

# Mosman Council

GENERAL PURPOSE FINANCIAL STATEMENTS  
for the year ended 30 June 2015

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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 2015

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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 (LGA) 1993 of NSW.

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

- the ability to provide goods, services & facilities, and to carry out activities appropriate to the current & future needs of the local community and of the wider public,
- the responsibility for administering regulatory requirements under the LGA 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 22 September 2015. 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 2015

## 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 2015.

The format of the financial statements is standard across all NSW Councils and complies with both the accounting & 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 5 "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 5 primary financial statements.

### About the Auditor's Reports

Council's financial statements are required to be audited by external accountants (that generally specialize in Local Government).

In NSW, the Auditor provides 2 audit reports:

1. An opinion on whether the financial statements present fairly the Council's financial performance and position, and
2. Their observations on the conduct of the Audit including commentary on the Council's financial performance and financial position.

### Who uses the Financial Statements ?

The financial statements are publicly available documents and must be presented at a Council meeting between 7 days and 5 weeks after the date of the Audit Report.

Submissions from the public can be made to Council up to 7 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 2015

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


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

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

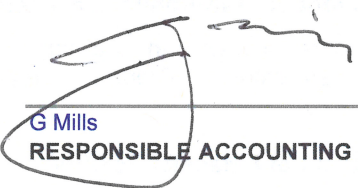
**We are not aware of any matter that would render the Reports false or misleading in any way.**

**Signed in accordance with a resolution of Council made on 08 September 2015.**

  
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 2015

Budget <sup>1</sup> 2015 \$ '000		Notes	Actual 2015	Actual 2014
<b>Income from Continuing Operations</b>				
<b>Revenue:</b>				
23,651	Rates & Annual Charges	3a	23,680	22,611
9,699	User Charges & Fees	3b	10,023	9,790
426	Interest & Investment Revenue	3c	503	438
3,875	Other Revenues	3d	6,115	6,524
2,431	Grants & Contributions provided for Operating Purposes	3e,f	2,545	1,996 <sup>2</sup>
1,738	Grants & Contributions provided for Capital Purposes	3e,f	2,264	2,922
<b>Other Income:</b>				
-	Net Share of interests in Joint Ventures & Associates using the equity method	19	150	31
<b>41,820</b>	<b>Total Income from Continuing Operations</b>		<b>45,280</b>	<b>44,312</b>
<b>Expenses from Continuing Operations</b>				
16,664	Employee Benefits & On-Costs	4a	15,925	14,966
555	Borrowing Costs	4b	612	677
11,928	Materials & Contracts	4c	11,911	11,686
5,280	Depreciation & Amortisation	4d	5,166	5,557
-	Impairment	4d	-	-
6,130	Other Expenses	4e	6,430	6,066
-	Net Losses from the Disposal of Assets	5	20	20
<b>40,557</b>	<b>Total Expenses from Continuing Operations</b>		<b>40,064</b>	<b>38,972</b>
<b>1,263</b>	<b>Operating Result from Continuing Operations</b>		<b>5,216</b>	<b>5,340</b>
<b>Discontinued Operations</b>				
-	Net Profit/(Loss) from Discontinued Operations	24	-	-
<b>1,263</b>	<b>Net Operating Result for the Year</b>		<b>5,216</b>	<b>5,340</b>
1,263	Net Operating Result attributable to Council		5,216	5,340
-	Net Operating Result attributable to Non-controlling Interests		-	-
<b>(475)</b>	<b>Net Operating Result for the year before Grants and Contributions provided for Capital Purposes</b>		<b>2,952</b>	<b>2,418</b>

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

<sup>2</sup> Financial Assistance Grants for 13/14 were lower reflecting one off timing difference due to a change in how the grant was paid in prior years - refer Note 3 (e)

## Mosman Council

# Statement of Comprehensive Income

for the financial year ended 30 June 2015

\$ '000	Notes	Actual 2015	Actual 2014
<b>Net Operating Result for the year</b> (as per Income statement)		<b>5,216</b>	<b>5,340</b>
<b>Other Comprehensive Income:</b>			
Amounts which will not be reclassified subsequently to the Operating Result			
Gain (loss) on revaluation of I,PP&E	20b (ii)	749	-
<b>Total Items which will not be reclassified subsequently to the Operating Result</b>		<b>749</b>	<b>-</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>-</b>	<b>(431)</b>
<b>Total Other Comprehensive Income for the year</b>		<b>749</b>	<b>(431)</b>
<b>Total Comprehensive Income for the Year</b>		<b>5,965</b>	<b>4,909</b>
<b>Total Comprehensive Income attributable to Council</b>		<b>5,965</b>	<b>4,909</b>
<b>Total Comprehensive Income attributable to Non-controlling Interests</b>		<b>-</b>	<b>-</b>

## Mosman Council

Statement of Financial Position  
as at 30 June 2015

\$ '000	Notes	Actual 2015	Actual 2014
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash & Cash Equivalents	6a	13,160	10,150
Investments	6b	-	-
Receivables	7	3,415	4,051
Inventories	8	163	164
Other	8	60	186
Non-current assets classified as "held for sale"	22	-	-
<b>Total Current Assets</b>		<b>16,798</b>	<b>14,551</b>
<b>Non-Current Assets</b>			
Investments	6b	-	-
Receivables	7	82	29
Inventories	8	-	-
Infrastructure, Property, Plant & Equipment	9	463,810	463,132
Investments accounted for using the equity method	19	792	674
Investment Property	14	48,950	46,821
Intangible Assets	25	298	314
<b>Total Non-Current Assets</b>		<b>513,932</b>	<b>510,970</b>
<b>TOTAL ASSETS</b>		<b>530,730</b>	<b>525,521</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Payables	10	9,500	8,511
Borrowings	10	1,913	1,880
Provisions	10	3,895	3,745
<b>Total Current Liabilities</b>		<b>15,308</b>	<b>14,136</b>
<b>Non-Current Liabilities</b>			
Payables	10	-	-
Borrowings	10	7,166	9,086
Provisions	10	286	294
<b>Total Non-Current Liabilities</b>		<b>7,452</b>	<b>9,380</b>
<b>TOTAL LIABILITIES</b>		<b>22,760</b>	<b>23,516</b>
<b>Net Assets</b>		<b>507,970</b>	<b>502,005</b>
<b>EQUITY</b>			
Retained Earnings	20	296,019	290,803
Revaluation Reserves	20	211,951	211,202
Council Equity Interest		507,970	502,005
Non-controlling Equity Interests		-	-
<b>Total Equity</b>		<b>507,970</b>	<b>502,005</b>

## Mosman Council

Statement of Changes in Equity  
for the financial year ended 30 June 2015

\$ '000	Notes	Retained Earnings	Reserves (Refer 20b)	Council Interest	Non-controlling Interest	Total Equity
<b>2015</b>						
<b>Opening Balance</b> (as per Last Year's Audited Accounts)		290,803	211,202	<b>502,005</b>	-	<b>502,005</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 1/7/14)</b>		<b>290,803</b>	<b>211,202</b>	<b>502,005</b>	-	<b>502,005</b>
<b>c. Net Operating Result for the Year</b>		<b>5,216</b>	-	<b>5,216</b>	-	<b>5,216</b>
d. Other Comprehensive Income						
- Revaluations : IPP&E Asset Revaluation Rsve	20b (ii)	-	749	<b>749</b>	-	<b>749</b>
<b>Other Comprehensive Income</b>		-	<b>749</b>	<b>749</b>	-	<b>749</b>
<b>Total Comprehensive Income (c&amp;d)</b>		<b>5,216</b>	<b>749</b>	<b>5,965</b>	-	<b>5,965</b>
e. Distributions to/(Contributions from) Non-controlling Interests		-	-	-	-	-
f. Transfers between Equity		-	-	-	-	-
<b>Equity - Balance at end of the reporting period</b>		<b>296,019</b>	<b>211,951</b>	<b>507,970</b>	-	<b>507,970</b>

\$ '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>



## Mosman Council

## Statement of Cash Flows

for the financial year ended 30 June 2015

Budget 2015	\$ '000	Notes	Actual 2015	Actual 2014
<b>Cash Flows from Operating Activities</b>				
<b>Receipts:</b>				
23,632	Rates & Annual Charges		23,512	22,735
9,674	User Charges & Fees		9,835	9,953
424	Investment & Interest Revenue Received		515	416
4,214	Grants & Contributions		5,193	4,031
-	Bonds, Deposits & Retention amounts received		1,809	1,923
3,832	Other		4,421	3,879
<b>Payments:</b>				
(16,073)	Employee Benefits & On-Costs		(15,266)	(15,144)
(11,884)	Materials & Contracts		(12,092)	(12,240)
(565)	Borrowing Costs		(621)	(663)
-	Bonds, Deposits & Retention amounts refunded		(1,077)	(1,303)
(6,130)	Other		(6,304)	(6,100)
<b>7,124</b>	<b>Net Cash provided (or used in) Operating Activities</b>	11b	<b>9,925</b>	<b>7,487</b>
<b>Cash Flows from Investing Activities</b>				
<b>Receipts:</b>				
-	Sale of Investment Securities		19,350	11,050
-	Sale of Infrastructure, Property, Plant & Equipment		-	31
-	Distributions Received from Joint Ventures & Associates		32	35
<b>Payments:</b>				
-	Purchase of Investment Securities		(19,350)	(11,050)
(5,397)	Purchase of Infrastructure, Property, Plant & Equipment		(5,060)	(7,037)
<b>(5,397)</b>	<b>Net Cash provided (or used in) Investing Activities</b>		<b>(5,028)</b>	<b>(6,971)</b>
<b>Cash Flows from Financing Activities</b>				
<b>Receipts:</b>				
-	Proceeds from Borrowings & Advances		-	2,000
<b>Payments:</b>				
(2,004)	Repayment of Borrowings & Advances		(1,887)	(1,860)
-	Other (Repayment of Deferred Creditors)		-	(130)
<b>(2,004)</b>	<b>Net Cash Flow provided (used in) Financing Activities</b>		<b>(1,887)</b>	<b>10</b>
<b>(277)</b>	<b>Net Increase/(Decrease) in Cash &amp; Cash Equivalents</b>		<b>3,010</b>	<b>526</b>
10,150	plus: <b>Cash &amp; Cash Equivalents - beginning of year</b>	11a	10,150	9,624
<b>9,873</b>	<b>Cash &amp; Cash Equivalents - end of the year</b>	11a	<b>13,160</b>	<b>10,150</b>
Additional Information:				
	plus: <b>Investments on hand - end of year</b>	6b	-	-
	<b>Total Cash, Cash Equivalents &amp; Investments</b>		<b>13,160</b>	<b>10,150</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 2015

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n/a - not applicable

## Mosman Council

### Notes to the Financial Statements

for the financial year ended 30 June 2015

#### 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*, and
- the Local Government Code of Accounting Practice and Financial Reporting.

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

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

Because 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's, or
- (b) specifically exclude application by Not for Profit entities.

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

Under the *Local Government Act (LGA)*, *Local Government (General) 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

There were no accounting standards that became mandatory this year which materially impacted on Council's financial statements

###### (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 2014.

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

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

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

- (i) 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.

## Mosman Council

### Notes to the Financial Statements

for the financial year ended 30 June 2015

## Note 1. Summary of Significant Accounting Policies

### **(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.

#### ***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 94 Commitments - Council has used significant judgement in determining future Section 94 income and expenditure in Note 17.

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

Council recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to 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 charge against the rateable property that will be recovered when the property is next sold.

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

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

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

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.

## Mosman Council

### Notes to the Financial Statements

for the financial year ended 30 June 2015

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

The Council has obligations to provide facilities from contribution revenues levied on developers under the provisions of S94 of the *Environmental Planning and Assessment Act 1979*.

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

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

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

##### User Charges, Fees and Other Income

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

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

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

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

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

##### Interest and Rents

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 2015) and (ii) all the related operating results (for the financial year ended the 30th June 2015).

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 *Local Government Act 1993*, all money and property received by Council is held in the Council's Consolidated Fund unless it is required to be held in the Council's Trust Fund.

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

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

- General Purpose Operations

##### (ii) The Trust Fund

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

## Mosman Council

### Notes to the Financial Statements

for the financial year ended 30 June 2015

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

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

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

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

##### (iii) Joint Arrangements

###### Joint Operations (controlled assets and operations)

The Council does not have any joint operations.

###### Joint Ventures

Any interests in Joint Ventures are accounted for using the equity method and are carried at cost.

Under the equity method, Council's share of the operation's profits/(losses) are recognised in the income statement, and its share of movements in retained earnings and reserves are recognised in the balance sheet.

Detailed information relating to Council's interest in Joint Ventures can be found at Note 19 (b).

##### (iv) Associates

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 another 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 Ventures.

Such entities are usually termed Associates.

Any interests in Associates are accounted for using the equity method and are carried at cost.

Detailed information relating to Council's interest in Associates can be found at Note 19 (b).

##### (v) County Councils

Council is not a member of any County Councils.

##### (vi) Unconsolidated Structured Entities

Council has no interest in any Unconsolidated Structured Entities.

##### (d) Leases

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

###### Finance Leases

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

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

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

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

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

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

###### Operating Leases

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

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

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



## Mosman Council

### Notes to the Financial Statements

for the financial year ended 30 June 2015

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

##### (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 but are 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**, and
- **available-for-sale financial assets**.

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

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

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

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

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

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

Assets in this category are primarily classified as current assets as they are primarily held for trading 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 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.

## Mosman Council

### Notes to the Financial Statements

for the financial year ended 30 June 2015

## Note 1. Summary of Significant Accounting Policies

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

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

### 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.

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.

If any such evidence exists for available-for-sale financial assets, the cumulative loss - measured as the difference between the acquisition cost and the



## Mosman Council

### Notes to the Financial Statements

for the financial year ended 30 June 2015

## Note 1. Summary of Significant Accounting Policies

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.

### (iii) Types of Investments

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

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

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

Council amended its policy following revisions to the Ministerial Local Government Investment Order arising from the Cole Inquiry recommendations.

### (g) Fair value estimation

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

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

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

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

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

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

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

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

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

### (h) Receivables

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

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

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

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

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

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

When a receivable for which an impairment allowance had been recognised becomes

## Mosman Council

### Notes to the Financial Statements for the financial year ended 30 June 2015

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

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.

##### (j) Infrastructure, Property, Plant and Equipment (I,PP&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 I,PP&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 assets cost is measured at its fair value, plus all expenditure that is directly attributable to the acquisition.

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

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

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

###### Subsequent costs

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

## Mosman Council

### Notes to the Financial Statements

for the financial year ended 30 June 2015

### Note 1. Summary of Significant Accounting Policies

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

#### Asset Revaluations (including Indexation)

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

- 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.

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

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

#### Capitalisation Thresholds

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

##### Land

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

##### Plant and Equipment

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

##### Buildings and Land Improvements

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

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

##### Other Structures

> \$5,000

##### 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

##### Other Infrastructure Assets

Swimming Pools	> \$10,000
Other Open Space/Recreational Assets	> \$10,000

##### Other Infrastructure

> \$10,000

#### Depreciation

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

Land is not depreciated.

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

##### Plant 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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## Mosman Council

### Notes to the Financial Statements for the financial year ended 30 June 2015

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

##### Stormwater Drainage

- Drainage Infrastructure	125 years
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##### Transportation Assets

- Sealed Roads : Surface	50 years
- Sealed Roads : Structure	100 years
- Unsealed roads	100 years
- Road Pavements	100 years
- Kerb, Gutter and Paths	95 to 100 years

##### Other Infrastructure Assets

- Other Open Space/ Recreational Assets	10 to 40 years
- Retaining Walls	150 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.

##### (k) Land

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

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

##### (l) Land under roads

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

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

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 the reserves are recognised within Council's Income Statement.

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

##### (o) Investment property

Investment property comprises land 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.

## Mosman Council

### Notes to the Financial Statements for the financial year ended 30 June 2015

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

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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 year.

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

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

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

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

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

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.

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 are expensed.

##### **(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.



## Mosman Council

### Notes to the Financial Statements

for the financial year ended 30 June 2015

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

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 and annual leave in respect of services provided by employees 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 4 or more years of service has been classified as Current, as it has been deemed that Council does not have the unconditional right to defer settlement beyond 12 months – even though it is not anticipated that all employees with more than 4 years service (as at reporting date) will apply for and take their leave entitlements in the next 12 months.

##### **(iii) Retirement benefit obligations**

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

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

##### **Defined Benefit Plans**

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

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,

## Mosman Council

### Notes to the Financial Statements

for the financial year ended 30 June 2015

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

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 2015.

However the position is monitored annually and the Actuary has estimated that as at 30 June 2015 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 2015 was \$ 317,872.

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 \$ 140,172 as at 30 June 2015.

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

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

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

#### Defined Contribution Plans

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

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

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

These amounts include Superannuation and Workers Compensation expenses which will be payable upon the future payment of certain Leave Liabilities accrued as at 30/06/15.

#### (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

## Mosman Council

### Notes to the Financial Statements for the financial year ended 30 June 2015

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

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 (FBT) and Goods and Services Tax (GST).

#### **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 Balance Sheet.

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

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

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

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

Certain new (or amended) accounting standards and interpretations have been published that are not mandatory for reporting periods ending 30 June 2015.

