<b>1,020,290</b>	<b>987,084</b>
<b>EQUITY</b>			
Accumulated Surplus		981,649	948,443
Asset Revaluation Reserve		38,641	38,641
<b>TOTAL EQUITY</b>		<b>1,020,290</b>	<b>987,084</b>

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 2002

	2002 \$'000				2001 \$'000			
	Accum Surplus	Asset Reval Reserve	Council Equity Interest	Total	Accum Surplus	Asset Reval Reserve	Council Equity Interest	Total
Balance at beginning of the reporting period	948,443	38,641	987,084	987,084	921,018	38,641	959,659	959,659
Change in Net Assets recognised in the Statement of Financial Performance	33,206		33,206	33,206	27,425		27,425	27,425
<b>Balance at end of the reporting period</b>	<b>981,649</b>	<b>38,641</b>	<b>1,020,290</b>	<b>1,020,290</b>	<b>948,443</b>	<b>38,641</b>	<b>987,084</b>	<b>987,084</b>

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 2002

	Notes	Actual 2002 \$'000	Actual 2001 \$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<u>Receipts</u>			
Rates & Annual Charges		61,796	60,554
User Charges & Fees		26,946	23,390
Interest Received		3,134	4,524
Grants & Contributions		28,355	18,949
Other operating receipts		7,765	5,163
<u>Payments</u>			
Employee Costs		(32,320)	(31,111)
Materials & Contracts		(28,264)	(20,909)
Interest Paid		(4,206)	(4,878)
Other operating payments		(16,981)	(15,809)
<b>Net Cash provided by (or used in) Operating Activities</b>	11	<b>46,225</b>	<b>39,873</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
<u>Receipts</u>			
Proceeds from sale of Investments		1,043	-
Proceeds from sale of Assets		3,397	3,572
Proceeds from sale of Real Estate	5, 8	1,001	857
Proceeds from sale of Shares in Companies		-	1
Repayments from Deferred Debtors		47	63
<u>Payments</u>			
Purchase of Assets		(43,773)	(44,264)
Purchase of Real Estate	8	(712)	(1,195)
Loans to Deferred Debtors		(5)	(52)
<b>Net Cash provided by (or used in) Investing Activities</b>		<b>(39,002)</b>	<b>(41,018)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
<u>Receipts</u>			
Proceeds from Borrowings & Advances		14,750	3,077
<u>Payments</u>			
Repayments of Borrowings & Advances		(11,821)	(11,332)
<b>Net Cash provided by (or used in) Financing Activities</b>		<b>2,929</b>	<b>(8,255)</b>
<b>Net Increase (Decrease) in cash held</b>		<b>10,152</b>	<b>(9,400)</b>
Cash Assets at beginning of reporting period	11(a)	48,747	65,899
Adjustment to opening cash due to adoption of revised Accounting Standards	1	-	(7,752)
<b>Cash Assets at end of reporting period</b>	11(a)	<b>58,899</b>	<b>48,747</b>

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 2002

### 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 30<sup>th</sup> June 2002. 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, 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.

## **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.

## **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.

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 a maturity of three months or less from the date of acquisition. Where cash and investments held are subject to restrictions and Council's management plan for the ensuing reporting period does not provide for the discharge of those restrictions, the amounts have been classified as non-current.

An adjustment of \$7,752 has been made to the 2001 opening cash to recognise a change to the classification of investments from Cash Assets to Investment Securities in accordance with AAS28. Those Investment Securities held at 30 June 2001 that had a maturity of three months or more were previously disclosed as Cash Assets. The change



in disclosure requirements was applicable for the 2002 accounting period however for comparative reasons both reporting years have been changed to reflect correct disclosure.

## **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.

### **7.3. 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.

## **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

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.

### **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 rates of

pay and other factors including experience of employee departures and their periods of service, and calculated in accordance with Australian Accounting Standard AAS 30 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.

## **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. The budget figures also do not include internal transactions. 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.

# SHOALHAVEN CITY COUNCIL

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2002

### 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 2002	ACTUAL 2002	ACTUAL 2001	ORIGINAL BUDGET 2002	ACTUAL 2002	ACTUAL 2001	ORIGINAL BUDGET 2002	ACTUAL 2002	ACTUAL 2001	2002	2001	2002	2001
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
GOVERNANCE	10	7	8	641	581	594	(631)	(574)	(586)	-	-	-	-
ADMINISTRATION	630	1,311	1,172	7,007	8,806	6,270	(6,377)	(7,495)	(5,098)	-	-	48,256	47,835
CITY SERVICES	6,787	9,494	6,952	21,358	13,750	12,065	(14,571)	(4,256)	(5,113)	6,921	6,452	578,123	573,660
ASSET CONSTRUCTION & MAINT.	196	516	562	3,821	12,355	11,155	(3,625)	(11,839)	(10,593)	86	-	25,655	24,535
CORPORATE AND COMMUNITY SERVICES	3,479	8,817	4,203	11,819	12,641	12,423	(8,340)	(3,824)	(8,220)	2,183	2,028	34,501	34,534
DEVELOPMENT AND ENVIRONMENTAL SERVICES	2,402	2,902	2,023	3,674	3,623	3,629	(1,272)	(721)	(1,606)	102	42	294	213
COMMERCIAL OPERATIONS	690	1,226	1,352	8,606	7,600	7,517	(7,916)	(6,374)	(6,165)	16	19	9,012	7,836
HOLIDAY HAVEN TOURIST PARKS	9,962	9,931	9,540	4,760	5,167	4,820	5,202	4,764	4,720	-	-	20,535	19,288
INFORMATION TECHNOLOGY	417	433	351	2,997	3,025	3,054	(2,580)	(2,592)	(2,703)	3	-	2,676	2,633
PLANNING SERVICES	313	499	334	1,357	1,388	1,208	(1,044)	(889)	(874)	17	7	346	317
PROPERTY SERVICES	358	477	406	975	970	347	(617)	(493)	59	-	4	12,779	11,411
WASTE MANAGEMENT	9,158	9,709	8,413	6,485	6,577	6,517	2,673	3,132	1,896	165	-	10,364	7,705
WATER SUPPLY & SERVICES	15,804	16,753	14,168	10,990	10,425	10,485	4,814	6,328	3,683	162	6,499	175,604	171,686
WASTEWATER SERVICES	28,473	29,842	27,470	9,273	9,593	10,113	19,200	20,249	17,357	6,676	35	208,834	185,725
<b>TOTALS - FUNCTIONS</b>	78,679	91,917	76,954	93,763	96,501	90,197	(15,084)	(4,584)	(13,243)	16,331	15,086	1,126,979	1,087,378
GENERAL PURPOSE REVENUES	36,638	37,790	40,668				36,638	37,790	40,668	10,418	10,045		
<b>SURPLUS FROM ALL ACTIVITIES</b>	115,317	129,707	117,622	93,763	96,501	90,197	21,554	33,206	27,425	26,749	25,131	1,126,979	1,087,378

# SHOALHAVEN CITY COUNCIL

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS For the year ended 30<sup>th</sup> June 2002

### 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 2002

### Note 3 - EXPENSES FROM ORDINARY ACTIVITIES

<b>EMPLOYEE COSTS</b>	<b>2002 \$'000</b>	<b>2001 \$'000</b>
Salaries and Wages	26,048	24,335
Travelling	40	43
Employee Leave Entitlements	6,383	6,049
Superannuation	1,351	1,283
Workers' Compensation Insurance	1,941	856
Fringe Benefits Tax	173	193
Payroll Tax	292	286
Training Costs (excluding Salaries)	353	427
Other	38	13
Less: Capitalised and distributed costs	(1,889)	(1,579)
<b>Total Employee Costs Expensed</b>	<b>34,730</b>	<b>31,906</b>
 <b>Total Number of Employees</b>	 <b>684</b>	 <b>658</b>
<i>(Full time equivalent at end of reporting period)</i>		
 <b>BORROWING COST EXPENSE</b>		
Interest on Loans	4,211	4,992
Interest on Advances	104	88
Interest on other debts	2	-
<b>Gross Interest Charges</b>	<b>4,317</b>	<b>5,080</b>
Less: Borrowing Costs capitalised	(174)	(343)
<b>Total Borrowing Costs Expensed</b>	<b>4,143</b>	<b>4,737</b>
 <b>DEPRECIATION</b>		
Plant and Equipment	3,147	2,057
Office Equipment	846	818
Furniture & Fittings	99	104
Land Improvements	392	352
Buildings	1,174	1,269
Other Structures	1,026	1,174
Infrastructure		
- roads, bridges & footpaths	5,127	5,037
- stormwater drainage	1,337	1,328
- water supply network not elsewhere included	3,083	3,032
- sewerage network not elsewhere included	3,440	3,375
Other assets		
- library books	136	530
<b>Total Depreciation Costs Expensed</b>	<b>19,807</b>	<b>19,076</b>

