

Mosman Municipal Council

ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2019

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



Mosman Municipal Council

GENERAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2019

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General Purpose Financial Statements

for the year ended 30 June 2019

Contents	Page
1. Understanding Council's Financial Statements	3
2. Statement by Councillors & Management	4
3. Primary Financial Statements:	
Income Statement	5
Statement of Comprehensive Income	6
Statement of Financial Position	7
Statement of Changes in Equity	8
Statement of Cash Flows	9
4. Notes to the Financial Statements	10
5. Independent Auditor's Reports:	
On the Financial Statements (Sect 417 [2])	70
On the Financial Statements (Sect 417 [3])	73

Overview

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

Civic Centre, Mosman Square, MOSMAN, 2088

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

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

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

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

General Purpose Financial Statements

for the year ended 30 June 2019

Understanding Council's Financial Statements

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 2019.

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

About the Councillor/Management Statement

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

About the Primary Financial Statements

The financial statements incorporate five "primary" financial statements:

1. The Income Statement

Summarises Council's financial performance for the year, listing all income and expenses. This statement also displays Council's original adopted budget to provide a comparison between what was projected and what actually occurred.

2. The Statement of Comprehensive Income

Primarily records changes in the fair value of Council's Infrastructure, property, plant and equipment.

3. The Statement of Financial Position

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

4. The Statement of Changes in Equity

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

5. The Statement of Cash Flows

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

About the Notes to the Financial Statements

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

About the Auditor's Reports

Council's financial statements are required to be audited by the NSW Audit Office.

In NSW the auditor provides 2 audit reports:

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

Who uses the Financial Statements?

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

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

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

Mosman Municipal Council

General Purpose Financial Statements

for the year ended 30 June 2019

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

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

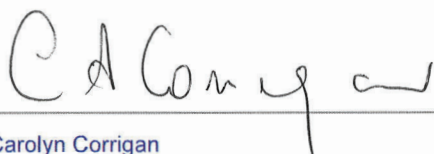
- the *Local Government Act 1993* (NSW) (as amended) and the regulations made thereunder,
- the Australian Accounting Standards and other pronouncements of the Australian Accounting Standards Board
- the *Local Government Code of Accounting Practice and Financial Reporting*.

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

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

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

Signed in accordance with a resolution of Council made on 01 October 2019.



Carolyn Corrigan

Mayor

01 October 2019



Libby Moline

Councillor

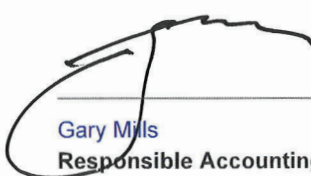
01 October 2019



Dominic Johnson

General Manager

01 October 2019



Gary Mills

Responsible Accounting Officer

01 October 2019

Income Statement

for the year ended 30 June 2019

Original unaudited budget 2019	\$ '000	Notes	Actual 2019	Actual 2018
Income from continuing operations				
<u>Revenue:</u>				
26,823	Rates and annual charges	3a	26,911	26,479
11,410	User charges and fees	3b	11,417	10,908
475	Interest and investment revenue	3c	424	508
5,171	Other revenues	3d	5,797	5,270
2,872	Grants and contributions provided for operating purposes	3e,3f	3,110	3,203
2,012	Grants and contributions provided for capital purposes	3e,3f	2,403	2,685
<u>Other income:</u>				
—	Fair value increment on investment properties	10	1,829	189
—	Net share of interests in joint ventures and associates using the equity method	16	132	155
48,763	Total income from continuing operations		52,023	49,397
Expenses from continuing operations				
18,882	Employee benefits and on-costs	4a	19,217	17,784
342	Borrowing costs	4b	338	402
14,949	Materials and contracts	4c	13,317	14,133
5,449	Depreciation and amortisation	4d	5,656	5,552
6,320	Other expenses	4e	7,307	6,511
200	Net losses from the disposal of assets	5	869	1,241
46,142	Total expenses from continuing operations		46,704	45,623
2,621	Operating result from continuing operations		5,319	3,774
2,621	Net operating result for the year		5,319	3,774
2,621	Net operating result attributable to council		5,319	3,774
609	Net operating result for the year before grants and contributions provided for capital purposes		2,916	1,089

The above Income Statement should be read in conjunction with the accompanying notes.

Statement of Comprehensive Income

for the year ended 30 June 2019

\$ '000	Notes	2019	2018
Net operating result for the year (as per Income Statement)		5,319	3,774
Other comprehensive income:			
Amounts which will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of IPP&E	9	(4,627)	34,470
Other comprehensive income – joint ventures and associates	16a	1	(5)
Total items which will not be reclassified subsequently to the operating result		(4,626)	34,465
Total other comprehensive income for the year		(4,626)	34,465
Total comprehensive income for the year		693	38,239
Total comprehensive income attributable to Council		693	38,239

The above Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

Statement of Financial Position

as at 30 June 2019

\$ '000	Notes	2019	2018
ASSETS			
Current assets			
Cash and cash equivalent assets	6(a)	11,861	11,993
Investments	6(b)	3,000	4,000
Receivables	7	3,130	4,575
Inventories	8a	73	134
Other	8b	38	59
Total current assets		18,102	20,761
Non-current assets			
Receivables	7	172	153
Infrastructure, property, plant and equipment	9	477,734	475,194
Investment property	10a	48,845	46,950
Intangible assets	11	235	252
Investments accounted for using the equity method	16	1,099	966
Total non-current assets		528,085	523,515
TOTAL ASSETS		546,187	544,276
LIABILITIES			
Current liabilities			
Payables	12	10,819	10,626
Income received in advance	12	653	612
Borrowings	12	1,598	1,383
Provisions	13	4,906	4,970
Total current liabilities		17,976	17,591
Non-current liabilities			
Borrowings	12	6,756	5,954
Provisions	13	308	277
Total non-current liabilities		7,064	6,231
TOTAL LIABILITIES		25,040	23,822
Net assets		521,147	520,454
EQUITY			
Accumulated surplus	14a	270,623	265,303
Revaluation reserves	14a	250,524	255,151
Council equity interest		521,147	520,454
Total equity		521,147	520,454

The above Statement of Financial Position should be read in conjunction with the accompanying notes.

Statement of Changes in Equity

for the year ended 30 June 2019

\$ '000	Notes	2019			2018		
		Accumulated surplus	IPP&E revaluation reserve	Total equity	Accumulated surplus	IPP&E revaluation reserve	Total equity
Opening balance		265,303	255,151	520,454	261,534	220,681	482,215
Net operating result for the year		5,319	–	5,319	3,774	–	3,774
Other comprehensive income							
– Gain (loss) on revaluation of IPP&E	9	–	(4,627)	(4,627)	–	34,470	34,470
– Joint ventures and associates	16a	1	–	1	(5)	–	(5)
Other comprehensive income		1	(4,627)	(4,626)	(5)	34,470	34,465
Total comprehensive income		5,320	(4,627)	693	3,769	34,470	38,239
Equity – balance at end of the reporting period		270,623	250,524	521,147	265,303	255,151	520,454

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes.

Statement of Cash Flows

for the year ended 30 June 2019

Original unaudited budget 2019	\$ '000	Notes	Actual 2019	Actual 2018
Cash flows from operating activities				
<u>Receipts</u>				
26,813	Rates and annual charges		26,665	26,437
11,389	User charges and fees		12,751	10,885
487	Investment and interest revenue received		477	489
4,834	Grants and contributions		6,152	5,292
–	Bonds, deposits and retention amounts received		2,868	2,161
5,137	Other		8,302	7,936
<u>Payments</u>				
(18,365)	Employee benefits and on-costs		(19,279)	(17,614)
(14,916)	Materials and contracts		(15,784)	(17,034)
(346)	Borrowing costs		(349)	(391)
–	Bonds, deposits and retention amounts refunded		(2,147)	(2,330)
(6,320)	Other		(7,652)	(6,788)
8,713	Net cash provided (or used in) operating activities	15b	12,004	9,043
Cash flows from investing activities				
<u>Receipts</u>				
–	Sale of investment securities		23,000	36,000
–	Sale of infrastructure, property, plant and equipment		169	26
<u>Payments</u>				
–	Purchase of investment securities		(22,000)	(30,000)
–	Purchase of investment property		(66)	(66)
(11,458)	Purchase of infrastructure, property, plant and equipment		(14,256)	(9,768)
(11,458)	Net cash provided (or used in) investing activities		(13,153)	(3,808)
Cash flows from financing activities				
<u>Receipts</u>				
400	Proceeds from borrowings and advances		2,400	400
<u>Payments</u>				
(1,385)	Repayment of borrowings and advances		(1,383)	(1,282)
(985)	Net cash flow provided (used in) financing activities		1,017	(882)
(3,730)	Net increase/(decrease) in cash and cash equivalents		(132)	4,353
14,003	Plus: cash and cash equivalents – beginning of year	15a	11,993	7,640
10,273	Cash and cash equivalents – end of the year	15a	11,861	11,993
Additional Information:				
–	plus: Investments on hand – end of year	6(b)	3,000	4,000
10,273	Total cash, cash equivalents and investments		14,861	15,993

The above Statement of Cash Flows should be read in conjunction with the accompanying notes.

Notes to the Financial Statements

for the year ended 30 June 2019

Contents of the Notes accompanying the Financial Statements

Note	Details	Page
1	Basis of preparation	11
2(a)	Council functions/activities – financial information	15
2(b)	Council functions/activities – component descriptions	16
3	Income from continuing operations	17
4	Expenses from continuing operations	22
5	Gains or losses from the disposal, replacement and de-recognition of assets	27
6(a)	Cash and cash equivalent assets	28
6(b)	Investments	28
6(c)	Restricted cash, cash equivalents and investments – details	30
7	Receivables	31
8	Inventories and other assets	32
9	Infrastructure, property, plant and equipment	34
10	Investment property	37
11	Intangible assets	38
12	Payables and borrowings	39
13	Provisions	41
14	Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors	43
15	Statement of cash flows – additional information	44
16	Interests in other entities	45
17	Commitments	49
18	Contingencies and other assets/liabilities not recognised	50
19	Financial risk management	51
20	Material budget variations	54
21	Fair Value Measurement	56
22	Related Party Transactions	64
23	Events occurring after the reporting date	64
24	Statement of developer contributions	64
25(a)	Statement of performance measures – consolidated results	66
	Additional Council disclosures (unaudited)	
25(b)	Statement of performance measures – consolidated results (graphs)	67
26	Council information and contact details	69

Notes to the Financial Statements

for the year ended 30 June 2019

Note 1. Basis of preparation

These financial statements were authorised for issue by Council on 01 October 2019. Council has the power to amend and reissue these financial statements.

The principal accounting policies adopted in the preparation of these financial statements are set out below.

These policies have been consistently applied to all the years presented, unless otherwise stated.

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Australian Accounting Interpretations, the *Local Government Act 1993 (NSW)* and Regulations, and the Local Government Code of Accounting Practice and Financial Reporting.

Council is a not for-profit entity.

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

Unless otherwise indicated, all amounts disclosed in the financial statements are actual amounts. Specific budgetary amounts have been included for comparative analysis (to actuals) in the following reports and notes:

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

and are clearly marked.

(a) New and amended standards adopted by Council

During the year, Council adopted all standards which were mandatorily effective for the first time at 30 June 2019.

Those newly adopted standards which had an impact on reported position, performance and/or disclosures have been discussed in Note 14.

(b) Historical cost convention

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

(c) Significant accounting estimates and judgements

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Council's accounting policies.

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

Critical accounting estimates and assumptions

Council makes estimates and assumptions concerning the future.

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

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

- (i) estimated fair values of investment properties – refer Note 10
- (ii) estimated fair values of infrastructure, property, plant and equipment – refer Note 9
- (iii) employee benefit provisions – refer Note 13

Significant judgements in applying the council's accounting policies

- (iv) Impairment of receivables

Notes to the Financial Statements

for the year ended 30 June 2019

Note 1. Basis of preparation (continued)

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

Monies and other assets received by Council

(a) The Consolidated Fund

In accordance with the provisions of Section 409(1) of the Local Government Act 1993 (NSW), all money and 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 has been included in Council's financial statements.

(b) The Trust Fund

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

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

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

Goods and Services Tax (GST)

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

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

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

New accounting standards and interpretations issued not yet effective

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2019 reporting periods (and which have not been early adopted by Council).

Council's assessment of these new standards and interpretations (where they have been deemed as having a material impact on Council's future financial performance, financial position and cash flows) are set out below:

AASB 16 Leases

AASB 16 will result (for YE 19/20 and beyond) in almost all operating leases being recognised on the balance sheet by Council (alongside existing finance leases) with the distinction between operating and finance leases removed.

Under the new standard, a financial liability (ie. a lease liability) and an asset (ie. a right to use the leased item) will be recognised for nearly all arrangements where Council commits itself to paying a rental fee for the use of a specific asset.

The only exceptions are short-term and low-value leases which are exempt from the accounting (but not disclosure) requirements of AASB 16 - Leases.

Council staff have reviewed all of Council's leasing arrangements over the last 12 months taking into consideration the new lease accounting rules in AASB 16 (applicable from 1/7/19).

AASB 16 will (on the whole) affect Council's accounting for existing operating lease agreements that are in place as at 30/6/19.

At the end of this reporting period, Council has non-cancellable operating lease commitments of \$379,000 - refer Note 17.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 1. Basis of preparation (continued)

Of these commitments, approximately \$307,000 relate to low value leases.

Both these lease types and amounts will continue to be accounted for as they currently are (being expensed on a straight-line basis within the Income Statement).

For the remaining operating lease commitments of \$72,000 Council anticipates it will recognise lease liabilities (on its balance sheet) of \$93,000 (after adjustments for prepayments and accrued lease payments recognised as at 30 June 2019) and also recognise complimentary right-of-use assets (on its balance sheet) totaling \$72,000 on 1 July 2019. In addition Council will recognise a right of use asset in relation to street sweepers, used exclusively to deliver its Street and Gutter Cleaning contract, of \$519,000. A complimentary lease liability of \$528,000 will also be recognised.

From a financial position standpoint, as a result of recognising the above lease liabilities and right-of-use assets, Council's net assets (as at 1 July 2019) will be approximately \$31,000 lower while net current assets will be \$226,000 lower due to the presentation of a portion of the lease liability as a current liability.

From a financial performance standpoint, Council expects that net operating result not materially change for the 19/20 financial year as a result of adopting the standard.

Operating cash flows will increase and financing cash flows decrease by approximately \$136,000 as repayment of the principal portion of the lease liabilities will be classified as cash flows from financing activities.

Council's activities as a lessor are not material and hence Council does not expect any significant impact on the financial statements. However, some additional disclosures will be required from next year.

AASB 15 Revenue from Contracts with Customers and associated amending standards.

AASB15 introduces a five-step process for revenue recognition, with the core principle of the new standard being for entities to recognise revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration (that is, payment) to which the entity expects to be entitled in exchange for those goods or services.

Accounting policy changes will arise in the timing of revenue recognition, treatment of contracts costs and contracts which contain a financing element.

Councils should assess each revenue stream but particular impact is expected for grant income and rates which are paid before the commencement of the rating period.

The changes in revenue recognition requirements in AASB15 may cause changes to the timing and amount of revenue recorded in the financial statements as well as additional disclosures.

Council does not recognise rates received in advance as income. Council receives several operating grants that are acquitted in the grant year. Council these for does not expect AASB 15 to have a material impact.

AASB 1058 Income of NFP Entities

AASB 1058 supersedes all the income recognition requirements relating to councils, previously in AASB 1004 Contributions.

Under AASB 1058 the future timing of income recognition will depend on whether the transaction gives rise to a liability or other performance obligation (a promise to transfer a good or service) related to an asset (such as cash or another asset) received by an entity.

AASB 1058 also applies when a council receives volunteer services or enters into other transactions in which the consideration to acquire an asset is significantly less than the fair value of the asset, and where the council's objective is principally to enable the asset to further the council's objectives.

Upon initial recognition of the asset, this standard requires council to consider whether any other financial statement elements (called 'related amounts') should be recognised in accordance with the applicable accounting standard, such as:

- (a) contributions by owners
- (b) revenue, or a contract liability arising from a contract with a customer
- (c) a lease liability
- (d) a financial instrument, or

Notes to the Financial Statements

for the year ended 30 June 2019

Note 1. Basis of preparation (continued)

(e) a provision.

If the transaction is a transfer of a financial asset to enable council to acquire or construct a recognisable non-financial asset to be controlled by council (i.e. an in-substance acquisition of a non-financial asset), the council recognises a liability for the excess of the fair value of the transfer over any related amounts recognised. Council will then recognise income as it satisfies its obligations under the transfer similarly to income recognition in relation to performance obligations under AASB 15.

If the transaction does not enable council to acquire or construct a recognisable non-financial asset to be controlled by council, then any excess of the initial carrying amount of the recognised asset over the related amounts is recognised as income.

