

Mosman Council

GENERAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2017

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

Mosman
COUNCIL

Mosman Council

General Purpose Financial Statements for the year ended 30 June 2017

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Overview

(i) These financial statements are General Purpose Financial Statements and cover the 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 1993* (LGA).

Council's guiding principles are detailed in Chapter 3 of the LGA and includes:

- principles applying to the exercise of functions generally by Council,
- principles to be applied when making decisions,
- principles of community participation,
- principles of sound financial management, and
- principles for strategic planning relating to the development of an integrated planning and reporting framework.

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 03 October 2017. Council has the power to amend and reissue these financial statements.

Mosman Council

General Purpose Financial Statements for the year ended 30 June 2017

Understanding Council's financial statements

Introduction

Each year, individual local governments across New South Wales are required to present a set of audited financial statements to their council and community.

What you will find in the statements

The financial statements set out the financial performance, financial position and cash flows of Council for the financial year ended 30 June 2017.

The format of the financial statements is standard across all NSW Councils and complies with both the accounting and reporting requirements of Australian Accounting Standards and requirements as set down by the Office of Local Government.

About the Councillor/Management Statement

The financial statements must be certified by senior staff as 'presenting fairly' the Council's financial results for the year and are required to be adopted by Council – ensuring both responsibility for and ownership of the financial statements.

About the primary financial statements

The financial statements incorporate five 'primary' financial statements:

1. The Income Statement

Summarises Council's financial performance for the year, listing all income and expenses.

This statement also displays Council's original adopted budget to provide a comparison between what was projected and what actually occurred.

2. The Statement of Comprehensive Income

Primarily records changes in the fair value of Council's Infrastructure, Property, Plant and Equipment.

3. The Statement of Financial Position

A 30 June snapshot of Council's financial position indicating its assets, liabilities and "net wealth".

4. The Statement of Changes in Equity

The overall change for the year (in dollars) of Council's "net wealth".

5. The Statement of Cash Flows

Indicates where Council's cash came from and where it was spent. This statement also displays Council's original adopted budget to provide a comparison between what was projected and what actually occurred.

About the Notes to the Financial Statements

The Notes to the Financial Statements provide greater detail and additional information on the five primary financial statements.

About the Auditor's Reports

Council's annual financial statements are required to be audited by the NSW Audit Office. In NSW the auditor provides 2 audit reports:

1. an opinion on whether the financial statements present fairly the Council's financial performance and position, and
2. their observations on the conduct of the audit, including commentary on the Council's financial performance and financial position.

Who uses the financial statements?

The financial statements are publicly available documents and must be presented at a Council meeting between seven days and five weeks after the date of the Audit Report.

The public can make submissions to Council up to seven days subsequent to the public presentation of the financial statements.

Council is required to forward an audited set of financial statements to the Office of Local Government.

Mosman Council

General Purpose Financial Statements for the year ended 30 June 2017

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

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

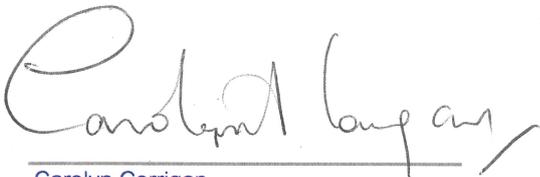
- the *Local Government Act 1993 (NSW)* (as amended) and the regulations made thereunder,
- the Australian Accounting Standards and professional pronouncements, and
- the Local Government Code of Accounting Practice and Financial Reporting.

To the best of our knowledge and belief, these financial statements:

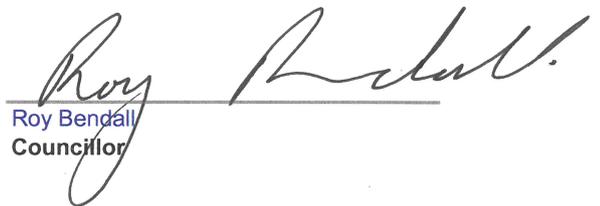
- present fairly the Council's operating result and financial position for the year, and
- accord with Council's accounting and other records.

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 03 October 2017.



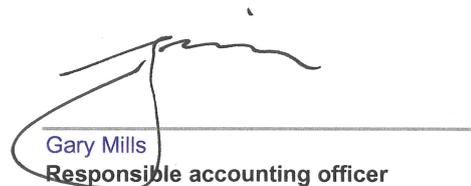
Carolyn Corrigan
Mayor



Roy Bendall
Councillor



Dominic Johnson
General manager



Gary Mills
Responsible accounting officer

Mosman Council

Income Statement

for the year ended 30 June 2017

Budget ¹ 2017	\$ '000	Notes	Actual 2017	Actual 2016
Income from continuing operations				
Revenue:				
25,644	Rates and annual charges	3a	25,797	25,354
10,639	User charges and fees	3b	11,075	10,316
437	Interest and investment revenue	3c	520	526
4,453	Other revenues	3d	8,297	4,871
2,309	Grants and contributions provided for operating purposes	3e,f	3,804	3,358
1,823	Grants and contributions provided for capital purposes	3e,f	2,196	1,920
Other income:				
–	Net share of interests in joint ventures and associates using the equity method	19	–	167
45,305	Total income from continuing operations		51,689	46,512
Expenses from continuing operations				
17,852	Employee benefits and on-costs	4a	16,706	16,874
411	Borrowing costs	4b	414	502
14,149	Materials and contracts	4c	14,519	14,291
5,214	Depreciation and amortisation	4d	5,528	5,415
–	Impairment	4d	–	–
5,619	Other expenses	4e	6,489	10,914
–	Net losses from the disposal of assets	5	423	–
–	Net share of interests in joint ventures and associates using the equity method	19	82	–
43,245	Total expenses from continuing operations		44,161	47,996
2,060	Operating result from continuing operations		7,528	(1,484)
Discontinued operations				
–	Net profit/(loss) from discontinued operations	24	–	–
2,060	Net operating result for the year		7,528	(1,484)
2,060	Net operating result attributable to Council		7,528	(1,484)
–	Net operating result attributable to non-controlling interests		–	–
237	Net operating result for the year before grants and contributions provided for capital purposes²		5,332	(3,404)

¹ Original budget as approved by Council – refer Note 16

Mosman Council

Statement of Comprehensive Income

for the year ended 30 June 2017

\$ '000	Notes	Actual 2017	Actual 2016
Net operating result for the year (as per Income Statement)		7,528	(1,484)
Other comprehensive income:			
Amounts which will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of I,PP&E	20b (ii)	332	8,398
Total items which will not be reclassified subsequently to the operating result		332	8,398
Amounts which will be reclassified subsequently to the operating result when specific conditions are met			
Nil			
Total other comprehensive income for the year		332	8,398
Total comprehensive income for the year		7,860	6,914
Total comprehensive income attributable to Council		7,860	6,914
Total comprehensive income attributable to non-controlling interests		–	–

Mosman Council

Statement of Financial Position

as at 30 June 2017

\$ '000	Notes	Actual 2017	Actual 2016
ASSETS			
Current assets			
Cash and cash equivalents	6a	7,640	12,725
Investments	6b	10,000	2,000
Receivables	7	3,765	3,440
Inventories	8	129	148
Other	8	198	227
Non-current assets classified as 'held for sale'	22	–	–
Total current assets		21,732	18,540
Non-current assets			
Investments	6b	–	–
Receivables	7	144	122
Infrastructure, property, plant and equipment	9	437,476	433,963
Investments accounted for using the equity method	19	816	898
Investment property	14	46,695	44,963
Intangible assets	25	267	282
Total non-current assets		485,398	480,228
TOTAL ASSETS		507,130	498,768
LIABILITIES			
Current liabilities			
Payables	10	11,069	11,356
Income received in advance	10	596	598
Borrowings	10	1,429	1,746
Provisions	10	4,780	4,735
Total current liabilities		17,874	18,435
Non-current liabilities			
Payables	10	–	–
Income received in advance	10	–	–
Borrowings	10	6,790	5,819
Provisions	10	251	159
Total non-current liabilities		7,041	5,978
TOTAL LIABILITIES		24,915	24,413
Net assets		482,215	474,355
EQUITY			
Retained earnings	20	261,534	254,006
Revaluation reserves	20	220,681	220,349
Other reserves	20	–	–
Council equity interest		482,215	474,355
Non-controlling equity interests		–	–
Total equity		482,215	474,355

This statement should be read in conjunction with the accompanying notes.

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Statement of Changes in Equity
for the year ended 30 June 2017

\$ '000	Notes	2017					2016						
		Retained earnings	Asset revaluation reserve (Refer 20b)	Other reserves (Refer 20b)	Council interest	Non-controlling interest	Total equity	Retained earnings	Asset revaluation reserve (Refer 20b)	Other reserves (Refer 20b)	Council interest	Non-controlling interest	Total equity
Opening balance (as per last year's audited accounts)		254,006	220,349	–	474,355	–	474,355	255,490	211,951	–	467,441	–	467,441
a. Correction of prior period errors	20 (c)	–	–	–	–	–	–	–	–	–	–	–	–
b. Changes in accounting policies (prior year effects)	20 (d)	–	–	–	–	–	–	–	–	–	–	–	–
Revised opening balance		254,006	220,349	–	474,355	–	474,355	255,490	211,951	–	467,441	–	467,441
c. Net operating result for the year		7,528	–	–	7,528	–	7,528	(1,484)	–	–	(1,484)	–	(1,484)
d. Other comprehensive income													
– Revaluations: IPP&E asset revaluation rsve	20b (ii)	–	332	–	332	–	332	–	8,398	–	8,398	–	8,398
– Revaluations: other reserves	20b (ii)	–	–	–	–	–	–	–	–	–	–	–	–
– Transfers to Income Statement	20b (ii)	–	–	–	–	–	–	–	–	–	–	–	–
– Impairment (loss) reversal relating to I,PP&E	20b (ii)	–	–	–	–	–	–	–	–	–	–	–	–
– Joint ventures and associates	19b	–	–	–	–	–	–	–	–	–	–	–	–
Other comprehensive income		–	332	–	332	–	332	–	8,398	–	8,398	–	8,398
Total comprehensive income (c&d)		7,528	332	–	7,860	–	7,860	(1,484)	8,398	–	6,914	–	6,914
e. Distributions to/(contributions from) non-controlling interests		–	–	–	–	–	–	–	–	–	–	–	–
f. Transfers between equity		–	–	–	–	–	–	–	–	–	–	–	–
Equity – balance at end of the reporting period		261,534	220,681	–	482,215	–	482,215	254,006	220,349	–	474,355	–	474,355

Mosman Council

Statement of Cash Flows

for the year ended 30 June 2017

Budget 2017	\$ '000	Notes	Actual 2017	Actual 2016
Cash flows from operating activities				
Receipts:				
25,633	Rates and annual charges		25,717	25,299
10,642	User charges and fees		11,767	10,843
437	Investment and interest revenue received		466	510
4,212	Grants and contributions		5,490	5,057
–	Bonds, deposits and retention amounts received		3,298	3,283
4,450	Other		7,586	4,765
Payments:				
(17,376)	Employee benefits and on-costs		(16,549)	(16,678)
(13,831)	Materials and contracts		(15,917)	(13,602)
(408)	Borrowing costs		(413)	(513)
–	Bonds, deposits and retention amounts refunded		(2,340)	(2,259)
(5,946)	Other		(7,810)	(6,659)
7,813	Net cash provided (or used in) operating activities	11b	11,295	10,046
Cash flows from investing activities				
Receipts:				
–	Sale of investment securities		24,000	31,000
–	Sale of infrastructure, property, plant and equipment		117	28
–	Distributions received from joint ventures and associates		–	61
Payments:				
–	Purchase of investment securities		(32,000)	(33,000)
–	Purchase of investment property		(12)	–
(8,382)	Purchase of infrastructure, property, plant and equipment		(9,139)	(7,056)
(8,382)	Net cash provided (or used in) investing activities		(17,034)	(8,967)
Cash flows from financing activities				
Receipts:				
2,400	Proceeds from borrowings and advances		2,400	400
Payments:				
(1,748)	Repayment of borrowings and advances		(1,746)	(1,914)
652	Net cash flow provided (used in) financing activities		654	(1,514)
83	Net increase/(decrease) in cash and cash equivalents		(5,085)	(435)
11,593	Plus: cash and cash equivalents – beginning of year	11a	12,725	13,160
11,676	Cash and cash equivalents – end of the year	11a	7,640	12,725

Please refer to Note 11 for information on the following:

- Non-cash financing and investing activities
- Financing arrangements
- Net cash flow disclosures relating to any discontinued operations

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Notes to the Financial Statements

for the year ended 30 June 2017

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n/a – not applicable

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Notes to the Financial Statements

for the year ended 30 June 2017

Note 1. Summary of significant accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Australian Accounting Interpretations, the *Local Government Act 1993 (NSW)* and Regulations, and the Local Government Code of Accounting Practice and Financial Reporting. Council is a not for-profit entity for the purpose of preparing these financial statements.

(i) New and amended standards adopted by Council

AASB 124 Related Party Disclosures was adopted during the year, the impact of this standard had no impact on reporting financial position or performance, however note 28 has been added.

AASB 2014-3 Amendments to Australian Accounting Standards – Accounting for Acquisitions of Interests in Joint Operations [AASB 1 and AASB 11] were adopted. The adoption of this standard has not had any impact for the Council.

(ii) Early adoption of standards

Council has not elected to apply any pronouncements before their operative date in the annual reporting period beginning 1 July 2016.

(iii) Historical cost convention

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain financial assets and liabilities and certain classes of property, plant and equipment and investment property.

(iv) Significant accounting estimates and judgements

The preparation of financial statements requires the use of certain critical accounting estimates. It also 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 Council 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 include:

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

Significant judgements in applying the Council'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.

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

Council bases its 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:

(i) Rates, annual charges, grants and contributions

Rates, annual charges, grants and contributions (including developer contributions) are recognised as

Mosman Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 1. Summary of significant accounting policies (continued)

revenue when the Council obtains control over the assets comprising these receipts. 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.

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.

Control over granted assets/contributed 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.

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 un-discharged at reporting date, the unused grant or contribution is disclosed in Note 3(g). The note also discloses the amount of unused grant or contribution from prior years that was expended on Council's operations during the current year.

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

(ii) User charges and fees

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

(iii) 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.

(iv) Interest

Interest income is recognised using the effective interest rate at the date that interest is earned.

(v) Rent

Rental income is accounted for on a straight-line basis over the lease term.

(vi) Dividend income

Revenue is recognised when the Council's right to receive the payment is established, which is generally when shareholders approve the dividend.

(vii) Other income

Other income is recorded when the payment is due, the value of the payment is notified, or the payment is received, whichever occurs first.

(c) Principles of consolidation

(i) The Consolidated Fund

In accordance with the provisions of Section 409(1) of the *Local Government Act 1993 (NSW)*, 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
- Kimbriki

(ii) The Trust Fund

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

Trust monies and property held by Council but not subject to the control of Council have been excluded from these reports. A separate statement of monies

Mosman Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 1. Summary of significant accounting policies (continued)

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

(iii) County Councils

Council is not a member of any county councils.

(iv) Interests in other entities

Subsidiaries

Council has no interest in any subsidiaries.

Joint arrangements

Joint operations

Council has no interest in any joint operations.

Joint ventures/associates

Interests in joint ventures/associates are accounted for using the equity method in accordance with AASB128 Associates and Joint Ventures. Under this method, the investment is initially recognised as a cost and the carrying amount is increased or decreased to recognise the Council's share of the profit or loss and other comprehensive income of the investee after the date of acquisition.

If the Council's share of losses of a joint venture equals or exceeds its interest in the joint venture, the Council discontinues recognising its share of further losses.

The Council's share in the joint venture's gains or losses arising from transactions between itself and its joint venture are eliminated.

Adjustments are made to the joint venture's accounting policies where they are different from those of the Council for the purpose of the consolidated financial statements.

(d) Leases

Leases of property, plant and equipment where Council, as lessee, 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 fair value of the leased property or, if lower, the present value of the minimum lease

payments. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term payables. Each lease payment is allocated between the liability and finance cost. The finance cost is charged 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.

The property, plant and equipment acquired under finance leases is depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that Council will obtain ownership at the end of the lease term.

Leases in which a significant portion of the risks and rewards of ownership are not transferred to Council as lessee 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 where Council is a lessor is recognised as income on a straight-line basis over the lease term.

(e) Impairment of assets

Intangible assets that have an indefinite useful life or are not yet available for use are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired.

Other assets are tested 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 the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

Mosman Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 1. Summary of significant accounting policies (continued)

(f) Cash and cash equivalents

For Statement of Cash Flow presentation purposes, cash and cash equivalents includes cash on hand; deposits held at call with financial institutions; 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 Statement of Financial Position.

(g) Inventories

(i) Raw materials and stores, work in progress and finished goods

Raw materials and stores, work in progress and finished goods are 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 basis of weighted average costs. Costs of purchased inventory are determined after deducting rebates and discounts.

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.

(ii) Inventory held for distribution

Inventory held for distribution is held at cost, adjusted where applicable for any loss of service potential.

(iii) 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.

(h) Non-current assets (or disposal groups) held for sale and discontinued operations

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use.

They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as deferred tax assets; assets arising from employee benefits; financial assets; and investment properties that are carried at fair value and contractual rights under insurance contracts, which are specifically exempt from this requirement.

An impairment loss is recognised for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset (or disposal group) is recognised at the date of de-recognition.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

(i) Investments and other financial assets

Classification

Council classifies its financial assets in the following categories: financial assets at fair value through profit or loss; loans and receivables; held-to-maturity investments; and available-for-sale financial assets.

Mosman Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 1. Summary of significant accounting policies (continued)

The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and, in the case of assets classified as held-to-maturity, 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 are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. Assets in this category are classified as current assets.

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

Loans and receivables are included in other receivables (note 8) and receivables (note 7) in the Statement of Financial Position.

Receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Receivables are generally due for settlement within 30 days.

Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

(iii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that Council's management has the positive intention and ability to hold to maturity. If Council were to sell other than an insignificant amount of held-to-maturity financial assets, the whole category would be tainted and reclassified as available-for-sale.

Held-to-maturity financial assets are included in non-current assets, except for those with maturities less than 12 months from the reporting date, that 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. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the reporting date.

Investments are 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.

Recognition and de-recognition

Regular purchases and sales of financial assets are recognised on trade-date: the date on which Council commits to purchase or sell the asset.

Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the income statement.

