

FINANCIAL REPORT

2004/05



General Purpose Financial Reports
Notes to the Financial Statements

Special Schedules

CITY OF CANADA BAY COUNCIL

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

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CITY OF CANADA BAY COUNCIL

**ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 June 2005**

**STATEMENT BY COUNCILLORS AND MANAGEMENT
MADE PURSUANT TO SECTION 413 (2)(c)
OF THE LOCAL GOVERNMENT ACT 1993 (as amended)**

The attached Annual Financial Statements have been drawn up in accordance with

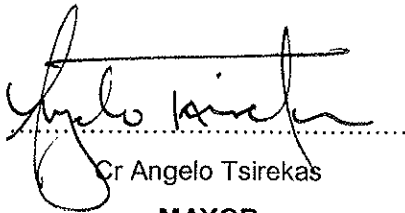
- The Local Government Act 1993 (as amended) and the Regulations made thereunder
- The Australian Accounting Standards and professional pronouncements
- The Local Government Code of Accounting Practice and Financial Reporting
- The Local Government Asset Accounting Manual.

To the best of our knowledge and belief, these reports

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

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

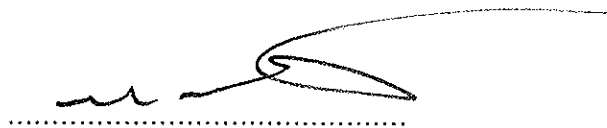
Signed in accordance with a resolution of Council made on 16 August 2005.



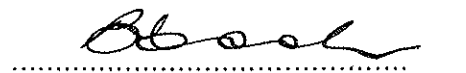
Cr Angelo Tsirekas
MAYOR



Cr Neil Kenzler
COUNCILLOR



Mr Michael G McMahon
GENERAL MANAGER



Mr Bruce Cook
RESPONSIBLE ACCOUNTING OFFICER

CITY OF CANADA BAY COUNCIL

STATEMENT OF FINANCIAL PERFORMANCE for the year ended 30th June 2005

Budget 2005 \$'000		Notes	Actual 2005 \$'000	Actual 2004 \$'000
EXPENSES FROM ORDINARY ACTIVITIES				
15,106	Employee Costs	3(a)	13,851	13,360
12,857	Materials & Contracts		14,621	13,322
407	Borrowing Costs	3(b)	403	262
6,950	Depreciation & Amortisation	3(c)	6,808	6,915
6,240	Other Expenses	3(d)	7,065	6,773
<u>41,560</u>	Total Expenses from Ordinary Activities		<u>42,748</u>	<u>40,632</u>
REVENUES FROM ORDINARY ACTIVITIES				
26,982	Rates & Annual Charges	4(a)	27,045	25,413
5,332	User Charges & Fees	4(b)	5,558	5,167
946	Investment Revenues	4(c)	1,685	1,224
2,911	Grants & Contributions - Operating	4(e),(f)	4,029	3,186
1,490	Other Revenues	4(d)	1,979	2,340
-	Profit from Disposal of Assets	5	404	2,664
<u>37,661</u>	Revenues from Ordinary Activities before Capital Amounts		<u>40,700</u>	<u>39,994</u>
(3,899)	SURPLUS(DEFICIT) FROM ORDINARY ACTIVITIES BEFORE CAPITAL AMOUNTS		(2,048)	(638)
3,966	Grants & Contributions - Capital	4(e),(f)	2,683	3,802
<u>67</u>	SURPLUS(DEFICIT) FROM ORDINARY ACTIVITIES AFTER CAPITAL AMOUNTS		<u>635</u>	<u>3,164</u>
<u>67</u>	TOTAL CHANGES IN EQUITY		<u>635</u>	<u>3,164</u>

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

CITY OF CANADA BAY COUNCIL

STATEMENT OF FINANCIAL POSITION

for the year ended 30th June 2005

	Notes	Actual 2005 \$'000	Actual 2004 \$'000
CURRENT ASSETS			
Cash Assets	6	5,768	3,314
Investment Securities	6	9,678	9,521
Receivables	7	1,916	3,053
Inventories	8	33	10
Other	8	48	460
TOTAL CURRENT ASSETS		<u>17,443</u>	<u>16,358</u>
NON-CURRENT ASSETS			
Cash Assets	6	-	-
Investment Securities	6	7,709	8,743
Receivables	7	141	140
Inventories	8	-	-
Other	8	-	-
Property, Plant & Equipment	9	890,929	892,324
Investments accounted for using the equity method	19	-	-
TOTAL NON-CURRENT ASSETS		<u>898,779</u>	<u>901,207</u>
TOTAL ASSETS		<u>916,222</u>	<u>917,565</u>
CURRENT LIABILITIES			
Payables	10	4,612	6,371
Borrowings	10	756	709
Provisions	10	951	1,151
TOTAL CURRENT LIABILITIES		<u>6,319</u>	<u>8,231</u>
NON-CURRENT LIABILITIES			
Payables	10	3,982	3,337
Borrowings	10	5,575	6,333
Provisions	10	3,695	3,648
TOTAL NON CURRENT LIABILITIES		<u>13,252</u>	<u>13,318</u>
TOTAL LIABILITIES		<u>19,571</u>	<u>21,549</u>
NET ASSETS		<u>896,651</u>	<u>896,016</u>
EQUITY			
Accumulated Surplus		896,651	896,016
Asset Revaluation Reserve		-	-
Council Equity Interest		<u>896,651</u>	<u>896,016</u>
Outside Interest in Equity	19	-	-
TOTAL EQUITY		<u>896,651</u>	<u>896,016</u>

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

CITY OF CANADA BAY COUNCIL

STATEMENT OF CHANGES IN EQUITY

for the year ended 30th June 2005

	2005 \$'000					2004 \$'000					
	Refer Note	Accum Surplus	Asset Reval. Reserve	Council Equity Interest	Outside Equity Interest	Total	Accum Surplus	Asset Reval. Reserve	Council Equity Interest	Outside Equity Interest	Total
Balance at beginning of the reporting period		896,016	-	896,016	-	896,016	892,852	-	892,852	-	892,852
Change in Net Assets recognised in the Statement of Financial Performance		635	-	635	-	635	3,164	-	3,164	-	3,164
Adjustment due to compliance with revised Accounting Standards		-	-	-	-	-	-	-	-	-	-
Transfers to Asset Revaluation Reserve		-	-	-	-	-	-	-	-	-	-
Transfers from Asset Revaluation Reserve		-	-	-	-	-	-	-	-	-	-
Balance at end of the reporting period		896,651	-	896,651	-	896,651	896,016	-	896,016	-	896,016

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

CITY OF CANADA BAY COUNCIL

STATEMENT OF CASH FLOWS

for the year ended 30th June 2005

Budget 2005 \$'000		Notes	Actual 2005 \$'000	Actual 2004 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES				
<u>Receipts</u>				
27,100	Rates & Annual Charges		27,101	25,419
5,500	User Charges & Fees		6,156	5,500
946	Investments Income		1,642	1,181
6,320	Grants & Contributions		7,532	6,392
1,690	Other operating receipts		3,900	6,348
<u>Payments</u>				
(15,000)	Employee Costs		(14,026)	(13,064)
(13,000)	Materials & Contracts		(16,672)	(14,885)
(407)	Borrowing Costs		(387)	(262)
(6,400)	Other operating payments		(7,949)	(8,110)
6,749	Net Cash provided by (or used in) Operating Activities	11	7,297	8,519
CASH FLOWS FROM INVESTING ACTIVITIES				
<u>Receipts</u>				
575	Proceeds from sale of Property, Plant & Equipment		955	3,176
-	Proceeds from sale of Investment Securities		-	-
-	Repayments from Deferred Debtors		-	-
<u>Payments</u>				
(8,700)	Purchase of Property, Plant & Equipment		(5,964)	(13,275)
(500)	Purchase of Investment Securities		877	(1,591)
-	Loans to Deferred Debtors		-	-
(8,625)	Net Cash provided by (or used in) Investing Activities		(4,132)	(11,690)
CASH FLOWS FROM FINANCING ACTIVITIES				
<u>Receipts</u>				
-	Proceeds from Borrowings & Advances		-	2,800
-	Proceeds from Retirement Home Contributions		-	-
<u>Payments</u>				
(709)	Repayments of Borrowings & Advances		(711)	(554)
(709)	Net Cash provided by (or used in) Financing Activities		(711)	2,246
(2,585)	Net Increase (Decrease) in cash held		2,454	(925)
2,585	Cash at beginning of reporting period	11	3,314	4,239
-	Adjustment to opening Cash due to adoption of revised Accounting Standards	1	-	-
-	Cash at end of reporting period	11	5,768	3,314

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

CITY OF CANADA BAY COUNCIL

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

Note 1 - SIGNIFICANT ACCOUNTING POLICIES

1. The Local Government Reporting Entity

A statement summarising the significant accounting policies adopted by the City of Canada Bay Council is set out in this note in accordance with the Australian Accounting Standard AAS 6 "Accounting Policies: Determination, Application and Disclosure".

The City of Canada Bay has its principal business office at the Civic Centre, 1a Marlborough Street, Drummoyne NSW 2047. The City of Canada Bay Council is empowered by the New South Wales Local Government Act (LGA) 1993 and its Charter is specified in Section 8 of the Act.

A description of the nature of the Council's 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 of the financial period ended 30 June 2005. They include the consolidated fund and other entities through which 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, creditors and debtors) 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.

1.2 The Trust Fund

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

Trust monies and property held by Council but not subject to control of Council, have been excluded from these reports. A separate statement of monies held in the Trust Fund is available for inspection at the Council's office by any person free of charge.

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

This General Purpose Financial report has been prepared using the accrual basis of accounting. Except for assets, which are at current cost valuation, this report has been prepared 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.

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

Note 1 - SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.3 International Financial Reporting Standards (IFRS's)

Impacts of adopting Australian equivalents to IFRS

The Australian Accounting Standards Board (AASB) is adopting International Financial Reporting Standards (IFRS) for application to reporting periods beginning on or after 1 January 2005. The AASB has issued Australian equivalents to IFRS, and the Urgent Issues Group has issued interpretations corresponding to IASB interpretations originated by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee. These Australian equivalents to IFRS are referred to hereafter as AIFRS. The adoption of AIFRS will be first reflected in the Council's financial statements for the year ending 30 June 2006.

Entities complying with AIFRS for the first time will be required to restate their comparative financial statements to amounts reflecting the application of AIFRS to that comparative period. Most adjustments required on transition to AIFRS will be made, retrospectively, against opening retained earnings as at 1 July 2004.

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

The Council has established a project team to manage its own transition to AIFRS, including training of staff and system and internal control changes necessary to gather all the required financial information. The project team has prepared a detailed timetable for managing the transition and is currently on schedule.

The project team has analysed all of the AIFRS and has identified the accounting policy changes that will be required. In some cases, choices of accounting policies are available, including elective exemptions under Accounting Standard AASB 1 First-time Adoption of Australian Equivalents to international Financial Reporting Standards. These choices have been analysed to determine the most appropriate accounting policy for the Council.

