



NORTH SYDNEY COUNCIL

Financial Statements

for the year ended 30 June 2013



North Sydney Council

Financial Statements

for the financial year ended 30 June 2013



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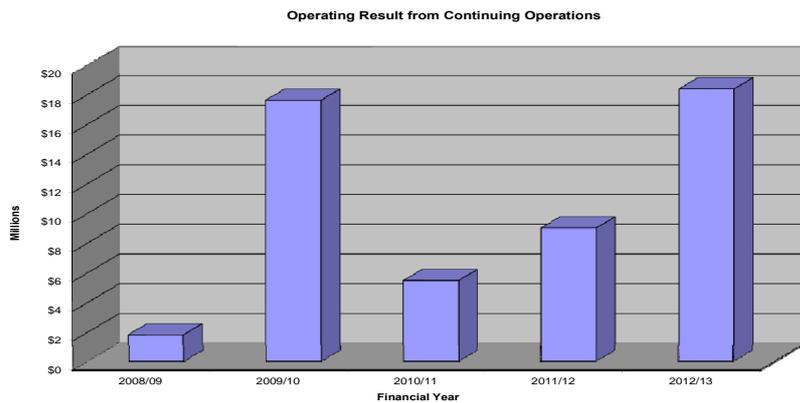
North Sydney Council

Financial Statements for the financial year ended 30 June 2013

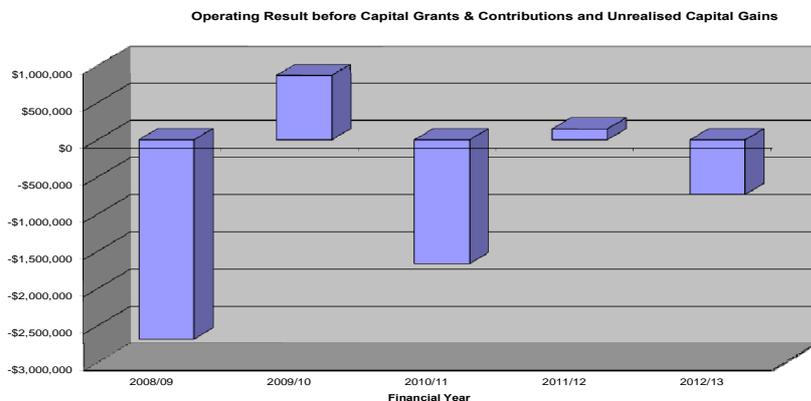
Executive Summary

Review of Council's Financial Result

Council achieved a net operating surplus from continuing operations of \$18.4 million in 2012/13. This was an increase of \$9.3 million from the result achieved in 2011/12. The following graph shows Council's operating result from continuing operations over the last 5 years.



This operating result includes revenue received from grants and contributions provided for capital purposes, the offsetting expenditure of which is shown in the balance sheet in the year it is incurred. It also includes unrealised (i.e. non-cash) capital gains of \$15.3 million in the value of Council's investment property portfolio and \$407,000 in the value of Council's investment portfolio. Before recognising capital revenue and these unrealised capital gains, the result was a deficit of \$734,000. This compared to a surplus of \$147,000 in 2011/12. The following graph shows Council's operating result before capital grants and contributions and unrealised capital gains over the last 5 years.



North Sydney Council

Financial Statements

for the financial year ended 30 June 2013

Executive Summary (continued)

The factors that contributed to the increase of \$9.3 million in the operating result (including capital grants and contributions) from that achieved in 2011/12 are outlined below.

- Rates and annual charges revenue increased by \$1.8 million (4.7%) from 2011/12. In June 2011, IPART (Independent Pricing and Regulatory Tribunal) granted Council approval to increase its revenue from rates by 5.5% per year for seven years commencing in 2011/12. However, this increase excluded revenue from annual charges (i.e. Domestic Waste Management and Section 611 Charges).
- User charges and fees revenue increased by \$432,000 (2.1%) from 2011/12. This was primarily due to increased revenue from road reinstatement fees.
- Interest and investment revenue increased by \$510,000 (13.5%) from 2011/12. This was primarily due to an unrealised capital gain in the value of an enhanced cash fund investment. The fair value of this investment fell by \$52,000 in 2011/12 but increased by \$407,000 in 2012/13. The average rate of return on Council's investment portfolio was 5.95% (2.67% above the reportable benchmark - the BBSW Bank Bill Index) in 2012/13 compared with 5.92% in 2011/12 and the pool of funds available for investment in 2012/13 did not differ greatly from that available in the previous year.
- Other revenues increased by \$13.7 million (85%) from 2011/12. The fair value of Council's investment property portfolio was estimated to have increased by \$15.3 million compared to \$2.1 million in 2011/12, a reflection of the improvement in Sydney's property market during the year. This and the receipt of an additional \$389,000 from advertising on Council infrastructure were the main reasons for the increase in other revenues.
- Grants and contributions provided for operating purposes decreased by \$840,000 (17.9%) from 2011/12. A timing difference arising from the advance payment of 25% of the 2011/12 financial assistance grant and 50% of the 2012/13 and 2013/14 grants was the main reason for this.
- Grants and contributions provided for capital purposes decreased by \$3.2 million (48.5%) from 2011/12. This was due to a fall in the amount of revenue received from Developer Contributions.
- Net gains from the disposal of assets increased by \$1.4 million (1,095.4%) from 2011/12. During the year, a parcel of Council-owned land with a written down value of \$103,000 was compulsorily acquired by Sydney Water for \$1.6 million. This gain on disposal of \$1.5 million, offset by losses on the disposal of some items of plant was the reason for the increase in this item.
- Employee benefits and on-costs expenditure increased by \$1.2 million (3.6%) from 2011/12. This was mainly due to the impact of the 3.25% award increase on salaries and wages costs.
- Materials and contracts expenditure increased by \$1.8 million (7%) from 2011/12. Waste and recycling collection and disposal (\$790K), legal expenses (\$363K), parking meter maintenance (\$216), computer hardware and software maintenance (\$154K) and parks, gardens and tree maintenance (\$130K) were the main contributors to this increase.
- Other expenses increased by \$790,000 (10%) from 2011/12. The cost of the 2012 Local Government Election (\$314K), Council's contribution to Vivid Sydney (\$100K) and increases in donations, contributions and assistance to other organisations and community groups (\$180K), street lighting (\$98K) and electricity (\$96K) were the reasons for this.
- Council is a member of the Shorelink Library Network, a Joint Venture with four other Councils, which incurred a loss of \$20,000 in 2012/13. North Sydney's share of this loss was \$8,000 compared to a gain of \$20,000 in 2011/12. This and a \$575K (4%) increase in depreciation also contributed to the increase in the operating result from that achieved in 2011/12.

North Sydney Council

Financial Statements

for the financial year ended 30 June 2013

Executive Summary (continued)

Review of Council's Cash Flows

After adding/deducting non-cash items to/from the net operating surplus from continuing operations and allowing for movements in operating assets and liabilities, the net cash provided from operating activities totalled \$17.769 million, as detailed in the following reconciliation:

		\$'000
Operating surplus		18,424
add:	depreciation	15,044
	net share of loss incurred by Shorelink Library Network	8
	net movements in operating assets and liabilities	1,550
deduct:	fair value gains in investment portfolio	407
	fair value gains in investment property portfolio	15,308
	net gain from disposal of assets	<u>1,542</u>
Net cash provided	from operating activities	<u>17,769</u>

After supplementing this cash inflow from operating activities with proceeds from the sale of investment securities, property plant and equipment and applying funds to the purchase of investment securities, infrastructure, property, plant and equipment, Council's cash held increased by \$797,000 from \$2.284 million to \$3.081 million, as detailed in the following reconciliation:

		\$'000
Net cash provided	from operating activities	17,769
add:	proceeds from sale of investment securities	49,181
	proceeds from sale of property, plant & equipment	2,395
deduct:	purchase of investment securities	53,980
	purchase of infrastructure, property, plant & equipment	<u>14,568</u>
net increase in	cash held	797
plus:	cash held at the beginning of the year	<u>2,284</u>
Cash held at the	end of the year	<u>3,081</u>

North Sydney Council

Financial Statements

for the financial year ended 30 June 2013

Executive Summary (continued)

After allowing for the previously mentioned \$407,000 net revaluation of its investment portfolio and the above purchase and sale of investments during the year, Council's total cash and investments held increased by \$6.003 million from \$65.592 million to \$71.595 million, as detailed in the following reconciliation:

		\$'000
Cash & Investments	held at the beginning of the year	65,592
add:	investments purchased during the year	53,980
	net increase in cash held	797
	fair value gains in investment portfolio	407
deduct:	investments sold during the year	<u>49,181</u>
Cash & Investments	held at the end of the year	<u>71,595</u>

Review of Council's Financial Position

As at 30 June 2013, Council's financial position was sound with no debt and total net assets of \$730 million, including cash and investments of \$71.6 million. Of this \$71.6 million, \$20.3 million was externally restricted for specific purposes and \$44.7 million was internally restricted for specific purposes. The remaining \$6.6 million was unrestricted.

Available working capital was \$4.6 million, a level sufficient to comfortably manage Council's day to day operations and provide a buffer against unforeseen and unbudgeted expenditures after taking into consideration the nature and level of internally restricted reserves.

The unrestricted current ratio provides a measure of the adequacy of working capital and the degree to which unrestricted current assets can satisfy the organisation's short term commitments. As at 30 June 2013, Council's unrestricted current ratio was 2.34:1, down from 2.86:1 the previous year but still well above the industry benchmark of 1.5:1.

During 2012/13, \$6.9 million was spent on the renewal of Council's building and infrastructure assets. Over the same period, the depreciation expense for these assets was \$10.6 million. Hence, the building and infrastructure renewals ratio was 65.3%, well below the benchmark of 100% for the third consecutive year. This indicates that, during 2012/13, building and infrastructure assets were not renewed at the rate at which they were consumed by the community. This is an issue affecting local government across NSW.

As at 30 June 2013, Council's infrastructure backlog, i.e. the cost to bring infrastructure assets to a condition deemed satisfactory by the community was estimated to be \$16 million. The additional revenue generated by the existing special special rate variation granted to Council for 7 years from 2011/12 should go some way toward rectifying this infrastructure asset backlog.

North Sydney Council

GENERAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2013

“...a vibrant community”



North Sydney 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 North Sydney Council.

(ii) North Sydney 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 15 October 2013. Council has the power to amend and reissue these financial statements.

North Sydney Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Understanding Council's Financial Statements

Introduction

Each year, individual Local Governments across NSW are required to present a set of audited financial statements to their Council & Community.

What you will find in the Statements

The financial statements set out the financial performance, financial position & cash flows of Council for the financial year ended 30 June 2013.

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

About the Councillor/Management Statement

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

About the Primary Financial Statements

The financial statements incorporate 5 "primary" financial statements:

1. The Income Statement

Summarises Council's financial performance for the year, listing all income & expenses.

This statement also displays Council's original adopted budget to provide a comparison between what was projected and what actually occurred.

2. The Statement of Comprehensive Income

Primarily records changes in the fair values of Council's Infrastructure, Property, Plant & Equipment.

3. The Statement of Financial Position

A 30 June snapshot of Council's financial position indicating its Assets, Liabilities & "Net Wealth".

4. The Statement of Changes in Equity

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

5. The Statement of Cash Flows

Indicates where Council's cash came from and where it was spent.

This statement also displays Council's original adopted budget to provide a comparison between what was projected and what actually occurred.

About the Notes to the Financial Statements

The Notes to the financial statements provide greater detail and additional information on the 5 primary financial statements.

About the Auditor's Reports

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

In NSW, the Auditor provides 2 audit reports:

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

Who uses the Financial Statements ?

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

Submissions from the public can be made to Council up to 7 days subsequent to the public presentation of the financial statements.

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

North Sydney 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:

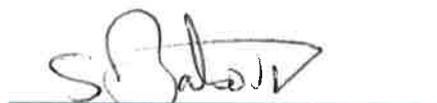
- present fairly the Council's operating result and financial position for the year, and
- accords with Council's accounting and other records.

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 14 October 2013.



Jilly Gibson
MAYOR



Stephen Barbour
COUNCILLOR



Penny Holloway
GENERAL MANAGER



Garry Ross
RESPONSIBLE ACCOUNTING OFFICER

North Sydney Council

Income Statement

for the financial year ended 30 June 2013

Budget ⁽¹⁾ 2013	\$ '000	Notes	Actual 2013	Actual 2012
Income from Continuing Operations				
Revenue:				
40,716	Rates & Annual Charges	3a	40,789	38,968
19,052	User Charges & Fees	3b	21,056	20,624
2,023	Interest & Investment Revenue	3c	4,280	3,770
15,211	Other Revenues	3d	29,797 ⁽³⁾	16,110 ⁽²⁾
3,706	Grants & Contributions provided for Operating Purposes	3e,f	3,841	4,681
7,550	Grants & Contributions provided for Capital Purposes	3e,f	3,443	6,690
Other Income:				
162	Net gains from the disposal of assets	5	1,542	129
-	Net Share of interests in Joint Ventures & Associated Entities using the equity method	19	-	20
88,420	Total Income from Continuing Operations		104,748	90,992
Expenses from Continuing Operations				
33,802	Employee Benefits & On-Costs	4a	34,811	33,611
-	Borrowing Costs	4b	-	-
25,905	Materials & Contracts	4c	27,757	25,932
14,605	Depreciation & Amortisation	4d	15,044	14,469
-	Impairment	4d	-	-
8,891	Other Expenses	4e	8,704	7,914
-	Net Share of interests in Joint Ventures & Associated Entities using the equity method	19	8	-
83,203	Total Expenses from Continuing Operations		86,324	81,926
5,217	Operating Result from Continuing Operations		18,424	9,066
Discontinued Operations				
-	Net Profit/(Loss) from Discontinued Operations	24	-	-
5,217	Net Operating Result for the Year		18,424	9,066
5,217	Net Operating Result attributable to Council		18,424	9,066
-	Net Operating Result attributable to Non-controlling Interests		-	-
(2,333)	Net Operating Result for the year before Grants and Contributions provided for Capital Purposes		14,981	2,376

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

(2) Other Revenues 2012 includes \$2,062,000 from Fair Value adjustments (non-cash) associated with Investment Properties - refer Note 14.

(3) Other Revenues 2013 includes \$15,308,000 from Fair Value adjustments (non-cash) associated with Investment Properties - refer Note 14.

