

Mosman Council

GENERAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2018

*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 2018

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Overview

Mosman Council is constituted under the Local Government Act 1993 (NSW) and has its principal place of business at:

Civic Centre
Mosman Square, Spit Junction, 2088

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).

Through the use of the internet, we have ensured that our reporting is timely, complete and available at minimum cost. All press releases, financial statements and other information are publicly available on our website: www.mosman.nsw.gov.au.

Mosman Council

General Purpose Financial Statements for the year ended 30 June 2018

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 2018.

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 2018

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:

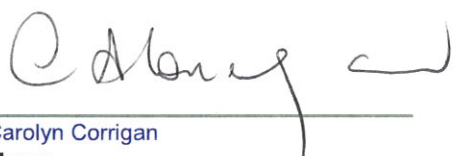
- the *Local Government Act 1993 (NSW)* (as amended) and the regulations made thereunder,
- the Australian Accounting Standards and other pronouncements of the Australian Accounting Standards Board
- the Local Government Code of Accounting Practice and Financial Reporting.

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

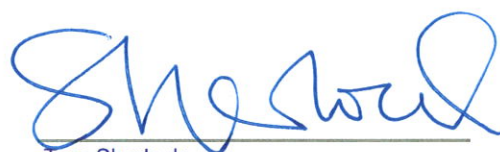
- present fairly the Council's operating result and financial position for the year,
- accord with Council's accounting and other records.

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 02 October 2018.



Carolyn Corrigan
Mayor
02 October 2018



Tom Sherlock
Councillor
02 October 2018



Dominic Johnson
General Manager
02 October 2018



Christian Menday
Responsible Accounting Officer
02 October 2018

Mosman Council

Income Statement

for the year ended 30 June 2018

Original unaudited budget 2018	\$ '000	Notes	Actual 2018	Actual 2017
Income from continuing operations				
Revenue:				
26,173	Rates and annual charges	3a	26,404	25,797
10,818	User charges and fees	3b	10,908	11,075
467	Interest and investment revenue	3c	508	520
5,022	Other revenues	3d	5,270	5,354
2,329	Grants and contributions provided for operating purposes	3e,f	3,278	3,804
2,055	Grants and contributions provided for capital purposes	3e,f	2,685	2,196
Other income:				
–	Fair value increment on investment property	10	189	1,720
–	Reversal of revaluation decrements / impairment of IPP&E previously expensed	4d	–	1,223
–	Net share of interests in joint ventures and associates using the equity method	16	155	–
46,864	Total income from continuing operations		49,397	51,689
Expenses from continuing operations				
18,238	Employee benefits and on-costs	4a	17,784	16,706
403	Borrowing costs	4b	402	414
14,413	Materials and contracts	4c	14,133	14,519
5,403	Depreciation and amortisation	4d	5,552	5,528
6,169	Other expenses	4e	6,511	6,489
–	Net losses from the disposal of assets	5	1,241	423
–	Net share of interests in joint ventures and associates using the equity method	16	–	82
44,626	Total expenses from continuing operations		45,623	44,161
2,238	Operating result from continuing operations		3,774	7,528
2,238	Net operating result for the year		3,774	7,528
2,238	Net operating result attributable to Council		3,774	7,528
183	Net operating result for the year before grants and contributions provided for capital purposes		1,089	5,332

Mosman Council

Statement of Comprehensive Income

for the year ended 30 June 2018

\$ '000	Notes	2018	2017
Net operating result for the year (as per Income Statement)		3,774	7,528
Other comprehensive income:			
Amounts that will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of IPP&E	9	34,470	332
Other comprehensive income – joint ventures and associates	16b	(5)	–
Total items which will not be reclassified subsequently to the operating result		34,465	332
Total other comprehensive income for the year		34,465	332
Total comprehensive income for the year		38,239	7,860
Total comprehensive income attributable to Council		38,239	7,860

Mosman Council

Statement of Financial Position
as at 30 June 2018

\$ '000	Notes	2018	2017
ASSETS			
Current assets			
Cash and cash equivalents	6a	11,993	7,640
Investments	6b	4,000	10,000
Receivables	7	4,575	3,765
Inventories	8	134	129
Other	8	59	198
Total current assets		20,761	21,732
Non-current assets			
Receivables	7	153	144
Infrastructure, property, plant and equipment	9	475,194	437,476
Investments accounted for using the equity method	16	966	816
Investment property	10	46,950	46,695
Intangible assets	11	252	267
Total non-current assets		523,515	485,398
TOTAL ASSETS		544,276	507,130
LIABILITIES			
Current liabilities			
Payables	12	10,626	11,069
Income received in advance	12	612	596
Borrowings	12	1,383	1,429
Provisions	13	4,970	4,780
Total current liabilities		17,591	17,874
Non-current liabilities			
Borrowings	12	5,954	6,790
Provisions	13	277	251
Total non-current liabilities		6,231	7,041
TOTAL LIABILITIES		23,822	24,915
Net assets		520,454	482,215
EQUITY			
Accumulated surplus	14	265,303	261,534
Revaluation reserves	14	255,151	220,681
Total equity		520,454	482,215

Mosman Council

Statement of Changes in Equity

for the year ended 30 June 2018

\$ '000	Notes	2018	IPP&E	Total equity	2017	IPP&E	Total equity
		Accumulated surplus	revaluation reserve		Accumulated surplus	revaluation reserve	
Opening balance		261,534	220,681	482,215	254,006	220,349	474,355
Net operating result for the year		3,774	–	3,774	7,528	–	7,528
Other comprehensive income							
– Gain (loss) on revaluation of IPP&E	9	–	34,470	34,470	–	332	332
– Joint ventures and associates	16a	(5)	–	(5)	–	–	–
Other comprehensive income		(5)	34,470	34,465	–	332	332
Total comprehensive income (c&d)		3,769	34,470	38,239	7,528	332	7,860
Equity – balance at end of the reporting period		265,303	255,151	520,454	261,534	220,681	482,215

Mosman Council

Statement of Cash Flows
for the year ended 30 June 2018

Original unaudited budget 2018	\$ '000	Notes	Actual 2018	Actual 2017
Cash flows from operating activities				
<u>Receipts:</u>				
26,165	Rates and annual charges		26,437	25,717
10,786	User charges and fees		10,885	11,767
476	Investment and interest revenue received		489	466
4,365	Grants and contributions		5,292	5,490
–	Bonds, deposits and retention amounts received		2,161	3,298
5,005	Other		7,936	7,586
<u>Payments:</u>				
(17,907)	Employee benefits and on-costs		(17,614)	(16,549)
(14,378)	Materials and contracts		(17,034)	(15,917)
(408)	Borrowing costs		(391)	(413)
–	Bonds, deposits and retention amounts refunded		(2,330)	(2,340)
(6,169)	Other		(6,788)	(7,810)
<u>7,935</u>	Net cash provided (or used in) operating activities	15b	<u>9,043</u>	<u>11,295</u>
Cash flows from investing activities				
<u>Receipts:</u>				
2,000	Sale of investment securities		36,000	24,000
–	Sale of infrastructure, property, plant and equipment		26	117
<u>Payments:</u>				
–	Purchase of investment securities		(30,000)	(32,000)
–	Purchase of investment property		(66)	(12)
(10,462)	Purchase of infrastructure, property, plant and equipment		(9,768)	(9,139)
<u>(8,462)</u>	Net cash provided (or used in) investing activities		<u>(3,808)</u>	<u>(17,034)</u>
Cash flows from financing activities				
<u>Receipts:</u>				
400	Proceeds from borrowings and advances		400	2,400
<u>Payments:</u>				
(1,425)	Repayment of borrowings and advances		(1,282)	(1,746)
<u>(1,025)</u>	Net cash flow provided (used in) financing activities		<u>(882)</u>	<u>654</u>
<u>(1,552)</u>	Net increase/(decrease) in cash and cash equivalents		<u>4,353</u>	<u>(5,085)</u>
12,930	Plus: cash and cash equivalents – beginning of year	15a	7,640	12,725
<u>11,378</u>	Cash and cash equivalents – end of the year	15a	<u>11,993</u>	<u>7,640</u>
Additional Information:				
	plus: Investments on hand – end of year	6b	4,000	10,000
	Total cash, cash equivalents and investments		<u>15,993</u>	<u>17,640</u>

Mosman Council

Notes to the Financial Statements

for the year ended 30 June 2018

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Notes to the Financial Statements for the year ended 30 June 2018

Note 1. Basis of preparation

These financial statements were authorised for issue by Council on 02/10/2018.

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

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.

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.

The financial statements are presented in Australian dollars and are rounded to the nearest thousand dollars.

Full dollars have been used in Note 22 Related party disclosures in relation to the disclosure of specific related party transactions.

Unless otherwise indicated, all amounts disclosed in the financial statements are actual amounts.

Specific budgetary amounts have been included for comparative analysis (to actuals) in the following reports and notes:

- Income statement
- Statement of cash flows
- Note 20 – Material budget variations

and are clearly marked.

(a) New and amended standards adopted by Council

There have been no new (or amended) accounting standards adopted by Council in this year's financial statements which have had any material impact on reported financial position, performance or cash flows.

(b) 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 infrastructure, property, plant and equipment and investment property.

(c) 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

Mosman Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 1. Basis of preparation (continued)

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 –refer Note 10,
- (ii) estimated fair values of infrastructure, property, plant and equipment – refer Note 9,
- (iii) estimated tip remediation provisions – refer Note 13,
- (iv) employee benefit provisions – refer Note 13.

Significant judgements in applying the Council's accounting policies

- (v) Impairment of receivables

Council has made a significant judgement about the impairment of a number of its receivables in Note 7.

Monies and other assets received by Council

(a) The Consolidated Fund

In accordance with the provisions of Section 409(1) of the *Local Government Act 1993 (NSW)*, all money and other assets received by Council is held in the Council's Consolidated Fund unless it is required to be held in the Council's Trust Fund.

(b) 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 other assets 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 other assets subject to Council's control have been included in these reports.

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

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.

Mosman Council

Notes to the Financial Statements for the year ended 30 June 2018

Note 1. Basis of preparation (continued)

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 these financial statements, Council does not consider that any of those standards are likely to have a material impact on the Council's future financial statements, financial position, financial performance or cash flows.

Council has not elected to apply any pronouncements before their operative date in these financial statements.

Mosman Council

Notes to the Financial Statements

for the year ended 30 June 2018

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)	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Governance	–	–	2,100	2,015	(2,100)	(2,015)	–	–	1,635	1,817
Community wellbeing	2,024	1,936	3,143	2,934	(1,119)	(998)	1,037	955	5,413	5,505
Library and information	165	162	2,230	2,116	(2,065)	(1,954)	269	83	865	7,234
Arts and culture	656	617	1,678	1,594	(1,022)	(977)	133	304	5,448	5,349
Built environment	3,517	3,337	8,037	7,706	(4,520)	(4,369)	1,756	1,444	206,942	185,946
Community spaces ¹	6,851	9,251	9,135	7,672	(2,284)	1,579	–	–	239,521	217,909
Healthy environment	6,801	6,772	4,884	5,013	1,917	1,759	56	27	1,384	746
Transport and traffic	7,310	7,523	2,843	3,084	4,467	4,439	–	–	60,828	58,925
Leadership and engagement	105	–	2,549	2,191	(2,444)	(2,191)	687	985	9	11
Corporate and risk	21,968	22,091	9,024	9,836	12,944	12,255	82	98	22,231	23,688
Total functions and activities	49,397	51,689	45,623	44,161	3,774	7,528	4,020	3,896	544,276	507,130

¹ 2017 income includes Fair Value increment to Investment Properties \$1,720k and increment to Community Land of \$1,223k

2018 expenditure includes Infrastructure disposals \$700k

Mosman Council

Notes to the Financial Statements

for the year ended 30 June 2018

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 Planning, Housing Strategy. Roads. Stormwater Drainage.

Community spaces¹

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.

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 2018

Note 3. Income from continuing operations

\$ '000	2018	2017
(a) Rates and annual charges		
Ordinary rates		
Residential	17,627	17,247
Business	1,812	1,724
Total ordinary rates	19,439	18,971
Annual charges (pursuant to s.496, s.496A, s.496B, s.501 & s.611)		
Domestic waste management services	6,697	6,560
Stormwater management services	238	237
Section 611 charges	30	29
Total annual charges	6,965	6,826
TOTAL RATES AND ANNUAL CHARGES	26,404	25,797

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

Accounting policy for rates and annual charges

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

(b) User charges and fees	2018	2017
Specific user charges (per s.502 – specific ‘actual use’ charges)		
Domestic waste management services	88	92
Total specific user charges	88	92
Other user charges and fees		
(i) Fees and charges – statutory and regulatory functions (per s.608)		
Planning and building regulation	918	847
Regulatory fees	169	169
Section 149 certificates (EPA Act)	130	146
Section 603 certificates	54	96
Total fees and charges – statutory/regulatory	1,271	1,258

Mosman Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 3. Income from continuing operations (continued)

\$ '000	2018	2017
(b) User charges and fees (continued)		
(ii) Fees and charges – other (incl. general user charges (per s.608))		
Aged and disability services	63	57
Art prize fees	41	42
Children's leisure and learning	9	10
Community restaurant	37	31
Cultural centre	158	172
Dinghy storage racks	49	58
Filming permits	7	8
Footpath occupation	269	158
Hoarding fees	39	31
Kidzone – vacation	101	94
Lease rentals (property)	1,948	1,677
Leaseback fees – Council vehicles	7	7
Market days (stall holders)	110	107
Meals on wheels	81	73
Merchant fee recovery	76	80
Mini skips	32	35
Mosman occasional child care	273	268
Out of school care	392	395
Oval rents	385	368
Parking fees – foreshore	1,545	1,483
Parking fees – foreshore (stickers)	291	289
Parking fees – on street	2,323	2,386
Parking fees – resident parking scheme permits	68	62
Reserve rents	82	88
Restoration charges	362	619
Section 153 land leases	15	61
Stand plant permits	132	167
Trading rights – foreshore	13	12
Vacation care	11	31
Vehicular crossing	137	221
Vehicular crossing – inspection fees	31	41
Work zone fees	282	397
Other	180	197
Total fees and charges – other	9,549	9,725
TOTAL USER CHARGES AND FEES	10,908	11,075

Accounting policy for user charges and fees

User charges and fees are recognised as revenue when the service has been provided.