# SHOALHAVEN CITY COUNCIL

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2002

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

	2002 \$'000	2001 \$'000
<b>OTHER OPERATING EXPENSES</b>		
Advertising, Postage and Stationery	1,499	1,479
Auditor's Remuneration		
- Audit Services	70	67
- Other Services	12	7
Bad and Doubtful Debts	(28)	35
Consultancies	701	379
Donations & Contributions to Local & Regional Bodies	865	704
Insurances	1,483	1,505
Legal Expenses		
- Planning and Development	25	35
- Other Legal Expenses	249	280
Light, Power & Heating	1,654	1,991
Mayoral Allowance	25	23
Members' Fees & Allowances	153	143
Members' Expenses	96	87
Operating Lease Rentals - cancellable	120	81
Fuel	610	582
Payments to other levels of Government	486	1,102
Street Lighting	914	849
Subscriptions & Publications	343	692
Telephone & Communications	633	658
Bank Charges	212	207
Other	665	666
<b>Total Other Expenses from Ordinary Activities</b>	<b>10,787</b>	<b>11,572</b>



# SHOALHAVEN CITY COUNCIL

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2002

### Note 4 - REVENUES FROM ORDINARY ACTIVITIES

<b>RATES &amp; ANNUAL CHARGES</b>	<b>2002 \$'000</b>	<b>2001 \$'000</b>
<u>Ordinary Rates</u>		
Residential	23,270	22,521
Farmland	1,249	1,246
Business	2,865	2,735
	<u>27,384</u>	<u>26,502</u>
<u>Special Rates</u>		
Town Improvement	8	7
	<u>8</u>	<u>7</u>
<u>Annual Charges</u>		
Domestic Waste Management	6,499	6,109
Water Supply	8,848	8,812
Sewerage Services	18,853	18,393
Other Waste Management	211	270
	<u>34,411</u>	<u>33,584</u>
<b>Total Rates &amp; Annual Charges</b>	<b><u>61,803</u></b>	<b><u>60,093</u></b>
<b>USER CHARGES &amp; FEES</b>		
<u>User Charges</u>		
Domestic Waste Management	2,379	1,977
Water Supply	4,160	3,713
Sewerage Services	1,043	961
	<u>7,582</u>	<u>6,651</u>
<u>Fees</u>		
Planning & Building	3,047	2,514
Private Works	2,663	2,232
Motor Vehicle Use	417	408
Cemeteries	829	769
Health Licence Fees	96	74
Rent & Hire of Council Property	697	614
Caravan/Tourist Park Fees	9,817	9,449
Other	1,628	1,061
	<u>19,194</u>	<u>17,121</u>
<b>Total User Charges &amp; Fees</b>	<b><u>26,776</u></b>	<b><u>23,772</u></b>
<b>INTEREST REVENUES</b>		
Interest on overdue rates & charges	492	450
Interest on investments attributable to		
Section 94 Contributions	427	338
Water & Sewerage Contributions	27	59
Water & Sewerage Usage Charges	18	15
Waste Management	16	65
Interest from Other Restricted Assets	490	1,084
Other Investments	1,653	2,372
Other Investment Revenues	16	12
<b>Gross Interest Received</b>	<b>3,139</b>	<b>4,395</b>
Less: Interest deducted from capitalised borrowing costs	(11)	(9)
<b>Total Interest Revenue</b>	<b><u>3,128</u></b>	<b><u>4,386</u></b>

# SHOALHAVEN CITY COUNCIL

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2002

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

	2002 \$'000	2001 \$'000
<b>OTHER OPERATING REVENUES</b>		
Fines	266	210
Insurance Claims	354	192
Legal Fees Recovery (Rates)	134	122
Discount Received	13	9
Other	300	321
<b>Total Other Revenue from Ordinary Activities</b>	<b>1,067</b>	<b>854</b>

	<b>OPERATING</b>		<b>CAPITAL</b>	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
<b>GRANTS</b>				
General Purpose (Untied)				
Financial Assistance	7,971	7,640	-	-
Pensioner Rates Subsidies	2,447	2,405	-	-
Specific Purpose				
Water Supplies	-	-	162	24
Sewerage Services	38	-	6,638	6,648
Community Centres	-	-	64	528
Roads & Bridges	1,440	1,311	3,850	2,196
Environmental Protection	297	240	326	98
Heritage & Cultural Services	14	-	4	-
Community Care Services	1,608	1,420	-	-
Bushfire & Emergency Services	967	912	-	328
Other	629	805	295	576
<b>Total Grants</b>	<b>15,411</b>	<b>14,733</b>	<b>11,339</b>	<b>10,398</b>

### CONTRIBUTIONS & DONATIONS

Developer Contributions				
Roadworks	-	-	576	488
Drainage	-	-	58	23
Parking	-	-	100	28
Open Space	-	-	124	25
Community Facilities	-	-	315	90
Other	-	-	677	294
Water Supplies	-	-	1,732	988
Sewerage Services	6	-	1,308	443
Land	-	-	3,306	-
Bushfire & Emergency Services (s44)	913	-	-	-
Kerb & Gutter	-	-	108	106
Other	407	843	553	58
<b>Total Contributions &amp; Donations</b>	<b>1,326</b>	<b>843</b>	<b>8,857</b>	<b>2,543</b>
<b>TOTAL GRANTS &amp; CONTRIBUTIONS</b>	<b>16,737</b>	<b>15,576</b>	<b>20,196</b>	<b>12,941</b>

# SHOALHAVEN CITY COUNCIL

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2002

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

	2002 \$'000	2001 \$'000
<b>DISPOSAL OF PROPERTY</b>		
Proceeds from disposal	203	729
Less: Carrying amount of assets sold	<u>78</u>	<u>715</u>
<b>Gain (Loss) on disposal</b>	<u>125</u>	<u>14</u>
<b>DISPOSAL OF PLANT &amp; EQUIPMENT</b>		
Proceeds from disposal	3,194	2,843
Less: Carrying amount of assets sold	<u>3,631</u>	<u>3,369</u>
<b>Gain (Loss) on disposal</b>	<u>(437)</u>	<u>(526)</u>
<b>DISPOSAL OF REAL ESTATE HELD FOR RESALE</b>		
Proceeds from disposal	1,001	857
Less: Carrying amount of assets sold	<u>748</u>	<u>591</u>
<b>Gain (Loss) on disposal</b>	<u>253</u>	<u>266</u>
<b>DISPOSAL OF SHARES IN CORPORATIONS</b>		
Proceeds from disposal	-	1
Less: Carrying amount of assets sold	<u>-</u>	<u>1</u>
<b>Gain (Loss) on disposal</b>	<u>-</u>	<u>-</u>
<b>TOTAL LOSS ON DISPOSAL OF ASSETS</b>	<u>(59)</u>	<u>(246)</u>

# SHOALHAVEN CITY COUNCIL

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2002

### Note 6 (a) - CASH ASSETS AND INVESTMENT SECURITIES

	2002 \$'000		2001 \$'000	
	<u>Current</u>	<u>Non-Current</u>	<u>Current</u>	<u>Non-Current</u>
<b>CASH ASSETS</b>				
Cash on Hand and at Bank	843	-	829	-
Short term Deposits & Bills, etc	39,697	18,359	36,711	11,207
<b>Total Cash Assets</b>	<b>40,540</b>	<b>18,359</b>	<b>37,540</b>	<b>11,207</b>
<b>INVESTMENT SECURITIES</b>				
Term Deposits	-	2,252	-	2,514
Managed Funds	-	4,457	-	5,238
Other	-	16	-	16
<b>Total Investment Securities</b>	<b>-</b>	<b>6,725</b>	<b>-</b>	<b>7,768</b>
<b>TOTAL CASH ASSETS &amp; INVESTMENT SECURITIES</b>	<b>40,540</b>	<b>25,084</b>	<b>37,540</b>	<b>18,975</b>

### RESTRICTED CASH AND INVESTMENTS

Ref	2002 \$'000		2001 \$'000	
	<u>Current</u>	<u>Non-Current</u>	<u>Current</u>	<u>Non-Current</u>
<b>EXTERNAL RESTRICTIONS</b>				
<b>Included in liabilities</b>				
Unexpended Loans	6(b) 2,636	-	1,970	-
Self Insurance Claims	6(b) 430	939	-	500
	<b>3,066</b>	<b>939</b>	<b>1,970</b>	<b>500</b>
<b>Other</b>				
Developer Contributions	6(b) 1,755	8,562	1,268	7,654
Unexpended Grants	6(b) 1,847	-	1,686	-
Water Supply funds	6(b) 8,238	8,574	8,738	5,204
Sewerage funds	6(b) 4,500	6,902	2,099	5,403
Domestic Waste Management	6(b) 816	91	281	198
	<b>17,156</b>	<b>24,129</b>	<b>14,072</b>	<b>18,459</b>
<b>Total External Restrictions</b>	<b>20,222</b>	<b>25,068</b>	<b>16,042</b>	<b>18,959</b>
<b>Total Internal Restrictions</b>	6(b) 9,661	-	10,813	-
<b>TOTAL UNRESTRICTED</b>	A 10,657	16	10,685	16
<b>TOTAL CASH ASSETS &amp; INVESTMENT SECURITIES</b>	<b>40,540</b>	<b>25,084</b>	<b>37,540</b>	<b>18,975</b>

**A:** As at 30 June 2002 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 2002 the amount of unrestricted cash required to fund uncompleted works as at 30 June was \$5,173K (\$5,440K 2001).

