

General &
Special Purpose
Financial Reports



Year ended
30 June 2003

City of Ryde

Council of the City of Ryde

GENERAL PURPOSE FINANCIAL REPORTS for the year ending 30 June 2003

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Council of the City of Ryde

STATEMENT OF FINANCIAL PERFORMANCE for the year ending 30 June 2003

Original Budget* 2003 (\$'000)		Notes	Actual 2003 (\$'000)	Actual 2002 (\$'000)
EXPENSES FROM ORDINARY ACTIVITIES				
19,915	Employee Costs	3(a)	20,605	17,432
550	Borrowing Costs	3(b)	464	503
14,060	Materials and Contracts		14,119	13,246
14,392	Depreciation	3(c)	14,548	14,116
8,070	Other Expenses from Ordinary Activities	3(d)	13,435	10,670
819	Loss from the disposal of assets	5	922	-
57,806	TOTAL EXPENSES FROM ORDINARY ACTIVITIES		64,093	55,967
REVENUE FROM ORDINARY ACTIVITIES				
38,695	Rates & Annual Charges	4(a)	38,150	36,625
4,882	User Charges & Fees	4(b)	7,537	5,949
1,328	Interest	4(c)	2,015	1,777
2,180	Other revenues from ordinary activities	4(d)	1,545	1,255
4,195	Grants & Contributions provided for non-capital purposes	4(e&f)	4,943	4,460
-	Gain from the disposal of assets	5	-	2,288
51,280	REVENUES FROM ORDINARY ACTIVITIES BEFORE CAPITAL AMOUNTS		54,190	52,354
(6,526)	SURPLUS (DEFICIT) FROM ORDINARY ACTIVITIES BEFORE CAPITAL AMOUNTS		(9,903)	(3,613)
6,579	Grants & Contributions provided for capital purposes	4(e&f)	5,730	31,970
53	SURPLUS (DEFICIT) FROM ALL ACTIVITIES	2(a)	(4,173)	28,357

* Original budget as approved by Council - Refer Note 16

Council of the City of Ryde

STATEMENT OF FINANCIAL POSITION As at 30 June 2003

	Notes	2003 (\$'000)	2002 (\$'000)	2002 (\$'000)	2002 (\$'000)
CURRENT ASSETS					
Cash Assets	6	29,438		31,303	
Receivables	7	2,296		2,633	
Inventories	8	301		246	
Other	8	308		500	
TOTAL CURRENT ASSETS			32,343		34,682
NON-CURRENT ASSETS					
Cash Assets	6	3,791		5,791	
Receivables	7	194		200	
Property, Plant and Equipment	9	1,274,884		1,276,328	
TOTAL NON-CURRENT ASSETS			1,278,869		1,282,319
TOTAL ASSETS			<u>1,311,212</u>		<u>1,317,001</u>
CURRENT LIABILITIES					
Payables	10(a & c)	4,994		4,882	
Interest Bearing Liabilities	10(a & c)	1,974		3,557	
Provisions	10(a & c)	1,833		1,523	
TOTAL CURRENT LIABILITIES			8,801		9,962
NON-CURRENT LIABILITIES					
Payables	10(a)	3,229		2,546	
Interest Bearing Liabilities	10(a)	7,285		8,490	
Provisions	10(a,b & c)	4,544		4,477	
TOTAL NON-CURRENT LIABILITIES			15,058		15,513
TOTAL LIABILITIES			<u>23,859</u>		<u>25,475</u>
NET ASSETS			<u>1,287,353</u>		<u>1,291,526</u>
EQUITY					
Accumulated Surplus			1,287,353		1,291,526
TOTAL EQUITY			<u>1,287,353</u>		<u>1,291,526</u>

Council of the City of Ryde

STATEMENT OF CHANGES IN EQUITY

for the year ending 30 June 2003

	2003 (\$'000)			2002 (\$'000)			
	Accum Surplus	Asset Revaluation Reserve	Council Equity Interest	Total Equity	Accum Surplus	Asset Revaluation Reserve	Council Equity Interest
Balance at the beginning of the reporting period	1,291,526	-	1,291,526	1,291,526	1,263,169	-	1,263,169
Change in Equity recognised in the Statement of Financial Performance	(4,173)	-	(4,173)	(4,173)	28,357	-	28,357
Adjustments due to compliance with revised Accounting Standards	-	-	-	-	-	-	-
Transfers to asset revaluation reserve	-	-	-	-	-	-	-
Transfers from asset revaluation reserve	-	-	-	-	-	-	-
Distributions to/from Outside Equity Interests	-	-	-	-	-	-	-
Balance at the end of the reporting period	1,287,353	-	1,287,353	1,287,353	1,291,526	-	1,291,526

Council of the City of Ryde

STATEMENT OF CASH FLOWS for the year ending 30 June 2003

	Notes	2003		2002	
		(\$'000)	(\$'000)	(\$'000)	(\$'000)
CASH FLOWS FROM OPERATING ACTIVITIES					
<u>Receipts</u>					
Rates & Annual Charges		38,293		36,670	
User Charges & Fees		8,705		6,025	
Interest		1,992		1,721	
Grants and Contributions		11,092		10,670	
Other		4,859		3,947	
<u>Payments</u>					
Employee Costs		(19,598)		(16,961)	
Materials and Contracts		(16,597)		(14,554)	
Interest		(472)		(505)	
Other		(15,784)		(10,855)	
Net cash provided by (used in) Operating Activities	11(b)		12,490		16,158
CASH FLOWS FROM INVESTING ACTIVITIES					
<u>Receipts</u>					
Sale of Investments		-		-	
Sale of Real Estate Assets		-		-	
Sale of Property, Plant and Equipment		2,460		3,862	
Sale of Interests in Joint Ventures/Associates		-		-	
Other		-		-	
<u>Payments</u>					
Purchase of Investments		-		-	
Purchase of Real Estate Assets		-		-	
Purchase of Property, Plant and Equipment		(15,599)		(14,422)	
Purchase of Interests in Joint Ventures/Associates		-		-	
Other		-		-	
Net cash provided by (used in) Investing Activities			(13,139)		(10,560)
CASH FLOWS FROM FINANCING ACTIVITIES					
<u>Receipts</u>					
Borrowings and Advances		-		-	
Other		-		-	
<u>Payments</u>					
Borrowings and Advances		(1,080)		(1,033)	
Deferred Creditor		(318)		(318)	
Finance Leases		(75)		-	
Net cash provided by (used in) Financing Activities			(1,473)		(1,351)
Net Increase (Decrease) in Cash Assets Held			(2,122)		4,247
Cash Assets at beginning of Reporting Period	11(a)		34,934		30,687
Cash Assets at end of Reporting Period	11(a)		32,812		34,934

NOTES TO THE FINANCIAL STATEMENTS

Note 1

SIGNIFICANT ACCOUNTING POLICIES

This note sets out the significant accounting policies adopted by the Council in accordance with the Australian Accounting Standard AAS 6 "Accounting Policies: Determination, Application and Disclosure".

1. *The Local Government Reporting Entity*

The City of Ryde has its principal business office at Ryde Civic Centre, 1 Devlin Street, Ryde NSW 2112. **The City Of Ryde** 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 operations and its principal activities are provided in Note 2(b) of this report.

The General Purpose Financial 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 30 June 2003. 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*

In accordance with the provisions of Section 409(1) of the LGA 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.

Council has one subsidiary entity being Eastwood Plaza Committee and the following is a summary of its financial results for 2002/2003, which have been consolidated into the results for Council:

	\$
Income	51,060
Expenses	<u>44,708</u>
Operating	<u>6,352</u>
Net Assets	16,408

2. *Basis of Accounting*

2.1 Compliance

This general purpose financial report has been prepared in accordance with applicable Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Consensus Views, the Local Government Act and Regulations, the Local Government Code of Accounting Practice and Financial Reporting and the Local Government Asset Accounting Manual.

2.2 Basis of Accounting

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

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

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

3. *Rates*

The rating period and reporting period for the council coincide, 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*

4.1 General

Grants, contributions and donations (in cash or in kind) 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 notification has been received that a grant has been

secured and Council acts in reliance of that notification, control is deemed at that time.

Unreceived contributions over which the Council has control are recognised as receivables.

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

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

4.2 Contributions under Section 94 of the Environmental Planning and Assessment (EPA) Act 1991

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

Contribution plans adopted by Council are available for public inspection free of cost.

5. *Property, Plant & Equipment*

5.1 Transitional Provisions

Infrastructure assets (which were expensed prior to 1 January 1993) have been capitalised in the accounts on a "staged" basis since June 1995. All assets, apart from land under roads (the transitional provisions applicable to land under roads have now been extended pursuant to AASB 1045, released in October 2002, until 31 December 2006), have now been brought to account. The effect of recognising these non-current assets has increased Councils accumulated wealth by \$1,606m since 1993. In addition, the annual estimated depreciation expense is approximately \$14m as compared to \$1.5m prior to their recognition.

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

5.2 Materiality

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

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

<u>Item</u>	<u>Minimum Value to be Capitalised</u>
Land – Operational	All capitalised
Land – Community	All capitalised
Open space	All capitalised
Roads, bridges, footpaths	\$1,000
Construction/reconstruction	\$25,000
Reseal/resheet/major repair	\$1,000
Office equipment	\$1,000
Computers	\$1,000
Plant and Vehicles	\$1,000

New major software is capitalised in the year of purchase. Other software upgrades and other software are expensed in the year of purchase.

5.3 Valuation of Assets

5.3.1 Recoverable Amounts Test

Council is exempt from the “Recoverable Amount Test” except in relation to recognised trading operations under the provision of paragraph 2.1 of AAS10 “Recoverable Amount of Non Current Assets”.

5.3.2 Plant & Equipment, Office Equipment & Furniture & Fittings

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

5.3.3 Land

5.3.3.1 Operational Land

Land classified by Council as operational land in accordance with Part 2 of Chapter 6 of the Local Government Act 1993, and buildings thereon, were valued by independent valuation (Valuer General) in the reporting period ended 30 June 1995. At 1 July 2000, Council elected to adopt the 'cost basis' method of accounting for non-current assets and disclose them on the 'cost basis' in accordance with AAS 38 (AASB 1041) paragraph 10.4(a) of the Standard.

Pursuant to clause 8.2.1 of AAS 36, Council has undertaken current valuations of all land.

Current Valuation – An independent valuation of operational land based on market value was undertaken as at 1 July 2001 by the Valuer General. The market valuation (plus an indexed increase for 2 years) is \$90,771,464. The new valuation has not been brought to account as Council has continued to adopt the 'cost basis' for recording this asset class.

5.3.3.2 Community Land

Land not classified by Council as operational land is deemed as community land and was valued by Council officers at municipal site value during the reporting period ended 30 June 1995. The Municipal Site Rate is calculated by dividing the land area (hectares) of all rateable land (excluding mining) into the dollar value of that rateable land as determined by the Valuer General and then applying that rate towards the non rateable property controlled by the Council. At 1 July 2000, Council elected to adopt the 'cost basis' method of accounting for non-current assets and disclose them on the 'cost basis' in accordance with AAS 38 (AASB 1041) paragraph 10.4(a) of the Standard.

Pursuant to clause 8.2.1 of AAS 36, Council has undertaken current valuations of all land.

Current Valuation – A valuation of community land was undertaken on a municipal site value basis by Council officers as at 30 June 2003, and totalled \$2,957,630,152. The new valuation has not been brought to account as Council has continued to adopt the 'cost basis' for recording this asset class.

5.3.3.3 Land Under Roads

Land Under Roads has not been valued or recognised as an asset in the statement of financial position (as allowed under transitional provisions for asset recognition contained in Australian Accounting Standard 27A – paragraph 108). The transitional provisions applicable to land under roads have now extended pursuant to AASB 1045, released in October 2002, until 31 December 2006.

5.3.4 Buildings & Land Improvements

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

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

Pursuant to clause 8.2.1 of AAS 36, Council has undertaken current valuations of all buildings.

