



North Sydney Council

# Financial Statements

for the year ended 30 June 2017



progressive *vibrant* diverse

# North Sydney Council

## Financial Statements

for the financial year ended 30 June 2017



### Contents

### Section

#### **Executive summary**

I

#### **General Purpose Financial Statements**

II

#### **Special Purpose Financial Statements**

III

#### **Special Schedules**

IV

# North Sydney Council

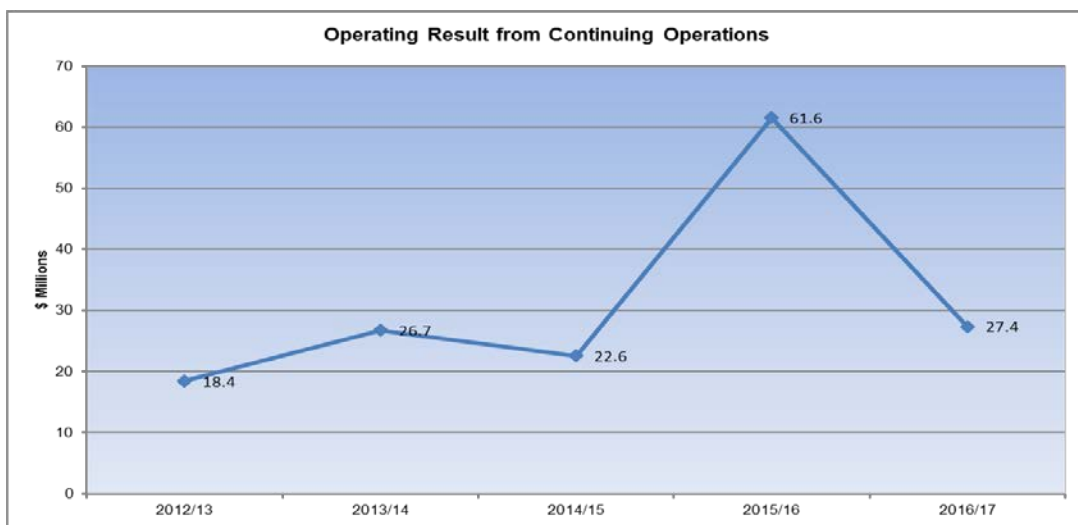
## Financial Statements for the financial year ended 30 June 2017

### Executive summary

#### Review of Council's Financial Result

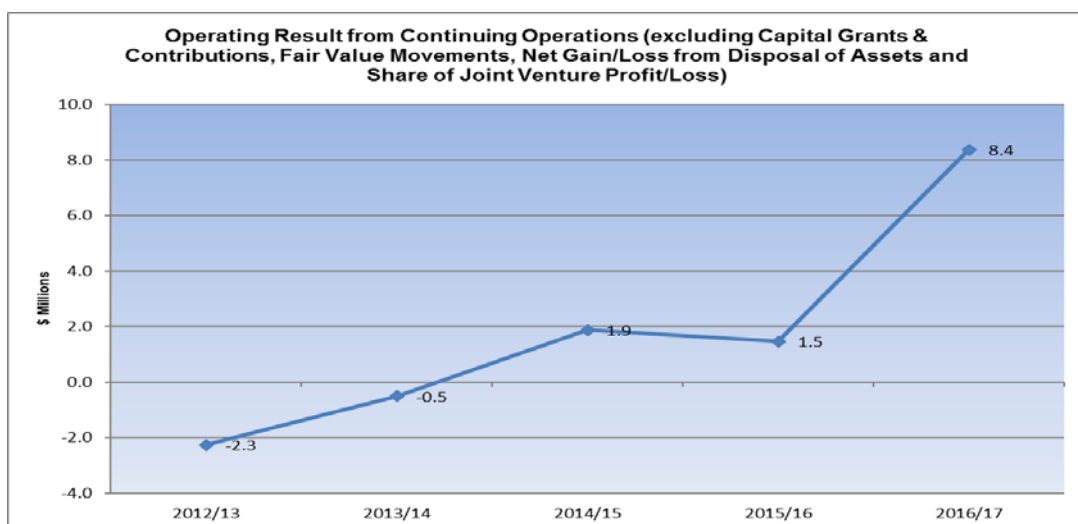
Council achieved a net operating surplus from continuing operations of \$27.4 million in 2016/17. This was a decrease of \$34.2 million from the result achieved in 2015/16. The main reason for the decrease was that the 2015/16 surplus included a one-off \$34.3 million non-cash contribution reflecting the increase in the value of the Woolworths/Alexander Street Car Park site in Crows Nest after its redevelopment.

The following graph shows Council's operating result from continuing operations over the last 5 years.



The operating result includes \$18.5 million of 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 fair value adjustments which represent net unrealised (i.e. non-cash) capital gains of \$5.7 million in the value of Council's assets and net losses from the disposal of assets of \$5.2 million. Excluding these amounts, the result was a surplus of \$8.4 million, an increase of \$6.9 million from the surplus achieved in 2015/16.

The following graph shows Council's operating result before capital grants and contributions, unrealised capital gains/fair value movements, net gains/losses from the disposal assets and share of Joint Venture profit/loss over the last 5 years.



## North Sydney Council

### Financial Statements

for the financial year ended 30 June 2017

#### Executive summary (continued)

#### Review of Council's Cash Position

After adjusting the \$27.4 million net operating surplus for non-cash items, movements in operating assets and liabilities (e.g. payables, receivables, etc), proceeds from the sale property, plant and equipment and capital expenditure, Council's total cash and investments held decreased by \$19.9 million from \$100.7 million to \$80.8 million, as per the following reconciliation:

		\$'000
<b>Operating surplus</b>		<b>27,365</b>
<b>add:</b>		
	depreciation	16,786
	proceeds from sale of infrastructure, property, plant and equipment	3,620
	net losses from disposal of assets	5,194
	net share of loss incurred by Shorelink Library Network	1
<b>deduct:</b>		
	capital expenditure	55,256
	net movements in operating assets and liabilities	5,264
	non-cash capital contribution received	6,925
	gains in fair value of investment property portfolio	5,233
	reversal of prior period decrements in fair value of community land	245
<b>decrease in cash and investments held</b>		<b>-19,957</b>
<b>plus:</b>		
	cash and investments held at the beginning of the year	<u>100,735</u>
<b>Cash and investments held at the end of the year</b>		<b><u>80,778</u></b>

#### Review of Council's Financial Position

As at 30 June 2017, Council's financial position was sound with net assets of \$953.7 million, including cash and investments of \$80.8 million. Of this \$80.8 million, \$25.7 million was externally restricted for specific purposes and \$49.8 million was internally restricted for specific purposes. The remaining \$5.3 million was unrestricted.

Available working capital was \$3.4 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 2017, Council's unrestricted current ratio was 3.51:1, well above the industry benchmark of 1.5:1. This means that for every \$1 of current liabilities to be funded from unrestricted or internally restricted cash, \$3.51 of unrestricted or internally restricted cash was available.

During 2016/17, \$33.8 million was spent on the renewal of Council's infrastructure assets. Over the same period, the depreciation expense for these assets was \$12.6 million. Hence, the Infrastructure Renewals Ratio was 268.95%, above the benchmark of 100% for the fourth successive year. A further \$8.7 million was spent on the maintenance of infrastructure and this resulted in an Asset Maintenance Ratio of 1:1, meeting the benchmark of 1:1 also for the fourth successive year. The improvement in these asset performance ratios is a reflection of Council's increased commitment to ensuring that sufficient funds are allocated to the maintenance and renewal of our ageing infrastructure.

# North Sydney Council

GENERAL PURPOSE FINANCIAL STATEMENTS  
for the year ended 30 June 2017

---

progressive *vibrant* diverse



# North Sydney Council

## General Purpose Financial Statements

for the year ended 30 June 2017

Contents	Page
<b>1. Understanding Council's Financial Statements</b>	2
<b>2. Statement by Councillors and Management</b>	3
<b>3. Primary Financial Statements:</b>	
– Income Statement	4
– Statement of Comprehensive Income	5
– Statement of Financial Position	6
– Statement of Changes in Equity	7
– Statement of Cash Flows	8
<b>4. Notes to the Financial Statements</b>	9
<b>5. Independent Auditor's Reports:</b>	
– On the Financial Statements (Sect 417 [2])	77
– On the Conduct of the Audit (Sect 417 [3])	80

---

### Overview

- (i) These financial statements are General Purpose Financial Statements and cover the 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 1993* (LGA).

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

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

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

- (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 31 October 2017. Council has the power to amend and reissue these financial statements.
-

## North Sydney Council

### General Purpose Financial Statements for the year ended 30 June 2017

#### Understanding Council's financial statements

---

##### Introduction

Each year, individual local governments across New South Wales are required to present a set of audited financial statements to their council and community.

##### What you will find in the statements

The financial statements set out the financial performance, financial position and cash flows of Council for the financial year ended 30 June 2017.

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

##### About the Councillor/Management Statement

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

##### About the primary financial statements

The financial statements incorporate five 'primary' financial statements:

##### 1. The Income Statement

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

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

##### 2. The Statement of Comprehensive Income

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

##### 3. The Statement of Financial Position

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

##### 4. The Statement of Changes in Equity

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

##### 5. The Statement of Cash Flows

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

##### About the Notes to the Financial Statements

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

##### About the Auditor's Reports

Council's annual financial statements are required to be audited by the NSW Audit Office. In NSW the auditor provides 2 audit reports:

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

##### Who uses the financial statements?

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

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

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

##### More information

A review of Council's financial performance and position for the 16/17 financial year can be found at Note 29 of the financial statements.

## North Sydney Council

### General Purpose Financial Statements for the year ended 30 June 2017

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

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

- the *Local Government Act 1993 (NSW)* (as amended) and the regulations made thereunder,
- the Australian Accounting Standards and 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
- 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 17 October 2017.



Jilly Gibson  
Mayor



Stephen Barbour  
Councillor



Adrian Panuccio  
Acting General manager



Darren Goode  
Acting Responsible accounting officer



## North Sydney Council

## Income Statement

for the year ended 30 June 2017

Budget <sup>1</sup> 2017	\$ '000	Notes	Actual 2017	Actual 2016
<b>Income from continuing operations</b>				
<b>Revenue:</b>				
51,219	Rates and annual charges	3a	51,477	49,000
23,878	User charges and fees	3b	29,814	25,474
2,030	Interest and investment revenue	3c	3,561	3,968
17,463	Other revenues	3d	23,496	28,507
4,101	Grants and contributions provided for operating purposes	3e,f	6,689	6,118
6,198	Grants and contributions provided for capital purposes	3e,f	18,480	47,704
<b>Other income:</b>				
270	Net gains from the disposal of assets	5	–	25
<b>105,159</b>	<b>Total income from continuing operations</b>		<b>133,517</b>	<b>160,796</b>
<b>Expenses from continuing operations</b>				
41,271	Employee benefits and on-costs	4a	41,367	40,544
338	Borrowing costs	4b	302	277
30,985	Materials and contracts	4c	34,159	34,421
16,543	Depreciation and amortisation	4d	16,786	15,536
–	Impairment	4d	–	–
8,043	Other expenses	4e	8,343	8,436
–	Net losses from the disposal of assets	5	5,194	–
–	Net share of interests in joint ventures and associates using the equity method	19	1	22
<b>97,180</b>	<b>Total expenses from continuing operations</b>		<b>106,152</b>	<b>99,236</b>
<b>7,979</b>	<b>Operating result from continuing operations</b>		<b>27,365</b>	<b>61,560</b>
<b>Discontinued operations</b>				
–	Net profit/(loss) from discontinued operations	24	–	–
<b>7,979</b>	<b>Net operating result for the year</b>		<b>27,365</b>	<b>61,560</b>
7,979	Net operating result attributable to Council		27,365	61,560
–	Net operating result attributable to non-controlling interests		–	–
<b>1,781</b>	<b>Net operating result for the year before grants and contributions provided for capital purposes</b>		<b>8,885</b>	<b>13,856</b>

<sup>1</sup> Original budget as approved by Council – refer Note 16

## North Sydney Council

## Statement of Comprehensive Income

for the year ended 30 June 2017

\$ '000	Notes	Actual 2017	Actual 2016
<b>Net operating result for the year</b> (as per Income Statement)		<b>27,365</b>	<b>61,560</b>
<b>Other comprehensive income:</b>			
Amounts which will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of I,PP&E	20b (ii)	7,913	–
<b>Total items which will not be reclassified subsequently to the operating result</b>		<b>7,913</b>	<b>–</b>
Amounts which will be reclassified subsequently to the operating result when specific conditions are met			
Nil			
<b>Total other comprehensive income for the year</b>		<b>7,913</b>	<b>–</b>
<b>Total comprehensive income for the year</b>		<b>35,278</b>	<b>61,560</b>
<b>Total comprehensive income attributable to Council</b>		<b>35,278</b>	<b>61,560</b>
<b>Total comprehensive income attributable to non-controlling interests</b>		<b>–</b>	<b>–</b>

## North Sydney Council

Statement of Financial Position  
as at 30 June 2017

\$ '000	Notes	Actual 2017	Actual 2016
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	6a	6,172	5,521
Investments	6b	74,606	95,434
Receivables	7	9,897	6,693
Inventories	8	46	43
Other	8	273	226
<b>Total current assets</b>		<b>90,994</b>	<b>107,917</b>
<b>Non-current assets</b>			
Investments	6b	–	–
Receivables	7	326	147
Inventories	8	–	–
Infrastructure, properties, plant and equipment	9	812,464	769,132
Investments accounted for using the equity method	19	33	34
Investment property	14	97,623	92,390
Intangible assets	25	–	–
<b>Total non-current assets</b>		<b>910,446</b>	<b>861,703</b>
<b>TOTAL ASSETS</b>		<b>1,001,440</b>	<b>969,620</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Payables	10	20,309	23,328
Income received in advance	10	1,844	1,962
Borrowings	10	–	220
Provisions	10	15,849	15,934
<b>Total current liabilities</b>		<b>38,002</b>	<b>41,444</b>
<b>Non-current liabilities</b>			
Payables	10	–	–
Income received in advance	10	–	–
Borrowings	10	9,500	9,500
Provisions	10	189	205
<b>Total non-current liabilities</b>		<b>9,689</b>	<b>9,705</b>
<b>TOTAL LIABILITIES</b>		<b>47,691</b>	<b>51,149</b>
<b>Net assets</b>		<b>953,749</b>	<b>918,471</b>
<b>EQUITY</b>			
Retained earnings	20	775,876	748,511
Revaluation reserves	20	177,873	169,960
Other reserves	20	–	–
<b>Council equity interest</b>		<b>953,749</b>	<b>918,471</b>
<b>Non-controlling equity interests</b>		<b>–</b>	<b>–</b>
<b>Total equity</b>		<b>953,749</b>	<b>918,471</b>

This statement should be read in conjunction with the accompanying notes.

## North Sydney Council

Statement of Changes in Equity  
for the year ended 30 June 2017

\$ '000	Notes	2017					2016						
		Retained earnings	Asset revaluation reserve (Refer 20b)	Other reserves (Refer 20b)	Council interest	Non-controlling interest	Total equity	Retained earnings	Asset revaluation reserve (Refer 20b)	Other reserves (Refer 20b)	Council interest	Non-controlling interest	Total equity
<b>Opening balance</b> (as per last year's audited accounts)		748,511	169,960	–	<b>918,471</b>	–	<b>918,471</b>	686,951	169,960	–	<b>856,911</b>	–	<b>856,911</b>
a. Correction of prior period errors	20 (c)	–	–	–	–	–	–	–	–	–	–	–	–
b. Changes in accounting policies (prior year effects)	20 (d)	–	–	–	–	–	–	–	–	–	–	–	–
<b>Revised opening balance</b>		<b>748,511</b>	<b>169,960</b>	<b>–</b>	<b>918,471</b>	<b>–</b>	<b>918,471</b>	<b>686,951</b>	<b>169,960</b>	<b>–</b>	<b>856,911</b>	<b>–</b>	<b>856,911</b>
<b>c. Net operating result for the year</b>		<b>27,365</b>	<b>–</b>	<b>–</b>	<b>27,365</b>	<b>–</b>	<b>27,365</b>	61,560	–	–	<b>61,560</b>	–	<b>61,560</b>
d. Other comprehensive income													
– Revaluations: IPP&E asset revaluation rsve	20b (ii)	–	7,913	–	<b>7,913</b>	–	<b>7,913</b>	–	–	–	–	–	–
<b>Other comprehensive income</b>		<b>–</b>	<b>7,913</b>	<b>–</b>	<b>7,913</b>	<b>–</b>	<b>7,913</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Total comprehensive income (c&amp;d)</b>		<b>27,365</b>	<b>7,913</b>	<b>–</b>	<b>35,278</b>	<b>–</b>	<b>35,278</b>	<b>61,560</b>	<b>–</b>	<b>–</b>	<b>61,560</b>	<b>–</b>	<b>61,560</b>
e. Distributions to/(contributions from) non-controlling interests		–	–	–	–	–	–	–	–	–	–	–	–
f. Transfers between equity		–	–	–	–	–	–	–	–	–	–	–	–
<b>Equity – balance at end of the reporting period</b>		<b>775,876</b>	<b>177,873</b>	<b>–</b>	<b>953,749</b>	<b>–</b>	<b>953,749</b>	<b>748,511</b>	<b>169,960</b>	<b>–</b>	<b>918,471</b>	<b>–</b>	<b>918,471</b>

## North Sydney Council

## Statement of Cash Flows

for the year ended 30 June 2017

Budget 2017	\$ '000	Notes	Actual 2017	Actual 2016
<b>Cash flows from operating activities</b>				
<b>Receipts:</b>				
51,219	Rates and annual charges		51,427	48,830
25,192	User charges and fees		30,821	29,229
2,030	Investment and interest revenue received		3,622	4,132
10,349	Grants and contributions		16,644	18,857
4,000	Bonds, deposits and retention amounts received		4,572	2,950
16,503	Other		17,401	22,300
<b>Payments:</b>				
(41,371)	Employee benefits and on-costs		(41,461)	(39,585)
(35,084)	Materials and contracts		(39,486)	(35,117)
(338)	Borrowing costs		(304)	(262)
(3,000)	Bonds, deposits and retention amounts refunded		(3,076)	(2,969)
(8,848)	Other		(8,708)	(11,862)
<b>20,652</b>	<b>Net cash provided (or used in) operating activities</b>	11b	<b>31,452</b>	<b>36,503</b>
<b>Cash flows from investing activities</b>				
<b>Receipts:</b>				
57,500	Sale of investment securities		39,055	47,445
1,100	Sale of infrastructure, property, plant and equipment		3,620	1,204
<b>Payments:</b>				
(15,000)	Purchase of investment securities		(18,000)	(48,520)
–	Purchase of investment property		–	(17)
(63,767)	Purchase of infrastructure, property, plant and equipment		(55,256)	(49,249)
<b>(20,167)</b>	<b>Net cash provided (or used in) investing activities</b>		<b>(30,581)</b>	<b>(49,137)</b>
<b>Cash flows from financing activities</b>				
<b>Receipts:</b>				
–	Proceeds from borrowings and advances		–	9,500
<b>Payments:</b>				
–	Nil		–	–
<b>–</b>	<b>Net cash flow provided (used in) financing activities</b>		<b>–</b>	<b>9,500</b>
<b>485</b>	<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>871</b>	<b>(3,134)</b>
4,000	Plus: <b>cash and cash equivalents – beginning of year</b>	11a	5,301	8,435
<b>4,485</b>	<b>Cash and cash equivalents – end of the year</b>	11a	<b>6,172</b>	<b>5,301</b>
Additional Information:				
	plus: <b>Investments on hand – end of year</b>	6b	74,606	95,434
	<b>Total cash, cash equivalents and investments</b>		<b>80,778</b>	<b>100,735</b>

Please refer to Note 11 for information on the following:

- Non-cash financing and investing activities
- Financing arrangements
- Net cash flow disclosures relating to any discontinued operations

## North Sydney Council

### Notes to the Financial Statements

for the year ended 30 June 2017

### Contents of the notes accompanying the financial statements

Note	Details	Page
1	Summary of significant accounting policies	10
2(a)	Council functions/activities – financial information	21
2(b)	Council functions/activities – component descriptions	22
3	Income from continuing operations	23
4	Expenses from continuing operations	29
5	Gains or losses from the disposal of assets	33
6(a)	Cash and cash equivalent assets	34
6(b)	Investments	34
6(c)	Restricted cash, cash equivalents and investments – details	35
7	Receivables	37
8	Inventories and other assets	38
9(a)	Infrastructure, property, plant and equipment	39
9(b)	Externally restricted infrastructure, property, plant and equipment	40 n/a
9(c)	Infrastructure, property, plant and equipment – current year impairments	40 n/a
10(a)	Payables, borrowings and provisions	41
10(b)	Description of (and movements in) provisions	42
11	Statement of cash flows – additional information	43
12	Commitments for expenditure	45
13	Statement of performance measures:	
	13a (i) Local government industry indicators (consolidated)	46
	13a (ii) Local government industry graphs (consolidated)	47
14	Investment properties	49
15	Financial risk management	50
16	Material budget variations	54
17	Statement of developer contributions	56
18	Contingencies and other liabilities/assets not recognised	58
19	Interests in other entities	60
20	Retained earnings, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors	63
21	Financial result and financial position by fund	63 n/a
22	'Held for sale' non-current assets and disposal groups	64 n/a
23	Events occurring after the reporting date	64 n/a
24	Discontinued operations	64 n/a
25	Intangible assets	64 n/a
26	Reinstatement, rehabilitation and restoration liabilities	64 n/a
27	Fair value measurement	65
28	Related party disclosures	74
 <b>Additional council disclosures</b>		
29	Financial review	75
30	Council information and contact details	76

n/a – not applicable

## North Sydney Council

### Notes to the Financial Statements

for the year ended 30 June 2017

#### Note 1. Summary of significant accounting policies

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

##### **(a) Basis of preparation**

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Australian Accounting Interpretations, the Local Government Act 1993 (NSW) and Regulations, and the Local Government Code of Accounting Practice and Financial Reporting. Council is a not for-profit entity for the purpose of preparing these financial statements.

