

Mosman Council

GENERAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2012

*Proud to be Mosman
Protecting our Heritage
Planning our Future
Involving our Community*

Mosman
COUNCIL

Mosman Council

General Purpose Financial Statements for the financial year ended 30 June 2012

Contents	Page
1. Statement by Councillors & Management	2
2. Primary Financial Statements:	
- Income Statement	3
- Statement of Comprehensive Income	4
- Balance Sheet	5
- Statement of Changes in Equity	6
- Statement of Cash Flows	7
3. Notes to the Financial Statements	8
4. Independent Auditor's Reports:	
- On the Financial Statements (Sect 417 [2])	72
- On the Conduct of the Audit (Sect 417 [3])	74

Overview

- (i) These financial statements are General Purpose Financial Statements and cover the consolidated operations for Mosman Council.
- (ii) Mosman Council is a body politic of NSW, Australia - being constituted as a Local Government area by proclamation and is duly empowered by the Local Government Act (LGA) 1993 of NSW.

Council's Statutory Charter is specified in Paragraph 8 of the LGA and includes;

- carrying out activities and providing goods, services & facilities appropriate to the current & future needs of the Local community and of the wider public
- responsibility for administering regulatory requirements under the LGA and other applicable legislation, &
- a role in the management, improvement and development of the resources of the local government area.

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

- (iii) All figures presented in these financial statements are presented in Australian Currency.
 - (iv) These financial statements were authorised for issue by the Council on 08/08/12.
Council has the power to amend and reissue the financial statements.
-

Mosman Council

General Purpose Financial Statements for the financial year ended 30 June 2012

Statement by Councillors and Management made pursuant to Section 413(2)(c) of the Local Government Act 1993 (as amended)

The attached General Purpose Financial Statements have been prepared in accordance with:

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

To the best of our knowledge and belief, these Financial Statements:

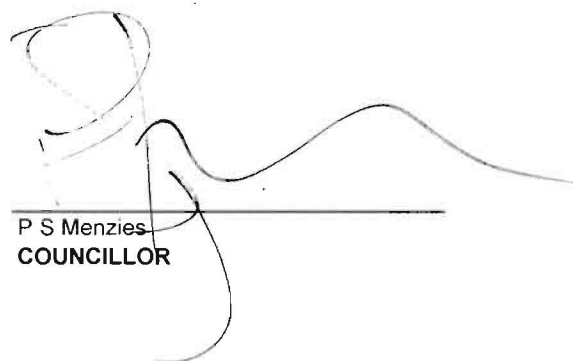
- present fairly the Council's operating result and financial position for the year, and
- accords with Council's accounting and other records.

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

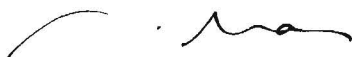
Signed in accordance with a resolution of Council made on 07 August 2012.



A S Connon
MAYOR



P S Menzies
COUNCILLOR



V H R May (PSM)
GENERAL MANAGER



M McDonald
RESPONSIBLE ACCOUNTING OFFICER

Mosman Council

Income Statement

for the financial year ended 30 June 2012

Budget ⁽¹⁾			Actual	Actual
2012	\$ '000	Notes	2012	2011
Income from Continuing Operations				
Revenue:				
21,032	Rates & Annual Charges	3a	21,041	20,509
7,346	User Charges & Fees	3b	7,986	7,028
420	Interest & Investment Revenue	3c	434	397
3,729	Other Revenues	3d	3,569	4,139
2,145	Grants & Contributions provided for Operating Purposes	3e,f	2,842	2,330
935	Grants & Contributions provided for Capital Purposes	3e,f	3,167	1,796
Other Income:				
-	Net gains from the disposal of assets	5	-	-
	Net Share of interests in Joint Ventures & Associated			
-	Entities using the equity method	19	114	90
35,607	Total Income from Continuing Operations		39,153	36,289
Expenses from Continuing Operations				
14,651	Employee Benefits & On-Costs	4a	14,181	13,719
702	Borrowing Costs	4b	672	615
9,582	Materials & Contracts	4c	10,875	9,258
9,800	Depreciation & Amortisation	4d	6,890	7,863
-	Impairment	4d	-	-
5,850	Other Expenses	4e	6,289	8,624
-	Net Losses from the Disposal of Assets	5	57	244
40,585	Total Expenses from Continuing Operations		38,964	40,323
(4,978)	Operating Result from Continuing Operations		189	(4,034)
(4,978)	Net Operating Result for the Year		189	(4,034)
(4,978)	Net Operating Result attributable to Council		189	(4,034)
-	Net Operating Result attributable to Minority Interests		-	-
Net Operating Result for the year before Grants and Contributions provided for Capital Purposes				
(5,913)			(2,978)	(5,830)

(1) Original Budget as approved by Council - refer Note 16

Mosman Council

Statement of Comprehensive Income

for the financial year ended 30 June 2012

\$ '000	Notes	Actual 2012	Actual 2011
Net Operating Result for the year (as per Income statement)		189	(4,034)
Other Comprehensive Income			
Gain (loss) on revaluation of I,PP&E	20b (ii)	-	5,641
Gain (loss) on revaluation of available-for-sale investments	20b (ii)	-	-
Gain (loss) on revaluation of other reserves	20b (ii)	-	-
Realised (gain) loss on available-for-sale investments recognised in P&L	20b (ii)	-	-
Realised (gain) loss from other reserves recognised in P&L	20b (ii)	-	-
Impairment (loss) reversal relating to I,PP&E	20b (ii)	-	-
Total Other Comprehensive Income for the year		-	5,641
Total Comprehensive Income for the Year		189	1,607
Total Comprehensive Income attributable to Council		189	1,607
Total Comprehensive Income attributable to Minority Interests		-	-

Mosman Council

Balance Sheet

as at 30 June 2012

\$ '000	Notes	Actual 2012	Actual 2011
ASSETS			
Current Assets			
Cash & Cash Equivalents	6a	3,609	4,359
Investments	6b	2,750	1,000
Receivables	7	3,016	2,461
Inventories	8	162	160
Other	8	102	87
Non-current assets classified as "held for sale"	22	-	-
Total Current Assets		9,639	8,067
Non-Current Assets			
Receivables	7	49	80
Infrastructure, Property, Plant & Equipment	9	432,073	432,618
Investments accounted for using the equity method	19	635	555
Investment Property	14	41,078	40,909
Intangible Assets	25	344	360
Other	8	-	-
Total Non-Current Assets		474,179	474,522
TOTAL ASSETS		483,818	482,589
LIABILITIES			
Current Liabilities			
Payables	10	7,288	6,620
Borrowings	10	1,669	1,771
Provisions	10	3,944	3,538
Total Current Liabilities		12,901	11,929
Non-Current Liabilities			
Payables	10	-	-
Borrowings	10	8,496	8,415
Provisions	10	115	128
Total Non-Current Liabilities		8,611	8,543
TOTAL LIABILITIES		21,512	20,472
Net Assets		462,306	462,117
EQUITY			
Retained Earnings	20	276,017	275,828
Revaluation Reserves	20	186,289	186,289
Council Equity Interest		462,306	462,117
Minority Equity Interest		-	-
Total Equity		462,306	462,117

Mosman Council

Statement of Changes in Equity
for the financial year ended 30 June 2012

\$ '000	Notes	Retained Earnings	Reserves (Refer 20b)	Council Interest	Minority Interest	Total Equity
2012						
Opening Balance (as per Last Year's Audited Accounts)		275,828	186,289	462,117	-	462,117
a. Correction of Prior Period Errors	20 (c)	-	-	-	-	-
b. Changes in Accounting Policies (prior year effects)	20 (d)	-	-	-	-	-
Revised Opening Balance (as at 1/7/11)		275,828	186,289	462,117	-	462,117
c. Net Operating Result for the Year		189	-	189	-	189
d. Other Comprehensive Income						
- Revaluations : IPP&E Asset Revaluation Rsve	20b (ii)	-	-	-	-	-
- Revaluations: Other Reserves	20b (ii)	-	-	-	-	-
- Transfers to Income Statement	20b (ii)	-	-	-	-	-
- Impairment (loss) reversal relating to I,PP&E	20b (ii)	-	-	-	-	-
Other Comprehensive Income		-	-	-	-	-
Total Comprehensive Income (c&d)		189	-	189	-	189
e. Distributions to/(Contributions from) Minority Interests		-	-	-	-	-
f. Transfers between Equity		-	-	-	-	-
Equity - Balance at end of the reporting period		276,017	186,289	462,306	-	462,306

\$ '000	Notes	Retained Earnings	Reserves (Refer 20b)	Council Interest	Minority Interest	Total Equity
2011						
Opening Balance (as per Last Year's Audited Accounts)		386,540	180,648	567,188	-	567,188
a. Correction of Prior Period Errors	20 (c)	7,124	-	7,124	-	7,124
b. Changes in Accounting Policies (prior year effects)	20 (d)	(113,802)	-	(113,802)	-	(113,802)
Revised Opening Balance (as at 1/7/10)		279,862	180,648	460,510	-	460,510
c. Net Operating Result for the Year		(4,034)	-	(4,034)	-	(4,034)
d. Other Comprehensive Income						
- Revaluations : IPP&E Asset Revaluation Rsve	20b (ii)	-	5,641	5,641	-	5,641
- Revaluations: Other Reserves	20b (ii)	-	-	-	-	-
- Transfers to Income Statement	20b (ii)	-	-	-	-	-
- Impairment (loss) reversal relating to I,PP&E	20b (ii)	-	-	-	-	-
Other Comprehensive Income		-	5,641	5,641	-	5,641
Total Comprehensive Income (c&d)		(4,034)	5,641	1,607	-	1,607
e. Distributions to/(Contributions from) Minority Interests		-	-	-	-	-
f. Transfers between Equity		-	-	-	-	-
Equity - Balance at end of the reporting period		275,828	186,289	462,117	-	462,117

Mosman Council

Statement of Cash Flows

for the financial year ended 30 June 2012

Budget 2012 \$ '000		Notes	Actual 2012	Actual 2011
Cash Flows from Operating Activities				
Receipts:				
20,970	Rates & Annual Charges		21,070	20,437
7,324	User Charges & Fees		7,400	7,163
420	Investment & Interest Revenue Received		423	397
3,080	Grants & Contributions		5,431	3,961
-	Bonds, Deposits & Retention amounts received		699	784
3,718	Other		3,445	3,194
Payments:				
(13,655)	Employee Benefits & On-Costs		(13,788)	(13,466)
(10,156)	Materials & Contracts		(10,789)	(9,696)
(702)	Borrowing Costs		(681)	(626)
-	Bonds, Deposits & Retention amounts refunded		(510)	(567)
(5,126)	Other		(5,673)	(5,002)
5,873	Net Cash provided (or used in) Operating Activities	11b	7,027	6,579
Cash Flows from Investing Activities				
Receipts:				
-	Sale of Investment Securities		1,000	1,000
90	Sale of Infrastructure, Property, Plant & Equipment		90	37
-	Distributions Received from Joint Ventures & Associates		34	32
Payments:				
-	Purchase of Investment Securities		(2,750)	(1,000)
-	Purchase of Investment Property		(800)	(58)
(6,615)	Purchase of Infrastructure, Property, Plant & Equipment		(5,330)	(8,316)
(6,525)	Net Cash provided (or used in) Investing Activities		(7,756)	(8,305)
Cash Flows from Financing Activities				
Receipts:				
2,800	Proceeds from Borrowings & Advances		1,750	2,250
Payments:				
(1,764)	Repayment of Borrowings & Advances		(1,641)	(1,789)
-	Other (Repayment of Deferred Creditors)		(130)	(130)
1,036	Net Cash Flow provided (used in) Financing Activities		(21)	331
384	Net Increase/(Decrease) in Cash & Cash Equivalents		(750)	(1,395)
5,359	plus: Cash & Cash Equivalents - beginning of year	11a	4,359	5,754
5,743	Cash & Cash Equivalents - end of the year	11a	3,609	4,359
Additional Information:				
	plus: Investments on hand - end of year	6b	2,750	1,000
	Total Cash, Cash Equivalents & Investments		6,359	5,359

Mosman Council

Notes to the Financial Statements

for the financial year ended 30 June 2012

Contents of the Notes accompanying the Financial Statements

Note	Details	Page
1	Summary of Significant Accounting Policies	9
2(a)	Council Functions / Activities - Financial Information	25
2(b)	Council Functions / Activities - Component Descriptions	26
3	Income from Continuing Operations	27
4	Expenses from Continuing Operations	32
5	Gains or Losses from the Disposal of Assets	36
6(a)	Cash & Cash Equivalent Assets	37
6(b)	Investment Securities	37
6(c)	Restricted Cash, Cash Equivalents & Investments - Details	39
7	Receivables	41
8	Inventories & Other Assets	42
9(a)	Infrastructure, Property, Plant & Equipment	43
9(b)	Externally Restricted Infrastructure, Property, Plant & Equipment	44 n/a
9(c)	Infrastructure, Property, Plant & Equipment - Current Year Impairments	44 n/a
10(a)	Payables, Borrowings & Provisions	44
10(b)	Description of (& movements in) Provisions	45
11	Statement of Cash Flows - Additional Information	46
12	Commitments for Expenditure	48
13a	Statements of Performance Measures	50
14	Investment Properties	51
15	Financial Risk Management	52
16	Material Budget Variations	56
17	Statement of Developer Contributions	58
18	Contingencies and Other Liabilities/Assets not recognised	60
19	Controlled Entities, Associated Entities & Interests in Joint Ventures	62
20	Equity - Retained Earnings and Revaluation Reserves	66
21	Financial Result & Financial Position by Fund	69 n/a
22	"Held for Sale" Non Current Assets & Disposal Groups	69 n/a
23	Events occurring after Balance Sheet Date	69 n/a
24	Discontinued Operations	70 n/a
25	Intangible Assets	70
26	Reinstatement, Rehabilitation & Restoration Liabilities	70 n/a

Additional Council Disclosures

27	Council Information & Contact Details	71
----	---------------------------------------	----

n/a - not applicable

Mosman Council

Notes to the Financial Statements

for the financial year ended 30 June 2012

Note 1. Summary of Significant Accounting Policies

The principal accounting policies adopted by Council in the preparation of these consolidated financial statements are set out below in order to assist in its general understanding.

Under Australian Accounting Standards (AASB's), accounting policies are defined as those specific principles, bases, conventions, rules and practices applied by a reporting entity (in this case Council) in preparing and presenting its financial statements.

(a) Basis of preparation

(i) Background

These financial statements are general purpose financial statements which have been prepared in accordance with;

- Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board,
- the Local Government Act (1993) & Regulation, and
- the Local Government Code of Accounting Practice and Financial Reporting.

For the purpose of preparing these financial statements, Council has been deemed to be a not-for-profit entity.

(ii) Compliance with International Financial Reporting Standards (IFRSs)

Because Australian Accounting Standards (AASB's) are sector neutral, some standards either:

- (a) have local Australian content and prescription that is specific to the Not-For-Profit sector (including Local Government) which are not in compliance with IFRS's, or
- (b) specifically exclude application by Not for Profit entities.

Accordingly in preparing these financial statements and accompanying notes, Council has been unable to comply fully with International Accounting Standards, but has complied fully with Australian Accounting Standards.

Under the Local Government Act (LGA), Regulations and Local Government Code of Accounting Practice & Financial Reporting, it should be noted that Councils in NSW only have a requirement to comply with Australian Accounting Standards.

(iii) New and amended standards adopted by Council

None of the new standards and amendments to standards that are mandatory for the first time for the financial year beginning 1 July 2011 affected any of the amounts recognised in the current period or any prior period and are not likely to affect future periods.

(iv) Early adoption of Accounting Standards

Council has not elected to apply any pronouncements before their operative date in the annual reporting period beginning 1 July 2011.

Refer further to paragraph (ab) relating to a summary of the effects of Standards with future operative dates.

(v) Basis of Accounting

These financial statements have been prepared under the **historical cost convention** except for:

- (i) financial assets and liabilities at fair value through profit or loss, available-for-sale financial assets and investment properties which are all valued at fair value,
- (ii) the write down of any Asset on the basis of Impairment (if warranted) and
- (iii) certain classes of Infrastructure, property, plant & equipment that are accounted for at fair valuation.

The accrual basis of accounting has also been applied in their preparation.

(vi) Changes in Accounting Policies

Council's accounting policies have been consistently applied to all the years presented, unless otherwise stated.

There have also been no changes in accounting policies when compared with previous financial statements unless otherwise stated [refer Note 20(d)].

Mosman Council

Notes to the Financial Statements

for the financial year ended 30 June 2012

Note 1. Summary of Significant Accounting Policies (continued)

(vii) Critical Accounting Estimates

The preparation of financial statements requires the use of certain critical accounting estimates (in conformity with AASB's).

Accordingly this requires management to exercise its judgement in the process of applying the Council's accounting policies.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

Critical accounting estimates and assumptions

Council makes estimates and assumptions concerning the future.

The resulting accounting estimates will, by definition, seldom equal the related actual results.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are set out below.

- (i) Estimated fair values of investment properties
- (ii) Estimated fair values of infrastructure, property, plant and equipment.
- (iii) Estimated tip remediation provisions.

Critical judgements in applying the entity's accounting policies

- (i) Impairment of Receivables - Council has made a significant judgement about the impairment of a number of its receivables in Note 7.
- (ii) Projected Section 94 Commitments - Council has used significant judgement in determining future Section 94 income and expenditure in Note 17.

(b) Revenue recognition

Council recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and

specific criteria have been met for each of the Council's activities as described below.

Council bases any estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Revenue is measured at the fair value of the consideration received or receivable.

Revenue is measured on major income categories as follows:

Rates, Annual Charges, Grants and Contributions (including "In Kind")

Rates, annual charges, grants and contributions (including developer & "in kind" contributions) are recognised as revenues when the Council obtains control over the assets comprising these receipts.

Control over assets acquired from rates and annual charges is obtained at the commencement of the rating year as it is an enforceable debt linked to the rateable property or, where earlier, upon receipt of the rates.

A provision for the impairment on rates receivables has not been established as unpaid rates represent a charge against the rateable property that will be recovered when the property is next sold.

Control over granted assets is normally obtained upon their receipt (or acquittal) or upon earlier notification that a grant has been secured, and is valued at their fair value at the date of transfer.

Revenue from Contributions is recognised when the Council either obtains control of the contribution or the right to receive it, **(i)** it is probable that the economic benefits comprising the contribution will flow to the Council and **(ii)** the amount of the contribution can be measured reliably.

Where grants or contributions recognised as revenues during the financial year were obtained on condition that they be expended in a particular manner or used over a particular period and those conditions were undischarged at balance date, the unused grant or contribution is disclosed in Note 3(g).

Mosman Council

Notes to the Financial Statements for the financial year ended 30 June 2012

Note 1. Summary of Significant Accounting Policies (continued)

Note 3(g) also discloses the amount of unused grant or contribution from prior years that was expended on Council's operations during the current year.

The Council has obligations to provide facilities from contribution revenues levied on developers under the provisions of S94 of the EPA Act 1979.

Whilst Council generally incorporates these amounts as part of a Development Consents Order, such developer contributions are only recognised as income upon their physical receipt by Council, due to the possibility that individual Development Consents may not be acted upon by the applicant and accordingly would not be payable to Council.

Developer contributions may only be expended for the purposes for which the contributions were required but the Council may apply contributions according to the priorities established in work schedules.

A detailed Note relating to developer contributions can be found at Note 17.

User Charges, Fees and Other Income

User charges, fees and other income (including parking fees and fines) are recognised as revenue when the service has been provided, the payment is received, or when the penalty has been applied, whichever first occurs.

A provision for the impairment of these receivables is recognised when collection in full is no longer probable.

A liability is recognised in respect of revenue that is reciprocal in nature to the extent that the requisite service has not been provided as at balance date.

Sale of Infrastructure, Property, Plant and Equipment

The profit or loss on sale of an asset is determined when control of the asset has irrevocably passed to the buyer.