North Sydney 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)		18,424	9,066
Other Comprehensive Income:			
Amounts which will not be reclassified subsequently to the Operating Result			
Gain (loss) on revaluation of I,PP&E	20b (ii)	(4,790)	-
Total Items which will not be reclassified subsequently to the Operating Result		(4,790)	-
Amounts which will be reclassified subsequently to the Operating Result when specific conditions are met			
Nil			
Total Other Comprehensive Income for the year		(4,790)	-
Total Comprehensive Income for the Year		13,634	9,066
Total Comprehensive Income attributable to Council		13,634	9,066
Total Comprehensive Income attributable to Non-controlling Interests		-	-

North Sydney Council

Statement of Financial Position
as at 30 June 2013

\$ '000	Notes	Actual 2013	Actual 2012
ASSETS			
Current Assets			
Cash & Cash Equivalents	6a	3,081	2,284
Investments	6b	28,183	30,560
Receivables	7	5,429	6,032
Inventories	8	43	39
Other	8	43	217
Non-current assets classified as "held for sale"	22	-	-
Total Current Assets		36,779	39,132
Non-Current Assets			
Investments	6b	40,331	32,748
Receivables	7	118	172
Inventories	8	-	-
Infrastructure, Property, Plant & Equipment	9	600,893	605,700
Investments accounted for using the equity method	19	65	73
Investment Property	14	77,680	62,372
Intangible Assets	25	-	-
Total Non-Current Assets		719,087	701,065
TOTAL ASSETS		755,866	740,197
LIABILITIES			
Current Liabilities			
Payables	10	13,213	11,891
Borrowings	10	-	-
Provisions	10	12,763	12,006
Total Current Liabilities		25,976	23,897
Non-Current Liabilities			
Payables	10	-	-
Borrowings	10	-	-
Provisions	10	280	324
Total Non-Current Liabilities		280	324
TOTAL LIABILITIES		26,256	24,221
Net Assets		729,610	715,976
EQUITY			
Retained Earnings	20	647,009	628,585
Revaluation Reserves	20	82,601	87,391
Council Equity Interest		729,610	715,976
Non-controlling Interests		-	-
Total Equity		729,610	715,976

North Sydney 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)		628,585	87,391	715,976	-	715,976
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)		628,585	87,391	715,976	-	715,976
c. Net Operating Result for the Year		18,424	-	18,424	-	18,424
d. Other Comprehensive Income						
- Revaluations : IPP&E Asset Revaluation Rsve	20b (ii)	-	(4,790)	(4,790)	-	(4,790)
- Revaluations: Other Reserves	20b (ii)	-	-	-	-	-
- Transfers to Income Statement	20b (ii)	-	-	-	-	-
- Impairment (loss) reversal relating to I,PP&E	20b (ii)	-	-	-	-	-
- Other Movements	20b (ii)	-	-	-	-	-
Other Comprehensive Income		-	(4,790)	(4,790)	-	(4,790)
Total Comprehensive Income (c&d)		18,424	(4,790)	13,634	-	13,634
e. Distributions to/(Contributions from) Non-controlling Interests		-	-	-	-	-
f. Transfers between Equity		-	-	-	-	-
Equity - Balance at end of the reporting period		647,009	82,601	729,610	-	729,610

\$ '000	Notes	Retained Earnings	Reserves (Refer 20b)	Council Interest	Non- controlling Interest	Total Equity
2012						
Opening Balance (as per Last Year's Audited Accounts)		619,519	87,391	706,910	-	706,910
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)		619,519	87,391	706,910	-	706,910
c. Net Operating Result for the Year		9,066	-	9,066	-	9,066
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 Movements	20b (ii)	-	-	-	-	-
Other Comprehensive Income		-	-	-	-	-
Total Comprehensive Income (c&d)		9,066	-	9,066	-	9,066
e. Distributions to/(Contributions from) Non-controlling Interests		-	-	-	-	-
f. Transfers between Equity		-	-	-	-	-
Equity - Balance at end of the reporting period		628,585	87,391	715,976	-	715,976

North Sydney 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:				
40,696	Rates & Annual Charges		40,871	38,880
20,641	User Charges & Fees		22,879	20,650
2,223	Investment & Interest Revenue Received		4,018	3,677
12,246	Grants & Contributions		8,158	12,463
1,400	Bonds, Deposits & Retention amounts received		1,395	1,385
13,946	Other		17,284	17,409
Payments:				
(33,466)	Employee Benefits & On-Costs		(34,153)	(32,323)
(30,869)	Materials & Contracts		(32,267)	(27,777)
-	Borrowing Costs		-	-
(1,400)	Bonds, Deposits & Retention amounts refunded		(1,343)	(1,198)
(9,372)	Other		(9,073)	(9,901)
16,045	Net Cash provided (or used in) Operating Activities	11b	17,769	23,265
Cash Flows from Investing Activities				
Receipts:				
50,000	Sale of Investment Securities		49,181	34,492
1,071	Sale of Infrastructure, Property, Plant & Equipment		2,395	944
Payments:				
(50,000)	Purchase of Investment Securities		(53,980)	(45,227)
(22,578)	Purchase of Infrastructure, Property, Plant & Equipment		(14,568)	(12,453)
(21,507)	Net Cash provided (or used in) Investing Activities		(16,972)	(22,244)
Cash Flows from Financing Activities				
Receipts:				
5,000	Proceeds from Borrowings & Advances		-	-
Payments:				
	Nil			
5,000	Net Cash Flow provided (used in) Financing Activities		-	-
(462)	Net Increase/(Decrease) in Cash & Cash Equivalents		797	1,021
3,421	plus: Cash & Cash Equivalents - beginning of year	11a	2,284	1,263
2,959	Cash & Cash Equivalents - end of the year	11a	3,081	2,284
Additional Information:				
	plus: Investments on hand - end of year	6b	68,514	63,308
Total Cash, Cash Equivalents & Investments			71,595	65,592

Please refer to Note 11 for information on the following:

- Non Cash Financing & Investing Activities.
- Financing Arrangements.
- Net cash flow disclosures relating to any Discontinued Operations

North Sydney Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

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n/a - not applicable

North Sydney 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 2013.

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

(v) Basis of Accounting

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

- (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.

North Sydney Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 1. Summary of Significant Accounting Policies

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

(vii) Critical Accounting Estimates

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

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

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on 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.

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

North Sydney Council

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

Note 1. Summary of Significant Accounting Policies

conditions were undischarged at balance date, the unused grant or contribution is disclosed in Note 3(g).

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

The Council has obligations to provide facilities from contribution revenues levied on developers under the provisions of 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 30 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.

(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.

North Sydney 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 subject to Council's control have been included in these statements.

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

(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) 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

Council has no finance leases.

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,
- 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.

North Sydney Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 1. Summary of Significant Accounting Policies

(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.

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.

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.

North Sydney Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 1. Summary of Significant Accounting Policies

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.

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

North Sydney Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 1. Summary of Significant Accounting Policies

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.

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.

North Sydney Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 1. Summary of Significant Accounting Policies

(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/Internal Valuation)
- **Buildings – Specialised/Non Specialised** (External/Internal Valuation)
- **Plant and Equipment** (as approximated by depreciated historical cost)
- **Roads Assets incl. roads, bridges & footpaths** (Internal Valuation)
- **Drainage Assets** (Internal Valuation)
- **Bulk Earthworks** (Internal Valuation)
- **Community Land** (External/Internal Valuation)
- **Land Improvements** (as approximated by depreciated historical cost)
- **Other Structures** (as approximated by depreciated historical cost)
- **Other Assets** (as approximated by depreciated historical cost)

Initial Recognition

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

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

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

North Sydney Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 1. Summary of Significant Accounting Policies

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.

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 June 2008)	100% Capitalised

Plant & Equipment	
Office Furniture	> \$5,000
Office Equipment	> \$5,000
Other Plant & Equipment	> \$5,000

Buildings & Land Improvements	
Park Furniture & Equipment	> \$2,000

Building	
- construction/extensions	100% Capitalised
- renovations	> \$10,000

Other Structures	> \$10,000
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Stormwater Assets	
Drains & Culverts	> \$10,000
Other	> \$10,000

Transport Assets	
Road construction & reconstruction	> \$10,000
Reseal/Re-sheet & major repairs	> \$10,000
Bridge construction & reconstruction	> \$10,000

Depreciation

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

Land is not depreciated.

North Sydney Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 1. Summary of Significant Accounting Policies

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

Plant & Equipment

- Office Equipment	3 to 20 years
- Office furniture	3 to 20 years
- Computer Equipment	4 years
- Vehicles	2 to 5 years
- Heavy Plant/Road Making equipment	5 to 20 years
- Other plant and equipment	2 to 5 years

Other Equipment

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

Buildings

- Buildings	50 to 150 years
- Buildings : Other Structure	5 to 20 years

Stormwater Drainage

- Drains	60 to 120 years
- Culverts	80 to 120 years

Transportation Assets

- Sealed Roads: Surface	20 to 25 years
- Sealed Roads: Structure	80 to 120 years
- Unsealed roads	20 years
- Bridge: Concrete	100 years
- Bridge: Other	50 years
- Road Pavements	20 to 50 years
- Kerb, Gutter & Paths	50 to 100 years

Other Infrastructure Assets

- Bulk earthworks	Infinite
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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

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

(m) Intangible Assets

Council has not classified any assets as Intangible.

(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

North Sydney Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 1. Summary of Significant Accounting Policies

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) Rural Fire Service assets

Council has no Rural Fire Services assets.

(p) 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".

Full revaluations are carried out every year.

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

(q) Provisions for close down, restoration and for environmental clean up costs – including Tips and Quarries

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

(r) Non-Current Assets (or Disposal Groups) "Held for Sale" & Discontinued Operations

Non-current assets (or disposal groups) are classified as held for sale and stated at the lower of either **(i)** their carrying amount and **(ii)** fair value less costs to sell, if their carrying amount will be recovered principally through a sale transaction rather than through continuing use.

The exception to this is plant and motor vehicles which are turned over on a regular basis. Plant and motor vehicles are retained in Non Current Assets under the classification of Infrastructure, Property, Plant and Equipment - unless the assets are to be traded in after 30 June and the replacement assets were already purchased and accounted for as at 30 June.

For any assets or disposal groups classified as Non-Current Assets "held for sale", an impairment loss is recognised at any time when the assets carrying value is greater than its fair value less costs to sell.

Non-current assets "held for sale" are not depreciated or amortised while they are classified as "held for sale".

Non-current assets classified as "held for sale" are presented separately from the other assets in the balance sheet.

A Discontinued Operation is a component of the entity that has been disposed of or is classified as "held for sale" and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale.

Council has no discounted operations.

(s) 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

North Sydney Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 1. Summary of Significant Accounting Policies

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.

(t) 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.

(u) Borrowings

Council has no borrowings.

(v) 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.

(w) 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.

North Sydney Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 1. Summary of Significant Accounting Policies

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

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

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

(iii) Retirement benefit obligations

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

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

Defined Benefit Plans

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

The present value of the defined benefit obligation is based on expected future payments which arise from membership of the fund to the reporting date, calculated annually by independent actuaries using the projected unit credit method. Consideration is given to expected future wage and salary levels, 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 February 2013 and covers the period ended 30 June 2013.

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 \$1,000,281.

The amount of additional contributions included in the total employer contribution advised above is \$382,042

The share of this deficit that can be broadly attributed to Council is estimated to be in the order of \$1,776,244 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.

North Sydney Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 1. Summary of Significant Accounting Policies

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

Defined Contribution Plans

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

(iv) Employee Benefit On-Costs

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

These amounts include Superannuation and Workers Compensation expenses which will be payable upon the future payment of certain Leave Liabilities accrued as at 30 June 2013.

(x) Self insurance

Council does not self insure.

(y) 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 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.

(z) 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.

(aa) New accounting standards and UIG interpretations

Certain new (or amended) accounting standards and interpretations have been published that are not

North Sydney Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 1. Summary of Significant Accounting Policies

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.

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)

North Sydney Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 1. Summary of Significant Accounting Policies

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.

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.

North Sydney Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 1. Summary of Significant Accounting Policies

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.

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.

(ab) Rounding of amounts

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

(ac) 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.

(ad) Disclaimer

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

North Sydney Council

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
Governance	-	1	2	1,706	1,902	1,682	(1,706)	(1,901)	(1,680)	-	-	33	-
Administration	3,662	5,767	4,516	13,303	14,789	13,866	(9,641)	(9,022)	(9,350)	-	-	106,532	93,545
Public Order & Safety	7,421	7,051	7,021	7,077	6,532	6,390	344	519	631	-	-	1,924	1,755
Health	771	804	956	1,043	1,144	1,044	(272)	(340)	(88)	8	12	572	492
Environment	12,265	12,752	12,432	15,673	15,876	15,104	(3,408)	(3,124)	(2,672)	442	319	82,278	82,987
Community Services & Education	891	518	553	2,145	2,265	2,061	(1,254)	(1,747)	(1,508)	424	379	3,151	2,369
Housing & Community Amenities	760	1,098	918	4,655	5,773	4,842	(3,895)	(4,675)	(3,924)	166	258	3,604	2,756
Recreation & Culture	10,046	6,664	10,127	17,967	18,537	17,625	(7,921)	(11,873)	(7,498)	268	472	255,361	246,758
Mining, Manufacturing & Construction	60	57	37	-	-	-	60	57	37	-	-	-	-
Transport & Communication	12,112	13,107	12,588	12,352	12,478	12,830	(240)	629	(242)	370	316	187,227	187,242
Economic Affairs	8,760	22,934	9,676	7,282	7,020	6,482	1,478	15,914	3,194	-	-	115,117	122,219
Total Functions & Activities	56,748	70,753	58,826	83,203	86,316	81,926	(26,455)	(15,563)	(23,100)	1,678	1,756	755,799	740,123
Share of gains/(losses) in Associates & Joint Ventures (using the Equity Method)	-	-	20	-	8	-	-	(8)	20	-	-	65	73
General Purpose Income ¹	31,672	33,995	32,146	-	-	-	31,672	33,995	32,146	1,875	2,344	2	1
Operating Result from Continuing Operations	88,420	104,748	90,992	83,203	86,324	81,926	5,217	18,424	9,066	3,553	4,100	755,866	740,197

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

North Sydney 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:

GOVERNANCE

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

ADMINISTRATION

Corporate Support and Other Support Services (not otherwise attributed to the listed functions / activities).

PUBLIC ORDER & SAFETY

Fire protection, animal control, beach control, enforcement of local government regulations, emergency services, other.

HEALTH

Inspection, immunisations, food control, health centres, other, administration.

ENVIRONMENT

Noxious plants and insect/vermin control, other environmental protection, solid waste management, street cleaning, drainage, stormwater management.

COMMUNITY SERVICES & EDUCATION

Administration, family day care, child care, youth services, other family and children, aged and disabled, migrant services, Aboriginal services, other community services, education.

HOUSING & COMMUNITY AMENITIES

Housing, town planning, street lighting, other sanitation and garbage, public cemeteries, public conveniences, other community amenities.

WATER SUPPLIES

SEWERAGE SERVICES

RECREATION & CULTURE

Public libraries, museums, art galleries, community centres, public halls, other cultural services, swimming pools, sporting grounds, parks and gardens (lakes), other sport and recreation.

MINING, MANUFACTURING & CONSTRUCTION

Building control, abattoirs, quarries & pits, other.

TRANSPORT & COMMUNICATION

Urban roads, sealed rural roads, unsealed rural roads, bridges, footpaths, aerodromes, parking areas, bus shelters and services, water transport, RTA works, other.