##### **(i) New and amended standards adopted by Council**

AASB 124 Related Party Disclosures was adopted during the year, the impact of this standard had no impact on reporting financial position or performance, however note 28 has been added.

AASB 2014-3 Amendments to Australian Accounting Standards – Accounting for Acquisitions of Interests in Joint Operations [AASB 1 and AASB 11]. There are no joint operations currently being conducted.

##### **(ii) Early adoption of standards**

Council has not elected to apply any pronouncements before their operative date in the annual reporting period beginning 1 July 2016.

##### **(iii) Historical cost convention**

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

##### **(iv) Significant accounting estimates and judgements**

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

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

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

Council makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year include:

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

##### **Significant judgements in applying the Council's accounting policies**

- (i) Impairment of Receivables

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

##### **(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 Council and specific criteria have been met for each of the Council's activities as described below.

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

Revenue is measured at the fair value of the consideration received or receivable. Revenue is measured on major income categories as follows:

## North Sydney Council

### Notes to the Financial Statements

for the year ended 30 June 2017

#### Note 1. Summary of significant accounting policies (continued)

##### **(i) Rates, annual charges, grants and contributions**

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

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.

Control over granted assets/contributed 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.

Where grants or contributions recognised as revenues during the financial year were obtained on condition that they be expended in a particular manner or used over a particular period and those conditions were un-discharged at reporting date, the unused grant or contribution is disclosed in Note 3(g). The note also discloses the amount of unused grant or contribution from prior years that was expended on Council's operations during the current year.

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

##### **(ii) User charges and fees**

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

##### **(iii) 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.

##### **(iv) Interest**

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

##### **(v) Rent**

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

##### **(vi) Dividend income**

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

##### **(vii) Other income**

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

#### **(c) Principles of consolidation**

##### **(i) The Consolidated Fund**

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

##### **(ii) The Trust Fund**

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

Trust monies and property held by Council but not subject to the control of Council have been excluded from these reports. A separate statement of monies held in the Trust Fund is available for inspection at the Council office by any person free of charge.

##### **(iii) County Councils**

Council is not a member of any county councils.



## North Sydney Council

### Notes to the Financial Statements

for the year ended 30 June 2017

#### Note 1. Summary of significant accounting policies (continued)

##### (iv) Interests in other entities

###### Subsidiaries

Council has no interest in any subsidiaries.

###### Joint arrangements

Council has no interest in any joint arrangements.

###### Joint ventures/associates

Interests in joint ventures/associates are accounted for using the equity method in accordance with AASB128 Associates and Joint Ventures. Under this method, the investment is initially recognised as a cost and the carrying amount is increased or decreased to recognise the Council's share of the profit or loss and other comprehensive income of the investee after the date of acquisition.

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

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

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

##### (d) Leases

###### (i) Finance Leases

Council has no finance leases.

###### (ii) Operating Leases

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

Lease income from operating leases where Council is a lessor is recognised as income on a straight-line basis over the lease term.

##### (e) Impairment of assets

Intangible assets that have an indefinite useful life or are not yet available for use are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired.

Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

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

##### (f) Cash and cash equivalents

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

Bank overdrafts are shown within borrowings in current liabilities on the Statement of Financial Position.

##### (g) Inventories

###### (i) Raw materials and stores, work in progress and finished goods

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

## North Sydney Council

### Notes to the Financial Statements

for the year ended 30 June 2017

#### Note 1. Summary of significant accounting policies (continued)

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 basis of weighted average costs. Costs of purchased inventory are determined after deducting rebates and discounts.

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

##### **(ii) Inventory held for distribution**

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

##### **(iii) 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.

##### **(h) Non-current assets (or disposal groups) held for sale and discontinued operations**

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use.

They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as deferred tax assets; assets arising from employee benefits; financial assets; and

investment properties that are carried at fair value and contractual rights under insurance contracts, which are specifically exempt from this requirement.

An impairment loss is recognised for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset (or disposal group) is recognised at the date of de-recognition.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

##### **(i) Investments and other financial assets**

###### **Classification**

Council classifies its financial assets in the following categories: financial assets at fair value through profit or loss; loans and receivables; held-to-maturity investments; and available-for-sale financial assets.

The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and, in the case of assets classified as held-to-maturity, re-evaluates this designation at each reporting date.

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

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

##### **(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 are included in current assets, except for those with maturities

## North Sydney Council

### Notes to the Financial Statements

for the year ended 30 June 2017

#### Note 1. Summary of significant accounting policies (continued)

greater than 12 months after the reporting date which that are classified as non-current assets.

Loans and receivables are included in other receivables (note 8) and receivables (note 7) in the Statement of Financial Position.

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

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

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

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that Council's management has the positive intention and ability to hold to maturity. If Council were to sell other than an insignificant amount of held-to-maturity financial assets, the whole category would be tainted and reclassified as available-for-sale.

Held-to-maturity financial assets are included in non-current assets, except for those with maturities less than 12 months from the reporting date, that 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. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the reporting date.

Investments are 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.

#### **Recognition and de-recognition**

Regular purchases and sales of financial assets are recognised on trade-date: the date on which Council commits to purchase or sell the asset.

Investments are initially recognised at fair value plus transaction costs for all financial assets not carried

at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the income statement.

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

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

#### **Subsequent measurement**

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

Changes in the fair value of other monetary and non-monetary securities classified as available-for-sale are recognised in equity.

#### **Impairment**

Council assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired.

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

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

#### **(i) Assets carried at amortised cost**

For loans and receivables the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that

## North Sydney Council

### Notes to the Financial Statements

for the year ended 30 June 2017

#### Note 1. Summary of significant accounting policies (continued)

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 Council may measure impairment on the basis of an instrument's fair value using an observable market price.

Collectability of receivables is reviewed on an ongoing basis. Debts that are known to be uncollectible are written off by reducing the carrying amount directly. An allowance account (provision for impairment of receivables) is used when there is objective evidence that Council will not be able to collect all amounts due according to the original terms of the receivables.

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the receivable is impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The amount of the impairment loss is 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.

#### Investment Policy

Council has an approved investment policy complying with Section 625 of the Local Government Act 1993 (NSW) and Clause 212 of the Local Government (General) Regulation 2005 (NSW).

Investments are placed and managed in accordance with that policy and having particular regard to authorised investments prescribed under the Ministerial Local Government Investment Order. Council maintains an investment policy that complies with the Act and ensures that it, or its

representatives, exercise the 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 (the Order) arising from the Cole Inquiry recommendations. Certain investments the Council holds are no longer prescribed; however, they have been retained under grandfathering provisions of the Order. These will be disposed of when most financially advantageous to Council.

#### (j) Fair value estimation – financial instruments

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 reporting 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 reporting date. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments.

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.

#### (k) Infrastructure, property, plant and equipment (IPPE)

Council's assets have been progressively revalued to fair value in accordance with a staged implementation advised by the Office of Local Government. At reporting date, the following classes of IPPE were stated at their fair value:

## North Sydney Council

### Notes to the Financial Statements

for the year ended 30 June 2017

#### Note 1. Summary of significant accounting policies (continued)

##### Externally valued:

- Operational land
- Community land\*
- Buildings – specialised/non-specialised
- Roads assets including roads, bridges and footpaths
- Swimming pools

\*Community land is valued using the unimproved capital value as supplied by the Valuer General. Current valuations have a base date of 1 July 2016.

A small number of parcels of community land do not have a Valuer General valuation. Council applies the average value per square metre of like parcels to the area of the unvalued parcels.

##### Internally valued:

- Operational land
- Community land
- Buildings – specialised/non-specialised
- Roads assets including roads, bridges and footpaths
- Stormwater drainage
- Swimming pools

##### As approximated by depreciated historical cost:

- Plant and equipment
- Operational land
- Community land
- Land improvements
- Other structures
- Roads assets including roads, bridges and footpaths
- Bulk earthworks
- Other open space/recreational assets
- Other infrastructure
- Other assets

Non-specialised assets with short useful lives are measured at depreciated historical cost as an approximation of fair value. Council has assessed that any difference between fair value and depreciated historical cost is unlikely to be material.

For all other asset classes, 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 revalue the asset to that amount. Full revaluations are undertaken for all assets on a five-year cycle.

Increases in the carrying amounts arising on revaluation are credited to the asset revaluation reserve. To the extent that the increase reverses a decrease previously recognising profit or loss relating to that asset class, the increase is first recognised as profit or loss.

Decreases that reverse previous increases of assets in the same class are first charged against revaluation reserves directly in equity to the extent of the remaining reserve attributable to the class; all other decreases are charged to the Income Statement.

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

As it was not possible to accurately determine the carrying amount of assets partially disposed during the year, the carrying amount of only those assets wholly disposed/written off has been disclosed in Note 5. The non-disclosure of the carrying amount of assets only partially disposed is not considered to have materially misstated the net gain/loss on disposal for any category of assets.

##### Depreciation

Land is not depreciated.

Depreciation on other assets is calculated using the straight line method to allocate their cost, net of their residual values, over their estimated useful lives as follows:

##### Plant and Equipment

- 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

## North Sydney Council

### Notes to the Financial Statements

for the year ended 30 June 2017

#### Note 1. Summary of significant accounting policies (continued)

##### 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 and Paths	50 to 100 years

##### Other Infrastructure Assets

- Bulk earthworks	Infinite
-------------------	----------

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

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

#### (l) Investment property

Investment property, principally comprising freehold office buildings, is held for long-term rental yields and is not occupied by the Council.

Investment property is carried at fair value, which is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If this information is not available, Council uses alternative valuation methods such as recent prices in less active markets, or discounted cash flow projections. Changes in fair values are recorded in the income statement as part of other income.

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

#### (m) Payables

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

#### (n) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the income statement over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

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

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

## North Sydney Council

### Notes to the Financial Statements

for the year ended 30 June 2017

#### Note 1. Summary of significant accounting policies (continued)

##### (o) Borrowing costs

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

##### (p) Provisions

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

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

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

##### (q) Employee benefits

###### (i) Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be wholly settled within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled.

The liability for annual leave and accumulating sick leave is recognised in the provision for employee

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

###### (ii) Other long-term employee benefit obligations

The liability for long service leave and annual leave that is not expected to be wholly settled within 12 months after the end of the period in which the employees render the related service is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method.

Consideration is given to expected future wage and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using market yields at the end of the reporting period on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

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

###### (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 Statement of Financial Position, 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 that arise from membership of the fund to the reporting date, calculated annually by independent actuaries using the projected unit credit method.

## North Sydney Council

### Notes to the Financial Statements

for the year ended 30 June 2017

#### Note 1. Summary of significant accounting policies (continued)

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 accounts for its obligations to defined benefit plans on the same basis as its obligations to defined contribution plans, i.e. as an expense when it becomes payable.

##### 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.

##### (r) Land under roads

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

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

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

##### (s) Self-insurance

Council does not self-insure.

##### (t) Intangible assets

Council has not classified any assets as intangible.

##### (u) Crown reserves

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

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

##### (v) Rural fire service assets

Council has no rural fire services assets.

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

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

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

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

##### (x) New accounting standards and interpretations issued not yet effective

Certain new accounting standards and interpretations have been published that are not mandatory for the current reporting period and which have not been applied. These are:

*AASB 216-1 Amendments to Australian Accounting Standards – Recognition of Deferred Tax Assets for Unrealised Losses [AASB 112] – Income Taxes*

*AASB 2016-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107 – Statement of Cash Flows*

*AASB 2016-4 Amendments to Australian Accounting Standards – Recoverable Amount of Non-Cash-Generating Specialised Assets of Not-for-Profit Entities*



## North Sydney Council

### Notes to the Financial Statements for the year ended 30 June 2017

#### Note 1. Summary of significant accounting policies (continued)

---

The full impact of the above amendments has yet to be ascertained or quantified but will range from additional and/or revised disclosures to changes in how certain transactions and balances are accounted for.

##### **(y) Rounding of amounts**

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

##### **(z) 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.

##### **(aa) 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 year ended 30 June 2017

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

Functions/activities	Income, expenses and assets have been directly attributed to the following functions/activities. Details of these functions/activities are provided in Note 2(b).												
	Income from continuing operations			Expenses from continuing operations			Operating result from continuing operations			Grants included in income from continuing operations		Total assets held (current and non-current)	
	Original budget 2017	Actual 2017	Actual 2016	Original budget 2017	Actual 2017	Actual 2016	Original budget 2017	Actual 2017	Actual 2016	Actual 2017	Actual 2016	Actual 2017	Actual 2016
Governance	–	–	–	2,458	3,102	3,530	(2,458)	(3,102)	(3,530)	–	1	8,218	103
Administration	6,243	10,522	7,708	25,719	20,233	16,295	(19,476)	(9,711)	(8,587)	–	–	141,144	146,578
Public order and safety	7,872	8,406	7,837	7,617	7,342	7,215	255	1,064	622	–	–	2,435	2,188
Health	287	618	356	1,799	1,927	1,700	(1,512)	(1,309)	(1,344)	–	9	722	565
Environment	14,455	15,083	14,373	19,156	19,167	19,118	(4,701)	(4,084)	(4,745)	67	91	127,289	126,570
Community services and education	952	1,241	1,324	2,939	2,880	2,826	(1,987)	(1,639)	(1,502)	593	682	2,926	2,978
Housing and community amenities	962	1,909	1,637	5,948	6,715	7,651	(4,986)	(4,806)	(6,014)	188	185	6,617	4,807
Recreation and culture	7,129	18,814	15,532	19,051	22,955	22,033	(11,922)	(4,141)	(6,501)	184	197	249,613	248,670
Transport and communication	15,718	17,867	15,480	6,438	13,962	12,116	9,280	3,905	3,364	2,862	1,867	282,613	261,657
Economic affairs	11,182	16,118	56,409	6,055	7,868	6,730	5,127	8,250	49,679	–	–	179,829	175,469
<b>Total functions and activities</b>	<b>64,800</b>	<b>90,578</b>	<b>120,656</b>	<b>97,180</b>	<b>106,151</b>	<b>99,214</b>	<b>(32,380)</b>	<b>(15,573)</b>	<b>21,442</b>	<b>3,894</b>	<b>3,032</b>	<b>1,001,406</b>	<b>969,585</b>
Share of gains/(losses) in associates and joint ventures (using the equity method)	–	–	–	–	1	22	–	(1)	(22)	–	–	33	34
General purpose income <sup>1</sup>	40,359	42,939	40,140	–	–	–	40,359	42,939	40,140	3,061	2,063	1	1
<b>Operating result from continuing operations</b>	<b>105,159</b>	<b>133,517</b>	<b>160,796</b>	<b>97,180</b>	<b>106,152</b>	<b>99,236</b>	<b>7,979</b>	<b>27,365</b>	<b>61,560</b>	<b>6,955</b>	<b>5,095</b>	<b>1,001,440</b>	<b>969,620</b>

1. Includes: rates and annual charges (incl. ex-gratia), untied general purpose grants and unrestricted interest and investment income.

## North Sydney Council

### Notes to the Financial Statements

for the year ended 30 June 2017

#### 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**

Includes costs relating to 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, public disclosure (e.g. GIPA), and legislative compliance.

##### **ADMINISTRATION**

Includes corporate support and other support services, engineering works, and any Council policy compliance.

##### **PUBLIC ORDER AND SAFETY**

Includes Council's fire and emergency services levy, fire protection, emergency services, beach control, enforcement of regulations and animal control.

##### **HEALTH**

Includes immunisation, food control, health centres etc.

##### **ENVIRONMENT**

Includes noxious plants and insect/vermin control; other environmental protection; solid waste management, including domestic waste; other waste management; other sanitation; and garbage, street cleaning, drainage and stormwater management.

##### **COMMUNITY SERVICES AND EDUCATION**

Includes administration and education; social protection (welfare); migrant, Aboriginal and other community services and administration (excluding accommodation – as it is covered under 'housing and community amenities'); youth services; aged and disabled persons services; children's' services, including family day care; child care; and other family and children services.

##### **HOUSING AND COMMUNITY AMENITIES**

Includes public cemeteries; public conveniences; street lighting; town planning; other community amenities, including housing development and accommodation for families and children, aged persons, disabled persons, migrants and Indigenous persons.

##### **RECREATION AND CULTURE**

Includes public libraries; museums; art galleries; community centres and halls, including public halls and performing arts venues; sporting grounds and venues; swimming pools; parks; gardens; lakes; and other sporting, recreational and cultural services.

##### **MINING, MANUFACTURING AND CONSTRUCTION**

Includes building control.

##### **TRANSPORT AND COMMUNICATION**

Urban local, urban regional, includes sealed and unsealed roads, bridges, footpaths, parking areas, and aerodromes.

##### **ECONOMIC AFFAIRS**

Includes commercial properties; North Sydney Function Centre; assessment of development applications; and other business undertakings.

## North Sydney Council

### Notes to the Financial Statements

for the year ended 30 June 2017

#### Note 3. Income from continuing operations

\$ '000	Notes	Actual 2017	Actual 2016
<b>(a) Rates and annual charges</b>			
<b>Ordinary rates</b>			
Residential		22,369	20,849
Business		14,073	13,504
<b>Total ordinary rates</b>		<b>36,442</b>	<b>34,353</b>
<b>Special rates</b>			
Infrastructure levy		1,639	1,631
Environmental levy		1,830	1,820
Main street levies		495	498
<b>Total special rates</b>		<b>3,964</b>	<b>3,949</b>
<b>Annual charges</b> (pursuant to s.496, s.496A, s.496B, s.501 & s.611)			
Domestic waste management services		10,443	10,081
Stormwater management services		556	547
Section 611 charges		72	70
<b>Total annual charges</b>		<b>11,071</b>	<b>10,698</b>
<b>TOTAL RATES AND ANNUAL CHARGES</b>		<b>51,477</b>	<b>49,000</b>

Council has used 2013 year valuations provided by the NSW Valuer General in calculating its rates.