Mosman Council

Notes to the Financial Statements
for the year ended 30 June 2018

Note 3. Income from continuing operations (continued)

\$ '000	2018	2017
(c) Interest and investment revenue (including losses)		
Interest		
– Overdue rates and annual charges (incl. special purpose rates)	58	55
– Cash and investments	450	465
TOTAL INTEREST AND INVESTMENT REVENUE	508	520
Interest revenue is attributable to:		
Unrestricted investments/financial assets:		
Overdue rates and annual charges (general fund)	58	55
General Council cash and investments	329	324
Restricted investments/funds – external:		
Development contributions		
– Section 7.11	121	141
Total interest and investment revenue recognised	508	520

Accounting policy for interest and investment revenue

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

(d) Other revenues

Rental income – investment property	10	1,861	1,875
Fines		2,912	3,178
Art gallery sponsorship and donations		36	18
Commissions and agency fees		20	21
FESL implementation		2	82
Insurance claim recoveries		22	–
Legal recoupment		44	16
Workers compensation insurance incentives		191	72
SHOROC Distribution		100	–
Other		82	92
TOTAL OTHER REVENUE		5,270	5,354

Accounting policy for other revenue

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.

Parking fees and fines are recognised as revenue when the service has been provided, or when the penalty has been applied, whichever occurs first.

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

Miscellaneous sales are recognised when physical possession has transferred to the customer which is deemed to be the point of transfer of risks and rewards.

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

Mosman Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 3. Income from continuing operations (continued)

\$ '000	2018 Operating	2017 Operating	2018 Capital	2017 Capital
(e) Grants				
General purpose (untied)				
Current year allocation				
Financial assistance – general component ¹	634	925	–	–
Financial assistance – local roads component ¹	235	345	–	–
Other				
Pensioners' rates subsidies – general component	48	60	–	–
Total general purpose	917	1,330	–	–
Specific purpose				
Pensioners' rates subsidies:				
– Domestic waste management	27	27	–	–
Aged care	609	540	–	–
Child care	428	415	–	–
Economic development	5	–	–	–
Environmental protection	29	104	–	–
Excess weight subsidy	–	10	–	–
Heritage and cultural	–	–	20	–
Housing and community amenities	–	8	–	–
Library – per capita	57	56	–	–
Library – special projects	27	27	185	–
LIRS subsidy	82	98	–	–
Recreation and culture	142	85	–	179
Street lighting	103	101	–	–
Transport (roads to recovery)	205	377	–	–
Transport (other roads and bridges funding) ²	6	1	1,178	538
Total specific purpose	1,720	1,849	1,383	717
Total grants	2,637	3,179	1,383	717
Grant revenue is attributable to:				
– Commonwealth funding	996	1,882	–	–
– State funding	1,641	1,297	1,383	717
	2,637	3,179	1,383	717

1. Financial Assistance Grants have been paid 2 Quarters in advance commencing FY17. The FY17 figure includes six quarters, compared to four in FY18

2. Capital Grant includes BLINE Grant FY17 \$500k FY18 \$1,020k

Mosman Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 3. Income from continuing operations (continued)

\$ '000	Notes	2018 Operating	2017 Operating	2018 Capital	2017 Capital
(f) Contributions					
Developer contributions:					
(s7.4 & s7.11 – EP&A Act, s64 of the LGA):					
Cash contributions					
S 7.4 – contributions using planning agreements		466	468	–	–
S 7.12 – fixed development consent levies		–	–	1,093	1,375
Total developer contributions – cash		466	468	1,093	1,375
Total developer contributions	24	466	468	1,093	1,375
Other contributions:					
Cash contributions					
Recreation and culture		–	–	18	40
Roads and bridges		–	–	132	–
RMS contributions (regional roads, block grant)		175	152	–	–
Other (youth programs)		–	5	–	–
Total other contributions – cash		175	157	150	40
Non-cash contributions					
Recreation and culture		–	–	59	64
Total other contributions		175	157	209	104
Total contributions		641	625	1,302	1,479
<u>TOTAL GRANTS AND CONTRIBUTIONS</u>		<u>3,278</u>	<u>3,804</u>	<u>2,685</u>	<u>2,196</u>

Accounting policy for contributions

Control over grants and contributions is normally obtained upon their receipt (or acquittal) and is valued at the fair value of the granted or contributed asset 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 above.

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.

Mosman Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 3. Income from continuing operations (continued)

\$ '000	2018	2017
(g) Unspent grants and contributions		
Certain grants and contributions are obtained by Council on condition that they be spent in a specified manner:		
Operating grants		
Unexpended at the close of the previous reporting period	–	81
Less: operating grants recognised in a previous reporting period now spent	–	(81)
Unexpended and held as restricted assets (operating grants)	<u>–</u>	<u>–</u>
Capital grants		
Unexpended at the close of the previous reporting period	679	–
Add: capital grants recognised in the current period but not yet spent	–	29
Add: capital grants received for the provision of goods and services in a future period	1,411	650
Less: capital grants recognised in a previous reporting period now spent	(386)	–
Unexpended and held as restricted assets (capital grants)	<u>1,704</u>	<u>679</u>
Contributions		
Unexpended at the close of the previous reporting period	5,782	4,345
Add: contributions recognised in the current period but not yet spent	1,680	2,331
Less: contributions recognised in a previous reporting period now spent	(3,808)	(894)
Unexpended and held as restricted assets (contributions)	<u>3,654</u>	<u>5,782</u>

Mosman Council

Notes to the Financial Statements for the year ended 30 June 2018

Note 4. Expenses from continuing operations

\$ '000	2018	2017
(a) Employee benefits and on-costs		
Salaries and wages	13,419	12,659
Travel expenses	350	315
Employee leave entitlements (ELE)	1,977	1,736
Superannuation – defined contribution plans	1,252	1,193
Superannuation – defined benefit plans	315	327
Workers' compensation insurance	226	216
Fringe benefit tax (FBT)	71	116
Training costs (other than salaries and wages)	162	133
Other	12	11
<u>TOTAL EMPLOYEE COSTS EXPENSED</u>	<u>17,784</u>	<u>16,706</u>
Number of 'full-time equivalent' employees (FTE) at year end	164	167
Number of 'full-time equivalent' employees (FTE) at year end (incl. vacancies)	175	175

Accounting policy for employee benefits and on-costs

Employee benefit expenses are recorded when the service has been provided by the employee.

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.

Superannuation 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.

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.

Mosman Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 4. Expenses from continuing operations (continued)

Superannuation plans (continued)

Member councils are treated as Pooled Employers for the purposes of AASB119. Pooled Employers are required to pay standard employer contributions and additional lump sum contributions to the Fund.

The standard employer contributions were determined using the new entrant rate method under which a contribution rate sufficient to fund the total benefits over the working life-time of a typical new entrant is calculated. The current standard employer contribution rates are:

Division B	1.9 times employee contributions
Division C	2.5% salaries
Division D	1.64 times employee contributions

The additional lump sum contribution for each Pooled Employer is a share of the total additional contributions of \$40.0 million per annum from 1 July 2017 for 4 years to 30 June 2021, apportioned according to each employer's share of the accrued liabilities as at 30 June 2017. These additional lump sum contributions are used to fund the deficit of assets to accrued liabilities as 30 June 2017.

The adequacy of contributions is assessed at each triennial actuarial investigation and monitored annually between triennials.

As stated above, each sponsoring employer is exposed to the actuarial risks associated with current and former employees of other sponsoring employers and hence shares in the associated gains and losses.

However, there is no relief under the Fund's trust deed for employers to walk away from their defined benefit obligations. Under limited circumstances, an employer may withdraw from the plan when there are no active members, on full payment of outstanding additional contributions. There is no provision for allocation of any surplus which may be present at the date of withdrawal of the entity.

There are no specific provisions under the Fund's trust deed dealing with deficits or surplus on wind-up.

There is no provision for the allocation of any surplus which may be present at the date of withdrawal of an employer.

The plan is a defined benefit plan. However, each sponsoring employer is exposed to the actuarial risks associated with current and former employees of other sponsoring employers and hence shares in the associated gains and losses (to the extent that they are not borne by members). As such, there is not sufficient reliable information to allow each sponsoring employer to account for its proportionate share of the defined benefit obligation, sub-group assets and costs associated with the sub-group in the same way as it would for a single employer sponsored defined benefit plan.

The amount of employer contributions to the defined benefit section of the Fund and recognised as an expense for the year ending 30 June 2018 was \$300,780.19. The last valuation of the Fund was by the Actuary, Mr Richard Boyfield, FIAA on 12 December, relating to the period ended 30 June 2017.

The expected contributions to the Fund for the next annual reporting period are \$276,500.24.

Mosman Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 4. Expenses from continuing operations (continued)

Superannuation plans (continued)

The estimated employer reserves financial position for the Pooled Employers at 30 June 2018 is:

Employer reserves only*	\$millions	Asset Coverage
Assets	1,817.8	
Past Service Liabilities	1,787.5	101.7%
Vested Benefits	1,778.0	102.2%

* excluding member accounts and reserves in both assets and liabilities.

The key economic long term assumptions used to calculate the present value of accrued benefits are:

Investment return	6.0% per annum
Salary inflation*	3.5% per annum
Increase in CPI	2.5% per annum

* Plus promotional increases

The contribution requirements may vary from the current rates if the overall sub-group experience is not in line with the actuarial assumptions in determining the funding program; however, any adjustment to the funding program would be the same for all sponsoring employers in the Pooled Employers group. Please note that the estimated employer reserves financial position above is a preliminary calculation, and once all the relevant information has been received by the Funds Actuary, the 2018 triennial review will be completed around December 2018.

Council's additional lump sum contribution is around 0.31% of the total additional lump sum contributions for all Pooled Employers (of \$40m each year from 1 July 2017 to 30 June 2021) provides an indication of the level of participation of Council compared with other employers in the Pooled Employer sub-group.

(b) Borrowing costs

Interest bearing liability costs

Interest on loans

Total interest bearing liability costs expensed

TOTAL BORROWING COSTS EXPENSED

2018

2017

402

414

402

414

402

414

Accounting policy for 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 2018

Note 4. Expenses from continuing operations (continued)

\$ '000	2018	2017
(c) Materials and contracts		
Raw materials and consumables	103	95
Contractor and consultancy costs		
– Aged services	127	170
– Art Gallery and Community Centre	235	318
– Bushcare	366	410
– Childrens Services	151	139
– Cleansing	69	65
– Companion Animal Control	29	23
– Communications and Events	158	177
– Development assessment and urban planning	234	187
– Finance Contractors	47	44
– HR Contractors	1	21
– Infrastructure	2,327	2,476
– Internal audit	77	80
– Library	213	188
– Mosman Rider	221	194
– Parks, gardens and civic spaces	1,848	1,763
– Plant running	80	86
– Recreational facilities	679	808
– Structures	1,503	1,066
– Swim Centre Management	169	153
– Temp Staff and Agency Casuals	511	631
– Waste management	3,672	3,624
– Youth Services	23	31
– Other contractor and consultancy costs	86	113
Auditors remuneration ⁽²⁾	56	50
Infringement notice contract costs (SEINS)	350	409
Legal expenses:		
– Legal expenses: planning and development	257	247
– Legal expenses: Save Mosman campaign	55	475
– Legal expenses: other	168	191
Operating leases:		
– Operating lease rentals: minimum lease payments ⁽¹⁾	159	179
Printing	159	106
<u>TOTAL MATERIALS AND CONTRACTS</u>	<u>14,133</u>	<u>14,519</u>

Operating leases

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.

1. Operating lease payments are attributable to:

Computers	159	179
	<u>159</u>	<u>179</u>

Mosman Council

Notes to the Financial Statements
for the year ended 30 June 2018

Note 4. Expenses from continuing operations (continued)

\$ '000	2018	2017
(c) Materials and contracts (continued)		
2. Auditor remuneration		
During the year the following fees were paid or payable for services provided by the auditor of Council, related practices and non-related audit firms		
Auditors of the Council – NSW Auditor-General:		
(i) Audit and other assurance services		
Audit and review of financial statements	55	50
Remuneration for audit and other assurance services	55	50
Total Auditor-General remuneration	55	50
Non NSW Auditor-General audit firms:		
(i) Audit and other assurance services		
Other audit and assurance services	1	–
Remuneration for audit and other assurance services	1	–
Total remuneration of non NSW Auditor-General audit firms	1	–
Total Auditor remuneration	56	50
(d) Depreciation, amortisation and impairment		
Depreciation and amortisation		
Plant and equipment	186	204
Office equipment	70	103
Furniture and fittings	17	29
Land improvements (depreciable)	8	8
Infrastructure:		
– Buildings – non-specialised	592	530
– Buildings – specialised	668	281
– Roads	2,342	2,479
– Footpaths	246	266
– Stormwater drainage	413	388
– Other open space/recreational assets	754	965
Other assets:		
– Library books	236	255
– Other	4	4
Intangible assets	16	16
Total depreciation and amortisation costs	5,552	5,528

Buildings Specialised contains accelerated depreciation for Allan Border Pavilion \$342k vacated end FY18/19 pending demolition

Mosman Council

Notes to the Financial Statements for the year ended 30 June 2018

Note 4. Expenses from continuing operations (continued)

\$ '000	2018	2017
(d) Depreciation, amortisation and impairment (continued)		
Impairment / revaluation decrement of IPP&E		
Infrastructure	–	(1,223)
Total IPP&E impairment / revaluation decrement costs / (reversals)	–	(1,223)
TOTAL DEPRECIATION, AMORTISATION AND IMPAIRMENT / REVALUATION DECREMENT COSTS EXPENSED	5,552	4,305

Accounting policy for depreciation, amortisation and impairment expenses

Depreciation and amortisation

Depreciation and amortisation are calculated using the straight line method to allocate their cost, net of their residual values, over their estimated useful lives. Useful lives are included in Note 9 for IPPE assets and Note 11 for intangible assets.