ECONOMIC AFFAIRS

Camping areas, caravan parks, tourism and area promotion, industrial development promotion, saleyards and markets, real estate development, commercial nurseries, other business undertakings.

North Sydney 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		17,011	15,957
Business		11,097	10,372
Total Ordinary Rates		28,108	26,329
Special Rates			
Environmental Levy		1,819	1,813
Infrastructure Levy		1,627	1,622
Main Street Levies		500	495
Total Special Rates		3,946	3,930
Annual Charges (pursuant to s.496, s.496A, s.496B, s.501 & s.611)			
Domestic Waste Management Services		8,681	8,659
Section 611 Charges		54	50
Total Annual Charges		8,735	8,709
TOTAL RATES & ANNUAL CHARGES		40,789	38,968

Council has used 2010 year valuations provided by the NSW Valuer General in calculating its rates.

North Sydney 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		912	852
Total User Charges		912	852
Other User Charges & Fees			
(i) Fees & Charges - Statutory & Regulatory Functions (per s.608)			
Planning & Building Regulation		1,710	1,867
Regulatory/ Statutory Fees		1,918	2,081
Section 149 Certificates (EPA Act)		324	309
Section 603 Certificates		143	132
Total Fees & Charges - Statutory/Regulatory		4,095	4,389
(ii) Fees & Charges - Other (incl. General User Charges) (per s.608)			
Business Trade Waste		357	373
Community Centres / Facilities		48	92
Domestic Waste Management - Other		20	20
Library		134	165
Ovals		644	740
Off Street Parking		2,722	2,803
On Street Parking		7,749	7,583
Planning & Building Regulation (Non Statutory)		377	353
Public Holiday Events		20	18
Reinstatements		1,377	792
Swimming Centres		2,395	2,225
Other		206	219
Total Fees & Charges - Other		16,049	15,383
TOTAL USER CHARGES & FEES		21,056	20,624

North Sydney 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)		47	52
- Interest earned on Investments (interest & coupon payment income)		3,522	3,497
- Interest on Developer Contributions		299	273
Fair Value Adjustments			
- Fair Valuation movements in Investments (at FV or Held for Trading)		407	(52)
Other		5	-
<u>TOTAL INTEREST & INVESTMENT REVENUE</u>		<u>4,280</u>	<u>3,770</u>
Interest Revenue is attributable to:			
Unrestricted Investments/Financial Assets:			
Overdue Rates & Annual Charges (General Fund)		47	52
General Council Cash & Investments		3,934	3,445
Restricted Investments/Funds - External:			
Development Contributions			
- Section 94		299	273
Total Interest & Investment Revenue Recognised		<u>4,280</u>	<u>3,770</u>
(d) Other Revenues			
Fair Value Adjustments - Investment Properties (Non-cash)	14	15,308	2,062
Rental Income - Investment Properties	14	5,093	5,031
Rental Income - Other Council Properties		286	751
Ex Gratia Rates		31	28
Fines - Environmental & Compliance		103	148
Fines - Parking		6,612	6,519
Legal Fees Recovery - Rates & Charges (Extra Charges)		66	51
Legal Fees Recovery - Other		241	51
Advertising on Council Infrastructure		1,020	631
Commissions & Agency Fees		5	7
Insurance Bonuses, Rebates & Claim Recoveries		218	200
Sales - General		8	23
Waste - Performance Improvement Program		417	362
Other		389	246
<u>TOTAL OTHER REVENUE</u>		<u>29,797</u>	<u>16,110</u>

North Sydney 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	1,291 ⁽²⁾	1,648 ⁽¹⁾	-	-
Financial Assistance - Local Roads Component	425 ⁽²⁾	543 ⁽¹⁾	-	-
Pensioners' Rates Subsidies - General Component	159	153	-	-
Total General Purpose	1,875	2,344	-	-
Specific Purpose				
Pensioners' Rates Subsidies:				
- Domestic Waste Management	41	42	-	-
- Aged Care	54	59	-	-
- Family Day Care	305	255	-	-
- Vacation Care	28	27	-	-
- Youth Care	2	4	-	-
- Other	43	41	-	-
Environmental Protection	103	282	298	-
Recreation & Culture:				
- Aboriginal Heritage	77	29	-	-
- Library	121	120	44	44
- Parks & Gardens	-	-	26	259
- Other	-	20	-	-
Street Lighting	166	162	-	-
Town Planning	-	96	-	-
Traffic Route Subsidy	20	21	-	-
Transport (Roads to Recovery)	217	219	-	-
Transport (Other Roads & Bridges Funding)	58	55	75	21
Total Specific Purpose	1,235	1,432	443	324
Total Grants	3,110	3,776	443	324
Grant Revenue is attributable to:				
- Commonwealth Funding	599	505	298	-
- State Funding	2,511	3,270	145	324
- Other Funding	-	1	-	-
	3,110	3,776	443	324

⁽¹⁾ Includes advance payment of one-half of the estimated 2012-13 grant allocation⁽²⁾ Includes advance payment of one-half of the estimated 2013-14 grant allocation

North Sydney 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	-	-	2,938	6,351
Total Developer Contributions	17 -	-	2,938	6,351
Other Contributions:				
Community Care:				
- Aboriginal Care	-	34	-	-
Environmental Protection	7	6	-	-
Recreation & Culture:				
- Aboriginal Heritage	250	241	-	-
- Parks & Gardens	-	-	-	15
RMS Contributions (Regional Roads, Block Grant)	474	594	-	-
Town Planning	-	30	-	-
Other	-	-	62	-
Total Other Contributions	731	905	62	15
Total Contributions	731	905	3,000	6,366
TOTAL GRANTS & CONTRIBUTIONS	3,841	4,681	3,443	6,690

\$ '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	14,857	9,719
add: Grants & contributions recognised in the current period but not yet spent:	1,904	5,704
less: Grants & contributions recognised in a previous reporting period now spent:	(888)	(566)
Net Increase (Decrease) in Restricted Assets during the Period	1,016	5,138
Unexpended and held as Restricted Assets	15,873	14,857
Comprising:		
- Specific Purpose Unexpended Grants	246	273
- Developer Contributions	15,610	14,478
- Other Contributions	17	106
	15,873	14,857

North Sydney 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		26,011	24,500
Travelling		441	448
Employee Leave Entitlements (ELE)		4,255	4,763
Superannuation - Defined Contribution Plans		2,161	1,966
Superannuation - Defined Benefit Plans		1,046	1,054
Workers' Compensation Insurance		905	708
Fringe Benefit Tax (FBT)		176	151
Training Costs (other than Salaries & Wages)		388	263
Other		170	255
Total Employee Costs		35,553	34,108
less: Capitalised Costs		(742)	(497)
TOTAL EMPLOYEE COSTS EXPENSED		34,811	33,611
Number of "Equivalent Full Time" Employees at year end		384	365

(b) Borrowing Costs

Nil

(c) Materials & Contracts

Raw Materials & Consumables		3,510	3,441
Contractor Costs:			
- Aboriginal Heritage		122	115
- Agency Staff		708	647
- Cash Collection		352	319
- Cleaning of Council Properties		310	326
- Community Transport		164	164
- Computer Hardware & Software Maintenance		1,013	859
- Drainage Maintenance		439	338
- Footpath Maintenance		575	482
- Graffiti Removal		100	113
- Infringement Notice Contract Costs (SEINS)		932	989
- Internal Audit Program		67	57
- Mowing		841	779
- Other Infrastructure Maintenance		220	355
- Parking Meter Maintenance		541	325
- Parks, Gardens & Tree Maintenance		1,343	1,213

(continued on the next page)

North Sydney 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 (continued)			
Contractor Costs (continued):			
- Property Maintenance		2,428	2,356
- Property Management		379	300
- Public Events		337	277
- Roads Maintenance		1,417	1,941
- Waste & Recycling Collection		4,312	4,095
- Waste & Recycling Disposal		3,952	3,379
- Parking Zone Audit		71	-
- Other		1,089	950
Consultancy		943	866
Auditors Remuneration		54	55
Legal Expenses:			
- Legal Expenses: Planning & Development		1,241	827
- Legal Expenses: Debt Recovery		66	53
- Legal Expenses: Other		185	249
Operating Leases:			
- Operating Lease Rentals: Minimum Lease Payments		46	62
<u>TOTAL MATERIALS & CONTRACTS</u>		<u>27,757</u>	<u>25,932</u>
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		54	55
Remuneration for audit and other assurance services		54	55
Total Auditor Remuneration		54	55
2. Operating Lease Payments are attributable to:			
Parking Meters		46	62
		46	62

North Sydney 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
(d) Depreciation, Amortisation & Impairment					
Plant and Equipment		-	-	1,363	1,473
Office Equipment		-	-	746	640
Furniture & Fittings		-	-	200	169
Land Improvements (depreciable)		-	-	267	195
Buildings - Non Specialised		-	-	51	51
Buildings - Specialised		-	-	3,184	2,148
Other Structures		-	-	1,453	1,461
Infrastructure:					
- Roads, Bridges & Footpaths		-	-	6,296	6,872
- Stormwater Drainage		-	-	1,070	1,036
Other Assets					
- Heritage Collections		-	-	28	31
- Library Books		-	-	386	393
TOTAL DEPRECIATION & IMPAIRMENT COSTS EXPENSED		-	-	15,044	14,469

North Sydney 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			
Advertising		118	106
Bad & Doubtful Debts		107	32
Bank Charges		436	417
Contributions/Levies to Other Levels of Government			
- Department of Planning Levy		234	226
- Emergency Services Levy		1,275	1,285
- Land Tax		64	24
- State Treasury (share of net parking infringement revenue)		114	245
Councillor Expenses - Mayoral Fee		57	56
Councillor Expenses - Councillors' Fees		274	275
Councillors' Expenses (incl. Mayor) - Other (excluding fees above)		40	30
Donations, Contributions & Assistance to other organisations (Section 356)		843	663
Electricity & Heating		1,081	985
Insurance		1,861	1,920
NSW Local Government Association Membership		49	38
Postage		209	202
Street Lighting		1,196	1,098
Telephone & Communications		227	224
Valuation Fees		62	58
Election Expenses		314	-
Contribution to Vivid Sydney		100	-
Other		43	30
<u>TOTAL OTHER EXPENSES</u>		<u>8,704</u>	<u>7,914</u>

Note 5. Gains or Losses from the Disposal of Assets

Property (excl. Investment Property)			
Proceeds from Disposal - Property		1,632	-
less: Carrying Amount of Property Assets Sold / Written Off		(138)	-
Net Gain/(Loss) on Disposal		<u>1,494</u>	<u>-</u>
Plant & Equipment			
Proceeds from Disposal - Plant & Equipment		763	944
less: Carrying Amount of P&E Assets Sold / Written Off		(715)	(815)
Net Gain/(Loss) on Disposal		<u>48</u>	<u>129</u>
Financial Assets			
Proceeds from Disposal / Redemptions / Maturities - Financial Assets		49,181	34,492
less: Carrying Amount of Financial Assets Sold / Redeemed / Matured		(49,181)	(34,492)
Net Gain/(Loss) on Disposal		<u>-</u>	<u>-</u>
<u>NET GAIN/(LOSS) ON DISPOSAL OF ASSETS</u>		<u>1,542</u>	<u>129</u>

North Sydney 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	2013	2012	2012
		Actual Current	Actual Non Current	Actual Current	Actual Non Current
Cash & Cash Equivalents (Note 6a)					
Cash on Hand and at Bank		448	-	186	-
Cash-Equivalent Assets ¹					
- Deposits at Call		1,633	-	2,098	-
- Short Term Deposits		1,000	-	-	-
Total Cash & Cash Equivalents		3,081	-	2,284	-
Investments (Note 6b)					
- Managed Funds		2,812	-	3,560	-
- Long Term Deposits		23,000	23,640	24,000	14,750
- NCD's, FRN's (with Maturities > 3 months)		2,371	16,691	1,000	17,998
- CPPI Notes		-	-	2,000	-
Total Investments		28,183	40,331	30,560	32,748
TOTAL CASH ASSETS, CASH EQUIVALENTS & INVESTMENTS		31,264	40,331	32,844	32,748

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"		3,081	-	2,284	-
--	--	--------------	----------	--------------	----------

Investments

a. "At Fair Value through the Profit & Loss"					
- "Held for Trading"	6(b-i)	2,812	-	3,560	-
- "Designated at Fair Value on Initial Recognition"	6(b-i)	-	-	-	-
b. "Held to Maturity"	6(b-ii)	25,371	40,331	27,000	32,748
c. "Loans & Receivables"	6(b-iii)	-	-	-	-
d. "Available for Sale"	6(b-iv)	-	-	-	-
Investments		28,183	40,331	30,560	32,748

North Sydney Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 6b. Investments (continued)

\$ '000	2013 Actual Current	2013 Actual Non Current	2012 Actual Current	2012 Actual Non Current
Note 6(b-i)				
Reconciliation of Investments classified as "At Fair Value through the Profit & Loss"				
Balance at the Beginning of the Year	3,560	-	4,724	-
Revaluations (through the Income Statement)	407	-	(52)	-
Disposals (sales & redemptions)	(1,155)	-	(1,112)	-
Balance at End of Year	2,812	-	3,560	-
Comprising:				
- Managed Funds	2,812	-	3,560	-
Total	2,812	-	3,560	-
Note 6(b-ii)				
Reconciliation of Investments classified as "Held to Maturity"				
Balance at the Beginning of the Year	27,000	32,748	19,880	28,021
Additions	25,367	28,613	27,000	18,227
Disposals (sales & redemptions)	(48,026)	-	(32,380)	(1,000)
Transfers between Current/Non Current	21,030	(21,030)	12,500	(12,500)
Balance at End of Year	25,371	40,331	27,000	32,748
Comprising:				
- Long Term Deposits	23,000	23,640	24,000	14,750
- NCD's, FRN's (with Maturities > 3 months)	2,371	16,691	1,000	17,998
- CPPI Notes	-	-	2,000	-
Total	25,371	40,331	27,000	32,748
Note 6(b-iii)				
Reconciliation of Investments classified as "Loans & Receivables"				
Nil				
Note 6(b-iv)				
Reconciliation of Investments classified as "Available for Sale"				
Nil				

North Sydney 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	31,264	40,331	32,844	32,748
attributable to:				
External Restrictions (refer below)	7,806	12,523	4,371	16,477
Internal Restrictions (refer below)	16,898	27,808	24,584	16,271
Unrestricted	6,560	-	3,889	-
	31,264	40,331	32,844	32,748

2013	Opening	Transfers to	Transfers from	Closing
\$ '000	Balance	Restrictions	Restrictions	Balance

Details of Restrictions

External Restrictions - Included in Liabilities

Nil

External Restrictions - Other

Developer Contributions - General (D)	14,478	3,237	(2,105)	15,610
RMS (formerly RTA) Contributions (E)	-	474	(474)	-
Specific Purpose Unexpended Grants (F)	273	2,609	(2,636)	246
Domestic Waste Management (G)	3,315	8,710	(9,337)	2,688
Environment Levy (D)	933	1,747	(1,836)	844
Infrastructure Levy (D)	295	1,414	(1,625)	84
Mainstreet Levies (D)	543	500	(773)	270
Waste & Sustainability Improvement Funds (E)	905	417	(751)	571
Other	106	319	(409)	16
External Restrictions - Other	20,848	19,427	(19,946)	20,329
Total External Restrictions	20,848	19,427	(19,946)	20,329

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

E RMS Contributions which are not yet expended for the provision of services and amenities in accordance with those contributions.