## North Sydney Council

## Notes to the Financial Statements

for the year ended 30 June 2017

## Note 3. Income from continuing operations (continued)

\$ '000	Notes	Actual 2017	Actual 2016
<b>(b) User charges and fees</b>			
<b>Specific user charges</b> (per s.502 – specific 'actual use' charges)			
Domestic waste management services		1,104	1,026
<b>Total user charges</b>		<b>1,104</b>	<b>1,026</b>
<b>Other user charges and fees</b>			
<b>(i) Fees and charges – statutory and regulatory functions (per s.608)</b>			
Planning and building regulation		4,896	3,461
Regulatory / statutory fees		4,997	3,526
Section 149 certificates (EPA Act)		301	280
Section 603 certificates		160	173
<b>Total fees and charges – statutory/regulatory</b>		<b>10,354</b>	<b>7,440</b>
<b>(ii) Fees and charges – other (incl. general user charges (per s.608))</b>			
Business trade waste		369	364
Community centres / facilities		127	58
Domestic waste management – other		24	25
Family day care		189	191
Library		130	118
On street parking		9,096	8,816
Off street parking		3,156	2,853
Ovals		1,147	907
Planning and building regulation (non-statutory)		461	488
Public events		53	44
Reinstatements		1,012	645
Swimming centres		2,387	2,312
Other		205	187
<b>Total fees and charges – other</b>		<b>18,356</b>	<b>17,008</b>
<b>TOTAL USER CHARGES AND FEES</b>		<b>29,814</b>	<b>25,474</b>

## North Sydney Council

### Notes to the Financial Statements

for the year ended 30 June 2017

#### Note 3. Income from continuing operations (continued)

\$ '000	Notes	Actual 2017	Actual 2016
<b>(c) Interest and investment revenue (including losses)</b>			
<b>Interest</b>			
– Interest on overdue rates and annual charges (incl. special purpose rates)		68	54
– Interest earned on investments (interest and coupon payment income)		3,108	3,814
Interest – interest on developer contributions		158	275
<b>Fair value adjustments</b>			
– Fair valuation movements in investments (at fair value or held for trading)		227	(175)
<b><u>TOTAL INTEREST AND INVESTMENT REVENUE</u></b>		<b><u>3,561</u></b>	<b><u>3,968</u></b>
<b>Interest revenue is attributable to:</b>			
<b>Unrestricted investments/financial assets:</b>			
Overdue rates and annual charges (general fund)		68	54
General Council cash and investments		3,335	3,639
<b>Restricted investments/funds – external:</b>			
Development contributions			
– Section 94		123	255
– Section 93F		35	20
<b><u>Total interest and investment revenue recognised</u></b>		<b><u>3,561</u></b>	<b><u>3,968</u></b>
<b>(d) Other revenues</b>			
Fair Value Adjustments – Investment Properties (Non-Cash)	14	5,233	12,803
Rental income – investment properties	14	6,139	5,851
Rental income – other council properties		374	337
Reversal of prior period revaluation decrements (applicable to I,PP&E)	9(a)	245	–
Ex gratia rates		33	31
Fines – parking		7,775	7,287
Other charges for overdue rates and charges		22	29
Legal Fees Recovered		552	94
Advertising on council infrastructure		938	901
Better waste and recycling fund		179	178
Carbon tax refund		–	173
Commissions and agency fees		7	3
Fines – environmental and compliance		157	120
Insurance bonuses, rebates and claim recoveries		88	100
Miscellaneous sales		12	21
Zig Zag Lane Car Park Compensation		1,097	–
Other		645	579
<b><u>TOTAL OTHER REVENUE</u></b>		<b><u>23,496</u></b>	<b><u>28,507</u></b>

## North Sydney Council

## Notes to the Financial Statements

for the year ended 30 June 2017

## Note 3. Income from continuing operations (continued)

\$ '000	2017 Operating	2016 Operating	2017 Capital	2016 Capital
<b>(e) Grants</b>				
<b>General purpose (untied)</b>				
Financial assistance – general component	2,204 <sup>1)</sup>	1,440	–	–
Financial assistance – local roads component	697 <sup>1)</sup>	461	–	–
Pensioners' rates subsidies – general component	160	162	–	–
<b>Total general purpose</b>	<b>3,061</b>	<b>2,063</b>	<b>–</b>	<b>–</b>
<b>Specific purpose</b>				
Pensioners' rates subsidies:				
– Domestic waste management	41	42	–	–
Bus weight tax subsidy	20	31	–	–
Community care				
– Aged Care	59	58	–	–
– Crime Prevention	–	45	–	–
– Family Day Care	465	495	–	–
– Vacation Care	28	40	–	–
– Youth Care	2	5	–	–
– Other	40	47	–	–
Environmental protection	26	50	–	–
Recreation and culture				
– Library - Per Capita	134	131	–	–
– Library - Special Projects	–	–	49	47
– Parks and Gardens	–	–	–	19
Traffic route lighting subsidy	188	185	–	–
Transport				
– Bicycle Facilities	–	37	2,138	532
– Pedestrian Facilities	–	–	18	–
– Roads to Recovery	612	1,165	–	–
– Roads Safety	74	103	–	–
<b>Total specific purpose</b>	<b>1,689</b>	<b>2,434</b>	<b>2,205</b>	<b>598</b>
<b>Total grants</b>	<b>4,750</b>	<b>4,497</b>	<b>2,205</b>	<b>598</b>
<b>Grant revenue is attributable to:</b>				
– Commonwealth funding	1,077	1,660	–	–
– State funding	3,664	2,836	2,205	597
– Other funding	9	1	–	1
	<b>4,750</b>	<b>4,497</b>	<b>2,205</b>	<b>598</b>

<sup>(1)</sup> Includes advance payment of one-half of the estimated 2017/18 grant allocation

## North Sydney Council

## Notes to the Financial Statements

for the year ended 30 June 2017

## Note 3. Income from continuing operations (continued)

\$ '000	2017 Operating	2016 Operating	2017 Capital	2016 Capital
<b>(f) Contributions</b>				
<b>Developer contributions:</b>				
<b>(s93 &amp; s94 – EP&amp;A Act, s64 of the LGA):</b>				
S 93F – contributions using planning agreements	–	–	8,075	3,288
S 94 – contributions towards amenities/services	–	–	7,696	9,413
<b>Total developer contributions</b> 17	<b>–</b>	<b>–</b>	<b>15,771</b>	<b>12,701</b>
<b>Other contributions:</b>				
Affordable housing	295	660	–	–
Alexander street car park (non-cash)	–	–	227	34,321
Alfred Street Retaining Wall	–	–	125	–
Community services				
– Youth Care	–	6	–	–
Environmental protection	330	15	–	–
Ernest Place electricity substation relocation	223	–	–	–
Fire & Emergency Services Levy Implementation	129	–	–	–
Paving	–	–	9	–
Recreation and culture				
– Aboriginal Heritage	54	244	–	–
Relocation of Harbour Cycles Sculpture	118	–	–	–
RMS contributions (regional roads, block grant)	680	673	–	–
Town planning	110	23	–	–
Traffic facilities	–	–	143	–
Other	–	–	–	84
<b>Total other contributions</b>	<b>1,939</b>	<b>1,621</b>	<b>504</b>	<b>34,405</b>
<b>Total contributions</b>	<b>1,939</b>	<b>1,621</b>	<b>16,275</b>	<b>47,106</b>
<b>TOTAL GRANTS AND CONTRIBUTIONS</b>	<b>6,689</b>	<b>6,118</b>	<b>18,480</b>	<b>47,704</b>



## North Sydney Council

## Notes to the Financial Statements

for the year ended 30 June 2017

## Note 3. Income from continuing operations (continued)

\$ '000	Actual 2017	Actual 2016
<b>(g) Unspent grants and contributions</b>		
<b>Certain grants and contributions are obtained by Council on condition that they be spent in a specified manner:</b>		
Unexpended at the close of the previous reporting period	30,844	25,829
<b>Add:</b> grants and contributions recognised in the current period but not yet spent:	16,392	12,941
<b>Less:</b> grants and contributions recognised in a previous reporting period now spent:	(23,982)	(7,926)
<b>Net increase (decrease) in restricted assets during the period</b>	<b>(7,590)</b>	<b>5,015</b>
<b>Unexpended and held as restricted assets</b>	<b>23,254</b>	<b>30,844</b>
<b>Comprising:</b>		
– Specific purpose unexpended grants	–	301
– Developer contributions	22,791	30,499
– Other contributions	463	44
	<b>23,254</b>	<b>30,844</b>

## North Sydney Council

## Notes to the Financial Statements

for the year ended 30 June 2017

## Note 4. Expenses from continuing operations

\$ '000	Notes	Actual 2017	Actual 2016
<b>(a) Employee benefits and on-costs</b>			
Salaries and wages		31,634	30,269
Travel expenses		331	337
Employee leave entitlements (ELE)		5,340	5,982
Superannuation – defined contribution plans		2,874	2,645
Superannuation – defined benefit plans		984	994
Workers' compensation insurance		672	647
Fringe benefit tax (FBT)		255	266
Training costs (other than salaries and wages)		301	390
Other		165	154
<b>Total employee costs</b>		<b>42,556</b>	<b>41,684</b>
Less: capitalised costs		(1,189)	(1,140)
<b>TOTAL EMPLOYEE COSTS EXPENSED</b>		<b>41,367</b>	<b>40,544</b>
Number of 'full-time equivalent' employees (FTE) at year end		<b>389</b>	<b>398</b>
<b>(b) Borrowing costs</b>			
<b>(i) Interest bearing liability costs</b>			
Interest on loans		302	277
<b>Total interest bearing liability costs expensed</b>		<b>302</b>	<b>277</b>
<b>(ii) Other borrowing costs</b>			
Nil			
<b>TOTAL BORROWING COSTS EXPENSED</b>		<b>302</b>	<b>277</b>

## North Sydney Council

## Notes to the Financial Statements

for the year ended 30 June 2017

## Note 4. Expenses from continuing operations (continued)

\$ '000	Notes	Actual 2017	Actual 2016
<b>(c) Materials and contracts</b>			
Raw materials and consumables		3,559	3,521
Contractor and consultancy costs			
– Aboriginal Heritage		31	111
– Agency Staff		1,191	1,423
– Cash Collection		412	393
– CBD Marketing		146	141
– Cleaning of Council Properties		350	334
– Community Transport		171	168
– Computer Hardware and Software Maintenance		1,298	1,244
– Drainage Maintenance		375	326
– Footpath Maintenance		967	646
– Graffiti Removal		125	134
– Internal Audit Program		78	68
– Mowing		1,024	979
– Other Infrastructure Maintenance		360	897
– Parking Meter Maintenance		1,061	843
– Parks, Gardens and Tree Maintenance		1,552	1,568
– Property Maintenance		4,310	4,901
– Property Management		304	311
– Public Events		665	515
– Roads Maintenance		739	832
– Waste and Recycling Collection		5,037	4,820
– Waste and Recycling Disposal		4,523	4,553
– Other		1,673	1,757
Consultancy		1,188	1,475
Auditors remuneration <sup>(1)</sup>		71	55
Infringement notice contract costs (SEINS)		1,006	1,036
Legal expenses:			
– Legal expenses: planning and development		989	535
– Legal expenses: debt recovery		23	31
– Legal expenses: other		931	804
<b>TOTAL MATERIALS AND CONTRACTS</b>		<b>34,159</b>	<b>34,421</b>
<b>1. Auditor remuneration</b>			
a. During the year, the following fees were incurred for services provided by the Auditor-General:			
<b>(i) Audit and other assurance services</b>			
– Audit and review of financial statements: Auditor-General		70	–
<b>Remuneration for audit and other assurance services</b>		<b>70</b>	<b>–</b>
<b>Total Auditor-General remuneration</b>		<b>70</b>	<b>–</b>
b. During the year, the following fees were incurred for services provided by the other Council's Auditors:			
<b>(i) Audit and other assurance services</b>			
– Audit and review of financial statements: Council's Auditor		–	55
– Audit of regulatory returns		1	–
<b>Remuneration for audit and other assurance services</b>		<b>1</b>	<b>55</b>
<b>Total remuneration of other Council's Auditors</b>		<b>1</b>	<b>55</b>
<b>Total Auditor remuneration</b>		<b>71</b>	<b>55</b>

## North Sydney Council

## Notes to the Financial Statements

for the year ended 30 June 2017

## Note 4. Expenses from continuing operations (continued)

\$ '000	Notes	Actual 2017	Actual 2016
<b>(d) Depreciation, amortisation and impairment</b>			
Plant and equipment		1,903	1,723
Office equipment		1,011	817
Furniture and fittings		440	465
Land improvements (depreciable)		454	387
Infrastructure:			
– Buildings – non-specialised		41	46
– Buildings – specialised		3,186	2,800
– Other structures		15	1
– Roads		3,658	3,667
– Footpaths		1,533	1,411
– Stormwater drainage		1,664	1,656
– Swimming pools		420	423
– Other Open Space / Recreational Assets		542	526
– Other infrastructure		1,495	1,197
Other assets			
– Heritage collections		40	35
– Library books		384	382
<b>Total gross depreciation and amortisation costs</b>		<b>16,786</b>	<b>15,536</b>
Less: capitalised costs		–	–
<b>Total depreciation and amortisation costs</b>		<b>16,786</b>	<b>15,536</b>
<b>Impairment</b>			
Nil			
<b><u>TOTAL DEPRECIATION AND IMPAIRMENT COSTS EXPENSED</u></b>		<b><u>16,786</u></b>	<b><u>15,536</u></b>

## North Sydney Council

## Notes to the Financial Statements

for the year ended 30 June 2017

## Note 4. Expenses from continuing operations (continued)

\$ '000	Notes	Actual 2017	Actual 2016
<b>(e) Other expenses</b>			
Advertising		122	363
Bad and doubtful debts		115	6
Bank charges		404	355
Community Recycling Centre Rent		217	–
Contributions/levies to other levels of government			
– Department of planning levy		258	251
– Emergency services levy (includes FRNSW, SES, and RFS levies)		1,365	1,362
– Land tax		33	63
Councillor expenses – mayoral fee		64	62
Councillor expenses – councillors' fees		239	233
Councillors' expenses (incl. mayor) – other (excluding fees above)		27	37
Donations, contributions and assistance to other organisations (Section 356)			
– Aboriginal Heritage Office		35	–
– Crows Nest Centre		376	383
– Crows Nest Mainstreet		–	16
– Neutral Bay Mainstreet		16	16
– North Sydney community centre		70	74
– Nutcote		54	33
– Other organisations		313	236
Electricity and heating		1,034	1,046
Fair value decrements – I,PP&E	9(a)	–	245
Insurance		1,913	1,851
NSW Local Government association membership		20	44
Postage		343	319
Street lighting		926	1,015
Telephone and communications		257	274
Valuation fees		72	68
Other		70	84
<b><u>TOTAL OTHER EXPENSES</u></b>		<b><u>8,343</u></b>	<b><u>8,436</u></b>

## North Sydney Council

## Notes to the Financial Statements

for the year ended 30 June 2017

## Note 5. Gains or losses from the disposal of assets

\$ '000	Notes	Actual 2017	Actual 2016
<b>Property</b> (excl. investment property)			
Proceeds from disposal – property		2,449	–
Less: carrying amount of property assets sold/written off		(7,009) <sup>(1)</sup>	(51)
<b>Net gain/(loss) on disposal</b>		<b>(4,560)</b>	<b>(51)</b>
<b>Plant and equipment</b>			
Proceeds from disposal – plant and equipment		1,171	1,204
Less: carrying amount of plant and equipment assets sold/written off		(1,021)	(1,128)
<b>Net gain/(loss) on disposal</b>		<b>150</b>	<b>76</b>
<b>Infrastructure</b>			
Less: carrying amount of infrastructure assets sold/written off		(784)	–
<b>Net gain/(loss) on disposal</b>		<b>(784)</b>	<b>–</b>
<b>Financial assets</b>			
Proceeds from disposal/redemptions/maturities – financial assets		39,055	47,445
Less: carrying amount of financial assets sold/redeemed/matured		(39,055)	(47,445)
<b>Net gain/(loss) on disposal</b>		<b>–</b>	<b>–</b>
<b>NET GAIN/(LOSS) ON DISPOSAL OF ASSETS</b>		<b>(5,194)</b>	<b>25</b>

<sup>(1)</sup> Includes the value of affordable housing units in a development at 10 Atchison Street, St Leonards contributed 'in-kind' by the developer during the year but written off as control of them has been transferred to Link Housing.

## North Sydney Council

## Notes to the Financial Statements

for the year ended 30 June 2017

## Note 6a. – Cash assets and Note 6b. – investments

\$ '000	Notes	2017 Actual Current	2017 Actual Non-current	2016 Actual Current	2016 Actual Non-current
<b>Cash and cash equivalents (Note 6a)</b>					
Cash on hand and at bank		626	–	498	–
Cash-equivalent assets <sup>1</sup>					
– Deposits at call		5,546	–	5,023	–
<b>Total cash and cash equivalents</b>		<b>6,172</b>	<b>–</b>	<b>5,521</b>	<b>–</b>
<b>Investments (Note 6b)</b>					
– Long term deposits		54,500	–	54,500	–
– NCD's, FRN's (with maturities > 3 months)		20,106	–	40,934	–
<b>Total investments</b>		<b>74,606</b>	<b>–</b>	<b>95,434</b>	<b>–</b>
<b>TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS</b>		<b>80,778</b>	<b>–</b>	<b>100,955</b>	<b>–</b>

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

**Cash, cash equivalents and investments were classified at year end in accordance with AASB 139 as follows:**

**Cash and cash equivalents**

a. 'At fair value through the profit and loss'	6,172	–	5,521	–
--	-------	---	-------	---

**Investments**

a. 'At fair value through the profit and loss'				
– 'Held for trading'	74,606	–	95,434	–
<b>Investments</b>	<b>74,606</b>	<b>–</b>	<b>95,434</b>	<b>–</b>

Refer to Note 27. Fair value measurement for information regarding the fair value of investments held.

## North Sydney Council

## Notes to the Financial Statements

for the year ended 30 June 2017

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

\$ '000	2017	2017	2016	2016
	Actual Current	Actual Non-current	Actual Current	Actual Non-current
Total cash, cash equivalents and investments	80,778	–	100,955	–
<b>attributable to:</b>				
External restrictions (refer below)	25,640	–	35,175	–
Internal restrictions (refer below)	49,806	–	52,834	–
Unrestricted	5,332	–	12,946	–
	<b>80,778</b>	<b>–</b>	<b>100,955</b>	<b>–</b>

2017 \$ '000	Opening balance	Transfers to restrictions	Transfers from restrictions	Closing balance
-----------------	--------------------	------------------------------	--------------------------------	--------------------

## Details of restrictions

## External restrictions – included in liabilities

Nil

## External restrictions – other

Developer contributions – general	(D)	30,499	9,004	(16,712)	22,791
RMS (formerly RTA) contributions	(E)	–	680	(680)	–
Specific purpose unexpended grants	(F)	301	5,928	(6,229)	–
Domestic waste management	(G)	2,413	9,553	(11,033)	933
Stormwater management	(G)	207	257	(455)	9
Environment levy		920	1,799	(1,783)	936
Infrastructure levy		299	1,639	(1,831)	107
Mainstreet levies		373	494	(512)	355
Other specific purpose contributions		44	1,762	(1,343)	463
Waste and sustainability improvement funds		119	157	(230)	46
<b>External restrictions – other</b>		<b>35,175</b>	<b>31,273</b>	<b>(40,808)</b>	<b>25,640</b>
<b>Total external restrictions</b>		<b>35,175</b>	<b>31,273</b>	<b>(40,808)</b>	<b>25,640</b>

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 (b))

G Domestic waste management (DWM) and 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 year ended 30 June 2017

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

2017 \$ '000	Opening balance	Transfers to restrictions	Transfers from restrictions	Closing balance
<b>Internal restrictions</b>				
Plant and vehicle replacement	1,567	4,077	(4,773)	871
Employees leave entitlement	8,877	10,818	(10,874)	8,821
Deposits, retentions and bonds	7,453	4,572	(3,076)	8,949
2 Anzac Avenue lease proceeds	10,727	–	(10,727)	–
Capital works	13,798	19,556	(13,160)	20,194
Community housing – capital purchases	1,034	–	(71)	963
Community housing – major maintenance	177	–	(101)	76
Income producing projects	6,548	607	(402)	6,753
Insurance	933	83	(16)	1,000
I.T. hardware and software	500	548	(944)	104
Loan principal	475	475	–	950
Property maintenance	745	2,040	(1,660)	1,125
<b>Total internal restrictions</b>	<b>52,834</b>	<b>42,776</b>	<b>(45,804)</b>	<b>49,806</b>
<b>TOTAL RESTRICTIONS</b>	<b>88,009</b>	<b>74,049</b>	<b>(86,612)</b>	<b>75,446</b>

## North Sydney Council

## Notes to the Financial Statements

for the year ended 30 June 2017

## Note 7. Receivables

\$ '000	Notes	2017		2016	
		Current	Non-current	Current	Non-current
<b>Purpose</b>					
Rates and annual charges		254	246	353	97
Interest and extra charges		29	62	18	50
User charges and fees		1,337	–	713	–
Accrued revenues					
– Interest on investments		1,429	–	1,740	–
– Other income accruals		2,149	–	931	–
Government grants and subsidies		2,554	–	899	–
Net GST receivable		1,123	–	1,171	–
Outstanding infringements		1,149	–	887	–
Other debtors		–	18	–	–
Other debtors		6	–	20	–
<b>Total</b>		<b>10,030</b>	<b>326</b>	<b>6,732</b>	<b>147</b>
<b>Less: provision for impairment</b>					
User charges and fees		(133)	–	(39)	–
<b>Total provision for impairment – receivables</b>		<b>(133)</b>	<b>–</b>	<b>(39)</b>	<b>–</b>
<b><u>TOTAL NET RECEIVABLES</u></b>		<b><u>9,897</u></b>	<b><u>326</u></b>	<b><u>6,693</u></b>	<b><u>147</u></b>
<b>Externally restricted receivables</b>					
Domestic waste management		101	2	108	–
Stormwater management		6	1	5	1
Other					
– Environmental levy		18	6	19	4
– Infrastructure levy		16	5	17	3
– Mainstreet levies		7	–	6	2
<b>Total external restrictions</b>		<b>148</b>	<b>14</b>	<b>155</b>	<b>10</b>
<b>Internally restricted receivables</b>					
Nil					
<b>Unrestricted receivables</b>		<b>9,749</b>	<b>312</b>	<b>6,538</b>	<b>137</b>
<b>TOTAL NET RECEIVABLES</b>		<b><u>9,897</u></b>	<b><u>326</u></b>	<b><u>6,693</u></b>	<b><u>147</u></b>

**Notes on debtors above:**

- (i) Rates and 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 and charges at 8.50% (2016 8.50%).  
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 year ended 30 June 2017

#### Note 8. Inventories and other assets

\$ '000	Notes	2017		2016	
		Current	Non-current	Current	Non-current
<b>(a) Inventories</b>					
<b>(i) Inventories at cost</b>					
Trading stock		46	–	43	–
<b>Total inventories at cost</b>		<b>46</b>	<b>–</b>	<b>43</b>	<b>–</b>
<b>(ii) Inventories at net realisable value (NRV)</b>					
Nil					
<b>TOTAL INVENTORIES</b>		<b>46</b>	<b>–</b>	<b>43</b>	<b>–</b>
<b>(b) Other assets</b>					
Prepayments		273	–	226	–
<b>TOTAL OTHER ASSETS</b>		<b>273</b>	<b>–</b>	<b>226</b>	<b>–</b>

#### Externally restricted assets

There are no restrictions applicable to the above assets.