Impairment of non-financial 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.

Impairment losses for revalued assets are firstly offset against the amount in the revaluation surplus for the class of asset, with only the excess to be recognised in the Income Statement.

Impairment of financial assets

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. 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.

Mosman Council

Notes to the Financial Statements for the year ended 30 June 2018

Note 4. Expenses from continuing operations (continued)

\$ '000	2018	2017
(e) Other expenses		
Advertising	217	182
Bad and doubtful debts	–	13
Bad and doubtful debts parking fines	147	482
Bank charges	148	170
Catering	104	79
Computer software charges	1,071	1,136
Contributions/levies to other levels of government		
– Department of planning levy	210	206
– Local Government NSW	36	34
– NSW fire brigade levy	921	939
– Waste levy	224	219
Councillor expenses – mayoral fee	39	41
Councillor expenses – councillors' fees	139	132
Councillors' expenses (incl. mayor) – other (excluding fees above)	11	21
Donations, contributions and assistance to other organisations (Section 356)	248	136
Electricity and heating	533	296
Equipment maintenance	15	14
Insurance	806	765
Leases – photocopiers	137	102
Leases – property	52	55
Postage	98	87
Street lighting	120	151
Subscriptions and publications	118	89
Telephone and communications	95	85
Waste disposal and recycling centre	550	681
Water	187	156
Other	285	218
<u>TOTAL OTHER EXPENSES</u>	<u>6,511</u>	<u>6,489</u>

Accounting policy for other expenses

Other expenses are recorded on an accruals basis as the Council receives the goods or services.

Mosman Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 5. Gains or losses from the disposal of assets

\$ '000	Notes	2018	2017
Property (excl. investment property)	9		
Proceeds from disposal – property		–	77
Net gain/(loss) on disposal		–	77
Plant and equipment	9		
Proceeds from disposal – plant and equipment		26	40
Less: carrying amount of plant and equipment assets sold/written off		(32)	(37)
Net gain/(loss) on disposal		(6)	3
Infrastructure	9		
Less: carrying amount of infrastructure assets sold/written off		(1,235)	(503)
Net gain/(loss) on disposal		(1,235)	(503)
Financial assets	6		
Proceeds from disposal/redemptions/maturities – financial assets		36,000	24,000
Less: carrying amount of financial assets sold/redeemed/matured		(36,000)	(24,000)
Net gain/(loss) on disposal		–	–
NET GAIN/(LOSS) ON DISPOSAL OF ASSETS		(1,241)	(423)

Accounting policy for disposal of assets

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

Note 6(a). Cash and cash equivalent assets

Cash and cash equivalents		
Cash on hand and at bank	993	940
Cash-equivalent assets		
– Deposits at call	2,000	700
– Short-term deposits	9,000	6,000
Total cash and cash equivalents	11,993	7,640

Accounting policy for 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.

Mosman Council

Notes to the Financial Statements for the year ended 30 June 2018

Note 6(b). Investments

\$ '000	2018	2018	2017	2017
	Current	Non-current	Current	Non-current
Investments				
'Held to maturity'	4,000	—	10,000	—
Total investments	4,000	—	10,000	—
<u>TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS</u>	<u>15,993</u>	<u>—</u>	<u>17,640</u>	<u>—</u>
Held to maturity investments				
Long term deposits	4,000	—	10,000	—
Total	4,000	—	10,000	—

Accounting policy for investments

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. 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.

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. Assets in this category are measured at amortised cost.

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. Investments 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.

Impairment of available for sale investments

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.

Mosman Council

Notes to the Financial Statements
for the year ended 30 June 2018

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

\$ '000	2018	2018	2017	2017
	Current	Non-current	Current	Non-current
Total cash, cash equivalents and investments	15,993	–	17,640	–
attributable to:				
External restrictions (refer below)	5,935	–	7,072	–
Internal restrictions (refer below)	8,936	–	9,085	–
Unrestricted	1,122	–	1,483	–
	15,993	–	17,640	–

\$ '000	2018	2017
Details of restrictions		
External restrictions – other		
Developer contributions – general	3,654	5,368
Specific purpose unexpended grants	684	179
Domestic waste management	1,597	1,525
External restrictions – other	5,935	7,072
Total external restrictions	5,935	7,072
Internal restrictions		
Plant and vehicle replacement	90	–
Employees leave entitlement	1,049	1,010
Deposits, retentions and bonds	3,200	5,000
Spit east erosion works	350	350
Swim centre	722	745
Balmoral promenade works	950	480
Capital works reserve	2,500	1,500
Other (Balmoral Shade Structure)	75	–
Total internal restrictions	8,936	9,085
TOTAL RESTRICTIONS	14,871	16,157

Mosman Council

Notes to the Financial Statements
for the year ended 30 June 2018

Note 7. Receivables

\$ '000	2018		2017	
	Current	Non-current	Current	Non-current
Purpose				
Rates and annual charges	471	144	504	144
Interest and extra charges	59	–	37	–
User charges and fees	1,999	–	1,277	–
Accrued revenues				
– Interest on investments	74	–	77	–
– Other income accruals	764	–	1,249	–
Government grants and subsidies	1,266	–	566	–
Loans to non-profit organisations	–	9	–	–
Net GST receivable	336	–	458	–
Total	4,969	153	4,168	144
Less: provision for impairment				
User charges and fees	(108)	–	(148)	–
Other debtors	(286)	–	(255)	–
Total provision for impairment – receivables	(394)	–	(403)	–
<u>TOTAL NET RECEIVABLES</u>	<u>4,575</u>	<u>153</u>	<u>3,765</u>	<u>144</u>
Externally restricted receivables				
Domestic waste management	155	–	152	–
Other				
– Other restricted receivables (VPA Debtor)	–	–	414	–
– Other restricted receivables (BLine Funding)	1,020	–	500	–
Total external restrictions	1,175	–	1,066	–
Unrestricted receivables	3,400	153	2,699	144
<u>TOTAL NET RECEIVABLES</u>	<u>4,575</u>	<u>153</u>	<u>3,765</u>	<u>144</u>
Movement in provision for impairment of receivables			2018	2017
Balance at the beginning of the year			403	344
+ new provisions recognised during the year			28	68
– amounts already provided for and written off this year			(37)	(10)
– amounts provided for but recovered during the year			–	1
Balance at the end of the year			394	403

Accounting policy for receivables**Recognition and measurement**

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 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.

Mosman Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 7. Receivables (continued)

Impairment

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.

Collectability of receivables is reviewed on an on-going 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. When a receivable for which an impairment allowance had been recognised becomes uncollectable 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.

Note 8. Inventories and other assets

\$ '000	2018		2017	
	Current	Non-current	Current	Non-current
(a) Inventories				
Inventories at cost				
Stores and materials	95	—	91	—
Trading stock	39	—	38	—
Total inventories at cost	134	—	129	—
<u>TOTAL INVENTORIES</u>	<u>134</u>	<u>—</u>	<u>129</u>	<u>—</u>
(b) Other assets				
Prepayments	59	—	198	—
<u>TOTAL OTHER ASSETS</u>	<u>59</u>	<u>—</u>	<u>198</u>	<u>—</u>

Externally restricted assets

There are no restrictions applicable to the above assets.

Mosman Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 8. Inventories and other assets (continued)

Accounting policy

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. 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.

Inventory held for distribution

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

Mosman Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 9. Infrastructure, property, plant and equipment

Asset class \$ '000	as at 30/6/2017			Asset movements during the reporting period								as at 30/6/2018		
	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount	Additions renewals	Additions new assets	Carrying value of disposals	Depreciation expense	WIP transfers	Adjustments and transfers	Revaluation decrements to equity (ARR)	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount
Capital work in progress	993	–	993	1,782	33	(16)	–	(522)	–	–	–	2,270	–	2,270
Plant and equipment	2,135	1,183	952	146	33	(31)	(186)	–	(164)	–	–	1,385	635	750
Office equipment	1,030	888	142	23	–	–	(70)	–	(6)	–	–	89	–	89
Furniture and fittings	354	272	82	17	–	–	(17)	–	–	–	–	337	255	82
Art collection	5,311	–	5,311	–	109	–	–	–	–	–	–	5,420	–	5,420
Land:														
– Operational land	113,024	–	113,024	–	–	–	–	–	(276)	–	39,408	152,156	–	152,156
– Community land	62,214	–	62,214	–	–	–	–	–	276	–	–	62,490	–	62,490
Land improvements – depreciable	772	116	656	48	–	–	(8)	–	–	–	–	820	124	696
Infrastructure:														
– Buildings – non-specialised	45,934	18,174	27,760	147	–	(509)	(592)	31	–	–	4,294	53,500	22,369	31,131
– Buildings – specialised	21,824	7,452	14,372	450	–	(23)	(668)	–	156	–	1,650	24,781	8,844	15,937
– Roads	214,182	96,673	117,509	1,436	81	(293)	(2,342)	80	164	(11,025)	–	190,984	85,374	105,610
– Footpaths	18,441	5,102	13,339	1,160	179	(146)	(246)	–	–	–	364	20,577	5,927	14,650
– Stormwater drainage	65,860	15,510	50,350	504	–	(68)	(413)	–	–	–	–	66,136	15,763	50,373
– Other open space/recreational assets	47,194	17,250	29,944	2,646	1,005	(181)	(754)	411	(150)	(221)	–	50,822	18,122	32,700
Other assets:														
– Heritage collections	23	10	13	–	–	–	–	–	–	–	–	13	–	13
– Library books	2,598	1,826	772	252	–	–	(236)	–	–	–	–	1,913	1,125	788
– Other	60	17	43	–	–	–	(4)	–	–	–	–	49	10	39
<u>TOTAL INFRASTRUCTURE, PROPERTY, PLANT AND EQUIP.</u>	601,949	164,473	437,476	8,611	1,440	(1,267)	(5,536)	–	–	(11,246)	45,716	633,742	158,548	475,194

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

Mosman Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 9. Infrastructure, property, plant and equipment (continued)

Accounting policy for infrastructure, property, plant and equipment

Infrastructure, property, plant and equipment are held at fair value. Independent valuations are performed at least every five years, however the carrying amount of assets is assessed at each reporting date to confirm that it is not materially different from current fair value.

Water and sewerage network assets are indexed at each reporting period in accordance with the Rates Reference Manual issued by Crown Lands and Water (CLAW).

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.

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	Years	Other equipment	Years
Office equipment	5 to 10	Playground equipment	5 to 15
Office furniture	10 to 20	Benches, seats etc.	10 to 20
Computer equipment	4		
Vehicles	5 to 8	Buildings	
Heavy plant/road making equipment	5 to 8	Buildings: masonry	50 to 100
Other plant and equipment	5 to 15	Buildings: other	20 to 40
Water and sewer assets		Stormwater assets	
Dams and reservoirs	80 to 100	Drains	80 to 100
Bores	20 to 40	Culverts	50 to 80
Reticulation pipes: PVC	70 to 80	Flood control structures	80 to 100
Reticulation pipes: other	25 to 75		
Pumps and telemetry	15 to 20		
Transportation assets		Other infrastructure assets	
Sealed roads: surface	20	Bulk earthworks	20
Sealed roads: structure	50	Swimming pools	50
Unsealed roads	20	Unsealed roads	20
Bridge: concrete	100	Other open space/recreational assets	20
Bridge: other	50	Other infrastructure	20
Road pavements	60		
Kerb, gutter and footpaths	40		

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.

Mosman Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 9. Infrastructure, property, plant and equipment (continued)

Accounting policy for infrastructure, property, plant and equipment (continued)

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 and Equipment.

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.

Note 10. Investment property

\$ '000	2018	2017
(a) Investment property at fair value		
<u>Investment property on hand</u>	<u>46,950</u>	<u>46,695</u>
Reconciliation of annual movement:		
Opening balance	46,695	44,963
– Capitalised expenditure – this year	66	12
– Net gain/(loss) from fair value adjustments	189	1,720
CLOSING BALANCE – INVESTMENT PROPERTY	<u>46,950</u>	<u>46,695</u>

(b) Valuation basis

The basis of valuation of investment property is fair value, being the amounts for which the properties could be exchanged between willing parties in arms length transaction, based on current prices in an active market for similar properties in the same location and condition and subject to similar leases.

The 2018 revaluations were based on independent assessments made by:
Scott Fullarton Valuations Pty Ltd Registered Valuer No. 2144

Mosman Council

Notes to the Financial Statements for the year ended 30 June 2018

Note 10. Investment property (continued)

\$ '000	2018	2017
(c) Contractual obligations at reporting date		
Refer to Note 17 for disclosures relating to any capital and service obligations that have been contracted.		
(d) Leasing arrangements – Council as lessor		
The investment property are leased to tenants under long-term operating leases with rentals payable monthly.		
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	1,908	1,846
Later than 1 year but less than 5 years	3,222	4,412
Later than 5 years	390	414
Total minimum lease payments receivable	5,520	6,672

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.

(e) Investment property income and expenditure – summary

Rental income from investment property:		
– Minimum lease payments	1,861	1,875
Direct operating expenses on investment property:		
– that generated rental income	(23)	(220)
Net revenue contribution from investment property	1,838	1,655
plus:		
Fair value movement for year	189	1,720
Total income attributable to investment property	2,027	3,375

Accounting policy for investment property

Investment property is held for long-term rental yields and is not occupied by the Council. Changes in fair values are recorded in the income statement as part of other income.

