

Mosman Council

GENERAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2013

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

Mosman
COUNCIL

Mosman Council

General Purpose Financial Statements

for the financial year ended 30 June 2013

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Overview

(i) These financial statements are General Purpose Financial Statements and cover the consolidated operations for Mosman Council.

(ii) Mosman Council is a body politic of NSW, Australia - being constituted as a Local Government area by proclamation and is duly empowered by the Local Government Act (LGA) 1993 of NSW.

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

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

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

(iii) All figures presented in these financial statements are presented in Australian Currency.

(iv) These financial statements were authorised for issue by the Council on dd/mm/yy.
Council has the power to amend and reissue these financial statements.

Mosman Council

General Purpose Financial Statements for the financial year ended 30 June 2013

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

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

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

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

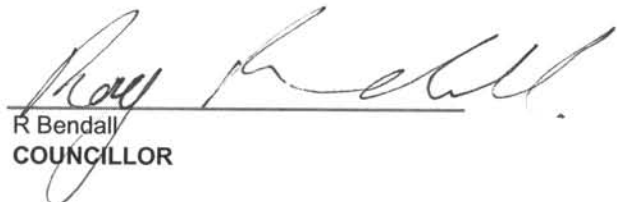
- present fairly the Council's operating result and financial position for the year, and
- accords with Council's accounting and other records.

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

Signed in accordance with a resolution of Council made on 03 September 2013.



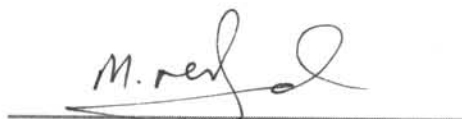
P Abelson
MAYOR



R Bendall
COUNCILLOR



D Lawrence
A/GENERAL MANAGER



M McDonald
RESPONSIBLE ACCOUNTING OFFICER

Mosman Council

Income Statement

for the financial year ended 30 June 2013

Budget ⁽¹⁾			Actual	Actual
2013	\$ '000	Notes	2013	2012
Income from Continuing Operations				
Revenue:				
21,796	Rates & Annual Charges	3a	21,747	21,041
8,779	User Charges & Fees	3b	8,879	7,986
437	Interest & Investment Revenue	3c	399	434
3,685	Other Revenues (2)	3d	11,632	3,852
2,196	Grants & Contributions provided for Operating Purposes	3e,f	2,510	2,842
1,170	Grants & Contributions provided for Capital Purposes	3e,f	2,774	3,167
Other Income:				
-	Net gains from the disposal of assets	5	57	-
-	Net Share of interests in Joint Ventures & Associated Entities using the equity method	19	83	114
38,063	Total Income from Continuing Operations		48,081	39,436
Expenses from Continuing Operations				
15,423	Employee Benefits & On-Costs	4a	14,497	14,181
685	Borrowing Costs	4b	654	672
10,708	Materials & Contracts	4c	11,094	11,158
6,797	Depreciation & Amortisation	4d	6,148	6,890
5,453	Other Expenses	4e	6,242	6,289
-	Net Losses from the Disposal of Assets	5	-	57
39,066	Total Expenses from Continuing Operations		38,635	39,247
(1,003)	Operating Result from Continuing Operations		9,446	189
(1,003)	Net Operating Result for the Year		9,446	189
(1,003)	Net Operating Result attributable to Council		9,446	189
-	Net Operating Result attributable to Non-controlling Interests		-	-
(2,173)	Net Operating Result for the year before Grants and Contributions provided for Capital Purposes		6,672	(2,978)

(1) Original Budget as approved by Council - refer Note 16

(2) Actual in 2013 includes F/V increment on Investment Props of \$3.387M & Revaluation of S/Water Assets of \$4.571M

Mosman Council

Statement of Comprehensive Income

for the financial year ended 30 June 2013

\$ '000	Notes	Actual 2013	Actual 2012
Net Operating Result for the year (as per Income statement)		9,446	189
Other Comprehensive Income:			
Amounts which will not be reclassified subsequently to the Operating Result			
Gain (loss) on revaluation of I,PP&E	20b (ii)	25,344	-
Total Items which will not be reclassified subsequently to the Operating Result		25,344	-
Amounts which will be reclassified subsequently to the Operating Result when specific conditions are met			
Nil			
Total Items which will be reclassified subsequently to the Operating Result when specific conditions are met		-	-
Total Other Comprehensive Income for the year		25,344	-
Total Comprehensive Income for the Year		34,790	189
Total Comprehensive Income attributable to Council		34,790	189
Total Comprehensive Income attributable to Non-controlling Interests		-	-

Mosman Council

Statement of Financial Position
as at 30 June 2013

\$ '000	Notes	Actual 2013	Actual 2012
ASSETS			
Current Assets			
Cash & Cash Equivalents	6a	9,624	3,609
Investments	6b	-	2,750
Receivables	7	3,082	3,016
Inventories	8	143	162
Other	8	132	102
Non-current assets classified as "held for sale"	22	-	-
Total Current Assets		12,981	9,639
Non-Current Assets			
Receivables	7	56	49
Infrastructure, Property, Plant & Equipment	9	461,261	432,073
Investments accounted for using the equity method	19	678	635
Investment Property	14	44,535	41,078
Intangible Assets	25	328	344
Other	8	-	-
Total Non-Current Assets		506,858	474,179
TOTAL ASSETS		519,839	483,818
LIABILITIES			
Current Liabilities			
Payables	10	7,570	7,288
Borrowings	10	1,990	1,669
Provisions	10	4,137	3,944
Total Current Liabilities		13,697	12,901
Non-Current Liabilities			
Payables	10	-	-
Borrowings	10	8,966	8,496
Provisions	10	80	115
Total Non-Current Liabilities		9,046	8,611
TOTAL LIABILITIES		22,743	21,512
Net Assets		497,096	462,306
EQUITY			
Retained Earnings	20	285,463	276,017
Revaluation Reserves	20	211,633	186,289
Council Equity Interest		497,096	462,306
Non-controlling Interests		-	-
Total Equity		497,096	462,306

Mosman Council

Statement of Changes in Equity
for the financial year ended 30 June 2013

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

\$ '000	Notes	Retained Earnings	Reserves (Refer 20b)	Council Interest	Non-controlling Interest	Total Equity
2012						
Opening Balance (as per Last Year's Audited Accounts)		275,828	186,289	462,117	-	462,117
a. Correction of Prior Period Errors	20 (c)	-	-	-	-	-
b. Changes in Accounting Policies (prior year effects)	20 (d)	-	-	-	-	-
Revised Opening Balance (as at 1/7/11)		275,828	186,289	462,117	-	462,117
c. Net Operating Result for the Year		189	-	189	-	189
d. Other Comprehensive Income						
- Revaluations : IPP&E Asset Revaluation Rsve	20b (ii)	-	-	-	-	-
- Revaluations: Other Reserves	20b (ii)	-	-	-	-	-
- Transfers to Income Statement	20b (ii)	-	-	-	-	-
- Impairment (loss) reversal relating to I,PP&E	20b (ii)	-	-	-	-	-
Other Comprehensive Income		-	-	-	-	-
Total Comprehensive Income (c&d)		189	-	189	-	189
e. Distributions to/(Contributions from) Non-controlling Interests		-	-	-	-	-
f. Transfers between Equity		-	-	-	-	-
Equity - Balance at end of the reporting period		276,017	186,289	462,306	-	462,306

Mosman Council

Statement of Cash Flows

for the financial year ended 30 June 2013

Budget 2013	\$ '000	Notes	Actual 2013	Actual 2012
Cash Flows from Operating Activities				
Receipts:				
21,781	Rates & Annual Charges		21,643	21,070
8,689	User Charges & Fees		8,836	7,400
430	Investment & Interest Revenue Received		411	423
3,474	Grants & Contributions		5,219	5,431
-	Bonds, Deposits & Retention amounts received		774	699
3,658	Other		3,735	3,445
Payments:				
(15,173)	Employee Benefits & On-Costs		(14,339)	(13,788)
(10,647)	Materials & Contracts		(10,603)	(10,789)
(679)	Borrowing Costs		(661)	(681)
-	Bonds, Deposits & Retention amounts refunded		(958)	(510)
(5,452)	Other		(6,272)	(5,673)
6,081	Net Cash provided (or used in) Operating Activities	11b	7,785	7,027
Cash Flows from Investing Activities				
Receipts:				
-	Sale of Investment Securities		10,600	1,000
-	Sale of Infrastructure, Property, Plant & Equipment		145	90
36	Distributions Received from Joint Ventures & Associates		40	34
Payments:				
-	Purchase of Investment Securities		(7,850)	(2,750)
-	Purchase of Investment Property		(70)	(800)
(5,885)	Purchase of Infrastructure, Property, Plant & Equipment		(5,426)	(5,330)
(5,849)	Net Cash provided (or used in) Investing Activities		(2,561)	(7,756)
Cash Flows from Financing Activities				
Receipts:				
2,700	Proceeds from Borrowings & Advances		2,460	1,750
Payments:				
(1,802)	Repayment of Borrowings & Advances		(1,539)	(1,641)
-	Other (Repayment of Deferred Creditors)		(130)	(130)
898	Net Cash Flow provided (used in) Financing Activities		791	(21)
1,130	Net Increase/(Decrease) in Cash & Cash Equivalents		6,015	(750)
3,958	plus: Cash & Cash Equivalents - beginning of year	11a	3,609	4,359
5,088	Cash & Cash Equivalents - end of the year	11a	9,624	3,609

Mosman Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

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Mosman Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 1. Summary of Significant Accounting Policies

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

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

(a) Basis of preparation

(i) Background

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

- Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board,
- the Local Government Act (1993) & Regulation, and
- the Local Government Code of Accounting Practice and Financial Reporting.

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

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

Because AASBs are sector neutral, some standards either:

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

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

Under the Local Government Act (LGA), Regulations and Local Government Code of Accounting Practice & Financial Reporting, it should be noted that Councils in NSW only have a requirement to comply with AASBs.

(iii) New and amended standards adopted by Council

None of the new standards and amendments to standards that are mandatory for the first time for the financial year beginning 1 July 2013 affected any of the amounts recognised in the current period or any prior period and are not likely to affect future periods.

(iv) Early adoption of Accounting Standards

Council has not elected to apply any pronouncements before their operative date in the annual reporting period beginning 1 July 2012.

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

(v) Basis of Accounting

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

- (i) financial assets and liabilities at fair value through profit or loss, available-for-sale financial assets and investment properties which are all valued at fair value,
- (ii) the write down of any Asset on the basis of Impairment (if warranted) and
- (iii) certain classes of Infrastructure, property, plant & equipment that are accounted for at fair valuation.

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

(vi) Changes in Accounting Policies

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

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

Mosman Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 1. Summary of Significant Accounting Policies

(vii) Critical Accounting Estimates

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

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

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

Critical accounting estimates and assumptions

Council makes estimates and assumptions concerning the future.

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

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

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

Critical judgements in applying the entity's accounting policies

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

(b) Revenue recognition

Council recognises revenue when the amount of revenue can be reliably measured, it is probable that

future economic benefits will flow to the entity and specific criteria have been met for each of the Council's activities as described below.

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

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

Revenue is measured on major income categories as follows:

Rates, Annual Charges, Grants and Contributions

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

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

A provision for the impairment on rates receivables has not been established as unpaid rates represent a charge against the rateable property that will be recovered when the property is next sold.

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

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

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

Mosman Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 1. Summary of Significant Accounting Policies

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

The Council has obligations to provide facilities from contribution revenues levied on developers under the provisions of S94 of the EPA Act 1979.

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

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

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

User Charges, Fees and Other Income

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

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

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

Sale of Infrastructure, Property, Plant and Equipment

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

Interest and Rents

Rents are recognised as revenue on a proportional basis when the payment is due, the value of the

payment is notified, or the payment is received, whichever first occurs.

Interest Income from Cash & Investments is accounted for using the Effective Interest method in accordance with AASB 139.

(c) Principles of Consolidation

These financial statements incorporate (i) the assets and liabilities of Council and any Entities (or operations) that it **controls** (as at 30 June 2013) and (ii) all the related operating results (for the financial year ended the 30th June 2013).

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

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

(i) The Consolidated Fund

In accordance with the provisions of Section 409(1) of the LGA 1993, all money and property received by Council is held in the Council's Consolidated Fund unless it is required to be held in the Council's Trust Fund.

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

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

- General Purpose Operations

(ii) The Trust Fund

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

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

Mosman Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 1. Summary of Significant Accounting Policies

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

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

(iii) Joint Ventures

Jointly Controlled Assets & Operations

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

Jointly Controlled Entities

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

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

(iv) Associated Entities

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

Such entities are usually termed Associates.

(v) County Councils

Council is not a member of any County Councils.

(vi) Additional Information

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

(d) Leases

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

Finance Leases

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

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

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

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

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

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

Operating Leases

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

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

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

(e) Cash and Cash Equivalents

Cash and cash equivalents includes;

- cash **on hand**,
- deposits held **at call** with financial institutions,

Mosman Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 1. Summary of Significant Accounting Policies

- other short-term, highly liquid investments **with original maturities of three months or less** that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and

- bank overdrafts.

Bank overdrafts are shown within borrowings in current liabilities on the balance sheet but are incorporated into Cash & Cash Equivalents for presentation of the Cash Flow Statement.

(f) Investments and Other Financial Assets

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

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

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

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

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

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

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

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

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

(ii) Loans and receivables

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

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

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

(iii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Council's management has the positive intention and ability to hold to maturity.

In contrast to the “Loans & Receivables” classification, these investments are generally quoted in an active market.

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

(iv) Available-for-sale financial assets

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

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

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

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

Mosman Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 1. Summary of Significant Accounting Policies

Financial Assets – Reclassification

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

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

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

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

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

General Accounting & Measurement of Financial Instruments:

(i) Initial Recognition

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

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

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

(ii) Subsequent Measurement

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

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

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

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

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

Impairment

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

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

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

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

Mosman Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 1. Summary of Significant Accounting Policies

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

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

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

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

(iii) Types of Investments

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

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

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

Council amended its policy following revisions to the Ministerial Local Government Investment Order arising from the Cole Inquiry recommendations. Certain investments that Council holds are no longer prescribed (eg. managed funds, CDOs, and equity linked notes), however they have been retained under grandfathering provisions of the Order. These will be disposed of when most financially advantageous to Council.

(g) Fair value estimation

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

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

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

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

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

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

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

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

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

(h) Receivables

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

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

Mosman Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 1. Summary of Significant Accounting Policies

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

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

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

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

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

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

(i) Inventories

Raw Materials and Stores, Work in Progress and Finished Goods

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

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

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

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

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

Land Held for Resale/Capitalisation of Borrowing Costs

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

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

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

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

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

(j) Infrastructure, Property, Plant and Equipment (I,PP&E)

Acquisition of assets

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

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

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

Mosman Council

Notes to the Financial Statements for the financial year ended 30 June 2013

Note 1. Summary of Significant Accounting Policies

- Other Structures

(External Valuations)

- Other Assets

(as approximated by depreciated historical cost)

Initial Recognition

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

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

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

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

Subsequent costs

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

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

Asset Revaluations (including Indexation)

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

- Increases in the combined carrying amounts of asset classes arising on revaluation are credited to the asset revaluation reserve.
- To the extent that a net asset class increase reverses a decrease previously recognised via

the profit or loss, then increase is first recognised in profit or loss.