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

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

Subsequent measurement

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

Changes in the fair value of other monetary and non-monetary securities classified as available-for-sale are recognised in equity.

Impairment

Council assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired.

Mosman Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 1. Summary of significant accounting policies (continued)

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 investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator that the assets are impaired.

(i) Assets carried at amortised cost

For 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 Council may measure impairment on the basis of an instrument's fair value using an observable market price.

Collectability of receivables is reviewed on an ongoing basis. Debts that are known to be uncollectible are written off by reducing the carrying amount directly. An allowance account (provision for impairment of receivables) is used when there is objective evidence that Council will not be able to collect all amounts due according to the original terms of the receivables.

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the receivable is impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The amount of the impairment loss is 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.

Investment Policy

Council has an approved investment policy complying with Section 625 of the Local Government Act 1993 (NSW) and Clause 212 of the Local Government (General) Regulation 2005 (NSW).

Investments are placed and managed in accordance with that policy and having particular regard to authorised investments prescribed under the Ministerial Local Government Investment Order. Council maintains an investment policy that complies with the Act and ensures that it, or its representatives, exercise the 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 (the Order) arising from the Cole Inquiry recommendations. Certain investments the Council holds are no longer prescribed; however, they have been retained under grandfathering provisions of the Order. These will be disposed of when most financially advantageous to Council.

(j) Fair value estimation – financial instruments

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 reporting 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 reporting date. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments.

Mosman Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 1. Summary of significant accounting policies (continued)

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.

(k) Infrastructure, property, plant and equipment (IPPE)

Council's assets have been progressively revalued to fair value in accordance with a staged implementation advised by the Office of Local Government. Full revaluations are undertaken on a 5-year cycle. At reporting date, the following classes of IPPE were stated at their fair value:

Externally valued:

- Operational land (last valued 2012/13)
- Land improvements (last valued 2015/16)
- Buildings – specialised/non-specialised (last valued 2012/13)
- Other structures (last valued 2012/13)
- Roads assets including roads, bridges and footpaths (last valued 2014/15)
- Bulk earthworks (last valued 2014/15)
- Stormwater drainage (last valued 2012/13)
- Swimming pools (last valued 2015/16)
- Other open space/recreational assets (last valued 2015/16)
- Other infrastructure (last valued 2015/16)
- Other assets (last valued 2015/16)
- Community land (last valued 2015/16)

Council utilises the land values supplied by the NSW Valuer General to value community land. A new valuation for rating purposes for the year 2017/18 was received during the year. A number of community land parcels were not provided with a value. When all valuations are provided Council will progressively address this issue. The carrying value for community land remains unchanged for the year ending 30 June 2017.

As approximated by depreciated historical cost:

- Plant and equipment

Non-specialised assets with short useful lives are measured at depreciated historical cost as an approximation of fair value. Council has assessed

that any difference between fair value and depreciated historical cost is unlikely to be material.

For all other asset classes, 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 revalue the asset to that amount. Full revaluations are undertaken for all assets on a five-year cycle.

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 recognising profit or loss relating to that asset class, the increase is first recognised as profit or loss.

Decreases that reverse previous increases of assets in the same class are first charged against revaluation reserves directly in equity to the extent of the remaining reserve attributable to the class; all other decreases are charged to the Income Statement.

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.

Depreciation

Land is not depreciated.

Depreciation on other assets is calculated using the straight line method to allocate their cost, net of their residual values, over their estimated useful lives as follows:

Plant and 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 30 years
- Benches, seats etc	20 years

Mosman Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 1. Summary of significant accounting policies (continued)

Buildings

- Buildings 70 to 100 years

Stormwater Drainage

- Drainage Infrastructure 100 to 125 years

Transportation Assets

- Sealed Roads: Surface 50 years

- Sealed Roads: Structure 90 years

- Unsealed roads 100 years

- Road Pavements 100 years

- Kerb, Gutter and Paths 90 years

Other Infrastructure Assets

- Other Open Space/
Recreational Assets 5 to 100 years

- Retaining Walls 150 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the income statement.

(l) Investment property

Investment property, principally comprising freehold office buildings, is held for long-term rental yields and is not occupied by the Council.

Investment property is carried at fair value, which is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If this information is not available, Council uses alternative valuation methods such as recent prices in less active markets, or discounted cash flow projections. Changes in fair values are recorded in the income statement as part of other income.

Properties that are under construction for future use as investment properties are regarded as investment properties. These are also carried at fair value unless the fair value cannot yet be reliably determined. Where that is the case, the property will be accounted for at cost until either the fair value becomes reliably determinable or construction is complete.

(m) Payables

These amounts represent liabilities for goods and services provided to the Council prior to the end of financial year that are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

(n) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the income statement over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are removed from the Statement of Financial Position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in other income or finance cost.

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

(o) 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. Other borrowing costs are expensed.

Mosman Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 1. Summary of significant accounting policies (continued)

(p) Provisions

Provisions are recognised when Council has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated.

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.

(q) Employee benefits

(i) Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be wholly settled within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled.

The liability for annual leave and accumulating sick leave is recognised in the provision for employee benefits. All other short-term employee benefit obligations are presented as payables.

(ii) Other long-term employee benefit obligations

The liability for long service leave and annual leave that is not expected to be wholly settled within 12 months after the end of the period in which the employees render the related service is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by

employees up to the end of the reporting period 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 discounted using market yields at the end of the reporting period on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

The obligations are presented as current liabilities in the Statement of Financial Position if the Council does not have an unconditional right to defer settlement for at least 12 months after the reporting date, regardless of when the actual settlement is expected to occur.

(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 Statement of Financial Position, 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.

The present value of the defined benefit obligation is based on expected future payments that 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 accounts for its obligations to defined benefit plans on the same basis as its obligations to defined contribution plans, i.e. as an expense when it becomes payable.

However, when this information is not reliably available, Council can account for its obligations to defined benefit plans on the same basis as its

Mosman Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 1. Summary of significant accounting policies (continued)

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.

The last valuation of the scheme was performed by Richard Boyfield on 2 December 2016 and covers the period ended 30 June 2016.

However the position is monitored annually and the actuary has estimated that as at 30 June 2017 the prior period deficit still exists.

Effective from 1 July 2009, employers are required to contribute additional contributions to assist in extinguishing this deficit.

The amount of employer contributions to the defined benefit section of the Local Government Superannuation Scheme and recognised as an expense and disclosed as part of superannuation expenses at Note 4 (a) for the year ending 30 June 2017 was \$273,164.

The amount of additional contributions included in the total employer contribution advised above is \$120,000.

The share of this deficit that can be broadly attributed to Council is estimated to be in the order of \$120,000 as at 30 June 2017.

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.

(r) 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 Land Under Roads.

Land under roads acquired after 1 July 2008 is recognised in accordance with AASB 116 Property, Plant and Equipment.

(s) Self-insurance

Council does not self-insure.

(t) Intangible assets

Council's interest in access to Kimbriki waste and recycling is recognised as an intangible asset and will be amortised over time.

(u) 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.

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

Mosman Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 1. Summary of significant accounting policies (continued)

(v) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to the taxation authority is included with other receivables or payables in the Statement of Financial Position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which that are recoverable from, or payable to the taxation authority are presented as operating cash flows.

(w) New accounting standards and interpretations issued not yet effective

Certain new accounting standards and interpretations have been published that are not mandatory for the current reporting period and which have not been applied.

As at the date of authorisation of the financial statements, the standards and interpretations listed below were in issue but not yet effective.

Effective for annual reporting periods beginning on or after 1 January 2017

AASB 2014-5 *Amendments to Australian Accounting Standards arising from AASB 15*

AASB 2015-8 *Amendments to Australian Accounting Standards – Effective Date of AASB 15*

AASB 2016-1 *Amendments to Australian Accounting Standards – Recognition of Deferred Tax Assets for Unrealised Losses [AASB 112]*

AASB 2016-2 *Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107*

AASB 2016-4 *Amendments to Australian Accounting Standards – Recoverable Amount of Non-Cash-*

Generating Specialised Assets of Not-for-Profit Entities

AASB 2016-7 *Amendments to Australian Accounting Standards - Deferral of AASB 15 for Not-for-Profit Entities*

Effective for annual reporting periods beginning on or after 13 February 2017

AASB 2017-2 *Amendments to Australian Accounting Standards - Further Annual Improvements 2014- 16 Cycle*

Effective for annual reporting periods beginning on or after 13 December 2017

AASB 2017-1 *Amendments to Australian Accounting Standards - Transfers of Investment Property, Annual Improvements 2014-2016 Cycle and Other Amendments*

Effective for annual reporting periods beginning on or after 1 January 2018

AASB 9 *Financial Instruments (December 2009)*

AASB 15 *Revenue from Contracts with Customers*

AASB 2010-7 *Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)*

AASB 2014-1 *Amendments to Australian Accounting Standards (Part E)*

AASB 2014-7 *Amendments to Australian Accounting Standards arising from AASB 9 (December 2014)*AASB 1057 *Application of Australian Accounting Standards*

AASB 2016-3 *Amendments to Australian Accounting Standards – Clarifications to AASB 15*

AASB 2016-5 *Amendments to Australian Accounting Standards – Classification and Measurement of Share-based Payment Transactions*

AASB 2016-6 *Amendments to Australian Accounting Standards - Applying AASB 9 Financial Instruments with AASB 4 Insurance Contracts*

Mosman Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 1. Summary of significant accounting policies (continued)

Effective for annual reporting periods beginning on or after 1 January 2019

AASB 16 *Leases*

AASB 16 *Leases* (Appendix D)

AASB 2016-8 *Amendments to Australian Accounting Standards – Australian Implementation Guidance for Not-for-Profit Entities*

AASB 1058 *Income of Not-for-Profit Entities*

AASB 2016-8 *Amendments to Australian Accounting Standards - Australian Implementation Guidance for Not-for-Profit Entities*

The full impact of these standards has yet to be ascertained or quantified but will range from additional and/or revised disclosures to changes in how certain transactions and balances are accounted for.

(x) Rounding of amounts

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

(y) 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.

(z) Disclaimer

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

Mosman Council

Notes to the Financial Statements

for the year ended 30 June 2017

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 and non-current)	
	Original budget 2017	Actual 2017	Actual 2016	Original budget 2017	Actual 2017	Actual 2016	Original budget 2017	Actual 2017	Actual 2016	Actual 2017	Actual 2016	Actual 2017	Actual 2016
Governance	–	–	–	2,302	2,015	1,773	(2,302)	(2,015)	(1,773)	–	–	1,817	705
Community wellbeing	1,805	1,936	1,851	3,044	2,895	2,901	(1,239)	(959)	(1,050)	955	888	4,689	4,437
Library and information	159	162	176	2,191	2,180	2,179	(2,032)	(2,018)	(2,003)	83	82	7,234	7,326
Arts and culture	554	617	883	1,455	1,594	1,550	(901)	(977)	(667)	304	343	5,349	5,253
Built environment ²	2,431	3,337	3,246	7,937	8,171	7,969	(5,506)	(4,834)	(4,723)	1,099	522	185,946	183,577
Community spaces ³	5,956	9,251	6,102	7,848	7,705	8,770	(1,892)	1,546	(2,668)	–	27	217,909	215,487
Healthy environment	6,592	6,772	6,507	5,432	5,202	4,945	1,160	1,570	1,562	27	134	746	726
Transport and traffic ⁴	6,362	7,523	6,612	1,840	2,200	2,029	4,522	5,323	4,583	–	65	58,925	58,964
Leadership and engagement	–	–	–	2,474	2,456	2,573	(2,474)	(2,456)	(2,573)	–	–	11	15
Corporate and risk ⁵	758	1,411	960	8,722	9,661	13,307	(7,964)	(8,250)	(12,347)	98	–	23,688	21,380
Total functions and activities	24,617	31,009	26,337	43,245	44,079	47,996	(18,628)	(13,070)	(21,659)	2,566	2,061	506,314	497,870
Share of gains/(losses) in associates and joint ventures (using the equity method)	–	–	167	–	82	–	–	(82)	167	–	–	816	898
General purpose income ¹	20,688	20,680	20,008	–	–	–	20,688	20,680	20,008	1,330	910	–	–
Operating result from continuing operations	45,305	51,689	46,512	43,245	44,161	47,996	2,060	7,528	(1,484)	3,896	2,971	507,130	498,768

1. Includes: rates and annual charges (incl. ex-gratia), untied general purpose grants and unrestricted interest and investment income.

2. Income includes unbudgeted grants received late in year

3. Income includes unbudgeted Investment Property and Community Land revaluation increments - see Note 3(d)

4. Income includes increased parking revenues due unusual run of hot, dry weather.

5. Income exceeds budget and prior year for development related permit user-fees as noted at Quarterly Budget Reviews

Mosman Council

Notes to the Financial Statements

for the year ended 30 June 2017

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:

GOVERNANCE

Includes costs relating to Council's role as a component of democratic government, including elections, members' fees and expenses, subscriptions to local authority associations, meetings of Council and policy-making committees, public disclosure (e.g. GIPA), and legislative compliance.

COMMUNITY WELLBEING

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

LIBRARY AND INFORMATION

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

ARTS AND CULTURE

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

BUILT ENVIRONMENT

Development Assessment and Regulation. Zoning Framework, Planning Policy Development, Heritage Housing Strategy. Roads. Stormwater Drainage.

COMMUNITY SPACES

Parks, Gardens, Playgrounds and Civic Spaces, Recreational Facilities, Beaches, Sea Pools and Foreshores. Council Owned Buildings and Facilities.

HEALTHY ENVIRONMENT

Atmospheric Environment, Biodiversity, Trees, Land and Coastal Management, Noise, Environmental/Sustainability Education, Environmental Health, Waste Management and Cleaning and Environmental Services.

TRANSPORT AND TRAFFIC

Facilities, Traffic Management, Pedestrians, Bicycles, Public Transport.

LOCAL AND REGIONAL ECONOMY

Business & Employment, Marketing Mosman, Regional Economic Development.

LEADERSHIP AND ENGAGEMENT

Council Secretariat and Civic Involvement, Governance and Communication.

CORPORATE AND RISK

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

Mosman Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 3. Income from continuing operations

\$ '000	Notes	Actual 2017	Actual 2016
(a) Rates and annual charges			
Ordinary rates			
Residential		17,247	16,899
Business		1,724	1,782
Total ordinary rates		18,971	18,681
Special rates			
Nil			
Annual charges (pursuant to s.496, s.496A, s.496B, s.501 & s.611)			
Domestic waste management services		6,560	6,406
Stormwater management services		237	236
Section 611 charges		29	31
Total annual charges		6,826	6,673
TOTAL RATES AND ANNUAL CHARGES		25,797	25,354

Council has used 2016 year valuations provided by the NSW Valuer General in calculating its rates.

Mosman Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 3. Income from continuing operations (continued)

\$ '000	Notes	Actual 2017	Actual 2016
(b) User charges and fees			
Specific user charges (per s.502 – specific 'actual use' charges)			
Domestic waste management services		92	85
Total user charges		92	85
Other user charges and fees			
(i) Fees and charges – statutory and regulatory functions (per s.608)			
Planning and building regulation		847	819
Regulatory fees		169	94
Section 149 certificates (EPA Act)		146	149
Section 603 certificates		96	105
Total fees and charges – statutory/regulatory		1,258	1,167
(ii) Fees and charges – other (incl. general user charges (per s.608))			
Aged and Disability Services		35	–
Art prize fees		42	45
Children's leisure and learning		10	13
Community restaurant		31	30
Cultural centre		172	196
Dinghy storage racks		58	51
Filming permits		8	4
Footpath occupation		158	217
Hoarding fees		31	197
Kidzone – vacation		94	92
Lease rentals (property)		1,677	1,414
Leaseback fees – Council vehicles		7	8
Market days (stall holders)		107	110
Meals on wheels		73	64
Merchant fee recovery		80	81
Mini skips		35	46
Mosman occasional child care		268	204
Out of school care		395	398
Oval rents		368	284
Parking fees – foreshore		1,483	1,374
Parking fees – foreshore (stickers)		289	281
Parking fees – on street		2,386	2,267
Parking fees – resident parking scheme permits		62	53
Photocopying – civic centre		–	1
Photocopying – library		7	7
Reserve rents		88	111
Restoration charges		619	483
Section 153 land leases		61	52
Stand plant permits		167	148
Trading rights – foreshore		12	–
Vacation care		31	33
Vehicular crossing		221	124
Vehicular crossing – inspection fees		41	38
Work zone fees		397	347
Other		212	291
Total fees and charges – other		9,725	9,064
TOTAL USER CHARGES AND FEES		11,075	10,316

Mosman Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 3. Income from continuing operations (continued)

\$ '000	Notes	Actual 2017	Actual 2016
(c) Interest and investment revenue (including losses)			
Interest			
– Interest on overdue rates and annual charges (incl. special purpose rates)		55	52
– Interest earned on investments (interest and coupon payment income)		465	474
TOTAL INTEREST AND INVESTMENT REVENUE		520	526
Interest revenue is attributable to:			
Unrestricted investments/financial assets:			
Overdue rates and annual charges (general fund)		55	52
General Council cash and investments		324	365
Restricted investments/funds – external:			
Development contributions			
– Section 94		141	109
Total interest and investment revenue recognised		520	526
(d) Other revenues			
Fair value increments – investment properties ¹	14	1,720	–
Rental income – investment properties	14	1,875	1,913
Reversal of prior period revaluation decrements (applicable to I,PP&E)	9(a)	1,223	–
Fines		3,178	2,583
Art gallery sponsorship and donations		18	48
Commissions and agency fees		21	22
Legal recoupment		16	10
Workers compensation insurance incentives		72	179
FESL Implementation		82	–
Other		92	116
TOTAL OTHER REVENUE		8,297	4,871

¹ The fair value increment in FY 16/17 is \$1,720k. In FY 15/16 there was a fair value decrement of \$3,219k recognised in Note 4(e) - Other Expenses

Mosman Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 3. Income from continuing operations (continued)