Mosman Council

Notes to the Financial Statements for the year ended 30 June 2018

Note 11. Intangible assets

\$ '000	2018	2017
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)	(125)	(110)
Net book value – opening balance	267	282
Movements for the year		
– Amortisation charges	(15)	(15)
Closing values:		
Gross book value (30/6)	392	392
Accumulated amortisation (30/6)	(140)	(125)
<u>TOTAL INTANGIBLE ASSETS – NET BOOK VALUE</u> ¹	<u>252</u>	<u>267</u>

¹ The net book value of intangible assets represent:

– rights to participate in Kimbriki Environmental Enterprises Pty Ltd	251	267
	252	267

Accounting policy for intangible assets

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

Mosman Council

Notes to the Financial Statements
for the year ended 30 June 2018

Note 12. Payables and borrowings

\$ '000	2018		2017	
	Current	Non-current	Current	Non-current
Payables				
Goods and services – operating expenditure	1,075	–	1,637	–
Goods and services – capital expenditure	1,540	–	1,315	–
Accrued expenses:				
– Borrowings	48	–	37	–
– Salaries and wages	56	–	53	–
– Other expenditure accruals	49	–	–	–
Security bonds, deposits and retentions	7,858	–	8,027	–
Total payables	10,626	–	11,069	–
Income received in advance				
Payments received in advance	612	–	596	–
Total income received in advance	612	–	596	–
Borrowings				
Loans – secured ¹	1,383	5,954	1,429	6,790
Total borrowings	1,383	5,954	1,429	6,790
TOTAL PAYABLES AND BORROWINGS	12,621	5,954	13,094	6,790

(a) Payables and borrowings relating to restricted assets

	2018		2017	
	Current	Non-current	Current	Non-current
Externally restricted assets				
Domestic waste management	288	–	256	–
Current borrowings funded by S94	277	–	187	–
Payables and borrowings relating to externally restricted assets	565	–	443	–
Total payables and borrowings relating to restricted assets	565	–	443	–
Total payables and borrowings relating to unrestricted assets	12,056	5,954	12,651	6,790
TOTAL PAYABLES AND BORROWINGS	12,621	5,954	13,094	6,790

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 19.

Mosman Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 12. Payables and borrowings (continued)

\$ '000	2018	2017
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(b) Current payables and borrowings not anticipated to be settled within the next twelve months

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

Payables – security bonds, deposits and retentions	6,330	6,271
	6,330	6,271

(c) Changes in liabilities arising from financing activities

Class of borrowings	2017	Non-cash changes				2018
	Opening balance as at 1/7/17	Cash flows	Acquisition	Fair value changes	Other non-cash movements	Closing balance as at 30/6/18
Loans – secured	8,219	(882)	–	–	–	7,337
TOTAL	8,219	(882)	–	–	–	7,337

\$ '000	2018	2017
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(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

Undrawn facilities as at balance date:

– Bank overdraft facilities	90	90
– Credit cards/purchase cards	55	55
Total undrawn financing arrangements	145	145

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

Mosman Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 12. Payables and borrowings (continued)

Accounting policy for payables and borrowings

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.

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.

Mosman Council

Notes to the Financial Statements
for the year ended 30 June 2018

Note 13. Provisions

\$ '000	2018		2017	
	Current	Non-current	Current	Non-current
Provisions				
Employee benefits:				
Annual leave	1,673	–	1,760	–
Long service leave	3,297	277	3,020	251
<u>TOTAL PROVISIONS</u>	<u>4,970</u>	<u>277</u>	<u>4,780</u>	<u>251</u>

(a) Provisions relating to restricted assets

	2018		2017	
	Current	Non-current	Current	Non-current
Externally restricted assets				
Domestic waste management	155	–	256	–
Total provisions relating to restricted assets	155	–	256	–
Total provisions relating to unrestricted assets	4,815	277	4,524	251
<u>TOTAL PROVISIONS</u>	<u>4,970</u>	<u>277</u>	<u>4,780</u>	<u>251</u>

\$ '000	2018	2017
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(b) Current provisions not anticipated to be settled within the next twelve months

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

Provisions – employees benefits	3,249	3,311
	<u>3,249</u>	<u>3,311</u>

Mosman Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 13. Provisions (continued)

Accounting policy for 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.

Employee benefits

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.

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.

Mosman Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 14. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors

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.

Note 15. Statement of cash flows – additional information

\$ '000	Notes	2018	2017
(a) Reconciliation of cash assets			
Total cash and cash equivalent assets	6a	11,993	7,640
Balance as per the Statement of Cash Flows		11,993	7,640
(b) Reconciliation of net operating result to cash provided from operating activities			
Net operating result from Income Statement		3,774	7,528
Adjust for non-cash items:			
Depreciation and amortisation		5,552	5,528
Net losses/(gains) on disposal of assets		1,241	423
Non-cash capital grants and contributions		(59)	(64)
Reversal of prior year IPP&E revaluation decrements / impairment previously costed direct to the P&L		–	(1,223)
Losses/(gains) recognised on fair value re-measurements through the P&L:			
– investment property		(189)	(1,720)
– Revaluation decrements / impairments of IPP&E direct to P&L		–	–
Share of net (profits) or losses of associates/joint ventures		(155)	82
+/- Movement in operating assets and liabilities and other cash items:			
Decrease/(increase) in receivables		(810)	(406)
Increase/(decrease) in provision for doubtful debts		(9)	59
Decrease/(increase) in inventories		(5)	19
Decrease/(increase) in other assets		139	29
Increase/(decrease) in payables		(562)	(107)
Increase/(decrease) in accrued interest payable		11	1
Increase/(decrease) in other accrued expenses payable		52	53
Increase/(decrease) in other liabilities		(153)	956
Increase/(decrease) in employee leave entitlements		216	137
Net cash provided from/(used in) operating activities from the Statement of Cash Flows		9,043	11,295
(c) Non-cash investing and financing activities			
Other dedications artworks		59	64
Total non-cash investing and financing activities		59	64

Mosman Council

Notes to the Financial Statements
for the year ended 30 June 2018

Note 16. Interests in other entities

\$ '000

	Council's share of net income		Council's share of net assets	
	2018	2017	2018	2017
Joint ventures	(9)	(1)	10	23
Associates	164	(81)	956	793
Total	155	(82)	966	816

(a) Joint arrangements

(i) Joint ventures

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

(a) Net carrying amounts – Council's share

Name of entity	Nature of relationship	Measurement method	2018	2017
Shorelink Library Network	Joint Venture	Equity	10	23
Total carrying amounts – material joint ventures			10	23

(b) Details

Name of entity	Principal activity	Place of business
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	
	2018	2017	2018	2017	2018	2017
Shorelink Library Network	17%	10%	23%	17%	25%	20%

(d) Summarised financial information for joint ventures

	Shorelink Library Network	
Statement of financial position	2018	2017
Current assets		
Cash and cash equivalents	141	224
Other current assets	10	7
Non-current assets	2	8
Current liabilities		
Other current liabilities	111	102
Net assets	42	137

Mosman Council

Notes to the Financial Statements
for the year ended 30 June 2018

Note 16. Interests in other entities (continued)

\$ '000

(a) Joint arrangements (continued)

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

	Shorelink Library Network	
	2018	2017
Reconciliation of the carrying amount		
Opening net assets (1 July)	137	139
Profit/(loss) for the period	(55)	(2)
Other (distribution to Willoughby Council, former member)	(40)	–
Closing net assets	42	137
Council's share of net assets (%)	22.6%	17.1%
Council's share of net assets (\$)	10	23
Statement of comprehensive income		
Income	577	646
Depreciation and amortisation	(3)	(5)
Other expenses	(628)	(647)
Profit/(loss) for period	(54)	(2)
Total comprehensive income	(54)	(2)
Share of income – Council (%)	17.2%	9.8%
Profit/(loss) – Council (\$)	(9)	(0)
Total comprehensive income – Council (\$)	(9)	(0)
Summarised Statement of cash flows		
Cash flows from operating activities	(42)	5
Cash flows from investing activities	(40)	(2)
Net increase (decrease) in cash and cash equivalents	(82)	3

Accounting policy for joint arrangements

The Council has determined that it has only joint ventures

Joint ventures

Interests in joint ventures are accounted for using the equity method in accordance with AASB128 Investments in *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 joint venture 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.

Mosman Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 16. Interests in other entities (continued)

\$ '000

(b) Associates

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

(a) Net carrying amounts – Council's share

Name of entity	Nature of relationship	Measurement method	2018	2017
Kimbriki Environmental Enterprises P/L	Associate	Equity	956	793
Total carrying amounts – material associates			956	793

(b) Details

Name of entity	Principal activity	Place of business
Kimbriki Environmental Enterprises P/L	Waste Management and Disposal	Terrey Hills, NSW

(c) Relevant interests and fair values

Name of entity	Interest in outputs		Interest in ownership		Proportion of voting power	
	2018	2017	2018	2017	2018	2017
Kimbriki Environmental Enterprises P/L	4%	4%	4%	4%	50%	25%

(d) Summarised financial information for associates

	Kimbriki Environmental Enterprises P/L	
	2018	2017
Statement of financial position		
Current assets		
Cash and cash equivalents	2,633	14,016
Other current assets	16,631	4,001
Non-current assets	17,726	15,478
Current liabilities		
Other current liabilities	5,430	7,528
Non-current liabilities		
Non-current financial liabilities (excluding trade and other payables and provisions)	6,657	5,326
Net assets	24,903	20,641
Reconciliation of the carrying amount		
Opening net assets (1 July)	20,641	22,761
Profit/(loss) for the period	4,262	(2,120)
Closing net assets	24,903	20,641
Council's share of net assets (%)	3.8%	3.8%
Council's share of net assets (\$)	956	793

Mosman Council

Notes to the Financial Statements for the year ended 30 June 2018

Note 16. Interests in other entities (continued)

\$ '000

(b) Associates (continued)

(d) Summarised financial information for associates (continued)

	Kimbriki Environmental Enterprises P/L	
	2018	2017
Statement of comprehensive income		
Income	35,254	36,452
Interest income	146	155
Depreciation and amortisation	(1,268)	(1,595)
Other expenses	(29,870)	(37,132)
Profit/(loss) for period	4,262	(2,120)
Total comprehensive income	4,262	(2,120)
Share of income – Council (%)	3.8%	3.8%
Profit/(loss) – Council (\$)	164	(81)
Total comprehensive income – Council (\$)	164	(81)

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

Council has no day to day access to cash or investments of Kimbriki. 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

Accounting policy for associates

Interests in associates are accounted for using the equity method in accordance with AASB128 Investments in *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 an associate equals or exceeds its interest in the associate, the Council discontinues recognising its share of further losses.

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

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

Mosman Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 17. Commitments for expenditure

\$ '000	2018	2017
(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	1,704	679
Other (Capital Works)	836	–
Total commitments	2,540	2,136
These expenditures are payable as follows:		
Within the next year	2,540	2,136
Total payable	2,540	2,136
Sources for funding of capital commitments:		
Unrestricted general funds	458	977
Unexpended grants	1,704	679
Externally restricted reserves	378	–
Internally restricted reserves	–	480
Total sources of funding	2,540	2,136

Details of capital commitments

Unspent grants comprise \$1,161k to be spent on Spit East shared zone, further \$187k RMS grant Spit erosion a \$185k grant for Library Upgrade, \$150k netball courts and \$20k for art storage Capital Contracts signed let not performed are \$425k for Balmoral Promenade, \$378k for Balmoral Turning Boards and \$34k for a Low Voltage power cabinet

(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	199	192
Later than one year and not later than 5 years	254	163
Total non-cancellable operating lease commitments	453	355

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 2018

Note 18. Contingencies and other liabilities/assets not recognised

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.

LIABILITIES NOT RECOGNISED:

1. Guarantees

(i) 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.

(ii) 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.

(iii) 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) Potential land acquisitions due to planning restrictions imposed by Council

Council has classified a number of privately owned land parcels as local open space or bushland.

As a result, where notified in writing by the various owners, Council will be required to purchase these land parcels.

At reporting date, reliable estimates as to the value of any potential liability (and subsequent land asset) from such potential acquisitions has not been possible.

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 2018

Note 19. 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.

The fair value of Council's financial assets and financial liabilities approximates their carrying amount.

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

Council's finance area manages the cash and Investments portfolio with the assistance of independent advisors.

Council has an investment policy which complies with the *Local Government Act 1993* and Ministerial Investment Order 625. This policy is regularly reviewed by Council and its staff and a monthly Investment report is provided to Council setting out the make-up and performance of the portfolio as required by Local Government regulations.

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
2018				
Possible impact of a 1% movement in interest rates	175	175	(175)	(175)
2017				
Possible impact of a 1% movement in interest rates	177	177	(177)	(177)

Mosman Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 19. 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 and carries out credit checks on most non-rate debtors.

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

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

	2018 Rates and annual charges	2018 Other receivables	2017 Rates and annual charges	2017 Other receivables
(i) Ageing of receivables – %				
Current (not yet overdue)	0%	70%	0%	62%
Overdue	100%	30%	100%	38%
	100%	100%	100%	100%
(ii) Ageing of receivables – value				
Rates and annual charges			2018	2017
< 1 year overdue			674	685
			615	648
Other receivables				
Current			3,135	2,259
0 – 30 days overdue			633	1,006
31 – 60 days overdue			111	33
61 – 90 days overdue			16	7
> 91 days overdue			612	359
			4,507	3,664

Mosman Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 19. 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.

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 by borrowing long term and fixing the interest rate on a 4-year renewal basis. The Finance Section regularly reviews interest rate movements to determine if it would be advantageous to refinance or renegotiate part or all of the loan portfolio.