Interest and Rents

Rents are recognised as revenue on a proportional basis when the payment is due, the value of the payment is notified, or the payment is received, whichever first occurs.

Interest Income from Cash & Investments is accounted for using the Effective Interest method in accordance with AASB 139.

(c) Principles of Consolidation

These financial statements incorporate (i) the assets and liabilities of Council and any Entities (or operations) that it **controls** (as at 30/6/12) and (ii) all the related operating results (for the financial year ended the 30th June 2012).

The financial statements also include Council's share of the assets, liabilities, income and expenses of any **Jointly Controlled Operations** under the appropriate headings.

In the process of reporting on Council's activities as a single unit, all inter-entity year end balances and reporting period transactions have been eliminated in full between Council and its controlled entities.

(i) 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.

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

- General Purpose Operations

(ii) The Trust Fund

In accordance with the provisions of Section 411 of the Local Government Act 1993 (as amended), a separate and distinct Trust Fund is maintained to account for all 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 statements.

Mosman Council

Notes to the Financial Statements

for the financial year ended 30 June 2012

Note 1. Summary of Significant Accounting Policies (continued)

Trust monies and property held by Council but not subject to the control of Council, have been excluded from these statements.

A separate statement of monies held in the Trust Fund is available for inspection at the Council office by any person free of charge.

(iii) Joint Ventures

Jointly Controlled Assets & Operations

The proportionate interests in the assets, liabilities and expenses of a Joint Venture Activity have been incorporated throughout the financial statements under the appropriate headings.

Jointly Controlled Entities

Any interests in Joint Venture Entities & Partnerships are accounted for using the equity method and is carried at cost.

Under the equity method, the share of the profits or losses of the partnership is recognised in the income statement, and the share of movements in retained earnings & reserves is recognised in the balance sheet.

(iv) Associated Entities

Where Council has the power to participate in the financial and operating decisions (of another entity), ie. where Council is deemed to have "significant influence" over the other entities operations but neither controls nor jointly controls the entity, then Council accounts for such interests using the equity method of accounting – in a similar fashion to Joint Venture Entities & Partnerships.

Such entities are usually termed Associates.

(v) County Councils

Council is not a member of any County Councils.

(vi) Additional Information

Note 19 provides more information in relation to Joint Venture Entities, Associated Entities and Joint Venture Operations where applicable.

(d) Leases

All Leases entered into by Council are reviewed and classified on inception date as either a Finance Lease or an Operating Lease.

Finance Leases

Leases of property, plant and equipment where the Council has substantially all the risks and rewards of ownership are classified as finance leases.

Finance leases are capitalised at the lease's inception at the lower of the fair value of the leased property and the present value of the minimum lease payments.

The corresponding rental obligations, net of finance charges, are included in borrowings.

Each lease payment is allocated between the liability outstanding and the recognition of a finance charge.

The interest element of the finance charge is costed to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Property, plant and equipment acquired under finance leases is depreciated over the shorter of each leased asset's useful life and the lease term.

Operating Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases.

Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

Lease income from operating leases is recognised in income on a straight-line basis over the lease term.

(e) Cash and Cash Equivalents

Cash and cash equivalents includes;

- cash **on hand**,
- deposits held **at call** with financial institutions,

Mosman Council

Notes to the Financial Statements

for the financial year ended 30 June 2012

Note 1. Summary of Significant Accounting Policies (continued)

- other short-term, highly liquid investments with **original maturities of three months or less** that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and

- bank overdrafts.

Bank overdrafts are shown within borrowings in current liabilities on the balance sheet but are incorporated into Cash & Cash Equivalents for presentation of the Cash Flow Statement.

(f) Investments and Other Financial Assets

Council (in accordance with AASB 139) classifies each of its investments into one of the following categories for measurement purposes:

- **financial assets at fair value through profit or loss,**
- **loans and receivables,**
- **held-to-maturity investments,** and
- **available-for-sale financial assets.**

Each classification depends on the purpose/intention for which the investment was acquired & at the time it was acquired.

Management determines each Investment classification at the time of initial recognition and re-evaluates this designation at each reporting date.

(i) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets that are "held for trading".

A financial asset is classified in the "held for trading" category if it is acquired principally for the purpose of selling in the short term.

Derivatives are classified as held for trading unless they are designated as hedges.

Assets in this category are primarily classified as current assets as they are primarily held for trading &/or are expected to be realised within 12 months of the balance sheet date.

(ii) Loans and receivables

Loans and receivables are non derivative financial assets with fixed or determinable payments that are not quoted in an active market.

They arise when the Council provides money, goods or services directly to a debtor with no intention (or in some cases ability) of selling the resulting receivable.

They are included in current assets, except for those with maturities greater than 12 months after the balance sheet date which are classified as non-current assets.

(iii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Council's management has the positive intention and ability to hold to maturity.

In contrast to the "Loans & Receivables" classification, these investments are generally quoted in an active market.

Held-to-maturity financial assets are included in non-current assets, except for those with maturities less than 12 months from the reporting date, which are classified as current assets.

(iv) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories.

Investments must be designated as available-for-sale if they do not have fixed maturities and fixed or determinable payments and management intends to hold them for the medium to long term.

Accordingly, this classification principally comprises marketable equity securities, but can include all types of financial assets that could otherwise be classified in one of the other investment categories.

They are generally included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date or the term to maturity from the reporting date is less than 12 months.

Mosman Council

Notes to the Financial Statements

for the financial year ended 30 June 2012

Note 1. Summary of Significant Accounting Policies (continued)

Financial Assets – Reclassification

Council may choose to reclassify a non-derivative trading financial asset out of the held-for-trading category if the financial asset is no longer held for the purpose of selling it in the near term.

Financial assets other than loans and receivables are permitted to be reclassified out of the held-for-trading category only in rare circumstances arising from a single event that is unusual and highly unlikely to recur in the near term.

Council may also choose to reclassify financial assets that would meet the definition of loans and receivables out of the held-for-trading or available-for-sale categories if it has the intention and ability to hold these financial assets for the foreseeable future or until maturity at the date of reclassification.

Reclassifications are made at fair value as of the reclassification date. Fair value becomes the new cost or amortised cost as applicable, and no reversals of fair value gains or losses recorded before reclassification date are subsequently made.

Effective interest rates for financial assets reclassified to loans and receivables and held-to-maturity categories are determined at the reclassification date. Further increases in estimates of cash flows adjust effective interest rates prospectively.

General Accounting & Measurement of Financial Instruments:

(i) Initial Recognition

Investments are initially recognised (and measured) at fair value, plus in the case of investments not at "fair value through profit or loss", directly attributable transactions costs

Purchases and sales of investments are recognised on trade-date - the date on which the Council commits to purchase or sell the asset.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Council has transferred substantially all the risks and rewards of ownership.

(ii) Subsequent Measurement

Available-for-sale financial assets and **financial assets at fair value through profit and loss** are subsequently carried at fair value.

Loans and receivables and **held-to-maturity** investments are carried at amortised cost using the effective interest method.

Realised and unrealised gains and losses arising from changes in the fair value of the financial assets classified as "**fair value through profit or loss**" category are included in the income statement in the period in which they arise.

Unrealised gains and losses arising from changes in the fair value of non monetary securities classified as "**available-for-sale**" are recognised in equity in the available-for-sale investments revaluation reserve.

When securities classified as "**available-for-sale**" are sold or impaired, the accumulated fair value adjustments are included in the income statement as gains and losses from investment securities.

Impairment

Council assesses at each balance date whether there is objective evidence that a financial asset or group of financial assets is impaired.

A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of a security below its cost is considered in determining whether the security is impaired.

If any such evidence exists for available-for-sale financial assets, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit and loss - is removed from equity and recognised in the income statement.

Mosman Council

Notes to the Financial Statements

for the financial year ended 30 June 2012

Note 1. Summary of Significant Accounting Policies (continued)

Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement.

If there is evidence of impairment for any of Council's financial assets carried at amortised cost (eg. loans and receivables), the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate.

The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

As a practical expedient, the group may measure impairment on the basis of an instrument's fair value using an observable market price.

(iii) Types of Investments

Council has an approved Investment Policy in order to undertake its investment of money in accordance with (and to comply with) Section 625 of the Local Government Act and S212 of the LG (General) Regulation 2005.

Investments are placed and managed in accordance with the Policy and having particular regard to authorised investments prescribed under the Ministerial Local Government Investment Order.

Council maintains its investment Policy in compliance with the Act and ensures that it or its representatives exercise care, diligence and skill that a prudent person would exercise in investing Council funds.

Council amended its policy following revisions to the Ministerial Local Government Investment Order arising from the Cole Inquiry recommendations. Certain investments that Council holds are no longer prescribed (eg. managed funds, CDOs, and equity linked notes), however they have been retained under grandfathering provisions of the Order. These will be disposed of when most financially advantageous to Council.

(g) Fair value estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date.

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques.

Council uses a variety of methods and makes assumptions that are based on market conditions existing at each balance date.

Quoted market prices or dealer quotes for similar instruments are used for long-term debt instruments held.

If the market for a financial asset is not active (and for unlisted securities), the Council establishes fair value by using valuation techniques.

These include reference to the fair values of recent arm's length transactions, involving the same instruments or other instruments that are substantially the same, discounted cash flow analysis, and option pricing models refined to reflect the issuer's specific circumstances.

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values.

The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Council for similar financial instruments.

(h) Receivables

Receivables are initially recognised at fair value and subsequently measured at amortised cost, less any provision for impairment.

Receivables (excluding Rates & Annual Charges) are generally due for settlement no more than 30 days from the date of recognition.

Mosman Council

Notes to the Financial Statements

for the financial year ended 30 June 2012

Note 1. Summary of Significant Accounting Policies (continued)

The collectibility of receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off in accordance with Council's policy.

A provision for impairment (ie. an allowance account) relating to receivables is established when there is objective evidence that the Council will not be able to collect all amounts due according to the original terms of each receivable.

The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate.

Impairment losses are recognised in the Income Statement within other expenses.

When a receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account.

Subsequent recoveries of amounts previously written off are credited against other expenses in the income statement.

(i) Inventories

Raw Materials and Stores, Work in Progress and Finished Goods

Raw materials and stores, work in progress and finished goods in respect of business undertakings are all stated at the lower of cost and net realisable value.

Cost comprises direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity.

Costs are assigned to individual items of inventory on the basis of weighted average costs.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Inventories held in respect of non-business undertakings have been valued at cost subject to adjustment for loss of service potential.

Land Held for Resale/Capitalisation of Borrowing Costs

Land held for resale is stated at the lower of cost and net realisable value.

Cost is assigned by specific identification and includes the cost of acquisition, and development and borrowing costs during development.

When development is completed borrowing costs and other holding charges are expensed as incurred.

Borrowing costs included in the cost of land held for resale are those costs that would have been avoided if the expenditure on the acquisition and development of the land had not been made.

Borrowing costs incurred while active development is interrupted for extended periods are recognised as expenses.

(j) Infrastructure, Property, Plant and Equipment (I,PP&E)

Acquisition of assets

Council's non current assets have been progressively revalued to fair value in accordance with a staged implementation as advised by the Division of Local Government.

At balance date, the following classes of I,PP&E were stated at their Fair Value;

- **Investment Properties** – refer Note 1(p),
- **Operational Land** (External/Internal Valuation)
- **Buildings – Specialised/Non Specialised** (External Valuation)
- **Plant and Equipment** (as approximated by depreciated historical cost)
- **Roads Assets incl. roads, bridges & footpaths** (External and Internal Valuation)
- **Drainage Assets** (External Valuation)
- **Community Land** (External Valuation and where appropriate Internal)
- **Land Improvements** (Internal Valuation)

Mosman Council

Notes to the Financial Statements

for the financial year ended 30 June 2012

Note 1. Summary of Significant Accounting Policies (continued)

- Other Structures

(External Valuations)

- Other Assets

(as approximated by depreciated historical cost)

Initial Recognition

On initial recognition, an asset's cost is measured at its fair value, plus all expenditure that is directly attributable to the acquisition.

Where settlement of any part of an asset's cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of recognition (ie. date of exchange) of the asset to arrive at fair value.

The discount rate used is the Council's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Where infrastructure, property, plant and equipment assets are acquired for no cost or for an amount other than cost, the assets are recognised in the financial statements at their fair value at acquisition date - being the amount that the asset could have been exchanged between knowledgeable willing parties in an arm's length transaction.

Subsequent costs

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to Council and the cost of the item can be measured reliably.

All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Asset Revaluations (including Indexation)

In accounting for Asset Revaluations relating to Infrastructure, Property, Plant & Equipment:

- Increases in the carrying amounts arising on revaluation are credited to the asset revaluation reserve.

- To the extent that the increase reverses a decrease previously recognised via the profit or loss, then increase is first recognised in profit or loss.

- Decreases that reverse previous increases of the same asset are first charged against revaluation reserves directly in equity to the extent of the remaining reserve attributable to the asset, with all other decreases charged to the Income statement.

For all other assets, Council assesses at each reporting date whether there is any indication that a revalued asset's carrying amount may differ materially from that which would be determined if the asset were revalued at the reporting date.

If any such indication exists, Council determines the asset's fair value and revalues the asset to that amount.

Full revaluations are undertaken for all assets on a 5 year cycle.

Capitalisation Thresholds

Items of infrastructure, property, plant and equipment are not capitalised unless their cost of acquisition exceeds the following;

Land

- council land	100% Capitalised
- open space	100% Capitalised
- land under roads (purchases after 30/6/08)	100% Capitalised

Plant & Equipment

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

Buildings & Land Improvements

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

Building

- construction/extensions	100% Capitalised
- renovations	> \$10,000

Other Structures

> \$2,000

Stormwater Assets

Drains & Culverts	> \$2,000
Other	> \$2,000

Mosman Council

Notes to the Financial Statements

for the financial year ended 30 June 2012

Note 1. Summary of Significant Accounting Policies (continued)

Transport Assets

Road construction & reconstruction	> \$2,000
Reseal/Re-sheet & major repairs:	> \$2,000

Depreciation

Depreciation on Council's infrastructure, property, plant and equipment assets is calculated using the straight line method in order to allocate an assets cost (net of residual values) over its estimated useful life.

Land is not depreciated.

Estimated useful lives for Council's I,PP&E include:

Plant & Equipment	
- Office Equipment	5 to 10 years
- Office furniture	5 to 10 years
- Computer Equipment	4 years
- Other plant and equipment	5 to 10 years
Other Equipment	
- Playground equipment	5 to 15 years
- Benches, seats etc	10 to 20 years
Buildings	
- Buildings	50 to 100 years
Stormwater Drainage	
- Drainage Infrastructure	100 years
Transportation Assets	
- Sealed Roads : Surface	100 years
- Sealed Roads : Structure	100 years
- Unsealed roads	100 years
- Road Pavements	100 years
- Kerb, Gutter & Paths	100 years

All asset residual values and useful lives are reviewed and adjusted (where appropriate), at each balance sheet date and depreciation calculated accordingly.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount – refer Note 1(s) on Asset Impairment.

Disposal and De-recognition

An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in Council's Income Statement in the year the asset is derecognised.

(k) Land

Land (other than Land under Roads) is in accordance with Part 2 of Chapter 6 of the Local Government Act (1993) classified as either Operational or Community.

This classification of Land is disclosed in Note 9(a).

(l) Land under roads

Land under roads is land under roadways and road reserves including land under footpaths, nature strips and median strips.

Council has elected not to recognise land under roads acquired before 1 July 2008 in accordance with AASB 1051.

Council has not acquired any land under roads after 1 July 2008.

(m) Intangible Assets

Council's interest in Kimbriki Waste Services Access Rights is recognised as an Intangible Asset and will be amortised over the life of the asset.

(n) Crown Reserves

Crown Reserves under Council's care and control are recognised as assets of the Council.

While ownership of the reserves remains with the Crown, Council retains operational control of the reserves and is responsible for their maintenance and use in accordance with the specific purposes to which the reserves are dedicated.

Mosman Council

Notes to the Financial Statements

for the financial year ended 30 June 2012

Note 1. Summary of Significant Accounting Policies (continued)

Improvements on Crown Reserves are also recorded as assets, while maintenance costs incurred by Council and revenues relating the reserves are recognised within Council's Income Statement.

Representations are currently being sought across State and Local Government to develop a consistent accounting treatment for Crown Reserves across both tiers of government.

(o) Investment property

Investment property comprises land &/or buildings that are principally held for long-term rental yields, capital gains or both that is not occupied by Council.

Investment property is carried at fair value, representing an open-market value determined annually by external valuers.

Annual changes in the fair value of Investment Properties are recorded in the Income Statement as part of "Other Income".

A revaluation was undertaken in 2012.

(p) Impairment of assets

All Council's I,PP&E is subject to an annual assessment of impairment.

Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

For non-cash generating assets of Council such as roads, drains, public buildings etc - value in use is represented by the "deprival value" of the asset which is approximated as its written down replacement cost.

Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

Goodwill & other Intangible Assets that have an indefinite useful life and are not subject to amortisation are tested annually for impairment.

(q) Payables

These amounts represent liabilities and include goods and services provided to the Council prior to the end of financial year which are unpaid.

The amounts for goods and services are unsecured and are usually paid within 30 days of recognition.

(r) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred.

Borrowings are subsequently measured at amortised cost.

Amortisation results in any difference between the proceeds (net of transaction costs) and the redemption amount being recognised in the Income Statement over the period of the borrowings using the effective interest method.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired.

Borrowings are classified as current liabilities unless the Council has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

(s) Borrowing costs

Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale.

(t) Provisions

Provisions for legal claims, service warranties and other like liabilities are recognised when:

- Council has a present legal or constructive obligation as a result of past events;

Mosman Council

Notes to the Financial Statements

for the financial year ended 30 June 2012

Note 1. Summary of Significant Accounting Policies (continued)

- it is more likely than not that an outflow of resources will be required to settle the obligation; and
- the amount has been reliably estimated.

Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole.

A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date.

The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability.

The increase in the provision due to the passage of time is recognised as interest expense.

(u) Employee benefits

(i) Short Term Obligations

Short term employee benefit obligations include liabilities for wages and salaries (including non-monetary benefits), annual leave and vesting sick leave expected to be settled within the 12 months after the reporting period.

Leave liabilities are recognised in the provision for employee benefits in respect of employees' services up to the reporting date with other short term employee benefit obligations disclosed under payables..

These provisions are measured at the amounts expected to be paid when the liabilities are settled.

Liabilities for non vesting sick leave are recognised at the time when the leave is taken and measured at the rates paid or payable, and accordingly no Liability has been recognised in these reports.

Wages & salaries, annual leave and vesting sick leave are all classified as Current Liabilities.

(ii) Other Long Term Obligations

The liability for all long service and annual leave in respect of services provided by employees up to the reporting date (which is not expected to be settled within the 12 months after the reporting period) are recognised in the provision for employee benefits.

These liabilities are measured at the present value of the expected future payments to be made using the projected unit credit method.

Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service.

Expected future payments are then discounted using market yields at the reporting date based on national government bonds with terms to maturity and currency that match as closely as possible the estimated future cash outflows.

Due to the nature of when and how Long Service Leave can be taken, all Long Service Leave for employees with 4 or more years of service has been classified as Current, as it has been deemed that Council does not have the unconditional right to defer settlement beyond 12 months – even though it is not anticipated that all employees with more than 4 years service (as at reporting date) will apply for and take their leave entitlements in the next 12 months.

(iii) Retirement benefit obligations

All employees of the Council are entitled to benefits on retirement, disability or death.

Council contributes to various defined benefit plans and defined contribution plans on behalf of its employees.

Defined Benefit Plans

A liability or asset in respect of defined benefit superannuation plans would ordinarily be recognised in the balance sheet, and measured as the present value of the defined benefit obligation at the reporting date plus unrecognised actuarial gains (less unrecognised actuarial losses) less the fair value of the superannuation fund's assets at that date and any unrecognised past service cost.