\$ '000	2017 Operating	2016 Operating	2017 Capital	2016 Capital
(e) Grants				
General purpose (untied)				
Financial assistance – general component ¹	925	615	–	–
Financial assistance – local roads component ¹	345	229	–	–
Pensioners' rates subsidies – general component	60	66	–	–
Total general purpose	1,330	910	–	–
Specific purpose				
Pensioners' rates subsidies:				
– Domestic waste management	27	30	–	–
Aged care	540	537	–	–
Child care	415	391	–	–
Environmental protection	–	20	–	–
Excess weight subsidy	10	11	–	–
Housing and community amenities	112	122	–	–
Library – per capita	56	56	–	–
Library – special projects	27	26	–	–
LIRS subsidy	98	72	–	–
Recreation and culture	85	112	179	–
Street lighting	101	99	–	–
Transport (roads to recovery)	377	315	–	–
Transport (other roads and bridges funding)	1	–	538	270
Total specific purpose	1,849	1,791	717	270
Total grants	3,179	2,701	717	270
Grant revenue is attributable to:				
– Commonwealth funding	1,882	1,485	–	–
– State funding	1,297	1,212	717	270
– Other funding	–	4	–	–
	3,179	2,701	717	270

¹ Part of 17/18 FAG \$315k General, \$117k Roads received in advance

Mosman Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 3. Income from continuing operations (continued)

\$ '000	2017 Operating	2016 Operating	2017 Capital	2016 Capital
(f) Contributions				
Developer contributions:				
(s93 & s94 – EP&A Act, s64 of the LGA):				
S 93F – contributions using planning agreements	468	439	–	–
S 94A – fixed development consent levies	–	–	1,375	1,409
Total developer contributions 17	468	439	1,375	1,409
Other contributions:				
Art collection donations	–	–	64	238
Recreation and culture	–	–	40	–
RMS contributions (regional roads, block grant)	152	175	–	–
Other (youth programs)	5	43	–	–
Other	–	–	–	3
Total other contributions	157	218	104	241
Total contributions	625	657	1,479	1,650
TOTAL GRANTS AND CONTRIBUTIONS	3,804	3,358	2,196	1,920

\$ '000	Actual 2017	Actual 2016
(g) Unspent grants and contributions		
Certain grants and contributions are obtained by Council on condition that they be spent in a specified manner:		
Unexpended at the close of the previous reporting period	4,426	3,826
Add: grants and contributions recognised in the current period but not yet spent:	1,437	909
Add: grants and contributions received for the provision of goods and services in a future period	679	–
Less: grants and contributions recognised in a previous reporting period now spent:	(81)	(309)
Net increase in restricted assets during the period	2,035	600
Unexpended and held as restricted assets	6,461	4,426
Comprising:		
– Specific purpose unexpended grants	679	81
– Developer contributions	5,782	4,345
	6,461	4,426

Mosman Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 4. Expenses from continuing operations

\$ '000	Notes	Actual 2017	Actual 2016
(a) Employee benefits and on-costs			
Salaries and wages		12,659	12,555
Employee termination costs		–	32
Travel expenses		315	324
Employee leave entitlements (ELE)		1,736	1,937
Superannuation – defined contribution plans		1,193	1,150
Superannuation – defined benefit plans		327	321
Workers' compensation insurance		216	272
Fringe benefit tax (FBT)		116	130
Training costs (other than salaries and wages)		133	138
Other		11	15
<u>TOTAL EMPLOYEE COSTS EXPENSED</u>		<u>16,706</u>	<u>16,874</u>
Number of 'full-time equivalent' employees (FTE) at year end		167	168
Number of 'full-time equivalent' employees (FTE) at year end (incl. vacancies)		175	175
(b) Borrowing costs			
(i) Interest bearing liability costs			
Interest on loans		414	502
Total interest bearing liability costs expensed		<u>414</u>	<u>502</u>
(ii) Other borrowing costs			
Nil			
<u>TOTAL BORROWING COSTS EXPENSED</u>		<u>414</u>	<u>502</u>

Mosman Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 4. Expenses from continuing operations (continued)

\$ '000	Notes	Actual 2017	Actual 2016
(c) Materials and contracts			
Raw materials and consumables		95	144
Contractor and consultancy costs			
– Aged services		170	130
– Art Gallery and Community Centre		318	59
– Bushcare		410	459
– Childrens Services		139	101
– Cleansing		318	255
– Communications and Events		177	105
– Companion Animal Control		23	23
– Development assessment and urban planning		187	181
– Finance Contractors		44	42
– HR Contractors		21	20
– Infrastructure		2,476	2,037
– Internal audit		80	72
– Library		188	242
– Mosman Rider		194	204
– Swim Centre Management		153	150
– Parks, gardens and civic spaces		1,763	1,590
– Plant running		86	81
– Recreational facilities		808	720
– Save Mosman information campaign		–	61
– Structures		1,066	1,270
– Temp Staff and Agency Casuals		631	467
– Youth Services		31	83
– Waste management		3,371	3,104
– Other contractor and consultancy costs		113	611
Auditors remuneration ⁽¹⁾		50	38
Infringement notice contract costs (SEINS)		409	318
Legal expenses:			
– Legal expenses: planning and development		247	913
– Legal expenses: Save Mosman campaign		475	244
– Legal expenses: other		191	212
Operating leases:			
– Operating lease rentals: minimum lease payments ⁽²⁾		179	245
Printing		106	110
TOTAL MATERIALS AND CONTRACTS		14,519	14,291

Mosman Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 4. Expenses from continuing operations (continued)

\$ '000	Notes	Actual 2017	Actual 2016
(c) Materials and contracts (continued)			
1. Auditor remuneration			
a. During the year, the following fees were incurred for services provided by the Auditor-General:			
(i) Audit and other assurance services			
– Audit and review of financial statements: Auditor-General		50	–
Remuneration for audit and other assurance services		50	–
Total Auditor-General remuneration		50	–
b. During the year, the following fees were incurred for services provided by the other Council's Auditors:			
(i) Audit and other assurance services			
– Audit and review of financial statements: Council's Auditor		–	38
Remuneration for audit and other assurance services		–	38
Total remuneration of other Council's Auditors		–	38
Total Auditor remuneration		50	38
2. Operating lease payments are attributable to:			
Computers		179	245
		179	245
(d) Depreciation, amortisation and impairment			
Plant and equipment		204	196
Office equipment		103	132
Furniture and fittings		29	29
Land improvements (depreciable)		8	7
Infrastructure:			
– Buildings – non-specialised		530	512
– Buildings – specialised		281	284
– Other structures		–	6
– Roads		2,479	2,424
– Footpaths		266	244
– Stormwater drainage		388	372
– Other open space/recreational assets		965	952
Other assets			
– Library books		255	237
– Other		4	4
Intangible assets	25	16	16
Total depreciation and amortisation costs		5,528	5,415
Impairment			
Nil			
TOTAL DEPRECIATION AND IMPAIRMENT COSTS EXPENSED		5,528	5,415

Mosman Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 4. Expenses from continuing operations (continued)

\$ '000	Notes	Actual 2017	Actual 2016
(e) Other expenses			
Advertising		182	173
Bad and doubtful debts		13	31
Bad and doubtful debts parking fines		482	444
Bank charges		170	176
Catering		79	79
Computer software charges		1,136	975
Contributions/levies to other levels of government			
– Department of Planning levy		206	201
– Local Government NSW		34	33
– NSW fire brigade levy		939	966
Councillor expenses – mayoral fee		41	36
Councillor expenses – councillors' fees		132	126
Councillors' expenses (incl. mayor) – other (excluding fees above)		21	32
Donations, contributions and assistance to other organisations (Section 356)		136	237
Electricity and heating		296	269
Equipment maintenance		14	12
Fair value decrements – I,PP&E	9(a)	–	1,223
Fair value decrements – investment properties	14	–	3,219
Insurance		765	838
Leases – photocopiers		102	98
Leases – property		55	57
Postage		87	82
Street lighting		151	127
Subscriptions and publications		89	98
Telephone and communications		85	117
Waste disposal and recycling centre		900	887
Water		156	139
Other		218	239
<u>TOTAL OTHER EXPENSES</u>		<u>6,489</u>	<u>10,914</u>

Mosman Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 5. Gains or losses from the disposal of assets

\$ '000	Notes	Actual 2017	Actual 2016
Property (excl. investment property)			
Proceeds from disposal – property		77	28
Less: carrying amount of property assets sold/written off		–	(13)
Net gain/(loss) on disposal		77	15
Plant and equipment			
Proceeds from disposal – plant and equipment		40	–
Less: carrying amount of plant and equipment assets sold/written off		(37)	–
Net gain/(loss) on disposal		3	–
Infrastructure			
Less: carrying amount of infrastructure assets sold/written off		(503)	(15)
Net gain/(loss) on disposal		(503)	(15)
Financial assets			
Proceeds from disposal/redemptions/maturities – financial assets		24,000	31,000
Less: carrying amount of financial assets sold/redeemed/matured		(24,000)	(31,000)
Net gain/(loss) on disposal		–	–
NET GAIN/(LOSS) ON DISPOSAL OF ASSETS		(423)	–

Mosman Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 6a. – Cash assets and Note 6b. – investments

\$ '000	Notes	2017	2017	2016	2016
		Actual Current	Actual Non-current	Actual Current	Actual Non-current
Cash and cash equivalents (Note 6a)					
Cash on hand and at bank		940	–	725	–
Cash-equivalent assets ¹					
– Deposits at call		700	–	–	–
– Short-term deposits		6,000	–	12,000	–
Total cash and cash equivalents		7,640	–	12,725	–
Investments (Note 6b)					
– Long term deposits		10,000	–	2,000	–
Total investments		10,000	–	2,000	–
TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS		17,640	–	14,725	–

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

Cash, cash equivalents and investments were classified at year end in accordance with AASB 139 as follows:

Cash and cash equivalents

a. 'At fair value through the profit and loss'

	7,640	–	12,725	–
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Investments

a. 'Held to maturity'

Investments

	10,000	–	2,000	–
	10,000	–	2,000	–

Refer to Note 27. Fair value measurement for information regarding the fair value of investments held.

Mosman Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 6c. Restricted cash, cash equivalents and investments – details

\$ '000	2017	2017	2016	2016
	Actual Current	Actual Non-current	Actual Current	Actual Non-current
Total cash, cash equivalents and investments	17,640	–	14,725	–
attributable to:				
External restrictions (refer below)	7,072	–	5,877	–
Internal restrictions (refer below)	9,085	–	6,476	–
Unrestricted	1,483	–	2,372	–
	17,640	–	14,725	–
2017	Opening	Transfers to	Transfers from	Closing
\$ '000	balance	restrictions	restrictions	balance
Details of restrictions				
External restrictions – included in liabilities				
Nil				
External restrictions – other				
Developer contributions – general (D)	4,345	2,331	(1,308)	5,368
Specific purpose unexpended grants (F)	81	179	(81)	179
Domestic waste management (G)	1,451	6,710	(6,636)	1,525
Developer Contributions VPA (D)	–	348	(348)	–
External restrictions – other	5,877	9,568	(8,373)	7,072
Total external restrictions	5,877	9,568	(8,373)	7,072
Internal restrictions				
Plant and vehicle replacement	70	62	(132)	–
Employees leave entitlement	979	31	–	1,010
Deposits, retentions and bonds	4,500	500	–	5,000
Balmoral Promenade Works	–	480	–	480
Spit East Erosion Works	–	350	–	350
Swim centre	579	166	–	745
VPA reserve	348	–	(348)	–
Capital Works Reserve	–	1,500	–	1,500
Total internal restrictions	6,476	3,089	(480)	9,085
TOTAL RESTRICTIONS	12,353	12,657	(8,853)	16,157

D Development contributions which are not yet expended for the provision of services and amenities in accordance with contributions plans (refer Note 17).

F Grants which are not yet expended for the purposes for which the grants were obtained. (refer Note 1 (b))

G Water, sewerage, domestic waste management (DWM) and 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 year ended 30 June 2017

Note 7. Receivables

\$ '000	Notes	2017		2016	
		Current	Non-current	Current	Non-current
Purpose					
Rates and annual charges		504	144	446	122
Interest and extra charges		37	–	19	–
User charges and fees		1,277	–	1,249	–
Accrued revenues					
– Interest on investments		77	–	41	–
– Other income accruals		1,249	–	1,464	–
Government grants and subsidies		566	–	11	–
Net GST receivable		458	–	554	–
Total		4,168	144	3,784	122
Less: provision for impairment					
User charges and fees		(148)	–	(135)	–
Other debtors		(255)	–	(209)	–
Total provision for impairment – receivables		(403)	–	(344)	–
TOTAL NET RECEIVABLES		3,765	144	3,440	122
Externally restricted receivables					
Domestic waste management		152	–	129	–
– Other restricted receivables (VPA Debtor)		414	–	–	–
– Other restricted receivables (BLine Funding)		500	–	–	–
Total external restrictions		1,066	–	129	–
Internally restricted receivables					
Nil					
Unrestricted receivables		2,699	144	3,311	122
TOTAL NET RECEIVABLES		3,765	144	3,440	122

Notes on debtors above:

- (i) Rates and 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 and charges at 8.50% (2016 8.50%).
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 year ended 30 June 2017

Note 8. Inventories and other assets

\$ '000	Notes	2017		2016	
		Current	Non-current	Current	Non-current
(a) Inventories					
(i) Inventories at cost					
Stores and materials		91	–	87	–
Trading stock		38	–	61	–
Total inventories at cost		129	–	148	–
(ii) Inventories at net realisable value (NRV)					
Nil					
<u>TOTAL INVENTORIES</u>		<u>129</u>	<u>–</u>	<u>148</u>	<u>–</u>
(b) Other assets					
Prepayments		198	–	227	–
<u>TOTAL OTHER ASSETS</u>		<u>198</u>	<u>–</u>	<u>227</u>	<u>–</u>

Externally restricted assets

There are no restrictions applicable to the above assets.

(i) Other disclosures**(a) Inventory write downs**

There were no amounts recognised as an expense relating to the write down of inventory balances held during the year.

Refer to Note 27. Fair value measurement for information regarding the fair value of other assets held.

Mosman Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 9a. Infrastructure, property, plant and equipment

Asset class \$ '000	as at 30/6/2016			Asset movements during the reporting period						as at 30/6/2017		
	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount	Additions renewals	Additions new assets	Carrying value of disposals	Depreciation expense	Reversal of prior period revaluation decrements to the P&L	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount
Capital work in progress	405	–	405	548	40	–	–	–	–	993	–	993
Plant and equipment	2,023	1,075	948	245	–	(37)	(204)	–	–	2,135	1,183	952
Office equipment	1,032	787	245	–	–	–	(103)	–	–	1,030	888	142
Furniture and fittings	354	243	111	–	–	–	(29)	–	–	354	272	82
Art collection	5,218	–	5,218	93	–	–	–	–	–	5,311	–	5,311
Land:												
– Operational land	113,024	–	113,024	–	–	–	–	–	–	113,024	–	113,024
– Community land	60,659	–	60,659	–	–	–	–	1,223	332	62,214	–	62,214
Land improvements – depreciable	735	106	629	35	–	–	(8)	–	–	772	116	656
Infrastructure:												
– Buildings – non-specialised	45,404	17,630	27,774	514	17	(15)	(530)	–	–	45,934	18,174	27,760
– Buildings – specialised	21,720	7,145	14,575	105	–	(27)	(281)	–	–	21,824	7,452	14,372
– Roads	211,208	93,978	117,230	2,542	433	(217)	(2,479)	–	–	214,182	96,673	117,509
– Footpaths	16,574	4,696	11,878	1,866	–	(139)	(266)	–	–	18,441	5,102	13,339
– Stormwater drainage	65,355	15,086	50,269	505	–	(36)	(388)	–	–	65,860	15,510	50,350
– Other open space/recreational assets	46,348	16,216	30,132	692	154	(69)	(965)	–	–	47,194	17,250	29,944
Other assets:												
– Heritage collections	23	10	13	–	–	–	–	–	–	23	10	13
– Library books	2,377	1,571	806	221	–	–	(255)	–	–	2,598	1,826	772
– Other	60	13	47	–	–	–	(4)	–	–	60	17	43
TOTAL INFRASTRUCTURE, PROPERTY, PLANT AND EQUIP.	592,519	158,556	433,963	7,366	644	(540)	(5,512)	1,223	332	601,949	164,473	437,476

Renewals are defined as the replacement of existing assets (as opposed to the acquisition of new assets).

Refer to Note 27. Fair value measurement for information regarding the fair value of other infrastructure, property, plant and equipment.

Mosman Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 9b. Externally restricted infrastructure, property, plant and equipment

\$ '000

Council has no externally restricted infrastructure, property, plant and equipment.

Note 9c. Infrastructure, property, plant and equipment – current year impairments

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

Mosman Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 10a. Payables, borrowings and provisions

\$ '000	Notes	2017		2016	
		Current	Non-current	Current	Non-current
Payables					
Goods and services – operating expenditure		1,637	–	1,744	–
Goods and services – capital expenditure		1,315	–	2,507	–
Accrued expenses:					
– Borrowings		37	–	36	–
– Salaries and wages		53	–	–	–
Security bonds, deposits and retentions		8,027	–	7,069	–
Total payables		11,069	–	11,356	–
Income received in advance					
Payments received in advance		596	–	598	–
Total income received in advance		596	–	598	–
Borrowings					
Loans – secured ¹		1,429	6,790	1,746	5,819
Total borrowings		1,429	6,790	1,746	5,819
Provisions					
Employee benefits:					
Annual leave		1,760	–	1,766	–
Long service leave		3,020	251	2,969	159
Total provisions		4,780	251	4,735	159
TOTAL PAYABLES, BORROWINGS AND PROVISIONS		17,874	7,041	18,435	5,978
(i) Liabilities relating to restricted assets					
		2017		2016	
		Current	Non-current	Current	Non-current
Externally restricted assets					
Domestic waste management		256	–	129	–
Current borrowings funded by S94		187	–	248	–
Liabilities relating to externally restricted assets		443	–	377	–
Internally restricted assets					
Nil					
Total liabilities relating to restricted assets		443	–	377	–
Total liabilities relating to unrestricted assets		17,431	7,041	18,058	5,978
TOTAL PAYABLES, BORROWINGS AND PROVISIONS		17,874	7,041	18,435	5,978

¹. Loans are secured over the general rating income of Council

Disclosures on liability interest rate risk exposures, fair value disclosures and security can be found in Note 15.