**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.

Apart from the AASB disclosures below, there are no other standards that are “not yet effective” which are expected to have a material impact on Council in the current or future reporting periods and on foreseeable future transactions.

#### **Applicable to Local Government:**

#### ***AASB 9 - Financial Instruments (and associated amending standards)***

AASB 9 replaces AASB 139 Financial Instruments: Recognition and Measurement and has an effective date for reporting periods beginning on or after 1 January 2018 (and must be applied retrospectively).

The overriding impact of AASB 9 is to change the requirements for the classification, measurement and disclosures associated with financial assets.

Under the new requirements the four current categories of financial assets stipulated in AASB 139 will be replaced with two measurement categories:

- fair value and
- amortised cost (where financial assets will only be able to be measured at amortised cost where very specific conditions are met).

#### ***AASB 15 - Revenue from contracts with customers and associated amending standards***

AASB 15 will introduce a five step process for revenue recognition with the core principle of the new Standard being that entities recognise revenue so as to depict the transfer of goods or services to customers in amounts that reflect the consideration



## Mosman Council

### Notes to the Financial Statements

for the financial year ended 30 June 2015

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

(that is, payment) to which the entity expects to be entitled in exchange for those goods or services.

The changes in revenue recognition requirements in AASB 15 may cause changes to accounting policies relating to the timing and amount of revenue recorded in the financial statements as well as additional disclosures.

The full impact of AASB 15 has not yet been ascertained or quantified.

AASB 15 will replace AASB 118 which covers contracts for goods and services and AASB 111 which covers construction contracts.

The effective date of this standard is for annual reporting periods beginning on or after 1 January 2017.

#### **AASB 124 - Related Party Disclosures**

From 1 July 2016, AASB 124 Related Party Disclosures will apply to Council.

This means that Council will be required to disclose information about related parties and Council transactions with those related parties.

Related parties will more than likely include the Mayor, Councillors and certain Council staff. In addition, the close family members of those people and any organisations that they control or are associated with will be classified as related parties (and fall under the related party reporting requirements).

#### **AASB 2014 - 10 Sale or contribution of Assets between an Investor and its Associate or Joint Venture**

The amendments address an acknowledged inconsistency between the requirements in AASB 10 and those in AASB 128 (2011), in dealing with the sale or contribution of assets between an investor and its associate or joint venture.

The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business (whether it is housed in a subsidiary or not).

A partial gain or loss is recognised when a transaction involves assets that do not constitute a

business, even if these assets are housed in a subsidiary.

The effective date of this standard is for annual reporting periods beginning on or after 1 January 2016.

This standard will only impact Council where there has been a sale or contribution of assets between the entity and the associate/joint venture.

#### **Not applicable to Local Government per se;**

None

#### **(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.

## Mosman Council

## Notes to the Financial Statements

for the financial year ended 30 June 2015

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

Functions/Activities	Income, Expenses and Assets have been directly attributed to the following Functions / Activities. Details of these Functions/Activities are provided in Note 2(b).												
	Income from Continuing Operations			Expenses from Continuing Operations			Operating Result from Continuing Operations			Grants included in Income from Continuing Operations		Total Assets held (Current & Non-current)	
	Original Budget	Actual	Actual	Original Budget	Actual	Actual	Original Budget	Actual	Actual	Actual	Actual	Actual	Actual
	2015	2015	2014	2015	2015	2014	2015	2015	2014	2015	2014	2015	2014
Governance*	-	-	-	1,670	1,597	1,547	(1,670)	(1,597)	(1,547)	-	-	-	2
Community Wellbeing	1,676	1,790	1,704	2,873	2,857	2,590	(1,197)	(1,067)	(886)	868	813	4,275	4,273
Library and Information	174	182	180	2,135	2,120	2,002	(1,961)	(1,938)	(1,822)	96	81	7,377	7,359
Arts and Culture <sup>2</sup>	479	645	538	1,231	1,244	1,253	(752)	(599)	(715)	75	80	4,441	4,407
Built Environment	2,091	2,073	3,197	6,831	6,877	5,770	(4,740)	(4,804)	(2,573)	512	1,124	181,711	180,912
Community Spaces <sup>3</sup>	5,455	7,981	8,041	6,878	7,475	5,039	(1,423)	506	3,002	53	-	252,525	250,653
Healthy Environment	6,351	6,344	5,831	5,227	5,153	6,890	1,124	1,191	(1,059)	112	60	690	658
Transport and Traffic	5,560	5,863	5,887	1,632	1,565	1,246	3,928	4,298	4,641	60	-	58,940	58,978
Leadership and Engagement	68	69	76	2,789	2,585	2,035	(2,721)	(2,516)	(1,959)	-	-	20	25
Corporate and Risk	1,555	1,591	1,133	9,291	8,591	10,600	(7,736)	(7,000)	(9,467)	180	90	19,959	17,580
<b>Total Functions &amp; Activities</b>	<b>23,409</b>	<b>26,538</b>	<b>26,587</b>	<b>40,557</b>	<b>40,064</b>	<b>38,972</b>	<b>(17,148)</b>	<b>(13,526)</b>	<b>(12,385)</b>	<b>1,956</b>	<b>2,248</b>	<b>529,938</b>	<b>524,847</b>
Share of gains/(losses) in Associates & Joint Ventures (using the Equity Method)	-	150	31	-	-	-	-	150	31	-	-	792	674
General Purpose Income <sup>1</sup>	18,411	18,592	17,694	-	-	-	18,411	18,592	17,694	914	499	-	-
<b>Operating Result from Continuing Operations</b>	<b>41,820</b>	<b>45,280</b>	<b>44,312</b>	<b>40,557</b>	<b>40,064</b>	<b>38,972</b>	<b>1,263</b>	<b>5,216</b>	<b>5,340</b>	<b>2,870</b>	<b>2,747</b>	<b>530,730</b>	<b>525,521</b>

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

Explanations of variances greater than 10%

2. Actual income includes art donations of \$185k.

3. Actual Income Includes Investment Property revaluation increment of \$2,129k

\* The activities "Governance" and "Corporate and Risk" are aggregated in Council's Strategic Plan (MOSPLAN) as "Governance and Risk".

## Mosman Council

### Notes to the Financial Statements

for the financial year ended 30 June 2015

### 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 relating to the Council's role as a component of democratic government, including elections, members' fees and expenses, subscriptions to local authority associations, meetings of council and policy making committees, area representation and public disclosure and compliance.

#### **COMMUNITY WELLBEING**

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

#### **LIBRARY AND INFORMATION**

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

#### **ARTS AND CULTURE**

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

#### **BUILT ENVIRONMENT**

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

#### **COMMUNITY SPACES**

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

#### **HEALTHY ENVIRONMENT**

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

#### **TRANSPORT AND TRAFFIC**

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

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

Business & Employment, Marketing Mosman, Regional Economic Development.

#### **LEADERSHIP AND ENGAGEMENT**

Council Secretariat and Civic Involvement, Governance and Communication.

#### **CORPORATE AND RISK**

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

## Mosman Council

# Notes to the Financial Statements

for the financial year ended 30 June 2015

## Note 3. Income from Continuing Operations

\$ '000	Notes	Actual 2015	Actual 2014
<b>(a) Rates &amp; Annual Charges</b>			
<b>Ordinary Rates</b>			
Residential		15,666	15,229
Business		1,600	1,589
<b>Total Ordinary Rates</b>		<b>17,266</b>	<b>16,818</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		6,150	5,534
Stormwater Management Services		236	237
Section 611 Charges		28	22
<b>Total Annual Charges</b>		<b>6,414</b>	<b>5,793</b>
<b>TOTAL RATES &amp; ANNUAL CHARGES</b>		<b>23,680</b>	<b>22,611</b>

Council has used 2014 year valuations provided by the NSW Valuer General in calculating its rates.

## (b) User Charges & Fees

<b>Specific User Charges</b> (per s.502 - Specific "actual use" charges)			
Domestic Waste Management Services		81	70
<b>Total User Charges</b>		<b>81</b>	<b>70</b>
<b>Other User Charges &amp; Fees</b>			
<b>(i) Fees &amp; Charges - Statutory &amp; Regulatory Functions</b> (per s.608)			
Planning & Building Regulation		798	756
Regulatory Fees		62	91
Section 149 Certificates (EPA Act)		168	160
Section 603 Certificates		111	103
<b>Total Fees &amp; Charges - Statutory/Regulatory</b>		<b>1,139</b>	<b>1,110</b>

## Mosman Council

# Notes to the Financial Statements

for the financial year ended 30 June 2015

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

\$ '000	Notes	Actual 2015	Actual 2014
<b>(b) User Charges &amp; Fees (continued)</b>			
<b>(ii) Fees &amp; Charges - Other (incl. General User Charges (per s.608))</b>			
Advertising-Bridgepoint Bridge		439	439
Art Prize Fees		39	34
Children's Leisure and Learning		9	8
Community Restaurant		32	29
Cultural Centre		113	110
Dinghy Storage Racks		32	30
Filming Permits		9	9
Footpath Occupation		220	206
Hoarding Fees		208	124
Kidzone - Vacation		85	80
Lease Rentals (Property) <sup>1</sup>		1,249	996
Leaseback Fees - Council Vehicles		8	8
Market Days (Stall Holders)		88	107
Meals on Wheels		82	85
Merchant Fee Recovery		71	-
Mini Skips		51	34
Mosman Occasional Child Care		239	277
Occasional Child Care		6	6
Out of School Care		379	337
Oval Rents		287	254
Parking Fees - On Street		2,221	2,134
Parking Fees - Foreshore		1,277	1,250
Parking Fees - Foreshore (Stickers)		261	229
Parking Fees - Resident Parking Scheme Permits		48	44
Photocopying - Civic Centre		2	2
Photocopying - Library		7	9
Reserve Rents		72	76
Restoration Charges <sup>2</sup>		292	992
Section 153 Land Leases		35	57
Stand Plant Permits		189	108
Trading Rights - Foreshore		-	10
Vacation Care		21	21
Vehicular Crossing		91	31
Vehicular Crossing - Inspection Fees		9	11
Work Zone Fees		342	180
Other		290	283
<b>Total Fees &amp; Charges - Other</b>		<b>8,803</b>	<b>8,610</b>
<b>TOTAL USER CHARGES &amp; FEES</b>		<b>10,023</b>	<b>9,790</b>

<sup>1</sup>. Change in Leases is due to timing of invoices issued in FY2014 and not reflective of actual rent increases.

<sup>2</sup>. Road Restoration activity in FY2014 was increased by the NBN rollout.

## Mosman Council

Notes to the Financial Statements  
for the financial year ended 30 June 2015

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

\$ '000	Notes	Actual 2015	Actual 2014
<b>(c) Interest &amp; Investment Revenue (incl. losses)</b>			
<b>Interest &amp; Dividends</b>			
- Interest on Overdue Rates & Annual Charges (incl. Special Purpose Rates)		48	45
- Interest earned on Investments (interest & coupon payment income)		455	393
<b><u>TOTAL INTEREST &amp; INVESTMENT REVENUE</u></b>		<b><u>503</u></b>	<b><u>438</u></b>
<b>Interest Revenue is attributable to:</b>			
<b>Unrestricted Investments/Financial Assets:</b>			
Overdue Rates & Annual Charges (General Fund)		48	45
General Council Cash & Investments		364	332
<b>Restricted Investments/Funds - External:</b>			
Development Contributions			
- Section 94		91	61
<b><u>Total Interest &amp; Investment Revenue Recognised</u></b>		<b><u>503</u></b>	<b><u>438</u></b>
<b>(d) Other Revenues</b>			
Fair Value Adjustments - Investment Properties	14	2,129	2,286
Rental Income - Investment Properties	14	1,800	1,771
Fines		1,998	2,283
Commissions & Agency Fees		14	21
Other		174	163
<b><u>TOTAL OTHER REVENUE</u></b>		<b><u>6,115</u></b>	<b><u>6,524</u></b>

## Mosman Council

# Notes to the Financial Statements

for the financial year ended 30 June 2015

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

\$ '000	2015 Operating	2014 Operating	2015 Capital	2014 Capital
<b>(e) Grants</b>				
<b>General Purpose (Untied)</b>				
Financial Assistance - General Component	616	316	-	-
Financial Assistance - Local Roads Component	232	118	-	-
Pensioners' Rates Subsidies - General Component	66	65	-	-
<b>Total General Purpose</b>	<b>914</b>	<b>499</b>	<b>-</b>	<b>-</b>

<sup>1</sup> The Financial Assistance Grant for the comparative 13/14 year reflects a one off timing difference (reduction). This grant ceased being paid in advance in the 13/14 year by up to 50% as had occurred in previous years.

### Specific Purpose

#### Pensioners' Rates Subsidies:

- Domestic Waste Management	30	29	-	-
Aged Care	520	497	-	-
Child Care	348	316	-	-
Environmental Protection	64	31	-	-
Excess Weight Subsidy	12	10	-	-
Housing and Community Amenities	112	130	-	-
Library - per capita	55	55	-	-
Library - special projects	34	26	-	-
LIRS Subsidy	125	90	-	-
Recreation & Culture	75	80	-	37
Traffic Route Subsidy	97	75	-	-
Transport (Roads to Recovery)	-	-	110	-
Transport (Other Roads & Bridges Funding)	-	-	374	872
<b>Total Specific Purpose</b>	<b>1,472</b>	<b>1,339</b>	<b>484</b>	<b>909</b>
<b>Total Grants</b>	<b>2,386</b>	<b>1,838</b>	<b>484</b>	<b>909</b>

#### Grant Revenue is attributable to:

- Commonwealth Funding	1,469	978	110	-
- State Funding	917	860	374	909
	<b>2,386</b>	<b>1,838</b>	<b>484</b>	<b>909</b>

## Mosman Council

## Notes to the Financial Statements

for the financial year ended 30 June 2015

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

\$ '000	2015 Operating	2014 Operating	2015 Capital	2014 Capital
<b>(f) Contributions</b>				
<b>Developer Contributions:</b>				
<b>(s93 &amp; s94 - EP&amp;A Act, s64 of the LGA):</b>				
S 94 - Contributions towards amenities/services	-	-	-	560
S 94A - Fixed Development Consent Levies	-	-	1,589	1,118
<b>Total Developer Contributions</b> 17	<b>-</b>	<b>-</b>	<b>1,589</b>	<b>1,678</b>
<b>Other Contributions:</b>				
Art Collection Donations	-	-	185	-
Recreation & Culture	-	-	6	204
Roads & Bridges	-	-	-	131
RMS Contributions (Regional Roads, Block Grant)	159	158	-	-
<b>Total Other Contributions</b>	<b>159</b>	<b>158</b>	<b>191</b>	<b>335</b>
<b>Total Contributions</b>	<b>159</b>	<b>158</b>	<b>1,780</b>	<b>2,013</b>
<b>TOTAL GRANTS &amp; CONTRIBUTIONS</b>	<b>2,545</b>	<b>1,996</b>	<b>2,264</b>	<b>2,922</b>

\$ '000	Actual 2015	Actual 2014
<b>(g) Restrictions relating to Grants and Contributions</b>		
<b>Certain grants &amp; 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	3,080	1,490
<b>add:</b> Grants & contributions recognised in the current period but not yet spent:	1,871	1,964
<b>less:</b> Grants & contributions recognised in a previous reporting period now spent:	(1,125)	(374)
<b>Net Increase (Decrease) in Restricted Assets during the Period</b>	<b>746</b>	<b>1,590</b>
<b>Unexpended and held as Restricted Assets</b>	<b>3,826</b>	<b>3,080</b>
<b>Comprising:</b>		
- Specific Purpose Unexpended Grants	309	774
- Developer Contributions	3,517	2,306
	<b>3,826</b>	<b>3,080</b>



## Mosman Council

# Notes to the Financial Statements

for the financial year ended 30 June 2015

## Note 4. Expenses from Continuing Operations

\$ '000	Notes	Actual 2015	Actual 2014
<b>(a) Employee Benefits &amp; On-Costs</b>			
Salaries and Wages		11,982	11,142
Travelling		292	250
Employee Leave Entitlements (ELE)		1,767	1,539
Superannuation - Defined Contribution Plans		1,070	967
Superannuation - Defined Benefit Plans		331	320
Workers' Compensation Insurance		363	549
Fringe Benefit Tax (FBT)		32	73
Training Costs (other than Salaries & Wages)		77	115
Other		11	11
<b><u>TOTAL EMPLOYEE COSTS EXPENSED</u></b>		<b><u>15,925</u></b>	<b><u>14,966</u></b>
Number of "Equivalent Full Time" Employees at year end		<b>174</b>	<b>168</b>
Number of "Equivalent Full Time" Employees at year end (incl. vacancies)		<b>182</b>	<b>182</b>
<b>(b) Borrowing Costs</b>			
<b>(i) Interest Bearing Liability Costs</b>			
Interest on Loans		612	677
<b>Total Interest Bearing Liability Costs Expensed</b>		<b><u>612</u></b>	<b><u>677</u></b>
<b>(ii) Other Borrowing Costs</b>			
Nil			
<b><u>TOTAL BORROWING COSTS EXPENSED</u></b>		<b><u>612</u></b>	<b><u>677</u></b>

## Mosman Council

## Notes to the Financial Statements

for the financial year ended 30 June 2015

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

\$ '000	Notes	Actual 2015	Actual 2014
<b>(c) Materials &amp; Contracts</b>			
Raw Materials & Consumables		170	182
Contractor & Consultancy Costs			
- Aged Services		118	160
- Bushcare		355	472
- Cleansing		444	2,255
- Conduct Complaints		23	-
- Consultancies		-	89
- Development Assessment and Urban Planning		194	207
- Fit for the Future Consultant		20	-
- Infrastructure		1,785	661
- Internal Audit		91	57
- IT Temp Staff		18	-
- Parks, Gardens and Civic Spaces		1,241	681
- Plant Running		101	130
- Recreational Facilities		607	569
- Structures		1,241	679
- Temp Building Surveyor		91	-
- Tree Pruning/Removal		-	239
- Waste Management		3,103	2,851
- Other Contractor and Consultancy Costs		1,288	1,326
Auditors Remuneration <sup>(1)</sup>		36	37
Infringement Notice Contract Costs (SEINS)		263	323
Legal Expenses:			
- Legal Expenses: Planning & Development		325	453
- Legal Expenses: Other		131	92
Operating Leases:			
- Operating Lease Rentals: Minimum Lease Payment <sup>(2)</sup>		109	92
Printing		157	131
<b>Total Materials &amp; Contracts</b>		<b>11,911</b>	<b>11,686</b>
less: Capitalised Costs		-	-
<b>TOTAL MATERIALS &amp; CONTRACTS</b>		<b>11,911</b>	<b>11,686</b>

Contractor cost have been reclassified in FY2015 to reflect the link with Asset Management classes.