Mosman Council

Notes to the Financial Statements

for the financial year ended 30 June 2012

Note 1. Summary of Significant Accounting Policies (continued)

The present value of the defined benefit obligation is based on expected future payments which arise from membership of the fund to the reporting date, calculated annually by independent actuaries using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service.

However, when this information is not reliably available, Council can account for its obligations to defined benefit plans on the same basis as its obligations to defined contribution plans – i.e. as an expense when they become payable.

Council is party to an Industry Defined Benefit Plan under the Local Government Superannuation Scheme, named the “Local Government Superannuation Scheme – Pool B”

This Scheme has been deemed to be a “multi employer fund” for the purposes of AASB 119.

Sufficient information is not available to account for the Scheme as a defined benefit plan (in accordance with AASB 119) because the assets to the scheme are pooled together for all Councils.

Accordingly, Council's contributions to the scheme for the current reporting year have been recognised as an expense and disclosed as part of Superannuation Expenses at Note 4(a).

The Local Government Superannuation Scheme has advised member councils that, as a result of the global financial crisis, it has a significant deficiency of assets over liabilities.

As a result, they have asked for significant increases in future contributions, to those paid prior to 1 July 2010, to recover that deficiency.

Council's share of that deficiency cannot be accurately calculated as the Scheme is a mutual arrangement where assets and liabilities are pooled together for all member councils.

For this reason, no liability for the deficiency has been recognised in these financial statements.

Council has, however, disclosed a contingent liability in note 18 to reflect the possible obligation that may arise should the Scheme require immediate payment to correct the deficiency.

Defined Contribution Plans

Contributions to Defined Contribution Plans are recognised as an expense as they become payable.

Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(iv) Employee Benefit On-Costs

Council has recognised at year end the aggregate on-cost liabilities arising from employee benefits, and in particular those on-cost liabilities that will arise when payment of current employee benefits is made in future periods.

These amounts include Superannuation and Workers Compensation expenses which will be payable upon the future payment of certain Leave Liabilities accrued as at 30/6/12.

(v) Self insurance

Council does not self insure.

(w) Allocation between current and non-current assets & liabilities

In the determination of whether an asset or liability is classified as current or non-current, consideration is given to the time when each asset or liability is expected to be settled.

The asset or liability is classified as current if it is expected to be settled within the next 12 months, being the Council's operational cycle.

Exceptions

In the case of liabilities where Council does not have the unconditional right to defer settlement beyond 12 months (such as vested long service leave), the liability is classified as current even if not expected to be settled within the next 12 months.

In the case of inventories that are “held for trading”, these are also classified as current even if not expected to be realised in the next 12 months.

Mosman Council

Notes to the Financial Statements

for the financial year ended 30 June 2012

Note 1. Summary of Significant Accounting Policies (continued)

(x) Taxes

The Council is exempt from both Commonwealth Income Tax and Capital Gains Tax.

Council does however have to comply with both Fringe Benefits Tax and Goods and Services Tax (GST).

Goods & Services Tax (GST)

Income, expenses and assets are all recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office (ATO).

In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of the revenue / expense.

Receivables and payables within the Balance Sheet are stated inclusive of any applicable GST.

The net amount of GST recoverable from or payable to the ATO is included as a current asset or current liability in the Balance Sheet.

Operating cash flows within the Cash Flow Statement are on a gross basis, ie. they are inclusive of GST where applicable.

Investing and Financing cash flows are treated on a net basis (where recoverable from the ATO), ie. they are exclusive of GST. Instead, the GST component of investing and financing activity cash flows which are recoverable from or payable to the ATO are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from (or payable to) the ATO.

(y) New accounting standards and UIG interpretations

Certain new (or amended) accounting standards and interpretations have been published that are not mandatory for reporting periods ending 30 June 2012.

Council has not adopted any of these standards early.

Council's assessment of the impact of these new standards and interpretations is set out below.

Applicable to Local Government with implications:

AASB 9 Financial Instruments, AASB 2009 11 Amendments to Australian Accounting Standards arising from AASB 9 and AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) (effective from 1 January 2013)

AASB 9 Financial Instruments addresses the classification, measurement and derecognition of financial assets and financial liabilities.

The standard is not applicable until 1 January 2013 but is available for early adoption.

When adopted, the standard will affect in particular the Council's accounting for its available-for-sale financial assets, since AASB 9 only permits the recognition of fair value gains and losses in other comprehensive income if they relate to equity investments that are not held for trading. Fair value gains and losses on available-for-sale debt investments, for example, will therefore have to be recognised directly in profit or loss.

There will be no impact on Council's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and Council does not have any such liabilities.

The derecognition rules have been transferred from AASB 139 Financial Instruments: Recognition and Measurement and have not been changed

AASB 10 - Consolidated Financial Statements, AASB 11 - Joint Arrangements, AASB 12 - Disclosure of Interests in Other Entities, revised AASB 127 - Separate Financial Statements and AASB 128 - Investments in Associates and Joint Ventures and AASB 2011-7 Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards (effective 1 January 2013)

In August 2011, the AASB issued a suite of five new and amended standards which address the accounting for joint arrangements, consolidated financial statements and associated disclosures.

Mosman Council

Notes to the Financial Statements

for the financial year ended 30 June 2012

Note 1. Summary of Significant Accounting Policies (continued)

AASB 10 replaces all of the guidance on control and consolidation in AASB 127 Consolidated and Separate Financial Statements, and Interpretation 12 Consolidation – Special Purpose Entities.

The core principle that a consolidated entity presents a parent and its subsidiaries as if they are a single economic entity remains unchanged, as do the mechanics of consolidation.

However, the standard introduces a single definition of control that applies to all entities.

It focuses on the need to have both power and rights or exposure to variable returns.

Power is the current ability to direct the activities that significantly influence returns. Returns must vary and can be positive, negative or both. Control exists when the investor can use its power to affect the amount of its returns.

There is also new guidance on participating and protective rights and on agent/principal relationships. Council does not expect the new standard to have a significant impact on its composition.

AASB 11 introduces a principles based approach to accounting for joint arrangements.

The focus is no longer on the legal structure of joint arrangements, but rather on how rights and obligations are shared by the parties to the joint arrangement.

Based on the assessment of rights and obligations, a joint arrangement will be classified as either a joint operation or a joint venture.

Joint ventures are accounted for using the equity method, and the choice to proportionately consolidate will no longer be permitted.

Parties to a joint operation will account their share of revenues, expenses, assets and liabilities in much the same way as under the previous standard.

AASB 11 also provides guidance for parties that participate in joint arrangements but do not share joint control.

Council's investment in the joint venture partnership will be classified as a joint venture under the new rules.

As Council already applies the equity method in accounting for this investment, AASB 11 will not have any impact on the amounts recognised in its financial statements.

AASB 12 sets out the required disclosures for entities reporting under the two new standards, AASB 10 and AASB 11, and replaces the disclosure requirements currently found in AASB 127 and AASB 128.

Application of this standard by Council will not affect any of the amounts recognised in the financial statements, but will impact the type of information disclosed in relation to Council's investments.

Amendments to AASB 128 provide clarification that an entity continues to apply the equity method and does not remeasure its retained interest as part of ownership changes where a joint venture becomes an associate, and vice versa. The amendments also introduce a "partial disposal" concept. Council is still assessing the impact of these amendments.

Council does not expect to adopt the new standards before their operative date. They would therefore be first applied in the financial statements for the annual reporting period ending 30 June 2014.

AASB 13 Fair Value Measurement and AASB 2011-8 Amendments to Australian Accounting Standards arising from AASB 13 (effective 1 January 2013)

AASB 13 was released in September 2011.

It explains how to measure fair value and aims to enhance fair value disclosures. Council has yet to determine which, if any, of its current measurement techniques will have to change as a result of the new guidance.

It is therefore not possible to state the impact, if any, of the new rules on any of the amounts recognised in the financial statements. However, application of the new standard will impact the type of information disclosed in the notes to the financial statements.

Council does not intend to adopt the new standard before its operative date, which means that it would be first applied in the annual reporting period ending 30 June 2014.

Mosman Council

Notes to the Financial Statements

for the financial year ended 30 June 2012

Note 1. Summary of Significant Accounting Policies (continued)

Applicable to Local Government but no implications for Council;

None

Applicable to Local Government but not relevant to Council at this stage;

Revised AASB 119 Employee Benefits, AASB 2011-10 Amendments to Australian Accounting Standards arising from AASB 119 (September 2011) and AASB 2011-11 Amendments to AASB 119 (September 2011) arising from Reduced Disclosure Requirements (effective 1 January 2013)

In September 2011, the AASB released a revised standard on accounting for employee benefits.

It requires the recognition of all remeasurements of defined benefit liabilities/assets immediately in other comprehensive income (removal of the so-called 'corridor' method) and the calculation of a net interest expense or income by applying the discount rate to the net defined benefit liability or asset.

This replaces the expected return on plan assets that is currently included in profit or loss.

The standard also introduces a number of additional disclosures for defined benefit liabilities/assets and could affect the timing of the recognition of termination benefits.

The amendments will have to be implemented retrospectively.

Council does not recognise defined benefit assets and liabilities for the reasons set out in note 1 (s)(iii) and so these changes will not have an impact on its reported results.

Not applicable to Local Government per se;

None

There are no other standards that are not yet effective and that are expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

(z) Rounding of amounts

Unless otherwise indicated, amounts in the financial statements have been rounded off to the nearest thousand dollars.

(aa) Comparative Figures

To ensure comparability with the current reporting period's figures, some comparative period line items and amounts may have been reclassified or individually reported for the first time within these financial statements and/or the notes.

(ab) Disclaimer

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

Notes to the Financial Statements

for the financial year ended 30 June 2012

Note 2(a). Council Functions / Activities - Financial Information

Functions/Activities	Income, Expenses and Assets have been directly attributed to the following Functions / Activities. Details of these Functions/Activities are provided in Note 2(b).												
	Income from Continuing Operations			Expenses from Continuing Operations			Operating Result from Continuing Operations			Grants included in Income from Continuing Operations		Total Assets held (Current & Non-current)	
	Original Budget	Actual	Actual	Original Budget	Actual	Actual	Original Budget	Actual	Actual	Actual	Actual	Actual	Actual
	2012	2012	2011	2012	2012	2011	2012	2012	2011	2012	2011	2012	2011
Council, Community & Communication	-	-	1	1,102	1,159	1,054	(1,102)	(1,159)	(1,053)	-	79	2	-
Resource & Asset Management	3,763	4,869	4,679	7,454	7,666	7,816	(3,691)	(2,797)	(3,137)	-	-	59,733	57,753
Urban Planning	393	205	196	920	943	668	(527)	(738)	(472)	434	75	-	-
Built Environment	1,087	802	921	1,175	1,170	1,049	(88)	(368)	(128)	-	-	15	15
Environment Management & Health	5,622	5,649	5,783	10,143	9,999	8,600	(4,521)	(4,350)	(2,817)	37	455	27,823	28,076
Parks & Recreation	646	753	865	3,916	3,810	6,343	(3,270)	(3,057)	(5,478)	-	117	153,353	153,790
Community Safety	10	5	9	1,353	1,435	1,433	(1,343)	(1,430)	(1,424)	-	-	8	8
Community Services	1,494	1,741	1,577	2,393	2,327	2,206	(899)	(586)	(629)	773	711	5,105	5,196
Library and Information	177	218	195	2,065	1,982	1,999	(1,888)	(1,764)	(1,804)	108	78	10,177	10,256
Cultural Development & Services	383	1,485	415	1,954	1,958	1,637	(1,571)	(473)	(1,222)	270	-	7,207	5,707
Transport & Traffic	4,979	6,056	5,034	7,939	6,358	7,358	(2,960)	(302)	(2,324)	194	288	219,760	221,233
Local & Regional Economy	-	1	-	171	157	160	(171)	(156)	(160)	-	-	-	-
Total Functions & Activities	18,554	21,784	19,675	40,585	38,964	40,323	(22,031)	(17,180)	(20,648)	1,816	1,803	483,183	482,034
Share of gains/(losses) in Associates & Joint Ventures (using the Equity Method)	-	114	90	-	-	-	-	114	90	-	-	635	555
General Purpose Income ¹	17,053	17,255	16,524	-	-	-	17,053	17,255	16,524	1,085	851	-	-
Operating Result from Continuing Operations	35,607	39,153	36,289	40,585	38,964	40,323	(4,978)	189	(4,034)	2,901	2,654	483,818	482,589

1. Includes: Rates & Annual Charges (incl. Ex-Gratia), Untied General Purpose Grants & Unrestricted Interest & Investment Income.

Mosman Council

Notes to the Financial Statements for the financial year ended 30 June 2012

Note 2(b). Council Functions / Activities - Component Descriptions

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

COUNCIL, COMMUNITY AND COMMUNICATION

Council Secretariat & Civic Involvement, Governance & Communication.

RESOURCE & ASSET MANAGEMENT

Finance & Corporate Assets, Information & Communication Systems, Insurance & Risk Management, Human Resources, Strategic Asset & Property Management.

URBAN PLANNING

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

BUILT ENVIRONMENT

Development Assessment & Regulation.

ENVIRONMENT MANAGEMENT & HEALTH

Atmospheric Environment, Water Cycle Management, Biodiversity, Trees, Land & Coastal Management, Environmental/Sustainability Education, Environmental Health, Waste Management & Cleaning & Services.

PARKS & RECREATION

Parks, Gardens, Playgrounds & Civic Spaces, Recreational Facilities, Beaches, Sea Pools & Foreshores.

COMMUNITY SAFETY

Combating Offences & Crime, Event Management-Safety & Traffic Aspects, Emergency Management, Safe Communities & Companion Animals.

COMMUNITY SERVICES

Community Connection & Volunteering, Children/Family, Youth, Older People, People with a disability, Healthy Lifestyle & Fitness, Aboriginal Culture, Heritage & Reconciliation & Culturally & Linguistically Diverse People.

LIBRARY & INFORMATION

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

CULTURAL DEVELOPMENT & SERVICES

Cultural Development, Gallery, Community Arts & Crafts, Civic Events, Friendship Agreements.

TRANSPORT & TRAFFIC

Roads, Facilities, Traffic Management, Pedestrians, BiCycles, Public Transport.

LOCAL AND REGIONAL ECONOMY

Business & Employment, Marketing Mosman, Regional Economic Development.

Mosman Council

Notes to the Financial Statements for the financial year ended 30 June 2012

Note 3. Income from Continuing Operations

\$ '000	Notes	Actual 2012	Actual 2011
(a). Rates & Annual Charges			
Ordinary Rates			
Residential		14,243	13,842
Business		1,497	1,461
Total Ordinary Rates		15,740	15,303
Special Rates			
Nil			
Annual Charges (pursuant to s.496, s.496A, s.496B, s.501 & s.611)			
Domestic Waste Management Services		5,279	5,186
Section 611 Charges		22	20
Total Annual Charges		5,301	5,206
TOTAL RATES & ANNUAL CHARGES		21,041	20,509
Council has used 2008 year valuations provided by the NSW Valuer General in calculating its rates.			
(b). User Charges & Fees			
Specific User Charges (per s.502 - Specific "actual use" charges)			
Domestic Waste Management Services		53	47
Total User Charges		53	47
Other User Charges & Fees			
(i) Fees & Charges - Statutory & Regulatory Functions (per s.608)			
Planning & Building Regulation		720	793
Regulatory Fees		66	61
Section 149 Certificates (EPA Act)		152	141
Section 603 Certificates		83	88
Total Fees & Charges - Statutory/Regulatory		1,021	1,083

Mosman Council

Notes to the Financial Statements

for the financial year ended 30 June 2012

Note 3. Income from Continuing Operations

\$ '000	Notes	Actual 2012	Actual 2011
(b). User Charges & Fees (continued)			
(ii) Fees & Charges - Other(incl. General User Charges (per s.608)			
Art Prize Fees		39	31
Children's Leisure & Learning		15	15
Community Restaurant		33	31
Cultural Centre		94	112
Dinghy Storage Racks		29	26
Family Day Care Parent Levy		16	9
Filming Permits		4	4
Footpath Occupation		147	138
Hoarding Fees		201	36
Kidzone - Vacation		92	87
Lease Rentals (Property)		854	999
Leaseback Fees - Council Vehicles		26	42
Market Days (Stall Holders)		94	87
Meals on Wheels		98	106
Mini Skips		32	24
Mosman Occasional Child Care		281	284
Occasional Child Care		11	10
Out of School Care		245	218
Oval Rents		194	133
Parking Fees - On Street		1,536	1,341
Parking Fees - Foreshore		963	763
Parking Fees - Foreshore - Stickers		189	153
Parking Fees - Resident Parking Scheme Permits		37	35
Photocopying - Civic Centre		3	5
Photocopying - Library		8	11
Reserve Rents		89	67
Restoration Charges		860	438
Section 153 Land Leases		114	83
Stand Plant Permits		75	54
Trading Rights - Foreshore		9	11
Vacation Care		35	41
Vehicular Crossing		14	24
Vehicular Crossing - Inspection Fees		8	11
Work Zone Fees		89	118
Other		378	351
Total Fees & Charges - Other		6,912	5,898
TOTAL USER CHARGES & FEES		7,986	7,028

Mosman Council

Notes to the Financial Statements

for the financial year ended 30 June 2012

Note 3. Income from Continuing Operations (continued)

\$ '000	Notes	Actual 2012	Actual 2011
(c). Interest & Investment Revenue (incl. losses)			
Interest & Dividends			
- Interest on Overdue Rates & Annual Charges		49	37
- Interest earned on Investments (interest & coupon payment income)		385	360
<u>TOTAL INTEREST & INVESTMENT REVENUE</u>		<u>434</u>	<u>397</u>
Interest Revenue is attributable to:			
Unrestricted Investments/Financial Assets:			
Overdue Rates & Annual Charges (General Fund)		49	37
General Council Cash & Investments		381	333
Restricted Investments/Funds - External:			
Development Contributions			
- Section 94		4	27
<u>Total Interest & Investment Revenue Recognised</u>		<u>434</u>	<u>397</u>
(d). Other Revenues			
Fair Value Adjustments - Investment Properties	14	-	618
Rental Income - Investment Properties	14	1,817	1,851
Fines		1,609	1,573
Commissions & Agency Fees		12	34
Insurance Claim Recoveries		55	-
Other		76	63
<u>TOTAL OTHER REVENUE</u>		<u>3,569</u>	<u>4,139</u>

Mosman Council

Notes to the Financial Statements

for the financial year ended 30 June 2012

Note 3. Income from Continuing Operations (continued)

\$ '000	2012 Operating	2011 Operating	2012 Capital	2011 Capital
(e). Grants				
General Purpose (Untied)				
Financial Assistance - General Component	744	573	-	-
Financial Assistance - Local Roads Component	279	215	-	-
Pensioners' Rates Subsidies - General Component	62	63	-	-
Total General Purpose	1,085	851	-	-
Specific Purpose				
Pensioners' Rates Subsidies:				
- Domestic Waste Management	27	27	-	-
Aged Care	527	539	-	-
Child Care	246	171	-	-
Environmental Protection	-	-	-	80
Environmental Protection - Marine Structures	-	-	10	117
Environmental Protection - Stormwater Devices	-	-	-	16
Excess Weight Subsidy	9	10	-	-
Heritage & Cultural	189	-	-	-
Housing & Community Amenities	245	297	-	75
Library - per capita	54	53	-	-
Library - special projects	54	25	-	-
Recreation & Culture	-	-	270	193
Traffic Route Subsidy	73	71	-	-
Transport (Roads to Recovery)	-	-	112	128
Youth Care	-	1	-	-
Total Specific Purpose	1,424	1,194	392	609
Total Grants	2,509	2,045	392	609
Grant Revenue is attributable to:				
- Commonwealth Funding	1,023	788	112	190
- State Funding	1,486	1,257	280	419
- Other Funding	-	-	-	-
	2,509	2,045	392	609

Mosman Council

Notes to the Financial Statements

for the financial year ended 30 June 2012

Note 3. Income from Continuing Operations (continued)