Current Valuation – An independent valuation of buildings, based on written down current replacement costs as at 3 March 2003 was undertaken by Mr Peter Byrne, Valuer #3394. The market value of the valuation was \$106,422,251. The new valuation has not been brought to account as Council has continued to adopt the 'cost basis' for recording this asset class.

5.3.5 Infrastructure Assets

5.3.5.1 Stormwater Drainage Assets

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

5.3.5.2 Transport Assets

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

5.4 Depreciation of Non-Current Assets

Assets are depreciated over their useful lives.

Depreciation is recognised on a straight-line basis, using a standard range for the local government industry, which is reviewed annually. Major depreciation periods are: -

Buildings	100 years
Earthmoving Equipment	6 years
Office Equipment	10 years
Computers	5 years
Office Furniture	10 years
Roads Structure & Bridges	80 years
Sealed Roads Surface	80 years
Sealed Roads Structure	80 years
Footpaving	50 years
Drainage assets – Conduits	80 years
Drainage assets – Nodes	30 years
Library Books	5 years
Motor Vehicles	10 years

5.5 Investments

Investments are recognised at cost. Interest revenues are recognised as they accrue.

5.6 Employee Benefits

In June 2001, The Australian Accounting Standards Board (AASB) issued a new standard on 'Employee Benefits', AASB 1028. The new standard replaces AAS 30 and will apply to annual reporting periods beginning on or after 1 July 2002.

The City of Ryde has changed its accounting policy during the financial year ended 30 June 2003 relating to the measurement and recognition of employee benefit on-costs in order to comply with the application of Accounting Standard AASB 1028.

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

The Standard requires liabilities in respect of wages and salaries, annual leave, and sick leave (regardless of whether they are expected to be settled within 12 months of reporting date) to be measured at their 'nominal' amounts. The Standard also requires employee benefit liabilities (other than wages and salaries, annual leave and sick leave) expected to be settled within 12 months of reporting date to be measured at their 'nominal' amounts. The nominal basis of measurement uses remuneration rates that Council expects to pay as at each reporting period and does not discount cash flows to their present values.

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

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

The financial effect of this change in accounting policy has been to recognise \$526,313 as expenditure for the increase in the liability relating to employee on-costs as a result of the employee benefit liabilities on hand for the financial year ended 30 June 2003. The Statement of Financial Position also reflects for the first time the full value of the on-costs as at 30 June 2003 as a liability.

The superannuation expense for the year is the amount of the statutory contribution that council makes to the various superannuation plans which provide benefits to its employees.

The Council makes employer superannuation contributions in respect of its employees to the Local Government Superannuation Scheme. The Scheme has two types of membership, each of which is funded differently.

Accumulation Fund Members

The accumulation fund receives both employer and employee contributions on a progressive basis. Employer contributions are normally based on a fixed percentage of employee earnings in accordance with Superannuation Guarantee Legislation (9% in 2002/2003; 8% in 2001/02). No further liability accrues to the employer as the superannuation benefits accruing to employees are represented by their share of the net assets of the Fund.

Defined Benefit Members

Council makes employer contributions to the defined benefits categories of the Scheme at rates determined by the Scheme's Trustee. The rate is currently NIL% (NIL% in 2001/2002) of superannuation salary. Employees also make member contributions to the Fund. As such, assets accumulate in the Fund to meet the member's benefit, as defined in the Trust Deed, as they accrue.

Council has an ongoing obligation to share in the future experience of the Scheme. Favourable or unfavourable variations may arise should the experience of the Scheme differ from the assumptions made by the Scheme's actuary in estimating the Scheme's accrued benefits liability. The most recent actuarial review of the Scheme was undertaken as at 30 June 2003. The Scheme's liability for accrued benefits was determined by reference to expected future salary levels and by application of a market-based risk-adjusted discount rate and relevant actuarial assumptions. The estimated assets and liabilities for the City of Ryde as at 30 June are as follows:

Employer Liability	Employer Assets	Surplus
\$8,954,195.88	\$10,834,086.83	\$1,879,890.95

The net surplus is only disclosed for information purposes. No amount has been brought to account due to Council's inability to control this asset.

The total number of "equivalent full time" employees at the beginning and end of the financial year were 366 and 418, respectively.

Council maintains a cash reserve to meet the employee entitlements liability. The level of this reserve is reviewed annually.

5.7 Leases

Lease arrangements have been accounted for in accordance with the Australian Accounting Standard AAS 17 "Accounting for Leases".

The Council's rights and obligations under finance leases, which are leases that effectively transfer to the council substantially all of the risks and benefits incident to ownership of the leased items, are initially recognised as assets and liabilities equal in amount to the present value of the minimum lease payments. The assets are disclosed as assets under lease, and are amortised to expense over the period during which the council is expected to benefit from the use of the leased asset.

Minimum lease payments are allocated between interest expense and reduction of the lease liability, according to the interest rate implicit in the lease.

Lease liabilities are allocated between current and non-current components. The principal component of lease payments due on or before the end of the succeeding year is disclosed as a current liability, and the remainder of the lease liability is disclosed as a non-current liability.

In respect of operating leases, where the lessor retains substantially all of the risks and benefits incident to ownership of the leased items, lease payments are charged as an expense over the lease term.

5.8 Inventories

5.8.1 Inventories other than real estate assets held for resale

Inventories held in respect of business undertakings have been valued at the lower of cost or net realisable value. Inventories held in respect of non-business undertakings have been valued at cost subject to adjustment for loss of service potential. In both cases costs have been assigned by the method of weighted average cost.

Council had no real estate assets held for resale at the end of the financial year.

5.9 Monetary Amounts

Amounts shown in the Financial Statements are in Australian currency and rounded to the nearest one thousand dollars.

5.10 Budget Information

The Statement of Financial Performance provides budget information on major income and expenditure items. Details of material budget variations are shown in Note 16. Note 2(a) provides budget information regarding the revenues and expenditures of the major activities of the Council. Budget figures represented are those approved by Council and published in its Management Plan at the beginning of the financial year and do not reflect Council approved variations throughout the year.

5.11 Financial Instruments

AAS33 – “Presentation & Disclosure of Financial Instruments” has recently been released and is operative for all financial years ending on or after 31 December 1997. This standard:

- Establishes rules for the classification of financial instruments as debt or equity;
- Extends the existing rules of ‘set off’; and
- Sets out detailed disclosure requirements on financial instruments.

Council has assessed a net fair value of investments as equivalent to their carrying amount as it is generally Council’s intention to hold direct investments to maturity. Where investments are held with fund managers, the net fair value has been equated to the carrying amount as money is available at call.

The net fair value of fixed term interest loans has been equated to the carrying amount, as it is Council’s intention to hold these to maturity. The net fair value of floating interest rate loans has been equated to the carrying amount, as the current interest rate is equivalent to the rate being paid.

Council has adopted all of the new disclosure requirements required by AAS33 and is detailed in Note 15.

5.12 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 it became due and is disclosed in the notes.

5.13 Payables and Other Current Liabilities

Creditors and other current liabilities are amounts due to external parties for the purchase of goods and services and are recognised as liabilities

when the goods and services are received. Creditors are normally paid 30 days after initial recognition. Interest is not payable on these.

5.14 Provisions, Contingent Liabilities and Contingent Assets

In October 2001, The Australian Accounting Standards Board (AASB) issued a standard on 'Provisions, Contingent Liabilities and Contingent Assets', AASB 1044. The new standard applies to annual reporting periods beginning on or after 1 July 2002.

Council has recognised and disclosed all provisions (Note 10(a), (b) & (c)), Contingencies and Other Assets and Liabilities Not Recognised (Note 18) as required by AASB 1044.

5.15 Insurance Pools

Council is a member of StateWide Mutual, a mutual pool scheme providing liability insurance to Local Government.

Membership includes the potential to share in either the net assets or liabilities of the fund dependent on its past performance. Council's share of Net Assets or Net Liabilities reflects our contributions to the pool and insurance claims within each of the Fund Years.

Council's accounting policy regarding the measurement and disclosure of the potential liability or benefit is to book Council's share of the net asset or liability value, as advised by StateWide Mutual taking into account their audited figures for the year ended 30 June 2003.

6. *Prior Year*

Where new categorisations of costs or revenues have been introduced in the current year, prior year figures shown have been adjusted to suit the new category.

7. *Large or Abnormal Items*

Note 4 to the General Purpose Financial Reports contains an amount of \$26.538M for capital contributions in the 2002 Financial year which is related to the Ryde Aquatic Leisure Centre.

In 1998/1999 Council handed control of the former Ryde Swimming Centre to the Olympic Co-ordination Authority to provide facilities for the Sydney Olympics and at that time wrote-off assets to the value of \$1.549M. The construction of the now Ryde Aquatic Leisure Centre took place over three years. During this time Council's contributions of \$17.3M

towards the construction of the facility were expensed. At the completion of the Olympic games control of the centre was handed back to Council.

After gaining control of the facility from the Olympic Co-ordination Authority, Council immediately ceded control to a lessee for a 50-year period. The value of the asset was therefore recognised as a contribution from OCA and at the same time expensed (loss on disposal of assets) when handed over to the lessee. In 2000/2001, this had the effect of substantially and abnormally increasing Council's operating expense and revenue but had no effect on the Surplus attributable to Council.

In 2001/2002 the original lease agreement was terminated and control of the Ryde Aquatic Leisure Centre reverted back to Council. As a result, the recognition of the asset increased Council's capital income and therefore Operating Surplus in 2002 by \$26.538M.

NOTES TO THE FINANCIAL STATEMENTS

Note 2(a)

FUNCTIONS

REVENUES, EXPENSES AND ASSETS HAVE BEEN DIRECTLY ATTRIBUTED TO THE FOLLOWING FUNCTIONS / ACTIVITIES. DETAILS OF THESE FUNCTIONS / ACTIVITIES ARE PROVIDED IN NOTE 2(b)													
FUNCTIONS/ACTIVITIES	EXPENSES FROM ORDINARY ACTIVITIES			REVENUES FROM ORDINARY ACTIVITIES			OPERATING RESULTS FROM ORDINARY ACTIVITIES BEFORE SHARE OF OUTSIDE PROFITS & CORRECTIONS			GRANTS INCLUDED IN REVENUES FROM ORDINARY ACTIVITIES		TOTAL ASSETS HELD (CURRENT AND NON-CURRENT)	
	Original Budget 2003 \$'000	Actual 2003 \$'000	Actual 2002 \$'000	Original Budget 2003 \$'000	Actual 2003 \$'000	Actual 2002 \$'000	Original Budget 2003 \$'000	Actual 2003 \$'000	Actual 2002 \$'000	Actual 2003 \$'000	Actual 2002 \$'000	Actual 2003 \$'000	Actual 2002 \$'000
CORPORATE SERVICES													
Corporate Services	36	5,112	1,034	36	49	144	0	(5,063)	(890)	0	0	3,298	1,360
Leased Properties	451	330	466	409	876	436	(42)	547	(30)	0	0	17,901	18,054
Property Services	2,203	2,482	70	50	92	2,382	(2,153)	(2,390)	2,312	0	0	15,006	14,476
	2,690	7,924	1,570	495	1,017	2,962	(2,195)	(6,906)	1,392	0	0	36,205	33,890
ENVIRONMENTAL PLANNING													
Environmental Strategy	309	166	0	4	2	0	(305)	(164)	0	0	0	127	41
Land & Property Use	3,204	2,468	3,813	1,413	1,598	1,613	(1,791)	(870)	(2,200)	0	0	1,689	3,124
Policy & Review	309	275	0	4	4	0	(304)	(271)	0	0	0	178	27
Ryde Certification Service	960	459	729	268	281	253	(692)	(178)	(476)	0	0	316	598
Standards Enforcement	1,147	872	1,307	239	355	238	(908)	(517)	(1,069)	0	0	651	1,140
Statutory Information	84	12	152	469	406	459	384	393	307	0	0	18	138
Strategic Planning	1,230	768	550	58	144	33	(1,172)	(624)	(517)	0	0	536	522
	7,244	5,020	6,551	2,456	2,790	2,596	(4,788)	(2,231)	(3,955)	0	0	3,514	5,590
CIVIC SERVICES													
City Promotions & Events	904	724	806	65	88	79	(839)	(636)	(727)	0	0	466	638
Community Services	1,957	1,514	1,980	653	744	552	(1,304)	(770)	(1,428)	530	340	6,764	7,370
Executive & Customer Services	2,718	3,387	2,704	11	68	19	(2,706)	(3,320)	(2,685)	0	0	2,176	2,266
Library Services	4,532	3,515	4,262	733	983	733	(3,799)	(2,531)	(3,529)	233	187	8,917	10,234
Venue Support	370	688	302	237	237	206	(133)	(451)	(96)	0	0	435	274
	10,482	9,828	10,054	1,699	2,120	1,589	(8,782)	(7,708)	(8,465)	763	527	18,758	20,782