Council currently recognizes capital grants as income as they are granted with unspent grants disclosed as externally restricted cash. The specific impacts of AASB1058 for Council are impossible to quantify as it is not known in advance which grants will be unspent in future years

AASB 2018-8 Amendments to Australian Accounting Standards – Right-of-Use Assets of Not-for-Profit Entities

This Standard provides a temporary option for not-for-profit entities to not apply the fair value initial measurement requirements for right-of-use assets arising under leases with significantly below market terms and conditions, principally to enable the entity to further its objectives (for example, concessionary or peppercorn leases).

The Standard requires an entity that elects to apply the option (i.e. measures a class or classes of such right-of-use assets at cost rather than fair value) to include additional disclosures in the financial statements to ensure users understand the effects on the financial position, financial performance and cash flows of the entity arising from these leases

As per a NSW Office of Local Government recommendation, Council has elected to measure right-of-use assets (under a concessionary or peppercorn lease) at cost. The standard requires additional disclosures be provided in relation to below market-value leases measured at cost.

Council has not applied any pronouncements before its operative date in the annual reporting period beginning 1 July 2018.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 2(a). Council functions/activities – financial information

Income, expenses and assets have been directly attributed to the following functions or activities.
Details of those functions or activities are provided in Note 2(b).

\$ '000	Income from continuing operations		Expenses from continuing operations		Operating result from continuing operations		Grants included in income from continuing operations		Total assets held (current and non-current)	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Functions or activities										
A Caring and Inclusive Community	2,030	2,042	3,071	3,122	(1,041)	(1,080)	1,028	1,037	14,782	11,149
A Culturally Rich and Vibrant Community	1,039	821	4,352	3,939	(3,313)	(3,118)	171	402	19,627	18,918
An Attractive and Sustainable Environment	7,320	6,889	8,458	7,657	(1,138)	(768)	72	–	96,100	94,416
An Informed and Engaged Community	262	5	946	783	(684)	(778)	–	–	7	9
A Business Friendly Community with Sound, Independent Civic Leadership	23,493	21,968	11,828	11,013	11,665	10,955	735	769	24,985	20,938
Well Designed, Liveable and Accessible Places	17,466	17,293	11,416	12,135	6,050	5,158	976	1,737	331,564	335,915
A Healthy Village Lifestyle	413	379	6,633	6,974	(6,220)	(6,595)	–	–	59,122	62,931
Total functions and activities	52,023	49,397	46,704	45,623	5,319	3,774	2,982	3,945	546,187	544,276

Notes to the Financial Statements

for the year ended 30 June 2019

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:

A Caring and Inclusive Community

- Assist residents to feel connected to their community and each other
- Ensure support is available for people in need
- Promote opportunities to acknowledge and embrace diversity

A Culturally Rich and Vibrant Community

- Celebrate Mosman's unique identity and heritage
- Nurture cultural and creative endeavours
- Provide further opportunities to laugh, learn and play

An Attractive and Sustainable Environment

- Protect and enhance Mosman's natural areas and local biodiversity
- Use and encourage sustainable practices
- Effectively manage parklands for community use

An Informed and Engaged Community

- Actively involve the community in planning and delivering Mosman's future
- Deliver community information that is accurate and readily available
- Ensure the community knows how and why decisions are made

A Business-Friendly Community with Sound, Independent Civic Leadership

- Council delivers high quality, convenient service to customers
- Utilise local and regional partnerships to benefit Mosman
- Provide support for business precincts and the local economy

Well Designed, Livable and Accessible Places

- Enhance daily life by providing high quality public infrastructure and public spaces
- Value and strengthen the special aesthetic qualities of Mosman
- Improve access for everyone to, from and within Mosman

A Healthy and Active Village Lifestyle

- Protect and enhance Mosman's village atmosphere
- Support active, healthy lifestyle
- Facilitate safe environments for everyday living

Notes to the Financial Statements

for the year ended 30 June 2019

Note 3. Income from continuing operations

\$ '000	2019	2018
(a) Rates and annual charges		
Ordinary rates		
Residential	18,135	17,729
Business	1,846	1,812
Less: pensioner rebates (mandatory)	(110)	(102)
Rates levied to ratepayers	19,871	19,439
Pensioner rate subsidies received	63	48
Total ordinary rates	19,934	19,487
Annual charges		
(pursuant to s.496, s.496A, s.496B, s.501 & s.611)		
Domestic waste management services	6,729	6,751
Stormwater management services	239	238
Section 611 charges	29	30
Less: pensioner rebates (mandatory)	(41)	(42)
Less: pensioner rebates (Council policy)	(7)	(12)
Annual charges levied	6,949	6,965
Pensioner subsidies received:		
– Domestic waste management	28	27
Total annual charges	6,977	6,992
TOTAL RATES AND ANNUAL CHARGES	26,911	26,479

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

Accounting policy for rates and charges

Rates and annual charges are recognised as revenue when the Council obtains control over the assets comprising these receipts.

Pensioner rebates relate to reductions in rates and certain annual charges for eligible pensioners' place of residence in the local government council area that are not subsidised by the NSW Government.

Pensioner rate subsidies are received from the NSW Government to provide a contribution towards the pensioner rebates.

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.

\$ '000	2019	2018
(b) User charges and fees		
Specific user charges		
(per s.502 - specific 'actual use' charges)		
Domestic waste management services	99	88
Total specific user charges	99	88
Other user charges and fees		
(i) Fees and charges – statutory and regulatory functions (per s.608)		
Planning and building regulation	879	918
Regulatory fees	166	169
Section 10.7 certificates (EP&A Act)	95	130

Notes to the Financial Statements

for the year ended 30 June 2019

Note 3. Income from continuing operations (continued)

\$ '000	2019	2018
Section 603 certificates	36	54
Total fees and charges – statutory/regulatory	1,176	1,271
(ii) Fees and charges – other (incl. general user charges (per s.608))		
Leaseback fees – Council vehicles	3	7
Restoration charges	763	362
Aged and disability services	95	63
Art prize fees	36	41
Children's leisure and learning	5	9
Community restaurant	34	37
Cultural centre	128	158
Dinghy storage racks	40	49
Filming permits	7	7
Footpath occupation	244	269
Hoarding fees	74	39
Kidzone – vacation	110	101
Lease rentals (property)	2,161	1,948
Market days (stall holders)	109	110
Meals on wheels	77	81
Merchant fee recovery	73	76
Mini skips	32	32
Mosman occasional child care	312	273
Out of school care	361	392
Oval rents	423	385
Other	111	180
Parking fees – foreshore	1,534	1,545
Parking fees – foreshore (stickers)	277	291
Parking fees – on street	2,405	2,323
Parking fees – resident parking scheme permits	57	68
Reserve rents	120	82
Section 153 land leases	35	15
Stand plant permits	117	132
Trading rights – foreshore	13	13
Vacation care	6	11
Vehicular crossing	120	137
Vehicular crossing – inspection fees	36	31
Work zone fees	224	282
Total fees and charges – other	10,142	9,549
TOTAL USER CHARGES AND FEES	11,417	10,908

Accounting policy for user charges and fees

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

(c) Interest and investment revenue (including losses)

Interest on financial assets measured at amortised cost

– Overdue rates and annual charges (incl. special purpose rates)	46	58
– Cash and investments	378	450
TOTAL INTEREST AND INVESTMENT REVENUE	424	508

Notes to the Financial Statements

for the year ended 30 June 2019

Note 3. Income from continuing operations (continued)

Accounting policy for interest and investment revenue

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

\$ '000	Notes	2019	2018
(d) Other revenues			
Rental income – investment property	10	1,944	1,861
Fines		3,251	2,912
Legal fees recovery – other		262	–
Commissions and agency fees		9	20
Insurance claims recoveries		–	22
Other		54	82
Art gallery sponsorship and donations		57	36
FESL implementation		–	2
Legal recoupment		40	44
Workers compensation insurance incentives		180	191
SHOROC Distribution		–	100
<u>TOTAL OTHER REVENUE</u>		<u>5,797</u>	<u>5,270</u>

Accounting policy for other revenue

Council recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the Council and specific criteria have been met for each of the Council's activities as described below. Council bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

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

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

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

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

\$ '000	Operating 2019	Operating 2018	Capital 2019	Capital 2018
(e) Grants				
General purpose (untied)				
Current year allocation				
Financial assistance – general component	668	634	–	–
Financial assistance – local roads component	247	235	–	–
Total general purpose	915	869	–	–
Specific purpose				
Aged care	563	609	–	–
Child care	445	428	–	–
Economic development	–	5	–	–
Environmental programs	72	29	8	–
Heritage and cultural	–	–	–	20
Library – per capita	56	57	–	–

Notes to the Financial Statements

for the year ended 30 June 2019

Note 3. Income from continuing operations (continued)

\$ '000	Operating 2019	Operating 2018	Capital 2019	Capital 2018
Library – special projects	22	27	–	185
LIRS subsidy	47	82	–	–
Recreation and culture	113	142	113	–
Street lighting	105	103	–	–
Transport (roads to recovery)	–	205	–	–
Transport (other roads and bridges funding)	84	6	439	1,178
Total specific purpose	1,507	1,693	560	1,383
Total grants	2,422	2,562	560	1,383
Grant revenue is attributable to:				
– Commonwealth funding	642	996	–	–
– State funding	1,780	1,566	560	1,383
	2,422	2,562	560	1,383

\$ '000	Notes	Operating 2019	Operating 2018	Capital 2019	Capital 2018
(f) Contributions					
Developer contributions: (s7.4 & s7.11 - EP&A Act, s64 of the LGA):					
Cash contributions					
S 7.4 – contributions using planning agreements		485	466	–	–
S 7.12 – fixed development consent levies		–	–	1,491	1,093
Total developer contributions – cash		485	466	1,491	1,093
Total developer contributions	24	485	466	1,491	1,093
Other contributions:					
Cash contributions					
Community services		21	–	–	–
Recreation and culture		6	–	12	18
Roads and bridges		–	–	–	132
RMS contributions (regional roads, block grant)		176	175	–	–
Total other contributions – cash		203	175	12	150
Non-cash contributions					
Recreation and culture		–	–	340	59
Total other contributions – non-cash		–	–	340	59
Total other contributions		203	175	352	209
Total contributions		688	641	1,843	1,302
TOTAL GRANTS AND CONTRIBUTIONS		3,110	3,203	2,403	2,685

Accounting policy for grants and contributions

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 3. Income from continuing operations (continued)

Where grants or contributions recognised as revenues during the financial year were obtained on condition that they be expended in a particular manner, or used over a particular period, and those conditions were un-discharged at reporting date, the unused grant or contribution is disclosed below.

Council has obligations to provide facilities from contribution revenues levied on developers under the provisions of sections 7.4, 7.11 and 7.12 of the *Environmental Planning and Assessment Act 1979*.

While Council generally incorporates these amounts as part of a Development Consents Order, such developer contributions are only recognised as income upon 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 liability is recognised in respect of revenue that is reciprocal in nature to the extent that the requisite service has not been provided at reporting date.

\$ '000	2019	2018
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(g) Unspent grants and contributions

Certain grants and contributions are obtained by Council on condition that they be spent in a specified manner:

Operating grants

Unexpended at the close of the previous reporting period	–	–
Add: operating grants recognised in the current period but not yet spent	37	–
Add: operating grants received for the provision of goods and services in a future period	–	–
Less: operating grants recognised in a previous reporting period now spent	–	–
Unexpended and held as restricted assets (operating grants)	37	–

Unspent Aged and Disability contribution and Art Exhibition funding.

Capital grants

Unexpended at the close of the previous reporting period	1,704	679
Add: capital grants recognised in the current period but not yet spent	–	–
Add: capital grants received for the provision of goods and services in a future period	358	1,411
Less: capital grants recognised in a previous reporting period now spent	(1,664)	(386)
Unexpended and held as restricted assets (capital grants)	398	1,704

Unspent capital grants.

Contributions

Unexpended at the close of the previous reporting period	3,654	5,782
Add: contributions recognised in the current period but not yet spent	1,552	1,680
Add: contributions received for the provision of goods and services in a future period	–	–
Add: contributions recognised as income in the current period obtained in respect of a future rating identified by Council for the purpose of establishing a rate	–	–
Less: contributions recognised in a previous reporting period now spent	(2,657)	(3,808)
Unexpended and held as restricted assets (contributions)	2,549	3,654

Notes to the Financial Statements

for the year ended 30 June 2019

Note 4. Expenses from continuing operations

\$ '000	2019	2018
(a) Employee benefits and on-costs		
Salaries and wages	14,379	13,419
Employee termination costs (where material – other than vested leave paid)	207	–
Travel expenses	431	350
Employee leave entitlements (ELE)	2,068	1,977
Superannuation – defined contribution plans	1,383	1,252
Superannuation – defined benefit plans	283	315
Workers' compensation insurance	214	226
Fringe benefit tax (FBT)	109	71
Training costs (other than salaries and wages)	131	162
Other	12	12
<u>TOTAL EMPLOYEE COSTS EXPENSED</u>	<u>19,217</u>	<u>17,784</u>
Number of 'full-time equivalent' employees (FTE) at year end	169	164
Number of 'full-time equivalent' employees (FTE) at year end (incl. vacancies)	175	175

Accounting policy for employee benefits and on-costs

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

Retirement benefit obligations

All employees of the Council are entitled to benefits on retirement, disability or death. Council contributes to various defined benefit plans and defined contribution plans on behalf of its employees.

Superannuation plans

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

Council participates in an employer-sponsored defined benefit superannuation scheme, and makes contributions as determined by the superannuation scheme's trustees.

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

The Local Government Superannuation Scheme is a defined benefit plan that has been deemed to be a "multi-employer fund" for the purposes of AASB 119 Employee Benefits and accordingly Council has not recorded any net liability from its defined benefit scheme obligations in accordance with AASB 119.

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

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

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

Division B	1.9 times employee contributions for non-180 Point Members; Nil for 180 Point Members*
Division C	2.5% salaries
Division D	1.64 times employee contributions

*For 180 Point Members, Employers are required to contribute 7% of salaries to these members' accumulation accounts, which are paid in addition to members' defined benefits

Notes to the Financial Statements

for the year ended 30 June 2019

Note 4. Expenses from continuing operations (continued)

The past service contribution for each Pooled Employer is a share of the total past service contributions of \$40.0 million per annum from 1 July 2018 for 4 years to 30 June 2021, apportioned according to each employer's share of the accrued liabilities as at 30 June 2018. These past service contributions are used to maintain the adequacy of the funding position for the accrued liabilities

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

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

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

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

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

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

The amount of employer contributions to the defined benefit section of the Fund and recognised as an expense for the year ending 30 June 2019 was \$272,027.15. The last valuation of the Fund was by the Actuary, Mr Richard Boyfield, FIAA on 31 December 2018, relating to the period ended 30 June 2018.

The expected contributions to the Fund for the next annual reporting period are \$276,349.96

The estimated employer reserves financial position for the Pooled Employers at 30 June 2019 is:

Employer reserves only*	\$millions	Asset Coverage
Assets	1,798.7	
Past Service Liabilities	1,784.2	100.8%
Vested Benefits	1,792.0	100.4%

excluding member accounts and reserves in both assets and liabilities.

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

Investment return	5.75% per annum
Salary inflation	3.50% per annum
Increase in CPI	2.50% per annum

The contribution requirements may vary from the current rates if the overall sub-group experience is not in line with the actuarial assumptions in determining the funding program; however, any adjustment to the funding program would be the same for all sponsoring employers in the Pooled Employers group. Please note that the estimated employer reserves financial position above is a preliminary calculation, and once all the relevant information has been received by the Funds Actuary, the 2018 triennial review will be completed around December 2019.