- Net decreases that reverse previous increases of the same asset class are first charged against revaluation reserves directly in equity to the extent of the remaining reserve attributable to the asset, with all other decreases charged to the Income statement.

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

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

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

Council staff have revalued both the Roads & Drainage Asset classes in 2013 (within the 5 year cycle) as it has undertaken detailed analysis which included: benchmarking data against other metropolitan councils, reviewed unit rates, reviewed useful lives, reviewed condition assessment/intervention levels, expanded inventory (drains), market tested valuations (drains), utilised an expert panel of residents to seek advice & support, utilised expert advice from Audit Committee members & developed a Capitalisation & Disposal Policy for Infrastructure Assets.

Capitalisation Thresholds

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

Land

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

Plant & Equipment

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

Mosman Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 1. Summary of Significant Accounting Policies

Buildings & Land Improvements

Park Furniture & Equipment > \$5,000

Building

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

Other Structures > \$5,000

Stormwater Assets

Drains & Culverts > \$5,000

Other > \$5,000

Transport Assets

Road construction & reconstruction > \$5,000

Reseal/Re-sheet & major repairs: > \$5,000

Depreciation

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

Land is not depreciated.

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

Plant & Equipment

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

Other Equipment

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

Buildings

- Buildings 50 to 100 years

Stormwater Drainage

- Drainage Infrastructure 100 years

Transportation Assets

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

All asset residual values and useful lives are reviewed and adjusted (where appropriate), at each balance sheet date.

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

Disposal and De-recognition

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

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

(k) Land

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

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

(l) Land under roads

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

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

Council has not acquired any land under roads after 1 July 2008.

(m) Intangible Assets

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

Mosman Council

Notes to the Financial Statements for the financial year ended 30 June 2013

Note 1. Summary of Significant Accounting Policies

(n) Crown Reserves

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

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

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

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

(o) Investment property

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

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

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

A revaluation was undertaken in 2013.

(p) Impairment of assets

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

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

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

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

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

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

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

(q) Payables

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

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

(r) Borrowings

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

Borrowings are subsequently measured at amortised cost.

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

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

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

(s) Borrowing costs

Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of

Mosman Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 1. Summary of Significant Accounting Policies

time that is required to complete and prepare the asset for its intended use or sale.

(t) Provisions

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

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

Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole.

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

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

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

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

(u) Employee benefits

(i) Short Term Obligations

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

Leave liabilities are recognised in the provision for employee benefits in respect of employees' services up to the reporting date with other short term

employee benefit obligations disclosed under payables.

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

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

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

(ii) Other Long Term Obligations

The liability for all long service and annual leave in respect of services provided by employees up to the reporting date (which is not expected to be settled within the 12 months after the reporting period) are recognised in the provision for employee benefits.

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

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

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

Due to the nature of when and how Long Service Leave can be taken, all Long Service Leave for employees with 4 or more years of service has been classified as Current, as it has been deemed that Council does not have the unconditional right to defer settlement beyond 12 months – even though it is not anticipated that all employees with more than 4 years service (as at reporting date) will apply for and take their leave entitlements in the next 12 months.

(iii) Retirement benefit obligations

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

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

Mosman Council

Notes to the Financial Statements for the financial year ended 30 June 2013

Note 1. Summary of Significant Accounting Policies

Defined Benefit Plans

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

The present value of the defined benefit obligation is based on expected future payments which arise from membership of the fund to the reporting date, calculated annually by independent actuaries using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service.

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

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

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

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

The last valuation of the Scheme was performed by Mr Martin Stevenson BSc, FIA, FIAA on 20/02/13 and covers the period ended 30/06/13.

However the position is monitored annually and the Actuary has estimated that as at 30 June 2013 the prior period deficit still exists.

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

The amount of employer contributions to the defined benefit section of the Local Government Superannuation Scheme and recognised as an expense and disclosed as part of Superannuation

Expenses at Note 4(a) for the year ending 30 June 2013 was \$319,139.

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

The share of this deficit that can be broadly attributed to Council is estimated to be in the order of \$ 586,952 as at 30 June 2013.

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

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

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

Defined Contribution Plans

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

(iv) Employee Benefit On-Costs

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

These amounts include Superannuation and Workers Compensation expenses which will be payable upon the future payment of certain Leave Liabilities accrued as at 30/6/13.

(v) Self insurance

Council does not self insure.

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

In the determination of whether an asset or liability is classified as current or non-current, consideration is

Mosman Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 1. Summary of Significant Accounting Policies

given to the time when each asset or liability is expected to be settled.

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

Exceptions

In the case of liabilities where Council does not have the unconditional right to defer settlement beyond 12 months (such as vested long service leave), the liability is classified as current even if not expected to be settled within the next 12 months.

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

(x) Taxes

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

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

Goods & Services Tax (GST)

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

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

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

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

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

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

are recoverable from or payable to the ATO are classified as operating cash flows.

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

(y) New accounting standards and UIG interpretations

Certain new (or amended) accounting standards and interpretations have been published that are not mandatory for reporting periods ending 30 June 2013.

Council has not adopted any of these standards early.

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

Applicable to Local Government with implications:

AASB 9 Financial Instruments, associated standards, AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 and AASB 2012-6 Amendments to Australian Accounting Standards – Mandatory Effective Date of AASB 9 and transitional disclosures (effective from 1 January 2015)

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

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

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

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

Mosman Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 1. Summary of Significant Accounting Policies

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

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

AASB 13 Fair Value Measurement and AASB 2011-8 Amendments to Australian Accounting Standards arising from AASB 13 (effective 1 January 2013)

AASB 13 explains how to measure fair value and aims to enhance fair value disclosures.

Council has yet to determine which, if any, of its current measurement techniques will have to change as a result of the new guidance.

It is therefore not possible to state the impact, if any, of the new rules on any of the amounts recognised in the financial statements.

However, application of the new standard will impact the type of information disclosed in the notes to the financial statements.

Council does not intend to adopt the new standard before its operative date, which means that it would be first applied in the annual reporting period ending 30 June 2014.

Applicable to Local Government but no implications for Council;

AASB 2012-2 Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities [AASB 132 & AASB 7] (effective 1 January 2013)

This Standard amends the required disclosures in AASB 7 to include information that will enable users of an entity's financial statements to evaluate the effect or potential effect of netting arrangements, including rights of set-off associated with the entity's recognised financial assets and recognised financial liabilities, on the entity's financial position.

This Standard also amends AASB 132 to refer to the additional disclosures added to AASB 7 by this Standard.

The adoption of this standard will not change the reported financial position and performance of the entity, there are no impact on disclosures as there are no offsetting arrangements currently in place.

AASB 2012-3 Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities [AASB 132] (effective 1 January 2014).

This Standard adds application guidance to AASB 132 to address inconsistencies identified in applying some of the offsetting criteria of AASB 132, including clarifying the meaning of "currently has a legally enforceable right of set-off" and that some gross settlement systems may be considered equivalent to net settlement.

The adoption of this standard will not change the reported financial position and performance of the entity, there are no impact on disclosures as there are no offsetting arrangements currently in place.

Applicable to Local Government but not relevant to Council at this stage;

AASB 10 Consolidated Financial Statements, AASB 11 Joint Arrangements, AASB 12 Disclosure of Interests in Other Entities, revised AASB 127 Separate Financial Statements and AASB 128 Investments in Associates and Joint Ventures and AASB 2011-7 Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards (effective 1 January 2013)

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

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

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

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

Mosman Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 1. Summary of Significant Accounting Policies

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

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

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

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

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

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

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

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

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

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

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

AASB 12 sets out the required disclosures for entities reporting under the two new standards, AASB 10 and AASB 11, and replaces the disclosure requirements currently found in AASB 127 and AASB 128.

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

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

The amendments also introduce a "partial disposal" concept.

Council is still assessing the impact of these amendments.

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

They would therefore be first applied in the financial statements for the annual reporting period ending 30 June 2014.

Revised AASB 119 Employee Benefits, AASB 2011-10 Amendments to Australian Accounting Standards arising from AASB 119 (September 2011) and AASB 2011-11 Amendments to AASB 119 (September 2011) arising from Reduced Disclosure Requirements (effective 1 January 2013)

This revised standard on accounting for employee benefits requires the recognition of all re-measurements of defined benefit liabilities/assets immediately in other comprehensive income (removal of the so-called 'corridor' method) and the calculation of a net interest expense or income by applying the discount rate to the net defined benefit liability or asset.

This replaces the expected return on plan assets that is currently included in profit or loss.

The standard also introduces a number of additional disclosures for defined benefit liabilities/assets and could affect the timing of the recognition of termination benefits.

The amendments will have to be implemented retrospectively.

Council does not recognise defined benefit assets and liabilities for the reasons set out in paragraph (x) (iii) and so these changes will not have an impact on its reported results.

Mosman Council

Notes to the Financial Statements for the financial year ended 30 June 2013

Note 1. Summary of Significant Accounting Policies

Not applicable to Local Government per se;

AASB 2012-5 Amendments to Australian Accounting Standards arising from Annual Improvements 2009–2011 Cycle (effective 1 January 2013)

AASB 1 - this standard clarifies that an entity can apply AASB 1 more than once. An entity can elect to apply AASB 123 from the transition date or an earlier date.

AASB 101 - clarifies that a third statement of financial position is required when the opening statement of financial position is materially affected by any adjustments.

AASB 116 - clarifies the classification of servicing equipment.

AASB 132 and Interpretation 2 - clarifies that income tax relating to distributions to holders of an equity instrument and to transaction costs of an equity transaction shall be accounted for in accordance with AASB 112 Income Taxes

AASB 134 - provides clarification about segment reporting.

The amendments arising from this standard are not expected to change the reported financial position or performance of the Council.

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

(z) Rounding of amounts

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

(aa) Comparative Figures

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

(ab) Disclaimer

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

Notes to the Financial Statements

for the financial year ended 30 June 2013

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

Functions/Activities	Income, Expenses and Assets have been directly attributed to the following Functions / Activities. Details of these Functions/Activities are provided in Note 2(b).												
	Income from Continuing Operations			Expenses from Continuing Operations			Operating Result from Continuing Operations			Grants included in Income from Continuing Operations		Total Assets held (Current & Non-current)	
	Original Budget	Actual	Actual	Original Budget	Actual	Actual	Original Budget	Actual	Actual	Actual	Actual	Actual	Actual
	2013	2013	2012	2013	2013	2012	2013	2013	2012	2013	2012	2013	2012
Council, Community & Communication	-	1	-	1,281	1,265	1,159	(1,281)	(1,264)	(1,159)	-	-	33	15
Resource & Asset Management	4,387	8,348	4,869	8,937	9,330	7,666	(4,550)	(982)	(2,797)	-	-	80,971	71,205
Urban Planning	164	196	205	676	673	943	(512)	(477)	(738)	297	434	-	-
Built Environment	1,224	728	802	1,313	1,296	1,170	(89)	(568)	(368)	-	-	60	1
Environment Management & Health	5,861	10,452	5,649	8,574	8,666	9,999	(2,713)	1,786	(4,350)	28	37	62,490	29,884
Parks & Recreation	560	714	753	3,775	3,435	3,810	(3,215)	(2,721)	(3,057)	-	-	144,277	141,571
Community Safety	10	271	288	1,770	1,918	1,718	(1,760)	(1,647)	(1,430)	-	-	9	15
Community Services	1,643	1,657	1,741	2,524	2,302	2,327	(881)	(645)	(586)	783	773	6,592	4,280
Library and Information	184	232	218	2,134	2,021	1,982	(1,950)	(1,789)	(1,764)	123	108	10,219	10,213
Cultural Development & Services	531	549	1,485	1,466	1,613	1,958	(935)	(1,064)	(473)	152	270	10,626	6,861
Transport & Traffic	5,956	7,309	6,056	6,439	5,959	6,358	(483)	1,350	(302)	292	194	203,884	219,138
Local & Regional Economy	-	-	1	177	157	157	(177)	(157)	(156)	-	-	-	-
Total Functions & Activities	20,520	30,457	22,067	39,066	38,635	39,247	(18,546)	(8,178)	(17,180)	1,675	1,816	519,161	483,183
Share of gains/(losses) in Associates & Joint Ventures (using the Equity Method)	-	83	114	-	-	-	-	83	114	-	-	678	635
General Purpose Income ¹	17,543	17,541	17,255	-	-	-	17,543	17,541	17,255	862	1,085	-	-
Operating Result from Continuing Operations	38,063	48,081	39,436	39,066	38,635	39,247	(1,003)	9,446	189	2,537	2,901	519,839	483,818

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

Mosman Council

Notes to the Financial Statements for the financial year ended 30 June 2013

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:

COUNCIL, COMMUNITY AND COMMUNICATION

Council Secretariat & Civic Involvement, Governance & Communication.

RESOURCE & ASSET MANAGEMENT

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

URBAN PLANNING

Zoning Framework, Planning Policy Development, Heritage Planning, Land Use Management Planning, Housing Strategy.

BUILT ENVIRONMENT

Development Assessment & Regulation.

ENVIRONMENT MANAGEMENT & HEALTH

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

PARKS & RECREATION

Parks, Gardens, Playgrounds & Civic Spaces, Recreational Facilities, Beaches, Sea Pools & Foreshores.

COMMUNITY SAFETY

Combating Offences & Crime, Event Management-Safety & Traffic Aspects, Emergency Management, Safe Communities & Companion Animals.

COMMUNITY SERVICES

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

LIBRARY & INFORMATION

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

CULTURAL DEVELOPMENT & SERVICES

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

TRANSPORT & TRAFFIC

Roads, Facilities, Traffic Management, Pedestrians, BiCycles, Public Transport.

LOCAL AND REGIONAL ECONOMY

Business & Employment, Marketing Mosman, Regional Economic Development.