The known or reliably estimable impacts on the financial report for the year ended 30 June 2005 had it been prepared using AIFRS are set out below. The expected financial effects of adopting AIFRS are shown for each line item in the statements of financial performance and statements of financial position, with descriptions of the differences. No material impacts are expected in relation to the statements of cash flows.

Although the adjustments disclosed in this note are based on management's best knowledge of expected standards and interpretations, and current facts and circumstances, these may change. For example, amended or additional standards or interpretations may be issued by the AASB and the IASB. Therefore, until the Council prepares its first full AIFRS financial statements, the possibility cannot be excluded that the accompanying disclosures may have to be adjusted.

The following tables list the impact of AIFRS on both the Statement of Financial Performance and each of the Statement of Financial Position as at 30 June 2005:

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

Note 1 - SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Impact on the Statement of Financial Performance 30 June 2005:

STATEMENT OF FINANCIAL PERFORMANCE	Notes	Existing GAAP \$'000	Effect of Change \$'000	AIFRS \$'000
EXPENSES FROM ORDINARY ACTIVITIES				
Employee Costs	3	13,851		13,851
Materials & Contracts		14,621		14,621
Borrowing Costs	3	403		403
Depreciation	3	6,808		6,808
Other Expenses	3	7,065		7,065
Loss from Disposal of Assets	5			
Total Expenses from Ordinary Activities		42,748		42,748
REVENUES FROM ORDINARY ACTIVITIES				
Rates & Annual Charges	4	27,045		27,045
User Charges & Fees	4	5,558		5,558
Investment Revenues	4	1,685		1,685
Grants & Contributions - Operating	4	4,029		4,029
Other Revenues	4	1,979		1,979
Profit from Disposal of Assets	5	404		404
Revenues from Ordinary Activities before Capital		40,700		40,700
Grants & Contributions - Capital	4	2,683		2,683
SURPLUS(DEFICIT) FROM ORDINARY ACTIVITIES AFTER CAPITAL AMOUNTS		635		635
SURPLUS(DEFICIT) FROM ORDINARY ACTIVITIES		635		635

Impact on the Statement of Financial Position 30 June 2005:

STATEMENT OF FINANCIAL POSITION	Notes	Existing GAAP \$'000	Effect of Change \$'000	AIFRS \$'000
CURRENT ASSETS				
Cash Assets	6	5,768		5,768
Investment Securities	6	6,887		6,887
Receivables	7	1,916		1,916
Inventories	8	33		33
Other	8	48		48
TOTAL CURRENT ASSETS		14,652		14,652
NON-CURRENT ASSETS				
Investment Securities	6	10,500		10,500
Receivables	7	141		141
Inventories	8	-		
Investment Property			6,685	6,685
Property, Plant & Equipment	9	890,929	(6,685)	884,244
TOTAL NON-CURRENT ASSETS		901,570	0	901,570
TOTAL ASSETS		916,222	0	916,222

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

Note 1 - SIGNIFICANT ACCOUNTING POLICIES (cont'd)

STATEMENT OF FINANCIAL POSITION (cont'd)	Notes	Existing GAAP \$'000	Effect of Change \$'000	AIFRS \$'000
CURRENT LIABILITIES				
Payables	10	4,612		4,612
Borrowings	10	756		756
Provisions	10	951		951
TOTAL CURRENT LIABILITIES		6,319		6,319
NON-CURRENT LIABILITIES				
Payables	10	3,982		3,982
Borrowings	10	5,575		5,575
Provisions	10	3,695		3,695
TOTAL NON CURRENT LIABILITIES		13,252		13,252
TOTAL LIABILITIES		19,571		19,571
NET ASSETS		896,651		896,651
EQUITY				
Accumulated Surplus		896,651		896,651
Asset Revaluation Reserve				
Council Equity Interest		896,651		896,651
TOTAL EQUITY		896,651		896,651

Notes explaining the impacts on the Financial Performance and Financial Position Statements:

(a) Investment Properties

Under the AASB 140 Investment Property, can be retained at depreciated historical cost or can be revalued at fair value. Investment property is property (land or a building, or part of a building or both) held to earn rentals, or capital appreciation or both.

Council has opted to maintain the current historical cost accounting convention method of recording intangible assets, property plant and equipment and investment property.

If the policy required by AASB 140 had been applied during the year ended 30 June 2005, then the amount disclosed in Property, Plant and Equipment would be reduced by \$6,685K and Investment Property would have increased by \$6,685K.

(b) Financial Instruments

Council will be taking advantage of the exemption available under AASB 1 to apply AASB 132 Financial Instruments; Disclosure and presentation and AASB 139 Financial Instruments; Recognition and measurement only from 1 July 2005. This allows Council to apply previous Australian generally accepted accounting principles (Australian GAAP) to the comparative information of financial instruments within the scope of AASB 332 and AASB 139 for the 30 June 2006 financial report.

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

Note 1 - SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(c) Retirement Benefit Obligations

Council is the sponsor of a defined benefit superannuation fund. Under existing Australian GAAP, a liability or asset in respect of defined benefit superannuation does not need to be recognised in the provision for employee benefits. Under AASB 119 Employee Benefits, a liability or asset in respect of defined benefit superannuation is recognised and measured as the difference between the present value of employee's accrued benefits at the reporting date and the net market value of the superannuation fund's assets at that date.

At the time of preparation of these accounts Council had not received the necessary actuarial information required to enable the calculation of a liability or asset.

(d) Remediation Costs

Council's assets have been assessed to determine whether any remediation liabilities exist in order to restore the economic or environmental status to its property. No liabilities have been brought to account with respect to remediation costs.

(e) Impairment of Assets

Council's assets have also been tested as to whether impairment of an asset exists. There were no losses identified pertaining to excesses between the carrying value and the realisable value of assets.

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

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 or upon prior notification that a grant has been secured and that Council acts in reliance of that notification.

4.1 Contributions under Section 94 of the Environmental Planning & Assessment Act

Council has an obligation to provide facilities from contributions required from developers under the provisions of Section 94 of the Environmental Planning and Assessment Act 1991.

Contributions received each year are required to be held as restricted assets until used for the purposes designated in the formal contribution plans.

Amounts may be expended only for the purposes for which the contributions were acquired, but the Council may, within each area of benefit, apply conditions according to the priorities established in the relevant contributions plans and accompanying work schedules.

Details of the Contribution Plans adopted by Council are available for public inspection, free of cost.

Council also holds contributions obtained prior to the requirements to have contribution plans in place. These monies must only be applied for the purpose for which they were obtained.

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

Note 1 - SIGNIFICANT ACCOUNTING POLICIES (cont'd)

5. Cash Assets and Investment Securities

Investments in Bank Bills, Promissory Notes and Term Deposits are recognised at cost. Interest revenues are recognised as they accrue. Bills of exchange which have been purchased at a discount to face value are recognised at cost; the discount brought to account during the reporting period is accounted for as interest received. Managed Funds recognised as current assets are valued at market value in accordance with audited certificates issued by each fund; changes in market value are recognised as interest received.

Cash Assets include all amounts readily convertible to cash on hand at Council's option with an insignificant risk of changes in value with a maturity of three months or less from the date of acquisition. Where cash and investments held are subject to restrictions and Council's management plan for the ensuing reporting period does not provide for the discharge of those restrictions, the amounts have been classified as non-current.

6. Receivables

Receivables for rates and annual charges are secured over the subject land, and bear interest at rates determined in accordance with the Local Government Act 1993 (as amended) and the Regulations and Determinations made thereunder.

Other receivables are generally unsecured and do not bear interest.

All receivables are reviewed as at the reporting date and adequate provision made for amounts the receipt of which is considered doubtful.

7. Inventories

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 to particular inventory items by the method of specific identification (or weighted average cost, if so decided by the Council).

8. Property, Plant & Equipment

8.1 Transitional Provisions

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

Land under Roads

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

8.2 Materiality

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

8.3 Valuation

Council is exempted from the "recoverable amounts test" except in relation to recognised trading operations under the provision of paragraph 2.1 of AAS 10 "Recoverable Amount of Non Current Assets".

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 held as at 31 December 1992. All assets have now been recorded at "deemed cost", being the carrying amount of those assets held as at 30 June 2001.

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

Note 1 - SIGNIFICANT ACCOUNTING POLICIES (cont'd)

With effect from 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 AAS36, Council has undertaken current valuations of all land.

An independent valuation of operational land based on market value was undertaken as at 1 July 2003 by the Valuer-General. The market valuation was determined at \$M 58.08. These new valuations have not been brought to account as Council will continue to adopt the "cost" basis for recording these classes of assets.

Land not categorised by Council as operational land is deemed to be community land. It was valued by Council officers at municipal site value during the reporting period ended 30 June 2005 and totalled \$M 2,339.41. The municipal site rate is calculated by dividing the land area (hectares) of all rateable land 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.

An independent valuation of buildings and other structures, based on written down current replacement costs as at October 2003 was undertaken by Mr Mark Lim (Valuer #6532) and Mr A Robson (Valuer #6228) of the Rushton Group, Sydney. The market valuation in total was \$16,035,500. This valuation however has not been brought to account as Council has continued to adopt the 'cost basis' for recording this asset class.

Council's stormwater drainage infrastructure was valued 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 recorded at "deemed cost", being the carrying amount of those assets at 30 June 2001.

Transportation assets were valued 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 recorded at "deemed cost", being the carrying amount of those assets at 30 June 2001.

8.4 Depreciation of Non-Current Assets

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

Depreciation is recognised on a straight-line basis. All non-current assets having a limited useful life are systematically depreciated over their useful lives, in a manner, which reflects the consumption of the service potential embodied in those assets. Land is not a depreciable asset.

Major depreciation periods are:

· Plant & Equipment (including vehicles)	5 to 10 years
· Office Equipment, Furniture & Fittings	3 to 10 years
· Other Plant & Equipment	6 to 10 years
· Buildings	50 years
· Roads, Footpaths	10 to 100 years
· Bridges	50 to 100 years
· Stormwater Drainage	10 to 100 years

Depreciation periods for infrastructure assets have been estimated based on the best information available to Council, but appropriate records covering the entire life cycle of these assets are not available, and extreme care should be used in interpreting financial information based on these estimates.

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

Note 1 - SIGNIFICANT ACCOUNTING POLICIES (cont'd)

8.5 Borrowing Costs

Borrowing costs in relation to qualifying assets (net of offsetting investment revenue) have been capitalised in accordance with Australian Accounting Standard AAS 34 (AASB 1036) "Borrowing Costs". The amounts of borrowing costs recognised as an expense or as part of the carrying amount of qualifying assets are disclosed in Note 3, and the amount (if any) of interest revenue offset against borrowing costs in Note 4. All borrowing costs capitalised relate to funds borrowed specifically for the qualifying assets, and accordingly paragraph 5.2 of the standard does not apply.

9. Payables

9.1 Goods & Services

Creditors are amounts due to external parties for the supply of goods and services and are recognised as liabilities when the goods and services are received. Creditors are normally paid 30 days after the month of invoice. No interest is payable on these amounts.

9.2 Payments Received in Advance & Deposits

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

10. Borrowings

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

11. Employee Benefits

11.1 Salaries, Wages & Compensated Absences

A liability for wages and salaries is recognised and is measured as the amount unpaid at balance date, at current pay rates, in respect of employees' services up to that date. The total number of equivalent full-time employees at the beginning and end of the financial year were 239 and 238 respectively.