# SHOALHAVEN CITY COUNCIL

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2002

### Note 6 (b) - DETAILS OF MOVEMENTS & UTILISATION OF RESTRICTED CASH ASSETS & INVESTMENT SECURITIES

	Notes	Opening Balance 30 June 2001	Movements		Closing Balance 30 June 2002	Proposed Utilisation of Restriction	
			Transfers To Restriction	Transfers From Restriction		Less than 1 Year	Between 1 and 5 years
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>External Restrictions</b>							
Developer Contributions	17	8,922	5,316	3,921	10,317	1,755	8,562
Water Supply funds		13,942	2,870	-	16,812	8,238	8,574
Sewerage funds		7,502	3,910	10	11,402	4,500	6,902
Domestic Waste Management		479	1,335	907	907	816	91
Unexpended Loans		1,970	14,705	14,039	2,636	2,636	-
Unexpended Grants	14	1,686	16,332	16,171	1,847	1,847	-
Self Insurance		500	1,019	150	1,369	430	939
<b>Total External Restrictions</b>		<b>35,001</b>	<b>45,487</b>	<b>35,198</b>	<b>45,290</b>	<b>20,222</b>	<b>25,068</b>
<b>Internal Restrictions</b>							
Employee Leave Entitlements		3,274	1,000	141	4,133	4,133	-
Construction of Buildings		400	393	400	393	393	-
Replacement - Plant & Vehicles		618	-	47	571	571	-
Sporting Facilities		24	23	-	47	47	-
Strategic Projects		6,497	3,521	5,713	4,305	4,305	-
Gasworks Decontamination		-	212	-	212	212	-
<b>Total Internal Restrictions</b>		<b>10,813</b>	<b>5,149</b>	<b>6,301</b>	<b>9,661</b>	<b>9,661</b>	<b>-</b>

*External Restrictions arise pursuant to section 409(3) of the Local Government Act, the Local Government (Financial Management) Regulation 1999 and other applicable legislation. Further information relating to Developer Contributions is provided in Note 17 and Unexpended Grants in Note 14. Amounts included in external restrictions may only be used for specific purposes.*

*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.*

# SHOALHAVEN CITY COUNCIL

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2002

### Note 7 - RECEIVABLES

	2002 \$'000		2001 \$'000	
	<u>Current</u>	<u>Non-Current</u>	<u>Current</u>	<u>Non-Current</u>
Rates & Annual Charges	2,350	2,234	2,450	2,089
Interest & Extra Charges	361	1,184	843	720
User Charges & Fees	3,698	-	2,870	-
Accrued Interest Revenues	221	-	227	-
Deferred Debtors	66	464	57	515
Other levels of Government	2,628	-	3,604	-
Other	21	-	21	-
<b>Total</b>	<b>9,345</b>	<b>3,882</b>	<b>10,072</b>	<b>3,324</b>
Less: Provision for Doubtful Debts				
Rates & Annual Charges	151	-	151	-
User Charges & Fees	76	-	104	-
<b>Total Receivables</b>	<b>9,118</b>	<b>3,882</b>	<b>9,817</b>	<b>3,324</b>
<b>RESTRICTED RECEIVABLES</b>				
Water Supply	2,542	-	2,064	-
Sewerage Services	3,054	-	4,651	-
Domestic Waste Management	1,035	-	888	-
<b>Total Restrictions</b>	<b>6,631</b>	<b>-</b>	<b>7,603</b>	<b>-</b>
Unrestricted Receivables	2,487	3,882	2,214	3,324
<b>Total Receivables</b>	<b>9,118</b>	<b>3,882</b>	<b>9,817</b>	<b>3,324</b>

# SHOALHAVEN CITY COUNCIL

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS For the year ended 30<sup>th</sup> June 2002

### 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 31<sup>st</sup> August, 30<sup>th</sup> November, 28<sup>th</sup> February and 31<sup>st</sup> 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 \$5,874M (2001 \$5,629M). 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 \$76K.

#### 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 2002. The amount due to Council at 30 June 2002 is \$1,384K

#### 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 \$221K. Investments are comprised of term deposits and bills of exchange. The average interest rate for investments that are held at 30 June 2002 is 4.84% (2001 5.96%).

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

# SHOALHAVEN CITY COUNCIL

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2002

### Note 8 - INVENTORIES & OTHER ASSETS

	2002 \$'000		2001 \$'000	
	<u>Current</u>	<u>Non-Current</u>	<u>Current</u>	<u>Non-Current</u>
<b>INVENTORIES</b>				
Stores & Materials	1,663	-	1,807	-
Real Estate Developments	1,129	5,430	982	5,613
<b>Total Inventories</b>	<b>2,792</b>	<b>5,430</b>	<b>2,789</b>	<b>5,613</b>
<b>OTHER ASSETS</b>				
Prepayments	1,058	-	666	-
<b>Total Other Assets</b>	<b>1,058</b>	<b>-</b>	<b>666</b>	<b>-</b>
<b>Real Estate Developments</b>				
<i>(Valued at the lower of cost and net realisable value)</i>				
Industrial & Commercial	1,129	5,430	982	5,613
<b>Total Real Estate for Resale</b>	<b>1,129</b>	<b>5,430</b>	<b>982</b>	<b>5,613</b>
<i>Represented by:</i>				
Acquisition Costs	22	143	39	84
Development Costs	452	2,138	781	1,905
Other Holding Costs	4	20	-	24
Other Properties - Book Value	651	3,129	162	3,600
<b>Total Real Estate for Resale</b>	<b>1,129</b>	<b>5,430</b>	<b>982</b>	<b>5,613</b>
<b>RESTRICTIONS EXIST IN RESPECT OF THE FOLLOWING:</b>				
<b>Inventories</b>				
Water Supplies	-	-	1	-
	-	-	1	-



# SHOALHAVEN CITY COUNCIL

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2002

### Note 9 - PROPERTY, PLANT & EQUIPMENT

	2001 \$'000			MOVEMENTS DURING YEAR \$'000			2002 \$'000		
	AT COST	ACCUM DEPN	CARRYING AMOUNT	Asset Purchases	Asset Disposals	Depreciation	AT COST	ACCUM DEPN	CARRYING AMOUNT
Plant & Equipment	34,633	11,501	23,132	7,875	(3,631)	(3,147)	37,265	13,036	24,229
Office Equipment	8,212	4,405	3,807	1,178	-	(846)	9,390	5,251	4,139
Furniture & Fittings	1,255	563	692	77	-	(99)	1,332	662	670
Land									
- Council owned (freehold)	61,944	-	61,944	3,649	-	-	65,593	-	65,593
- Council controlled	5,658	-	5,658	-	-	-	5,658	-	5,658
Land Improvements - depreciable	13,848	1,485	12,363	6,532	-	(392)	20,380	1,877	18,503
Buildings	75,877	16,765	59,112	1,721	(78)	(1,174)	77,505	17,924	59,581
Other Structures	39,461	15,887	23,574	2,031	-	(1,026)	41,492	16,913	24,579
Infrastructure									
- Roads, bridges, footpaths	465,895	90,273	375,622	7,916	-	(5,127)	473,810	95,399	378,411
- Bulk earthworks									
(non-deprec.)	84,590	-	84,590	-	-	-	84,590	-	84,590
- Stormwater drainage	55,036	17,167	37,869	504	-	(1,337)	55,539	18,503	37,036
- Water Supply Network	218,965	68,238	150,727	1,405	-	(3,083)	220,370	71,321	149,049
- Sewerage Network	232,749	63,651	169,098	21,040	-	(3,440)	253,789	67,091	186,698
Other Assets									
- Library Books	3,125	2,659	466	9	-	(136)	3,134	2,795	339
<b>Totals</b>	<b>1,301,248</b>	<b>292,594</b>	<b>1,008,654</b>	<b>53,937</b>	<b>(3,709)</b>	<b>(19,807)</b>	<b>1,349,847</b>	<b>310,772</b>	<b>1,039,075</b>

# SHOALHAVEN CITY COUNCIL

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2002

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

	2002 \$'000			2001 \$'000		
	AT COST	ACCUM DEPN	CARRYING AMOUNT	AT COST	ACCUM DEPN	CARRYING AMOUNT
<b><u>Water Supply</u></b>						
Plant & Equipment	3,290	1,449	1,841	3,139	1,204	1,935
Office Equipment	977	384	593	855	325	530
Furniture & Fittings	114	28	86	64	21	43
Land						
- Council owned (freehold)	2,739	-	2,739	2,425	-	2,425
Buildings	72	19	53	-	-	-
Other Structures	-	-	-	24	18	6
Water Supply Infrastructure	219,766	71,321	148,445	218,984	68,265	150,719
<b>Total Water Supply</b>	<b>226,958</b>	<b>73,201</b>	<b>153,757</b>	<b>225,491</b>	<b>69,833</b>	<b>155,658</b>
<b><u>Sewerage Services</u></b>						
Plant & Equipment	2,565	761	1,804	2,228	622	1,606
Office Equipment	287	101	186	217	85	132
Furniture & Fittings	14	11	3	15	10	5
- Council owned (freehold)	2,956	-	2,956	2,786	-	2,786
Buildings	1,386	138	1,248	149	138	11
Sewerage Infrastructure	245,105	67,091	178,014	232,749	63,651	169,098
<b>Total Sewerage Services</b>	<b>252,313</b>	<b>68,102</b>	<b>184,211</b>	<b>238,144</b>	<b>64,506</b>	<b>173,638</b>
<b><u>Domestic Waste Management</u></b>						
Plant & Equipment	1,224	150	1,074	831	57	774
Office Equipment	144	103	41	133	99	34
- Council owned (freehold)	1,245	-	1,245	1,245	-	1,245
Land Improvements - depreciable	4,429	120	4,309	3,927	79	3,848
Buildings	2,805	1,479	1,326	2,786	1,443	1,343
Other Structures	314	23	291	314	16	298
<b>Total Domestic Waste</b>	<b>10,161</b>	<b>1,875</b>	<b>8,286</b>	<b>9,236</b>	<b>1,694</b>	<b>7,542</b>
<b>TOTAL RESTRICTIONS</b>	<b>489,432</b>	<b>143,178</b>	<b>346,254</b>	<b>472,871</b>	<b>136,033</b>	<b>336,838</b>

# SHOALHAVEN CITY COUNCIL

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS For the year ending 30 June 2002

### 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.

#### **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:

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

Asset capitalisation thresholds include:

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

## 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

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.