**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):

**Audit and Other Assurance Services**

Audit & review of financial statements: Council's Auditor	36	37
<b>Remuneration for audit and other assurance services</b>	<b>36</b>	<b>37</b>
<b>Total Auditor Remuneration</b>	<b>36</b>	<b>37</b>

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

Computers	109	92
	<b>109</b>	<b>92</b>

## Mosman Council

# Notes to the Financial Statements

for the financial year ended 30 June 2015

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

\$ '000	Notes	Impairment Costs		Depreciation/Amortisation	
		Actual 2015	Actual 2014	Actual 2015	Actual 2014
(d) Depreciation, Amortisation & Impairment					
Plant and Equipment		-	-	180	176
Office Equipment		-	-	130	150
Furniture & Fittings		-	-	25	22
Land Improvements (depreciable)		-	-	13	13
Buildings - Non Specialised		-	-	483	478
Buildings - Specialised		-	-	281	280
Other Structures		-	-	6	8
Infrastructure:					
- Roads		-	-	2,336	2,444
- Footpaths		-	-	178	245
- Stormwater Drainage		-	-	379	374
- Other Open Space/Recreational Assets		-	-	896	1,107
Other Assets					
- Library Books		-	-	239	240
- Other		-	-	4	4
Intangible Assets	25	-	-	16	16
<b>TOTAL DEPRECIATION &amp; IMPAIRMENT COSTS EXPENSED</b>		<b>-</b>	<b>-</b>	<b>5,166</b>	<b>5,557</b>

## Mosman Council

# Notes to the Financial Statements

for the financial year ended 30 June 2015

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

\$ '000	Notes	Actual 2015	Actual 2014
<b>(e) Other Expenses</b>			
Advertising		200	156
Bad & Doubtful Debts		49	3
Bad & Doubtful Debts Parking Fines		195	-
Bank Charges		141	65
Catering		76	81
Computer Software Charges		877	1,007
Contributions/Levies to Other Levels of Government			
- Department of Planning Levy		196	192
- Local Government NSW		25	24
- NSW Fire Brigade Levy		959	984
Councillor Expenses - Mayoral Fee		38	37
Councillor Expenses - Councillors' Fees		123	119
Councillors' Expenses (incl. Mayor) - Other (excluding fees above)		38	31
Donations, Contributions & Assistance to other organisations (Section 356)		269	340
Electricity & Heating		429	522
Equipment Maintenance		16	7
Insurance		781	773
Leases - Photocopiers		90	50
Leases - Property		50	48
Postage		71	75
Street Lighting		431	400
Subscriptions & Publications		53	65
Telephone & Communications		144	81
Waste Disposal and Recycling Centre		808	673
Water		169	197
Other		202	136
<b><u>TOTAL OTHER EXPENSES</u></b>		<b><u>6,430</u></b>	<b><u>6,066</u></b>

## Mosman Council

# Notes to the Financial Statements

for the financial year ended 30 June 2015

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

\$ '000	Notes	Actual 2015	Actual 2014
<b>Plant &amp; Equipment</b>			
Proceeds from Disposal - Plant & Equipment		-	31
less: Carrying Amount of P&E Assets Sold / Written Off		-	(51)
<b>Net Gain/(Loss) on Disposal</b>		<b>-</b>	<b>(20)</b>
<b>Infrastructure</b>			
Proceeds from Disposal - Infrastructure		-	-
less: Carrying Amount of Infrastructure Assets Sold / Written Off		(20)	-
<b>Net Gain/(Loss) on Disposal</b>		<b>(20)</b>	<b>-</b>
<b>Financial Assets*</b>			
Proceeds from Disposal / Redemptions / Maturities - Financial Assets		19,350	11,050
less: Carrying Amount of Financial Assets Sold / Redeemed / Matured		(19,350)	(11,050)
<b>Net Gain/(Loss) on Disposal</b>		<b>-</b>	<b>-</b>
<b><u>NET GAIN/(LOSS) ON DISPOSAL OF ASSETS</u></b>		<b><u>(20)</u></b>	<b><u>(20)</u></b>

## Mosman Council

# Notes to the Financial Statements

for the financial year ended 30 June 2015

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

		2015	2015	2014	2014
\$ '000	Notes	Actual Current	Actual Non Current	Actual Current	Actual Non Current
Cash & Cash Equivalents (Note 6a)					
Cash on Hand and at Bank		70	-	400	-
Cash-Equivalent Assets <sup>1</sup>					
- Deposits at Call		1,090	-	750	-
- Short Term Deposits		12,000	-	9,000	-
<b>Total Cash &amp; Cash Equivalents</b>		<b>13,160</b>	<b>-</b>	<b>10,150</b>	<b>-</b>
Investments (Note 6b)					
Nil					
<b>TOTAL CASH ASSETS, CASH EQUIVALENTS &amp; INVESTMENTS</b>		<b>13,160</b>	<b>-</b>	<b>10,150</b>	<b>-</b>

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

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

<b>Cash &amp; Cash Equivalents</b>					
a. "At Fair Value through the Profit & Loss"		<b>13,160</b>	<b>-</b>	<b>10,150</b>	<b>-</b>

### Investments

Nil

### Note 6(b-i)

#### Reconciliation of Investments classified as "Held to Maturity"

Additions	19,350	-	11,050	-
Disposals (sales & redemptions)	(19,350)	-	(11,050)	-
<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 2015

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

	2015 Actual Current	2015 Actual Non Current	2014 Actual Current	2014 Actual Non Current
<b>\$ '000</b>				
<b>Total Cash, Cash Equivalents and Investments</b>	<b>13,160</b>	<b>-</b>	<b>10,150</b>	<b>-</b>
<b>attributable to:</b>				
External Restrictions (refer below)	5,262	-	4,475	-
Internal Restrictions (refer below)	5,287	-	4,362	-
Unrestricted	2,611	-	1,313	-
	<b>13,160</b>	<b>-</b>	<b>10,150</b>	<b>-</b>

2015 \$ '000	Opening Balance	Transfers to Restrictions	Transfers from Restrictions	Closing Balance
-----------------	--------------------	------------------------------	--------------------------------	--------------------

### Details of Restrictions

#### External Restrictions - Included in Liabilities

Nil

#### External Restrictions - Other

Developer Contributions - General	(A)	2,306	1,690	(479)	3,517
Specific Purpose Unexpended Grants	(B)	774	181	(646)	309
Domestic Waste Management	(C)	1,395	41	-	1,436
<b>External Restrictions - Other</b>		<b>4,475</b>	<b>1,912</b>	<b>(1,125)</b>	<b>5,262</b>
<b>Total External Restrictions</b>		<b>4,475</b>	<b>1,912</b>	<b>(1,125)</b>	<b>5,262</b>

#### Internal Restrictions

Plant & Vehicle Replacement	120	20	-	140
Infrastructure Replacement	300	853	(300)	853
Employees Leave Entitlement	800	40	-	840
Deposits, Retentions & Bonds	2,000	-	-	2,000
IT Reserve	24	157	(24)	157
Library RFID Project Reserve	16	-	(16)	-
Swim Centre	291	125	-	416
Youth Services IT Project Reserve	13	-	-	13
VPA Reserve	798	439	(387)	850
Youth Film Festival Unspent Contributions	-	18	-	18
<b>Total Internal Restrictions</b>	<b>4,362</b>	<b>1,652</b>	<b>(727)</b>	<b>5,287</b>
<b>TOTAL RESTRICTIONS</b>	<b>8,837</b>	<b>3,564</b>	<b>(1,852)</b>	<b>10,549</b>

- A** Development contributions which are not yet expended for the provision of services and amenities in accordance with contributions plans (refer Note 17).
- B** Grants which are not yet expended for the purposes for which the grants were obtained. (refer Note 1)
- C** 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 2015

## Note 7. Receivables

\$ '000	Notes	2015		2014	
		Current	Non Current	Current	Non Current
<b>Purpose</b>					
Rates & Annual Charges		431	82	316	29
Interest & Extra Charges		17	-	14	-
User Charges & Fees		1,318	-	1,006	-
Accrued Revenues					
- Interest on Investments		27	-	42	-
- Other Income Accruals		1,013	-	1,347	-
Government Grants & Subsidies		467	-	1,036	-
Net GST Receivable		446	-	352	-
<b>Total</b>		<b>3,719</b>	<b>82</b>	<b>4,113</b>	<b>29</b>
<b>less: Provision for Impairment</b>					
User Charges & Fees		(109)	-	(62)	-
Other Debtors		(195)	-	-	-
<b>Total Provision for Impairment - Receivables</b>		<b>(304)</b>	<b>-</b>	<b>(62)</b>	<b>-</b>
<b><u>TOTAL NET RECEIVABLES</u></b>		<b><u>3,415</u></b>	<b><u>82</u></b>	<b><u>4,051</u></b>	<b><u>29</u></b>
<b>Externally Restricted Receivables</b>					
<b>Domestic Waste Management</b>		124	-	103	-
<b>Total External Restrictions</b>		<b>124</b>	<b>-</b>	<b>103</b>	<b>-</b>
<b>Internally Restricted Receivables</b>					
Nil					
<b>Unrestricted Receivables</b>		<b>3,291</b>	<b>82</b>	<b>3,948</b>	<b>29</b>
<b>TOTAL NET RECEIVABLES</b>		<b>3,415</b>	<b>82</b>	<b>4,051</b>	<b>29</b>

### Notes on Debtors above:

- (i) Rates & Annual Charges Outstanding are secured against the property.
- (ii) Doubtful Rates Debtors are provided for where the value of the property is less than the debt outstanding.  
An allowance for other doubtful debts is made when there is objective evidence that a receivable is impaired.
- (iii) Interest was charged on overdue rates & charges at 8.50% (2014 9.00%).  
Generally all other receivables are non interest bearing.
- (iv) Please refer to Note 15 for issues concerning Credit Risk and Fair Value disclosures.



## Mosman Council

# Notes to the Financial Statements

for the financial year ended 30 June 2015

## Note 8. Inventories & Other Assets

\$ '000	Notes	2015		2014	
		Current	Non Current	Current	Non Current
<b>Inventories</b>					
Stores & Materials		78	-	99	-
Trading Stock		85	-	65	-
<b>Total Inventories</b>		<b>163</b>	<b>-</b>	<b>164</b>	<b>-</b>
<b>Other Assets</b>					
Prepayments		60	-	186	-
<b>Total Other Assets</b>		<b>60</b>	<b>-</b>	<b>186</b>	<b>-</b>
<b><u>TOTAL INVENTORIES / OTHER ASSETS</u></b>		<b><u>223</u></b>	<b><u>-</u></b>	<b><u>350</u></b>	<b><u>-</u></b>

### Externally Restricted Assets

There are no restrictions applicable to the above assets.

## Mosman Council

## Notes to the Financial Statements

for the financial year ended 30 June 2015

## Note 9a. Infrastructure, Property, Plant &amp; Equipment

\$ '000	as at 30/6/2014					Asset Movements during the Reporting Period						as at 30/6/2015				
	At Cost	At Fair Value	Accumulated		Carrying Value	Asset Additions	WDV of Asset Disposals	Depreciation Expense	WIP Transfers	Revaluation Decrements to Equity (ARR)	Revaluation Increments to Equity (ARR)	At Cost	At Fair Value	Accumulated		Carrying Value
			Dep'n	Impairment										Dep'n	Impairment	
Capital Work in Progress	444	-	-	-	444	138	-	-	(265)	-	-	317	-	-	-	317
Plant & Equipment	-	1,730	1,063	-	667	105	-	(180)	186	-	-	-	2,018	1,240	-	778
Office Equipment	-	898	545	-	353	77	-	(130)	-	-	-	-	975	675	-	300
Furniture & Fittings	-	318	223	-	95	47	-	(25)	-	-	-	-	332	215	-	117
Art Collection	-	4,401	-	-	4,401	220	-	-	-	-	-	-	4,621	-	-	4,621
<b>Land:</b>																
- Operational Land	-	112,190	-	-	112,190	-	-	-	-	-	-	-	112,190	-	-	112,190
- Community Land	-	102,688	-	-	102,688	-	-	-	-	-	-	-	102,688	-	-	102,688
Land Improvements - depreciable	-	818	143	-	675	15	-	(13)	-	-	-	-	831	154	-	677
Buildings - Non Specialised	-	43,851	16,665	-	27,186	859	(20)	(483)	79	-	-	-	44,739	17,118	-	27,621
Buildings - Specialised	-	21,728	6,648	-	15,080	70	-	(281)	-	-	-	-	21,799	6,930	-	14,869
Other Structures	-	605	223	-	382	-	-	(6)	-	-	-	-	605	229	-	376
<b>Infrastructure:</b>																
- Roads	-	214,104	102,001	-	112,103	2,289	-	(2,336)	-	-	4,267	-	207,877	91,554	-	116,323
- Footpaths	-	20,733	6,136	-	14,597	303	-	(178)	-	(3,518)	-	-	15,657	4,453	-	11,204
- Stormwater Drainage	-	64,468	14,336	-	50,132	360	-	(379)	-	-	-	-	64,827	14,714	-	50,113
- Other Open Space/Recreational Assets	-	37,626	16,398	-	21,228	404	-	(896)	-	-	-	-	37,996	17,260	-	20,736
<b>Other Assets:</b>																
- Heritage Collections	-	24	11	-	13	-	-	-	-	-	-	-	23	10	-	13
- Library Books	-	1,944	1,101	-	843	212	-	(239)	-	-	-	-	2,155	1,339	-	816
- Other	-	60	5	-	55	-	-	(4)	-	-	-	-	60	9	-	51
<b>TOTAL INFRASTRUCTURE, PROPERTY, PLANT &amp; EQUIP.</b>	<b>444</b>	<b>628,186</b>	<b>165,498</b>	<b>-</b>	<b>463,132</b>	<b>5,099</b>	<b>(20)</b>	<b>(5,150)</b>	<b>-</b>	<b>(3,518)</b>	<b>4,267</b>	<b>317</b>	<b>619,393</b>	<b>155,900</b>	<b>-</b>	<b>463,810</b>

Additions to Buildings & Infrastructure Assets are made up of Asset Renewals (\$4,223k) and New Assets (\$62k). An addition \$79k was transferred from WIP to Buildings Non-Specialised and should be considered a renewal. 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 & Equipment.

