

# Mosman Council

GENERAL PURPOSE FINANCIAL STATEMENTS  
for the year ended 30 June 2014

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

**Mosman**  
COUNCIL

# Mosman Council

## General Purpose Financial Statements

for the financial year ended 30 June 2014

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### Overview

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

Council's Statutory Charter is detailed in Paragraph 8 of the Act and includes giving Council;

- the ability to provide goods, services and facilities, and to carry out activities appropriate to the current and future needs of the local community and of the wider public
- the responsibility for administering regulatory requirements under the Act and
- a role in the management, improvement and development of the resources in the area

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

- (iii) All figures presented in these financial statements are presented in Australian Currency.
  - (iv) These financial statements were authorised for issue by the Council on 08 October 2014. Council has the power to amend and reissue these financial statements.
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## Mosman Council

### Notes to the Financial Statements for the financial year ended 30 June 2014

## Understanding Council's Financial Statements

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### Introduction

Each year, individual Local Governments across NSW 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 2014.

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 values 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 financial statements are required to be audited by external accountants (that generally specialise in Local Government).

In NSW, the Auditor provides two audit reports:

1. An opinion on whether the financial statements present fairly the Council's financial performance and position.
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.

Submissions from the public can be made 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 financial year ended 30 June 2014

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

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


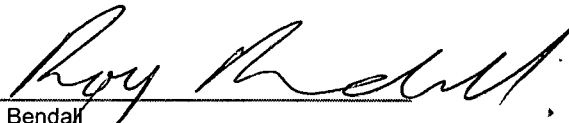
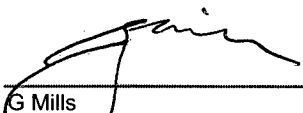
- The *Local Government Act 1993* (as amended) and the Regulations made thereunder
- The Australian Accounting Standards and professional pronouncements
- The Local Government Code of Accounting Practice and Financial Reporting

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

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

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

Signed in accordance with a resolution of Council made on 07 October 2014.

  
\_\_\_\_\_  
P Abelson  
MAYOR  
\_\_\_\_\_  
R Bendall  
COUNCILLOR  
\_\_\_\_\_  
V Lee  
GENERAL MANAGER  
\_\_\_\_\_  
G Mills  
RESPONSIBLE ACCOUNTING OFFICER

## Mosman Council

## Income Statement

for the financial year ended 30 June 2014

Budget 2014	<sup>1</sup> \$ '000	Notes	Actual 2014	Actual 2013
Income from Continuing Operations				
Revenue:				
22,723	Rates and Annual Charges	3a	22,611	21,747
9,058	User Charges and Fees	3b	9,790	8,879
470	Interest and Investment Revenue	3c	438	399
3,668	Other Revenues	3d	6,524 <sup>2</sup>	11,632
2,065	Grants and Contributions provided for Operating Purpose	3e,f	1,996 <sup>3</sup>	2,510
1,914	Grants and Contributions provided for Capital Purposes	3e,f	2,922	2,774
Other Income:				
-	Net gains from the disposal of assets	5	-	57
-	Net Share of interests in Joint Ventures and Associated Entities using the equity method	19	31	83
39,898	Total Income from Continuing Operations		44,312	48,081
Expenses from Continuing Operations				
15,270	Employee Benefits and On-Costs	4a	14,966	14,497
627	Borrowing Costs	4b	677	654
11,538	Materials and Contracts	4c	11,686	11,094
6,194	Depreciation and Amortisation	4d	5,557 <sup>4</sup>	6,148
-	Impairment	4d	-	-
5,306	Other Expenses	4e	6,066	6,242
-	Net Losses from the Disposal of Assets	5	20	-
38,935	Total Expenses from Continuing Operations		38,972	38,635
963	Operating Result from Continuing Operations		5,340	9,446
Discontinued Operations				
-	Net Profit/(Loss) from Discontinued Operations	24	-	-
963	Net Operating Result for the Year		5,340	9,446
963	Net Operating Result attributable to Council		5,340	9,446
-	Net Operating Result attributable to Non-controlling Interests		-	-
Net Operating Result for the year before Grants and Contributions provided for Capital Purposes				
(951)			2,418	6,672

<sup>1</sup> Original Budget as approved by Council - refer Note 16

<sup>2</sup> Exceeds budget due to unbudgeted fair value increment to Investment Properties - refer to Note 14. Prior year actual contains fair value adjustments.

<sup>3</sup> Financial Assistance Grants for 2013-14 are lower, reflecting a timing difference due to a change in how the grant is paid - refer Note 3 (e)

<sup>4</sup> Revised useful lives in Asset Management Plan of infrastructure assets resulted in reduced expense for Roads (by \$331k) and Stormwater Drainage (by \$67k). Equipment depreciation lower by \$67k due to identification duplicated assets in other asset classes - refer Statement of Comprehensive Income and Note 9(a)

## Mosman Council

# Statement of Comprehensive Income

for the financial year ended 30 June 2014

\$ '000	Notes	Actual 2014	Actual 2013
<b>Net Operating Result for the year</b> (as per Income statement)		<b>5,340</b>	<b>9,446</b>
<b>Other Comprehensive Income:</b>			
Amounts which will not be reclassified subsequently to the Operating Result			
Gain (loss) on revaluation of IPP&E	20b (ii)	-	25,344
<b>Total Items which will not be reclassified subsequently to the Operating Result</b>		<b>-</b>	<b>25,344</b>
Amounts which will be reclassified subsequently to the Operating Result when specific conditions are met			
Other movements: Adjustment of 'Plant' and 'Other' assets that had also been measured in Infrastructure valuations.	20b (ii)	(431)	-
<b>Total Items which will be reclassified subsequently to the Operating Result when specific conditions are met</b>		<b>(431)</b>	<b>-</b>
<b>Total Other Comprehensive Income for the year</b>		<b>(431)</b>	<b>25,344</b>
<b>Total Comprehensive Income for the Year</b>		<b>4,909</b>	<b>34,790</b>
Total Comprehensive Income attributable to Council		4,909	34,790
Total Comprehensive Income attributable to Non-controlling Interests		-	-

## Mosman Council

Statement of Financial Position  
as at 30 June 2014

\$ '000	Notes	Actual 2014	Actual 2013
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and Cash Equivalents	6a	10,150	9,624
Investments	6b	-	-
Receivables	7	4,051	3,082
Inventories	8	164	143
Other	8	186	132
Non-current assets classified as "held for sale"	22	-	-
<b>Total Current Assets</b>		<b>14,551</b>	<b>12,981</b>
<b>Non-Current Assets</b>			
Investments	6b	-	-
Receivables	7	29	56
Inventories	8	-	-
Infrastructure, Property, Plant and Equipment	9	463,132	461,261
Investments accounted for using the equity method	19	674	678
Investment Property	14	46,821	44,535
Intangible Assets	25	312	328
<b>Total Non-Current Assets</b>		<b>510,968</b>	<b>506,858</b>
<b>TOTAL ASSETS</b>		<b>525,519</b>	<b>519,839</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Payables	10	8,509	7,570
Borrowings	10	1,880	1,990
Provisions	10	3,745	4,137
<b>Total Current Liabilities</b>		<b>14,134</b>	<b>13,697</b>
<b>Non-Current Liabilities</b>			
Payables	10	-	-
Borrowings	10	9,086	8,966
Provisions	10	294	80
<b>Total Non-Current Liabilities</b>		<b>9,380</b>	<b>9,046</b>
<b>TOTAL LIABILITIES</b>		<b>23,514</b>	<b>22,743</b>
<b>Net Assets</b>		<b>502,005</b>	<b>497,096</b>
<b>EQUITY</b>			
Retained Earnings	20	290,803	285,463
Revaluation Reserves	20	211,202	211,633
Council Equity Interest		502,005	497,096
Non-controlling Interests		-	-
<b>Total Equity</b>		<b>502,005</b>	<b>497,096</b>

## Mosman Council

Statement of Changes in Equity  
for the financial year ended 30 June 2014

\$ '000	Notes	Retained Earnings	Reserves (Refer 20b)	Council Interest	Non-controlling Interest	Total Equity
<b>2014</b>						
<b>Opening Balance</b> (as per Last Year's Audited Accounts)		285,463	211,633	<b>497,096</b>	-	<b>497,096</b>
a. Correction of Prior Period Errors	20 (c)	-	-	-	-	-
b. Changes in Accounting Policies (prior year effects)	20 (d)	-	-	-	-	-
<b>Revised Opening Balance (as at 1/7/13)</b>		<b>285,463</b>	<b>211,633</b>	<b>497,096</b>	-	<b>497,096</b>
<b>c. Net Operating Result for the Year</b>		<b>5,340</b>	-	<b>5,340</b>	-	<b>5,340</b>
d. Other Comprehensive Income						
- Other Reserves Movements	20b (ii)	-	(431)	<b>(431)</b>	-	<b>(431)</b>
<b>Other Comprehensive Income</b>		-	<b>(431)</b>	<b>(431)</b>	-	<b>(431)</b>
<b>Total Comprehensive Income (c&amp;d)</b>		<b>5,340</b>	<b>(431)</b>	<b>4,909</b>	-	<b>4,909</b>
e. Distributions to/(Contributions from) Non-controlling Interests		-	-	-	-	-
f. Transfers between Equity		-	-	-	-	-
<b>Equity - Balance at end of the reporting period</b>		<b>290,803</b>	<b>211,202</b>	<b>502,005</b>	-	<b>502,005</b>

\$ '000	Notes	Retained Earnings	Reserves (Refer 20b)	Council Interest	Non-controlling Interest	Total Equity
<b>2013</b>						
<b>Opening Balance</b> (as per Last Year's Audited Accounts)		276,017	186,289	<b>462,306</b>	-	<b>462,306</b>
a. Correction of Prior Period Errors	20 (c)	-	-	-	-	-
b. Changes in Accounting Policies (prior year effects)	20 (d)	-	-	-	-	-
<b>Revised Opening Balance (as at 1/7/12)</b>		<b>276,017</b>	<b>186,289</b>	<b>462,306</b>	-	<b>462,306</b>
<b>c. Net Operating Result for the Year</b>		<b>9,446</b>	-	<b>9,446</b>	-	<b>9,446</b>
d. Other Comprehensive Income						
- Revaluations : IPP&E Asset Revaluation Rsve	20b (ii)	-	25,344	<b>25,344</b>	-	<b>25,344</b>
<b>Other Comprehensive Income</b>		-	<b>25,344</b>	<b>25,344</b>	-	<b>25,344</b>
<b>Total Comprehensive Income (c&amp;d)</b>		<b>9,446</b>	<b>25,344</b>	<b>34,790</b>	-	<b>34,790</b>
e. Distributions to/(Contributions from) Non-controlling Interests		-	-	-	-	-
f. Transfers between Equity		-	-	-	-	-
<b>Equity - Balance at end of the reporting period</b>		<b>285,463</b>	<b>211,633</b>	<b>497,096</b>	-	<b>497,096</b>

## Mosman Council

## Statement of Cash Flows

for the financial year ended 30 June 2014

Budget 2014	\$ '000	Notes	Actual 2014	Actual 2013
<b>Cash Flows from Operating Activities</b>				
<b>Receipts:</b>				
22,705	Rates and Annual Charges		22,735	21,643
9,037	User Charges and Fees		9,953	8,836
465	Investment and Interest Revenue Received		416	411
4,096	Grants and Contributions		4,031	5,219
-	Bonds, Deposits and Retention amounts received		1,923	774
3,626	Other		3,879	3,735
<b>Payments:</b>				
(15,195)	Employee Benefits and On-Costs		(15,144)	(14,339)
(11,540)	Materials and Contracts		(12,240)	(10,603)
(627)	Borrowing Costs		(663)	(661)
(75)	Bonds, Deposits and Retention amounts refunded		(1,303)	(958)
(5,306)	Other		(6,100)	(6,272)
<b>7,186</b>	<b>Net Cash provided (or used in) Operating Activities</b>	11b	<b>7,487</b>	<b>7,785</b>
<b>Cash Flows from Investing Activities</b>				
<b>Receipts:</b>				
-	Sale of Investment Securities		11,050	10,600
-	Sale of Infrastructure, Property, Plant and Equipment		31	145
36	Distributions Received from Joint Ventures and Associates		35	40
<b>Payments:</b>				
-	Purchase of Investment Securities		(11,050)	(7,850)
-	Purchase of Investment Property		-	(70)
(6,545)	Purchase of Infrastructure, Property, Plant and Equipment		(7,037)	(5,426)
<b>(6,509)</b>	<b>Net Cash provided (or used in) Investing Activities</b>		<b>(6,971)</b>	<b>(2,561)</b>
<b>Cash Flows from Financing Activities</b>				
<b>Receipts:</b>				
2,000	Proceeds from Borrowings and Advances		2,000	2,460
<b>Payments:</b>				
(1,928)	Repayment of Borrowings and Advances		(1,860)	(1,539)
(130)	Other (Repayment of Deferred Creditors)		(130)	(130)
<b>(58)</b>	<b>Net Cash Flow provided (used in) Financing Activities</b>		<b>10</b>	<b>791</b>
<b>619</b>	<b>Net Increase/(Decrease) in Cash and Cash Equivalent</b>		<b>526</b>	<b>6,015</b>
4,874	plus: <b>Cash and Cash Equivalents - beginning of year</b>	11a	9,624	3,609
<b>5,493</b>	<b>Cash and Cash Equivalents - end of the year</b>	11a	<b>10,150</b>	<b>9,624</b>

Please refer to Note 11 for additional cash flow information

## Mosman Council

### Notes to the Financial Statements

for the financial year ended 30 June 2014

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n/a - not applicable

## Mosman Council

### Notes to the Financial Statements

for the financial year ended 30 June 2014

#### Note 1. Summary of Significant Accounting Policies

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

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

##### (a) Basis of preparation

###### (i) Background

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

- Australian Accounting Standards and Australian Accounting Interpretations issued by the Australian Accounting Standards Board
- the *Local Government Act 1993* and Regulation
- the Local Government Code of Accounting Practice and Financial Reporting

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

###### (ii) Compliance with International Financial Reporting Standards (IFRS)

Because AASBs are sector neutral, some standards either:

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

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

Under the *Local Government Act 1993* (the Act), Regulations and Local Government Code of

Accounting Practice and Financial Reporting, it should be noted that Councils in NSW only have a requirement to comply with AASBs.

###### (iii) New and amended standards adopted by Council

During the current year, the following relevant standards became mandatory for Council and have been adopted:

- AASB 13 Fair Value Measurement
- AASB 119 Employee Benefits

AASB 13 Fair Value Measurement has not affected the assets or liabilities which are to be measured at fair value, however it provides detailed guidance on how to measure fair value in accordance with the accounting standards.

It introduces the concept of highest and best use for non-financial assets and has caused the Council to review the valuation methodology.

The level of disclosures regarding fair value have increased significantly and have been included in the financial statements at Note 27.

AASB 119 Employee Benefits introduced revised definitions for short-term employee benefits.

Whilst the Council has reviewed the annual leave liability to determine the level of annual leave which is expected to be paid more than 12 months after the end of the reporting period, there has been no effect on the amounts disclosed as leave liabilities since Council's existing valuation policy was to discount annual leave payable more than 12 months after the end of the reporting period to present values.

###### (iv) Early adoption of Accounting Standards

Council has not elected to apply any pronouncements before their operative date in the annual reporting period beginning 1 July 2013.

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

###### (v) Basis of Accounting

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

## Mosman Council

### Notes to the Financial Statements

for the financial year ended 30 June 2014

#### Note 1. Summary of Significant Accounting Policies

- (i) certain financial assets and liabilities at fair value through profit or loss and available-for-sale financial assets which are all valued at fair value,
- (ii) the write down of any Asset on the basis of Impairment (if warranted) and
- (iii) certain classes of non current assets (eg. Infrastructure, Property, Plant and Equipment and Investment Property) that are accounted for at fair valuation.

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

#### **(vi) Changes in Accounting Policies**

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

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

#### **(vii) Critical Accounting Estimates**

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

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

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

#### **Critical accounting estimates and assumptions**

Council makes estimates and assumptions concerning the future.

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

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

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

#### **Critical judgements in applying Council's accounting policies**

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

#### **(b) Revenue recognition**

Council recognises revenue when the amount of revenue can be reliably measured. It is probable that future economic benefits will flow to it and specific criteria have been met for each of the Council's activities as described below.

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

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

Revenue is measured on major income categories as follows:

#### **Rates, Annual Charges, Grants and Contributions**

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

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

A provision for the impairment on rates receivables has not been established as unpaid rates represent a

## Mosman Council

### Notes to the Financial Statements

for the financial year ended 30 June 2014

#### Note 1. Summary of Significant Accounting Policies

charge against the rateable property that will be recovered when the property is next sold.

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

Revenue from Contributions is recognised when the Council either obtains control of the contribution or the right to receive it when:

- (i) it is probable that the economic benefits comprising the contribution will flow to the Council
- (ii) the amount of the contribution can be measured reliably

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

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

The Council has obligations to provide facilities from contribution revenues levied on developers under the provisions of S94A of the EPA Act 1979.

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

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

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

#### User Charges, Fees and Other Income

User charges, fees and other income (including parking fees and fines) are recognised as revenue

when the service has been provided, the payment is received, or when the penalty has been applied, whichever occurs first.

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

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

#### Sale of Infrastructure, Property, Plant and Equipment

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

#### Interest and Rents

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

Interest Income from Cash and Investments is accounted for using the effective interest rate at the date that interest is earned.

#### Dividend Income

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

#### Other Income

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

#### (c) Principles of Consolidation

These financial statements incorporate (i) the assets and liabilities of Council and any entities (or operations) that it **controls** (as at 30 June 2014) and (ii) all the related operating results (for the financial year ended the 30th June 2014).

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

## Mosman Council

### Notes to the Financial Statements

for the financial year ended 30 June 2014

#### Note 1. Summary of Significant Accounting Policies

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

##### (i) The Consolidated Fund

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

The Consolidated Fund and other entities through which the Council controls resources to carry on its functions have been included in the financial statements forming part of this report.

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

- General Purpose Operations

##### (ii) The Trust Fund

In accordance with the provisions of Section 411 of the Act, a separate and distinct Trust Fund is maintained to account for all money and property received by the Council in trust which must be applied only for the purposes of or in accordance with the trusts relating to those monies.

Trust monies and property subject to Council's control have been included in these statements.

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

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

##### (iii) Joint Ventures

##### **Jointly Controlled Assets and Operations**

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

##### **Jointly Controlled Entities**

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

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

##### (iv) Associated Entities

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

Such entities are usually termed Associates.

##### (v) County Councils

Council is not a member of any County Councils.

##### (vi) Additional Information

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

##### (d) Leases

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

##### **Finance Leases**

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

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

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

## Mosman Council

### Notes to the Financial Statements

for the financial year ended 30 June 2014

#### Note 1. Summary of Significant Accounting Policies

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

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

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

##### Operating Leases

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

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

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

##### (e) Cash and Cash Equivalents

For Statement of Cash Flows (and Statement of Financial Position) 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 balance sheet and incorporated into Cash and Cash Equivalents for presentation of the Cash Flow Statement.

##### (f) Investments and Other Financial Assets

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

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

Each classification depends on the purpose/intention for which the investment was originally acquired.

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

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

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

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

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

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

##### (ii) Loans and receivables

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

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

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

##### (iii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Council's management

## Mosman Council

### Notes to the Financial Statements

for the financial year ended 30 June 2014

#### Note 1. Summary of Significant Accounting Policies

has the positive intention and ability to hold to maturity.

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

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

#### (iv) Available-for-sale financial assets

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

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

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

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

#### Financial Assets – Reclassification

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

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

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

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

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

#### General Accounting and Measurement of Financial Instruments:

##### (i) Initial Recognition

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

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

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

##### (ii) Subsequent Measurement

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

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

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

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

## Mosman Council

### Notes to the Financial Statements

for the financial year ended 30 June 2014

#### Note 1. Summary of Significant Accounting Policies

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

##### Impairment

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

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

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

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

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

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

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

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

##### (iii) Types of Investments

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

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

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

##### (g) Fair value estimation

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

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

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

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

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

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

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

## Mosman Council

### Notes to the Financial Statements

for the financial year ended 30 June 2014

#### Note 1. Summary of Significant Accounting Policies

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

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

##### **(h) Receivables**

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

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

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

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

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

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

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

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

##### **(i) Inventories**

##### **Raw Materials and Stores, Work in Progress and Finished Goods**

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

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

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

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

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

##### **Land Held for Resale/Capitalisation of Borrowing Costs**

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

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

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

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

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

## Mosman Council

### Notes to the Financial Statements for the financial year ended 30 June 2014

#### Note 1. Summary of Significant Accounting Policies

##### (j) Infrastructure, Property, Plant and Equipment (IPP&E)

###### Acquisition of assets

Council's non current assets are continually revalued (over a 5 year period) in accordance with the fair valuation policy as mandated by the Office of Local Government.

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

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

###### Initial Recognition

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

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

The discount rate used is the Council's incremental borrowing rate, being the rate at which a similar

borrowing could be obtained from an independent financier under comparable terms and conditions.

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

###### Subsequent costs

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

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

###### Asset Revaluations (including indexation)

In accounting for Asset Revaluations relating to IPP&E:

- Increases in the combined carrying amounts of asset classes arising on revaluation are credited to the asset revaluation reserve.
- To the extent that a net asset class increase reverses a decrease previously recognised via the profit or loss, then increase is first recognised in profit or loss.
- Net decreases that reverse previous increases of the same asset class are first charged against revaluation reserves directly in equity to the extent of the remaining reserve attributable to the asset, with all other decreases charged to the Income statement.

Water and sewerage network assets are indexed annually between full revaluations in accordance with the latest indices provided in the NSW Office of Water - Rates Reference Manual.