	<b>2002</b>	2001
	<b>\$'000</b>	<b>\$'000</b>
Water Supplies	<b>153,757</b>	155,658
Sewerage Services	<b>184,211</b>	173,638
Domestic Waste Management	<b>8,286</b>	7,542
<b>Total</b>	<b>345,254</b>	319,914

# SHOALHAVEN CITY COUNCIL

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2002

### Note 10 - LIABILITIES

	2002 \$'000		2001 \$'000	
	<u>Current</u>	<u>Non-Current</u>	<u>Current</u>	<u>Non-Current</u>
<b>PAYABLES</b>				
Goods & Services	11,526	-	10,081	-
Payments received in advance	70	-	-	-
Accrued Expenses	1,529	-	2,075	-
Other Levels of Government	5,674	-	5,884	-
Deposits, Retentions & Bonds	1,227	-	1,198	-
Other	130	-	121	-
<b>Total Payables</b>	<b>20,156</b>	<b>-</b>	<b>19,359</b>	<b>-</b>
<b>INTEREST BEARING LIABILITIES</b>				
Loans	12,239	47,877	11,514	45,692
Government Advances	264	1,328	274	1,313
Ratepayer Advances	39	197	41	181
<b>Total Interest Bearing Liabilities</b>	<b>12,542</b>	<b>49,402</b>	<b>11,829</b>	<b>47,186</b>
<b>PROVISIONS</b>				
Annual Leave	1,995	1,182	1,998	1,046
Sick Leave	1,020	9,401	342	9,489
Long Service Leave	724	7,159	266	6,899
Self Insurance Claims	1,406	1,702	658	1,222
<b>Total Provisions</b>	<b>5,145</b>	<b>19,444</b>	<b>3,264</b>	<b>18,656</b>
<b>LIABILITIES relating to RESTRICTED ASSETS</b>				
<u>Domestic Waste Management</u>				
Payables	507	-	567	-
Interest Bearing Liabilities	671	4,248	501	1,919
Subtotal	1,178	4,248	1,068	1,919
<u>Water Supplies</u>				
Payables	4,988	-	5,158	-
Interest Bearing Liabilities	2,438	7,204	2,307	9,642
Subtotal	7,426	7,204	7,465	9,642
<u>Sewerage Services</u>				
Payables	5,802	-	5,201	-
Interest Bearing Liabilities	4,540	18,680	4,406	12,219
Subtotal	10,342	18,680	9,607	12,219
<b>TOTAL</b>	<b>18,946</b>	<b>30,132</b>	<b>18,140</b>	<b>23,780</b>

# SHOALHAVEN CITY COUNCIL

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2002

### Note 11 - RECONCILIATION TO CASH FLOW STATEMENT

#### (a) Reconciliation of Cash

	2002 \$'000	2001 \$'000
Total Cash Assets (Note 6)	58,899	48,747
Less: Bank Overdraft	-	-
Balances per Statement of Cash Flows	<u>58,899</u>	<u>48,747</u>

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

Change in Net Assets resulting from Operations	33,206	27,425
Add: Depreciation and Amortisation	19,807	19,076
Increase in provision for doubtful debts	-	11
Increase in employee leave entitlements	1,441	900
Increase in other provisions	1,228	-
Decrease in receivables	127	-
Decrease in inventories	145	11
Decrease in other current assets	-	37
Increase in creditors	1,051	3,197
Increase in other current liabilities	292	-
Loss on Sale of Assets	59	246
	<u>57,356</u>	<u>50,903</u>
Less: Decrease in provision for doubtful debts	28	-
Decrease in other provisions	-	131
Increase in receivables	-	4,268
Increase in other current assets	392	-
Decrease in accrued expenses payable	546	-
Non-cash Capital Grants and Contributions	10,165	6,631
<b>Net Cash provided by (or used in) operations</b>	<u>46,225</u>	<u>39,873</u>

#### (c) Non-Cash Financing and Investing Activities

Acquisition of assets by means of:		
- PWD Construction	6,800	6,583
- Bushfire Grants	59	47
- Land Contributions received in kind	3,306	-
- Non-cash issues of Shares in Other Companies	-	1
	<u>10,165</u>	<u>6,631</u>

#### (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 2002

### Note 12 - COMMITMENTS FOR EXPENDITURE

	2002 \$'000	2001 \$'000
<b>(a) Capital Commitments</b>		
Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:		
Land	-	245
Buildings	249	1,785
Other Structures	3,162	1,933
Plant & Equipment	427	-
	<u>3,838</u>	<u>3,963</u>
These expenditures are payable:		
Not later than one year	3,838	3,963



# SHOALHAVEN CITY COUNCIL

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2002

### Note 13 - STATEMENT OF PERFORMANCE MEASUREMENT

		2002	2001	2000	1999
	<u>Amounts</u>	<u>Indicators</u>			
<b>Current Ratio</b>					
<u>Current Assets</u>	\$53,508	1.41:1	1.47:1	2.12:1	1.99:1
Current Liabilities	\$37,843				
<b>Unrestricted Current Ratio</b>					
<u>Unrestricted Current Assets*</u>	\$26,655	1.41:1	1.67:1	2.01:1	1.81:1
Current Liabilities not relating to Restricted Assets	\$18,897				
* as defined in the Code					
<b>Debt Service Ratio</b>					
<u>Net Debt Service Cost</u>	\$16,137	15.6%	16.6%	16.0%	17.0%
Operating Revenue	\$103,192				
* as defined in the Code					
<b>Rate &amp; Annual Charges Coverage Ratio</b>					
<u>Rates &amp; Annual Charges Revenues</u>	\$61,803	47.6%	51.1%	53.7%	54.0%
Total Revenues	\$129,707				
<b>Rates &amp; Annual Charges Outstanding Percentage</b>					
<u>Rates &amp; Annual Charges Outstanding</u>	\$5,978	8.8%	9.0%	8.8%	10.0%
Rates & Annual Charges Collectible	\$68,246				

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

<b>Current Ratio</b>					
<u>Current Assets</u>		2.08:1	2.03:1	2.5:1	2.25:1
Current Liabilities					
<b>Unrestricted Current Ratio</b>					
<u>Unrestricted Current Assets*</u>		1.41:1	1.67:1	2.23:1	1.9:1
Current Liabilities not relating to Restricted Assets					

# SHOALHAVEN CITY COUNCIL

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2002

### 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:

	2002 \$'000		2001 \$'000	
	Grants	Contrib	Grants	Contrib
Unexpended at the close of the previous reporting period	1,686	9,482	965	8,905
Less: expended during the current period from revenues recognised in previous reporting periods	5,481	4,481	2,686	712
Plus: amounts recognised as revenues in this reporting period but not yet expended in accordance with the conditions	<u>5,642</u>	<u>5,316</u>	<u>3,407</u>	<u>1,289</u>
Unexpended at the close of this reporting period and held as restricted assets	<u>1,847</u>	<u>10,317</u>	<u>1,686</u>	<u>9,482</u>
Net increase in restricted assets in the current reporting period.	<u>161</u>	<u>835</u>	<u>721</u>	<u>577</u>

# SHOALHAVEN CITY COUNCIL

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2002

### Note 15 - FINANCIAL INSTRUMENTS

#### Interest Rate Risk Exposures

2002	Floating Interest Rate '000	Fixed interest maturing in < 1 year '000	> 1 year > 5 years '000	> 5 years '000	Non- interest bearing '000	Total '000	Weighted Average Interest Rate
<b>Financial Assets</b>							
Cash Assets	843	39,697	18,359	-	-	58,899	4.67%
Investment Securities	-	-	6,709	-	16	6,725	5.31%
Receivables							
Rates & Annual Charges	-	2,560	3,418	-	-	5,978	11.00%
User Charges & Fees	-	-	-	-	3,622	3,622	0.00%
Deferred Debtors	-	66	464	-	-	530	0.00%
Other levels of Govt.	-	-	-	-	2,628	2,628	0.00%
Other	-	-	-	-	21	21	0.00%
<b>Total</b>	<b>843</b>	<b>42,323</b>	<b>28,950</b>	<b>-</b>	<b>6,287</b>	<b>78,403</b>	