## Mosman Council

### Notes to the Financial Statements for the financial year ended 30 June 2015

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

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

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

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

#### Note 10a. Payables, Borrowings & Provisions

\$ '000	Notes	2015		2014	
		Current	Non Current	Current	Non Current
<b>Payables</b>					
Goods & Services - operating expenditure		1,070	-	1,252	-
Goods & Services - capital expenditure		1,635	-	1,781	-
Payments Received In Advance		166	-	89	-
Accrued Expenses:					
- Borrowings		47	-	56	-
- Salaries & Wages		517	-	-	-
- Other Expenditure Accruals		20	-	20	-
Security Bonds, Deposits & Retentions		6,045	-	5,313	-
<b>Total Payables</b>		<b>9,500</b>	<b>-</b>	<b>8,511</b>	<b>-</b>
<b>Borrowings</b>					
Loans - Secured <sup>1</sup>		1,913	7,166	1,880	9,086
<b>Total Borrowings</b>		<b>1,913</b>	<b>7,166</b>	<b>1,880</b>	<b>9,086</b>
<b>Provisions</b>					
Employee Benefits;					
Annual Leave		1,560	-	1,558	-
Long Service Leave		2,335	286	2,187	294
<b>Total Provisions</b>		<b>3,895</b>	<b>286</b>	<b>3,745</b>	<b>294</b>
<b>Total Payables, Borrowings &amp; Provisions</b>		<b>15,308</b>	<b>7,452</b>	<b>14,136</b>	<b>9,380</b>
<b>(i) Liabilities relating to Restricted Assets</b>					
		2015		2014	
		Current	Non Current	Current	Non Current
<b>Externally Restricted Assets</b>					
Domestic Waste Management		124	-	183	-
Current Borrowings Funded by S94		235	-	-	-
<b>Liabilities relating to externally restricted assets</b>		<b>359</b>	<b>-</b>	<b>183</b>	<b>-</b>
<b>Total Liabilities relating to restricted assets</b>		<b>359</b>	<b>-</b>	<b>183</b>	<b>-</b>
<b>Total Liabilities relating to Unrestricted Assets</b>		<b>14,949</b>	<b>7,452</b>	<b>13,953</b>	<b>9,380</b>
<b>TOTAL PAYABLES, BORROWINGS &amp; PROVISIONS</b>		<b>15,308</b>	<b>7,452</b>	<b>14,136</b>	<b>9,380</b>

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

## Mosman Council

# Notes to the Financial Statements

for the financial year ended 30 June 2015

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

	Actual 2015	Actual 2014
<b>\$ '000</b>		
<b>(ii) Current Liabilities not anticipated to be settled within the next 12 months</b>		
The following Liabilities, even though classified as current, are not expected to be settled in the next 12 months.		
Provisions - Employees Benefits	2,254	2,143
Payables - Security Bonds, Deposits & Retentions	5,350	4,700
	<b>7,604</b>	<b>6,843</b>

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

Class of Provision	2014	2015				
	Opening Balance as at 1/7/14	Additional Provisions	Decrease due to Payments	Remeasurement effects due to Discounting	Unused amounts reversed	Closing Balance as at 30/6/15
Annual Leave	1,558	1,104	(1,102)	-	-	<b>1,560</b>
Long Service Leave	2,481	372	(232)	-	-	<b>2,621</b>
<b>TOTAL</b>	<b>4,039</b>	<b>1,476</b>	<b>(1,334)</b>	<b>-</b>	<b>-</b>	<b>4,181</b>

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

## Mosman Council

## Notes to the Financial Statements

for the financial year ended 30 June 2015

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

\$ '000	Notes	Actual 2015	Actual 2014
<b>(a) Reconciliation of Cash Assets</b>			
Total Cash & Cash Equivalent Assets	6a	13,160	10,150
Less Bank Overdraft	10	-	-
<b>BALANCE as per the STATEMENT of CASH FLOWS</b>		<b>13,160</b>	<b>10,150</b>
<b>(b) Reconciliation of Net Operating Result to Cash provided from Operating Activities</b>			
<b>Net Operating Result from Income Statement</b>		<b>5,216</b>	<b>5,340</b>
Adjust for non cash items:			
Depreciation & Amortisation		5,166	5,557
Net Losses/(Gains) on Disposal of Assets		20	20
Non Cash Capital Grants and Contributions		(185)	(93)
Losses/(Gains) recognised on Fair Value Re-measurements through the P&L:			
- Investment Properties		(2,129)	(2,286)
Share of Net (Profits) or Losses of Associates/Joint Ventures		(150)	(31)
<b>+/- Movement in Operating Assets and Liabilities &amp; Other Cash Items:</b>			
Decrease/(Increase) in Receivables		341	(871)
Increase/(Decrease) in Provision for Doubtful Debts		242	(71)
Decrease/(Increase) in Inventories		1	(21)
Decrease/(Increase) in Other Assets		126	(54)
Increase/(Decrease) in Payables		(182)	(533)
Increase/(Decrease) in accrued Interest Payable		(9)	14
Increase/(Decrease) in other accrued Expenses Payable		517	20
Increase/(Decrease) in Other Liabilities		809	674
Increase/(Decrease) in Employee Leave Entitlements		142	(178)
<b>NET CASH PROVIDED FROM/(USED IN) OPERATING ACTIVITIES from the STATEMENT of CASH FLOWS</b>		<b>9,925</b>	<b>7,487</b>

## Mosman Council

# Notes to the Financial Statements

for the financial year ended 30 June 2015

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

\$ '000	Notes	Actual 2015	Actual 2014
<b>(c) Non-Cash Investing &amp; Financing Activities</b>			
Other Dedications Artworks		185	93
<b>Total Non-Cash Investing &amp; Financing Activities</b>		<b>185</b>	<b>93</b>
<b>(d) Financing Arrangements</b>			
<b>(i) 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	55
<b>Total Financing Arrangements</b>		<b>145</b>	<b>145</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.

### (ii) Secured Loan Liabilities

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

## Mosman Council

### Notes to the Financial Statements for the financial year ended 30 June 2015

#### Note 12. Commitments for Expenditure

\$ '000	Notes	Actual 2015	Actual 2014
<b>(a) Capital Commitments (exclusive of GST)</b>			
Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:			
<b>Property, Plant &amp; Equipment</b>			
Infrastructure		116	750
<b>Total Commitments</b>		<b>116</b>	<b>750</b>
<b>These expenditures are payable as follows:</b>			
Within the next year		116	750
<b>Total Payable</b>		<b>116</b>	<b>750</b>
<b>Sources for Funding of Capital Commitments:</b>			
Externally Restricted Reserves		-	450
Internally Restricted Reserves		116	300
<b>Total Sources of Funding</b>		<b>116</b>	<b>750</b>

#### Details of Capital Commitments

Gouldsbury Street Pedestrian Crossing approx. \$50,000

Civic Centre Foyer approx. \$50,000

Other minor capital works approx. \$16,000



## Mosman Council

### Notes to the Financial Statements

for the financial year ended 30 June 2015

#### Note 12. Commitments for Expenditure (continued)

\$ '000	Notes	Actual 2015	Actual 2014
<b>(b) Finance Lease Commitments</b>			
Nil			
<b>(c) Operating Lease Commitments (Non Cancellable)</b>			
<b>a. Commitments under Non Cancellable Operating Leases at the Reporting date, but not recognised as Liabilities are payable:</b>			
Within the next year		190	154
Later than one year and not later than 5 years		350	169
Later than 5 years		-	-
<b>Total Non Cancellable Operating Lease Commitments</b>		<b>540</b>	<b>323</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

#### **(e) Investment in Joint Operations - Commitments**

For Capital Commitments and Other Commitments relating to Investments in Joint Operations, refer to Note 19 (c)

## Mosman Council

# Notes to the Financial Statements

for the financial year ended 30 June 2015

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

\$ '000	Amounts 2015	Indicator 2015	Prior Periods 20142013	
Local Government Industry Indicators - Consolidated				
1. Operating Performance Ratio				
Total continuing operating revenue <sup>(1)</sup>				
(excl. Capital Grants & Contributions) - Operating Expenses	693	1.70%	0.31%	-3.83%
Total continuing operating revenue <sup>(1)</sup>	40,737			
(excl. Capital Grants & Contributions)				
2. Own Source Operating Revenue Ratio				
Total continuing operating revenue <sup>(1)</sup>				
(excl. ALL Grants & Contributions)	38,192	88.82%	88.29%	86.78%
Total continuing operating revenue <sup>(1)</sup>	43,001			
3. Unrestricted Current Ratio				
Current Assets less all External Restrictions <sup>(2)</sup>	11,412	1.55x	1.40	1.36
Current Liabilities less Specific Purpose Liabilities <sup>(3, 4)</sup>	7,345			
4. Debt Service Cover Ratio				
Operating Result <sup>(1)</sup> before capital excluding interest and depreciation / impairment / amortisation	6,471	2.59x	2.38	2.31
Principal Repayments (from the Statement of Cash Flows) + Borrowing Costs (from the Income Statement)	2,499			
5. Rates, Annual Charges, Interest & Extra Charges Outstanding Percentage				
Rates, Annual and Extra Charges Outstanding	530	2.20%	1.55%	2.21%
Rates, Annual and Extra Charges Collectible	24,087			
6. Cash Expense Cover Ratio				
Current Year's Cash and Cash Equivalents + All Term Deposits	13,160	4.24 mths	3.25	3.35
Payments from cash flow of operating and financing activities	3,104			

## Notes

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

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

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

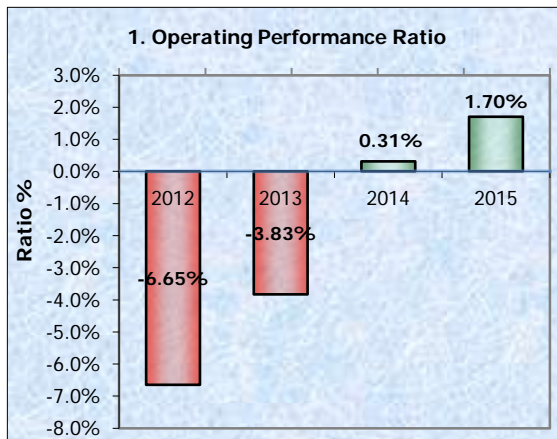
<sup>(3)</sup> Refer to Note 10(a).

<sup>(4)</sup> Refer to Note 10(a)(ii) - excludes all payables & 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 2015

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

Benchmark: — Minimum  $\geq 0.00\%$ 

Source for Benchmark: Code of Accounting Practice and Financial Reporting #23

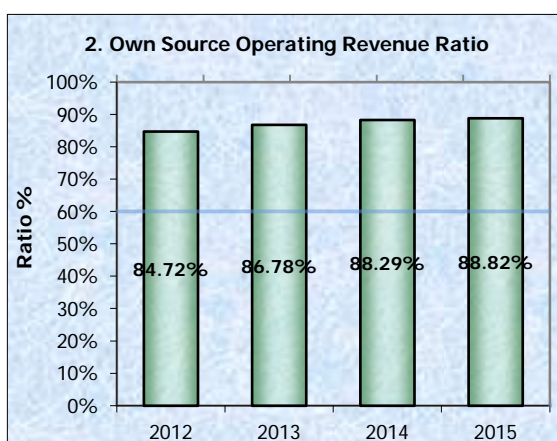
**Purpose of Operating Performance Ratio**

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

**Commentary on 2014/15 Result****2014/15 Ratio 1.70%**

Savings were made in Employee Costs, largely due to difficulties filling vacancies in the current Local Government environment. \$400k of operating contractors are subject to revote for expenditure in FY2016. User fees are up \$300k to budget largely due to increased activity in development. This ratio therefore benefits from one-off factors.

Ratio is within Benchmark  
 Ratio is outside Benchmark

Benchmark: — Minimum  $\geq 60.00\%$ 

Source for Benchmark: Code of Accounting Practice and Financial Reporting #23

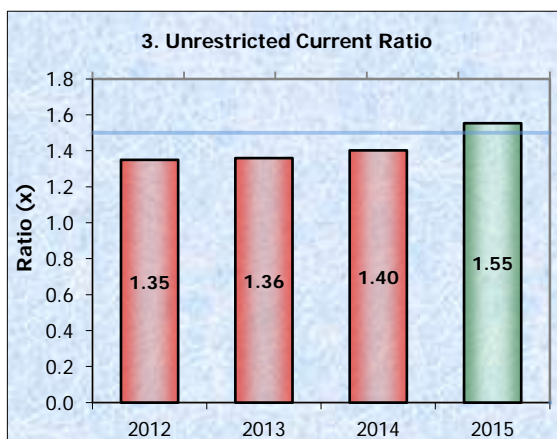
**Purpose of Own Source Operating Revenue Ratio**

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

**Commentary on 2014/15 Result****2014/15 Ratio 88.82%**

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

Ratio is within Benchmark  
 Ratio is outside Benchmark

Benchmark: — Minimum  $\geq 1.50$ 

Source for Benchmark: Code of Accounting Practice and Financial Reporting #23

**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 2014/15 Result****2014/15 Ratio 1.55x**

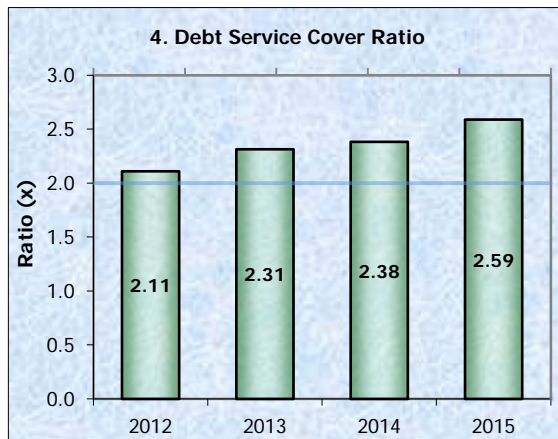
While Council meets the benchmark as at 30 June 2015, it should be noted significant funds have been earmarked for expenditure in FY2016. This ratio should be read in conjunction with the internal restrictions detailed in Note 6c

Ratio is within Benchmark  
 Ratio is outside Benchmark

## Mosman Council

Notes to the Financial Statements  
for the financial year ended 30 June 2015

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

Benchmark: — Minimum  $\geq 2.00$ 

Source for Benchmark: Code of Accounting Practice and Financial Reporting #23

**Purpose of Debt Service Cover Ratio**

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

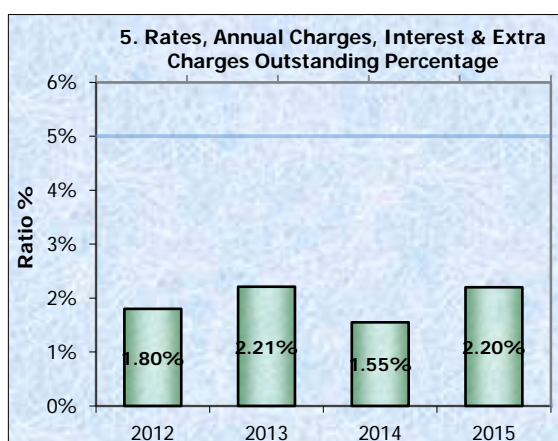
**Commentary on 2014/15 Result****2014/15 Ratio 2.59x**

Council continued to pay off existing loans and took out no new loans in the reporting period. It should be noted that the Operating Result numerator is affected by the same one-off factors as the Operating Performance Ratio.



Ratio is within Benchmark

Ratio is outside Benchmark

Benchmark: — Maximum  $< 5.00\%$ 

Source for Benchmark: Code of Accounting Practice and Financial Reporting #23

**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.

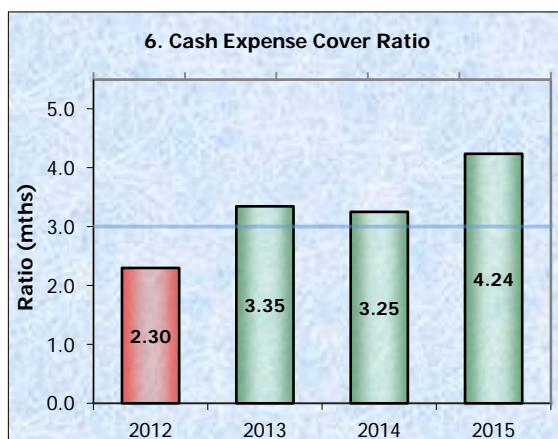
**Commentary on 2014/15 Result****2014/15 Ratio 2.20%**

Council continues to maintain a ratio well within the OLG benchmark and is amongst the lowest in NSW



Ratio is within Benchmark

Ratio is outside Benchmark

Benchmark: — Minimum  $\geq 3.00$ 

Source for Benchmark: Code of Accounting Practice and Financial Reporting #23

**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 2014/15 Result****2014/15 Ratio 4.24 mths**

The substantial improvement in this ratio is due to the factors noted in the Operating Performance Ratio and therefore similarly benefits from one-off events. It should be noted that significant revote funds have been earmarked for expenditure in FY2016



Ratio is within Benchmark

Ratio is outside Benchmark

## Mosman Council

### Notes to the Financial Statements

for the financial year ended 30 June 2015

#### Note 14. Investment Properties

\$ '000	Notes	Actual 2015	Actual 2014
<b>(a) Investment Properties at Fair value</b>			
<b>Investment Properties on Hand</b>		<b>48,950</b>	<b>46,821</b>
<b>Reconciliation of Annual Movement:</b>			
Opening Balance		46,821	44,535
- Net Gain/(Loss) from Fair Value Adjustments		2,129	2,286
<b>CLOSING BALANCE - INVESTMENT PROPERTIES</b>		<b>48,950</b>	<b>46,821</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 2015 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	1,744	1,793
Later than 1 year but less than 5 years	3,449	4,790
Later than 5 years	550	1,496
<b>Total Minimum Lease Payments Receivable</b>	<b>5,743</b>	<b>8,079</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 2015

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

\$ '000	Notes	Actual 2015	Actual 2014
<b>(e) Investment Property Income &amp; Expenditure - summary</b>			
<b>Rental Income from Investment Properties:</b>			
- Minimum Lease Payments		1,800	1,771
<b>Direct Operating Expenses on Investment Properties:</b>			
- that generated rental income		(47)	(46)
<b>Net Revenue Contribution from Investment Properties</b>		<b>1,753</b>	<b>1,725</b>
plus:			
<b>Fair Value Movement for year</b>		<b>2,129</b>	<b>2,286</b>
<b>Total Income attributable to Investment Properties</b>		<b>3,882</b>	<b>4,011</b>

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

#### Note 15. Financial Risk Management

##### Risk Management

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

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

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

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

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

	Carrying Value		Fair Value	
	2015	2014	2015	2014
<b>Financial Assets</b>				
Cash and Cash Equivalents	13,160	10,150	13,160	10,150
Receivables	3,497	4,080	3,497	4,079
<b>Total Financial Assets</b>	<b>16,657</b>	<b>14,230</b>	<b>16,657</b>	<b>14,229</b>
<b>Financial Liabilities</b>				
Payables	9,334	8,422	9,334	8,420
Loans / Advances	9,079	10,966	9,079	10,966
<b>Total Financial Liabilities</b>	<b>18,413</b>	<b>19,388</b>	<b>18,413</b>	<b>19,386</b>



## Mosman Council

### Notes to the Financial Statements

for the financial year ended 30 June 2015

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

\$ '000

Fair Value (for the table on the previous page) is determined as follows:

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

Refer to Note 27 - Fair Value Measurement for information regarding the fair value of financial assets & liabilities

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

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

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

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

The risks associated with the investments held are:

- **Price Risk** - the risk that the capital value of Investments may fluctuate due to changes in market prices, whether there changes are caused by factors specific to individual financial instruments or their issuers or are caused by factors affecting similar instruments traded in a market.
- **Interest Rate Risk** - the risk that movements in interest rates could affect returns and income.
- **Credit Risk** - the risk that the investment counterparty will not complete their obligations particular to a financial instrument, resulting in a financial loss to Council - be it of a capital or income nature.