Employee benefits are accrued on a pro-rata basis for annual leave, sick leave and long service leave and gratuities in respect of services provided by employees up to the reporting date in accordance with AASB 1028. Such accruals are assessed as at each reporting date, having regard to a number of factors including experience of employee departures, projected employee rates of pay and their periods of service. The amounts provided have been apportioned between current and non-current, the current provision being the entitlement which is expected to be paid in the next twelve months.

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 the nominal amounts. The nominal basis of measurement uses remuneration rates that Council expects to pay as at each reporting date and does not discount cash flows to their present value.

Council also uses the nominal method in calculating the liability and expense for long service leave entitlements in accordance with existing State Government policy and the relevant provisions in the NSW Treasurer's directions. This is because the difference arising from the use of the nominal method, compared to the use of a present value calculation, does not result in a material error in the financial statements.

Nominal values of long service leave liability are reported in these financial statements as follows:

- Proportional entitlement for employees with between 1 and 10 years of service
- Absolute entitlement for employees with 10 or more years of service

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

Note 1 - SIGNIFICANT ACCOUNTING POLICIES (cont'd)

The liability for long service leave is separated into current and non-current categories based on the expected payments of long service leave within the next twelve months (current) and beyond twelve months (non-current). Historically, 20% of the total long service leave entitlement is paid out each financial year; the balance of the liability is treated as non-current.

The liability for absolute or vesting sick leave entitlements, which accumulated in accordance with a Council agreement up until 15 February 1993, are required to be treated in a similar manner to other leave entitlements and are therefore apportioned between current and non-current liability.

The liability for gratuities, which accumulate in accordance with Council policy, is determined on a similar basis to the liability for other leave entitlements, with current and non-current liability components determined on the basis of past experience.

11.2 Superannuation

The Superannuation expense for the reporting period is the amount of the statutory contribution the Council makes to the superannuation plan, which provides benefits to its employees.

The following disclosures are made pursuant to AASB 1028, paragraph 6.10:

As at the balance date, a number of council staff had been making contributions to a defined benefit scheme referred to as the Local Government Superannuation Scheme. That scheme was one of five superannuation schemes provided by State Super, which were incorporated without change into the Local Government Superannuation Scheme from 1 July 1997. It is referred to in the Trust Deed as Division D.

A defined benefit scheme may generally be described as one where the amount of benefits payable are, in part, defined by a member's final salary. This scheme, which is heavily subsidised by the member's employer, was closed to new members on 1 July 1985. The Local Government Superannuation Scheme is a \$2 billion fully-funded Scheme and members are offered a range of benefits payable. The benefit payable on retirement is directly related to a member's final salary and the level of their contributions. This benefit is drawn from a pool that contains the combined accumulated contributions of the member and the employer plus investment earnings.

The value of accrued benefits in respect of all defined benefits plans in which Council participates has been determined on the basis of the present value of expected payments which arise from its membership in the superannuation scheme at the date of the actual review. The actual review was performed as at 30 June 2005.

The following table provides the information for the defined benefits schemes:

Superannuation Scheme	Employer Liability	Employer Assets	2005 Surplus
City of Canada Bay	\$5,250,686	\$5,988,931	\$738,245

12. Financial Instruments

Council complies with Australian Accounting Standard AAS 33 (AASB 1033) "Presentation & Disclosure of Financial Instruments"; the disclosures required by that Standard are made in Note 6 (Cash Assets and Investment Securities), Note 7 (Receivables) and Note 15 (Financial Instruments).

13. Leases

Lease arrangements have been accounted for in accordance with Australian Accounting Standard AAS 17 (AASB 1008) "Accounting for Leases".

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

Note 1 - SIGNIFICANT ACCOUNTING POLICIES (cont'd)

In respect to finance leases, where Council substantially carries all risks incident to ownership, the leased items are initially recognised as assets and liabilities equal in amount to the present value of the minimum lease payments. The assets are disclosed as assets under lease, and are amortised to expense over the period during which the Council is expected to benefit from the use of the leased assets. Lease payments are allocated between interest expense and reduction of the lease liability, according to the interest rate implicit in the lease. Council currently has no involvement with finance leases.

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

14. GST Implications

In accordance with UIG Abstract 31 "Accounting for the Goods & Services Tax",

- Receivables and Creditors include GST receivable and payable.
- Revenues and operating expenditures exclude GST, both receivable and payable, except in relation to input-taxed activities.
- Non-current assets and capital expenditures include GST net of any recoupment.
- Amounts included in the Statement of Cash Flows are disclosed on a gross basis.

15. Budget Information

Both the Statement of Financial Performance and Note 2 to the Financial Statements provide budget information of revenues and expenditures by type and for each of the major activities of the Council. Budget figures presented are those approved by Council at the beginning of the financial year and do not include Council approved variations throughout the year. Short explanations of the most significant variations are given in Note 16, and further information of the nature and amount of all variations is available from the Council office upon request.

16. Declared Business Activities

The City of Canada Bay Council has not declared any Category One Business for National Competition Policy purposes, having a turnover in excess of two million dollars.

17. Rounding

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

18. Comparative Information

Comparative information has been reclassified where necessary to be consistent with the current year disclosure of equivalent information.

CITY OF CANADA BAY COUNCIL

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

Note 2 - FUNCTIONS

REVENUES, EXPENSES AND ASSETS HAVE BEEN DIRECTLY ATTRIBUTED TO THE FOLLOWING FUNCTIONS & ACTIVITIES												
REVENUES			EXPENSES			OPERATING RESULT			GRANTS INCLUDED IN REVENUES		TOTAL ASSETS HELD (CURRENT & NON-CURRENT)	
ORIGINAL BUDGET	ACTUAL	ACTUAL	ORIGINAL BUDGET	ACTUAL	ACTUAL	ORIGINAL BUDGET	ACTUAL	ACTUAL	2005	2004	2005	2004
2005	2005	2004	2005	2005	2004	2005	2005	2004	2005	\$'000	\$'000	\$'000
\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Governance	-	-	1,169	1,525	1,560	(1,169)	(1,525)	(1,560)	-	-	266	190
Administration	5,247	4,454	7,348	12,252	11,259	(7,473)	(7,798)	(3,911)	9	54	31,307	30,931
Public Order & Safety	512	432	455	1,633	1,539	(986)	(1,201)	(1,084)	-	-	77	105
Health	31	48	25	32	4	(1)	44	17	-	7	-	-
Community Services & Education	584	588	649	1,180	1,303	(700)	(592)	(654)	450	501	3,040	2,959
Housing & Community Amenities	1,212	1,634	1,429	9,524	9,827	(9,550)	(7,890)	(8,398)	521	55	74,582	75,175
Water Supplies	-	-	-	-	-	-	-	-	-	-	-	-
Sewerage Services	-	-	-	-	-	-	-	-	-	-	-	-
Recreation & Culture	2,430	2,434	2,115	6,758	6,264	(3,176)	(4,324)	(4,149)	146	160	655,152	654,481
Fuel & Energy	-	-	-	-	-	-	-	-	-	-	-	-
Construction	292	306	320	2,168	1,230	(843)	(1,862)	(910)	-	-	395	368
Transport & Communication	1,823	2,505	2,574	7,161	7,053	(5,276)	(4,656)	(4,479)	644	786	151,379	153,339
Economic Affairs	-	657	672	543	589	(255)	114	83	-	-	24	17
Total Functions	12,131	13,058	15,587	42,748	40,632	(29,429)	(29,690)	(25,045)	1,770	1,563	916,222	917,565
General Purpose Revenues	29,496	30,325	28,209	-	-	29,496	30,325	28,209	1,472	1,585	-	-
Total	41,627	43,383	43,796	42,748	40,632	67	635	3,164	3,242	3,148	916,222	917,565

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

CITY OF CANADA BAY COUNCIL

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

Note 2 - COMPONENTS OF FUNCTIONS (cont'd)

The activities relating to Council functions are as follows:

Governance

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

Administration

Costs not otherwise attributed to functions.

Public Order & Safety

Fire protection, animal control, law enforcement (government regulations), emergency services, other.

Health

Administration and inspection, immunisations, food control, insect & vermin control, noxious plants, health centres, other.

Community Services & Education

Administration, family day care, child care, youth services, other services to families and children, aged and disabled, migrant services, Aboriginal services, other community services, education.

Housing & Community Amenities

Land & housing, town planning, domestic waste management services, other waste management services, street cleaning, other sanitation and garbage, urban stormwater drainage, environmental protection, public conveniences, other community amenities.

Recreation & Culture

Public libraries, museums, community centres, public halls, other cultural services, swimming pools, sporting grounds, parks and gardens, lakes, other sport and recreation.

Construction

Building control, development assessment and compliance.

Transport & Communication

Roads, bridges, footpaths, car parks, bus shelters and services, RTA works, street lighting, other.

Economic Affairs

Tourism and area promotion, other business undertakings (including private works).

CITY OF CANADA BAY COUNCIL

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

Note 3 - EXPENSES FROM ORDINARY ACTIVITIES

	2005 \$'000	2004 \$'000
(a) EMPLOYEE COSTS		
Salaries and Wages	11,218	10,822
Travelling	29	4
Employee Leave Entitlements	1,245	1,467
Superannuation	827	754
Workers' Compensation Insurance	569	558
Fringe Benefits Tax	94	81
Training Costs (excluding Salaries)	117	151
Other	-	-
Less: Capitalised and distributed costs	(248)	(477)
Total Operating Employee Costs	13,851	13,360
Total Number of Employees	238	239
<small>(Full time equivalent at end of reporting period)</small>		
(b) BORROWING COSTS		
Interest on Overdraft	-	-
Interest on Loans	403	262
Gross Interest Charges	403	262
Less: Borrowing Costs capitalised	-	-
Total Interest Charges	403	262
(c) DEPRECIATION		
Plant and Equipment	917	933
Office Equipment	11	20
Furniture & Fittings	74	75
Leased Property, Plant & Equipment	-	-
Land Improvements	191	140
Buildings	773	736
Other Structures	421	417
Infrastructure		
- roads, bridges & footpaths	3,255	3,175
- stormwater drainage	959	939
Other assets		
- library books	149	272
- other	58	208
Less: Capitalised and distributed costs	-	-
Total Depreciation	6,808	6,915

CITY OF CANADA BAY COUNCIL

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

Note 3 - EXPENSES FROM ORDINARY ACTIVITIES (cont'd)

	2005 \$'000	2004 \$'000
(d) OTHER EXPENSES		
Advertising	294	243
Auditor's Remuneration		
- Audit Services	37	33
Bad and Doubtful Debts	-	-
Bank Fees & Charges	62	54
Child Care - Parent Fees	200	227
Donations & Contributions to Local & Regional Bodies	190	166
Election Expenses	-	168
Fuel & Oil	327	343
Insurances (Premiums)	725	640
Insurances (Excesses)	111	108
Legal Expenses		
- Planning & Development	652	728
- Other Legal Expenses	175	92
Light, Power & Heating	320	252
Mayoral Allowance	28	28
Members' Fees & Allowances	119	107
Members' Expenses	14	16
Motor Vehicle Registrations	70	70
Operating Lease Rentals - cancellable	695	619
Payments to other levels of Government	1,161	1,054
Postage	103	114
Street Lighting	590	535
Subscriptions & Publications	118	111
Telephone & Communications	432	484
Water	170	148
Other	472	433
Total Other Expenses	7,065	6,773