#### Financial Liabilities

Payables							
Goods & Services	-	-	-	-	11,526	11,526	0.00%
Deposits, & Bonds	-	-	-	-	1,227	1,227	0.00%
Other	-	-	-	-	130	130	0.00%
Interest Bearing Liabilities	-	12,542	29,217	20,185	-	61,944	7.49%
Other Levels of Government	-	-	-	-	5,674	5,674	0.00%
<b>Total</b>	<b>-</b>	<b>12,542</b>	<b>29,217</b>	<b>20,185</b>	<b>18,557</b>	<b>80,501</b>	

#### 2001

#### Financial Assets

Cash Assets	829	36,711	11,207	-	-	48,747	5.96%
Investment Securities	-	-	7,752	-	16	7,768	0.00%
Receivables							
Rates & Annual Charges	-	3,142	2,809	-	-	5,951	11.00%
User Charges & Fees	-	-	-	-	2,766	2,766	0.00%
Deferred Debtors	-	57	515	-	-	572	0.00%
Other levels of Govt.	-	-	-	-	3,604	3,604	0.00%
Other	-	-	-	-	21	21	0.00%
<b>Total</b>	<b>829</b>	<b>39,910</b>	<b>22,283</b>	<b>-</b>	<b>6,407</b>	<b>69,429</b>	

#### Financial Liabilities

Payables							
Goods & Services	-	-	-	-	10,081	10,081	0.00%
Deposits, & Bonds	-	-	-	-	1,198	1,198	0.00%
Other	-	-	-	-	121	121	0.00%
Interest Bearing Liabilities	-	11,829	34,257	12,929	-	59,015	7.90%
Other Levels of Government	-	-	-	-	5,884	5,884	0.00%
<b>Total</b>	<b>-</b>	<b>11,829</b>	<b>34,257</b>	<b>12,929</b>	<b>17,284</b>	<b>76,299</b>	

#### 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.

# SHOALHAVEN CITY COUNCIL

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2002

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

	2002 \$'000	2001 \$'000
Net financial assets from previous page		
Financial Assets	78,403	69,429
Financial Liabilities	<u>80,501</u>	<u>76,299</u>
	(2,098)	(6,870)
Non-financial assets and liabilities		
Accrued Revenues	221	227
Inventories	8,222	8,402
Property, Plant & Equipment	1,039,075	1,008,654
Other Assets	1,058	666
Accrued Expenses	(1,529)	(2,075)
Provisions	(24,589)	(21,920)
Other liabilities	<u>(70)</u>	<u>-</u>
	<u>1,022,388</u>	<u>993,954</u>
Net Assets per Statement of Financial Position	<u>1,020,290</u>	<u>987,084</u>

### Net Fair Value

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

# SHOALHAVEN CITY COUNCIL

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS For the year ended 30 June 2002

### Note 16 - SIGNIFICANT VARIATIONS FROM ORIGINAL BUDGET

Council's original budget comprised part of the Management Plan adopted by Council on 26th June 2001. 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.

### EXPENSES FROM ORDINARY ACTIVITIES

#### Materials and Contracts

Materials and Contracts were over budget by \$2,644K (U) (10.87%). This variance is largely attributable to expenditure related to activities funded from additional operating grants received during the year, which were in excess of the original budget by \$2,531K.

#### Loss on Disposal of Assets

Loss on disposal of assets was over budget by \$59K (U). Council did not originally budget for a loss on sale of assets. The majority of the loss on sale was recognised on the disposal of plant and equipment.

### REVENUES FROM ORDINARY ACTIVITIES

#### User Charges and Fees

User Charges and Fees were over budget by \$6,398K (F) (31.4%). Part of the reason for the variation is classification – some User Charges and Fees were included as Other Revenues. The major variations for items originally budgeted as User Charges and Fees include:

- Waste tipping fees - \$309K
- Communications Income - \$116K
- Private Works Income - \$1,612K
- Planning and Building Fees - \$1,121

#### Interest Received

The actual amount of interest received was over budget by \$457K (F) (17.11%). This was due to several projects included in the original budget not being completed by year-end. The major projects included:

**Note 16 continued**

- Main Road 92 development
- Sussex Inlet Pool
- St Georges Basin By-Pass
- Ulladulla Multi Purpose Centre
- Crematorium tea room and chapel

**Grants and Contributions - Operating**

Revenue recognised from operating Grants and Contributions was over budget by \$2,531K (F) (17.82%). Some of the major grants and contributions greater than or in addition to budget include:

- Financial Assistance Grant - \$111K
- Diesel Fuel Grant - \$54K
- Bush Fire s44 contribution and fire clean up– \$989K
- Family Day Care - \$387K
- Land care and environmental protection projects - \$290K
- Local area employment development - \$399

**Other Revenues from Ordinary Activities**

Other operating revenues were under budget by \$1,660K (U) (60.87%). This was mainly due to a classification issue as some amounts for User Charges and Fees were budgeted as other revenues.

**Grants & Contributions – Capital**

Capital Grants and Contributions received were over budget by \$7,729 (F) (62%). Some of the major grants and contributions received that were additional to budget include:

- MR92 – \$1,160K
- Land – contributions brought to account \$3,306K
- Water and Sewer s64 contributions – \$1,830K
- Section 94 contributions – additional \$567K
- Ulladulla gas re-use project – \$165K

# SHOALHAVEN CITY COUNCIL

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2002

### 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	67	58	-	5	17	-	113	143
Roads	2,555	576	-	139	375	118	2,895	4,788
Parking	270	100	-	15	237	-	148	984
Open Space	857	118	6	46	41	28	986	449
Community facilities	1,917	315	-	104	51	-	2,285	1,594
Other	1,989	677	-	118	121	-	2,663	3,342
Subtotal S94 under plans	7,655	1,844	6	427	842	146	9,090	11,300
Sec 64 Contributions	1,267	3,012	-	27	3,079	-	1,227	13,592
<b>Total Contributions</b>	<b>8,922</b>	<b>4,856</b>	<b>6</b>	<b>454</b>	<b>3,921</b>	<b>146</b>	<b>10,317</b>	<b>24,892</b>

**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	67	58	-	5	17	-	113	143
Roads	2,555	576	-	139	375	118	2,895	4,788
Parking	270	100	-	15	237	-	148	984
Open Space	857	118	6	46	41	28	986	449
Community facilities	1,917	315	-	104	51	-	2,285	1,594
Other	1,989	677	-	118	121	-	2,663	3,342
<b>Total</b>	<b>7,655</b>	<b>1,844</b>	<b>6</b>	<b>427</b>	<b>842</b>	<b>146</b>	<b>9,090</b>	<b>11,300</b>

# SHOALHAVEN CITY COUNCIL

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2002

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

The following 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.

#### **Statewide Mutual**

Council is a member of Statewide Mutual, a mutual scheme providing liability insurance to local government.

Council has been advised that the Scheme has significant losses, partly resulting from the collapse of the HIH group of companies. Council's share of the losses at 30 June 2002 is \$1,525K which includes an operational loss in the amount of \$710K and an amount of \$815K relating to the collapse of the HIH group as a reinsurer of the Scheme.

Council has not recognised any part of the losses experienced by Statewide Mutual whether those losses are operational or have been due to the collapse of HIH. Council has not recognised these liabilities because;

- \$710K of the liability at 30 June 2002 only applies if Council chooses to withdraw from the scheme.
- The intention of Statewide Mutual to attempt to recover losses from member Councils is uncertain. Statewide have anticipated that existing losses may be recouped from future operational surpluses prior to recovery from Councils.
- This liability may be reduced by any contribution made by the State or Federal Governments. In the absence of such contributions, the liability will be funded by future contributions to the Scheme.



# millington SBS

## Specialised Business Solutions

### INDEPENDENT AUDIT REPORT TO SHOALHAVEN CITY COUNCIL

#### Scope

We have audited the general purpose financial report of the Shoalhaven City Council for the financial year ended 30 June 2002, comprising the Council Certificate, Statement of Financial Performance, Statement of Financial Position, Statement of Changes in Equity, Statement of Cash Flows and accompanying Notes to and forming part of the Principal Financial Statements. The financial statements include the consolidated accounts of the economic entity comprising the Council and the entities it controlled at the year's end or from time to time during the year. The Council is responsible for the preparation and presentation of the financial statements and the information they contain. We have conducted an independent audit of these financial statements in order to express an opinion on them to Council. In respect of the original budget figures disclosed in the Statement of Financial Performance and in Note 2 (a), and the proposed utilisation of restrictions on note 6(b), we have not examined the underlying basis of their preparation.

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

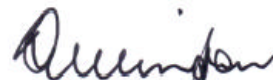
The audit opinion expressed in this report has been formed on the above basis.

#### 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  
Date: 4 October 2002

**millington SBS**

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# **Report on Conduct of Audit**

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Shoalhaven City Council

Year Ended 30 June 2002

## Shoalhaven City Council

Year Ended 30 June 2002

### Scope of Audit

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 2002.