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.

North Sydney Council

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

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

2013 \$ '000	Opening Balance	Transfers to Restrictions	Transfers from Restrictions	Closing Balance
Internal Restrictions				
Plant & Vehicle Replacement	2,095	3,607	(3,365)	2,337
Employees Leave Entitlement	5,437	8,942	(8,561)	5,818
Deposits, Retentions & Bonds	4,720	1,395	(1,343)	4,772
Capital Works	14,927	8,958	(7,052)	16,833
Community Housing - Capital Purchases	2,093	-	(7)	2,086
Community Housing - Major Maintenance	285	-	(82)	203
Income Producing Projects	6,196	1,291	(171)	7,316
Insurance	1,160	205	(106)	1,259
Land Tax	825	300	(64)	1,061
Office Equipment	643	510	(923)	230
On Street Meters	617	-	(147)	470
Oval Improvements	216	90	(58)	248
Property Maintenance	1,641	1,575	(1,143)	2,073
Total Internal Restrictions	40,855	26,873	(23,022)	44,706
TOTAL RESTRICTIONS	61,703	46,300	(42,968)	65,035

North Sydney 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		266	60	327	81
Interest & Extra Charges		22	35	5	22
User Charges & Fees		1,379	23	1,504	69
Accrued Revenues					
- Interest on Investments		1,208	-	1,383	-
- Other Income Accruals		619	-	439	-
Government Grants & Subsidies		442	-	1,217	-
Net GST Receivable		675	-	329	-
Outstanding Infringements		866	-	789	-
Other Debtors		76	-	69	-
Total		5,553	118	6,062	172
less: Provision for Impairment					
User Charges & Fees		(124)	-	(30)	-
Total Provision for Impairment - Receivables		(124)	-	(30)	-
<u>TOTAL NET RECEIVABLES</u>		<u>5,429</u>	<u>118</u>	<u>6,032</u>	<u>172</u>
Externally Restricted Receivables					
Domestic Waste Management		76	1	83	1
- Environmental Levy		17	1	18	3
- Infrastructure Levy		17	1	18	2
- Mainstreet Levies		5	1	5	2
Total External Restrictions		115	4	124	8
Internally Restricted Receivables					
Nil					
Unrestricted Receivables		5,314	114	5,908	164
TOTAL NET RECEIVABLES		5,429	118	6,032	172

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.

North Sydney 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					
Trading Stock		43	-	39	-
Total Inventories		43	-	39	-
Other Assets					
Prepayments		43	-	217	-
Total Other Assets		43	-	217	-
TOTAL INVENTORIES / OTHER ASSETS		86	-	256	-

Externally Restricted Assets

There are no restrictions applicable to the above assets.

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 Cost	At Fair Value	Accumulated		Carrying Value	Asset Additions	WDV of Asset Disposals	Depreciation Expense	WIP Transfers	Adjustments & Transfers	Revaluation Decrements to Equity (ARR)	Revaluation Increments to Equity (ARR)	At Cost	At Fair Value	Accumulated		Carrying Value
			Dep'n	Impairment											Dep'n	Impairment	
Capital Work in Progress	1,168	-	-	-	1,168	4,491	-	-	(213)	-	-	-	5,446	-	-	-	5,446
Plant & Equipment	-	11,899	6,664	-	5,235	1,767	(715)	(1,363)	-	-	-	-	-	12,096	7,172	-	4,924
Office Equipment	-	12,817	10,986	-	1,831	666	(37)	(746)	-	-	-	-	-	13,419	11,705	-	1,714
Furniture & Fittings	-	4,329	3,170	-	1,159	763	-	(200)	2	-	-	-	-	5,094	3,370	-	1,724
Land:																	
- Operational Land	-	64,181	-	-	64,181	-	-	-	-	-	(5,499)	-	-	58,682	-	-	58,682
- Community Land	-	157,830	-	-	157,830	-	(101)	-	-	-	-	-	-	157,729	-	-	157,729
Land Improvements - depreciable	-	15,625	1,421	-	14,204	432	-	(267)	71	-	-	-	-	16,128	1,688	-	14,440
Buildings - Non Specialised	-	1,930	1,208	-	722	-	-	(51)	9	-	-	3	-	2,122	1,439	-	683
Buildings - Specialised	-	114,647	53,901	-	60,746	1,046	-	(3,184)	50	14,076	-	706	-	162,632	89,192	-	73,440
Other Structures	-	30,756	12,481	-	18,275	899	-	(1,453)	77	-	-	-	-	31,732	13,934	-	17,798
Infrastructure:																	
- Roads, Bridges, Footpaths	-	366,310	170,493	-	195,817	4,974	-	(6,296)	4	(14,076)	-	-	-	339,274	158,851	-	180,423
- Stormwater Drainage	-	138,652	56,121	-	82,531	479	-	(1,070)	-	-	-	-	-	139,131	57,191	-	81,940
Other Assets:																	
- Heritage Collections	-	1,581	630	-	951	2	-	(28)	-	-	-	-	-	1,584	659	-	925
- Library Books	-	5,469	4,419	-	1,050	361	-	(386)	-	-	-	-	-	5,830	4,805	-	1,025
TOTAL INFRASTRUCTURE, PROPERTY, PLANT & EQUIP.	1,168	926,026	321,494	-	605,700	15,880	(853)	(15,044)	-	-	(5,499)	709	5,446	945,453	350,006	-	600,893

Additions to Depreciable Land Improvements, Buildings, Other Structures & Infrastructure Assets are made up of Asset Renewals \$8.7m and New Assets \$2m. (\$2.5m of this Capital work is Work in Progress)
Renewals are defined as the replacement of existing assets (as opposed to the acquisition of new assets).

North Sydney Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

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

\$ '000

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.

North Sydney Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 10a. Payables, Borrowings & Provisions

\$ '000	Notes	2013		2012	
		Current	Non Current	Current	Non Current
Payables					
Goods & Services - operating expenditure		4,293	-	4,426	-
Goods & Services - capital expenditure		3,223	-	1,911	-
Payments Received In Advance		187	-	159	-
Accrued Expenses:					
- Salaries & Wages		301	-	244	-
- Other Expenditure Accruals		65	-	110	-
Security Bonds, Deposits & Retentions		4,772	-	4,720	-
Other		372	-	321	-
Total Payables		13,213	-	11,891	-
Borrowings					
Nil					
Provisions					
Employee Benefits;					
Annual Leave		3,217	-	3,026	-
Sick Leave		119	-	137	-
Long Service Leave		7,154	280	6,693	324
Gratuities		2,221	-	2,107	-
Other Leave - RDO's		52	-	43	-
Total Provisions		12,763	280	12,006	324
Total Payables, Borrowings & Provisions		25,976	280	23,897	324
 (i) Liabilities relating to Restricted Assets					
		2013		2012	
		Current	Non Current	Current	Non Current
Externally Restricted Assets					
Domestic Waste Management		719	3	751	3
Special Rate Levies		353	-	502	-
Liabilities relating to externally restricted assets		1,072	3	1,253	3
Internally Restricted Assets					
Nil					
Total Liabilities relating to restricted assets		1,072	3	1,253	3
Total Liabilities relating to Unrestricted Assets		24,904	277	22,644	321
TOTAL PAYABLES, BORROWINGS & PROVISIONS		25,976	280	23,897	324

North Sydney Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

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

\$ '000	Actual 2013	Actual 2012
(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	9,418	8,890
Payables - Security Bonds, Deposits & Retentions	3,155	1,644
	12,573	10,534

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	3,026	2,136	(1,945)	-	-	3,217
Sick Leave	137	20	(38)	-	-	119
Long Service Leave	7,017	973	(556)	-	-	7,434
Gratuities	2,107	259	(145)	-	-	2,221
Other Leave - RDO's	43	9	-	-	-	52
TOTAL	12,330	3,397	(2,684)	-	-	13,043

- 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.

North Sydney 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	3,081	2,284
Less Bank Overdraft	10	-	-
BALANCE as per the STATEMENT of CASH FLOWS		3,081	2,284
(b) Reconciliation of Net Operating Result to Cash provided from Operating Activities			
Net Operating Result from Income Statement		18,424	9,066
Adjust for non cash items:			
Depreciation & Amortisation		15,044	14,469
Net Losses/(Gains) on Disposal of Assets		(1,542)	(129)
Losses/(Gains) recognised on Fair Value Re-measurements through the P&L:			
- Investments classified as "At Fair Value" or "Held for Trading"		(407)	52
- Investment Properties		(15,308)	(2,062)
Share of Net (Profits) or Losses of Associates/Joint Ventures		8	(20)
+/- Movement in Operating Assets and Liabilities & Other Cash Items:			
Decrease/(Increase) in Receivables		563	556
Increase/(Decrease) in Provision for Doubtful Debts		94	2
Decrease/(Increase) in Inventories		(4)	(4)
Decrease/(Increase) in Other Assets		174	(71)
Increase/(Decrease) in Payables		(133)	429
Increase/(Decrease) in other accrued Expenses Payable		12	275
Increase/(Decrease) in Other Liabilities		131	(446)
Increase/(Decrease) in Employee Leave Entitlements		713	1,148
NET CASH PROVIDED FROM/(USED IN) OPERATING ACTIVITIES from the STATEMENT of CASH FLOWS		17,769	23,265
(c) Non-Cash Investing & Financing Activities			
Nil			
(d) Financing Arrangements			
(i) Unrestricted access was available at balance date to the following lines of credit:			
Bank Overdraft Facilities ⁽¹⁾		500	500
Credit Cards / Purchase Cards		350	350
Total Financing Arrangements		850	850

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.

North Sydney 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		619	219
Computer Equipment		15	9
Computer Software		1	9
Plant & Equipment		1,039	234
Infrastructure		1,224	1,122
Library Books		75	229
Parking Meters		2,535	5
Total Commitments		5,508	1,912
These expenditures are payable as follows:			
Within the next year		5,508	1,912
Total Payable		5,508	1,912
Sources for Funding of Capital Commitments:			
Unrestricted General Funds		72	288
Future Grants & Contributions		337	59
Sect 64 & 94 Funds/Reserves		41	206
Externally Restricted Reserves		167	52
Internally Restricted Reserves		2,356	1,307
New Loans (to be raised)		2,535	-
Total Sources of Funding		5,508	1,912

(b) Finance Lease Commitments

Nil

(c) Operating Lease Commitments (Non Cancellable)

Nil

(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)

North Sydney Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

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

\$ '000	Amounts	Indicator	Prior Periods	
	2013	2013	2012	2011
Local Government Industry Indicators - Consolidated				
1. Unrestricted Current Ratio				
Current Assets less all External Restrictions ⁽¹⁾	28,858	2.34 : 1	2.86	2.94
Current Liabilities less Specific Purpose Liabilities ^(2,3)	12,331			
2. Debt Service Ratio				
Debt Service Cost	-	0.00%	0.00%	0.00%
Income from Continuing Operations (excl. Capital Items & Specific Purpose Grants/Contributions)	99,339			
3. Rates & Annual Charges Coverage Ratio				
Rates & Annual Charges	40,789	38.94%	42.83%	44.23%
Income from Continuing Operations	104,748			
4. Rates, Annual Charges, Interest & Extra Charges Outstanding Percentage				
Rates, Annual & Extra Charges Outstanding	383	0.93%	1.10%	0.97%
Rates, Annual & Extra Charges Collectible	41,337			
5. Building & Infrastructure Renewals Ratio				
Asset Renewals ⁽⁴⁾	6,922	65.30%	54.52%	77.34%
Depreciation, Amortisation & Impairment	10,601			

During 2012/13, the Division for Local Government commissioned NSW TCorp to conduct a financial sustainability assessment of all NSW Councils. TCorp established a set of ten benchmark indicators to assist in the analysis. These indicators will be replacing the existing indicators shown above for the 2013/14 financial year. The TCorp performance indicators are presented below for 2012/13 and the 3 prior years. Two of the TCorp indicators, the Unrestricted Current Ratio and the Building & Infrastructure Renewals Ratio, are also included in the Local Government Industry Indicators shown above and hence have not been duplicated.

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.