\$ '000	2012 Operating	2011 Operating	2012 Capital	2011 Capital
(f). Contributions				
Developer Contributions:				
(s93 & s94 - EP&A Act, s64 of the NSW LG Act):				
S 94 - Contributions towards amenities/services	-	-	533	76
S 94A - Fixed Development Consent Levies	-	-	1,290	969
Total Developer Contributions 17	-	-	1,823	1,045
Other Contributions:				
Community Services	15	22	-	-
Recreation & Culture	13	57	848	98
Roads & Bridges	-	-	104	44
RMS Contributions (Regional Roads, Block Grant)	305	181	-	-
Other (Libraries)	-	1	-	-
Other (Housing & Community)	-	24	-	-
Total Other Contributions	333	285	952	142
Total Contributions	333	285	2,775	1,187
TOTAL GRANTS & CONTRIBUTIONS	2,842	2,330	3,167	1,796

\$ '000	Actual 2012	Actual 2011
(g). Restrictions relating to Grants and Contributions		
Certain grants & contributions are obtained by Council on condition that they be spent in a specified manner:		
Unexpended at the Close of the Previous Reporting Period	443	931
add: Grants & contributions recognised in the current period but not yet spent:	468	423
less: Grants & contributions recognised in a previous reporting period now spent:	(387)	(911)
Net Increase (Decrease) in Restricted Assets during the Period	81	(488)
Unexpended and held as Restricted Assets	524	443
Comprising:		
- Specific Purpose Unexpended Grants	391	443
- Developer Contributions	133	-
- Other Contributions	-	-
	524	443

Mosman Council

Notes to the Financial Statements

for the financial year ended 30 June 2012

Note 4. Expenses from Continuing Operations

\$ '000	Notes	Actual 2012	Actual 2011
(a) Employee Benefits & On-Costs			
Salaries and Wages		10,649	10,364
Travelling		217	171
Employee Leave Entitlements (ELE)		1,737	1,590
Superannuation - Defined Contribution Plans		922	907
Superannuation - Defined Benefit Plans		308	355
Workers' Compensation Insurance		213	169
Fringe Benefit Tax (FBT)		49	40
Training Costs (other than Salaries & Wages)		73	110
Other		13	13
Total Employee Costs		14,181	13,719
less: Capitalised Costs		-	-
<u>TOTAL EMPLOYEE COSTS EXPENSED</u>		<u>14,181</u>	<u>13,719</u>
Number of "Equivalent Full Time" Employees at year end		168	164
(b) Borrowing Costs			
(i) Interest Bearing Liability Costs			
Interest on Loans		672	615
Total Interest Bearing Liability Costs		672	615
less: Capitalised Costs		-	-
Total Interest Bearing Liability Costs Expensed		672	615
(ii) Other Borrowing Costs			
Nil			
<u>TOTAL BORROWING COSTS EXPENSED</u>		<u>672</u>	<u>615</u>

Mosman Council

Notes to the Financial Statements

for the financial year ended 30 June 2012

Note 4. Expenses from Continuing Operations (continued)

\$ '000	Notes	Actual 2012	Actual 2011
(c) Materials & Contracts			
Raw Materials & Consumables		246	215
Contractor & Consultancy Costs			
- Aged Services		122	139
- Bushcare		407	475
- Cleansing		2,043	1,940
- Consultancies		630	307
- Infrastructure		1,012	430
- Parks, Gardens & Civic Spaces		587	517
- Plant Running		169	156
- Recreational Facilities		496	453
- Structures		571	497
- Tree Pruning/Removal		228	212
- Waste Management		2,692	2,555
- Other Contractor & Consultancy Costs		1,096	790
Auditors Remuneration ⁽¹⁾		35	34
Legal Expenses:			
- Legal Expenses: Planning & Development		169	155
- Legal Expenses: Other		69	76
Operating Leases:			
- Operating Lease Rentals: Minimum Lease Payments ⁽²⁾		139	130
Printing		164	177
Total Materials & Contracts		10,875	9,258
less: Capitalised Costs		-	-
TOTAL MATERIALS & CONTRACTS		10,875	9,258

1. Auditor Remuneration

During the year, the following fees were incurred for services provided by the Council's Auditor (& the Auditors of other Consolidated Entities):

(i) Audit and Other Assurance Services

- Audit & review of financial statements: Council's Auditor	35	34
Remuneration for audit and other assurance services	35	34
Remuneration for other services	-	-
Total Auditor Remuneration	35	34

2. Operating Lease Payments are attributable to:

Computers	139	130
	139	130

Mosman Council

Notes to the Financial Statements

for the financial year ended 30 June 2012

Note 4. Expenses from Continuing Operations (continued)

\$ '000	Notes	Impairment Costs		Depreciation/Amortisation	
		Actual 2012	Actual 2011	Actual 2012	Actual 2011
Plant and Equipment		-	-	390	395
Office Equipment		-	-	146	128
Furniture & Fittings		-	-	26	25
Land Improvements (depreciable)		-	-	741	432
Buildings - Non Specialised		-	-	512	509
Buildings - Specialised		-	-	428	348
Other Structures		-	-	371	185
Infrastructure:					
- Roads, Bridges & Footpaths		-	-	3,258	4,847
- Stormwater Drainage		-	-	752	743
Other Assets					
- Heritage Collections		-	-	2	2
- Library Books		-	-	234	231
- Other		-	-	14	2
Intangible Assets	25	-	-	16	16
Total Depreciation & Impairment Costs		-	-	6,890	7,863
less: Capitalised Costs		-	-	-	-
<u>TOTAL DEPRECIATION & IMPAIRMENT COSTS EXPENSED</u>		<u>-</u>	<u>-</u>	<u>6,890</u>	<u>7,863</u>

Footnote:

All asset residual values and useful lives are reviewed and adjusted (where appropriate), at each balance sheet date and depreciation calculated accordingly, noting Council's review of its Roads, Bridges & Footpaths in 2012.

Mosman Council

Notes to the Financial Statements

for the financial year ended 30 June 2012

Note 4. Expenses from Continuing Operations (continued)

\$ '000	Notes	Actual 2012	Actual 2011
(e) Other Expenses			
Other Expenses for the year include the following:			
Advertising		177	172
Bad & Doubtful Debts		4	9
Bank Charges		73	89
Catering		75	84
Computer Software Charges		681	531
Contributions/Levies to Other Levels of Government			
- Department of Planning Levy		143	139
- NSW Fire Brigade Levy		1,002	1,016
- Local Government & Shires Association		36	34
Councillor Expenses - Mayoral Fee		36	35
Councillor Expenses - Councillors' Fees		140	144
Councillors' Expenses (incl. Mayor) - Other (excluding fees above)		44	50
Donations, Contributions & Assistance to other organisations (Section 356)		359	368
Electricity & Heating		326	301
Equipment Maintenance		171	150
Insurance		719	706
Leases - Photocopiers		56	51
Leases - Property		44	41
Postage		81	78
Revaluation Decrements (Fair Valuation of I,PP&E Assets)	9(a)	-	3,225
Revaluation Decrements (Fair Valuation of Investment Properties)	14	631	-
Street Lighting		543	524
Subscriptions & Publications		75	76
Telephone & Communications		72	78
Waste Disposal & Recycling Centre		530	450
Water		104	99
Other		167	174
Total Other Expenses		6,289	8,624
less: Capitalised Costs		-	-
TOTAL OTHER EXPENSES		6,289	8,624

Mosman Council

Notes to the Financial Statements

for the financial year ended 30 June 2012

Note 5. Gains or Losses from the Disposal of Assets

\$ '000	Notes	Actual 2012	Actual 2011
Property (excl. Investment Property)			
Proceeds from Disposal - Property		-	-
less: Carrying Amount of Property Assets Sold / Written Off		-	(197)
Net Gain/(Loss) on Disposal		-	(197)
Plant & Equipment			
Proceeds from Disposal - Plant & Equipment		90	37
less: Carrying Amount of P&E Assets Sold / Written Off		(125)	(50)
Net Gain/(Loss) on Disposal		(35)	(13)
Infrastructure			
Proceeds from Disposal - Infrastructure		-	-
less: Carrying Amount of Infrastructure Assets Sold / Written Off		(22)	(34)
Net Gain/(Loss) on Disposal		(22)	(34)
Financial Assets*			
Proceeds from Disposal / Redemptions / Maturities - Financial Assets		1,000	1,000
less: Carrying Amount of Financial Assets Sold / Redeemed / Matured		(1,000)	(1,000)
Net Gain/(Loss) on Disposal		-	-

Mosman Council

Notes to the Financial Statements

for the financial year ended 30 June 2012

Note 6a. - Cash Assets and Note 6b. - Investment Securities

\$ '000	Notes	2012 Actual Current	2012 Actual Non Current	2011 Actual Current	2011 Actual Non Current
Cash & Cash Equivalents (Note 6a)					
Cash on Hand and at Bank		259	-	159	-
Cash-Equivalent Assets ¹					
- Short Term Deposits		3,350	-	4,200	-
Total Cash & Cash Equivalents		3,609	-	4,359	-
Investment Securities (Note 6b)					
- Long Term Deposits		2,750	-	1,000	-
Total Investment Securities		2,750	-	1,000	-
TOTAL CASH ASSETS, CASH EQUIVALENTS & INVESTMENTS		6,359	-	5,359	-

¹ Those Investments where time to maturity (from date of purchase) is < 3 mths.

**Cash, Cash Equivalents & Investments were
classified at year end in accordance with
AASB 139 as follows:**

Cash & Cash Equivalents

a. "At Fair Value through the Profit & Loss"	3,609	-	4,359	-
---	--------------	----------	--------------	----------

Investments

a. "At Fair Value through the Profit & Loss"				
- "Held for Trading" 6(b-i)	-	-	-	-
- "Designated at Fair Value on Initial Recognition" 6(b-i)	-	-	-	-
b. "Held to Maturity" 6(b-ii)	2,750	-	1,000	-
c. "Loans & Receivables" 6(b-iii)	-	-	-	-
d. "Available for Sale" 6(b-iv)	-	-	-	-
Investments	2,750	-	1,000	-

Mosman Council

Notes to the Financial Statements

for the financial year ended 30 June 2012

Note 6b. Investments (continued)

	2012	2012	2011	2011
\$ '000	Actual Current	Actual Non Current	Actual Current	Actual Non Current

Note 6(b-i)**Reconciliation of Investments classified as
"At Fair Value through the Profit & Loss"**

Nil

Note 6(b-ii)**Reconciliation of Investments
classified as "Held to Maturity"**

Balance at the Beginning of the Year	1,000	-	1,000	-
Additions	2,750	-	1,000	-
Disposals (sales & redemptions)	(1,000)	-	(1,000)	-
Balance at End of Year	2,750	-	1,000	-

Comprising:

- Long Term Deposits	2,750	-	1,000	-
Total	2,750	-	1,000	-

Note 6(b-iii)**Reconciliation of Investments
classified as "Loans & Receivables"**

Nil

Note 6(b-iv)**Reconciliation of Investments
classified as "Available for Sale"**

Nil

Mosman Council

Notes to the Financial Statements

for the financial year ended 30 June 2012

Note 6c. Restricted Cash, Cash Equivalents & Investments - Details

\$ '000	2012 Actual Current	2012 Actual Non Current	2011 Actual Current	2011 Actual Non Current
Total Cash, Cash Equivalents and Investment Securities	6,359	-	5,359	-
attributable to:				
External Restrictions (refer below)	1,533	-	443	-
Internal Restrictions (refer below)	3,484	-	3,853	-
Unrestricted	1,342	-	1,063	-
	6,359	-	5,359	-

2012 \$ '000	Opening Balance	Transfers to Restrictions	Transfers from Restrictions	Closing Balance
-----------------	--------------------	------------------------------	--------------------------------	--------------------

Details of Restrictions

External Restrictions - Included in Liabilities

Specific Purpose Unexpended Loans-General (A)	-	348	-	348
---	---	-----	---	-----

External Restrictions - Included in Liabilities	-	348	-	348
--	----------	------------	----------	------------

External Restrictions - Other

Developer Contributions - General (D)	-	1,827	(1,694)	133
---------------------------------------	---	-------	---------	-----

Specific Purpose Unexpended Grants (F)	443	-	(52)	391
--	-----	---	------	-----

Domestic Waste Management (G)	-	661	-	661
-------------------------------	---	-----	---	-----

External Restrictions - Other	443	2,488	(1,746)	1,185
--------------------------------------	------------	--------------	----------------	--------------

Total External Restrictions	443	2,836	(1,746)	1,533
------------------------------------	------------	--------------	----------------	--------------

Mosman Council

Notes to the Financial Statements

for the financial year ended 30 June 2012

Note 6c. Restricted Cash, Cash Equivalents & Investments - Details (continued)

2012 \$ '000	Opening Balance	Transfers to Restrictions	Transfers from Restrictions	Closing Balance
Internal Restrictions				
Plant & Vehicle Replacement	110	20	(50)	80
Employees Leave Entitlement	600	100	-	700
Carry Over Works	617	230	(617)	230
Deposits, Retentions & Bonds	2,000	-	-	2,000
Financial Assistance Grant	200	217	-	417
Swim Centre	326	57	(326)	57
Total Internal Restrictions	3,853	624	(993)	3,484
TOTAL RESTRICTIONS	4,296	3,460	(2,739)	5,017

- A** Loan moneys which must be applied for the purposes for which the loans were raised.
- B** Advances by the Roads and Traffic Authority for works on the State's classified roads.
- C** Self Insurance liability resulting from reported claims or incurred claims not yet reported.
- D** Development contributions which are not yet expended for the provision of services and amenities in accordance with contributions plans (refer Note 17).
- E** RMA Contributions which are not yet expended for the provision of services and amenities in accordance with those contributions.
- F** Grants which are not yet expended for the purposes for which the grants were obtained. (refer Note 1)
- G** Water, Sewerage, Domestic Waste Management (DWM) & other Special Rates/Levies/Charges are externally restricted assets and must be applied for the purposes for which they were raised.

Mosman Council

Notes to the Financial Statements

for the financial year ended 30 June 2012

Note 7. Receivables

\$ '000	Notes	2012		2011	
		Current	Non Current	Current	Non Current
Purpose					
Rates & Annual Charges		316	49	314	80
Interest & Extra Charges		21	-	12	-
User Charges & Fees		1,302	-	738	-
Accrued Revenues					
- Interest on Investments		25	-	23	-
- Other Income Accruals		1,007	-	994	-
Government Grants & Subsidies		177	-	426	-
Net GST Receivable		307	-	196	-
Other Debtors		165	-	133	-
Total		3,320	49	2,836	80
less: Provision for Impairment					
User Charges & Fees		(226)	-	(329)	-
Other Debtors		(78)	-	(46)	-
Total Provision for Impairment - Receivables		(304)	-	(375)	-
<u>TOTAL NET RECEIVABLES</u>		<u>3,016</u>	<u>49</u>	<u>2,461</u>	<u>80</u>
Externally Restricted Receivables					
Domestic Waste Management		110	-	116	-
Total External Restrictions		110	-	116	-
Internally Restricted Receivables					
Nil					
Unrestricted Receivables		2,906	49	2,345	80
TOTAL NET RECEIVABLES		3,016	49	2,461	80

Notes on Debtors above:

- (i) Rates & Annual Charges Outstanding are secured against the property.
- (ii) Doubtful Rates Debtors are provided for where the value of the property is less than the debt outstanding.
An allowance for other doubtful debts is made when there is objective evidence that a receivable is impaired.
- (iii) Interest was charged on overdue rates & charges at 11.00% (2011 9.00%).
Generally all other receivables are non interest bearing.
- (iv) Please refer to Note 15 for issues concerning Credit Risk and Fair Value disclosures.

Mosman Council

Notes to the Financial Statements

for the financial year ended 30 June 2012

Note 8. Inventories & Other Assets

\$ '000	Notes	2012		2011	
		Current	Non Current	Current	Non Current
Inventories					
Stores & Materials		107	-	110	-
Trading Stock		55	-	50	-
Total Inventories		162	-	160	-
Other Assets					
Prepayments		102	-	87	-
Total Other Assets		102	-	87	-
TOTAL INVENTORIES / OTHER ASSETS		264	-	247	-

Externally Restricted Assets

Nil

Notes to the Financial Statements

for the financial year ended 30 June 2012

Note 9a. Infrastructure, Property, Plant & Equipment

	as at 30/6/2011				Asset Movements during the Reporting Period				as at 30/6/2012			
	At Cost	At Fair Value	Acc. Dep'n	Carrying Value	Asset Additions	WDV of Asset Disposals	Depreciation Expense	WIP Transfers	At Cost	At Fair Value	Acc. Dep'n	Carrying Value
\$ '000												
Capital Work in Progress	517	-	-	517	1,040	-	-	(59)	1,498	-	-	1,498
Plant & Equipment	-	4,601	3,228	1,373	237	(112)	(390)	-	-	2,830	1,722	1,108
Office Equipment	-	3,818	3,418	400	110	(1)	(146)	-	-	867	502	365
Furniture & Fittings	-	1,290	728	562	894	(12)	(26)	-	-	1,662	244	1,418
Land:												
- Operational Land	-	103,168	-	103,168	-	-	-	-	-	103,168	-	103,168
- Community Land	-	102,687	-	102,687	-	-	-	-	-	102,687	-	102,687
Land Improvements - depreciable	-	24,803	6,853	17,950	434	(22)	(741)	-	-	25,126	7,505	17,621
Buildings - Non Specialised	-	32,727	13,070	19,657	17	-	(512)	-	-	32,744	13,582	19,162
Buildings - Specialised	-	18,003	3,488	14,515	1,100	-	(428)	52	-	19,156	3,917	15,239
Other Structures	-	11,502	6,406	5,096	118	-	(371)	7	-	11,627	6,777	4,850
Infrastructure:												
- Roads, Bridges, Footpaths	-	305,813	157,406	148,407	1,785	-	(3,258)	-	-	307,611	160,677	146,934
- Stormwater Drainage	-	40,992	23,882	17,110	499	-	(752)	-	-	41,491	24,634	16,857
Other Assets:												
- Heritage Collections	-	24	7	17	-	-	(2)	-	-	23	8	15
- Library Books	-	4,588	3,784	804	240	-	(234)	-	-	1,874	1,064	810
- Other	-	357	2	355	-	-	(14)	-	-	357	16	341
<u>TOTAL INFRASTRUCTURE, PROPERTY, PLANT & EQUIP.</u>	517	654,373	222,272	432,618	6,474	(147)	(6,874)	-	1,498	651,223	220,648	432,073

Additions to Capital Works in Progress, Buildings, Other Structures & Infrastructure Assets are made up of Asset Renewals (\$3.937M) and New Assets (\$622K). Renewals are defined as the replacement of existing assets (as opposed to the acquisition of new assets).

Footnote:

Council is currently reviewing all asset classes in regards useful lives, existing condition and current and future funding requirements together with the development of Capitalisation and Disposal policies.

Mosman Council

Notes to the Financial Statements

for the financial year ended 30 June 2012

Note 9b. Externally Restricted Infrastructure, Property, Plant & Equipment

Council has no Externally Restricted Infrastructure, Property, Plant & Equipment.

Note 9c. Infrastructure, Property, Plant & Equipment - Current Year Impairments

Council has recognised no impairment losses during the reporting period nor reversed any prior period losses.