Council's additional lump sum contribution is around 0.33% of the total additional lump sum contributions for all Pooled Employers (of \$40m each year from 1 July 2017 to 30 June 2021) provides an indication of the level of participation of Council compared with other employers in the Pooled Employer sub-group.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 4. Expenses from continuing operations (continued)

\$ '000	2019	2018
(b) Borrowing costs		
(i) Interest bearing liability costs		
Interest on loans	338	402
Total interest bearing liability costs expensed	338	402
Fair value adjustments on recognition of advances and deferred debtors		
<u>TOTAL BORROWING COSTS EXPENSED</u>	<u>338</u>	<u>402</u>

Accounting policy for borrowing costs

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

\$ '000	2019	2018
(c) Materials and contracts		
Raw materials and consumables	161	103
– Aged services	150	127
– Art Gallery and Community Centre	280	235
– Bushcare	375	366
– Childrens Services	139	151
– Cleansing	116	69
– Companion Animal Control	28	29
– Communications and Events	124	158
– Development assessment and urban planning	127	234
– Finance Contractors	35	47
– HR Contractors	–	1
– Infrastructure	2,563	2,327
– Internal audit	82	77
– Library	290	213
– Mosman Rider	1	221
– Parks, gardens and civic spaces	1,945	1,848
– Plant running	72	80
– Recreational facilities	753	679
– Structures	1,334	1,503
– Swim Centre Management	172	169
– Temp Staff and Agency Casuals	306	511
– Waste management	2,965	3,672
– Youth Services	28	23
– Other contractor and consultancy costs	96	86
Auditors remuneration ²	52	56
Infringement notice contract costs (SEINS)	394	350
Legal expenses:		
– Legal expenses: planning and development	224	257
– Legal expenses: Save Mosman campaign	30	55
– Legal expenses: other	219	168
Operating leases:		
– Operating lease rentals: minimum lease payments ¹	142	159
Printing	114	159
<u>TOTAL MATERIALS AND CONTRACTS</u>	<u>13,317</u>	<u>14,133</u>

Notes to the Financial Statements

for the year ended 30 June 2019

Note 4. Expenses from continuing operations (continued)

\$ '000	2019	2018
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Accounting policy for operating leases

Leases in which a significant portion of the risks and rewards of ownership are not transferred to Council as lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

1. Operating lease payments are attributable to:

Computers	142	159
	142	159

2. Auditor remuneration

During the year, the following fees were incurred for services provided by the auditor of Council, related practices and non-related audit firms

Auditors of the Council - NSW Auditor-General:**(i) Audit and other assurance services**

Audit and review of financial statements	52	55
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Remuneration for audit and other assurance services

	52	55
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Total Auditor-General remuneration

	52	55
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Non NSW Auditor-General audit firms**(i) Audit and other assurance services**

Other audit and assurance services	–	1
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Remuneration for audit and other assurance services

	–	1
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Total remuneration of non NSW Auditor-General audit firms

	–	1
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Total Auditor remuneration

	52	56
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\$ '000	Notes	2019	2018
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(d) Depreciation, amortisation and impairment of intangible assets and IPP&E**Depreciation and amortisation**

Plant and equipment	192	186
Office equipment	40	70
Furniture and fittings	14	17
Land improvements (depreciable)	9	8

Infrastructure:

– Buildings – non-specialised	729	592
– Buildings – specialised	502	668
– Roads	2,355	2,342
– Footpaths	248	246
– Stormwater drainage	491	413
– Other open space/recreational assets	820	754

Other assets:

– Library books	236	236
– Other	4	4
Intangible assets	16	16

Notes to the Financial Statements

for the year ended 30 June 2019

Note 4. Expenses from continuing operations (continued)

\$ '000	Notes	2019	2018
TOTAL DEPRECIATION, AMORTISATION AND IMPAIRMENT / REVALUATION DECREMENT FOR INTANGIBLES AND IPP&E			
		5,656	5,552

Accounting policy for depreciation, amortisation and impairment expenses of intangibles and IPP&E**Depreciation and amortisation**

Depreciation and amortisation are calculated using the straight line method to allocate their cost, net of their residual values, over their estimated useful lives. Useful lives are included in Note 10 for IPPE assets and Note 12 for intangible assets.

Depreciation is capitalised where in-house assets have contributed to new assets.

Impairment of non-financial assets

Council assets held at fair value that are not held primarily for their ability to generate net cash flow, and that are deemed to be specialised, are no longer required to be tested for impairment under AASB 136. This is because these assets are assessed on an annual basis to ensure that the carrying amount is not materially different from fair value and therefore an impairment loss would be captured during this assessment.

Intangible assets that have an indefinite useful life, or are not yet available for use, are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets that do not meet the criteria above are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

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

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

\$ '000	2019	2018
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(e) Other expenses

Advertising	222	217
Bad and doubtful debts parking fines	323	147
Bank charges	146	148
Catering	112	104
Computer software charges	1,301	1,071
Contributions/levies to other levels of government		
– Department of planning levy	222	210
– Local Government NSW	40	36
– NSW fire brigade levy	853	921
– Waste levy	963	224
Councillor expenses – mayoral fee	44	39
Councillor expenses – councillors' fees	139	139
Councillors' expenses (incl. mayor) – other (excluding fees above)	14	11
Donations, contributions and assistance to other organisations (Section 356)	200	248
Electricity and heating	403	533
Equipment maintenance	35	15
Insurance	613	806
Leases – photocopiers	122	137
Leases – property	53	52
Postage	87	98

Notes to the Financial Statements

for the year ended 30 June 2019

Note 4. Expenses from continuing operations (continued)

\$ '000	2019	2018
Street lighting	173	120
Subscriptions and publications	132	118
Telephone and communications	83	95
Waste disposal and recycling centre	651	550
Water	193	187
Other	183	285
TOTAL OTHER EXPENSES	7,307	6,511

Accounting policy for other expenses

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

Note 5. Gains or losses from the disposal, replacement and de-recognition of assets

\$ '000	Notes	2019	2018
Property (excl. investment property)			
Proceeds from disposal – property		150	–
Less: carrying amount of property assets sold/written off		(116)	–
Net gain/(loss) on disposal		34	–
Plant and equipment			
	9		
Proceeds from disposal – plant and equipment		19	26
Less: carrying amount of plant and equipment assets sold/written off		(5)	(32)
Net gain/(loss) on disposal		14	(6)
Infrastructure			
	9		
Less: carrying amount of infrastructure assets sold/written off		(917)	(1,235)
Net gain/(loss) on disposal		(917)	(1,235)
Investments			
	6(b)		
Proceeds from disposal/redemptions/maturities – investments		23,000	36,000
Less: carrying amount of investments sold/redeemed/matured		(23,000)	(36,000)
Net gain/(loss) on disposal		–	–
NET GAIN/(LOSS) ON DISPOSAL OF ASSETS		(869)	(1,241)

Accounting policy for disposal of assets

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

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 6(a). Cash and cash equivalent assets

\$ '000	2019	2018
Cash and cash equivalents		
Cash on hand and at bank	861	993
Cash-equivalent assets		
– Deposits at call	1,000	2,000
– Short-term deposits	10,000	9,000
Total cash and cash equivalents	11,861	11,993

Accounting policy for cash and cash equivalents

For Statement of Cash Flow presentation purposes, cash and cash equivalents include: cash on hand; deposits held at call with financial institutions; other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value; and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the Statement of Financial Position.

Note 6(b). Investments

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
Investments				
a. 'Financial assets at fair value through profit and loss'				
b. 'Financial assets at amortised cost' / 'held to maturity' (2018)	3,000	–	4,000	–
Total Investments	3,000	–	4,000	–
TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS	14,861	–	15,993	–
Financial assets at amortised cost / held to maturity (2018)				
Long term deposits	3,000	–	4,000	–
Total	3,000	–	4,000	–

Accounting policy for investments**Accounting policy under AASB 9 – applicable from 1 July 2018**

Financial instruments are recognised initially on the date that the Council becomes party to the contractual provisions of the instrument.

On initial recognition, all financial instruments are measured at fair value plus transaction costs (except for instruments measured at fair value through profit or loss where transaction costs are expensed as incurred).

Financial assets

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Classification

On initial recognition, Council classifies its financial assets into the following categories – those measured at:

- amortised cost
- fair value through profit or loss (FVTPL)
- fair value through other comprehensive income – equity instrument (FVOCI-equity)

Financial assets are not reclassified subsequent to their initial recognition.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 6(b). Investments (continued)

Amortised cost

Assets measured at amortised cost are financial assets where:

- the business model is to hold assets to collect contractual cash flows, and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Council's financial assets measured at amortised cost comprise trade and other receivables and cash and cash equivalents in the Statement of Financial Position.

Subsequent to initial recognition, these assets are carried at amortised cost using the effective interest rate method less provision for impairment.

Interest income, impairment and gains or loss on de-recognition are recognised in profit or loss.

Financial assets through profit or loss

All financial assets not classified as measured at amortised cost or fair value through other comprehensive income as described above are measured at fair value through profit or loss.

Net gains or losses, including any interest or dividend income, are recognised in profit or loss.

Accounting policy under AASB 139 – applicable for 2018 comparatives only

Classification

Council classifies its financial assets in the following categories: financial assets at fair value through profit or loss; loans and receivables; held-to-maturity investments; and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and, in the case of assets classified as held-to-maturity, re-evaluates this designation at each reporting date.

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

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. Assets in this category are held at fair value with changes in value taken through profit or loss at each reporting period.

(b) Held to maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that Council's management has the positive intention and ability to hold to maturity. Assets in this category are measured at amortised cost.

(c) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the reporting date which are classified as non-current assets. Loans and receivables are included in other receivables (Note 7) and receivables (Note 7) in the Statement of Financial Position. Receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Receivables are generally due for settlement within 30 days.

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

Recognition and de-recognition

Regular purchases and sales of financial assets are recognised on trade-date: the date on which Council commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the income statement. Investments are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and Council has transferred substantially all the risks and rewards of ownership.

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 6(b). Investments (continued)

Impairment of financial assets

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

Impairment of available for sale investments

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

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

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
Total cash, cash equivalents and investments	14,861	–	15,993	–
attributable to:				
External restrictions	5,260	–	5,935	–
Internal restrictions	8,344	–	8,936	–
Unrestricted	1,257	–	1,122	–
	14,861	–	15,993	–

\$ '000	2019	2018
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Details of restrictions

External restrictions – other

Developer contributions – general	2,663	3,654
Specific purpose unexpended grants	435	684
Domestic waste management	2,162	1,597
External restrictions – other	5,260	5,935

Total external restrictions

5,260	5,935
--------------	--------------

Internal restrictions

Deposits, retentions and bonds	3,430	3,200
Unspent Loan	2,400	–
Employees leave entitlement	1,049	1,049
Swim centre	870	722
Capital works reserve	500	2,500
Plant and vehicle replacement	95	90
Balmoral promenade works	–	950
Spit East erosion works	–	350
Other (Balmoral Shade Structure)	–	75

Total internal restrictions

8,344	8,936
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TOTAL RESTRICTIONS

13,604	14,871
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Notes to the Financial Statements

for the year ended 30 June 2019

Note 7. Receivables

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
Purpose				
Rates and annual charges	698	163	471	144
Interest and extra charges	60	–	59	–
User charges and fees	1,428	–	1,999	–
Accrued revenues				
– Interest on investments	20	–	74	–
– Other income accruals	552	–	764	–
Government grants and subsidies	355	–	1,266	–
Loans to non-profit organisations	–	9	–	9
Net GST receivable	291	–	336	–
Total	3,404	172	4,969	153
Less: provision of impairment				
User charges and fees	(93)	–	(108)	–
Other debtors	(181)	–	(286)	–
Total provision for impairment – receivables	(274)	–	(394)	–
TOTAL NET RECEIVABLES	3,130	172	4,575	153
Unrestricted receivables	2,917	172	3,400	153

\$ '000	2019	2018
Movement in provision for impairment of receivables		
Balance at the beginning of the year (calculated in accordance with AASB 139)	394	403
+ new provisions recognised during the year	–	28
– amounts already provided for and written off this year	–	(37)
Balance at the end of the period	394	394

Accounting policy for receivables

Recognition and measurement

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

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

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

Accounting policy under AASB 139 – applicable for 2018 comparatives only

For loans and receivables, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss.

Collectability of receivables is reviewed on an ongoing basis. Debts that are known to be uncollectable are written off by reducing the carrying amount directly. An allowance account (provision for impairment of receivables) is used when there is objective evidence that the Council will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the receivable is impaired.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 7. Receivables (continued)

When a receivable for which an impairment allowance had been recognised becomes uncollectable in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in the Income Statement.

Rates and annual charges outstanding are secured against the property.

Note 8. Inventories and other assets

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
(a) Inventories				
(i) Inventories at cost				
Stores and materials	29	—	95	—
Trading stock	44	—	39	—
Total inventories at cost	73	—	134	—
<u>TOTAL INVENTORIES</u>	<u>73</u>	<u>—</u>	<u>134</u>	<u>—</u>

(b) Other assets

Prepayments	38	—	59	—
<u>TOTAL OTHER ASSETS</u>	<u>38</u>	<u>—</u>	<u>59</u>	<u>—</u>

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
Total internally restricted assets	—	—	—	—
Total unrestricted assets	111	—	193	—
TOTAL INVENTORIES AND OTHER ASSETS	111	—	193	—

(i) Other disclosures

(Valued at the lower of cost and net realisable value)

(b) Current assets not anticipated to be settled within the next 12 months

The following inventories and other assets, even though classified as current are not expected to be recovered in the next 12 months;

—	—
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Accounting policy for inventories and other assets**Raw materials and stores, work in progress and finished goods**

Raw materials and stores, work in progress and finished goods are stated at the lower of cost and net realisable value. Costs are assigned to individual items of inventory on the basis of weighted average costs. Costs of purchased inventory are determined

Notes to the Financial Statements

for the year ended 30 June 2019

Note 8. Inventories and other assets (continued)

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

Inventory held for distribution

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 9. Infrastructure, property, plant and equipment

\$ '000	as at 30/6/2018			Asset movements during the reporting period						as at 30/6/2019		
	Gross carrying amount	Accumulated depreciation	Net carrying amount	Additions renewals ⁽¹⁾	Additions new assets	Carrying value of disposals	Depreciation expense	WIP transfers	Revaluation decrements to equity (ARR)	Gross carrying amount	Accumulated depreciation	Net carrying amount
Capital work in progress	2,270	–	2,270	508	145	(33)	–	(1,887)	–	1,003	–	1,003
Plant and equipment	1,385	(635)	750	191	24	(5)	(192)	–	–	1,483	(715)	768
Office equipment	89	–	89	117	109	–	(40)	–	–	632	(357)	275
Furniture and fittings	337	(255)	82	2	–	(21)	(14)	–	–	228	(179)	49
Art collection	5,420	–	5,420	–	392	–	–	–	–	5,812	–	5,812
Land:												
– Operational land	152,156	–	152,156	–	–	(116)	–	–	–	152,040	–	152,040
– Community land	26,721	–	26,721	–	–	–	–	–	–	26,721	–	26,721
– Crown land	35,769	–	35,769	–	–	–	–	–	–	35,769	–	35,769
Land improvements – depreciable	820	(124)	696	105	–	–	(9)	–	–	926	(134)	792
Infrastructure:												
– Buildings – non-specialised	53,500	(22,369)	31,131	4,537	394	(513)	(729)	426	–	53,894	(18,648)	35,246
– Buildings – specialised	24,781	(8,844)	15,937	62	–	(7)	(502)	–	–	24,781	(9,291)	15,490
– Roads	190,984	(85,374)	105,610	1,443	2,577	(103)	(2,355)	798	–	194,359	(86,389)	107,970
– Footpaths	20,577	(5,927)	14,650	524	–	(27)	(248)	–	–	20,577	(5,678)	14,899
– Stormwater drainage	66,136	(15,763)	50,373	292	–	(8)	(491)	314	(1,118)	69,021	(19,659)	49,362
– Other open space/recreational assets	50,822	(18,122)	32,700	2,042	29	(85)	(820)	349	(3,507)	46,145	(15,437)	30,708
Other assets:												
– Heritage collections	13	–	13	–	–	–	–	–	–	13	–	13
– Library books	1,913	(1,125)	788	230	–	–	(236)	–	–	1,652	(870)	782
– Other	49	(10)	39	–	–	–	(4)	–	–	62	(27)	35
Total Infrastructure, property, plant and equipment	633,742	(158,548)	475,194	10,053	3,670	(918)	(5,640)	–	(4,625)	635,118	(157,384)	477,734

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

Notes to the Financial Statements

for the year ended 30 June 2019

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

\$ '000	as at 30/6/2017			Asset movements during the reporting period								as at 30/6/2018		
	Gross carrying amount	Accumulated depreciation	Net carrying amount	Additions renewals ¹	Additions new assets	Carrying value of disposals	Depreciation expense	WIP transfers	Adjustments and transfers	Revaluation decrements to equity (ARR)	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation	Net carrying amount
Capital work in progress	993	–	993	1,782	33	(16)	–	(522)	–	–	–	2,270	–	2,270
Plant and equipment	2,135	(1,183)	952	146	33	(31)	(186)	–	(164)	–	–	1,385	(635)	750
Office equipment	1,030	(888)	142	23	–	–	(70)	–	(6)	–	–	89	–	89
Furniture and fittings	354	(272)	82	17	–	–	(17)	–	–	–	–	337	(255)	82
Art collection	5,311	–	5,311	–	109	–	–	–	–	–	–	5,420	–	5,420
Land:														
– Operational land	113,024	–	113,024	–	–	–	–	–	(276)	–	39,408	152,156	–	152,156
– Community land	26,445	–	26,445	–	–	–	–	–	276	–	–	26,721	–	26,721
Land improvements – depreciable	772	(116)	656	48	–	–	(8)	–	–	–	–	820	(124)	696
– Crown land	35,769	–	35,769	–	–	–	–	–	–	–	–	35,769	–	35,769
Infrastructure:														
– Buildings – non-specialised	45,934	(18,174)	27,760	147	–	(509)	(592)	31	–	–	4,294	53,500	(22,369)	31,131
– Buildings – specialised	21,824	(7,452)	14,372	450	–	(23)	(668)	–	156	–	1,650	24,781	(8,844)	15,937
– Roads	214,182	(96,673)	117,509	1,436	81	(293)	(2,342)	80	164	(11,025)	–	190,984	(85,374)	105,610
– Footpaths	18,441	(5,102)	13,339	1,160	179	(146)	(246)	–	–	–	364	20,577	(5,927)	14,650
– Stormwater drainage	65,860	(15,510)	50,350	504	–	(68)	(413)	–	–	–	–	66,136	(15,763)	50,373
– Other open space/recreational assets	47,194	(17,250)	29,944	2,646	1,005	(181)	(754)	411	(150)	(221)	–	50,822	(18,122)	32,700
Other assets:														
– Heritage collections	23	(10)	13	–	–	–	–	–	–	–	–	13	–	13
– Library books	2,598	(1,826)	772	252	–	–	(236)	–	–	–	–	1,913	(1,125)	788
– Other	60	(17)	43	–	–	–	(4)	–	–	–	–	49	(10)	39
Total Infrastructure, property, plant and equipment	601,949	(164,473)	437,476	8,611	1,440	(1,267)	(5,536)	–	–	(11,246)	45,716	633,742	(158,548)	475,194

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

Notes to the Financial Statements

for the year ended 30 June 2019

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

Accounting policy for infrastructure, property, plant and equipment

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

Increases in the carrying amounts arising on revaluation are credited to the revaluation reserve. To the extent that the increase reverses a decrease previously recognising profit or loss relating to that asset class, the increase is first recognised as profit or loss. Decreases that reverse previous increases of assets in the same class are first charged against revaluation reserves directly in equity to the extent of the remaining reserve attributable to the class; all other decreases are charged to the Income Statement.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to Council and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the Income Statement during the financial period in which they are incurred.