We advise that we have issued a separate report on the form and content of the general purpose financial report in accordance with Section 417(1) of the Local Government Act, 1993 ("the Act"), and a report on the special purpose financial report in accordance with the requirements of the Local Government Code of Accounting Practice and Financial Reporting ("the Code").

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 has been conducted in accordance with Australian Auditing Standards, to provide reasonable assurance as to whether the financial statements are free of material misstatement. Our procedures included an examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial statements, and the evaluation of accounting policies and significant accounting estimates. The audit was conducted to provide reasonable assurance of detecting material misstatements in the financial statements. However, the responsibility for the prevention and detection of irregularities, including fraud, rests primarily with management. This responsibility is fulfilled mainly through the implementation and continued operation of adequate systems of internal control. It is not the prime purpose of our audit to discover irregularities, including fraud, and the examination should not be relied upon to disclose all irregularities that may exist.

In accordance with the requirements of the Act we have conducted an independent audit of the financial statements in order to express an opinion on them and now, in accordance with the Act provide further comment on the conduct of our audit.

## Statement of Financial Performance

### General Purpose Financial Report

#### Consolidated Operating Result - 2002

The statement of financial performance discloses that Council's activities for the 2002 year resulted in a surplus from all activities of \$33.206M (2001 – surplus of \$27.425M).

The consolidated result for the year ended 30 June 2002 can be summarised as follows:

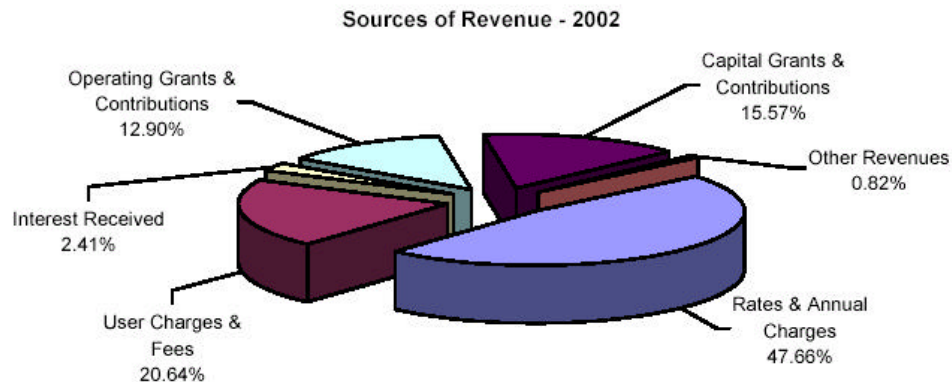
2001 \$'000		2002 \$'000	Budget \$'000
33,560	Surplus (deficit) for year before capital amounts and depreciation	32,817	29,254
12,941	Revenue provided for capital purposes	20,196	12,467
46,501	Surplus (deficit) before depreciation	53,013	41,721
19,076	Depreciation charge for year	19,807	20,167
27,425	Surplus (deficit) from all activities	33,206	21,554

Significant variations from the original budget are disclosed in detail in Note 16 to the financial statements with material variations in expenditure on materials and contracts, loss on disposal of assets, and variations in revenue from user charges and fees, interest received, and grants and contributions received.

#### Matters of Reporting Significance

##### 1. Sources of Revenue

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





## 2. Rates and annual charges

Total revenue derived from rates and annual charges amounted to \$61.803M (2001 – 60,093) and represented an increase of 2.84% on 2001. This increase resulted from a 3.33% increase in ordinary rates revenue, and an increase of 2.46% in revenue raised from annual charges.

Rates and annual charges represent approximately 48% of Council's revenue, which is lower than the 2001 average of 52.62% for all Councils in the same Department of Local Government comparative data group. However, revenue derived from annual charges and fees is higher than the group average (16.24%), illustrating the effect of Council's "user pays" revenue raising policy.

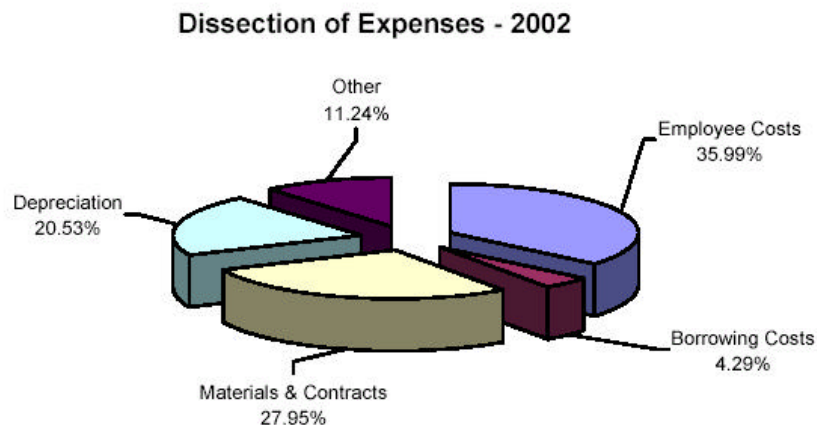
## 3. Grants and Contributions Received

During 2002 Council received operating grants and contributions totalling \$16.737M (\$15.576M in 2001), and capital grants and contributions amounting to \$20.196M (12.941M in 2001) representing 28.47% of Council's total revenue for the year. Of total grants and contributions received, \$10.165M (27.52%) represented contributions not involving the receipt of cash by Council.

## 4. Expenses from Ordinary Activities

Expenses from Council's ordinary activities totalled \$96.501M compared with \$90.197M in 2001. Council's original budget for the year provided for total expenditure of \$93.763M with the actual expenses representing a 2.92% variation on the original budget.

The following graph provides a graphical dissection of expenses for the 2002 year:



## 5. Employee Costs

Employee costs represent 36% of Council's total operating expenses. This compares with the comparative group 2001 average of 38.66% and the State 2001 average of 37.6%.

## 6. Depreciation

The amount calculated and charged for the depreciation of non-current assets totalled \$19.807M representing 20.53% of total expenses from ordinary activities. This compares with \$19.076M and 21.15% in 2001, and the 2001 State average of 21.8%.

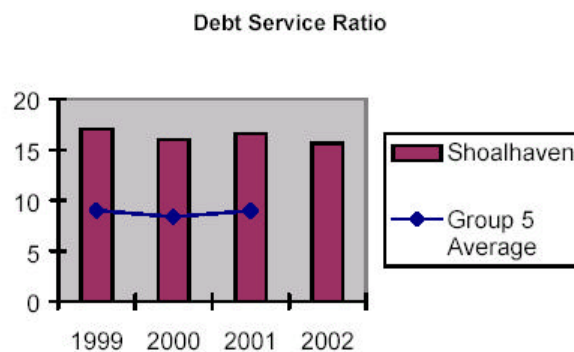
## Performance Indicators and Trends

Note 13 to the financial statements includes two performance measurement ratios that are relevant in assessing the statement of financial performance:

### 1. Debt Service Ratio

Council's ratio of 15.6% (2001 – 16.6%) is higher than the average for the comparative group, but is consistent with Councils responsible for the provision of infrastructure works such as water and sewer services, and lower than the previous three years.

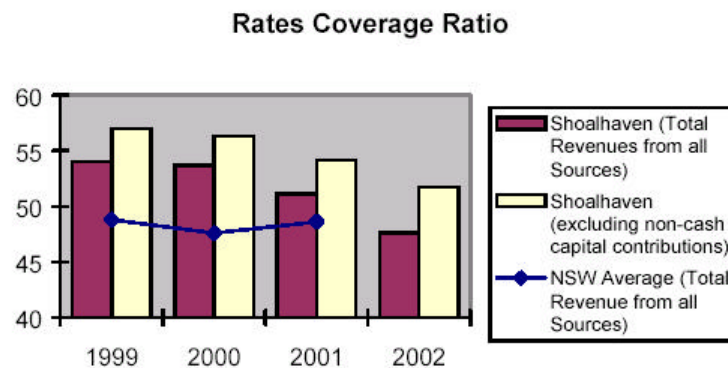
Proposed capital works projects over the next three years and scheduled borrowings are likely to ensure that there is little reduction in this ratio in future years.



### 2. Rates and Annual Charges Coverage Ratio

Council's rates and annual charges revenue represents 48% of total revenue, which is lower than the overall State average, and is a continuation of the downward trend experienced in recent years.

As this ratio is related to total revenue, large increases in capital grants and contributions, particularly non-cash contributions, can have a significant impact on the result. The following graph includes revenue adjusted for non-cash contributions for capital purposes to give a better indication of the reliance on rate revenue as a source of recurrent income.



## Special Purpose Financial Report

### Business Activities Results - 2002

Council's nominated business activities (defined in accordance with National Competition Policy guidelines) achieved the following results for 2002:

<b>WATER SUPPLY</b>	<b>2002 \$'000</b>	<b>2001 \$'000</b>	<b>Variance \$'000</b>
Surplus (deficit) for year before depreciation	7,614	7,728	(114)
Depreciation charge for year	3,525	3,596	(71)
Surplus (deficit) from operations	4,089	4,132	(43)

This surplus was derived after a \$232K (1.49%) increase in ordinary revenues, an increase of \$1.149M (154.2%) in capital grants and contributions, and an increase of \$2.228M (21.27%) in operating expenses.