CITY OF CANADA BAY COUNCIL

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

Note 4 - REVENUES FROM ORDINARY ACTIVITIES

	2005 \$'000	2004 \$'000
(a) RATES & ANNUAL CHARGES		
<u>Ordinary Rates</u>		
Residential	17,221	16,262
Business	<u>3,228</u>	<u>3,329</u>
	<u>20,449</u>	<u>19,591</u>
<u>Special Rates</u>		
Environmental Levy	562	541
Main Street	<u>62</u>	<u>63</u>
	<u>624</u>	<u>604</u>
<u>Annual Charges</u>		
Domestic Waste Management	5,972	5,218
Other Waste Management	-	-
	<u>5,972</u>	<u>5,218</u>
Total Rates & Annual Charges	<u>27,045</u>	<u>25,413</u>
 (b) USER CHARGES & FEES		
<u>User Charges</u>		
Domestic Waste Management	-	6
Other Waste Management	<u>101</u>	<u>96</u>
Total User Charges	<u>101</u>	<u>102</u>
 <u>Fees</u>		
Planning & Building	1,309	1,280
Registration Fees	29	13
Private Works	656	672
Road Restorations	779	634
Golf Courses	1,422	1,436
Sec 611 Charges	33	31
Rent & Hire of Council Property	431	322
Admission & Service Fees	742	560
Other	<u>56</u>	<u>117</u>
Total Fees	<u>5,457</u>	<u>5,065</u>
Total User Charges & Fees	<u>5,558</u>	<u>5,167</u>

CITY OF CANADA BAY COUNCIL

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

Note 4 - REVENUES FROM ORDINARY ACTIVITIES (cont'd)

	2005 \$'000	2004 \$'000
(c) INVESTMENT REVENUES		
Interest on overdue rates & charges	72	66
Interest on investments attributable to		
Section 94 Contributions	656	484
Other External Restrictions	-	-
Other Investments	906	611
Other Investment Revenues	<u>51</u>	<u>63</u>
Gross Investment Revenues	1,685	1,224
Less: Interest deducted from		
capitalised borrowing costs	-	-
Total Investment Revenues	<u>1,685</u>	<u>1,224</u>
 (d) OTHER REVENUES		
Commissions & Agency Fees	6	7
Fines	397	435
Lease Rental	1,424	1,188
Legal Fees Recovery (Rates)	39	50
Legal Fees Recovery (Other)	15	56
Loan Repayment Contribution	-	120
Sponsorships	21	22
Sales - General	19	432
Other	<u>58</u>	<u>30</u>
Total Other Revenues	<u>1,979</u>	<u>2,340</u>

CITY OF CANADA BAY COUNCIL

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

Note 4 - REVENUES FROM ORDINARY ACTIVITIES (cont'd)

	OPERATING		CAPITAL	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
(e) GRANTS				
General Purpose (Untied)				
Financial Assistance	1,415	1,373	-	-
Pensioner Rates Subsidies (General)	432	442	-	-
Specific Purpose				
Pensioner Rates Subsidies (DWM)	135	128	-	-
Planning	305	-	-	-
Roads & Bridges	-	-	269	428
Employment & Training Programs	9	54	-	-
Environmental Projects	81	6	-	55
Recreational Services	-	-	-	15
Community Care Services	449	502	-	-
Library Services	146	145	-	-
Other	1	-	-	-
Total Grants & Subsidies	2,973	2,650	269	498
(f) CONTRIBUTIONS & DONATIONS				
Developer Contributions				
- Roadworks	-	-	624	495
- Drainage	-	-	-	-
- Traffic Facilities	-	-	-	-
- Parking	-	-	54	-
- Open Space	-	-	991	1,256
- Community Facilities	-	-	591	1,267
- Other	-	-	-	-
RTA Contributions	481	506	91	140
Other Councils (Joint Works)	-	13	-	-
Other	575	17	63	146
Total Contributions & Donations	1,056	536	2,414	3,304
TOTAL GRANTS & CONTRIBUTIONS	4,029	3,186	2,683	3,802

CITY OF CANADA BAY COUNCIL

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

Note 5 - GAIN OR LOSS ON DISPOSAL OF ASSETS

	2005 \$'000	2004 \$'000
DISPOSAL OF PROPERTY		
Proceeds from disposal	17	2,594
Less: Carrying amount of assets sold	<u>-</u>	<u>-</u>
Gain (Loss) on disposal	<u>17</u>	<u>2,594</u>
DISPOSAL OF PLANT & EQUIPMENT		
Proceeds from disposal	942	582
Less: Carrying amount of assets sold	<u>555</u>	<u>512</u>
Gain (Loss) on disposal	<u>387</u>	<u>70</u>
DISPOSAL OF REAL ESTATE DEVELOPMENT ASSETS		
Proceeds from disposal		-
Less: Carrying amount of assets sold		<u>-</u>
Gain (Loss) on disposal	<u>-</u>	<u>-</u>
DISPOSAL OF INVESTMENT SECURITIES		
Proceeds from disposal		-
Less: Carrying amount of assets sold		<u>-</u>
Gain (Loss) on disposal	<u>-</u>	<u>-</u>
TOTAL GAIN (LOSS) ON DISPOSAL OD ASSETS	<u>404</u>	<u>2,664</u>

CITY OF CANADA BAY COUNCIL

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

Note 6 - CASH ASSETS & INVESTMENT SECURITIES

	2005 \$'000		2004 \$'000	
	<u>Current</u>	<u>Non-Current</u>	<u>Current</u>	<u>Non-Current</u>
CASH ASSETS				
Cash on Hand and at Bank	502	-	514	-
Deposits at Call	500	-	-	-
Short Term Deposits & Bills etc.	4,766	-	2,800	-
Total Cash Assets	5,768	-	3,314	-
INVESTMENT SECURITIES				
Term Deposits	1,000	-	3,144	-
Bills of Exchange	-	-	-	-
Treasury Corporation	-	-	-	-
NCDs, FRNs	3,791	7,709	500	7,000
Managed Funds	4,887	-	5,877	1,743
Other	-	-	-	-
Total Investment Securities	9,678	7,709	9,521	8,743
TOTAL CASH ASSETS & INVESTMENT SECURITIES	15,446	7,709	12,835	8,743

Cash Assets comprise highly liquid investments with short periods to maturity subject to insignificant risk of changes of value. Cash Assets subject to external restrictions that are not expected to be discharged during the next reporting period are classified as Non-Current.

The permitted forms of investment in financial instruments of the Council are defined in an order made by the Minister of Local Government on 16 November 2000, and may broadly be described as "Trustee Securities". Accordingly, credit risk is considered to be insignificant. Deposits and Bills are with, or have been accepted by, banks and credit unions and bear various rates of interest between 5.6% and 6.2% (2004 - 5.2% and 5.7%). NCDs, FRNs and Managed Funds are all with organisations with credit ratings that comply with the Minister's Order and bear various rates of rates of return between 5.9% and 8.4% (2004 - 5.9% and 8.2%).

RESTRICTED CASH ASSETS & INVESTMENT SECURITIES

		2005 \$'000		2004 \$'000	
		<u>Current</u>	<u>Non-Current</u>	<u>Current</u>	<u>Non-Current</u>
EXTERNAL RESTRICTIONS					
Included in liabilities					
Unexpended Loans		367	-	367	-
RTA Advances		-	-	-	-
Self Insurance Claims		-	-	-	-
Other		-	-	-	-
		367	-	367	-
Other					
Developer Contributions	17	4,345	7,709	1,959	8,743
RTA Contributions		-	-	-	-
Unexpended Grants	14	220	-	193	-
Domestic Waste Management		-	-	84	-
Other		461	-	361	-
		5,026	7,709	2,597	8,743
Total External Restrictions		5,393	7,709	2,964	8,743
Total Internal Restrictions		6,750	-	6,866	-
Total Unrestricted		3,303	-	3,005	-
TOTAL CASH ASSETS & INVESTMENT SECURITIES		15,446	7,709	12,835	8,743

CITY OF CANADA BAY COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30th June 2005

Note 6 - CASH ASSETS & INVESTMENT SECURITIES (cont'd)

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

Notes	Opening Balance 30 June 2004	Movements		Closing Balance 30 June 2005	Proposed Utilisation of Restriction		
		Transfers To Restriction	Transfers From Restriction		Less than 1 Year	Between 1 and 5 years	Greater than 5 years
		\$'000	\$'000		\$'000	\$'000	\$'000
External Restrictions							
Developer Contributions	10,702	2,915	1,563	12,054	4,345	3,855	3,854
RTA Contributions	-	-	-	-	-	-	-
Unexpended Loans	367	-	-	367	367	-	-
Unexpended Grants	193	148	121	220	220	-	-
Domestic Waste Management	84	-	84	-	-	-	-
Other	361	570	470	461	461	-	-
Total External Restrictions	11,707	3,633	2,238	13,102	5,393	3,855	3,854

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

Internal Restrictions

Employee Leave Entitlements	1,435	-	513	922	-	922	-
Construction of Buildings	-	-	-	-	-	-	-
Replacement - Plant & Vehicles	99	-	-	99	-	99	-
Asset Acquisition	4,388	-	-	4,388	-	4,388	-
Infrastructure Replacement	762	534	381	915	915	-	-
Concord Oval	182	364	120	426	-	426	-
Total Internal Restrictions	6,866	898	1,014	6,750	915	5,835	-

Internal Restrictions arise pursuant to resolutions of Council to set aside reserves of cash resources either relating to liabilities recognised in these reports or to fund future expenditure for the stated purpose. Such reserves are not permitted to exceed the amounts of cash assets and cash investments not otherwise restricted.

CITY OF CANADA BAY COUNCIL

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

Note 7 - RECEIVABLES

	2005 \$'000		2004 \$'000	
	<u>Current</u>	<u>Non-Current</u>	<u>Current</u>	<u>Non-Current</u>
Rates & Annual Charges	569	53	631	47
Interest & Extra Charges	6	43	28	37
User Charges & Fees	173	-	124	-
Private Works	116	-	225	-
Road Restorations	165	-	272	-
Accrued Revenues	96	-	37	-
Employee Advances	10	45	6	56
Payroll Processing-Agency	-	-	33	-
Grants & Contributions	99	-	509	-
GST	422	-	571	-
Other	298	-	702	-
Total	1,954	141	3,138	140
Less: Provision for Doubtful Debts				
Rates & Annual Charges	-	-	-	-
Interest & Extra Charges	-	-	-	-
User Charges & Fees	-	-	41	-
Other	38	-	44	-
Total Receivables	1,916	141	3,053	140

Rates, Annual Charges, Interest & Extra Charges

Overdue rates and annual charges (being amounts not paid on or before the due date determined in accordance with the Local Government Act) are secured over the relevant land and are subject to simple interest at a rate of 9.00% (2003: 9.00%). Although Council is not materially exposed to any individual ratepayer, credit risk exposure is concentrated within the Council boundaries in the State of New South Wales.