North Sydney Council

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

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

<p>1. Unrestricted Current Ratio</p> <table border="1"> <thead> <tr> <th>Year</th> <th>Ratio : 1</th> </tr> </thead> <tbody> <tr> <td>2010</td> <td>4.30</td> </tr> <tr> <td>2011</td> <td>2.94</td> </tr> <tr> <td>2012</td> <td>2.86</td> </tr> <tr> <td>2013</td> <td>2.34</td> </tr> </tbody> </table>	Year	Ratio : 1	2010	4.30	2011	2.94	2012	2.86	2013	2.34	<p>Purpose of Unrestricted Current Ratio</p> <p>To assess the adequacy of working capital and its ability to satisfy obligations in the short term for the unrestricted activities of Council.</p>	<p>Commentary on 2012/13 Result</p> <p>2012/13 Ratio 2.34 : 1</p> <p>This ratio was, once again comfortably above 1.5:1, the benchmark considered satisfactory by the industry. This indicates that Council has more than adequate capacity to meet its obligations in the short term for its unrestricted activities.</p>
Year	Ratio : 1											
2010	4.30											
2011	2.94											
2012	2.86											
2013	2.34											
<p>2. Debt Service Ratio</p> <table border="1"> <thead> <tr> <th>Year</th> <th>Ratio %</th> </tr> </thead> <tbody> <tr> <td>2010</td> <td>0.00%</td> </tr> <tr> <td>2011</td> <td>0.00%</td> </tr> <tr> <td>2012</td> <td>0.00%</td> </tr> <tr> <td>2013</td> <td>0.00%</td> </tr> </tbody> </table>	Year	Ratio %	2010	0.00%	2011	0.00%	2012	0.00%	2013	0.00%	<p>Purpose of Debt Service Ratio</p> <p>To assess the impact of loan principal & interest repayments on the discretionary revenue of council.</p>	<p>Commentary on 2012/13 Result</p> <p>2012/13 Ratio 0.00%</p> <p>Council remains debt free and, hence this ratio remains 0%.</p>
Year	Ratio %											
2010	0.00%											
2011	0.00%											
2012	0.00%											
2013	0.00%											
<p>3. Rates & Annual Charges Coverage Ratio</p> <table border="1"> <thead> <tr> <th>Year</th> <th>Ratio %</th> </tr> </thead> <tbody> <tr> <td>2010</td> <td>39.57%</td> </tr> <tr> <td>2011</td> <td>44.23%</td> </tr> <tr> <td>2012</td> <td>42.83%</td> </tr> <tr> <td>2013</td> <td>38.94%</td> </tr> </tbody> </table>	Year	Ratio %	2010	39.57%	2011	44.23%	2012	42.83%	2013	38.94%	<p>Purpose of Rates & Annual Charges Coverage Ratio</p> <p>To assess the degree of Council's dependence upon revenue from rates and annual charges and to assess the security of Council's income.</p>	<p>Commentary on 2012/13 Result</p> <p>2012/13 Ratio 38.94%</p> <p>This ratio declined due to the impact on Income from Continuing Operations of the \$15.3M increase in the fair value of Council's investment property portfolio. It would have otherwise been about 45%, nevertheless still below 50%, an indication of Council's dependence upon revenue from sources other than rates and annual charges, i.e. those that are subject to fluctuations in the business cycle.</p>
Year	Ratio %											
2010	39.57%											
2011	44.23%											
2012	42.83%											
2013	38.94%											
<p>4. Rates, Annual Charges, Interest & Extra Charges Outstanding Percentage</p> <table border="1"> <thead> <tr> <th>Year</th> <th>Ratio %</th> </tr> </thead> <tbody> <tr> <td>2010</td> <td>0.98%</td> </tr> <tr> <td>2011</td> <td>0.97%</td> </tr> <tr> <td>2012</td> <td>1.10%</td> </tr> <tr> <td>2013</td> <td>0.93%</td> </tr> </tbody> </table>	Year	Ratio %	2010	0.98%	2011	0.97%	2012	1.10%	2013	0.93%	<p>Purpose of Rates & Annual Charges Outstanding Ratio</p> <p>To assess the impact of uncollected rates and annual charges on Council's liquidity and the adequacy of recovery efforts.</p>	<p>Commentary on 2012/13 Result</p> <p>2012/13 Ratio 0.93%</p> <p>This ratio has been around 1% for many years, well below the industry benchmark of 5% and an indication of the effectiveness of Council's recovery efforts.</p>
Year	Ratio %											
2010	0.98%											
2011	0.97%											
2012	1.10%											
2013	0.93%											
<p>5. Building & Infrastructure Renewals Ratio</p> <table border="1"> <thead> <tr> <th>Year</th> <th>Ratio %</th> </tr> </thead> <tbody> <tr> <td>2010</td> <td>119.40%</td> </tr> <tr> <td>2011</td> <td>77.34%</td> </tr> <tr> <td>2012</td> <td>54.52%</td> </tr> <tr> <td>2013</td> <td>65.30%</td> </tr> </tbody> </table>	Year	Ratio %	2010	119.40%	2011	77.34%	2012	54.52%	2013	65.30%	<p>Purpose of Asset Renewals Ratio</p> <p>To assess the rate at which these assets are being renewed relative to the rate at which they are depreciating.</p>	<p>Commentary on 2012/13 Result</p> <p>2012/13 Ratio 65.30%</p> <p>This ratio was well below the benchmark of 100% and has been on average over the last 4 years. This suggests that insufficient funds have been spent on the renewal of buildings and infrastructure assets to offset the rate at which they have been depreciating. Accordingly, Council's current Long Term Financial Plan proposes the allocation of an additional \$4M for asset renewal over the next 4 years from existing cash and investment reserves.</p>
Year	Ratio %											
2010	119.40%											
2011	77.34%											
2012	54.52%											
2013	65.30%											

North Sydney Council

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

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

\$ '000	Amounts	Indicator	Prior Periods	
	2013	2013	2012	2011
TCorp Performance Measures - Consolidated				
a. Operating Performance				
Operating Revenue (excl. Capital Grants & Contributions)				
- Operating Expenses	<u>(734)</u>	-0.86%	0.44%	-1.88%
Operating Revenue (excl. Capital Grants & Contributions)	<u>85,590</u>			
b. Own Source Operating Revenue				
Rates & Annual Charges + User Charges & Fees	<u>61,845</u>	69.46%	66.97%	68.73%
Total Operating Revenue (incl. Capital Grants & Contributions)	<u>89,033</u>			
c. Debt Service Cover Ratio				
Operating Result before Interest & Depreciation (EBITDA)	<u>14,310</u>	N/A	N/A	N/A
Principal Repayments (from the Statement of Cash Flows)	-			
+ Borrowing Interest Costs (from the Income Statement)				
d. Capital Expenditure Ratio				
Annual Capital Expenditure	<u>15,027</u>	1.00	0.81	0.89
Annual Depreciation	<u>15,044</u>			
e. Infrastructure Backlog Ratio				
Estimated Cost to bring Assets to a Satisfactory Condition	<u>16,027</u>	0.04	0.05	0.06
Total value of Infrastructure, Building, Other Structures & Depreciable Land Improvement Assets	<u>368,724</u>			
f. Asset Maintenance Ratio				
Actual Asset Maintenance	<u>14,262</u>	0.67	0.59	0.42
Required Asset Maintenance	<u>21,285</u>			
g. Cash Expense Cover Ratio				
Current Year's Cash & Cash Equivalents	<u>3,081</u>	0.52	0.41	0.24
(Total Expenses - Depreciation - Interest Costs) x12	<u>5,940</u>			
h. Interest Cover Ratio				
Operating Results before Interest & Depreciation (EBITDA)	<u>14,310</u>	N/A	N/A	N/A
Borrowing Interest Costs (from the income statement)	-			

North Sydney Council

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

Note 13a(ii). TCorp Performance Measures - Graphs



Purpose of Operating Performance Ratio

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

Commentary on 2012/13 Result

2012/13 Ratio -0.86%

This ratio was above the benchmark of negative 4%, an indication that operating expenditure is predominantly funded by operating income. Nevertheless, it was slightly below the breakeven position for the second time in the last 4 years. At least a breakeven position should be achieved, on average, over the long term to prevent a further deterioration in Council's financial position.



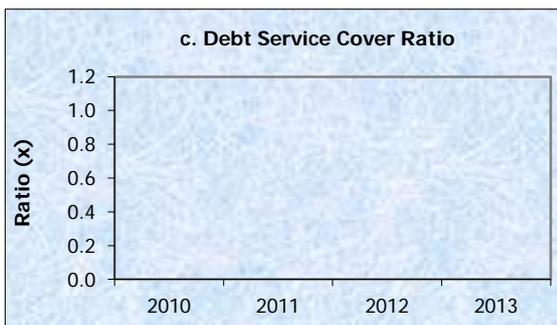
Purpose of Own Source Operating Revenue Ratio

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

Commentary on 2012/13 Result

2012/13 Ratio 69.46%

This ratio was above the benchmark of 60%, as has been the case in each of the last 4 years. This indicates an adequate degree of financial flexibility with a reliance on Council's own source revenue as opposed to revenue from external sources, such as grants and contributions.



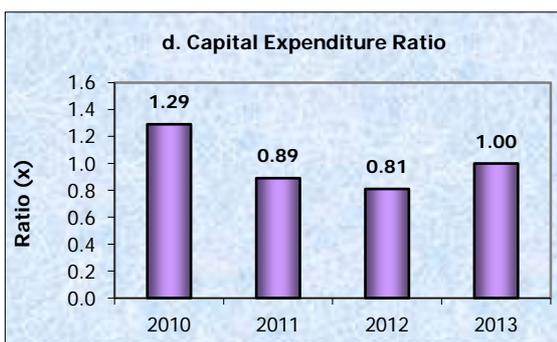
Purpose of Debt Service Cover Ratio

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

Commentary on 2012/13 Result

2012/13 Ratio N/A

Council remains debt free and, hence has no debt servicing costs.



Purpose of Capital Expenditure Ratio

This ratio assesses the extent to which a Council is expanding its asset base with capital expenditure (on new assets, replacement & renewal of existing assets).

Commentary on 2012/13 Result

2012/13 Ratio 1.00 x

This ratio was slightly below the benchmark of 1.1, as has been the case for the last 3 years. Nevertheless, it was a more favourable result than the Building & Infrastructure Renewals Ratio. This is an indication that, while expenditure on the replacement and renewal of infrastructure has been insufficient to offset the rate at which it has been depreciating, expenditure on the renewal of other assets and on new assets has been at a more acceptable level.

North Sydney Council

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

Note 13a(ii). TCorp Performance Measures - Graphs continued

<p>e. Infrastructure Backlog Ratio</p> <table border="1"> <thead> <tr> <th>Year</th> <th>Ratio (x)</th> </tr> </thead> <tbody> <tr> <td>2010</td> <td>0.04</td> </tr> <tr> <td>2011</td> <td>0.06</td> </tr> <tr> <td>2012</td> <td>0.05</td> </tr> <tr> <td>2013</td> <td>0.04</td> </tr> </tbody> </table>	Year	Ratio (x)	2010	0.04	2011	0.06	2012	0.05	2013	0.04	<p>Purpose of Infrastructure Backlog Ratio</p> <p>This ratio shows what proportion the backlog is against the total value of a Council's infrastructure.</p>	<p>Commentary on 2012/13 Result</p> <p>2012/13 Ratio 0.04 x</p> <p>This ratio was greater than the benchmark of 0.02 and has been for the last 4 years, a further indication of the need to allocate more funds to the renewal of Council's ageing infrastructure. It has fallen slightly over the last 3 years even though the Asset Maintenance Ratio has been below the benchmark. This is because the ongoing revaluation of Council's infrastructure assets has resulted in increases in their total value.</p>
Year	Ratio (x)											
2010	0.04											
2011	0.06											
2012	0.05											
2013	0.04											
<p>f. Asset Maintenance Ratio</p> <table border="1"> <thead> <tr> <th>Year</th> <th>Ratio (x)</th> </tr> </thead> <tbody> <tr> <td>2010</td> <td>0.53</td> </tr> <tr> <td>2011</td> <td>0.42</td> </tr> <tr> <td>2012</td> <td>0.59</td> </tr> <tr> <td>2013</td> <td>0.67</td> </tr> </tbody> </table>	Year	Ratio (x)	2010	0.53	2011	0.42	2012	0.59	2013	0.67	<p>Purpose of Asset Maintenance Ratio</p> <p>Compares actual vs. required annual asset maintenance. A ratio of > 1.0x indicates enough has been spent to stop the Infrastructure Backlog from growing.</p>	<p>Commentary on 2012/13 Result</p> <p>2012/13 Ratio 0.67 x</p> <p>This ratio improved to its highest level for the last 4 years but was still below the bench mark of 1.0. This indicates that insufficient funds have been spent on the maintenance of Council's infrastructure to prevent the Infrastructure Backlog from increasing.</p>
Year	Ratio (x)											
2010	0.53											
2011	0.42											
2012	0.59											
2013	0.67											
<p>g. Cash Expense Cover Ratio</p> <table border="1"> <thead> <tr> <th>Year</th> <th>Ratio (mths)</th> </tr> </thead> <tbody> <tr> <td>2010</td> <td>2.57</td> </tr> <tr> <td>2011</td> <td>0.24</td> </tr> <tr> <td>2012</td> <td>0.41</td> </tr> <tr> <td>2013</td> <td>0.52</td> </tr> </tbody> </table>	Year	Ratio (mths)	2010	2.57	2011	0.24	2012	0.41	2013	0.52	<p>Purpose of Cash Expense Cover Ratio</p> <p>This liquidity ratio indicates the number of months a Council can continue paying for its immediate expenses without additional cash inflow.</p>	<p>Commentary on 2012/13 Result</p> <p>2012/13 Ratio 0.52 mths</p> <p>This ratio was well below the benchmark of 3 months. However, Council holds most of its cash reserves in longer term investments which are excluded from this ratio. The majority of these investments could potentially be redeemed if required to pay immediate expenses without the need for additional cash inflow.</p>
Year	Ratio (mths)											
2010	2.57											
2011	0.24											
2012	0.41											
2013	0.52											
<p>h. Interest Cover Ratio</p> <table border="1"> <thead> <tr> <th>Year</th> <th>Ratio (x)</th> </tr> </thead> <tbody> <tr> <td>2010</td> <td>0.00</td> </tr> <tr> <td>2011</td> <td>0.00</td> </tr> <tr> <td>2012</td> <td>0.00</td> </tr> <tr> <td>2013</td> <td>0.00</td> </tr> </tbody> </table>	Year	Ratio (x)	2010	0.00	2011	0.00	2012	0.00	2013	0.00	<p>Purpose of Interest Cover Ratio</p> <p>This ratio indicates the extent to which a Council can service (thru operating cash) its interest bearing debt & take on additional borrowings.</p>	<p>Commentary on 2012/13 Result</p> <p>2012/13 Ratio N/A</p> <p>Council remains debt free and, hence has no borrowing interest costs.</p>
Year	Ratio (x)											
2010	0.00											
2011	0.00											
2012	0.00											
2013	0.00											

North Sydney 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>77,680</u>	<u>62,372</u>
Reconciliation of Annual Movement:			
Opening Balance		62,372	83,308
- Net Gain/(Loss) from Fair Value Adjustments		15,308	2,062
- Other Movements		-	(22,998)
CLOSING BALANCE - INVESTMENT PROPERTIES		<u>77,680</u>	<u>62,372</u>

(b) Valuation Basis

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

The 2013 revaluations were based on Independent Assessments made by:
Mr Andrew Graham AAPI of Colliers International

(c) Contractual Obligations at Reporting Date

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

(d) Leasing Arrangements

Details of leased Investment Properties are as follows;

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

Within 1 year	4,798	4,187
Later than 1 year but less than 5 years	10,034	9,675
Later than 5 years	16,977	14,834
Total Minimum Lease Payments Receivable	<u>31,809</u>	<u>28,696</u>

(e) Investment Property Income & Expenditure - summary

Rental Income from Investment Properties:		
- Minimum Lease Payments	5,093	5,031
Direct Operating Expenses on Investment Properties:		
- that did not generate rental income	-	(1,527)
Net Revenue Contribution from Investment Properties	<u>5,093</u>	<u>3,504</u>
plus:		
Fair Value Movement for year	<u>15,308</u>	<u>2,062</u>
Total Income attributable to Investment Properties	<u>20,401</u>	<u>5,566</u>

North Sydney 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	3,081	2,284	3,081	3,286
Investments				
- "Held for Trading"	2,812	3,560	2,812	3,560
- "Held to Maturity"	65,702	59,748	65,875	58,573
Receivables	5,547	6,204	5,547	6,204
Total Financial Assets	77,142	71,796	77,315	71,623
Financial Liabilities				
Payables	13,026	11,732	13,026	11,732
Total Financial Liabilities	13,026	11,732	13,026	11,732

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.

North Sydney Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 15. Financial Risk Management (continued)

\$ '000

(a) Fair Value Measurements

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

AASB 7 Financial Instruments: Disclosures, requires the disclosure of how fair valuations have been arrived at for all financial assets and financial liabilities that have been measured at fair value.