After adding back the notional adjustments required by the National Competition Policy, Council's Water Supply operations returned a surplus of \$5.065M, or 28.56% on total revenue from all sources.

<b>SEWERAGE SERVICES</b>	<b>2002 \$'000</b>	<b>2001 \$'000</b>	<b>Variance \$'000</b>
Surplus (deficit) for year before depreciation	16,888	15,722	1,166
Depreciation charge for year	3,704	3,610	94
Surplus (deficit) from operations	13,184	12,112	1,072

This surplus was derived after a \$716K (3.20%) increase in ordinary revenues, an increase of \$1.071M (15.46%) increase in capital grants and contributions, and an increase of \$1.164M (8%) in operating expenses.

After adding back the notional adjustments required by the National Competition Policy, Council's Sewerage Services operations returned a surplus of \$15.487M, or 49.79% on total revenue from all sources.

<b>HOLIDAY HAVEN CARAVAN PARKS</b>	<b>2002 \$'000</b>	<b>2001 \$'000</b>	<b>Variance \$'000</b>
Surplus (deficit) for year before depreciation	2708	2404	304
Depreciation charge for year	854	823	31
Surplus (deficit) from operations	1854	1581	273

User charges and fees increased by \$357K (3.52%) on the prior year while operating expenses increased by \$104K (1.34%), resulting in an improved notional net profit ratio of 14.02%

After adding back the notional adjustments required by the National Competition Policy, Council's Holiday Haven operations returned a surplus of \$2.715M, or 25.86% on total revenue from all sources.



**CEMETERIES**

	<b>2002 \$'000</b>	<b>2001 \$'000</b>	<b>Variance \$'000</b>
Surplus (deficit) for year before depreciation	(340)	(267)	(73)
Depreciation charge for year	62	41	21
Surplus (deficit) from operations	(402)	(308)	(94)

Operating expenses increased by \$159K (14.69%) whilst revenue generated from user charges and fees increased by \$61K (7.88%), resulting in an increased operating deficit for the year.

After adding back the notional adjustments required by the National Competition Policy, Council's Cemetery operations returned a deficit of \$402K.

**MECHANICAL SERVICES**

	<b>2002 \$'000</b>	<b>2001 \$'000</b>	<b>Variance \$'000</b>
Surplus (deficit) for year before depreciation	(222)	(121)	(101)
Depreciation charge for year	20	41	(21)
Surplus (deficit) from operations	(242)	(162)	(80)

Operating expenses decreased by \$231K (7.53%) whilst revenue generated from user charges and fees decreased by \$311K (10.70%), resulting in an increased operating deficit for the year.

After adding back the notional adjustments required by the National Competition Policy, Council's Mechanical Services operations returned a deficit of \$153K.

**ELECTRICAL SERVICES**

	<b>2002 \$'000</b>	<b>2001 \$'000</b>	<b>Variance \$'000</b>
Surplus (deficit) for year before depreciation	(119)	(157)	38
Depreciation charge for year	0	20	(20)
Surplus (deficit) from operations	(119)	(177)	58

Operating expenses increased by \$6K (0.23.%) whilst revenue generated from user charges and fees increased by \$64K (2.66%), resulting in an reduced operating deficit for the year.

After adding back the notional adjustments required by the National Competition Policy, Council's Electrical Services operations returned a deficit of \$63K.



## Statement of Financial Position

### General Purpose Financial Report

#### Net Current Assets

Council's Statement of Financial Position is disclosed in accordance with applicable accounting standards and reporting requirements of the Local Government Act and Regulations as required for the 2002 financial year.

Consolidated Net Assets at 30 June 2002 totalled \$1,020.29M (2001 - \$987.084M), whilst Council's working capital position, calculated by reference to the current assets and current liabilities disclosed on the Statement of Financial Position, amounted to \$15.665M (2001 - \$16.36M).

Restrictions on the utilisation of Council's assets are disclosed in the Notes to the financial statements, with the impact summarised in the following table:

	2002 \$'000	2001 \$'000
<b>Total Current Assets</b>	53,508	50,812
Less: Externally Restricted Assets	26,853	23,646
<i>Unrestricted Current Assets</i>	26,655	27,166
<b>Total Current Liabilities</b>	37,843	34,452
Less: Liabilities Related to Restricted Assets	13,172	9,845
	24,671	24,607
<b>Net Current Assets</b>	1,984	2,559
Less: Internal Restrictions (net of related liabilities)	5,922	8,207
<b>Unrestricted Net Current Assets</b>	<b>-3,938</b>	<b>-5,648</b>

This analysis indicates that at 30 June 2002 Council had sufficient net current assets to cover the external restrictions placed on those assets (primarily for water and sewerage operations and developer contributions), but internal restrictions on cash assets exceeded the calculated level of general operations working capital. The negative unrestricted net current asset figure represents the deficiency of net assets in Council's general operations (referred to internally as General Fund), and indicates an improvement of \$1.710M on the prior year.

At 30 June 2002 Council's bank overdraft facility of \$400K had not been utilised.

## Assessment of Financial Position

### Funding 2003 Operations

Council's consolidated financial position is sound, with sufficient assets to meet liabilities. As indicated above, the restrictions placed on the use of assets includes those relating to Water and Sewerage operations, and the 2003 budgets indicate that proposed operations for the year will not adversely impact on the financial position of those activities.

<b>WATER SUPPLY FUNDS</b>	<b>\$'000</b>	<b>\$'000</b>
<i>2003 operating and capital budgets as per adopted budget:</i>		
Operating surplus for 2003	3,515	
Loan principal receipts	245	
Proceeds from proposed asset sales in 2003	<u>535</u>	
		4,295
<i>Less:</i>		
Proposed capital expenditure		<u>15,800</u>
Estimated deficit		(11,505)
<i>Add:</i>		
- Non-cash operating expenses (depreciation)		<u>3,267</u>
Estimated funding deficit for 2003		<u>(8,238)</u>
Notional Working Capital as at 30 June 2002		<u>11,824</u>

Revoted expenditure on projects carried forward from 2002 and not included in the 2003 budget amount to \$828K.

After taking into consideration revotes and the estimated funding deficit for 2003, there appear to be sufficient assets available to fund proposed water supply operations and capital works in the coming year.

<b>SEWERAGE SERVICES FUNDS</b>	<b>\$'000</b>	<b>\$'000</b>
<i>2003 operating and capital budgets as per adopted budget:</i>		
Operating surplus for 2003	8,744	
Loan principal receipts	111	
Loans raised	4,457	
Proceeds from proposed asset sales in 2003	<u>448</u>	
		13,760
<i>Less:</i>		
Proposed capital expenditure		<u>16,882</u>
Estimated deficit		(3,122)
<i>Add:</i>		
- Non-cash operating expenses (depreciation)		<u>3,482</u>
Estimated surplus for 2003		<u>360</u>
Notional Working Capital as at 30 June 2002		<u>5,600</u>

Revoted expenditure on projects carried forward from 2002 and not included in the 2003 budget amount to \$1.386M. After taking these revotes into consideration, there appear

to be sufficient assets available to fund proposed water supply operations and capital works in the coming year.

Proposed General Fund operations and capital works, as disclosed in the 2003 budget adopted by Council, provide for an estimated funding surplus of \$779K after adding back the non-cash operating expenses such as depreciation and movements in provisions.

<b>GENERAL FUND</b>	<b>\$'000</b>	<b>\$'000</b>
<i>2003 operating and capital budgets as per adopted general fund budget:</i>		
Operating surplus for 2003	7,048	
Proposed loan borrowings for 2003	5,510	
Proceeds from proposed asset sales in 2003	4,747	
		17,305
<i>Less:</i>		
Scheduled loan principal repayments	5,869	
Proposed capital expenditure	23,056	
Repayment of previous advances	1,079	
		30,004
Estimated deficit		(12,699)
<i>Add:</i>		
- Non-cash operating expenses (depreciation)	13,447	
- Provision for doubtful debts	31	
		13,478
Estimated surplus for 2003		779
Notional Working Capital as at 30 June 2002		17,519

Revoted expenditure on projects carried forward from 2002 and not included in the 2003 budget amount to \$14.603M. After taking these revotes into consideration, there appear to be sufficient assets available to fund proposed general operations and capital works in the coming year without increased reliance on borrowed funds or reallocation of priorities over internally restricted cash assets.

### **Revoted Expenditure**

Included in the 2003 funding requirements is revoted expenditure totalling \$17.176M. This amount represents 17.80% of 2002 total expenses (including depreciation) and, if completed in the 2003 year, would have a significant impact on 2003 operations. Of this amount, \$12.003M will be funded from restricted cash, whilst \$5.173M will be funded from unrestricted cash assets. It is strongly recommended that Council consider revising its planning and budgeting process to ensure that, where possible, revotes are incorporated into the Management Plan and advertised proposed operations for the coming year.

### **Employee Leave Entitlements**

Council's total liability for employee leave entitlements increased by 12.18% in 2002 to a total of \$24.589M. Cash assets representing 17% (2001 – 15%) of this liability has been restricted to fund any unforeseen or substantial payouts.