RESTRICTED RECEIVABLES

Domestic Waste Management	146	-	127	-
Environmental Levy	16	-	17	-
Town Improvement	1	-	4	-
Other	-	-	-	-
Total Restrictions	163	-	148	-
Unrestricted Receivables	1,753	141	2,905	140
Total Receivables	1,916	141	3,053	140

CITY OF CANADA BAY COUNCIL

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

Note 8 - INVENTORIES & OTHER ASSETS

	2005 \$'000		2004 \$'000	
	<u>Current</u>	<u>Non-Current</u>	<u>Current</u>	<u>Non-Current</u>
INVENTORIES				
Stores & Materials	33	-	10	-
Trading Stock	-	-	-	-
Real Estate Developments	-	-	-	-
Other	-	-	-	-
Total Inventories	<u>33</u>	<u>-</u>	<u>10</u>	<u>-</u>
OTHER ASSETS				
Prepayments	48	-	460	-
Other	-	-	-	-
Total Other Assets	<u>48</u>	<u>-</u>	<u>460</u>	<u>-</u>
RESTRICTIONS EXIST IN RESPECT OF THE FOLLOWING:				
Inventories				
Domestic Waste Management	-	-	-	-
Other	-	-	-	-
Other Assets				
Domestic Waste Management	-	-	-	-
Other	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

CITY OF CANADA BAY COUNCIL

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

Note 9 - PROPERTY, PLANT & EQUIPMENT

	2004 \$'000				CARRYING AMOUNT MOVEMENTS DURING YEAR \$'000					2005 \$'000			
	AT COST	AT FAIR VALUE	ACCUM DEPN	CARRYING AMOUNT	ASSET PURCHASES	ASSET DISPOSALS	DEPR'N	RETIREMENTS	NET REVAL'N	AT COST	AT FAIR VALUE	ACCUM DEPN	CARRYING AMOUNT
	Plant & Equipment	5,132	-	2,150	2,982	1,665	(555)	(917)	(1,095)	-	5,147	-	1,972
Office Equipment	154	-	123	31	147	-	(11)	(70)	-	231	-	64	167
Furniture & Fittings	740	-	436	304	57	-	(74)	(2)	-	795	-	508	287
Leased Plant & Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-
Land													
- Operational Land	13,828	-	-	13,828	-	-	-	-	-	13,828	-	-	13,828
- Community Land	633,947	-	-	633,947	-	-	-	-	-	633,947	-	-	633,947
- non deprec land improv'ts	-	-	-	-	-	-	-	-	-	-	-	-	-
- land under roads	-	-	-	-	-	-	-	-	-	-	-	-	-
Land Improvements (depreciable)	4,569	-	440	4,129	1,064	-	(191)	(115)	-	5,518	-	516	5,002
Buildings	38,658	-	13,043	25,615	695	-	(773)	(3)	-	39,350	-	13,813	25,537
Other Structures	9,336	-	2,131	7,205	475	-	(421)	-	-	9,811	-	2,552	7,259
Infrastructure													
- Roads, bridges, footpaths	254,760	-	106,417	148,343	1,160	-	(3,255)	-	-	255,920	-	109,672	146,248
- Stormwater drainage	90,442	-	35,124	55,318	287	-	(959)	-	-	90,729	-	36,083	54,646
Other Assets													
- Heritage Collections	-	-	-	-	-	-	-	-	-	-	-	-	-
- Library Books	1,697	-	1,194	503	332	-	(149)	(1,010)	-	1,019	-	333	686
- Other	395	-	276	119	86	-	(58)	(154)	-	327	-	180	147
Total Property, Plant & Equipment	1,053,658	-	161,334	892,324	5,968	(555)	(6,808)	(2,449)	-	1,056,622	-	165,693	890,929

Note: Retirements represent those assets written down to zero and subsequently retired from the assets register.

CITY OF CANADA BAY COUNCIL

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

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

	2005 \$'000				2004 \$'000			
	AT COST	AT VALUATION	ACCUM DEPN	CARRYING AMOUNT	AT COST	AT VALUATION	ACCUM DEPN	CARRYING AMOUNT
Domestic Waste Management								
Plant & Equipment	80	-	29	51	66	-	-	66
Office Equipment	-	-	-	-	-	-	-	-
Furniture & Fittings	-	-	-	-	-	-	-	-
Leased Plant & Equipment	-	-	-	-	-	-	-	-
Land								
- Operational Land	-	-	-	-	-	-	-	-
- Community Land	-	-	-	-	-	-	-	-
Land Improvements (depreciable)	-	-	-	-	-	-	-	-
Buildings	-	-	-	-	-	-	-	-
Other Structures	-	-	-	-	-	-	-	-
- Other	67	-	55	12	795	-	740	55
TOTAL RESTRICTIONS	147	-	84	63	861	-	740	121

CITY OF CANADA BAY COUNCIL

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

Note 9 - PROPERTY, PLANT & EQUIPMENT (cont'd)

Valuation of Assets

At 1 July 2000, upon the commencement of Australian Accounting Standard AAS 38 (AASB 1041) "Revaluation of Non-Current Assets", Council elected pursuant to paragraph 10.4(a) of the standard to revert to the cost basis for all classes of assets previously carried at revalued amounts.

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

Assets acquired after 1 January 1993 are recorded at cost. Assets acquired prior to that date and depreciated in accordance with the Local Government Accounting Regulations 1979 are recorded at deemed cost, being the carrying value of those assets at 31 December 1992.

Major depreciation periods are:

Office Equipment	3 to 10 years
Office Furniture	3 to 10 years
Vehicles & Road-making Equipment	5 to 6 years
Other Plant & Equipment	5 to 10 years

Asset capitalisation thresholds include:

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

Land - Operational and Community

An independent valuation of operational land based on market value was undertaken as at 1 July 2003 by the Valuer-General and totalled \$M 58.08.

A valuation of community land was undertaken on a municipal site value basis by Council officers as at 30 June 2004 and totalled \$M 2,339.41.

These new valuations have not been brought to account as Council will continue to adopt the "cost" basis for recording these classes of assets.

Buildings

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

Buildings – masonry	50 years
Buildings – other construction	20 years

Asset capitalisation thresholds include:

New construction/extensions	\$10,000
-----------------------------	----------

Current valuation

An independent valuation of buildings and other structures, based on written down current replacement costs as at October 2003 was undertaken by Mr Mark Lim (Valuer #6532) and Mr A Robson (Valuer #6228) of the Rushton Group, Sydney. The market valuation in total was \$16,035,500. This valuation however has not been brought to account as Council has continued to adopt the 'cost basis' for recording this asset class.

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

Note 9 – PROPERTY, PLANT & EQUIPMENT (cont'd)

Land Improvements, Other Structures and Infrastructure

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

Park Structures – masonry	50 years
Park Structures – other construction	20 years
Playground equipment	5 years
Benches, seats, etc	20 years

Asset capitalisation thresholds include:

Park Furniture & Equipment	\$2,000
----------------------------	---------

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

Sealed Roads – Surface	50 years
Sealed Roads – Structure	10 to 50 years
Unsealed Roads	20 years
Footpaths – Concrete	50 years
Bridges – Concrete	100 years
Bulk Earthworks	indefinite

Asset capitalisation thresholds include:

Road construction & reconstruction	\$10,000
------------------------------------	----------

Stormwater drainage infrastructure was valued by Council officers as at 30 June 1997 at written down current replacement cost, based on actual costs incurred during the reporting period ended 30 June 1997 and pursuant to Council's election are disclosed at deemed cost. All acquisitions made after the respective dates of valuation are recorded at cost. Major depreciation periods are:

Conduits & Pipelines	100 years
Pollutant Control Devices	30 years

Asset capitalisation thresholds include:

Conduits & Pipelines	\$5,000
----------------------	---------

Other Assets

Assets acquired after 1 January 1993 are recorded at cost. Assets acquired prior to that date and depreciated in accordance with the Local Government Accounting Regulations 1979 are recorded at deemed cost, being the carrying value of those assets at 31 December 1992.

Major depreciation periods are:

Library Books	5 years
Audio-Visual Media & Toys	5 years
Artworks	indefinite

Restricted Assets

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

	2005 \$'000	2004 \$'000
Domestic Waste Management	51	66
Other Assets	12	55

CITY OF CANADA BAY COUNCIL

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

Note 10 - LIABILITIES

	2005 \$'000		2004 \$'000	
	<u>Current</u>	<u>Non-Current</u>	<u>Current</u>	<u>Non-Current</u>
PAYABLES				
Goods & Services	2,360	-	3,500	-
Payments Received in Advance	33	-	185	-
Accrued Expenses	419	-	403	-
Deposits, Retentions & Bonds	1,800	3,982	2,283	3,337
Other	-	-	-	-
Total Payables	<u>4,612</u>	<u>3,982</u>	<u>6,371</u>	<u>3,337</u>
BORROWINGS				
Bank Overdraft	-	-	-	-
Loans	756	5,575	709	6,333
Finance Lease Liability	-	-	-	-
Other	-	-	-	-
Total Borrowings	<u>756</u>	<u>5,575</u>	<u>709</u>	<u>6,333</u>

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

PROVISIONS				
Annual Leave	612	612	343	1,028
Sick Leave	55	491	158	473
Long Service Leave	273	2,455	650	1,951
Gratuities	11	100	-	181
Insurance Excesses	-	37	-	15
Other	-	-	-	-
Total Provisions	<u>951</u>	<u>3,695</u>	<u>1,151</u>	<u>3,648</u>

MOVEMENTS IN PROVISION

Insurance Losses		Current & <u>Non-Current</u>	Current & <u>Non-Current</u>
Opening Balance		-	75
Add: Additional amounts recognised		-	-
(Less): Payments		-	-
Add (Less): Remeasurement Adjustments		-	(75)
Closing Balance		<u>-</u>	<u>-</u>
Insurance Excesses		Current & <u>Non-Current</u>	Current & <u>Non-Current</u>
Opening Balance		15	15
Add: Additional amounts recognised		22	-
(Less): Payments		-	-
Add (Less): Remeasurement Adjustments		-	-
Closing Balance		<u>37</u>	<u>15</u>

CITY OF CANADA BAY COUNCIL

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

NOTE 10 - LIABILITIES (cont'd)

	2005 \$'000		2004 \$'000	
	<u>Current</u>	<u>Non-Current</u>	<u>Current</u>	<u>Non-Current</u>
AGGREGATE LIABILITY				
Employee Benefits	951	3,658	1,151	3,633
LIABILITIES (RESTRICTED ASSETS)				
<u>Domestic Waste Management</u>				
Payables	486	-	1,351	-
Interest Bearing Liabilities	-	-	-	-
Provisions	23	-	46	-
TOTAL	<u>509</u>	<u>-</u>	<u>1,397</u>	<u>-</u>

CITY OF CANADA BAY COUNCIL

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

Note 11 - RECONCILIATION TO CASH FLOW STATEMENT

(a) Reconciliation of Cash

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

	2005 \$'000	2004 \$'000
Total Cash Assets (Note 6)	5,768	3,314
Less: Bank Overdraft (Note 10)	-	-
Balances per Statement of Cash Flows	5,768	3,314