NOTES TO THE FINANCIAL STATEMENTS

Note 2(a)

FUNCTIONS

REVENUES, EXPENSES AND ASSETS HAVE BEEN DIRECTLY ATTRIBUTED TO THE FOLLOWING FUNCTIONS / ACTIVITIES. DETAILS OF THESE FUNCTIONS / ACTIVITIES ARE PROVIDED IN NOTE 2(b)													
FUNCTIONS/ACTIVITIES	EXPENSES FROM ORDINARY ACTIVITIES			REVENUES FROM ORDINARY ACTIVITIES			OPERATING RESULTS FROM ORDINARY ACTIVITIES BEFORE SHARE OF OUTSIDE PROFITS & CORRECTIONS			GRANTS INCLUDED IN REVENUES FROM ORDINARY ACTIVITIES		TOTAL ASSETS HELD (CURRENT AND NON-CURRENT)	
	Original Budget 2003 \$'000	Actual 2003 \$'000	Actual 2002 \$'000	Original Budget 2003 \$'000	Actual 2003 \$'000	Actual 2002 \$'000	Original Budget 2003 \$'000	Actual 2003 \$'000	Actual 2002 \$'000	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
PUBLIC WORKS and SERVICES													
Access Facilities and Services	12,635	11,017	12,773	2,790	2,840	3,782	(9,845)	(8,177)	(8,991)	603	641	216,284	220,058
Enviroserve	1,394	2,009	1,631	109	102	312	(1,285)	(1,907)	(1,319)	18	31	7,769	7,879
Enviroserve (External Works)	200	46	0	260	73	0	60	27	0	0	0	26	0
Plant and Fleet Management	(148)	(60)	51	0	4	4	148	64	(47)	0	0	11	51
Ryde Aquatic Leisure Centre	1,799	4,369	1,381	1,115	3,101	26,547	(684)	(1,268)	25,166	0	0	28,276	26,869
Stormwater Facilities and Services	5,218	9,391	6,743	4,087	2,125	2,778	(1,131)	(7,266)	(3,965)	83	0	103,032	105,132
Urban Landscape Facilities and Services	6,807	5,917	6,546	2,119	2,545	2,358	(4,688)	(3,372)	(4,188)	281	357	892,371	890,349
Waste Facilities & Sevices	7,951	7,475	7,201	8,661	8,323	7,852	710	845	651	199	182	4,277	5,277
	35,855	40,164	36,326	19,141	19,113	43,633	(16,714)	(21,054)	7,307	1,184	1,211	1,252,046	1,255,615
Total Functions & Activities	56,270	62,935	54,501	23,791	25,037	50,780	(32,479)	(37,899)	(3,721)	1,947	1,738	1,310,523	1,315,876
Shares of gains in associates & joint ventures using the equity method													
Fundamental error													
Extraordinary items													
General Purpose Revenues*	1,536	1,157	1,466	34,068	34,881	33,544	32,532	33,725	32,078	2,780	2,678	689	1,128
Surplus/(Deficit) from all activities	57,806	64,092	55,967	57,859	59,918	84,324	53	(4,174)	28,357	4,727	4,416	1,311,212	1,317,004

* Includes: Rates and Annual Charges (incl. Ex-gratia); Non-Capital General Purpose Grants; Interest on Investments

NOTES TO THE FINANCIAL STATEMENTS
Note 2(b)

COMPONENTS OF FUNCTIONS

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

CORPORATE SERVICES

- Internal support services. eg. Human Resources Management, Information Technology & Telecommunications, Records Management Services, Financial Services

LEASED PROPERTIES

- Commercial management of land and buildings
- Commercial disposal of surplus land and properties
- Property acquisition

PROPERTY SERVICES

- Supply and maintain corporate and community land and buildings used to accommodate Council's operations and to provide facilities and services to the Community

ENVIRONMENTAL STRATEGY

- Preparation of the State of the Environment Report
- Preparation of Environmental Policy

LAND AND PROPERTY USE

- Assessment of development applications
- Pre-lodgement advice and client management
- Progress building inspections
- Enforcement of illegal landuses and illegal buildings
- Fire safety and swimming pool safety

POLICY AND REVIEW

- Provision of facilitation/mediation services
- Review and development of business processes
- Executive support

RYDE CERTIFICATION SERVICE

- Principal Certifying authority activities
- Construction and compliance certificates issued

STANDARDS ENFORCEMENT

- Animal control
- Street and Parking control
- Food shop inspections
- Regulated system (e.g. cooling towers) inspections
- Pollution control

STATUTORY INFORMATION

- Maintenance of registers
- Issuing planning certificates and building certificates
- Undertaking property searches

STRATEGIC PLANNING

- Heritage planning and conservation
- Preparation of statutory planning instruments
- Preparation of integrated planning strategies including master plans

CITY PROMOTIONS AND EVENTS

- Co-ordination of Community Events
- Publications and Media Releases

COMMUNITY SERVICES

- Social planning and Policy
- Community development
- Social service delivery

EXECUTIVE AND CUSTOMER SERVICES

- Executive support
- Civic coordination, functions and ceremonies
- Public enquiry services

LIBRARY SERVICES

- Information and lending services
- Community information
- Local studies

VENUE SUPPORT

- Hall hire
- Civic Centre operations
- Functions and events support

ACCESS FACILITIES AND SERVICES

- Management of the City's road network and other access infrastructure including wharves, boat ramps and bikeways
- Development of the Asset Management Program for access infrastructure
- Review and implementation of the construction and maintenance works programs for access assets

ENVIROSERVE

- Oversee and implement the Construction and Maintenance Works Programs of Council
- Project manage procurement of capital works

PLANT AND FLEET MANAGEMENT

- Provide and preserve the organisation's vehicles and equipment

RYDE AQUATIC LEISURE CENTRE

- Provide a first-class aquatic and multi-purpose sports facility
- Operate the facility on a commercial basis

STORMWATER FACILITIES AND SERVICES

- Management of the City's stormwater network including natural creek systems
- Development of City's Catchment Management Plans
- Development of City's Stormwater Management Program for stormwater infrastructure
- Review and implementation of construction and maintenance works programs for stormwater assets and creek systems

URBAN LANDSCAPE FACILITIES AND SERVICES

- Planning and administration of all the City's sporting and recreational facilities and open space
- Management of trees in public areas and on private land
- Landscape design and recreational planning
- Review and implementation of construction and maintenance works programs for sporting and recreational facilities and open space

WASTE FACILITIES AND SERVICES

- Regular collection of domestic garbage from all residential premises and collection of commercial waste from commercial premises in the City
- Regular collection of recyclable materials from all residential premises and contracted commercial premises in the City
- Removal of litter and rubbish from public places including public footpaths, roadways, malls, small reserves and pocket parks

GENERAL PURPOSE REVENUES

- Rates and charges collection
- Investments and borrowings

NOTES TO THE FINANCIAL STATEMENTS

Note 3

EXPENSES FROM ORDINARY ACTIVITIES

	2003	2002
	(\$'000)	(\$'000)
(a) EMPLOYEE COSTS		
Salaries and Wages	15,893	13,831
Employee Leave Entitlements	3,457	3,136
Superannuation	1,147	797
Workers' Compensation Insurance	1,023	977
Employee Leave On Costs	526	-
F.B.T.	137	110
Training Costs (excluding salaries)	202	115
Other	234	178
Less: Capitalised Costs	(2,014)	(1,712)
Total Employee Costs Expended	20,605	17,432
(b) BORROWING COSTS EXPENSE		
Interest on Overdraft	-	-
Interest on Loans	452	503
Finance Leases	12	-
Total Borrowing Costs Expended	464	503
(c) DEPRECIATION		
Plant and Equipment	1,411	1,328
Office Equipment	872	944
Furniture & Fittings	88	100
Leased Plant & Equipment	109	-
Land Improvements	588	398
Buildings	939	911
Other Structures	503	514
Infrastructure		
- Roads, Bridges and Footpaths	6,024	5,964
- Stormwater Drainage	3,668	3,643
Other Assets		
- Library Books	498	465
Total Depreciation Costs	14,700	14,267
Less: Capitalised Costs	(152)	(151)
Total Depreciation Costs Expended	14,548	14,116

(d) OTHER EXPENSES	2003	2002
	(\$'000)	(\$'000)
Other expenses for the year include the following:-		
Auditor's Remuneration		
- Audit Services	38	37
- Other Services	2	-
Bad & Doubtful Debts	15	25
Legal Expenses - Planning & Development	327	212
Legal Expenses - Other	268	200
Legal Expenses - West Ryde Drainage	4,874	1,713
Temporary & Casual Staff - Agencies	716	123
Mayoral Allowance	40	25
Members' Fees & Allowances	185	141
Member's Expenses	21	45
Interest on Refundable Deposits	40	50
Insurance	821	663
Insurance - Statewide Mutual Provision	(532)	924
Street Lighting	1,011	993
Communications Costs	420	425
Contribution to Fire Control	1,206	1,062
Contribution to Dept of Planning	184	184
Contributions & Donations - Community Grants	149	163
Consultancies	512	620
Waste Development Tax	660	539
Membership Fees	44	47
Valuation Fees	99	114
Electricity & Heating	581	570
Water Rates	233	239
Bank Fees & Charges	211	184
Property Lease Costs	100	108
Postage & Courier Costs	184	166
Advertising	414	361
Eastwood Plaza	35	32
Other Expenses	577	705
Total Other Expenses From Ordinary Activities	13,435	10,670

SIGNIFICANT EXPENDITURE ITEMS

During the 2002/2003 financial year Council incurred \$4.9M in legal expenses to finalise payment for the construction of the West Ryde Drainage Project. \$1.7M was expensed in 2001/2002.