Mosman Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 10a. Payables, borrowings and provisions (continued)

\$ '000	Actual 2017	Actual 2016
(ii) Current liabilities not anticipated to be settled within the next twelve months		
The following liabilities, even though classified as current, are not expected to be settled in the next 12 months.		
Provisions – employees benefits	3,311	2,788
Payables – security bonds, deposits and retentions	6,271	5,523
	<u>9,582</u>	<u>8,311</u>

Mosman Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 11. Statement of cash flows – additional information

\$ '000	Notes	Actual 2017	Actual 2016
(a) Reconciliation of cash assets			
Total cash and cash equivalent assets	6a	7,640	12,725
Less bank overdraft	10	–	–
Balance as per the Statement of Cash Flows		7,640	12,725
(b) Reconciliation of net operating result to cash provided from operating activities			
Net operating result from Income Statement		7,528	(1,484)
Adjust for non-cash items:			
Depreciation and amortisation		5,528	5,415
Net losses/(gains) on disposal of assets		423	–
Non-cash capital grants and contributions		(64)	(238)
Losses/(gains) recognised on fair value re-measurements through the P&L:			
– Investment properties		(1,720)	3,219
– Write offs relating to the fair valuation of I,PP&E		–	1,223
Share of net (profits) or losses of associates/joint ventures		82	(167)
+/- Movement in operating assets and liabilities and other cash items:			
Decrease/(increase) in receivables		(406)	165
Increase/(decrease) in provision for doubtful debts		59	40
Decrease/(increase) in inventories		19	15
Decrease/(increase) in other assets		29	(167)
Increase/(decrease) in payables		(107)	674
Increase/(decrease) in accrued interest payable		1	(11)
Increase/(decrease) in other accrued expenses payable		53	(537)
Increase/(decrease) in other liabilities		956	1,186
Increase/(decrease) in employee leave entitlements		137	713
Net cash provided from/(used in) operating activities from the Statement of Cash Flows		11,295	10,046
(c) Non-cash investing and financing activities			
Other dedications artworks		64	238
Total non-cash investing and financing activities		64	238
(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		55	55
Total financing arrangements		145	145

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 and other payables are disclosed in Note 15.

(ii) Secured loan liabilities

Loans are secured by a mortgage over future years rate revenue only.

Mosman Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 12. Commitments for expenditure

\$ '000	Notes	Actual 2017	Actual 2016
(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 and equipment			
Esplanade Promenade		1,457	–
Unspent Specific Purpose Capital Grants		679	–
Total commitments		2,136	–
These expenditures are payable as follows:			
Within the next year		2,136	–
Total payable		2,136	–
Sources for funding of capital commitments:			
Unrestricted general funds		977	–
Unexpended grants		679	–
Internally restricted reserves		480	–
Total sources of funding		2,136	–

Details of capital commitments

Council has engaged a contractor for Components 1 and 2 of T-EP 17/03 Concrete Promenade and Seating Works Balmoral. To date \$220,726 of \$1,678,587 contract have been paid.

Council has received grant funding late in the year that obliges it carry out certain capital works in associated with B-Line bus system, Drill Hall netball courts and Art Gallery access ramp in FY2018

(b) 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	192	213
Later than one year and not later than 5 years	163	355
Later than 5 years	–	–
Total non-cancellable operating lease commitments	355	568

b. Non-cancellable operating leases include the following assets:

Office Equipment with an average lease term of 3 years.

Contingent Rentals may be payable depending on the condition of items or usage during the lease term.

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.

Mosman Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 13a(i). Statement of performance measurement – indicators (consolidated)

\$ '000	Amounts 2017	Indicator 2017	Prior periods		Benchmark
			2016	2015	
Local government industry indicators – consolidated					
1. Operating performance ratio					
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions less operating expenses	<u>2,894</u>	6.22%	1.96%	1.70%	>0.00%
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions	<u>46,550</u>				
2. Own source operating revenue ratio					
Total continuing operating revenue ⁽¹⁾ excluding all grants and contributions	<u>42,746</u>	87.69%	88.61%	88.82%	>60.00%
Total continuing operating revenue ⁽¹⁾	<u>48,746</u>				
3. Unrestricted current ratio					
Current assets less all external restrictions ⁽²⁾	<u>13,594</u>	1.73x	1.29x	1.53x	>1.5x
Current liabilities less specific purpose liabilities ^(3, 4)	<u>7,849</u>				
4. Debt service cover ratio					
Operating result ⁽¹⁾ before capital excluding interest and depreciation/impairment/amortisation	<u>8,836</u>	4.09x	2.81x	2.59x	>2x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	<u>2,160</u>				
5. Rates, annual charges, interest and extra charges outstanding percentage					
Rates, annual and extra charges outstanding	<u>685</u>	2.59%	2.26%	2.20%	< 5%
Rates, annual and extra charges collectible	<u>26,439</u>				Metro <10% Rural
6. Cash expense cover ratio					
Current year's cash and cash equivalents plus all term deposits	<u>17,640</u>	4.73 mths	4.2 mths	4.2 mths	> 3 mths
Payments from cash flow of operating and financing activities	<u>3,731</u>				

Notes

⁽¹⁾ Excludes fair value adjustments and reversal of revaluation decrements, net gain/(loss) on sale of assets and the net share of interests in joint ventures and associates.

⁽²⁾ Refer Notes 6-8 inclusive.

Also excludes any real estate and land for resale not expected to be sold in the next 12 months.

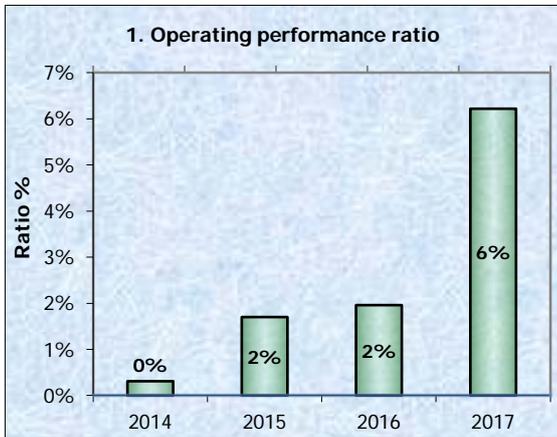
⁽³⁾ Refer to Note 10(a).

⁽⁴⁾ Refer to Note 10(a)(ii) – excludes all payables and provisions not expected to be paid in the next 12 months (incl. ELE).

Mosman Council

Notes to the Financial Statements for the year ended 30 June 2017

Note 13a(ii). Local government industry indicators – graphs (consolidated)



Purpose of operating performance ratio

This ratio measures Council's achievement of containing operating expenditure within operating revenue.

Commentary on 2016/17 result

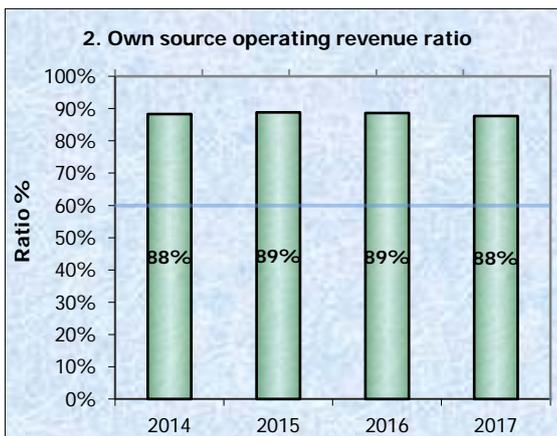
2016/17 ratio 6.22%

An excellent result assisted by one-off revenue gains from advanced receipt of the Financial Assistance Grant, parking revenue and development related revenue improvements

Benchmark: ——— Minimum $\geq 0.00\%$

Source for benchmark: Code of Accounting Practice and Financial Reporting #25

 Ratio achieves benchmark
 Ratio is outside benchmark



Purpose of own source operating revenue ratio

This ratio measures fiscal flexibility. It is the degree of reliance on external funding sources such as operating grants and contributions.

Commentary on 2016/17 result

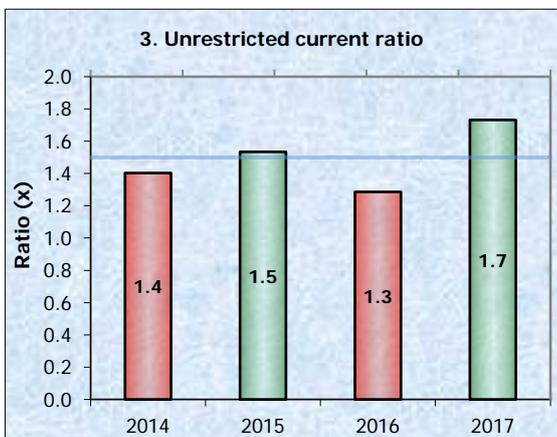
2016/17 ratio 87.69%

A slight dip in this ratio results from the advance payment of the 2017/18 Financial Assistance Grant

Benchmark: ——— Minimum $\geq 60.00\%$

Source for benchmark: Code of Accounting Practice and Financial Reporting #25

 Ratio achieves benchmark
 Ratio is outside benchmark



Purpose of unrestricted current ratio

To assess the adequacy of working capital and its ability to satisfy obligations in the short term for the unrestricted activities of Council.

Commentary on 2016/17 result

2016/17 ratio 1.73x

A very satisfactory ratio but previous years show Council can manage with a lower than benchmark ratio.

Benchmark: ——— Minimum ≥ 1.50

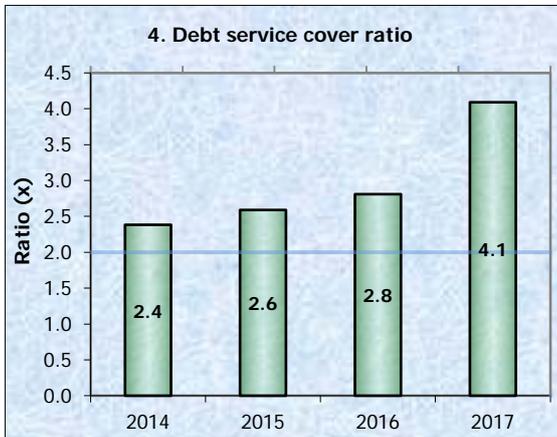
Source for benchmark: Code of Accounting Practice and Financial Reporting #25

 Ratio achieves benchmark
 Ratio is outside benchmark

Mosman Council

Notes to the Financial Statements for the year ended 30 June 2017

Note 13a(ii). Local government industry indicators – graphs (consolidated)



Purpose of debt service cover ratio

This ratio measures the availability of operating cash to service debt including interest, principal and lease payments

Commentary on 2016/17 result

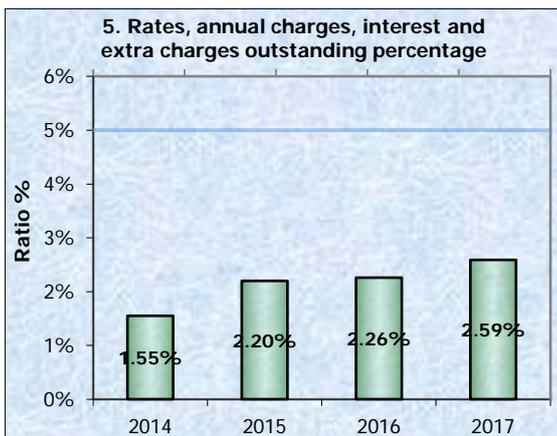
2016/17 ratio 4.09x

This ratio has increased markedly due to the positive operating result and the completion of old loans

Benchmark: ——— Minimum ≥ 2.00

Source for benchmark: Code of Accounting Practice and Financial Reporting #25

Ratio achieves benchmark
 Ratio is outside benchmark



Purpose of rates and annual charges outstanding ratio

To assess the impact of uncollected rates and annual charges on Council's liquidity and the adequacy of recovery efforts.

Commentary on 2016/17 result

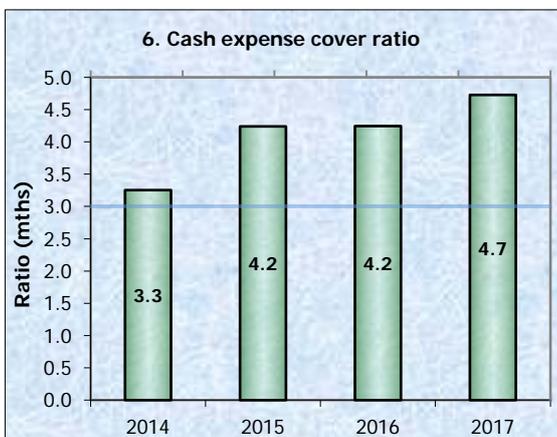
2016/17 ratio 2.59%

A slight increase is noted but remains well below the benchmark 5%

Benchmark: ——— Maximum $< 5.00\%$

Source for Benchmark: Code of Accounting Practice and Financial Reporting #25

Ratio is within Benchmark
 Ratio is outside Benchmark



Purpose of cash expense cover ratio

This liquidity ratio indicates the number of months a Council can continue paying for its immediate expenses without additional cash inflow.

Commentary on 2016/17 result

2016/17 ratio 4.73 mths

Council has comfortably exceeded the benchmark

Benchmark: ——— Minimum ≥ 3.00

Source for benchmark: Code of Accounting Practice and Financial Reporting #25

Ratio achieves benchmark
 Ratio is outside benchmark

Mosman Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 14. Investment properties

\$ '000	Notes	Actual 2017	Actual 2016
(a) Investment properties at fair value			
<u>Investment properties on hand</u>		<u>46,695</u>	<u>44,963</u>
Reconciliation of annual movement:			
Opening balance		44,963	48,950
– Acquisitions		12	–
– Net gain/(loss) from fair value adjustments		1,720	(3,219)
– Transfers from/(to) owner occupied (Note 9)		–	(768)
CLOSING BALANCE – INVESTMENT PROPERTIES		<u>46,695</u>	<u>44,963</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.

Significant decrement was due to valuer reassessing the impact of heritage listing on Bathers Pavilion and the usage of Boronia House. The decrement does not effect the rental income Council has from the sites or its policies on the use of the sites.

(c) Leasing arrangements – Council as lessor

Details of leased investment properties are as follows;

Future minimum lease payments receivable under non-cancellable investment property operating leases not recognised in the financial statements are receivable as follows:

Within 1 year	1,856	1,538
Later than 1 year but less than 5 years	4,512	2,214
Later than 5 years	613	266
Total minimum lease payments receivable	<u>6,981</u>	<u>4,018</u>

Council links leases to market reviews and the Sydney All Groups CPI. Leases of retail premises have historically been granted on a three plus three year basis while the restaurant premises are a longer term of between 10 and 21 years, although there are exceptions due to extenuating circumstances.

The short term leases provide for rent reviews by CPI annually and to market in the first year of the term of the lease or term pursuant to exercise of an option (that is every three years). The longer term leases for the restaurants provide for market and CPI reviews every year on an alternate basis.

(d) Investment property income and expenditure – summary

Rental income from investment properties:		
– Minimum lease payments	1,875	1,913
Direct operating expenses on investment properties:		
– that generated rental income	(220)	(215)
Net revenue contribution from investment properties	<u>1,655</u>	<u>1,698</u>
plus:		
Fair value movement for year	<u>1,720</u>	<u>(3,219)</u>
Total income attributable to investment properties	<u>3,375</u>	<u>(1,521)</u>

Refer to Note 27. Fair value measurement for information regarding the fair value of investment properties held.

Mosman Council

Notes to the Financial Statements

for the year ended 30 June 2017

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 and financial liabilities recognised in the financial statements is presented below.

	Carrying value		Fair value	
	2017	2016	2017	2016
Financial assets				
Cash and cash equivalents	7,640	12,725	7,640	12,725
Investments				
– 'Held to maturity'	10,000	2,000	10,000	2,000
Receivables	3,909	3,562	3,909	3,562
Total financial assets	21,549	18,287	21,549	18,287
Financial liabilities				
Payables	11,069	11,356	11,069	11,356
Loans/advances	8,219	7,565	8,219	7,565
Total financial liabilities	19,288	18,921	19,288	18,921

Fair value is determined as follows:

- **Cash** and **cash equivalents, receivables, payables** – are estimated to be the carrying value that approximates market value.
- **Borrowings** and **held-to-maturity** investments – are based upon estimated future cash flows discounted by the current mkt interest rates applicable to assets and liabilities with similar risk profiles, unless quoted market prices are available.
- Financial assets classified (i) '**at fair value through profit and 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.

Refer to Note 27. Fair value measurement for information regarding the fair value of financial assets and liabilities.

Mosman Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 15. Financial risk management (continued)

\$ '000

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

Council has an investment policy which complies with the *Local Government Act 1993* and 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 risks associated with the investments held are:

- **Price risk** – the risk that the capital value of Investments may fluctuate due to changes in market prices, whether there 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.
- **Interest rate risk** – the risk that movements in interest rates could affect returns and income.
- **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.

(a) Market risk – price risk and interest rate risk

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
2017				
Possible impact of a 1% movement in interest rates	177	177	(177)	(177)
2016				
Possible impact of a 1% movement in interest rates	140	140	(140)	(140)

Mosman Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 15. Financial risk management (continued)

\$ '000

(b) Credit risk

Council's major receivables comprise (i) rates and annual charges and (ii) user charges and 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.

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 and 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.

Council makes suitable provision for doubtful receivables as required.

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:

		2017	2017	2016	2016
		Rates and annual charges	Other receivables	Rates and annual charges	Other receivables
(i) Ageing of receivables – %					
Current (not yet overdue)		100%	100%	100%	100%
		100%	100%	100%	100%
(ii) Ageing of receivables – value					
		Rates and annual charges	Other receivables	Rates and annual charges	Other receivables
Rates and annual charges	Other receivables				
Current	Current	–	2,259	–	2,323
< 1 year overdue	0 – 30 days overdue	648	1,006	568	570
1 – 2 years overdue	31 – 60 days overdue	–	33	–	–
2 – 5 years overdue	61 – 90 days overdue	–	7	–	186
> 5 years overdue	> 91 days overdue	–	359	–	259
		648	3,664	568	3,338
(iii) Movement in provision for impairment of receivables					
				2017	2016
Balance at the beginning of the year				344	304
+ new provisions recognised during the year				68	45
– amounts already provided for and written off this year				(10)	(17)
– amounts provided for but recovered during the year				1	12
Balance at the end of the year				403	344

Mosman Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 15. Financial risk management (continued)

\$ '000

(c) Liquidity risk

Payables and 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 and overdraft facilities utilised as required.