Arriving at fair values for financial assets & liabilities can be broken up into 3 distinct measurement hierarchies:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices)

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

The following table presents the financial assets and financial liabilities that have been measured & recognised at fair values:

2013	Level 1	Level 2	Level 3	Total
Financial Assets				
Investments				
- "Held for Trading"	2,812	-	-	2,812
Total Financial Assets	2,812	-	-	2,812

2012	Level 1	Level 2	Level 3	Total
Financial Assets				
Investments				
- "Held for Trading"	3,560	-	-	3,560
Total Financial Assets	3,560	-	-	3,560

North Sydney Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 15. Financial Risk Management (continued)

\$ '000

(b) 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 it's 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 there changes are caused by factors specific to individual financial instruments or their issuers or are caused by factors affecting similar instruments traded in a market.

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 10% movement in Market Values	281	281	(281)	(281)
Possible impact of a 1% movement in Interest Rates	720	720	(720)	(720)
2012				
Possible impact of a 10% movement in Market Values	356	356	(356)	(356)
Possible impact of a 1% movement in Interest Rates	656	656	(656)	(656)

North Sydney Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 15. Financial Risk Management (continued)

\$ '000

(c) 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	2013	2012	2012
	Rates & Annual Charges	Other Receivables	Rates & Annual Charges	Other Receivables
(i) Ageing of Receivables				
Current (not yet overdue)	-	4,361	-	5,711
Past due by up to 30 days	-	782	-	42
Past due between 31 and 180 days	196	60	235	39
Past due between 181 and 365 days	68	142	91	3
Past due by more than 1 year	62	-	82	31
	326	5,345	408	5,826

(ii) Movement in Provision for Impairment of Receivables

	2013	2012
Balance at the beginning of the year	30	28
+ new provisions recognised during the year	107	32
- amounts already provided for & written off this year	(13)	(30)
Balance at the end of the year	124	30

North Sydney Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 15. Financial Risk Management (continued)

\$ '000

(d) 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	payable in:						Total Cash Outflows	Actual Carrying Values
		≤ 1 Year	1-2 Yrs	2-3 Yrs	3-4 Yrs	4-5 Yrs	> 5 Yrs		
2013									
Trade/Other Payables	4,772	8,254	-	-	-	-	-	13,026	13,026
Total Financial Liabilities	4,772	8,254	-	-	-	-	-	13,026	13,026
2012									
Trade/Other Payables	4,720	7,012	-	-	-	-	-	11,732	11,732
Total Financial Liabilities	4,720	7,012	-	-	-	-	-	11,732	11,732

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	13,026	0.0%	11,732	0.0%
	<u>13,026</u>		<u>11,732</u>	

North Sydney 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 14 May 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	40,716	40,789	73	0%	F
User Charges & Fees	19,052	21,056	2,004	11%	F
This item was over budget due to greater than expected revenue from road reinstatement fees (\$777K), pool fees (\$285K), on-street parking fees (\$260K), off-street parking fees (\$122K), outdoor seating rental (\$191K), construction zone fees (\$163K), plant permit fees (\$104K) and Section 149 Certificate fees (\$73K).					
Interest & Investment Revenue	2,023	4,280	2,257	112%	F
Council traditionally adopts a conservative approach when budgeting for returns from its investment portfolio. This along with changes in interest rates available on the short-term money market during the year and a greater than anticipated pool of funds available for investment due to delays in the commencement of some capital projects has generated significantly higher than expected revenue from this income stream.					
Other Revenues	15,211	29,797	14,586	96%	F
The main component of this variance was the increase in the fair value of Council's investment property portfolio. The budget allowed for a \$1.5M increase whereas the actual increase was assessed to be \$15.3M, favourable variance of \$13.8M. The remainder of the variance can be attributed to greater than expected revenue from advertising on Council infrastructure.					
Operating Grants & Contributions	3,706	3,841	135	4%	F
Capital Grants & Contributions	7,550	3,443	(4,107)	(54%)	U
In preparing the budget, it was assumed that revenue from developer contributions levied under Section 94 of the Environmental Planning & Assessment Act would amount to \$7.5M. Delays in the commencement of some developments has resulted in actual revenue from Section 94 contributions falling \$4.5M short of the budget. This variance was partially offset by the receipt of unbudgeted grant funds from other levels of government towards some of Council's capital projects.					
Net Gains from Disposal of Assets	162	1,542	1,380	852%	F
During the year, a parcel of Council-owned land within Forsyth Park at Neutral Bay was compulsorily acquired by Sydney Water for a sewerage pumping station. This land had a written down value of \$103K at the date of disposal. Council received compensation of \$1.632M from Sydney Water for compulsory acquisition, thereby booking an unbudgeted gain of \$1.529M from the disposal of the asset.					

North Sydney 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	33,802	34,811	(1,009)	(3%)	U
Materials & Contracts	25,905	27,757	(1,852)	(7%)	U
Depreciation & Amortisation	14,605	15,044	(439)	(3%)	U
Other Expenses	8,891	8,704	187	2%	F
Share of Net Losses - Joint Ventures & Associates	-	8	(8)	0%	U

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

Cash Flows from Operating Activities	16,045	17,769	1,724	10.7%	F
---	---------------	---------------	--------------	--------------	----------

The aforementioned favourable variances in revenue from User Charges & Fees and Interest & Investment Revenue, greater than expected cash inflows from advertising on Council infrastructure and unbudgeted proceeds from the sale of a parcel of Council-owned land within Forsyth Park at Neutral Bay all had an impact on the variance in cash flows from operating activities. After offsetting shortfalls in cash inflows from Section 94 contributions the favourable variance was \$1.7M.

Cash Flows from Investing Activities	(21,507)	(16,972)	4,535	(21.1%)	F
---	-----------------	-----------------	--------------	----------------	----------

Delays in the commencement or completion of a number of capital projects resulted in \$8.8M less than was budgeted being outlaid for the purchase of infrastructure, property, plant and equipment. This also led to the availability of a greater than expected pool of funds for the purchase of investment securities. The net effect being the reason for the favourable variance in cash flows from investing activities.

Cash Flows from Financing Activities	5,000	-	(5,000)	(100.0%)	U
---	--------------	----------	----------------	-----------------	----------

Council's Original Budget allowed for borrowings of \$5M to fund Council's contribution to the Alexander Street Car Park redevelopment. A delay in the commencement of this project made it unnecessary to borrow the funds in 2012/13. This has resulted in an unfavourable variance in cash flows from financing activities.

North Sydney Council

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	
Administration	53	19	-	1	-	-	73	400	(473)	-	-
Affordable Housing	3,511	9	-	50	(22)	-	3,548	158	(3,706)	-	-
Child Care	332	24	-	5	(35)	-	326	1,389	(1,715)	-	-
Community Centres	-	102	-	-	-	(102)	-	1,295	(1,295)	-	(2,670)
Indoor Sports Centre	120	15	-	2	-	-	137	249	(386)	-	-
Library Acquisitions	92	19	-	1	(24)	-	88	270	(358)	-	-
Library Premises & Equipment	-	59	-	-	-	(59)	-	774	(774)	-	(1,327)
Olympic Pool	891	49	-	14	-	-	954	882	(1,836)	-	-
Open Space Acquisitions	7,942	740	-	208	(12)	368	9,246	5,157	(14,403)	-	5,463
Open Space Increased Capacity	-	1,522	-	-	(1,315)	(207)	-	10,254	(10,254)	-	(1,466)
North Sydney Public Domain	353	218	-	1	(545)	-	27	12,325	(12,352)	-	-
Other Public Domain	545	7	-	6	(110)	-	448	337	(785)	-	-
St Leonards Public Domain	367	103	-	7	-	-	477	308	(785)	-	-
Traffic Improvements	272	52	-	4	(42)	-	286	1,048	(1,334)	-	-
S94 Contributions - under a Plan	14,478	2,938	-	299	(2,105)	-	15,610	34,846	(50,456)	-	-
Total S94 Revenue Under Plans	14,478	2,938	-	299	(2,105)	-	15,610				-
Total Contributions	14,478	2,938	-	299	(2,105)	-	15,610	34,846	(50,456)	-	-

North Sydney Council

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

NORTH SYDNEY PLAN (2004)

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	
Administration	53	19	-	1	-	-	73	400	(473)	-	-
Affordable Housing	3,511	9	-	50	(22)	-	3,548	158	(3,706)	-	-
Child Care	332	24	-	5	(35)	-	326	1,389	(1,715)	-	-
Community Centres	-	102	-	-	-	(102)	-	1,295	(1,295)	-	(2,670)
Indoor Sports Centre	120	15	-	2	-	-	137	249	(386)	-	-
Library Acquisitions	92	19	-	1	(24)	-	88	270	(358)	-	-
Library Premises & Equipment	-	59	-	-	-	(59)	-	774	(774)	-	(1,327)
Olympic Pool	891	49	-	14	-	-	954	882	(1,836)	-	-
Open Space Acquisitions	7,942	740	-	208	(12)	368	9,246	5,157	(14,403)	-	5,463
Open Space Increased Capacity	-	1,522	-	-	(1,315)	(207)	-	10,254	(10,254)	-	(1,466)
North Sydney Public Domain	353	218	-	1	(545)	-	27	12,325	(12,352)	-	-
Other Public Domain	545	7	-	6	(110)	-	448	337	(785)	-	-
St Leonards Public Domain	367	103	-	7	-	-	477	308	(785)	-	-
Traffic Improvements	272	52	-	4	(42)	-	286	1,048	(1,334)	-	-
Total	14,478	2,938	-	299	(2,105)	-	15,610	34,846	(50,456)	-	-

North Sydney 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 Council's contributions to the pool and the result of insurance claims within each of the Fund Years.

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

(iii) Other Guarantees

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

2. Other Liabilities

(i) Third Party Claims

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

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

North Sydney 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 (continued)

(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 Council's intention to spend funds in the manner and timing set out in those Plans.

(iii) Potential Land Acquisitions due to Planning Restrictions imposed by Council

Council has classified a number of privately owned land parcels as Local Open Space or Bushland.

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

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

ASSETS NOT RECOGNISED:

(i) Land Under Roads

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

(ii) Repayment of Community Funds

In 2001, Council entered into an agreement to fund building works relating to child care services in return for specific and continuing obligations from the service provider in relation to the provision of additional child care services.

In the event that such services are not provided to the levels agreed, Council has the right to be repaid its contribution to the building works at a rate amortised over the term of the agreement.

Council is not aware of any circumstances that would require it to seek the repayment of the funds in accordance with the Contractual Deed of Agreement.

North Sydney 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.

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	-	-	-	-
Joint Venture Entities	(8)	20	65	73
Total	(8)	20	65	73

North Sydney 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

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

Council has no interest in any Subsidiaries.

(b) Associated Entities & Joint Venture Entities

(i) ASSOCIATED ENTITIES

Council has no interest in any Associated Entities.

(ii) JOINT VENTURE ENTITIES

(a) Carrying Amounts

Name of Entity	Principal Activity	2013	2012
Shorelink (Library Network)	Public Library Services	65	73
Total Carrying Amounts - Joint Venture Entities		65	73

(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)	24%	24%	24%	24%	24%	24%

(c) Movement in Carrying Amounts

	Shorelink (Library Network)	
	2013	2012
Opening Balance	73	53
Share in Operating Result	(8)	20
Council's Equity Share in the Joint Venture Entity	65	73

(d) Share of Joint Ventures Assets & Liabilities

	Assets		Liabilities		Net Assets
	Current	Non Current	Current	Non Current	
2013					
Shorelink (Library Network)	70	12	17	-	65
Totals	70	12	17	-	65
2012					
Shorelink (Library Network)	76	11	14	-	73
Totals	76	11	14	-	73

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

	2013			2012		
	Revenues	Expenses	Result	Revenues	Expenses	Result
Shorelink (Library Network)	136	144	(8)	154	134	20
Totals	136	144	(8)	154	134	20

North Sydney Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 20. Equity - Retained Earnings and Revaluation Reserves

\$ '000	Notes	Actual 2013	Actual 2012
(a) Retained Earnings			
Movements in Retained Earnings were as follows:			
Balance at beginning of Year (from previous years audited accounts)		628,585	619,519
a. Net Operating Result for the Year		18,424	9,066
Balance at End of the Reporting Period		647,009	628,585
(b) Reserves			
(i) Reserves are represented by:			
- Infrastructure, Property, Plant & Equipment Revaluation Reserve		82,601	87,391
Total		82,601	87,391
(ii) Reconciliation of movements in Reserves:			
Infrastructure, Property, Plant & Equipment Revaluation Reserve			
- Opening Balance		87,391	87,391
- Revaluations for the year ⁽¹⁾	9(a)	(4,790)	-
- Balance at End of Year		82,601	87,391
TOTAL VALUE OF RESERVES		82,601	87,391

⁽¹⁾ The 2013 revaluations of Buildings and Operational Land were based on independent assessments made by:
Mr Scott Fullarton FAPI of Scott Fullarton Valuations Pty Ltd

(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.

North Sydney Council

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

Note 20. Equity - Retained Earnings and Revaluation Reserves (continued)

\$ '000

(d) Voluntary Changes in Accounting Policies

For the 2012/13 financial year, Council adopted criteria for determining if a property qualifies as an investment property in accordance with the definition of investment property and related guidance contained in AASB 140 Investment Property.

Where the dominant use of a property is for Council's operations, the property will be treated as owner-occupied and accounted for as part of infrastructure, property, plant and equipment.

As a result of this change in policy, a number of properties previously accounted for as investment properties are now accounted for as infrastructure, property, plant and equipment.

Council determined that retrospective application of this change in policy would be impracticable for periods prior to 30 June 2012. Applying the change retrospectively for periods prior to 30 June 2012 would require assumptions about what management's intent would have been in those prior periods and significant estimates of amounts where it is impossible to distinguish objectively information about those estimates that would have been available when the financial statements for those periods were authorised for issue.

Therefore, the change in policy was applied as at 30 June 2012 and accounted for prospectively from that date. The effect of this change in policy was a \$22,998,000 reduction in the closing balance of investment properties on hand.

Note 21. Financial Result & Financial Position by Fund

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".

North Sydney Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 23. Events occurring after the Reporting Period

\$ '000

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.

Accordingly, the "authorised for issue" date is 15/10/13.

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

Council is aware of the following "non-adjusting events" that merit disclosure;

Council at its meeting of 14 October 2013 resolved to enter into a long-term lease of a community asset.

Note 24. Discontinued Operations

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

Note 25. Intangible Assets

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

Council is unaware of any control over Intangible Assets that warrant recognition in the Financial Statements, including either internally generated and developed assets or purchased assets.