NOTES TO THE FINANCIAL STATEMENTS

Note 4

REVENUES FROM ORDINARY ACTIVITIES

	2003 (\$'000)	2002 (\$'000)
(a) RATES & ANNUAL CHARGES		
<u>Ordinary Rates</u>		
Residential	17,897	16,755
Business	7,304	6,929
Environmental Management Levy	5,270	5,706
Total Ordinary Rates	<u>30,471</u>	<u>29,390</u>
<u>Annual Charges</u> (s.496 & s.501)		
Domestic Waste Management	7,679	7,235
Total Annual Charges	<u>7,679</u>	<u>7,235</u>
Total Rates & Annual Charges	<u>38,150</u>	<u>36,625</u>
(b) USER CHARGES & FEES		
<u>User Charges</u> (s.502)		
Aquatic Centre	3,097	7
Sports Facility Rental	275	249
Hall Hire	231	206
Road Restorations	491	1,772
Gutter Crossings	137	141
Commercial Waste Service	409	394
Other	42	132
Total User Charges	<u>4,682</u>	<u>2,901</u>
<u>Fees</u>		
Regulatory/Statutory Fees	1,610	1,776
Discretionary		
- Section 611(1)	115	179
- Environmental Planning	852	690
- Private Works	73	212
- Vacation Care	91	102
- Home Maintenance & Modification	60	70
- Other	54	19
Total Fees	<u>2,855</u>	<u>3,048</u>
Total User Charges & Fees	<u>7,537</u>	<u>5,949</u>
(c) INTEREST		
Interest on Investments with Funds Managers	919	947
Interest on Floating Rate Notes	343	145
Interest on Investments - Other	184	261
Interest on Overdue Rates & Charges	63	80
Interest on Development Contributions - Sect. 94	493	344
Capital Gains/Losses from Securities	13	-
Total Interest Revenue	<u>2,015</u>	<u>1,777</u>

	2003 (\$'000)	2002 (\$'000)		
(d) OTHER OPERATING REVENUES				
Fines	273	157		
Recycling Income	22	34		
Lease Rental	530	478		
Lease - Telecommunications	185	51		
Legal Fees Recoveries	104	66		
Insurance Claims	9	121		
Staff Vehicle Leases & Other Payments	242	230		
Eastwood Plaza	26	27		
Sundry Sales	19	4		
Other	135	87		
Total Other Revenue from Ordinary Activities	1,545	1,255		
	OPERATING		CAPITAL	
	2003	2002	2003	2002
	(\$'000)	(\$'000)	(\$'000)	(\$'000)
(e) GRANTS				
<u>General Purpose (Untied) Grants</u>				
- Financial Assistance	2,153	2,018	-	-
- Pensioner Rebate Subsidy - Rates	627	660	-	-
Total General Purpose (Untied) Grants	2,780	2,678	-	-
<u>Specific Purpose Grants</u>				
- Pensioner Rebate Subsidy - Domestic Waste	199	182		
Vacation Care	47	44	-	-
Library Subsidy	233	187	-	-
Home Maintenance & Modification	149	145	-	-
Child Care Assistance	86	75	-	-
EPA	-	-	67	260
DEET - Apprentice Rebate Scheme	18	6	-	-
Community Staff Funding	60	-	-	-
Families First Project	165	-	-	-
Roads To Recovery	-	-	256	383
RTA Transport	-	-	430	258
Parks Grants	-	-	141	82
Other	23	101	73	15
Total Specific Purpose Grants	980	740	967	998
(f) CONTRIBUTIONS				
Developer Contributions (S94)				
- Open Space	-	-	1,687	1,762
- Parking	-	-	72	-
- Drainage	-	-	2,012	2,543
- Traffic Facilities	-	-	210	-
- Other	-	-	68	25
Other Councils	440	426	5	-
Living Centres Program	50	-	-	-
Community Events	90	-	-	-
Other	16	51	19	104
RTA Contributions				
- Street & Traffic Lighting	285	278	-	-
- Roads & Bridges	218	279	-	-
- Other	72	-	-	-
Ex Gratia Payments in Lieu of Rates	12	8	-	-
West Ryde Library	-	-	200	-
Customer/Resident Contributions	-	-	60	-
Building Refurbishment Contribution	-	-	430	-
Ryde Aquatic Centre (OCA)	-	-	-	26,538
Total Contributions	1,183	1,042	4,763	30,972
Total Grants & Contributions	4,943	4,460	5,730	31,970

NOTES TO THE FINANCIAL STATEMENTS

Note 5

GAIN OR LOSS ON DISPOSAL OF ASSETS

	2003	2002
	(\$'000)	(\$'000)
GAIN (OR LOSS) ON DISPOSAL OF PROPERTY		
Proceeds from disposal	17	2,389
Less: Carrying amount of assets sold/disposed	<u>1,075</u>	<u>-</u>
Gain (or loss) on disposal	<u>(1,058)</u>	<u>2,389</u>
GAIN (OR LOSS) ON DISPOSAL OF PLANT & EQUIPMENT		
Proceeds from disposal	2,563	1,473
Less: Carrying amount of assets sold	<u>2,427</u>	<u>1,574</u>
Gain (or loss) on disposal	<u>136</u>	<u>(101)</u>
GAIN (OR LOSS) ON DISPOSAL OF REAL ESTATE ASSETS HELD FOR SALE		
Proceeds from Sales	-	-
Less: Cost of Sales	<u>-</u>	<u>-</u>
Gain (or loss) on disposal	<u>-</u>	<u>-</u>
NET GAIN (OR LOSS) ON DISPOSAL OF ASSETS	<u>(922)</u>	<u>2,288</u>

NOTES TO THE FINANCIAL STATEMENTS

Note 6a

CASH ASSETS & INVESTMENT SECURITIES

	Notes	2003		2002	
		<u>Current</u> (\$'000)	<u>Non-Current</u> (\$'000)	<u>Current</u> (\$'000)	<u>Non-Current</u> (\$'000)
<u>CASH ASSETS</u>					
Cash on Hand	11	8	-	4	-
Total Cash Assets		<u>8</u>	<u>-</u>	<u>4</u>	<u>-</u>
<u>CASH EQUIVALENTS</u>					
Term Deposits	11	-	-	-	-
Deposits with Fund Managers	11	19,819	-	25,357	2,791
Floating Rate Notes	11	6,219	3,791	2,000	3,000
Other - Loan Offset Facility	11	3,390	-	3,942	-
Cash at Bank		2	-	-	-
Total Cash Equivalents		<u>29,430</u>	<u>3,791</u>	<u>31,299</u>	<u>5,791</u>
CASH & CASH EQUIVALENTS		<u>29,438</u>	<u>3,791</u>	<u>31,303</u>	<u>5,791</u>

RESTRICTED CASH ASSETS AND INVESTMENT SECURITIES

<u>Purpose</u>	Notes	2003		2002	
		<u>Current</u> (\$'000)	<u>Non-Current</u> (\$'000)	<u>Current</u> (\$'000)	<u>Non-Current</u> (\$'000)
<u>EXTERNAL RESTRICTIONS</u>					
- Included in Liabilities					
Domestic Waste Management (E)		190	-	271	-
- Other					
Developer Contributions (A)	6(b), 17	5,565	3,761	3,233	5,696
Specific Purpose Unexpended Grants (B)	6(b), 14	600	-	337	-
Public Roads (C)	6(b)	-	30	-	30
External Works Drainage Contributions	6(b)	20	-	-	-
RTA Contributions (D)	6(b)	63	-	10	65
Domestic Waste Management (E)	6(b)	1,445	-	779	-
TOTAL EXTERNAL RESTRICTIONS		7,883	3,791	4,630	5,791
TOTAL INTERNAL RESTRICTIONS	6(b)	15,205	-	13,799	-
TOTAL UNRESTRICTED		6,350	-	12,874	-
TOTAL CASH ASSETS AND INVESTMENT SECURITIES		<u>29,438</u>	<u>3,791</u>	<u>31,303</u>	<u>5,791</u>

- A. Development contributions which are not yet expended for the provision of services and amenities in accordance with contributions plans (See separate Note 17).
- B. Grants which are not yet expended for the purposes for which the grants were obtained. (See separate Note 14 "Conditions over Grants").
- C. Funds reserved under the Public Roads Act (Section 43(4)).
- D. RTA Contributions which are not yet expended for the provision of services and amenities in accordance with those contributions.
- E. Domestic Waste Management funds are externally restricted assets which must be applied for the purposes for which they were raised.

NOTES TO THE FINANCIAL STATEMENTS

Note 6b

DETAILS OF MOVEMENTS & UTILISATION OF RESTRICTED CASH ASSETS & INVESTMENTS

Restrictions	Notes	Movements			Closing Balance 30 June 2003 \$'000	Proposed Utilisation of Restrictions		
		Opening Balance 30 June 2002 \$'000	Transfers To Restriction \$'000	Transfers From Restriction \$'000		Less than 1 Year	Between 1 and 5 Years	Greater than 5 years
External								
Developer Contributions	6(a), 17	8,929	4,541	4,144	9,326	5,565	3,761	-
Specific Purpose Unexpended Grants	6(a), 14	337	2,252	1,989	600	600	-	-
Public Roads	6(a)	30	-	-	30	-	30	-
External Works Drainage Contrib	6(a)	-	20	-	20	20	-	-
RTA Contributions	6(a)	75	-	12	63	63	-	-
Domestic Waste Management	6(a)	1,050	7,946	7,361	1,635	1,635	-	-
Total External Restrictions		10,421	14,759	13,506	11,674	7,883	3,791	0
Internal								
Employee Leave Entitlements	6(a)	1,514	281	-	1,795	-	1,795	-
Refundable Deposits	6(a)	554	4,194	-	4,748	1,539	3,209	-
West Ryde Child Care Centre	6(a)	130	7	-	137	137	-	-
Construction of a Building	6(a)	4,664	-	3,720	944	400	544	-
Parklands Acquisition & Embellishment	6(a)	285	-	-	285	-	285	-
North Ryde Traffic Facilities	6(a)	813	-	-	813	-	813	-
Special Projects Reserve	6(a)	4,450	283	2,366	2,367	2,222	145	-
Waste Recycling	6(a)	47	-	-	47	-	47	-
Environmental Management Reserve	6(a)	42	6,385	6,403	24	24	-	-
Asset Replacement Reserve	6(a)	26	1,200	468	758	205	553	-
Ryde Aquatic Leisure Centre	6(a)	201	3,896	4,090	7	7	-	-
Civic Centre Remediation/Redevelopment	6(a)	542	2,000	13	2,529	2,529	-	-
Other	6(a)	531	220	-	751	300	451	-
Total Internal Restrictions		13,799	18,466	17,060	15,205	7,363	7,842	0
Total Restrictions		24,220	33,225	30,566	26,879	15,246	11,633	0

NOTES TO THE FINANCIAL STATEMENTS

Note 7

RECEIVABLES

Purpose	2003		2002	
	Current (\$'000)	Non-Current (\$'000)	Current (\$'000)	Non-Current (\$'000)
Rates and Annual Charges	550	158	693	155
Rates Interest & Extra Charges	113	36	107	45
User Charges & Fees				
Environmental & Health Restorations	15	-	-	-
Hall Hire	59	-	331	-
Property & Infrastructure Works	1	-	-	-
Overhead Cables	23	-	44	-
Home Modification Service	-	-	66	-
Ryde Aquatic Leisure Centre	29	-	-	-
Other	34	-	-	-
	137	-	188	-
Interest on Investments	91	-	68	-
Government Grants & Subsidies	547	-	330	-
Commercial Waste	52	-	140	-
GST	446	-	543	-
Asset Sales	120	-	-	-
Workers Compensation	118	-	-	-
Other	-	-	162	-
Total	2,335	194	2,672	200
Less: <u>Provision for Doubtful Debts</u>				
- Rates and Annual Charges	-	-	-	-
- User Charges and Fees	39	-	39	-
	2,296	194	2,633	200

EXTERNALLY RESTRICTED RECEIVABLES (Included Above)

Domestic Waste Management	168	53	191	81
TOTAL RESTRICTED RECEIVABLES	168	53	191	81
UNRESTRICTED RECEIVABLES	2,128	141	2,442	119
TOTAL RECEIVABLES	2,296	194	2,633	200

Rates and Annual Charges

Rates are secured by underlying properties.

Interest is charged on overdue rates at 9% (2002 11%). Rates are due for payment on 31 August, 30 November, 28 February and 31 May in each financial year. Overdue rates are those not paid within 1 day of the due date. The amount of the overdue debts upon which interest is charged is \$708,000 (2002 \$848,000)

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 \$39,000.