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

Change in Net Assets resulting from Operations	635	3,164
Minority Interest in Operating Result	-	-
Plus: Depreciation	6,808	6,915
Increase in provision for doubtful debts	-	-
Increase in employee benefits	-	158
Increase in other provisions	22	-
Decrease in receivables	1,183	3,184
Decrease in inventories	-	20
Decrease in other current assets	412	-
Increase in trade creditors	-	-
Increase in accrued expenses payable	16	400
Increase in other payables	162	798
Loss on Sale of Assets	-	-
Equity share of loss in Associates	-	-
Equity adjustment in Associates (decrease)	-	-
Decrements from Revaluations	-	-
Loss on Council restructure	-	-
	9,238	14,639
Less: Decrease in provision for doubtful debts	47	2,865
Decrease in employee benefits	175	-
Decrease in other provisions	-	60
Increase in receivables	-	-
Increase in inventories	23	-
Increase in other current assets	-	26
Decrease in trade creditors	1,292	505
Decrease in accrued expenses payable	-	-
Decrease in other payables	-	-
Gain on Sale of Assets	404	2,664
Equity share of profit in Associates	-	-
Equity adjustment in Associates (increase)	-	-
Reversal of previous Revaluation Decrements	-	-
Non-cash Capital Grants and Contributions	-	-
Gain on Council restructure	-	-
Net Cash Provided by (or used in) Operations	7,297	8,519

CITY OF CANADA BAY COUNCIL

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

Note 11 - RECONCILIATION TO CASH FLOW STATEMENT (cont'd)

	2005 \$'000	2004 \$'000
(c) Non-Cash Financing and Investing Activities		
Acquisition of assets by means of:		
- PWD Construction	-	-
- Bushfire Grants	-	-
- Developer Contributions received in kind	-	-
- Non-cash issues of shares in other companies	-	-
- Other	-	-
	-	-
- Finance Leases	-	-
- Land taken over for non-payment of Rates	-	-
	-	-

(d) Financing Arrangements

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

Bank Overdrafts	500	500
Corporate Credit Cards	100	100

The bank overdraft facilities may be drawn at any time and may be terminated by the bank without notice. Interest rates on overdrafts are variable while the rates for loans are fixed for the period of the loan.

CITY OF CANADA BAY COUNCIL

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

Note 12 - COMMITMENTS FOR EXPENDITURE

	2005 \$'000	2004 \$'000
(a) Capital Commitments		
Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:		
Land	-	-
Buildings	-	-
Plant & Equipment	-	-
	<u>-</u>	<u>-</u>
These expenditures are payable:		
Not later than one year	-	-
Later than one year and not later than 5 years	-	-
Later than 5 years	-	-
	<u>-</u>	<u>-</u>
(b) Other Expenditure Commitments		
Other expenditure committed for (excluding inventories) at the reporting date but not recognised in the financial statements as liabilities:		
Audit Services	91	124
Waste Management Services	30,387	33,155
Other	-	-
	<u>30,478</u>	<u>33,279</u>
These expenditures are payable:		
Not later than one year	4,935	4,768
Later than one year and not later than 5 years	19,707	19,041
Later than 5 years	5,836	9,470
	<u>30,478</u>	<u>33,279</u>

CITY OF CANADA BAY COUNCIL

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

Note 12 - COMMITMENTS FOR EXPENDITURE (cont'd)

	2005 \$'000	2004 \$'000
(c) Finance Lease Commitments		
Commitments under finance leases at the reporting date are as follows:		
Not later than one year	-	-
Later than one year and not later than 5 years	-	-
Later than 5 years	-	-
Minimum lease payments	-	-
Less: future finance charges	-	-
Net Lease Liability	-	-
Representing lease liabilities:		
Current	-	-
Non-Current	-	-
	-	-

(d) Operating Lease Commitments (Non-Cancellable)

Commitments under non-cancellable operating leases at the reporting date but not recognised in the financial statements are payable as follows:

<u>Total Future Minimum Lease Payments</u>		
Not later than one year	-	461
Later than one year and not later than 5 years	-	774
Later than 5 years	-	-
	-	1,235

CITY OF CANADA BAY COUNCIL

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

Note 13 - STATEMENT OF PERFORMANCE MEASUREMENT

	2005	2004	2003	2002
<u>Amounts</u> \$'000	<u>Indicators</u>			
Current Ratio				
<u>Current Assets</u>	\$17,443	2.76:1	1.99:1	2.08:1
Current Liabilities	\$6,319			1.78:1
Unrestricted Current Ratio				
<u>Unrestricted Current Assets*</u>	\$11,887	2.05:1	1.94:1	1.53:1
Current Liabilities not relating to Restricted Assets * as defined in the Code	\$5,810			1.71:1
Debt Service Ratio				
<u>Net Debt Service Cost</u>	\$1,114	2.89%	2.11%	1.27%
Operating Revenue	\$38,518			2.48%
Rate & Annual Charges Coverage Ratio				
<u>Rates & Annual Charges Revenues</u>	\$27,045	62.34%	58.03%	60.22%
Total Revenues	\$43,383			61.90%
Rates & Annual Charges Outstanding Percentage				
<u>Rates & Annual Charges Outstanding</u>	\$671	2.41%	2.82%	3.10%
Rates & Annual Charges Collectible	\$27,899			4.26%

CITY OF CANADA BAY COUNCIL

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

Note 14 - CONDITIONS OVER GRANTS & CONTRIBUTIONS

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

	2005 \$'000		2004 \$'000	
	<u>Grants</u>	<u>Contrib</u>	<u>Grants</u>	<u>Contrib</u>
Unexpended at the close of the previous reporting period	193	10,702	346	9,036
Less: amounts expended during the current period from revenues recognised in previous reporting periods				
Section 94/64 Developer Contributions	-	1,563	-	1,836
Roads Infrastructure	-	-	-	-
Heritage & Cultural Services	-	-	-	-
Community Care Services	121	-	264	-
Other	-	-	-	-
Sub-total	<u>121</u>	<u>1,563</u>	<u>264</u>	<u>1,836</u>
Plus: amounts recognised as revenues in this reporting period but not yet expended in accordance with the conditions				
Section 94/64 Developer Contributions	-	2,915	-	3,502
Roads Infrastructure	-	-	66	-
Heritage & Cultural Services	-	-	22	-
Community Care Services	148	-	23	-
Other	-	-	-	-
Sub-total	<u>148</u>	<u>2,915</u>	<u>111</u>	<u>3,502</u>
Unexpended at the close of this reporting	<u>220</u>	<u>12,054</u>	<u>193</u>	<u>10,702</u>
Net increase (decrease) in restricted assets in the current reporting period	<u>27</u>	<u>1,352</u>	<u>(153)</u>	<u>1,666</u>

CITY OF CANADA BAY COUNCIL

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

Note 15 - FINANCIAL INSTRUMENTS

Interest Rate Risk Exposures

2005	Floating Interest Rate \$'000	Fixed interest maturing in			Non- interest bearing \$'000	Total \$'000
		≤ 1 year \$'000	> 1 year ≥ 5 years \$'000	> 5 years \$'000		
Financial Assets						
Cash Assets	-	-	-	-	5,768	5,768
Investment Securities	-	6,887	10,000	500	-	17,387
Receivables						
Rates & Annual Charges	-	575	96	-	-	671
User Charges & Fees	-	-	-	-	454	454
Employee Advances	-	-	-	-	55	55
Other Levels of Govt.	-	-	-	-	521	521
Other	-	-	-	-	260	260
Other Assets	-	-	-	-	-	-
Total	-	7,462	10,096	500	7,058	25,116
<i>Weighted Ave. Interest Rate</i>		6.32	6.90	7.00		

Financial Liabilities

Financial Liabilities						
Payables						
Goods & Services	-	-	-	-	2,360	2,360
Payments in advance	-	-	-	-	33	33
Deposits, Retentions, Bonds	-	-	-	-	5,782	5,782
Other	-	-	-	-	-	-
Interest Bearing Liabilities	-	756	3,009	2,566	-	6,331
Finance Lease Liabilities	-	-	-	-	-	-
Total	-	756	3,009	2,566	8,175	14,506
<i>Weighted Ave. Interest Rate</i>	-	6.77	6.77	5.75		

2004	Floating Interest Rate \$'000	Fixed interest maturing in			Non- interest bearing \$'000	Total \$'000
		≤ 1 year \$'000	> 1 year ≥ 5 years \$'000	> 5 years \$'000		
Financial Assets						
Cash Assets	-	-	-	-	3,314	3,314
Investment Securities	-	18,264	-	-	-	18,264
Receivables						
Rates & Annual Charges	-	659	84	-	-	743
User Charges & Fees	-	-	-	-	580	580
Employee Advances	-	62	-	-	-	62
Payroll Processing-Agency	-	-	-	-	33	33
Other Levels of Govt.	-	-	-	-	1,080	1,080
Other	-	-	-	-	658	658
Other Assets	-	-	-	-	-	-
Total	-	18,985	84	-	5,665	24,734
<i>Weighted Ave. Interest Rate</i>	-	6.70	6.70	-		

Financial Liabilities

Financial Liabilities						
Payables						
Goods & Services	-	-	-	-	3,500	3,500
Payments in advance	-	-	-	-	185	185
Deposits, Retentions, Bonds	-	-	-	-	5,620	5,620
Other	-	-	-	-	-	-
Interest Bearing Liabilities	-	709	969	5,364	-	7,042
Finance Lease Liabilities	-	-	-	-	-	-
Total	-	709	969	5,364	9,305	16,347
<i>Weighted Ave. Interest Rate</i>	-	6.80	6.80	6.80		

CITY OF CANADA BAY COUNCIL

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

Note 15 - FINANCIAL INSTRUMENTS (cont'd)

Credit Risk Exposures

Credit risk represents the loss that would be recognised if counterparties fail to perform as contracted. The maximum credit risk on financial assets of the Council is the carrying amount, net of any provision for doubtful debts. Except as detailed in Note 7 in relation to individual classes of financial assets, exposure is concentrated within the Council's boundaries within the State of New South Wales, and there is no material exposure to any individual debtor.

Reconciliation of Financial Assets & Liabilities

	2005 \$'000	2004 \$'000
Net financial assets from previous page		
Financial Assets	25,116	24,734
Financial Liabilities	<u>14,506</u>	<u>16,347</u>
Sub-Total	<u>10,610</u>	<u>8,387</u>
Non-financial assets and liabilities		
Accrued Revenues	96	37
Inventories	33	10
Property, Plant & Equipment	890,929	892,324
Interest in Associated Bodies		
Other Assets	48	460
Accrued Expenses	(419)	(403)
Provisions	(4,646)	(4,799)
Other Liabilities		
Sub-Total	<u>886,041</u>	<u>887,629</u>
Net Assets per Statement of Financial Position	<u><u>896,651</u></u>	<u><u>896,016</u></u>

Net Fair Value

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

CITY OF CANADA BAY COUNCIL

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

Note 16 - SIGNIFICANT VARIATIONS FROM ORIGINAL BUDGET

Council's original budget comprised part of the Management Plan adopted by Council on 15 June 2004. The original projections on which the budget was based have been affected by decisions and new grant programs initiated by State and Federal Governments, by the weather, and by decisions made by the Council.