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

## Mosman Council

### Notes to the Financial Statements

for the financial year ended 30 June 2014

### Note 1. Summary of Significant Accounting Policies

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

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

#### Capitalisation Thresholds

Items of IPP&E are not capitalised unless their cost of acquisition exceeds the following:

##### Land

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

##### Plant and Equipment

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

##### Buildings and Land Improvements

Park Furniture & Equipment	> \$5,000
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##### Building

- construction/extensions	100% Capitalised
- renovations	> \$5,000

Other Structures	> \$5,000
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##### Stormwater Assets

Drains and Culverts	> \$5,000
Other	> \$5,000

##### Transport Assets

Road construction and reconstruction	> \$5,000
Reseal/Re-sheet and major repairs	> \$5,000

#### Depreciation

Depreciation on Council's IPP&E assets is calculated using the straight line method in order to allocate an assets cost (net of residual values) over its estimated useful life.

Land is not depreciated.

Estimated useful lives for Council's IPP&E include:

##### Plant and Equipment

- Office Equipment	5 to 10 years
- Office furniture	5 to 10 years
- Computer Equipment	4 years
- Other plant and equipment	5 to 10 years

##### Other Equipment

- Playground equipment	5 to 15 years
- Benches, seats etc	10 to 20 years

##### Buildings

- Buildings	50 to 100 years
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##### Stormwater Drainage

- Drainage Infrastructure	100 years
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##### Transportation Assets

- Sealed Roads : Surface	40 years
- Sealed Roads : Structure	100 years
- Unsealed roads	100 years
- Road Pavements	100 years
- Kerb, Gutter and Paths	80 years

All asset residual values and useful lives are reviewed and adjusted (if appropriate), at each reporting date.

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

#### Disposal and De-recognition

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

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

## Mosman Council

### Notes to the Financial Statements

for the financial year ended 30 June 2014

#### Note 1. Summary of Significant Accounting Policies

##### **(k) Land**

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

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

##### **(l) Land under roads**

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

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

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

##### **(m) Intangible Assets**

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

##### **(n) Crown Reserves**

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

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

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.

##### **(o) Investment property**

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

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

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

Full revaluations are carried out every three years with an appropriate index utilised each year in between the full revaluations.

The last full revaluation for Council's Investment Properties was dated 30 June 2013.

##### **(p) Impairment of assets**

All Council's IPP&E is subject to an annual assessment of impairment.

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

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

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

Where an asset is not held principally for cash generating purposes (for example Infrastructure Assets) and would be replaced if the Council was deprived of it then depreciated replacement cost is used as value in use, otherwise value in use is estimated by using a discounted cash flow model.

Non-financial assets (other than goodwill) that suffered a prior period impairment are reviewed for possible reversal of the impairment at each reporting date.

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

##### **(q) Payables**

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

## Mosman Council

### Notes to the Financial Statements

for the financial year ended 30 June 2014

#### Note 1. Summary of Significant Accounting Policies

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

##### **(r) Borrowings**

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

Borrowings are subsequently measured at amortised cost.

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

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

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

##### **(s) Borrowing costs**

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

##### **(t) Provisions**

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

- Council has a present legal or constructive obligation as a result of past events;
- it is more likely than not that an outflow of resources will be required to settle the obligation; and
- the amount has been reliably estimated.

Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in

settlement is determined by considering the class of obligations as a whole.

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

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

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

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

##### **(u) Employee benefits**

###### **(i) Short Term Obligations**

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

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

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

All other short-term employee benefit obligations are presented as payables.

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

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

###### **(ii) Other Long Term Obligations**

The liability for all long service leave and annual leave in respect of services provided by employees

## Mosman Council

### Notes to the Financial Statements

for the financial year ended 30 June 2014

#### Note 1. Summary of Significant Accounting Policies

up to the reporting date (which is not expected to be wholly settled within the 12 months after the reporting period) are recognised in the provision for employee benefits.

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

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

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

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

#### (iii) Retirement benefit obligations

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

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

#### Defined Benefit Plans

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

The present value of the defined benefit obligation is based on expected future payments which arise from membership of the fund to the reporting date, calculated annually by independent actuaries using

the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service.

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

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

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

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

The last valuation of the Scheme was performed by Richard Boyfield (AFS Licence #411770) and covers the period ended 30 June 2014.

However, the position is monitored annually and the Actuary has estimated that as at 30 June 2014 the prior period deficit still exists.

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

The amount of employer contributions to the defined benefit section of the Local Government Superannuation Scheme and recognised as an expense and disclosed as part of Superannuation Expenses at Note 4(a) for the year ending 30 June 2014 was \$319,975.

The amount of additional contributions included in the total employer contribution advised above is \$126,244.

The share of this deficit that can be broadly attributed to Council is estimated to be in the order of \$504,976 as at 30 June 2014.

Council's share of that deficiency cannot be accurately calculated as the Scheme is a mutual

## Mosman Council

### Notes to the Financial Statements

for the financial year ended 30 June 2014

#### Note 1. Summary of Significant Accounting Policies

arrangement where assets and liabilities are pooled together for all member councils.

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

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

##### Defined Contribution Plans

Contributions to Defined Contribution Plans are recognised as an expense as they become payable. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

##### (iv) Employee Benefit On-Costs

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

These amounts include Superannuation and Workers Compensation expenses which will be payable upon the future payment of certain Leave Liabilities accrued as at 30 June 2014.

##### (v) Self insurance

Council does not self insure.

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

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

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

##### Exceptions

In the case of liabilities where Council does not have the unconditional right to defer settlement beyond 12 months (such as vested long service leave), the

liability is classified as current even if not expected to be settled within the next 12 months.

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

##### (x) Taxes

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

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

##### Goods and Services Tax (GST)

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

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

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

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

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

Investing and Financing cash flows are treated on a net basis where recoverable from the ATO, therefore are exclusive of GST.

The GST component of investing and financing activity cash flows which are recoverable from or payable to the ATO are classified as operating cash flows.

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

## Mosman Council

### Notes to the Financial Statements for the financial year ended 30 June 2014

#### Note 1. Summary of Significant Accounting Policies

##### **(y) New accounting standards and interpretations**

Certain new (or amended) accounting standards and interpretations have been published that are not mandatory for reporting periods ending 30 June 2014.

**Council has not adopted any of these standards early.**

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

##### **Applicable to Local Government with implications:**

##### **AASB 9 Financial Instruments associated standards:**

- *AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 and AASB 2012-6*
- *Amendments to Australian Accounting Standards – Mandatory Effective Date of AASB 9 and transitional disclosures*

*AASB 2013-9 Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments (effective from 1 January 2017)*

AASB 9 Financial Instruments addresses the classification, measurement and de-recognition of financial assets and financial liabilities.

The standard is not applicable until 1 January 2015 however is available for early adoption.

When adopted, the standard will affect in particular Council's accounting for its available-for-sale financial assets, as AASB 9 only permits the recognition of fair value gains and losses in other comprehensive income if they relate to equity investments that are not held for trading.

Fair value gains and losses on available-for-sale debt investments, for example, will therefore have to be recognised directly in profit or loss although there is currently a proposal by the International Accounting Standard Board to introduce a Fair value through Other Comprehensive Income category for debt instruments.

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

The de-recognition rules have been transferred from AASB 139 Financial Instruments: Recognition and Measurement and have not been changed.

The Council has not yet fully assessed the impact on the reporting financial position and performance on adoption of AASB 9.

##### **Applicable to Local Government with no implications for Council:**

##### **AASB 2013-3 Amendments to AASB 136 Recoverable Amount Disclosures for Non-Financial Assets (effective for 30 June 2015 Financial Statements)**

There are no changes to reported financial position or performance from AASB 2013 – 3, however additional disclosures may be required.

##### **Applicable to Local Government however not relevant to Council at this stage:**

##### **AASB 10 Consolidated Financial Statements, AASB 11 Joint Arrangements, AASB 12 Disclosure of Interests in Other Entities, revised AASB 127 Separate Financial Statements and AASB 128 Investments in Associates and Joint Ventures and AASB 2011-7 Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards (effective for 30 June 2015 Financial Statements for not-for-profit entities)**

This suite of five new and amended standards address the accounting for joint arrangements, consolidated financial statements and associated disclosures.

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

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

## Mosman Council

### Notes to the Financial Statements

for the financial year ended 30 June 2014

#### Note 1. Summary of Significant Accounting Policies

introduces a single definition of control that applies to all entities.

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

Power is the current ability to direct the activities that significantly influence returns. Returns must vary and can be positive, negative or both.

Control exists when the investor can use its power to affect the amount of its returns.

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

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

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

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

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

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

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

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

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

AASB 12 sets out the required disclosures for entities reporting under the two new standards, AASB 10 and AASB 11, and replaces the disclosure

requirements currently found in AASB 127 and AASB 128.

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

Amendments to AASB 128 provide clarification that an entity continues to apply the equity method and does not remeasure its retained interest as part of ownership changes where a joint venture becomes an associate, and vice versa.

The amendments also introduce a "partial disposal" concept.

Council is still assessing the impact of these amendments.

Council does not expect to adopt the new standards before their operative date.

They would therefore be first applied in the financial statements for the annual reporting period ending 30 June 2015.

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

#### **(z) Rounding of amounts**

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

#### **(aa) Comparative Figures**

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

#### **(ab) Disclaimer**

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

# Notes to the Financial Statements

for the financial year ended 30 June 2014

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

Functions/Activities	Income, Expenses and Assets have been directly attributed to the following Functions / Activities. Details of these Functions/Activities are provided in Note 2(b).												
	Income from Continuing Operations			Expenses from Continuing Operations			Operating Result from Continuing Operations			Grants included in Income from Continuing Operations		Total Assets held (Current and Non-current)	
	Original Budget	Actual	Actual	Original Budget	Actual	Actual	Original Budget	Actual	Actual	Actual	Actual	Actual	Actual
	2014	2014	2013	2014	2014	2013	2014	2014	2013	2014	2013	2014	2013
Governance	-	-	-	1,627	1,547	1,265	(1,627)	(1,547)	(1,265)				
Community Wellbeing	1,611	1,704	1,663	2,677	2,579	2,118	(1,066)	(875)	(455)	813	783	4,273	4,289
Library and Information	173	182	232	2,061	2,010	1,881	(1,888)	(1,828)	(1,649)	81	123	7,359	7,327
Arts and Culture	549	614	523	1,305	1,385	1,356	(756)	(771)	(833)	80	124	4,407	4,288
Built Environment <sup>2</sup>	2,537	3,553	8,123	5,562	5,858	6,574	(3,025)	(2,305)	1,549	1,124	617	180,912	178,642
Community Spaces <sup>3</sup>	5,204	8,096	8,701	4,479	5,077	4,899	725	3,019	3,802	-	-	250,653	248,944
Healthy Environment	5,910	5,845	5,790	7,629	6,890	7,641	(1,719)	(1,045)	(1,851)	60	28	658	622
Transport and Traffic <sup>4</sup>	5,012	5,887	4,901	1,148	1,246	1,713	3,864	4,641	3,188	-	-	58,978	58,939
Local Economy	-	-	-	-	-	-	-	-	-	-	-	-	-
Leadership and Engagement	-	-	-	1,870	1,914	1,148	(1,870)	(1,914)	(1,148)	-	-	25	33
Governance and Risk	525	706	524	10,577	10,466	10,040	(10,052)	(9,760)	(9,516)	-	-	17,580	16,077
<b>Total Functions and Activities</b>	<b>21,521</b>	<b>26,587</b>	<b>30,457</b>	<b>38,935</b>	<b>38,972</b>	<b>38,635</b>	<b>(17,414)</b>	<b>(12,385)</b>	<b>(8,178)</b>	<b>2,158</b>	<b>1,675</b>	<b>524,845</b>	<b>519,161</b>
Share of gains/(losses) in Associates and Joint Ventures (using the Equity Method)	36	31	83	-	-	-	36	31	83	-	-	674	678
General Purpose Income <sup>1</sup>	18,341	17,694	17,541	-	-	-	18,341	17,694	17,541	499	862	-	-
<b>Operating Result from Continuing Operations</b>	<b>39,898</b>	<b>44,312</b>	<b>48,081</b>	<b>38,935</b>	<b>38,972</b>	<b>38,635</b>	<b>963</b>	<b>5,340</b>	<b>9,446</b>	<b>2,657</b>	<b>2,537</b>	<b>525,519</b>	<b>519,839</b>

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

2. 2013 Actual Income includes reversal of Stormwater Asset revaluation decrement. 2014 Actual Income includes grant funding for roads in excess of original budget.

3. Actual Income Includes Investment Property revaluation increments in both years.

4. 2014 Income exceeds budget due to higher volume of parking fees and fines and the disaggregation of fines processing contractor from fines income.

## Mosman Council

### Notes to the Financial Statements for the financial year ended 30 June 2014

#### 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**

Costs of democratic processes including Councillor Fees, Council and Committee Meetings, Public Disclosure and Compliance. Part of 'Leadership and Engagement' and 'Governance and Risk' Functions in Council's management plan but separate here to comply with Office of Local Government Regulations.

##### **COMMUNITY WELLBEING**

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

##### **LIBRARY AND INFORMATION**

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

##### **ARTS AND CULTURE**

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

##### **BUILT ENVIRONMENT**

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

##### **COMMUNITY SPACES**

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

##### **HEALTHY ENVIRONMENT**

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

##### **TRANSPORT AND TRAFFIC**

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

##### **LOCAL AND REGIONAL ECONOMY**

Business & Employment, Marketing Mosman, Regional Economic Development.

##### **LEADERSHIP AND ENGAGEMENT**

Council Secretariat and Civic Involvement, Governance and Communication.

##### **GOVERNANCE 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 financial year ended 30 June 2014

#### Note 3. Income from Continuing Operations

\$ '000	Notes	Actual 2014	Actual 2013
<b>(a) Rates and Annual Charges</b>			
<b>Ordinary Rates</b>			
Residential		15,229	14,774
Business		1,589	1,538
<b>Total Ordinary Rates</b>		<b>16,818</b>	<b>16,312</b>
<b>Special Rates</b>			
Nil			
<b>Annual Charges</b> (pursuant to s.496, s.496A, s.496B, s.501 & s.611)			
Domestic Waste Management Services		5,534	5,412
Stormwater Management Services		237	-
Section 611 Charges		22	23
<b>Total Annual Charges</b>		<b>5,793</b>	<b>5,435</b>
<b>TOTAL RATES AND ANNUAL CHARGES</b>		<b>22,611</b>	<b>21,747</b>

Council has used 2011 year valuations provided by the NSW Valuer General in calculating its rates.

#### (b) User Charges and Fees

<b>Specific User Charges</b> (per s.502 - Specific "actual use" charges)			
Domestic Waste Management Services		70	59
<b>Total User Charges</b>		<b>70</b>	<b>59</b>
<b>Other User Charges and Fees</b>			
<b>(i) Fees and Charges - Statutory and Regulatory Functions</b> (per s.608)			
Planning and Building Regulation		756	643
Regulatory Fees		91	54
Section 149 Certificates (EPA Act)		160	139
Section 603 Certificates		103	80
<b>Total Fees and Charges - Statutory/Regulatory</b>		<b>1,110</b>	<b>916</b>

## Mosman Council

### Notes to the Financial Statements for the financial year ended 30 June 2014

#### Note 3. Income from Continuing Operations (continued)

\$ '000	Notes	Actual 2014	Actual 2013
<b>(b) User Charges and Fees (continued)</b>			
<b>(ii) Fees and Charges - Other (incl. General User Charges) (per s.608)</b>			
Advertising-Bridgepoint Bridge		439	426
Art Prize Fees		34	32
Children's Leisure and Learning		8	9
Community Restaurant		29	29
Cultural Centre		110	81
Dinghy Storage Racks		30	30
Family Day Care Parent Levy		-	10
Filming Permits		9	5
Footpath Occupation		206	176
Hoarding Fees		124	262
Kidzone - Vacation		80	81
Lease Rentals (Property)		996	935
Leaseback Fees - Council Vehicles		8	7
Market Days (Stall Holders)		107	96
Meals on Wheels		85	95
Mini Skips		34	26
Mosman Occasional Child Care		277	275
Occasional Child Care		6	8
Out of School Care		337	269
Oval Rents		254	226
Parking Fees - On Street		2,134	1,780
Parking Fees - Foreshore		1,250	1,055
Parking Fees - Foreshore (Stickers)		229	216
Parking Fees - Resident Parking Scheme Permits		44	40
Photocopying - Civic Centre		2	3
Photocopying - Library		9	9
Reserve Rents		76	83
Restoration Charges		992	699
Section 153 Land Leases		57	131
Stand Plant Permits		108	108
Trading Rights - Foreshore		10	25
Vacation Care		21	29
Vehicular Crossing		31	20
Vehicular Crossing - Inspection Fees		11	9
Work Zone Fees		180	217
Other		283	402
<b>Total Fees and Charges - Other</b>		<b>8,610</b>	<b>7,904</b>
<b>TOTAL USER CHARGES AND FEES</b>		<b>9,790</b>	<b>8,879</b>

## Mosman Council

Notes to the Financial Statements  
for the financial year ended 30 June 2014

## Note 3. Income from Continuing Operations (continued)

\$ '000	Notes	Actual 2014	Actual 2013
<b>(c) Interest and Investment Revenue (incl. losses)</b>			
<b>Interest and Dividends</b>			
- Interest on Overdue Rates and Annual Charges (incl. Special Purpose Rates)		45	55
- Interest earned on Investments (interest and coupon payment income)		393	344
<b><u>TOTAL INTEREST AND INVESTMENT REVENUE</u></b>		<b><u>438</u></b>	<b><u>399</u></b>
<b>Interest Revenue is attributable to:</b>			
<b>Unrestricted Investments/Financial Assets:</b>			
Overdue Rates and Annual Charges (General Fund)		45	55
General Council Cash and Investments		332	312
<b>Restricted Investments/Funds - External:</b>			
Development Contributions			
- Section 94		61	32
<b><u>Total Interest and Investment Revenue Recognised</u></b>		<b><u>438</u></b>	<b><u>399</u></b>
<b>(d) Other Revenues</b>			
Fair Value Adjustments - Investment Properties	14	2,286	3,387
Rental Income - Investment Properties	14	1,771	1,778
Reversal of prior period revaluation decrements (applicable to IPP&E)	9(a)	-	4,571
Fines		2,283	1,759
Commissions and Agency Fees		21	21
Other		163	116
<b><u>TOTAL OTHER REVENUE</u></b>		<b><u>6,524</u></b>	<b><u>11,632</u></b>

## Mosman Council

# Notes to the Financial Statements

for the financial year ended 30 June 2014

## Note 3. Income from Continuing Operations (continued)

\$ '000	2014 Operating	2013 Operating	2014 Capital	2013 Capital
<b>(e) Grants</b>				
<b>General Purpose (Untied)</b>				
Financial Assistance - General Component	316	581	-	-
Financial Assistance - Local Roads Component	118	216	-	-
Pensioners' Rates Subsidies - General Component	65	65	-	-
<b>Total General Purpose</b>	<b>499</b>	<b>862</b>	<b>-</b>	<b>-</b>

<sup>1</sup> The Financial Assistance Grant for 13/14 reflects a one off reduction due to the fact that this grant is no longer being paid in advance by up to 50% as has occurred in previous years - it does not represent a loss of income and is a timing difference only.