Government Grants

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

NOTES TO THE FINANCIAL STATEMENTS**Note 8****INVENTORIES AND OTHER ASSETS**

	2003		2002	
	<u>Current</u> (\$'000)	<u>Non-Current</u> (\$'000)	<u>Current</u> (\$'000)	<u>Non-Current</u> (\$'000)
<u>Inventories</u>				
- Stores and Materials	301	-	246	-
- Real Estate	-	-	-	-
- Other	-	-	-	-
TOTAL	301	-	246	-
<u>Other</u>				
Prepayments	308	-	500	-
TOTAL	308	-	500	-

EXTERNALLY RESTRICTED ASSETS

NIL

NOTES TO THE FINANCIAL STATEMENTS

Note 9 (a)

PROPERTY, PLANT AND EQUIPMENT

ASSET TYPE	At 30 June 2002				MOVEMENTS DURING THE YEAR								At 30 June 2003			
	At Cost	At Valuation	Accumulated Depreciation	Book Value	Asset Purchases	Transfers From WIP	Entity Acquisitions	Asset Disposals	Depreciation	Recoverable Amt W'downs	Recoverable Amt Reversal	Net Revaluation	At Cost	At Valuation	Accumulated Depreciation	Book Value
Plant and Equipment	20,641	-	5,752	14,889	3,826	8	-	2,427	1,411	-	-	-	21,127	-	6,242	14,885
Office Equipment	8,480	-	5,829	2,651	444	-	-	-	872	-	-	-	8,924	-	6,701	2,223
Furniture and Fittings	1,670	-	1,048	622	53	-	-	-	88	-	-	-	1,723	-	1,136	587
Leased Plant & Equipment	-	-	-	-	390	-	-	-	109	-	-	-	390	-	109	281
Land																
- Operational Land	45,244	-	-	45,244	-	-	-	-	-	-	-	-	45,244	-	-	45,244
- Community Land	857,819	-	-	857,819	1,493	-	-	-	-	-	-	-	859,312	-	-	859,312
- Land Improvements (non-depr'n)	551	-	-	551	134	-	-	-	-	-	-	-	685	-	-	685
- Land Improvements (depr'n)	4,435	-	1,710	2,725	959	142	-	-	552	-	-	-	5,536	-	2,261	3,275
- Land Under Infrastructure	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Buildings	68,016	-	19,396	48,619	559	-	-	1,075	939	-	-	-	67,249	-	20,084	47,165
Other Structures	12,683	-	9,211	3,473	363	-	-	-	539	-	-	-	13,046	-	9,749	3,297
Infrastructure																
- Roads, Bridges and Footpaths	463,339	-	265,115	198,224	4,628	651	-	-	6,024	-	-	-	468,618	-	271,139	197,479
- Stormwater Drainage	244,194	-	146,783	97,411	65	14	-	-	3,668	-	-	-	244,273	-	150,451	93,822
Other Assets																
- Heritage Collections	432	-	11	421	-	-	-	-	-	-	-	-	432	-	11	421
- Library Books	3,851	-	2,285	1,566	447	-	-	-	498	-	-	-	4,298	-	2,783	1,515
Capital Works in Progress	2,114	-	-	2,114	3,394	(815)	-	-	-	-	-	-	4,693	-	-	4,693
TOTALS	1,733,469	-	457,140	1,276,329	16,755	-	-	3,502	14,700	-	-	-	1,745,550	-	470,666	1,274,884

Land under roads has not been valued.

NOTES TO THE FINANCIAL STATEMENTS**Note 10 (a)****PAYABLES, INTEREST BEARING LIABILITIES AND PROVISIONS**

	2003		2002	
	Current (\$'000)	Non-Current (\$'000)	Current (\$'000)	Non-Current (\$'000)
<u>Payables</u>				
Goods and Services	1,683	-	1,902	-
Payments received in advance	170	-	48	-
Payments received in advance - Rates	49	-	58	-
Accrued Expenses	653	-	412	-
Interest Expenses	19	-	27	-
Deposits and Retentions	1,539	3,229	1,736	2,546
Staff Taxation Payments	122	-	-	-
Staff Salaries & Wages	288	-	138	-
Trust Account Deposits	170	-	165	-
Property Acquisition	149	-	-	-
GST	-	-	167	-
Other	152	-	229	-
Total Payables	4,994	3,229	4,882	2,546
<u>Interest Bearing Liabilities</u>				
Bank Overdraft	417	-	2,160	-
Loans	1,122	5,776	1,079	6,899
Finance Leases	117	236	-	-
Deferred Creditor	318	1,273	318	1,591
Total Interest Bearing Liabilities	1,974	7,285	3,557	8,490
<u>Provisions</u>				
Annual & Other Accrued Leave	1,348	440	1,235	625
Sick Leave	32	355	47	359
Long Service Leave	228	2,949	241	2,469
Gratuities	-	106	-	100
Employee Leave Entitlements On Costs	225	301	-	-
Insurance	-	393	-	924
Other Employee Provisions	-	-	-	-
Total Provisions	1,833	4,544	1,523	4,477

NOTES TO THE FINANCIAL STATEMENTS**Note 10 (b)****DESCRIPTIONS OF MOVEMENTS IN PROVISIONS**

Class of Provision	2003		2003		2003
	Opening Balance 30 June 2002 (\$'000)	Increases To (\$'000)	Reduction of Provision		Closing Balance (\$'000)
			Payments (\$'000)	Re-Measurement (\$'000)	
Self Insurance	924	0	0	531	393
Annual & Other Accrued Leave	1,860	1,377	1,449	0	1,788
Other Employee Entitlements	3,216	2,080	1,626	0	3,670
TOTAL	6,000	3,457	3,075	531	5,851

NOTES TO THE FINANCIAL STATEMENTS**Note 10 (c)****DETAILS OF CURRENT PAYABLES, INTEREST BEARING LIABILITIES AND PROVISIONS**

	Specific Purpose DWM Current (\$'000)		General Purpose Current (\$'000)		Total Current (\$'000)	
	2003	2002	2003	2002	2003	2002
Payables	190	271	4,804	4,611	4,994	4,882
Interest Bearing Liabilitie	-	-	1,440	1,397	1,440	1,397
Provisions	-	-	1,833	1,523	1,833	1,523
Finance Leases	-	-	117	-	117	-
Bank Overdraft	-	-	417	2,160	417	2,160
Total	190	271	8,611	9,691	8,801	9,962

NOTES TO THE FINANCIAL STATEMENTS

Note 11

STATEMENT OF CASH FLOWS

(a) Reconciliation of Cash Assets

	Notes	2003 (\$'000)	2002 (\$'000)
Total Cash Assets & Investment Securities	6(a)	33,229	37,094
<u>Less:</u> Bank Overdraft		<u>(417)</u>	<u>(2,160)</u>
Balances as per Statement of Cash Flows		<u>32,812</u>	<u>34,934</u>

(b) Reconciliation of Surplus/(Deficit) from Ordinary Activities to Cash from Operating Activities

	2003 (\$'000)	2002 (\$'000)
Surplus/(Deficit) from Ordinary Activities	(4,173)	28,357
Add:		
Depreciation (Note 3)	14,548	14,116
Increase in provision for doubtful debts (Note 7)	-	19
Increase in employee leave entitlements (Note 10)	908	611
Increase in Other Provisions (Insurance) (Note 10)	-	924
Decrease in receivables (Note 7)	463	89
Decrease in inventories (Note 8)	-	174
Decrease in other current assets (Note 8)	192	-
Increase in payables (Note 10)	254	242
Increase in accrued interest payable (Note 10)	-	-
Increase in other current liabilities (Note 10)	400	719
Loss on sale of assets (Note 5)	922	-
Less:		
Decrease in provision for doubtful debts (Note 7)	-	-
Decrease in employee leave entitlements (Note 10)	-	-
Decrease in Other Provisions - Insurance (Note 10)	(531)	-
Increase in receivables (Note 7)	-	-
Increase in inventories (Note 8)	(55)	-
Increase in other current assets (Note 8)	-	(265)
Decrease in payables (Note 10)	-	-
Decrease in accrued interest payable (Note 10)	(8)	(2)
Decrease in other current liabilities (Note 10)	-	-
Gain on sale of Assets (Note 5)	-	(2,288)
Non Cash Capital Grants & Contributions	(430)	(26,538)
Net cash provided by (used in) operating activities	<u>12,490</u>	<u>16,158</u>

Note 11 (Continued)

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	2003 (\$'000)	2002 (\$'000)
<u>(c) Non-Cash Financing and Investing Activities</u>		
Acquisition of Plant & Equipment by means of finance leases	428	-
Property Refurbishment	430	-
Write-on of RALC asset	-	26,538
	<u>858</u>	<u>26,538</u>
<u>(d) Financing Arrangements</u>		
Unrestricted access was available at balance date to the following lines of credit:		
Bank Overdrafts Facility	-	-
	<u>-</u>	<u>-</u>

NOTES TO THE FINANCIAL STATEMENTS

Note 12

COMMITMENTS FOR EXPENDITURE

	2003	2002
	(\$'000)	(\$'000)
<u>(a) Capital Commitments</u>		
Capital expenditure contracted for at the reporting date but not recognised in the financial statements as liabilities:		
Vehicle Purchases (subject to trade-ins)	6,960	8,100
Total	<u>6,960</u>	<u>8,100</u>
These expenditures are payable:		
- Not later than one year	1,740	1,620
- Later than one year and not later than 5 years	5,220	6,480
- Later than 5 years	-	-
Total	<u>6,960</u>	<u>8,100</u>
<u>(b) Service Commitments</u>		
Other non-capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities include:		
- Waste Management Services	8,700	11,600
- Cleaning Services	155	150
- Audit Services	152	185
Total	<u>9,007</u>	<u>11,935</u>
These expenditures are payable:		
- Not later than one year	7,162	7,150
- Later than one year and not later than 5 years	1,845	4,785
- Later than 5 years		
Total	<u>9,007</u>	<u>11,935</u>

(c) Finance Lease Commitments

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

- Not later than one year	117	-
- Later than one year and not later than 5 years	236	-
- Later than 5 years	-	-
Total	353	-
Minimum lease payments	377	-
Less: future finance charge	24	-
Lease liability	353	-
Representing lease liabilities:		
- Current	117	-
- Non-current	236	-
Total	353	-

(d) Operating Lease Commitments

Council has no Operating Lease commitments

NOTES TO THE FINANCIAL STATEMENTS

Note 13

STATEMENT OF PERFORMANCE MEASUREMENT

for the year ending 30 June 2003

	<u>Current Year</u>			<u>2002 Year</u>	<u>2001 Year</u>	<u>2000 Year</u>
	<u>Amounts</u> (\$'000)	<u>Indicators</u>				
<u>1. CURRENT RATIO</u>						
<u>Current Assets</u>	\$32,343	Ratio	3.7:1	3.5:1	4.0:1	3.3:1
<u>Current Liabilities</u>	\$8,801					
<u>2. UNRESTRICTED CURRENT RATIO</u>						
<u>Current Assets Less All External Restrictions *</u>	\$24,482	Ratio	2.8:1	3.1:1	3.6:1	2.7:1
<u>Current Liabilities Less Specific Purpose Liabilities **</u>	\$8,611					
<u>3. DEBT SERVICE RATIO</u>						
<u>Debt Service Cost (Principal & Interest Payments)</u>	\$1,937		3.7%	3.7%	2.5%	1.5%
<u>Revenue from Ordinary Activities</u>	\$52,027					
<u>4. RATE COVERAGE RATIO</u>						
<u>Rates & Annual Charges</u>	\$38,150		63.7%	43.4%	45.1%	66.4%
<u>Total Revenue</u>	\$59,920					
<u>5. RATES & ANNUAL CHARGES</u>						
<u>OUTSTANDING PERCENTAGE</u>						
<u>Rates, Annual Charges, Interest & Extra Charges Outstanding</u>	\$857		2.18%	2.64%	2.62%	3.20%
<u>Rates, Annual Charges, Interest & Extra Charges Collectable</u>	\$39,317					

* Refer to Notes 6 - 8 Inclusive

** Refer to Note 10(c)

NOTES TO THE FINANCIAL STATEMENTS

Note 14

CONDITIONS OVER GRANTS AND CONTRIBUTIONS

	Notes	Grants (\$'000)	2003 Contributions (\$'000)	Grants (\$'000)	2002 Contributions (\$'000)
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:					
Unexpended at the close of the previous reporting period		336	8,928	333	5,354
LESS: Expended during the current reporting period from revenues recognised in previous reporting periods		290	4,144	272	1,098
PLUS: Amounts recognised as revenues in current reporting period but not yet expended in accordance with the conditions.		554	4,542	275	4,672
<hr/>					
Unexpended at the close of the current reporting period and held as restricted assets	6(a&b)	600	9,326	336	8,928
Net increase (decrease) in restricted assets in the current reporting period		264	398	3	3,574

NOTES TO THE FINANCIAL STATEMENTS

Note 15

FINANCIAL INSTRUMENTS

The council's exposure to interest rate risk, and the effective weighted average interest rate for each class of financial assets and financial liabilities is set out below. Exposures arise predominantly from assets and liabilities bearing variable interest rates, which the Council intends to hold as fixed rate assets and liabilities to maturity.