Mosman Council

Notes to the Financial Statements for the financial year ended 30 June 2013

Note 3. Income from Continuing Operations

\$ '000	Notes	Actual 2013	Actual 2012
(a) Rates & Annual Charges			
Ordinary Rates			
Residential		14,774	14,243
Business		1,538	1,497
Total Ordinary Rates		16,312	15,740
Special Rates			
Nil			
Annual Charges (pursuant to s.496, s.496A, s.496B, s.501 & s.611)			
Domestic Waste Management Services		5,412	5,279
Section 611 Charges		23	22
Total Annual Charges		5,435	5,301
<u>TOTAL RATES & ANNUAL CHARGES</u>		<u>21,747</u>	<u>21,041</u>

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

Mosman Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 3. Income from Continuing Operations (continued)

\$ '000	Notes	Actual 2013	Actual 2012
(b) User Charges & Fees			
Specific User Charges (per s.502 - Specific "actual use" charges)			
Domestic Waste Management Services		59	53
Total User Charges		59	53
Other User Charges & Fees			
(i) Fees & Charges - Statutory & Regulatory Functions (per s.608)			
Planning & Building Regulation		643	720
Regulatory Fees		54	66
Section 149 Certificates (EPA Act)		139	152
Section 603 Certificates		80	83
Total Fees & Charges - Statutory/Regulatory		916	1,021
(ii) Fees & Charges - Other (incl. General User Charges) (per s.608)			
Advertising-Bridgepoint Bridge		426	-
Art Prize Fees		32	39
Children's Leisure & Learning		9	15
Community Restaurant		29	33
Cultural Centre		81	94
Dinghy Storage Racks		30	29
Family Day Care Parent Levy		10	16
Filming Permits		5	4
Footpath Occupation		176	147
Hoarding Fees		262	201
Kidzone - Vacation		81	92
Lease Rentals (Property)		935	854
Leaseback Fees - Council Vehicles		7	26
Market Days (Stall Holders)		96	94
Meals on Wheels		95	98
Mini Skips		26	32
Mosman Occasional Child Care		275	281
Occasional Child Care		8	11
Out of School Care		269	245
Oval Rents		226	194
Parking Fees - On Street		1,780	1,536
Parking Fees - Foreshore		1,055	963
Parking Fees - Foreshore (Stickers)		216	189
Parking Fees - Resident Parking Scheme Permits		40	37
Photocopying - Civic Centre		3	3
Photocopying - Library		9	8
Reserve Rents		83	89
Restoration Charges		699	860
Section 153 Land Leases		131	114
Stand Plant Permits		108	75
Trading Rights - Foreshore		25	9
Vacation Care		29	35
Vehicular Crossing		20	14
Vehicular Crossing - Inspection Fees		9	8
Work Zone Fees		217	89
Other		402	378
Total Fees & Charges - Other		7,904	6,912
TOTAL USER CHARGES & FEES		8,879	7,986

Mosman Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 3. Income from Continuing Operations (continued)

\$ '000	Notes	Actual 2013	Actual 2012
(c) Interest & Investment Revenue (incl. losses)			
Interest & Dividends			
- Interest on Overdue Rates & Annual Charges (incl. Special Purpose Rates)		55	49
- Interest earned on Investments (interest & coupon payment income)		344	385
<u>TOTAL INTEREST & INVESTMENT REVENUE</u>		<u>399</u>	<u>434</u>
Interest Revenue is attributable to:			
Unrestricted Investments/Financial Assets:			
Overdue Rates & Annual Charges (General Fund)		55	49
General Council Cash & Investments		312	381
Restricted Investments/Funds - External:			
Development Contributions			
- Section 94		32	4
<u>Total Interest & Investment Revenue Recognised</u>		<u>399</u>	<u>434</u>
(d) Other Revenues			
Fair Value Adjustments - Investment Properties	14	3,387	-
Rental Income - Investment Properties	14	1,778	1,817
Reversal of prior period revaluation decrements (applicable to I,PP&E)	9(a)	4,571	-
Fines		1,759	1,892
Commissions & Agency Fees		21	12
Insurance Claim Recoveries		-	55
Other		116	76
<u>TOTAL OTHER REVENUE</u>		<u>11,632</u>	<u>3,852</u>

Mosman Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 3. Income from Continuing Operations (continued)

\$ '000	2013 Operating	2012 Operating	2013 Capital	2012 Capital
(e) Grants				
General Purpose (Untied)				
Financial Assistance - General Component	581	744	-	-
Financial Assistance - Local Roads Component	216	279	-	-
Pensioners' Rates Subsidies - General Component	65	62	-	-
Total General Purpose	862	1,085	-	-
Specific Purpose				
Pensioners' Rates Subsidies:				
- Domestic Waste Management	28	27	-	-
Aged Care	565	527	-	-
Child Care	218	246	-	-
Environmental Protection - Marine Structures	-	-	-	10
Excess Weight Subsidy	9	9	-	-
Heritage & Cultural	-	189	-	-
Housing & Community Amenities	297	245	-	-
Library - per capita	54	54	-	-
Library - special projects	69	54	-	-
Recreation & Culture	124	-	28	270
Traffic Route Subsidy	75	73	-	-
Transport (Roads to Recovery)	-	-	208	112
Total Specific Purpose	1,439	1,424	236	392
Total Grants	2,301	2,509	236	392
Grant Revenue is attributable to:				
- Commonwealth Funding	797	1,023	208	112
- State Funding	1,504	1,486	28	280
	2,301	2,509	236	392

Mosman Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 3. Income from Continuing Operations (continued)

\$ '000	2013 Operating	2012 Operating	2013 Capital	2012 Capital
(f) Contributions				
Developer Contributions:				
(s93 & s94 - EP&A Act, s64 of the LGA):				
S 94 - Contributions towards amenities/services	-	-	478	533
S 94A - Fixed Development Consent Levies	-	-	1,160	1,290
Total Developer Contributions 17	-	-	1,638	1,823
Other Contributions:				
Community Services	2	15	-	-
Recreation & Culture	43	13	-	848
Roads & Bridges	-	-	900	104
RMS Contributions (Regional Roads, Block Grant)	164	305	-	-
Total Other Contributions	209	333	900	952
Total Contributions	209	333	2,538	2,775
TOTAL GRANTS & CONTRIBUTIONS	2,510	2,842	2,774	3,167

\$ '000	Actual 2013	Actual 2012
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(g) Restrictions relating to Grants and Contributions

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

Unexpended at the Close of the Previous Reporting Period	524	443
add: Grants & contributions recognised in the current period but not yet spent:	1,433	468
less: Grants & contributions recognised in a previous reporting period now spent:	(467)	(387)

Net Increase (Decrease) in Restricted Assets during the Period	966	81
Unexpended and held as Restricted Assets	1,490	524

Comprising:

- Specific Purpose Unexpended Grants	441	391
- Developer Contributions	1,049	133
	1,490	524

Mosman Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 4. Expenses from Continuing Operations

\$ '000	Notes	Actual 2013	Actual 2012
(a) Employee Benefits & On-Costs			
Salaries and Wages		10,936	10,649
Travelling		246	217
Employee Leave Entitlements (ELE)		1,375	1,737
Superannuation - Defined Contribution Plans		970	922
Superannuation - Defined Benefit Plans		319	308
Workers' Compensation Insurance		472	213
Fringe Benefit Tax (FBT)		48	49
Training Costs (other than Salaries & Wages)		119	73
Other		12	13
Total Employee Costs		14,497	14,181
less: Capitalised Costs		-	-
<u>TOTAL EMPLOYEE COSTS EXPENSED</u>		<u>14,497</u>	<u>14,181</u>
Number of "Equivalent Full Time" Employees at year end		168	168
(b) Borrowing Costs			
(i) Interest Bearing Liability Costs			
Interest on Loans		654	672
Total Interest Bearing Liability Costs		654	672
less: Capitalised Costs		-	-
Total Interest Bearing Liability Costs Expensed		654	672
(ii) Other Borrowing Costs			
Nil			
<u>TOTAL BORROWING COSTS EXPENSED</u>		<u>654</u>	<u>672</u>

Mosman Council

Notes to the Financial Statements for the financial year ended 30 June 2013

Note 4. Expenses from Continuing Operations (continued)

\$ '000	Notes	Actual 2013	Actual 2012
(c) Materials & Contracts			
Raw Materials & Consumables		244	246
Contractor & Consultancy Costs			
- Aged Services		114	122
- Bushcare		457	407
- Cleansing		2,218	2,043
- Consultancies		365	630
- Infrastructure		431	1,012
- Parks, Gardens & Civic Spaces		579	587
- Plant Running		114	169
- Recreational Facilities		547	496
- Structures		581	571
- Tree Pruning/Removal		228	228
- Waste Management		2,757	2,692
- Other Contractor & Consultancy Costs		1,509	1,096
Auditors Remuneration ⁽¹⁾		36	35
Infringement Notice Contract Costs (SEINS)		257	283
Legal Expenses:			
- Legal Expenses: Planning & Development		325	169
- Legal Expenses: Other		62	69
Operating Leases:			
- Operating Lease Rentals: Minimum Lease Payments ⁽²⁾		115	139
Printing		155	164
Total Materials & Contracts		11,094	11,158
less: Capitalised Costs		-	-
TOTAL MATERIALS & CONTRACTS		11,094	11,158

1. Auditor Remuneration

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

(i) Audit and Other Assurance Services

- Audit & review of financial statements: Council's Auditor	36	35
Remuneration for audit and other assurance services	36	35
Remuneration for other services	-	-
Total Auditor Remuneration	36	35

2. Operating Lease Payments are attributable to:

Computers	115	139
	115	139

Mosman Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 4. Expenses from Continuing Operations (continued)

\$ '000	Notes	Impairment Costs		Depreciation/Amortisation	
		Actual 2013	Actual 2012	Actual 2013	Actual 2012
Plant and Equipment		-	-	329	390
Office Equipment		-	-	150	146
Furniture & Fittings		-	-	33	26
Land Improvements (depreciable)		-	-	756	741
Buildings - Non Specialised		-	-	478	512
Buildings - Specialised		-	-	280	428
Other Structures		-	-	392	371
Infrastructure:					
- Roads, Bridges & Footpaths		-	-	3,019	3,258
- Stormwater Drainage		-	-	441	752
Other Assets					
- Heritage Collections		-	-	2	2
- Library Books		-	-	238	234
- Other		-	-	14	14
Intangible Assets	25	-	-	16	16
Total Depreciation & Impairment Costs		-	-	6,148	6,890
less: Capitalised Costs		-	-	-	-
<u>TOTAL DEPRECIATION & IMPAIRMENT COSTS EXPENSED</u>		<u>-</u>	<u>-</u>	<u>6,148</u>	<u>6,890</u>

Mosman Council

Notes to the Financial Statements for the financial year ended 30 June 2013

Note 4. Expenses from Continuing Operations (continued)

\$ '000	Notes	Actual 2013	Actual 2012
(e) Other Expenses			
Other Expenses for the year include the following:			
Advertising		192	177
Bad & Doubtful Debts		126	4
Bank Charges		74	73
Catering		89	75
Computer Software Charges		773	681
Contributions/Levies to Other Levels of Government			
- Department of Planning Levy		148	143
- NSW Fire Brigade Levy		985	1,002
- Local Government & Shires Association		39	36
Councillor Expenses - Mayoral Fee		37	36
Councillor Expenses - Councillors' Fees		119	140
Councillors' Expenses (incl. Mayor) - Other (excluding fees above)		34	44
Donations, Contributions & Assistance to other organisations (Section 356)		330	359
Election Expenses		155	-
Electricity & Heating		388	326
Equipment Maintenance		168	171
Insurance		749	719
Leases - Photocopiers		55	56
Leases - Property		44	44
Postage		73	81
Revaluation Decrements (Fair Valuation of Investment Properties)	14	-	631
Street Lighting		550	543
Subscriptions & Publications		75	75
Telephone & Communications		75	72
Waste Disposal & Recycling Centre		633	530
Water		140	104
Other		191	167
Total Other Expenses		6,242	6,289
less: Capitalised Costs		-	-
<u>TOTAL OTHER EXPENSES</u>		<u>6,242</u>	<u>6,289</u>

Mosman Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 5. Gains or Losses from the Disposal of Assets

\$ '000	Notes	Actual 2013	Actual 2012
Property (excl. Investment Property)			
Proceeds from Disposal - Property		46	-
less: Carrying Amount of Property Assets Sold / Written Off		-	-
Net Gain/(Loss) on Disposal		46	-
Plant & Equipment			
Proceeds from Disposal - Plant & Equipment		99	90
less: Carrying Amount of P&E Assets Sold / Written Off		(88)	(125)
Net Gain/(Loss) on Disposal		11	(35)
Infrastructure			
Proceeds from Disposal - Infrastructure		-	-
less: Carrying Amount of Infrastructure Assets Sold / Written Off		-	(22)
Net Gain/(Loss) on Disposal		-	(22)
Financial Assets*			
Proceeds from Disposal / Redemptions / Maturities - Financial Assets		10,600	1,000
less: Carrying Amount of Financial Assets Sold / Redeemed / Matured		(10,600)	(1,000)
Net Gain/(Loss) on Disposal		-	-
<u>NET GAIN/(LOSS) ON DISPOSAL OF ASSETS</u>		<u>57</u>	<u>(57)</u>

Mosman Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

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

\$ '000	Notes	2013 Actual Current	2013 Actual Non Current	2012 Actual Current	2012 Actual Non Current
Cash & Cash Equivalents (Note 6a)					
Cash on Hand and at Bank		499	-	259	-
Cash-Equivalent Assets ¹					
- Short Term Deposits		9,125	-	3,350	-
Total Cash & Cash Equivalents		9,624	-	3,609	-
Investments (Note 6b)					
- Long Term Deposits		-	-	2,750	-
Total Investments		-	-	2,750	-
TOTAL CASH ASSETS, CASH EQUIVALENTS & INVESTMENTS		9,624	-	6,359	-

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

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

Cash & Cash Equivalents

a. "At Fair Value through the Profit & Loss"	9,624	-	3,609	-
--	-------	---	-------	---

Investments

a. "At Fair Value through the Profit & Loss"

- "Held for Trading"	6(b-i)	-	-	-	-
- "Designated at Fair Value on Initial Recognition"	6(b-i)	-	-	-	-
b. "Held to Maturity"	6(b-ii)	-	-	2,750	-
c. "Loans & Receivables"	6(b-iii)	-	-	-	-
d. "Available for Sale"	6(b-iv)	-	-	-	-
Investments		-	-	2,750	-

Note 6(b-ii)

Reconciliation of Investments classified as "Held to Maturity"

Balance at the Beginning of the Year	2,750	-	1,000	-
Additions	7,850	-	2,750	-
Disposals (sales & redemptions)	(10,600)	-	(1,000)	-
Balance at End of Year	-	-	2,750	-

Comprising:

- Long Term Deposits	-	-	2,750	-
Total	-	-	2,750	-

Mosman Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

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

\$ '000	2013	2013	2012	2012
	Actual Current	Actual Non Current	Actual Current	Actual Non Current
Total Cash, Cash Equivalents and Investments	9,624	-	6,359	-
attributable to:				
External Restrictions (refer below)	4,020	-	1,533	-
Internal Restrictions (refer below)	4,273	-	3,484	-
Unrestricted	1,331	-	1,342	-
	9,624	-	6,359	-

2013	Opening	Transfers to	Transfers from	Closing
\$ '000	Balance	Restrictions	Restrictions	Balance
External Restrictions - Included in Liabilities				
Specific Purpose Unexpended Loans-General (A)	348	1,176	(348)	1,176
External Restrictions - Included in Liabilities	348	1,176	(348)	1,176
External Restrictions - Other				
Developer Contributions - General (D)	133	1,670	(754)	1,049
Specific Purpose Unexpended Grants (F)	391	50	-	441
Domestic Waste Management (G)	661	693	-	1,354
External Restrictions - Other	1,185	2,413	(754)	2,844
Total External Restrictions	1,533	3,589	(1,102)	4,020
Internal Restrictions				
Plant & Vehicle Replacement	80	20	-	100
Infrastructure Replacement	-	766	-	766
Employees Leave Entitlement	700	50	-	750
Carry Over Works	230	71	(230)	71
Deposits, Retentions & Bonds	2,000	-	-	2,000
Financial Assistance Grant	417	420	(417)	420
Swim Centre	57	109	-	166
Total Internal Restrictions	3,484	1,436	(647)	4,273
TOTAL RESTRICTIONS	5,017	5,025	(1,749)	8,293

A Loan moneys which must be applied for the purposes for which the loans were raised.