#### Other disclosures

#### Inventory write downs

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

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

## North Sydney Council

## Notes to the Financial Statements

for the year ended 30 June 2017

## Note 9a. Infrastructure, property, plant and equipment

Asset class \$ '000	as at 30/6/2016			Asset movements during the reporting period								as at 30/6/2017		
	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount	Additions renewals	Additions new assets	Carrying value of disposals	Depreciation expense	WIP transfers	Adjustments and transfers	Reversal of prior period revaluation decrements to the P&L	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount
Capital work in progress	11,539	–	11,539	16,161	624	–	–	(3,028)	–	–	–	25,296	–	25,296
Plant and equipment	15,808	7,786	8,022	2,621	82	(1,021)	(1,903)	–	–	–	–	16,204	8,403	7,801
Office equipment	16,892	13,948	2,944	797	118	(59)	(1,011)	13	–	–	–	17,689	14,887	2,802
Furniture and fittings	7,312	4,389	2,923	1,169	21	(25)	(440)	39	–	–	–	8,499	4,812	3,687
<b>Land:</b>														
– Operational land	78,958	–	78,958	–	–	–	–	–	890	–	1,399	81,247	–	81,247
– Community land	150,397	–	150,397	–	–	–	–	–	(890)	245	6,514	156,266	–	156,266
Land improvements – depreciable	19,483	2,630	16,853	1,021	296	–	(454)	65	–	–	–	20,864	3,083	17,781
<b>Infrastructure:</b>														
– Buildings – non-specialised	2,194	1,572	622	–	–	–	(41)	–	–	–	–	2,194	1,613	581
– Buildings – specialised	165,282	80,663	84,619	1,096	7,826	(6,925)	(3,186)	722	–	–	–	168,001	83,849	84,152
– Other structures	39	2	37	510	131	–	(15)	529	–	–	–	1,209	17	1,192
– Roads	307,451	108,403	199,048	8,453	2,781	(590)	(3,658)	298	–	–	–	316,513	110,181	206,332
– Footpaths	76,090	31,458	44,632	3,611	4,678	(194)	(1,533)	82	–	–	–	84,098	32,822	51,276
– Stormwater drainage	191,504	65,115	126,389	1,100	1,218	–	(1,664)	56	–	–	–	193,877	66,778	127,099
– Swimming pools	25,012	14,285	10,727	81	–	–	(420)	–	–	–	–	25,093	14,705	10,388
– Other open space/recreational assets	10,872	7,435	3,437	363	–	–	(542)	–	–	–	–	11,236	7,978	3,258
– Other infrastructure	36,490	11,053	25,437	2,973	2,590	–	(1,495)	1,224	–	–	–	43,277	12,548	30,729
<b>Other assets:</b>														
– Heritage collections	2,209	750	1,459	66	2	–	(40)	–	–	–	–	2,277	790	1,487
– Library books	7,018	5,929	1,089	385	–	–	(384)	–	–	–	–	7,403	6,313	1,090
<b>TOTAL INFRASTRUCTURE, PROPERTY, PLANT AND EQUIP.</b>	<b>1,124,550</b>	<b>355,418</b>	<b>769,132</b>	<b>40,407</b>	<b>20,367</b>	<b>(8,814)</b>	<b>(16,786)</b>	<b>–</b>	<b>–</b>	<b>245</b>	<b>7,913</b>	<b>1,181,243</b>	<b>368,779</b>	<b>812,464</b>

Additions to buildings and infrastructure assets consist of asset renewals (\$33,764,000, of which \$15,577,000 are work in progress) and new assets (\$19,848,000, of which \$624,000 are work in progress)

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

Refer to Note 27. Fair value measurement for information regarding the fair value of other infrastructure, property, plant and equipment.

## North Sydney Council

### Notes to the Financial Statements for the year ended 30 June 2017

#### Note 9b. Externally restricted infrastructure, property, plant and equipment

---

\$ '000

---

Council has no externally restricted infrastructure, property, plant and equipment.

#### Note 9c. Infrastructure, property, plant and 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 year ended 30 June 2017

## Note 10a. Payables, borrowings and provisions

\$ '000	Notes	2017		2016	
		Current	Non-current	Current	Non-current
<b>Payables</b>					
Goods and services – operating expenditure		4,289	–	6,473	–
Goods and services – capital expenditure		5,439	–	6,846	–
Accrued expenses:					
– Borrowings		13	–	15	–
– Salaries and wages		376	–	270	–
– Other expenditure accruals		852	–	1,935	–
Security bonds, deposits and retentions		8,949	–	7,453	–
Other		391	–	336	–
<b>Total payables</b>		<b>20,309</b>	<b>–</b>	<b>23,328</b>	<b>–</b>
<b>Income received in advance</b>					
Payments received in advance		1,844	–	1,962	–
<b>Total income received in advance</b>		<b>1,844</b>	<b>–</b>	<b>1,962</b>	<b>–</b>
<b>Borrowings</b>					
Bank overdraft		–	–	220	–
Loans – secured <sup>1</sup>		–	9,500	–	9,500
<b>Total borrowings</b>		<b>–</b>	<b>9,500</b>	<b>220</b>	<b>9,500</b>
<b>Provisions</b>					
<b>Employee benefits:</b>					
Annual leave		3,632	–	3,586	–
Sick leave		100	–	142	–
Long service leave		8,424	189	8,446	205
Gratuities		3,641	–	3,709	–
Other leave – RDO's		52	–	51	–
<b>Total provisions</b>		<b>15,849</b>	<b>189</b>	<b>15,934</b>	<b>205</b>
<b>TOTAL PAYABLES, BORROWINGS AND PROVISIONS</b>		<b>38,002</b>	<b>9,689</b>	<b>41,444</b>	<b>9,705</b>
<b>(i) Liabilities relating to restricted assets</b>					
		2017		2016	
		Current	Non-current	Current	Non-current
<b>Externally restricted assets</b>					
Domestic waste management		923	2	1,698	3
Special rate levies		244	–	395	–
Better waste and recycling funds		1	–	23	–
Liabilities relating to externally restricted assets		1,168	2	2,116	3
<b>Internally restricted assets</b>					
Nil		–	–	–	–
<b>Total liabilities relating to restricted assets</b>		<b>1,168</b>	<b>2</b>	<b>2,116</b>	<b>3</b>
<b>Total liabilities relating to unrestricted assets</b>		<b>36,834</b>	<b>9,687</b>	<b>39,328</b>	<b>9,702</b>
<b>TOTAL PAYABLES, BORROWINGS AND PROVISIONS</b>		<b>38,002</b>	<b>9,689</b>	<b>41,444</b>	<b>9,705</b>

<sup>1</sup> Loans are secured over the general rating income of Council

Disclosures on liability interest rate risk exposures, fair value disclosures and security can be found in Note 15.

## North Sydney Council

## Notes to the Financial Statements

for the year ended 30 June 2017

## Note 10a. Payables, borrowings and provisions (continued)

\$ '000	Actual 2017	Actual 2016
<b>(ii) Current liabilities not anticipated to be settled within the next twelve months</b>		
The following liabilities, even though classified as current, are not expected to be settled in the next 12 months.		
Provisions – employees benefits	11,957	12,064
Payables – security bonds, deposits and retentions	6,303	5,243
	<b>18,260</b>	<b>17,307</b>

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

Class of provision	2016		2017			
	Opening balance as at 1/7/16	Additional provisions	Decrease due to payments	Remeasurement effects due to discounting	Unused amounts reversed	Closing balance as at 30/6/17
Annual leave	3,586	2,587	(2,541)	–	–	3,632
Sick leave	142	11	(53)	–	–	100
Long service leave	8,651	1,138	(1,176)	–	–	8,613
Other leave – RDO's	51	52	(51)	–	–	52
Gratuities	3,709	398	(466)	–	–	3,641
<b>TOTAL</b>	<b>16,139</b>	<b>4,186</b>	<b>(4,287)</b>	<b>–</b>	<b>–</b>	<b>16,038</b>

- a. Employees leave entitlements and 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 year ended 30 June 2017

## Note 11. Statement of cash flows – additional information

\$ '000	Notes	Actual 2017	Actual 2016
<b>(a) Reconciliation of cash assets</b>			
Total cash and cash equivalent assets	6a	6,172	5,521
Less bank overdraft	10	–	(220)
<b>Balance as per the Statement of Cash Flows</b>		<b>6,172</b>	<b>5,301</b>
<b>(b) Reconciliation of net operating result to cash provided from operating activities</b>			
<b>Net operating result from Income Statement</b>		<b>27,365</b>	<b>61,560</b>
<b>Adjust for non-cash items:</b>			
Depreciation and amortisation		16,786	15,536
Net losses/(gains) on disposal of assets		5,194	(25)
Non-cash capital grants and contributions		(6,925)	(34,321)
Reversal of prior period I,PP&E revaluation decrements costed direct to the P&L		(245)	–
Losses/(gains) recognised on fair value re-measurements through the P&L:			
– Investments classified as 'at fair value' or 'held for trading'		(227)	175
– Investment properties		(5,233)	(12,803)
– Write offs relating to the fair valuation of I,PP&E		–	245
Share of net (profits) or losses of associates/joint ventures		1	22
<b>+/- Movement in operating assets and liabilities and other cash items:</b>			
Decrease/(increase) in receivables		(3,477)	(1,007)
Increase/(decrease) in provision for doubtful debts		94	(4)
Decrease/(increase) in inventories		(3)	–
Decrease/(increase) in other assets		(47)	2
Increase/(decrease) in payables		(2,184)	2,368
Increase/(decrease) in accrued interest payable		(2)	15
Increase/(decrease) in other accrued expenses payable		(977)	1,531
Increase/(decrease) in other liabilities		1,433	1,858
Increase/(decrease) in employee leave entitlements		(101)	1,351
<b>Net cash provided from/(used in) operating activities from the Statement of Cash Flows</b>		<b>31,452</b>	<b>36,503</b>



## North Sydney Council

### Notes to the Financial Statements

for the year ended 30 June 2017

#### Note 11. Statement of cash flows – additional information (continued)

\$ '000	Notes	Actual 2017	Actual 2016
<b>(c) Non-cash investing and financing activities</b>			
S93F contributions 'in kind' <sup>(1)</sup>		6,925	–
Woolworths/Alexander Street Car Park site		–	34,321
<b>Total non-cash investing and financing activities</b>		<b>6,925</b>	<b>34,321</b>
<b>(d) Financing arrangements</b>			
<b>(i) Unrestricted access was available at balance date to the following lines of credit:</b>			
Bank overdraft facilities <sup>(2)</sup>		500	500
Credit cards/purchase cards		350	350
<b>Total financing arrangements</b>		<b>850</b>	<b>850</b>

(1) Fair value of affordable housing units in a development at 10 Atchison Street, St Leonards contributed 'in kind' by the developer.

(2) 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 and other payables are disclosed in Note 15.

#### **(ii) Secured loan liabilities**

Loans are secured by a mortgage over future years rate revenue only.

## North Sydney Council

### Notes to the Financial Statements

for the year ended 30 June 2017

#### Note 12. Commitments for expenditure

\$ '000	Notes	Actual 2017	Actual 2016
<b>(a) Capital commitments (exclusive of GST)</b>			
Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:			
<b>Property, plant and equipment</b>			
Buildings		1,667	2,927
Computer equipment		25	34
Computer software		–	10
Infrastructure		11,597	16,189
Library books		9	66
Other structures		37	594
Parking meters		258	266
Plant and equipment		392	366
Office Equipment		–	9
Parking Equipment		–	17
<b>Total commitments</b>		<b>13,985</b>	<b>20,478</b>
<b>These expenditures are payable as follows:</b>			
Within the next year		13,985	20,478
<b>Total payable</b>		<b>13,985</b>	<b>20,478</b>
<b>Sources for funding of capital commitments:</b>			
Unrestricted general funds		1,199	116
Sect 64 and 94 funds/reserves		274	1,134
Unexpended grants		50	56
Externally restricted reserves		461	174
Internally restricted reserves		11,956	18,551
Unexpended loans		45	447
<b>Total sources of funding</b>		<b>13,985</b>	<b>20,478</b>

#### Details of capital commitments

Upgrade of North Sydney CBD and the renewal of roads, footpaths, drainage and open space infrastructure.

#### (b) Finance lease commitments

Nil

#### (c) Operating lease commitments (non-cancellable)

Nil

#### (d) Investment property commitments

Nil

## North Sydney Council

## Notes to the Financial Statements

for the year ended 30 June 2017

## Note 13a(i). Statement of performance measurement – indicators (consolidated)

\$ '000	Amounts 2017	Indicator 2017	Prior periods		Benchmark
			2016	2015	
<b>Local government industry indicators – consolidated</b>					
<b>1. Operating performance ratio</b>					
Total continuing operating revenue <sup>(1)</sup> excluding capital grants and contributions less operating expenses	<u>8,375</u>	<b>7.66%</b>	1.46%	1.96%	>0.00%
Total continuing operating revenue <sup>(1)</sup> excluding capital grants and contributions	<u>109,332</u>				
<b>2. Own source operating revenue ratio</b>					
Total continuing operating revenue <sup>(1)</sup> excluding all grants and contributions	<u>102,643</u>	<b>80.31%</b>	63.67%	81.81%	>60.00%
Total continuing operating revenue <sup>(1)</sup>	<u>127,812</u>				
<b>3. Unrestricted current ratio</b>					
Current assets less all external restrictions <sup>(2)</sup>	<u>65,206</u>	<b>3.51x</b>	3.30x	4.95x	>1.5x
Current liabilities less specific purpose liabilities <sup>(3, 4)</sup>	<u>18,574</u>				
<b>4. Debt service cover ratio</b>					
Operating result <sup>(1)</sup> before capital excluding interest and depreciation/impairment/amortisation	<u>25,463</u>	<b>84.31x</b>	62.39x	0.00x	>2x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	<u>302</u>				
<b>5. Rates, annual charges, interest and extra charges outstanding percentage</b>					
Rates, annual and extra charges outstanding	<u>591</u>	<b>1.13%</b>	1.05%	0.74%	< 5%
Rates, annual and extra charges collectible	<u>52,085</u>				Metro <10% Rural
<b>6. Cash expense cover ratio</b>					
Current year's cash and cash equivalents plus all term deposits	<u>60,672</u>	<b>7.83 mths</b>	8.0 mths	12.3 mths	> 3 mths
Payments from cash flow of operating and financing activities	<u>7,753</u>				

## Notes

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

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

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

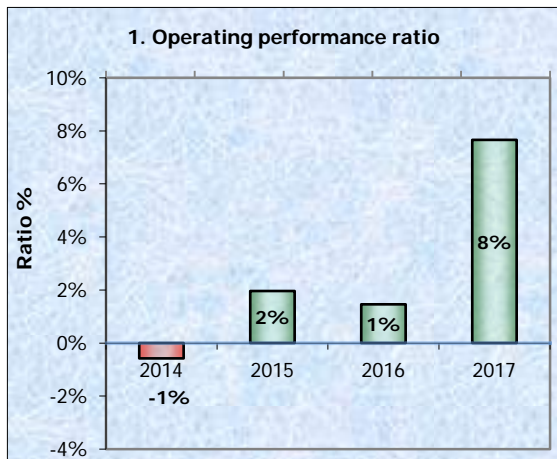
<sup>(3)</sup> Refer to Note 10(a).

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

# North Sydney Council

## Notes to the Financial Statements for the year ended 30 June 2017

### Note 13a(ii). Local government industry indicators – graphs (consolidated)



**Purpose of operating performance ratio**

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



**Commentary on 2016/17 result**

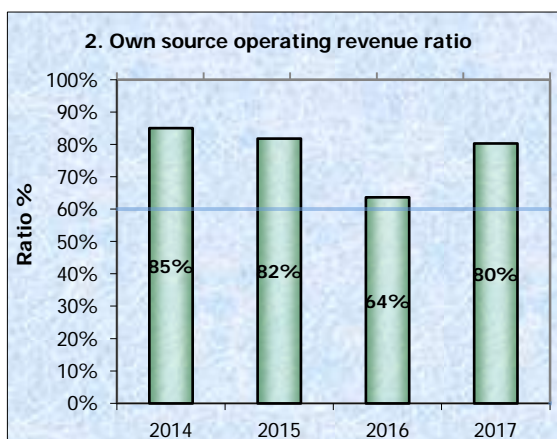
**2016/17 ratio 7.66%**

Excluding capital grants and contributions, fair value adjustments and losses from disposal of assets and the interest in the Shorelink Library Network joint venture, a \$8.4M operating surplus was achieved. Hence, this ratio was significantly better than the benchmark. On average, at least a breakeven result should be achieved over the long term to prevent a deterioration in the financial position.

Benchmark: ——— Minimum  $\geq 0.00\%$

Source for benchmark: Code of Accounting Practice and Financial Reporting #25

 Ratio achieves benchmark  
 Ratio is outside benchmark



**Purpose of own source operating revenue ratio**

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



**Commentary on 2016/17 result**

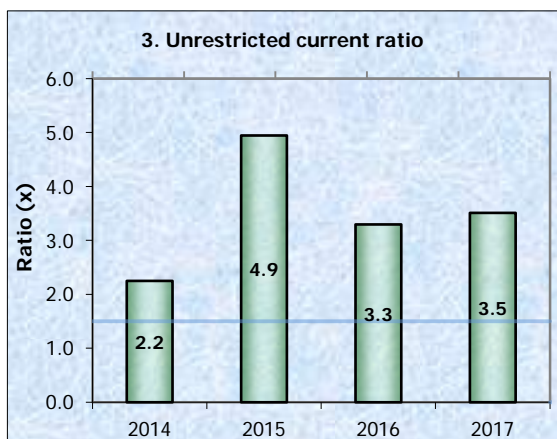
**2016/17 ratio 80.31%**

This ratio was better than the benchmark, as has been the case for many years. 80% of Council's operating revenue was derived from internal funding sources, i.e. other than from grants and contributions.

Benchmark: ——— Minimum  $\geq 60.00\%$

Source for benchmark: Code of Accounting Practice and Financial Reporting #25

 Ratio achieves benchmark  
 Ratio is outside benchmark



**Purpose of unrestricted current ratio**

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



**Commentary on 2016/17 result**

**2016/17 ratio 3.51x**

This ratio was significantly better than the benchmark considered satisfactory by the industry, as has been the case for many years. This is a reflection of Council's ongoing capacity to meet obligations for its unrestricted activities in the short term. At 30 June 2017, for every \$1 of current liabilities to be funded from unrestricted cash, \$3.51 was available from unrestricted current assets.

Benchmark: ——— Minimum  $\geq 1.50$

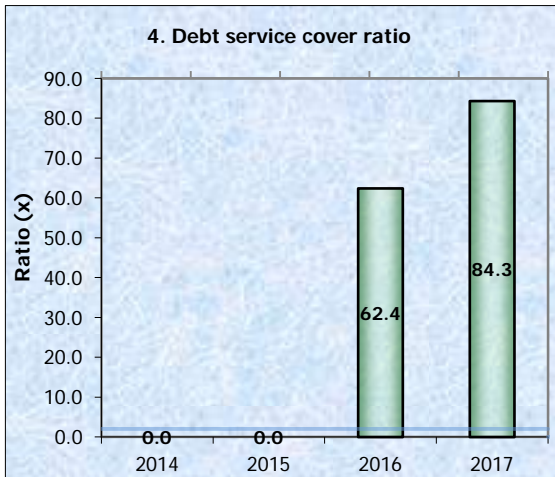
Source for benchmark: Code of Accounting Practice and Financial Reporting #25

 Ratio achieves benchmark  
 Ratio is outside benchmark

# North Sydney Council

## Notes to the Financial Statements for the year ended 30 June 2017

### Note 13a(ii). Local government industry indicators – graphs (consolidated)



**Purpose of debt service cover ratio**

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

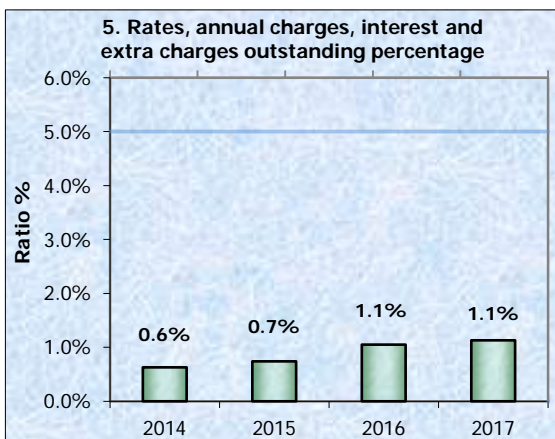
**Commentary on 2016/17 result**

**2016/17 ratio 84.31x**

This ratio was better than the benchmark for the second consecutive year. In 2015/16, Council borrowed \$9.5M with repayments consisting of interest only until 31 July 2018. Excluding capital grants and contributions, depreciation, fair value adjustments and losses from disposal of assets and the interest in the Shorelink Library Network joint venture, the net operating surplus was sufficient to cover annual interest payments 84.3 times.