When infrastructure, property, plant and equipment are acquired by Council for nil or nominal consideration, the assets are initially recognised at their fair value at acquisition date.

Land is not depreciated. The property, plant and equipment acquired under finance leases is depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the Council will obtain ownership at the end of the lease term. Depreciation on other assets is calculated using the straight-line method to allocate their cost, net of their residual values, over their estimated useful lives as follows:

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

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

Land under roads

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2019

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

Crown reserves

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

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

Note 10. Investment property

\$ '000	2019	2018
(a) Investment property at fair value		
Investment property on hand	48,845	46,950
Reconciliation of annual movement:		
Opening balance	46,950	46,695
– Capitalised expenditure – this year	66	66
– Net gain/(loss) from fair value adjustments	1,829	189
CLOSING BALANCE – INVESTMENT PROPERTY	48,845	46,950

(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 2019 revaluations were based on independent assessments made by:
Scott Fullarton Valuations Pty Ltd Valuer Scott Fullarton - Certified Practising Valuer - API Membership No. 67557

(c) Contractual obligations at reporting date

Refer to Note 18 for disclosures relating to any capital and service obligations that have been contracted.

(d) Leasing arrangements – Council as lessor

The investment properties are leased to tenants under long-term operating leases with rentals payable monthly.

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

Within 1 year	1,740	1,895
Later than 1 year but less than 5 years	1,618	3,295
Later than 5 years	251	330
Total minimum lease payments receivable	3,609	5,520

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.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 10. Investment property (continued)

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

(e) Investment property income and expenditure – summary

Rental income from investment property:

– Minimum lease payments	1,944	1,861
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Direct operating expenses on investment property:

– that generated rental income	(69)	(23)
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Net revenue contribution from investment property	1,875	1,838
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plus:

Fair value movement for year	1,829	189
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Total income attributable to investment property	3,704	2,027
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Accounting policy for investment property

Investment property, principally comprising freehold office buildings, is held for long-term rental yields and is not occupied by the Council. Changes in fair values are recorded in the Income Statement as a separate line item.

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

Note 11. Intangible assets

\$ '000	2019	2018
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Intangible assets are as follows:

Opening values at 1 July

Gross book value	392	392
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Accumulated amortisation	(140)	(125)
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Net book value – opening balance	252	267
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Movements for the year

– Amortisation charges	(16)	(16)
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Closing values at 30 June

Gross book value	392	392
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Accumulated amortisation	(157)	(140)
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TOTAL INTANGIBLE ASSETS – NET BOOK VALUE	235	252
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The net book value of intangible assets represents:

– rights to participate in Kimbriki Environmental Enterprises Pty Ltd	235	251
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	235	251
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Notes to the Financial Statements

for the year ended 30 June 2019

Note 11. Intangible assets (continued)

Accounting policy for intangible assets

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

Note 12. Payables and borrowings

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
Payables				
Goods and services – operating expenditure	1,311	–	1,075	–
Goods and services – capital expenditure	788	–	1,540	–
Accrued expenses:				
– Borrowings	37	–	48	–
– Salaries and wages	63	–	56	–
– Other expenditure accruals	41	–	49	–
Security bonds, deposits and retentions	8,579	–	7,858	–
Total payables	10,819	–	10,626	–
Income received in advance				
Payments received in advance	653	–	612	–
Total income received in advance	653	–	612	–
Borrowings				
Loans – secured ¹	1,598	6,756	1,383	5,954
Total borrowings	1,598	6,756	1,383	5,954
<u>TOTAL PAYABLES AND BORROWINGS</u>	<u>13,070</u>	<u>6,756</u>	<u>12,621</u>	<u>5,954</u>

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

Disclosures on liability interest rate risk exposures, fair value disclosures and security can be found in Note 20.

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
Externally restricted assets				
Domestic waste management	288	–	288	–
Current borrowings funded by S94	440	–	277	–
Payables and borrowings relating to externally restricted assets	728	–	565	–
Total payables and borrowings relating to restricted assets	728	–	565	–
Total payables and borrowings relating to unrestricted assets	12,342	6,756	12,056	5,954
<u>TOTAL PAYABLES AND BORROWINGS</u>	<u>13,070</u>	<u>6,756</u>	<u>12,621</u>	<u>5,954</u>

Notes to the Financial Statements

for the year ended 30 June 2019

Note 12. Payables and borrowings (continued)

\$ '000	2019	2018
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(a) Current payables and borrowings not anticipated to be settled within the next twelve months

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

Payables – security bonds, deposits and retentions	6,330	6,330
Total payables and borrowings	6,330	6,330

(b) Changes in liabilities arising from financing activities

	as at 30/6/2018					as at 30/6/2019
\$ '000	Opening Balance	Cash flows	Non-cash acquisitions	Non-cash fair value changes	Other non-cash movements	Closing balance
Loans – secured	7,337	1,017	–	–	–	8,354
TOTAL	7,337	1,017	–	–	–	8,354

	as at 30/6/2017					as at 30/6/2018
\$ '000	Opening Balance	Cash flows	Non-cash acquisitions	Non-cash fair value changes	Other non-cash movements	Closing balance
Loans – secured	8,219	(882)	–	–	–	7,337
TOTAL	8,219	(882)	–	–	–	7,337

\$ '000	2019	2018
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(c) Financing arrangements**(i) Unrestricted access was available at balance date to the following lines of credit:**

Bank overdraft facilities ¹	90	90
Credit cards/purchase cards	55	55
Total financing arrangements	145	145

Undrawn facilities as at balance date:

– Bank overdraft facilities	90	90
– Credit cards/purchase cards	36	55
Total undrawn financing arrangements	126	145

Additional financing arrangements information**Breaches and defaults**

During the current and prior year, there were no defaults or breaches on any of the loans.

Security over loans

Loans are secured against rates income

Bank overdrafts

Notes to the Financial Statements

for the year ended 30 June 2019

Note 12. Payables and borrowings (continued)

The bank overdraft is secured by a mortgage over rates revenue

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

Accounting policy for payables and borrowings

Council measures all financial liabilities initially at fair value less transaction costs, subsequently financial liabilities are measured at amortised cost using the effective interest rate method.

The financial liabilities of the Council comprise trade payables, bank and other loans.

Payables

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

Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the Income Statement over the period of the borrowings using the effective-interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the drawdown occurs. To the extent that there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

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

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

Note 13. Provisions

	2019 Current	2019 Non-current	2018 Current	2018 Non-current
\$ '000				
Provisions				
Employee benefits				
Annual leave	1,778	–	1,673	–
Long service leave	3,128	308	3,297	277
Sub-total – aggregate employee benefits	4,906	308	4,970	277
TOTAL PROVISIONS	4,906	308	4,970	277

\$ '000	2019	2018
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Current provisions not anticipated to be settled within the next twelve months

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

Provisions – employees benefits	3,252	3,249
	3,252	3,249

Notes to the Financial Statements

for the year ended 30 June 2019

Note 13. Provisions (continued)

Accounting policy for provisions

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

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date. The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

Employee benefits

Short-term obligations

Liabilities for wages and salaries (including non-monetary benefits, annual leave and accumulating sick leave expected to be wholly settled within 12 months after the end of the period in which the employees render the related service) are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liability for annual leave and accumulating sick leave is recognised in the provision for employee benefits. All other short-term employee benefit obligations are presented as payables.

Other long-term employee benefit obligations

The liability for long-service leave and annual leave that is not expected to be wholly settled within 12 months after the end of the period in which the employees render the related service is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using market yields at the end of the reporting period on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

On-costs

The employee benefit provisions include the aggregate on-cost liabilities that will arise when payment of current employee benefits is made in future periods.

These amounts include superannuation, payroll tax and workers compensation expenses which will be payable upon the future payment of certain leave liabilities which employees are entitled to at the reporting period.

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

Notes to the Financial Statements

for the year ended 30 June 2019

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

(a) Nature and purpose of reserves

Infrastructure, property, plant and equipment revaluation reserve

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

(b) Changes in accounting policies due to adoption of new accounting standards (not-retrospective)

During the year, Council adopted a number of new accounting standards. The impact of the adoption and associated transition disclosures are shown below.

The Council has adopted AASB 9 Financial Instruments for the first time in the current year with a date of initial adoption of 1 July 2017. As part of the adoption of AASB 9, the Council adopted consequential amendments to other accounting standards arising from the issue of AASB 9 as follows:

- AASB 101 Presentation of Financial Statements requires the impairment of financial assets to be presented in a separate line item in the income statement. In prior year, this information was presented as part of other expenses.
- AASB 7 Financial Instruments: Disclosures requires amended disclosures due to changes arising from AASB 9. These disclosures have been provided for the current year.

The key changes to Council's accounting policy and the impact on these financial statements from applying AASB 9 are described below.

Changes in accounting policies resulting from the adoption of AASB 9 have been applied retrospectively except Council has not restated any amounts relating to classification and measurement requirements, including impairment, which have been applied from 1 July 2018.

Classification of financial assets

The financial assets of Council have been reclassified into one of the following categories on adoption of AASB 9, based primarily on the business model in which a financial asset is managed and its contractual cash flow characteristics are:

- measured at amortised cost
- fair value through profit or loss
- fair value through other comprehensive income – equity instruments

Measurement of equity instruments

All equity instruments of the Council are measured at fair value under AASB 9 whereas there was a cost exception under AASB 139 that allowed certain unlisted investments to be carried at amortised cost in the absence of a reliable measurement of fair value. Any difference in the previous carrying amount and the fair value is recognised in the opening retained earnings (or other component of equity, as appropriate) at 1 July 2018.

Equity instruments are no longer subject to impairment testing and therefore all movements on equity instruments, classified as fair value through other comprehensive income, are taken to the relevant reserve.

Impairment of financial assets

The incurred loss model from AASB 139 has been replaced with an expected credit loss model in AASB 9 for assets measured at amortised cost. This has resulted in the earlier recognition of credit loss (bad debt provisions).

Transition adjustments

The table below illustrates the classification and measurement of financial assets and liabilities under AASB 9 and AASB 139 at 1 July 2018.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 15. Statement of cash flows - additional information

\$ '000	Notes	2019	2018
(a) Reconciliation of cash assets			
Total cash and cash equivalent assets	6(a)	11,861	11,993
Balance as per the Statement of Cash Flows		11,861	11,993

(b) Reconciliation of net operating result to cash provided from operating activities

Net operating result from Income Statement	5,319	3,774
Adjust for non-cash items:		
Depreciation and amortisation	5,656	5,552
Net losses/(gains) on disposal of assets	869	1,241
Non-cash capital grants and contributions	(340)	(59)
Losses/(gains) recognised on fair value re-measurements through the P&L:		
– investment property	(1,829)	(189)
Share of net (profits)/losses of associates/joint ventures using the equity method	(132)	(155)
+/- Movement in operating assets and liabilities and other cash items:		
Decrease/(increase) in receivables	1,546	(810)
Increase/(decrease) in provision for impairment of receivables	(120)	(9)
Decrease/(increase) in inventories	61	(5)
Decrease/(increase) in other current assets	21	139
Increase/(decrease) in payables	236	(562)
Increase/(decrease) in accrued interest payable	(11)	11
Increase/(decrease) in other accrued expenses payable	(1)	52
Increase/(decrease) in other liabilities	762	(153)
Increase/(decrease) in provision for employee benefits	(33)	216
Net cash provided from/(used in) operating activities from the Statement of Cash Flows	12,004	9,043

(c) Non-cash investing and financing activities

Other dedications artworks	340	59
Total non-cash investing and financing activities	340	59

Notes to the Financial Statements

for the year ended 30 June 2019

Note 16. Interests in other entities

\$ '000	Council's share of net income		Council's share of net assets	
	2019	2018	2019	2018
Joint ventures	–	(9)	10	10
Associates	132	164	1,089	956
Total	132	155	1,099	966

(a) Joint arrangements

(i) Joint ventures

The following information is provided for joint ventures that are individually material to the Council. Included are the total amounts as per the joint venture financial statements, adjusted for fair-value adjustments at acquisition date and differences in accounting policies, rather than the Council's share.

(a) Net carrying amounts – Council's share

\$ '000	Nature of relationship	Measurement method	2019	2018
Shorelink Library Network	Joint Venture	Equity	10	10
Total carrying amounts – material joint ventures			10	10

(b) Details

Principal activity		Place of business
Shorelink Library Network	Sharing of Library Infrastructure	North Sydney, NSW

(c) Relevant interests and fair values

\$ '000	Quoted fair value		Interest in outputs		Interest in ownership		Proportion of voting power	
	2019	2018	2019	2018	2019	2018	2019	2018
Shorelink Library Network	10	10	25.8%	17.0%	33.3%	23.0%	33.3%	25.0%

(d) Summarised financial information for joint ventures

\$ '000	Shorelink Library Network	
	2019	2018
Statement of financial position		
Current assets		
Cash and cash equivalents	80	141
Other current assets	2	10
Non-current assets	–	2
Current liabilities		
Other current liabilities	52	111
Net assets	30	42

Notes to the Financial Statements

for the year ended 30 June 2019

Note 16. Interests in other entities (continued)

\$ '000	Shorelink Library Network	
	2019	2018
Reconciliation of the carrying amount		
Opening net assets (1 July)	42	137
Profit/(loss) for the period	–	(55)
Other (distribution to Willoughby Council, former member)	(10)	(40)
Closing net assets	32	42
Council's share of net assets (%)	33.3%	22.6%
Council's share of net assets (\$)	10	10
Statement of comprehensive income		
Income	372	577
Depreciation and amortisation	(2)	(3)
Other expenses	(370)	(628)
Profit/(loss) from continuing operations	–	(54)
Profit/(loss) for the period	–	(54)
Total comprehensive income	–	(54)
Share of income – Council (%)	25.8%	17.2%
Profit/(loss) – Council (\$)	–	(9)
Total comprehensive income – Council (\$)	–	(9)
Summarised Statement of cash flows		
Cash flows from operating activities	(50)	(42)
Cash flows from investing activities	–	(40)
Cash flows from financing activities	(10)	–
Net increase (decrease) in cash and cash equivalents	(60)	(82)

Accounting policy for joint arrangements

The council has determined that it has only joint ventures

Joint ventures:

Interests in joint ventures are accounted for using the equity method in accordance with *AASB128 Investments in Associates and Joint Ventures*.

Under this method, the investment is initially recognised as a cost and the carrying amount is increased or decreased to recognise the Council's share of the profit or loss and other comprehensive income of the joint venture after the date of acquisition.

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

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

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

(b) Associates

Notes to the Financial Statements

for the year ended 30 June 2019

Note 16. Interests in other entities (continued)

The following information is provided for associates that are individually material to the Council. Included are the amounts as per the individual associates' financial statements, adjusted for fair-value adjustments at acquisition date and differences in accounting policies, rather than the Council's share.