### Specific Purpose

#### Pensioners' Rates Subsidies:

- Domestic Waste Management	29	28	-	-
Aged Care	497	565	-	-
Child Care	316	218	-	-
Environmental Protection	31	-	-	-
Excess Weight Subsidy	10	9	-	-
Housing and Community Amenities	130	297	-	-
Library - per capita	55	54	-	-
Library - special projects	26	69	-	-
Recreation and Culture	80	124	37	28
Traffic Route Subsidy	75	75	-	-
Transport (Roads to Recovery)	-	-	-	208
Transport (Other Roads and Bridges Funding)	-	-	872	-
<b>Total Specific Purpose</b>	<b>1,249</b>	<b>1,439</b>	<b>909</b>	<b>236</b>
<b>Total Grants</b>	<b>1,748</b>	<b>2,301</b>	<b>909</b>	<b>236</b>

#### Grant Revenue is attributable to:

- Commonwealth Funding	726	797	-	208
- State Funding	1,022	1,504	909	28
	<b>1,748</b>	<b>2,301</b>	<b>909</b>	<b>236</b>

## Mosman Council

# Notes to the Financial Statements

for the financial year ended 30 June 2014

## Note 3. Income from Continuing Operations (continued)

\$ '000	2014 Operating	2013 Operating	2014 Capital	2013 Capital
<b>(f) Contributions</b>				
<b>Developer Contributions:</b>				
<b>(s93 and s94 - EP&amp;A Act, s64 of the LGA):</b>				
S 94 - Contributions towards amenities/services	-	-	560	478
S 94A - Fixed Development Consent Levies	-	-	1,118	1,160
<b>Total Developer Contributions</b> 17	<b>-</b>	<b>-</b>	<b>1,678</b>	<b>1,638</b>
<b>Other Contributions:</b>				
Community Services	-	2	-	-
Local Infrastructure Renewal Scheme Subsidy	90	-	-	-
Recreation and Culture	-	43	204	-
Roads and Bridges	-	-	131	900
RMS Contributions (Regional Roads, Block Grant)	158	164	-	-
<b>Total Other Contributions</b>	<b>248</b>	<b>209</b>	<b>335</b>	<b>900</b>
<b>Total Contributions</b>	<b>248</b>	<b>209</b>	<b>2,013</b>	<b>2,538</b>
<b>TOTAL GRANTS AND CONTRIBUTIONS</b>	<b>1,996</b>	<b>2,510</b>	<b>2,922</b>	<b>2,774</b>

\$ '000	Actual 2014	Actual 2013
<b>(g) Restrictions relating to Grants and Contributions</b>		
<b>Certain grants and contributions are obtained by Council on condition that they be spent in a specified manner:</b>		
Unexpended at the Close of the Previous Reporting Period	1,490	524
<b>add:</b> Grants and contributions recognised in the current period but not yet spent:	1,964	1,433
<b>less:</b> Grants and contributions recognised in a previous reporting period now spent:	(374)	(467)
<b>Net Increase (Decrease) in Restricted Assets during the Period</b>	<b>1,590</b>	<b>966</b>
<b>Unexpended and held as Restricted Assets</b>	<b>3,080</b>	<b>1,490</b>
<b>Comprising:</b>		
- Specific Purpose Unexpended Grants	774	441
- Developer Contributions	2,306	1,049
	<b>3,080</b>	<b>1,490</b>

## Mosman Council

# Notes to the Financial Statements

for the financial year ended 30 June 2014

## Note 4. Expenses from Continuing Operations

\$ '000	Notes	Actual 2014	Actual 2013
<b>(a) Employee Benefits and On-Costs</b>			
Salaries and Wages		11,142	10,936
Travel		250	246
Employee Leave Entitlements (ELE)		1,539	1,375
Superannuation - Defined Contribution Plans		967	970
Superannuation - Defined Benefit Plans		320	319
Workers' Compensation Insurance		549	472
Fringe Benefit Tax (FBT)		73	48
Training Costs (other than Salaries & Wages)		115	119
Other		11	12
<b><u>TOTAL EMPLOYEE COSTS EXPENSED</u></b>		<b><u>14,966</u></b>	<b><u>14,497</u></b>
Number of "Equivalent Full Time" Employees at year end		<b>161</b>	<b>168</b>
Number of "Equivalent Full Time" Employees at year end (incl. vacancies)		<b>168</b>	<b>168</b>
<b>(b) Borrowing Costs</b>			
<b>(i) Interest Bearing Liability Costs</b>			
Interest on Loans		677	654
<b><u>Total Interest Bearing Liability Costs Expensed</u></b>		<b><u>677</u></b>	<b><u>654</u></b>
<b>(ii) Other Borrowing Costs</b>			
Nil			
<b><u>TOTAL BORROWING COSTS EXPENSED</u></b>		<b><u>677</u></b>	<b><u>654</u></b>

## Mosman Council

### Notes to the Financial Statements for the financial year ended 30 June 2014

#### Note 4. Expenses from Continuing Operations (continued)

\$ '000	Notes	Actual 2014	Actual 2013
<b>(c) Materials and Contracts</b>			
Raw Materials and Consumables		182	244
Contractor and Consultancy Costs			
- Aged Services		160	114
- Bushcare		472	457
- Cleansing		2,255	2,218
- Consultancies		89	365
- Development Assessment and Urban Planning		207	257
- Infrastructure		661	431
- Internal Audit		57	77
- Parks, Gardens and Civic Spaces		681	579
- Plant Running		130	114
- Recreational Facilities		569	547
- Structures		679	581
- Tree Pruning/Removal		239	228
- Waste Management		2,851	2,757
- Other Contractor and Consultancy Costs		1,326	1,175
Auditors Remuneration		37	36
Infringement Notice Contract Costs (SEINS)		323	257
Legal Expenses:			
- Legal Expenses: Planning & Development		453	325
- Legal Expenses: Other		92	62
Operating Leases:			
- Operating Lease Rentals: Minimum Lease Payments		92	115
Printing		131	155
<b><u>TOTAL MATERIALS AND CONTRACTS</u></b>		<b><u>11,686</u></b>	<b><u>11,094</u></b>

#### 1. Auditor Remuneration

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

##### (i) Audit and Other Assurance Services

- Audit & review of financial statements: Council's Auditor

##### Remuneration for audit and other assurance services

##### Total Auditor Remuneration

37	36
<b>37</b>	<b>36</b>
<b>37</b>	<b>36</b>

#### 2. Operating Lease Payments are attributable to:

Computers

92	115
<b>92</b>	<b>115</b>

## Mosman Council

# Notes to the Financial Statements

for the financial year ended 30 June 2014

## Note 4. Expenses from Continuing Operations (continued)

\$ '000	Notes	Impairment Costs		Depreciation/Amortisation	
		Actual 2014	Actual 2013	Actual 2014	Actual 2013
(d) Depreciation, Amortisation and Impairment					
Plant and Equipment <sup>1</sup>		-	-	176	329
Office Equipment		-	-	150	150
Furniture and Fittings		-	-	22	33
Land Improvements (depreciable)		-	-	13	13
Buildings - Non Specialised		-	-	478	478
Buildings - Specialised		-	-	280	280
Other Structures		-	-	8	7
Infrastructure:					
- Roads <sup>2</sup>		-	-	2,444	2,775
- Footpaths		-	-	245	244
- Stormwater Drainage <sup>3</sup>		-	-	374	441
- Other Open Space/Recreational Assets		-	-	1,107	1,128
Other Assets					
- Heritage Collections		-	-	-	2
- Library Books		-	-	240	238
- Other		-	-	4	14
Intangible Assets	25	-	-	16	16
<b>TOTAL DEPRECIATION AND IMPAIRMENT COSTS EXPENSED</b>		<b>-</b>	<b>-</b>	<b>5,557</b>	<b>6,148</b>

<sup>1</sup> Duplicated assets identified and value adjusted down with lower depreciation as a consequence.

<sup>2</sup> Useful lives of subclass of road assets, vehicular crossings, were reviewed in Asset Management Plan, lower depreciation calculated.

<sup>3</sup> Useful lives of stormwater assets were reviewed in Asset Management Plan resulting in lower depreciation calculated.

## Mosman Council

### Notes to the Financial Statements for the financial year ended 30 June 2014

#### Note 4. Expenses from Continuing Operations (continued)

\$ '000	Notes	Actual 2014	Actual 2013
<b>(e) Other Expenses</b>			
Other Expenses for the year include the following:			
Advertising		156	192
Bad and Doubtful Debts		3	126
Bank Charges		65	74
Catering		81	89
Computer Software Charges		1,007	773
Contributions/Levies to Other Levels of Government			
- Department of Planning Levy		192	148
- Local Government NSW		24	39
- NSW Fire and Rescue Levy		984	985
Councillor Expenses - Mayoral Fee		37	37
Councillor Expenses - Councillors' Fees		119	119
Councillors' Expenses (incl. Mayor) - Other (excluding fees above)		31	34
Donations, Contributions and Assistance to other organisations (Section 356)		340	330
Election Expenses		-	155
Electricity and Heating		522	388
Equipment Maintenance		7	168
Insurance		773	749
Leases - Photocopiers		50	55
Leases - Property		48	44
Postage		75	73
Street Lighting		400	550
Subscriptions and Publications		65	75
Telephone and Communications		81	75
Waste Disposal and Recycling Centre		673	633
Water		197	140
Other		136	191
<b><u>TOTAL OTHER EXPENSES</u></b>		<b><u>6,066</u></b>	<b><u>6,242</u></b>

## Mosman Council

# Notes to the Financial Statements

for the financial year ended 30 June 2014

## Note 5. Gains or Losses from the Disposal of Assets

\$ '000	Notes	Actual 2014	Actual 2013
<b>Property</b> (excl. Investment Property)			
Proceeds from Disposal - Property		-	46
less: Carrying Amount of Property Assets Sold / Written Off		-	-
<b>Net Gain/(Loss) on Disposal</b>		<b>-</b>	<b>46</b>
<b>Plant and Equipment</b>			
Proceeds from Disposal - Plant and Equipment		31	99
less: Carrying Amount of Plant and Equipment Assets Sold / Written Off		(51)	(88)
<b>Net Gain/(Loss) on Disposal</b>		<b>(20)</b>	<b>11</b>
<b>Financial Assets*</b>			
Proceeds from Disposal / Redemptions / Maturities - Financial Assets		11,050	10,600
less: Carrying Amount of Financial Assets Sold / Redeemed / Matured		(11,050)	(10,600)
<b>Net Gain/(Loss) on Disposal</b>		<b>-</b>	<b>-</b>
<b>NET GAIN/(LOSS) ON DISPOSAL OF ASSETS</b>		<b>(20)</b>	<b>57</b>

## Mosman Council

## Notes to the Financial Statements

for the financial year ended 30 June 2014

## Note 6a. - Cash Assets and Note 6b. - Investments

		2014	2014	2013	2013
\$ '000	Notes	Actual Current	Actual Non Current	Actual Current	Actual Non Current
Cash and Cash Equivalents (Note 6a)					
Cash on Hand and at Bank		400	-	499	-
Cash-Equivalent Assets <sup>1</sup>					
- Deposits at Call		750	-	-	-
- Short Term Deposits		9,000	-	9,125	-
<b>Total Cash and Cash Equivalents</b>		<b>10,150</b>	<b>-</b>	<b>9,624</b>	<b>-</b>
Investments (Note 6b)					
Nil					
<b>TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS</b>		<b>10,150</b>	<b>-</b>	<b>9,624</b>	<b>-</b>

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

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

**Cash and Cash Equivalents**

a. "At Fair Value through the Profit and Loss"	<b>10,150</b>	<b>-</b>	<b>9,624</b>	<b>-</b>
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**Investments**

Nil

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

Balance at the Beginning of the Year	-	-	2,750	-
Additions	11,050	-	7,850	-
Disposals (sales and redemptions)	(11,050)	-	(10,600)	-
<b>Balance at End of Year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

## Mosman Council

# Notes to the Financial Statements

for the financial year ended 30 June 2014

## Note 6c. Restricted Cash, Cash Equivalents and Investments - Details

	2014 Actual Current	2014 Actual Non Current	2013 Actual Current	2013 Actual Non Current
<b>\$ '000</b>				
<b>Total Cash, Cash Equivalents and Investments</b>	<b>10,150</b>	<b>-</b>	<b>9,624</b>	<b>-</b>
<b>attributable to:</b>				
External Restrictions (refer below)	4,475	-	4,020	-
Internal Restrictions (refer below)	4,362	-	4,273	-
Unrestricted	1,313	-	1,331	-
	<b>10,150</b>	<b>-</b>	<b>9,624</b>	<b>-</b>
<b>2014 \$ '000</b>	<b>Opening Balance</b>	<b>Transfers to Restrictions</b>	<b>Transfers from Restrictions</b>	<b>Closing Balance</b>
<b>Details of Restrictions</b>				
<b>External Restrictions - Included in Liabilities</b>				
Specific Purpose Unexpended Loans-General (A)	1,176	-	(1,176)	-
<b>External Restrictions - Included in Liabilities</b>	<b>1,176</b>	<b>-</b>	<b>(1,176)</b>	<b>-</b>
<b>External Restrictions - Other</b>				
Developer Contributions - General (B)	1,049	1,739	(482)	2,306
Specific Purpose Unexpended Grants (C)	441	333	-	774
Domestic Waste Management (D)	1,354	41	-	1,395
<b>External Restrictions - Other</b>	<b>2,844</b>	<b>2,113</b>	<b>(482)</b>	<b>4,475</b>
<b>Total External Restrictions</b>	<b>4,020</b>	<b>2,113</b>	<b>(1,658)</b>	<b>4,475</b>
<b>Internal Restrictions</b>				
Plant and Vehicle Replacement	100	20	-	120
Infrastructure Replacement	766	739	(407)	1,098
Employees Leave Entitlement	750	50	-	800
Carry Over Works	71	-	(71)	-
Deposits, Retentions and Bonds	2,000	-	-	2,000
Financial Assistance Grant	420	-	(420)	-
Swim Centre	166	125	-	291
IT Reserve	-	24	-	24
Library RFID Project Reserve	-	16	-	16
Youth Services IT Project Reserve	-	13	-	13
<b>Total Internal Restrictions</b>	<b>4,273</b>	<b>987</b>	<b>(898)</b>	<b>4,362</b>
<b>TOTAL RESTRICTIONS</b>	<b>8,293</b>	<b>3,100</b>	<b>(2,556)</b>	<b>8,837</b>

- A** Loan moneys which must be applied for the purposes for which the loans were raised.
- B** Development contributions which are not yet expended for the provision of services and amenities in accordance with contributions plans (refer Note 17).
- C** Grants which are not yet expended for the purposes for which the grants were obtained. (refer Note 1)
- D** Water, Sewerage, Domestic Waste Management (DWM) & other Special Rates/Levies/Charges are externally restricted assets and must be applied for the purposes for which they were raised.

## Mosman Council

# Notes to the Financial Statements

for the financial year ended 30 June 2014

## Note 7. Receivables

\$ '000	Notes	2014		2013	
		Current	Non Current	Current	Non Current
<b>Purpose</b>					
Rates and Annual Charges		316	29	413	56
Interest and Extra Charges		14	-	21	-
User Charges and Fees		1,006	-	1,147	-
Accrued Revenues					
- Interest on Investments		42	-	13	-
- Other Income Accruals		1,347	-	898	-
Government Grants and Subsidies		1,036	-	242	-
Net GST Receivable		352	-	212	-
Other Debtors		-	-	269	-
<b>Total</b>		<b>4,113</b>	<b>29</b>	<b>3,215</b>	<b>56</b>
<b>less: Provision for Impairment</b>					
User Charges and Fees		(62)	-	(94)	-
Other Debtors		-	-	(39)	-
<b>Total Provision for Impairment - Receivables</b>		<b>(62)</b>	<b>-</b>	<b>(133)</b>	<b>-</b>
<b><u>TOTAL NET RECEIVABLES</u></b>		<b><u>4,051</u></b>	<b><u>29</u></b>	<b><u>3,082</u></b>	<b><u>56</u></b>
<b>Externally Restricted Receivables</b>					
<b>Domestic Waste Management</b>		103	-	147	-
<b>Total External Restrictions</b>		<b>103</b>	<b>-</b>	<b>147</b>	<b>-</b>
<b>Internally Restricted Receivables</b>					
Nil					
<b>Unrestricted Receivables</b>		<b>3,948</b>	<b>29</b>	<b>2,935</b>	<b>56</b>
<b>TOTAL NET RECEIVABLES</b>		<b>4,051</b>	<b>29</b>	<b>3,082</b>	<b>56</b>

### Notes on Debtors above:

- Rates and Annual Charges Outstanding are secured against the property.
- Doubtful Rates Debtors are provided for where the value of the property is less than the debt outstanding.  
An allowance for other doubtful debts is made when there is objective evidence that a receivable is impaired.
- Interest was charged on overdue rates & charges at 9.00% (2013 10.00%).  
Generally all other receivables are non interest bearing.
- Please refer to Note 15 for issues concerning Credit Risk and Fair Value disclosures.

## Mosman Council

### Notes to the Financial Statements for the financial year ended 30 June 2014

#### Note 8. Inventories and Other Assets

\$ '000	Notes	2014		2013	
		Current	Non Current	Current	Non Current
<b>Inventories</b>					
Stores and Materials		99	-	88	-
Trading Stock		65	-	55	-
<b>Total Inventories</b>		<b>164</b>	<b>-</b>	<b>143</b>	<b>-</b>
<b>Other Assets</b>					
Prepayments		186	-	132	-
<b>Total Other Assets</b>		<b>186</b>	<b>-</b>	<b>132</b>	<b>-</b>
<b><u>TOTAL INVENTORIES / OTHER ASSETS</u></b>		<b><u>350</u></b>	<b><u>-</u></b>	<b><u>275</u></b>	<b><u>-</u></b>

#### Externally Restricted Assets

There are no restrictions applicable to the above assets.

#### Other Disclosures

#### Inventory Write Downs

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

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

## Notes to the Financial Statements

for the financial year ended 30 June 2014

## Note 9a. Infrastructure, Property, Plant and Equipment

\$ '000	as at 30/6/2013					Asset Movements during the Reporting Period				as at 30/6/2014				
	At Cost	At Fair Value	Accumulated		Carrying <sup>1</sup> Value	Asset Additions	WDV of Asset Disposals	Depreciation Expense	Adjustments <sup>2</sup> and Transfers	At Cost	At Fair Value	Accumulated		Carrying Value
			Dep'n	Impairment								Dep'n	Impairment	
Capital Work in Progress	-	-	-	-	-	444	-	-	-	444	-	-	-	444
Plant and Equipment	-	2,792	1,935	-	857	165	(51)	(176)	(127)	-	2,866	2,198	-	668
Office Equipment	-	1,079	652	-	427	76	-	(150)	-	-	898	545	-	353
Furniture and Fittings	-	410	265	-	145	8	-	(22)	(36)	-	419	324	-	95
Art Collection	-	4,266	-	-	4,266	135	-	-	-	-	4,401	-	-	4,401
<b>Land:</b>														
- Operational Land	-	112,190	-	-	112,190	-	-	-	-	-	112,190	-	-	112,190
- Community Land	-	102,687	-	-	102,687	-	-	-	-	-	102,687	-	-	102,687
Land Improvements - depreciable	-	796	129	-	667	22	-	(13)	-	-	818	142	-	676
Buildings - Non Specialised	-	43,778	16,186	-	27,592	73	-	(478)	-	-	43,851	16,664	-	27,187
Buildings - Specialised	-	21,693	6,370	-	15,323	36	-	(280)	-	-	21,728	6,649	-	15,079
Other Structures	-	604	215	-	389	-	-	(8)	-	-	605	224	-	381
<b>Infrastructure:</b>														
- Roads	-	209,574	99,555	-	110,019	4,526	-	(2,444)	-	-	214,102	102,001	-	112,101
- Footpaths	-	20,577	5,891	-	14,686	155	-	(245)	-	-	20,733	6,137	-	14,596
- Stormwater Drainage	-	63,880	13,962	-	49,918	588	-	(374)	-	-	64,468	14,336	-	50,132
- Other Open Space/Recreational Assets	-	36,221	15,291	-	20,930	1,405	-	(1,107)	-	-	37,626	16,398	-	21,228
<b>Other Assets:</b>														
- Heritage Collections	-	23	10	-	13	1	-	-	-	-	24	10	-	14
- Library Books	-	2,128	1,303	-	825	260	-	(240)	-	-	1,944	1,099	-	845
- Other	-	357	30	-	327	-	-	(4)	(268)	-	60	5	-	55
<b>TOTAL INFRASTRUCTURE, PROPERTY, PLANT AND EQUIP.</b>	-	<b>623,055</b>	<b>161,794</b>	-	<b>461,261</b>	<b>7,894</b>	<b>(51)</b>	<b>(5,541)</b>	<b>(431)</b>	<b>444</b>	<b>629,420</b>	<b>166,732</b>	-	<b>463,132</b>

Additions to Buildings and Infrastructure Assets are made up of Asset Renewals (\$6,783k) and New Assets (\$0).

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

Refer to Note 27 - Fair Value Measurement for information regarding the fair value of other Infrastructure, Property, Plant and Equipment.

1. Assets were re-categorised in the opening carrying value per new Office of Local Government categories. The bulk of assets previously categorised 'Land - depreciable' and 'Other Structures' are now categorised 'Other Open Space/Recreational'.

2. Adjustments are assets that were bought on to the asset register prior to fair valuation in the specified class that were subsequently also counted in infrastructure fair valuations.

## Mosman Council

### Notes to the Financial Statements for the financial year ended 30 June 2014

#### Note 9b. Externally Restricted Infrastructure, Property, Plant and Equipment

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**\$ '000**

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

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

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

## Mosman Council

# Notes to the Financial Statements

for the financial year ended 30 June 2014

## Note 10a. Payables, Borrowings and Provisions

\$ '000	Notes	2014		2013	
		Current	Non Current	Current	Non Current
<b>Payables</b>					
Goods and Services - operating expenditure		1,250	-	1,783	-
Goods and Services - capital expenditure		1,781	-	1,017	-
Payments Received In Advance		89	-	35	-
Accrued Expenses:					
- Borrowings		56	-	42	-
- Other Expenditure Accruals		20	-	-	-
Security Bonds, Deposits and Retentions		5,313	-	4,693	-
<b>Total Payables</b>		<b>8,509</b>	<b>-</b>	<b>7,570</b>	<b>-</b>
<b>Borrowings</b>					
Loans - Secured <sup>1</sup>		1,880	9,086	1,860	8,966
Deferred Payment Liabilities		-	-	130	-
<b>Total Borrowings</b>		<b>1,880</b>	<b>9,086</b>	<b>1,990</b>	<b>8,966</b>
<b>Provisions</b>					
Employee Benefits:					
Annual Leave		1,558	-	1,481	-
Long Service Leave		2,187	294	2,656	80
<b>Total Provisions</b>		<b>3,745</b>	<b>294</b>	<b>4,137</b>	<b>80</b>
<b>Total Payables, Borrowings and Provisions</b>		<b>14,134</b>	<b>9,380</b>	<b>13,697</b>	<b>9,046</b>
<b>(i) Liabilities relating to Restricted Assets</b>					
		2014		2013	
		Current	Non Current	Current	Non Current
<b>Externally Restricted Assets</b>					
Domestic Waste Management		183	-	147	-
Other		-	-	346	-
Liabilities relating to externally restricted assets		183	-	493	-
<b>Internally Restricted Assets</b>					
Nil					
Total Liabilities relating to restricted assets		183	-	493	-
Total Liabilities relating to Unrestricted Assets		13,951	9,380	13,204	9,046
<b>TOTAL PAYABLES, BORROWINGS AND PROVISIONS</b>		<b>14,134</b>	<b>9,380</b>	<b>13,697</b>	<b>9,046</b>

<sup>1</sup>. Loans are secured over the General Rating Income of Council

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

## Mosman Council

# Notes to the Financial Statements

for the financial year ended 30 June 2014

## Note 10a. Payables, Borrowings and Provisions (continued)

	Actual 2014	Actual 2013
\$ '000		

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

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

Provisions - Employees Benefits	2,143	2,629
Payables - Security Bonds, Deposits & Retentions	4,700	4,093
	<u>6,843</u>	<u>6,722</u>

## Note 10b. Description of and movements in Provisions

Class of Provision	2013	2014				Closing Balance as at 30/6/14
	Opening Balance as at 1/7/13	Additional Provisions	Decrease due to Payments	Remeasurement effects due to Discounting	Unused amounts reversed	
Annual Leave	1,481	1,075	(998)	-	-	1,558
Long Service Leave	2,736	635	(890)	-	-	2,481
<b>TOTAL</b>	<b>4,217</b>	<b>1,710</b>	<b>(1,888)</b>	<b>-</b>	<b>-</b>	<b>4,039</b>

## Mosman Council

## Notes to the Financial Statements

for the financial year ended 30 June 2014

## Note 11. Statement of Cash Flows - Additional Information

\$ '000	Notes	Actual 2014	Actual 2013
<b>(a) Reconciliation of Cash Assets</b>			
Total Cash and Cash Equivalent Assets	6a	10,150	9,624
Less Bank Overdraft	10	-	-
<b>BALANCE as per the STATEMENT of CASH FLOWS</b>		<b>10,150</b>	<b>9,624</b>
<b>(b) Reconciliation of Net Operating Result to Cash provided from Operating Activities</b>			
<b>Net Operating Result from Income Statement</b>		<b>5,340</b>	<b>9,446</b>
Adjust for non cash items:			
Depreciation & Amortisation		5,557	6,148
Net Losses/(Gains) on Disposal of Assets		20	(57)
Non Cash Capital Grants and Contributions		(93)	-
Reversal of prior period IPP&E revaluation decrements costed DIRECT to the P&L		-	(4,571)
Losses/(Gains) recognised on Fair Value Re-measurements through the P&L:			
- Investment Properties		(2,286)	(3,387)
Share of Net (Profits) or Losses of Associates/Joint Ventures		(31)	(83)
<b>+/- Movement in Operating Assets and Liabilities and Other Cash Items:</b>			
Decrease/(Increase) in Receivables		(871)	98
Increase/(Decrease) in Provision for Doubtful Debts		(71)	(171)
Decrease/(Increase) in Inventories		(21)	19
Decrease/(Increase) in Other Assets		(54)	(30)
Increase/(Decrease) in Payables		(533)	472
Increase/(Decrease) in accrued Interest Payable		14	(7)
Increase/(Decrease) in Other Liabilities		674	(250)
Increase/(Decrease) in Employee Leave Entitlements		(178)	158
<b>NET CASH PROVIDED FROM/(USED IN) OPERATING ACTIVITIES FROM THE STATEMENT OF CASH FLOWS</b>		<b>7,487</b>	<b>7,785</b>
<b>(c) Non-Cash Investing and Financing Activities</b>			
Other Dedications Artworks		93	-
<b>Total Non-Cash Investing and Financing Activities</b>		<b>93</b>	<b>-</b>
<b>(d) Financing Arrangements</b>			
<b>Unrestricted access was available at balance date to the following lines of credit:</b>			
Bank Overdraft Facilities <sup>(1)</sup>		90	90
Credit Cards / Purchase Cards		55	47
<b>Total Financing Arrangements</b>		<b>145</b>	<b>137</b>

1. The Bank overdraft facility may be drawn at any time and may be terminated by the bank without notice.  
Interest rates on overdrafts are Interest Rates on Loans & Other Payables are disclosed in Note 15.