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

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>2015</b>				
Possible impact of a 1% movement in Interest Rates	132	132	(100)	(100)
<b>2014</b>				
Possible impact of a 1% movement in Interest Rates	102	102	(102)	(102)



## Mosman Council

## Notes to the Financial Statements

for the financial year ended 30 June 2015

## Note 15. Financial Risk Management (continued)

\$ '000

## (b) Receivables

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

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

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

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

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

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:

	2015 Rates & Annual Charges	2015 Other Receivables	2014 Rates & Annual Charges	2014 Other Receivables
<b>(i) Ageing of Receivables - %</b>				
Current (not yet overdue)	100%	100%	92%	89%
Overdue	0%	0%	8%	11%
	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

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

Rates & Annual Charges	Other Receivables	2015 Rates & Annual Charges	2015 Other Receivables	2014 Rates & Annual Charges	2014 Other Receivables
Current	Current	-	1,745	-	3,475
< 1 year overdue	0 - 30 days overdue	513	788	345	-
2 - 5 years overdue	60 - 90 days overdue	-	313	-	-
> 5 years overdue	> 90 days overdue	-	442	-	322
		<b>513</b>	<b>3,288</b>	<b>345</b>	<b>3,797</b>

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

	2015	2014
Balance at the beginning of the year	62	133
+ new provisions recognised during the year	251	3
- amounts already provided for & written off this year	(8)	(74)
- amounts provided for but recovered during the year	(1)	-
<b>Balance at the end of the year</b>	<b>304</b>	<b>62</b>

## Mosman Council

### Notes to the Financial Statements for the financial year ended 30 June 2015

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

\$ '000

##### (c) Payables & Borrowings

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

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

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

The contractual undiscounted cash outflows (ie. principal and interest) of Council's Payables & Borrowings are set out in the 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		
2015									
Trade/Other Payables	6,045	3,289	-	-	-	-	-	9,334	9,334
Loans & Advances	-	1,913	1,713	1,190	1,109	1,109	2,045	9,079	9,079
Total Financial Liabilities	6,045	5,202	1,713	1,190	1,109	1,109	2,045	18,413	18,413
2014									
Trade/Other Payables	5,313	3,107	-	-	-	-	-	8,420	8,422
Loans & 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	19,388

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

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

	2015		2014	
	Carrying Value	Average Interest Rate	Carrying Value	Average Interest Rate
Trade/Other Payables	9,334	0.0%	8,422	0.0%
Loans & Advances - Fixed Interest Rate	9,079	6.3%	10,966	6.6%
	<b>18,413</b>		<b>19,388</b>	

## Mosman Council

### Notes to the Financial Statements

for the financial year ended 30 June 2015

### Note 16. Material Budget Variations

\$ '000

Council's Original Financial Budget for 14/15 was adopted by the Council on 03 June 2014.

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	2015 Budget	2015 Actual	2015 ----- Variance* -----	
<b>REVENUES</b>				
Rates & Annual Charges	23,651	23,680	29	0% <b>F</b>
User Charges & Fees	9,699	10,023	324	3% <b>F</b>
Interest & Investment Revenue	426	503	77	18% <b>F</b>
Council held a higher than expected cash balance for most of the year. This was largely due to the timing of capital works. Interest income therefore exceeded expectations even though interest rates declined as expected.				
Other Revenues	3,875	6,115	2,240	58% <b>F</b>
Council realised a fair value gain on Investment Properties of \$2.1 million (see Note 14).				
Operating Grants & Contributions	2,431	2,545	114	5% <b>F</b>
Capital Grants & Contributions	1,738	2,264	526	30% <b>F</b>
Section 94 receipts exceeded budget by \$600,000.				
Joint Ventures & Associates - Net Profits	-	150	150	0% <b>F</b>

## Mosman Council

Notes to the Financial Statements  
for the financial year ended 30 June 2015

## Note 16. Material Budget Variations (continued)

\$ '000	2015 Budget	2015 Actual	2015 ----- Variance* -----	
<b>EXPENSES</b>				
<b>Employee Benefits &amp; On-Costs</b>	<b>16,664</b>	<b>15,925</b>	<b>739</b>	<b>4% F</b>
<b>Borrowing Costs</b>	<b>555</b>	<b>612</b>	<b>(57)</b>	<b>(10%) U</b>
Council has two loans subject in to the LIRS interest subsidy. A net borrowing cost has been budgeted for these loans. In these accounts the subsidy has been treated as income.				
<b>Materials &amp; Contracts</b>	<b>11,928</b>	<b>11,911</b>	<b>17</b>	<b>0% F</b>
<b>Depreciation &amp; Amortisation</b>	<b>5,280</b>	<b>5,166</b>	<b>114</b>	<b>2% F</b>
<b>Other Expenses</b>	<b>6,130</b>	<b>6,430</b>	<b>(300)</b>	<b>(5%) U</b>
<b>Net Losses from Disposal of Assets</b>	<b>-</b>	<b>20</b>	<b>(20)</b>	<b>0% U</b>

\$ '000	2015 Budget	2015 Actual	2015 ----- Variance* -----	
---------	----------------	----------------	-------------------------------	--

## Budget Variations relating to Council's Cash Flow Statement include:

<b>Cash Flows from Operating Activities</b>	<b>7,124</b>	<b>9,925</b>	<b>2,801</b>	<b>39.3% F</b>
Inflows from Grants and Contributions exceeded budget by \$979k, mainly due to S94 receipts noted above.				
Payments for employee related expense were down \$807k due to staff vacancies and a \$140k saving on Workers Compensation Insurance premiums.				
Net inflow for Bonds and Deposits was \$732k				
<b>Cash Flows from Investing Activities</b>	<b>(5,397)</b>	<b>(5,028)</b>	<b>369</b>	<b>(6.8%) F</b>
<b>Cash Flows from Financing Activities</b>	<b>(2,004)</b>	<b>(1,887)</b>	<b>117</b>	<b>(5.8%) F</b>

## Mosman Council

## Notes to the Financial Statements

for the financial year ended 30 June 2015

## Note 17. Statement of Developer Contributions

\$ '000

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

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

## SUMMARY OF CONTRIBUTIONS &amp; 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	78	-	-	-	(10)	-	68	-	(68)	-	-
S94 Contributions - under a Plan	78	-	-	-	(10)	-	68	-	(68)	-	-
S94A Levies - under a Plan	2,228	1,599	-	91	(469)	-	3,449				-
Total S94 Revenue Under Plans	2,306	1,599	-	91	(479)	-	3,517				-
<b>Total Contributions</b>	<b>2,306</b>	<b>1,599</b>	<b>-</b>	<b>91</b>	<b>(479)</b>	<b>-</b>	<b>3,517</b>	<b>-</b>	<b>(68)</b>	<b>-</b>	<b>-</b>

## Mosman Council

## Notes to the Financial Statements

for the financial year ended 30 June 2015

## 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	78	-	-	-	(10)	-	68	-	(68)	-	-
<b>Total</b>	<b>78</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(10)</b>	<b>-</b>	<b>68</b>	<b>-</b>	<b>(68)</b>	<b>-</b>	<b>-</b>

## S94A LEVIES - UNDER A PLAN

## CONTRIBUTION PLAN - OPEN SPACE &amp; 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	2,228	1,599	-	91	(469)	-	3,449	11,695	(7,552)		-
<b>Total</b>	<b>2,228</b>	<b>1,599</b>	<b>-</b>	<b>91</b>	<b>(469)</b>	<b>-</b>	<b>3,449</b>				<b>-</b>

## Mosman Council

### Notes to the Financial Statements

for the financial year ended 30 June 2015

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

\$ '000

The following assets and liabilities do not qualify for recognition in the Statement of Financial Position, but their knowledge & 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 30/6 this year may result in future liabilities or benefits as a result of past events that Council will be required to fund or share in respectively.

##### (iii) StateCover Limited

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

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

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

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

##### (iv) Other Guarantees

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



## Mosman Council

### Notes to the Financial Statements

for the financial year ended 30 June 2015

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

\$ '000

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

##### 2. Other Liabilities

##### (i) Third Party Claims

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

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

##### (ii) S94 Plans

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

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

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

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

##### ASSETS NOT RECOGNISED:

##### (i) Land Under Roads

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

## Mosman Council

### Notes to the Financial Statements

for the financial year ended 30 June 2015

#### Note 19. Interests in Other Entities

\$ '000

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

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

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

##### Controlled Entities (Subsidiaries)

**Note 19(a)**

Operational arrangements where Council's control (but not necessarily interest) exceeds 50%.

##### Joint Ventures & Associates

**Note 19(b)**

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

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

##### Joint Operations

**Note 19(c)**

Operational arrangements where the parties that have joint control have rights to specific assets and obligations for specific liabilities relating to the arrangement rather than a right to the net assets of the arrangement.

##### Unconsolidated Structured Entities

**Note 19(d)**

Unconsolidated Structured Entities represent "special vehicles" that Council has an interest in but which are not controlled by Council and therefore not consolidated as a Subsidiary, Joint Arrangement or Associate. Attributes of Structured Entities include restricted activities, a narrow and well-defined objective and insufficient equity to finance its activities without financial support.

##### Subsidiaries, Joint Arrangements and Associates not recognised

**Note 19(e)**

#### Accounting Recognition:

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

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

	Council's Share of Net Income		Council's Share of Net Assets	
	Actual 2015	Actual 2014	Actual 2015	Actual 2014
Joint Ventures	(3)	(3)	39	43
Associates	153	34	753	631
<b>Total</b>	<b>150</b>	<b>31</b>	<b>792</b>	<b>674</b>

## Mosman Council

### Notes to the Financial Statements for the financial year ended 30 June 2015

#### Note 19. Interests in Other Entities (continued)

\$ '000

##### (a) Controlled Entities (Subsidiaries) - being entities & operations controlled by Council

Council has no interest in any Controlled Entities (Subsidiaries).

##### (b) Joint Ventures and Associates

Council has incorporated the following Joint Ventures and Associates into its consolidated Financial Statements.

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

Name of Entity	Nature of Relationship	Measurement Method	2015	2014
Kimbriki Environmental Enterprises P/L	Associate	Equity	753	631
Shorelink Library Network	Joint Venture	Equity	39	43
<b>Total Carrying Amounts - Material Joint Ventures and Associates</b>			<b>792</b>	<b>674</b>

##### (b) Details

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

##### (c) Relevant Interests & Fair Values

Name of Entity	Interest in Outputs		Interest in Ownership		Proportion of Voting Power	
	2015	2014	2015	2014	2015	2014
Kimbriki Environmental Enterprises P/L	4%	4%	4%	4%	25%	25%
Shorelink Library Network	13%	13%	17%	17%	20%	20%

##### (d) Summarised Financial Information for Joint Ventures & Associates

	Kimbriki Environmental Enterprises P/L		Shorelink Library Network	
Statement of Financial Position	2015	2014	2015	2014
<b>Current Assets</b>				
Cash and Cash Equivalents	4,403	4,080	296	299
Other Current Assets	17,730	13,849	-	-
<b>Total Current Assets</b>	<b>22,133</b>	<b>17,929</b>	<b>296</b>	<b>299</b>
<b>Non-Current Assets</b>	<b>7,265</b>	<b>6,187</b>	<b>15</b>	<b>26</b>
<b>Current Liabilities</b>				
Other Current Liabilities	5,307	4,277	82	74
<b>Total Current Liabilities</b>	<b>5,307</b>	<b>4,277</b>	<b>82</b>	<b>74</b>
<b>Non-Current Liabilities</b>	<b>4,480</b>	<b>3,407</b>	<b>-</b>	<b>-</b>
<b>Net Assets</b>	<b>19,611</b>	<b>16,432</b>	<b>229</b>	<b>251</b>

## Mosman Council

Notes to the Financial Statements  
for the financial year ended 30 June 2015

## Note 19. Interests in Other Entities (continued)

\$ '000

## (b) Joint Ventures and Associates (continued)

## (d) Summarised Financial Information for Joint Ventures &amp; Associates (continued)

	Kimbriki Environmental Enterprises P/L		Shorelink Library Network	
	2015	2014	2015	2014
<b>Reconciliation of the Carrying Amount</b>				
<b>Opening Net Assets (1 July)</b>	16,432	15,345	251	266
Profit/(Loss) for the period	3,983	2,009	(22)	(15)
Dividends Paid	(804)	(922)	-	-
<b>Closing Net Assets</b>	<b>19,611</b>	<b>16,432</b>	<b>229</b>	<b>251</b>
<b>Council's share of Net Assets (%)</b>	<b>4.0%</b>	<b>4.0%</b>	<b>17.0%</b>	<b>17.0%</b>
<b>Council's share of Net Assets (\$)</b>	<b>784</b>	<b>657</b>	<b>39</b>	<b>43</b>
<b>Statement of Comprehensive Income</b>				
Income	31,584	27,320	608	567
Interest Income	406	508	-	-
Depreciation & Amortisation	(458)	(429)	(17)	(23)
Other Expenses	(27,549)	(25,390)	(613)	(567)
<b>Profit/(Loss) from Continuing Operations</b>	<b>3,983</b>	<b>2,009</b>	<b>(22)</b>	<b>(23)</b>
<b>Profit/(Loss) for Period</b>	<b>3,983</b>	<b>2,009</b>	<b>(22)</b>	<b>(23)</b>
<b>Total Comprehensive Income</b>	<b>3,983</b>	<b>2,009</b>	<b>(22)</b>	<b>(23)</b>
<b>Council's share of Income (%)</b>	<b>4.0%</b>	<b>4.0%</b>	<b>13.0%</b>	<b>13.0%</b>
<b>Council's share of Profit/(Loss) (\$)</b>	<b>159</b>	<b>80</b>	<b>(3)</b>	<b>(3)</b>
<b>Council's share of Comprehensive Income (\$)</b>	<b>159</b>	<b>80</b>	<b>(3)</b>	<b>(3)</b>
<b>Dividends received by Council</b>	<b>31</b>	<b>26</b>	<b>-</b>	<b>-</b>

## (e) The nature and extent of significant restrictions relating to Joint Ventures and Associates

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

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

## Mosman Council

### Notes to the Financial Statements for the financial year ended 30 June 2015

#### Note 19. Interests in Other Entities (continued)

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\$ '000

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##### (c) Joint Operations

Council has no interest in any Joint Operations.

##### (d) Unconsolidated Structured Entities

Council has no Unconsolidated Structured Entities.

##### (e) Subsidiaries, Joint Arrangements & Associates not recognised

All Subsidiaries, Joint Arrangements and Associates have been recognised in this Financial Report.

## Mosman Council

### Notes to the Financial Statements for the financial year ended 30 June 2015

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

\$ '000	Notes	Actual 2015	Actual 2014
<b>(a) Retained Earnings</b>			
<b>Movements in Retained Earnings were as follows:</b>			
Balance at beginning of Year (from previous years audited accounts)		290,803	285,463
a. Net Operating Result for the Year		5,216	5,340
<b>Balance at End of the Reporting Period</b>		<b>296,019</b>	<b>290,803</b>

#### (b) Reserves

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

- Infrastructure, Property, Plant & Equipment Revaluation Reserve	211,951	211,202
<b>Total</b>	<b>211,951</b>	<b>211,202</b>

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

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

- Opening Balance	211,202	211,633
- Revaluations for the year	749	-
- Other movements: Adjustments re Note 9(a)	-	(431)
<b>- Balance at End of Year</b>	<b>211,951</b>	<b>211,202</b>

###### TOTAL VALUE OF RESERVES

<b>211,951</b>	<b>211,202</b>
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##### (iii) Nature & Purpose of Reserves

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

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

#### (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 2015

#### Note 21. Financial Result & 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 & 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 2015) 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 22/09/15.

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 2015.

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

These financial statements (& figures therein) do not incorporate any "non-adjusting events" that have occurred after 30 June 2015 and which are only indicative of conditions that arose after 30 June 2015.