Benchmark: — Minimum  $\geq 2.00$   
Source for benchmark: Code of Accounting Practice and Financial Reporting #25

Ratio achieves benchmark  
 Ratio is outside benchmark



**Purpose of rates and annual charges outstanding ratio**

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

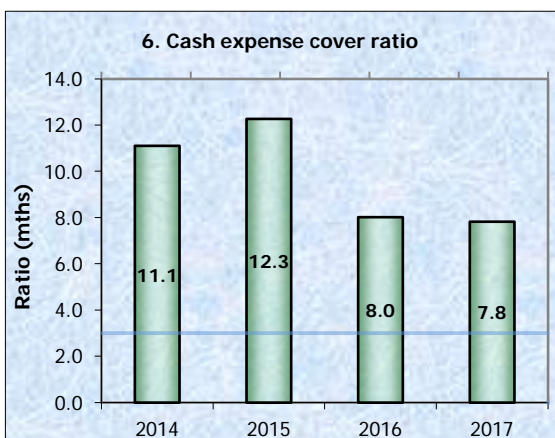
**Commentary on 2016/17 result**

**2016/17 ratio 1.13%**

While increasing slightly from the previous year, this ratio was still considerably better than the benchmark, as it has been for many years. This is a reflection of the ongoing effectiveness of Council's recovery efforts.

Benchmark: — Maximum  $< 5.00\%$   
Source for Benchmark: Code of Accounting Practice and Financial Reporting #25

Ratio is within Benchmark  
 Ratio is outside Benchmark



**Purpose of cash expense cover ratio**

This liquidity ratio indicates the number of months a Council can continue paying for its immediate expenses without additional cash inflow.

**Commentary on 2016/17 result**

**2016/17 ratio 7.83 mths**

This ratio was better than the benchmark, as has been the case for many years. At 30 June 2017, Council had sufficient cash and funds invested in term deposits which could be redeemed if required to continue paying for its immediate expenses for 7.8 months in the absence of any additional cash inflows.

Benchmark: — Minimum  $\geq 3.00$   
Source for benchmark: Code of Accounting Practice and Financial Reporting #25

Ratio achieves benchmark  
 Ratio is outside benchmark

## North Sydney Council

### Notes to the Financial Statements

for the year ended 30 June 2017

#### Note 14. Investment properties

\$ '000	Notes	Actual 2017	Actual 2016
<b>(a) Investment properties at fair value</b>			
<u>Investment properties on hand</u>		<u>97,623</u>	<u>92,390</u>
<b>Reconciliation of annual movement:</b>			
<b>Opening balance</b>		92,390	79,570
– Net gain/(loss) from fair value adjustments		5,233	12,803
– Other movements		–	17
<b>CLOSING BALANCE – INVESTMENT PROPERTIES</b>		<u><b>97,623</b></u>	<u><b>92,390</b></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 2017 revaluations were based on independent assessments made by:  
Mr Lawrence Rom 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 – Council as lessor

Details of leased investment properties are as follows;

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

Within 1 year	5,809	5,453
Later than 1 year but less than 5 years	12,407	12,162
Later than 5 years	16,195	16,303
<b>Total minimum lease payments receivable</b>	<u><b>34,411</b></u>	<u><b>33,918</b></u>

#### (e) Investment property income and expenditure – summary

<b>Rental income from investment properties:</b>		
– Minimum lease payments	6,139	5,851
<b>Direct operating expenses on investment properties:</b>		
– that generated rental income	(2,314)	(1,929)
<b>Net revenue contribution from investment properties</b>	<u><b>3,825</b></u>	<u><b>3,922</b></u>
plus:		
<b>Fair value movement for year</b>	5,233	12,803
<b>Total income attributable to investment properties</b>	<u><b>9,058</b></u>	<u><b>16,725</b></u>

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

## North Sydney Council

### Notes to the Financial Statements

for the year ended 30 June 2017

#### 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 and financial liabilities recognised in the financial statements is presented below.

	Carrying value		Fair value	
	2017	2016	2017	2016
<b>Financial assets</b>				
Cash and cash equivalents	6,172	5,521	6,172	5,521
Investments				
– 'Held for trading'	74,606	95,434	74,606	95,434
Receivables	10,223	6,840	10,223	6,840
<b>Total financial assets</b>	<b>91,001</b>	<b>107,795</b>	<b>91,001</b>	<b>107,795</b>
<b>Financial liabilities</b>				
Bank overdraft	–	220	–	220
Payables	20,309	23,328	20,309	23,328
Loans/advances	9,500	9,500	9,500	9,500
<b>Total financial liabilities</b>	<b>29,809</b>	<b>33,048</b>	<b>29,809</b>	<b>33,048</b>

Fair value is determined as follows:

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

Refer to Note 27. Fair value measurement for information regarding the fair value of financial assets and liabilities.

## North Sydney Council

### Notes to the Financial Statements

for the year ended 30 June 2017

#### Note 15. Financial risk management (continued)

\$ '000

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

Council's finance area manages the cash and Investments portfolio with the assistance of independent advisors.

Council has an investment policy which complies with the *Local Government Act 1993* and Minister's investment order. This policy is regularly reviewed by Council and it's staff and an investment report is tabled before Council on a monthly basis setting out the portfolio breakup and its performance.

The risks associated with the investments held are:

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

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

Council also seeks advice from independent advisers before placing any funds in cash equivalents and investments.

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

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

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

	Increase of values/rates		Decrease of values/rates	
	Profit	Equity	Profit	Equity
<b>2017</b>				
Possible impact of a 10% movement in market values	2,011	2,011	(2,011)	(2,011)
Possible impact of a 1% movement in interest rates	807	807	(807)	(807)
<b>2016</b>				
Possible impact of a 10% movement in market values	4,107	4,107	(4,107)	(4,107)
Possible impact of a 1% movement in interest rates	1,011	1,011	(1,011)	(1,011)



## North Sydney Council

### Notes to the Financial Statements

for the year ended 30 June 2017

#### Note 15. Financial risk management (continued)

\$ '000

##### (b) Credit risk

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

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

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

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

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

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

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

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

	2017 Rates and annual charges	2017 Other receivables	2016 Rates and annual charges	2016 Other receivables
<b>(i) Ageing of receivables – %</b>				
Current (not yet overdue)	51%	98%	78%	98%
Overdue	49%	2%	22%	2%
	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

		2017 Rates and annual charges	2017 Other receivables	2016 Rates and annual charges	2016 Other receivables
<b>(ii) Ageing of receivables – value</b>					
<b>Rates and annual charges</b>	<b>Other receivables</b>				
Current	Current	254	9,612	353	6,313
< 1 year overdue	0 – 30 days overdue	168	217	8	57
1 – 2 years overdue	31 – 60 days overdue	9	24	18	21
2 – 5 years overdue	61 – 90 days overdue	24	–	26	5
> 5 years overdue	> 91 days overdue	45	3	45	33
		<b>500</b>	<b>9,856</b>	<b>450</b>	<b>6,429</b>

##### (iii) Movement in provision for impairment of receivables

	2017	2016
Balance at the beginning of the year	39	43
+ new provisions recognised during the year	115	6
– amounts already provided for and written off this year	(21)	(10)
<b>Balance at the end of the year</b>	<b>133</b>	<b>39</b>

## North Sydney Council

### Notes to the Financial Statements

for the year ended 30 June 2017

#### Note 15. Financial risk management (continued)

\$ '000

##### (c) Liquidity risk

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

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

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

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

\$ '000	Subject to no maturity	payable in:						Total cash outflows	Actual carrying values
		≤ 1 Year	1-2 Yrs	2-3 Yrs	3-4 Yrs	4-5 Yrs	> 5 Yrs		
<b>2017</b>									
Trade/other payables	8,949	11,360	–	–	–	–	–	20,309	<b>20,309</b>
Loans and advances	–	300	9,544	–	–	–	–	9,844	<b>9,500</b>
<b>Total financial liabilities</b>	<b>8,949</b>	<b>11,660</b>	<b>9,544</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>30,153</b>	<b>29,809</b>
<b>2016</b>									
Bank overdraft	220	–	–	–	–	–	–	220	<b>220</b>
Trade/other payables	7,453	15,875	–	–	–	–	–	23,328	<b>23,328</b>
Loans and advances	–	326	326	9,527	–	–	–	10,179	<b>9,500</b>
<b>Total financial liabilities</b>	<b>7,673</b>	<b>16,201</b>	<b>326</b>	<b>9,527</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>33,727</b>	<b>33,048</b>

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

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

	2017		2016	
	Carrying value	Average interest rate	Carrying value	Average interest rate
Bank overdraft	–	8.21%	220	8.34%
Trade/other payables	20,309	0.00%	23,328	0.00%
Loans and advances – variable interest rate	9,500	2.45%	9,500	2.89%
	<b>29,809</b>		<b>33,048</b>	

## North Sydney Council

### Notes to the Financial Statements

for the year ended 30 June 2017

#### Note 16. Material budget variations

\$ '000

Council's original financial budget for 16/17 was adopted by the Council on 14 June 2016.

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

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

**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	2017 Budget	2017 Actual	2017 ----- Variance* -----	
<b>REVENUES</b>				
<b>Rates and annual charges</b>	<b>51,219</b>	<b>51,477</b>	<b>258</b>	1% <b>F</b>
<b>User charges and fees</b>	<b>23,878</b>	<b>29,814</b>	<b>5,936</b>	25% <b>F</b>
This income category was over budget due to greater than expected revenue from Hoarding Permit fees (\$2.2M), Construction Zone fees (\$1.7M), on-street parking fees (\$399K), off-street parking fees (\$159K), shop inspection fees (\$335K) and road and footpath reinstatement fees (\$272K).				
<b>Interest and investment revenue</b>	<b>2,030</b>	<b>3,561</b>	<b>1,531</b>	75% <b>F</b>
Council traditionally adopts a conservative approach when budgeting for returns from its investment portfolio. This, along with a greater than anticipated pool of funds available for investment due to delays in the completion of some capital projects, earlier than expected receipt of some developer contributions and the aforementioned increased revenue from user charges and fees generated significantly higher than expected interest and investment revenue.				
<b>Other revenues</b>	<b>17,463</b>	<b>23,496</b>	<b>6,033</b>	35% <b>F</b>
The main component of the budget variance in this income category was the increase in the fair value of Council's investment property portfolio. The budget allowed for a \$1.8M (1.8%) increase, whereas the actual increase was assessed to be \$5.2M (5%). In addition, unbudgeted revenue of \$1.1M was received as consideration for the right to manage a non-residential car park at Zig Zag Lane in Crows Nest. The recovery of legal fees (\$552K) and greater than expected revenue from parking enforcement (\$364K) and advertising on council infrastructure (\$238K) made up the majority of the remainder of the variance.				
<b>Operating grants and contributions</b>	<b>4,101</b>	<b>6,689</b>	<b>2,588</b>	63% <b>F</b>
The decisions of the Australian Government to bring forward the first two instalments of the estimated 2017/18 Financial Assistance Grant (\$1M) and to pay Council in advance the balance of its funding allocation from the Roads to Recovery Grant to 30 June 2019 (\$612K) were the main reasons for this variance. Other factors were the unbudgeted contributions received from Hunters Hill, Lane Cove, Ryde and Willoughby Councils to assist in funding a newly established Community Recycling Centre (\$325K), Ausgrid to assist in the relocation of an electricity substation kiosk in Ernest Place at Crows Nest (\$223K), the NSW Government to assist in the implementation of the Fire and Emergency Services Levy (\$129K) and \$295K towards an affordable housing project in Atchison Street at St Leonards.				

## North Sydney Council

## Notes to the Financial Statements

for the year ended 30 June 2017

## Note 16. Material budget variations (continued)

\$ '000	2017 Budget	2017 Actual	2017 Variance*		
<b>REVENUES (continued)</b>					
<b>Capital grants and contributions</b>	<b>6,198</b>	<b>18,480</b>	<b>12,282</b>	<b>198%</b>	<b>F</b>
Actual revenue from developer contributions exceeded the amount forecast by \$11.8M. This along with the receipt of unbudgeted contributions towards the upgrade of the Alexander Street Car Park (\$227K), construction of a raised pedestrian crossing and threshold outside Anzac Public School (\$143K) and reconstruction of a retaining wall in Alfred Street at North Sydney (\$125K) generated the variance in this income category.					
<b>Net gains from disposal of assets</b>	<b>270</b>	<b>–</b>	<b>(270)</b>	<b>(100%)</b>	<b>U</b>
During the year, control of nine affordable housing units at 10 Atchison Street in St Leonards was transferred to Link Housing. This necessitated the write-off of their combined fair value of \$6.9M which turned a forecast gain from the disposal of assets into a loss.					
<b>EXPENSES</b>					
<b>Employee benefits and on-costs</b>	<b>41,271</b>	<b>41,367</b>	<b>(96)</b>	<b>(0%)</b>	<b>U</b>
<b>Borrowing costs</b>	<b>338</b>	<b>302</b>	<b>36</b>	<b>11%</b>	<b>F</b>
This category of expenses was under budget due to a lower than anticipated interest rate applicable to Council's borrowings.					
<b>Materials and contracts</b>	<b>30,985</b>	<b>34,159</b>	<b>(3,174)</b>	<b>(10%)</b>	<b>U</b>
Higher than forecast legal expenses associated with the amalgamation challenge, North Sydney Public Inquiry and planning and development control, property maintenance costs and costs associated with the relocation of the electricity substation kiosk in Ernest Place at Crows Nest (a contribution towards which was received from Ausgrid) were the main reasons for the unfavourable variance in this category of expenses.					
<b>Depreciation and amortisation</b>	<b>16,543</b>	<b>16,786</b>	<b>(243)</b>	<b>(1%)</b>	<b>U</b>
<b>Other expenses</b>	<b>8,043</b>	<b>8,343</b>	<b>(300)</b>	<b>(4%)</b>	<b>U</b>
<b>Net losses from disposal of assets</b>	<b>–</b>	<b>5,194</b>	<b>(5,194)</b>	<b>0%</b>	<b>U</b>
During the year, control of nine affordable housing units at 10 Atchison Street in St Leonards was transferred to Link Housing. This necessitated the write-off of their combined fair value of \$6.9M which turned a forecast gain from the disposal of assets into a loss.					
<b>Joint ventures and associates – net losses</b>	<b>–</b>	<b>1</b>	<b>(1)</b>	<b>0%</b>	<b>U</b>
Council's share of the deficit incurred by the Shorelink Library Network joint venture was \$1K and this was not forecast in the Original Budget.					

**Budget variations relating to Council's Cash Flow Statement include:**

<b>Cash flows from operating activities</b>	<b>20,652</b>	<b>31,452</b>	<b>10,800</b>	<b>52.3%</b>	<b>F</b>
The aforementioned favourable variance in revenue from user charges and fees, interest and investment revenue, other revenues and grants and contributions all contributed to the favourable variance in cash flows from operating activities.					
<b>Cash flows from investing activities</b>	<b>(20,167)</b>	<b>(30,581)</b>	<b>(10,414)</b>	<b>51.6%</b>	<b>U</b>
Greater than expected cash inflows from operating activities reduced the reliance on the sale of investment securities to pay for capital expenditure. This resulted in larger than forecast net cash outflows from investing activities.					
<b>Cash flows from financing activities</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>0.0%</b>	<b>F</b>

## North Sydney Council

## Notes to the Financial Statements

for the year ended 30 June 2017

## Note 17. Statement of developer contributions

\$ '000

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

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

## SUMMARY OF CONTRIBUTIONS AND LEVIES

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Administration	350	136	–	3	–	–	489	–
Affordable Housing	3,650	–	–	18	(273)	–	3,395	–
Child Care	841	462	–	6	–	–	1,309	–
Community Centres	–	435	–	–	(32)	(403)	–	(1,209)
Indoor Sports Centre	–	86	–	–	–	(86)	–	(60)
Library Acquisitions	10	87	–	–	(62)	–	35	–
Library Premises & Equipment	–	270	–	–	(76)	(194)	–	(530)
Olympic Pool	–	279	–	–	–	(279)	–	(86)
Open Space Acquisitions	11,637	1,751	–	85	–	(2,996)	10,477	5,843
Open Space Increased Capacity	4,053	3,457	–	–	(11,140)	3,630	–	(3,630)
North Sydney Public Domain	3,592	413	–	–	(4,333)	328	–	(328)
Other Public Domain	231	124	–	2	–	–	357	–
St Leonards Public Domain	1,141	59	–	4	(460)	–	744	–
Traffic Improvements	975	137	–	5	(216)	–	901	–
<b>S94 contributions – under a plan</b>	<b>26,480</b>	<b>7,696</b>	<b>–</b>	<b>123</b>	<b>(16,592)</b>	<b>–</b>	<b>17,707</b>	<b>–</b>
<b>Total S94 revenue under plans</b>	<b>26,480</b>	<b>7,696</b>	<b>–</b>	<b>123</b>	<b>(16,592)</b>	<b>–</b>	<b>17,707</b>	<b>–</b>
S93F planning agreements	4,019	1,150	6,925	35	(120)	–	5,084	
<b>Total contributions</b>	<b>30,499</b>	<b>8,846</b>	<b>6,925</b>	<b>158</b>	<b>(16,712)</b>	<b>–</b>	<b>22,791</b>	<b>–</b>

## North Sydney Council

## Notes to the Financial Statements

for the year ended 30 June 2017

## 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	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Administration	350	136	–	3	–	–	489	–
Affordable Housing	3,650	–	–	18	(273)	–	3,395	–
Child Care	841	462	–	6	–	–	1,309	–
Community Centres	–	435	–	–	(32)	(403)	–	(1,209)
Indoor Sports Centre	–	86	–	–	–	(86)	–	(60)
Library Acquisitions	10	87	–	–	(62)	–	35	–
Library Premises & Equipment	–	270	–	–	(76)	(194)	–	(530)
Olympic Pool	–	279	–	–	–	(279)	–	(86)
Open Space Acquisitions	11,637	1,751	–	85	–	(2,996)	10,477	5,843
Open Space Increased Capacity	4,053	3,457	–	–	(11,140)	3,630	–	(3,630)
North Sydney Public Domain	3,592	413	–	–	(4,333)	328	–	(328)
Other Public Domain	231	124	–	2	–	–	357	–
St Leonards Public Domain	1,141	59	–	4	(460)	–	744	–
Traffic Improvements	975	137	–	5	(216)	–	901	–
<b>Total</b>	<b>26,480</b>	<b>7,696</b>	<b>–</b>	<b>123</b>	<b>(16,592)</b>	<b>–</b>	<b>17,707</b>	<b>–</b>

## North Sydney Council

### Notes to the Financial Statements

for the year ended 30 June 2017

#### Note 18. Contingencies and other assets/liabilities not recognised

\$ '000

The following assets and liabilities do not qualify for recognition in the Statement of Financial Position, but their knowledge and 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 its defined benefit scheme obligations in accordance with AASB 119.

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

###### (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 June this year may result in future liabilities or benefits as a result of past events that Council will be required to fund or share in respectively.

###### (iii) 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.

###### (ii) S94 Plans

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

## North Sydney Council

### Notes to the Financial Statements

for the year ended 30 June 2017

#### Note 18. Contingencies and other assets/liabilities not recognised (continued)

\$ '000

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

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

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

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

##### **(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.

##### **(iv) Legal Expenses**

Council is the planning authority for its area under the Environmental Planning and Assessment Act 1979. Pursuant to that Act, certain persons dissatisfied by a planning decision of the Council may appeal to the Land and Environment Court. It is the Court's normal practice in Class 1 proceedings that parties bear their own legal costs. In Class 4 proceedings, costs usually follow the event.

As at 30 June 2017, there were twelve (12) Land and Environment Court matters ongoing. Additionally, there

were two (2) Supreme Court matters to be determined and two (2) Local Court matters yet to be prosecuted. Of these matters, two (2) involved legal proceedings in respect of the challenge to Council amalgamations. All known costs have been recognised but the amount of further costs cannot be known until the appeals are determined.

##### **(v) Costs arising from the North Sydney Council Public Inquiry**

During the year, the State Government conducted a Public Inquiry into North Sydney Council. The Office of Local Government has notified Council of its intention to seek recovery of \$528,177.02 for the cost of the Inquiry from Council. As at 30 June 2017, an amendment to this amount was still being negotiated. As this had not been finalised, the liability arising from the cost has not been recognised.

##### **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 June 2008.

##### **(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 year ended 30 June 2017

#### Note 19. Interests in other entities

\$ '000

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

These operations and entities range from 100% ownership and control through to lower levels of ownership and control via co-operative arrangements with other councils, bodies and other outside organisations.

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

##### Controlled entities (subsidiaries)

*Note 19(a)*

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

##### Joint ventures and associates

*Note 19(b)*

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

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

##### Joint operations

*Note 19(c)*

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

##### Unconsolidated structured entities

*Note 19(d)*

Unconsolidated structured entities represent "special vehicles" that Council has an interest in but which are not controlled by Council and therefore not consolidated as a subsidiary, joint arrangement or associate. Attributes of structured entities include restricted activities, a narrow and well-defined objective and insufficient equity to finance its activities without financial support.