## Mosman Council

### Notes to the Financial Statements for the financial year ended 30 June 2014

#### Note 12. Commitments for Expenditure

\$ '000	Notes	Actual 2014	Actual 2013
<b>(a) Capital Commitments (exclusive of GST)</b>			
Capital expenditure committed for at the reporting date and not recognised in the financial statements as liabilities:			
<b>Property, Plant and Equipment</b>			
Infrastructure		750	2,000
<b>Total Commitments</b>		<b>750</b>	<b>2,000</b>
<b>These expenditures are payable as follows:</b>			
Within the next year		750	2,000
<b>Total Payable</b>		<b>750</b>	<b>2,000</b>
<b>Sources for Funding of Capital Commitments:</b>			
Externally Restricted Reserves		450	-
Internally Restricted Reserves		300	-
New Loans (to be raised)		-	2,000
<b>Total Sources of Funding</b>		<b>750</b>	<b>2,000</b>

#### (b) Finance Lease Commitments

Nil

#### (c) Operating Lease Commitments (Non Cancellable)

##### a. Commitments under Non Cancellable Operating Leases at the Reporting date, but not recognised as Liabilities are payable:

Within the next year	154	140
Later than one year and not later than 5 years	169	191
<b>Total Non Cancellable Operating Lease Commitments</b>	<b>323</b>	<b>331</b>

##### 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.

#### (d) Investment Property Commitments

Nil

## Mosman Council

# Notes to the Financial Statements

for the financial year ended 30 June 2014

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

\$ '000	Amounts 2014	Indicator 2014	Prior Periods 20132012	
Local Government Industry Indicators - Consolidated				
1. Operating Performance Ratio				
Total continuing operating revenue <sup>(1)</sup>				
(excl. Capital Grants and Contributions) - Operating Expenses	121	0.31%	-3.83%	-6.65%
Total continuing operating revenue <sup>(1)</sup>	39,073			
(excl. Capital Grants & Contributions)				
2. Own Source Operating Revenue Ratio				
Total continuing operating revenue <sup>(1)</sup>				
(less ALL Grants and Contributions)	37,077	88.29%	86.78%	84.72%
Total continuing operating revenue <sup>(1)</sup>	41,995			
3. Unrestricted Current Ratio				
Current Assets less all External Restrictions <sup>(2)</sup>	9,973	1.40 : 1	1.36	1.35
Current Liabilities less Specific Purpose Liabilities <sup>(3, 4)</sup>	7,108			
4. Debt Service Cover Ratio				
Operating Result <sup>(1)</sup> before capital excluding interest and depreciation / impairment / amortisation (EBITDA)	6,355	2.38	2.31	2.11
Principal Repayments (from the Statement of Cash Flows) + Borrowing Interest Costs (from the Income Statement)	2,667			
5. Rates, Annual Charges, Interest and Extra Charges Outstanding Percentage				
Rates, Annual and Extra Charges Outstanding	359	1.55%	2.21%	1.80%
Rates, Annual and Extra Charges Collectible	23,146			
6. Cash Expense Cover Ratio				
Current Year's Cash and Cash Equivalents including All Term Deposits	10,150	3.25	3.35	2.30
Payments from cash flow of operating and financing activities	3,120			

### Notes

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

<sup>(2)</sup> Refer Notes 6-8 inclusive.

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

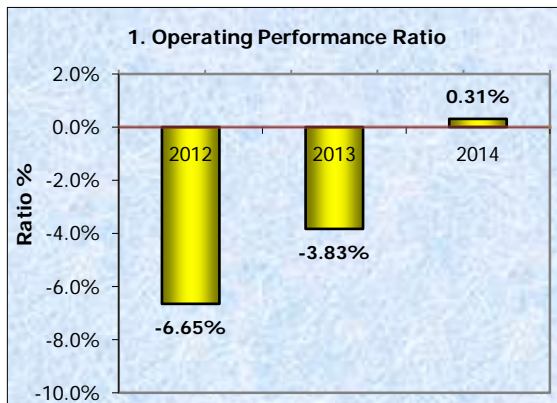
<sup>(3)</sup> Refer to Note 10(a).

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

## Mosman Council

### Notes to the Financial Statements for the financial year ended 30 June 2014

#### Note 13a(ii). Local Government Industry Indicators - Graphs (Consolidated)



**Purpose of Operating Performance Ratio**

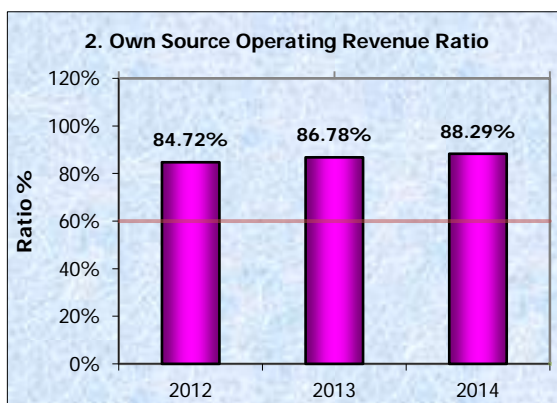
This ratio measures Council's achievement of containing operating expenditure within operating revenue.

**Commentary on 2013/14 Result**

**2013/14 Ratio 0.31%**

A slight positive ratio reflects improvements in revenue such as parking fees and fines and stormwater levy as compared to previous years and a lower depreciation expense.

Source for Benchmark: Code of Accounting Practice and Financial Reporting



**Purpose of Own Source Operating Revenue Ratio**

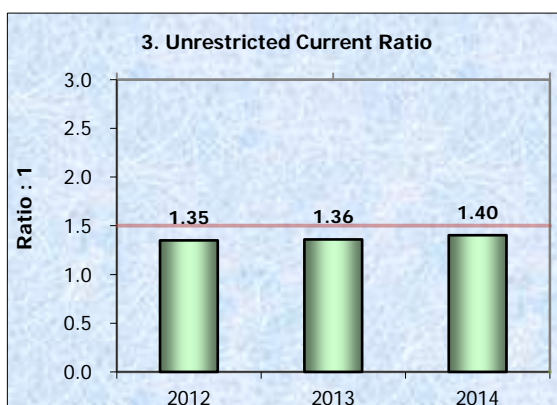
This ratio measures fiscal flexibility. It is the degree of reliance on external funding sources such as operating grants and contributions.

**Commentary on 2013/14 Result**

**2013/14 Ratio 88.29%**

A moderate improvement is noted in Council's own source income ratio. The ratio comfortably exceeds the Office of Local Government's (OLG) benchmark.

Source for Benchmark: Code of Accounting Practice and Financial Reporting



**Purpose of Unrestricted Current Ratio**

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

**Commentary on 2013/14 Result**

**2013/14 Ratio 1.40 : 1**

A slight improvement is noted in the reporting year. It is short of the OLG benchmark of 1.5:1. Some local government practitioners consider a ratio of 1:1 sufficient.

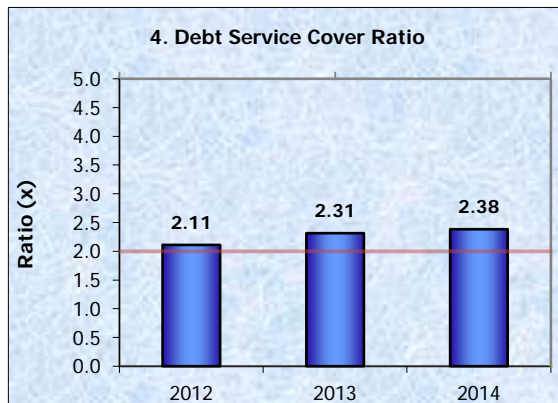
Source for Benchmark: Code of Accounting Practice and Financial Reporting

## Mosman Council

# Notes to the Financial Statements

for the financial year ended 30 June 2014

## Note 13a(ii). Local Government Industry Indicators - Graphs (Consolidated)



— Minimum 2.00

Source for Benchmark: NSW Treasury Corporation

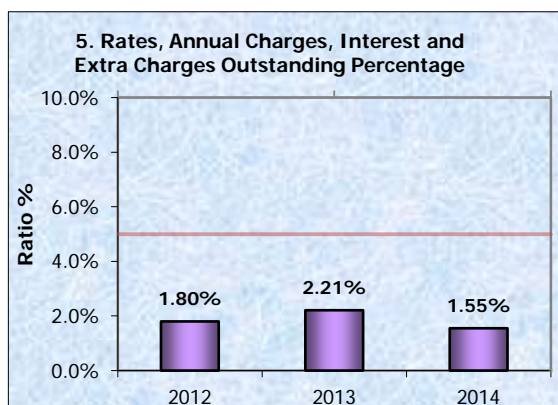
### Purpose of Debt Service Cover Ratio

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

### Commentary on 2013/14 Result

**2013/14 Ratio 2.38**

There has been a slight decrease in ratio is due to taking up Local Infrastructure Renewal Scheme round two loan of \$2 million.



— Maximum 5.00%

Source for Benchmark: Office of Local Govt - Comparative Information (10/11)

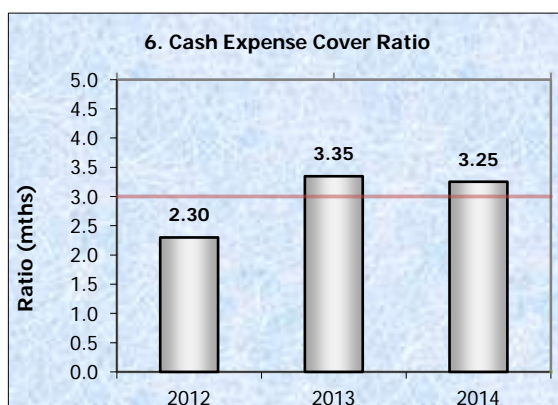
### Purpose of Rates & Annual Charges Outstanding Ratio

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

### Commentary on 2013/14 Result

**2013/14 Ratio 1.55%**

A lower ratio is a positive financial indicator. An improved ratio indicates Council has improved recovery level in this reporting year.



— Minimum 3.00

Source for Benchmark: Code of Accounting Practice and Financial Reporting

### 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 Result

**2013/14 Ratio 3.25**

No substantial change on the prior reporting year. The ratio meets the relevant benchmark.

## Mosman Council

### Notes to the Financial Statements for the financial year ended 30 June 2014

#### Note 14. Investment Properties

\$ '000	Notes	Actual 2014	Actual 2013
<b>(a) Investment Properties at Fair value</b>			
<b>Investment Properties on Hand</b>		<b>46,821</b>	<b>44,535</b>
<b>Reconciliation of Annual Movement:</b>			
Opening Balance		44,535	41,078
- Capitalised Expenditure - this year		-	70
- Net Gain/(Loss) from Fair Value Adjustments		2,286	3,387
<b>CLOSING BALANCE - INVESTMENT PROPERTIES</b>		<b>46,821</b>	<b>44,535</b>

#### (b) Valuation Basis

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

The 2014 revaluations were based on Independent Assessments made by:  
Scott Fullarton Valuations Pty Ltd Registered Valuer No. 2144

#### (c) Contractual Obligations at Reporting Date

Refer to Note 12 for disclosures relating to any Capital and Service obligations that have been contracted.

#### (d) Leasing Arrangements

Details of leased Investment Properties are as follows:

Future Minimum Lease Payments receivable under non-cancellable Investment Property Operating Leases not recognised in the Financial Statements are receivable as follows:

Within 1 year	1,893	1,830
Later than 1 year but less than 5 years	5,202	5,687
Later than 5 years	2,230	3,025
<b>Total Minimum Lease Payments Receivable</b>	<b>9,325</b>	<b>10,542</b>

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.

## Mosman Council

### Notes to the Financial Statements for the financial year ended 30 June 2014

#### Note 14. Investment Properties (continued)

\$ '000	Notes	Actual 2014	Actual 2013
<b>(e) Investment Property Income and Expenditure - summary</b>			
<b>Rental Income from Investment Properties:</b>			
- Minimum Lease Payments		1,771	1,778
<b>Direct Operating Expenses on Investment Properties:</b>			
- that generated rental income		(46)	(30)
<b>Net Revenue Contribution from Investment Properties</b>		<b>1,725</b>	<b>1,748</b>
plus:			
<b>Fair Value Movement for year</b>		<b>2,286</b>	<b>3,387</b>
<b>Total Income attributable to Investment Properties</b>		<b>4,011</b>	<b>5,135</b>

#### Note 15. Financial Risk Management

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

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

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

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

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

	Carrying Value		Fair Value	
	2014	2013	2014	2013
<b>Financial Assets</b>				
Cash and Cash Equivalents	10,150	9,624	10,150	9,624
Receivables	4,080	3,138	4,079	3,138
<b>Total Financial Assets</b>	<b>14,230</b>	<b>12,762</b>	<b>14,229</b>	<b>12,762</b>
<b>Financial Liabilities</b>				
Payables	8,420	7,535	8,419	7,535
Loans/Advances	10,966	10,956	10,966	10,956
<b>Total Financial Liabilities</b>	<b>19,386</b>	<b>18,491</b>	<b>19,385</b>	<b>18,491</b>

Fair Value is determined as follows:

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

## Mosman Council

### Notes to the Financial Statements for the financial year ended 30 June 2014

#### Note 15. Financial Risk Management (continued)

\$ '000

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

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 Minister's Investment Order. This Policy is regularly reviewed by Council and its staff and an Investment Report is tabled before Council on a monthly basis setting out the portfolio breakup and its performance.

The risks associated with the investments held are:

- **Price** - 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** - the risk that movements in interest rates could affect returns and income.
- **Credit** - 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.

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
<b>2014</b>				
Possible impact of a 1% movement in Interest Rates	102	102	(102)	(102)
<b>2013</b>				
Possible impact of a 1% movement in Interest Rates	96	96	(96)	(96)

## Mosman Council

### Notes to the Financial Statements for the financial year ended 30 June 2014

#### Note 15. Financial Risk Management (continued)

\$ '000

##### (b) Receivables

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. It also encourages ratepayers to pay their rates by the due date through incentives.

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

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

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:

	2014 Rates and Annual Charges	2014 Other Receivables	2013 Rates and Annual Charges	2013 Other Receivables
<b>(i) Ageing of Receivables - %</b>				
Current (not yet overdue)	92%	89%	88%	88%
Overdue	8%	11%	12%	12%
	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

##### **(ii) Ageing of Receivables - value**

Current (not yet overdue)	316	3,475	413	2,470
Past due by more than 90 days	29	322	56	332
	<b>345</b>	<b>3,797</b>	<b>469</b>	<b>2,802</b>

##### **(iii) Movement in Provision for Impairment of Receivables**

	2014	2013
Balance at the beginning of the year	133	304
+ new provisions recognised during the year	3	10
- amounts already provided for & written off this year	(74)	(181)
<b>Balance at the end of the year</b>	<b>62</b>	<b>133</b>

## Mosman Council

### Notes to the Financial Statements for the financial year ended 30 June 2014

#### Note 15. Financial Risk Management (continued)

\$ '000

##### (c) Payables and Borrowings

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

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

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

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

\$ '000	Subject to no maturity	payable in:						Total Cash Outflows	Actual Carrying Values
		≤ 1 Year	1-2 Yrs	2-3 Yrs	3-4 Yrs	4-5 Yrs	> 5 Yrs		
2014									
Trade/Other Payables	5,313	3,107	-	-	-	-	-	8,420	8,420
Loans and Advances	-	1,880	1,913	1,713	1,190	1,109	3,162	10,966	10,966
Total Financial Liabilities	5,313	4,987	1,913	1,713	1,190	1,109	3,162	19,386	19,386
2013									
Trade/Other Payables	4,693	2,842	-	-	-	-	-	7,535	7,535
Loans and Advances	-	1,989	1,799	1,824	1,622	913	2,809	10,956	10,956
Total Financial Liabilities	4,693	4,831	1,799	1,824	1,622	913	2,809	18,491	18,491

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

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

	2014		2013	
	Carrying Value	Average Interest Rate	Carrying Value	Average Interest Rate
Trade/Other Payables	8,420	0.0%	7,535	0.0%
Loans and Advances - Fixed Interest Rate	10,966	6.6%	10,956	6.7%
	<u>19,386</u>		<u>18,491</u>	

## Mosman Council

### Notes to the Financial Statements for the financial year ended 30 June 2014

#### Note 16. Material Budget Variations

\$ '000

Council's Original Financial Budget for 2013-14 was adopted by the Council on 04 June 2013.