**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 2015

#### Note 25. Intangible Assets

	Actual 2015	Actual 2014
\$ '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)	392	392
Accumulated Amortisation (1/7)	(78)	(63)
Accumulated Impairment (1/7)	-	-
<b>Net Book Value - Opening Balance</b>	<b>314</b>	<b>329</b>
<b>Movements for the year</b>		
- Amortisation charges	(16)	(16)
<b>Closing Values:</b>		
Gross Book Value (30/6)	392	392
Accumulated Amortisation (30/6)	(94)	(78)
Accumulated Impairment (30/6)	-	-
<b><u>TOTAL INTANGIBLE ASSETS - NET BOOK VALUE <sup>1</sup></u></b>	<b><u>298</u></b>	<b><u>314</u></b>

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

- Rights to participate in Kimbriki Environmental Enterprises Pty Ltd.	298	314
	<b>298</b>	<b>314</b>

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

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

## Mosman Council

## Notes to the Financial Statements

for the financial year ended 30 June 2015

## 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

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 values:

		Fair Value Measurement Hierarchy			
2015		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	30/06/15	-	-	48,950	48,950
Total Investment Properties		-	-	48,950	48,950
Infrastructure, Property, Plant & Equipment					
Plant and Equipment	30/06/15	-	-	778	778
Office Equipment	30/06/15	-	-	300	300
Furniture and Fittings	30/06/15	-	-	117	117
Art Collection	25/10/12	-	-	4,621	4,621
Operational Land	30/06/13	-	-	112,190	112,190
Community Land	1/07/11	-	-	102,688	102,688
Land Improvements - Depreciable	30/06/14	-	-	677	677
Buildings Non-Specialised	30/06/13	-	-	27,621	27,621
Buildings Specialised	30/06/13	-	-	14,869	14,869
Other Structures	30/06/11	-	-	376	376
Roads	30/06/15	-	-	116,323	116,323
Footpaths	30/06/15	-	-	11,204	11,204
Stormwater Drainage	30/06/13	-	-	50,113	50,113
Other Open Space/Recreational Assets	30/06/11	-	-	20,736	20,736
Heritage Collections	30/06/14	-	-	13	13
Library Books	30/06/14	-	-	816	816
Other Assets	30/06/14	-	-	51	51
Total Infrastructure, Property, Plant & Equipment		-	-	463,493	463,493

## Mosman Council

Notes to the Financial Statements  
for the financial year ended 30 June 2015

## Note 27. Fair Value Measurement (continued)

\$ '000

## (1) Assets and liabilities that have been measured &amp; recognised at fair values: (continued)

2014		Fair Value Measurement Hierarchy			Total
		Level 1	Level 2	Level 3	
	Date of latest Valuation	Quoted prices in active mkts	Significant observable inputs	Significant unobservable inputs	
<b>Recurring Fair Value Measurements</b>					
<b>Investment Properties</b>					
Retail, Commercial Office and Residential	30/06/14	-	-	46,821	46,821
<b>Total Investment Properties</b>		<b>-</b>	<b>-</b>	<b>46,821</b>	<b>46,821</b>
<b>Infrastructure, Property, Plant &amp; Equipment</b>					
Plant and Equipment	30/06/14	-	-	667	667
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	-	-	102,688	102,688
Land Improvements - Depreciable	30/06/14	-	-	675	675
Buildings Non-Specialised	30/06/13	-	-	27,186	27,186
Buildings Specialised	30/06/13	-	-	15,080	15,080
Other Structures	30/06/11	-	-	382	382
Roads	30/06/10	-	-	112,103	112,103
Footpaths	30/06/10	-	-	14,597	14,597
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	-	-	13	13
Library Books	30/06/14	-	-	843	843
Other Assets	30/06/14	-	-	55	55
<b>Total Infrastructure, Property, Plant &amp; Equipment</b>		<b>-</b>	<b>-</b>	<b>462,688</b>	<b>462,688</b>

## (2) Transfers between Level 1 &amp; 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 2015

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

## Mosman Council

### Notes to the Financial Statements

for the financial year ended 30 June 2015

#### Note 27. Fair Value Measurement

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

##### *Art Collection*

This class comprises Council's collection of art works. The collection was valued in 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.

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 2015

#### 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 pattern of consumption) required extensive professional judgement and impacted significantly on the final determination of fair value.

Inputs include:

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

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

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

Typical useful lives and unit rates (includes overheads):

<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 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.

The useful life of the Cenotaph was increased during the reporting period to reflect the current asset performance. There has been no other change to the valuation process.

#### *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 2015

#### 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 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, condition inspections were carried out on the following road asset types to verify asset remaining useful life:

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

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

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

Typical useful lives and unit rates (includes overheads):

Public Road and Footpath Asset Component	Useful Life (Years)	Unit Rate
Concrete Road Pavement (Reinforced 200mm thick)	120	\$181.00/m <sup>2</sup>
Asphalt Road Pavement	50	\$82.00/m <sup>2</sup>
Sandstone Kerb & Gutter	100	\$295/m
Concrete Roundabout	40	\$360/m <sup>2</sup>
Gabion Retaining Wall	150	630/m <sup>2</sup>

## Mosman Council

### Notes to the Financial Statements for the financial year ended 30 June 2015

#### Note 27. Fair Value Measurement

Double Barrier Line	5	\$0.72/m
'Warning' Traffic Sign	25	\$141.75/ each
Concrete Footpath (75 mm thick)	95	\$73.90/m <sup>2</sup>
Asphalt Footpath (25 mm thick)	40	\$36.58/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

#### Stormwater Drainage

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

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

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

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

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

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

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



## Mosman Council

### Notes to the Financial Statements

for the financial year ended 30 June 2015

#### Note 27. Fair Value Measurement

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

Includes:

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

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

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 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.

In this reporting period, biodiversity, gardens, lawns, outfields, turf wickets and dinghy racks were updated to reflect the requirements of AASB in regards to residual values. Useful lives were also updated to be consistent with the same asset as is detailed in the roads asset management plan.

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	200	\$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 and estimated remaining useful life.

## Mosman Council

### Notes to the Financial Statements for the financial year ended 30 June 2015

#### Note 27. Fair Value Measurement

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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 is the remaining useful life. Council reviews the value of these assets against quoted prices for the gross current replacement cost of similar assets and by taking account of the pattern of consumption and estimated remaining useful life. There has been no change to the valuation process during the reporting period.

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## Mosman Council

Notes to the Financial Statements  
for the financial year ended 30 June 2015

## 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
<b>Opening Balance - 1/7/13</b>	857	427	145	4,266	5,695
Purchases (GBV)	165	76	8	135	384
Disposals (WDV)	(51)	-	-	-	(51)
Depreciation & Impairment	(177)	(150)	(22)	-	(349)
Adjustments as per Note 9	(127)	-	(36)	-	(163)
<b>Closing Balance - 30/6/14</b>	<b>667</b>	<b>353</b>	<b>95</b>	<b>4,401</b>	<b>5,516</b>
Purchases (GBV)	105	77	47	220	449
Depreciation & Impairment	(180)	(130)	(25)	-	(335)
Other movement (transfers from WIP)	186	-	-	-	186
<b>Closing Balance - 30/6/15</b>	<b>778</b>	<b>300</b>	<b>117</b>	<b>4,621</b>	<b>5,816</b>

	Operational Land	Community Land	Land Improve- -ments Depreciable	Buildings Non- Specialised	Total
<b>Opening Balance - 1/7/13</b>	112,190	102,688	667	27,592	243,137
Purchases (GBV)	-	-	23	73	96
Depreciation & Impairment	-	-	(15)	(479)	(494)
<b>Closing Balance - 30/6/14</b>	<b>112,190</b>	<b>102,688</b>	<b>675</b>	<b>27,186</b>	<b>242,739</b>
Purchases (GBV)	-	-	15	859	874
Disposals (WDV)	-	-	-	(20)	(20)
Depreciation & Impairment	-	-	(13)	(483)	(496)
Other movement (transfers from WIP)	-	-	-	79	79
<b>Closing Balance - 30/6/15</b>	<b>112,190</b>	<b>102,688</b>	<b>677</b>	<b>27,621</b>	<b>243,176</b>

## Mosman Council

Notes to the Financial Statements  
for the financial year ended 30 June 2015

## Note 27. Fair Value Measurement (continued)

\$ '000

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

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

	Buildings Specialised	Other Structures	Roads	Footpaths	Total
<b>Opening Balance - 1/7/13</b>	15,323	389	110,019	14,686	140,417
Purchases (GBV)	36	-	4,526	155	4,717
Depreciation & Impairment	(279)	(7)	(2,442)	(244)	(2,972)
<b>Closing Balance - 30/6/14</b>	<b>15,080</b>	<b>382</b>	<b>112,103</b>	<b>14,597</b>	<b>142,162</b>
Purchases (GBV)	70	-	2,289	303	2,662
Depreciation & Impairment	(281)	(6)	(2,336)	(178)	(2,801)
FV Gains - Other Comprehensive Income	-	-	4,267	(3,518)	749
<b>Closing Balance - 30/6/15</b>	<b>14,869</b>	<b>376</b>	<b>116,323</b>	<b>11,204</b>	<b>142,772</b>

	Stormwater Drainage	Other Open Space Recreational	Heritage Collections	Library Books	Total
<b>Opening Balance - 1/7/13</b>	49,918	20,930	13	825	71,686
Purchases (GBV)	588	1,405	-	260	2,253
Depreciation & Impairment	(374)	(1,107)	-	(242)	(1,723)
<b>Closing Balance - 30/6/14</b>	<b>50,132</b>	<b>21,228</b>	<b>13</b>	<b>843</b>	<b>72,216</b>
Purchases (GBV)	360	404	-	212	976
Depreciation & Impairment	(379)	(896)	-	(239)	(1,514)
<b>Closing Balance - 30/6/15</b>	<b>50,113</b>	<b>20,736</b>	<b>13</b>	<b>816</b>	<b>71,678</b>

	Other Assets	Total
<b>Opening Balance - 1/7/13</b>	327	327
Depreciation & Impairment	(4)	(4)
Adjustments as per Note 9	(268)	(268)
<b>Closing Balance - 30/6/14</b>	<b>55</b>	<b>55</b>
Depreciation & Impairment	(4)	(4)
<b>Closing Balance - 30/6/15</b>	<b>51</b>	<b>51</b>

## Mosman Council

### Notes to the Financial Statements for the financial year ended 30 June 2015

#### Note 27. Fair Value Measurement

##### **b. 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**

<b>Class</b>	<b>Fair Value (30/6/15) \$'000</b>	<b>Valuation Techniques</b>	<b>Unobservable Inputs</b>	<b>Range of Inputs (incl probable)</b>	<b>Relationship of unobservable inputs to Fair Value</b>
Plant and Equipment	778	Cost Approach	<ul style="list-style-type: none"> <li>Gross replacement cost.</li> <li>Remaining useful life.</li> </ul>	<ul style="list-style-type: none"> <li>Varies significantly from asset to asset.</li> <li>5 to 10 years</li> </ul>	Significant changes in the gross replacement value, pattern of consumption effecting or the remaining useful life would result in significant changes to fair value measurement.
Office Equipment	300	Cost Approach	<ul style="list-style-type: none"> <li>Gross replacement cost.</li> <li>Remaining useful life.</li> </ul>	<ul style="list-style-type: none"> <li>Varies significantly from asset to asset.</li> <li>5 to 10 years</li> </ul>	Significant changes in the gross replacement value, pattern of consumption effecting the remaining useful life would result in significant changes to fair value measurement.
Furniture and Fittings	117	Cost Approach	<ul style="list-style-type: none"> <li>Gross replacement cost.</li> <li>Remaining useful life.</li> </ul>	<ul style="list-style-type: none"> <li>Varies significantly from asset to asset.</li> <li>5 to 20 years</li> </ul>	Significant changes in the gross replacement value, pattern of consumption effecting the remaining useful life would result in significant changes to fair value measurement.

## Mosman Council

### Notes to the Financial Statements for the financial year ended 30 June 2015

#### Note 27. Fair Value Measurement

<b>Class</b>	<b>Fair Value</b> (30/6/15) \$'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	4,621	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	102,688	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	677	Cost Approach	<ul style="list-style-type: none"> <li>Gross replacement cost</li> <li>Remaining useful life</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 would result in significant changes to fair value measurement.

## Mosman Council

# Notes to the Financial Statements

for the financial year ended 30 June 2015

## Note 27. Fair Value Measurement

Class	Fair Value (30/6/15) \$'000	Valuation Techniques	Unobservable Inputs	Range of Inputs (incl probable)	Relationship of unobservable inputs to Fair Value
Buildings Non-Specialised	27,621	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>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>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	14,869	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>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>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	376	Cost Approach	<ul style="list-style-type: none"> <li>Gross Replacement Cost</li> <li>Useful Life</li> <li>Condition</li> </ul>	<ul style="list-style-type: none"> <li>\$33,000 - \$214,000</li> <li>50 -100</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 2015

#### Note 27. Fair Value Measurement

<b>Class</b>	<b>Fair Value</b> (30/6/15) \$'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	127,527	Cost Approach	<ul style="list-style-type: none"> <li>Gross Replacement Cost</li> <li>Useful Life</li> <li>Condition</li> </ul>	<ul style="list-style-type: none"> <li>\$137 - \$873,434</li> <li>5 – 500 years</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 and a straight line pattern of consumption.
Stormwater Drainage	50,113	Cost Approach	<ul style="list-style-type: none"> <li>Gross Replacement Cost</li> <li>Useful Life</li> <li>Condition</li> </ul>	<ul style="list-style-type: none"> <li>\$21.11 - \$673,000</li> <li>20 – 150 years</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	20,736	Cost Approach	<ul style="list-style-type: none"> <li>Gross Replacement Cost</li> <li>Useful Life</li> <li>Condition</li> </ul>	<ul style="list-style-type: none"> <li>\$21.11 - \$742,000</li> <li>20 – 150 years</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 2015

#### Note 27. Fair Value Measurement

<b>Class</b>	<b>Fair Value</b> (30/6/15) \$'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	829	Cost Approach	<ul style="list-style-type: none"> <li>Gross Replacement Cost</li> <li>Asset Condition</li> <li>Useful life</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> </ul>	Significant changes in the gross replacement value, asset condition, pattern of consumption effecting the remaining useful life would result in significant changes to fair value measurement.
Other Assets	51	Cost Approach	<ul style="list-style-type: none"> <li>Gross replacement cost</li> <li>Remaining useful life</li> </ul>	<ul style="list-style-type: none"> <li>\$800 - \$1000</li> <li>8 – 11 yearsfa</li> </ul>	Significant changes in the gross replacement value, pattern of consumption effecting the remaining useful life 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 2015

#### Note 28. Council Information & 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 2015, 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 22nd day of September 2015

Hill Rogers  
Spencer Steer

22 September 2015

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

Mayor,

### **Audit Report - Year Ended 30 June 2015**

We are pleased to advise completion of the audit of Council's books and records for the year ended 30 June 2015 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**

### **1.1 Operating Result**

The operating result for the year was a surplus of \$5.216 million as compared with \$5.34 million in the previous year.

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Steer Assurance Partners

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

	2015 \$000	% of Total	2014 \$000	% of Total	Increase (Decrease) \$000
<b>Revenues before capital items</b>					
Rates & annual charges	23,680	55%	22,611	55%	1,069
User charges, fees & other revenues	16,288	38%	16,345	39%	(57)
Grants & contributions provided for operating purposes	2,545	6%	1,996	5%	549
Interest & investment revenue	503	1%	438	1%	65
	<b>43,016</b>	<b>100%</b>	<b>41,390</b>	<b>100%</b>	<b>1,626</b>
<b>Expenses</b>					
Employee benefits & costs	15,925	40%	14,966	38%	959
Materials, contracts & other expenses	18,361	46%	17,772	46%	589
Depreciation, amortisation & impairment	5,166	13%	5,557	14%	(391)
Borrowing costs	612	2%	677	2%	(65)
	<b>40,064</b>	<b>100%</b>	<b>38,972</b>	<b>100%</b>	<b>1,092</b>
<b>Surplus (Deficit) before capital items</b>	<b>2,952</b>		<b>2,418</b>		<b>534</b>
Grants & contributions provided for capital purposes	2,264		2,922		(658)
<b>Net Surplus (Deficit) for the year</b>	<b>5,216</b>		<b>5,340</b>		<b>(124)</b>
<b>Performance Measures</b>					
	<b>2015</b>		<b>2014</b>		
Operating Performance	1.70%		0.31%		
Own Source Operating Revenue	88.82%		88.29%		

The table above shows an overall decrease over the previous year of \$124,000. Grants and contributions received for capital purposes decreased from the previous year by \$658,000. This was offset by an increase in operating grants of \$549,000; primarily relating to the timing of the payment of the Financial Assistance Grant, which ceased being in paid advance during the prior year.

**Operating Performance** measures the ability to contain operating expenditure within operating revenue excluding capital amounts. For 2015, this indicator was 1.7% 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 88.82% 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.