The contractual undiscounted cash outflows (ie. principal and interest) of Council's payables and borrowings are set out in the maturity table below:

\$ '000	Weighted average interest rate	Subject to no maturity	≤ 1 Year	payable in:		Total cash outflows	Actual carrying values
				1 – 5 Years	> 5 Years		
2018							
Trade/other payables	0.00%	7,858	2,768	–	–	10,626	10,626
Loans and advances	5.25%	–	1,722	5,234	1,558	8,514	7,337
Total financial liabilities		7,858	4,490	5,234	1,558	19,140	17,963
2017							
Trade/other payables	0.00%	8,027	3,042	–	–	11,069	11,069
Loans and advances	5.96%	–	1,820	5,702	2,169	9,691	8,219
Total financial liabilities		8,027	4,862	5,702	2,169	20,760	19,288

Mosman Council

Notes to the Financial Statements for the year ended 30 June 2018

Note 20. Material budget variations

\$ '000

Council's original financial budget for 17/18 was adopted by the Council on 06 June 2017 and is not required to be audited.

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	2018 Budget	2018 Actual	2018 ----- Variance* -----		
REVENUES					
Rates and annual charges	26,173	26,404	231	1%	F
User charges and fees	10,818	10,908	90	1%	F
Interest and investment revenue	467	508	41	9%	F
Other revenues	5,022	5,270	248	5%	F
Operating grants and contributions	2,329	3,278	949	41%	F
Postive variance is due to VPA contribution \$466k budgeted in User Fees and Road to Recovery grant budgeted in Capital Grants					
Capital grants and contributions	2,055	2,685	630	31%	F
Large positive variance is due to BLINE grant of \$1,000k offset by lower than budgeted S7.12 receipts					
Fair value increment on investment property	–	189	189	0%	F
Joint ventures and associates - net profits	–	155	155	0%	F

Mosman Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 20. Material budget variations (continued)

\$ '000	2018 Budget	2018 Actual	2018 ----- Variance* -----	
EXPENSES				
Employee benefits and on-costs	18,238	17,784	454	2% F
Borrowing costs	403	402	1	0% F
Materials and contracts	14,413	14,133	280	2% F
Depreciation and amortisation	5,403	5,552	(149)	(3%) U
Other expenses	6,169	6,511	(342)	(6%) U
Net losses from disposal of assets	—	1,241	(1,241)	0% U
Council did not budget for disposal of renewed assets in initial FY17/18 or prior budgets. The actual figure includes a one-off \$503k figure for disposal of Balmoral Child Care Centre. Refer to Note 9 for details.				
Revaluation decrement / impairment of IPP&E	—	—	—	0% F
Council did not budget for revaluation decrement to sea-baths and jetties.				
Budget variations relating to Council's Cash Flow Statement include:				
Cash flows from operating activities	7,935	9,043	1,108	14.0% F
\$1,000k favourable variance due mainly to unbudgeted BLINE grant				
Cash flows from investing activities	(8,462)	(3,808)	4,654	(55.0%) F
Unbudgeted net \$6M inflow due to longer-term term deposits. This is reclassifying assets and does not mean Councils has more cash. A more meaningful comparison is the line item "Purchase of Infrastructure...". \$9,768k outflow compared to \$10,462k budget.				
Cash flows from financing activities	(1,025)	(882)	143	(14.0%) F
Small difference due to refinancing of some loans with different installment dates				

Mosman Council

Notes to the Financial Statements for the year ended 30 June 2018

Note 21. 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:

		Fair value measurement hierarchy			
2018		Level 1	Level 2	Level 3	Total
	Date	Quoted	Significant	Significant	
	of latest	prices in	observable	unobservable	
	valuation	active mkts	inputs	inputs	
Recurring fair value measurements					
Investment property					
Retail, commercial office and residential	30/06/18	—	46,950	—	46,950
Total investment property		—	46,950	—	46,950
Infrastructure, property, plant and equipment					
Plant and equipment	30/06/18	—	—	750	750
Office equipment	30/06/18	—	—	89	89
Furniture and fittings	30/06/18	—	—	82	82
Art collection	30/06/17	—	—	5,420	5,420
Operational land	30/06/18	—	—	152,156	152,156
Community land	30/06/17	—	—	62,490	62,490
Land improvements – depreciable	30/06/18	—	—	696	696
Buildings non-specialised	30/06/18	—	—	31,131	31,131
Buildings specialised	30/06/18	—	—	15,937	15,937
Roads	30/06/18	—	—	105,610	105,610
Footpaths	30/06/18	—	—	14,650	14,650
Stormwater drainage	30/06/13	—	—	50,373	50,373
Other open space/recreational assets	30/06/16	—	—	32,700	32,700
Heritage collections	30/06/18	—	—	13	13
Library books	30/06/18	—	—	788	788
Other assets	30/06/18	—	—	39	39
Total infrastructure, property, plant and equipment		—	—	472,924	472,924

Mosman Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 21. Fair value measurement (continued)

\$ '000

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

2017	Date	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 property					
Retail, commercial office and residential	30/06/17	—	46,695	—	46,695
Total investment property		—	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

(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 2018

Note 21. 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 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 2018 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 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 2018

Note 21. Fair value measurement (continued)

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 2018 and was performed by Scott Fullarton Valuations Pty Ltd, Director Scott Fullarton, FAPI, Certified Practicing 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.

Buildings: Non-Specialised and Specialised

Buildings were valued by professionally qualified Registered Valuers from Scott Fullarton Valuations Pty Ltd in July 2017. The approach estimated the replacement cost of each building, componentised significant parts with different useful lives and took into account a range of factors. The unit rates could be supported by market

Mosman Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 21. Fair value measurement (continued)

evidence (Level 2 inputs), other inputs (such as estimates of residual value, useful life and asset condition) required extensive professional judgement and impacted significantly on the final determination of fair value. As such, these assets have been valued using Level 3 inputs.

Non specialised buildings used the market approach and specialised building used the cost approach.

Inputs include:

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

Typical useful lives and unit rates (includes overheads):

Buildings Asset Component	Average Useful Life (Years)	Average Unit Rate FY17/18	Average Unit Rate FY16/17
Amenities/Public Toilets – Structure	78	\$127,467/each	\$110,323/each
Council Offices – Structure	95	\$6,330,480/each	\$5,490,030/each
Amenities/Public Toilets – Roof	50	\$46,731/each	\$40,509/each
Childcare Centres – Roof	47	\$114,300/each	\$97,600/each
Multistorey Carparks – Services	20	\$1,190,200/each	\$1,032,200/each
Community and Cultural Centres – Fixtures and Fittings	20	\$287,943/each	\$249,709/each

Public Roads, Footpaths and Carparks

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

Gross replacement cost for road assets were valued by professionally qualified Registered Valuers from AssetVal Pty Ltd in June 2018. Due to the specialised nature of roads assets, valuations were undertaken predominately using the cost approach. Unit rates include all materials, labour and overheads and were estimated from inputs including similar projects costs, direct quotations, unit rate databases and published cost guides. The unit rates have been tailored to suit Mosman. The cost approach is deemed a level 3 input.

The condition and useful lives of the assets were assessed and calculated based on site inspections, observed asset performance and professional engineering judgment.

In this reporting period, condition inspections were carried out on the following road asset types:

- Road Pavements
- Footpaths and Steps
- Kerb and Gutter
- Retaining Walls
- Fences/Handrails
- Physical Traffic Devices
- Lines and Signs
- Car Parks

Typical useful lives and unit rates (includes overheads):

Mosman Council

Notes to the Financial Statements for the year ended 30 June 2018

Note 21. Fair value measurement (continued)

Public Road and Footpath Asset Component	Useful Life (Years)	Unit Rate FY 17/18	Unit Rate FY 16/17
Concrete Road Pavement (Reinforced 200mm thick)	120	\$242/m ²	\$181/m ²
Asphalt Road Pavement (50AC)	50	\$52/m ²	\$82/m ²
Sandstone Kerb & Gutter	90	\$495/m	\$295/m
Concrete Roundabout	40	\$305/m ²	\$360/m ²
Gabion Retaining Wall	150	608/m ²	630/m ²
Double Barrier Line	5	\$2/m	\$0.72/m
'Warning' Traffic Sign	15	\$396/each	\$141.75/each
Concrete Footpath (75 mm thick)	90	\$95/m ²	\$73.9/m ²
Asphalt Footpath (25 mm thick)	40	\$68/m ²	\$36.58/m ²

Carpark Asset Component	Useful Life (Years)	Unit Rate FY 17/18	Unit Rate FY 16/17
Lane and Parking Space Line Marking	5	\$2/m	\$1.03/m
Pay and Display Machine	20	\$12,100/each	\$8,600/each
Kerb Wheelstops (Timber)	15	\$176/m	\$160/m

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

Mosman Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 21. Fair value measurement (continued)

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 APV Valuer and Asset Management Pty Ltd as at 1 July 2017 in accordance with accepted Australian Accounting Standards. Unit rates for marine assets were estimated using construction costs from recent projects, APV databases, Rawlinson's Construction Guide, bench marking and costs from first principals. They were then adjusted for condition and comparability.

The condition, useful lives and remaining useful lives of the assets were assessed and calculated by APV Valuer and Asset Management Pty Ltd based on site observations.

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, professional knowledge and history of local issues. Unit rates for parks and open space assets were estimated based on Complete Urban's industry experience. Useful lives were updated to reflect current asset performance. The gross replacement costs were increased by CPI each year where current contract rates were not available. Regular inventory and condition audits have been undertaken by experience Council Officers.

Fair values for Open Space assets have been generated on the cost approach.

Typical useful lives and unit rates (includes overheads):

Open Space/Recreational and Other Structures Asset Component	Useful Life (Years)	Unit Rate 17/18	Unit Rate 16/17
Timber Deck	46	\$450/m ²	\$450/m ²
Concrete Deck	65	\$800/m ²	\$550/m ²
Concrete/Sandstone Seawall	59	\$2,230/m	\$1,000-\$2,500/m
Steel Turning Board	19	\$60,000/each	\$55,000/each
Oval Lights	25	\$45,716/each	\$45,716/each
Park ID Signs	30	\$6640/each	\$6640/each
Cenotaph	200	\$91,432/each	\$91,432/each
Dinghy Racks Steel	25	\$17,143/each	\$17,143/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.

Mosman Council

Notes to the Financial Statements for the year ended 30 June 2018

Note 21. Fair value measurement (continued)

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 2018

Note 21. 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 – 1/7/16	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
Transfers from/(to) another asset class	(164)	–	–	–	(164)
Purchases (GBV)	179	23	16	109	327
Disposals (WDV)	(31)	(6)	–	–	(37)
Depreciation and impairment	(186)	(70)	(17)	–	(273)
Closing balance – 30/6/18	750	89	82	5,420	6,341

	Operational land	Community land	Land improve- ments depreciable	Buildings non- specialised	Total
Opening balance – 1/7/16	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
Transfers from/(to) another asset class	(276)	276	–	31	31
Purchases (GBV)	–	–	48	147	195
Disposals (WDV)	–	–	–	(509)	(509)
Depreciation and impairment	–	–	(8)	(592)	(600)
FV gains – other comprehensive income	39,408	–	–	4,294	43,702
Closing balance – 30/6/18	152,156	62,490	696	31,131	246,473

Mosman Council

Notes to the Financial Statements
for the year ended 30 June 2018

Note 21. 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 – 1/7/16	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
Transfers from/(to) another asset class	156	–	244	–	400
Purchases (GBV)	450	–	1,517	1,339	3,306
Disposals (WDV)	(23)	–	(293)	(146)	(462)
Depreciation and impairment	(668)	–	(2,342)	(246)	(3,256)
FV gains – other comprehensive income	1,650	–	(11,025)	364	(9,011)
Closing balance – 30/6/18	15,937	–	105,610	14,650	136,197

	Stormwater drainage	Other open space recreational	Heritage collections	Library books	Total
Opening balance – 1/7/16	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
Transfers from/(to) another asset class	–	261	–	–	261
Purchases (GBV)	504	3,651	–	252	4,407
Disposals (WDV)	(68)	(181)	–	–	(249)
Depreciation and impairment	(413)	(754)	–	(236)	(1,403)
FV gains – other comprehensive income	–	(221)	–	–	(221)
Closing balance – 30/6/18	50,373	32,700	13	788	83,874

Mosman Council

Notes to the Financial Statements for the year ended 30 June 2018

Note 21. 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 – 1/7/16	47	47
Depreciation and impairment	(4)	(4)
Closing balance – 30/6/17	43	43
Depreciation and impairment	(4)	(4)
Closing balance – 30/6/18	39	39

(5). Highest and best use

All of Council's non-financial assets are considered as being utilised for their highest and best use.

Mosman Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 22. Related party transactions

\$ '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. There are no related party transactions aside from compensation. Compensation is remuneration packages for management and Councillor fees.

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

Compensation:	2018	2017
Short-term benefits	1,352	1,408
Other long-term benefits	39	6
Total	1,391	1,414

Mosman Council

Notes to the Financial Statements for the year ended 30 June 2018

Note 23. Events occurring after the reporting date

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

Mosman Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 24. Statement of developer contributions

\$ '000

Under the *Environmental Planning and Assessment Act 1979*, Council has significant obligations to provide Section 7.11 (contributions towards provision or improvement of amenities or services) infrastructure in new release areas.

It is possible that the funds contributed may be less than the cost of this infrastructure, requiring Council to borrow or use general revenue to fund the difference.