(a) Net carrying amounts – Council's share

\$ '000	Nature of relationship	Measurement method	2019	2018
Kimbriki Environmental Enterprises P/L	Associate	Equity	1,088	956
Total carrying amounts – material associates			1,088	956

(b) Details

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

(c) Relevant interests and fair values

\$ '000	Quoted fair value		Interest in outputs		Interest in ownership		Proportion of voting power	
	2019	2018	2019	2018	2019	2018	2019	2018
Kimbriki Environmental Enterprises P/L	1,088	–	4%	4%	4%	4%	50%	50%

(d) Summarised financial information for associates

\$ '000	Kimbriki Environmental Enterprises P/L	
	2019	2018
Statement of financial position		
Current assets		
Cash and cash equivalents	2,246	2,633
Other current assets	20,024	16,631
Non-current assets	20,663	17,726
Current liabilities		
Other current liabilities	5,863	5,430
Non-current liabilities		
Non-current financial liabilities (excluding trade and other payables and provisions)	8,725	6,657
Net assets	28,345	24,903
Reconciliation of the carrying amount		
Opening net assets (1 July)	24,903	20,641
Profit/(loss) for the period	3,442	4,262
Closing net assets	28,345	24,903
Council's share of net assets (%)	4%	4%
Council's share of net assets (\$)	1,088	956

Notes to the Financial Statements

for the year ended 30 June 2019

Note 16. Interests in other entities (continued)

\$ '000	Kimbriki Environmental Enterprises P/L	
	2019	2018
Statement of comprehensive income		
Income	34,995	35,254
Interest income	415	146
Depreciation and amortisation	(14,358)	(1,268)
Other expenses	(17,610)	(29,870)
Profit/(loss) from continuing operations	3,442	4,262
Profit/(loss) for period	3,442	4,262
Total comprehensive income	3,442	4,262
Share of income – Council (%)	4%	4%
Profit/(loss) – Council (\$)	132	164
Total comprehensive income – Council (\$)	132	164

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

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

Accounting policy for associates

Interests in associates are accounted for using the equity method in accordance with *AASB128 Investments in Associates and Joint Ventures*.

Under this method, the investment is initially recognised as a cost and the carrying amount is increased or decreased to recognise the Council's share of the profit or loss and other comprehensive income of the investee after the date of acquisition.

If the Council's share of losses of an associate equals or exceeds its interest in the associate, the Council discontinues recognising its share of further losses.

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

Adjustments are made to the associates accounting policies where they are different from those of the Council for the purposes of the consolidated financial statements.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 17. Commitments

\$ '000	2019	2018
---------	------	------

(a) Capital commitments (exclusive of GST)

Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:

Property, plant and equipment

Unspent Specific Purpose Capital Grants	398	1,704
Other (Capital Works)	–	836
Total commitments	398	2,540

These expenditures are payable as follows:

Within the next year	398	2,540
Total payable	398	2,540

Details of capital commitments

Council is obliged to perform certain capital works because it is holding unspent grants:

\$185,000 Balmoral Jetty works
 \$162,000 Drill Hall netball courts lighting
 \$51,000 BLINE tree replacement grant

(b) Operating lease commitments (non-cancellable)

a. Commitments under non-cancellable operating leases at the reporting date, but not recognised as liabilities are payable:

Within the next year	191	199
Later than one year and not later than 5 years	188	254
Total non-cancellable operating lease commitments	379	453

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 finance and operating leases:

- All agreements are secured only against the leased asset.
- No lease agreements impose any financial restrictions on Council regarding future debt etc.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 18. Contingencies and other assets/liabilities not recognised

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

LIABILITIES NOT RECOGNISED

1. Guarantees

(ii) Statewide Limited

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

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

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

(iii) StateCover Limited

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

StateCover is a company providing workers compensation insurance cover to the NSW local government industry and specifically Council.

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

These future equity contributions would be required to maintain the company's minimum level of net assets in accordance with its licence requirements.

(iv) Other guarantees

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

2. Other liabilities

(i) Third party claims

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

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

ASSETS NOT RECOGNISED

(ii) Infringement notices/fines

Fines and penalty income, the result of Council issuing infringement notices is followed up and collected by the Infringement Processing Bureau.

Council's revenue recognition policy for such income is to account for it as revenue on receipt.

Accordingly, at year end, there is a potential asset due to Council representing issued but unpaid infringement notices.

Due to the limited information available on the status, value and duration of outstanding notices, Council is unable to determine the value of outstanding income.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 19. 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.

\$ '000	Carrying value 2019	Carrying value 2018	Fair value 2019	Fair value 2018
Financial assets				
Measured at amortised cost				
Cash and cash equivalents	11,861	11,993	11,861	11,993
Receivables	3,302	4,728	3,289	4,427
Investments				
– 'Financial assets at amortised cost' / 'held to maturity'	3,000	4,000	3,000	4,000
Total financial assets	18,163	20,721	18,150	20,420
Financial liabilities				
Payables	10,819	10,626	10,742	10,403
Loans/advances	8,354	7,337	8,354	7,337
Total financial liabilities	19,173	17,963	19,096	17,740

Fair value is determined as follows:

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

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

Council's finance area manages the cash and Investments portfolio.

Council has an investment policy which complies with the Local Government Act 1993 and Minister's investment order 625. 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 as required by Local Government regulations.

The risks associated with the instruments 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.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 19. Financial risk management (continued)

- **Liquidity risk** – the risk that Council will not be able to pay its debts as and when they fall due.
- **Credit risk** – the risk that the investment counterparty will not complete their obligations particular to a financial instrument, resulting in a financial loss to Council – be it of a capital or income nature.

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

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

The impact on result for the year and equity of a reasonably possible movement in the price of investments held and interest rates is shown below. The reasonably possible movements were determined based on historical movements and economic conditions in place at the reporting date.

\$ '000	Increase of values/rates		Decrease of values/rates	
	Profit	Equity	Profit	Equity
2019				
Possible impact of a 1% movement in interest rates	140	140	(140)	140
2018				
Possible impact of a 1% movement in interest rates	175	175	(175)	(175)

(b) Credit risk

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

Council manages the credit risk associated with these receivables by monitoring outstanding debt and employing stringent debt recovery procedures.

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

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

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

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

Credit risk profile

Receivables – rates and annual charges

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

\$ '000	Not yet overdue	< 1 year overdue	1 - 2 years overdue	2 - 5 years overdue	> 5 years overdue	Total
2019						
Gross carrying amount	–	861	–	–	–	861
2018						
Gross carrying amount	–	615	–	–	–	615

Notes to the Financial Statements

for the year ended 30 June 2019

Note 19. Financial risk management (continued)

Receivables - non-rates and annual charges

Council applies the simplified approach for non-rates and annual charges debtors to provide for expected credit losses prescribed by AASB 9, which permits the use of the lifetime expected loss provision. To measure the expected credit losses, non-rates and annual charges debtors have been grouped based on shared credit risk characteristics and the days past due.

The loss allowance provision as at 30 June 2019 is determined as follows. The expected credit losses incorporate forward-looking information.

\$ '000	Not yet overdue	0 - 30 days overdue	31 - 60 days overdue	61 - 90 days overdue	> 91 days overdue	Total
2019						
Gross carrying amount	2,076	89	42	108	400	2,715
Expected loss rate (%)	4.91%	9.52%	11.07%	12.72%	14.65%	6.90%
ECL provision	102	8	5	14	59	188
2018						
Gross carrying amount	3,135	633	111	16	612	4,507
Expected loss rate (%)	4.91%	9.52%	11.07%	12.72%	14.06%	6.98%
ECL provision	154	60	12	2	86	314

(c) Liquidity risk

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

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

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

Borrowings are also subject to interest rate risk – the risk that movements in interest rates could adversely affect funding costs and debt servicing requirements. Council manages this risk through diversification of borrowing types, maturities and interest rate structures. The finance team regularly reviews interest rate movements to determine if it would be advantageous to refinance or renegotiate part or all of the loan portfolio.

The timing of cash flows presented in the table below to settle financial liabilities reflects the earliest contractual settlement dates. The timing of expected outflows is not expected to be materially different from contracted cashflows.

The amounts disclosed in the table are the undiscounted contracted cash flows and therefore the balances in the table may not equal the balances in the statement of financial position due to the effect of discounting.

\$ '000	Weighted average interest rate	Subject to no maturity	≤ 1 Year	payable in: 1 - 5 Years	> 5 Years	Total cash outflows	Actual carrying values
2019							
Trade/other payables	0.00%	8,579	2,163	–	–	10,742	10,819
Loans and advances	4.37%	–	1,939	5,216	2,422	9,577	8,354
Total financial liabilities		8,579	4,102	5,216	2,422	20,319	19,173
2018							
Trade/other payables	0.00%	7,858	2,768	–	–	10,626	10,626
Loans and advances	5.25%	–	1,722	5,234	1,558	8,514	7,337
Total financial liabilities		7,858	4,490	5,234	1,558	19,140	17,963

Notes to the Financial Statements

for the year ended 30 June 2019

Note 20. Material budget variations

Council's original financial budget for 18/19 was adopted by the Council on 05/06/2018 and is unaudited.

While the Income Statement included in this General Purpose Financial Statements must disclose the original budget adopted by Council, the Local Government Act 1993 requires Council to review its financial budget on a quarterly basis, so that it is able to manage the various variations between actuals versus budget that invariably occur throughout the year.

This note sets out the details of **material variations** between Council's original budget and its actual results for the year as per the Income Statement – even though such variations may have been adjusted for during each quarterly budget review.

Material variations represent those variances between the original budget figure and the actual result that amount to **10%** or more.

Variation Key: **F** = Favourable budget variation, **U** = Unfavourable budget variation.

\$ '000	2019 Budget	2019 Actual	2019 ----- Variance -----		
REVENUES					
Rates and annual charges	26,823	26,911	88	0%	F
Interest and investment revenue	475	424	(51)	(11)%	U
Interest rates on deposits continue to fall and were significantly lower than expected.					
Other revenues	5,171	5,797	626	12%	F
Other income exceeded budget because of: recovery of Save Mosman legal fees (\$262k), higher than expected parking enforcement due to dry, hot, summer period (\$220k) and Worker's Compensation performance incentives (\$180k).					
Operating grants and contributions	2,872	3,110	238	8%	F
Operating Grants income exceeded budget because of: increased childcare subsidies driven by increased patronage (\$174k) and increased RMS roads operating contributions (\$83k)					
Capital grants and contributions	2,012	2,403	391	19%	F
Capital Grants income exceeded budget because of: higher than expected developer contributions (\$190k) and and unbudgeted art donations (\$351k)					
Fair value increment on investment property	–	1,829	1,829	∞	F
Council does not budget for revaluation increments or decrements					
Joint ventures and associates – net profits	–	132	132	∞	F
Council does not budget for income relating to its interest in Kimbirki Environmental Enterprises Pty Ltd					
EXPENSES					
Employee benefits and on-costs	18,882	19,217	(335)	(2)%	U
Borrowing costs	342	338	4	1%	F
Depreciation and amortisation	5,449	5,656	(207)	(4)%	U

Notes to the Financial Statements

for the year ended 30 June 2019

Note 20. Material budget variations (continued)

\$ '000	2019 Budget	2019 Actual	2019 ----- Variance -----	
Other expenses	6,320	7,307	(987)	(16)% U
Contractor budget includes a gross contract amount for domestic waste disposal. These contracts include a state government waste disposal levy component (\$950k) that is costed to Other Expenses				
Net losses from disposal of assets	200	869	(669)	(335)% U
Actual disposals calculated at conclusion of projects were higher than budget estimations				

STATEMENT OF CASH FLOWS

Net cash provided from (used in) operating activities	8,713	12,004	3,291	38% F
Additional income has been noted above. A net inflow due relating to Bonds and Deposits (\$721k) also contributed				
Net cash provided from (used in) investing activities	(11,458)	(13,153)	(1,695)	15% U
A apparent inflow (\$1,000k) is noted due to a reduction in investments held. In reality no additional funds are available				
Net cash provided from (used in) financing activities	(985)	1,017	2,002	(203)% F
\$2,000,000 borrowing was expressly authorised in MOSLPAN but not included in budget figures				

Notes to the Financial Statements

for the year ended 30 June 2019

Note 21. Fair Value Measurement

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

- Infrastructure, property, plant and equipment
- Investment property

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

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

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

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

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

(1) Assets and liabilities that have been measured and recognised at fair values

2019	Notes	Fair value measurement hierarchy				Total
		Date of latest valuation	Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
Investment property	10					
Retail, commercial office and residential		30/06/19	–	48,845	–	48,845
Total investment property			–	48,845	–	48,845
Infrastructure, property, plant and equipment	9					
Plant and equipment		30/06/19	–	–	768	768
Office equipment		30/06/19	–	–	275	275
Furniture and fittings		30/06/19	–	–	49	49
Art collection		30/06/17	–	–	5,812	5,812
Operational land		30/06/18	–	–	152,040	152,040
Community land		30/06/17	–	–	62,490	62,490
Land improvements – depreciable		30/06/19	–	–	792	792
Buildings non-specialised		30/06/18	–	–	35,246	35,246
Buildings specialised		30/06/18	–	–	15,490	15,490
Roads		30/06/18	–	–	107,970	107,970
Footpaths		30/06/18	–	–	14,899	14,899
Stormwater drainage		30/06/19	–	–	49,362	49,362
Other open space/recreational assets		30/06/19	–	–	30,708	30,708
Heritage collections		30/06/19	–	–	13	13
Library books		30/06/19	–	–	782	782
Other assets		30/06/19	–	–	35	35
Total infrastructure, property, plant and equipment			–	–	476,731	476,731

Notes to the Financial Statements

for the year ended 30 June 2019

Note 21. Fair Value Measurement (continued)

2018	Notes	Fair value measurement hierarchy				Total
		Date of latest valuation	Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
Investment property	10					
Retail, commercial office and residential		30/06/18	–	46,950	–	46,950
Total investment property			–	46,950	–	46,950
Infrastructure, property, plant and equipment	9					
Plant and equipment		30/06/18	–	–	750	750
Office equipment		30/06/18	–	–	89	89
Furniture and fittings		30/06/18	–	–	82	82
Art collection		30/06/17	–	–	5,420	5,420
Operational land		30/06/18	–	–	152,156	152,156
Community land		30/06/17	–	–	62,490	62,490
Land improvements – depreciable		30/06/18	–	–	696	696
Buildings non-specialised		30/06/18	–	–	31,131	31,131
Buildings specialised		30/06/18	–	–	15,937	15,937
Roads		30/06/18	–	–	105,610	105,610
Footpaths		30/06/18	–	–	14,650	14,650
Stormwater drainage		30/06/13	–	–	50,373	50,373
Other open space/recreational assets		30/06/16	–	–	32,700	32,700
Heritage collections		30/06/18	–	–	13	13
Library books		30/06/18	–	–	788	788
Other assets		30/06/18	–	–	39	39
Total infrastructure, property, plant and equipment			–	–	472,924	472,924

Note that capital WIP is not included above since it is carried at cost.

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

The following transfers occurred between level 1 and level 2 fair value hierarchies during the year:

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

(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 property

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,

Notes to the Financial Statements

for the year ended 30 June 2019

Note 21. Fair Value Measurement (continued)

- Zoning,
- Location,
- Land area and configuration, and
- Planning controls.

The fair value of the investment property is determined by an independent, qualified valuer on an annual basis who has experience in the location of the property. The Council reviews the valuation report and discusses significant movements with the valuer. As at 30 June 2019 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 and equipment (IPP&E)

Plant and Equipment, Office Equipment and Furniture and Fittings.

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

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

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

Art Collection

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

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

Operational Land

This asset class comprises all of Council's land classified as Operational Land under the NSW Local Government Act 1993. The key unobservable input to the valuation is the price per square metre. The last valuation was undertaken at 30 June 2018 and was performed by Scott Fullarton Valuations Pty Ltd, Director Scott Fullarton, FAPI, Certified Practising Valuer, Registered Valuer No. 2144.

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

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

Community Land

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 21. Fair Value Measurement (continued)

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

Land Improvements – Depreciable

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

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

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

Buildings: Non-Specialised and Specialised

Buildings were valued by professionally qualified Registered Valuers from Scott Fullarton Valuations Pty Ltd in July 2017. The approach estimated the replacement cost of each building, componentised significant parts with different useful lives and took into account a range of factors. The unit rates were supported by market evidence (Level 2 inputs) and other inputs (such as estimates of residual value, useful life and asset condition) required extensive professional judgement and impacted significantly on the final determination of fair value. As such, these assets have been valued using Level 3 inputs.