The contractual undiscounted cash outflows (ie. principal and interest) of Council's payables and borrowings are set out in the maturity 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		
2017									
Trade/other payables	8,027	3,042	–	–	–	–	–	11,069	11,069
Loans and advances	–	1,820	1,673	1,612	1,297	1,120	2,169	9,691	8,219
Total financial liabilities	8,027	4,862	1,673	1,612	1,297	1,120	2,169	20,760	19,288
2016									
Trade/other payables	7,069	4,287	–	–	–	–	–	11,356	11,356
Loans and advances	–	2,058	1,527	1,380	1,319	1,004	1,365	8,653	7,565
Total financial liabilities	7,069	6,345	1,527	1,380	1,319	1,004	1,365	20,009	18,921

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

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

	2017		2016	
	Carrying value	Average interest rate	Carrying value	Average interest rate
Trade/other payables	11,069	0.00%	11,356	0.00%
Loans and advances – fixed interest rate	8,219	5.96%	7,565	6.05%
	<u>19,288</u>		<u>18,921</u>	

Mosman Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 16. Material budget variations

\$ '000

Council's original financial budget for 16/17 was adopted by the Council on 07 June 2016.

While the Income Statement included in this General Purpose Financial Report must disclose the original budget adopted by Council, the *Local Government Act 1993* 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	2017 Budget	2017 Actual	2017 ----- Variance* -----		
REVENUES					
Rates and annual charges	25,644	25,797	153	1%	F
User charges and fees	10,639	11,075	436	4%	F
Interest and investment revenue	437	520	83	19%	F
Interest and investment revenue exceed budget due to increasing cash balances in Section 94 reserves and bonds and deposits held.					
Other revenues	4,453	8,297	3,844	86%	F
\$1.7M is due to unbudgeted Investment Property revaluation increment.					
\$1.2M is due to unbudgeted reversal of prior year Community Land revaluation decrement					
As noted in March Qtr review Fines income exceeded original budget by \$777k due to unusual dry and hot weather					
Operating grants and contributions	2,309	3,804	1,495	65%	F
17/18 FAG in advance \$427k					
Brigdepoint VPA was budgeted as user fees but disclosed as S93 Developer Contribution					
Roads to Recovery grant budgeted as Capital Grant but disclosed as operating Grant					
Capital grants and contributions	1,823	2,196	373	20%	F
Unbudgeted Grants were received late in year for B-Line and Netball Courts offset RTR disclosed as operating					

Mosman Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 16. Material budget variations (continued)

\$ '000	2017 Budget	2017 Actual	2017 ----- Variance* -----		
EXPENSES					
Employee benefits and on-costs	17,852	16,706	1,146	6%	F
Borrowing costs	411	414	(3)	(1%)	U
Materials and contracts	14,149	14,519	(370)	(3%)	U
Depreciation and amortisation	5,214	5,528	(314)	(6%)	U
Other expenses	5,619	6,489	(870)	(15%)	U
Waste Disposal Costs budgeted in Material and Contracts but disclosed as Other Expenses					
Net losses from disposal of assets	-	423	(423)	0%	U
Unbudgeted costs of disposing of capital renewal works					
Joint ventures and associates – net losses	-	82	(82)	0%	U
Council does not budget for changes in the value of Kimbirki Investment					

Budget variations relating to Council's Cash Flow Statement include:

Cash flows from operating activities	7,813	11,295	3,482	44.6%	F
Net cash inflow increased markedly due to positive operating result and net-inflow of development related bonds and deposits					
Cash flows from investing activities	(8,382)	(17,034)	(8,652)	103.2%	U
\$8m dollars of the variance relates net movement of term deposits of greater than 3 Months. These are classified as investments. Details of investments held are at Note 6					
Cash flows from financing activities	652	654	2	0.3%	F

Mosman Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 17. Statement of developer contributions

\$ '000

Council recovers contributions, raises levies and 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 and levies and the value of all remaining funds which are 'restricted' in their future use.

SUMMARY OF CONTRIBUTIONS AND LEVIES

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
S94A levies – under a plan	4,345	1,375	–	141	(493)	–	5,368	–
Total S94 revenue under plans	4,345	1,375	–	141	(493)	–	5,368	–
S93F planning agreements	–	815	–	–	(401)	–	414	–
Total contributions	4,345	2,190	–	141	(894)	–	5,782	–

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	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Open space	4,345	1,375	–	141	(493)	–	5,368	–
Total	4,345	1,375	–	141	(493)	–	5,368	–

Mosman Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 18. Contingencies and other assets/liabilities not recognised

\$ '000

The following assets and liabilities do not qualify for recognition in the Statement of Financial Position, but their knowledge and disclosure is considered relevant to the users of Council's financial report.

The share of this deficit that can be broadly attributed to Council is estimated to be in the order of \$120,000 as at 30 June 2017

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 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 Council's 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.

Mosman Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 18. Contingencies and other assets/liabilities not recognised (continued)

\$ '000

LIABILITIES NOT RECOGNISED (continued):

(iv) Other guarantees

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

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 Council's 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 and including 30/6/08.

Mosman Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 19. Interests in other entities

\$ '000

Council's objectives can and in some cases are best met through the use of separate entities and 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 council's (i) interest and (ii) control and the type (form) of entity/operation, as follows;

Joint ventures and associates

Note 19(a)

Joint ventures are operational arrangements where the parties that have joint control have rights to the net assets of the arrangement.

Associates are separate entities where Council has significant influence over the operations (but neither controls nor jointly controls them).

Accounting recognition:

(i) Subsidiaries disclosed under Note 19(a) and joint operations disclosed at Note 19(c) are accounted for on a 'line by line' consolidation basis within the Income Statement and Statement of Financial Position.

(ii) Joint ventures and associates as per Note 19(b) are accounted for using the equity accounting method and are disclosed as a 1 line entry in both the Income Statement and Statement of Financial Position.

	Council's share of net income		Council's share of net assets	
	Actual 2017	Actual 2016	Actual 2017	Actual 2016
Joint ventures	(1)	(15)	23	24
Associates	(81)	182	793	874
Total	(82)	167	816	898

Mosman Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 19. Interests in other entities (continued)

\$ '000

(a) Joint ventures and associates

Council has incorporated the following joint ventures and associates into its consolidated financial statements.

(a) Net carrying amounts – Council's share

Name of entity	Nature of relationship	Measurement method	2017	2016
Kimbriki Environmental Enterprises P/L	Associate	Equity	793	874
Shorelink Library Network	Joint Venture	Equity	23	24
Total carrying amounts – material joint ventures and associates			816	898

(b) Details

Name of entity	Principal activity	Place of business
Kimbriki Environmental Enterprises P/L	Waste Management and Disposal	Terry Hills, NSW
Shorelink Library Network	Sharing of Library Infrastructure	North Sydney, NSW

(c) Relevant interests and fair values

Name of entity	Interest in outputs		Interest in ownership		Proportion of voting power	
	2017	2016	2017	2016	2017	2016
Kimbriki Environmental Enterprises P/L	4%	4%	4%	4%	25%	25%
Shorelink Library Network	10%	12%	17%	17%	20%	20%

(d) Summarised financial information for joint ventures and associates

Statement of financial position	Kimbriki Environmental Enterprises P/L		Shorelink Library Network	
	2017	2016	2017	2016
Current assets				
Cash and cash equivalents	14,016	1,729	224	220
Other current assets	4,001	17,420	7	–
Non-current assets	15,478	14,708	8	6
Current liabilities				
Other current liabilities	7,528	6,879	102	87
Non-current liabilities				
Non-current financial liabilities (excluding trade and other payables and provisions)	5,326	4,217	–	–
Net assets	20,641	22,761	137	139

Mosman Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 19. Interests in other entities (continued)

\$ '000

(a) Joint ventures and associates (continued)

(d) Summarised financial information for joint ventures and associates (continued)

	Kimbriki Environmental Enterprises P/L		Shorelink Library Network	
	2017	2016	2017	2016
Reconciliation of the carrying amount				
Opening net assets (1 July)	22,761	19,611	139	229
Profit/(loss) for the period	(2,120)	4,743	(2)	(90)
Dividends paid	–	(1,593)	–	–
Closing net assets	20,641	22,761	137	139
Council's share of net assets (%)	3.8%	3.8%	17.1%	17.1%
Council's share of net assets (\$)	793	874	23	24
Statement of comprehensive income				
Income	36,452	36,672	646	615
Interest income	155	384	4	5
Depreciation and amortisation	(1,595)	(515)	(5)	(9)
Other expenses	(37,132)	(31,798)	(647)	(699)
Profit/(loss) from continuing operations	(2,120)	4,743	(2)	(88)
Profit/(loss) for period	(2,120)	4,743	(2)	(88)
Total comprehensive income	(2,120)	4,743	(2)	(88)
Share of income – Council (%)	3.8%	3.8%	9.8%	11.9%
Profit/(loss) – Council (\$)	(81)	182	(0)	(10)
Profit/(loss) due to change interest in outputs	–	–	–	(5)
Total comprehensive income – Council (\$)	(81)	182	(0)	(15)
Dividends received by Council	–	61	–	–

(e) The nature and extent of significant restrictions relating to joint ventures and associates

Council has no day to day access to cash or investments of either entity. Council, as a shareholder, participates in cash dividends as declared by Kimbriki's Board. All interactions with Kimbriki P/L are regulated by the Kimbriki Shareholder Agreement

Shorelink is a committee formed under Section 355 of the Local Government Act NSW 1993. Interactions are governed by a deed of agreement. Shorelink does not generate positive cash flows and relies on annual cash contributions from member Councils

Mosman Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 20. Retained earnings, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors

\$ '000	Notes	Actual 2017	Actual 2016
(a) Retained earnings			
Movements in retained earnings were as follows:			
Balance at beginning of year (from previous years audited accounts)		254,006	255,490
a. Net operating result for the year		7,528	(1,484)
Balance at end of the reporting period		261,534	254,006
(b) Revaluation reserves			
(i) Reserves are represented by:			
– Infrastructure, property, plant and equipment revaluation reserve		220,681	220,349
Total		220,681	220,349
(ii) Reconciliation of movements in reserves:			
Infrastructure, property, plant and equipment revaluation reserve			
– Opening balance		220,349	211,951
– Revaluations for the year	9(a)	332	8,398
– Balance at end of year		220,681	220,349
TOTAL VALUE OF RESERVES		220,681	220,349

(iii) Nature and purpose of reserves**Infrastructure, property, plant and equipment revaluation reserve**

– The infrastructure, property, plant and equipment revaluation reserve is used to record increments/decrements of non-current asset values due to their revaluation.

(c) Correction of error/s relating to a previous reporting period

Council made no correction of errors during the current reporting period.

(d) Voluntary changes in accounting policies

Council made no voluntary changes in any accounting policies during the year.

Mosman Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 21. Financial result and financial position by fund

\$ '000

Council utilises only a general fund for its operations.

Note 22. 'Held for sale' non-current assets and disposal groups

Council did not classify any non-current assets or disposal groups as 'held for sale'.

Note 23. Events occurring after the reporting date

Events that occur between the end of the reporting period (30 June 2017) and 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 applicable 'authorised for issue' date relating to these General Purpose Financial Statements.

Accordingly, the 'authorised for issue' date is 30/10/17.

Events that occur after the reporting period represent one of two types:

(i) Events that provide evidence of conditions that existed at the reporting period

These financial statements (and the figures therein) incorporate all 'adjusting events' that provided evidence of conditions that existed at 30 June 2017.

(ii) Events that provide evidence of conditions that arose after the reporting period

These financial statements (and figures therein) do not incorporate any 'non-adjusting events' that have occurred after 30 June 2017 and which are only indicative of conditions that arose after 30 June 2017.

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

Note 24. Discontinued operations

Council has not classified any of its operations as 'discontinued'.

Mosman Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 25. Intangible assets

\$ '000	Actual 2017	Actual 2016
Intangible assets represent identifiable non-monetary assets without physical substance.		
Intangible assets are as follows:		
Opening values:		
Gross book value (1/7)	392	392
Accumulated amortisation (1/7)	(110)	(94)
Accumulated impairment (1/7)	–	–
Net book value – opening balance	282	298
Movements for the year		
– Amortisation charges	(15)	(16)
Closing values:		
Gross book value (30/6)	392	392
Accumulated amortisation (30/6)	(125)	(110)
Accumulated impairment (30/6)	–	–
<u>TOTAL INTANGIBLE ASSETS – NET BOOK VALUE</u> ¹	<u>267</u>	<u>282</u>

¹ The net book value of intangible assets represent:

– Rights to participate in Kimbriki Environmental Enterprises Pty Ltd.	267	282
	267	282

Note 26. Reinstatement, rehabilitation and 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 year ended 30 June 2017

Note 27. Fair value measurement

\$ '000

The Council measures the following asset and liability classes at fair value on a recurring basis:

- Infrastructure, property, plant and equipment
- Investment property

The fair value of assets and liabilities must be estimated in accordance with various accounting standards for either recognition and measurement requirements or for disclosure purposes.

AASB 13 Fair Value Measurement requires all assets and liabilities measured at fair value to be assigned to a 'level' in the fair value hierarchy as follows:

Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date.

Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

(1) The following table presents all assets and liabilities that have been measured and recognised at fair values:

2017	Date of latest valuation	Fair value measurement hierarchy			Total
		Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
Recurring fair value measurements					
Investment properties					
Retail, commercial office and residential	30/06/17	–	46,695	–	46,695
Total investment properties		–	46,695	–	46,695
Infrastructure, property, plant and equipment					
Plant and equipment	30/06/17	–	–	952	952
Office equipment	30/06/17	–	–	142	142
Furniture and fittings	30/06/17	–	–	83	83
Art collection	30/06/17	–	–	5,311	5,311
Operational land	30/06/13	–	–	113,024	113,024
Community land	30/06/16	–	–	62,214	62,214
Land improvements – depreciable	30/06/17	–	–	656	656
Buildings non-specialised	30/06/13	–	–	27,760	27,760
Buildings specialised	30/06/13	–	–	14,372	14,372
Roads	30/06/15	–	–	117,509	117,509
Footpaths	30/06/15	–	–	13,339	13,339
Stormwater drainage	30/06/13	–	–	50,350	50,350
Other open space/recreational assets	30/06/16	–	–	29,944	29,944
Heritage collections	30/06/17	–	–	13	13
Library books	30/06/17	–	–	772	772
Other assets		–	–	43	43
Total infrastructure, property, plant and equipment		–	–	436,484	436,484

Mosman Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 27. Fair value measurement (continued)

\$ '000

(1) The following table presents all assets and liabilities that have been measured and recognised at fair values (continued):

2016	Date of latest valuation	Fair value measurement hierarchy			Total
		Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
Recurring fair value measurements					
Investment properties					
Retail, commercial office and residential	30/06/17	–	44,963	–	44,963
Total investment properties		–	44,963	–	44,963
Infrastructure, property, plant and equipment					
Plant and equipment	30/06/16	–	–	948	948
Office equipment	30/06/16	–	–	245	245
Furniture and fittings	30/06/16	–	–	111	111
Art collection	30/06/16	–	–	5,218	5,218
Operational land	30/06/13	–	–	113,024	113,024
Community land	30/06/16	–	–	60,659	60,659
Land improvements – depreciable	30/06/16	–	–	629	629
Buildings non-specialised	30/06/13	–	–	27,774	27,774
Buildings specialised	30/06/13	–	–	14,575	14,575
Roads	30/06/15	–	–	117,230	117,230
Footpaths	30/06/15	–	–	11,878	11,878
Stormwater drainage	30/06/13	–	–	50,269	50,269
Other open space/recreational assets	30/06/16	–	–	30,132	30,132
Heritage collections	30/06/16	–	–	13	13
Library books	30/06/16	–	–	806	806
Other assets	30/06/16	–	–	47	47
Total infrastructure, property, plant and equipment		–	–	433,558	433,558

(2) Transfers between level 1 and level 2 fair value hierarchies

During the year, there were no transfers between level 1 and level 2 fair value hierarchies for recurring fair value measurements.

Mosman Council

Notes to the Financial Statements for the year ended 30 June 2017

Note 27. Fair value measurement (continued)

(3) Valuation techniques used to derive Level 2 and Level 3 Fair Values

Where Council is unable to derive Fair Valuations using quoted market prices of identical assets (i.e. Level 1 inputs), Council instead utilises a spread of both observable inputs (Level 2 inputs) and unobservable inputs (Level 3 inputs).

For all infrastructure assets Council uses a straight line pattern of consumption and brownfield approach.

The Fair Valuation techniques Council has employed while utilising Level 2 and Level 3 inputs are as follows:

Investment Properties

Council obtains independent valuations of its investment property on an annual basis and at the end of each reporting period to ensure the financial statements reflect the most up-to-date valuation. The best evidence of fair value is the current price in an active market for similar assets. The key observable inputs to the valuation are:

- Current rental incomes,
- Rent reviews,
- Capitalisation rates,
- Price per square meter,
- Direct comparison to sales evidence,
- Zoning,
- Location,
- Land area and configuration, and
- Planning controls.

The assessment of the independent valuer is that the potential impact on value, due to unobservable market inputs, is considered to be 5%.

The fair value of the investment property is determined by an independent, qualified valuer on an annual basis who has experience in the location of the property. The Council reviews the valuation report and discusses significant movements with the valuer. As at 30 June 2017 the valuation of the investment property was performed by Scott Fullarton Valuations Pty Ltd, Director Scott Fullarton, FAPI, Certified Practising Valuer, Registered Valuer No. 2144.

There has been no change in the valuation process during the reporting period.

Infrastructure, Property, Plant & Equipment

Plant and Equipment, Office Equipment and Furniture and Fittings.

Plant and Equipment, Office Equipment and Furniture and Fittings are valued at cost but are disclosed at fair value in the notes. The carrying amount of these assets is assumed to approximate fair value due to the nature of the items. Examples of assets within these classes are as follows:

- Plant and Equipment: Motor vehicles, depot tools and machinery, parking meters and domestic waste service bins.
- Office Equipment: Computer Hardware.
- Furniture and Fittings: Chairs, desks and display systems.

The key unobservable input to the valuation is the remaining useful life. Council reviews the value of these assets against quoted prices for the gross current replacement cost of similar assets and by taking account of

Mosman Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 27. Fair value measurement (continued)

the pattern of consumption and estimated remaining useful life. There has been no change to the valuation process during the reporting period.

Art Collection

This class comprises Council's collection of art works. The collection was valued in June 2016 by Stella Downer Fine Art. Stella Downer is a member of the Australian Commercial Galleries association and is approved by the Department of Prime Minister and Cabinet's Cultural Gifts Program to value art works.

While it is possible to observe the broad market for works (such as auction house results or retrospective exhibitions) the valuations depend significantly on unobservable inputs such as the aesthetic value and quality of the individual works and its significance in the individual artist's oeuvre.