Note 10a. Payables, Borrowings & Provisions

\$ '000	Notes	2012		2011	
		Current	Non Current	Current	Non Current
Payables					
Goods & Services - operating expenditure		1,311	-	1,223	-
Goods & Services - capital expenditure		950	-	631	-
Payments Received In Advance		101	-	20	-
Accrued Expenses:					
- Borrowings		49	-	58	-
Security Bonds, Deposits & Retentions		4,877	-	4,688	-
Total Payables		7,288	-	6,620	-
Borrowings					
Loans - Secured ¹		1,539	8,366	1,641	8,155
Deferred Payment Liabilities		130	130	130	260
Total Borrowings		1,669	8,496	1,771	8,415
Provisions					
Employee Benefits;					
Annual Leave		1,432	-	1,420	-
Long Service Leave		2,512	115	2,118	128
Sub Total - Aggregate Employee Benefits		3,944	115	3,538	128
Total Provisions		3,944	115	3,538	128
Total Payables, Borrowings & Provisions		12,901	8,611	11,929	8,543

Mosman Council

Notes to the Financial Statements

for the financial year ended 30 June 2012

Note 10a. Payables, Borrowings & Provisions (continued)

\$ '000	Notes	2012		2011	
		Current	Non Current	Current	Non Current
(i) Liabilities relating to Restricted Assets					
Externally Restricted Assets					
Domestic Waste Management		110	-	116	-
Other		130	-	-	-
Liabilities relating to externally restricted assets		240	-	116	-
Internally Restricted Assets					
Nil					
Total Liabilities relating to restricted assets		240	-	116	-

¹ Loans are secured over the General Rating Income of Council

Disclosures on Liability Interest Rate Risk Exposures, Fair Value Disclosures & Security can be found in Note 15.

(ii) Current Liabilities not anticipated to be settled within the next 12 months

The following Liabilities, even though classified as current, are not expected to be settled in the next 12 months.

Provisions - Employees Benefits	2,462	2,115
Payables - Security Bonds, Deposits & Retentions	4,277	4,088
	6,739	6,203

Note 10b. Description of and movements in Provisions

Class of Provision	2011	2012			Unused amounts reversed	Closing Balance as at 30/6/12
	Opening Balance as at 1/7/11	Additional Provisions	Decrease due to Payments	Remeasurement effects due to Discounting		
Annual Leave	1,420	1,039	(1,027)	-	-	1,432
Long Service Leave	2,246	698	(317)	-	-	2,627
TOTAL	3,666	1,737	(1,344)	-	-	4,059

a. Employees Leave Entitlements & On-Costs represents those benefits accrued and payable and an estimate of those that will become payable in the future as a result of past service.

Mosman Council

Notes to the Financial Statements

for the financial year ended 30 June 2012

Note 11. Statement of Cash Flows - Additional Information

\$ '000	Notes	Actual 2012	Actual 2011
(a) Reconciliation of Cash Assets			
Total Cash & Cash Equivalent Assets	6a	3,609	4,359
Less Bank Overdraft	10	-	-
BALANCE as per the STATEMENT of CASH FLOWS		3,609	4,359
(b) Reconciliation of Net Operating Result to Cash provided from Operating Activities			
Net Operating Result from Income Statement		189	(4,034)
Adjust for non cash items:			
Depreciation & Amortisation		6,890	7,863
Net Losses/(Gains) on Disposal of Assets		57	244
Non Cash Capital Grants and Contributions		(827)	-
Losses/(Gains) recognised on Fair Value Re-measurements through the P&L:			
- Investment Properties		631	(618)
Share of Net (Profits) or Losses of Associates/Joint Ventures		(114)	(90)
+/- Movement in Operating Assets and Liabilities & Other Cash Items:			
Decrease/(Increase) in Receivables		(453)	(84)
Increase/(Decrease) in Provision for Doubtful Debts		(71)	(32)
Decrease/(Increase) in Inventories		(2)	(21)
Decrease/(Increase) in Other Assets		(15)	180
Increase/(Decrease) in Payables		88	(417)
Increase/(Decrease) in accrued Interest Payable		(9)	(11)
Increase/(Decrease) in Other Liabilities		270	121
Increase/(Decrease) in Employee Leave Entitlements		393	253
NET CASH PROVIDED FROM/(USED IN) OPERATING ACTIVITIES from the STATEMENT of CASH FLOWS		7,027	6,579

Mosman Council

Notes to the Financial Statements

for the financial year ended 30 June 2012

Note 11. Statement of Cash Flows - Additional Information (continued)

\$ '000	Notes	Actual 2012	Actual 2011
(c) Non-Cash Investing & Financing Activities			
Other Dedications - Artworks		827	-
Total Non-Cash Investing & Financing Activities		827	-
(d) Financing Arrangements			
(i) Unrestricted access was available at balance date to the following lines of credit:			
Bank Overdraft Facilities ⁽¹⁾		90	90
Credit Cards / Purchase Cards		42	32
Total Financing Arrangements		132	122
Amounts utilised as at Balance Date:			
- Bank Overdraft Facilities		-	-
- Credit Cards / Purchase Cards		-	-
Total Financing Arrangements Utilised		-	-

1. The Bank overdraft facility may be drawn at any time and may be terminated by the bank without notice.

Interest rates on overdrafts are Interest Rates on Loans & Other Payables are disclosed in Note 15.

(ii) Secured Loan Liabilities

Loans are secured by a mortgage over future years Rate Revenue only.

(e) Net Cash Flows Attributable to Discontinued Operations

Please refer to Note 24 for details of Cash Flows that relate to Discontinued Operations

Mosman Council

Notes to the Financial Statements

for the financial year ended 30 June 2012

Note 12. Commitments for Expenditure

\$ '000	Notes	Actual 2012	Actual 2011
(a) Capital Commitments (exclusive of GST)			
Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:			
Property, Plant & Equipment			
Buildings		231	3,550
Infrastructure-Roads		383	-
Total Commitments		614	3,550
These expenditures are payable as follows:			
Within the next year		614	1,250
Later than one year and not later than 5 years		-	2,300
Later than 5 years		-	-
Total Payable		614	3,550
Sources for Funding of Capital Commitments:			
Unrestricted General Funds		139	174
Sect 64 & 94 Funds/Reserves		125	250
Internally Restricted Reserves		-	326
Unexpended Loans		350	-
New Loans (to be raised)		-	2,800
Total Sources of Funding		614	3,550

Mosman Council

Notes to the Financial Statements

for the financial year ended 30 June 2012

Note 12. Commitments for Expenditure (continued)

\$ '000	Notes	Actual 2012	Actual 2011
(b) Finance Lease Commitments			
Nil			
(c) Operating Lease Commitments (Non Cancellable)			
a. Commitments under Non Cancellable Operating Leases at the Reporting date, but not recognised as Liabilities are payable:			
Within the next year		150	152
Later than one year and not later than 5 years		204	173
Later than 5 years		-	-
Total Non Cancellable Operating Lease Commitments		354	325

Conditions relating to Operating Leases:

- All Operating Lease Agreements are secured only against the Leased Asset.
- No Lease Agreements impose any financial restrictions on Council regarding future debt etc.

(d) Investment Property Commitments

Nil

(e) Investment in Associates / Joint Ventures - Commitments

For Capital Commitments and Other Commitments relating to Investments in Associates & Joint Ventures, refer to Note 19 (b)

Mosman Council

Notes to the Financial Statements

for the financial year ended 30 June 2012

Note 13a(i). Statement of Performance Measurement - Indicators (Consolidated)

\$ '000	Amounts 2012	Indicator 2012	Prior Periods 20112010	
Local Government Industry Indicators				
1. Unrestricted Current Ratio				
Current Assets less all External Restrictions ⁽¹⁾	7,996	1.35 : 1	1.34	1.52
Current Liabilities less Specific Purpose Liabilities ^(2,3)	5,922			
2. Debt Service Ratio				
Debt Service Cost	2,443	7.14%	7.68%	7.14%
Income from Continuing Operations excluding Capital Items & Specific Purpose Grants/Contributions	34,229			
3. Rates & Annual Charges Coverage Ratio				
Rates & Annual Charges	21,041	53.74%	56.52%	50.77%
Income from Continuing Operations	39,153			
4. Rates, Annual Charges, Interest & Extra Charges Outstanding Percentage				
Rates, Annual & Extra Charges Outstanding	386	1.80%	1.94%	1.65%
Rates, Annual & Extra Charges Collectible	21,496			
5. Building & Infrastructure Renewals Ratio				
Asset Renewals ⁽⁴⁾	3,937	79.54%	66.64%	134.41%
Depreciation, Amortisation & Impairment	4,950			

Notes

⁽¹⁾ Refer Notes 6-8 inclusive.

Also excludes any Real Estate & Land for resale not expected to be sold in the next 12 months

⁽²⁾ Refer to Note 10(a).⁽³⁾ Refer to Note 10(a)(ii) - excludes all payables & provisions not expected to be paid in the next 12 months (incl. ELE).⁽⁴⁾ Asset Renewals represent the replacement &/or refurbishment of existing assets to an equivalent capacity/performance as opposed to the acquisition of new assets (or the refurbishment of old assets) that increases capacity/performance.

Asset Renewals include building and infrastructure assets only.

Mosman Council

Notes to the Financial Statements

for the financial year ended 30 June 2012

Note 14. Investment Properties

\$ '000	Notes	Actual 2012	Actual 2011
(a) Investment Properties at Fair value			
<u>Investment Properties on Hand</u>		<u>41,078</u>	<u>40,909</u>
Reconciliation of Annual Movement:			
Opening Balance		40,909	40,233
- Acquisitions		-	-
- Capitalised Expenditure - this year		800	58
- Acquisitions (Transfers) through Amalgamations		-	-
- Disposals during Year		-	-
- Net Gain/(Loss) from Fair Value Adjustments		(631)	618
- Other Movements		-	-
CLOSING BALANCE - INVESTMENT PROPERTIES		<u>41,078</u>	<u>40,909</u>
(b) Valuation Basis			
The basis of valuation of Investment Properties is Fair Value, being the amounts for which the properties could be exchanged between willing parties in arms length transaction, based on current prices in an active market for similar properties in the same location and condition and subject to similar leases.			
The 2012 revaluations were based on Independent Assessments made by: Scott Fullarton Valuations Pty Ltd. Valuation No. MKT5060			
(c) Investment Property Income & Expenditure - summary			
Rental Income from Investment Properties:			
- Minimum Lease Payments		1,817	1,851
Direct Operating Expenses on Investment Properties:			
- that generated rental income		(22)	(31)
Net Revenue Contribution from Investment Properties		<u>1,795</u>	<u>1,820</u>
plus:			
Fair Value Movement for year		<u>(631)</u>	<u>618</u>
Total Income attributable to Investment Properties		<u>1,164</u>	<u>2,438</u>

Mosman Council

Notes to the Financial Statements

for the financial year ended 30 June 2012

Note 15. Financial Risk Management

\$ '000

Risk Management

Council's activities expose it to a variety of financial risks including **(1)** price risk, **(2)** credit risk, **(3)** liquidity risk and **(4)** interest rate risk.

The Council's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Council.

Council does not engage in transactions expressed in foreign currencies and is therefore not subject to foreign currency risk.

Financial risk management is carried out by Council's Finance Section under policies approved by the Council.

A comparison by category of the carrying amounts and fair values of Council's Financial Assets & Financial Liabilities recognised in the financial statements is presented below.

	Carrying Value		Fair Value	
	2012	2011	2012	2011
Financial Assets				
Cash and Cash Equivalents	3,609	4,359	3,609	4,359
Investments				
- "Held to Maturity"	2,750	1,000	2,750	1,000
Receivables	3,065	2,541	3,065	2,541
Total Financial Assets	9,424	7,900	9,424	7,900
Financial Liabilities				
Payables	7,187	6,600	7,187	6,600
Loans / Advances	10,165	10,186	10,165	10,186
Total Financial Liabilities	17,352	16,786	17,352	16,786

Fair Value is determined as follows:

- **Cash & Cash Equivalents, Receivables, Payables** - are estimated to be the carrying value which approximates mkt value.
- **Borrowings & Held to Maturity Investments** - are based upon estimated future cash flows discounted by the current market interest rates applicable to assets & liabilities with similar risk profiles, unless quoted market prices are available.
- Financial Assets classified (i) "**at fair value through profit & loss**" or (ii) **Available for Sale** - are based upon quoted market prices (in active markets for identical investments) at the reporting date or independent valuation.

Mosman Council

Notes to the Financial Statements

for the financial year ended 30 June 2012

Note 15. Financial Risk Management (continued)

\$ '000

(a) Cash & Cash Equivalents, Financial assets 'at fair value through the profit & Loss', "Available-for-sale" financial assets & "Held-to-maturity" Investments

Council's objective is to maximise its return on cash & investments whilst maintaining an adequate level of liquidity and preserving capital.

Council's Finance area manages the Cash & Investments portfolio with the assistance of independent advisors.

Council has an Investment Policy which complies with the Local Government Act & Minister's Investment Order. This Policy is regularly reviewed by Council and its staff and an Investment Report is tabled before Council on a monthly basis setting out the portfolio breakup and its performance.

The major risk associated with Investments is price risk - the risk that the capital value of Investments may fluctuate due to changes in market prices, whether these changes are caused by factors specific to individual financial instruments or their issuers or are caused by factors affecting similar instruments traded in a market.

Cash & Investments are also subject to interest rate risk - the risk that movements in interest rates could affect returns and income.

A further risk associated with Cash & Investments is credit risk - the risk that the investment counterparty will not complete their obligations particular to a financial instrument, resulting in a financial loss to Council - be it of a capital or income nature.

Council manages these risks (amongst other measures) by diversifying its portfolio and only purchasing investments with high credit ratings or capital guarantees.

Council also seeks advice from independent advisers before placing any funds in Cash Equivalents & Investments.

The following represents a summary of the sensitivity of Council's Income Statement and Accumulated Surplus (for the reporting period) due to a change in either the price of a financial asset or the interest rates applicable.

It is assumed that the change in interest rates would have been constant throughout the reporting period.

	Increase of Values/Rates		Decrease of Values/Rates	
	Profit	Equity	Profit	Equity
2012				
Possible impact of a 1% movement in Interest Rates	64	64	(64)	(64)
2011				
Possible impact of a 1% movement in Interest Rates	54	54	(54)	(54)

Mosman Council

Notes to the Financial Statements

for the financial year ended 30 June 2012

Note 15. Financial Risk Management (continued)

\$ '000

(b) Receivables

Council's major receivables comprise **(i) Rates & Annual charges** and **(ii) User Charges & Fees**.

The major risk associated with these receivables is credit risk - the risk that debts due and payable to Council may not be repaid in full.

Council manages this risk by monitoring outstanding debt and employing stringent debt recovery procedures. It also encourages ratepayers to pay their rates by the due date through incentives.

Credit risk on rates and annual charges is minimised by the ability of Council to secure a charge over the land relating to the debts - that is, the land can be sold to recover the debt. Council is also able to charge interest on overdue rates & annual charges at higher than market rates which further encourages the payment of debt.

There are no significant concentrations of credit risk, whether through exposure to individual customers, specific industry sectors and/or regions.

The level of outstanding receivables is reported to Council monthly and benchmarks are set and monitored for acceptable collection performance.

Council makes suitable provision for doubtful receivables as required and carries out credit checks on most non-rate debtors.

There are no material receivables that have been subjected to a re-negotiation of repayment terms.

A profile of Council's receivables credit risk at balance date follows:

	2012	2012	2011	2011
	Rates & Annual Charges	Other Receivables	Rates & Annual Charges	Other Receivables
(i) Ageing of Receivables				
Current (not yet overdue)	316	2,234	314	1,758
Overdue	49	770	80	764
	365	3,004	394	2,522
(ii) Movement in Provision for Impairment of Receivables			2012	2011
Balance at the beginning of the year			375	407
+ new provisions recognised during the year			4	11
- amounts already provided for & written off this year			(75)	(43)
Balance at the end of the year			304	375

Mosman Council

Notes to the Financial Statements

for the financial year ended 30 June 2012

Note 15. Financial Risk Management (continued)

\$ '000

(c) Payables & Borrowings

Payables & Borrowings are both subject to liquidity risk - the risk that insufficient funds may be on hand to meet payment obligations as and when they fall due.

Council manages this risk by monitoring its cash flow requirements and liquidity levels and maintaining an adequate cash buffer.

Payment terms can (in extenuating circumstances) also be extended & overdraft facilities utilised as required.

The contractual undiscounted cash outflows (ie. principal and interest) of Council's Payables & Borrowings are set out in the Liquidity Table below:

\$ '000	Subject to no maturity	payable in:						Total Cash Outflows	Actual Carrying Values
		≤ 1 Year	1-2 Yrs	2-3 Yrs	3-4 Yrs	4-5 Yrs	> 5 Yrs		
2012									
Bank Overdraft	-	-	-	-	-	-	-	-	-
Trade/Other Payables	4,877	2,310	-	-	-	-	-	7,187	7,187
Loans & Advances	-	1,669	1,625	1,418	1,425	1,205	2,823	10,165	10,165
Lease Liabilities	-	-	-	-	-	-	-	-	-
Total Financial Liabilities	4,877	3,979	1,625	1,418	1,425	1,205	2,823	17,352	17,352
2011									
Bank Overdraft	-	-	-	-	-	-	-	-	-
Trade/Other Payables	4,688	1,912	-	-	-	-	-	6,600	6,600
Loans & Advances	-	1,771	1,494	1,446	1,245	1,252	2,978	10,186	10,186
Lease Liabilities	-	-	-	-	-	-	-	-	-
Total Financial Liabilities	4,688	3,683	1,494	1,446	1,245	1,252	2,978	16,786	16,786

Borrowings are also subject to interest rate risk - the risk that movements in interest rates could adversely affect funding costs & debt servicing requirements. Council manages this risk through the diversification of borrowing types, maturities & interest rate structures.

The following interest rates were applicable to Council's Borrowings at balance date:

	2012		2011	
	Carrying Value	Average Interest Rate	Carrying Value	Average Interest Rate
Trade/Other Payables	7,187	0.0%	6,600	0.0%
Loans & Advances - Fixed Interest Rate	10,165	7.0%	10,186	7.0%
	<u>17,352</u>		<u>16,786</u>	

Mosman Council

Notes to the Financial Statements

for the financial year ended 30 June 2012

Note 16. Material Budget Variations

\$ '000

Council's Original Financial Budget for 11/12 was adopted by the Council on 07 June 2011.

While the Income Statement included in this General Purpose Financial Report must disclose the Original Budget adopted by Council, the Local Government Act requires Council to review its Financial Budget on a Quarterly Basis, so that it is able to manage the various variations between actuals versus budget that invariably occur throughout the year.

This Note sets out the details of MATERIAL VARIATIONS between Council's Original Budget and its Actual results for the year as per the Income Statement - even though such variations may have been adjusted for during each Quarterly Budget Review.

Note that for Variations* of Budget to Actual :

Material Variations represent those variances that amount to **10%** or more of the original budgeted figure.

F = Favourable Budget Variation, **U** = Unfavourable Budget Variation

\$ '000	2012 Budget	2012 Actual	2012 ----- Variance* -----		
REVENUES					
Rates & Annual Charges	21,032	21,041	9	0%	F
User Charges & Fees	7,346	7,986	640	9%	F
Interest & Investment Revenue	420	434	14	3%	F
Other Revenues	3,729	3,569	(160)	(4%)	U
Operating Grants & Contributions	2,145	2,842	697	32%	F
The favourable variance can be attributed to the Financial Assistance Grant continuing to be paid in advance which resulted in actual income exceeding the original budget by \$231K & Art/Cultural and Library funding exceeding the original budget by \$192K & 54K respectively					
Capital Grants & Contributions	935	3,167	2,232	239%	F
The favourable variance can be attributed to Section 94 contributions exceeding the original budget by \$890K and bringing to account Art Collections which were gifted to Council with a Fair Value of \$827K					
Share of Net Profits - Joint Ventures & Associates	-	114	114	0%	F

Mosman Council

Notes to the Financial Statements

for the financial year ended 30 June 2012

Note 16. Material Budget Variations (continued)

\$ '000	2012 Budget	2012 Actual	2012 ----- Variance* -----		
EXPENSES					
Employee Benefits & On-Costs	14,651	14,181	470	3%	F
Borrowing Costs	702	672	30	4%	F
Materials & Contracts	9,582	10,875	(1,293)	(13%)	U
The unfavourable variance is largely due to road and footpath restoration expense exceeding original budget by \$293K together with Waste & Recycling expenses exceeding original budget by \$193K					
Depreciation & Amortisation	9,800	6,890	2,910	30%	F
The favourable variance can be attributed to a review of depreciation rates within the road asset category					
Other Expenses	5,850	6,289	(439)	(8%)	U
Net Losses from Disposal of Assets	-	57	(57)	0%	U

Notes to the Financial Statements

for the financial year ended 30 June 2012

Note 17. Statement of Developer Contributions

\$ '000

Council recovers contributions, raises levies & enters into planning agreements on development works that are subject to a development consent issued by Council. All contributions must be spent/utilised for the specific purpose they were levied and any interest applicable to unspent funds must be attributed to remaining funds.