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

Inputs include:

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

Typical useful lives and unit rates (includes overheads):

Buildings Asset Component	Average Useful Life (Years)	Average Unit Rate
Amenities/Public Toilets – Structure	78	\$127,467/each
Council Offices – Structure	95	\$6,330,480/each
Amenities/Public Toilets – Roof	50	\$46,731/each
Parks and Recreation – Roof	48	\$168,365/each
Multistorey Carparks – Services	20	\$1,190,200/each
Community and Cultural Centres – Fixtures and Fittings	20	\$287,943/each

Public Roads, Footpaths and Carparks

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

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

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

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

- Road Pavements
- Footpaths, Pram Ramps and Steps
- Kerb and Gutter
- Retaining Walls

Notes to the Financial Statements

for the year ended 30 June 2019

Note 21. Fair Value Measurement (continued)

- Fences/Handrails
- Physical Traffic Devices
- Lines and Signs
- Car Parks

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	\$242/m2
Asphalt Road Pavement (50AC)	50	\$52/m2
Sandstone Kerb & Gutter	90	\$495/m
Concrete Roundabout	40	\$305/m2
Gabion Retaining Wall	150	\$608/m2
Double Barrier Line	5	\$2/m
'Warning' Traffic Sign	15	\$396/each
Concrete Footpath (75 mm thick)	90	\$95/m2
Asphalt Footpath (25 mm thick)	40	\$68/m2

Carpark Asset Component	Useful Life (Years)	Unit Rate
Lane and Parking Space Line Marking	5	\$2/m
Pay and Display Machine	20	\$12,100/each
Kerb Wheelstops (Timber)	15	\$176/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 Morrison Low as at 30 April 2019. Fair value has been generated this financial year based on the cost (fair value) approach. Unit rates include the costs of materials, labour and overheads. Inputs used to calculate the unit rate included costs from similar projects, direct quotations, panel contractor rates, published cost guides and reference rates. 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. The 2019 construction index was applied to the existing unit rates to update their replacement value.

Drains unit rates are based on similar projects, published cost guides and the 2019 construction index. Drains of the same dimensions have been given the same unit rate. The condition and useful lives of the assets were also assessed and calculated by Morrison Low based on site observations, including CCTV surveys, and Morrison Low's experience in valuation projects for other Council's stormwater assets.

Stormwater Drainage Asset Component	Useful Life (Years)	Unit Rate FY18/19	Unit Rate FY17/18
Stormwater Quality Improvement Devices (Model Type: Rocla Cleansall 1200)	80	\$234,192/each	\$208,641.03/each
Concrete Pipe (375mm diameter, 0-1m depth) based on trenching method	150	\$409.83/m	\$439.92/m
Box Culvert (1800 width x 1200 height)	150	\$4762.05/m	\$2,591.31/m
Converter (600mm length)	150	\$824/each	\$734/each
Surface Inlet Pit (450mmx450mm, 1 m depth)	150	\$1,735/each	
Rainwater Re-use Tank	80	Average \$624,739.00/each	Average \$624,739.00/each

Notes to the Financial Statements

for the year ended 30 June 2019

Note 21. Fair Value Measurement (continued)

Other Open Space/Recreational Assets

Includes:

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

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

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

Gross replacement cost for Mosman parks and open space assets were valued by APV Valuer and Asset Management Pty Ltd as at 1 July 2018.

Unit rates for parks and open space assets were estimated based on APV Valuers and Asset Management industry experience. Inputs include recent costings from parks and open space works, quoted prices, cost guides and unit rate databases.

The gross replacement costs were increased by indexing unit rates when there was limited information. Regular inventory and condition audits have been undertaken by experienced Council Officers.

The condition and useful lives of the assets were assessed and calculated by a suitably qualified employee of APV Valuers and Asset Management based on site observations, professional knowledge and comparison to similar assets from other Council areas. Useful lives were updated to reflect current asset performance.

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

Typical useful lives and unit rates (includes overheads):

Open Space/Recreational and Other Structures Asset Component	Useful Life (Years)	Unit Rate FY 18/19	Unit Rate FY 17/18
Timber Deck	46	\$450/m2	\$450/m2
Concrete Deck	65	\$800/m2	\$800/m2
Concrete Seawall	59	\$2,230/m	\$2,230/m
Steel Turning Board	19	\$60,000/each	\$60,000/each
Oval Lights	25	\$45,716/each	\$45,716/each
Park ID Signs	30	\$6,640/each	\$6,640/each
Shade Sail	10	\$178/m2	\$178/m2
Dinghy Racks Steel	25	\$17,143/each	\$17,143/each

Heritage Collections and Library Books

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

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

Other Assets

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 21. Fair Value Measurement (continued)

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

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

\$ '000	Plant and equipment	Office equipment	Furniture and fittings	Art collection	Operational Land
2018					
Opening balance	952	142	83	5,311	113,024
Transfers from/(to) another asset class	(164)	–	–	–	(276)
Purchases (GBV)	179	23	16	109	–
Disposals (WDV)	(31)	(6)	–	–	–
Depreciation and impairment	(186)	(70)	(17)	–	–
FV gains – other comprehensive income	–	–	–	–	39,408
Closing balance	750	89	82	5,420	152,156
2019					
Opening balance	750	89	82	5,420	152,156
Purchases (GBV)	215	226	2	392	–
Disposals (WDV)	(5)	–	–	–	(116)
Depreciation and impairment	(192)	(40)	(14)	–	–
Closing balance	768	275	70	5,812	152,040

\$ '000	Community Land	Land improvements depreciable	Buildings non-specialised	Buildings specialised	Roads
2018					
Opening balance	62,214	656	27,760	14,372	117,509
Transfers from/(to) another asset class	276	–	31	156	244
Purchases (GBV)	–	48	147	450	1,517
Disposals (WDV)	–	–	(509)	(23)	(293)
Depreciation and impairment	–	(8)	(592)	(668)	(2,342)
FV gains – other comprehensive income	–	–	4,294	1,650	(11,025)
Closing balance	62,490	696	31,131	15,937	105,610
2019					
Opening balance	62,490	696	31,131	15,937	105,610
Transfers from/(to) another asset class	–	–	–	–	798
Purchases (GBV)	–	105	4,931	62	4,020
Disposals (WDV)	–	–	(513)	(7)	(103)
Depreciation and impairment	–	(9)	(729)	(502)	(2,355)
Closing balance	62,490	792	34,820	15,490	107,970

Notes to the Financial Statements

for the year ended 30 June 2019

Note 21. Fair Value Measurement (continued)

\$ '000	Footpaths	Stormwater drainage	Other open space recreational	Heritage collections	Library books
2018					
Opening balance	13,339	50,350	29,944	13	772
Transfers from/(to) another asset class	—	—	261	—	—
Purchases (GBV)	1,339	504	3,651	—	252
Disposals (WDV)	(146)	(68)	(181)	—	—
Depreciation and impairment	(246)	(413)	(754)	—	(236)
FV gains – other comprehensive income	364	—	(221)	—	—
Closing balance	14,650	50,373	32,700	13	788
2019					
Opening balance	14,650	50,373	32,700	13	788
Transfers from/(to) another asset class	—	314	349	—	—
Purchases (GBV)	524	292	2,071	—	230
Disposals (WDV)	(27)	(8)	(85)	—	—
Depreciation and impairment	(248)	(491)	(820)	—	(236)
FV gains – other comprehensive income	—	(1,118)	(3,507)	—	—
Closing balance	14,899	49,362	30,708	13	782

\$ '000	Other assets	Total
2018		
Opening balance	43	436,484
Transfers from/(to) another asset class	—	528
Purchases (GBV)	—	8,235
Disposals (WDV)	—	(1,257)
Depreciation and impairment	(4)	(5,536)
FV gains – other comprehensive income	—	34,470
Closing balance	39	472,924
2019		
Opening balance	39	472,924
Transfers from/(to) another asset class	—	1,461
Purchases (GBV)	—	13,070
Disposals (WDV)	—	(864)
Depreciation and impairment	(4)	(5,640)
FV gains – other comprehensive income	—	(4,625)
Closing balance	35	476,326

(5) Highest and best use

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 22. Related Party Transactions

Key management personnel

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

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

\$ '000	2019	2018
Compensation:		
Short-term benefits	1,481	1,352
Other long-term benefits	28	39
Total	1,509	1,391

Note 23. Events occurring after the reporting date

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

Note 24. Statement of developer contributions

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

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 24. Statement of developer contributions (continued)

Summary of contributions and levies

	as at 30/6/2018	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	as at 30/6/2019	
	Opening Balance	Cash	Non-cash				Held as restricted asset	Cumulative internal borrowings due/(payable)
\$ '000								
S7.12 levies – under a plan	3,654	1,490	–	61	(2,656)	–	2,549	–
Total S7.11 and S7.12 revenue under plans	3,654	1,490	–	61	(2,656)	–	2,549	–
S7.4 planning agreements	–	485	–	–	(371)	–	114	–
Total contributions	3,654	1,975	–	61	(3,027)	–	2,663	–

S7.12 Levies – under a plan

CONTRIBUTION PLAN – OPEN SPACE & CAR PARKING

Open space	3,654	1,490	–	61	(2,656)	–	2,549	–
Total	3,654	1,490	–	61	(2,656)	–	2,549	–

Notes to the Financial Statements

for the year ended 30 June 2019

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

\$ '000	Amounts 2019	Indicator 2019	Prior periods 2018 2017		Benchmark
1. Operating performance ratio					
Total continuing operating revenue excluding capital grants and contributions less operating expenses ^{1, 2}	1,824	3.83%	4.28%	6.22%	>0.00%
Total continuing operating revenue excluding capital grants and contributions ¹	47,659				
2. Own source operating revenue ratio					
Total continuing operating revenue excluding all grants and contributions ¹	44,458	88.81%	87.84%	87.69%	>60.00%
Total continuing operating revenue ¹	50,062				
3. Unrestricted current ratio					
Current assets less all external restrictions	12,629	1.68x	1.87x	1.79x	>1.50x
Current liabilities less specific purpose liabilities	7,511				
4. Debt service cover ratio					
Operating result before capital excluding interest and depreciation/impairment/amortisation ¹	7,818	4.54x	4.71x	4.09x	>2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	1,721				
5. Rates, annual charges, interest and extra charges outstanding percentage					
Rates, annual and extra charges outstanding	921	3.34%	2.48%	2.59%	<5.00%
Rates, annual and extra charges collectible	27,540				
6. Cash expense cover ratio					
Current year's cash and cash equivalents plus all term deposits	14,861	3.83 mths	4.22 mths	4.70 mths	>3.00 mths
Monthly payments from cash flow of operating and financing activities	3,883				

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

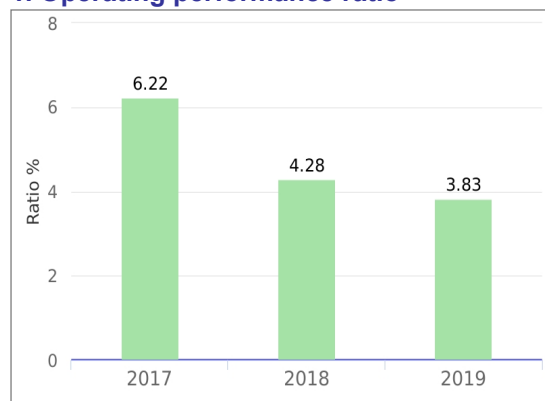
(2) Excludes impairment/revaluation decrements, net loss on sale of assets, and net loss on share of interests in joint ventures and associates

Notes to the Financial Statements

for the year ended 30 June 2019

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

1. Operating performance ratio



Purpose of operating performance ratio

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

Commentary on 2018/19 result

2018/19 ratio 3.83%

A result that exceeds the benchmark for several years running. In line with projected result at March Quarter Review

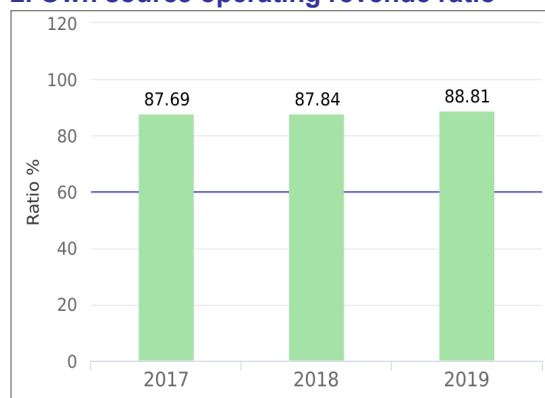
Benchmark: — > 0.00%

Source of benchmark: Code of Accounting Practice and Financial Reporting #27

Ratio achieves benchmark

Ratio is outside benchmark

2. Own source operating revenue ratio



Purpose of own source operating revenue ratio

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

Commentary on 2018/19 result

2018/19 ratio 88.81%

Comfortably exceeds the benchmark and is consistent with trend of previous years

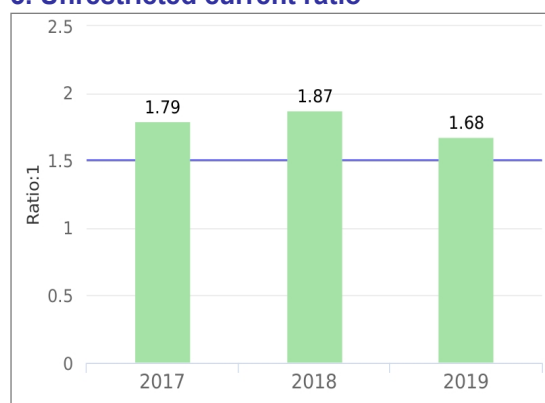
Benchmark: — > 60.00%

Source of benchmark: Code of Accounting Practice and Financial Reporting #27

Ratio achieves benchmark

Ratio is outside benchmark

3. Unrestricted current ratio



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 2018/19 result

2018/19 ratio 1.68x

Comfortably exceeds the benchmark.

Benchmark: — > 1.50x

Source of benchmark: Code of Accounting Practice and Financial Reporting #27

Ratio achieves benchmark

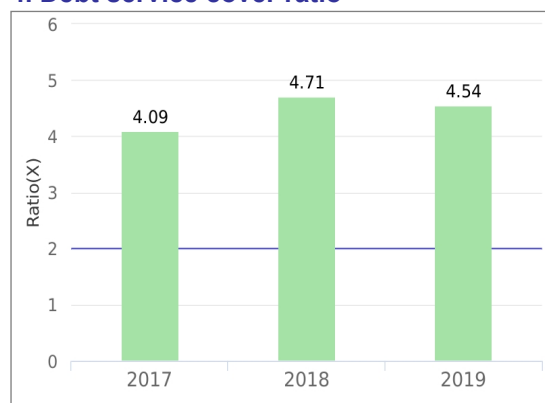
Ratio is outside benchmark

Notes to the Financial Statements

for the year ended 30 June 2019

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

4. Debt service cover ratio



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 2018/19 result

2018/19 ratio 4.54x

Ratio exceeds benchmark. Slight increase due to new \$2.4m load to fund works.

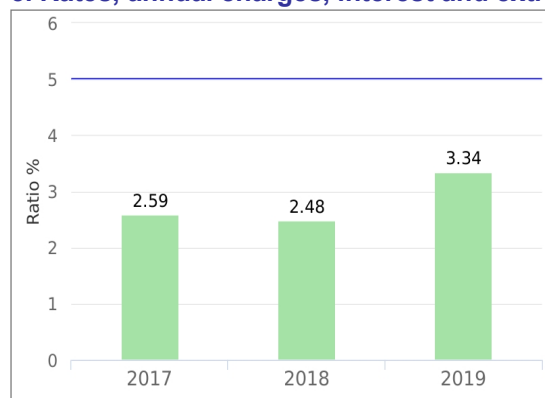
Benchmark: — > 2.00x

Source of benchmark: Code of Accounting Practice and Financial Reporting #27

Ratio achieves benchmark

Ratio is outside benchmark

5. Rates, annual charges, interest and extra charges outstanding percentage



Purpose of rates, annual charges, interest and extra charges outstanding

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

Commentary on 2018/19 result

2018/19 ratio 3.34%

An increase in outstanding percentage but still comfortably within the benchmark. Debts are being followed up after August 2019 installment and this ratio will reduce

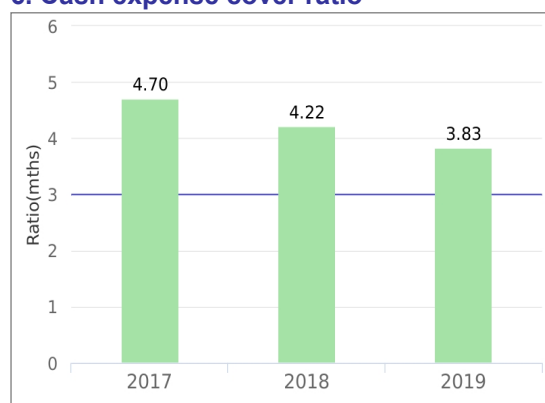
Benchmark: — < 5.00%

Source of benchmark: Code of Accounting Practice and Financial Reporting #27

Ratio achieves benchmark

Ratio is outside benchmark

6. Cash expense cover ratio



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 2018/19 result

2018/19 ratio 3.83 mths

A slight reduction in ratio reflecting expenditure on a vigorous capital works program

Benchmark: — > 3.00mths

Source of benchmark: Code of Accounting Practice and Financial Reporting #27

Ratio achieves benchmark

Ratio is outside benchmark

Notes to the Financial Statements

for the year ended 30 June 2019

Note 26. Council information and contact details

Principal place of business:

Civic Centre

Mosman Square, MOSMAN, 2088

Contact details

Enquiries on the Financial Statement to Council's Accountant Finance and Strategy, Christian Menday on 02 9978 4072.