Operational Land

This asset class comprises all of Council's land classified as Operational Land under the NSW Local Government Act 1993. The key unobservable input to the valuation is the price per square metre. The last valuation was undertaken at 30 June 2013 and was performed by Scott Fullarton Valuations Pty Ltd, Director Scott Fullarton, FAPI, Certified Practising Valuer, Registered Valuer No. 2144.

Generally, fair value is the most advantageous price reasonably obtainable by the seller and the most advantageous price reasonably obtained by the buyer. This is not necessarily the market selling price of the asset, rather, it is regarded as the maximum value that Council would rationally pay to acquire the asset if it did not hold it, taking into account quoted market price in an active and liquid market, the current market price of the same or similar asset, the cost of replacing the asset, if management intend to replace the asset, the remaining useful life and condition of the asset; and cash flows from the future use and disposal.

There has been no change to the valuation process during the reporting period.

Community Land

Valuations of all Council's Community Land and Council managed land are based on either the land value provided by the Valuer-General or an average unit rate based on the land value for similar properties where the Valuer-General did not provide a land value having regard to the highest and best use for this land. As these rates were not considered to be observable market evidence they have been classified as Level 3.

During the reporting year Valuer-General has issued new values with a base-date of 1 July 2016 to all Councils in New South Wales. Community land has therefore been revalued this class for year ending 30 June 2017.

Land Improvements – Depreciable

This asset class largely comprises trees, plantings and landscaping not captured in the Open Space and Recreational Assets class. These assets may be located on parks, reserves and also within road reserves.

These assets are valued at cost but are disclosed at fair value in the notes. The carrying amount of these assets is assumed to approximate fair value due to the nature of the items. Council reviews the value of these assets against quoted prices for the gross current replacement cost of similar assets and by taking account of estimated remaining useful life.

There has been no change to the valuation process during the reporting period.

Mosman Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 27. Fair value measurement (continued)

Buildings: Non-Specialised and Specialised

Buildings were valued by Scott Fullarton Valuations Pty Ltd in June 2013 using the cost approach. The approach estimated the replacement cost for each building by componentising the buildings into significant parts with different useful lives and taking into account a range of factors. While all buildings were physically inspected and the unit rates based on square metres could be supported from market evidence (Level 2) other inputs (such as estimates of pattern of consumption) required extensive professional judgement and impacted significantly on the final determination of fair value.

Inputs include:

- Gross replacement cost,
- A breakdown of building component costs (such as structure, equipment, fittings and finishes),
- Useful lives, and
- Conditions

As such these assets were classified as having been valued using Level 3 valuation inputs.

There has been no change to the valuation process during the reporting period.

Typical useful lives and unit rates (includes overheads):

Buildings Asset Component	Average Useful Life (Years)	Average Unit Rate
Amenities/Public Toilets – Structure	78	\$110,323/each
Council Offices – Structure	95	\$5,490,030/each
Amenities/Public Toilets – Roof	50	\$40,509/each
Childcare Centres – Roof	47	\$97,600/each
Multistorey Carparks – Services	20	\$1,032,200/each
Community and Cultural Centres – Fixtures and Fittings	20	\$249,709/each

Public Roads, Footpaths and Carparks

Includes: Road pavements and formations, steps, footpaths, pram ramps and vehicle crossings, retaining walls and kerb and gutter, physical traffic devices, lines and signs and street furniture and road related carparks.

Gross replacement cost for Mosman road assets were valued by Complete Urban Pty Ltd as at 30 June 2010. The condition and useful lives of the assets were assessed and calculated by Complete Urban based on site observations.

An initial generic infrastructure deterioration profile was developed from limited available asset data and relevant asset management/industry information and was used to assess the rate of deterioration, remaining useful life and renewal intervention of Mosman road assets. The profile was based on the assumption that infrastructure assets generally deteriorate slightly more rapidly in its initial years after construction, with deterioration becoming reasonably constant over its mid-life, and finally deteriorating reasonably rapidly in the latter period of its life. Unit rate costs for various brownfield construction works to provide asset components were estimated based Council's Civil Works contract current at that time.

Mosman Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 27. Fair value measurement (continued)

Fair values have been generated every subsequent financial year based on the cost approach, 'straight line' pattern of consumption and the gross replacement cost calculated by Complete Urban, with the exception of the following changes in the valuation process:

Assets identified by Complete Urban as requiring priority renewal were inspected by Council staff in 2012 and 2013 to verify accuracy of remaining life estimates. Useful lives were reevaluated based on site observations and professional engineering judgment.

Unit rates were refined in 2012 using Council's updated Civil Works contract so as to reflect market rates current at the time,

For the reporting period of 2011/12, a 1% per annum depreciation was applied across all road assets. This was endorsed by the Asset Management Reference Group and Council Audit Committee.

In this reporting period, condition inspections were carried out on the following road asset types to verify asset remaining useful life:

- Road Pavements
- Footpaths and Steps
- Kerb and Gutter
- Retaining Walls
- Street Furniture
- Physical Traffic Devices
- Lines and Signs

Further the unit rates where applicable for roads assets were also updated to reflect the new 2015 'SHOROC – Minor Capital Works' Contract.

This process was peer reviewed and endorsed by AMCL Pty Ltd and resulted in some of the useful life values being updated to reflect current asset performance.

Typical useful lives and unit rates (includes overheads):

Public Road and Footpath Asset Component	Useful Life (Years)	Unit Rate
Concrete Road Pavement (Reinforced 200mm thick)	120	\$181.00/m ²
Asphalt Road Pavement	50	\$82.00/m ²
Sandstone Kerb & Gutter	100	\$295/m
Concrete Roundabout	40	\$360/m ²
Gabion Retaining Wall	150	630/m ²
Double Barrier Line	5	\$0.72/m
'Warning' Traffic Sign	25	\$141.75/ each
Concrete Footpath (75 mm thick)	95	\$73.90/m ²
Asphalt Footpath (25 mm thick)	40	\$36.58/m ²

Carpark Asset Component	Useful Life (Years)	Unit Rate
Lane and parking space line marking	5	\$1.03/m
Pay and Display	20	\$8,600.00/each
Kerb Wheelstops	15	\$160.00/m

Mosman Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 27. Fair value measurement (continued)

Stormwater Drainage

Includes: Converters, headwalls, endwalls, pits and access-holes (collectively categorised as 'nodes'), pipes, culverts, drains, Stormwater Quality Improvement Devices (SQIDs) and rainwater re-use tanks.

Gross replacement cost for stormwater drainage assets were valued by Cardno (NSW/ACT) Pty Ltd as at 30 June 2013. The condition and useful lives of the assets were assessed and calculated by Cardno based on site observations, including CCTV surveys, and Cardno's experience in valuation projects for various Australian water utilities.

It has been assumed that relining would be the principle method of renewing pipes, rather than replacing the whole section as no collapsed or significantly deformed pipes were found during CCTV inspections. This new method of pipe renewal allows for the replacement costs of the pipes to be 'optimised' downwards

SQID unit rates were developed based on first principles estimating and takes into account excavation, site establishment as well as the supply and installation costs. It also includes an additional 20% to the base unit rate to allow for 'normal' construction and installation overheads.

Drains are also valued directly from first principles estimating. There is no single unit rate applied as each drain contains different dimensions. Fair value has been generated this financial year based on the cost approach and the gross replacement cost calculated by Cardno.

In this reporting period, stormwater pipes were updated to reflect the requirements of AASB in regards to residual values.

Stormwater Drainage Asset Component	Useful Life (Years)	Unit Rate
Stormwater Quality Improvement Devices (Model Type: Rocla Cleansall 1200)	100	\$208,641.03/each
Concrete Pipe (375mm diameter, 0-1m length) based on trenching method	125	\$439.92/m
Concrete Pipe (375mm diameter) based on relining method	125	\$336/m
Converter (600mm length)	100	\$734/each
Kerb Inlet Pit (450mmx450mm, 1 m depth)	100	\$1,546/each
Rainwater Re-use Tank	80	Average \$624,739.00/each

Other Open Space/Recreational Assets

Includes:

- Jetties and seawalls (collectively categorised as 'marine assets'),
- Parks, bushlands, reserves, playgrounds, unmade roads and sporting fields (collectively categorised as 'parks and open space assets')

Gross replacement cost for marine assets were valued by Opus International Consultants (NSW) Pty Ltd as at 30 June 2011, in accordance with accepted Australian Accounting Practices. The condition and useful lives of the assets were assessed and calculated by Opus personnel based on site observations, including diving inspections. In this reporting period, condition inspections were carried on all Marine Assets and the useful lives were updated to reflect current asset performance. The gross replacement costs were increased by CPI for the period 2011 - 2016.

Mosman Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 27. Fair value measurement (continued)

Unit rates for marine assets were estimated using Rawlinson's Estimation Handbook Edition 28 (2010). These rates were then compared with the contract rates provided by Council and market rate benchmarks. Where contract rates were not available, market rates were established from market reference published rates and industry knowledge. An overhead factor was applied to all replacement cost unit rates that were estimated to allow for supervision, design and site establishment fee components of replacing service provision. Unit rates were updated in 2016 to reflect the current contracts.

Gross replacement cost for Mosman parks and open space assets were valued by Complete Urban Pty Ltd as at 30 June 2011. The condition and useful lives of the assets were assessed and calculated by Complete Urban and suitably qualified Council staff based on site observations, officer knowledge and history of local issues. Unit rates for parks and open space assets were estimated based on Complete Urban's industry experience. In this reporting period, condition inspections were carried on all Open Space Assets. Useful lives were updated to reflect current asset performance. The gross replacement costs were increased by CPI for the period 2011 - 2016 where current contract rates were not available.

Fair values for Open Space/Recreational assets have been generated every subsequent financial year based on the cost approach and the gross replacement cost calculated by Opus and Complete Urban.

In this reporting period, biodiversity, gardens, lawns, outfields and turf wickets were removed from the depreciation model to be consistent with assets of a similar nature. This change was documented in the Audit Committee report of 16 July 2015.

Typical useful lives and unit rates (includes overheads):

Open Space/Recreational and Other Structures Asset Component	Useful Life (Years)	Unit Rate
Timber Deck	40	\$200/m ²
Concrete Deck	60	\$550/m ²
Concrete/Sandstone Seawall	50	Varies \$1,000 - \$2,500/m
Steel Turning Board	18	\$55,000/each
Irrigation	30	\$8/m ²
Softfall	5	\$49.5/m ²
Cenotaph	200	\$88,000/each
Dinghy Racks	20	\$16,500/each

Heritage Collections and Library Books

Library Books are valued at cost but are disclosed at fair value in the notes. The carrying amount of these assets is assumed to approximate fair value due to the nature of the items. Council reviews the value of these assets against quoted prices for the gross current replacement cost of similar assets and by taking account of the pattern of consumption and estimated remaining useful life.

There has been no change to the valuation process during the reporting period.

Other Assets

Other assets are banner poles erected on Military Road and side streets. They are valued at cost but are disclosed at fair value in the notes. The carrying amount of these assets is assumed to approximate fair value due to the nature of the items. The key unobservable input to the valuation is the remaining useful life. Council reviews the value of these assets against quoted prices for the gross current replacement cost of similar assets and by taking account of the pattern of consumption and estimated remaining useful life. There has been no change to the valuation process during the reporting period.

Mosman Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 27. Fair value measurement (continued)

\$ '000

(4). Fair value measurements using significant unobservable inputs (level 3)

a. The following tables present the changes in level 3 fair value asset classes.

	Plant and equipment	Office equipment	Furniture and fittings	Art collection	Total
Opening balance – 1/7/15	778	300	117	4,621	5,816
Purchases (GBV)	383	77	23	293	776
Disposals (WDV)	(17)	–	–	–	(17)
Depreciation and impairment	(196)	(132)	(29)	–	(357)
FV gains – Income Statement ¹	–	–	–	304	304
Closing balance – 30/6/16	948	245	111	5,218	6,522
Purchases (GBV)	245	–	–	93	338
Disposals (WDV)	(37)	–	–	–	(37)
Depreciation and impairment	(204)	(103)	(28)	–	(335)
Closing balance – 30/6/17	952	142	83	5,311	6,488

	Operational land	Community land	Land improve- ments depreciable	Buildings non- specialised	Total
Opening balance – 1/7/15	112,190	62,159	677	27,621	202,647
Transfers from/(to) another asset class	834	(277)	(87)	211	681
Purchases (GBV)	–	–	46	454	500
Depreciation and impairment	–	–	(7)	(512)	(519)
Other movement (FV Decrements to Income Statment)	–	(1,223)	–	–	(1,223)
Closing balance – 30/6/16	113,024	60,659	629	27,774	202,086
Purchases (GBV)	–	–	35	531	566
Disposals (WDV)	–	–	–	(15)	(15)
Depreciation and impairment	–	–	(8)	(530)	(538)
FV gains – other comprehensive income	–	1,555	–	–	1,555
Closing balance – 30/6/17	113,024	62,214	656	27,760	203,654

Mosman Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 27. Fair value measurement (continued)

\$ '000

(4). Fair value measurements using significant unobservable inputs (level 3) (continued)

a. The following tables present the changes in level 3 fair value asset classes. (continued)

	Buildings specialised	Other structures	Roads	Footpaths	Total
Opening balance – 1/7/15	14,869	376	116,323	11,204	142,772
Transfers from/(to) another asset class	(246)	–	17	–	(229)
Purchases (GBV)	236	(370)	3,314	918	4,098
Depreciation and impairment	(284)	(6)	(2,424)	(244)	(2,958)
Closing balance – 30/6/16	14,575	–	117,230	11,878	143,683
Purchases (GBV)	105	–	2,975	1,866	4,946
Disposals (WDV)	(27)	–	(217)	(139)	(383)
Depreciation and impairment	(281)	–	(2,479)	(266)	(3,026)
Closing balance – 30/6/17	14,372	–	117,509	13,339	145,220

	Stormwater drainage	Other open space recreational	Heritage collections	Library books	Total
Opening balance – 1/7/15	50,113	20,736	13	816	71,678
Transfers from/(to) another asset class	–	792	–	–	792
Purchases (GBV)	528	1,473	–	227	2,228
Disposals (WDV)	–	(11)	–	–	(11)
Depreciation and impairment	(372)	(952)	–	(237)	(1,561)
FV gains – other comprehensive income	–	8,094	–	–	8,094
Closing balance – 30/6/16	50,269	30,132	13	806	81,220
Purchases (GBV)	505	846	–	221	1,572
Disposals (WDV)	(36)	(69)	–	–	(105)
Depreciation and impairment	(388)	(965)	–	(255)	(1,608)
Closing balance – 30/6/17	50,350	29,944	13	772	81,079

Mosman Council

Notes to the Financial Statements for the year ended 30 June 2017

Note 27. Fair value measurement (continued)

\$ '000

(4). Fair value measurements using significant unobservable inputs (level 3) (continued)

a. The following tables present the changes in level 3 fair value asset classes. (continued)

	Other assets	Total
Opening balance – 1/7/15	51	51
Depreciation and impairment	(4)	(4)
Closing balance – 30/6/16	<u>47</u>	<u>47</u>
Depreciation and impairment	(4)	(4)
Closing balance – 30/6/17	<u>43</u>	<u>43</u>

Mosman Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 28. Related party disclosures

\$ '000

a. Key management personnel

Key management personnel (KMP) of the council are those persons having the authority and responsibility for planning, directing and controlling the activities of the council, directly or indirectly.

The aggregate amount of KMP compensation included in the Income Statement is:

	Actual 2017
Compensation:	
Short-term benefits	1,408
Post-employment benefits	–
Other long-term benefits	6
Termination benefits	–
Total	<u><u>1,414</u></u>

Mosman Council

Notes to the Financial Statements for the year ended 30 June 2017

Note 29. Council information and 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.mosman.nsw.gov.au

Email: council@mosman.nsw.gov.au

Officers

GENERAL MANAGER

Dominic Johnson

RESPONSIBLE ACCOUNTING OFFICER

Gary Mills

PUBLIC OFFICER

Max Glyde

AUDITORS

Auditor General of New South Wales
Level 15, 1 Margaret Street
SYDNEY NSW 2000

Elected members

MAYOR

Carolyn Corrigan

COUNCILLORS

Roy Bendall
David Cook
Simon Menzies
Libby Moline
Tom Sherlock
Jacqui Willoughby

Other information

ABN: 94 414 022 939



INDEPENDENT AUDITOR'S REPORT

Report on the general purpose financial statements

Mosman Municipal Council

To the Councillors of the Mosman Municipal Council

Opinion

I have audited the accompanying financial statements of Mosman Municipal Council (the Council), which comprise the statement of financial position as at 30 June 2017, the income statement, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the Statement by Councillors and Management.

In my opinion,

- 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 (the Division)
- the financial statements:
 - have been presented, in all material respects, in accordance with the requirements of this Division
 - are consistent with the Council's accounting records
 - present fairly, in all material respects, the financial position of the Council as at 30 June 2017, and of its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards
- all information relevant to the conduct of the audit has been obtained
- no material deficiencies in the accounting records or financial statements have come to light during the audit.

My opinion should be read in conjunction with the rest of this report.

Basis for Opinion

I conducted my audit in accordance with Australian Auditing Standards. My responsibilities under the standards are described in the 'Auditor's Responsibilities for the Audit of the Financial Statements' section of my report.

I am independent of the Council in accordance with the requirements of the:

- Australian Auditing Standards
- Accounting Professional and Ethical Standards Board's APES 110 'Code of Ethics for Professional Accountants' (APES 110).

I have fulfilled my other ethical responsibilities in accordance with APES 110.

Parliament promotes independence by ensuring the Auditor-General and the Audit Office of New South Wales are not compromised in their roles by:

- providing that only Parliament, and not the executive government, can remove an Auditor-General
- mandating the Auditor-General as auditor of councils
- precluding the Auditor-General from providing non-audit services.

I believe the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Other Matter

The financial statements of the Council for the year ended 30 June 2016 were audited by another auditor who expressed an unmodified opinion on that financial statement on 9 September 2016.

The Councillors' Responsibility for the Financial Statements

The Councillors are responsible for the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards and the *Local Government Act 1993*, and for such internal control as the Councillors determine is necessary to enable the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Councillors must assess the Council's ability to continue as a going concern except where the Council will be dissolved or amalgamated by an Act of Parliament. The assessment must disclose, as applicable, matters related to going concern and the appropriateness of using the going concern basis of accounting.