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

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

G Water, Sewerage, Domestic Waste Management (DWM) & other Special Rates/Levies/Charges are externally restricted assets and must be applied for the purposes for which they were raised.

Mosman Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 7. Receivables

\$ '000	Notes	2013		2012	
		Current	Non Current	Current	Non Current
Purpose					
Rates & Annual Charges		413	56	316	49
Interest & Extra Charges		21	-	21	-
User Charges & Fees		1,147	-	1,302	-
Accrued Revenues					
- Interest on Investments		13	-	25	-
- Other Income Accruals		898	-	1,007	-
Government Grants & Subsidies		242	-	177	-
Net GST Receivable		212	-	307	-
Other Debtors		269	-	165	-
Total		3,215	56	3,320	49
less: Provision for Impairment					
User Charges & Fees		(94)	-	(226)	-
Other Debtors		(39)	-	(78)	-
Total Provision for Impairment - Receivables		(133)	-	(304)	-
<u>TOTAL NET RECEIVABLES</u>		<u>3,082</u>	<u>56</u>	<u>3,016</u>	<u>49</u>
Externally Restricted Receivables					
Domestic Waste Management		147	-	110	-
Total External Restrictions		147	-	110	-
Internally Restricted Receivables					
Nil					
Unrestricted Receivables		2,935	56	2,906	49
TOTAL NET RECEIVABLES		3,082	56	3,016	49

Notes on Debtors above:

- (i) Rates & Annual Charges Outstanding are secured against the property.
- (ii) Doubtful Rates Debtors are provided for where the value of the property is less than the debt outstanding.
An allowance for other doubtful debts is made when there is objective evidence that a receivable is impaired.
- (iii) Interest was charged on overdue rates & charges at 10.00% (2012 11.00%).
Generally all other receivables are non interest bearing.
- (iv) Please refer to Note 15 for issues concerning Credit Risk and Fair Value disclosures.

Mosman Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 8. Inventories & Other Assets

\$ '000	Notes	2013		2012	
		Current	Non Current	Current	Non Current
Inventories					
Stores & Materials		88	-	107	-
Trading Stock		55	-	55	-
Total Inventories		143	-	162	-
Other Assets					
Prepayments		132	-	102	-
Total Other Assets		132	-	102	-
TOTAL INVENTORIES / OTHER ASSETS		275	-	264	-

Externally Restricted Assets

Nil

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 9a. Infrastructure, Property, Plant & Equipment

\$ '000	as at 30/6/2012				Asset Movements during the Reporting Period							as at 30/6/2013		
	At	At	Accumulated	Carrying	Asset Additions	WDV of Asset Disposals	Depreciation Expense	WIP Transfers	Revaluation Decrements to Equity (ARR)	Reversal of prior period Revaluation Decrements to the P&L	Revaluation Increments to Equity (ARR)	At	Accumulated	Carrying
	Cost	Fair Value	Dep'n	Value								Fair Value	Dep'n	Value
Capital Work in Progress	1,498	-	-	1,498	-	-	-	(1,498)	-	-	-	-	-	-
Plant & Equipment	-	2,830	1,722	1,108	166	(88)	(329)	-	-	-	-	2,792	1,935	857
Office Equipment	-	867	502	365	212	-	(150)	-	-	-	-	1,079	652	427
Furniture & Fittings	-	351	244	107	71	-	(33)	-	-	-	-	410	265	145
Art Collection	-	1,311	-	1,311	-	-	-	-	-	-	2,955	4,266	-	4,266
Land:														
- Operational Land	-	103,168	-	103,168	-	-	-	-	-	-	9,022	112,190	-	112,190
- Community Land	-	102,687	-	102,687	-	-	-	-	-	-	-	102,687	-	102,687
Land Improvements - depreciable	-	25,517	7,710	17,807	98	-	(756)	50	-	-	-	25,664	8,465	17,199
Buildings - Non Specialised	-	32,711	13,554	19,157	304	-	(478)	516	-	-	8,093	43,778	16,186	27,592
Buildings - Specialised	-	18,798	3,740	15,058	150	-	(280)	203	-	-	191	21,693	6,370	15,323
Other Structures	-	11,627	6,777	4,850	257	-	(392)	72	-	-	-	11,956	7,169	4,787
Infrastructure:														
- Roads, Bridges, Footpaths	-	307,611	160,677	146,934	3,619	-	(3,019)	384	(23,213)	-	-	230,152	105,447	124,705
- Bulk Earthworks (non-depreciable)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- Stormwater Drainage	-	41,491	24,634	16,857	362	-	(441)	273	-	4,571	28,296	63,880	13,962	49,918
Other Assets:														
- Heritage Collections	-	23	8	15	-	-	(2)	-	-	-	-	23	10	13
- Library Books	-	1,874	1,064	810	253	-	(238)	-	-	-	-	2,128	1,303	825
- Other	-	357	16	341	-	-	(14)	-	-	-	-	357	30	327
TOTAL INFRASTRUCTURE, PROPERTY, PLANT & EQUIP.	1,498	651,223	220,648	432,073	5,492	(88)	(6,132)	-	(23,213)	4,571	48,557	623,055	161,794	461,261

Additions to Depreciable Land Improvements, Buildings, Other Structures & Infrastructure Assets are made up of Asset Renewals (\$3,971) and New Assets (\$820). Renewals are defined as the replacement of existing assets (as opposed to the acquisition of new assets).

Mosman Council

Notes to the Financial Statements for the financial year ended 30 June 2013

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

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

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

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

Note 10a. Payables, Borrowings & Provisions

\$ '000	Notes	2013		2012	
		Current	Non Current	Current	Non Current
Payables					
Goods & Services - operating expenditure		1,783	-	1,311	-
Goods & Services - capital expenditure		1,017	-	950	-
Payments Received In Advance		35	-	101	-
Accrued Expenses:					
- Borrowings		42	-	49	-
Security Bonds, Deposits & Retentions		4,693	-	4,877	-
Total Payables		7,570	-	7,288	-
Borrowings					
Loans - Secured ¹		1,860	8,966	1,539	8,366
Deferred Payment Liabilities		130	-	130	130
Total Borrowings		1,990	8,966	1,669	8,496
Provisions					
Employee Benefits;					
Annual Leave		1,481	-	1,432	-
Long Service Leave		2,656	80	2,512	115
Sub Total - Aggregate Employee Benefits		4,137	80	3,944	115
Total Provisions		4,137	80	3,944	115
Total Payables, Borrowings & Provisions		13,697	9,046	12,901	8,611

(i) Liabilities relating to Restricted Assets

	2013		2012	
	Current	Non Current	Current	Non Current
Externally Restricted Assets				
Domestic Waste Management	147		110	-
Other	346		130	-
Liabilities relating to externally restricted assets	493	-	240	-

Internally Restricted Assets - Nil

¹. Loans are secured over the General Rating Income of Council

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

Mosman Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

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

	Actual 2013	Actual 2012
\$ '000		

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

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

Provisions - Employees Benefits	2,629	2,462
Payables - Security Bonds, Deposits & Retentions	4,093	4,277
	6,722	6,739

Note 10b. Description of and movements in Provisions

Class of Provision	2012	2013				
	Opening Balance as at 1/7/12	Additional Provisions	Decrease due to Payments	Remeasurement effects due to Discounting	Unused amounts reversed	Closing Balance as at 30/6/13
Annual Leave	1,432	1,024	(975)	-	-	1,481
Long Service Leave	2,627	351	(242)	-	-	2,736
TOTAL	4,059	1,375	(1,217)	-	-	4,217

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

Mosman Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 11. Statement of Cash Flows - Additional Information

\$ '000	Notes	Actual 2013	Actual 2012
(a) Reconciliation of Cash Assets			
Total Cash & Cash Equivalent Assets	6a	9,624	3,609
Less Bank Overdraft	10	-	-
BALANCE as per the STATEMENT of CASH FLOWS		9,624	3,609
(b) Reconciliation of Net Operating Result to Cash provided from Operating Activities			
Net Operating Result from Income Statement		9,446	189
Adjust for non cash items:			
Depreciation & Amortisation		6,148	6,890
Net Losses/(Gains) on Disposal of Assets		(57)	57
Non Cash Capital Grants and Contributions		-	(827)
Reversal of prior period I,PP&E revaluation decrements costed DIRECT to the P&L		(4,571)	-
- Investment Properties		(3,387)	631
Share of Net (Profits) or Losses of Associates/Joint Ventures		(83)	(114)
+/- Movement in Operating Assets and Liabilities & Other Cash Items:			
Decrease/(Increase) in Receivables		98	(453)
Increase/(Decrease) in Provision for Doubtful Debts		(171)	(71)
Decrease/(Increase) in Inventories		19	(2)
Decrease/(Increase) in Other Assets		(30)	(15)
Increase/(Decrease) in Payables		472	88
Increase/(Decrease) in accrued Interest Payable		(7)	(9)
Increase/(Decrease) in Other Liabilities		(250)	270
Increase/(Decrease) in Employee Leave Entitlements		158	393
NET CASH PROVIDED FROM/(USED IN) OPERATING ACTIVITIES from the STATEMENT of CASH FLOWS		7,785	7,027

Mosman Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

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

\$ '000	Notes	Actual 2013	Actual 2012
(c) Non-Cash Investing & Financing Activities			
Other Dedications - Artworks		-	827
Total Non-Cash Investing & Financing Activities		-	827
(d) Financing Arrangements			
(i) Unrestricted access was available at balance date to the following lines of credit:			
Bank Overdraft Facilities ⁽¹⁾		90	90
Credit Cards / Purchase Cards		47	42
Total Financing Arrangements		137	132
Amounts utilised as at Balance Date:			
- Bank Overdraft Facilities		-	-
- Credit Cards / Purchase Cards		-	-
Total Financing Arrangements Utilised		-	-

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

(ii) Secured Loan Liabilities

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

Mosman Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 12. Commitments for Expenditure

\$ '000	Notes	Actual 2013	Actual 2012
(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 & Equipment			
Buildings		-	231
Infrastructure		2,000	383
Total Commitments		2,000	614
These expenditures are payable as follows:			
Within the next year		2,000	614
Later than one year and not later than 5 years		-	-
Later than 5 years		-	-
Total Payable		2,000	614
Sources for Funding of Capital Commitments:			
Unrestricted General Funds		-	139
Sect 64 & 94 Funds/Reserves		-	125
Unexpended Loans		-	350
New Loans (to be raised)		2,000	-
Total Sources of Funding		2,000	614

(b) Finance Lease Commitments

Nil

(c) Operating Lease Commitments (Non Cancellable)**a. Commitments under Non Cancellable Operating Leases at the Reporting date, but not recognised as Liabilities are payable:**

Within the next year	140	150
Later than one year and not later than 5 years	191	204
Later than 5 years	-	-
Total Non Cancellable Operating Lease Commitments	331	354

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.

Mosman Council

Notes to the Financial Statements for the financial year ended 30 June 2013

Note 12. Commitments for Expenditure (continued)

		Actual	Actual
\$ '000	Notes	2013	2012

Conditions relating to Operating Leases:

- All Operating Lease Agreements are secured only against the Leased Asset.
- No Lease Agreements impose any financial restrictions on Council regarding future debt etc.

(d) Investment Property Commitments

Nil

(e) Investment in Associates / Joint Ventures - Commitments

For Capital Commitments and Other Commitments relating to Investments in Associates & Joint Ventures, refer to Note 19 (b)

Mosman Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

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

\$ '000	Amounts 2013	Indicator 2013	Prior Periods 20122011	
Local Government Industry Indicators - Consolidated				
1. Unrestricted Current Ratio				
Current Assets less all External Restrictions ⁽¹⁾	8,814	1.36 : 1	1.35	1.34
Current Liabilities less Specific Purpose Liabilities ^(2,3)	6,482			
2. Debt Service Ratio				
Debt Service Cost	2,323	5.32%	7.08%	7.61%
Income from Continuing Operations (excl. Capital Items & Specific Purpose Grants/Contributions)	43,659			
3. Rates & Annual Charges Coverage Ratio				
Rates & Annual Charges	21,747	45.23%	53.35%	56.05%
Income from Continuing Operations	48,081			
4. Rates, Annual Charges, Interest & Extra Charges Outstanding Percentage				
Rates, Annual & Extra Charges Outstanding	490	2.21%	1.80%	1.94%
Rates, Annual & Extra Charges Collectible	22,188			
5. Building & Infrastructure Renewals Ratio				
Asset Renewals ⁽⁴⁾	3,621	85.85%	79.54%	66.64%
Depreciation, Amortisation & Impairment	4,218			

Notes

⁽¹⁾ Refer Notes 6-8 inclusive.

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

⁽²⁾ Refer to Note 10(a).

⁽³⁾ Refer to Note 10(a)(ii) - excludes all payables & provisions not expected to be paid in the next 12 months (incl. ELE).

⁽⁴⁾ Asset Renewals represent the replacement &/or refurbishment of existing assets to an equivalent capacity/performance as opposed to the acquisition of new assets (or the refurbishment of old assets) that increases capacity/performance. Asset Renewals include building and infrastructure assets only.