2003	Notes	Fixed interest maturing in:				Non-interest bearing (\$'000)	Total (\$'000)
		Floating interest rate (\$'000)	<1 year (\$'000)	>1 year <5 years (\$'000)	>5 years (\$'000)		
Financial Assets							
Cash and deposits	6	2				8	10
Receivables	7	-				2,490	2,490
Other Fin. Assets - Investments	6	33,219				-	33,219
Total		33,221	-	-	-	2,498	35,719
Weighted Ave. interest rate		5.38%				0.00%	5.00%
Financial Liabilities							
Bank overdraft	10	-				417	417
Finance Leases	10	-		353		-	353
Trade and Other payables	10	4,768				3,455	8,223
Loans	10	3,389	558	2,607	344	1,591	8,489
Total		8,157	558	2,960	344	5,463	17,482
Weighted Ave. interest rate		2.70%	6.50%	6.92%	6.50%	0.00%	2.77%
Net Financial assets/(liabilities)		25,064	(558)	(2,960)	(344)	(2,965)	18,237

NOTES TO THE FINANCIAL STATEMENTS**Note 15 (continued)****FINANCIAL INSTRUMENTS**

2002	Notes	Fixed interest maturing in:				Non- interest bearing (\$'000)	Total (\$'000)
		Floating interest rate (\$'000)	<1 year (\$'000)	>1 year <5 years (\$'000)	>5 years (\$'000)		
Financial Assets							
Cash and deposits	6	-				4	4
Receivables	7	-				2,833	2,833
Investments	6	37,090				-	37,090
Total		37,090	-	-	-	2,837	39,927
Weighted Ave. interest rate		4.91%				0.00%	4.56%
Financial Liabilities							
Bank overdraft	10					2,160	2,160
Creditors	10	4,282				3,146	7,428
Loans	10	3,941	528	2,448	1,061	1,909	9,887
Total		8,223	528	2,448	1,061	7,215	19,475
Weighted Ave. interest rate		2.59%	6.53%	6.53%	6.53%	0.00%	1.63%
Net Financial assets/(liabilities)		28,867	(528)	(2,448)	(1,061)	(4,378)	20,452

NOTES TO THE FINANCIAL STATEMENTS

Note 15 (continued)

FINANCIAL INSTRUMENTS

Reconciliation of Net Financial Assets	Notes	2003 (\$'000)	2002 (\$'000)
Net financial assets as above		18,237	20,452
Non-financial assets and liabilities			
- Inventories	8	301	246
- Property, Plant and Equip.	9	1,274,884	1,276,328
- Other assets	8	308	500
- Provisions	10	(6,377)	(6,000)
Net Assets per Statement of Financial Position		1,287,353	1,291,526

Net Fair Value of Financial Assets

The net fair value of cash and cash equivalents and non-interest bearing monetary financial assets and financial liabilities approximates their carrying value.

The net fair value of other monetary assets and liabilities is based upon market prices, where a market exists, or by discounting the expected future cash flows by the current interest rates for assets and liabilities with similar risk profiles.

The carrying amounts of net fair values of financial assets and liabilities at balance date are as follows:

	2003		2002	
	Carrying Amount (\$'000)	Net Fair Value (\$'000)	Carrying Amount (\$'000)	Net Fair Value (\$'000)
Financial Assets				
Trade debtors	687	687	735	735
Other debtors	1,803	1,803	2,098	2,098
Investments	33,229	33,229	37,094	37,094
Other assets				
Total	35,719	35,719	39,927	39,927
Financial Liabilities				
Bank loans	8,906	8,906	12,047	12,047
Finance Leases	353	353	-	-
Other liabilities	8,223	8,223	7,428	7,428
Total	17,482	17,482	19,475	19,475

NOTES TO THE FINANCIAL STATEMENTS

Note 16

MATERIAL BUDGET VARIATIONS

Council's original budget was incorporated as part of the Management Plan adopted by the Council in June 2002. The original projections on which the budget was based have been affected by a number of factors.

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

Expenses

Employee Costs \$690 3% (U)

At the time of preparing the 2002/2003 budget the Ryde Aquatic Leisure Centre (RALC) was being operated by a Management company with Council receiving a share of annual profits. From 1 July 2002 the operations of the RALC were taken over by Council as a result of the liquidation of the Management company. Therefore all income and expenditure has been brought to account causing substantial variations to budget. Employee costs for the RALC were \$1.7M more than the original budget.

The remaining Employee Costs expenses were approximately \$1M under budget however this is mostly offset by \$716,000 of expenditure on Agency/Temporary Staff costs.

Borrowing Costs -\$86 -16% (F)

Interest expense was under budget due to lower interest rates during the year than anticipated.

Other Expenses from Ordinary Activities \$5,364 66% (U)

Legal proceedings for the West Ryde Drainage Project were completed in 2002/2003 with \$4.8M of legal expenses being incurred during this financial year. This expenditure was not budgeted for in the original budget.

As per the explanation in 'Employee Costs' above, additional expenditure was incurred on Agency/Temporary Staff costs.

Loss from the disposal of assets \$103 13% (U)

Lower than expected trade-ins on some items of plant and the turnover of lower valued plant contributed to additional loss on the disposal of assets.

Revenues

User Charges & Fees \$2,655 54% (U)

As per the explanation in 'Employee Costs' above, additional income for the RALC was received than was budgeted for.

Interest \$687 52% (U)

Interest income exceeded budget due to higher than anticipated returns from investments, expenditure not being incurred in line with budgeted cash flows and additional funds being carried forward from the 2001/2002 financial year.

Other revenues from ordinary activities -\$635 -29% (F)

As per the explanation in 'Employee Costs' above, the 'Profit Share' arrangement originally budgeted for from the RALC was classified in the budget as an 'Other Operating Revenue' item. This income has now been correctly recognised as a 'User Charge'. As a result there is less income than budget for in 'Other Operating Revenue' and more in 'User Charges'.

Grants and Contributions Provided for Non-Capital Puposes \$736 18% (U)

Additional grant income was received for Community Services (\$165,000) and Financial Assistance Grants (\$140,000). Also the Pensioner Rebate Subsidy for Waste Management was incorrectly budgeted for which produced an additional \$200,000 of grant income.

Grants & Contributions Provided for Capital Puposes -\$849 -13% (F)

A non-cash contribution for the refurbishment of one of Council's assets has been recognised for \$430,000. A Grant of \$200,000 was received to assist in funding the fit-out of the new West Ryde Library and additional Section 94 contributions were received than budget for.

In addition to the above mentioned items, minor favourable and unfavourable variations occurred throughout the year in a number of revenue and expense items. All variations have been monitored and reported to Council on a regular basis.

NOTES TO THE FINANCIAL STATEMENTS

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	4,096	2,012	-	264	787	-	5,585	1,502
Parking	202	-	-	9	71	-	140	2,403
North Ryde Traffic Fund	351	72	-	16	137	-	302	1,313
Traffic Facilities	-	210	-	6	-	-	216	-
Open Space	4,253	1,687	-	196	3,104	-	3,032	23,509
Other	27	68	-	2	45	-	52	45
TOTAL CONTRIBUTIONS	8,929	4,049	-	493	4,144	-	9,327	28,772

CONTRIBUTION PLAN NO. 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	2,994	2,012	-	217	175	-	5,048	200
Parking	64	-	-	6	-	-	70	-
North Ryde Traffic Fund	351	72	-	16	137	-	302	1,313
Traffic Facilities	-	210	-	6	-	-	216	-
Open Space	4,253	1,687	-	196	3,104	-	3,032	12,559
Other	27	68	-	2	45	-	52	45
TOTAL	7,689	4,049	-	443	3,461	-	8,720	14,117

CONTRIBUTIONS NOT UNDER PLANS

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	1,102	-	-	47	612	-	537	1,302
Parking	138	-	-	3	71	-	70	2,403
Open Space	-	-	-	-	-	-	-	10,950
TOTAL	1,240	-	-	50	683	-	607	14,655

* Reconcilable with Note 4

** Reconcilable with Note 6 (Restricted assets excludes 'amounts expended in advance')

NOTES TO THE FINANCIAL STATEMENTS**Note 18****CONTINGENCIES AND OTHER ASSETS AND LIABILITIES NOT RECOGNISED**

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

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

Council was advised in 2002 that the Scheme had significant accumulated losses, partly resulting from the collapse of the HIH group of companies. Council's share of losses was \$924,233. On advice from Statewide Mutual, Council's liability has been reduced to \$392,681.32 which has been recognised as a liability in Note 10. This liability includes an amount of \$112,596.49 relating to the collapse of the HIH group as a reinsurer for the scheme.

The 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.

- (b) Since 1997 Council has been invoicing Optus Vision and Telstra for telecommunications cables charges. On the basis that it was not probable that the income would be received in the relevant reporting periods the income and debts have not been recognised in the Statement of Financial Position.

Invoices total \$4,536,000 for Telstra and \$2,299,500 for Optus. These amounts will be recognised as income in the year they are received by Council.

- (c) During 2003 Council demolished its former Parks Depot (Wellington Rd, East Ryde) and Works Depot (Parsonage St, Ryde). Negotiations are being held to determine if Council will be liable for the total cost of decontamination of the land.

To ensure the land is suitable for parks and recreational open space, contamination assessments estimate the total value of remediating the Works Depot to be \$2,200,000 (worst case scenario) or \$1,300,000 (best case scenario).

Additional remediation works at Council's former Parks Depot is estimated to be \$300,000. These costs do not allow for regeneration of the sites.

- (d) Superannuation Defined Benefits Schemes - Council employs staff that belong to defined superannuation schemes. These schemes offer their members a defined superannuation benefit at retirement. Accordingly Council as an employer of staff under these schemes may have future obligations to pay or receive additional employer superannuation contributions depending upon the assets and liabilities of the defined benefits schemes.

The Scheme's liability for accrued benefits was determined by reference to expected future salary levels and by application of a market-based risk-adjusted discount rate and relevant actuarial assumptions. The estimated assets and liabilities for the City of Ryde as at 30 June are as follows:

Employer Liability	8,954,195
Employer Assets	<u>10,834,086</u>
Surplus	1,879,891

The net surplus is only disclosed for information purposes. No amount has been brought to account due to Council's inability to control this asset.



SPENCER STEER
CHARTERED ACCOUNTANTS

CITY OF RYDE

GENERAL PURPOSE FINANCIAL REPORT

INDEPENDENT AUDITORS' REPORT

SCOPE

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

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

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

AUDIT OPINION

In our opinion,

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

SPENCER STEER
Chartered Accountants

N. MAH CHUT
Partner

Dated at Sydney this 20th day of August 2003.



SPENCER STEER
CHARTERED ACCOUNTANTS

20 August 2003

The Mayor
City of Ryde
PO Box 23
RYDE NSW 2112

Madam Mayor,

Audit Report - Year Ended 30 June 2003

We are pleased to advise completion of the audit of Council's books and records for the year ended 30 June 2003 and that all information required by us was readily available. We have signed and attached our reports as required under Section 417(1) of the Local Government Act, 1993 and the Local Government Code of Accounting Practice and Financial Reporting to;

- The General Purpose Financial Report; and
- The Special Purpose Financial Report.

Our audit has been conducted in accordance with Australian Auditing Standards so as to express an opinion on both the General and Special Purpose Financial Reports of the Council. We have ensured that the accounts have been prepared in accordance with Australian Accounting Standard AAS27 and the Local Government Code of Accounting Practice and Financial Reporting.

This report on the conduct of the audit is also issued under Section 417(1) and we now offer the following comments on the financial statements and the audit;

1. RESULTS FOR THE YEAR

1.1 Operating Result

The Statement of Financial Performance discloses a decrease in net assets, as a result of operations for the year of \$4.173 million as compared with a surplus of \$28.357 million in the 2001/2002 financial year. It should be noted however, that the previous year's result included the recognition of the Ryde Aquatic & Leisure Centre amounting to \$26.538 million.