Auditor's Responsibility for the Audit of the Financial Statements

My objectives are to:

- obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

Reasonable assurance is a high level of assurance, but does not guarantee an audit conducted in accordance with Australian Auditing Standards will always detect material misstatements. Misstatements can arise from fraud or error. Misstatements are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions users take based on the financial statements.

A description of my responsibilities for the audit of the financial statements is located at the Auditing and Assurance Standards Board website at: www.auasb.gov.au/auditors_responsibilities/ar3.pdf. The description forms part of my auditor's report.

My opinion does *not* provide assurance:

- that the Council carried out its activities effectively, efficiently and economically
- on the Original Budget information included in the Income Statement, Statement of Cash Flows, Note 2(a) and Note 16 budget variation explanations
- on the attached Special Schedules
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented
- about any other information which may have been hyperlinked to/from the financial statements.



Weini Liao
Director, Financial Audit Services

25 October 2017
SYDNEY

Cr Carolyn Corrigan
Mayor
Mosman Council
PO Box 211
SPIT JUNCTION NSW 2088

Contact: Weini Liao
Phone no: 9275 7432
Our ref: D1727492/1762

25 October 2017

Dear Mayor

**Report on the Conduct of the Audit
for the year ended 30 June 2017
Mosman Council**

I have audited the general purpose financial statements of Mosman Council (the Council) for the year ended 30 June 2017 as required by section 415 of the *Local Government Act 1993* (the Act).

I expressed an unmodified opinion on the Council's general purpose financial statements.

This Report on the Conduct of the Audit (the Report) for the Council for the year ended 30 June 2017 is issued in accordance with section 417 of the Act. This Report should be read in conjunction with my audit opinion on the general purpose financial statements issued under section 417(2) of the Act.

INCOME STATEMENT

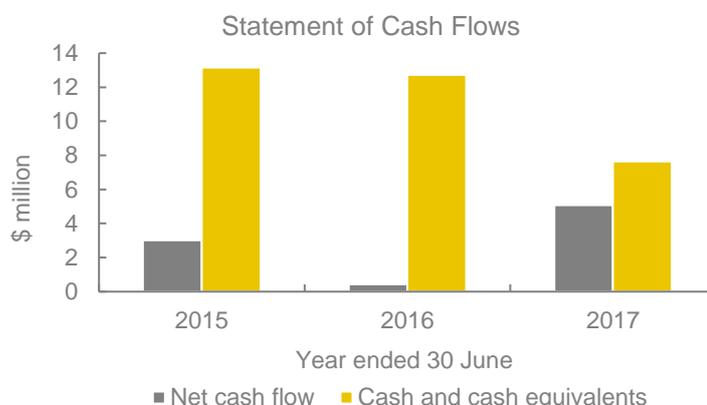
Operating result

	2017	2016	Variance
	\$m	\$m	%
Rates and annual charges revenue	25.8	25.4	1.7 
Grants and contributions revenue	6.0	5.3	13.2 
Operating result for the year	7.5	(1.5)	600.0 
Net operating result before capital amounts	5.3	(3.4)	255.9 

- The operating result from continuing activities increased by \$9 million or 600 per cent. This was driven by a substantial one-off fair value increment on revaluation of infrastructure, property, plant & equipment assets of \$2.9 million in 2016–17 against a \$4.4 million fair value decrement in 2015–16.
- The net operating result before capital amounts increased by \$8.7 million or 255.9 per cent. This was primarily driven by the factors noted above in conjunction with an increased proportion of operational as opposed to capital grants.
- Grants and contributions revenue increased by \$0.7 million or 13.7 per cent. This movement includes an advance payment of 2017–18 Federal Financial Assistance Grants of \$432,000.
- Rates and annual charges revenue increased by \$0.4 million or 1.7 per cent. This movement is attributable to increase in the approved rate increase of 2.1 per cent.

STATEMENT OF CASH FLOWS

- The Statement of Cash Flows illustrates the flow of cash and cash equivalents moving in and out of Council during the year and reveals that cash decreased by \$5.1 million to \$7.6 million at 30 June 2017.
- In addition to operating activities which contributed net cash inflow of \$11.3 million (2016: \$10.0 million), there were cash inflows from borrowings (\$2.4 million), the sale of assets (\$0.12 million) and the disposal of investments securities (\$24 million). Cash outflows from operating activities were used to acquire investment securities (\$32 million) and purchase and construct assets (\$9.1million).



FINANCIAL POSITION

Cash and Investments

Restricted Cash and Investments	2017	2016	Commentary
	\$m	\$m	
External restrictions	7.0	5.9	<ul style="list-style-type: none"> ○ Cash and investments amounts to \$17.6 million at 30 June 2017 (2016: \$14.7 million). ○ The increase is mainly due to \$1 million in unspent developer contributions and setting aside \$2.3 million for capital projects. ○ Externally restricted cash and investments are restricted in their use by externally imposed requirements. These include unspent development contributions, specific purpose grants and domestic waste charges. ○ Internally restricted cash and investments have been restricted in their use by resolution or policy of Council to reflect forward plans and identified programs of works. These aggregated to \$9.1 million and their purpose is fully disclosed in Note 6 of the financial statements. ○ The Council's unrestricted cash and investments amounted to \$1.5 million, which is available to provide liquidity for day to day operations.
Internal restrictions	9.1	6.5	
Unrestricted	1.5	2.3	
Cash and investments	17.6	14.7	

Borrowings

After repaying principal and interest of \$2.2 million during the financial year, total borrowing as at 30 June 2017 was \$8.2 million (2016: \$7.6 million).

PERFORMANCE RATIOS

The definition of each ratio analysed below (except for the 'building and infrastructure renewals ratio') is included in Note 13 of the Council's audited general purpose financial statements. The 'building and infrastructure renewals ratio' is defined in Council's Special Schedule 7.

Operating performance ratio

- Council's operating performance ratio of 6.2 per cent reflects a surplus in operating revenues over operating expenses and exceeded the OLG benchmark of greater than zero per cent.
- This was driven by increases in rates, operating grants in conjunction with relatively stable operating expenses.
- Council's operating performance ratio has increased over the last three years as increases in revenue exceeded costs.

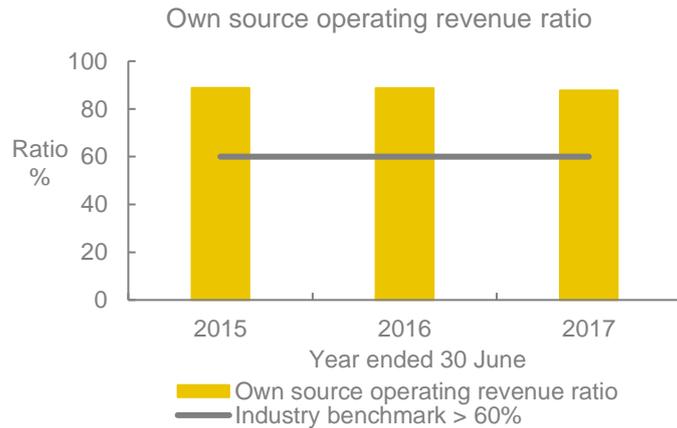


The 'operating performance ratio' measures how well council contained operating expenditure within operating revenue (excluding capital grants and contributions, fair value adjustments, and reversal of revaluation decrements). The benchmark set by the Office of Local Government (OLG) is greater than zero per cent.

Own source operating revenue ratio

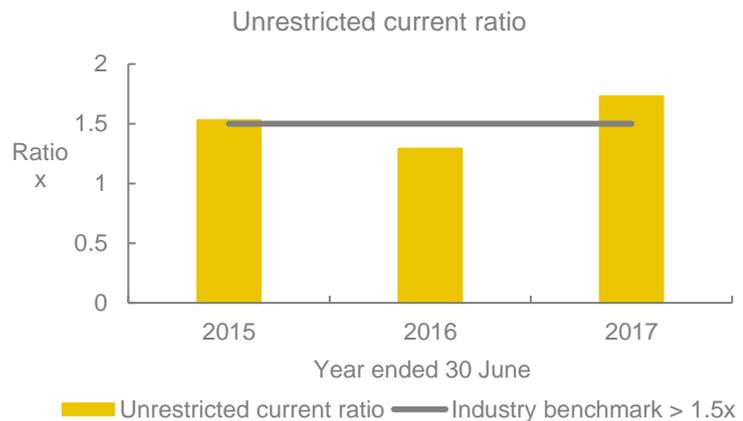
- Council's own source operating revenue ratio of 87.7 per cent reflects a low level of reliance on externally sourced grant revenue and exceeded the OLG benchmark of greater than 60 per cent.
- The ratio has remained relatively stable above the benchmark of 60 per cent over the last three years.

The 'own source operating revenue ratio' measures council's fiscal flexibility and the degree to which it relies on external funding sources such as operating grants and contributions. The benchmark set by OLG is greater than 60 per cent.



Unrestricted current ratio

- This ratio indicates that Council currently has \$1.73 of unrestricted assets available to service every \$1.00 of its unrestricted current liabilities. This reflects an operating buffer for use in Council's operations and exceeded the OLG benchmark of greater than 1.5 times.
- The ratio has been slightly volatile but relatively stayed around the benchmark of 1.5 times over the last three years.
- The unrestricted current ratio excludes restricted assets held by Council, but restricted in use for a specific purpose.



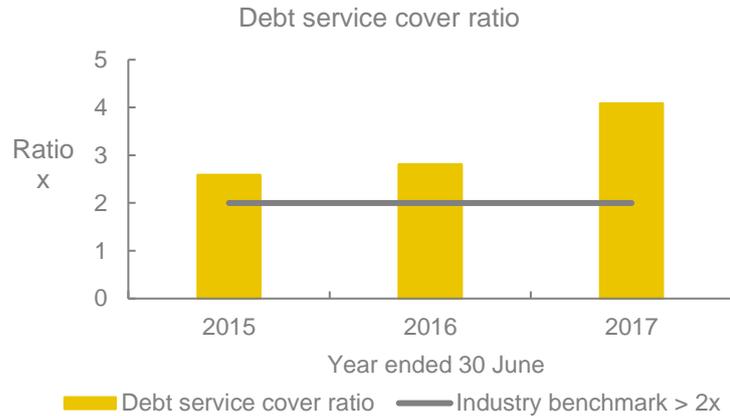
The 'unrestricted current ratio' is specific to local government and represents council's ability to meet its short-term obligations as they fall due. The benchmark set by OLG is greater than 1.5 times.

Debt service cover ratio

The ratio increased due to a combination of:

- Improved operating result
- Reduced debt servicing costs

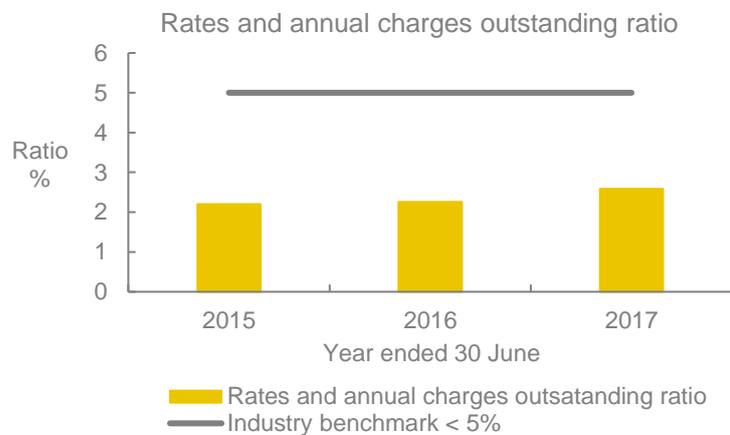
The 'debt service cover ratio' measures the operating cash to service debt including interest, principal and lease payments. The benchmark set by OLG is greater than two times.



Rates and annual charges outstanding ratio

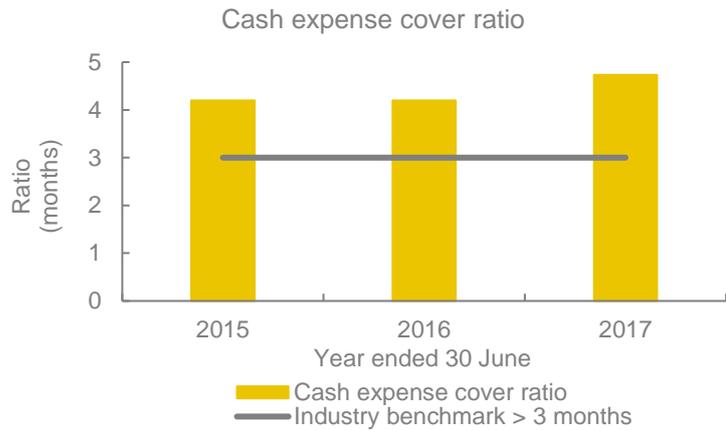
- Council's rates and annual charges outstanding ratio of 2.6 per cent exceeded the OLG benchmark of less than five per cent, despite an increase of arrears from \$0.59 million to \$0.69 million.
- This was driven by the strong economic environment in the local government area.
- The ratio has remained consistent over the past three years.

The 'rates and annual charges outstanding ratio' assesses the impact of uncollected rates and annual charges on council's liquidity and the adequacy of debt recovery efforts. The benchmark set by OLG is below five per cent for metro councils.



Cash expense cover ratio

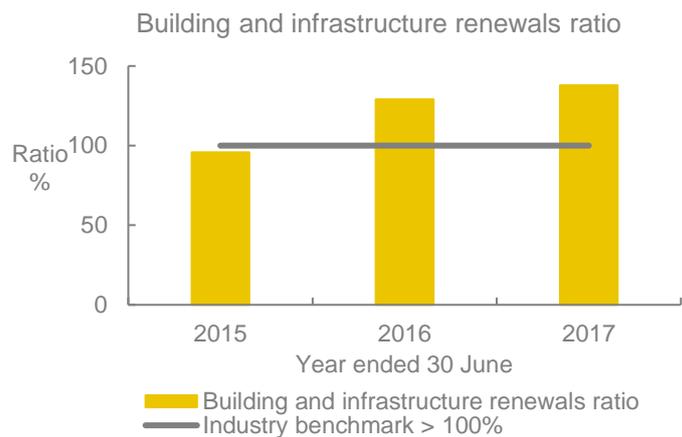
- Council's cash expense cover ratio of 4.7 months exceeded the OLG benchmark of greater than three months.
- This reflects the substantial building up of cash and investment securities made over number of years.
- Council's cash expense cover ratio has increased over the past three years, reflecting ongoing operating surpluses.



This liquidity ratio indicates the number of months the council can continue paying for its immediate expenses without additional cash inflow. The benchmark set by OLG is greater than three months.

Building and infrastructure renewals ratio

- Council's building and infrastructure renewals ratio of 137.9 per cent exceeded the OLG benchmark of greater than 100 per cent.
- This reflected significant capital investment in asset renewals in respect of stormwater drainage and recreational facilities assets.
- Council's building and infrastructure renewals ratio has increased since 2015 because of increased capital outlays.



The 'building and infrastructure renewals ratio assesses the rate at which these assets are being renewed against the rate at which they are depreciating. The benchmark set by OLG is greater than 100 per cent.

This ratio is sourced from information contained in council's Special Schedule 7 which has not been audited.

OTHER MATTERS

New accounting standards implemented

AASB 124 'Related Party Disclosures'

Effective for annual reporting periods beginning on or 1 July 2016g

AASB 2015-6 extended the scope of AASB 124 to include not-for-profit public sector entities. As a result, Council's financial statements disclosed the:

- compensation paid to their key management personnel
- nature of their related party relationships
- amount and nature of their related party transactions, outstanding balances and commitments and outstanding balances (including commitments).

Asset Revaluations

Council's infrastructure, property, plant and equipment are required to be carried at fair value with revaluations of each asset class to be performed at least every five years.

During the year, community land was revalued. This resulted in a net increase of \$0.3 million in the Asset Revaluation Reserve after reversing the prior year decrement of \$1.2 million in the Income Statement.

Legislative compliance

My audit procedures did not identify any instances of non-compliance with legislative requirements or a material deficiency in the Council's accounting records or financial reports. The Council's:

- accounting records were maintained in a manner and form to allow the general purpose financial statements to be prepared and effectively audited
- staff provided all accounting records and information relevant to the audit.



Weini Liao
Director, Financial Audit Services

25 October 2017
SYDNEY

cc: Mr Dominic Johnson, General Manager
Mr Brian Halsted, Chair of the Audit, Risk and Improvement Committee
Tim Hurst, Acting Chief Executive of the Office of Local Government

Mosman Council

SPECIAL SCHEDULES
for the year ended 30 June 2017

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

Mosman
COUNCIL

Mosman Council

Special Schedules

for the year ended 30 June 2017

Contents

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Special Schedules¹

Special Schedule 1	Net Cost of Services	2
Special Schedule 2(a)	Statement of Long Term Debt (all purposes)	4
Special Schedule 2(b)	Statement of Internal Loans (Sect. 410(3) LGA 1993)	n/a
Special Schedule 3	Water Supply Operations – incl. Income Statement	n/a
Special Schedule 4	Water Supply – Statement of Financial Position	n/a
Special Schedule 5	Sewerage Service Operations – incl. Income Statement	n/a
Special Schedule 6	Sewerage Service – Statement of Financial Position	n/a
Notes to Special Schedules 3 and 5		n/a
Special Schedule 7	Report on Infrastructure Assets	5
Special Schedule 8	Permissible Income Calculation	9

¹ Special Schedules are not audited (with the exception of Special Schedule 8).