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

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

**Note that for Variations of Budget to Actual :**

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

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

\$ '000	2014 Budget	2014 Actual	2014 -----Variance-----		
<b>REVENUES</b>					
Rates and Annual Charges	22,723	22,611	(112)	(0%)	<b>U</b>
User Charges and Fees	9,058	9,790	732	8%	<b>F</b>
Interest and Investment Revenue	470	438	(32)	(7%)	<b>U</b>
Other Revenues	3,668	6,524	2,856	78%	<b>F</b>
Council realised a fair value gain on Investment Properties of \$2.3 million (see Note 14) and parking fines exceeding the initial budget by approximately \$0.3 million.					
Operating Grants and Contributions	2,065	1,996	(69)	(3%)	<b>U</b>
Capital Grants & Contributions	1,914	2,922	1,008	53%	<b>F</b>
Section 94 and 94A contributions exceeded initial budget by approximately \$0.5 million. An additional grant of \$0.45 million was sourced for the Pearl Bay traffic project.					
Share of Net Profits - Joint Ventures and Associat	-	31	31	0%	<b>F</b>

## Mosman Council

# Notes to the Financial Statements

for the financial year ended 30 June 2014

## Note 16. Material Budget Variations (continued)

\$ '000	2014 Budget	2014 Actual	2014 ----- Variance* -----	
<b>EXPENSES</b>				
Employee Benefits and On-Costs	15,270	14,966	304	2% <b>F</b>
Borrowing Costs	627	677	(50)	(8%) <b>U</b>
Materials and Contracts	11,538	11,686	(148)	(1%) <b>U</b>
Depreciation and Amortisation	6,194	5,557	637	10% <b>F</b>
Council's engineers conducted a review of the useful life of its infrastructure assets resulting in a downward revision of depreciation expense in accordance with Council's adopted policy.				
Other Expenses	5,306	6,066	(760)	(14%) <b>U</b>
The Waste and Disposal Item within Note 4(e) was funded in the original budget within Materials and Contracts (\$673k)				
Net Losses from Disposal of Assets	-	20	(20)	0% <b>U</b>

\$ '000	2014 Budget	2014 Actual	2014 ----- Variance* -----	
<b>Budget Variations relating to Council's Cash Flow Statement include:</b>				
Cash Flows from Operating Activities	7,186	7,487	301	4.2% <b>F</b>
Cash Flows from Investing Activities	(6,509)	(6,971)	(462)	7.1% <b>U</b>
Cash Flows from Financing Activities	(58)	10	68	(117.2%) <b>F</b>

## Notes to the Financial Statements

for the financial year ended 30 June 2014

### Note 17. Statement of Developer Contributions

\$ '000

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

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

#### SUMMARY OF CONTRIBUTIONS AND LEVIES

PURPOSE	Opening Balance	Contributions received during the Year		Interest earned in Year	Expenditure during Year	Internal Borrowing (to)/from	Held as Restricted Asset	Projections			Cumulative Internal Borrowings due/(payable)
		Cash	Non Cash					Future income	Exp still outstanding	Over or (under) Funding	
Open Space	-	560	-	-	(482)	-	78	-	(78)	-	-
S94 Contributions - under a Plan	-	560	-	-	(482)	-	78	-	(78)	-	-
S94A Levies - under a Plan	1,049	1,118	-	61	-	-	2,228				-
Total S94 Revenue Under Plans	1,049	1,678	-	61	(482)	-	2,306				-
<b>Total Contributions</b>	<b>1,049</b>	<b>1,678</b>	<b>-</b>	<b>61</b>	<b>(482)</b>	<b>-</b>	<b>2,306</b>	<b>-</b>	<b>(78)</b>	<b>-</b>	<b>-</b>

# Notes to the Financial Statements

for the financial year ended 30 June 2014

## Note 17. Statement of Developer Contributions (continued)

\$ '000

### S94 CONTRIBUTIONS - UNDER A PLAN

#### CONTRIBUTION PLAN

PURPOSE	Opening Balance	Contributions received during the Year		Interest earned in Year	Expenditure during Year	Internal Borrowing (to)/from	Held as Restricted Asset	Projections			Cumulative Internal Borrowings due/(payable)
		Cash	Non Cash					Future income	Exp still outstanding	Over or (under) Funding	
Open Space	-	560	-	-	(482)	-	78	-	(78)	-	-
<b>Total</b>	<b>-</b>	<b>560</b>	<b>-</b>	<b>-</b>	<b>(482)</b>	<b>-</b>	<b>78</b>	<b>-</b>	<b>(78)</b>	<b>-</b>	<b>-</b>

### S94A LEVIES - UNDER A PLAN

#### CONTRIBUTION PLAN - OPEN SPACE & CAR PARKING

PURPOSE	Opening Balance	Contributions received during the Year		Interest earned in Year	Expenditure during Year	Internal Borrowing (to)/from	Held as Restricted Asset	Projections			Cumulative Internal Borrowings due/(payable)
		Cash	Non Cash					Future income	Exp still outstanding	Over or (under) Funding	
Open Space	1,049	1,118	-	61	-	-	2,228	-	-		-
<b>Total</b>	<b>1,049</b>	<b>1,118</b>	<b>-</b>	<b>61</b>	<b>-</b>	<b>-</b>	<b>2,228</b>				<b>-</b>

## Mosman Council

### Notes to the Financial Statements for the financial year ended 30 June 2014

## Note 18. Contingencies and Other Assets/Liabilities Not Recognised

\$ '000

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

#### LIABILITIES NOT RECOGNISED:

##### 1. Guarantees

##### (i) Defined Benefit Superannuation Contribution Plans

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

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

The Schemes most recent full actuarial review indicated that the Net Assets of the Scheme were not sufficient to meet the accrued benefits of the Schemes Defined Benefit member category with member Councils required to make significantly higher contributions 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 it's Defined Benefit Scheme obligations in accordance with AASB 119.

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

##### (ii) Statewide Limited

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

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

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

##### (iii) StateCover Limited

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

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

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

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

##### (iv) Other Guarantees

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

## Mosman Council

### Notes to the Financial Statements for the financial year ended 30 June 2014

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

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\$ '000

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##### **LIABILITIES NOT RECOGNISED (continued):**

##### **2. Other Liabilities**

##### **(i) Third Party Claims**

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

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

##### **(ii) S94 Plans**

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

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

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

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

##### **ASSETS NOT RECOGNISED:**

##### **(i) Land Under Roads**

As permitted under AASB 1051, Council has elected not to bring to account Land Under Roads that it owned or controlled up to and including 30 June 2008.

## Mosman Council

### Notes to the Financial Statements for the financial year ended 30 June 2014

#### Note 19. Controlled Entities, Associated Entities and Interests in Joint Ventures

\$ '000

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

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

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

##### Subsidiaries

**Note 19(a)**

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

##### Associated Entities and Joint Venture Entities

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

Arrangements in the form of a Separate Entity that deploys the resources of the operation itself. Under Associated Entities, Council significantly influences the operations (but does not control them, whilst for Joint Ventures Entities, Council Jointly Controls the Operations with other parties.

##### Joint Venture Operations

**Note 19(c)**

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

#### Accounting Recognition:

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

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

	Council's Share of Net Income		Council's Share of Net Assets	
	Actual 2014	Actual 2013	Actual 2014	Actual 2013
Associated Entities	34	88	631	632
Joint Venture Entities	(3)	(5)	43	46
<b>Total</b>	<b>31</b>	<b>83</b>	<b>674</b>	<b>678</b>

## Mosman Council

### Notes to the Financial Statements for the financial year ended 30 June 2014

#### Note 19. Controlled Entities, Associated Entities and Interests in Joint Ventures

\$ '000

##### (a) Subsidiaries (ie. Entities and Operations controlled by Council)

Council has no interest in any Subsidiaries.

##### (b) Associated Entities and Joint Venture Entities

###### (i) ASSOCIATED ENTITIES

###### (a) Net Carrying Amounts - Council's Share

Name of Entity	Principal Activity	2014	2013
Kimbriki Environmental Enterprises P/L	Waste Management and Disposal	631	632
<b>Total Carrying Amounts - Associated Entities</b>		<b>631</b>	<b>632</b>

###### (b) Relevant Interests

Name of Entity	Interest in Outputs		Interest in Ownership		Proportion of Voting Power	
	2014	2013	2014	2013	2014	2013
Kimbriki Environmental Enterprises P/L	4%	4%	4%	4%	25%	25%

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

	Kimbriki Environmental Enterprises P/L	
	2014	2013
Opening Balance	632	584
Share in Operating Result	77	88
Distributions Received	(35)	(40)
Adjustments to Equity	(43)	-
<b>Council's Equity Share in the Associated Entity</b>	<b>631</b>	<b>632</b>

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

2014	Assets	Liabilities	Net Assets	Revenues	Profit
Kimbriki Environmental Enterprises P/L	926	295	631	1,069	77
<b>Totals</b>	<b>926</b>	<b>295</b>	<b>631</b>	<b>1,069</b>	<b>77</b>
 2013	 Assets	 Liabilities	 Net Assets	 Revenues	 Profit
Kimbriki Environmental Enterprises P/L	790	158	632	932	88
<b>Totals</b>	<b>790</b>	<b>158</b>	<b>632</b>	<b>932</b>	<b>88</b>

## Mosman Council

# Notes to the Financial Statements

for the financial year ended 30 June 2014

## Note 19. Controlled Entities, Associated Entities and Interests in Joint Ventures

\$ '000

### (b) Associated Entities and Joint Venture Entities (continued)

#### (ii) JOINT VENTURE ENTITIES

##### (a) Carrying Amounts

Name of Entity	Principal Activity	2014	2013
Shorelink Library Network	Sharing of Library Infrastructure	43	46
<b>Total Carrying Amounts - Joint Venture Entities</b>		<b>43</b>	<b>46</b>

##### (b) Relevant Interests

Name of Entity	Interest in Outputs		Interest in Ownership		Proportion of Voting Power	
	2014	2013	2014	2013	2014	2013
Shorelink Library Network	13%	14%	17%	17%	20%	20%

##### (c) Movement in Carrying Amounts

	Shorelink Library Network	
	2014	2013
Opening Balance	46	51
Share in Operating Result	(3)	(5)
<b>Council's Equity Share in the Joint Venture Entity</b>	<b>43</b>	<b>46</b>

##### (d) Share of Joint Ventures Assets and Liabilities

	Assets		Liabilities		Net Assets
	Current	Non Current	Current	Non Current	
<b>2014</b>					
Shorelink Library Network	51	5	13	-	43
<b>Totals</b>	<b>51</b>	<b>5</b>	<b>13</b>	<b>-</b>	<b>43</b>
<b>2013</b>					
Shorelink Library Network	49	8	11	-	46
<b>Totals</b>	<b>49</b>	<b>8</b>	<b>11</b>	<b>-</b>	<b>46</b>

##### (e) Share of Joint Ventures Revenues, Expenses and Results

	2014			2013		
	Revenues	Expenses	Result	Revenues	Expenses	Result
Shorelink Library Network	69	72	(3)	82	87	(5)
<b>Totals</b>	<b>69</b>	<b>72</b>	<b>(3)</b>	<b>82</b>	<b>87</b>	<b>(5)</b>

##### (c) Joint Venture Operations

Council has no interest in any Joint Venture Operations.

## Mosman Council

### Notes to the Financial Statements for the financial year ended 30 June 2014

#### Note 20. Equity - Retained Earnings and Revaluation Reserves

\$ '000	Notes	Actual 2014	Actual 2013
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##### (a) Retained Earnings

###### Movements in Retained Earnings were as follows:

Balance at beginning of Year (from previous years audited accounts)		285,463	276,017
a. Net Operating Result for the Year		5,340	9,446
<b>Balance at End of the Reporting Period</b>		<b>290,803</b>	<b>285,463</b>

##### (b) Reserves

###### (i) Reserves are represented by:

- Infrastructure, Property, Plant & Equipment Revaluation Reserve		211,202	211,633
<b>Total</b>		<b>211,202</b>	<b>211,633</b>

###### (ii) Reconciliation of movements in Reserves:

###### Infrastructure, Property, Plant & Equipment Revaluation Reserve

- Opening Balance		211,633	186,289
- Revaluations for the year	9(a)	-	25,344
- Other movements: Adjustments re Note 9(a)	9(a)	(431)	-
<b>- Balance at End of Year</b>		<b>211,202</b>	<b>211,633</b>

###### TOTAL VALUE OF RESERVES

<b>211,202</b>	<b>211,633</b>
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###### (iii) Nature and Purpose of Reserves

###### Infrastructure, Property, Plant and Equipment Revaluation Reserve

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

##### (c) Correction of Error/s relating to a Previous Reporting Period

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

##### (d) Voluntary Changes in Accounting Policies

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

## Mosman Council

### Notes to the Financial Statements for the financial year ended 30 June 2014

#### Note 21. Financial Result and Financial Position by Fund

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\$ '000

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Council utilises only a General Fund for its operations.

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

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

#### Note 23. Events occurring after the Reporting Date

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Events that occur between the end of the reporting period (ending 30 June 2014) and the date when the financial statements are "authorised for issue" have been taken into account in preparing these statements.

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

Accordingly, the "authorised for issue" date is 08/10/14.

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

##### **(i) Events that provide evidence of conditions that existed at the Reporting Period**

These financial statements (and the figures therein) incorporate all "adjusting events" that provided evidence of conditions that existed at 30 June 2014.

##### **(ii) Events that provide evidence of conditions that arose after the Reporting Period**

These financial statements (and figures therein) do not incorporate any "non-adjusting events" that have occurred after 30 June 2014 and which are only indicative of conditions that arose after 30 June 2014.

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

#### Note 24. Discontinued Operations

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

## Mosman Council

### Notes to the Financial Statements for the financial year ended 30 June 2014

#### Note 25. Intangible Assets

	Actual 2014	Actual 2013
\$ '000		
Intangible Assets represent identifiable non-monetary asset without physical substance.		
Intangible Assets are as follows;		
<b>Opening Values:</b>		
Gross Book Value (1/7)	344	360
Accumulated Amortisation (1/7)	(16)	(16)
Accumulated Impairment (1/7)	-	-
<b>Net Book Value - Opening Balance</b>	<b>328</b>	<b>344</b>
<b>Movements for the year</b>		
- Amortisation charges	(16)	(16)
<b>Closing Values:</b>		
Gross Book Value (30/6)	328	344
Accumulated Amortisation (30/6)	(16)	(16)
Accumulated Impairment (30/6)	-	-
<b><u>TOTAL INTANGIBLE ASSETS - NET BOOK VALUE</u></b> <sup>1</sup>	<b><u>312</u></b>	<b><u>328</u></b>

<sup>1</sup> The Net Book Value of Intangible Assets represent:

- Rights to participate in Kimbriki Environmental Enterprises Pty Ltd.	312	328
	<b>312</b>	<b>328</b>

#### Note 26. Reinstatement, Rehabilitation and Restoration Liabilities

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

## Mosman Council

### Notes to the Financial Statements for the financial year ended 30 June 2014

#### Note 27. Fair Value Measurement

\$ '000

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

- Infrastructure, Property, Plant and Equipment
- Investment Property

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

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

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

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

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

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

		Fair Value Measurement Hierarchy			
2014		Level 1	Level 2	Level 3	Total
	Date of latest Valuation	Quoted prices in active mkts	Significant observable inputs	Significant unobservable inputs	
Recurring Fair Value Measurements					
Investment Properties					
Retail, Commercial Office and Residential	30/06/14	-	-	46,821	46,821
Total Investment Properties		-	-	46,821	46,821
Infrastructure, Property, Plant and Equipment					
Plant and Equipment	30/06/14	-	-	668	668
Office Equipment	30/06/14	-	-	353	353
Furniture and Fittings	30/06/14	-	-	95	95
Art Collection	25/10/12	-	-	4,401	4,401
Operational Land	30/06/13	-	-	112,190	112,190
Community Land	1/07/11	-	-	102,687	102,687
Land Improvements - Depreciable	30/06/14	-	-	676	676
Buildings Non-Specialised	30/06/13	-	-	27,187	27,187
Buildings Specialised	30/06/13	-	-	15,079	15,079
Other Structures	30/06/11	-	-	381	381
Roads	30/06/10	-	-	112,101	112,101
Footpaths	30/06/10	-	-	14,596	14,596
Stormwater Drainage	30/06/13	-	-	50,132	50,132
Other Open Space/Recreational Assets	30/06/11	-	-	21,228	21,228
Heritage Collections	30/06/14	-	-	14	14
Library Books	30/06/14	-	-	845	845
Other Assets	30/06/14	-	-	55	55
Total Infrastructure, Property, Plant and Equipment		-	-	462,688	462,688

#### (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 financial year ended 30 June 2014

### Note 27. Fair Value Measurement

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

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

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

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

#### Investment Properties

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

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

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

The fair value of the investment property is determined by an independent, qualified valuer on an annual basis who has experience in the location of the property. The Council reviews the valuation report and discusses significant movements with the valuer. As at 30 June 2014 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 inputs to the valuation are the remaining useful life and residual value. Council reviews the value of these assets against quoted prices for the gross current replacement cost of similar assets and by

## Mosman Council

### Notes to the Financial Statements for the financial year ended 30 June 2014

#### Note 27. Fair Value Measurement

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

##### *Art Collection*

This class comprises Council's collection of art works. The collection was valued in October 2012 by Stella Downer Fine Art. Stella Downer is a member of the Australian Commercial Galleries association and is approved by the Department of Prime Minister and Cabinet's Cultural Gifts Program to value art works.

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

##### *Operational Land*

This asset class comprises all of Council's land classified as Operational Land under the NSW Local Government Act 1993. The key unobservable input to the valuation is the price per square metre. The last valuation was undertaken at 30 June 2013 and was performed by Scott Fullarton Valuations Pty Ltd, Director Scott Fullarton, FAPI, Certified 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.

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

##### *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 and the residual value.

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

##### *Buildings: Non-Specialised and Specialised*

Buildings were valued by Scott Fullarton Valuations Pty Ltd in June 2013 using the cost approach. The approach estimated the replacement cost for each building by componentising the buildings into significant

## Mosman Council

### Notes to the Financial Statements for the financial year ended 30 June 2014

#### Note 27. Fair Value Measurement

parts with different useful lives and taking into account a range of factors. While all buildings were physically inspected and the unit rates based on square metres could be supported from market evidence (Level 2) other inputs (such as estimates of residual value and pattern of consumption) required extensive professional judgement and impacted significantly on the final determination of fair value.

Inputs include:

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

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

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

Typical useful lives and unit rates (includes overheads):

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

#### *Other Structures*

Other structures include such miscellaneous minor structures as: The Cenotaph, Anderson Memorial, The Scotland-Australia Cairn, Fountains and the Reservoir Park Rotunda.

Gross replacement costs were valued by Complete Urban Pty Ltd as at 30 June 2011. The condition, residual values and useful lives of the assets were assessed and calculated by Complete Urban and suitably qualified Council staff based on site observations, officer knowledge and history of local issues.

Unit rates were estimated based on Complete Urban's industry experience.

Fair values have been generated every subsequent financial year based on the cost approach and the gross replacement cost calculated by Complete Urban.

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

#### *Public Roads, Footpaths and Carparks*

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

## Mosman Council

### Notes to the Financial Statements for the financial year ended 30 June 2014

#### Note 27. Fair Value Measurement

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

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

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

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

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

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

In this reporting period the useful lives of vehicle crossings were increased as its maintenance generally fall within the responsibility of the person solely benefiting from it.

Typical useful lives and unit rates (includes overheads):

Public Road and Footpath Asset Component	Useful Life (Years)	Unit Rate
Concrete Road Pavement (Reinforced 200mm thick)	120	\$181.00/m <sup>2</sup>
Asphalt Road Pavement	50	\$82.00/m <sup>2</sup>
Sandstone Kerb & Gutter	90	\$360/m
Concrete Roundabout	40	\$360/m <sup>2</sup>
Gabion Retaining Wall	150	630/m <sup>2</sup>
Double Barrier Line	5	\$0.72/m
'Warning' Traffic Sign	15	\$141.75/ each
Concrete Footpath (75 mm thick)	90	\$96.81/m <sup>2</sup>
Asphalt Footpath (25 mm thick)	40	\$45.72/m <sup>2</sup>

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

## Mosman Council

### Notes to the Financial Statements

for the financial year ended 30 June 2014

#### Note 27. Fair Value Measurement

##### *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, residual values 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. The residual value of pipes is cost to replace the whole section less relining costs.

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.

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

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

##### *Other Open Space/Recreational Assets*

Includes:

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

Gross replacement cost for marine assets were valued by Opus International Consultants (NSW) Pty Ltd as at 30 June 2011, in accordance with accepted Australian Accounting Practices. The condition, residual values and useful lives of the assets were assessed and calculated by Opus personnel based on site observations, including diving inspections.

## Mosman Council

### Notes to the Financial Statements

for the financial year ended 30 June 2014

#### Note 27. Fair Value Measurement

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

Gross replacement cost for Mosman parks and open space assets were valued by Complete Urban Pty Ltd as at 30 June 2011. The condition, residual values and useful lives of the assets were assessed and calculated by Complete Urban and suitably qualified Council staff based on site observations, officer knowledge and history of local issues. Unit rates for parks and open space assets were estimated based on Complete Urban's industry experience.

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

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

Typical useful lives and unit rates (includes overheads):

<b>Open Space/Recreational and Other Structures Asset Component</b>	<b>Useful Life (Years)</b>	<b>Unit Rate</b>
Timber Deck	40	\$200/m <sup>2</sup>
Concrete Deck	60	\$500/m <sup>2</sup>
Concrete/Sandstone Seawall	50	Varies \$1,000 - \$2,500/m
Steel Turning Board	18	\$50,000/each
Irrigation	30	\$7.50/m <sup>2</sup>
Softfall	5	\$45/m <sup>2</sup>
Cenotaph	100	\$80,000/each
Dinghy Racks	20	\$15,000/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, estimated remaining useful life and the residual value.

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 inputs to the valuation are the remaining useful life and residual value. 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, estimated remaining useful life and the residual value. There has been no change to the valuation process during the reporting period.

## Mosman Council

Notes to the Financial Statements  
for the financial year ended 30 June 2014

## Note 27. Fair Value Measurement (continued)

\$ '000

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

## a. The following tables present the changes in Level 3 Fair Value Asset Classes.

	Plant and Equipment	Office Equipment	Furniture and Fittings	Art Collection	Total
Adoption of AASB 13	857	427	145	4,266	5,695
<b>Closing Balance - 30/6/13</b>	<b>857</b>	<b>427</b>	<b>145</b>	<b>4,266</b>	<b>5,695</b>
Purchases (Gross Book Value)	165	76	8	135	384
Disposals (Written Down Value)	(51)	-	-	-	(51)
Depreciation and Impairment	(176)	(150)	(22)	-	(348)
Adjustments as per Note 9	(127)	-	(36)	-	(163)
<b>Closing Balance - 30/6/14</b>	<b>668</b>	<b>353</b>	<b>95</b>	<b>4,401</b>	<b>5,517</b>

	Operational Land	Community Land	Land Improve- ments Depreciable	Buildings Non- Specialised	Total
Adoption of AASB 13	112,190	102,687	667	27,592	243,136
<b>Closing Balance - 30/6/13</b>	<b>112,190</b>	<b>102,687</b>	<b>667</b>	<b>27,592</b>	<b>243,136</b>
Purchases (Gross Book Value)	-	-	22	73	95
Depreciation and Impairment	-	-	(13)	(478)	(491)
<b>Closing Balance - 30/6/14</b>	<b>112,190</b>	<b>102,687</b>	<b>676</b>	<b>27,187</b>	<b>242,740</b>

	Buildings Specialised	Other Structures	Roads	Footpaths	Total
Adoption of AASB 13	15,323	389	110,019	14,686	140,417
<b>Closing Balance - 30/6/13</b>	<b>15,323</b>	<b>389</b>	<b>110,019</b>	<b>14,686</b>	<b>140,417</b>
Purchases (Gross Book Value)	36	-	4,526	155	4,717
Depreciation and Impairment	(280)	(8)	(2,444)	(245)	(2,977)
<b>Closing Balance - 30/6/14</b>	<b>15,079</b>	<b>381</b>	<b>112,101</b>	<b>14,596</b>	<b>142,157</b>

## Mosman Council

Notes to the Financial Statements  
for the financial year ended 30 June 2014

## Note 27. Fair Value Measurement (continued)

\$ '000

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

## a. The following tables present the changes in Level 3 Fair Value Asset Classes. (continued)

	Stormwater Drainage	Other Open Space Recreational	Heritage Collections	Library Books	Total
Adoption of AASB 13	49,918	20,930	13	825	71,686
<b>Closing Balance - 30/6/13</b>	<b>49,918</b>	<b>20,930</b>	<b>13</b>	<b>825</b>	<b>71,686</b>
Purchases (Gross Book Value)	588	1,405	1	260	2,254
Depreciation and Impairment	(374)	(1,107)	-	(240)	(1,721)
<b>Closing Balance - 30/6/14</b>	<b>50,132</b>	<b>21,228</b>	<b>14</b>	<b>845</b>	<b>72,219</b>

	Other Assets	Total
Adoption of AASB 13	327	327
<b>Closing Balance - 30/6/13</b>	<b>327</b>	<b>327</b>
Depreciation and Impairment	(4)	(4)
Adjustments as per Note 9	(268)	(268)
<b>Closing Balance - 30/6/14</b>	<b>55</b>	<b>55</b>

## b. Information relating to the transfers into and out of the Level 3 Fair Valuation hierarchy (as disclosed in the Table above) includes:

Nil

## Mosman Council

### Notes to the Financial Statements for the financial year ended 30 June 2014

#### Note 27. Fair Value Measurement

##### c. Significant unobservable valuation inputs used (for Level 3 asset classes) and their relationship to fair value.