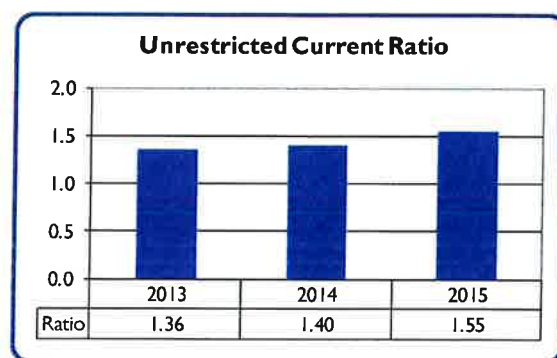
	2015	2014
	\$'000	\$'000
<b>Funds were provided by:-</b>		
<b>Operating Result (as above)</b>	<b>5,216</b>	<b>5,340</b>
Add back non funding items:-		
- Depreciation, amortisation & impairment	5,166	5,557
- Book value of non-current assets sold	20	51
- (Gain)/Loss of fair value to investment properties	(2,129)	(2,286)
- (Surplus)/Deficit in joint ventures	(150)	(31)
	8,123	8,631
New loan borrowings	0	2,000
Distributions from joint ventures	32	35
Net Changes in current/non-current assets & liabilities	819	469
	8,974	11,135
<b>Funds were applied to:-</b>		
Purchase and construction of assets	(5,099)	(7,894)
Principal repaid on loans	(1,887)	(1,990)
Transfers to externally restricted assets (net)	(632)	(721)
Transfers to internal reserves (net)	(925)	(89)
Net Changes in current/non current assets & liabilities	0	0
	(8,543)	(10,694)
<b>Increase/(Decrease) in Available Working Capital</b>	<b>431</b>	<b>441</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 \$4.067 million representing a factor of 1.55 to 1.





## 2.2 Available Working Capital – (Working Funds)

At the close of the year the Available Working Capital of Council stood at \$3.029 million as detailed below;

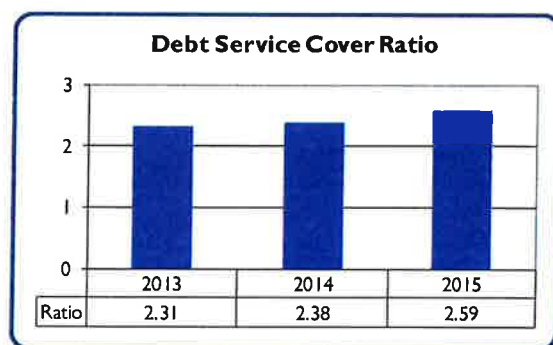
	2015 \$000	2014 \$000	Change \$000
<b>Net Current Assets (Working Capital) as per Accounts</b>	<b>1,490</b>	<b>417</b>	<b>1,073</b>
<b>Add</b> Payables & provisions not expected to be realised in the next 12 months included above	7,604	6,843	761
<b>Adjusted Net Current Assets</b>	<b>9,094</b>	<b>7,260</b>	<b>1,834</b>
<b>Add</b> Budgeted & expected to pay in the next 12 months			
- Borrowings	1,913	1,880	33
- Employees leave entitlements	1,641	1,602	39
- Deposits & retention moneys	695	613	82
<b>Less:</b> Externally restricted assets	(5,027)	(4,395)	(632)
<b>Less:</b> Internally restricted assets	(5,287)	(4,362)	(925)
<b>Available Working Capital as at 30 June</b>	<b>3,029</b>	<b>2,598</b>	<b>431</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 satisfactory.

## 2.3 Debt

After repaying principal and interest of \$2.499 million, total debt as at 30 June 2015 stood at \$9.079 million (2014 - \$10.966 million).

The debt service cover ratio measures the availability of operating cash to service debt repayments. For 2015, the ratio indicated that operating results before capital, interest and depreciation covered payments required to service debt by a factor of 2.59 to 1.



## 2.4 Summary

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

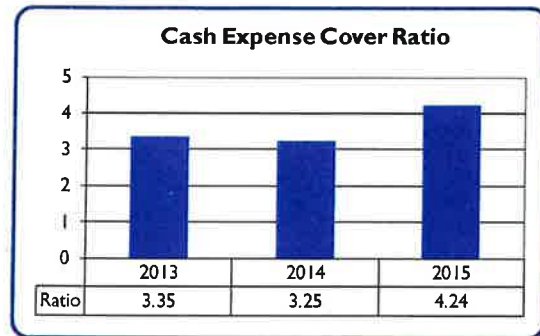


### 3. CASH ASSETS

#### 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.

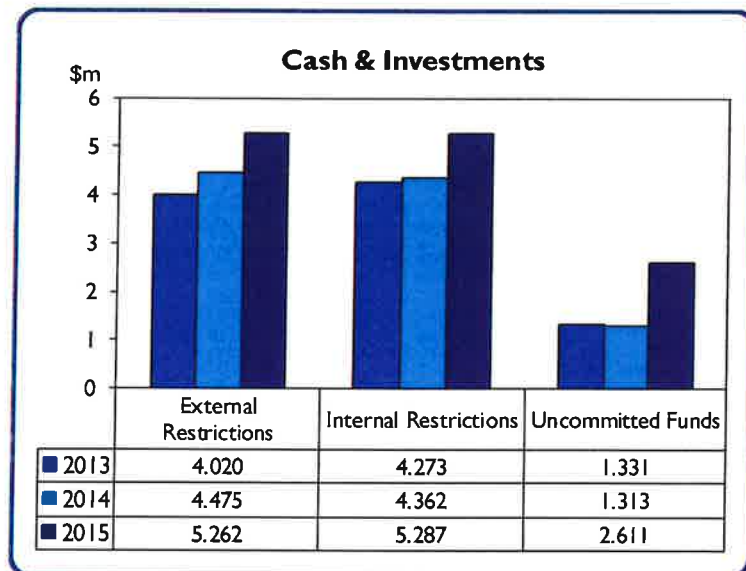
For 2015, this ratio stood at 4.24 months compared to the benchmark of 3.



#### 3.2 Cash & Investment Securities

Cash and investments amounted \$13.16 million at 30 June 2015 as compared with \$10.15 million in 2014 and \$9.624 million in 2013.

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 (\$309,000), developer contributions (\$3.517 million) and domestic waste management charges (\$1.436 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 \$5.287 million and their purposes are more fully disclosed in Notes 6 of the financial statements.

**Unrestricted cash and investments** amounted to \$2.611 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 \$3.01 million to \$13.16 million at the close of the year.

In addition to operating activities which contributed net cash of \$9.927 million were the redemption of investments (\$19.35 million) and distributions from joint ventures (\$32,000). Cash outflows other than operating activities were used to repay debt (\$1.887 million), purchase investments (\$19.35 million) and to purchase and construct assets (\$5.062 million).

## 4. RECEIVABLES

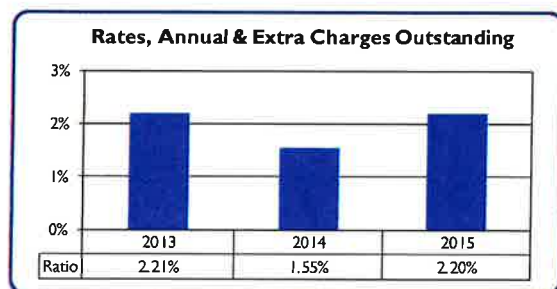
### 4.1 Rates & Annual Charges (excluding interest & extra charges)

Net rates and annual charges levied during the year totalled \$23.68 million and represented 52% of Council's total revenues.

Including arrears, the total rates and annual charges collectible was \$24.025 million of which \$23.512 million (98%) was collected.

### 4.2 Rates, Annual & Extra Charges

Arrears of rates, annual and extra charges stood at \$530,000 at the end of the year and represented 2.2% of those receivables.



### 4.3 Other Receivables

Receivables (other than Rates & Annual Charges) totalled \$3.271 million and mainly consisted of user charges, fees and revenue accruals (\$2.358 million) and amounts due from other levels of government (\$913,000). Those considered to be uncertain of collection have been provided for as doubtful debts and this provision amounted to \$304,000.

## 5. PAYABLES

### 5.1 Employees Leave Entitlements

Council's provision for its liability toward employees leave entitlements and associated on costs amounted to \$4.181 million. A cash reserve of \$840,000 was held at year end representing 20% of this liability and was, in our opinion, sufficient to meet unbudgeted and unanticipated retirements.

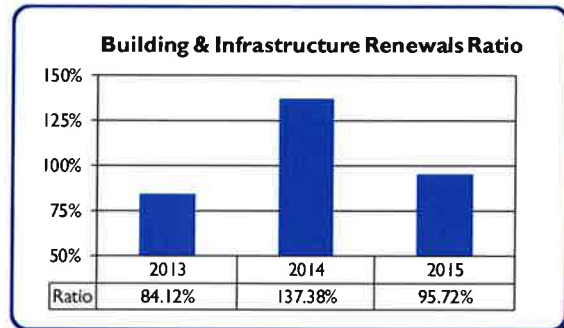
## 5.2 Deposits, Retentions & Bonds

Deposits, retentions and bonds held at year end amounted to \$6.045 million and a cash reserve was held amounting to \$2 million representing 33% 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 2015 represented 96% of the depreciation charges for these assets. An industry benchmark is considered to be 100%, measured annually over the long term.



## 7. REVALUATION OF ASSETS

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

During the year, roads and footpath assets were revalued. This resulted in a net increase of \$749,000 that was credited directly to Equity. Notes 1(j) and 9 of the financial statements provide further details.

## 8. MANAGEMENT LETTER

An audit management letter addressing the findings from our interim audit was issued on 16 March 2015 and included our recommendations on possible ways to strengthen and/or improve procedures.

## 9. 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 2015

---

*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 2015

Contents	Page
<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
Statement of Financial Position - Other Business Activities	4
<b>3. Notes to the Special Purpose Financial Statements</b>	<b>5</b>
<b>4. Auditor's Report</b>	<b>9</b>

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#### Background

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

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

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

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

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

# Mosman Council

## Special Purpose Financial Statements

for the financial year ended 30 June 2015

## Statement by Councillors and Management

made pursuant to the Local Government Code of Accounting Practice and Financial Reporting

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


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


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

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

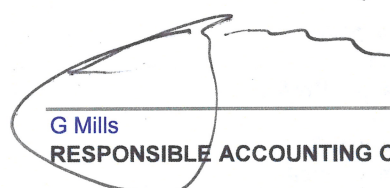
**We are not aware of any matter that would render these Statements false or misleading in any way.**

**Signed in accordance with a resolution of Council made on 08 September 2015.**

  
P Abelson  
MAYOR

  
R Bendall  
COUNCILLOR

  
V Lee  
GENERAL MANAGER

  
G Mills  
RESPONSIBLE ACCOUNTING OFFICER

## Mosman Council

## Income Statement of Council's Other Business Activities

for the financial year ended 30 June 2015

Commercial Property  
Management

## Category 1

\$ '000	Category 1	
	Actual 2015	Actual 2014
<b>Income from continuing operations</b>		
Access charges	-	-
User charges	1,249	996
Fees	-	-
Interest	-	-
Grants and contributions provided for non capital purposes	-	-
Profit from the sale of assets	-	-
Other income	3,930	4,057
<b>Total income from continuing operations</b>	<b>5,179</b>	<b>5,053</b>
<b>Expenses from continuing operations</b>		
Employee benefits and on-costs	60	51
Borrowing costs	-	-
Materials and contracts	118	73
Depreciation and impairment	93	92
Loss on sale of assets	-	-
Calculated taxation equivalents	116	116
Debt guarantee fee (if applicable)	-	-
Other expenses	-	-
<b>Total expenses from continuing operations</b>	<b>387</b>	<b>332</b>
<b>Surplus (deficit) from Continuing Operations before capital amounts</b>	<b>4,792</b>	<b>4,721</b>
Grants and contributions provided for capital purposes	-	-
<b>Surplus (deficit) from Continuing Operations after capital amounts</b>	<b>4,792</b>	<b>4,721</b>
Surplus (deficit) from discontinued operations	-	-
<b>Surplus (deficit) from ALL Operations before tax</b>	<b>4,792</b>	<b>4,721</b>
less: Corporate Taxation Equivalent (30%) [based on result before capital]	(1,438)	(1,416)
<b>SURPLUS (DEFICIT) AFTER TAX</b>	<b>3,354</b>	<b>3,305</b>
plus Opening Retained Profits	54,598	52,415
plus/less: Prior Period Adjustments	-	-
plus Adjustments for amounts unpaid:		
- Taxation equivalent payments	116	116
- Debt guarantee fees	-	-
- Corporate taxation equivalent	1,438	1,416
add:		
- Subsidy Paid/Contribution To Operations	-	-
less:		
- TER dividend paid	-	-
- Dividend paid	(2,871)	(2,654)
<b>Closing Retained Profits</b>	<b>56,635</b>	<b>54,598</b>
Return on Capital %	8.5%	8.7%
Subsidy from Council	-	-



## Mosman Council

## Statement of Financial Position - Council's Other Business Activities

as at 30 June 2015

Commercial Property  
Management

Category 1

\$ '000	Actual 2015	Actual 2014
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	-	-
Investments	-	-
Receivables	25	24
Inventories	-	-
Other	-	-
Non-current assets classified as held for sale	-	-
<b>Total Current Assets</b>	<b>25</b>	<b>24</b>
<b>Non-Current Assets</b>		
Investments	-	-
Receivables	-	-
Inventories	-	-
Infrastructure, property, plant and equipment	7,660	7,753
Investments accounted for using equity method	-	-
Investment property	48,950	46,821
Intangible Assets	-	-
Other	-	-
<b>Total Non-Current Assets</b>	<b>56,610</b>	<b>54,574</b>
<b>TOTAL ASSETS</b>	<b>56,635</b>	<b>54,598</b>
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Bank Overdraft	-	-
Payables	-	-
Interest bearing liabilities	-	-
Provisions	-	-
<b>Total Current Liabilities</b>	<b>-</b>	<b>-</b>
<b>Non-Current Liabilities</b>		
Payables	-	-
Interest bearing liabilities	-	-
Provisions	-	-
<b>Total Non-Current Liabilities</b>	<b>-</b>	<b>-</b>
<b>TOTAL LIABILITIES</b>	<b>-</b>	<b>-</b>
<b>NET ASSETS</b>	<b>56,635</b>	<b>54,598</b>
<b>EQUITY</b>		
Retained earnings	56,635	54,598
Revaluation reserves	-	-
Council equity interest	56,635	54,598
Non-controlling equity interest	-	-
<b>TOTAL EQUITY</b>	<b>56,635</b>	<b>54,598</b>



## Mosman Council

### Special Purpose Financial Statements

for the financial year ended 30 June 2015

#### 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 2015

#### 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) and
- Australian Accounting Interpretations.

The disclosures in these special purpose financial statements have been prepared in accordance with:

- the *Local Government Act* and *Local Government (General) 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 and 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 2015 resulted in an increase to the portfolio of \$2.129 M. 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 statements as a cost of operations just like all other costs.

## Mosman Council

### Notes to the Special Purpose Financial Statements for the financial year ended 30 June 2015

#### Note 1. Significant Accounting Policies

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 **\$432,000** of combined land values attracts **0%**. From \$432,001 to \$2,641,000 the rate is **1.6% + \$100**. For the remaining combined land value that exceeds \$2,641,000, 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.

##### **(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".

## Mosman Council

### Notes to the Special Purpose Financial Statements for the financial year ended 30 June 2015

#### Note 1. Significant Accounting Policies

---

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 I,PP&E as at 30 June**

As a minimum, business activities should generate a return equal to the Commonwealth 10 year bond rate which is 3.02% at 30/6/15.

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 2015, 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 Office 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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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 Office 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 22nd day of September 2015

# Mosman Council

SPECIAL SCHEDULES  
for the year ended 30 June 2015

---

*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 2015

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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 2015)	5
- Special Schedule No. 8	Financial Projections	n/a
- Special Schedule No. 9	Permissible Income Calculation	9

<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
  - the Australian Bureau of Statistics (ABS),
  - the NSW Office of Water (NOW), and
  - the Office of Local Government (OLG).
- (ii) The financial data is collected for various uses including;
- the allocation of Financial Assistance Grants,
  - the incorporation of Local Government financial figures in national statistics,
  - the monitoring of loan approvals,
  - the allocation of borrowing rights, and
  - the monitoring of the financial activities of specific services.