The following tables detail the receipt, interest and use of the above contributions & levies and the value of all remaining funds which are "restricted" in their future use.

SUMMARY OF CONTRIBUTIONS & LEVIES

PURPOSE	Opening Balance	Contributions received during the Year		Interest earned in Year	Expenditure during Year	Internal Borrowing (to)/from	Held as Restricted Asset	Projections			Cumulative Internal Borrowings due/(payable)
		Cash	Non Cash					Future income	Exp still outstanding	Over or (under) Funding	
Parking	-	133	-	-	(133)	-	-	-	-	-	-
Open Space	-	400	-	-	(400)	-	-	260	(260)	-	-
S94 Contributions - under a Plan	-	533	-	-	(533)	-	-	260	(260)	-	-
S94A Levies - under a Plan	-	1,290	-	4	(1,161)	-	133				-
Total S94 Revenue Under Plans	-	1,823	-	4	(1,694)	-	133				-
S94 not under Plans	-	-	-	-	-	-	-	-	-	-	-
Total Contributions	-	1,823	-	4	(1,694)	-	133	260	(260)	-	-

Notes to the Financial Statements

for the financial year ended 30 June 2012

Note 17. Statement of Developer Contributions (continued)

\$ '000

S94 CONTRIBUTIONS - UNDER A PLAN

CONTRIBUTION PLAN

PURPOSE	Opening Balance	Contributions received during the Year		Interest earned in Year	Expenditure during Year	Internal Borrowing (to)/from	Held as Restricted Asset	Projections			Cumulative Internal Borrowings due/(payable)
		Cash	Non Cash					Future income	Exp still outstanding	Over or (under) Funding	
Parking	-	133	-	-	(133)	-	-	-	-	-	-
Open Space	-	400	-	-	(400)	-	-	260	(260)	-	-
Total	-	533	-	-	(533)	-	-	260	(260)	-	-

S94A LEVIES - UNDER A PLAN

CONTRIBUTION PLAN - OPEN SPACE & CAR PARKING

PURPOSE	Opening Balance	Contributions received during the Year		Interest earned in Year	Expenditure during Year	Internal Borrowing (to)/from	Held as Restricted Asset	Projections			Cumulative Internal Borrowings due/(payable)
		Cash	Non Cash					Future income	Exp still outstanding	Over or (under) Funding	
Open Space	-	1,290	-	4	(1,161)	-	133	10,000	(3,284)	6,849	-
Total	-	1,290	-	4	(1,161)	-	133	10,000	(3,284)	6,849	-

Mosman Council

Notes to the Financial Statements for the financial year ended 30 June 2012

Note 18. Contingencies & Other Assets/Liabilities Not Recognised

\$ '000

The following assets and liabilities do not qualify for recognition in the Balance Sheet, but their knowledge & disclosure is considered relevant to the users of Council's Financial Report.

LIABILITIES NOT RECOGNISED:

1. Guarantees

(i) Defined Benefit Superannuation Contribution Plans

Council participates in an employer sponsored Defined Benefit Superannuation Scheme, and makes contributions as determined by the Superannuation Scheme's Trustees.

Member Councils bear responsibility of ensuring there are sufficient funds available to pay out the required benefits as they fall due.

The Schemes most recent full actuarial review indicated that the Net Assets of the Scheme were not sufficient to meet the accrued benefits of the Schemes Defined Benefit member category with member Councils required to make significantly higher contributions, to those paid prior to 1 July 2010, in future years.

The Local Government Superannuation Scheme however is unable to provide Council with an accurate estimate of its share of the net deficit and accordingly Council has not recorded any net liability from its Defined Benefit Scheme obligations in accordance with AASB 119.

Future contributions made to the defined benefit scheme to rectify the net deficit position will be recognised as an expense when they become payable - similar to the accounting for Defined Contributions Plans.

(ii) Statewide Limited

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

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

The future realisation and finalisation of claims incurred but not reported to 30/6 this year may result in future liabilities or benefits as a result of past events that Council will be required to fund or share in respectively.

(iii) StateCover Limited

Council is a member of StateCover Mutual Limited and holds a partly paid share in the entity.

StateCover is a company providing workers compensation insurance cover to the NSW Local Government Industry and specifically Council.

Council has a contingent liability to contribute further equity in the event of the erosion of the Company's capital base as a result of the company's past performance and/or claims experience or as a result of any increased prudential requirements from APRA.

These future equity contributions would be required to maintain the company's minimum level of Net Assets in accordance with its Licence Requirements.

(iv) Other Guarantees

Council has provided no other Guarantees other than those listed above.

Mosman Council

Notes to the Financial Statements for the financial year ended 30 June 2012

Note 18. Contingencies & Other Assets/Liabilities Not Recognised (continued)

\$ '000

LIABILITIES NOT RECOGNISED (continued):

2. Other Liabilities

(i) Third Party Claims

The Council is involved from time to time in various claims incidental to the ordinary course of business including claims for damages relating to its services.

Council believes that it is appropriately covered for all claims through its Insurance Coverage and does not expect any material liabilities to eventuate.

(ii) S94 Plans

Council levies Section 94/94A Contributions upon various development across the Council area through the required Contributions Plans.

As part of these Plans, Council has received funds for which it will be required to expend the monies in accordance with those Plans.

As well, these Plans indicate proposed future expenditure to be undertaken by Council, which will be funded by making levies and receipting funds in future years or where a shortfall exists by the use of Council's General Funds.

These future expenses do not yet qualify as liabilities as of the Reporting Date, but represent Councils intention to spend funds in the manner and timing set out in those Plans.

ASSETS NOT RECOGNISED:

(i) Land Under Roads

As permitted under AASB 1051, Council has elected not to bring to account Land Under Roads that it owned or controlled up to & including 30/6/08.

Mosman Council

Notes to the Financial Statements

for the financial year ended 30 June 2012

Note 19. Controlled Entities, Associated Entities & Interests in Joint Ventures

\$ '000

Council's objectives can and in some cases are best met through the use of separate entities & operations.

These operations and entities range from 100% ownership and control through to lower levels of ownership and control via co-operative arrangements with other Councils, Bodies and other Outside Organisations.

The accounting and reporting for these various entities, operations and arrangements varies in accordance with accounting standards, depending on the level of Councils (i) interest and (ii) control and the type (form) of entity/operation, as follows;

Subsidiaries

Note 19(a)

Operational Arrangements where Councils Control (but not necessarily Interest) exceeds 50%

Associated Entities & Joint Venture Entities

Note 19(b) (i)&(ii)

Arrangements in the form of a Separate Entity that deploys the resources of the operation itself.

Under Associated Entities, Council significantly influences the operations (but does not control them, whilst for JV Entities, Council Jointly Controls the Operations with other parties.

Joint Venture Operations

Note 19(c)

Arrangements that do not comprise an actual individual entity which can deploy the resources of the individual participants. Under JV Operations, Council Jointly Controls the operations with the Other Parties involved.

Subsidiaries, Associated Entities and Joint Ventures Not Recognised

Note 19(d)

Accounting Recognition:

(i) Subsidiaries disclosed under Note 19(a), and Joint Venture Operations disclosed at Note 19(c), are accounted for on a Line by Line Consolidation basis within the Income Statement and Balance Sheet.

(ii) Associated Entities and Joint Venture Entities as per Notes 19(b)(i) & (ii) are accounted for using the Equity Accounting Method - and are disclosed as a 1 line entry in both the Income Statement and Balance Sheet.

	Council's Share of Net Income		Council's Share of Net Assets	
	Actual 2012	Actual 2011	Actual 2012	Actual 2011
Associated Entities	100	84	584	518
Joint Venture Entities	14	6	51	37
Total	114	90	635	555

Mosman Council

Notes to the Financial Statements

for the financial year ended 30 June 2012

Note 19. Controlled Entities, Associated Entities & Interests in Joint Ventures

\$ '000

19(a) Subsidiaries (ie. Entities & Operations controlled by Council)

Council has no interest in any Subsidiaries.

19(b) Associated Entities & Joint Venture Entities

(i) ASSOCIATED ENTITIES

(a) Net Carrying Amounts - Council's Share

Name of Entity	Principal Activity	2012	2011
Kimbriki Environmental Enterprises P/L	Waste Management & Disposal	584	518
Total Carrying Amounts - Associated Entities		584	518

(b) Relevant Interests

Name of Entity	Interest in Outputs		Interest in Ownership		Proportion of Voting Power	
	2012	2011	2012	2011	2012	2011
Kimbriki Environmental Enterprises P/L	4%	4%	4%	4%	4%	4%

(c) Movement in Carrying Amounts of Council's Equity Interest

	Kimbriki Environmental Enterprises P/L	
	2012	2011
Opening Balance	518	466
Share in Operating Result	100	84
New Capital Contributions	-	-
Distributions Received	(34)	(32)
Adjustments to Equity	-	-
Council's Equity Share in the Associated Entity	584	518

(d) Summarised Financial Information of Associated Entities - Council's Share

2012	Assets	Liabilities	Net Assets	Revenues	Profit
Kimbriki Environmental Enterprises P/L	704	120	584	862	100
Totals	704	120	584	862	100
2011	Assets	Liabilities	Net Assets	Revenues	Profit
Kimbriki Environmental Enterprises P/L	613	95	518	744	84
Totals	613	95	518	744	84

Mosman Council

Notes to the Financial Statements

for the financial year ended 30 June 2012

Note 19. Controlled Entities, Associated Entities & Interests in Joint Ventures

\$ '000

19(b) Associated Entities & Joint Venture Entities (continued)

(ii) JOINT VENTURE ENTITIES

(a) Carrying Amounts

Name of Entity	Principal Activity	2012	2011
Shorelink Library Network	Sharing of Library Infrastructure	51	37
Total Carrying Amounts - Joint Venture Entities		51	37

(b) Relevant Interests

Name of Entity	Interest in Outputs		Interest in Ownership		Proportion of Voting Power	
	2012	2011	2012	2011	2012	2011
Shorelink Library Network	13%	14%	17%	17%	20%	20%

(c) Movement in Carrying Amounts

	Shorelink Library Network	
	2012	2011
Opening Balance	37	31
Share in Operating Result	14	6
Council's Equity Share in the Joint Venture Entity	51	37

Mosman Council

Notes to the Financial Statements

for the financial year ended 30 June 2012

Note 19. Controlled Entities, Associated Entities & Interests in Joint Ventures

\$ '000

19(b) Associated Entities & Joint Venture Entities (continued)

(d) Share of Joint Ventures Assets & Liabilities

	Assets		Liabilities		Net Assets
	Current	Non Current	Current	Non Current	
2012					
Shorelink Library Network	53	8	10	-	51
Totals	53	8	10	-	51
2011					
Shorelink Library Network	40	6	9	-	37
Totals	40	6	9	-	37

(e) Share of Joint Ventures Revenues, Expenses & Results

	2012			2011		
	Revenues	Expenses	Result	Revenues	Expenses	Result
Shorelink Library Network	85	71	14	83	77	6
Totals	85	71	14	83	77	6

19(c) Joint Venture Operations

Council has no interest in any Joint Venture Operations.

19(d) Subsidiaries, Associated Entities & Joint Venture Operations Not Recognised

All Subsidiaries, Associated Entities & Joint Ventures have been recognised in this Financial Report as required.

Mosman Council

Notes to the Financial Statements

for the financial year ended 30 June 2012

Note 20. Equity - Retained Earnings and Revaluation Reserves

\$ '000	Notes	Actual 2012	Actual 2011
a. Retained Earnings			
Movements in Retained Earnings were as follows:			
Balance at beginning of Year (from previous years audited accounts)		275,828	386,540
a. Correction of Prior Period Errors	20 (c)	-	7,124
b. Changes in Accounting Policies (prior period effects)	20 (d)	-	(113,802)
c. Other Comprehensive Income (excl. direct to Reserves transactions)		-	-
d. Net Operating Result for the Year		189	(4,034)
e. Distributions to/(Contributions from) Minority Interests		-	-
f. Transfers between Equity		-	-
Balance at End of the Reporting Period		276,017	275,828

b. Reserves**(i) Reserves are represented by:**

- Infrastructure, Property, Plant & Equipment Revaluation Reserve	186,289	186,289
- "Available for Sale" Financial Investments Revaluation Reserve	-	-
Total	186,289	186,289

(ii). Reconciliation of movements in Reserves:**Infrastructure, Property, Plant & Equipment Revaluation Reserve**

- Opening Balance	186,289	180,648
- Revaluations for the year	9(a) -	5,641
- Impairment of revalued assets (incl. impairment reversals)	9(a),(c) -	-
- Transfer to Retained Earnings for Asset disposals	-	-
- Correction of Prior Period Errors	20(c) -	-
- Balance at End of Year	186,289	186,289
TOTAL VALUE OF RESERVES	186,289	186,289

(iii). Nature & Purpose of Reserves**Infrastructure, Property, Plant & Equipment Revaluation Reserve**

- The Infrastructure, Property, Plant & Equipment Revaluation Reserve is used to record increments/decrements of Non Current Asset values due to their revaluation.

Mosman Council

Notes to the Financial Statements

for the financial year ended 30 June 2012

Note 20. Equity - Retained Earnings and Revaluation Reserves (continued)

\$ '000	Notes	Actual 2012	Actual 2011
c. Correction of Error/s relating to a Previous Reporting Period			
Council made no correction of errors during the current reporting period.			
Correction of errors as disclosed in last year's financial statements:			
As part of Council's transition to measuring all it's I,PP&E at Fair Values, Council last year reviewed and brought to account Fair Values for the following Asset Classes:			
- Land Improvements Depreciable (first time recognition of bushland and unmade road assets-excluding land)			
			7,124
In accordance with AASB 108 - Accounting Policies, Changes in Accounting Estimates and Errors, the above Prior Period Errors have been recognised retrospectively.			
These amounted to the following Equity Adjustments:			
- Adjustments to Opening Equity - 1/7/10			
(relating to adjustments for the 30/6/10 reporting year end and prior periods)			
		-	7,124
- Adjustments to Closing Equity - 30/6/11			
(relating to adjustments for the 30/6/11 year end)			
		-	-
Total Prior Period Adjustments - Prior Period Errors		-	7,124

Mosman Council

Notes to the Financial Statements

for the financial year ended 30 June 2012

Note 20. Equity - Retained Earnings and Revaluation Reserves (continued)

\$ '000	Notes	Actual 2012	Actual 2011
d. Voluntary Changes in Accounting Policies			
Council made no voluntary changes in any accounting policies during the year.			
Accounting Policy Changes as disclosed in last year's Accounts:			
Accounting Policy changes relating to the valuation of Community Land			
Council previously revalued Community Land in 1997 using an average municipal rate. The 2011 revaluation applies the Valuer-General values in accordance with the Local Government Code of Accounting Practice.			
		-	(113,802)
In accordance with AASB 108 - Accounting Policies, Changes in Accounting Estimates and Errors, the above changes in Accounting Policy have been recognised retrospectively.			
These amounted to the following Equity Adjustments:			
- Adjustments to Opening Equity - 1/7/10		-	-
(relating to adjustments for the 30/6/10 reporting year end and prior periods)			
- Adjustments to Closing Equity - 30/6/11		-	(113,802)
(relating to adjustments for the 30/6/11 year end)			
Total Prior Period Adjustments - Accounting Policy Changes		-	(113,802)

Mosman Council

Notes to the Financial Statements for the financial year ended 30 June 2012

Note 21. Financial Result & Financial Position by Fund

\$ '000

Council utilises only a General Fund for its operations.

Note 22. "Held for Sale" Non Current Assets & Disposal Groups

Council did not classify any Non Current Assets or Disposal Groups as "Held for Sale".

Note 23. Events occurring after Balance Sheet Date

Events that occur after the reporting date of 30 June 2012, up to and including the date when the financial statements are "authorised for issue" have been taken into account in preparing these statements.

Council has adopted the date of receipt of the Auditors' Report as the appropriate "authorised for issue" date relating to these General Purpose Financial Statements.

Events that occur after the Reporting Date represent one of two types:

(i) Events that have provided evidence of conditions that existed at the Reporting Date

These financial statements (and the figures therein) incorporate all "adjusting events" that provided evidence of conditions that existed at 30 June 2012.

(ii) Events that have provided evidence of conditions that arose after the Reporting Date

These financial statements (& figures therein) do not incorporate any "non adjusting events" that have occurred after 30 June 2012 and which are only indicative of conditions that arose after 30 June 2012.

Council is unaware of any material or significant "non adjusting events" that should be disclosed.

Mosman Council

Notes to the Financial Statements

for the financial year ended 30 June 2012

Note 24. Discontinued Operations

Council has not classified any of its Operations as "Discontinued".

Note 25. Intangible Assets

\$ '000

Intangible Assets represent identifiable non-monetary asset without physical substance.

	Actual 2012 Carrying Amount	Actual 2011 Carrying Amount
Intangible Assets are as follows;		
Opening Values:		
Gross Book Value (1/7/11)	376	392
Accumulated Amortisation & Impairment	(16)	(16)
Net Book Value - Opening Balance	360	376
Movements for the year		
- Purchases	-	-
- Amortisation charges	(16)	(16)
Closing Values:		
Gross Book Value (30/6/12)	360	376
Accumulated Amortisation (30/6/12)	(16)	(16)
Accumulated Impairment (30/6/12)	-	-
<u>TOTAL INTANGIBLE ASSETS - NET BOOK VALUE</u> ¹	<u>344</u>	<u>360</u>
^{1:} The Net Book Value of Intangible Assets represent:		
- Rights to participate in Kimbriki Environmental Enterprises Pty Ltd.	344	360
	344	360

Note 26. Reinstatement, Rehabilitation & Restoration Liabilities

Council has no outstanding obligations to make, restore, rehabilitate or reinstate any of its assets/operations.

Mosman Council

Notes to the Financial Statements for the financial year ended 30 June 2012

Note 27. Council Information & Contact Details

Principal Place of Business:

Civic Centre
Mosman Square, Spit Junction, 2088

Contact Details
Mailing Address:

PO Box 211
SPIT JUNCTION NSW 2088

Opening Hours:

Monday to Friday 8.30 am to 5pm

Telephone: 02 9978 4000

Facsimile: 02 9978 4132

Internet: www.mosmancouncil.nsw.gov.au

Email: council@mosman.nsw.gov.au

Officers
GENERAL MANAGER

V H R May PSM

RESPONSIBLE ACCOUNTING OFFICER

M McDonald

PUBLIC OFFICER

M Glyde

AUDITORS

Hill Rogers Spencer Steer
Level 5
1 Chifley Square
Sydney NSW 2000

Elected Members
MAYOR

A S Connon

COUNCILLORS

P S Menzies
B Halloran (Resigned 26/04/12)
D J Lopez OAM (Deceased 24/01/12)
T Sherlock
L Moline
J Reid
D Wilton
W Yates

Other Information

ABN: 94 414 022 939

MOSMAN COUNCIL
GENERAL PURPOSE FINANCIAL STATEMENTS
INDEPENDENT AUDITORS' REPORT

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying *general purpose financial statements* of **Mosman Council**, which comprises the Balance Sheet as at 30 June 2012, Income Statement, Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the year ended on that date, a summary of significant accounting policies and other explanatory notes and the Statement by Councillors and Management. The financial statements include the consolidated financial statements of the economic entity and the entities it controlled at year end or from time to time during the year.