Mailing Address:

PO Box 211 Monday to Friday 8.30 am to 5pm
SPIT JUNCTION NSW 2088

Opening hours:

8:30am - 5:00pm
Monday to Friday

Telephone: 02 9978 4000

Facsimile: 02 9978 4132

Internet: www.mosman.nsw.gov.au

Email: council@mosman.nsw.gov.au

Officers

General Manager

Dominic Johnson

Responsible Accounting Officer

Gary Mills - Chief Financial Officer

Public Officer

Ben Wicks - Director Corporate Services

Auditors

Auditor General of New South Wales

Elected members

Mayor

Carolyn Corrigan

Councillors

Roy Bendall

David Cook

Simon Menzies

Libby Moline (Deputy Mayor)

Tom Sherlock

Jacqui Willoughby

Other information

ABN: 94 414 022 939



INDEPENDENT AUDITOR'S REPORT

Report on the general purpose financial statements

Mosman Council

To the Councillors of the Mosman Council

Opinion

I have audited the accompanying financial statements of the Mosman Council (the Council), which comprise the Income Statement and Statement of Comprehensive Income for the year ended 30 June 2019, the Statement of Financial Position as at 30 June 2019, the Statement of Changes in Equity and Statement of Cash Flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the Statement by Councillors and Management.

In my opinion:

- the Council's accounting records have been kept in accordance with the requirements of the *Local Government Act 1993*, Chapter 13, Part 3, Division 2 (the Division)
- the financial statements:
 - have been presented, in all material respects, in accordance with the requirements of this Division
 - are consistent with the Council's accounting records
 - present fairly, in all material respects, the financial position of the Council as at 30 June 2019, and of its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards
- all information relevant to the conduct of the audit has been obtained
- no material deficiencies in the accounting records or financial statements have come to light during the audit.

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

Basis for Opinion

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

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

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

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

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

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

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

Other Information

The Council's annual report for the year ended 30 June 2019 includes other information in addition to the financial statements and my Independent Auditor's Report thereon. The Councillors are responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprise the Special Schedules (the Schedules).

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

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

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

A description of my responsibilities for the audit of the financial statements is located at the Auditing and Assurance Standards Board website at: www.auasb.gov.au/auditors_responsibilities/ar4.pdf. The description forms part of my auditor's report.

My opinion does not provide assurance:

- that the Council carried out its activities effectively, efficiently and economically
- on the Original Budget information included in the Income Statement, Statement of Cash Flows, and Note 20 Material budget variations
- on the Special Schedules. A separate opinion has been provided on Special Schedule - Permissible income for general rates
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented
- about any other information which may have been hyperlinked to/from the financial statements.

A handwritten signature in dark ink, appearing to read 'Cathy Wu', with a stylized, cursive script.

Cathy Wu

Delegate of the Auditor-General for New South Wales

3 October 2019
SYDNEY



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

Contact: Cathy Wu
Phone no: 02 9275 7212
Our ref: D1921227/1762

3 October 2019

Dear Mayor

**Report on the Conduct of the Audit
for the year ended 30 June 2019
Mosman Council**

I have audited the general purpose financial statements (GPFS) of Mosman Council (the Council) for the year ended 30 June 2019 as required by section 415 of the *Local Government Act 1993* (the Act).

I expressed an unmodified opinion on the Council's GPFS.

This Report on the Conduct of the Audit (the Report) for the Council for the year ended 30 June 2019 is issued in accordance with section 417 of the Act. This Report should be read in conjunction with my audit opinion on the GPFS issued under section 417(2) of the Act.

INCOME STATEMENT

Operating result

	2019	2018	Variance
	\$m	\$m	%
Rates and annual charges revenue	26.9	26.4	↑ 1.9
Grants and contributions revenue	5.5	5.8	↓ 5.2
Operating result for the year	5.3	3.8	↑ 39.5
Net operating result before capital grants and contributions	2.9	1.1	↑ 164

Council's operating result of \$5.3 million (including the effect of depreciation and amortisation expense of \$5.7 million) was \$1.5 million higher than the 2017–18 result.

The increase was primarily attributable to a \$1.8 million fair value increment on the Council's investment properties in 2018-19 compared to a \$0.2 million increment in 2017-18.

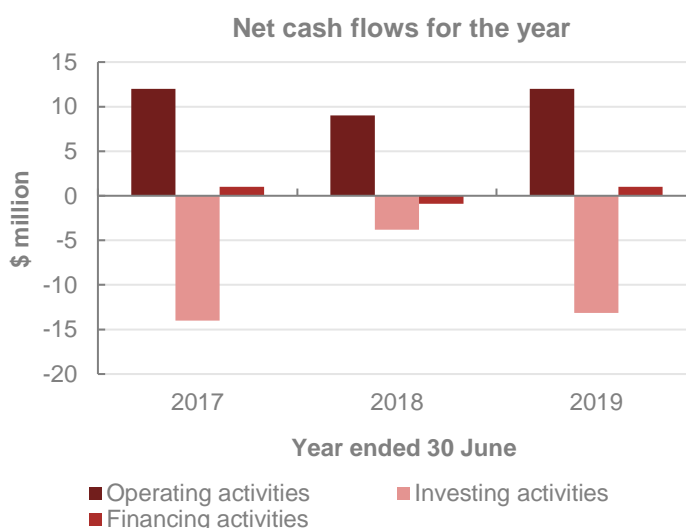
The net operating result before capital grants and contributions (\$2.9 million) was \$1.8 million higher than the 2017–18 result. This movement was similarly due to changes in the operating result as noted above.

Rates and annual charges revenue (\$26.9 million) increased by \$0.5 million (1.9 per cent) in 2018–2019. This increase was largely consistent with the approved rate peg of 2.3 per cent, partially offset by a slight reduction in domestic waste management charges.

Grants and contributions revenue (\$5.5 million) decreased by \$0.3 million (5.2 per cent) in 2018–2019, primarily due to a reduction in state government funding related to transport projects.

STATEMENT OF CASH FLOWS

- The Council's cash balance remained fairly stable at \$11.9 million at 30 June 2019 (\$12.0 million at 30 June 2018).
- Cash inflows from operating activities increased from last year as a result of greater receipts from user charges and fees.
- Cash outflows from investing activities increased primarily due to a decrease in proceeds from sale of investment securities.
- The cash flows from financing activities increased slightly from borrowing proceeds.



FINANCIAL POSITION

Cash and investments

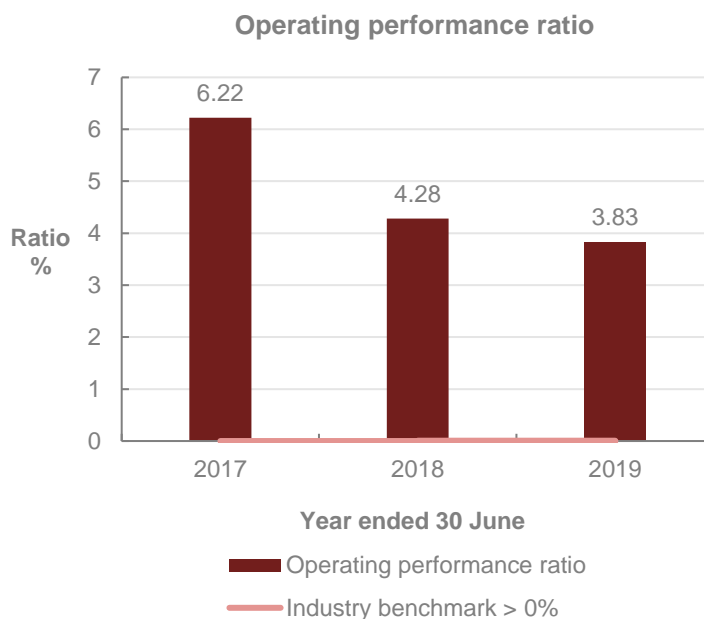
Cash and investments	2019	2018	Commentary
	\$m	\$m	
External restrictions	5.3	5.9	<ul style="list-style-type: none"> External restrictions include unspent specific purpose grants, developer contributions, and domestic waste management charges. Internal restrictions are due to Council policy or decisions for forward plans including the works program. The movement in 2019 included an increase of \$2.4 million for unspent loan related to the Allan Border Oval project, offset by a \$2.0 million decrease in the capital works reserve. Unrestricted balances provide liquidity for day-to-day operations and are consistent with last year.
Internal restrictions	8.3	9.0	
Unrestricted	1.3	1.1	
Cash and investments	14.9	16.0	

PERFORMANCE

Operating performance ratio

- Council's operating performance ratio is above the industry benchmark for 2018-19.
- This ratio has trended downwards in the last three years as the Council's employee benefits expenses have increased, reducing operating performance.

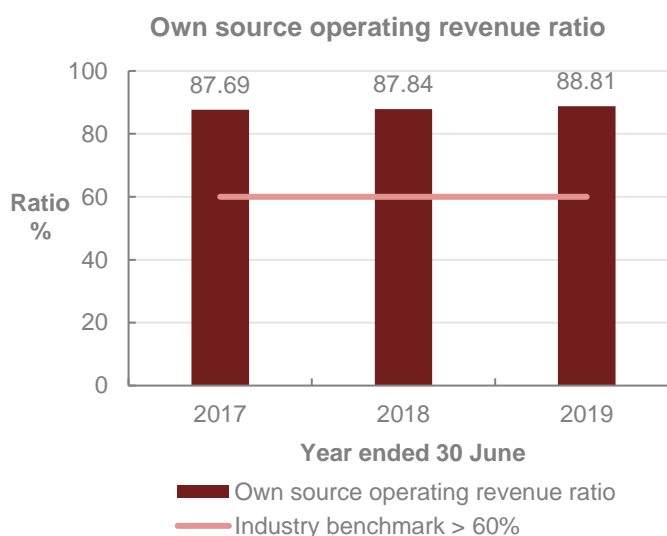
The 'operating performance ratio' measures how well council contained operating expenditure within operating revenue (excluding capital grants and contributions, fair value adjustments, and reversal of revaluation decrements). The benchmark set by the former Office of Local Government (OLG) is greater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



Own source operating revenue ratio

- Council's own source operating revenue ratio exceeded the industry benchmark for the past three years.
- This result reflects the significance of rates and user charges as funding sources for Council.
- This ratio has remained steady for the past three years.

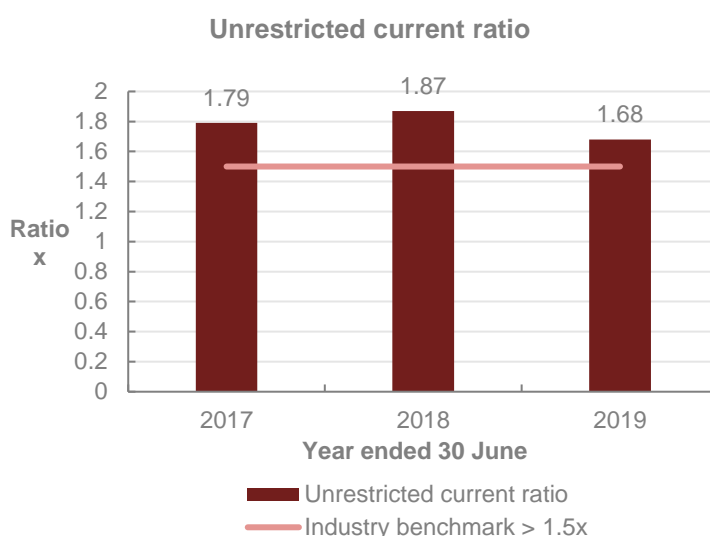
The 'own source operating revenue ratio' measures council's fiscal flexibility and the degree to which it relies on external funding sources such as operating grants and contributions. The benchmark set by the former OLG is greater than 60 per cent.



Unrestricted current ratio

- Council's unrestricted current ratio met the industry benchmark for the past three years.
- This ratio indicates that Council currently has \$1.68 of unrestricted current assets available to service every \$1.00 of its unrestricted current liabilities.

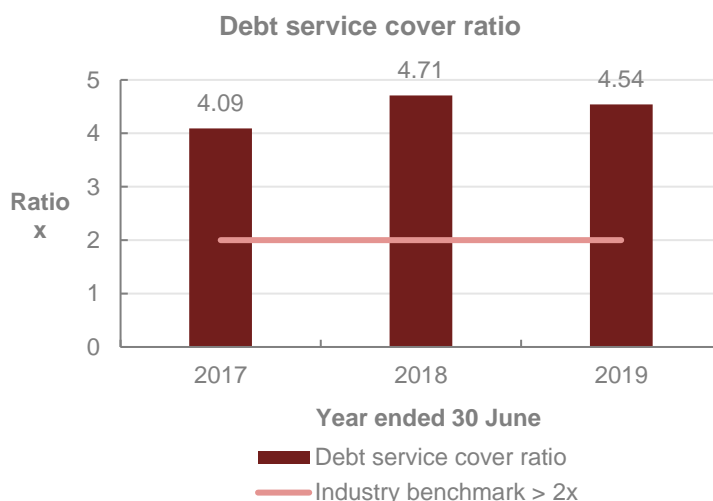
The 'unrestricted current ratio' is specific to local government and represents council's ability to meet its short-term obligations as they fall due. The benchmark set by the former OLG is greater than 1.5 times.



Debt service cover ratio

- Council's debt service cover ratio exceeded the industry benchmark for the past three years.
- Council appears to be effectively monitoring its liquidity levels to ensure it can meet its current liabilities when they fall due.

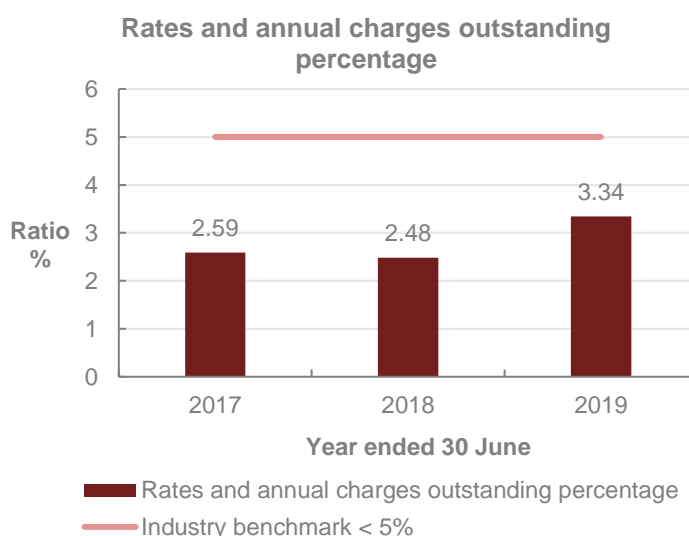
The 'debt service cover ratio' measures the operating cash to service debt including interest, principal and lease payments. The benchmark set by the former OLG is greater than two times.



Rates and annual charges outstanding percentage

- Council's rates and annual charges outstanding percentage met the industry benchmark for the past three years.
- The collection procedures of the Council have operated effectively to collect rates and annual charges revenue within the receivable dates.

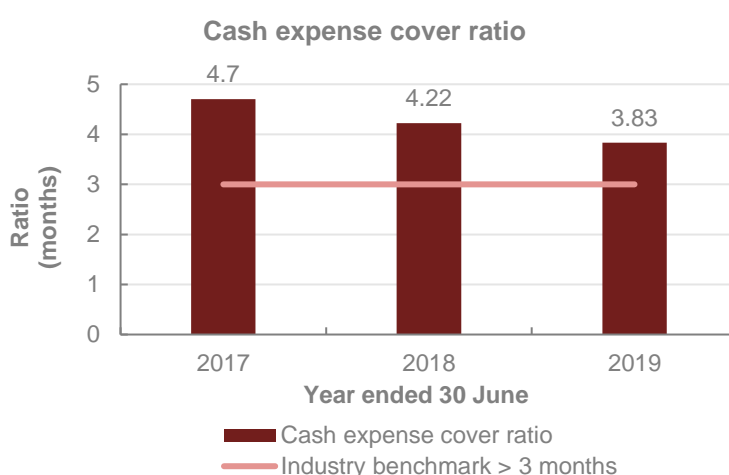
The 'rates and annual charges outstanding percentage' assesses the impact of uncollected rates and annual charges on council's liquidity and the adequacy of debt recovery efforts. The benchmark set by the former OLG is less than 5 per cent for metro councils.



Cash expense cover ratio

- Council's cash expense cover ratio exceeded the industry benchmark for the past three years.
- This indicates that Council had the capacity to cover 3.8 months of cash expenditure without additional cash inflows at 30 June 2019.
- The ratio has decreased over the last three years due to lower cash and investments balances.