##### Subsidiaries, joint arrangements and associates not recognised

*Note 19(e)*

#### Accounting recognition:

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

(ii) Joint ventures and associates as per Note 19(b) 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 2017	Actual 2016	Actual 2017	Actual 2016
Joint ventures	(1)	(22)	33	34
Associates	—	—	—	—
<b>Total</b>	<b>(1)</b>	<b>(22)</b>	<b>33</b>	<b>34</b>

## North Sydney Council

### Notes to the Financial Statements

for the year ended 30 June 2017

#### Note 19. Interests in other entities (continued)

\$ '000

##### (a) Controlled entities (subsidiaries) – being entities and operations controlled by Council

Council has no interest in any controlled entities (subsidiaries).

##### (b) Joint ventures and associates

Council has incorporated the following joint ventures and associates into its consolidated financial statements.

##### (a) Net carrying amounts – Council's share

Name of entity	Nature of relationship	Measurement method	2017	2016
Shorelink Library Network	Joint Venture	Equity	33	34
<b>Total carrying amounts – material joint ventures and associates</b>			<b>33</b>	<b>34</b>

##### (b) Details

Name of entity	Principal activity	Place of business
Shorelink Library Network	Automation of regional public library services	North Sydney

##### (c) Relevant interests and fair values

Name of entity	Quoted fair value		Interest in outputs		Interest in ownership		Proportion of voting power	
	2017	2016	2017	2016	2017	2016	2017	2016
Shorelink Library Network	n/a	n/a	20.14%	19.61%	24.29%	24.29%	20.00%	20.00%

##### (d) Summarised financial information for joint ventures and associates

	Shorelink Library Network	
	2017	2016
<b>Statement of financial position</b>		
<b>Current assets</b>		
Cash and cash equivalents	224	220
Other current assets	7	–
<b>Non-current assets</b>	<b>8</b>	<b>6</b>
<b>Current liabilities</b>		
Other current liabilities	102	87
<b>Net assets</b>	<b>137</b>	<b>139</b>
<b>Reconciliation of the carrying amount</b>		
Opening net assets (1 July)	139	229
Profit/(loss) for the period	(2)	(90)
<b>Closing net assets</b>	<b>137</b>	<b>139</b>
<b>Council's share of net assets (%)</b>	<b>24.3%</b>	<b>24.3%</b>
<b>Council's share of net assets (\$)</b>	<b>33</b>	<b>34</b>

## North Sydney Council

### Notes to the Financial Statements

for the year ended 30 June 2017

#### Note 19. Interests in other entities (continued)

\$ '000

##### (b) Joint ventures and associates (continued)

##### (d) Summarised financial information for joint ventures and associates (cont'd)

	<b>Shorelink Library Network</b>	
	2017	2016
<b>Statement of comprehensive income</b>		
Income	646	614
Interest income	4	5
Depreciation and amortisation	(5)	(9)
Other expenses	(647)	(700)
<b>Profit/(loss) for period</b>	<b>(2)</b>	<b>(90)</b>
<b>Total comprehensive income</b>	<b>(2)</b>	<b>(90)</b>
<b>Share of income – Council (%)</b>	<b>20.1%</b>	<b>19.6%</b>
<b>Profit/(loss) – Council (\$)</b>	<b>(0)</b>	<b>(18)</b>
<b>Total comprehensive income – Council (\$)</b>	<b>(0)</b>	<b>(18)</b>

##### (c) Joint operations

Council has no interest in any joint operations.

##### (d) Unconsolidated structured entities

Council has no unconsolidated structured entities

##### (e) Subsidiaries, joint arrangements and associates not recognised

None.

## North Sydney Council

### Notes to the Financial Statements

for the year ended 30 June 2017

#### Note 20. Retained earnings, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors

\$ '000	Notes	Actual 2017	Actual 2016
<b>(a) Retained earnings</b>			
<b>Movements in retained earnings were as follows:</b>			
Balance at beginning of year (from previous years audited accounts)		748,511	686,951
a. Net operating result for the year		27,365	61,560
<b>Balance at end of the reporting period</b>		<b>775,876</b>	<b>748,511</b>
<b>(b) Revaluation reserves</b>			
<b>(i) Reserves are represented by:</b>			
– Infrastructure, property, plant and equipment revaluation reserve		177,873	169,960
<b>Total</b>		<b>177,873</b>	<b>169,960</b>
<b>(ii) Reconciliation of movements in reserves:</b>			
<b>Infrastructure, property, plant and equipment revaluation reserve</b>			
– Opening balance		169,960	169,960
– Revaluations for the year	9(a)	7,913	–
– <b>Balance at end of year</b>		<b>177,873</b>	<b>169,960</b>
<b>TOTAL VALUE OF RESERVES</b>		<b>177,873</b>	<b>169,960</b>

#### (iii) Nature and purpose of reserves

##### Infrastructure, property, plant and equipment revaluation reserve

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

#### (c) Correction of error/s relating to a previous reporting period

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

#### (d) Voluntary changes in accounting policies

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

#### Note 21. Financial result and financial position by fund

Council utilises only a general fund for its operations.

## North Sydney Council

### Notes to the Financial Statements

for the year ended 30 June 2017

#### Note 22. 'Held for sale' non-current assets and disposal groups

---

\$ '000

---

Council did not classify any non-current assets or disposal groups as 'held for sale'.

#### Note 23. Events occurring after the reporting date

---

Events that occur between the end of the reporting period (30 June 2017) 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 31/10/17.

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 2017.

**(ii) Events that provide evidence of conditions that arose after the reporting period**

These financial statements (and figures therein) do not incorporate any 'non-adjusting events' that have occurred after 30 June 2017 and which are only indicative of conditions that arose after 30 June 2017.

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

#### Note 24. Discontinued operations

---

Council has not classified any of its operations as 'discontinued'.

#### Note 25. Intangible assets

---

Intangible assets represent identifiable non-monetary assets 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 and 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 year ended 30 June 2017

#### Note 27. Fair value measurement

\$ '000

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

- Infrastructure, property, plant and equipment
- Investment property
- Financial assets and liabilities

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

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

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

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

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

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

2017	Date of latest valuation	Fair value measurement hierarchy			Total
		Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
<b>Recurring fair value measurements</b>					
<b>Financial assets</b>					
Investments					
– 'Held for trading'		54,500	20,106	–	74,606
<b>Total financial assets</b>		<b>54,500</b>	<b>20,106</b>	<b>–</b>	<b>74,606</b>
<b>Investment properties</b>					
Investment properties	30/06/17	–	97,623	–	97,623
<b>Total investment properties</b>		<b>–</b>	<b>97,623</b>	<b>–</b>	<b>97,623</b>
<b>Infrastructure, property, plant and equipment</b>					
Plant and equipment	30/06/17	–	–	7,801	7,801
Office equipment	30/06/17	–	–	2,802	2,802
Furniture and fittings	30/06/17	–	–	3,687	3,687
Operational land	30/06/13	–	–	81,247	81,247
Community land	30/06/18	–	–	156,266	156,266
Land improvements – depreciable	30/06/17	–	–	17,781	17,781
Buildings – non-specialised	30/06/13	–	–	581	581
Buildings – specialised	30/06/13	–	–	84,152	84,152
Other structures	30/06/17	–	–	1,192	1,192
Roads	30/06/15	–	–	206,332	206,332
Footpaths	30/06/15	–	–	51,276	51,276
Stormwater drainage	30/06/15	–	–	127,099	127,099
Swimming pools	30/06/13	–	–	10,388	10,388
Other open space/recreation assets	30/06/17	–	–	3,258	3,258
Other infrastructure assets	30/06/17	–	–	30,729	30,729
Heritage collections	30/06/17	–	–	1,487	1,487
Library books	30/06/17	–	–	1,090	1,090
<b>Total infrastructure, property, plant and equipment</b>		<b>–</b>	<b>–</b>	<b>787,168</b>	<b>787,168</b>

## North Sydney Council

## Notes to the Financial Statements

for the year ended 30 June 2017

## Note 27. Fair value measurement (continued)

\$ '000

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

2016	Date of latest valuation	Fair value measurement hierarchy			Total
		Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
<b>Recurring fair value measurements</b>					
<b>Financial assets</b>					
Investments – 'Held for trading'	30/06/16	54,500	40,934	–	95,434
<b>Total financial assets</b>		<b>54,500</b>	<b>40,934</b>	<b>–</b>	<b>95,434</b>
<b>Investment properties</b>					
Investment properties	30/06/16	–	92,390	–	92,390
<b>Total investment properties</b>		<b>–</b>	<b>92,390</b>	<b>–</b>	<b>92,390</b>
<b>Infrastructure, property, plant and equipment</b>					
Plant and equipment	30/06/16	–	–	8,022	8,022
Office equipment	30/06/16	–	–	2,944	2,944
Furniture and fittings	30/06/16	–	–	2,923	2,923
Operational land	30/06/13	–	–	78,958	78,958
Community land	30/06/16	–	–	150,397	150,397
Land improvements – depreciable	30/06/16	–	–	16,853	16,853
Buildings – non-specialised	30/06/13	–	–	622	622
Buildings – specialised	30/06/13	–	–	84,619	84,619
Other structures	30/06/16	–	–	37	37
Roads	30/06/15	–	–	199,048	199,048
Footpaths	30/06/15	–	–	44,632	44,632
Stormwater drainage	30/06/15	–	–	126,389	126,389
Swimming pools	30/06/13	–	–	10,727	10,727
Other open space/recreation assets	30/06/16	–	–	3,437	3,437
Other infrastructure assets	30/06/16	–	–	25,437	25,437
Heritage collections	30/06/16	–	–	1,459	1,459
Library books	30/06/16	–	–	1,089	1,089
<b>Total infrastructure, property, plant and equipment</b>		<b>–</b>	<b>–</b>	<b>757,593</b>	<b>757,593</b>

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

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

## North Sydney Council

### Notes to the Financial Statements

for the year ended 30 June 2017

#### Note 27. Fair value measurement (continued)

\$ '000

#### (3) Valuation techniques used to derive level 2 and level 3 fair values

Where Council is unable to derive fair valuations using quoted market prices of identical assets (ie. level 1 inputs) Council instead utilises a spread of both observable inputs (level 2 inputs) and unobservable inputs (level 3 inputs).

The fair valuation techniques Council has employed while utilising level 2 and level 3 inputs are as follows:

##### Investment properties

The market approach using level 2 inputs was used to value Council's investment properties.

##### Level 2 inputs:

- Quoted prices for similar assets in active markets
- Comparison of rate per square metre of floor area

The 2016 revaluations were based on Independent Assessments made by Mr Antony Mylott of Colliers International. There has been no change to the valuation process during the reporting period.

#### Infrastructure, property, plant and equipment (IPP&E)

##### Plant & Equipment

The cost approach using level 3 inputs was used to value Council's plant and equipment.

##### Level 3 inputs:

- Depreciated historic cost
- Useful life

##### Office Equipment

The cost approach using level 3 inputs was used to value Council's office equipment.

##### Level 3 inputs:

- Depreciated historic cost
- Useful life

##### Furniture & Fittings

The cost approach using level 3 inputs was used to value Council's furniture and fittings.

##### Level 3 inputs:

- Depreciated historic cost
- Useful life

##### Operational Land

The market approach using level 3 inputs was used to value Council's operational land.

##### Level 3 inputs:

- Rate per square metre from the sales evidence available

##### Community Land

The market approach using level 3 inputs was used to value Council's community land.

##### Level 3 inputs:

- Inputs to Valuer General valuations

##### Land Improvements - depreciable

The cost approach using level 3 inputs was used to value Council's depreciable land improvements.

##### Level 3 inputs:

- Depreciated historic cost
- Useful life



## North Sydney Council

### Notes to the Financial Statements

for the year ended 30 June 2017

#### Note 27. Fair value measurement (continued)

\$ '000

#### (3) Valuation techniques used to derive level 2 and level 3 fair values (continued)

##### Infrastructure, property, plant and equipment (IPP&E) (continued)

###### Non specialised buildings

The cost approach using level 3 inputs was used to value Council's non specialised buildings.

###### Level 3 inputs:

- Components
- Cost
- Residual value
- Useful life
- Asset condition

###### Specialised buildings

The cost approach using level 3 inputs was used to value Council's specialised buildings.

###### Level 3 inputs:

- Components
- Cost
- Residual value
- Useful life
- Asset condition

###### Roads

The cost approach using level 3 inputs was used to value Council's road assets.

###### Level 3 inputs:

- Unit rates
- Useful life
- Remaining life
- Residual value

###### Footpaths

The cost approach using level 3 inputs was used to value Council's footpath assets.

###### Level 3 inputs:

- Unit rates
- Useful life
- Remaining life
- Residual value

###### Stormwater Drainage

The cost approach using level 3 inputs was used to value Council's stormwater drainage assets.

###### Level 3 inputs:

- Unit rates
- Useful life
- Remaining life
- Residual value

###### Swimming Pools

The costs approach using level 3 inputs was used to value Council's swimming pools.

###### Level 3 inputs:

- Components
- Cost
- Residual value
- Useful life
- Asset condition

## North Sydney Council

### Notes to the Financial Statements

for the year ended 30 June 2017

#### Note 27. Fair value measurement (continued)

\$ '000

#### (3) Valuation techniques used to derive level 2 and level 3 fair values (continued)

##### Infrastructure, property, plant and equipment (IPP&E) (continued)

###### Open Space/Recreation Assets

The cost approach using level 3 inputs was used to value Council's open space/recreation assets.

###### Level 3 inputs:

- Depreciated historic cost
- Useful life

###### Other Infrastructure Assets

The cost approach using level 3 inputs was used to value Council's other infrastructure assets.

###### Level 3 inputs:

- Depreciated historic cost
- Useful life

###### Heritage Collections

The cost approach using level 3 inputs was used to value Council's heritage collections.

###### Level 3 inputs:

- Depreciated historic cost
- Useful life

###### Library Books

The cost approach using level 3 inputs was used to value Council's library books.

###### Level 3 inputs:

- Depreciated historic cost
- Useful life

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

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

	Plant and equipment	Office equipment	Furniture and fittings	Total
<b>Opening balance – 1/7/15</b>	6,989	2,714	2,871	12,574
Purchases (GBV)	3,884	1,047	517	5,448
Disposals (WDV)	(1,128)	–	–	(1,128)
Depreciation and impairment	(1,723)	(817)	(465)	(3,005)
<b>Closing balance – 30/6/16</b>	<b>8,022</b>	<b>2,944</b>	<b>2,923</b>	<b>13,889</b>
Purchases (GBV)	2,703	928	1,229	4,860
Disposals (WDV)	(1,021)	(59)	(25)	(1,105)
Depreciation and impairment	(1,903)	(1,011)	(440)	(3,354)
<b>Closing balance – 30/6/17</b>	<b>7,801</b>	<b>2,802</b>	<b>3,687</b>	<b>14,290</b>

## North Sydney Council

## Notes to the Financial Statements

for the year ended 30 June 2017

## Note 27. Fair value measurement (continued)

\$ '000

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

## a. The following tables present the changes in level 3 fair value asset classes. (continued)

	Operational land	Community land	Land improve- -ments depreciable	Buildings non specialised	Total
<b>Opening balance – 1/7/15</b>	62,008	148,353	15,890	632	226,883
Purchases (GBV)	16,950	2,289	1,350	36	20,625
Depreciation and impairment	–	–	(387)	(46)	(433)
FV losses – Income Statement <sup>1</sup>	–	(245)	–	–	(245)
<b>Closing balance – 30/6/16</b>	<b>78,958</b>	<b>150,397</b>	<b>16,853</b>	<b>622</b>	<b>246,830</b>
Purchases (GBV)	–	–	1,382	–	1,382
Depreciation and impairment	–	–	(454)	(41)	(495)
FV gains – other comprehensive income	1,399	6,514	–	–	7,913
FV gains – Income Statement <sup>1</sup>	–	245	–	–	245
<b>Closing balance – 30/6/17</b>	<b>81,247</b>	<b>156,266</b>	<b>17,781</b>	<b>581</b>	<b>255,875</b>
	Buildings specialised	Other structures	Roads	Footpaths	Total
<b>Opening balance – 1/7/15</b>	61,864	28	191,731	39,804	293,427
Purchases (GBV)	25,606	10	10,984	6,239	42,839
Disposals (WDV)	(51)	–	–	–	(51)
Depreciation and impairment	(2,800)	(1)	(3,667)	(1,411)	(7,879)
<b>Closing balance – 30/6/16</b>	<b>84,619</b>	<b>37</b>	<b>199,048</b>	<b>44,632</b>	<b>328,336</b>
Purchases (GBV)	9,644	1,170	11,532	8,371	30,717
Disposals (WDV)	(6,925)	–	(590)	(194)	(7,709)
Depreciation and impairment	(3,186)	(15)	(3,658)	(1,533)	(8,392)
<b>Closing balance – 30/6/17</b>	<b>84,152</b>	<b>1,192</b>	<b>206,332</b>	<b>51,276</b>	<b>342,952</b>

## North Sydney Council

## Notes to the Financial Statements

for the year ended 30 June 2017

## Note 27. Fair value measurement (continued)

\$ '000

**(4). Fair value measurements using significant unobservable inputs (level 3)** (continued)**a. The following tables present the changes in level 3 fair value asset classes.** (continued)

	Stormwater drainage	Swimming pools	Open space recreation assets	Other infrastructu- - re assets	Total
<b>Opening balance – 1/7/15</b>	125,207	11,097	2,639	21,640	160,583
Purchases (GBV)	2,838	53	1,324	4,994	9,209
Depreciation and impairment	(1,656)	(423)	(526)	(1,197)	(3,802)
<b>Closing balance – 30/6/16</b>	<b>126,389</b>	<b>10,727</b>	<b>3,437</b>	<b>25,437</b>	<b>165,990</b>
Purchases (GBV)	2,374	81	363	6,787	9,605
Depreciation and impairment	(1,664)	(420)	(542)	(1,495)	(4,121)
<b>Closing balance – 30/6/17</b>	<b>127,099</b>	<b>10,388</b>	<b>3,258</b>	<b>30,729</b>	<b>171,474</b>

	Heritage Collection	Library Books	Total
<b>Opening balance – 1/7/15</b>	1,060	1,066	2,126
Purchases (GBV)	434	405	839
Depreciation and impairment	(35)	(382)	(417)
<b>Closing balance – 30/6/16</b>	<b>1,459</b>	<b>1,089</b>	<b>2,548</b>
Purchases (GBV)	68	385	453
Depreciation and impairment	(40)	(384)	(424)
<b>Closing balance – 30/6/17</b>	<b>1,487</b>	<b>1,090</b>	<b>2,577</b>

**b. Information relating to the transfers into and out of the level 3 fair valuation hierarchy (as disclosed in the table above) includes:**

Nil

## North Sydney Council

Notes to the Financial Statements  
for the year ended 30 June 2017

## Note 27. Fair value measurement (continued)

\$ '000

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

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

The following table summarises the quantitative information relating to the significant unobservable inputs used in deriving the various level 3 asset class fair values.

Class	Fair value (30/6/17) \$'000	Valuation technique/s	Unobservable inputs
<b>I,PP&amp;E</b>			
Plant and equipment		Cost approach	Depreciated historic cost Useful life
Office equipment		Cost approach	Depreciated historic cost Useful life
Furniture and fittings		Cost approach	Depreciated historic cost Useful life
Operational land		Market approach	Rate per square metre
Community land		Market approach	Rate per square metre
Land improvements - depreciable		Cost approach	Depreciated historic cost Useful life
Buildings - non specialised		Cost approach	Components Cost Residual value Useful life Condition
Buildings - specialised		Cost approach	Components Cost Residual value Useful life Condition
Other Structures		Cost approach	Depreciated historic cost Useful life
Roads		Cost approach	Unit Rates Useful life Remaining life Residual Value

## North Sydney Council

## Notes to the Financial Statements

for the year ended 30 June 2017

## Note 27. Fair value measurement (continued)

\$ '000

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

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

Class	Fair value (30/6/17) \$'000	Valuation technique/s	Unobservable inputs
<b>I,PP&amp;E</b>			
Footpaths		Cost approach	Unit Rates Useful life Remaining life Residual Value
Stormwater drainage		Cost approach	Unit Rates Useful life Remaining life Residual Value
Swimming pools		Cost approach	Components Cost Residual value Useful life Condition
Other open space/recreation assets		Cost approach	Depreciated historic cost Useful life
Other infrastructure assets		Cost approach	Depreciated historic cost Useful life
Heritage collections		Cost approach	Depreciated historic cost Useful life
Library books		Cost approach	Depreciated historic cost Useful life

## (5). Highest and best use

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

## North Sydney Council

### Notes to the Financial Statements

for the year ended 30 June 2017

#### Note 28. Related party disclosures

\$ '000

##### a. Key management personnel

Key management personnel (KMP) of the council are those persons having the authority and responsibility for planning, directing and controlling the activities of the council, directly or indirectly. They are the Mayor, Councillors, Acting General Manager, Acting Director of Corporate Services, Director of City Strategy, Director of Community and Library Services, Director of Engineering and Property Services, Director of Open Space and Environmental Services and Acting Chief Operating Officer.