Responsibility of Council for the Financial Statements

The Council is responsible for the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Local Government Act 1993. This responsibility includes the maintenance of adequate accounting records and internal controls designed to prevent and detect fraud and error; designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement. Our audit responsibility does not extend to the original budget information disclosed in the Income Statement, Statement of Cash Flows, and Note 2(a) or the budget variation explanations disclosed in Note 16. Nor does our responsibility extend to the projected future developer contributions and costs disclosed in Note 17. Accordingly, no opinion is expressed on these matters.

Assurance Partners

T. +61 2 9232 5111
F. +61 2 9233 7950

Level 5, 1 Chifley Square
Sydney NSW 2000 Australia

GPO Box 7066
Sydney NSW 2001

www.hr-ss.com.au
info@hr-ss.com.au

Practising as Hill Rogers Spencer
Steer Assurance Partners

ABN 56 435 338 966

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Council's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Council, as well as evaluating the overall presentation of the financial statements. Our audit did not involve an analysis of the prudence of business decisions made by Council or management.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

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

Auditor's Opinion

In our opinion,

- (a) the Council's accounting records have been kept in accordance with the requirements of the Local Government Act 1993, Chapter 13 part 3 Division 2; and
- (b) the financial statements:
 - (i) have been presented 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, the results of its operations and its cash flows; and
 - (iv) are in accordance with applicable Accounting Standards and other mandatory professional reporting requirements in Australia.
- (c) all information relevant to the conduct of the audit has been obtained; and
- (d) there are no material deficiencies in the accounting records or financial statements that we have become aware of during the course of the audit.

HILL ROGERS SPENCER STEER



BRETT HANGER

Partner

Dated at Sydney this 8th day of August 2012

Hill Rogers
Spencer Steer

8 August 2012

The Mayor
Mosman Council
PO Box 211
SPIT JUNCTION NSW 2088

Mayor,

Audit Report - Year Ended 30 June 2012

We are pleased to advise completion of the audit of Council's books and records for the year ended 30 June 2012 and that all information required by us was readily available. We have signed our reports as required under Section 417(1) of the Local Government Act, 1993 and the Local Government Code of Accounting Practice and Financial Reporting to the General and Special Purpose Financial Statements.

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

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

I. RESULTS FOR THE YEAR

1.1 Operating Result

The operating result for the year was a surplus of \$189,000 as compared with a deficit of \$4.034 million in the previous year.

Assurance Partners

T. +61 2 9232 5111
F. +61 2 9233 7950

Level 5, 1 Chifley Square
Sydney NSW 2000 Australia

GPO Box 7066
Sydney NSW 2001

www.hr-ss.com.au
info@hr-ss.com.au

Practising as Hill Rogers Spencer
Steer Assurance Partners

ABN 56 435 338 966

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

	2012 \$000	% of Total	2011 \$000	% of Total	Increase (Decrease) \$000
Revenues before capital items					
Rates & annual charges	21,041	58%	20,509	59%	532
User charges, fees & other revenues	11,669	32%	11,257	33%	412
Grants & contributions provided for operating purposes	2,842	8%	2,330	7%	512
Interest & investment revenue	434	1%	397	1%	37
	35,986	100%	34,493	100%	1,493
Expenses					
Employee benefits & costs	14,181	36%	13,719	34%	462
Materials, contracts & other expenses	17,221	44%	18,126	45%	(905)
Depreciation, amortisation & impairment	6,890	18%	7,863	20%	(973)
Borrowing costs	672	2%	615	2%	57
	38,964	100%	40,323	100%	(1,359)
Surplus/(Deficit) before capital items	(2,978)		(5,830)		2,852
Grants & contributions provided for capital purposes	3,167		1,796		1,371
Net Surplus/(Deficit) for the year	189		(4,034)		4,223

The table above shows an overall increase over the previous year of \$4.223 million. Other expenses for the previous year included a fair valuation decrement in respect to other structures that amounted to \$3.225 million. Capital grants and contributions increased by \$1.371 million and included the receipt of contributed artworks of \$827,000.

1.2 Funding Result

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

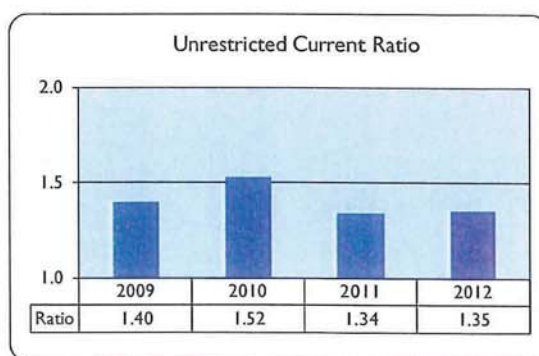
	2012	2011
	\$'000	\$'000
Funds were provided by:-		
Operating Result (as above)	189	(4,034)
Add back non funding items:-		
- Depreciation, amortisation & impairment	6,890	7,863
- Revaluation decrements (fair valuation of I,P,P&E)	0	3,225
- Book value of non-current assets sold	147	281
- Non-cash contributions of assets acquired	(827)	0
- (Gain)/Loss of fair value to investment properties	631	(618)
- (Surplus)/Deficit in joint ventures	(114)	(90)
	6,916	6,627
New loan borrowings	1,750	2,250
Transfers from externally restricted assets (net)	0	164
Transfers from internal reserves (net)	369	1,309
Distributions from joint ventures	34	32
Net Changes in current/non-current assets & liabilities	611	470
	9,680	10,852
Funds were applied to:-		
Purchase and construction of assets	(6,447)	(8,455)
Principal repaid on loans	(1,771)	(1,919)
Transfers to externally restricted assets (net)	(960)	0
	(9,178)	(10,374)
Increase/(Decrease) in Available Working Capital	502	478

2. FINANCIAL POSITION

2.1 Unrestricted Current Ratio

The Unrestricted Current Ratio is a financial indicator specific to local government and represents Council's ability to meet its debts and obligations as they fall due.

After eliminating externally restricted assets and current liabilities not expected to be paid within the next 12 months net current assets amounted to \$2.074 million representing a factor of 1.35 to 1.



2.2 Available Working Capital – (Working Funds)

A more meaningful financial indicator specific to local government is the level of **Available Working Capital**. Net Current Assets are adjusted by eliminating both external and internal reserves held for future purposes.

At the close of the year the Available Working Capital of Council stood at \$2.341 million as detailed below;

	2012	2011	Change
	\$000	\$000	\$000
Net Current Assets (Working Capital) as per Accounts	(3,262)	(3,862)	600
Add: Payables & provisions not expected to be realised in the next 12 months included above	6,739	6,203	536
Adjusted Net Current Assets	3,477	2,341	1,136
Add: Budgeted & expected to pay in the next 12 months			
- Borrowings	1,669	1,771	(102)
- Employees leave entitlements	1,482	1,423	59
- Deposits & retention moneys	600	600	0
Less: Externally restricted assets	(1,403)	(443)	(960)
Less: Internally restricted assets	(3,484)	(3,853)	369
Available Working Capital as at 30 June	2,341	1,839	502

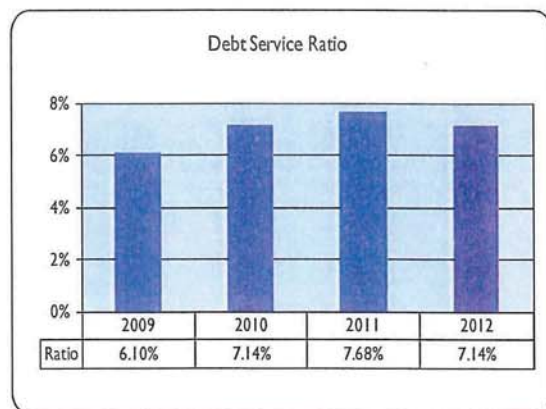
The balance of Available Working Capital should be at a level to manage Council's day to day operations including the financing of hard core debtors, stores and to provide a buffer against unforeseen and unbudgeted expenditures. Taking into consideration the nature and level of the internally restricted assets (Reserves) set aside we are of the opinion that Available Working Capital as at 30 June 2012 was adequate.

2.3 Debt

Operating revenue (excluding special purpose grants and contributions) required to service debt (loan repayments) was 7.14%.

New loans of \$1.750 million were taken up during the year.

Principal and interest paid was \$2.443 million leaving total debt as at 30 June 2012 at \$10.165 million.



2.4 Summary

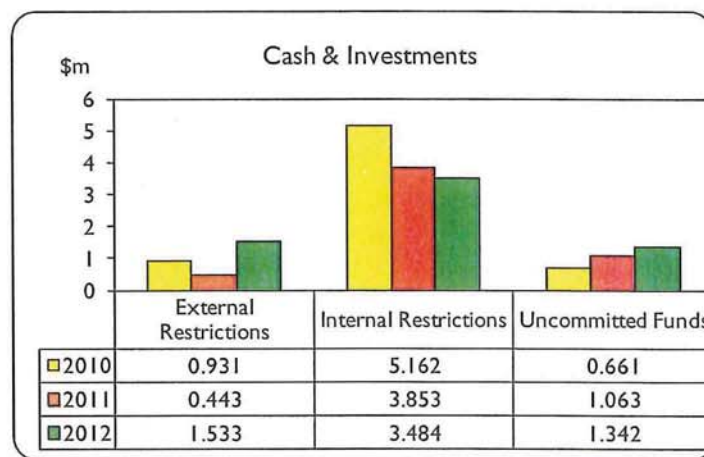
Council's overall financial position, when taking into account the above financial indicators is, in our opinion, satisfactory.

3. CASH ASSETS

3.1 Cash & Investments

Cash and investments held at the close of the year amounted to \$6.359 million as compared with \$5.359 million and \$6.754 million at the close of financial years 2011 and 2010 respectively.

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



Externally restricted cash and investments are restricted in their use by externally imposed requirements and consist of unexpended loans (\$348,000), unexpended specific purpose grants (\$391,000), developer contributions (\$133,000) and domestic waste management charges (\$661,000).

Internally restricted cash and investments have been restricted in their use by resolution or policy of Council to reflect forward plans, identified programs of works, and are, in fact, Council's "**Reserves**". These Reserves totalled \$3.484 million and their purposes are more fully disclosed in Notes 6 of the financial statements.

Unrestricted cash and investments amounted to \$1.342 million, which is available to provide liquidity for day to day operations.

3.2 Cash Flows

The Statement of Cash Flows illustrates the flow of cash (highly liquid cash and investments) moving in and out of Council during the year and reveals that Cash Assets decreased by \$750,000 to \$3.609 million at the close of the year.

In addition to operating activities which contributed net cash of \$7.027 million were the proceeds from the sale of assets (\$90,000), redemption of investments (\$1 million), distributions from joint ventures (\$34,000) and new loans (\$1.750 million). Cash outflows other than operating activities were used to repay loans (\$1.771 million), purchase investments (\$2.750 million) and to purchase and construct assets (\$6.130 million).

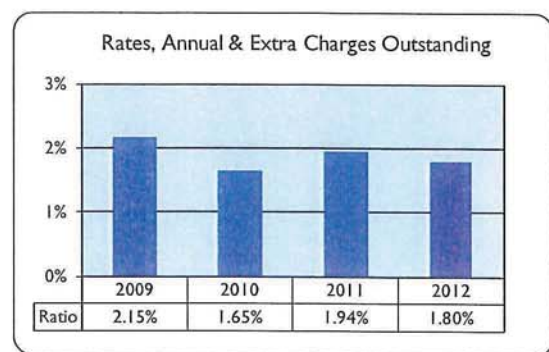
4. RECEIVABLES

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

Net rates and annual charges levied during the year totalled \$21.041 million and represented 53.74% of Council's total revenues. Including arrears, the total rates and annual charges collectible was \$21.435 million of which \$21.070 million (98.30%) was collected.

4.2 Rates, Annual & Extra Charges

Arrears of rates, annual and extra charges stood at \$386,000 at the end of the year and represented 1.80% of those receivables.



4.3 Other Receivables

Receivables (other than Rates & Annual Charges) totalled \$2.988 million and mainly consisted of user charges, fees and revenue accruals (\$2.334 million). Those considered to be uncertain of collection have been provided for as doubtful debts and this provision amounted to \$304,000.

Hill Rogers
Spencer Steer

5. PAYABLES

5.1 Employees Leave Entitlements

Council's provision for its liability toward employees leave entitlements and associated on costs amounted to \$4.059 million. A cash reserve of \$700,000 was held at year end representing 17.25% of this liability.

5.2 Deposits, Retentions & Bonds

Deposits, retentions and bonds held at year end amounted to \$4.877 million and a cash reserve was held amounting to \$2 million representing 41.01% of this liability and was sufficient to meet anticipated repayments in the near future.

6. MANAGEMENT LETTER

An audit management letter addressing the findings from our interim audit was issued on 12 March 2012. This included our recommendations on possible ways to strengthen and/or improve procedures and management's comments and proposed actions.

7. CONCLUSION

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

Yours faithfully,
HILL ROGERS SPENCER STEER



BRETT HANGER
Partner

Mosman Council

SPECIAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2012

*Proud to be Mosman
Protecting our Heritage
Planning our Future
Involving our Community*

Mosman
COUNCIL

Mosman Council

Special Purpose Financial Statements

for the financial year ended 30 June 2012

Contents	Page
1. Statement by Councillors & Management	2
2. Special Purpose Financial Statements:	
- Income Statement of Other Business Activities	3
- Balance Sheet of Other Business Activities	4
3. Notes to the Special Purpose Financial Statements	5
4. Auditor's Report	9

Background

- (i) These Special Purpose Financial Statements have been prepared for the use by both Council and the Division of Local Government in fulfilling their requirements under National Competition Policy.
- (ii) The principle of competitive neutrality is based on the concept of a "level playing field" between persons/entities competing in a market place, particularly between private and public sector competitors.

Essentially, the principle is that government businesses, whether Commonwealth, State or Local, should operate without net competitive advantages over other businesses as a result of their public ownership.

- (iii) For Council, the principle of competitive neutrality & public reporting applies only to declared business activities.

These include **(a)** those activities classified by the Australian Bureau of Statistics as business activities being water supply, sewerage services, abattoirs, gas production and reticulation and **(b)** those activities with a turnover of over \$2 million that Council has formally declared as a Business Activity (defined as Category 1 activities).

- (iv) In preparing these financial statements for Council's self classified Category 1 businesses and ABS defined activities, councils must **(a)** adopt a corporatisation model and **(b)** apply full cost attribution including tax equivalent regime payments & debt guarantee fees (where the business benefits from councils borrowing position by comparison with commercial rates).
-

Mosman Council

Special Purpose Financial Statements for the financial year ended 30 June 2012

Statement by Councillors and Management made pursuant to the Local Government Code of Accounting Practice and Financial Reporting

The attached Special Purpose Financial Statements have been prepared in accordance with:

- The NSW Government Policy Statement "Application of National Competition Policy to Local Government".
- The Division of Local Government Guidelines "Pricing & Costing for Council Businesses - A Guide to Competitive Neutrality".
- The Local Government Code of Accounting Practice and Financial Reporting.
- The NSW Office of Water (Department of Environment, Climate Change and Water) Guidelines - "Best Practice Management of Water and Sewerage".

To the best of our knowledge and belief, these Financial Statements:

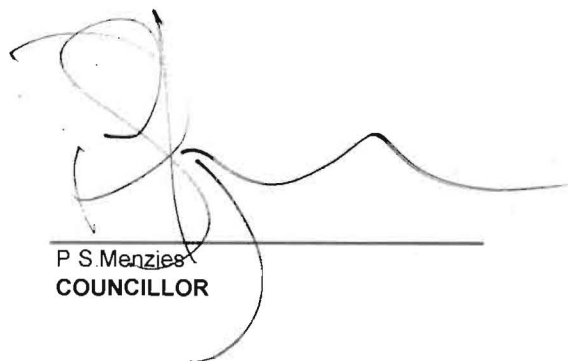
- Present fairly the Operating Result and Financial Position for each of Council's declared Business Activities for the year, and
- Accord with Council's accounting and other records.

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

Signed in accordance with a resolution of Council made on 07 August 2012.



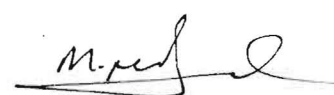
A S Connors
MAYOR



P S Menzies
COUNCILLOR



V H R May (PSM)
GENERAL MANAGER



M McDonald
RESPONSIBLE ACCOUNTING OFFICER

Mosman Council

Income Statement of Council's Other Business Activities

for the financial year ended 30 June 2012

Commercial Property
Management

Category 1

\$ '000	Actual 2012	Actual 2011
Income from continuing operations		
Access charges	-	-
User charges	653	800
Fees	-	-
Interest	-	-
Grants and contributions provided for non capital purposes	-	-
Profit from the sale of assets	-	-
Other income	1,817	2,469
Total income from continuing operations	2,470	3,269
Expenses from continuing operations		
Employee benefits and on-costs	67	63
Borrowing costs	-	-
Materials and contracts	22	34
Depreciation and impairment	150	149
Loss on sale of assets	-	-
Calculated taxation equivalents	149	149
Debt guarantee fee (if applicable)	-	-
Other expenses	631	-
Total expenses from continuing operations	1,019	395
Surplus (deficit) from Continuing Operations before capital amounts	1,451	2,874
Grants and contributions provided for capital purposes	-	-
Surplus (deficit) from Continuing Operations after capital amounts	1,451	2,874
Surplus (deficit) from discontinued operations	-	-
Surplus (deficit) from ALL Operations before tax	1,451	2,874
less: Corporate Taxation Equivalent (30%) [based on result before capital]	(435)	(862)
SURPLUS (DEFICIT) AFTER TAX	1,016	2,012
plus Opening Retained Profits	46,983	46,456
plus Adjustments for amounts unpaid:		
- Taxation equivalent payments	149	149
- Debt guarantee fees	-	-
- Corporate taxation equivalent	435	862
add:		
- Subsidy Paid/Contribution To Operations	-	-
less:		
- TER dividend paid	-	-
- Dividend paid	(1,516)	(2,496)
Closing Retained Profits	47,067	46,983
Return on Capital %	3.1%	6.1%
Subsidy from Council	-	-

Mosman Council

Balance Sheet of Council's Other Business Activities

as at 30 June 2012

Commercial Property
Management

Category 1

\$ '000	Actual 2012	Actual 2011
ASSETS		
Current Assets		
Cash and cash equivalents	-	-
Investments	-	-
Receivables	73	113
Inventories	-	-
Other	-	-
Non-current assets classified as held for sale	-	-
Total Current Assets	73	113
Non-Current Assets		
Investments	-	-
Receivables	-	-
Inventories	-	-
Infrastructure, property, plant and equipment	5,922	6,074
Investments accounted for using equity method	-	-
Investment property	41,078	40,909
Other	-	-
Total Non-Current Assets	47,000	46,983
TOTAL ASSETS	47,073	47,096
LIABILITIES		
Current Liabilities		
Bank Overdraft	-	-
Payables	6	113
Interest bearing liabilities	-	-
Provisions	-	-
Total Current Liabilities	6	113
Non-Current Liabilities		
Payables	-	-
Interest bearing liabilities	-	-
Provisions	-	-
Other Liabilities	-	-
Total Non-Current Liabilities	-	-
TOTAL LIABILITIES	6	113
NET ASSETS	47,067	46,983
EQUITY		
Retained earnings	47,067	46,983
Revaluation reserves	-	-
Council equity interest	47,067	46,983
Minority equity interest	-	-
TOTAL EQUITY	47,067	46,983

Mosman Council

Special Purpose Financial Statements for the financial year ended 30 June 2012

Contents of the Notes accompanying the Financial Statements

Note	Details	Page
1	Summary of Significant Accounting Policies	6

Mosman Council

Notes to the Special Purpose Financial Statements

for the financial year ended 30 June 2012

Note 1. Significant Accounting Policies

These financial statements are a Special Purpose Financial Statements (SPFS) prepared for use by Council and the Division of Local Government.

For the purposes of these statements, the Council's business activities (reported herein) are not reporting entities.