Note 26. Reinstatement, Rehabilitation & Restoration Liabilities

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

North Sydney Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 27. Financial Review

\$ '000

Key Financial Figures of Council over the past 5 years (consolidated)

Financial Performance Figures	2013	2012	2011	2010	2009
Inflows:					
Rates & Annual Charges Revenue	40,789	38,968	37,157	35,241	33,886
User Charges Revenue	21,056	20,624	19,335	18,135	18,962
Interest & Investment Revenue (Losses)	4,280	3,770	3,437	2,783	1,173
Grants Income - Operating & Capital	3,553	4,100	5,131	5,457	3,765
Total Income from Continuing Operations	104,748	90,992	84,016	89,055	76,812
Sale Proceeds from I,PP&E	2,395	944	2,181	2,632	1,506
New Loan Borrowings & Advances	-	-	-	-	-
Outflows:					
Employee Benefits & On-cost Expenses	34,811	33,611	32,848	30,877	29,807
Borrowing Costs	-	-	-	-	-
Materials & Contracts Expenses	27,757	25,932	23,326	22,485	23,006
Total Expenses from Continuing Operations	86,324	81,926	78,491	71,401	74,954
Total Cash purchases of I,PP&E	14,568	12,453	14,992	14,424	15,923
Total Loan Repayments (incl. Finance Leases)	-	-	-	-	-
Operating Surplus/(Deficit) (excl. Capital Income)	14,981	2,376	156	10,893	(4,056)
Financial Position Figures	2013	2012	2011	2010	2009
Current Assets	36,779	39,132	32,710	49,608	41,223
Current Liabilities	25,976	23,897	22,367	21,067	18,285
Net Current Assets	10,803	15,235	10,343	28,541	22,938
Available Working Capital (Unrestricted Net Current Assets)	4,591	4,135	4,441	4,313	3,472
Cash & Investments - Unrestricted	6,560	3,889	2,919	4,183	3,662
Cash & Investments - Internal Restrictions	44,706	40,855	35,523	30,820	22,387
Cash & Investments - Total	71,595	65,592	53,888	48,519	40,954
Total Borrowings Outstanding (Loans, Advances & Finance Leases)	-	-	-	89	-
Total Value of I,PP&E (excl. Land & Earthworks)	734,488	705,183	690,566	679,111	581,039
Total Accumulated Depreciation	350,006	321,494	308,062	295,057	251,698
Indicative Remaining Useful Life (as a % of GBV)	52%	54%	55%	57%	57%

Source: Published audited financial statements of Council (current year & prior year)

North Sydney Council

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

Note 28. Council Information & Contact Details

Principal Place of Business:

200 Miller Street
North Sydney NSW 2060

Contact Details

Mailing Address:

PO Box 12
North Sydney NSW 2060

Opening Hours:

9am - 5pm
Monday - Friday

Telephone: 02 9936 8100

Facsimile: 02 9936 8177

Internet: www.northsydney.nsw.gov.au

Email: council@northsydney.nsw.gov.au

Officers

GENERAL MANAGER

Penny Holloway

RESPONSIBLE ACCOUNTING OFFICER

Garry Ross

PUBLIC OFFICER

Ross McCreanor

AUDITORS

Hill Rogers Spencer Steer, Chartered Accountants

Elected Members

After 2012 Elections

MAYOR

Jilly Gibson

COUNCILLORS

Zoe Baker

Stephen Barbour

MaryAnn Beregi

Virginia Bevan

Sarah Burke

Danielle Butcher

Tony Carr

Melissa Clare

Veronique Marchandau

Jeff Morris

Michel Reymond

Tom Robertson

Other Information

ABN: 32 353 260 317

NORTH SYDNEY COUNCIL

GENERAL PURPOSE FINANCIAL STATEMENTS

INDEPENDENT AUDITORS' REPORT

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying *general purpose financial statements* of **North Sydney 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.

Assurance Partners

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

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

Independence

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

Auditor's Opinion

In our opinion,

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

HILL ROGERS SPENCER STEER



Gary Mottau
Partner

Dated at Sydney this 15th day of October 2013

15 October 2013

The Mayor
North Sydney Council
Council Chambers
200 Miller Street
NORTH SYDNEY NSW 2059

Madam 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

1.1 Operating Result

The operating result for the year was a surplus of \$18.424 million as compared with \$9.066 million in the previous year.

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

	2013 \$'000	% of Total	2012 \$'000	% of Total	Increase (Decrease) \$'000
Revenues before capital items					
Rates & annual charges	40,789	40%	38,968	46%	1,821
User charges, fees & other revenues	52,395	52%	36,883	44%	15,512
Grants & contributions provided for operating purposes	3,841	4%	4,681	6%	(840)
Interest & investment revenue	4,280	4%	3,770	4%	510
	101,305	100%	84,302	100%	17,003
Expenses					
Employee benefits & costs	34,811	40%	33,611	41%	1,200
Materials, contracts & other expenses	36,469	42%	33,846	41%	2,623
Depreciation, amortisation & impairment	15,044	17%	14,469	18%	575
	86,324	100%	81,926	100%	4,398
Surplus/(Deficit) before capital items	14,981		2,376		12,605
Grants & contributions provided for capital purposes	3,443		6,690		(3,247)
Net Surplus/(Deficit) for the year	18,424		9,066		9,358

The table above shows an overall increase over the previous year of \$9.358 million and can be mainly attributed to the increase in fair valuation of investment properties.

Levies of rates and annual charges increased by \$1.821 million and accounted for 40% of Council's operating revenue before capital receipts.

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.

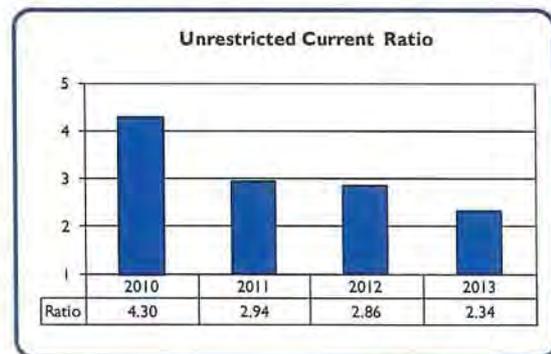
	2013	2012
	\$'000	\$'000
Funds were provided by:-		
Operating Result (as above)	18,424	9,066
Add back non funding items:-		
- Depreciation, amortisation & impairment	15,044	14,469
- Book value of non current assets sold	853	815
- (Gain)Loss of fair value to investment properties	(15,308)	(2,062)
- (Surplus)Deficit in joint ventures	8	(20)
	19,021	22,268
Transfers from internal reserves (net)	7,686	0
Net Changes in current/non current assets & liabilities	819	1,263
	27,526	23,531
Funds were applied to:-		
Purchase and construction of assets	(15,880)	(12,582)
Increase/Purchase in Non Current Investments	(7,583)	(4,727)
Transfers to externally restricted assets (net)	(3,607)	(1,858)
Transfers to internal reserves (net)	0	(4,670)
	(27,070)	(23,837)
Increase/(Decrease) in Available Working Capital	456	(306)

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 \$16.527 million representing a factor of 2.34 to 1.



2.2 Available Working Capital – (Working Funds)

At the close of the year the Available Working Capital of Council stood at \$4.591 million as detailed below;

	2013	2012	Change
	\$'000	\$'000	\$'000
Net Current Assets (Working Capital) as per Accounts	10,803	15,235	(4,432)
<i>Add:</i> Payables & provisions not expected to be realised in the next 12 months included above	12,573	10,534	2,039
Adjusted Net Current Assets	23,376	25,769	(2,393)
<i>Add:</i> Budgeted & expected to pay in the next 12 months			
- Employees leave entitlements	3,345	3,116	229
- Deposits & retention moneys	1,617	3,076	(1,459)
<i>Less:</i> Externally restricted assets	(6,849)	(3,242)	(3,607)
<i>Less:</i> Internally restricted assets	(16,898)	(24,584)	7,686
Available Working Capital as at 30 June	4,591	4,135	456

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 and inventories 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 sound.

2.3 Debt

Council is debt free.

2.4 Summary

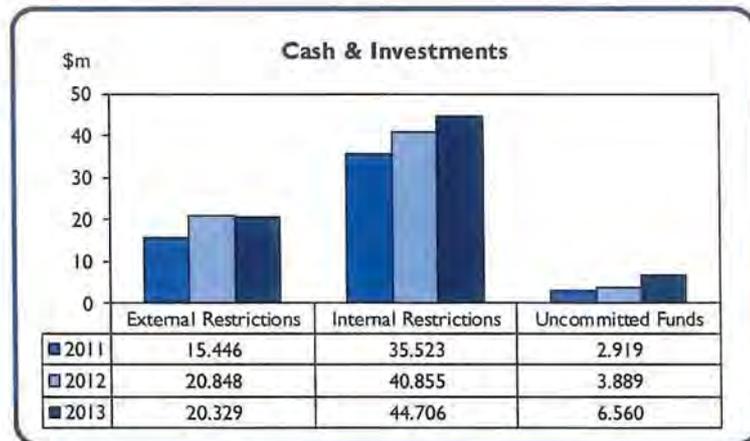
Council's overall financial position, when taking into account the above financial indicators is, in our opinion, sound.

3. CASH ASSETS

3.1 Cash & Investments

Cash and investments held at the close of the year amounted to \$71.595 million as compared with \$65.592 million and \$53.888 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 consisted of unexpended development contributions under Section 94 of \$15.610 million, domestic waste management charges of \$2.688 million and specific purpose grants, contributions and special levies of \$2.031 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 \$44.706 million and their purposes are more fully disclosed in Note 6 of the financial statements.

Unrestricted cash and investments amounted to \$6.560 million, which are available to provide liquidity for day to day operations and form the basis of Council's sound financial position.

3.2 Cash Flows

The Statement of Cash Flows illustrates the flow of cash moving in and out of Council during the year and reveals that Cash Assets increased by \$797,000 to \$3.081 million at the close of the year.

In addition to operating activities which contributed net cash of \$17.769 million were the proceeds from the sale of assets (\$2.395 million) and redemption of investment securities (\$49.181 million). Cash outflows other than operating activities were used to purchase investment securities (\$53.98 million) and to purchase and construct assets (\$14.568 million).

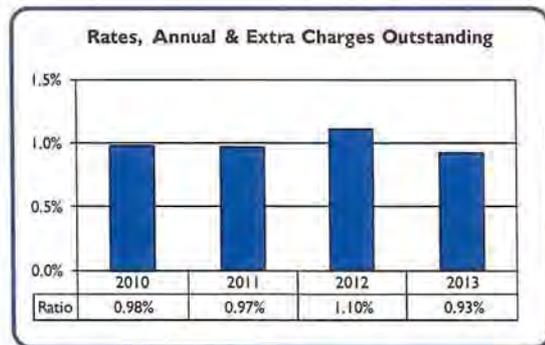
4. RECEIVABLES

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

Net rates and annual charges levied during the year totalled \$40.789 million and represented 39% of Council's total revenues. Including arrears, the total rates and annual charges collectible was \$41.197 million of which \$40.871 million (99.21%) was collected.

4.2 Rates, Annual & Extra Charges

Arrears of rates, annual & extra charges stood at \$383,000 at the end of the year and represented 0.93% of those receivables.



4.3 Other Receivables

Receivables (other than rates & annual charges) totalled \$5.288 million and consisted mainly of unpaid infringement notices (\$866,000), user charges and accrued revenues (\$3.229 million) and amounts due from government departments (\$1.117 million). Of these receivables, \$124,000 was considered to be uncertain of collection and have been provided for as doubtful debts.

5. PAYABLES

5.1 Employees Leave Entitlements

Council's provision for its liability toward employees leave entitlements and associated on costs amounted to \$13.043 million. A cash reserve of \$5.818 million was held at year end representing 45% of this liability and, was in our opinion, more than adequate to enable Council to meet unbudgeted and unanticipated retirements.

5.2 Deposits, Retentions & Bonds

Deposits, Retentions and Bonds held at year end amounted to \$4.772 million and were fully funded by internally restricted cash and investments.

6. MANAGEMENT LETTER

An audit management letter addressing the findings from our interim audit was issued on 27 February 2013 and this included our suggestions on possible ways to strengthen and/or improve procedures. This letter was tabled at a meeting of Council's Audit & Risk Committee on 5 July 2013.

7. CONCLUSION

We wish to record our appreciation to your General Manager and her staff for their ready co-operation and the courtesies extended to us during the conduct of the audit and in the presentation of the financial statements.

Yours faithfully,

HILL ROGERS SPENCER STEER



GARY MOTTAU
Partner

North Sydney Council

SPECIAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2013

“...a vibrant community”



North Sydney Council

Special Purpose Financial Statements

for the financial year ended 30 June 2013

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2. Special Purpose Financial Statements:	
Income Statement - Water Supply Business Activity	n/a
Income Statement - Sewerage Business Activity	n/a
Income Statement - Other Business Activities	3
Statement of Financial Position - Water Supply Business Activity	n/a
Statement of Financial Position - Sewerage Business Activity	n/a
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3. Notes to the Special Purpose Financial Statements	9
4. Auditor's Report	13

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).

North Sydney 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.

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 14 October 2013.



Jilly Gibson
MAYOR



Stephen Barbour
COUNCILLOR



Penny Holloway
GENERAL MANAGER



Garry Ross
RESPONSIBLE ACCOUNTING OFFICER

North Sydney Council

Income Statement of Council's Other Business Activities

for the financial year ended 30 June 2013

\$ '000	Commercial Properties		Waste Management	
	Category 1		Category 1	
	Actual 2013	Actual 2012	Actual 2013	Actual 2012
Income from continuing operations				
Access charges	-	-	8,681	8,659
User charges	-	-	912	852
Fees	-	-	377	393
Interest	-	-	-	-
Grants and contributions provided for non capital purposes	-	-	41	41
Profit from the sale of assets	-	-	-	-
Other income	20,626	7,771	-	-
Total income from continuing operations	20,626	7,771	10,011	9,945
Expenses from continuing operations				
Employee benefits and on-costs	38	51	1,255	1,087
Borrowing costs	-	-	-	-
Materials and contracts	1,216	1,277	8,515	8,072
Depreciation and impairment	256	258	-	-
Loss on sale of assets	-	-	-	-
Calculated taxation equivalents	457	472	29	21
Debt guarantee fee (if applicable)	-	-	-	-
Other expenses	913	744	29	40
Total expenses from continuing operations	2,880	2,802	9,828	9,220
Surplus (deficit) from Continuing Operations before capital amounts	17,746	4,969	183	725
Grants and contributions provided for capital purposes	-	-	-	-
Surplus (deficit) from Continuing Operations after capital amounts	17,746	4,969	183	725
Surplus (deficit) from discontinued operations	-	-	-	-
Surplus (deficit) from ALL Operations before tax	17,746	4,969	183	725
less: Corporate Taxation Equivalent (30%) [based on result before capital]	(5,324)	(1,491)	(55)	(218)
SURPLUS (DEFICIT) AFTER TAX	12,422	3,478	128	508
plus Opening Retained Profits	63,243	84,276	2,359	2,288
plus/less: Prior Period Adjustments	-	(22,998)	-	-
plus Adjustments for amounts unpaid:				
- Taxation equivalent payments	457	472	29	21
- Debt guarantee fees	-	-	-	-
- Corporate taxation equivalent	5,324	1,491	55	218
add:				
- Subsidy Paid/Contribution To Operations	-	-	-	-
less:				
- TER dividend paid	-	-	-	-
- Dividend paid	(2,611)	(3,476)	(674)	(675)
Closing Retained Profits	78,835	63,243	1,897	2,359
Return on Capital %	2254.9%	610.4%	n/a	n/a
Subsidy from Council	-	-	-	-