Mosman Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

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

\$ '000	Amounts 2013	Indicator 2013	Prior Periods 20122011	
TCorp Performance Measures - Consolidated				
a. Operating Performance				
Operating Revenue (excl. Capital Grants & Contributions)				
- Operating Expenses	(1,286)	-3.44%	-6.47%	-9.43%
Operating Revenue (excl. Capital Grants & Contributions)	37,349			
b. Own Source Operating Revenue				
Rates & Annual Charges + User Charges & Fees	30,626	76.33%	73.61%	76.56%
Total Operating Revenue (incl. Capital Grants & Contributions)	40,123			
c. Unrestricted Current Ratio				
Current Assets less all External Restrictions	8,814	1.36	1.35	1.34
Current Liabilities less Specific Purpose Liabilities	6,482			
d. Debt Service Cover Ratio				
Operating Result before Interest & Depreciation (EBITDA)	5,516	2.37	2.13	2.07
Principal Repayments (from the Statement of Cash Flows)	2,323			
+ Borrowing Interest Costs (from the Income Statement)				
e. Capital Expenditure Ratio				
Annual Capital Expenditure	5,404	0.88	0.92	1.03
Annual Depreciation	6,148			
f. Infrastructure Backlog Ratio				
Estimated Cost to bring Assets to a Satisfactory Condition	6,034	0.03	0.12	0.11
Total value of Infrastructure, Building, Other Structures & Depreciable Land Improvement Assets	239,524			
g. Asset Maintenance Ratio				
Actual Asset Maintenance	5,965	1.12	0.83	0.62
Required Asset Maintenance	5,313			
h. Building & Infrastructure Renewals Ratio				
Asset Renewals	3,621	0.86	0.80	0.67
Depreciation of Building and Infrastructure Assets	4,218			
i. Cash Expense Cover Ratio				
Current Year's Cash & Cash Equivalents	9,624	3.63	1.37	1.63
(Total Expenses - Depreciation - Interest Costs)/12	2,653			
j. Interest Cover Ratio				
Operating Results before Interest & Depreciation (EBITDA)	5,516	8.43	7.76	8.54
Borrowing Interest Costs (from the income statement)	654			

Mosman Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 14. Investment Properties

\$ '000	Notes	Actual 2013	Actual 2012
(a) Investment Properties at Fair value			
<u>Investment Properties on Hand</u>		<u>44,535</u>	<u>41,078</u>
Reconciliation of Annual Movement:			
Opening Balance		41,078	40,909
- Capitalised Expenditure - this year		70	800
- Net Gain/(Loss) from Fair Value Adjustments		3,387	(631)
CLOSING BALANCE - INVESTMENT PROPERTIES		44,535	41,078
(b) Valuation Basis			
<p>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.</p> <p>The 2013 revaluations were based on Independent Assessments made by: Scott Fullarton Valuations Pty Ltd. Valuation No. MKT5060</p>			
(C) Investment Property Income & Expenditure - summary			
Rental Income from Investment Properties:			
- Minimum Lease Payments		1,778	1,817
- Contingent Rentals		-	-
- Other Income		-	-
Direct Operating Expenses on Investment Properties:			
- that generated rental income		(30)	(22)
- that did not generate rental income		-	-
Net Revenue Contribution from Investment Properties		1,748	1,795
plus:			
Fair Value Movement for year		3,387	(631)
Total Income attributable to Investment Properties		5,135	1,164

Mosman Council

Notes to the Financial Statements for the financial year ended 30 June 2013

Note 15. Financial Risk Management

\$ '000

Risk Management

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

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

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

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

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

	Carrying Value		Fair Value	
	2013	2012	2013	2012
Financial Assets				
Cash and Cash Equivalents	9,624	3,609	9,624	3,609
Investments				
- "Held to Maturity"	-	2,750	-	2,750
Receivables	3,138	3,065	3,138	3,065
Total Financial Assets	12,762	9,424	12,762	9,424
Financial Liabilities				
Payables	7,535	7,187	7,535	7,187
Loans / Advances	10,956	10,165	10,956	10,165
Total Financial Liabilities	18,491	17,352	18,491	17,352

Fair Value is determined as follows:

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

Mosman Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 15. Financial Risk Management (continued)

\$ '000

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

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

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

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

The major risk associated with Investments is price risk - the risk that the capital value of Investments may fluctuate due to changes in market prices, whether these 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.

Cash & Investments are also subject to interest rate risk - the risk that movements in interest rates could affect returns and income.

A further risk associated with Cash & Investments is 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.

Council also seeks advice from independent advisers before placing any funds in Cash Equivalents & Investments.

The following represents a summary of the sensitivity of Council's Income Statement and Accumulated Surplus (for the reporting period) due to a change in either the price of a financial asset or the interest rates applicable.

It is assumed that the change in interest rates would have been constant throughout the reporting period.

	Increase of Values/Rates		Decrease of Values/Rates	
	Profit	Equity	Profit	Equity
2013				
Possible impact of a 1% movement in Interest Rates	96	96	(96)	(96)
2012				
Possible impact of a 1% movement in Interest Rates	64	64	(64)	(64)

Mosman Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 15. Financial Risk Management (continued)

\$ '000

(b) Receivables

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

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

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

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

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

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.

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

	2013 Rates & Annual Charges	2013 Other Receivables	2012 Rates & Annual Charges	2012 Other Receivables
(i) Ageing of Receivables				
Current (not yet overdue)	413	2,470	316	2,234
Overdue	56	332	49	770
	469	2,802	365	3,004
(ii) Movement in Provision for Impairment of Receivables			2013	2012
Balance at the beginning of the year			304	375
+ new provisions recognised during the year			10	4
- amounts already provided for & written off this year			(181)	(75)
Balance at the end of the year			133	304

Mosman Council

Notes to the Financial Statements for the financial year ended 30 June 2013

Note 15. Financial Risk Management (continued)

\$ '000

(c) Payables & Borrowings

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

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

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

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

\$ '000	Subject to no maturity							Total Cash Outflows	Actual Carrying Values
	≤ 1 Year	1-2 Yrs	payable in:				> 5 Yrs		
			2-3 Yrs	3-4 Yrs	4-5 Yrs				
2013									
Bank Overdraft	-	-	-	-	-	-	-	-	-
Trade/Other Payables	4,693	2,842	-	-	-	-	-	7,535	7,535
Loans & Advances	-	1,989	1,799	1,824	1,622	913	2,809	10,956	10,956
Lease Liabilities	-	-	-	-	-	-	-	-	-
Total Financial Liabilities	4,693	4,831	1,799	1,824	1,622	913	2,809	18,491	18,491
2012									
Bank Overdraft	-	-	-	-	-	-	-	-	-
Trade/Other Payables	4,877	2,310	-	-	-	-	-	7,187	7,187
Loans & Advances	-	1,669	1,625	1,418	1,425	1,205	2,823	10,165	10,165
Lease Liabilities	-	-	-	-	-	-	-	-	-
Total Financial Liabilities	4,877	3,979	1,625	1,418	1,425	1,205	2,823	17,352	17,352

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

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

	2013		2012	
	Carrying Value	Average Interest Rate	Carrying Value	Average Interest Rate
Trade/Other Payables	7,535	0.0%	7,187	0.0%
Loans & Advances - Fixed Interest Rate	10,956	6.7%	10,165	7.0%
	<u>18,491</u>		<u>17,352</u>	

Mosman Council

Notes to the Financial Statements for the financial year ended 30 June 2013

Note 16. Material Budget Variations

\$ '000

Council's Original Financial Budget for 12/13 was adopted by the Council on 05 June 2012.

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

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

Note that for Variations* of Budget to Actual :

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

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

\$ '000	2013 Budget	2013 Actual	2013 Variance* -----		
REVENUES					
Rates & Annual Charges	21,796	21,747	(49)	(0%)	U
User Charges & Fees	8,779	8,879	100	1%	F
Interest & Investment Revenue	437	399	(38)	(9%)	U
Other Revenues	3,685	11,632	7,947	216%	F
2 material items have impacted on the actual to budget result for this line item. A Fair Value increment on Council's Investment Properties of \$3.387M and a Reversal of a prior year decrement on Stormwater Assets booked in 09/10 of \$4.471M					
Operating Grants & Contributions	2,196	2,510	314	14%	F
2 unbudgeted Library Grants totalling \$69K, the WASIP funding contribution exceeding budget by \$18K together with an unbudgeted Coastal Zone Grant of \$31K have impacted on the actual to budget result for this line item.					
Capital Grants & Contributions	1,170	2,774	1,604	137%	F
An unbudgeted contribution from the RMS totalling \$778K, S94 contributions exceeding budget by \$637K & Roads to Recovery Funding exceeding budget by \$98K impacted on the actual to budget result					
Net Gains from Disposal of Assets	-	57	57	0%	F
Share of Net Profits - Joint Ventures & Associates	-	83	83	0%	F

Mosman Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 16. Material Budget Variations (continued)

\$ '000	2013 Budget	2013 Actual	2013 ----- Variance* -----		
EXPENSES					
Employee Benefits & On-Costs	15,423	14,497	926	6%	F
Borrowing Costs	685	654	31	5%	F
Materials & Contracts	10,708	11,094	(386)	(4%)	U
Depreciation & Amortisation	6,797	6,148	649	10%	F
Impairment Expenses	-	-	-	0%	F
Other Expenses	5,453	6,242	(789)	(14%)	U
The Waste & Disposal Item within Note 4E was funded in the original budget within Materials & Contracts (\$633K)					
Net Losses from Disposal of Assets	-	-	-	0%	F
Share of Net Losses - Joint Ventures & Associates	-	-	-	0%	F
Operating Result from Discontinued Operations	-	-	-	0%	F

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 17. Statement of Developer Contributions

\$ '000

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

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

SUMMARY OF CONTRIBUTIONS & LEVIES

PURPOSE	Opening Balance	Contributions received during the Year		Interest earned in Year	Expenditure during Year	Internal Borrowing (to)/from	Held as Restricted Asset	Projections			Cumulative Internal Borrowings due/(payable)
		Cash	Non Cash					Future income	Exp still outstanding	Over or (under) Funding	
Open Space	-	478	-	-	(478)	-	-	130	(130)	-	-
S94 Contributions - under a Plan	-	478	-	-	(478)	-	-	130	(130)	-	-
S94A Levies - under a Plan	133	1,160	-	32	(276)	-	1,049				-
Total S94 Revenue Under Plans	133	1,638	-	32	(754)	-	1,049				-
Total Contributions	133	1,638	-	32	(754)	-	1,049	130	(130)	-	-

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 17. Statement of Developer Contributions (continued)

\$ '000

S94 CONTRIBUTIONS - UNDER A PLAN

CONTRIBUTION PLAN

PURPOSE	Opening Balance	Contributions received during the Year		Interest earned in Year	Expenditure during Year	Internal Borrowing (to)/from	Held as Restricted Asset	Projections			Cumulative Internal Borrowings due/(payable)
		Cash	Non Cash					Future income	Exp still outstanding	Over or (under) Funding	
Open Space	-	478			(478)		-	130	(130)	-	
Total	-	478	-	-	(478)	-	-	130	(130)	-	-

S94A LEVIES - UNDER A PLAN

CONTRIBUTION PLAN - OPEN SPACE & CAR PARKING

PURPOSE	Opening Balance	Contributions received during the Year		Interest earned in Year	Expenditure during Year	Internal Borrowing (to)/from	Held as Restricted Asset	Projections			Cumulative Internal Borrowings due/(payable)
		Cash	Non Cash					Future income	Exp still outstanding	Over or (under) Funding	
Open Space	133	1,160		32	(276)		1,049	10,000	(2,714)		
Total	133	1,160	-	32	(276)	-	1,049				-

Mosman Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 18. Contingencies & Other Assets/Liabilities Not Recognised

\$ '000

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

LIABILITIES NOT RECOGNISED:

1. Guarantees

(i) Defined Benefit Superannuation Contribution Plans

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

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

The Schemes most recent full actuarial review indicated that the Net Assets of the Scheme were not sufficient to meet the accrued benefits of the Schemes Defined Benefit member category with member Councils required to make significantly higher contributions in future years.

The Local Government Superannuation Scheme however is unable to provide Council with an accurate estimate of its share of the net deficit and accordingly Council has not recorded any net liability from it's Defined Benefit Scheme obligations in accordance with AASB 119.

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

(ii) Statewide Limited

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

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

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

(iii) StateCover Limited

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

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

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

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

(iv) Other Guarantees

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

Mosman Council

Notes to the Financial Statements for the financial year ended 30 June 2013

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

\$ '000

LIABILITIES NOT RECOGNISED (continued):

2. Other Liabilities

(i) Third Party Claims

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

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

(ii) S94 Plans

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

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

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

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

ASSETS NOT RECOGNISED:

(i) Land Under Roads

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

Mosman Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 19. Controlled Entities, Associated Entities & Interests in Joint Ventures

\$ '000

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

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

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

Subsidiaries

Note 19(a)

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

Associated Entities & Joint Venture Entities

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

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

Joint Venture Operations

Note 19(c)

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

Subsidiaries, Associated Entities and Joint Ventures Not Recognised

Note 19(d)

Accounting Recognition:

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

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

	Council's Share of Net Income		Council's Share of Net Assets	
	Actual 2013	Actual 2012	Actual 2013	Actual 2012
Associated Entities	88	100	632	584
Joint Venture Entities	(5)	14	46	51
Total	83	114	678	635

Mosman Council

Notes to the Financial Statements for the financial year ended 30 June 2013

Note 19. Controlled Entities, Associated Entities & Interests in Joint Ventures

\$ '000

19(a) Subsidiaries (ie. Entities & Operations controlled by Council)

Council has no interest in any Subsidiaries.

19(b) Associated Entities & Joint Venture Entities

(i) ASSOCIATED ENTITIES

(a) Net Carrying Amounts - Council's Share

Name of Entity	Principal Activity	2013	2012
Kimbriki Environmental Enterprises P/L	Waste Management & Disposal	632	584
Total Carrying Amounts - Associated Entities		632	584

(b) Relevant Interests

Name of Entity	Interest in Outputs		Interest in Ownership		Proportion of Voting Power	
	2013	2012	2013	2012	2013	2012
Kimbriki Environmental Enterprises P/L	4%	4%	4%	4%	4%	4%

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

	Kimbriki Environmental Enterprises P/L	
	2013	2012
Opening Balance	584	518
Share in Operating Result	88	100
Distributions Received	(40)	(34)
Council's Equity Share in the Associated Entity	632	584

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

2013	Assets	Liabilities	Net Assets	Revenues	Profit
Kimbriki Environmental Enterprises P/L	790	158	632	932	88
Totals	790	158	632	932	88
 2012					
Kimbriki Environmental Enterprises P/L	704	120	584	862	100
Totals	704	120	584	862	100

Mosman Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 19. Controlled Entities, Associated Entities & Interests in Joint Ventures

\$ '000

19(b) Associated Entities & Joint Venture Entities (continued)

(ii) JOINT VENTURE ENTITIES

(a) Carrying Amounts

Name of Entity	Principal Activity	2013	2012
Shorelink Library Network	Sharing of Library Infrastructure	46	51
Total Carrying Amounts - Joint Venture Entities		46	51

(b) Relevant Interests

Name of Entity	Interest in Outputs		Interest in Ownership		Proportion of Voting Power	
	2013	2012	2013	2012	2013	2012
Shorelink Library Network	14%	13%	17%	17%	20%	20%

(c) Movement in Carrying Amounts

	Shorelink Library Network	
	2013	2012
Opening Balance	51	37
Share in Operating Result	(5)	14
Council's Equity Share in the Joint Venture Entity	46	51

(d) Share of Joint Ventures Assets & Liabilities

	Assets		Liabilities		Net Assets
	Current	Non Current	Current	Non Current	
2013					
Shorelink Library Network	49	8	11	-	46
Totals	49	8	11	-	46
2012					
Shorelink Library Network	53	8	10	-	51
Totals	53	8	10	-	51

(e) Share of Joint Ventures Revenues, Expenses & Results

	2013			2012		
	Revenues	Expenses	Result	Revenues	Expenses	Result
Shorelink Library Network	82	87	(5)	85	71	14
Totals	82	87	(5)	85	71	14

19(c) Joint Venture Operations

Council has no interest in any Joint Venture Operations.