This Note sets out the principal variations between the original Budget and Actual results for the Statement of Financial Performance 2004/05.

Employee Costs – \$1,254K (8.3%) Variance – Favourable

Salaries and wages were less than anticipated due to a number of staff vacancies being filled for varying periods by agency personnel. These costs are classified in the accounts as "Materials & Contracts".

Outdoor staff may be engaged in both maintenance and capital works, the proportions of which vary from year to year. Salaries in relation to the capital works are excluded from the Operating Statement, in the amount of \$248K further adding to the favourable result.

Workers Compensation deposit premium savings amounted to \$181K (24.13%). This saving was due to an improvement in Council's claims history over the last three years. Improved management of existing claims coupled with assisting injured staff to return to other duties, earlier than would otherwise be the case, has contributed to this favourable result.

Materials & Contracts – \$1,764K (13.7%) Variance – Unfavourable

Land & Property –Overall, air-conditioning, cleaning, drainage and security costs for Council properties, general maintenance on Cabarita and Drummoyne Pools exceeded original budget by \$474K (36.78%).

Works performed that were not originally anticipated when the original budget was prepared amounted to an additional expenditure (materials & contracts) of approximately \$573K. Projects included were:

- Parramatta Road Masterplan - \$175K
- Storm Damage - \$88K
- Strategic Planning - \$80K
- S94 Review - \$42K
- Libraries - Special Projects - \$34K

Rates debt recovery costs exceeded budget by \$17K, however these costs were recouped from the debtors.

Temporary staff and contractors were engaged to fill staff vacancies for varying periods throughout the year. Overall these unbudgeted costs amounted to \$700K.

CITY OF CANADA BAY COUNCIL

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

Note 16 - SIGNIFICANT VARIATIONS FROM ORIGINAL BUDGET (cont'd)

Other Operating Expenses – \$168K (2.5%) Variance – Favourable

Legal expenses in Planning & Development exceeded the original budget by \$352K (117%). This was due to a considerable increase in the legal defence of Council's determinations and as a result of prosecutions for illegal activity.

Legal expenses were also incurred in defending non Planning and Development matters. Expenditure exceeded budget by \$137K (360%).

Interest Received – \$739K (78.1%) Variance – Favourable

Investment of surplus funds generated an additional \$739K against budget. The early collection of rates debtors, together with a strategy of purchasing a mix of investments including longer term "Floating Rate Notes," have delivered increased returns at a time of relatively low interest rates.

Grants & Contributions Received (Operating) – \$1,118K (38.4%) Variance – Favourable

Council received a special purpose grant of \$200K from DIPNR to fund the Parramatta Rd Masterplan.

Contributions from developer, in accordance with Five Dock Library construction contract \$288K.

Other Operating Revenues – \$489K (32.8%) Variance – Favourable

An unbudgeted amount of \$364K was received from NSW Rugby as provided by the agreement, terminating their lease of Concord Oval.

Rental from advertising signs generated an unbudgeted amount of \$33K.

Return from Council's Five Dock Leisure Centre \$71K better than budget.

Profit from Disposal Of Assets – \$404K (100%) Variance – Favourable

\$404K profit was generated from the sale of motor vehicles and plant.

Grants & Contributions Received (Capital) – \$1,283K (32.3%) Variance – Unfavourable

Anticipated S94 contributions from Developers not forthcoming.

CITY OF CANADA BAY COUNCIL

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

Note 17 - STATEMENT OF CONTRIBUTION PLANS

SUMMARY OF CONTRIBUTIONS

Purpose	Opening Balance \$'000	Contributions Received During Year		Interest Earned During Year \$'000	Expended During Year \$'000	Expended In Advance \$'000	Held As Restricted Asset \$'000	Works Provided To Date \$'000
		Cash \$'000	Non-Cash \$'000					
Administration	71	-	-	4	-	-	75	-
Drainage	182	-	-	12	-	-	194	143
Roads	1,718	623	-	113	374	-	2,080	1,219
Infrastructure	24	-	-	1	-	-	25	-
Traffic Facilities	-	-	-	-	-	-	-	-
Town Centre	207	-	-	11	26	-	192	26
Parking	288	54	-	20	-	-	362	-
Open Space	4,204	991	-	244	942	-	4,497	6,533
Community Facilities	3,387	591	-	215	214	-	3,979	3,067
Other	-	-	-	-	-	-	-	-
Sub-total S94 under plans	10,081	2,259	-	620	1,556	-	11,404	10,988
S94 not under plans	621	-	-	36	7	-	650	-
S64 Contributions	-	-	-	-	-	-	-	-
Total Contributions	10,702	2,259	-	656	1,563	-	12,054	10,988

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

CITY OF CANADA BAY COUNCIL

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

Note 17 - STATEMENT OF CONTRIBUTION PLANS (cont'd)

CONTRIBUTION PLAN - CONCORD AREA

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					
Roads	1,584	623	-	105	374	-	1,938	1,219
Traffic Facilities	-	-	-	-	-	-	-	-
Parking	-	54	-	3	-	-	57	-
Open Space	3,970	991	-	232	910	-	4,283	6,442
Community Facilities	3,066	355	-	194	-	-	3,615	1,183
Other	-	-	-	-	-	-	-	-
Total	8,620	2,023	-	534	1,284	-	9,893	8,844

CONTRIBUTION PLAN - DRUMMOYNE AREA

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					
Administration	71	-	-	4	-	-	75	-
Drainage	182	-	-	12	-	-	194	143
Roads	134	-	-	8	-	-	142	-
Infrastructure	24	-	-	1	-	-	25	-
Traffic Facilities	-	-	-	-	-	-	-	-
Town Centre	207	-	-	11	26	-	192	26
Parking-Great North Rd	234	-	-	14	-	-	248	-
Parking-Victoria Rd	54	-	-	3	-	-	57	-
Open Space	234	-	-	12	32	-	214	91
Community Facilities	321	236	-	21	214	-	364	1,884
Other	-	-	-	-	-	-	-	-
Total	1,461	236	-	86	272	-	1,511	2,144

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	31	-	-	1	-	-	32	-
Parking-Drummoyne Area	590	-	-	35	7	-	618	-
Other	-	-	-	-	-	-	-	-
Total	621	-	-	36	7	-	650	-

CITY OF CANADA BAY COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS CITY OF CANADA BAY COUNCIL

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

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

BANK GUARANTEES

Council has guaranteed works relating to the undergrounding of electricity mains at the Five Dock Shopping Centre, Great North Road, Five Dock.

The guarantee amounts to a maximum security of \$88,671 and will expire on 31 December 2007.

No claim against the guarantee is expected.

LEGAL MATTER - CITY OF CANADA BAY COUNCIL v PHOENIX COMMERCIAL ENTERPRISES

Council is currently involved in a legal matter involving the termination of a contract with Phoenix Commercial Enterprises as a result of a breach of contract, viz a non-payment of a lease fee.

A counter claim for damages has been served against Council which, in the opinion of Council's solicitor, is not likely to succeed.

CITY OF CANADA BAY COUNCIL

Special Schedules for the year ended 30th June 2005

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Special Schedules (not audited)

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Special Schedule 7	- Condition of Public Works	S4-S5

CITY OF CANADA BAY COUNCIL
SPECIAL SCHEDULE NO 1 - NET COST OF SERVICES
for the year ended 30th June 2005

\$'000

Function or Activity	OPERATING EXPENSES		OPERATING REVENUES			NET COST OF SERVICES	
	Expenses	Group Totals	Revenues - Ord. Activities	Capital Rev. Ord. Activities	Group Totals	Net Cost	Group Totals
GOVERNANCE	1,525		-	-		1,525	
		1,525			-		1,525
ADMINISTRATION							
Corporate Support	8,871		1,760	2,260		4,851	
Engineering & Works	3,381		434	-		2,947	
Other Support Services	-		-	-		-	
		12,252			4,454		7,798
PUBLIC ORDER & SAFETY							
Statutory Contribution - Fire Service Levy	972		-	-		972	
Animal Control	13		34	-		(21)	
Enforcement of Local Govt Regulations	558		398	-		160	
Emergency Services	90		-	-		90	
		1,633			432		1,201
HEALTH							
Administration & Inspection	-		48	-		(48)	
Immunisations	-		-	-		-	
Food Control	-		-	-		-	
Insect/Vermin Control	4		-	-		4	
Noxious Plants	-		-	-		-	
Health Centres	-		-	-		-	
		4			48		(44)
COMMUNITY SERVICES & EDUCATION							
Administration	248		64	-		184	
Family Day Care	360		376	-		(16)	
Child Care	78		-	-		78	
Youth Services	35		1	-		34	
Other Families & Children	57		-	-		57	
Aged & Disabled	297		147	-		150	
Aboriginal Services	19		-	-		19	
Other Community Services	-		-	-		-	
Education	86		-	-		86	
		1,180			588		592
HOUSING & COMMUNITY AMENITIES							
Housing	182		-	-		182	
Town Planning	636		1,374	-		(738)	
Domestic Waste Management	5,431		114	-		5,317	
Other Waste Management	626		-	-		626	
Street Cleaning	559		-	-		559	
Other Waste Management	1,212		3	-		1,209	
Urban Stormwater Drainage	626		-	-		626	
Environmental Protection	140		143	-		(3)	
Public Conveniences	110		-	-		110	
Other Community Amenities	2		-	-		2	
		9,524			1,634		7,890

CITY OF CANADA BAY COUNCIL
SPECIAL SCHEDULE NO 1 - NET COST OF SERVICES (cont'd)
for the year ended 30th June 2005

\$'000

Function or Activity	OPERATING EXPENSES		OPERATING REVENUES			NET COST OF SERVICES	
	Expenses	Group Totals	Revenues - Ord. Activities	Capital Rev. Ord. Activities	Group Totals	Net Cost	Group Totals
RECREATION & CULTURE							
Public Libraries	1,591		353	-		1,238	
Museums	3		-	-		3	
Community Centres	181		-	-		181	
Public Halls & Civic Centres	222		75	-		147	
Other Cultural Services	240		60	-		180	
Swimming Pools	689		-	-		689	
Sporting Grounds	1,084		293	2		789	
Parks & Gardens, Lakes	1,173		155	-		1,018	
Other Sport & Recreation	1,575		1,496	-		79	
		6,758			2,434		4,324
CONSTRUCTION							
Building Control	2,168		306	-		1,862	
Other	-		-	-		-	
		2,168			306		1,862
TRANSPORT & COMMUNICATION							
Urban Roads: Local	2,967		132	304		2,531	
Urban Roads: Regional	229		270	-		(41)	
Bridges - Urban Roads: Local	35		-	-		35	
Bridges - Urban Roads: Regional	7		-	-		7	
Footpaths	1,330		836	-		494	
Car Parks	26		96	-		(70)	
Bus Shelters & Services	156		42	-		114	
RTA Works - State Roads	-		-	-		-	
Street Lighting	590		130	91		369	
Other	1,821		579	25		1,217	
		7,161			2,505		4,656
ECONOMIC AFFAIRS							
Tourism & Area Promotion	204		-	1		203	
Other Business Undertakings	339		-	656		(317)	
		543			657		(114)
TOTALS - FUNCTIONS		42,748			13,058		29,690
General Purpose Revenues			30,325	-		30,325	
Correction of Fundamental Error			-	-		-	
		-			30,325		30,325
SURPLUS (DEFICIT) FROM ORDINARY ACTIVITIES BEFORE EXTRAORDINARY ITEMS							635
Extraordinary Items & Council Restructure							
SURPLUS (DEFICIT) FROM ALL ACTIVITIES							635