The following table summarises the quantitative information relating to the significant unobservable inputs used in deriving the various Level 3 Asset Class fair values.

##### I, PP&E

Class	Fair Value (30/6/14) \$'000	Valuation Techniques	Unobservable Inputs	Range of Inputs (incl probable)	Relationship of unobservable inputs to Fair Value
Plant and Equipment	668	Cost Approach	<ul style="list-style-type: none"> <li>Gross replacement cost.</li> <li>Remaining useful life.</li> <li>Residual value.</li> </ul>	<ul style="list-style-type: none"> <li>Varies significantly from asset to asset.</li> <li>5 to 10 years</li> <li>0%</li> </ul>	Significant changes in the gross replacement value, pattern of consumption effecting the remaining useful life or residual value would result in significant changes to fair value measurement.
Office Equipment	353	Cost Approach	<ul style="list-style-type: none"> <li>Gross replacement cost.</li> <li>Remaining useful life.</li> <li>Residual value.</li> </ul>	<ul style="list-style-type: none"> <li>Varies significantly from asset to asset.</li> <li>5 to 10 years</li> <li>0%</li> </ul>	Significant changes in the gross replacement value, pattern of consumption effecting the remaining useful life or residual value would result in significant changes to fair value measurement.
Furniture and Fittings	95	Cost Approach	<ul style="list-style-type: none"> <li>Gross replacement cost.</li> <li>Remaining useful life.</li> <li>Residual value..</li> </ul>	<ul style="list-style-type: none"> <li>Varies significantly from asset to asset.</li> <li>5 to 20 years</li> <li>0%</li> </ul>	Significant changes in the gross replacement value, pattern of consumption effecting the remaining useful life or residual value would result in significant changes to fair value measurement.

## Mosman Council

### Notes to the Financial Statements for the financial year ended 30 June 2014

#### Note 27. Fair Value Measurement

<b>Class</b>	<b>Fair Value</b> (30/6/14) \$'000	<b>Valuation Techniques</b>	<b>Unobservable Inputs</b>	<b>Range of Inputs</b> (incl probable)	<b>Relationship of unobservable inputs to Fair Value</b>
Art Collection	4,401	Cost Approach	<ul style="list-style-type: none"> <li>Aesthetic value and quality of the work.</li> <li>Significance of a piece in the artist's oeuvre.</li> <li>Recent auction house results.</li> <li>Survey of retrospective exhibitions.</li> </ul>	<ul style="list-style-type: none"> <li>Varies significantly from asset to asset.</li> </ul>	Changes in academic/expert assessments of quality/significance, broad tastes in arts communities and the general sentiment of the arts market could significantly impact values.
Operational Land	112,190	Cost Approach	<ul style="list-style-type: none"> <li>Price per square metre</li> </ul>	<ul style="list-style-type: none"> <li>\$200 - \$8,000</li> </ul>	Significant changes in the price per square metre would result in significant changes to fair value measurement.
Community Land	102,687	Cost Approach	<ul style="list-style-type: none"> <li>Unimproved Capital Value (price per square metre)</li> </ul>	<ul style="list-style-type: none"> <li>\$20 - \$5700</li> </ul>	Significant changes in the price per square metre would result in significant changes to fair value measurement.
Land Improvements - Depreciable	676	Cost Approach	<ul style="list-style-type: none"> <li>Gross replacement cost</li> <li>Remaining useful life</li> <li>Residual value</li> </ul>	<ul style="list-style-type: none"> <li>Varies significantly from asset to asset.</li> </ul>	Significant changes in the gross replacement value, pattern of consumption effecting the remaining useful life or residual value would result in significant changes to fair value measurement.

## Mosman Council

### Notes to the Financial Statements for the financial year ended 30 June 2014

#### Note 27. Fair Value Measurement

Class	Fair Value (30/6/14) \$'000	Valuation Techniques	Unobservable Inputs	Range of Inputs (incl probable)	Relationship of unobservable inputs to Fair Value
Buildings Non-Specialised	27,187	Cost Approach	<ul style="list-style-type: none"> <li>Gross Replacement Cost</li> <li>% Breakdown of Building Component Groups</li> <li>Useful Life</li> <li>Residual Value</li> <li>Condition</li> </ul>	<ul style="list-style-type: none"> <li>\$42,000 - \$14,077,000</li> <li>0 - 63%</li> <li>70-100 years</li> <li>0-100%</li> <li>Excellent to Poor</li> </ul>	As the service potential of an asset is 'consumed' over its life, the amount is reported as accumulated depreciation. This is related to the useful life, condition, gross replacement, straight line pattern of consumption and the weighted percentage breakdown of building component groups.
Buildings Specialised	15,079	Cost Approach	<ul style="list-style-type: none"> <li>Gross Replacement Cost</li> <li>% Breakdown of Building Component Groups</li> <li>Useful Life</li> <li>Residual Value</li> <li>Condition</li> </ul>	<ul style="list-style-type: none"> <li>\$42,000 - \$14,077,000</li> <li>0 - 63%</li> <li>70-100 years</li> <li>0-100%</li> <li>Excellent to Poor</li> </ul>	As the service potential of an asset is 'consumed' over its life, the amount is reported as accumulated depreciation. This is related to the useful life, condition, gross replacement, straight line pattern of consumption and the weighted percentage breakdown of building component groups.
Other Structures	382	Cost Approach	<ul style="list-style-type: none"> <li>Gross Replacement Cost</li> <li>Useful Life</li> <li>Residual Value</li> <li>Condition</li> </ul>	<ul style="list-style-type: none"> <li>\$33,000 - \$214,000</li> <li>50 -100</li> <li>0%</li> <li>Good</li> </ul>	As the service potential of an asset is 'consumed' over its life, the amount is reported as accumulated depreciation. This is related to the useful life, condition, gross replacement and a straight line pattern of consumption.

## Mosman Council

### Notes to the Financial Statements for the financial year ended 30 June 2014

#### Note 27. Fair Value Measurement

<b>Class</b>	<b>Fair Value</b> (30/6/14) \$'000	<b>Valuation Techniques</b>	<b>Unobservable Inputs</b>	<b>Range of Inputs</b> (incl probable)	<b>Relationship of unobservable inputs to Fair Value</b>
Roads and Footpaths	126,697	Cost Approach	<ul style="list-style-type: none"> <li>Gross Replacement Cost</li> <li>Useful Life</li> <li>Residual Value</li> <li>Condition</li> </ul>	<ul style="list-style-type: none"> <li>\$0.39 - \$883,272</li> <li>5 – 500 years</li> <li>0 – 100%</li> <li>Excellent to Very Poor</li> </ul>	As the service potential of an asset is 'consumed' over its life, the amount is reported as accumulated depreciation. This is related to the useful life, condition, gross replacement and a straight line pattern of consumption.
Stormwater Drainage	50,132	Cost Approach	<ul style="list-style-type: none"> <li>Gross Replacement Cost</li> <li>Useful Life</li> <li>Residual Value</li> <li>Condition</li> </ul>	<ul style="list-style-type: none"> <li>\$21.11 - \$742,000</li> <li>20 – 150 years</li> <li>0 – 77%</li> <li>Excellent to Very Poor</li> </ul>	As the service potential of an asset is 'consumed' over its life, the amount is reported as accumulated depreciation. This is related to the useful life, condition, gross replacement and a straight line pattern of consumption.
Other Open Space / Recreational Assets	21,228	Cost Approach	<ul style="list-style-type: none"> <li>Gross Replacement Cost</li> <li>Useful Life</li> <li>Residual Value</li> <li>Condition</li> </ul>	<ul style="list-style-type: none"> <li>\$21.11 - \$742,000</li> <li>20 – 150 years</li> <li>0 – 77%</li> <li>Excellent to Very Poor</li> </ul>	As the service potential of an asset is 'consumed' over its life, the amount is reported as accumulated depreciation. This is related to the useful life, condition, gross replacement and a straight line pattern of consumption.

## Mosman Council

### Notes to the Financial Statements for the financial year ended 30 June 2014

#### Note 27. Fair Value Measurement

<b>Class</b>	<b>Fair Value</b> (30/6/14) \$'000	<b>Valuation Techniques</b>	<b>Unobservable Inputs</b>	<b>Range of Inputs</b> (incl probable)	<b>Relationship of unobservable inputs to Fair Value</b>
Library Books and Heritage Collections	859	Cost Approach	<ul style="list-style-type: none"> <li>Gross Replacement Cost</li> <li>Asset Condition</li> <li>Useful life</li> <li>Residual value</li> </ul>	<ul style="list-style-type: none"> <li>Varies significantly from asset to asset</li> <li>Poor to excellent</li> <li>5 to 15 years</li> <li>0% to 10%</li> </ul>	Significant changes in the gross replacement value, asset condition, pattern of consumption effecting the remaining useful life or residual value would result in significant changes to fair value measurement.
Other Assets	55	Cost Approach	<ul style="list-style-type: none"> <li>Gross replacement cost</li> <li>Remaining useful life</li> <li>Residual value</li> </ul>	<ul style="list-style-type: none"> <li>\$800 - \$1000</li> <li>8 – 11 years</li> <li>0%</li> </ul>	Significant changes in the gross replacement value, pattern of consumption effecting the remaining useful life or residual value would result in significant changes to fair value measurement.

#### (5). Highest and best use

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

## Mosman Council

### Notes to the Financial Statements for the financial year ended 30 June 2014

#### Note 28. Council Information and Contact Details

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**Principal Place of Business:**

Civic Centre  
Mosman Square, Spit Junction, 2088

**Contact Details**
**Mailing Address:**

PO Box 211  
SPIT JUNCTION NSW 2088

**Opening Hours:**

Monday to Friday 8.30 am to 5pm

**Telephone:** 02 9978 4000

**Facsimile:** 02 9978 4132

**Internet:** [www.mosmancouncil.nsw.gov.au](http://www.mosmancouncil.nsw.gov.au)

**Email:** [council@mosman.nsw.gov.au](mailto:council@mosman.nsw.gov.au)

**Officers**
**GENERAL MANAGER**

V Lee

**RESPONSIBLE ACCOUNTING OFFICER**

G Mills

**PUBLIC OFFICER**

M Glyde

**AUDITORS**

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

**Elected Members**
**MAYOR**

P Abelson

**COUNCILLORS**

R Bendall  
C Corrigan  
P S Menzies  
L Moline  
T Sherlock  
P White

**Other Information**

**ABN:** 94 414 022 939

**MOSMAN COUNCIL**  
**GENERAL PURPOSE FINANCIAL STATEMENTS**  
**INDEPENDENT AUDITORS' REPORT**

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**REPORT ON THE FINANCIAL STATEMENTS**

We have audited the accompanying general purpose financial statements of Mosman Council, which comprises the Statement of Financial Position as at 30 June 2014, Income Statement, Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the year ended on that date, a summary of significant accounting policies and other explanatory notes and the Statement by Councillors and Management. The financial statements include the consolidated financial statements of the economic entity and the entities it controlled at year end or from time to time during the year.

***Responsibility of Council for the Financial Statements***

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

***Auditors' Responsibility***

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

**Assurance Partners**

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Practising as Hill Rogers Spencer  
Steer Assurance Partners

ABN 56 435 338 966

Hill Rogers  
Spencer Steer

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

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

### ***Independence***

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

### ***Auditor's Opinion***

In our opinion,

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

### **HILL ROGERS SPENCER STEER**



**BRETT HANGER**

Partner

Dated at Sydney this 8th day of October 2014

Hill Rogers  
Spencer Steer

8 October 2014

Mayor  
Mosman Council  
PO Box 211  
**SPIT JUNCTION NSW 2088**

Mayor,

### **Audit Report - Year Ended 30 June 2014**

We are pleased to advise completion of the audit of Council's books and records for the year ended 30 June 2014 and that all information required by us was readily available. We have signed our reports as required under Section 417(1) of the Local Government Act, 1993 and the Local Government Code of Accounting Practice and Financial Reporting to the General and Special Purpose Financial Statements.

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

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

## **I. RESULTS FOR THE YEAR**

### **I.1 Operating Result**

The operating result for the year was a surplus of \$5.34 million as compared with \$9.446 million in the previous year.

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Steer Assurance Partners

ABN 56 435 338 966

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

	2014 \$000	% of Total	2013 \$000	% of Total	Increase (Decrease) \$000
<b>Revenues before capital items</b>					
Rates & annual charges	22,611	55%	21,747	48%	864
User charges, fees & other revenues	16,345	39%	16,080	35%	265
Reversal of previous revaluation decrements	-	0%	4,571	10%	(4,571)
Grants & contributions provided for operating purposes	1,996	5%	2,510	6%	(514)
Interest & investment revenue	438	1%	399	1%	39
	<b>41,390</b>	<b>100%</b>	<b>45,307</b>	<b>100%</b>	<b>(3,917)</b>
<b>Expenses</b>					
Employee benefits & costs	14,966	38%	14,497	38%	469
Materials, contracts & other expenses	17,772	46%	17,336	45%	436
Depreciation, amortisation & impairment	5,557	14%	6,148	16%	(591)
Borrowing costs	677	2%	654	2%	23
	<b>38,972</b>	<b>100%</b>	<b>38,635</b>	<b>100%</b>	<b>337</b>
<b>Surplus (Deficit) before capital items</b>	<b>2,418</b>		<b>6,672</b>		<b>(4,254)</b>
Grants & contributions provided for capital purposes	2,922		2,774		148
<b>Net Surplus (Deficit) for the year</b>	<b>5,340</b>		<b>9,446</b>		<b>(4,106)</b>
<b>Performance Measures</b>	<b>2014</b>		<b>2013</b>		
Operating Performance	0.31%		-3.83%		
Own Source Operating Revenue	88.29%		86.78%		

The table above shows an overall decrease over the previous year of \$4.106 million. During the previous year, a prior revaluation decrement relating to the revaluation of stormwater drainage assets was reversed. This resulted in an amount of \$4.571 million being recognised in revenue in 2013.

**Operating Performance** measures the ability to contain operating expenditure within operating revenue excluding capital amounts. For 2014, this indicator was 0.31% and exceeded the benchmark of 0%.

**Own Source Operating Revenue** measures the degree of reliance on external funding sources such as grants and contributions. For 2014, this indicator was 88.29% and exceeded the benchmark of 60%.

## 1.2 Funding Result

As the operating result only accounts for operating income and expenditure, in reviewing the overall financial performance of Council, it is useful to consider the total source of revenues and how they were applied during the year which is illustrated in the table below.

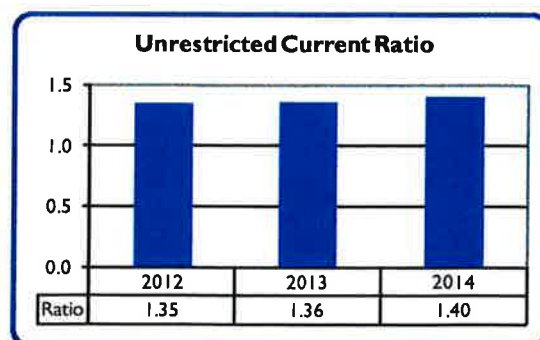
	2014	2013
<b>Funds were provided by:-</b>	\$000	\$000
<b>Operating Result (as above)</b>	<b>5,340</b>	<b>9,446</b>
Add back non funding items:-		
- Depreciation, amortisation & impairment	5,557	6,148
- Reversal of previous revaluation decrements	0	(4,571)
- Book value of non-current assets sold	51	88
- (Gain)/Loss of fair value to investment properties	(2,286)	(3,387)
- (Surplus)/Deficit in joint ventures	(31)	(83)
	8,631	7,641
New loan borrowings	2,000	2,460
Distributions from joint ventures	35	40
Net Changes in current/non-current assets & liabilities	469	0
	11,135	10,141
<b>Funds were applied to:-</b>		
Purchase and construction of assets	(7,894)	(5,562)
Principal repaid on loans	(1,990)	(1,669)
Transfers to externally restricted assets (net)	(721)	(2,271)
Transfers to internal reserves (net)	(89)	(789)
Net Changes in current/non current assets & liabilities	0	(34)
	(10,694)	(10,325)
<b>Increase/(Decrease) in Available Working Capital</b>	<b>441</b>	<b>(184)</b>

## 2. FINANCIAL POSITION

### 2.1 Unrestricted Current Ratio

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

After eliminating externally restricted assets and current liabilities not expected to be paid within the next 12 months net current assets amounted to \$2.865 million representing a factor of 1.4 to 1.



## 2.2 Available Working Capital – (Working Funds)

At the close of the year the Available Working Capital of Council stood at \$2.598 million as detailed below;

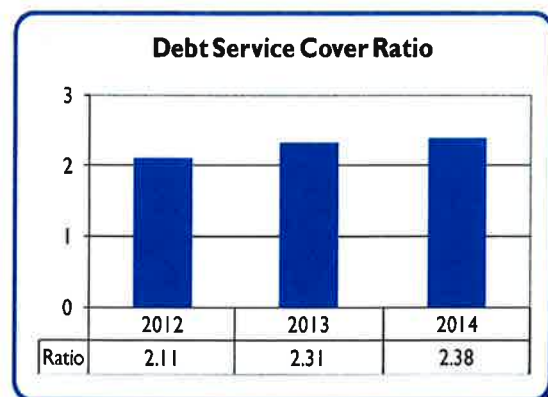
	2014 \$000	2013 \$000	Change \$000
<b>Net Current Assets (Working Capital) as per Accounts</b>	<b>417</b>	<b>(716)</b>	<b>1,133</b>
<b>Add:</b> Payables & provisions not expected to be realised in the next 12 months included above	6,843	6,722	121
<b>Adjusted Net Current Assets</b>	<b>7,260</b>	<b>6,006</b>	<b>1,254</b>
<b>Add:</b> Budgeted & expected to pay in the next 12 months			
- Borrowings	1,880	1,990	(110)
- Employees leave entitlements	1,602	1,508	94
- Deposits & retention moneys	613	600	13
<b>Less:</b> Externally restricted assets	(4,395)	(3,674)	(721)
<b>Less:</b> Internally restricted assets	(4,362)	(4,273)	(89)
<b>Available Working Capital as at 30 June</b>	<b>2,598</b>	<b>2,157</b>	<b>441</b>

The balance of Available Working Capital should be at a level to manage Council's day to day operations including the financing of hard core debtors, stores and to provide a buffer against unforeseen and unbudgeted expenditures. Taking into consideration the nature and level of the internally restricted assets (Reserves) set aside to fund future works and services and liabilities, Council's Available Working Capital at year end was adequate.

## 2.3 Debt

After repaying principal and interest of \$2.667 million and taking up a new loan of \$2 million, total debt as at 30 June 2014 stood at \$10.966 (2013 - \$10.956).

The debt service cover ratio measures the availability of operating cash to service debt repayments. For 2014, the ratio indicated that operating results before capital, interest and depreciation covered payments required to service debt by a factor of 2.38 to 1.



## 2.4 Summary

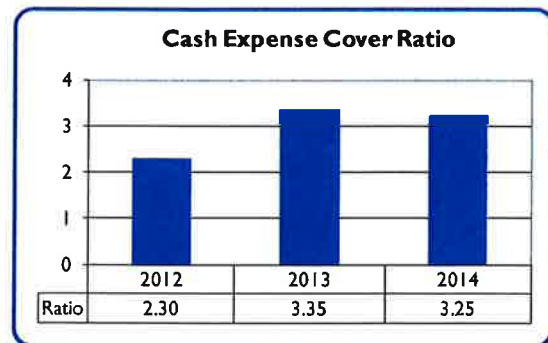
Council's overall financial position, when taking into account the above financial indicators was, in our opinion, satisfactory.

### 3. CASH ASSETS

#### 3.1 Cash Expense Cover Ratio

This liquidity ratio indicates the number of months of expenditure requirements that can be met with available cash and term deposit balances without the need for additional cash inflow.

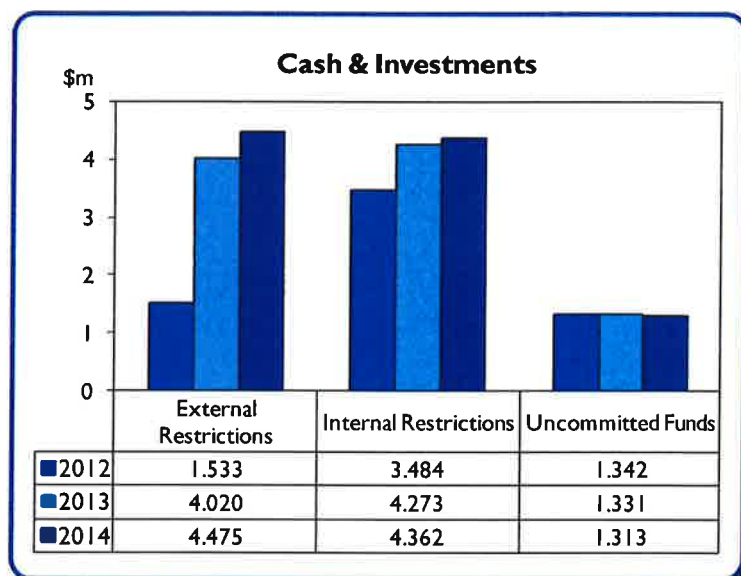
For 2014, this ratio stood at 3.25 months compared to the benchmark of 3.