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					
S7.12 levies – under a plan	5,368	1,093	–	121	(2,928)	–	3,654	–
Total S7.11 and S7.12 revenue under plans	5,368	1,093	–	121	(2,928)	–	3,654	–
S7.4 planning agreements	414	466	–	–	(880)	–	–	–
Total contributions	5,782	1,559	–	121	(3,808)	–	3,654	–

S7.12 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	5,368	1,093	–	121	(2,928)	–	3,654	–
Total	5,368	1,093	–	121	(2,928)	–	3,654	–

Mosman Council

Notes to the Financial Statements
for the year ended 30 June 2018

Note 25(a). Statement of performance measures – consolidated results

\$ '000	Amounts 2018	Indicator 2018	Prior periods		Benchmark
			2017	2016	
Local government industry indicators – consolidated					
1. Operating performance ratio					
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions less operating expenses	<u>1,986</u>	4.28%	6.22%	1.96%	> 0.00%
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions	<u>46,368</u>				
2. Own source operating revenue ratio					
Total continuing operating revenue ⁽¹⁾ excluding all grants and contributions	<u>43,090</u>	87.84%	87.69%	88.61%	> 60.00%
Total continuing operating revenue ⁽¹⁾	<u>49,053</u>				
3. Unrestricted current ratio					
Current assets less all external restrictions ⁽²⁾	<u>13,651</u>	1.87x	1.79x	1.29x	> 1.5x
Current liabilities less specific purpose liabilities ^(3, 4)	<u>7,292</u>				
4. Debt service cover ratio					
Operating result ⁽¹⁾ before capital excluding interest and depreciation/impairment/amortisation	<u>7,940</u>	4.71x	4.09x	2.81x	> 2x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	<u>1,684</u>				
5. Rates, annual charges, interest and extra charges outstanding percentage					
Rates, annual and extra charges outstanding	<u>674</u>	2.48%	2.59%	2.26%	< 5% metro
Rates, annual and extra charges collectible	<u>27,147</u>				
6. Cash expense cover ratio					
Current year's cash and cash equivalents plus all term deposits	<u>15,993</u>	4.22 mths	4.7 mths	4.2 mths	> 3 mths
Monthly payments from cash flow of operating and financing activities	<u>3,787</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 Notes 12 and 13.

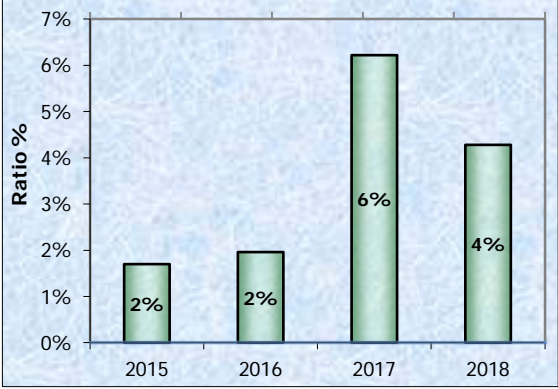
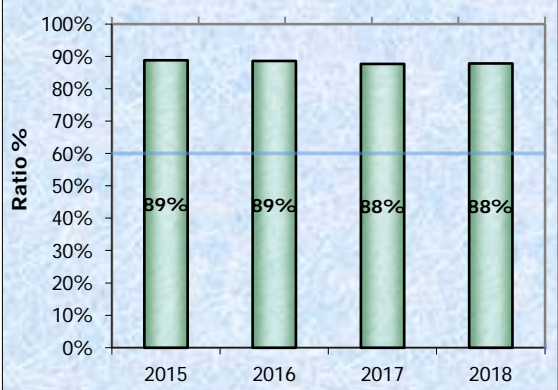
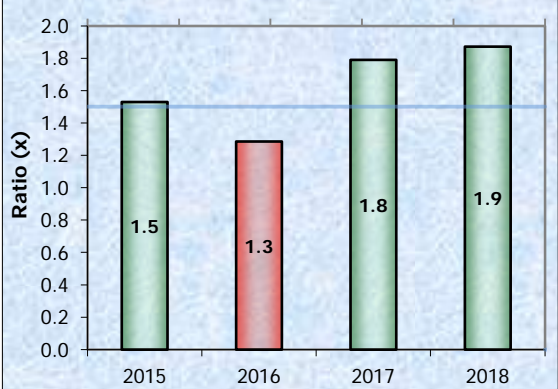
⁽⁴⁾ Refer to Note 12(b) and 13(b) – excludes all payables and provisions not expected to be paid in the next 12 months (incl. ELE).

END OF AUDITED FINANCIAL STATEMENTS

Mosman Council

Notes to the Financial Statements for the year ended 30 June 2018

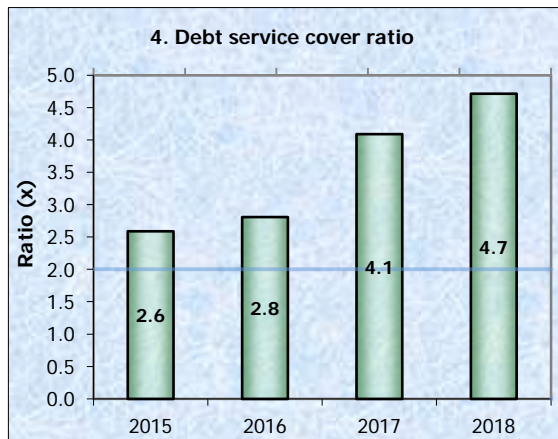
Note 25(b). Statement of performance measures – consolidated results (graphs)

<p>1. Operating performance ratio</p>  <p>Benchmark: — Minimum $\geq 0.00\%$ Source for benchmark: Code of Accounting Practice and Financial Reporting #26</p>	<p>Purpose of operating performance ratio</p> <p>This ratio measures Council's achievement of containing operating expenditure within operating revenue.</p>	<p>Commentary on 2017/18 result</p> <p>2017/18 ratio 4.28%</p> <p>A stronger than expected result due to one-off greater than expected operating grants and savings compared to budget on employee expenses</p>
<p>2. Own source operating revenue ratio</p>  <p>Benchmark: — Minimum $\geq 60.00\%$ Source for benchmark: Code of Accounting Practice and Financial Reporting #26</p>	<p>Purpose of own source operating revenue ratio</p> <p>This ratio measures fiscal flexibility. It is the degree of reliance on external funding sources such as operating grants and contributions.</p>	<p>Commentary on 2017/18 result</p> <p>2017/18 ratio 87.84%</p> <p>Comfortably exceeds the benchmark and is consistent with trend of previous years</p>
<p>3. Unrestricted current ratio</p>  <p>Benchmark: — Minimum ≥ 1.50 Source for benchmark: Code of Accounting Practice and Financial Reporting #26</p>	<p>Purpose of unrestricted current ratio</p> <p>To assess the adequacy of working capital and its ability to satisfy obligations in the short term for the unrestricted activities of Council.</p>	<p>Commentary on 2017/18 result</p> <p>2017/18 ratio 1.87x</p> <p>Comfortably exceeds the benchmark. Prior year show Council can manage with a lower than benchmark result</p>

Mosman Council

Notes to the Financial Statements
for the year ended 30 June 2018

Note 25(b). Statement of performance measures – consolidated results (graphs)

Benchmark: — Minimum ≥ 2.00

Source for benchmark: Code of Accounting Practice and Financial Reporting #26

Purpose of debt service cover ratio

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

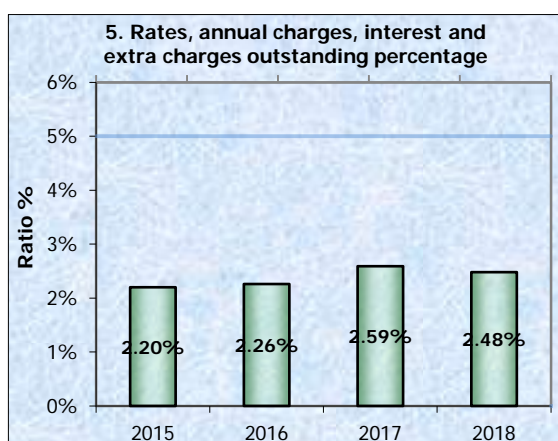
Commentary on 2017/18 result**2017/18 ratio 4.71x**

The ratio continues to improve due to completion of older loans and a strong Operating Performance Ratio



Ratio achieves benchmark

Ratio is outside benchmark

Benchmark: — Maximum $< 5.00\%$

Source for Benchmark: Code of Accounting Practice and Financial Reporting #26

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.

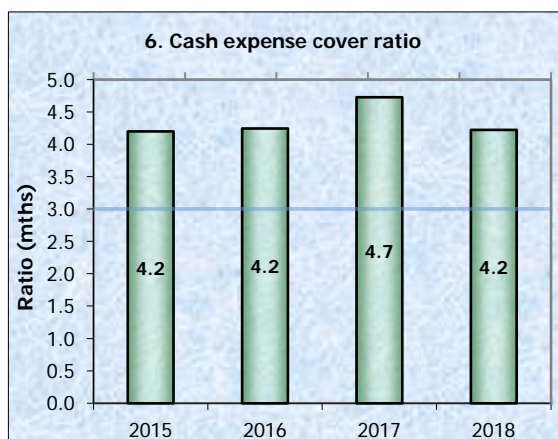
Commentary on 2017/18 result**2017/18 ratio 2.48%**

A slight improvement, continuing Mosman's trend and remaining well below the benchmark



Ratio is within Benchmark

Ratio is outside Benchmark

Benchmark: — Minimum ≥ 3.00

Source for benchmark: Code of Accounting Practice and Financial Reporting #26

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 2017/18 result**2017/18 ratio 4.22 mths**

Council has comfortably exceeded the benchmark



Ratio achieves benchmark

Ratio is outside benchmark

Mosman Council

Notes to the Financial Statements for the year ended 30 June 2018

Note 26. 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

Elected members**MAYOR**

Carolyn Corrigan

RESPONSIBLE ACCOUNTING OFFICER

Christian Menday

Other information

ABN: 94 414 022 939



INDEPENDENT AUDITOR'S REPORT

Report on the general purpose financial report

Mosman Council

To the Councillors of the Mosman Council

Opinion

I have audited the accompanying financial report of Mosman Council (the Council), which comprise the Income Statement and Statement of Comprehensive Income for the year ended 30 June 2018, the Statement of Financial Position as at 30 June 2018, the 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 report:
 - has been presented, in all material respects, in accordance with the requirements of this Division
 - is consistent with the Council's accounting records
 - presents fairly, in all material respects, the financial position of the Council as at 30 June 2018, 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 report 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 Report' 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 Information

Other information comprises the information included in the Council's annual report for the year ended 30 June 2018, other than the financial report and my Independent Auditor's Report thereon. The Councillors are responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprise the special purpose financial statements and Special Schedules (the Schedules).

My opinion on the financial report does not cover the other information. Accordingly, I do not express any form of assurance conclusion on the other information. However, as required by the *Local Government Act 1993*, I have separately expressed an opinion on the special purpose financial statements and Special Schedule 2 - Permissible income for general rates.

In connection with my audit of the financial report, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work I have performed, I conclude there is a material misstatement of the other information, I must report that fact.

I have nothing to report in this regard.

The Councillors' Responsibilities for the Financial Report

The Councillors are responsible for the preparation and fair presentation of the financial report 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 report that is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the Councillors are responsible for assessing the Council's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting except where the Council will be dissolved or amalgamated by an Act of Parliament, or otherwise cease operations.

Auditor's Responsibilities for the Audit of the Financial Report

My objectives are to:

- obtain reasonable assurance about whether the financial report 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 the financial report.

A description of my responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: www.auasb.gov.au/auditors_responsibilities/ar4.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, and Note 20 Material budget variations
- on the Special Schedules. A separate opinion has been provided on Special Schedule 2 - Permissible income for general rates
- about the security and controls over the electronic publication of the audited financial report on any website where it may be presented
- about any other information which may have been hyperlinked to/from the financial report.



Weini Liao
Director

30 October 2018
SYDNEY

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

Contact: Weini Liao
Phone no: 9275 7432
Our ref: D1826909/FA1762

30 October 2018

Dear Mayor

Report on the Conduct of the Audit for the year ended 30 June 2018 Mosman Council




I have audited the general purpose financial statements of Mosman Council (the Council) for the year ended 30 June 2018 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 2018 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

	2018 \$m	2017 \$m	Variance %
Rates and annual charges revenue	26.4	25.8	 2.3
Grants and contributions revenue	6.0	6.0	--
Operating result for the year	3.8	7.5	 49.3
Net operating result before capital amounts	1.1	5.3	 79.2

Council's operating result (\$3.8 million including the effect of depreciation and amortisation expense of \$5.6 million) was \$3.7 million lower than the 2016–17 result. The decrease was mainly attributable to the increase in loss on disposal of renewed infrastructure, employee costs and depreciation and reduction in the fair value increment relating to investment property.

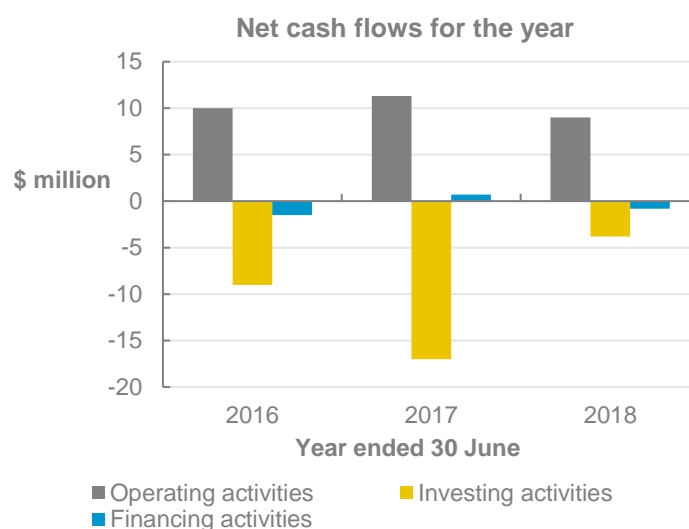
The net operating result before capital grants and contributions (\$1.1 million) was \$4.2 million lower than the 2016–17 for the reasons noted above.

Rates and annual charges revenue (\$26.4 million) increased by \$0.6 million (2.3 per cent) in 2017–18 due to the application of the rate peg limit.

Grants and contributions revenue (\$6.0 million) in 2017-18 remained static compared with 2016–17.

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 increased from \$7.6 million to \$12.0 million at the close of the year.
- Cash inflows from operations reduced due to increased payments relating to employee benefits and material
- Cash outflows from investing activities also reduced due to the net redemption of investments held.
- Cashflows from financing activities were insignificant.