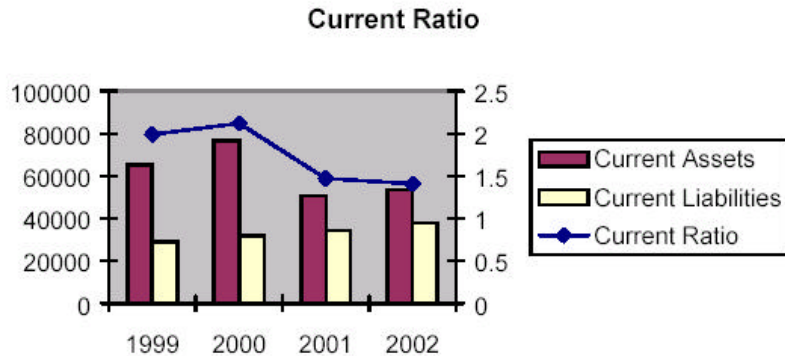


## Performance Indicators and Trends

Note 13 to the financial statements includes three performance measurement ratios that are relevant in assessing the statement of financial position:

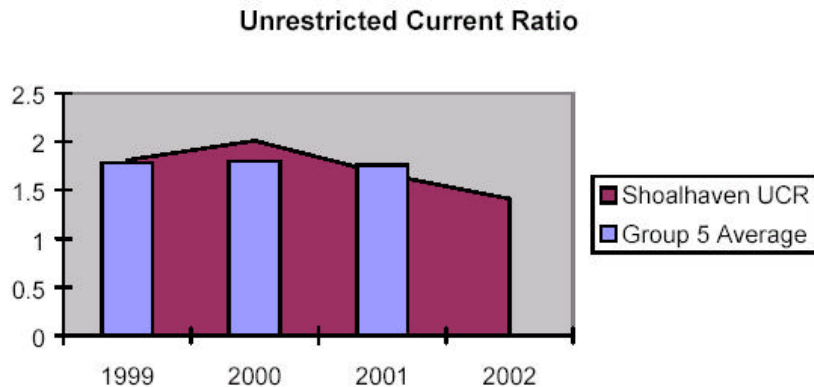
### 1. Current Ratio

Council's ratio of 1.41:1 is below industry better practice guidelines and is a continuation of the declining trend experienced in the previous year.



### 2. Unrestricted Current Ratio

This indicator, like the current ratio, has continued to decline, however the actual result, i.e. 1.41:1 is within the acceptable range and indicates that Council has sufficient assets to meet its liabilities as and when they fall due.



### 3. 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 was 8.8% and represented an improvement on the prior year.

The result is impacted by Council's pensioner policy and is above industry better practice guidelines of approximately 5%.

## Section 4

# Cash Flows

## Statement of Cash Flows

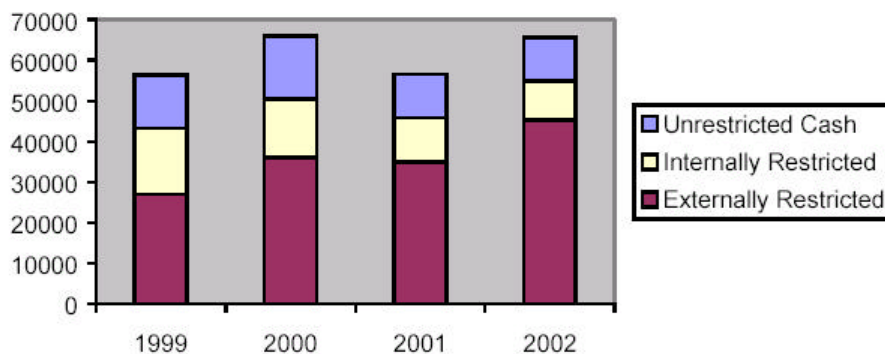
### Derivation and Utilisation of Cash During the Year

#### Summary

Council's total cash assets increased by \$10.152M as a result of all activities in the 2002 year. This result was a combination of \$46.225M provided from operating activities, \$39.002M used in investing activities, and \$2.929M provided by financing activities.

The balance of cash assets at 30 June 2002 was \$58.899M, of which \$20.318M was not subject to external restrictions and available for utilisation at Council's discretion and direction. Of this unrestricted amount, Council has identified specific uses for \$9.661M disclosed as internal restrictions

4 Year Summary of Cash Assets

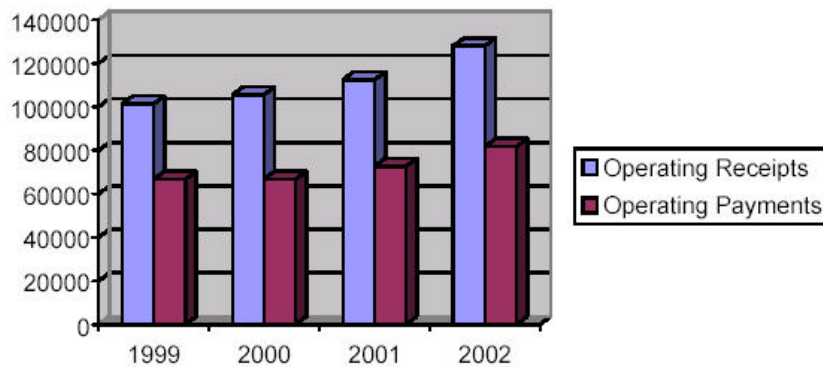


This graph illustrates the changing nature of Council's cash assets, with recent years producing a higher level of restrictions on the use of available cash. This could impact Council's future operations as the restrictions relating to cash balances will need to be considered when preparing management plans and capital works programs.

#### Operating Activities

Council's operating activities provided cash totalling \$46.225M compared with \$39.873M in 2001. Increases in rates and fees resulted from an increase in the underlying charge and a slight improvement in the collection of outstanding debts, evidenced in the improved rates and annual charges outstanding percentage on Note 13. User charges and fees increased in line with current policy, while employee costs and materials and contracts increased in line with Council's operations for the year.

### Cash Flows from Operating Activities

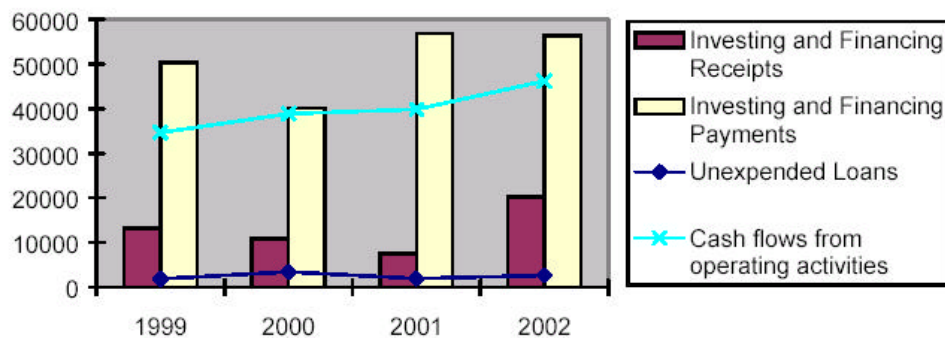


### Investing Activities and Financing Activities

Investing activities for the 2002 year utilised a net \$39.002M in the acquisition of property, plant and equipment and real estate.

Financing activities represented loan borrowings of \$14.75M during the year to help finance the investing activities. After repaying loans and advances, financing activities generated net cash of \$2.929M

### Cash Flows from Investing and Financing Activities





## **Statement of Audit Conclusion**

### **Statutory, Regulatory and Standards Compliance**

#### **Compliance with Statutory Requirements**

As a result of our audit we advise that there are no material deficiencies in the accounting records or financial reports that 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 2002 has been prepared in accordance with the Australian Accounting Standards, the Local Government Code of Accounting Practice and Financial Reporting (Update 10) and the Asset Accounting Manual.

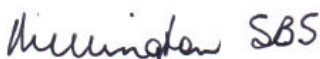
#### **Other Matters**

Note 18 to the financial statements refers to Council's membership of Statewide Mutual, a mutual scheme providing public liability insurance to local government. As a result of the collapse of the HIH insurance group, the accumulated losses of Statewide increased significantly, and raised the possibility that each member council may have to make a contribution towards recoupment of the losses.

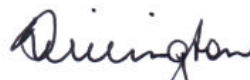
Advice from The Department of Local Government and the Local Government Auditors Association of NSW Inc suggests that Council's proportion of the liability as at 30 June 2002 (total \$1.525M) should be recognised as a liability and recorded in Note 10 to the financial statements. Council has not done this on the basis that the amount of the debt cannot be reliably measured and, based on information provided by the Statewide Fund Manager, there is no certainty that Council will be called upon to satisfy their proportion of debt identified at 30 June 2002.

As Council's share of Statewide losses is considered to be immaterial when measured against total liabilities at 30 June 2002, and as full disclosure of the situation has been made in Note 18, we do not believe that any users of the financial report will be misled or disadvantaged in any way by the non-inclusion of the liability in Note 10.

#### **Audit Sign-Off**



**Millington SBS**  
Chartered Accountants



**Carl Millington CA**  
Principal  
Sydney, 4 October 2002