These special purpose financial statements, unless otherwise stated, have been prepared in accordance with;

- applicable Australian Accounting Standards,
- other authoritative pronouncements of the Australian Accounting Standards Board,
- Australian Accounting Interpretations,
- the Local Government Act and Regulation, and
- the Local Government Code of Accounting Practice and Financial Reporting.

The statements are also prepared on an accruals basis. They are based on historic costs and do not take into account changing money values nor current values of non-current assets (except where specifically stated).

Certain taxes and other costs (appropriately described) have been imputed for the purposes of the National Competition Policy.

National Competition Policy

Council has adopted the principle of 'competitive neutrality' to its business activities as part of the national competition policy which is being applied throughout Australia at all levels of government.

The framework for its application is set out in the June 1996 Government Policy statement on the "Application of National Competition Policy to Local Government".

The "Pricing & Costing for Council Businesses A Guide to Competitive Neutrality" issued by the Division of Local Government in July 1997 has also been adopted.

The pricing & costing guidelines outline the process for identifying and allocating costs to activities and provide a standard of disclosure requirements.

These disclosures are reflected in Council's pricing and/or financial reporting systems and include taxation equivalents; council subsidies; return on investments (rate of return); and dividends paid.

Declared Business Activities

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

Category 1

(where gross operating turnover is over \$2 million)

a. Commercial Property Management

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

Category 2

(where gross operating turnover is less than \$2 million)

Council has no Category 2 Declared Business Activities

Monetary Amounts

Amounts shown in the financial statements are in Australian currency and rounded to the nearest one thousand dollars.

(i) Taxation Equivalent Charges

Council is liable to pay various taxes and financial duties in undertaking its business activities. Where this is the case, they are disclosed in these statements as a cost of operations just like all other costs.

However, where Council is exempt from paying taxes which are generally paid by private sector businesses (such as income tax), equivalent tax payments have been applied to all Council nominated business activities and are reflected in these financial statements.

For the purposes of disclosing comparative information relevant to the private sector equivalent,

Mosman Council

Notes to the Special Purpose Financial Statements

for the financial year ended 30 June 2012

Note 1. Significant Accounting Policies (continued)

the following taxation equivalents have been applied to all council nominated business activities (this does not include council's non-business activities):

Notional Rate Applied %

Corporate Income Tax Rate – **30%**

Land Tax – The first **\$396,000** of combined land values attracts **0%**. From \$396,001 to \$2,421,000 the rate is **1.6% + \$100**. For the remaining combined land value that exceeds \$2,421,000, a premium marginal rate of **2.0%** applies.

Payroll Tax – **5.45%** on the value of taxable salaries and wages in excess of \$678,000.

Income Tax

An income tax equivalent has been applied on the profits of the business.

Whilst income tax is not a specific cost for the purpose of pricing a good or service, it needs to be taken into account of in terms of assessing the rate of return required on capital invested.

Accordingly, the return on capital invested is set at a pre-tax level (gain/(loss) from ordinary activities before capital amounts) as would be applied by a private sector competitor – that is, it should include a provision equivalent to the corporate income tax rate, currently 30%.

Income Tax is only applied where a positive gain/(loss) from ordinary activities before capital amounts has been achieved.

Since this taxation equivalent is notional - that is, it is payable to the "Council" as the owner of business operations, it represents an internal payment and has no effect on the operations of the council. Accordingly, there is no need for disclosure of internal charges in Council's GPFS.

The rate applied of 30% is the equivalent company tax rate prevalent as at balance date. No adjustments have been made for variations that have occurred during the year.

Local Government Rates & Charges

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

Loan & Debt Guarantee Fees

The debt guarantee fee is designed to ensure that council business activities face "true" commercial borrowing costs in line with private sector competitors.

In order to calculate a debt guarantee fee, council has determined what the differential borrowing rate would have been between the commercial rate and the council's borrowing rate for its business activities.

(ii) Subsidies

Government policy requires that subsidies provided to customers and the funding of those subsidies must be explicitly disclosed.

Subsidies occur where council provides services on a less than cost recovery basis. This option is exercised on a range of services in order for council to meet its community service obligations.

Accordingly, Subsidies disclosed (in relation to National Competition Policy) represents the difference between revenue generated from 'rate of return' pricing and revenue generated from prices set by the council in any given financial year.

The overall effect of subsidies is contained within the Income Statement of Business Activities.

(iii) Return on Investments (Rate of Return)

The Policy statement requires that councils with Category 1 businesses "would be expected to generate a return on capital funds employed that is comparable to rates of return for private businesses operating in a similar field".

Such funds are subsequently available for meeting commitments or financing future investment strategies.

Mosman Council

Notes to the Special Purpose Financial Statements for the financial year ended 30 June 2012

Note 1. Significant Accounting Policies (continued)

The Rate of Return on Capital is calculated as follows:

Operating Result before Capital Income + Interest Expense

Written Down Value of I,PP&E as at 30 June
--

As a minimum, business activities should generate a return equal to the Commonwealth 10 year bond rate which is 3.03% at 30/6/12.

The actual rate of return achieved by each business activity is disclosed at the foot of each respective Income Statement.

(iv) Dividends

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

MOSMAN COUNCIL
SPECIAL PURPOSE FINANCIAL STATEMENTS
INDEPENDENT AUDITORS' REPORT

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying *special purpose financial statements* of **Mosman Council**, which comprises the Balance Sheet as at 30 June 2012, Income Statement for the year ended on that date, a summary of significant accounting policies and other explanatory notes and the Statement by Councillors and Management.

Responsibility of Council for the Financial Statements

The Council is responsible for the preparation and fair presentation of the financial statements in accordance with the Local Government Act 1993 and have determined that the accounting policies described in Note 1 to the financial statements, which form part of the financial statements, are appropriate to meet the financial reporting requirements of the Division of Local Government. This responsibility includes the maintenance of adequate accounting records and internal controls designed to prevent and detect fraud and error; designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Council's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Council, as well as evaluating the overall presentation of the financial statements.

Assurance Partners

T. +61 2 9232 5111
F. +61 2 9233 7950

Level 5, 1 Chifley Square
Sydney NSW 2000 Australia

GPO Box 7066
Sydney NSW 2001

www.hr-ss.com.au
info@hr-ss.com.au

Practising as Hill Rogers Spencer
Steer Assurance Partners

ABN 56 435 338 966

Our audit did not involve an analysis of the prudence of business decisions made by Council or management.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

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

Auditor's Opinion

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

Basis of Accounting

Without modifying our opinion, we draw attention to Note 1 to the financial statements, which describes the basis of accounting. The financial statements have been prepared for the purpose of fulfilling the financial reporting requirements of the Division of Local Government. As a result, the financial statements may not be suitable for another purpose.

HILL ROGERS SPENCER STEER



BRETT HANGER

Partner

Dated at Sydney this 8th day of August 2012

Mosman Council

SPECIAL SCHEDULES
for the year ended 30 June 2012

*Proud to be Mosman
Protecting our Heritage
Planning our Future
Involving our Community*

Mosman
COUNCIL

Mosman Council

Special Schedules

for the financial year ended 30 June 2012

Contents

Page

Special Schedules¹

- Special Schedule No. 1	Net Cost of Services	2
- Special Schedule No. 2(a)	Statement of Long Term Debt (all purposes)	4
- Special Schedule No. 7	Condition of Public Works	5
- Special Schedule No. 8	Financial Projections	8

¹ Special Purpose Schedules are not audited.

Background

- (i) These Special Schedules have been designed to meet the requirements of special purpose users such as;
- the NSW Grants Commission
 - the Australian Bureau of Statistics (ABS),
 - the NSW Office of Water,
 - the Department of Environment, Climate Change and Water, and
 - the Division of Local Government (DLG).
- (ii) The financial data is collected for various uses including;
- the allocation of Financial Assistance Grants,
 - the incorporation of Local Government financial figures in national statistics,
 - the monitoring of loan approvals,
 - the allocation of borrowing rights, and
 - the monitoring of the financial activities of specific services.

Mosman Council

Special Schedule No. 1 - Net Cost of Services

for the financial year ended 30 June 2012

\$'000

Function or Activity	Expenses from Continuing Operations	Income from continuing operations		Net Cost of Services
		Non Capital	Capital	
Governance	1,014	-	-	(1,014)
Administration	7,060	161	-	(6,899)
Public Order and Safety				
Fire Service Levy, Fire Protection, Emergency Services	1,027	-	-	(1,027)
Beach Control	10	29	-	19
Enforcement of Local Govt. Regulations	276	155	-	(121)
Animal Control	63	5	-	(58)
Other	77	201	-	124
Total Public Order & Safety	1,453	390	-	(1,063)
Health	154	76	-	(78)
Environment				
Noxious Plants and Insect/Vermin Control	41	-	-	(41)
Other Environmental Protection	3,048	263	-	(2,785)
Solid Waste Management	5,121	5,279	-	158
Street Cleaning	1,036	-	-	(1,036)
Drainage	826	-	-	(826)
Stormwater Management	134	-	-	(134)
Total Environment	10,206	5,542	-	(4,664)
Community Services and Education				
Administration & Education	524	-	-	(524)
Social Protection (Welfare)	-	-	-	-
Aged Persons and Disabled	772	699	83	10
Children's Services	1,018	950	-	(68)
Total Community Services & Education	2,314	1,649	83	(582)
Housing and Community Amenities				
Public Cemeteries	-	-	-	-
Public Conveniences	272	-	-	(272)
Street Lighting	547	73	-	(474)
Town Planning	971	205	-	(766)
Other Community Amenities	36	4	1,690	1,658
Total Housing and Community Amenities	1,826	282	1,690	146
Water Supplies	-	-	-	-
Sewerage Services	-	-	-	-

Mosman Council

Special Schedule No. 1 - Net Cost of Services (continued)

for the financial year ended 30 June 2012

\$'000

Function or Activity	Expenses from Continuing Operations	Income from continuing operations		Net Cost of Services
		Non Capital	Capital	
Recreation and Culture				
Public Libraries	2,311	218	-	(2,093)
Museums	-	-	-	-
Art Galleries	635	121	928	414
Community Centres and Halls	490	94	-	(396)
Performing Arts Venues	-	-	-	-
Other Performing Arts	16	-	-	(16)
Other Cultural Services	400	314	-	(86)
Sporting Grounds and Venues	1,028	224	88	(716)
Swimming Pools	752	200	-	(552)
Parks & Gardens (Lakes)	2,028	127	20	(1,881)
Other Sport and Recreation	10	-	-	(10)
Total Recreation and Culture	7,670	1,298	1,036	(5,336)
Fuel & Energy	-	-	-	-
Agriculture	-	-	-	-
Mining, Manufacturing and Construction				
Building Control	1,201	776	-	(425)
Other Mining, Manufacturing & Construction	-	-	-	-
Total Mining, Manufacturing and Const.	1,201	776	-	(425)
Transport and Communication				
Urban Roads (UR) - Local	3,972	1,334	216	(2,422)
Urban Roads - Regional	-	-	-	-
Sealed Rural Roads (SRR) - Local	-	-	-	-
Sealed Rural Roads (SRR) - Regional	-	-	-	-
Unsealed Rural Roads (URR) - Local	-	-	-	-
Unsealed Rural Roads (URR) - Regional	-	-	-	-
Bridges on UR - Local	-	-	-	-
Bridges on SRR - Local	-	-	-	-
Bridges on URR - Local	-	-	-	-
Bridges on Regional Roads	-	-	-	-
Parking Areas	882	4,277	132	3,527
Footpaths	612	166	-	(446)
Aerodromes	-	-	-	-
Other Transport & Communication	450	-	10	(440)
Total Transport and Communication	5,916	5,777	358	219
Economic Affairs				
Camping Areas & Caravan Parks	-	-	-	-
Other Economic Affairs	150	2,666	-	2,516
Total Economic Affairs	150	2,666	-	2,516
Totals – Functions	38,964	18,617	3,167	(17,180)
General Purpose Revenues⁽²⁾		17,255		17,255
Share of interests - joint ventures & associates using the equity method	-	114		114
NET OPERATING RESULT⁽¹⁾	38,964	35,986	3,167	189

(1) As reported in the Income Statement | (2) Includes: Rates & Annual Charges (incl. Ex Gratia, excl. Water & Sewer), Non Capital General Purpose Grants & Interest on Investments (excl. Ext. Restricted Assets)

Mosman Council

Special Schedule No. 2(a) - Statement of Long Term Debt (all purpose) for the financial year ended 30 June 2012

\$'000

Classification of Debt	Principal outstanding at beginning of the year			New Loans raised during the year	Debt redemption during the year		Transfers to Sinking Funds	Interest applicable for Year	Principal outstanding at the end of the 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	1,641	8,155	9,796	1,750	1,641			672	1,539	8,366	9,905
Other	-	-	-							-	-
Total Loans	1,641	8,155	9,796	1,750	1,641	-	-	672	1,539	8,366	9,905
Other Long Term Debt											
Ratepayers Advances	-	-	-							-	-
Government Advances	-	-	-							-	-
Finance Leases	-	-	-							-	-
Deferred Payments	130	260	390		130				130	130	260
Total Long Term Debt	130	260	390	-	130	-	-	-	130	130	260
Total Debt	1,771	8,415	10,186	1,750	1,771	-	-	672	1,669	8,496	10,165

Notes: Excludes (i) Internal Loans & (ii) Principal Inflows/Outflows relating to Loan Re-Financing.

This Schedule is prepared using the **face value** of debt obligations, rather than **fair value** (which are reported in the GPFS).

as at 30 June 2012

ASSET CLASS	Asset Category	Dep'n. Rate (%)	Dep'n Expense (\$)	Cost	Valuation	Accum. Depreciation Amortisation & Impairment	Carrying Amount (WDV)	Asset Condition ^{#.}	Estimated cost to bring up to a satisfactory condition / standard ⁽¹⁾	Required ⁽²⁾ Annual Maintenance	Current ⁽³⁾ Annual Maintenance
Buildings		per Note 1	per Note 4	<<<<<<<<<< per Note 9 >>>>>>>>>							
	Council Offices	1.23%	147		11,877	6,467	5,410	2	335	424	157
	Council Works Depot	2.01%	33		1,638	613	1,025	2	16	27	20
	Community & Cultural Centre	1.59%	122		6,962	1,851	5,111	2	112	442	466
	Library	1.66%	94		5,660	2,269	3,391	2	550	182	90
	Childcare Centre(s)	1.75%	22		1,262	586	676	2	-	60	9
	Mosman Bowling Club	1.67%	34		2,100	950	1,150	2	240	124	16
	Amenity Blocks & Toilets	1.81%	78		4,955	1,526	3,429	2	-	124	381
	Vista Street	1.67%	52		2,949	465	2,484	2	-	37	85
	Swim Centre	3.40%	143		4,780	1,100	3,680	1	-	80	1,014
	Drill Hall	2.00%	38		1,920	146	1,774	1	-	33	121
	Marie Bashir Sports Complex	2.00%	88		4,423	139	4,284	1	-	9	94
	Other	2.00%	89		3,374	1,387	1,987	2	-	281	818
	sub total		940	-	51,900	17,499	34,401		1,253	1,823	3,271
Other Structures											
	Assets not included in Buildings						-				
	Jetties/Pools	6.70%	221		4,236	1,782	2,454	2	188	109	149
	Seawalls	2.00%	150		7,391	4,995	2,396	2	20	71	5
	sub total		371	-	11,627	6,777	4,850		208	180	154

		Dep'n. Rate (%)	Dep'n Expense (\$)			Accum. Depreciation Amortisation & Impairment	Carrying Amount (WDV)	Asset Condition ^{#.}	Estimated cost to bring up to a satisfactory condition / standard ⁽¹⁾	Required ⁽²⁾ Annual Maintenance	Current ⁽³⁾ Annual Maintenance
ASSET CLASS	Asset Category			Cost	Valuation						
Public Roads		per Note 1	per Note 4	<<<<<<<<<<<<<<<<<<>>>>>>>>>>>>							
	Formation	0.00%	-		7,584	-	7,584				
	Road Pavements	1.00%	1,666		167,280	91,800	75,480	2	3,939	2,110	882
	Footpaths	1.00%	283		28,507	13,748	14,759	2	1,227	675	1,134
	Steps	1.00%	31		2,883	1,805	1,078	3	724	130	7
	Vehicle Crossings	1.00%	136		13,613	6,631	6,982	2	1,144	-	-
	Pram Ramps	1.00%	6		614	238	376	2	48	20	3
	Kerb & Gutter	1.00%	356		35,638	18,824	16,814	2	3,847	600	45
	Retaining Walls	1.00%	365		36,531	20,450	16,081	3	6,927	500	123
	Traffic Devices	1.00%	31		3,054	1,329	1,725	2	31	125	175
	Lines & Signs	10.68%	138		1,296	890	406	2	248	100	18
	Street Furniture	4.26%	188		4,417	2,693	1,724	2	808	230	4
	Carparks	1.00%	58		6,194	2,269	3,925	2	125	70	10
	sub total		3,258	-	307,611	160,677	146,934		19,068	4,560	2,401

		Dep'n. Rate (%)	Dep'n Expense (\$)	Cost	Valuation	Accum. Depreciation Amortisation & Impairment	Carrying Amount (WDV)	Asset Condition ^{#.}	Estimated cost to bring up to a satisfactory condition / standard ⁽¹⁾	Required ⁽²⁾ Annual Maintenance	Current ⁽³⁾ Annual Maintenance
ASSET CLASS	Asset Category										
Drainage Works		per Note 1	per Note 4	<<<<<<<<<<<<<<<>>>>>>>>>>							
	Drainage Covers, Inlets, Outlets	1.00%	67		6,900	4,237	2,663	3	647	168	265
	Pipes & Culverts	0.97%	276		28,487	17,029	11,458	3	3,786	703	77
	Pollution Control Devices	6.66%	409		6,104	3,368	2,736	2	668	151	113
	sub total		752	-	41,491	24,634	16,857		5,101	1,022	455
	TOTAL - ALL ASSETS		5,321	-	412,629	209,587	203,042		25,630	7,585	6,281

- (1). Satisfactory refers to estimated cost to bring the asset to a satisfactory condition as deemed by Council. It does not include any planned enhancements to the existing asset.
- (2). Required Annual Maintenance is what should be spent to maintain assets in a satisfactory standard.
- (3). Current Annual Maintenance is what has been spent in the current year to maintain assets.

NOTES

Council is currently reviewing all asset classes in regards useful lives, existing condition and current and future funding requirements together with the development of Capitalisation & Disposal policies.

page 7

Mosman Council

Special Schedule No. 8 - Financial Projections

as at 30 June 2012

\$'000	Actual ⁽¹⁾ 11/12	Forecast 12/13	Forecast 13/14	Forecast ⁽³⁾ 14/15	Forecast ⁽³⁾ 15/16
(i) OPERATING BUDGET					
Income from continuing operations	39,153	38,063	39,411	40,758	42,110
Expenses from continuing operations	38,964	39,066	39,830	40,584	41,656
Operating Result from Continuing Operations	189	(1,003)	(419)	174	454
(ii) CAPITAL BUDGET					
New Capital Works ⁽²⁾					
Replacement/Refurbishment of Existing Assets	6,474	5,885	3,327	4,666	4,395
Total Capital Budget	6,474	5,885	3,327	4,666	4,395
Funded by:					
– Loans	1,108	2,700	-	-	-
– Asset sales	90	-	-	-	-
– Reserves	711	-	-	1,500	1,000
– Grants/Contributions	1,422	170	175	180	185
– Recurrent revenue	3,143	3,015	3,152	2,986	3,210
– Other	-	-	-	-	-
	6,474	5,885	3,327	4,666	4,395

Notes:

(1) From 11/12 Income Statement.

(2) New Capital Works are major non-recurrent projects, eg new Leisure Centre, new Library, new Swimming pool etc.

(3) If Council has only adopted 3 years of projections then only show 3 years.

(4) Financial Projections should be in accordance with Council's Integrated Planning & Reporting framework.