FINANCIAL POSITION

Cash and Investments

Cash and Investments	2018	2017	Commentary
	\$m	\$m	
External restrictions	5.9	7.1	<ul style="list-style-type: none"> External restrictions include unspent specific purpose grants, developer contributions, and domestic waste management charges decreased due to increased capital expenditure during the year funded by developers' contributions.
Internal restrictions	8.9	9.1	
Unrestricted	1.1	1.5	
Cash and investments	171.8	157.8	<ul style="list-style-type: none"> Balances are internally restricted due to Council policy or decisions for forward plans including works program. Although the total was relatively unchanged there was a reduction of funds held to repay bonds and deposits and an increase held for future capital works. Unrestricted balances provide liquidity for day-to-day operations.

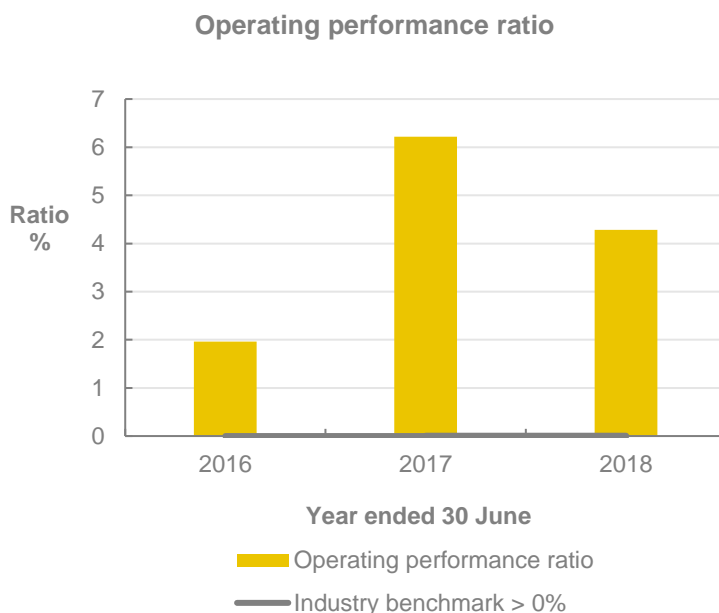
PERFORMANCE RATIOS

The definition of each ratio analysed below (except for the 'building and infrastructure renewals ratio') is included in Note 25 of the Council's audited general purpose financial statements. The 'building and infrastructure renewals ratio' is defined in Council's Special Schedule 7 which has not been audited.

Operating performance ratio

- Council has exceeded the benchmark of zero per cent for the last three years. This has resulted from the Council running an operating surplus. The indicator of 4.3 per cent was above the industry benchmark.
- The reduction from the previous year is due to the lower operating result after excluding fair value adjustments.

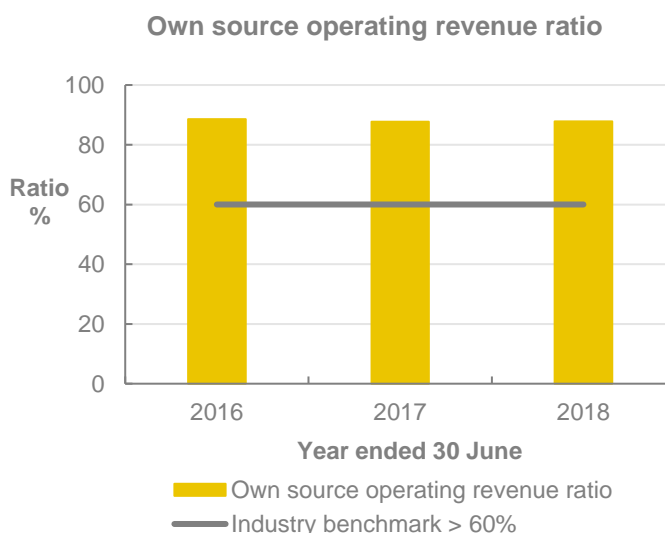
The 'operating performance ratio' measures how well council contained operating expenditure within operating revenue (excluding capital grants and contributions, fair value adjustments, and reversal of revaluation decrements). The benchmark set by the Office of Local Government (OLG) is greater than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



Own source operating revenue ratio

- Council's own source operating revenue ratio of 87.8 per cent exceeded the industry benchmark.
- This indicator fluctuates with movements in grants and contributions, which has remained static for the last two years.

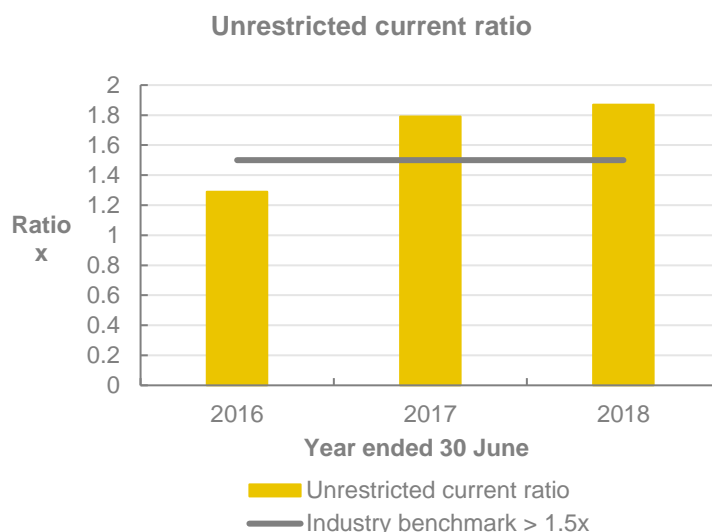
The 'own source operating revenue ratio' measures council's fiscal flexibility and the degree to which it relies on external funding sources such as operating grants and contributions. The benchmark set by OLG is greater than 60 per cent.



Unrestricted current ratio

- This ratio indicated that Council currently had \$1.9 of unrestricted current assets available to service every one dollar of its unrestricted current liabilities. This exceeded the industry benchmark.
- There has been a slight increase in this ratio during the year, due to reductions in the cash restrictions at year end.

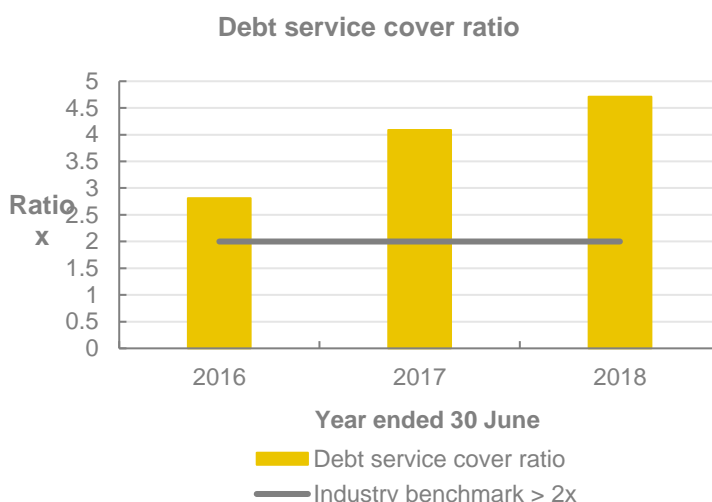
The 'unrestricted current ratio' is specific to local government and represents council's ability to meet its short-term obligations as they fall due. The benchmark set by OLG is greater than 1.5 times.



Debt service cover ratio

- Council has exceeded the benchmark of two for the last three years.
- The debt service cover ratio of 4.7 times exceeded the industry benchmark. The increase compared to 2016-17 is due to both an increase in the adjusted operating result and reduction in debt servicing costs.

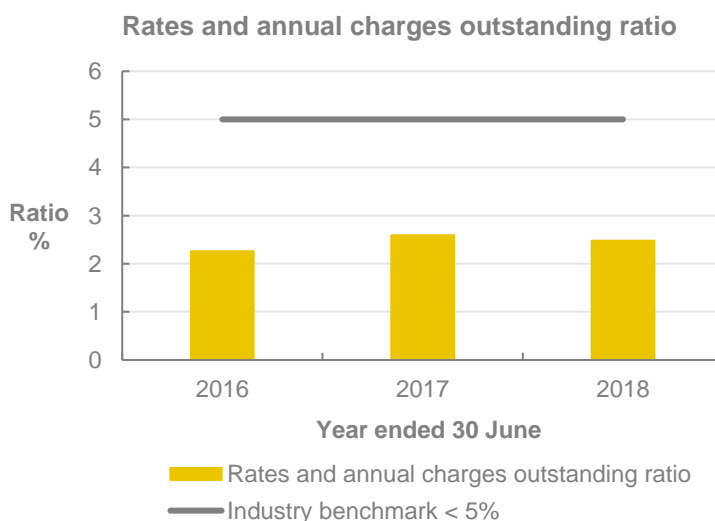
The 'debt service cover ratio' measures the operating cash to service debt including interest, principal and lease payments. The benchmark set by OLG is greater than two times.



Rates and annual charges outstanding ratio

- Council's outstanding rates and charges ratio of 2.5 per cent was within the industry benchmark.
- Management attribute the maintenance of this good result in to their recovery efforts.

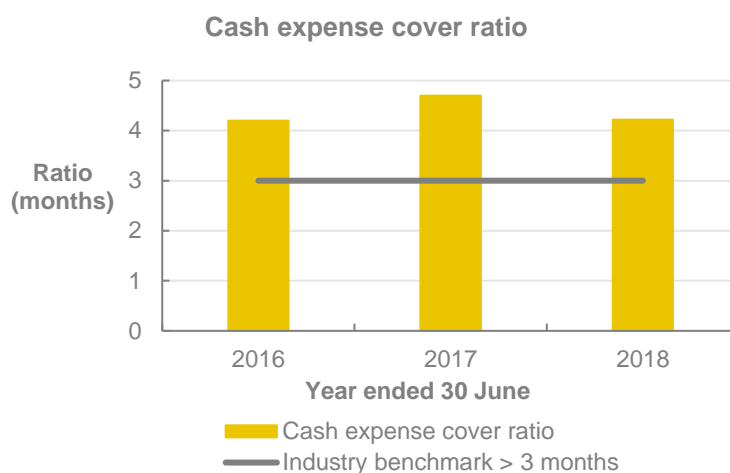
The 'rates and annual charges outstanding ratio' assesses the impact of uncollected rates and annual charges on council's liquidity and the adequacy of debt recovery efforts. The benchmark set by OLG is less than 5 per cent for metro councils.



Cash expense cover ratio

- Council's cash expense cover ratio of 4.2 months exceeded the industry benchmark.
- The ratio has slightly declined in 2017–18 as cash and cash equivalent balances have slightly reduced as compared to 2016–17.

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.

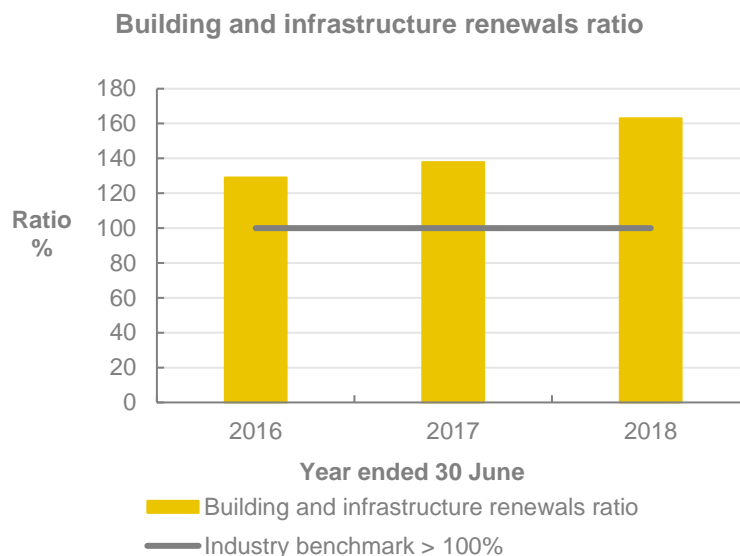


Building and infrastructure renewals ratio (unaudited)

- Council's building and infrastructure renewals ratio of 163 per cent exceeded the industry benchmark and continues a pleasing trend over the last three years.
- Council's building and infrastructure renewals ratio has increased over the past three years which demonstrates continued increase in investment in the renewal of existing infrastructure.

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 council's Special Schedule 7 which has not been audited.



OTHER MATTERS

New accounting standards implemented

AASB 2016-2 'Disclosure Initiative – Amendments to AASB 107'

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

This Standard requires entities to provide disclosures that enable users of financial statements to evaluate changes (both cash flows and non-cash changes) in liabilities arising from financing activities.

Council's disclosure of the changes in their liabilities arising from financing activities is disclosed in Note 12.

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

cc: Mr Dominic Johnson, General Manager
Chair of the Audit Committee
Mr Tim Hurst, Chief Executive of the Office of Local Government

Mosman Council

SPECIAL SCHEDULES
for the year ended 30 June 2018

*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 2018

Contents

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Special Schedules ¹

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¹ Special Schedules are not audited (with the exception of Special Schedule 2).