CITY OF CANADA BAY COUNCIL

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

\$'000

Classification of Debt	Principal Outstanding at beginning of year			New Loans Raised	Debt Redemption		Transfers to Sinking Funds	Interest applicable for year	Principal Outstanding at end of year		
	Current	Non-Current	Total		From Revenue	Sinking Funds			Current	Non-Current	Total
LOANS (by source)											
Commonwealth Government	-	-	-	-	-	-	-	-	-	-	-
Treasury Corporation	-	-	-	-	-	-	-	-	-	-	-
Other State Government	-	-	-	-	-	-	-	-	-	-	-
Public Subscription	-	-	-	-	-	-	-	-	-	-	-
Financial Institutions	709	6,333	7,042	-	711	-	-	403	756	5,575	6,331
Other	-	-	-	-	-	-	-	-	-	-	-
Total Loans	709	6,333	7,042	-	711	-	-	403	756	5,575	6,331
OTHER LONG TERM DEBT											
Ratepayers' Advances	-	-	-	-	-	-	-	-	-	-	-
Government Advances	-	-	-	-	-	-	-	-	-	-	-
Finance Leases	-	-	-	-	-	-	-	-	-	-	-
Deferred Payment	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-
Total Other Long Term Debt	-	-	-	-	-	-	-	-	-	-	-
TOTAL LONG TERM DEBT	709	6,333	7,042	-	711	-	-	403	756	5,575	6,331

This Schedule excludes Internal Loans and refinancing of existing borrowings.

CITY OF CANADA BAY COUNCIL
SPECIAL SCHEDULE NO. 7 - CONDITION OF PUBLIC WORKS
as at 30th June 2005

Asset Class	Asset Category	Depreciation Rate (%)	Depreciation Expense	Cost	Valuation	Accumulated Depreciation	Carrying Value	Asset Condition (see Notes attached)	Estimated Cost to bring to a Satisfactory Standard	Estimated Annual Maintenance Expense	Program Maintenance Works for 2004/05
									\$'000	\$'000	\$'000
	<i>References:</i>	<i>Note 9</i>	<i>Note 3</i>			<i>Note 9</i>			<i>Local Govt. Act 1993, Section 428 (2d)</i>		
Public Buildings and Structures	Civic Centres	2.0	190	9,817	-	3,150	6,667	3	-	200	194
	Works Depots	2.0	49	2,533	-	879	1,654	4	-	100	88
	Childcare Centres	2.0	37	1,897	-	743	1,154	4	-	100	68
	Amenities/Toilets	2.0	130	6,666	-	2,260	4,406	5	200	50	20
	Libraries	2.0	49	2,446	-	245	2,201	3	-	40	46
	Museums	2.0	2	93	-	89	4	3	-	-	-
	Community Centres	2.0	48	2,397	-	998	1,399	4	-	50	100
	Community Halls	2.0	27	1,335	-	926	409	3	-	10	3
	Swimming Pools	5.0	193	3,966	-	1,110	2,856	4	4,000	300	361
	Golf Courses	2.0	77	3,841	-	2,804	1,037	3	-	50	54
	Leisure Centres	2.0	95	4,827	-	1,086	3,741	3	-	30	24
	Tennis Courts	5.0	17	412	-	325	87	3	-	20	23
	Dwellings	2.0	27	1,362	-	252	1,110	4	-	50	4
	Street Furniture	5.0	5	142	-	52	90	3	-	50	63
Other	1.0-10.0		248	7,427	-	1,446	5,981	4	-	600	614
Sub-Total			1,194	49,161	-	16,365	32,796		4,200	1,650	1,662
Public Roads	Road Pavements	1.0	1,831	183,458	-	67,944	115,514	4	750	850	814
	LATMs	1.0	34	3,898	-	2,122	1,776	4	-	40	61
	Cycleways	2.0	17	1,086	-	43	1,043	3	-	10	-
	Kerbs & Gutters	2.0	663	33,165	-	20,915	12,250	4	200	100	78
	Bridges	1.0	7	670	-	224	446	4	-	20	10
	Footpaths	2.0	666	33,112	-	18,150	14,962	4	250	350	429
	Other	10.0	37	531	-	274	257	4	-	100	90
Sub-Total			3,255	255,920	-	109,672	146,248		1,200	1,470	1,482
Drainage Works	Conduits & Pipelines	1.0	881	88,111	-	35,912	52,199	4	100	250	220
	Pollutant Traps	3.3	78	2,618	-	171	2,447	2	-	30	34
	Other	10.0	-	-	-	-	-	-	-	-	-
Sub-Total			959	90,729	-	36,083	54,646		100	280	254
Total Classes - All Assets			5,408	395,810	-	162,120	233,690		5,500	3,400	3,398

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

CITY OF CANADA BAY COUNCIL

SPECIAL SCHEDULE NO 7 - CONDITION OF PUBLIC WORKS (cont'd) for the year ended 30th June 2005

"SATISFACTORY" CONDITION OF PUBLIC ASSETS

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

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

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

ASSET CONDITION

The following condition codes have been used in this Schedule.

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

**City of Canada Bay Council
Independent Audit Report to the Council
(Sections 417(2) – report on the general purpose financial reports)**

Scope

We have audited the financial reports of **City of Canada Bay Council** for the financial year ended 30 June 2005 as set out on pages ¹ to ⁴¹. The financial reports consist of the general purpose financial reports and Council's statement in the approved form as required by Section 413(2)(a) of the Local Government Act, 1993. Our audit responsibility does not extend to the Original Budget figures disclosed in the Statement of Financial Performance, Statement of Cash Flows, Notes 2(a) and 16 to the financial statements nor the attached Special Schedules. 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.

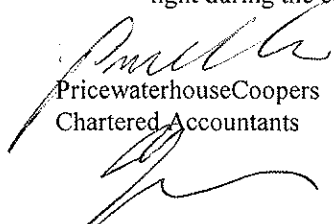
Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance as to whether the financial statements are free of material misstatement. Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the 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 Australian Accounting Standards and other mandatory professional reporting requirements (Urgent Issues Group Consensus views) and statutory requirements so as to present a view which is consistent with our understanding of the Council's financial position, the results of its operations and its cash flows.

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

Audit opinion

In our opinion:

- a) The Council's accounting records have been kept in accordance with the requirements of the Local Government Act, 1993 Chapter 13, Part 3, Division 2.
- b) The Council's financial reports
 - i. Have been properly prepared in accordance with the requirements of this Division;
 - ii. are consistent with the Council's accounting records;
 - iii. present fairly the Council's financial position and the results of its operations; and
 - iv. are in accordance with applicable Accounting Standards.
- c) All information relevant to the conduct of the audit has been obtained.
- d) There are no material deficiencies in the accounting records or financial reports that have come to light during the course of the audit.


PricewaterhouseCoopers
Chartered Accountants

IA Gordon
Sydney

12 September 2005

The Mayor
Councillor Angelo Tsirekas
City of Canada Bay Council
Locked Bag 1470
DRUMMOYNE NSW 1470

Dear Councillor Tsirekas,

**REPORT ON THE CONDUCT OF THE AUDIT OF
THE CITY OF CANADA BAY COUNCIL
FOR YEAR ENDED 30TH JUNE, 2005 - SECTION 417(3)**

We have completed our audit of the financial reports of the City of Canada Bay Council for the year ended 30th June 2005, in accordance with Section 415 of the Local Government Act, 1993.

Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance as to whether the financial reports are free of material misstatement. Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial reports, 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 reports are presented fairly in accordance with Accounting Standards and other mandatory professional reporting requirements (Urgent Issues Group Consensus Views), as well as statutory requirements so as to present a view which is consistent with our understanding of the Council's financial position, the results of its operations and its cash flows.

Flowing from our audit there are a number of comments, which we wish to raise concerning the trends in Council's finances. These are set out below.

Operating Result

Council's Operating Result fell from a surplus of \$3.2m in the previous year to a surplus of \$635K in the current period. The principal factor contributing to this reduction was:

- Lower profit on asset sales (down \$2.3m)

Cash Position

The Council's overall cash position increased from \$21.6m to \$23.2m during the period under review, as the table below demonstrates:

	6/04	6/05
	<u>\$m</u>	<u>\$m</u>
Externally Restricted	11.7	13.1
Internally Restricted	6.9	6.8
Unrestricted	<u>3.0</u>	<u>3.3</u>
<i>Total</i>	<i>21.6</i>	<i>23.2</i>

Externally restricted cash increased mainly in the area of Section 94 contributions. Internally restricted cash or reserves and unrestricted cash remained relatively stable.

Working Capital

Council's net current assets increased from \$8.1m to \$11.1m during the period under review.

The value of net current assets needs to be adjusted in order to establish Council's available working capital.

	6/04	6/05
	<u>\$'000</u>	<u>\$'000</u>
Net Current Assets	8,127	11,124
<u>Less</u>		
External Restrictions	2,964	5,393
Internal Restrictions	<u>6,866</u>	<u>6,750</u>
<u>Sub Total</u>	(1,703)	(1,019)
<u>Add</u>		
Current Liabilities to be funded from 2005/06 Budget	<u>1,860</u>	<u>1,707</u>
<i>Available Working Capital</i>	<i>157</i>	<i>688</i>

The Available Working Capital upon which Council could build its 2005/06 budget was \$688K.

Performance Indicators

The financial reports disclose a number of indicators in Note 13 and these are detailed below

	6/04	6/05
	%	%
Unrestricted Current Ratio	194	205
Debt Service Ratio	2.11	2.89
Rate Coverage Ratio	58	62
Rates Outstanding Ratio	2.82	2.41

The Unrestricted Current Ratio increased and remained well above the industry benchmark of 100%.

The Debt Service Ratio increased to 2.89% of operating revenue although there was a drop in borrowings from \$7m to \$6.3m. The ratio is well below the accepted industry benchmark of 10%.

The Rate Coverage Ratio remained relatively stable at around 60% of total revenue.

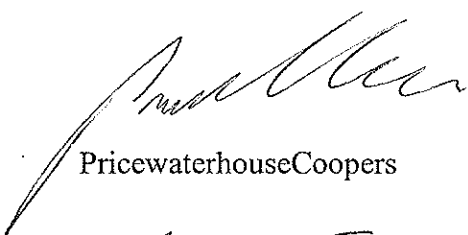
The Rates Outstanding Ratio improved to 2.41% of collectables and remains better than the industry benchmark of 5%.

Council is considered to be in a sound and stable financial position. All indicators stand better than accepted industry benchmarks.


General

The books of accounts and records inspected by us have been kept in an accurate and conscientious manner. We thank the General Manager and his staff for the co-operation and courtesy extended to us during the course of our audit.

Yours faithfully,



PricewaterhouseCoopers



J A Gordon
Partner

12 September 2005