North Sydney Council

Income Statement of Council's Other Business Activities

for the financial year ended 30 June 2013

	Car Parking Services		North Sydney Function Centre	
	Category 1		Category 2	
\$ '000	Actual 2013	Actual 2012	Actual 2013	Actual 2012
Income from continuing operations				
Access charges	-	-	-	-
User charges	-	-	-	-
Fees	2,936	3,010	250	235
Interest	-	-	-	-
Grants and contributions provided for non capital purposes	-	-	-	-
Profit from the sale of assets	-	-	-	-
Other income	-	-	-	-
Total income from continuing operations	2,936	3,010	250	235
Expenses from continuing operations				
Employee benefits and on-costs	387	406	96	80
Borrowing costs	-	-	-	-
Materials and contracts	425	378	115	114
Depreciation and impairment	941	763	86	91
Loss on sale of assets	-	-	-	-
Calculated taxation equivalents	252	252	-	-
Debt guarantee fee (if applicable)	-	-	-	-
Other expenses	472	427	116	109
Total expenses from continuing operations	2,477	2,226	413	394
Surplus (deficit) from Continuing Operations before capital amounts	459	784	(163)	(159)
Grants and contributions provided for capital purposes	-	-	-	-
Surplus (deficit) from Continuing Operations after capital amounts	459	784	(163)	(159)
Surplus (deficit) from discontinued operations	-	-	-	-
Surplus (deficit) from ALL Operations before tax	459	784	(163)	(159)
less: Corporate Taxation Equivalent (30%) [based on result before capital]	(138)	(235)	-	-
SURPLUS (DEFICIT) AFTER TAX	321	549	(163)	(159)
plus Opening Retained Profits	22,005	18,495	1,071	1,147
plus/less: Other Adjustments	-	3,921	-	-
plus Adjustments for amounts unpaid:				
- Taxation equivalent payments	252	252	-	-
- Debt guarantee fees	-	-	-	-
- Corporate taxation equivalent	138	235	-	-
add:				
- Subsidy Paid/Contribution To Operations	-	-	213	83
less:				
- TER dividend paid	-	-	-	-
- Dividend paid	(1,450)	(1,447)	-	-
Closing Retained Profits	21,266	22,005	1,121	1,071
Return on Capital %	1.4%	2.2%	-8.9%	-6.6%
Subsidy from Council	801	194	232	232

North Sydney Council

Income Statement of Council's Other Business Activities

for the financial year ended 30 June 2013

Development
Applications

Category 2

\$ '000	Actual 2013	Actual 2012
Income from continuing operations		
Access charges	-	-
User charges	-	-
Fees	1,429	1,431
Interest	-	-
Grants and contributions provided for non capital purposes	-	-
Profit from the sale of assets	-	-
Other income	-	-
Total income from continuing operations	1,429	1,431
Expenses from continuing operations		
Employee benefits and on-costs	3,770	3,797
Borrowing costs	-	-
Materials and contracts	282	254
Depreciation and impairment	-	-
Loss on sale of assets	-	-
Calculated taxation equivalents	182	167
Debt guarantee fee (if applicable)	-	-
Other expenses	802	720
Total expenses from continuing operations	5,036	4,938
Surplus (deficit) from Continuing Operations before capital amounts	(3,607)	(3,507)
Grants and contributions provided for capital purposes	-	-
Surplus (deficit) from Continuing Operations after capital amounts	(3,607)	(3,507)
Surplus (deficit) from discontinued operations	-	-
Surplus (deficit) from ALL Operations before tax	(3,607)	(3,507)
less: Corporate Taxation Equivalent (30%) [based on result before capital]	-	-
SURPLUS (DEFICIT) AFTER TAX	(3,607)	(3,507)
plus Opening Retained Profits	(1,189)	(984)
plus/less: Prior Period Adjustments	-	-
plus Adjustments for amounts unpaid:		
- Taxation equivalent payments	182	167
- Debt guarantee fees	-	-
- Corporate taxation equivalent	-	-
add:		
- Subsidy Paid/Contribution To Operations	3,361	3,135
less:		
- TER dividend paid	-	-
- Dividend paid	-	-
Closing Retained Profits	(1,253)	(1,189)
Return on Capital %	n/a	n/a
Subsidy from Council	3,607	3,507

North Sydney Council

Statement of Financial Position - Council's Other Business Activities

as at 30 June 2013

\$ '000	Commercial Properties		Waste Management	
	Category 1		Category 1	
	Actual 2013	Actual 2012	Actual 2013	Actual 2012
ASSETS				
Current Assets				
Cash and cash equivalents	-	-	2,688	3,135
Investments	-	-	-	-
Receivables	484	173	77	85
Inventories	-	-	-	-
Other	-	-	-	-
Non-current assets classified as held for sale	-	-	-	-
Total Current Assets	484	173	2,765	3,220
Non-Current Assets				
Investments	-	-	-	-
Receivables	-	-	-	-
Inventories	-	-	-	-
Infrastructure, property, plant and equipment	787	814	-	-
Investments accounted for using equity method	-	-	-	-
Investment property	77,680	62,372	-	-
Other	-	-	-	-
Total Non-Current Assets	78,467	63,186	-	-
TOTAL ASSETS	78,951	63,359	2,765	3,220
LIABILITIES				
Current Liabilities				
Bank Overdraft	-	-	-	-
Payables	116	116	719	751
Interest bearing liabilities	-	-	-	-
Provisions	-	-	143	105
Total Current Liabilities	116	116	862	856
Non-Current Liabilities				
Payables	-	-	3	3
Interest bearing liabilities	-	-	-	-
Provisions	-	-	3	2
Other Liabilities	-	-	-	-
Total Non-Current Liabilities	-	-	6	5
TOTAL LIABILITIES	116	116	868	861
NET ASSETS	78,835	63,243	1,897	2,359
EQUITY				
Retained earnings	78,835	63,243	1,897	2,359
Revaluation reserves	-	-	-	-
Council equity interest	78,835	63,243	1,897	2,359
Non-controlling equity interest	-	-	-	-
TOTAL EQUITY	78,835	63,243	1,897	2,359

North Sydney Council

Statement of Financial Position - Council's Other Business Activities

as at 30 June 2013

Development Applications

Category 2

\$ '000	Actual 2013	Actual 2012
ASSETS		
Current Assets		
Cash and cash equivalents	-	-
Investments	-	-
Receivables	-	-
Inventories	-	-
Other	-	-
Non-current assets classified as held for sale	-	-
Total Current Assets	-	-
Non-Current Assets		
Investments	-	-
Receivables	-	-
Inventories	-	-
Infrastructure, property, plant and equipment	-	-
Investments accounted for using equity method	-	-
Investment property	-	-
Other	-	-
Total Non-Current Assets	-	-
TOTAL ASSETS	-	-
LIABILITIES		
Current Liabilities		
Bank Overdraft	-	-
Payables	-	-
Interest bearing liabilities	-	-
Provisions	1,225	1,160
Total Current Liabilities	1,225	1,160
Non-Current Liabilities		
Payables	-	-
Interest bearing liabilities	-	-
Provisions	28	29
Other Liabilities	-	-
Total Non-Current Liabilities	28	29
TOTAL LIABILITIES	1,253	1,189
NET ASSETS	(1,253)	(1,189)
EQUITY		
Retained earnings	(1,253)	(1,189)
Revaluation reserves	-	-
Council equity interest	(1,253)	(1,189)
Non-controlling equity interest	-	-
TOTAL EQUITY	(1,253)	(1,189)

North Sydney 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	10
2	Water Supply Business Best Practice Management disclosure requirements	n/a
3	Sewerage Business Best Practice Management disclosure requirements	n/a

North Sydney 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 Properties**
Managed rental Property portfolio.
- b. **Waste Management**
Waste collection and disposal (Domestic, Trade and recyclables).
- c. **Car Parking Services**
Permanent and casual off street parking facilities subject to charges.

Category 2

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

- d. **North Sydney Oval Function Centre**
Bar and catering facilities for hire to the public and members.
- e. **Development Applications**
Building, Development and Subdivision approval processing.

Monetary Amounts

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

North Sydney Council

Notes to the Special Purpose Financial Statements

for the financial year ended 30 June 2013

Note 1. Significant Accounting Policies

(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.

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% + \$100. 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.

North Sydney Council

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

Note 1. Significant Accounting Policies

(iii) Return on Investments (Rate of Return)

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

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

The Rate of Return on Capital is calculated as follows:

Operating Result before Capital Income + Interest Expense

Written Down Value of 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 June 2013.

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.

NORTH SYDNEY COUNCIL
SPECIAL PURPOSE FINANCIAL STATEMENTS
INDEPENDENT AUDITORS' REPORT

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying *special purpose financial statements* of **North Sydney 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 1 and the Local Government Code of Accounting Practice and Financial Reporting.

Basis of Accounting

Without modifying our opinion, we draw attention to Note 1 to the financial statements, which describes the basis of accounting. The financial statements have been prepared for the purpose of fulfilling the financial reporting requirements of the Division of Local Government. As a result, the financial statements may not be suitable for another purpose.

HILL ROGERS SPENCER STEER



Gary Mottau
Partner

Dated at Sydney this 15th day of October 2013

North Sydney Council

SPECIAL SCHEDULES
for the year ended 30 June 2013

“...a vibrant community”



North Sydney Council

Special Schedules

for the financial year ended 30 June 2013

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- Special Schedule No. 2(a)	Statement of Long Term Debt (all purposes)	n/a
- Special Schedule No. 2(b)	Statement of Internal Loans (Sect. 410(3) LGA 1993)	n/a
- Special Schedule No. 3	Water Supply - Income Statement	n/a
- Special Schedule No. 4	Water Supply - Statement of Financial Position	n/a
- Special Schedule No. 5	Sewerage Service - Income Statement	n/a
- Special Schedule No. 6	Sewerage Service - Statement of Financial Position	n/a
- Notes to Special Schedules No. 3 & 5		n/a
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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.

North Sydney 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	1,902	1	-	(1,901)
Administration	14,789	5,686	81	(9,022)
Public Order and Safety				
Fire Service Levy, Fire Protection, Emergency Services	1,469	36	-	(1,433)
Beach Control	-	-	-	-
Enforcement of Local Govt. Regulations	4,997	7,011	-	2,014
Animal Control	65	4	-	(61)
Other	1	-	-	(1)
Total Public Order & Safety	6,532	7,051	-	519
Health	1,144	804	-	(340)
Environment				
Noxious Plants and Insect/Vermin Control	115	-	-	(115)
Other Environmental Protection	2,448	1,940	298	(210)
Solid Waste Management	9,745	10,428	-	683
Street Cleaning	1,867	9	-	(1,858)
Drainage	-	-	-	-
Stormwater Management	1,701	77	-	(1,624)
Total Environment	15,876	12,454	298	(3,124)
Community Services and Education				
Administration & Education	663	36	-	(627)
Social Protection (Welfare)	403	-	-	(403)
Aged Persons and Disabled	302	54	-	(248)
Children's Services	897	404	24	(469)
Total Community Services & Education	2,265	494	24	(1,747)
Housing and Community Amenities				
Public Cemeteries	-	-	-	-
Public Conveniences	267	-	-	(267)
Street Lighting	1,197	166	-	(1,031)
Town Planning	3,997	923	9	(3,065)
Other Community Amenities	312	-	-	(312)
Total Housing and Community Amenities	5,773	1,089	9	(4,675)
Water Supplies	-	-	-	-
Sewerage Services	-	-	-	-

North Sydney 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	3,245	273	123	(2,849)
Museums	380	2	-	(378)
Art Galleries	-	-	-	-
Community Centres and Halls	1,362	31	102	(1,229)
Performing Arts Venues	-	-	-	-
Other Performing Arts	-	-	-	-
Other Cultural Services	749	334	-	(415)
Sporting Grounds and Venues	2,193	363	-	(1,830)
Swimming Pools	2,944	2,457	49	(438)
Parks & Gardens (Lakes)	6,680	65	1	(6,614)
Other Sport and Recreation	984	235	2,629	1,880
Total Recreation and Culture	18,537	3,760	2,904	(11,873)
Fuel & Energy	-	-	-	-
Agriculture	-	-	-	-
Mining, Manufacturing and Construction				
Building Control	-	57	-	57
Other Mining, Manufacturing & Construction	-	-	-	-
Total Mining, Manufacturing and Const.	-	57	-	57
Transport and Communication				
Urban Roads (UR) - Local	7,013	299	12	(6,702)
Urban Roads - Regional	192	474	-	282
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	1,502	10,186	-	8,684
Footpaths	1,161	500	-	(661)
Aerodromes	-	-	-	-
Other Transport & Communication	2,610	1,521	115	(974)
Total Transport and Communication	12,478	12,980	127	629
Economic Affairs				
Camping Areas & Caravan Parks	-	-	-	-
Other Economic Affairs	7,020	22,934	-	15,914
Total Economic Affairs	7,020	22,934	-	15,914
Totals – Functions	86,316	67,310	3,443	(15,563)
General Purpose Revenues⁽²⁾		33,995		33,995
Share of interests - joint ventures & associates using the equity method	8	-		(8)
NET OPERATING RESULT⁽¹⁾	86,324	101,305	3,443	18,424

(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

North Sydney 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	104,748	89,068	90,068	93,183	96,658	100,360	103,674	106,593	109,601	112,702	115,899
Expenses from continuing operations	86,324	87,370	90,783	93,071	97,351	99,951	103,555	108,013	112,100	115,448	119,474
Operating Result from Continuing Operations	18,424	1,698	(715)	112	(693)	409	119	(1,420)	(2,499)	(2,746)	(3,575)
(ii) CAPITAL BUDGET											
New Capital Works ⁽²⁾	2,365	1,725	1,521	1,732	1,494	2,380	1,930	945	990	830	1,080
Replacement/Refurbishment of Existing Assets	13,515	17,808	15,150	16,592	13,861	12,515	11,540	11,900	11,630	12,090	11,930
Total Capital Budget	15,880	19,533	16,671	18,324	15,355	14,895	13,470	12,845	12,620	12,920	13,010
Funded by:											
– Loans	-	2,839	700	3,250	950	-	-	-	-	-	-
– Asset sales	-	-	-	-	-	-	-	-	-	-	-
– Reserves	11,634	12,981	12,417	12,171	11,023	11,322	9,953	9,603	9,384	9,690	9,786
– Grants/Contributions	2,560	1,995	1,793	1,098	1,524	1,842	1,786	1,511	1,505	1,499	1,493
– Recurrent revenue	1,686	1,718	1,761	1,805	1,858	1,731	1,731	1,731	1,731	1,731	1,731
– Other	-	-	-	-	-	-	-	-	-	-	-
	15,880	19,533	16,671	18,324	15,355	14,895	13,470	12,845	12,620	12,920	13,010

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.