(d) Subsidiaries, Associated Entities & Joint Venture Operations Not Recognised

All Subsidiaries, Associated Entities & Joint Ventures have been recognised in this Financial Report as required.

Mosman Council

Notes to the Financial Statements for the financial year ended 30 June 2013

Note 20. Equity - Retained Earnings and Revaluation Reserves

		Actual	Actual
\$ '000	Notes	2013	2012

(a) Retained Earnings

Movements in Retained Earnings were as follows:

Balance at beginning of Year (from previous years audited accounts)		276,017	275,828
d. Net Operating Result for the Year		9,446	189
Balance at End of the Reporting Period		<u>285,463</u>	<u>276,017</u>

(b) Reserves

(i) Reserves are represented by:

- Infrastructure, Property, Plant & Equipment Revaluation Reserve		211,633	186,289
Total		<u>211,633</u>	<u>186,289</u>

(ii) Reconciliation of movements in Reserves:

Infrastructure, Property, Plant & Equipment Revaluation Reserve

- Opening Balance		186,289	186,289
- Revaluations for the year	9(a)	25,344	-
- Balance at End of Year		<u>211,633</u>	<u>186,289</u>

TOTAL VALUE OF RESERVES

<u>211,633</u>	<u>186,289</u>
-----------------------	-----------------------

(iii) Nature & Purpose of Reserves

Infrastructure, Property, Plant & Equipment Revaluation Reserve

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

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

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

(d) Voluntary Changes in Accounting Policies

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

Mosman Council

Notes to the Financial Statements for the financial year ended 30 June 2013

Note 21. Financial Result & Financial Position by Fund

\$ '000

Council utilises only a General Fund for its operations.

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

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

Note 23. Events occurring after the Reporting Period

Events that occur between the end of the reporting period (ending 30 June 2013) and the date when the financial statements are "authorised for issue" have been taken into account in preparing these statements.

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

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

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

These financial statements (and the figures therein) incorporate all "adjusting events" that provided evidence of conditions that existed at 30 June 2013.

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

These financial statements (& figures therein) do not incorporate any "non-adjusting events" that have occurred after 30 June 2013 and which are only indicative of conditions that arose after 30 June 2013.

Council is unaware of any "non-adjusting events" that merit disclosure.

Note 24. Discontinued Operations

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

Mosman Council

Notes to the Financial Statements for the financial year ended 30 June 2013

Note 25. Intangible Assets

\$ '000

Intangible Assets represent identifiable non-monetary asset without physical substance.

	Actual 2013 Carrying Amount	Actual 2012 Carrying Amount
Intangible Assets are as follows;		
Opening Values:		
Gross Book Value (1/7/12)	360	376
Accumulated Amortisation (1/7/12)	(16)	(16)
Accumulated Impairment (1/7/12)	-	-
Net Book Value - Opening Balance	344	360
Movements for the year		
- Purchases		-
- Amortisation charges	(16)	(16)
Closing Values:		
Gross Book Value (30/6/13)	344	360
Accumulated Amortisation (30/6/13)	(16)	(16)
Accumulated Impairment (30/6/13)	-	-
<u>TOTAL INTANGIBLE ASSETS - NET BOOK VALUE</u>¹	<u>328</u>	<u>344</u>
^{1.} The Net Book Value of Intangible Assets represent:		
- Rights to participate in Kimbriki Environmental Enterprises Pty Ltd.	328	344
	328	344

Note 26. Reinstatement, Rehabilitation & Restoration Liabilities

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

Mosman Council

Notes to the Financial Statements for the financial year ended 30 June 2013

Note 27. Council Information & Contact Details

Principal Place of Business:

Civic Centre
Mosman Square, Spit Junction, 2088

Contact Details
Mailing Address:

PO Box 211
SPIT JUNCTION NSW 2088

Opening Hours:

Monday to Friday 8.30 am to 5pm

Telephone: 02 9978 4000

Facsimile: 02 9978 4132

Internet: www.mosmancouncil.nsw.gov.au

Email: council@mosman.nsw.gov.au

Officers
ACTING GENERAL MANAGER

D Lawrence

RESPONSIBLE ACCOUNTING OFFICER

M McDonald

PUBLIC OFFICER

M Glyde

AUDITORS

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

Elected Members
MAYOR

P Abelson

COUNCILLORS

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

Other Information

ABN: 94 414 022 939

MOSMAN COUNCIL

GENERAL PURPOSE FINANCIAL STATEMENTS

INDEPENDENT AUDITORS' REPORT

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying **general purpose financial statements** of **Mosman Council**, which comprises the Statement of Financial Position as at 30 June 2013, Income Statement, Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the year ended on that date, a summary of significant accounting policies and other explanatory notes and the Statement by Councillors and Management. The financial statements include the consolidated financial statements of the economic entity and the entities it controlled at year end or from time to time during the year.

Responsibility of Council for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement. Our audit responsibility does not extend to the original budget information disclosed in the Income Statement, Statement of Cash Flows, and Note 2(a) or the budget variation explanations disclosed in Note 16. Nor does our responsibility extend to the infrastructure backlog and asset maintenance ratios disclosed in Note 13 or the projected future developer contributions and costs disclosed in Note 17. Accordingly, no opinion is expressed on these matters.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Council's internal control.

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Steer Assurance Partners

ABN 56 435 338 966

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Council, as well as evaluating the overall presentation of the financial statements. Our audit did not involve an analysis of the prudence of business decisions made by Council or management.

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

Independence

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

Auditor's Opinion

In our opinion,

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

HILL ROGERS SPENCER STEER



BRETT HANGER
Partner

Dated at Sydney this 4th day of September 2013

Hill Rogers
Spencer Steer

4 September 2013

The Mayor
Mosman Council
PO Box 211
SPIT JUNCTION NSW 2088

Mayor,

Audit Report - Year Ended 30 June 2013

We are pleased to advise completion of the audit of Council's books and records for the year ended 30 June 2013 and that all information required by us was readily available. We have signed our reports as required under Section 417(1) of the Local Government Act, 1993 and the Local Government Code of Accounting Practice and Financial Reporting to the General and Special Purpose Financial Statements.

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

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

I. RESULTS FOR THE YEAR

I.1 Operating Result

The operating result for the year was a surplus of \$9.446 million as compared with \$189,000 in the previous year.

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Hill Rogers
Spencer Steer

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

	2013 \$000	% of Total	2012 \$000	% of Total	Increase (Decrease) \$000
Revenues before capital items					
Rates & annual charges	21,747	48%	21,041	58%	706
User charges, fees & other revenues	16,080	35%	11,952	33%	4,128
Reversal of previous revaluation decrements	4,571	10%	-	0%	4,571
Grants & contributions provided for operating purposes	2,510	6%	2,842	8%	(332)
Interest & investment revenue	399	1%	434	1%	(35)
	45,307	100%	36,269	100%	9,038
Expenses					
Employee benefits & costs	14,497	38%	14,181	36%	316
Materials, contracts & other expenses	17,336	45%	17,504	45%	(168)
Depreciation, amortisation & impairment	6,148	16%	6,890	18%	(742)
Borrowing costs	654	2%	672	2%	(18)
	38,635	100%	39,247	100%	(612)
Surplus/(Deficit) before capital items	6,672		(2,978)		9,650
Grants & contributions provided for capital purposes	2,774		3,167		(393)
Net Surplus/(Deficit) for the year	9,446		189		9,257

The table above shows an overall increase over the previous year of \$9.257 million and can be mainly attributable to movements in asset values as follows:

- Other revenues included an increase in the fair value of investment properties of \$3.387 million; and
- Stormwater drainage assets were revalued during the year resulting in an overall increase in value of \$32.867 million. When these assets were previously revalued for the first time, a revaluation decrement of \$4.571 million was recognised in expenses. In accordance with Accounting Standards, this decrement has now been reversed and recognised as revenue with the remaining balance of the fair value increase (\$28.296 million) being recognised in equity.

1.2 Funding Result

The operating result does not take into account all revenues and all expenditures and in reviewing the overall financial performance of Council it is useful to take into account the total source of revenues and where they were spent during the year which is illustrated in the table below.

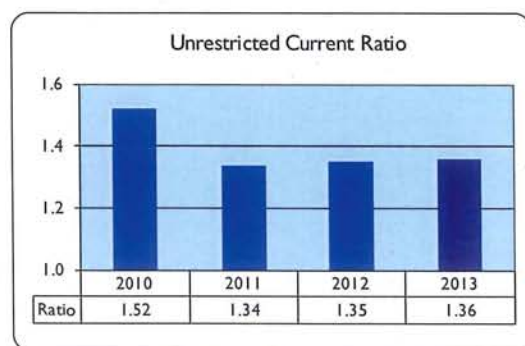
	2013	2012
	\$000	\$000
Funds were provided by:-		
Operating Result (as above)	9,446	189
Add back non funding items:-		
- Depreciation, amortisation & impairment	6,148	6,890
- Reversal of previous revaluation decrements	(4,571)	0
- Book value of non-current assets sold	88	147
- Non-cash contributions of assets acquired	0	(827)
- (Gain)/Loss of fair value to investment properties	(3,387)	631
- (Surplus)/Deficit in joint ventures	(83)	(114)
	<u>7,641</u>	<u>6,916</u>
New loan borrowings	2,460	1,750
Transfers from internal reserves (net)	0	369
Distributions from joint ventures	40	34
Net Changes in current/non-current assets & liabilities	0	611
	<u>10,141</u>	<u>9,680</u>
Funds were applied to:-		
Purchase and construction of assets	(5,562)	(6,447)
Principal repaid on loans	(1,669)	(1,771)
Transfers to externally restricted assets (net)	(2,271)	(960)
Transfers to internal reserves (net)	(789)	0
Net Changes in current/non current assets & liabilities	(34)	0
	<u>(10,325)</u>	<u>(9,178)</u>
Increase/(Decrease) in Available Working Capital	(184)	502

2. FINANCIAL POSITION

2.1 Unrestricted Current Ratio

The Unrestricted Current Ratio is a financial indicator specific to local government and represents Council's ability to meet its debts and obligations as they fall due.

After eliminating externally restricted assets and current liabilities not expected to be paid within the next 12 months net current assets amounted to \$2.332 million representing a factor of 1.36 to 1.



2.2 Available Working Capital – (Working Funds)

A more meaningful financial indicator specific to local government is the level of **Available Working Capital**. Net Current Assets are adjusted by eliminating both external and internal reserves held for future purposes. At the close of the year the Available Working Capital of Council stood at \$2.157 million as detailed below;

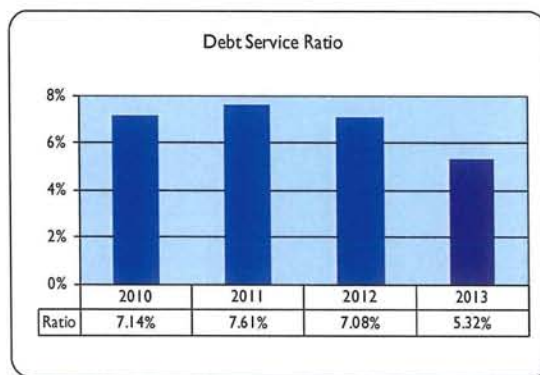
	2013	2012	Change
	\$000	\$000	\$000
Net Current Assets (Working Capital) as per Accounts	(716)	(3,262)	2,546
Add Payables & provisions not expected to be realised in the next 12 months included above	6,722	6,739	(17)
Adjusted Net Current Assets	6,006	3,477	2,529
Add Budgeted & expected to pay in the next 12 months			
- Borrowings	1,990	1,669	321
- Employees leave entitlements	1,508	1,482	26
- Deposits & retention moneys	600	600	0
Less: Externally restricted assets	(3,674)	(1,403)	(2,271)
Less: Internally restricted assets	(4,273)	(3,484)	(789)
Available Working Capital as at 30 June	2,157	2,341	(184)

The balance of Available Working Capital should be at a level to manage Council's day to day operations including the financing of hard core debtors, stores and to provide a buffer against unforeseen and unbudgeted expenditures. Taking into consideration the nature and level of the internally restricted assets (Reserves) set aside we are of the opinion that Available Working Capital as at 30 June 2013 was adequate.

2.3 Debt

Operating revenue (excluding special purpose grants and contributions) required to service debt (loan repayments) was 5.32%.

New loans of \$2.46 million were taken up during the year. Principal and interest paid was \$2.323 million leaving total debt as at 30 June 2013 at \$10.956 million.



2.4 Summary

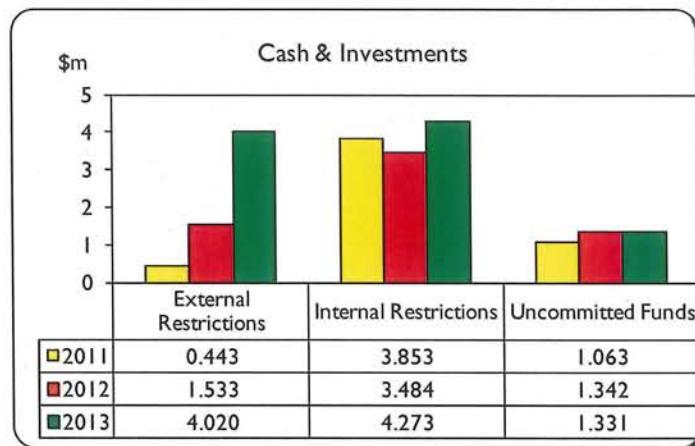
Council's overall financial position, when taking into account the above financial indicators is, in our opinion, satisfactory.

3. CASH ASSETS

3.1 Cash & Investments

Cash and investments held at the close of the year amounted to \$9.624 million as compared with \$6.359 million and \$5.359 million at the close of financial years 2012 and 2011 respectively.

The chart alongside summarises the purposes for which cash and investments were held.



Externally restricted cash and investments are restricted in their use by externally imposed requirements and consist of unexpended loans (\$1.176 million), unexpended specific purpose grants (\$441,000), developer contributions (\$1.049 million) and domestic waste management charges (\$1.354 million).

Internally restricted cash and investments have been restricted in their use by resolution or policy of Council to reflect forward plans, identified programs of works, and are, in fact, Council's "**Reserves**". These Reserves totalled \$4.273 million and their purposes are more fully disclosed in Notes 6 of the financial statements.

Unrestricted cash and investments amounted to \$1.331 million, which is available to provide liquidity for day to day operations.

3.2 Cash Flows

The Statement of Cash Flows illustrates the flow of cash (highly liquid cash and investments) moving in and out of Council during the year and reveals that Cash Assets increased by \$6.015 million to \$9.624 million at the close of the year.