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

	Actual 2017
<b>Compensation:</b>	
Short-term benefits (salaries, Mayoral Allowance, Councillors fees)	2,224
Post-employment benefits (superannuation)	161
Other long-term benefits (increase in employee leave entitlements)	292
<b>Total</b>	<u><u>2,677</u></u>

##### b. Other transactions with KMP and their related parties

Council has determined that transactions at arm's length between KMP and Council as part of Council delivering a public service objective (e.g. access to library or Council swimming pool by KMP) will not be disclosed. No transactions have been declared by KMP.

##### c. Other related party transactions

Nil

## North Sydney Council

### Notes to the Financial Statements

for the year ended 30 June 2017

#### Note 29. Financial review

\$ '000

#### Key financial figures of Council over the past 5 years

<b>Financial performance figures</b>	<b>2017</b>	<b>2016</b>	2015	2014	2013
<b>Inflows:</b>					
Rates and annual charges revenue	<b>51,477</b>	49,000	46,336	43,550	40,789
User charges revenue	<b>29,814</b>	25,474	24,812	22,709	21,056
Interest and investment revenue (losses)	<b>3,561</b>	3,968	4,613	4,022	4,280
Grants income – operating and capital	<b>6,955</b>	5,095	3,922	2,939	3,553
Total income from continuing operations	<b>133,517</b>	160,796	116,219	120,157	104,748
Sale proceeds from I,PP&E	<b>3,620</b>	1,204	1,408	20,769	2,395
New loan borrowings and advances	–	9,500	–	–	–
<b>Outflows:</b>					
Employee benefits and on-cost expenses	<b>41,367</b>	40,544	38,756	35,559	34,811
Borrowing costs	<b>302</b>	277	–	–	–
Materials and contracts expenses	<b>34,159</b>	34,421	30,891	29,275	27,757
Total expenses from continuing operations	<b>106,152</b>	99,236	93,644	93,414	86,324
Total cash purchases of I,PP&E	<b>55,256</b>	49,249	30,582	23,902	14,568
Total loan repayments (incl. finance leases)	–	–	–	–	–
Operating surplus/(deficit) (excl. capital income)	<b>8,885</b>	13,856	7,032	15,329	14,981
<b>Financial position figures</b>	<b>2017</b>	<b>2016</b>	2015	2014	2013
Current assets	<b>90,994</b>	107,917	109,100	37,888	36,779
Current liabilities	<b>38,002</b>	41,444	33,575	28,734	25,976
Net current assets	<b>52,992</b>	66,473	75,525	9,154	10,803
Available working capital (Unrestricted net current assets)	<b>(5,585)</b>	(3,421)	(2,515)	(993)	(181)
Cash and investments – unrestricted	<b>5,332</b>	12,946	9,124	6,227	6,560
Cash and investments – internal restrictions	<b>49,806</b>	52,834	64,316	66,005	44,706
Cash and investments – total	<b>80,778</b>	100,955	103,141	95,618	71,595
Total borrowings outstanding (Loans, advances and finance leases)	<b>9,500</b>	9,720	172	–	–
Total value of I,PP&E (excl. land and earthworks)	<b>943,730</b>	895,195	832,542	748,451	734,488
Total accumulated depreciation	<b>368,779</b>	355,418	341,097	359,865	350,006
Indicative remaining useful life (as a % of GBV)	61%	60%	59%	52%	52%

**Source:** published audited financial statements of Council (current year and prior year)



## North Sydney Council

### Notes to the Financial Statements for the year ended 30 June 2017

#### Note 30. Council information and 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](http://www.northsydney.nsw.gov.au)

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

**Officers**

**GENERAL MANAGER**

Adrian Panuccio

**RESPONSIBLE ACCOUNTING OFFICER**

Darren Goode

**PUBLIC OFFICER**

Sandra Moore

**AUDITORS**

Hill Rogers  
Chartered Accountants  
Level 5, 1 Chifley Square  
Sydney NSW 2000

**Elected members**

**MAYOR**

Jilly Gibson

**COUNCILLORS**

Zoe Baker  
Stephen Barbour  
MaryAnn Beregi  
Dr Alanya Drummond  
Kathy Brodie  
Dr Alanya Drummond  
Samuel Gunning  
Jessica Keen  
Ian Mutton

**Other information**

**ABN:** 32 353 260 317



**INDEPENDENT AUDITOR'S REPORT**  
**Report on the general purpose financial statements**  
**North Sydney Council**

To the Councillors of the North Sydney Council

## **Opinion**

I have audited the accompanying financial statements of North Sydney Council (the Council), which comprise the statement of financial position as at 30 June 2017, the income statement, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the Statement by Councillors and Management.

In my opinion,

- the Council's accounting records have been kept in accordance with the requirements of the *Local Government Act 1993*, Chapter 13, Part 3, Division 2 (the Division)
- the financial statements:
  - have been presented, in all material respects, in accordance with the requirements of this Division
  - are consistent with the Council's accounting records
  - present fairly, in all material respects, the financial position of the Council as at 30 June 2017, and of its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards
- all information relevant to the conduct of the audit has been obtained
- no material deficiencies in the accounting records or financial statements have come to light during the audit.

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

## **Basis for Opinion**

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

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

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

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

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

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

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

### **Other Matter**

The financial statements of the Council for the year ended 30 June 2016 were audited by another auditor who expressed an unmodified opinion on that financial statement on 25 October 2016.

### **The Councillors' Responsibility for the Financial Statements**

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

In preparing the financial statements, the Councillors must assess the Council's ability to continue as a going concern except where the Council will be dissolved or amalgamated by an Act of Parliament. The assessment must disclose, as applicable, matters related to going concern and the appropriateness of using the going concern basis of accounting.

### **Auditor's Responsibility for the Audit of the Financial Statements**

My objectives are to:

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

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

A description of my responsibilities for the audit of the financial statements is located at the Auditing and Assurance Standards Board website at: [www.auasb.gov.au/auditors\\_responsibilities/ar3.pdf](http://www.auasb.gov.au/auditors_responsibilities/ar3.pdf). The description forms part of my auditor's report.

My opinion does *not* provide assurance:

- that the Council carried out its activities effectively, efficiently and economically
- on the Original Budget information included in the Income Statement, Statement of Cash Flows, Note 2(a) and Note 16 budget variation explanations
- on the attached Special Schedules
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented
- about any other information which may have been hyperlinked to/from the financial statements.



Weini Liao  
Director, Financial Audit Services

31 October 2017  
SYDNEY

Cr Jilly Gibson  
Mayor  
North Sydney Council  
PO Box 12  
NORTH SYDNEY NSW 2059

Contact: Weini Liao  
Phone no: 9275 7432  
Our ref: D1728628/1771

31 October 2017

Dear Mayor

**Report on the Conduct of the Audit  
for the year ended 30 June 2017  
North Sydney Council**





I have audited the general purpose financial statements of North Sydney Council (the Council) for the year ended 30 June 2017 as required by section 415 of the *Local Government Act 1993* (the Act).

I expressed an unmodified opinion on the Council's general purpose financial statements.

This Report on the Conduct of the Audit (the Report) for the Council for the year ended 30 June 2017 is issued in accordance with section 417 of the Act. This Report should be read in conjunction with my audit opinion on the general purpose financial statements issued under section 417(2) of the Act.

**INCOME STATEMENT**

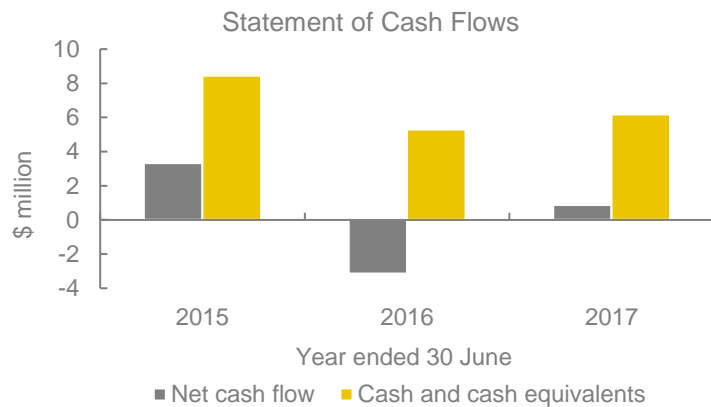
**Operating result**

	<b>2017</b>	<b>2016</b>	<b>Variance</b>
	<b>\$m</b>	<b>\$m</b>	<b>%</b>
<b>Rates and annual charges revenue</b>	51.5	49.0	5.1 
<b>Grants and contributions revenue</b>	25.2	53.8	(53.2) 
<b>Operating result for the year</b>	27.4	61.6	(55.5) 
<b>Net operating result before capital amounts</b>	8.9	13.9	(35.9) 

- The operating result from continuing activities decreased by \$34.2 million or 55.5 per cent. This was mainly due to the non-cash contribution of \$34.3 million received last year for the Alexander Street carpark.
- The net operating result before capital amounts decreased by \$5.0 million or 35.9 per cent. This was primarily driven by a \$5.2 million net loss in disposal of assets.
- Rates and annual charges revenue increased by \$2.5 million or 5.1 per cent. This movement is mainly attributable to the special variation increase of 5.5 per cent.
- Grants and contributions revenue decreased by \$28.6 million or 53.2 per cent. This movement was mainly due to the non-cash contribution of \$34.3 million received last year for the Alexander Street carpark.

## STATEMENT OF CASH FLOWS

- The Statement of Cash Flows illustrates the flow of cash and cash equivalents moving in and out of Council during the year and reveals that cash increased by \$871,000 to \$6.2 million at 30 June 2017.
- In addition to operating activities which contributed net cash inflow of \$31.5 million (2016: \$36.5 million), there were cash inflows from the sale of assets (\$3.6 million) and the disposal of investments securities (\$39.1 million). Cash outflows from operating activities were used to acquire investment securities (\$18 million), and purchase and construct assets (\$55.3 million).



## FINANCIAL POSITION

### Cash and Investments

Restricted Cash and Investments	2017	2016	Commentary
	\$m	\$m	
External restrictions	25.7	35.2	<ul style="list-style-type: none"> <li>○ Cash and investments amounts to \$80.8 million at 30 June 2017 (2016: \$100.9 million).</li> <li>○ The decrease is mainly due to \$8 million reduction in unspent developer contributions.</li> <li>○ Externally restricted cash and investments are restricted in their use by externally imposed requirements. These include unspent development contributions, domestic waste and stormwater management charges, environment, infrastructure and main street levies.</li> <li>○ Internally restricted cash and investments have been restricted in their use by resolution or policy of Council to reflect forward plans and identified programs of works. These aggregated to \$49.8 million and their purpose is fully disclosed in Note 6 of the financial statements.</li> <li>○ The Council's unrestricted cash and investments amounted to \$5.3 million, which is available to provide liquidity for day to day operations.</li> </ul>
Internal restrictions	49.8	52.8	
Unrestricted	5.3	12.9	
Cash and investments	80.8	100.9	

### Borrowings

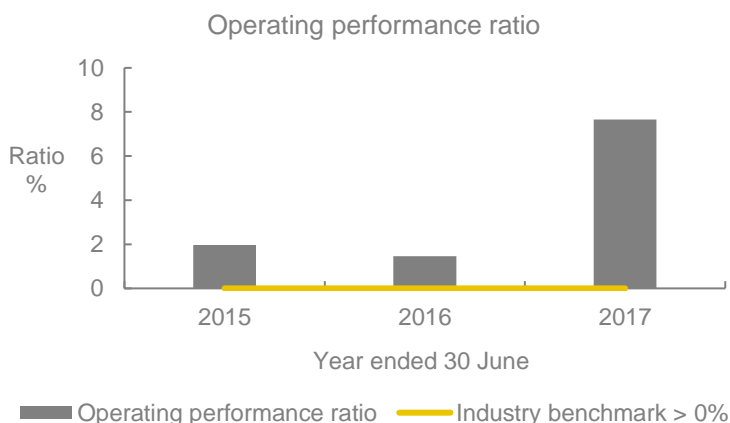
After paying interest of \$0.3 million during the financial year, total borrowing as at 30 June 2017 was \$9.5 million (2016: \$9.5 million).

## PERFORMANCE RATIOS

The definition of each ratio analysed below (except for the 'building and infrastructure renewals ratio') is included in Note 13 of the Council's audited general purpose financial statements. The 'building and infrastructure renewals ratio' is defined in Council's Special Schedule 7.

### Operating performance ratio

- Council's operating performance ratio of 7.7 per cent reflects a surplus in operating revenues over operating expenses and exceeded the OLG benchmark of greater than zero per cent.
- Council's operating performance ratio has remained positive over the last three years as increases in adjusted operating revenues exceeded increases in costs.

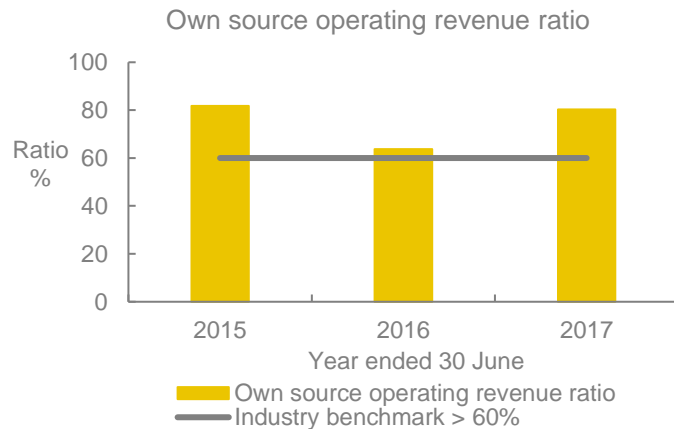


The 'operating performance ratio' measures how well council contained operating expenditure within operating revenue (excluding capital grants and contributions, fair value adjustments, and reversal of revaluation decrements). The benchmark set by the Office of Local Government (OLG) is greater than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

### Own source operating revenue ratio

- Council's own source operating revenue ratio of 80.3 per cent reflects a low level of reliance on externally sourced grant revenue and exceeded the OLG benchmark of greater than 60 per cent.
- The ratio is impacted by capital contributions of \$48.7 million received in 2016.

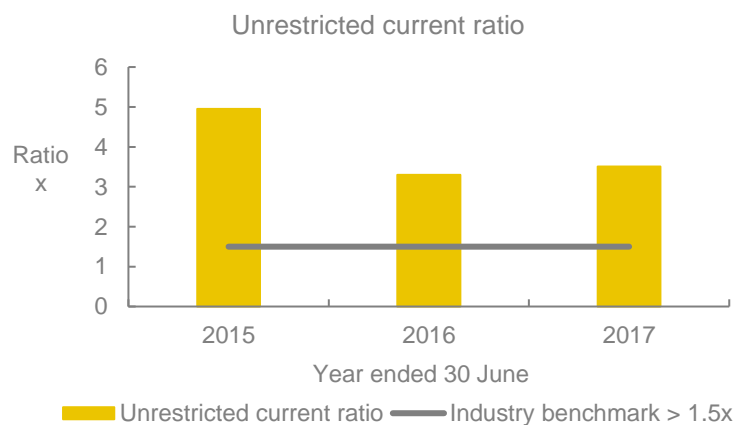
The 'own source operating revenue ratio' measures council's fiscal flexibility and the degree to which it relies on external funding sources such as operating grants and contributions. The benchmark set by OLG is greater than 60 per cent.



### Unrestricted current ratio

- This ratio indicates that Council currently has \$3.5 of unrestricted assets available to service every \$1.0 of its unrestricted current liabilities. This reflects an operating buffer for use in Council's operations and exceeded the OLG benchmark of greater than 1.5 times.
- The unrestricted current ratio excludes restricted assets held by Council, but restricted in use for a specific purpose.

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

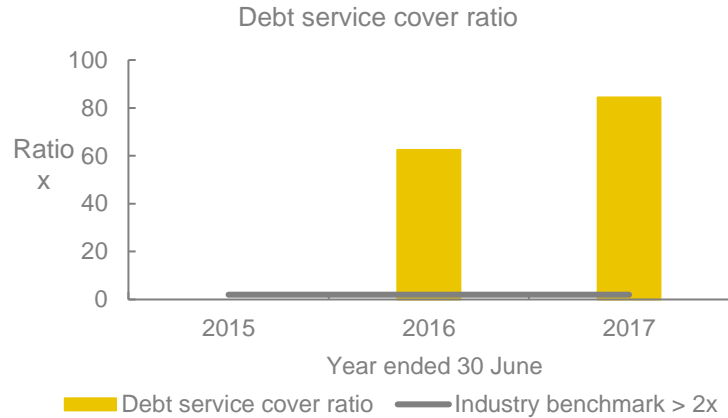




## Debt service cover ratio

- The ratio highlights the new borrowing last year and the comparatively low level of debt and debt servicing costs.
- The ratio of 84.1 greatly exceeds the benchmark of 2 and reflects the interest only terms of borrowing

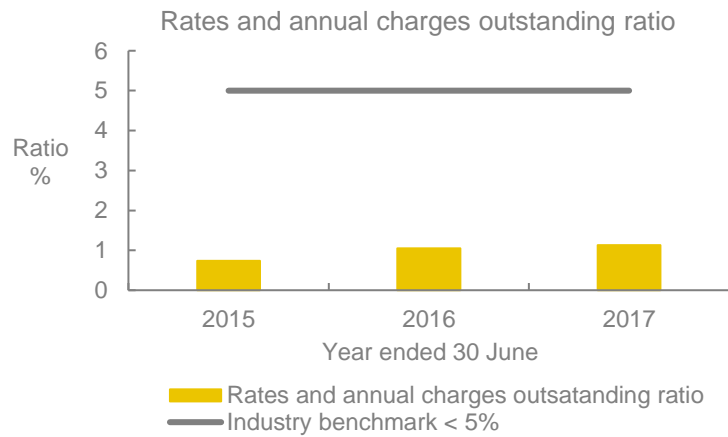
The 'debt service cover ratio' measures the operating cash to service debt including interest, principal and lease payments. The benchmark set by OLG is greater than two times.



## Rates and annual charges outstanding ratio

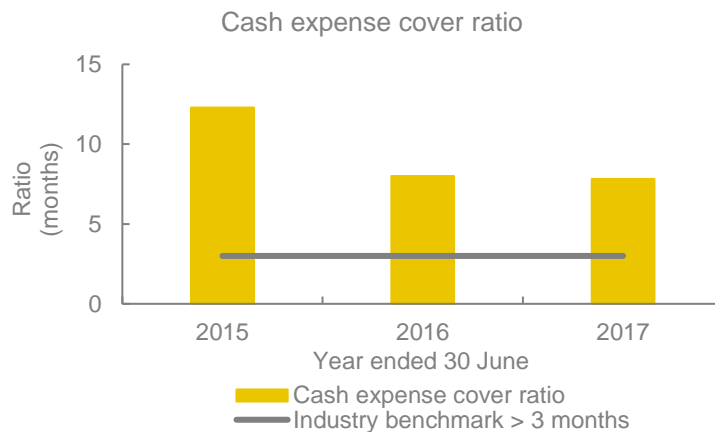
- Council's rates and annual charges outstanding ratio of 1.1 per cent exceeded the OLG benchmark of less than five per cent.
- Although the ratio has slightly increased over the past three years, the level of outstanding balance remains low at \$0.6 million at 30 June 2017.

The 'rates and annual charges outstanding ratio' assesses the impact of uncollected rates and annual charges on council's liquidity and the adequacy of debt recovery efforts. The benchmark set by OLG is below five per cent for metro councils.



## Cash expense cover ratio

- Council's cash expense cover ratio of 7.8 months exceeded the OLG benchmark of greater than three months.
- This reflects the substantial building up of cash and investment securities made over a number of years.
- Council's cash expense cover ratio has decreased over the past three years, utilising restricted funds for capital projects.



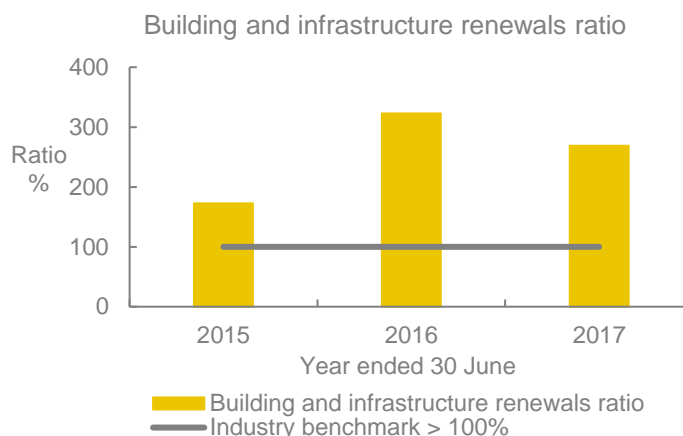
This liquidity ratio indicates the number of months the council can continue paying for its immediate expenses without additional cash inflow. The benchmark set by OLG is greater than three months.

## Building and infrastructure renewals ratio

- Council's building and infrastructure renewals ratio of 269 per cent was above the OLG benchmark of greater than 100 per cent.
- This reflects a continued investment in renewing council's existing infrastructure.

The 'building and infrastructure renewals ratio assesses the rate at which these assets are being renewed against the rate at which they are depreciating. The benchmark set by OLG is greater than 100 per cent.

This ratio is sourced from information contained in council's Special Schedule 7 which has not been audited.