## Mosman Council

# Special Schedule No. 1 - Net Cost of Services

for the financial year ended 30 June 2015

\$'000

Function or Activity	Expenses from Continuing Operations	Income from continuing operations		Net Cost of Services
		Non Capital	Capital	
<b>Governance</b>	<b>1,597</b>	-	-	<b>(1,597)</b>
<b>Administration</b>	<b>8,142</b>	<b>370</b>	-	<b>(7,772)</b>
<b>Public Order and Safety</b>				
Fire Service Levy, Fire Protection, Emergency Services	963	-	-	<b>(963)</b>
Beach Control	-	-	-	-
Enforcement of Local Govt. Regulations	202	1	-	<b>(201)</b>
Animal Control	66	7	-	<b>(59)</b>
Other	42	-	-	<b>(42)</b>
<b>Total Public Order &amp; Safety</b>	<b>1,273</b>	<b>8</b>	-	<b>(1,265)</b>
<b>Health</b>	<b>123</b>	<b>47</b>	-	<b>(76)</b>
<b>Environment</b>				
Noxious Plants and Insect/Vermin Control	-	-	-	-
Other Environmental Protection	402	123	-	<b>(279)</b>
Solid Waste Management	4,245	6,332	-	<b>2,087</b>
Street Cleaning	1,105	-	-	<b>(1,105)</b>
Drainage	247	-	-	<b>(247)</b>
Stormwater Management	370	-	117	<b>(253)</b>
<b>Total Environment</b>	<b>6,369</b>	<b>6,455</b>	<b>117</b>	<b>203</b>
<b>Community Services and Education</b>				
Administration & Education	652	1	-	<b>(651)</b>
Social Protection (Welfare)	-	-	-	-
Aged Persons and Disabled	1,111	773	-	<b>(338)</b>
Children's Services	1,258	1,016	-	<b>(242)</b>
<b>Total Community Services &amp; Education</b>	<b>3,021</b>	<b>1,790</b>	-	<b>(1,231)</b>
<b>Housing and Community Amenities</b>				
Public Cemeteries	-	-	-	-
Public Conveniences	117	-	-	<b>(117)</b>
Street Lighting	455	97	-	<b>(358)</b>
Town Planning	2,026	938	-	<b>(1,088)</b>
Other Community Amenities	-	-	-	-
<b>Total Housing and Community Amenities</b>	<b>2,598</b>	<b>1,035</b>	-	<b>(1,563)</b>
<b>Water Supplies</b>	-	-	-	-
<b>Sewerage Services</b>	-	-	-	-

## Mosman Council

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

for the financial year ended 30 June 2015

\$'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	2,235	176	6	(2,053)
Museums	-	-	-	-
Art Galleries	1,307	460	185	(662)
Community Centres and Halls	994	6	-	(988)
Performing Arts Venues	-	-	-	-
Other Performing Arts	-	-	-	-
Other Cultural Services	908	70	-	(838)
Sporting Grounds and Venues	449	155	-	(294)
Swimming Pools	166	312	-	146
Parks & Gardens (Lakes)	4,456	163	-	(4,293)
Other Sport and Recreation	110	-	-	(110)
<b>Total Recreation and Culture</b>	<b>10,625</b>	<b>1,342</b>	<b>191</b>	<b>(9,092)</b>
<b>Fuel &amp; Energy</b>	-	-	-	-
<b>Agriculture</b>	-	-	-	-
<b>Mining, Manufacturing and Construction</b>				
Building Control	994	692	-	(302)
Other Mining, Manufacturing & Construction	-	-	-	-
<b>Total Mining, Manufacturing and Const.</b>	<b>994</b>	<b>692</b>	<b>-</b>	<b>(302)</b>
<b>Transport and Communication</b>				
Urban Roads (UR) - Local	3,406	1,015	367	(2,024)
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	930	5,766	-	4,836
Footpaths	345	13	-	(332)
Aerodromes	-	-	-	-
Other Transport & Communication	-	-	-	-
<b>Total Transport and Communication</b>	<b>4,681</b>	<b>6,794</b>	<b>367</b>	<b>2,480</b>
<b>Economic Affairs</b>				
Camping Areas & Caravan Parks	-	-	-	-
Other Economic Affairs	641	5,741	1,589	6,689
<b>Total Economic Affairs</b>	<b>641</b>	<b>5,741</b>	<b>1,589</b>	<b>6,689</b>
<b>Totals – Functions</b>	<b>40,064</b>	<b>24,274</b>	<b>2,264</b>	<b>(13,526)</b>
<b>General Purpose Revenues <sup>(2)</sup></b>		<b>18,592</b>		<b>18,592</b>
<b>Share of interests - joint ventures &amp; associates using the equity method</b>	<b>-</b>	<b>150</b>		<b>150</b>
<b>NET OPERATING RESULT <sup>(1)</sup></b>	<b>40,064</b>	<b>43,016</b>	<b>2,264</b>	<b>5,216</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 2015

\$'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	1,880	9,086	<b>10,966</b>	-	1,887	-	-	-	1,913	7,166	<b>9,079</b>
Other	-	-	-	-	-	-	-	-	-	-	-
<b>Total Loans</b>	<b>1,880</b>	<b>9,086</b>	<b>10,966</b>	-	<b>1,887</b>	-	-	-	<b>1,913</b>	<b>7,166</b>	<b>9,079</b>
<b>Other Long Term Debt</b>											
Ratepayers Advances	-	-	-	-	-	-	-	-	-	-	-
Government Advances	-	-	-	-	-	-	-	-	-	-	-
Finance Leases	-	-	-	-	-	-	-	-	-	-	-
Deferred Payments	-	-	-	-	-	-	-	-	-	-	-
<b>Total Long Term Debt</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Debt</b>	<b>1,880</b>	<b>9,086</b>	<b>10,966</b>	<b>-</b>	<b>1,887</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,913</b>	<b>7,166</b>	<b>9,079</b>

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

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

## Mosman Council

## Special Schedule No. 7 - Report on Infrastructure Assets

as at 30 June 2015

\$'000

Asset Class	Asset Category	Estimated cost to bring up to a satisfactory standard refer (1)	Required Annual Maintenance refer (2)	Actual Maintenance 2014/15 refer (3)	Written Down Value (WDV) refer (4)	Assets in Condition as a % of WDV				
						1	2	3	4	5
						refer (4) & (5)				
<b>Buildings</b>	Council Offices / Administration Centres	-	120	196	7,604	0%	100%	0%	0%	0%
	Council Works Depot	-	17	31	1,240	0%	100%	0%	0%	0%
	Libraries	-	54	44	3,047	0%	0%	100%	0%	0%
	Cultural Facilities	-	96	70	6,205	0%	92%	8%	0%	0%
	Other Buildings	-	7	118	5,720	81%	19%	0%	0%	0%
	Specialised Buildings	42	184	240	14,869	68%	17%	15%	0%	0%
	Childcare Centres	-	18	10	1,353	51%	0%	49%	0%	0%
	Multistorey Carports	-	88	20	2,452	0%	100%	0%	0%	0%
	<b>sub total</b>	<b>42</b>	<b>584</b>	<b>729</b>	<b>42,490</b>	<b>36.3%</b>	<b>48.5%</b>	<b>15.1%</b>	<b>0.0%</b>	<b>0.0%</b>
<b>Other Structures</b>	Other Structures	-	-	-	376	0%	100%	0%	0%	0%
	<b>sub total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>376</b>	<b>0.0%</b>	<b>100.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>
<b>Roads</b>	Sealed Roads Pavements	562	265	284	63,458	15%	64%	20%	1%	0%
	Footpaths	18	187	108	11,204	28%	53%	19%	0%	0%
	Kerb and Gutter	10	39	21	12,377	23%	61%	16%	0%	0%
	Formation	-	-	-	7,485	100%	0%	0%	0%	0%
	Retaining Walls	1,859	47	7	19,531	20%	50%	27%	3%	0%
	Physical Traffic Devices	-	101	49	1,725	47%	41%	12%	0%	0%
	Lines and Signs	44	31	65	429	45%	44%	10%	1%	0%
	Street Furniture	247	16	71	1,269	18%	56%	24%	2%	0%
	Steps	289	23	-	1,657	21%	65%	13%	1%	0%
	Pram Ramps	1	8	1	246	49%	44%	7%	0%	0%
	Vehicle Crossings	-	-	-	5,428	100%	0%	0%	0%	0%
	Carports	-	23	8	2,718	42%	52%	6%	0%	0%
	<b>sub total</b>	<b>3,030</b>	<b>740</b>	<b>614</b>	<b>127,527</b>	<b>27.6%</b>	<b>53.4%</b>	<b>18.1%</b>	<b>1.0%</b>	<b>0.0%</b>

Mosman Council

Special Schedule No. 7 - Report on Infrastructure Assets (continued)  
as at 30 June 2015

\$'000

Asset Class	Asset Category	Estimated cost to bring up to a satisfactory standard refer (1)	Required Annual Maintenance refer (2)	Actual Maintenance 2014/15 refer (3)	Written Down Value (WDV) refer (4)	Assets in Condition as a % of WDV				
						1	2	3	4	5
						refer (4) & (5)				
Stormwater Drainage	Stormwater Quality Devices	10	58	6	2,758	99%	0%	1%	0%	0%
	Rainwater Reuse Tanks	-	15	-	1,098	100%	0%	0%	0%	0%
	Open Conduits	965	31	-	930	39%	11%	45%	3%	2%
	Closed Conduits	313	56	76	40,531	6%	53%	41%	0%	0%
	Nodes	59	58	97	4,796	4%	77%	18%	1%	0%
	<b>sub total</b>	<b>1,347</b>	<b>218</b>	<b>179</b>	<b>50,113</b>	<b>13.6%</b>	<b>50.4%</b>	<b>35.8%</b>	<b>0.2%</b>	<b>0.0%</b>
Open Space/ Recreational Assets	Marine Structures	109	15	61	5,228	26%	0%	74%	0%	0%
	Sporting Fields	647	388	352	3,231	18%	27%	50%	4%	1%
	Parks and Reserves	891	479	413	5,642	8%	27%	60%	3%	1%
	Bushland	337	419	359	4,988	18%	52%	27%	3%	0%
	Unmade Roads	553	153	199	1,647	0%	2%	74%	4%	20%
	<b>sub total</b>	<b>2,537</b>	<b>1,454</b>	<b>1,384</b>	<b>20,736</b>	<b>15.8%</b>	<b>24.3%</b>	<b>55.2%</b>	<b>2.5%</b>	<b>2.2%</b>
	<b>TOTAL - ALL ASSETS</b>	<b>6,956</b>	<b>2,996</b>	<b>2,906</b>	<b>241,242</b>	<b>25.2%</b>	<b>49.5%</b>	<b>24.4%</b>	<b>0.8%</b>	<b>0.2%</b>

Notes:

- (1). Satisfactory is defined as "satisfying 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

(5). 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 2015

\$ '000	Amounts 2015	Indicator 2015	Prior Periods 20142013	
Infrastructure Asset Performance Indicators Consolidated				
1. Building, Infrastructure & Other Structures				
Renewals Ratio				
Asset Renewals				
(Building, Infrastructure & Other Structures) <sup>(1)</sup>	4,364	95.72%	137.38%	84.12%
Depreciation, Amortisation & Impairment	4,559			
2. Infrastructure Backlog Ratio				
Estimated Cost to bring Assets to a Satisfactory Condition	6,956			
Total value <sup>(2)</sup> of Infrastructure, Building, Other Structures & depreciable Land Improvement Assets	241,919	2.88%	3.58%	2.52%
3. Asset Maintenance Ratio				
Actual Asset Maintenance	2,906			
Required Asset Maintenance	2,996	0.97	0.94	1.12
4. Capital Expenditure Ratio				
Annual Capital Expenditure	5,079			
Annual Depreciation	5,166	0.98	1.41	0.88

**Notes**

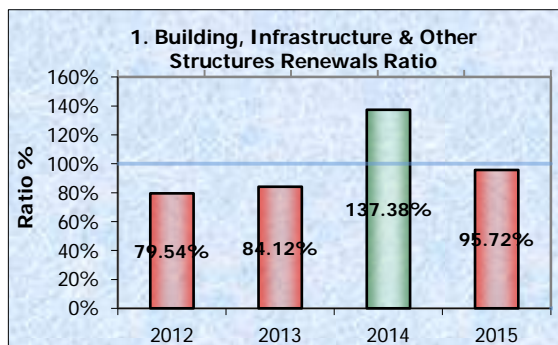
<sup>(1)</sup> Asset Renewals represent the replacement &/or refurbishment of existing assets to an equivalent capacity/performance as opposed to the acquisition of new assets (or the refurbishment of old assets) that increases capacity/performance. Asset Renewals include building, infrastructure & Other Structure 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 2015



Benchmark: — Minimum  $\geq 100.00\%$

Source for Benchmark: Code of Accounting Practice and Financial Reporting #23

## Purpose of Asset Renewals Ratio

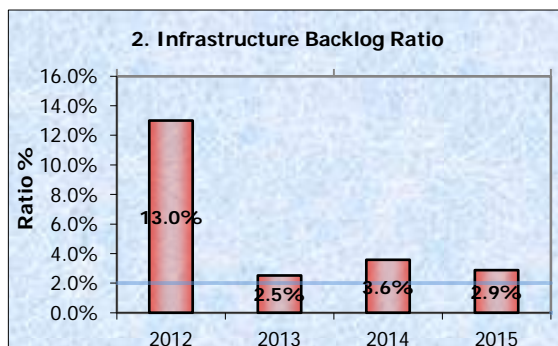
To assess the rate at which these assets are being renewed relative to the rate at which they are depreciating.

## Commentary on 2014/15 Result

**2014/15 Ratio 95.72%**

The renewal ratio falls short of the benchmark. This shortfall will be addressed with additional funds raised by the Special Rates Variation coming into effect in FY2016

Ratio is within Benchmark  
Ratio is outside Benchmark



Benchmark: — Maximum  $< 0.02$

Source for Benchmark: Code of Accounting Practice and Financial Reporting #23

## Purpose of Infrastructure Backlog Ratio

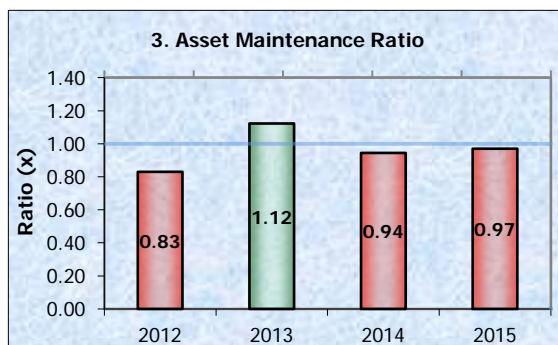
This ratio shows what proportion the backlog is against the total value of a Council's infrastructure.

## Commentary on 2014/15 Result

**2014/15 Ratio 2.88%**

A moderate improvement is noted due to, Roads and Footpath revaluation and review of useful lives for Open Space Assets

Ratio is within Benchmark  
Ratio is outside Benchmark



Benchmark: — Minimum  $> 1.00$

Source for Benchmark: Code of Accounting Practice and Financial Reporting #23

## Purpose of Asset Maintenance Ratio

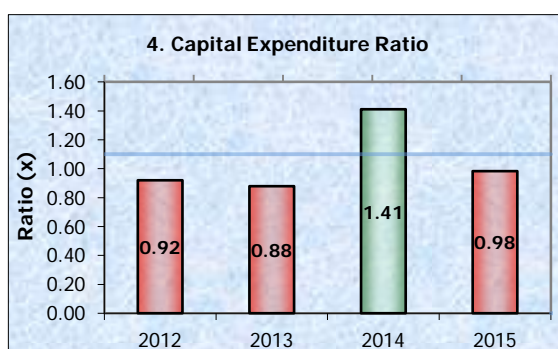
Compares actual vs. required annual asset maintenance. A ratio above 1.0 indicates Council is investing enough funds to stop the Infrastructure Backlog growing.

## Commentary on 2014/15 Result

**2014/15 Ratio 0.97 x**

The maintenance ratio falls short of the benchmark. This shortfall will be addressed with additional funds raised by the Special Rates Variation coming into effect in FY2016

Ratio is within Benchmark  
Ratio is outside Benchmark



Benchmark: — Minimum  $> 1.10$

Source for Benchmark: Code of Accounting Practice and Financial Reporting #23

## Purpose of Capital Expenditure Ratio

To assess the extent to which a Council is expanding its asset base thru capital expenditure on both new assets and the replacement and renewal of existing assets.

## Commentary on 2014/15 Result

**2014/15 Ratio 0.98 x**

The expenditure ratio falls short of the benchmark. This shortfall will be addressed with additional funds raised by the Special Rates Variation coming into effect in FY2016

Ratio is within Benchmark  
Ratio is outside Benchmark

## Mosman Council

## Special Schedule No. 9 - Permissible Income Calculation

for the financial year ended 30 June 2016

\$'000		Calculation 2014/15	Calculation 2015/16
<b>Notional General Income Calculation <sup>(1)</sup></b>			
Last Year Notional General Income Yield	a	17,053	17,498
Plus or minus Adjustments <sup>(2)</sup>	b	39	-
<b>Notional General Income</b>	c = (a + b)	<b>17,092</b>	<b>17,498</b>
<b>Permissible Income Calculation</b>			
Special variation percentage <sup>(3)</sup>	d	0.00%	13.00%
or Rate peg percentage	e	2.30%	0.00%
or Crown land adjustment (incl. rate peg percentage)	f	0.00%	0.00%
less expiring Special variation amount	g	-	(802)
plus Special variation amount	h = d x (c-g)	-	2,170
or plus Rate peg amount	i = c x e	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>17,485</b>	<b>18,866</b>
plus (or minus) last year's Carry Forward Total	l	17	0
less Valuation Objections claimed in the previous year	m	(4)	(1)
<b>sub-total</b>	n = (l + m)	<b>13</b>	<b>(1)</b>
<b>Total Permissible income</b>	o = k + n	<b>17,497</b>	<b>18,866</b>
less Notional General Income Yield	p	17,498	18,879
<b>Catch-up or (excess) result</b>	q = o - p	<b>(1)</b>	<b>(13)</b>
plus Income lost due to valuation objections claimed <sup>(4)</sup>	r	1	4
less Unused catch-up <sup>(5)</sup>	s	-	-
<b>Carry forward to next year</b>	t = q + r - s	<b>0</b>	<b>(9)</b>

### Notes

- 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.
- 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.
- The Special Variation Percentage is inclusive of the Rate Peg percentage and where applicable crown land adjustment.
- 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.
- 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.
- Carry forward amounts which are in excess (an amount that exceeds the permissible income) require Ministerial approval by order published in the NSW Government Gazette in accordance with section 512 of the Local Government Act 1993. The OLG will extract these amounts from councils' Special Schedule 9 in the Financial Data Return (FDR) to administer this process.



**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 2016.

***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. 23. 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.

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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 2015/16 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 22nd day of September 2015