#### 3.2 Cash & Investment Securities

Cash and investments amounted \$10.15 million at 30 June 2014 as compared with \$9.624 million in 2013 and \$6.359 million in 2012.

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



**Externally restricted cash and investments** are restricted in their use by externally imposed requirements and consisted of unexpended specific purpose grants (\$774,000), developer contributions (\$2.306 million) and domestic waste management charges (\$1.395 million).

**Internally restricted cash and investments** have been restricted in their use by resolution or policy of Council to reflect forward plans, identified programs of works, and are, in fact, Council's "**Reserves**". These Reserves totalled \$4.362 million and their purposes are more fully disclosed in Notes 6 of the financial statements.

**Unrestricted cash and investments** amounted to \$1.313 million, which is available to provide liquidity for day to day operations.

### 3.3 Cash Flows

The Statement of Cash Flows illustrates the flow of cash (highly liquid cash and investments) moving in and out of Council during the year and reveals that Cash Assets increased by \$526,000 to \$10.15 million at the close of the year.

In addition to operating activities which contributed net cash of \$7.487 million were the proceeds from the sale of assets (\$31,000), redemption of investments (\$11.05 million), distributions from joint ventures (\$35,000) and new loans (\$2 million). Cash outflows other than operating activities were used to repay debt (\$1.99 million), purchase investments (\$11.05 million) and to purchase and construct assets (\$7.037 million).

## 4. RECEIVABLES

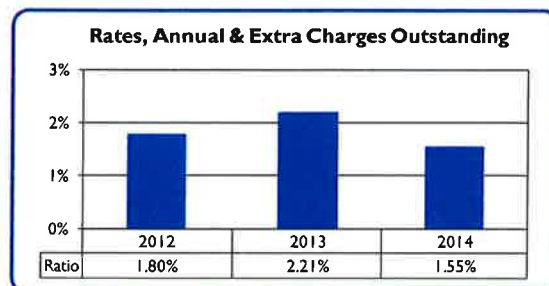
### 4.1 Rates & Annual Charges (excluding interest & extra charges)

Net rates and annual charges levied during the year totalled \$22.611 million and represented 51% of Council's total revenues.

Including arrears, the total rates and annual charges collectible was \$23.08 million of which \$22.735 million (99%) was collected.

### 4.2 Rates, Annual & Extra Charges

Arrears of rates, annual and extra charges stood at \$359,000 at the end of the year and represented 1.55% of those receivables.



### 4.3 Other Receivables

Receivables (other than Rates & Annual Charges) totalled \$3.783 million and mainly consisted of user charges, fees and revenue accruals (\$2.395 million) and amounts due from other levels of government (\$1.388 million). Those considered to be uncertain of collection have been provided for as doubtful debts and this provision amounted to \$62,000.

## 5. PAYABLES

### 5.1 Employees Leave Entitlements

Council's provision for its liability toward employees leave entitlements and associated on costs amounted to \$4.039 million. A cash reserve of \$800,000 was held at year end representing 20% of this liability and was, in our opinion, sufficient to meet unbudgeted and unanticipated retirements.

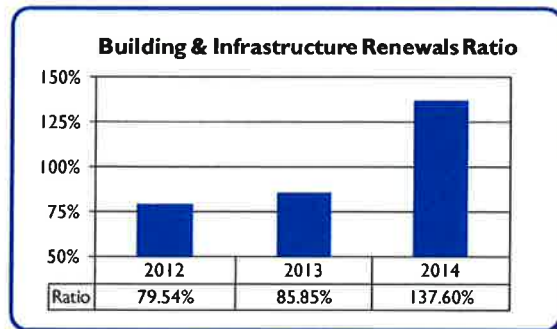
## 5.2 Deposits, Retentions & Bonds

Deposits, retentions and bonds held at year end amounted to \$5.313 million and a cash reserve was held amounting to \$2 million representing 38% of this liability and was sufficient to meet anticipated repayments in the near future.

## 6. BUILDING AND INFRASTRUCTURE RENEWALS

The Building and Infrastructure Renewals ratio measures the rate at which these assets are renewed against the rate at which they are depreciating.

Special Schedule No. 7 discloses that asset renewals for 2014 represented 138% of the depreciation charges for these assets. An industry benchmark is considered to be 100%, measured annually over the long term.



## 7. MANAGEMENT LETTER

An audit management letter addressing the findings from our interim audit was issued on 19 June 2014 and included our recommendations on possible ways to strengthen and/or improve procedures.

## 8. CONCLUSION

We wish to record our appreciation to your General Manager and her staff for their ready co-operation and the courtesies extended to us during the conduct of the audit.

Yours faithfully,

**HILL ROGERS SPENCER STEER**

**BRETT HANGER**

Partner

# Mosman Council

SPECIAL PURPOSE FINANCIAL STATEMENTS  
for the year ended 30 June 2014

---

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

**Mosman**  
COUNCIL

## Mosman Council

### Special Purpose Financial Statements

for the financial year ended 30 June 2014

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<b>1. Statement by Councillors &amp; Management</b>	<b>2</b>
<b>2. Special Purpose Financial Statements:</b>	
Income Statement - Water Supply Business Activity	n/a
Income Statement - Sewerage Business Activity	n/a
Income Statement - Other Business Activities	3
Statement of Financial Position - Water Supply Business Activity	n/a
Statement of Financial Position - Sewerage Business Activity	n/a
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<b>3. Notes to the Special Purpose Financial Statements</b>	<b>5</b>
<b>4. Auditor's Report</b>	<b>9</b>

---

#### Background

- (i) These Special Purpose Financial Statements have been prepared for the by both Council and the Office of Local Government in fulfilling their requirements under National Competition Policy.
  - (ii) The principle of competitive neutrality is based on the concept of a "level playing field" between persons/entities competing in a market place, particularly between private and public sector competitors.  
  
Essentially, the principle is that government businesses, whether Commonwealth, State or Local, should operate without net competitive advantages over other businesses as a result of their public ownership.
  - (iii) For Council, the principle of competitive neutrality and public reporting applies only to declared business activities.  
  
These include **(a)** those activities classified by the Australian Bureau of Statistics as business activities being water supply, sewerage services, abattoirs, gas production and reticulation and **(b)** those activities with a turnover of over \$2 million that Council has formally declared as a Business Activity (defined as Category 1 activities).
  - (iv) In preparing these financial statements for Council's self classified Category 1 businesses and ABS defined activities, councils must **(a)** adopt a corporatisation model and **(b)** apply full cost attribution including tax equivalent regime payments and debt guarantee fees (where the business benefits from councils borrowing position by comparison with commercial rates).
-

**Mosman Council****Special Purpose Financial Statements**

for the financial year ended 30 June 2014

**Statement by Councillors and Management**


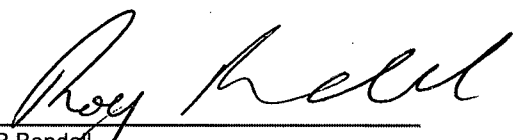
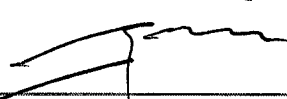
made pursuant to the Local Government Code of Accounting Practice and Financial Reporting

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

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

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

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

**We are not aware of any matter that would render these Statements false or misleading in any way.****Signed in accordance with a resolution of Council made on 07 October 2014.**  
\_\_\_\_\_  
P Abelson  
MAYOR  
\_\_\_\_\_  
R Bendall  
COUNCILLOR  
\_\_\_\_\_  
V Lee  
GENERAL MANAGER  
\_\_\_\_\_  
S Mills  
RESPONSIBLE ACCOUNTING OFFICER

## Mosman Council

## Income Statement of Council's Other Business Activities

for the financial year ended 30 June 2014

Commercial Property  
Management

## Category 1

\$ '000	Actual 2014	Actual 2013
<b>Income from continuing operations</b>		
Access charges	-	-
User charges	996	1,111
Fees	-	-
Interest	-	-
Grants and contributions provided for non capital purposes	-	-
Profit from the sale of assets	-	-
Other income	4,057	5,165
<b>Total income from continuing operations</b>	<b>5,053</b>	<b>6,276</b>
<b>Expenses from continuing operations</b>		
Employee benefits and on-costs	51	68
Borrowing costs	-	-
Materials and contracts	73	30
Depreciation and impairment	92	92
Loss on sale of assets	-	-
Calculated taxation equivalents	116	148
Debt guarantee fee (if applicable)	-	-
Other expenses	-	-
<b>Total expenses from continuing operations</b>	<b>332</b>	<b>338</b>
<b>Surplus (deficit) from Continuing Operations before capital amounts</b>	<b>4,721</b>	<b>5,938</b>
Grants and contributions provided for capital purposes	-	-
<b>Surplus (deficit) from Continuing Operations after capital amounts</b>	<b>4,721</b>	<b>5,938</b>
Surplus (deficit) from discontinued operations	-	-
<b>Surplus (deficit) from ALL Operations before tax</b>	<b>4,721</b>	<b>5,938</b>
less: Corporate Taxation Equivalent (30%) [based on result before capital]	(1,416)	(1,781)
<b>SURPLUS (DEFICIT) AFTER TAX</b>	<b>3,305</b>	<b>4,157</b>
plus Opening Retained Profits	52,415	47,067
plus/less: Prior Period Adjustments	-	-
plus Adjustments for amounts unpaid:		
- Taxation equivalent payments	116	148
- Debt guarantee fees	-	-
- Corporate taxation equivalent	1,416	1,781
add:		
- Subsidy Paid/Contribution To Operations	-	-
less:		
- TER dividend paid	-	-
- Dividend paid	(2,654)	(738)
<b>Closing Retained Profits</b>	<b>54,598</b>	<b>52,415</b>
<b>Return on Capital %</b>	<b>8.7%</b>	<b>11.3%</b>
<b>Subsidy from Council</b>	-	-

## Mosman Council

## Statement of Financial Position - Council's Other Business Activities

as at 30 June 2014

Commercial Property  
Management

Category 1

\$ '000	Actual 2014	Actual 2013
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	-	-
Investments	-	-
Receivables	24	36
Inventories	-	-
Other	-	-
Non-current assets classified as held for sale	-	-
<b>Total Current Assets</b>	<b>24</b>	<b>36</b>
<b>Non-Current Assets</b>		
Investments	-	-
Receivables	-	-
Inventories	-	-
Infrastructure, property, plant and equipment	7,753	7,845
Investments accounted for using equity method	-	-
Investment property	46,821	44,535
Other	-	-
<b>Total Non-Current Assets</b>	<b>54,574</b>	<b>52,380</b>
<b>TOTAL ASSETS</b>	<b>54,598</b>	<b>52,416</b>
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Bank Overdraft	-	-
Payables	-	1
Interest bearing liabilities	-	-
Provisions	-	-
<b>Total Current Liabilities</b>	<b>-</b>	<b>1</b>
<b>Non-Current Liabilities</b>		
Payables	-	-
Interest bearing liabilities	-	-
Provisions	-	-
Other Liabilities	-	-
<b>Total Non-Current Liabilities</b>	<b>-</b>	<b>-</b>
<b>TOTAL LIABILITIES</b>	<b>-</b>	<b>1</b>
<b>NET ASSETS</b>	<b>54,598</b>	<b>52,415</b>
<b>EQUITY</b>		
Retained earnings	54,598	52,415
Revaluation reserves	-	-
Council equity interest	54,598	52,415
Non-controlling equity interest	-	-
<b>TOTAL EQUITY</b>	<b>54,598</b>	<b>52,415</b>

## Mosman Council

### Special Purpose Financial Statements

for the financial year ended 30 June 2014

#### Contents of the Notes accompanying the Financial Statements

Note	Details	Page
1	Summary of Significant Accounting Policies	6
2	Water Supply Business Best Practice Management disclosure requirements	n/a
3	Sewerage Business Best Practice Management disclosure requirements	n/a

## Mosman Council

### Notes to the Special Purpose Financial Statements for the financial year ended 30 June 2014

#### Note 1. Significant Accounting Policies

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

For the purposes of these statements, the Council is not a reporting not-for-profit entity.

The figures presented in these special purpose financial statements, unless otherwise stated, have been prepared in accordance with:

- the recognition and measurement criteria of relevant Australian Accounting Standards,
- other authoritative pronouncements of the Australian Accounting Standards Board (AASB) &
- Australian Accounting Interpretations.

The disclosures in these special purpose financial statements have been prepared in accordance with:

- the Local Government Act and Regulation, and
- the Local Government Code of Accounting Practice and Financial Reporting.

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

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

#### National Competition Policy

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

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

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

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

#### Declared Business Activities

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

##### Category 1

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

##### a. Commercial Property Management

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

*It being noted that an Independent Fair Valuation of Investment Properties in 2014 resulted in an increase to the portfolio of \$2.286M. Revaluations of operational land & buildings also impacted positively on the balance of Infrastructure, Property, Plant & Equipment within the Balance Sheet.*

##### Category 2

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

#### Council has no Category 2 Declared Business Activities

#### Monetary Amounts

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

#### (i) Taxation Equivalent Charges

Council is liable to pay various taxes and financial duties in undertaking its business activities. Where this is the case, they are disclosed in these

## Mosman Council

### Notes to the Special Purpose Financial Statements for the financial year ended 30 June 2014

#### Note 1. Significant Accounting Policies

statements as a cost of operations just like all other costs.

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

For the purposes of disclosing comparative information relevant to the private sector equivalent, the following taxation equivalents have been applied to all council nominated business activities (this does not include council's non-business activities):

#### Notional Rate Applied %

##### Corporate Income Tax Rate – 30%

Land Tax – The first **\$412,000** of combined land values attracts **0%**. From \$412,001 to \$2,519,000 the rate is **1.6% + \$100**. For the remaining combined land value that exceeds \$2,519,000, a premium marginal rate of **2.0%** applies.

Payroll Tax – **5.45%** on the value of taxable salaries and wages in excess of \$750,000.

#### Income Tax

An income tax equivalent has been applied on the profits of each reported Business Activity.

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

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

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

Since this taxation equivalent is notional - that is, it is payable to the "Council" as the owner of business operations, it represents an internal payment and

has no effect on the operations of the council. Accordingly, there is no need for disclosure of internal charges in Council's General Purpose Financial Statements.

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

#### Local Government Rates & Charges

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

#### Loan & Debt Guarantee Fees

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

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

#### (ii) Subsidies

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

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

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

The overall effect of subsidies is contained within the Income Statement of each reported Business Activity.

## Mosman Council

### Notes to the Special Purpose Financial Statements for the financial year ended 30 June 2014

#### Note 1. Significant Accounting Policies

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##### **(iii) Return on Investments (Rate of Return)**

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

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

The Rate of Return on Capital is calculated as follows:

**Operating Result before Capital Income + Interest Expense**

---

**Written Down Value of Non-Current Assets as at 30 June**

As a minimum, business activities should generate a return equal to the Commonwealth 10 year bond rate which is 3.56% at 30/6/14.

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

##### **(iv) Dividends**

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

**MOSMAN COUNCIL**

**SPECIAL PURPOSE FINANCIAL STATEMENTS**

**INDEPENDENT AUDITORS' REPORT**

---

**REPORT ON THE FINANCIAL STATEMENTS**

We have audited the accompanying special purpose financial statements of Mosman Council, which comprises the Statement of Financial Position as at 30 June 2014, Income Statement for the year ended on that date, a summary of significant accounting policies and other explanatory notes and the Statement by Councillors and Management.

***Responsibility of Council for the Financial Statements***

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

***Auditors' Responsibility***

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

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

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Steer Assurance Partners

ABN 56 435 338 966

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

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

***Independence***

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

***Auditor's Opinion***

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

***Basis of Accounting***

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

**HILL ROGERS SPENCER STEER**



**BRETT HANGER**

Partner

Dated at Sydney this 8th day of October 2014

# Mosman Council

SPECIAL SCHEDULES  
for the year ended 30 June 2014

---

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

**Mosman**  
COUNCIL

## Mosman Council

### Special Schedules

for the financial year ended 30 June 2014

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### Special Schedules<sup>1</sup>

- Special Schedule No. 1	Net Cost of Services	2
- Special Schedule No. 2(a)	Statement of Long Term Debt (all purposes)	4
- Special Schedule No. 2(b)	Statement of Internal Loans (Sect. 410(3) LGA 1993)	n/a
- Special Schedule No. 3	Water Supply Operations - incl. Income Statement	n/a
- Special Schedule No. 4	Water Supply - Statement of Financial Position	n/a
- Special Schedule No. 5	Sewerage Service Operations - incl. Income Statement	n/a
- Special Schedule No. 6	Sewerage Service - Statement of Financial Position	n/a
- Notes to Special Schedules No. 3 & 5		n/a
- Special Schedule No. 7	Report on Infrastructure Assets (as at 30 June 2014)	5
- Special Schedule No. 8	Financial Projections	10
- Special Schedule No. 9	Permissible Income Calculation	11

<sup>1</sup> Special Schedules are not audited (with the exception of Special Schedule 9).

### Background

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

## Mosman Council

# Special Schedule No. 1 - Net Cost of Services

for the financial year ended 30 June 2014

\$'000

Function or Activity	Expenses from Continuing Operations	Income from continuing operations		Net Cost of Services
		Non Capital	Capital	
<b>Governance</b>	<b>1,547</b>	-	-	<b>(1,547)</b>
<b>Administration</b>	<b>7,600</b>	<b>317</b>	-	<b>(7,283)</b>
<b>Public Order and Safety</b>				
Fire Service Levy, Fire Protection, Emergency Services	985	-	-	<b>(985)</b>
Beach Control	-	-	-	-
Enforcement of Local Govt. Regulations	315	125	-	<b>(190)</b>
Animal Control	85	9	-	<b>(76)</b>
Other	150	124	-	<b>(26)</b>
<b>Total Public Order &amp; Safety</b>	<b>1,535</b>	<b>257</b>	-	<b>(1,277)</b>
<b>Health</b>	<b>151</b>	<b>73</b>	-	<b>(78)</b>
<b>Environment</b>				
Noxious Plants and Insect/Vermin Control	34	-	-	<b>(34)</b>
Other Environmental Protection	2,498	146	-	<b>(2,352)</b>
Solid Waste Management	5,198	5,836	-	<b>638</b>
Street Cleaning	1,173	-	-	<b>(1,173)</b>
Drainage	555	237	-	<b>(318)</b>
Stormwater Management	183	-	-	<b>(183)</b>
<b>Total Environment</b>	<b>9,641</b>	<b>6,219</b>	-	<b>(3,422)</b>
<b>Community Services and Education</b>				
Administration & Education	669	-	-	<b>(669)</b>
Social Protection (Welfare)	-	-	-	-
Aged Persons and Disabled	1,022	749	-	<b>(273)</b>
Children's Services	1,053	945	-	<b>(108)</b>
<b>Total Community Services &amp; Education</b>	<b>2,744</b>	<b>1,694</b>	-	<b>(1,050)</b>
<b>Housing and Community Amenities</b>				
Public Cemeteries	-	-	-	-
Public Conveniences	320	-	-	<b>(320)</b>
Street Lighting	401	-	-	<b>(401)</b>
Town Planning	528	539	-	<b>11</b>
Other Community Amenities	-	-	-	-
<b>Total Housing and Community Amenities</b>	<b>1,249</b>	<b>539</b>	-	<b>(710)</b>

## Mosman Council

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

for the financial year ended 30 June 2014

\$'000

Function or Activity	Expenses from Continuing Operations	Income from continuing operations		Net Cost of Services
		Non Capital	Capital	
<b>Recreation and Culture</b>				
Public Libraries	2,131	182	-	(1,949)
Museums	-	-	-	-
Art Galleries	750	166	37	(547)
Community Centres and Halls	614	110	-	(504)
Performing Arts Venues	-	-	-	-
Other Performing Arts	-	-	-	-
Other Cultural Services	364	164	-	(200)
Sporting Grounds and Venues	1,161	154	208	(799)
Swimming Pools	745	281	-	(464)
Parks & Gardens (Lakes)	2,163	199	-	(1,964)
Other Sport and Recreation	1	-	-	(1)
<b>Total Recreation and Culture</b>	<b>7,929</b>	<b>1,256</b>	<b>245</b>	<b>(6,428)</b>
<b>Fuel &amp; Energy</b>	-	-	-	-
<b>Agriculture</b>	-	-	-	-
<b>Mining, Manufacturing and Construction</b>				
Building Control	1,948	763	-	(1,185)
Other Mining, Manufacturing & Construction	-	-	-	-
<b>Total Mining, Manufacturing and Const.</b>	<b>1,948</b>	<b>763</b>	-	<b>(1,185)</b>
<b>Transport and Communication</b>				
Urban Roads (UR) - Local	2,881	1,273	868	(740)
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	846	5,887	-	5,041
Footpaths	419	12	-	(407)
Aerodromes	-	-	-	-
Other Transport & Communication	308	-	-	(308)
<b>Total Transport and Communication</b>	<b>4,454</b>	<b>7,172</b>	<b>868</b>	<b>3,586</b>
<b>Economic Affairs</b>				
Camping Areas & Caravan Parks	-	-	-	-
Other Economic Affairs	175	5,375	1,809	7,009
<b>Total Economic Affairs</b>	<b>175</b>	<b>5,375</b>	<b>1,809</b>	<b>7,009</b>
<b>Totals – Functions</b>	<b>38,972</b>	<b>23,665</b>	<b>2,922</b>	<b>(12,385)</b>
<b>General Purpose Revenues <sup>(2)</sup></b>		<b>17,694</b>		<b>17,694</b>
<b>Share of interests - joint ventures &amp; associates using the equity method</b>	<b>-</b>	<b>31</b>		<b>31</b>
<b>NET OPERATING RESULT <sup>(1)</sup></b>	<b>38,972</b>	<b>41,390</b>	<b>2,922</b>	<b>5,340</b>