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

	2003	% of	2002	% of	Increase
	\$000	Total	\$000	Total	(Decrease)
					\$000
Ordinary Expenses					
Employees Costs	20,605	32%	17,432	31%	3,173
Depreciation	14,548	23%	14,116	25%	432
Other	28,940	45%	24,419	44%	4,521
	64,093	100%	55,967	100%	8,126
Ordinary Revenues before Capital					
Rates & Annual Charges	38,150	70%	36,625	70%	1,525
Grants & Contributions	4,943	9%	4,460	9%	483
Other	11,097	20%	11,269	22%	(172)
	54,190	100%	52,354	100%	1,836
Surplus(Deficit) from Ordinary Activities before Capital items	\$ (9,903)		\$ (3,613)		\$ (6,290)
Capital Revenues					
Grants & Contributions	5,730		5,432		298
	\$ (4,173)		\$ 1,819		\$ (5,992)
Ryde Aquatic & Leisure Centre	-		26,538		(26,538)
Surplus(Deficit) from all Activities	\$ (4,173)		\$ 28,357		\$ (32,530)

The decline in the operating result (excluding the affect of the Ryde Aquatic & Leisure Centre) of \$5.992 million can be attributed to the following fluctuations of note;

- legal fees relating to the West Ryde Drainage Project increased over the previous year by \$3.161 million to total \$4.874 million.
- the incorporation of the Ryde Aquatic & Leisure Centre operations increased employee and other expenses by \$3.5 million offset by increased revenues of \$3 million.
- employee on costs were recognized for the first time and amounted to \$526,000 as a result of revised accounting standards pertaining to employees leave entitlements.
- decrease in road restoration works of \$1.281 million.
- exposure to the accumulated deficit of Statewide Mutual decreased by \$532,000.

1.2 Funding Result

The Operating Deficit of \$4.173 million does not take into account the effect of capital revenues and expenditures that formed part of Council's annual budget.



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

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

	2003	2002
	\$000	\$000
<i>Funds were provided by:-</i>		
Operating Result (as above)	(4,173)	28,357
Add back non funding items:-		
- Depreciation	14,548	14,116
- Book Value of Assets Sold	3,502	1,574
	<u>13,877</u>	<u>44,047</u>
Take up of Finance Leases	428	0
Net Movements between Current/Non Current Assets & Liabilities	3,066	0
	<u>17,371</u>	<u>44,047</u>
<i>Funds were applied to:-</i>		
Purchase and Construction of Assets	(16,606)	(14,423)
Recognition of Ryde Aquatic & Leisure Centre	0	(26,538)
Principal repaid on Loans	(1,080)	(1,033)
Principal Repaid on Deferred Creditors & Finance Leases	(393)	(318)
Net Transfers to Externally Restricted Assets	(3,311)	(819)
Net Transfers to Internal Reserves	(421)	(542)
Net Movements between Current/Non Current Asset & Liabilities	0	(1,679)
	<u>(21,811)</u>	<u>(45,352)</u>
Increase(Decrease) in Available Working Capital for the Year	<u>\$ (4,440)</u>	<u>\$ (1,305)</u>

2. FINANCIAL POSITION

2.1 Available Working Capital

Available Working Capital is a financial indicator, which adjusts Council's Net Current Asset position to take into account funds set aside for future works and commitments and for liabilities that are funded in the 2003/04 budget. Available Working Capital stood at \$5.405 million on 30 June 2003 and was made up as follows;



	2003	2002	Change
	\$000	\$000	\$000
Net Current Assets (as per the Accounts)	23,542	24,720	(1,178)
<i>Add(Less):</i> Budgetted to Pay(Receive) in the next 12 months			
- Borrowings	1,557	1,397	160
- Employees Leave Entitlements	1,833	1,523	310
<i>Less:</i> Externally Restricted Assets	(7,861)	(4,550)	(3,311)
<i>Less:</i> Internally Restricted Assets	(13,666)	(13,245)	(421)
Available Working Capital as at 30 June	\$ 5,405	\$ 9,845	(4,440)

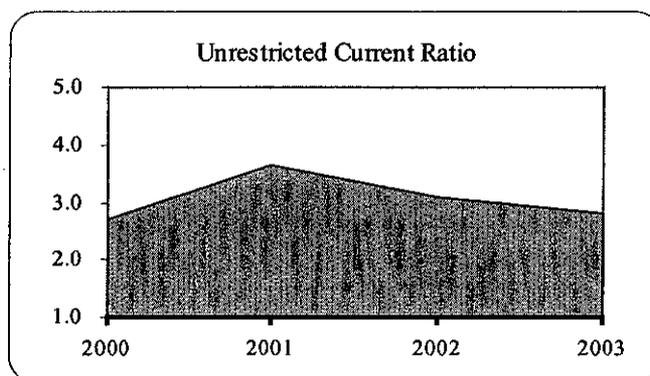
The level of Available Working Capital should be at a sufficient level, in order to finance hard core debtors, stores, the day to day operations of Council, and to provide a buffer against unforeseen and unbudgeted expenditures.

Taking into consideration the nature and level of the internally restricted assets (Reserves) set aside, we are of the opinion that Available Working Capital as at 30 June 2003 was sound.

2.2 Current Ratio

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

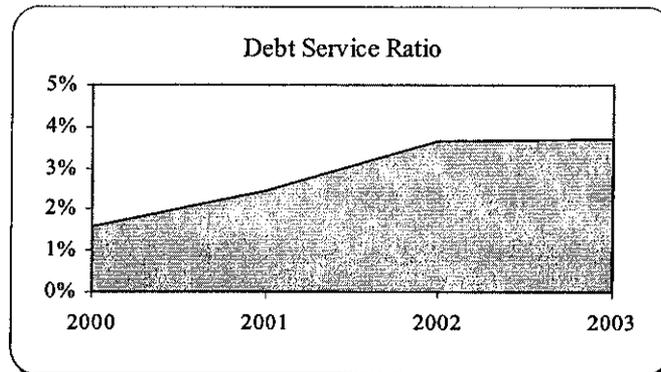
The Statement of Performance Measurement (Note 13) discloses current assets exceeding current liabilities by a factor of **3.67 to 1**. After allowing for externally restricted assets and specific purpose liabilities, this ratio, referred to as the *Unrestricted Current Ratio* was **2.82 to 1** and in fact represents the general funds of Council.





2.3 Debt Service Ratio

Operating revenue (excluding special purpose grants and contributions) required to service debt was 3.72% as compared to 3.67% in 2002.



2.4 Summary

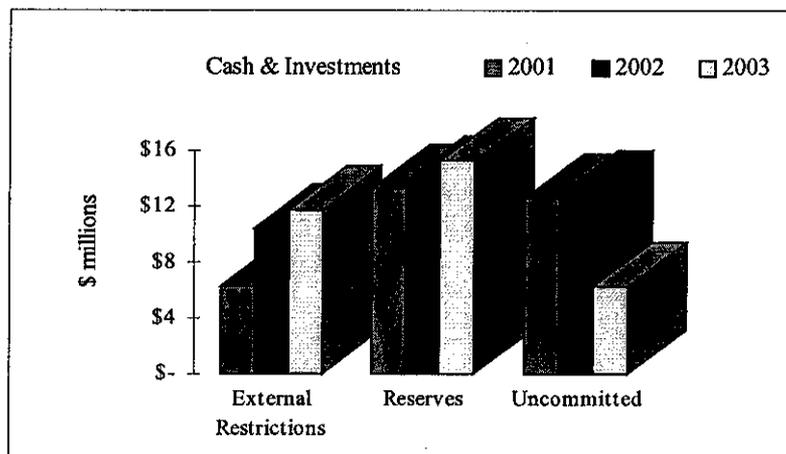
Council's overall financial position, after taking into consideration the above financial indicators is, in our opinion, sound.

3. CASH ASSETS

3.1 Cash & Investments

Cash and investments held at the close of the year amounted to \$33.229 million as compared with \$37.094 million and \$32.032 million at the close of financial years 2002 and 2001 respectively.

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





Externally restricted cash and investments are restricted in their use by externally imposed requirements and consist of unexpended development contributions under Section 94 of \$9.326 million, specific purpose grants, contributions and special levies of \$713,000, and domestic waste management charges of \$1.635 million.

Internally restricted cash and investments have been restricted in their use by resolution or policies of Council to reflect forward plans, identified programs of works and are in fact Council's "Reserves". These Reserves totalled \$15.205 million.

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

Unrestricted cash and investments amounted to \$6.350 million, which are available to provide liquidity for day to day operations and have contributed to Council's sound financial position.

3.2 *Cash Flows*

The Statement of Cash Flows illustrates the movement of cash flowing into and out of Council during the year (including GST paid and collected) and reveals that Council's cash assets decreased by \$2.122 million from an opening balance of \$34.934 million.

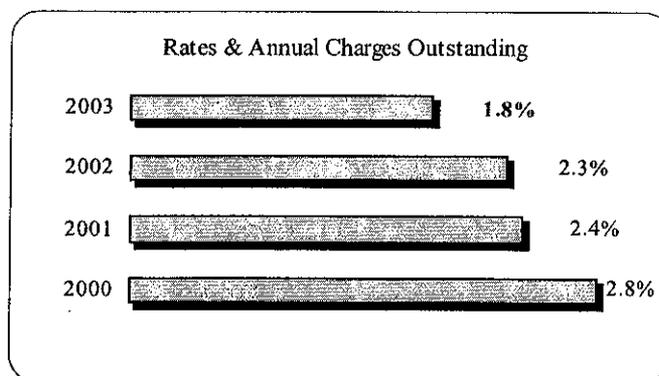
Operating activities contributed net cash of \$12.490 million and was supplemented by the sale of assets of \$2.460 million. Cash outflows other than operating activities were used to repay loans, finance leases and advances totalling \$1.473 million and to purchase and construct assets of \$15.599 million.

4. RECEIVABLES

4.1 *Rates & Annual Charges*

Net rates and annual charges levied during the year totalled \$38.150 million, representing 63.67% of Council's total revenues (as disclosed in Note 13). In the previous 2 years (2002 and 2001) these factors were 43.43% and 45.12% respectively. However it should be noted that during those years the recognition of the Aquatic Centre was included as revenues to the extent of \$26 million. Council's dependency on rates and annual charges is in line with previous years when the transactions of the Aquatic Centre are excluded.

The total rates and annual charges receivable (including arrears) was \$38.998 million. Arrears at the close of the year amounted to \$708,000 representing 1.82% of those receivables and a collection rate of 98.18%. Both these indicators are commendable.



4.2 Other Receivables

Receivables (other than Rates & Annual Charges) total \$1.821 million, and a break up is provided in Note 7 to the financial statements.

The Provision for Doubtful Debts in respect of the above receivables stood at \$39,000. We have examined the outstanding balances and conclude that the provision appears adequate.

5. PAYABLES

Employees Leave Entitlements

Council's provision for its liability toward employees leave entitlements and associated on costs amounted to \$5.984 million (2002 - \$5.076 million).

Reserves should be held to enable Council to meet unbudgeted and unanticipated retirements. At the close of the year, \$1.795 million was held for this purpose, which represented 30% of Council's obligation to their employees and is, in our opinion, adequate.

6. CONCLUSION

We wish to record our appreciation to your Chief Executive and his staff for their ready co-operation and the courtesies extended to us during the conduct of the audit and commend your staff for the early completion of the financial statements.