Hill Rogers
Spencer Steer

In addition to operating activities which contributed net cash of \$7.785 million were the proceeds from the sale of assets (\$145,000), redemption of investments (\$10.6 million), distributions from joint ventures (\$40,000) and new loans (\$2.46 million). Cash outflows other than operating activities were used to repay debt (\$1.669 million), purchase investments (\$7.85 million) and to purchase and construct assets (\$5.496 million).

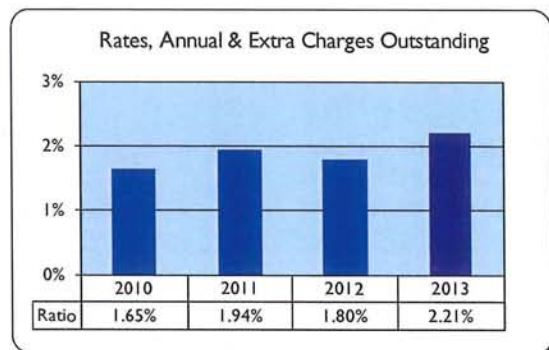
4. RECEIVABLES

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

Net rates and annual charges levied during the year totalled \$21.747 million and represented 45% of Council's total revenues. Including arrears, the total rates and annual charges collectible was \$22.112 million of which \$21.643 million (98%) was collected.

4.2 Rates, Annual & Extra Charges

Arrears of rates, annual and extra charges stood at \$490,000 at the end of the year and represented 2.21% of those receivables.



4.3 Other Receivables

Receivables (other than Rates & Annual Charges) totalled \$2.781 million and mainly consisted of user charges, fees and revenue accruals (\$2.058 million) and amounts due from other levels of government (\$454,000). Those considered to be uncertain of collection have been provided for as doubtful debts and this provision amounted to \$133,000.

5. PAYABLES

5.1 Employees Leave Entitlements

Council's provision for its liability toward employees leave entitlements and associated on costs amounted to \$4.217 million. A cash reserve of \$750,000 was held at year end representing 18% of this liability.

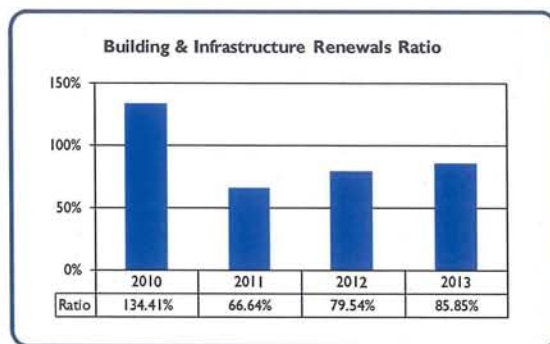
5.2 Deposits, Retentions & Bonds

Deposits, retentions and bonds held at year end amounted to \$4.693 million and a cash reserve was held amounting to \$2 million representing 43% of this liability and was sufficient to meet anticipated repayments in the near future.

6. BUILDING AND INFRASTRUCTURE RENEWALS

The Building and Infrastructure Renewals ratio measures the rate at which these assets are renewed against the rate at which they are depreciating.

The ratio indicates that asset renewals for 2013 represented 86% of the depreciation charges for these assets. An industry benchmark is considered to be 100%, measured annually over the long term.



7. MANAGEMENT LETTER

An audit management letter addressing the findings from our interim audit was issued on 13 May 2013. This included our recommendations on possible ways to strengthen and/or improve procedures and management's comments and proposed actions.

8. CONCLUSION

We wish to record our appreciation to your General Manager and his staff for their ready co-operation and the courtesies extended to us during the conduct of the audit and commend management on their early completion of the financial statements.

Yours faithfully,

HILL ROGERS SPENCER STEER

BRETT HANGER

Partner

Mosman Council

SPECIAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2013

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Planning our Future
Involving our Community*

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Special Purpose Financial Statements

for the financial year ended 30 June 2013

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Statement of Financial Position - Other Business Activities	4
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Background

- (i) These Special Purpose Financial Statements have been prepared for the use by both Council and the Division of Local Government in fulfilling their requirements under National Competition Policy.

- (ii) The principle of competitive neutrality is based on the concept of a "level playing field" between persons/entities competing in a market place, particularly between private and public sector competitors.

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

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

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

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

Mosman Council

Special Purpose Financial Statements

for the financial year ended 30 June 2013

Statement by Councillors and Management

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

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

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

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

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

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

Signed in accordance with a resolution of Council made on 03 September 2013.



P Abelson
MAYOR



R Bendall
COUNCILLOR



D Lawrence
A/GENERAL MANAGER



M McDonald
RESPONSIBLE ACCOUNTING OFFICER

Mosman Council

Income Statement of Council's Other Business Activities

for the financial year ended 30 June 2013

	Commercial Property Management Category 1	
	Actual	Actual
\$ '000	2013	2012
Income from continuing operations		
Access charges	-	-
User charges	1,111	653
Fees	-	-
Interest	-	-
Grants and contributions provided for non capital purposes	-	-
Profit from the sale of assets	-	-
Other income ⁽¹⁾	5,165	1,817
Total income from continuing operations	6,276	2,470
Expenses from continuing operations		
Employee benefits and on-costs	68	67
Borrowing costs	-	-
Materials and contracts	30	22
Depreciation and impairment	92	150
Loss on sale of assets	-	-
Calculated taxation equivalents	148	149
Debt guarantee fee (if applicable)	-	-
Other expenses	-	631
Total expenses from continuing operations	338	1,019
Surplus (deficit) from Continuing Operations before capital amounts	5,938	1,451
Grants and contributions provided for capital purposes	-	-
Surplus (deficit) from Continuing Operations after capital amounts	5,938	1,451
Surplus (deficit) from discontinued operations	-	-
Surplus (deficit) from ALL Operations before tax	5,938	1,451
less: Corporate Taxation Equivalent (30%) [based on result before capital]	(1,781)	(435)
SURPLUS (DEFICIT) AFTER TAX	4,157	1,016
plus Opening Retained Profits	47,067	46,983
plus/less: Prior Period Adjustments	-	-
plus Adjustments for amounts unpaid:		
- Taxation equivalent payments	148	149
- Debt guarantee fees	-	-
- Corporate taxation equivalent	1,781	435
add:		
- Subsidy Paid/Contribution To Operations	-	-
less:		
- TER dividend paid	-	-
- Dividend paid	(738)	(1,516)
Closing Retained Profits	52,415	47,067
Return on Capital %	11.3%	3.1%
Subsidy from Council	-	-

⁽¹⁾ includes fair valuation increment of \$3.387M

Mosman Council

Statement of Financial Position - Council's Other Business Activities

as at 30 June 2013

	Commercial Property Management Category 1	
	Actual	Actual
\$ '000	2013	2012
ASSETS		
Current Assets		
Cash and cash equivalents	-	-
Investments	-	-
Receivables	36	73
Inventories	-	-
Other	-	-
Non-current assets classified as held for sale	-	-
Total Current Assets	36	73
Non-Current Assets		
Investments	-	-
Receivables	-	-
Inventories	-	-
Infrastructure, property, plant and equipment ⁽¹⁾	7,845	5,922
Investments accounted for using equity method	-	-
Investment property	44,535	41,078
Total Non-Current Assets	52,380	47,000
TOTAL ASSETS	52,416	47,073
LIABILITIES		
Current Liabilities		
Bank Overdraft	-	-
Payables	1	6
Interest bearing liabilities	-	-
Provisions	-	-
Total Current Liabilities	1	6
Non-Current Liabilities		
Payables	-	-
Interest bearing liabilities	-	-
Provisions	-	-
Other Liabilities	-	-
Total Non-Current Liabilities	-	-
TOTAL LIABILITIES	1	6
NET ASSETS	52,415	47,067
EQUITY		
Retained earnings	52,415	47,067
Revaluation reserves	-	-
Council equity interest	52,415	47,067
Non-controlling equity interest	-	-
TOTAL EQUITY	52,415	47,067

⁽¹⁾ includes increases in fair valuations of buildings and operational land

Mosman Council

Special Purpose Financial Statements for the financial year ended 30 June 2013

Contents of the Notes accompanying the Financial Statements

Note	Details	Page
1	Summary of Significant Accounting Policies	6

Mosman Council

Notes to the Special Purpose Financial Statements for the financial year ended 30 June 2013

Note 1. Significant Accounting Policies

These financial statements are a Special Purpose Financial Statements (SPFS) prepared for use by Council and the Division of Local Government.

For the purposes of these statements, the Council is not a reporting not-for-profit entity.

The figures presented in these special purpose financial statements, unless otherwise stated, have been prepared in accordance with:

- the recognition and measurement criteria of relevant Australian Accounting Standards,
- other authoritative pronouncements of the Australian Accounting Standards Board (AASB) &
- Australian Accounting Interpretations.

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

- the Local Government Act and Regulation, and
- the Local Government Code of Accounting Practice and Financial Reporting.

The statements are also prepared on an accruals basis, based on historic costs and do not take into account changing money values nor current values of non-current assets (except where specifically stated).

Certain taxes and other costs (appropriately described) have been imputed for the purposes of the National Competition Policy.

National Competition Policy

Council has adopted the principle of 'competitive neutrality' to its business activities as part of the national competition policy which is being applied throughout Australia at all levels of government.

The framework for its application is set out in the June 1996 Government Policy statement on the "Application of National Competition Policy to Local Government".

The "Pricing & Costing for Council Businesses A Guide to Competitive Neutrality" issued by the Division of Local Government in July 1997 has also been adopted.

The pricing & costing guidelines outline the process for identifying and allocating costs to activities and provide a standard of disclosure requirements. These disclosures are reflected in Council's pricing and/or financial reporting systems and include taxation equivalents; council subsidies; return on investments (rate of return); and dividends paid.

Declared Business Activities

In accordance with *Pricing & Costing for Council Businesses - A Guide to Competitive Neutrality*, Council has declared that the following are to be considered as business activities:

Category 1

(where gross operating turnover is over \$2 million)

a. Commercial Property Management

Takes into account Council's Commercial Property portfolio and includes properties such as Mosman Square & Library Walk shops, Boronia House, Library Walk flats and Balmoral Bathurst.

It being noted that an Independent Fair Valuation of Investment Properties in 2013 resulted in an increase to the portfolio of \$3.387M. Revaluations of operational land & buildings also impacted positively on the balance of Infrastructure, Property, Plant & Equipment within the Balance Sheet.

Category 2

(where gross operating turnover is less than \$2 million)

Council has no Category 2 Declared Business Activities

Monetary Amounts

Amounts shown in the financial statements are in Australian currency and rounded to the nearest one thousand dollars.

(i) Taxation Equivalent Charges

Council is liable to pay various taxes and financial duties in undertaking its business activities. Where this is the case, they are disclosed in these statements as a cost of operations just like all other costs.

Mosman Council

Notes to the Special Purpose Financial Statements for the financial year ended 30 June 2013

Note 1. Significant Accounting Policies

However, where Council is exempt from paying taxes which are generally paid by private sector businesses (such as income tax), equivalent tax payments have been applied to all Council nominated business activities and are reflected in these financial statements.

For the purposes of disclosing comparative information relevant to the private sector equivalent, the following taxation equivalents have been applied to all council nominated business activities (this does not include council's non-business activities):

Notional Rate Applied %

Corporate Income Tax Rate – 30%

Land Tax – The first **\$406,000** of combined land values attracts **0%**. From \$406,001 to \$2,482,000 the rate is **1.6% + \$10 0**. For the remaining combined land value that exceeds \$2,482,000, a premium marginal rate of **2.0%** applies.

Payroll Tax – **5.45%** on the value of taxable salaries and wages in excess of \$689,000.

Income Tax

An income tax equivalent has been applied on the profits of each reported Business Activity.

Whilst income tax is not a specific cost for the purpose of pricing a good or service, it needs to be taken into account of in terms of assessing the rate of return required on capital invested.

Accordingly, the return on capital invested is set at a pre-tax level (gain/(loss) from ordinary activities before capital amounts) as would be applied by a private sector competitor – that is, it should include a provision equivalent to the corporate income tax rate, currently 30%.

Income Tax is only applied where a positive gain/(loss) from ordinary activities before capital amounts has been achieved.

Since this taxation equivalent is notional - that is, it is payable to the "Council" as the owner of business operations, it represents an internal payment and has no effect on the operations of the council. Accordingly, there is no need for disclosure of internal charges in Council's General Purpose Financial Statements.

The rate applied of 30% is the equivalent company tax rate prevalent as at balance date.

Local Government Rates & Charges

A calculation of the equivalent rates and charges payable on all Category 1 businesses has been applied to all land assets owned or exclusively used by the Business Activity.

Loan & Debt Guarantee Fees

The debt guarantee fee is designed to ensure that council business activities face "true" commercial borrowing costs in line with private sector competitors.

In order to calculate a debt guarantee fee, council has determined what the differential borrowing rate would have been between the commercial rate and the council's borrowing rate for its business activities.

(ii) Subsidies

Government policy requires that subsidies provided to customers and the funding of those subsidies must be explicitly disclosed.

Subsidies occur where council provides services on a less than cost recovery basis. This option is exercised on a range of services in order for council to meet its community service obligations.

Accordingly, Subsidies disclosed (in relation to National Competition Policy) represents the difference between revenue generated from 'rate of return' pricing and revenue generated from prices set by the council in any given financial year.

The overall effect of subsidies is contained within the Income Statement of each reported Business Activity.

(iii) Return on Investments (Rate of Return)

The Policy statement requires that councils with Category 1 businesses "would be expected to generate a return on capital funds employed that is comparable to rates of return for private businesses operating in a similar field".

Mosman Council

Notes to the Special Purpose Financial Statements for the financial year ended 30 June 2013

Note 1. Significant Accounting Policies

Such funds are subsequently available for meeting commitments or financing future investment strategies.

The Rate of Return on Capital is calculated as follows:

Operating Result before Capital Income + Interest Expense
--

Written Down Value of I,PP&E as at 30 June

As a minimum, business activities should generate a return equal to the Commonwealth 10 year bond rate which is 3.77% at 30/6/13.

The actual rate of return achieved by each Business Activity is disclosed at the foot of each respective Income Statement.

(iv) Dividends

Council is not required to pay dividends to either itself (as owner of a range of businesses) or to any external entities.

MOSMAN COUNCIL

SPECIAL PURPOSE FINANCIAL STATEMENTS

INDEPENDENT AUDITORS' REPORT

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying *special purpose financial statements* of **Mosman Council**, which comprises the Statement of Financial Position as at 30 June 2013, Income Statement for the year ended on that date, a summary of significant accounting policies and other explanatory notes and the Statement by Councillors and Management.

Responsibility of Council for the Financial Statements

The Council is responsible for the preparation and fair presentation of the financial statements in accordance with the Local Government Act 1993 and have determined that the accounting policies described in Note 1 to the financial statements, which form part of the financial statements, are appropriate to meet the financial reporting requirements of the Division of Local Government. This responsibility includes the maintenance of adequate accounting records and internal controls designed to prevent and detect fraud and error; designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

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

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Our audit did not involve an analysis of the prudence of business decisions made by Council or management.