(1) As reported in the Income Statement

(2) Includes: Rates &amp; Annual Charges (incl. Ex Gratia, excl. Water &amp; Sewer), Non Capital General Purpose Grants, Interest on Investments (excl. Ext. Restricted Assets) &amp; Interest on overdue Rates &amp; Annual Charges

# Mosman Council

## Special Schedule No. 2(a) - Statement of Long Term Debt (all purpose)

for the financial year ended 30 June 2014

\$'000

Classification of Debt	Principal outstanding at beginning of the year			New Loans raised during the year	Debt redemption during the year		Transfers to Sinking Funds	Interest applicable for Year	Principal outstanding at the end of the year		
	Current	Non Current	Total		From Revenue	Sinking Funds			Current	Non Current	Total
<b>Loans (by Source)</b>											
Commonwealth Government	-	-	-	-	-	-	-	-	-	-	-
Treasury Corporation	-	-	-	-	-	-	-	-	-	-	-
Other State Government	-	-	-	-	-	-	-	-	-	-	-
Public Subscription	-	-	-	-	-	-	-	-	-	-	-
Financial Institutions	1,860	8,966	<b>10,826</b>	2,000	1,860	-	-	-	1,880	9,086	<b>10,966</b>
Other	-	-	-	-	-	-	-	-	-	-	-
<b>Total Loans</b>	<b>1,860</b>	<b>8,966</b>	<b>10,826</b>	<b>2,000</b>	<b>1,860</b>	-	-	-	<b>1,880</b>	<b>9,086</b>	<b>10,966</b>
<b>Other Long Term Debt</b>											
Ratepayers Advances	-	-	-	-	-	-	-	-	-	-	-
Government Advances	-	-	-	-	-	-	-	-	-	-	-
Finance Leases	-	-	-	-	-	-	-	-	-	-	-
Deferred Payments	130	-	<b>130</b>	-	130	-	-	-	-	-	-
<b>Total Long Term Debt</b>	<b>130</b>	-	<b>130</b>	-	<b>130</b>	-	-	-	-	-	-
<b>Total Debt</b>	<b>1,990</b>	<b>8,966</b>	<b>10,956</b>	<b>2,000</b>	<b>1,990</b>	-	-	-	<b>1,880</b>	<b>9,086</b>	<b>10,966</b>

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

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

## Special Schedule No. 7 - Report on Infrastructure Assets

as at 30 June 2014

\$'000

Asset Class	Asset Category	Estimated cost to bring up to a satisfactory standard <sup>(1)</sup>	Required Annual Maintenance <sup>(2)</sup>	Actual Maintenance 2013/14 <sup>(3)</sup>	Written Down Value (WDV) <sup>(4)</sup>	Assets in Condition as a % of WDV <sup>(4), (5)</sup>				
						1	2	3	4	5
Buildings	Council Offices / Administration Centres	-	120	117	7,253	0%	100%	0%	0%	0%
	Council Works Depot	-	17	12	1,269	0%	100%	0%	0%	0%
	Libraries	-	55	42	2,829	0%	0%	100%	0%	0%
	Cultural Facilities	-	97	93	6,821	0%	92%	8%	0%	0%
	Other Buildings	50	7	-	640	78%	19%	0%	3%	0%
	Specialised Buildings	42	184	191	15,080	68%	17%	15%	0%	0%
	Childcare Centres	-	18	11	1,384	51%	0%	49%	0%	0%
	Multistorey Carparks	-	88	77	6,990	0%	100%	0%	0%	0%
	<b>sub total</b>	<b>92</b>	<b>586</b>	<b>543</b>	<b>42,266</b>	<b>27.2%</b>	<b>57.9%</b>	<b>14.9%</b>	<b>0.0%</b>	<b>0.0%</b>
Other Structures	Other Structures	-	34	36	381	0%	100%	0%	0%	0%
	<b>sub total</b>	<b>-</b>	<b>34</b>	<b>36</b>	<b>381</b>	<b>0.0%</b>	<b>100.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>
Roads	Sealed Roads Pavements	771	265	309	64,505	14%	64%	21%	1%	0%
	Footpaths	51	187	113	14,596	29%	52%	19%	0%	0%
	Kerb and Gutter	10	39	35	12,428	23%	61%	16%	0%	0%
	Formation	-	-	-	7,584	100%	0%	0%	0%	0%
	Retaining Walls	2,367	47	22	17,105	19%	50%	27%	4%	0%
	Physical Traffic Devices	-	101	91	1,781	47%	41%	12%	0%	0%
	Lines and Signs	44	31	21	290	45%	44%	10%	1%	0%
	Street Furniture	247	16	17	1,059	18%	56%	24%	2%	0%
	Steps	289	23	1	1,668	21%	65%	14%	0%	0%
	Pram Ramps	1	8	-	251	49%	44%	7%	0%	0%
	Vehicle Crossings	184	8	1	2,622	36%	39%	22%	3%	0%
	Carparks	-	23	5	2,806	36%	39%	22%	3%	0%
	<b>sub total</b>	<b>3,964</b>	<b>748</b>	<b>615</b>	<b>126,697</b>	<b>24.1%</b>	<b>55.1%</b>	<b>19.6%</b>	<b>1.2%</b>	<b>0.0%</b>

## Special Schedule No. 7 - Report on Infrastructure Assets (continued)

as at 30 June 2014

\$'000

Asset Class	Asset Category	Estimated cost to bring up to a satisfactory standard <sup>(1)</sup>	Required Annual Maintenance <sup>(2)</sup>	Actual Maintenance 2013/14 <sup>(3)</sup>	Written Down Value (WDV) <sup>(4)</sup>	Assets in Condition as a % of WDV <sup>(4), (5)</sup>				
						1	2	3	4	5
Stormwater Drainage	Stormwater Quality Devices	10	57	83	2,794	99%	0%	1%	0%	0%
	Rainwater Reuse Tanks	-	15	-	1,114	100%	0%	0%	0%	0%
	Open Conduits	965	31	1	954	39%	11%	45%	3%	2%
	Closed Conduits	313	56	76	39,816	5%	53%	41%	0%	1%
	Nodes	68	58	83	5,454	4%	77%	18%	1%	0%
	<b>sub total</b>	<b>1,356</b>	<b>217</b>	<b>243</b>	<b>50,132</b>	<b>12.9%</b>	<b>50.7%</b>	<b>35.4%</b>	<b>0.2%</b>	<b>0.8%</b>
Open Space/ Recreational Assets	Marine Structures	199	15	21	5,407	23%	0%	77%	0%	0%
	Playgrounds	242	58	70	742	28%	30%	36%	7%	0%
	Sporting Fields	647	388	361	3,269	18%	26%	47%	7%	2%
	Parks and Reserves	905	479	476	5,234	8%	27%	60%	4%	1%
	Bushland	479	419	403	4,958	18%	52%	26%	4%	0%
Recreational Assets	Unmade Roads	755	153	157	1,618	0%	8%	42%	34%	16%
	<b>sub total</b>	<b>3,227</b>	<b>1,512</b>	<b>1,488</b>	<b>21,228</b>	<b>15.8%</b>	<b>24.4%</b>	<b>52.2%</b>	<b>5.8%</b>	<b>1.8%</b>
	<b>TOTAL - ALL ASSETS</b>	<b>8,639</b>	<b>3,097</b>	<b>2,925</b>	<b>240,704</b>	<b>21.5%</b>	<b>52.0%</b>	<b>24.9%</b>	<b>1.2%</b>	<b>0.3%</b>

## Notes:

- (1). Satisfactory is defined as "satisfying reasonable expectations or needs, leaving no room for complaint, causing satisfaction, adequate".  
The estimated cost to bring assets to a satisfactory standard is the amount of money that is required to be spent on an asset to ensure that it is in a satisfactory standard.  
This estimated cost should not include any planned enhancements (ie.to heighten, intensify or improve the facilities).
- (2). Required Annual Maintenance is "what should be spent to maintain assets in a satisfactory standard.
- (3). Actual Maintenance is what has been spent in the current year to maintain the assets.  
Actual Maintenance may be higher or lower than the required annual maintenance due to the timing of when the maintenance actually occurs.
- (4). Written Down Value is in accordance with Note 9 of Council's General Purpose Financial Statements. **'Asset in Condition' percentages as reported are of Fair Value amounts in Note 9.**
- (5). Estimated cost to bring to satisfactory condition refers to the cost to bring all assets in 'unsatisfactory' condition (i.e. condition 4 and 5) to 'as new' condition. Assets in or approaching condition 4 or 5 requiring full or partial renewal are prioritised for renewal in Council's 10 Years Renewal Work Program.
- (6). Infrastructure Asset Condition Assessment "Key" - on next page

Special Schedule No. 7 - Report on Infrastructure Assets (continued)  
as at 30 June 2014

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(7). Infrastructure Asset Condition Assessment "Key"

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

## Mosman Council

## Special Schedule No. 7 - Report on Infrastructure Assets (continued)

for the financial year ended 30 June 2014

\$ '000	Amounts 2014	Indicator 2014	Prior Periods 20132012	
Infrastructure Asset Performance Indicators Consolidated				
1. Building and Infrastructure Renewals Ratio				
Asset Renewals (Building and Infrastructure) <sup>(1)</sup>	6,781	137.60%	85.85%	79.54%
Depreciation, Amortisation & Impairment	4,928			
2. Infrastructure Backlog Ratio				
Estimated Cost to bring Assets to a Satisfactory Condition	8,639	0.04	0.03	0.13
Total value <sup>(2)</sup> of Infrastructure, Building, Other Structures & depreciable Land Improvement Assets	241,380			
3. Asset Maintenance Ratio				
Actual Asset Maintenance	2,925	0.94	1.12	0.83
Required Asset Maintenance	3,097			
4. Capital Expenditure Ratio				
Annual Capital Expenditure	7,843	1.41	0.88	0.92
Annual Depreciation	5,557			

## Notes

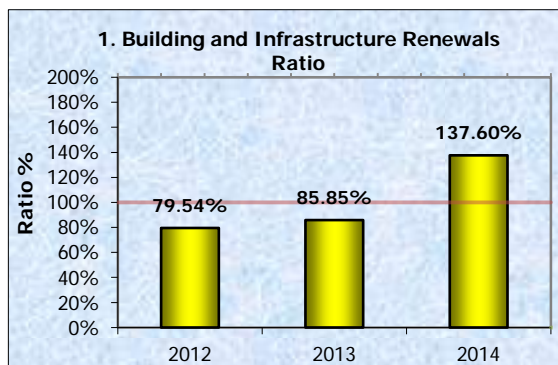
<sup>(1)</sup> Asset Renewals represent the replacement and/or refurbishment of existing assets to an equivalent capacity/performance as opposed to the acquisition of new assets (or the refurbishment of old assets) that increases capacity/performance. Asset Renewals include building and infrastructure assets only.

<sup>(2)</sup> Written down value

## Mosman Council

# Special Schedule No. 7 - Report on Infrastructure Assets (continued)

for the financial year ended 30 June 2014



Minimum 100.00%

Source for Benchmark: TCorp Sustainability Review of NSW Local Govt. (2013)

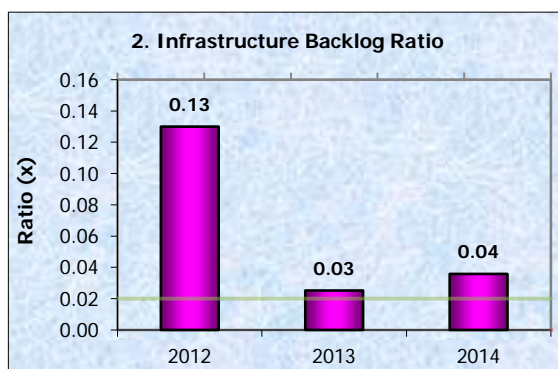
## Purpose of Asset Renewals Ratio

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

## Commentary on 2013/14 Result

2013/14 Ratio 137.60%

Ratio exceeds the benchmark as Local Infrastructure Replacement Scheme (LIRS) loans were expended on replacements in the reporting year.



Maximum 0.02

Source for Benchmark: TCorp Sustainability Review of NSW Local Govt. (2013)

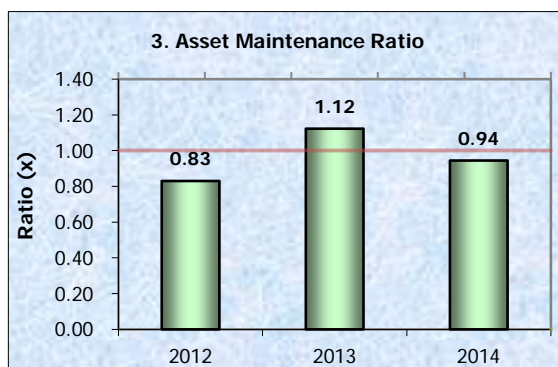
## Purpose of Infrastructure Backlog Ratio

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

## Commentary on 2013/14 Result

2013/14 Ratio 0.04 x

The reduction as compared to 2012 is due to expenditure of LIRS loans and ongoing assessment and revision of asset useful lives and conditions in Council's Asset Management Plan.



Minimum 1.00

Source for Benchmark: TCorp Sustainability Review of NSW Local Govt. (2013)

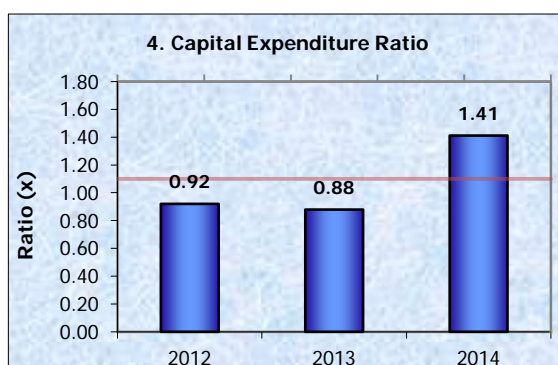
## Purpose of Asset Maintenance Ratio

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

## Commentary on 2013/14 Result

2013/14 Ratio 0.94 x

There is a marginal shortfall which will be addressed in future years.



Minimum 1.10

Source for Benchmark: TCorp Sustainability Review of NSW Local Govt. (2013)

## Purpose of Capital Expenditure Ratio

To assess the extent to which a Council is expanding its asset base through capital expenditure on both new assets and the replacement and renewal of existing assets.

## Commentary on 2013/14 Result

2013/14 Ratio 1.41 x

Ratio exceeds the benchmark as LIRS loans were expended on replacements in the reporting year.

## Mosman Council

### Special Schedule No. 8 - Financial Projections

as at 30 June 2014

\$'000	Actual <sup>(1)</sup> 13/14	Forecast <sup>(3)</sup> 14/15	Forecast <sup>(3)</sup> 15/16	Forecast <sup>(3)</sup> 16/17	Forecast <sup>(3)</sup> 17/18	Forecast <sup>(3)</sup> 18/19	Forecast <sup>(3)</sup> 19/20	Forecast <sup>(3)</sup> 20/21	Forecast <sup>(3)</sup> 21/22	Forecast <sup>(3)</sup> 22/23	Forecast <sup>(3)</sup> 23/24
<b>(i) OPERATING BUDGET</b>											
Income from continuing operations	44,312	41,820	42,593	43,685	44,681	45,803	46,954	48,539	49,348	50,590	51,866
Expenses from continuing operations	38,972	40,557	41,329	42,219	43,109	44,096	45,127	46,733	47,290	48,421	49,605
<b>Operating Result from Continuing Operations</b>	<b>5,340</b>	<b>1,263</b>	<b>1,264</b>	<b>1,466</b>	<b>1,572</b>	<b>1,707</b>	<b>1,827</b>	<b>1,806</b>	<b>2,058</b>	<b>2,169</b>	<b>2,261</b>
<b>(ii) CAPITAL BUDGET</b>											
New Capital Works <sup>(2)</sup>	-	-	-	-	-	-	-	-	-	-	-
Replacement/Refurbishment of Existing Assets	6,781	5,039	5,107	5,247	5,837	5,802	5,951	6,157	6,261	6,421	6,587
<b>Total Capital Budget</b>	<b>6,781</b>	<b>5,039</b>	<b>5,107</b>	<b>5,247</b>	<b>5,837</b>	<b>5,802</b>	<b>5,951</b>	<b>6,157</b>	<b>6,261</b>	<b>6,421</b>	<b>6,587</b>
<b>Funded by:</b>											
– Loans	2,000	-	-	-	-	-	-	-	-	-	-
– Asset sales	-	-	-	-	-	-	-	-	-	-	-
– Reserves	-	807	820	834	848	862	816	839	754	595	611
– Grants/Contributions	872	-	-	-	-	-	-	-	-	-	-
– Recurrent revenue	3,909	4,232	4,287	4,413	4,989	4,904	5,135	5,318	5,507	5,826	5,976
– Other	-	-	-	-	-	-	-	-	-	-	-
	<b>6,781</b>	<b>5,039</b>	<b>5,107</b>	<b>5,247</b>	<b>5,837</b>	<b>5,766</b>	<b>5,951</b>	<b>6,157</b>	<b>6,261</b>	<b>6,421</b>	<b>6,587</b>

#### Notes:

(1) From 2013-14 Income Statement.

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

(3) Financial projections are in accordance with the four year Integrated Planning and Reporting framework adopted by Council in June 2014 and the underpinning assumptions projected forward after 2016-17.

## Mosman Council

# Special Schedule No. 9 - Permissible Income Calculation

for the financial year ended 30 June 2015

\$'000		Calculation 2013/14	Calculation 2014/15
<b>Notional General Income Calculation <sup>(1)</sup></b>			
Last Year Notional General Income Yield	a	16,505	17,053
Plus or minus Adjustments <sup>(2)</sup>	b	(3)	39
<b>Notional General Income</b>	c	<b>16,502</b>	<b>17,092</b>
<b>Permissible Income Calculation</b>			
Special variation percentage <sup>(3)</sup>	d	0.00%	0.00%
or Rate peg percentage	e	3.40%	2.30%
or Crown land adjustment incl. rate peg percentage	f	0.00%	0.00%
less expiring Special variation amount	g	-	-
plus Special variation amount	h = c x d	-	-
or plus Rate peg amount	i = c x e	561	393
or plus Crown land adjustment and rate peg amount	j = c x f	-	-
<b>sub-total</b>	k = (c+g+h+i+j)	<b>17,063</b>	<b>17,485</b>
plus (or minus) last year's Carry Forward Total	l	4	17
less Valuation Objections claimed in the previous year	m	(2)	(4)
<b>sub-total</b>	n = (l + m)	<b>2</b>	<b>13</b>
<b>Total Permissible income</b>	o = k + n	<b>17,065</b>	<b>17,497</b>
less Notional General Income Yield	p	17,053	17,498
<b>Catch-up or (excess) result</b>	q = o - p	<b>13</b>	<b>(1)</b>
plus Income lost due to valuation objections claimed <sup>(4)</sup>	r	4	1
less Unused catch-up <sup>(5)</sup>	s	-	-
<b>Carry forward to next year</b>	t = q + r - s	<b>17</b>	<b>0</b>

## Notes

- <sup>1</sup> 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.
- <sup>2</sup> 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.
- <sup>3</sup> The Special Variation Percentage is inclusive of the Rate Peg percentage and where applicable crown land adjustment.
- <sup>4</sup> 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.
- <sup>5</sup> 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.

**MOSMAN COUNCIL**

**SPECIAL SCHEDULE NO. 9**

**INDEPENDENT AUDITORS' REPORT**

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**REPORT ON SPECIAL SCHEDULE NO. 9**

We have audited the accompanying special purpose financial statement comprising the reconciliation of total permissible general income (Special Schedule No. 9) of Mosman Council for the year ending 30 June 2015.

***Responsibility of Council for Special Schedule No. 9***

The Council is responsible for the preparation and fair presentation of Special Schedule No. 9 in accordance with the Local Government Code of Accounting Practice and Financial Reporting (Guidelines) Update No. 22. This responsibility includes the maintenance of adequate accounting records and internal controls designed to prevent and detect fraud and error; designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of Special Schedule No. 9 that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

***Auditors' Responsibility***

Our responsibility is to express an opinion on Special Schedule No. 9 based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether Special Schedule No. 9 is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in Special Schedule No. 9. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of Special Schedule No. 9, whether due to fraud or error. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of Special Schedule No. 9.

Because of the inherent limitations of an audit, together with the inherent limitations of internal control, there is an unavoidable risk that some material misstatements may not be detected, even though the audit is properly planned and performed in accordance with Australian Auditing Standards.

**Assurance Partners**

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Practising as Hill Rogers Spencer  
Steer Assurance Partners

ABN 56 435 338 966

In making our risk assessments, we consider internal controls relevant to the entity's preparation of Special Schedule No. 9 in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

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

***Independence***

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

***Audit Opinion***

In our opinion, Special Schedule No. 9 of Mosman Council for 2014/15 is properly drawn up in accordance with the requirements of the Office of Local Government and in accordance with the books and records of the Council.

***Basis of Accounting***

Without modifying our opinion, we advise that this schedule has been prepared for distribution to the Office of Local Government for the purposes of confirming that Council's reconciliation of Council's total permissible general income is presented fairly. As a result, the schedule may not be suitable for another purpose.

**HILL ROGERS SPENCER STEER**



**BRETT HANGER**  
Partner

Dated at Sydney this 8th day of October 2014