Yours faithfully,

SPENCER STEER
Chartered Accountants

N. MAH CHUT
Partner

Council of the City of Ryde**SPECIAL PURPOSE FINANCIAL REPORTS**

for the year ending 30 June 2003

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Council of the City of Ryde

STATEMENT OF FINANCIAL PERFORMANCE OF BUSINESS ACTIVITIES

as at 30 June 2003

(\$000's)

	Domestic Waste Management		Ryde Aquatic Leisure Centre		Property Leasing		Ryde Certification Service		Commercial Waste Management		Enviroserve Commercial Works	
	(Category 1)		(Category 1)		(Category 2)		(Category 2)		(Category 2)		(Category 2)	
	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002
EXPENSES FROM ORDINARY ACTIVITIES												
Employee Costs	367	248	1,731	-	65	41	409	388	22	17	23	41
Materials and Contracts	6,442	6,115	1,211	-	124	165	332	317	209	227	30	89
Interest Charges	-	-	-	-	-	-	-	-	-	-	-	-
Depreciation	4	3	823	-	152	132	-	-	-	-	-	-
Loss On Asset Disposal	-	-	-	-	-	-	-	-	-	-	-	-
Taxation Equivalent Payments	-	-	114	-	276	131	-	-	-	-	-	-
Other expenses from ordinary activities	679	449	605	-	64	260	12	24	35	19	2	11
Total Expenses From Ordinary Activities	7,492	6,815	4,484	-	681	729	753	729	266	263	55	141
REVENUE FROM ORDINARY ACTIVITIES												
Rates & Annual Charges	7,679	7,235	-	-	-	-	-	-	-	-	-	-
User Charges & Fees	-	-	3,097	-	-	-	264	240	409	388	73	210
Interest	16	19	-	-	-	-	-	-	-	-	-	-
Other revenues from ordinary activities	14	7	4	-	447	436	16	13	-	-	-	-
Grants & Contributions provided for Non-Capital Purposes	199	200	-	-	-	-	-	-	-	-	-	-
Gain On Asset Disposal	-	-	-	-	-	-	-	-	-	-	-	-
Revenue from Ordinary Activities before capital amounts	7,908	7,461	3,101	-	447	436	280	253	409	388	73	210
Surplus(Deficit) from Ordinary Activities before Revenue for Capital Purposes	416	646	(1,383)	-	(234)	(293)	(473)	(476)	143	125	18	69
Grants & Contributions provided for Capital Purposes	-	-	-	-	430	-	-	-	-	-	-	-
Surplus(Deficit) from Ordinary Activities after capital amounts	416	646	(1,383)	-	196	(293)	(473)	(476)	143	125	18	69
Correction of Fundamental Error	-	-	-	-	-	-	-	-	-	-	-	-
Surplus(Deficit) from All Activities before Tax	416	646	(1,383)	-	196	(293)	(473)	(476)	143	125	18	69
Corporate Taxation Equivalent (30%) [based on Operating result before capital]	125	194	-	-	59	-	-	-	43	38	5	21
Surplus(Deficit) After Tax	291	452	(1,383)	-	137	(293)	(473)	(476)	100	88	13	48
Dividend Payment (non restricted activities) [Percent of Surplus after tax]	- 0%	- 0%	- 0%	-	40 29%	- 0%	- 0%	- 0%	237 237%	148 169%	36 286%	51 106%
Surplus(Deficit) After Dividend Payment	291	452	(1,383)	-	97	(293)	(473)	(476)	(137)	(61)	(23)	(3)
Opening Retained profits	1,212	566	-	-	8,764	8,923	(102)	(113)	94	117	18	-
Subsidy from Council	-	-	603	-	-	3	575	487	-	-	-	-
Equity Contributions	-	-	25,374	-	2,113	-	-	-	-	-	-	-
Adjustments for Amounts Unpaid:-												
Dividend Payment	-	-	-	-	-	-	-	-	-	-	-	-
Taxation Equivalent Payments	-	-	114	-	276	131	-	-	-	-	-	-
Corporate Taxation Equivalent	125	194	-	-	59	-	-	-	43	38	5	21
Closing Retained Profits	1,628	1,212	24,708	-	11,309	8,764	0	(102)	-	94	-	18
RETURN ON CAPITAL (%)	608%	1209%	-5%	N/A	-2%	-3%	N/A	N/A	N/A	N/A	N/A	N/A
SUBSIDY FROM COUNCIL	-	-	603	-	-	3	575	487	-	-	-	-

Council of the City of Ryde

STATEMENT OF FINANCIAL POSITION BY BUSINESS ACTIVITY for the year ending 30 June 2003

(\$000's)

	Domestic Waste Management		Ryde Aquatic Leisure Centre		Property Leasing		Ryde Certification Service		Commercial Waste Management		Enviroserve Commercial Works	
	(Category 1)		(Category 1)		(Category 2)		(Category 2)		(Category 2)		(Category 2)	
	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002
CURRENT ASSETS												
Cash Assets	1,676	1,239	-	-	-	2	-	20	-	1	-	2
Investment Securities	-	-	-	-	-	-	-	-	-	-	-	-
Receivables	168	272	34	-	10	9	-	-	52	114	4	31
Inventories	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	120	-	5	-	2	-
TOTAL CURRENT ASSETS	1,844	1,511	34	-	10	11	120	20	57	115	6	33
NON-CURRENT ASSETS												
Investment Securities	-	-	-	-	-	-	-	-	-	-	-	-
Receivables	53	-	-	-	-	-	-	-	-	-	-	-
Property, Plant and Equipment	18	55	25,374	-	11,321	8,775	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL NON-CURRENT ASSETS	71	55	25,374	-	11,321	8,775	-	-	-	-	-	-
TOTAL ASSETS	1,915	1,566	25,408	-	11,331	8,786	120	20	57	115	6	33
CURRENT LIABILITIES												
Payables	190	271	242	-	5	9	12	-	45	16	-	3
Interest Bearing Liabilities	-	-	-	-	-	-	-	-	-	-	-	-
Provisions	29	21	138	-	5	3	33	31	8	1	2	3
TOTAL CURRENT LIABILITIES	219	292	380	-	10	12	45	31	53	17	2	6
NON-CURRENT LIABILITIES												
Payables	-	-	-	-	-	-	-	-	-	-	-	-
Interest Bearing Liabilities	-	-	-	-	-	-	-	-	-	-	-	-
Provisions	68	62	320	-	12	10	76	91	4	4	4	9
TOTAL NON-CURRENT LIABILITIES	68	62	320	-	12	10	76	91	4	4	4	9
NET ASSETS	1,628	1,212	24,708	-	11,309	8,764	(0)	(102)	0	94	(0)	18
EQUITY												
Accumulated Surplus	1,628	1,212	24,708	-	11,309	8,764	0	(102)	-	94	-	18
Asset Revaluation Reserve	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL EQUITY	1,628	1,212	24,708	-	11,309	8,764	0	(102)	-	94	-	18

NOTES TO THE SPECIAL PURPOSE FINANCIAL REPORTS

Note 1

SIGNIFICANT ACCOUNTING POLICIES

This statement summarises the supplemental accounting policies adopted in the preparation of the Special Purpose Financial Report (SPFR) for National Competition Policy reporting purposes. These financial statements are a SPFR prepared for use by the Council and Department of Local Government. For the purposes of these statements, the Council is not a reporting entity.

This special purpose financial report, unless otherwise stated, has been prepared in accordance with applicable Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Consensus Views, the Local Government Act and Regulations, the Local Government Code of Accounting Practice and Financial Reporting and the Local Government Asset Accounting Manual. It is also based on the accounting policies as outlined in Note 1 to the Council's General Purpose Financial Report.

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

National Competition Policy

Council has adopted the principle of 'competitive neutrality' to its business activities as part of the national competition policy which is being applied throughout Australia at all levels of government. The framework for its application is set out in the June 1996 Government Policy statement on the "*Application of National Competition Policy to Local Government*". The "*Pricing & Costing for Council Businesses - A Guide to Competitive Neutrality*" issued by the Department of Local Government in July 1997 has also been adopted.

The pricing & costing guidelines outline the process for identifying and allocating costs to activities and provide a standard of disclosure requirements. These disclosures are reflected in Council's pricing and/or financial reporting systems and include taxation equivalents; Council subsidies; return on investments (rate of return).

Declared Business Activities

In accordance with *Pricing & Costing for Council Businesses – A Guide to Competitive Neutrality*, Council has declared that the following are to be considered as business activities:

Category 1

Name	Brief Description of Activity
Domestic Waste Removal	Domestic waste collection, recycling and disposal and sale of recycling aids.
Ryde Aquatic Leisure Centre	Provision of aquatic and dry court sports and leisure facilities

Category 2

Name	Brief Description of Activity
Property Leasing	Acquisition, management, leasing and disposal of property assets surplus to Council's operating requirements.
Ryde Certification Service	Certification of Development proposals under Part 4a of The Environmental Planning and Assessment Act.
Commercial Waste Removal	Commercial waste collection, recycling and disposal.
Enviroserve Commercial Works	The provision of urban services to customers within Ryde and its surrounding districts

Taxation Equivalent Payments

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

Tax	Notional Rate Applied %
Corporate Tax Rate	30%
Land Tax	1.7% of property value in excess of \$220,000
Payroll Tax	6.0% where total labour payments for the individual business activity exceed \$600,000
Stamp Duty	Statutory rates for 2002/2003 as published by the Office of State Revenue.

Income Tax

An income tax equivalent has been applied on the profits of the business. Whilst income tax is not a specific cost for the purpose of pricing a good or service, it needs to be taken into account in terms of assessing the rate of return required on capital invested. Accordingly, the return on capital invested is set at a pre-tax level (gain/loss from ordinary activities before capital amounts) as would be applied by a private sector competitor.

Income tax is only applied where a gain from ordinary activities before capital amounts has been achieved. Since the taxation equivalent is notional, that is, it is payable to the "Council" as the owner of business operations, it represents an internal payment and has no effect on the operations of the Council.

Local Government Rates & Charges

A calculation of the equivalent rates and charges for all Category 1 and 2 businesses have been applied to all assets owned or exclusively used by the business activity.

Subsidies

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

For Business Activities which incur a trading loss, with the exception of Domestic Waste Management, Council provides a subsidy based on the trading loss, before imputed taxes, and after consideration of any cash deficit within the business.

If Business Activities, other than Domestic Waste Management, require extra capital, this is supplied by Council (following consideration in the annual Management Planning process) as an equity contribution.

Any trading losses incurred by Domestic Waste Management may be funded temporarily by Council's general funds, but must be recouped in subsequent years by adjustments to the Domestic Waste charge.

Trading Surplus

If a business activity, other than Domestic Waste Management, produces a trading surplus, Council requires the payment of a dividend equal to the amount of the surplus before imputed taxes, and subject to the business having a sufficient cash surplus to effect dividend payment.

Any trading surplus produced by the Domestic Waste Management business activity is retained in an externally restricted reserve and exhausted over the long term by appropriate adjustments to the Domestic Waste management charge.

Return on Investments (Rate of Return)

The Competitive Neutrality Policy statement requires that Councils with Category 1 businesses "would be expected to generate a return on capital funds employed that is comparable to rates of return for private businesses operating in a similar field". Funds are subsequently available for meeting commitments or financing future investment strategies. Where a business activity has required the investment of capital assets, the rate of return on investment is disclosed in the Statement of Financial Performance of Business Activities.

Dividends

Council is not required to pay dividends to either itself as owner of a range of businesses or to any external entities. Consequently, any form of dividend payment is purely notional. Dividend payments to Council are also restricted to those activities which do not levy special rates or charges (domestic waste management).

Council's Domestic Waste Management activity relates to the collection and disposal of waste and recycling items from domestic premises. This is operated as a restricted activity. The Local Government Act 1993 requires that all operating surpluses or deficits are credited/debited to the equity of this fund.

Corporate Overheads

Council allocates a proportion of corporate overhead to Business Activities in relation to their usage of corporate resources as measured by various physical parameters. This overhead allocation is included as "Materials and Contracts" costs in the Business Activity Statement of Financial Performance.



SPENCER STEER
CHARTERED ACCOUNTANTS

CITY OF RYDE

SPECIAL PURPOSE FINANCIAL REPORT

INDEPENDENT AUDITORS' REPORT

SCOPE

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

The special purpose financial report has been prepared for distribution to the Council and the Department of Local Government for the purpose of fulfilling the requirements of National Competition Policy reporting. We disclaim any assumption of responsibility for any reliance on this report or on the financial statements to which it relates to any person other than the Council or the Department of Local Government or for any purpose other than for which the report was prepared.

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

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

AUDIT OPINION

In our opinion, the special purpose financial report of the Council is presented fairly in accordance with the requirements of those applicable Accounting Standards detailed in Note 1 and the Local Government Code of Accounting Practice and Financial Reporting.

SPENCER STEER
Chartered Accountants

N. MAH CHUT
Partner

Dated at Sydney this 20th day of August 2003