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 (NOW), and
 - the Office of Local Government (OLG).
- (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 1 – Net Cost of Services

for the year ended 30 June 2017

\$'000

Function or activity	Expenses from continuing operations	Income from continuing operations		Net cost of services
		Non-capital	Capital	
Governance	2,015	–	–	(2,015)
Administration	9,709	418	–	(9,291)
Public order and safety				
Fire service levy, fire protection, emergency services	947	–	–	(947)
Beach control	–	–	–	–
Enforcement of local government regulations	1,259	76	–	(1,183)
Animal control	23	12	–	(11)
Other	–	–	–	–
Total public order and safety	2,229	88	–	(2,141)
Health	–	–	–	–
Environment				
Noxious plants and insect/vermin control	–	–	–	–
Other environmental protection	592	159	–	(433)
Solid waste management	4,307	6,525	–	2,218
Street cleaning	217	–	–	(217)
Drainage	470	–	–	(470)
Stormwater management	243	–	–	(243)
Total environment	5,829	6,684	–	855
Community services and education				
Administration and education	506	–	–	(506)
Social protection (welfare)	–	–	–	–
Aged persons and disabled	1,068	806	–	(262)
Children's services	1,384	1,130	–	(254)
Total community services and education	2,958	1,936	–	(1,022)
Housing and community amenities				
Public cemeteries	–	–	–	–
Public conveniences	123	–	–	(123)
Street lighting	451	101	–	(350)
Town planning	1,777	894	–	(883)
Other community amenities	–	–	–	–
Total housing and community amenities	2,351	995	–	(1,356)

Mosman Council

Special Schedule 1 – Net Cost of Services (continued)
for the year ended 30 June 2017

\$'000

Function or activity	Expenses from continuing operations	Income from continuing operations		Net cost of services
		Non-capital	Capital	
Recreation and culture				
Public libraries	2,263	293	–	(1,970)
Museums	–	–	–	–
Art galleries	1,533	463	92	(978)
Community centres and halls	746	–	–	(746)
Performing arts venues	–	–	–	–
Other performing arts	–	–	–	–
Other cultural services	1,011	67	–	(944)
Sporting grounds and venues	417	459	190	232
Swimming pools	194	535	–	341
Parks and gardens (lakes)	4,755	1,086	–	(3,669)
Other sport and recreation	64	–	–	(64)
Total recreation and culture	10,983	2,903	282	(7,798)
Fuel and energy	–	–	–	–
Agriculture	–	–	–	–
Mining, manufacturing and construction				
Building control	151	52	–	(99)
Other mining, manufacturing and construction	–	–	–	–
Total mining, manufacturing and const.	151	52	–	(99)
Transport and communication				
Urban roads (UR) – local	4,692	1,457	540	(2,695)
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	2,136	7,417	–	5,281
Footpaths	602	232	–	(370)
Aerodromes	–	–	–	–
Other transport and communication	–	–	–	–
Total transport and communication	7,430	9,106	540	2,216
Economic affairs				
Camping areas and caravan parks	–	–	–	–
Other economic affairs	424	6,631	1,374	7,581
Total economic affairs	424	6,631	1,374	7,581
Totals – functions	44,079	28,813	2,196	(13,070)
General purpose revenues ⁽¹⁾		20,680		20,680
Share of interests – joint ventures and associates using the equity method	82	–		(82)
NET OPERATING RESULT ⁽²⁾	44,161	49,493	2,196	7,528

(1) Includes: rates and annual charges (including ex gratia, excluding water and sewer), non-capital general purpose grants, interest on investments (excluding externally restricted assets) and interest on overdue rates and annual charges (2) As reported in the Income Statement

Mosman Council

Special Schedule 2(a) – Statement of Long Term Debt (all purpose)

for the year ended 30 June 2017

\$'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	–	–	–							–	–
NSW Treasury Corporation	–	–	–							–	–
Other State Government	–	–	–							–	–
Public subscription	–	–	–							–	–
Financial institutions	1,746	5,819	7,565	2,400	1,746	–	–	414	1,429	6,790	8,219
Other	–	–	–							–	–
Total loans	1,746	5,819	7,565	2,400	1,746	–	–	414	1,429	6,790	8,219
Other long term debt											
Ratepayers advances	–	–	–							–	–
Government advances	–	–	–							–	–
Finance leases	–	–	–							–	–
Deferred payments	–	–	–							–	–
Total long term debt	–	–	–	–	–	–	–	–	–	–	–
Total debt	1,746	5,819	7,565	2,400	1,746	–	–	414	1,429	6,790	8,219

Notes: excludes (i) internal loans and (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).

Mosman Council

Special Schedule 7 – Report on Infrastructure Assets as at 30 June 2017

\$'000

Asset class	Asset category	Estimated cost to bring assets to satisfactory standard	Estimated cost to bring to the agreed level of service set by Council	2016/17 Required maintenance ^a	2016/17 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
								1	2	3	4	5
Buildings	Buildings – specialised	–	–	196	300	14,372	21,824	63%	26%	11%	0%	0%
	Council offices	–	–	128	625	7,871	12,687	0%	100%	0%	0%	0%
	Council works depot	–	–	19	3	1,181	2,043	0%	100%	0%	0%	0%
	Library	–	–	58	32	2,944	6,722	0%	0%	100%	0%	0%
	Cultural facilities	–	–	103	15	6,463	9,736	0%	100%	0%	0%	0%
	Other buildings	–	–	101	37	8,007	12,636	44%	22%	34%	0%	0%
	Childcare centres	–	–	19	68	1,294	2,110	42%	58%	0%	0%	0%
	Sub-total	–	–	624	1,080	42,132	67,758	29.8%	50.4%	19.8%	0.0%	0.0%
Roads	Sealed roads	–	–	1,195	1,308	72,638	130,554	13%	62%	25%	0%	0%
	Footpaths	–	–	199	211	13,339	18,441	42%	51%	7%	0%	0%
	Other road assets	290	290	58	–	10,528	15,246	33%	51%	14%	2%	0%
	Kerb and Gutter	–	–	42	23	11,872	23,609	15%	55%	30%	0%	0%
	Retaining Walls	1,160	1,160	50	18	19,194	36,545	16%	45%	36%	3%	0%
	Physical Traffic Devices	–	–	108	77	1,767	3,259	47%	38%	15%	0%	0%
	Lines and Signs	–	–	33	95	503	1,343	31%	43%	26%	0%	0%
	Street Furniture	243	243	17	–	1,007	3,626	13%	48%	33%	6%	0%
Sub-total	1,693	1,693	1,702	1,732	130,848	232,623	17.9%	56.4%	25.1%	0.7%	0.0%	

Mosman Council

Special Schedule 7 – Report on Infrastructure Assets as at 30 June 2017 (continued)

\$'000

Asset class	Asset category	Estimated cost to bring assets to satisfactory standard	Estimated cost to bring to the agreed level of service set by Council	2016/17 Required maintenance ^a	2016/17 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
								1	2	3	4	5
Stormwater drainage	Stormwater quality improvement devices	11	11	61	71	2,687	3,246	0%	100%	0%	0%	0%
	Rainwater re-use tank	–	–	16	–	1,067	1,249	41%	59%	0%	0%	0%
	Open conduits (drains)	10	10	33	33	883	2,400	21%	38%	41%	0%	0%
	Closed conduits (pipes)	376	376	60	5	41,062	51,690	5%	54%	41%	0%	0%
	Nodes (pits)	37	37	61	106	4,651	7,275	2%	92%	6%	0%	0%
	Sub-total		434	434	231	215	50,350	65,860	5.7%	60.0%	34.3%	0.0%
Open Space/recreational assets	Marine structures	245	245	16	25	5,821	12,493	22%	10%	67%	1%	0%
	Sporting fields	117	117	414	410	3,302	5,395	15%	38%	44%	2%	0%
	Parks & reserves	41	41	573	666	9,520	13,771	11%	19%	70%	0%	0%
	Other	355	355	610	698	11,301	15,535	7%	29%	60%	5%	0%
	Sub-total		758	758	1,613	1,799	29,944	47,194	12.8%	22.1%	62.9%	2.1%
TOTAL – ALL ASSETS		2,885	2,885	4,170	4,826	253,274	413,435	17.3%	52.0%	30.0%	0.6%	0.0%

Notes:

a Required maintenance is the amount identified in Council's asset management plans.

Infrastructure asset condition assessment 'key'

1	Excellent	No work required (normal maintenance)
2	Good	Only minor maintenance work required
3	Average	Maintenance work required
4	Poor	Renewal required
5	Very poor	Urgent renewal/upgrading required

Mosman Council

Special Schedule 7 – Report on Infrastructure Assets (continued)
for the year ended 30 June 2017

\$ '000	Amounts	Indicator	Benchmark	Prior periods	
	2017	2017		2016	2015
Infrastructure asset performance indicators * consolidated					
1. Infrastructure renewals ratio					
Asset renewals ⁽¹⁾	<u>6,772</u>	137.95%	>= 100%	129.12%	95.72%
Depreciation, amortisation and impairment	<u>4,909</u>				
2. Infrastructure backlog ratio					
Estimated cost to bring assets to a satisfactory standard	<u>2,885</u>	1.14%	< 2.00%	2.45%	2.88%
Net carrying amount of infrastructure assets	<u>253,274</u>				
3. Asset maintenance ratio					
Actual asset maintenance	<u>4,826</u>	1.16	> 1.00	1.42	0.97
Required asset maintenance	<u>4,170</u>				
4. Cost to bring assets to agreed service level					
Estimated cost to bring assets to an agreed service level set by Council	<u>2,885</u>	0.70%		0.00%	
Gross replacement cost	<u>413,435</u>				

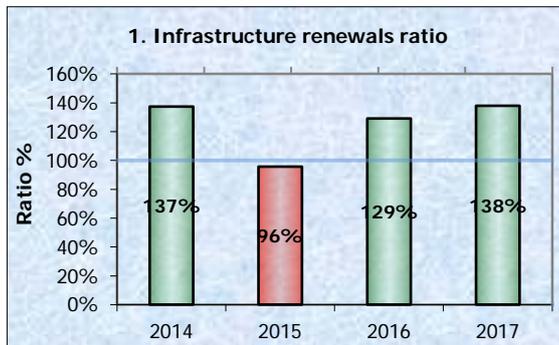
Notes

* All asset performance indicators are calculated using the asset classes identified in the previous table.

(1) Asset renewals represent the replacement and/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.

Mosman Council

Special Schedule 7 – Report on Infrastructure Assets (continued) for the year ended 30 June 2017



Purpose of asset renewals ratio

To assess the rate at which these assets are being renewed relative to the rate at which they are depreciating.

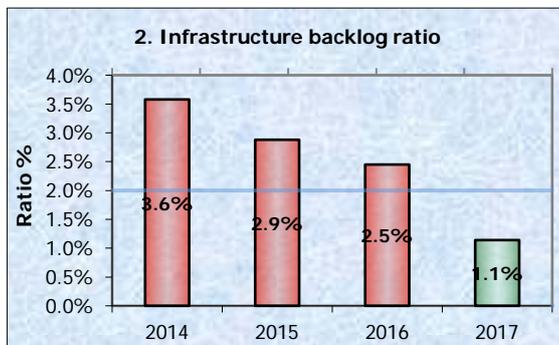
Commentary on 2016/17 result

2016/17 Ratio 137.95%

The continued focus at addressing infrastructure issues supported by a Special Rate Variation has seen Council exceed the benchmark

Benchmark: 100.00%
Source for benchmark: Code of Accounting Practice and Financial Reporting #25

Ratio achieves benchmark
Ratio is outside benchmark



Purpose of infrastructure backlog ratio

This ratio shows what proportion the backlog is against the total value of a Council's infrastructure.

Commentary on 2016/17 result

2016/17 Ratio 1.14%

Council has overcome its backlog issues and is in a sound financial position to deal with any unexpected infrastructure problems

Benchmark: 2.00%
Source for benchmark: Code of Accounting Practice and Financial Reporting #25

Ratio achieves benchmark
Ratio is outside benchmark



Purpose of asset maintenance ratio

Compares actual vs. required annual asset maintenance. A ratio above 1.0 indicates Council is investing enough funds to stop the infrastructure backlog growing.

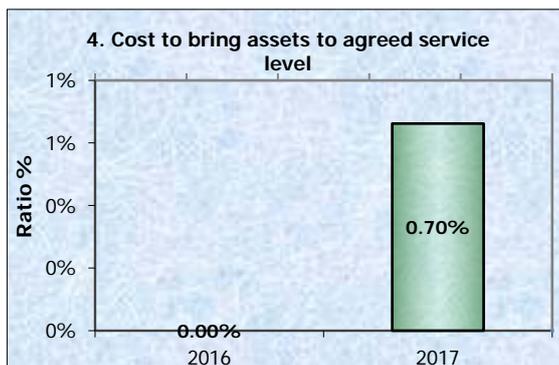
Commentary on 2016/17 result

2016/17 Ratio 1.16 x

The level of maintenance ensures assets remain in a servicable condition for the benefit of the community

Benchmark: 1.00
Source for benchmark: Code of Accounting Practice and Financial Reporting #25

Ratio achieves benchmark
Ratio is outside benchmark



Purpose of agreed service level ratio

This ratio provides a snapshot of the proportion of outstanding renewal works compared to the total value of assets under Council's care and stewardship.

Commentary on 2016/17 result

2016/17 Ratio 0.70%

Council's Long Term Financial Plan projects this ratio will reduce to zero within five years

Mosman Council

Special Schedule 8 – Permissible Income Calculation

for the year ended 30 June 2018

\$'000		Calculation 2016/17	Calculation 2017/18
Notional general income calculation ⁽¹⁾			
Last year notional general income yield	a	18,879	19,225
Plus or minus adjustments ⁽²⁾	b	29	65
Notional general income	c = (a + b)	18,908	19,290
Permissible income calculation			
Special variation percentage ⁽³⁾	d	0.00%	0.00%
Or rate peg percentage	e	1.80%	1.50%
Or crown land adjustment (incl. rate peg percentage)	f	0.00%	0.00%
Less expiring special variation amount	g	–	–
Plus special variation amount	h = d x (c – g)	–	–
Or plus rate peg amount	i = c x e	340	289
Or plus Crown land adjustment and rate peg amount	j = c x f	–	–
Sub-total	k = (c + g + h + i + j)	19,248	19,579
Plus (or minus) last year's carry forward total	l	(7)	12
Less valuation objections claimed in the previous year	m	(4)	–
Sub-total	n = (l + m)	(11)	12
Total permissible income	o = k + n	19,237	19,592
Less notional general income yield	p	19,225	19,592
Catch-up or (excess) result	q = o – p	12	(0)
Plus income lost due to valuation objections claimed ⁽⁴⁾	r	–	–
Less unused catch-up ⁽⁵⁾	s	–	–
Carry forward to next year	t = q + r – s	12	(0)

Notes

- (1) The notional general income will not reconcile with rate income in the financial statements in the corresponding year. The statements are reported on an accrual accounting basis which include amounts that relate to prior years' rates income.
- (2) Adjustments account for changes in the number of assessments and any increase or decrease in land value occurring during the year. The adjustments are called 'supplementary valuations' as defined in the *Valuation of Land Act 1916*.
- (3) The 'special variation percentage' is inclusive of the rate peg percentage and where applicable Crown land adjustment.
- (4) Valuation objections are unexpected changes in land values as a result of land owners successfully objecting to the land value issued by the Valuer-General. Councils can claim the value of the income lost due to valuation objections in any single year.
- (5) Unused catch-up amounts will be deducted if they are not caught up within 2 years. Usually councils will have a nominal carry forward figure. These amounts can be adjusted for in setting the rates in a future year.
- (6) Carry forward amounts which are in excess (an amount that exceeds the permissible income) require ministerial approval by order published in the *NSW Government Gazette* in accordance with section 512 of the *Local Government Act 1993*. The OLG will extract these amounts from Council's Special Schedule 8 in the financial data return (FDR) to administer this process.



INDEPENDENT AUDITOR'S REPORT

Special Schedule No. 8

Mosman Municipal Council

To the Councillors of Mosman Municipal Council

Opinion

I have audited the accompanying special purpose financial statement comprising the reconciliation of total permissible general income (Special Schedule No. 8) of Mosman Municipal Council (the Council) for the year ending 30 June 2018.

In my opinion, Special Schedule No. 8 of Mosman Municipal Council for 30 June 2018 is prepared, in all material respects in accordance with the requirements of the Local Government Code of Accounting Practice and Financial Reporting (LG Code) issued by the Office of Local Government (OLG), and is in accordance with the books and records of the Council.

My opinion should be read in conjunction with the rest of this report, and in particular the Emphasis of Matter paragraph, which describes the basis of accounting.

Basis for Opinion

I conducted my audit in accordance with Australian Auditing Standards. My responsibilities under the standards are described in the 'Auditor's Responsibilities for the Audit of Special Schedule No.8' section of my report.

I am independent of the Council in accordance with the requirements of the:

- Australian Auditing Standards
- ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 'Code of Ethics for Professional Accountants' (APES 110).

I have fulfilled my other ethical responsibilities in accordance with APES 110.

Parliament promotes independence by ensuring the Auditor-General and the Audit Office of New South Wales are not compromised in their roles by:

- providing that only Parliament, and not the executive government, can remove an Auditor-General
- mandating the Auditor-General as auditor of councils
- precluding the Auditor-General from providing non-audit services.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Emphasis of Matter - Basis of Accounting

Without modifying my opinion, I draw attention to the notes and explanations in Special Schedule No. 8 that instruct councils in its preparation so it complies with OLG's requirements as described in the LG Code. As a result, Special Schedule No. 8 may not be suitable for another purpose.

Other Matter

Special Schedule No.8 of the Council for the year ending 30 June 2017 was audited by another auditor who expressed an unmodified opinion on Special Schedule No. 8 on 9 September 2016.

Councillors' Responsibility for Special Schedule No. 8

The Councillors of the Council are responsible for the preparation of Special Schedule No. 8 in accordance with the LG Code. The Councillors' responsibility also includes such internal control as the Councillors determine is necessary to enable the preparation of Special Schedule No. 8 that is free from material misstatement, whether due to fraud or error.

In preparing Special Schedule No.8, the Councillors must assess the Council's ability to continue as a going concern except where the Council will be dissolved or amalgamated by an Act of Parliament. The assessment must disclose, as applicable, matters related to going concern and the appropriateness of using the going concern basis of accounting.

Auditor's Responsibility for the Audit of Special Schedule No. 8

My objectives are to:

- obtain reasonable assurance whether Special Schedule No. 8 as a whole is free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

Reasonable assurance is a high level of assurance, but does not guarantee an audit conducted in accordance with Australian Auditing Standards will always detect material misstatements. Misstatements can arise from fraud or error. Misstatements are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions users take based on Special Schedule No.8.

A description of my responsibilities for the audit of Special Schedule No.8 is located at the Auditing and Assurance Standards Board website at http://www.auasb.gov.au/auditors_responsibilities/ar8.pdf. The description forms part of my auditor's report.

My opinion does not provide assurance:

- that the Council carried out its activities effectively, efficiently and economically
- about the security and controls over the electronic publication of the audited Special Schedule No.8 on any website where they may be presented
- about any other information which may have been hyperlinked to/from Special Schedule No 8.



Weini Liao
Director, Financial Audit Services

25 October 2017
SYDNEY