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 2018

\$'000

Function or activity	Expenses from continuing operations	Income from continuing operations		Net cost of services
		Non-capital	Capital	
Governance	1,836	–	–	(1,836)
Administration	9,611	596	–	(9,015)
Public order and safety				
Fire service levy, fire protection, emergency services	921	–	–	(921)
Beach control	–	–	–	–
Enforcement of local government regulations	1,207	161	–	(1,046)
Animal control	23	14	–	(9)
Other	–	–	–	–
Total public order and safety	2,151	175	–	(1,976)
Health	–	–	–	–
Environment				
Noxious plants and insect/vermin control	–	–	–	–
Other environmental protection	488	83	–	(405)
Solid waste management	4,516	6,785	–	2,269
Street cleaning	109	–	–	(109)
Drainage	42	–	–	(42)
Stormwater management	645	–	187	(458)
Total environment	5,800	6,868	187	1,255
Community services and education				
Administration and education	571	5	–	(566)
Social protection (welfare)	–	–	–	–
Aged persons and disabled	1,091	814	–	(277)
Children's services	1,482	1,209	–	(273)
Total community services and education	3,144	2,028	–	(1,116)
Housing and community amenities				
Public cemeteries	–	–	–	–
Public conveniences	458	–	–	(458)
Street lighting	500	103	–	(397)
Town planning	1,898	828	–	(1,070)
Other community amenities	–	–	–	–
Total housing and community amenities	2,856	931	–	(1,925)
Water supplies	–	–	–	–
Sewerage services	–	–	–	–

Mosman Council

Special Schedule 1 – Net Cost of Services (continued)

for the year ended 30 June 2018

\$'000

Function or activity	Expenses from continuing operations	Income from continuing operations		Net cost of services
		Non-capital	Capital	
Recreation and culture				
Public libraries	2,401	285	185	(1,931)
Museums	–	–	–	–
Art galleries	1,561	544	50	(967)
Community centres and halls	801	–	–	(801)
Performing arts venues	–	–	–	–
Other performing arts	1,063	68	–	(995)
Other cultural services	–	–	–	–
Sporting grounds and venues	429	367	18	(44)
Swimming pools	194	362	–	168
Parks and gardens (lakes)	5,337	155	–	(5,182)
Other sport and recreation	64	–	–	(64)
Total recreation and culture	11,850	1,781	253	(9,816)
Fuel and energy	–	–	–	–
Agriculture	–	–	–	–
Mining, manufacturing and construction				
Building control	244	33	–	(211)
Other mining, manufacturing and construction	–	–	–	–
Total mining, manufacturing and const.	244	33	–	(211)
Transport and communication				
Urban roads (UR) – local	5,885	1,533	1,152	(3,200)
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	1,131	7,000	–	5,869
Footpaths	507	117	–	(390)
Aerodromes	–	–	–	–
Other transport and communication	–	–	–	–
Total transport and communication	7,523	8,650	1,152	2,279
Economic affairs				
Camping areas and caravan parks	–	–	–	–
Other economic affairs	608	4,752	1,093	5,237
Total economic affairs	608	4,752	1,093	5,237
Totals – functions	45,623	25,814	2,685	(17,124)
General purpose revenues ⁽¹⁾	–	20,743	–	20,743
Share of interests – joint ventures and associates using the equity method	–	155	–	155
NET OPERATING RESULT ⁽²⁾	45,623	46,712	2,685	3,774

(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 – Permissible income for general rates

for the year ended 30 June 2019

\$'000		Calculation 2018/19	Calculation 2017/18
Notional general income calculation ⁽¹⁾			
Last year notional general income yield	a	19,592	19,225
Plus or minus adjustments ⁽²⁾	b	—	65
Notional general income	c = (a + b)	19,592	19,290
Permissible income calculation			
Special variation percentage ⁽³⁾	d	0.00%	0.00%
Or rate peg percentage	e	2.30%	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	$h = d \times (c - g)$	—	—
Or plus rate peg amount	$i = c \times e$	451	289
Or plus Crown land adjustment and rate peg amount	$j = c \times f$	—	—
Sub-total	$k = (c + g + h + i + j)$	20,043	19,579
Plus (or minus) last year's carry forward total	l	(13)	—
Less valuation objections claimed in the previous year	m	—	—
Sub-total	$n = (l + m)$	(13)	—
Total permissible income	$o = k + n$	20,030	19,579
Less notional general income yield	p	20,037	19,592
Catch-up or (excess) result	$q = o - p$	(7)	(13)
Plus income lost due to valuation objections claimed ⁽⁴⁾	r	—	—
Less unused catch-up ⁽⁵⁾	s	—	—
Carry forward to next year	$t = q + r - s$	(7)	(13)

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 2 in the financial data return (FDR) to administer this process.



INDEPENDENT AUDITOR'S REPORT

Special Schedule 2 - Permissible Income for general rates

Mosman Council

To the Councillors of Mosman Council

Opinion

I have audited the accompanying Special Schedule 2 – Permissible Income for general rates (the Schedule) of Mosman Council (the Council) for the year ending 30 June 2019.

In my opinion, the Schedule of the Council for the year ending 30 June 2019 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.

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 Schedule' 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 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 special purpose framework used to prepare the Schedule. The Schedule had been prepared for the purpose of fulfilling the Council's reporting obligations under the LG Code. As a result, the Schedule may not be suitable for another purpose.

Other Information

Other information comprises the information included in the Council's annual report for the year ended 30 June 2018, other than the Schedule and my Independent Auditor's Report thereon. The Councillors are responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprise the general purpose financial statements and the Special Schedules excluding Special Schedule 2 (the other Schedules).

My opinion on the Schedule does not cover the other information. Accordingly, I do not express any form of assurance conclusion on the other information. However, as required by the *Local Government Act 1993*, I have separately expressed an opinion on the general purpose financial statements.

In connection with my audit of the Schedule, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Schedule or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work I have performed, I conclude there is a material misstatement of the other information, I must report that fact.

I have nothing to report in this regard.

The Councillors' Responsibilities for the Schedule

The Councillors are responsible for the preparation of the Schedule 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 the Schedule that is free from material misstatement, whether due to fraud or error.

In preparing the Schedule, the Councillors are responsible for assessing the Council's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless it is not appropriate to do so.

Auditor's Responsibilities for the Audit of the Schedule

My objectives are to:

- obtain reasonable assurance whether the Schedule 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 the Schedule.

A description of my responsibilities for the audit of the Schedule is located at the Auditing and Assurance Standards Board website at: 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 Schedule on any website where it may be presented
- about any other information which may have been hyperlinked to/from the Schedule.

A handwritten signature in blue ink, appearing to read 'Weini Liao', with a stylized flourish at the end.

Weini Liao
Director

30 October 2018
SYDNEY

Mosman Council

Special Schedule 7 – Report on Infrastructure Assets as at 30 June 2018

\$'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	2017/18 Required maintenance ^a	2017/18 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	–	–	986	597	15,937	24,780	57%	24%	18%	0%	0%
	Council offices	–	–	503	1,069	9,776	16,790	0%	100%	0%	0%	0%
	Council works depot	–	–	72	223	1,593	2,570	0%	100%	0%	0%	0%
	Library	–	–	210	92	2,960	7,400	0%	0%	100%	0%	0%
	Cultural facilities	–	–	317	294	7,056	10,578	0%	89%	11%	0%	0%
	Other buildings	–	–	294	428	1,617	2,779	4%	30%	66%	0%	0%
	Childcare centres	–	–	59	75	1,075	1,481	41%	59%	0%	0%	0%
	Multistorey car park	–	–	20	69	7,054	11,903	0%	100%	0%	0%	0%
	Sub-total	–	–	2,461	2,847	47,068	78,281	19.0%	61.9%	19.1%	0.0%	0.0%
Roads	Sealed roads	134	134	2,561	2,083	50,794	88,988	19%	57%	24%	0%	0%
	Footpaths	–	–	544	248	14,650	20,577	38%	50%	12%	0%	0%
	Other road assets	282	282	59	–	11,406	23,131	35%	47%	16%	2%	0%
	Kerb and Gutter	–	–	377	9	14,150	30,618	10%	55%	35%	0%	0%
	Retaining Walls	684	684	310	7	24,905	38,506	17%	43%	38%	2%	0%
	Physical Traffic Devices	–	–	214	57	2,727	4,041	44%	46%	10%	0%	0%
	Lines and Signs	–	–	186	76	521	2,121	32%	42%	26%	0%	0%
	Street Furniture	273	273	147	52	1,107	3,579	20%	30%	42%	8%	0%
	Sub-total	1,373	1,373	4,398	2,532	120,260	211,561	21.6%	51.6%	26.2%	0.7%	0.0%

Mosman Council

Special Schedule 7 – Report on Infrastructure Assets as at 30 June 2018 (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	2017/18 Required maintenance ^a	2017/18 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	12	12	101	42	2,648	3,246	0%	100%	0%	0%	0%
	Rainwater re-use tank	–	–	34	–	1,050	1,250	40%	60%	0%	0%	0%
	Open conduits (drains)	11	11	61	16	835	2,380	22%	37%	40%	1%	0%
	Closed conduits (pipes)	441	441	311	–	41,226	51,939	5%	55%	39%	1%	0%
	Nodes (pits)	62	62	142	113	4,614	7,321	2%	91%	2%	1%	4%
	Sub-total	526	526	649	171	50,373	66,136	5.7%	60.6%	32.3%	0.9%	0.4%
Open space/recreational assets	Marine structures	81	81	254	13	6,358	13,408	17%	28%	54%	1%	0%
	Sporting fields	95	95	139	418	3,576	5,987	23%	33%	42%	2%	0%
	Parks & reserves	117	117	278	3,051	11,976	16,678	28%	25%	46%	1%	0%
	Other	384	384	84	1,284	11,486	15,569	6%	32%	56%	6%	0%
	Sub-total	677	677	755	4,766	33,396	51,642	17.9%	28.8%	50.6%	2.6%	0.0%
	TOTAL – ALL ASSETS	2,576	2,576	8,263	10,316	251,097	407,620	18.0%	52.1%	28.9%	0.9%	0.1%

Notes:

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

Infrastructure asset condition assessment 'key'

1	Excellent/very good	No work required (normal maintenance)
2	Good	Only minor maintenance work required
3	Satisfactory	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 2018

	Amounts 2018	Indicator 2018	Prior periods		Benchmark
			2017	2016	
Infrastructure asset performance indicators * consolidated					
1. Buildings and infrastructure renewals ratio ⁽¹⁾					
Asset renewals ⁽²⁾	8,172	162.95%	137.95%	129.12%	>= 100%
Depreciation, amortisation and impairment	5,015				
2. Infrastructure backlog ratio ⁽¹⁾					
Estimated cost to bring assets to a satisfactory standard	2,576	1.03%	1.14%	2.45%	< 2.00%
Net carrying amount of infrastructure assets	251,097				
3. Asset maintenance ratio					
Actual asset maintenance	10,316	124.85%	115.73%	141.54%	> 100%
Required asset maintenance	8,263				
4. Cost to bring assets to agreed service level					
Estimated cost to bring assets to an agreed service level set by Council	2,576	0.63%	0.70%	0.00%	
Gross replacement cost	407,620				

Notes

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

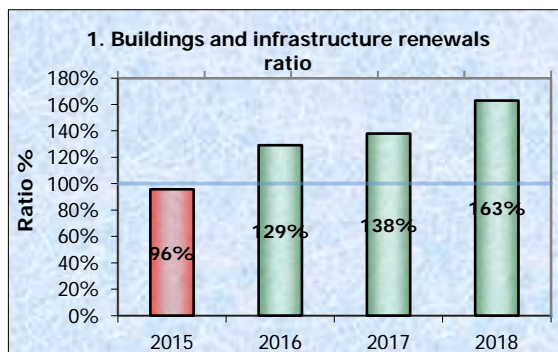
⁽¹⁾ Excludes Work In Progress (WIP)

⁽²⁾ 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 2018



Benchmark: — Minimum $\geq 100.00\%$

Source for benchmark: Code of Accounting Practice and Financial Reporting #26

Purpose of asset renewals ratio

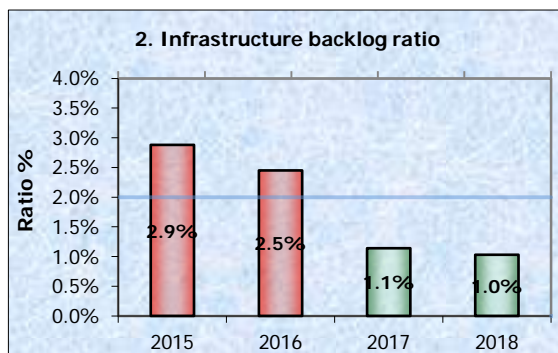
To assess the rate at which these assets are being renewed relative to the rate at which they are depreciating.

Commentary on 2017/18 result

2017/18 Ratio 162.95%

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

Ratio achieves benchmark
Ratio is outside benchmark



Benchmark: — Maximum $< 2.00\%$

Source for benchmark: Code of Accounting Practice and Financial Reporting #26

Purpose of infrastructure backlog ratio

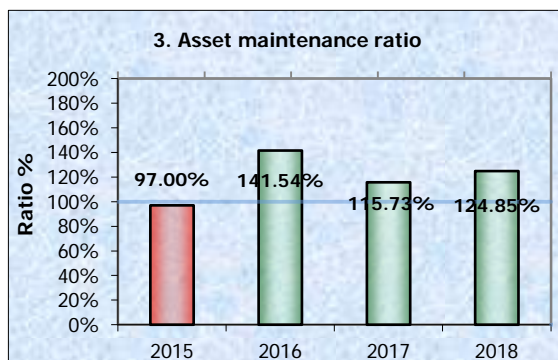
This ratio shows what proportion the backlog is against the total value of a Council's infrastructure.

Commentary on 2017/18 result

2017/18 Ratio 1.03%

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

Ratio achieves benchmark
Ratio is outside benchmark



Benchmark: — Minimum $> 100.00\%$

Source for benchmark: Code of Accounting Practice and Financial Reporting #26

Purpose of asset maintenance ratio

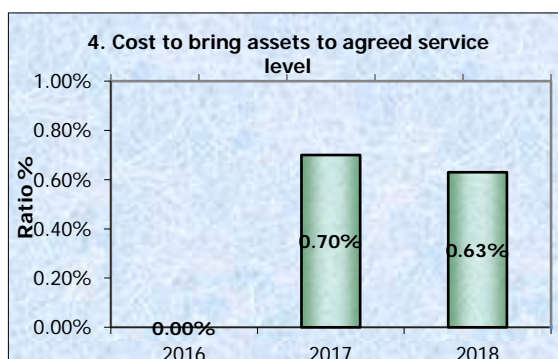
Compares actual vs. required annual asset maintenance. A ratio above 100% indicates Council is investing enough funds to stop the infrastructure backlog growing.

Commentary on 2017/18 result

2017/18 Ratio 124.85%

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

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 2017/18 result

2017/18 Ratio 0.63%

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