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

Independence

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

Auditor's Opinion

In our opinion, the special purpose financial statements of the Council are presented fairly in accordance with the requirements of those applicable Accounting Standards detailed in Note I and the Local Government Code of Accounting Practice and Financial Reporting.

Basis of Accounting

Without modifying our opinion, we draw attention to Note I to the financial statements, which describes the basis of accounting. The financial statements have been prepared for the purpose of fulfilling the financial reporting requirements of the Division of Local Government. As a result, the financial statements may not be suitable for another purpose.

HILL ROGERS SPENCER STEER



BRETT HANGER

Partner

Dated at Sydney this 4th day of September 2013

Mosman Council

SPECIAL SCHEDULES
for the year ended 30 June 2013

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Mosman Council

Special Schedules

for the financial year ended 30 June 2013

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- Special Schedule No. 7	Condition of Public Works	5
- Special Schedule No. 8	Financial Projections	8

¹ Special Purpose Schedules are not audited.

Background

- (i) These Special Schedules have been designed to meet the requirements of special purpose users such as;
- the NSW Grants Commission
 - the Australian Bureau of Statistics (ABS),
 - the NSW Office of Water,
 - the Department of Environment, Climate Change and Water, and
 - the Division of Local Government (DLG).
- (ii) The financial data is collected for various uses including;
- the allocation of Financial Assistance Grants,
 - the incorporation of Local Government financial figures in national statistics,
 - the monitoring of loan approvals,
 - the allocation of borrowing rights, and
 - the monitoring of the financial activities of specific services.

Mosman Council

Special Schedule No. 1 - Net Cost of Services

for the financial year ended 30 June 2013

\$'000

Function or Activity	Expenses from. Continuing. Operations.	Income from continuing operations		Net Cost. of Services.
		Non Capital.	Capital.	
Governance	1,265	-	-	(1,265)
Administration	7,506	144	-	(7,362)
Public Order and Safety				
Fire Service Levy, Fire Protection, Emergency Services	1,015	-	-	(1,015)
Beach Control	5	30	-	25
Enforcement of Local Govt. Regulations	303	291	-	(12)
Animal Control	78	7	-	(71)
Other	83	290	-	207
Total Public Order & Safety	1,484	618	-	(866)
Health	169	40	-	(129)
Environment				
Noxious Plants and Insect/Vermin Control	41	-	-	(41)
Other Environmental Protection	2,794	54	-	(2,740)
Solid Waste Management	5,050	5,752	-	702
Street Cleaning	1,012	-	-	(1,012)
Drainage	513	-	-	(513)
Stormwater Management	173	4,601	-	4,428
Total Environment	9,583	10,407	-	824
Community Services and Education				
Administration & Education	580	-	-	(580)
Social Protection (Welfare)	-	-	-	-
Aged Persons and Disabled	781	736	-	(45)
Children's Services	931	859	-	(72)
Total Community Services & Education	2,292	1,595	-	(697)
Housing and Community Amenities				
Public Cemeteries	-	-	-	-
Public Conveniences	385	-	-	(385)
Street Lighting	554	75	-	(479)
Town Planning	673	196	-	(477)
Other Community Amenities	40	-	1,637	1,597
Total Housing and Community Amenities	1,652	271	1,637	256
Water Supplies	-	-	-	-
Sewerage Services	-	-	-	-

Mosman Council

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

for the financial year ended 30 June 2013

\$'000

Function or Activity	Expenses from. Continuing. Operations.	Income from continuing operations		Net Cost. of Services.
		Non Capital.	Capital.	
Recreation and Culture				
Public Libraries	2,021	226	-	(1,795)
Museums	-	-	-	-
Art Galleries	753	184	-	(569)
Community Centres and Halls	631	81	-	(550)
Performing Arts Venues	-	-	-	-
Other Performing Arts	19	-	-	(19)
Other Cultural Services	410	239	-	(171)
Sporting Grounds and Venues	1,180	243	-	(937)
Swimming Pools	801	250	-	(551)
Parks & Gardens (Lakes)	2,055	122	29	(1,904)
Other Sport and Recreation	5	-	-	(5)
Total Recreation and Culture	7,874	1,345	29	(6,500)
Fuel & Energy	-	-	-	-
Agriculture	-	-	-	-
Mining, Manufacturing and Construction				
Building Control	1,296	694	-	(602)
Other Mining, Manufacturing & Construction	-	-	-	-
Total Mining, Manufacturing and Const.	1,296	694	-	(602)
Transport and Communication				
Urban Roads (UR) - Local	2,993	1,093	1,108	(792)
Urban Roads - Regional	-	-	-	-
Sealed Rural Roads (SRR) - Local	-	-	-	-
Sealed Rural Roads (SRR) - Regional	-	-	-	-
Unsealed Rural Roads (URR) - Local	-	-	-	-
Unsealed Rural Roads (URR) - Regional	-	-	-	-
Bridges on UR - Local	-	-	-	-
Bridges on SRR - Local	-	-	-	-
Bridges on URR - Local	-	-	-	-
Bridges on Regional Roads	-	-	-	-
Parking Areas	1,163	4,792	-	3,629
Footpaths	556	200	-	(356)
Aerodromes	-	-	-	-
Other Transport & Communication	635	-	-	(635)
Total Transport and Communication	5,347	6,085	1,108	1,846
Economic Affairs				
Camping Areas & Caravan Parks	-	-	-	-
Other Economic Affairs	167	6,484	-	6,317
Total Economic Affairs	167	6,484	-	6,317
Totals – Functions	38,635	27,683	2,774	(8,178)
General Purpose Revenues⁽²⁾		17,541		17,541
Share of interests - joint ventures & associates using the equity method	-	83		83
NET OPERATING RESULT⁽¹⁾	38,635	45,307	2,774	9,446

(1) As reported in the Income Statement

(2) Includes: Rates & Annual Charges (incl. Ex Gratia, excl. Water & Sewer), Non Capital General Purpose Grants, Interest on Investments (excl. Ext. Restricted Assets) & Interest on overdue Rates & Annual Charges

Mosman Council

Special Schedule No. 2(a) - Statement of Long Term Debt (all purpose)

for the financial year ended 30 June 2013

\$'000

Classification of Debt	Principal outstanding at beginning of the year			New Loans raised during the year	Debt redemption during the year		Transfers to Sinking Funds	Interest applicable for Year	Principal outstanding at the end of the year		
	Current	Non Current	Total		From Revenue	Sinking Funds			Current	Non Current	Total
Loans (by Source)											
Commonwealth Government	-	-	-							-	-
Treasury Corporation	-	-	-							-	-
Other State Government	-	-	-							-	-
Public Subscription	-	-	-							-	-
Financial Institutions	1,539	8,366	9,905	2,460	1,539	-	-	654	1,860	8,966	10,826
Other	-	-	-							-	-
Total Loans	1,539	8,366	9,905	2,460	1,539	-	-	654	1,860	8,966	10,826
Other Long Term Debt											
Ratepayers Advances	-	-	-							-	-
Government Advances	-	-	-							-	-
Finance Leases	-	-	-							-	-
Deferred Payments	130	130	260	-	130	-	-	-	130	-	130
Total Long Term Debt	130	130	260	-	130	-	-	-	130	-	130
Total Debt	1,669	8,496	10,165	2,460	1,669	-	-	654	1,990	8,966	10,956

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

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

ASSET CLASS	Asset Category	Dep'n. Rate (%)	Dep'n Expense (\$)	Cost	Valuation	Accum. Depreciation Amortisation & Impairment	Carrying Amount (WDV)	Asset Condition ^{#.}	Estimated cost to bring up to a satisfactory condition / standard ⁽¹⁾	Required ⁽²⁾ Annual Maintenance	Current ⁽³⁾ Annual Maintenance
Buildings		per Note 1	per Note 4	<<<<<<<<<< per Note 9 >>>>>>>>>							
	Council Offices	1.72%	127	-	11,581	4,222	7,359	2	335	424	262
	Council Works Depot	2.27%	62	-	2,229	809	1,420	2	16	27	17
	Community & Cultural Centre	1.60%	102	-	9,174	2,850	6,324	2	112	442	258
	Library	2.17%	76	-	7,701	4,214	3,487	3	550	182	84
	Childcare Centre(s)	2.32%	30	-	2,074	696	1,378	2	-	60	35
	Mosman Bowling Club	2.63%	32	-	2,748	1,514	1,234	3	240	124	20
	Amenity Blocks & Toilets	2.00%	39	-	3,128	870	2,258	2	-	124	151
	Vista Street	1.43%	36	-	3,795	1,271	2,524	2	-	37	77
	Swim Centre	1.82%	67	-	4,950	1,247	3,703	1	-	80	62
	Drill Hall	1.15%	10	-	1,022	130	892	1	-	33	64
	Marie Bashir Sports Complex	1.30%	49	-	4,167	417	3,750	1	-	9	13
	Other	2.20%	128	-	12,902	4,316	8,586	2		281	16
	sub total		758	-	65,471	22,556	42,915		1,253	1,823	1,059
Other Structures											
	Assets not included in Buildings						-				
	Jetties/Pools	6.70%	257	-	5,213	2,485	2,728	3	161	4	267
	Seawalls	2.00%	135	-	6,743	4,684	2,059	2	38	120	28
	sub total		392	-	11,956	7,169	4,787		199	124	295

		Dep'n. Rate (%)	Dep'n Expense (\$)			Accum. Depreciation Amortisation & Impairment	Carrying Amount (WDV)	Asset Condition ^{#.}	Estimated cost to bring up to a satisfactory condition / standard ⁽¹⁾	Required ⁽²⁾ Annual Maintenance	Current ⁽³⁾ Annual Maintenance
ASSET CLASS	Asset Category			Cost	Valuation						
Public Roads		per Note 1	per Note 4	<<<<<<<<<< per Note 9 >>>>>>>>>							
	Formation	0.00%	-	-	7,584	-	7,584				-
	Road Pavements	1.36%	1,612	-	118,140	56,696	61,444	2	255	913	2,599
	Footpaths	1.19%	244	-	20,578	5,891	14,687	2	18	549	1,158
	Steps	1.88%	80	-	4,264	2,516	1,748	2	289	97	1
	Vehicle Crossings	2.23%	121	-	5,429	2,785	2,644	2	184	77	-
	Pram Ramps	1.16%	4	-	338	84	254	2	1	12	8
	Kerb and Gutter	1.11%	278	-	25,009	12,303	12,706	2	10	307	69
	Retaining Walls	0.74%	270	-	36,413	19,074	17,339	2	2,178	349	173
	Traffic Devices	2.58%	77	-	2,982	1,124	1,858	2	-	144	47
	Lines & Signs	8.14%	89	-	1,087	709	378	2	44	105	14
	Street Furniture	4.14%	149	-	3,598	2,409	1,189	2	247	119	3
	Carparks	2.01%	95	-	4,730	1,856	2,874	2	-	27	51
	sub total		3,019	-	230,152	105,447	124,705		3,226	2,699	4,123

Mosman Council

Special Schedule No. 7 - Condition of Public Works (continued) as at 30 June 2013

\$'000

ASSET CLASS	Asset Category	Dep'n. Rate (%)	Dep'n Expense (\$)	Cost	Valuation	Accum. Depreciation Amortisation & Impairment	Carrying Amount (WDV)	Asset Condition [#]	Estimated cost to bring up to a satisfactory condition / standard ⁽¹⁾	Required ⁽²⁾ Annual Maintenance	Current ⁽³⁾ Annual Maintenance
		per Note 1	per Note 4	<<<<<<<<<< per Note 9 >>>>>>>>>>							
Drainage Works	Open Conduits (Drains)	1.00%	24	-	2,401	1,422	979	2	965	131	87
	Pits	1.00%	73	-	7,275	2,333	4,942	2	68	160	108
	SQIDS	1.09%	35	-	3,246	417	2,829	1	10	68	90
	Rainwater Reuse Tanks	2.00%	25	-	1,249	120	1,129	1	-	10	-
	Closed Conduits (Pipes)	0.57%	284	-	49,709	9,670	40,039	2	313	298	203
	sub total		441	-	63,880	13,962	49,918		1,356	667	488
	TOTAL - ALL ASSETS		4,610	-	371,459	149,134	222,325		6,034	5,313	5,965

Notes:

- (1). Satisfactory refers to estimated cost to bring the asset to a satisfactory condition as deemed by Council. It does not include any planned enhancements to the existing asset.
- (2). Required Annual Maintenance is what should be spent to maintain assets in a satisfactory standard.
- (3). Current Annual Maintenance is what has been spent in the current year to maintain assets.

Asset Condition "Key" - as per the DLG Integrated Planning & Reporting Manual

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

Mosman Council

Special Schedule No. 8 - Financial Projections

as at 30 June 2013

\$'000	Actual ⁽¹⁾ 12/13	Forecast ⁽³⁾ 13/14	Forecast ⁽³⁾ 14/15	Forecast ⁽³⁾ 15/16	Forecast ⁽³⁾ 16/17	Forecast ⁽³⁾ 17/18	Forecast ⁽³⁾ 18/19	Forecast ⁽³⁾ 19/20	Forecast ⁽³⁾ 20/21	Forecast ⁽³⁾ 21/22	Forecast ⁽³⁾ 22/23
(i) OPERATING BUDGET											
Income from continuing operations	48,081	39,897	40,748	42,074	43,255	44,440	45,754	47,028	48,367	49,765	51,221
Expenses from continuing operations	38,635	38,935	39,884	41,002	42,166	43,104	44,279	45,549	46,969	48,030	49,314
Operating Result from Continuing Operations	9,446	962	864	1,072	1,089	1,336	1,475	1,479	1,398	1,735	1,907
(ii) CAPITAL BUDGET											
New Capital Works ⁽²⁾	820	232	555	555	3,540	615	530	2,530	530	530	580
Replacement/Refurbishment of Existing Assets	4,672	6,313	3,998	3,909	4,020	5,608	5,747	5,725	6,524	6,529	6,645
Total Capital Budget	5,492	6,545	4,553	4,464	7,560	6,223	6,277	8,255	7,054	7,059	7,225
Funded by:											
– Loans	1,084	2,000	-	-	-	-	-	-	-	-	-
– Asset sales	-	-	-	-	-	-	-	-	-	-	-
– Reserves	439	-	555	555	3,540	615	530	2,530	530	530	580
– Grants/Contributions	1,007	-	-	-	-	-	-	-	-	-	-
– Recurrent revenue	2,962	4,545	3,998	3,909	4,020	5,608	5,747	5,725	6,524	6,529	6,645
– Other											
	5,492	6,545	4,553	4,464	7,560	6,223	6,277	8,255	7,054	7,059	7,225

Notes:

(1) From 12/13 Income Statement.

(2) New Capital Works are major non-recurrent projects, eg new Leisure Centre, new Library, new Swimming pool etc.

(3) Financial projections should be in accordance with Council's Integrated Planning and Reporting framework.