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



Infrastructure, property, plant and equipment renewals

Council spent \$10.1 million on asset renewals in 2018-19 compared to \$8.6 million in 2017-18. Asset renewals are defined as the replacement of existing assets as opposed to the acquisition of new assets.

A short-term benchmark of Council's strategic asset management is to assess the rate at which Council's assets are being renewed against the rate at which they are depreciating. In 2018-19, asset renewals of \$10.1 million represented 178 per cent of Council's \$5.7 million depreciation expense. This result was higher than the 2017-18 result of 156 per cent.

Asset renewals in 2018-19 were carried out in accordance with Council's capital works program and were primarily related to non-specialised buildings, open space assets and road assets.

OTHER MATTERS

New accounting standards implemented

Application period	Overview
AASB 9 'Financial Instruments' and revised AASB 7 'Financial Instruments: Disclosures'	
For the year ended 30 June 2019	<p>AASB 9 replaces AASB 139 'Financial Instruments: Recognition and Measurement' and changes the way financial instruments are treated for financial reporting.</p> <p>Key changes include:</p> <ul style="list-style-type: none">• a simplified model for classifying and measuring financial assets• a new method for calculating impairment• a new type of hedge accounting that more closely aligns with risk management. <p>The revised AASB 7 includes new disclosures as a result of AASB 9.</p> <p>Council's disclosure of the impact of adopting AASB 9 is in Note 14(b).</p>

Legislative compliance

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

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



Cathy Wu

Delegate of the Auditor-General for New South Wales

cc: Dominic Johnson, General Manager
Louise Scambler, Chair of the Audit Committee
Jim Betts, Secretary of the Department of Planning, Industry and Environment

Mosman Municipal Council

SPECIAL SCHEDULES
for the year ended 30 June 2019

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



Special Schedules

for the year ended 30 June 2019

Contents

Page

Special Schedules

Permissible income for general rates

3

Report on Infrastructure Assets - Values

7

Permissible income for general rates

for the year ended 30 June 2019

\$ '000		Calculation 2019/20	Calculation 2018/19
Notional general income calculation ¹			
Last year notional general income yield	a	20,037	19,592
Plus or minus adjustments ²	b	4	—
Notional general income	c = a + b	20,041	19,592
Permissible income calculation			
Or rate peg percentage	e	2.70%	2.30%
Or plus rate peg amount	i = e x (c + g)	541	451
Sub-total	k = (c + g + h + i + j)	20,582	20,043
Plus (or minus) last year's carry forward total	l	18	(1)
Sub-total	n = (l + m)	18	(1)
Total permissible income	o = k + n	20,600	20,042
Less notional general income yield	p	20,587	20,037
Catch-up or (excess) result	q = o - p	14	5
Carry forward to next year ⁶	t = q + r + s	14	5

Notes

- (1) The notional general income will not reconcile with rate income in the financial statements in the corresponding year. The statements are reported on an accrual accounting basis which include amounts that relate to prior years' rates income.
- (2) Adjustments account for changes in the number of assessments and any increase or decrease in land value occurring during the year. The adjustments are called 'supplementary valuations' as defined in the Valuation of Land Act 1916.
- (6) Carry forward amounts which are in excess (an amount that exceeds the permissible income) require ministerial approval by order published in the NSW Government Gazette in accordance with section 512 of the Local Government Act 1993. The OLG will extract these amounts from Council's Permissible income for general rates Statement in the financial data return (FDR) to administer this process.



INDEPENDENT AUDITOR'S REPORT

Special Schedule - Permissible income for general rates

Mosman Council

To the Councillors of the Mosman Council

Opinion

I have audited the accompanying Special Schedule – Permissible income for general rates (the Schedule) of the Mosman Council (the Council) for the year ending 30 June 2020.

In my opinion, the Schedule is prepared, in all material respects in accordance with the requirements of the Local Government Code of Accounting Practice and Financial Reporting – update number 27 (LG Code), and is in accordance with the books and records of the Council.

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

Basis for Opinion

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

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

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

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

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

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

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

Emphasis of Matter – Basis of Accounting

Without modifying my opinion, I draw attention to the special purpose framework used to prepare the Schedule. The Schedule has been prepared for the purpose of fulfilling the Council's reporting obligations under the LG Code. As a result, the Schedule may not be suitable for another purpose.

Other Information

The Council's annual report for the year ended 30 June 2019 includes other information in addition to the Schedule and my Independent Auditor's Report thereon. The Councillors are responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprise the general purpose financial statements and Special Schedule 'Report on infrastructure assets as at 30 June 2019'.

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Schedule

The Councillors are responsible for the preparation of the Schedule in accordance with the LG Code. The Councillors' responsibility also includes such internal control as the Councillors determine is necessary to enable the preparation of the Schedule that is free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Schedule

My objectives are to:

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

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

A description of my responsibilities for the audit of the Schedule is located at the Auditing and Assurance Standards Board website at: www.auasb.gov.au/auditors_responsibilities/ar8.pdf. The description forms part of my auditor's report.

My opinion does not provide assurance:

- that the Council carried out its activities effectively, efficiently and economically
- about the security and controls over the electronic publication of the audited Schedule on any website where it may be presented
- about any other information which may have been hyperlinked to/from the Schedule.

A handwritten signature in dark ink, appearing to read 'Cathy Wu', with a stylized, cursive script.

Cathy Wu

Delegate of the Auditor-General for New South Wales

3 October 2019
SYDNEY

Report on Infrastructure Assets

as at 30 June 2019

Asset Class	Asset Category	Estimated cost		2018/19 Required maintenance ^a	2018/19 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
		Estimated cost to bring assets to satisfactory standard	to bring to the agreed level of service set by Council					1	2	3	4	5
Buildings	Buildings – specialised	61	61	204	352	15,489	24,780	6.0%	27.0%	67.0%	0.0%	0.0%
	Council offices	–	–	90	148	13,960	17,342	15.0%	46.0%	39.0%	0.0%	0.0%
	Council works depot	–	–	20	20	1,734	2,570	11.0%	7.0%	82.0%	0.0%	0.0%
	Library	–	–	60	–	3,497	7,794	0.0%	17.0%	83.0%	0.0%	0.0%
	Cultural facilities	–	–	107	76	6,961	10,578	0.0%	48.0%	52.0%	0.0%	0.0%
	Other buildings	–	–	70	114	990	1,888	0.0%	10.0%	90.0%	0.0%	0.0%
	Childcare centres	–	–	20	6	1,170	1,820	2.0%	55.0%	43.0%	0.0%	0.0%
	Multistorey car park	–	–	–	24	6,935	11,902	0.0%	63.0%	37.0%	0.0%	0.0%
	Sub-total	61	61	571	740	50,736	78,674	5.6%	38.1%	56.3%	0.0%	0.0%
Roads	Sealed roads	935	935	1,000	1,115	51,471	90,854	26.0%	52.0%	21.0%	1.0%	0.0%
	Footpaths	35	35	150	150	14,896	20,574	35.0%	52.0%	13.0%	0.0%	0.0%
	Other road assets	308	308	60	20	18,418	23,140	35.0%	38.0%	25.0%	2.0%	0.0%
	Other	–	–	–	–	1,195	–	0.0%	0.0%	0.0%	0.0%	0.0%
	Kerb and Gutter	–	–	44	23	13,474	30,618	10.0%	55.0%	35.0%	0.0%	0.0%
	Retaining Walls	267	267	40	21	19,147	38,551	17.0%	44.0%	37.0%	2.0%	0.0%
	Physical Traffic Devices	86	86	112	86	3,882	5,425	45.0%	39.0%	12.0%	4.0%	0.0%
	Lines and Signs	–	–	34	4	333	2,168	33.0%	42.0%	25.0%	0.0%	0.0%
	Street Furniture	162	162	18	–	53	3,600	21.0%	15.0%	60.0%	4.0%	0.0%
	Sub-total	1,793	1,793	1,458	1,419	122,869	214,930	24.4%	48.4%	26.0%	1.2%	0.0%
Stormwater drainage	Stormwater quality improvement devices	–	–	63	164	3,057	3,833	16.0%	31.0%	53.0%	0.0%	0.0%
	Rainwater re-use tank	–	–	19	–	1,230	1,402	41.0%	59.0%	0.0%	0.0%	0.0%
	Open conduits (drains)	4	4	34	–	2,091	3,370	19.0%	43.0%	38.0%	0.0%	0.0%
	Closed conduits (pipes)	527	527	62	48	35,496	50,921	5.0%	51.0%	43.0%	1.0%	0.0%
	Nodes (pits)	48	48	63	44	7,488	9,495	3.0%	88.0%	8.0%	1.0%	0.0%
	Sub-total	579	579	241	256	49,362	69,021	6.8%	54.8%	37.6%	0.9%	(0.1%)

Report on Infrastructure Assets - Values (continued)

as at 30 June 2019

Asset Class	Asset Category	Estimated cost		2018/19 Required maintenance ^a	2018/19 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
		Estimated cost to bring assets to satisfactory standard	to bring to the agreed level of service set by Council					1	2	3	4	5
Open space / recreational assets	Marine structures	125	125	17	33	6,725	13,408	18.0%	4.0%	77.0%	1.0%	0.0%
	Sporting fields	7	7	430	395	4,209	6,073	29.0%	43.0%	28.0%	0.0%	0.0%
	Parks & reserves	51	51	595	1,100	8,974	13,612	20.0%	16.0%	63.0%	1.0%	0.0%
	Other	2	2	633	274	10,800	13,053	0.0%	41.0%	59.0%	0.0%	0.0%
	Sub-total	185	185	1,675	1,802	30,708	46,146	14.9%	23.1%	61.3%	0.6%	0.1%
TOTAL - ALL ASSETS		2,618	2,618	3,945	4,217	253,675	408,771	16.7%	44.6%	37.8%	0.8%	0.1%

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

Infrastructure asset condition assessment 'key'

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

Report on Infrastructure Assets (continued)

as at 30 June 2019

\$ '000	Amounts 2019	Indicator 2019	Prior periods		Benchmark
			2018	2017	
Infrastructure asset performance indicators (consolidated) *					
Buildings and infrastructure renewals ratio ¹					
Asset renewals ²	9,512	184.88%	198.48%	137.95%	>=100.00%
Depreciation, amortisation and impairment	5,145				
Infrastructure backlog ratio ¹					
Estimated cost to bring assets to a satisfactory standard	2,618	1.03%	1.03%	1.14%	<2.00%
Net carrying amount of infrastructure assets	253,675				
Asset maintenance ratio					
Actual asset maintenance	4,217	106.89%	124.85%	115.73%	>100.00%
Required asset maintenance	3,945				
Cost to bring assets to agreed service level					
Estimated cost to bring assets to an agreed service level set by Council	2,618	0.64%	0.63%	0.70%	
Gross replacement cost	408,771				

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

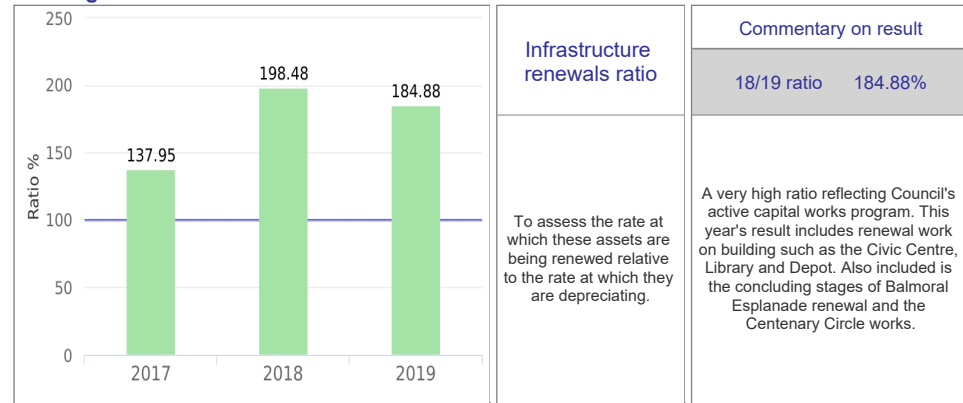
(1) Excludes Work In Progress (WIP)

(2) Asset renewals represent the replacement and/or refurbishment of existing assets to an equivalent capacity/performance as opposed to the acquisition of new assets (or the refurbishment of old assets) that increases capacity/performance.

Report on Infrastructure Assets (continued)

as at 30 June 2019

Buildings and infrastructure renewals ratio ¹



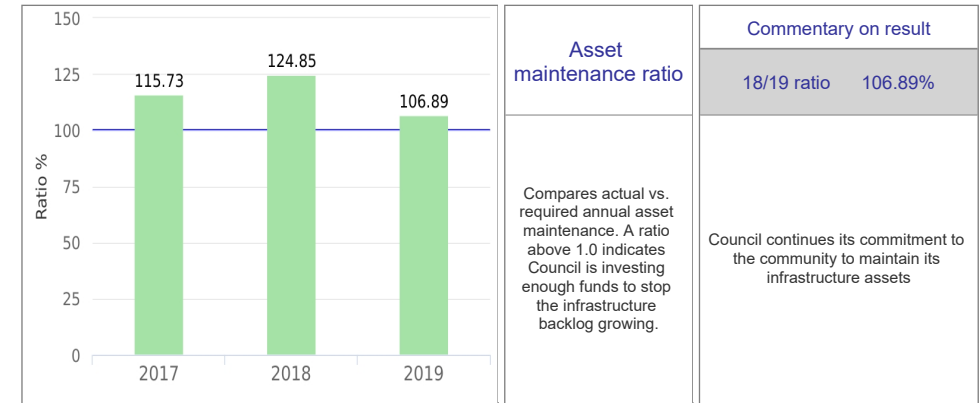
Benchmark: — $\geq 100.00\%$

Ratio achieves benchmark

Source of benchmark: Code of Accounting Practice and Financial Reporting #27

Ratio is outside benchmark

Asset maintenance ratio



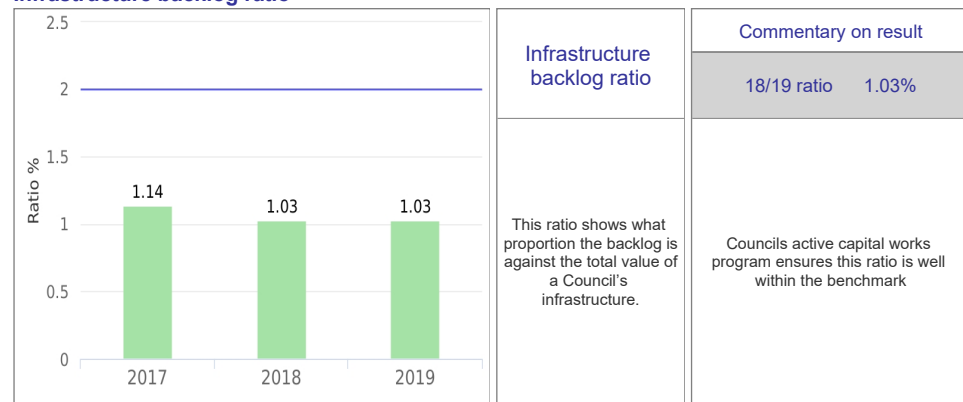
Benchmark: — $> 100.00\%$

Ratio achieves benchmark

Source of benchmark: Code of Accounting Practice and Financial Reporting #27

Ratio is outside benchmark

Infrastructure backlog ratio ¹



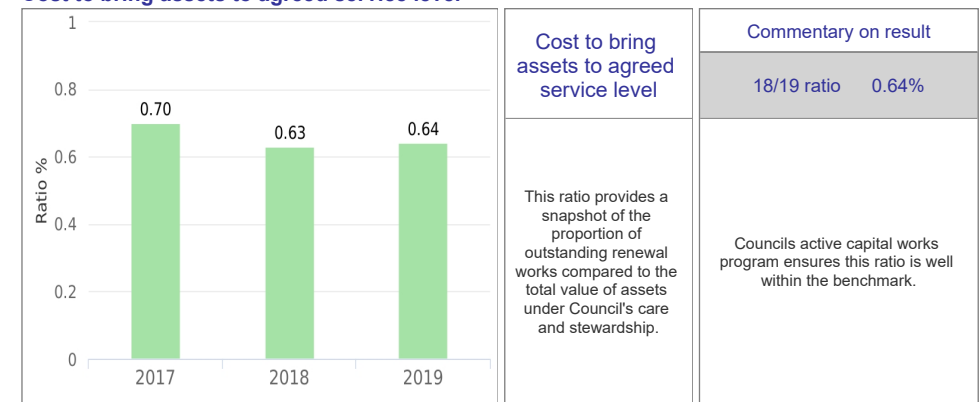
Benchmark: — $< 2.00\%$

Ratio achieves benchmark

Source of benchmark: Code of Accounting Practice and Financial Reporting #27

Ratio is outside benchmark

Cost to bring assets to agreed service level



(1) Excludes Work In Progress (WIP)