## OTHER MATTERS

### New accounting standards implemented

#### AASB 124 'Related Party Disclosures'

Effective for annual reporting periods beginning on or 1 July 2016g

AASB 2015-6 extended the scope of AASB 124 to include not-for-profit public sector entities. As a result, Council's financial statements disclosed the:

- compensation paid to their key management personnel
- nature of their related party relationships
- amount and nature of their related party transactions, outstanding balances and commitments and outstanding balances (including commitments).

### Asset Revaluations

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

During the year, operational and community land were revalued. This resulted in a net increase of \$7.9 million in the Asset Revaluation Reserve.

## Legislative compliance

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

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



Weini Liao  
Director, Financial Audit Services

31 October 2017  
SYDNEY

cc: Mr Adrian Panuccio, Acting General Manager  
Mr Ron Switzer, Chair of the Audit and Risk Committee  
Tim Hurst, Acting Chief Executive of the Office of Local Government

# North Sydney Council

SPECIAL PURPOSE FINANCIAL STATEMENTS  
for the year ended 30 June 2017

---

progressive *vibrant* diverse



## North Sydney Council

### Special Purpose Financial Statements

for the year ended 30 June 2017

Contents	Page
<b>1. Statement by Councillors and Management</b>	2
<b>2. Special Purpose Financial Statements:</b>	
Income Statement – Water Supply Business Activity	n/a
Income Statement – Sewerage Business Activity	n/a
Income Statement – Other Business Activities	3
Statement of Financial Position – Water Supply Business Activity	n/a
Statement of Financial Position – Sewerage Business Activity	n/a
Statement of Financial Position – Other Business Activities	6
<b>3. Notes to the Special Purpose Financial Statements</b>	9
<b>4. Auditor’s Report</b>	13

---

#### Background

- (i) These Special Purpose Financial Statements have been prepared for the use by both Council and the Office of Local Government in fulfilling their requirements under National Competition Policy.
  - (ii) The principle of competitive neutrality is based on the concept of a 'level playing field' between persons/entities competing in a market place, particularly between private and public sector competitors.  
  
Essentially, the principle is that government businesses, whether Commonwealth, state or local, should operate without net competitive advantages over other businesses as a result of their public ownership.
  - (iii) For Council, the principle of competitive neutrality and public reporting applies only to declared business activities.  
  
These include **(a)** those activities classified by the Australian Bureau of Statistics as business activities being water supply, sewerage services, abattoirs, gas production and reticulation, and **(b)** those activities with a turnover of more than \$2 million that Council has formally declared as a business activity (defined as Category 1 activities).
  - (iv) In preparing these financial statements for Council's self-classified Category 1 businesses and ABS-defined activities, councils must **(a)** adopt a corporatisation model and **(b)** apply full cost attribution including tax-equivalent regime payments and debt guarantee fees (where the business benefits from Council's borrowing position by comparison with commercial rates).
-

## North Sydney Council

### Special Purpose Financial Statements

for the year ended 30 June 2017

### 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 and Costing for Council Businesses – A Guide to Competitive Neutrality',
- the Local Government Code of Accounting Practice and Financial Reporting,
- the NSW Office of Water Best-Practice Management of Water and Sewerage Guidelines.

**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 17 October 2017.**



Jilly Gibson  
Mayor



Stephen Barbour  
Councillor



Adrian Panuccio  
General manager



Darren Goode  
Responsible accounting officer

## North Sydney Council

## Income Statement of Council's Other Business Activities

for the year ended 30 June 2017

\$ '000	Commercial Properties		Waste Management	
	Category 1		Category 1	
	Actual 2017	Actual 2016	Actual 2017	Actual 2016
<b>Income from continuing operations</b>				
Access charges	–	–	10,443	10,081
User charges	–	–	1,104	1,026
Fees	–	–	393	388
Interest	–	–	–	–
Grants and contributions provided for non-capital purposes	–	–	41	42
Profit from the sale of assets	–	–	–	–
Share of profit from equity accounted investment	–	–	–	–
Other income	12,018	19,190	–	–
<b>Total income from continuing operations</b>	<b>12,018</b>	<b>19,190</b>	<b>11,981</b>	<b>11,537</b>
<b>Expenses from continuing operations</b>				
Employee benefits and on-costs	4	7	1,490	1,530
Borrowing costs	–	–	–	–
Materials and contracts	2,140	1,691	9,681	9,666
Depreciation, amortisation and impairment	275	251	–	–
Loss on sale of assets	–	–	–	–
Calculated taxation equivalents	731	597	42	39
Debt guarantee fee (if applicable)	–	–	–	–
Other expenses	753	757	33	35
<b>Total expenses from continuing operations</b>	<b>3,903</b>	<b>3,303</b>	<b>11,246</b>	<b>11,270</b>
<b>Surplus (deficit) from continuing operations before capital amounts</b>	<b>8,115</b>	<b>15,887</b>	<b>735</b>	<b>267</b>
Grants and contributions provided for capital purposes	–	–	–	–
<b>Surplus (deficit) from continuing operations after capital amounts</b>	<b>8,115</b>	<b>15,887</b>	<b>735</b>	<b>267</b>
Surplus (deficit) from discontinued operations	–	–	–	–
<b>Surplus (deficit) from all operations before tax</b>	<b>8,115</b>	<b>15,887</b>	<b>735</b>	<b>267</b>
Less: corporate taxation equivalent (30%) [based on result before capital]	(2,435)	(4,766)	(221)	(80)
<b>SURPLUS (DEFICIT) AFTER TAX</b>	<b>5,681</b>	<b>11,121</b>	<b>515</b>	<b>187</b>
Plus opening retained profits	101,119	84,147	(1,287)	1,308
Plus/less: prior period adjustments	–	–	–	–
Plus adjustments for amounts unpaid:				
– Taxation equivalent payments	731	597	42	39
– Debt guarantee fees	–	–	–	–
– Corporate taxation equivalent	2,435	4,766	221	80
<b>Add:</b>				
– Subsidy paid/contribution to operations	–	488	445	–
<b>Less:</b>				
– TER dividend paid	–	–	–	–
– Dividend paid	(5,231)	–	–	(2,901)
<b>Closing retained profits</b>	<b>104,734</b>	<b>101,119</b>	<b>(65)</b>	<b>(1,287)</b>
Return on capital %	112.9%	183.1%	n/a	n/a
Subsidy from Council	–	–	–	–

## North Sydney Council

## Income Statement of Council's Other Business Activities

for the year ended 30 June 2017

	Car Parking Services		North Sydney Function Centre	
	Category 1		Category 2	
\$ '000	Actual 2017	Actual 2016	Actual 2017	Actual 2016
<b>Income from continuing operations</b>				
Access charges	–	–	–	–
User charges	–	–	–	–
Fees	3,414	3,090	728	455
Interest	–	–	–	–
Grants and contributions provided for non-capital purposes	–	–	–	–
Profit from the sale of assets	–	–	–	–
Share of profit from equity accounted investment	–	–	–	–
Other income	–	–	–	–
<b>Total income from continuing operations</b>	<b>3,414</b>	<b>3,090</b>	<b>728</b>	<b>455</b>
<b>Expenses from continuing operations</b>				
Employee benefits and on-costs	240	176	330	236
Borrowing costs	–	–	–	–
Materials and contracts	692	563	459	297
Depreciation, amortisation and impairment	1,247	713	77	88
Loss on sale of assets	–	–	–	–
Calculated taxation equivalents	324	263	–	–
Debt guarantee fee (if applicable)	–	–	–	–
Other expenses	531	364	283	194
<b>Total expenses from continuing operations</b>	<b>3,034</b>	<b>2,079</b>	<b>1,149</b>	<b>815</b>
<b>Surplus (deficit) from continuing operations before capital amounts</b>	<b>380</b>	<b>1,011</b>	<b>(421)</b>	<b>(360)</b>
Grants and contributions provided for capital purposes	–	–	–	–
<b>Surplus (deficit) from continuing operations after capital amounts</b>	<b>380</b>	<b>1,011</b>	<b>(421)</b>	<b>(360)</b>
Surplus (deficit) from discontinued operations	–	–	–	–
<b>Surplus (deficit) from all operations before tax</b>	<b>380</b>	<b>1,011</b>	<b>(421)</b>	<b>(360)</b>
Less: corporate taxation equivalent (30%) [based on result before capital]	(114)	(303)	–	–
<b>SURPLUS (DEFICIT) AFTER TAX</b>	<b>266</b>	<b>708</b>	<b>(421)</b>	<b>(360)</b>
<b>Plus opening retained profits</b>	59,010	19,087	905	889
<b>Plus/less: prior period adjustments</b>	–	–	–	–
<b>Plus adjustments for amounts unpaid:</b>				
– Taxation equivalent payments	324	263	–	–
– Debt guarantee fees	–	–	–	–
– Corporate taxation equivalent	114	303	–	–
<b>Add:</b>				
– Subsidy paid/contribution to operations	–	38,649	659	376
<b>Less:</b>				
– TER dividend paid	–	–	–	–
– Dividend paid	(1,053)	–	–	–
<b>Closing retained profits</b>	<b>58,661</b>	<b>59,010</b>	<b>1,143</b>	<b>905</b>
<b>Return on capital %</b>	<b>0.5%</b>	<b>1.4%</b>	<b>-22.1%</b>	<b>-21.2%</b>
<b>Subsidy from Council</b>	<b>1,314</b>	<b>541</b>	<b>466</b>	<b>397</b>



## North Sydney Council

## Income Statement of Council's Other Business Activities

for the year ended 30 June 2017

Development  
Applications

Category 2

\$ '000	Actual 2017	Actual 2016
<b>Income from continuing operations</b>		
Access charges	–	–
User charges	–	–
Fees	1,463	1,639
Interest	–	–
Grants and contributions provided for non-capital purposes	–	–
Profit from the sale of assets	–	–
Share of profit from equity accounted investment	–	–
Other income	–	–
<b>Total income from continuing operations</b>	<b>1,463</b>	<b>1,639</b>
<b>Expenses from continuing operations</b>		
Employee benefits and on-costs	4,519	4,422
Borrowing costs	–	–
Materials and contracts	215	333
Depreciation, amortisation and impairment	–	–
Loss on sale of assets	–	–
Calculated taxation equivalents	213	204
Debt guarantee fee (if applicable)	–	–
Other expenses	633	682
<b>Total expenses from continuing operations</b>	<b>5,580</b>	<b>5,641</b>
<b>Surplus (deficit) from continuing operations before capital amounts</b>	<b>(4,117)</b>	<b>(4,002)</b>
Grants and contributions provided for capital purposes	–	–
<b>Surplus (deficit) from continuing operations after capital amounts</b>	<b>(4,117)</b>	<b>(4,002)</b>
Surplus (deficit) from discontinued operations	–	–
<b>Surplus (deficit) from all operations before tax</b>	<b>(4,117)</b>	<b>(4,002)</b>
Less: corporate taxation equivalent (30%) [based on result before capital]	–	–
<b>SURPLUS (DEFICIT) AFTER TAX</b>	<b>(4,117)</b>	<b>(4,002)</b>
<b>Plus opening retained profits</b>	(1,286)	(1,199)
<b>Plus/less: prior period adjustments</b>	–	–
<b>Plus adjustments for amounts unpaid:</b>		
– Taxation equivalent payments	213	204
– Debt guarantee fees	–	–
– Corporate taxation equivalent	–	–
<b>Add:</b>		
– Subsidy paid/contribution to operations	3,832	3,711
<b>Less:</b>		
– TER dividend paid	–	–
– Dividend paid	–	–
<b>Closing retained profits</b>	<b>(1,358)</b>	<b>(1,286)</b>
<b>Return on capital %</b>	n/a	n/a
<b>Subsidy from Council</b>	<b>4,117</b>	<b>4,002</b>

## North Sydney Council

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

as at 30 June 2017

\$ '000	Commercial Properties		Waste Management	
	Category 1		Category 1	
	Actual 2017	Actual 2016	Actual 2017	Actual 2016
<b>ASSETS</b>				
<b>Current assets</b>				
Cash and cash equivalents	–	–	933	712
Investments	–	–	–	–
Receivables	121	177	105	109
Inventories	–	–	–	–
Other	–	–	–	–
<b>Total Current Assets</b>	<b>121</b>	<b>177</b>	<b>1,038</b>	<b>821</b>
<b>Non-current assets</b>				
Investments	–	–	–	–
Receivables	–	–	–	–
Inventories	–	–	–	–
Infrastructure, property, plant and equipment	7,190	8,679	–	–
Investments accounted for using equity method	–	–	–	–
Investment property	97,623	92,392	–	–
Intangible assets	–	–	–	–
<b>Total non-current assets</b>	<b>104,813</b>	<b>101,071</b>	<b>–</b>	<b>–</b>
<b>TOTAL ASSETS</b>	<b>104,934</b>	<b>101,248</b>	<b>1,038</b>	<b>821</b>
<b>LIABILITIES</b>				
<b>Current liabilities</b>				
Bank overdraft	–	–	–	–
Payables	200	129	923	1,843
Income received in advance	–	–	–	–
Borrowings	–	–	–	–
Provisions	–	–	177	259
<b>Total current liabilities</b>	<b>200</b>	<b>129</b>	<b>1,100</b>	<b>2,102</b>
<b>Non-current liabilities</b>				
Payables	–	–	2	3
Borrowings	–	–	–	–
Provisions	–	–	1	3
<b>Total non-current liabilities</b>	<b>–</b>	<b>–</b>	<b>3</b>	<b>6</b>
<b>TOTAL LIABILITIES</b>	<b>200</b>	<b>129</b>	<b>1,103</b>	<b>2,108</b>
<b>NET ASSETS</b>	<b>104,734</b>	<b>101,119</b>	<b>(65)</b>	<b>(1,287)</b>
<b>EQUITY</b>				
Retained earnings	104,734	101,119	(65)	(1,287)
Revaluation reserves	–	–	–	–
Other reserves	–	–	–	–
Council equity interest	<b>104,734</b>	<b>101,119</b>	<b>(65)</b>	<b>(1,287)</b>
Non-controlling equity interest	–	–	–	–
<b>TOTAL EQUITY</b>	<b>104,734</b>	<b>101,119</b>	<b>(65)</b>	<b>(1,287)</b>

## North Sydney Council

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

as at 30 June 2017

\$ '000	Car Parking Services Category 1		North Sydney Function Centre Category 2	
	Actual 2017	Actual 2016	Actual 2017	Actual 2016
<b>ASSETS</b>				
<b>Current assets</b>				
Cash and cash equivalents	8	8	6	6
Investments	–	–	–	–
Receivables	22	11	17	8
Inventories	–	–	23	10
Other	–	–	–	–
<b>Total Current Assets</b>	<b>30</b>	<b>19</b>	<b>46</b>	<b>24</b>
<b>Non-current assets</b>				
Investments	–	–	–	–
Receivables	–	–	–	–
Inventories	–	–	–	–
Infrastructure, property, plant and equipment	71,178	71,533	1,906	1,702
Investments accounted for using equity method	–	–	–	–
Investment property	–	–	–	–
Intangible assets	–	–	–	–
<b>Total non-current assets</b>	<b>71,178</b>	<b>71,533</b>	<b>1,906</b>	<b>1,702</b>
<b>TOTAL ASSETS</b>	<b>71,208</b>	<b>71,552</b>	<b>1,952</b>	<b>1,726</b>
<b>LIABILITIES</b>				
<b>Current liabilities</b>				
Bank overdraft	–	–	–	–
Payables	127	126	–	–
Income received in advance	–	–	–	–
Borrowings	–	–	–	–
Provisions	76	72	52	64
<b>Total current liabilities</b>	<b>203</b>	<b>198</b>	<b>52</b>	<b>64</b>
<b>Non-current liabilities</b>				
Payables	–	–	–	–
Borrowings	–	–	–	–
Provisions	1	1	1	1
<b>Total non-current liabilities</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>1</b>
<b>TOTAL LIABILITIES</b>	<b>204</b>	<b>199</b>	<b>53</b>	<b>65</b>
<b>NET ASSETS</b>	<b>71,004</b>	<b>71,353</b>	<b>1,899</b>	<b>1,661</b>
<b>EQUITY</b>				
Retained earnings	58,661	59,010	1,143	905
Revaluation reserves	12,343	12,343	756	756
Other reserves	–	–	–	–
Council equity interest	<b>71,004</b>	<b>71,353</b>	<b>1,899</b>	<b>1,661</b>
Non-controlling equity interest	–	–	–	–
<b>TOTAL EQUITY</b>	<b>71,004</b>	<b>71,353</b>	<b>1,899</b>	<b>1,661</b>

## North Sydney Council

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

as at 30 June 2017

## Development Applications

## Category 2

\$ '000	Actual 2017	Actual 2016
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	–	–
Investments	–	–
Receivables	–	–
Inventories	–	–
Other	–	–
<b>Total Current Assets</b>	<b>–</b>	<b>–</b>
<b>Non-current assets</b>		
Investments	–	–
Receivables	–	–
Inventories	–	–
Infrastructure, property, plant and equipment	–	–
Investments accounted for using equity method	–	–
Investment property	–	–
Intangible assets	–	–
<b>Total non-current assets</b>	<b>–</b>	<b>–</b>
<b>TOTAL ASSETS</b>	<b>–</b>	<b>–</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Bank overdraft	–	–
Payables	28	–
Income received in advance	–	–
Borrowings	–	–
Provisions	1,313	1,268
<b>Total current liabilities</b>	<b>1,341</b>	<b>1,268</b>
<b>Non-current liabilities</b>		
Payables	–	–
Borrowings	–	–
Provisions	17	18
<b>Total non-current liabilities</b>	<b>17</b>	<b>18</b>
<b>TOTAL LIABILITIES</b>	<b>1,358</b>	<b>1,286</b>
<b>NET ASSETS</b>	<b>(1,358)</b>	<b>(1,286)</b>
<b>EQUITY</b>		
Retained earnings	(1,358)	(1,286)
Revaluation reserves	–	–
Other reserves	–	–
Council equity interest	(1,358)	(1,286)
Non-controlling equity interest	–	–
<b>TOTAL EQUITY</b>	<b>(1,358)</b>	<b>(1,286)</b>

## North Sydney Council

### Special Purpose Financial Statements

for the year ended 30 June 2017

#### 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 year ended 30 June 2017

#### Note 1. Significant accounting policies

A statement summarising the supplemental accounting policies adopted in the preparation of the Special Purpose Financial Statements (SPFS) for National Competition Policy (NCP) reporting purposes follows.

These financial statements are SPFS prepared for use by Council and the Office of Local Government. For the purposes of these statements, the Council is a non-reporting not-for-profit entity.

The figures presented in these Special Purpose Financial Statements have been prepared in accordance with the recognition and measurement criteria of relevant Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board (AASB) and Australian Accounting Interpretations.

The disclosures in these Special Purpose Financial Statements have been prepared in accordance with the Local Government Act 1993 (NSW), the Local Government (General) Regulation, and the Local Government Code of Accounting Practice and Financial Reporting.

The statements are prepared on an accruals basis. They are based on historic costs and do not take into account changing money values or, except where specifically stated, current values of non-current assets. 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' in 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 NSW government policy statement titled 'Application of National Competition Policy to Local Government'.

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

The pricing and costing guidelines outline the process for identifying and allocating costs to

activities and provide a standard for 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 and 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)

- a. North Sydney Oval Function Centre**  
*Bar and catering facilities for hire to the public and members.*
- b. 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 thousand dollars.

#### (i) Taxation-equivalent charges

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

## North Sydney Council

### Notes to the Special Purpose Financial Statements for the year ended 30 June 2017

#### Note 1. Significant accounting policies (continued)

However, where Council does not pay some taxes which are generally paid by private sector businesses, such as income tax, these equivalent tax payments have been applied to all Council-nominated business activities and are reflected in Special Purpose 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 **\$549,000** of combined land values attracts **0%**. For that valued from \$549,001 to \$3,357,000 the rate is **1.6% + \$100**. For the remaining combined land value that exceeds \$3,357,000, a premium marginal rate of **2.0%** applies.

Payroll tax – **5.45%** on the value of taxable salaries and wages in excess of \$750,000.

#### Income tax

An income tax equivalent has been applied on the profits of the business activities.

Whilst income tax is not a specific cost for the purpose of pricing a good or service, it needs to be taken into account 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 gain/ (loss) from ordinary activities before capital amounts has been achieved.

Since the taxation equivalent is notional – that is, it is payable to 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 the SPFS.

The 30% rate applied is the equivalent company tax rate prevalent as at balance date. No adjustments have been made for variations that have occurred during the year.

#### Local government rates and 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 and 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 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 when 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 Council in any given financial year.

The overall effect of subsidies is contained within the Income Statement of each reported business activity.

#### (iii) Return on investments (rate of return)

The NCP 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'.

## North Sydney Council

### Notes to the Special Purpose Financial Statements for the year ended 30 June 2017

#### Note 1. Significant accounting policies (continued)

---

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

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

The rate of return 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 2.38% at 30/6/17.

#### **(iv) Dividends**

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





## INDEPENDENT AUDITOR'S REPORT

### Report on the special purpose financial statements

#### North Sydney Council

To the Councillors of the North Sydney Council

### Opinion

I have audited the accompanying special purpose financial statements (the financial statements) of North Sydney Council's (the Council) Declared Business Activities, which comprise the statement of financial position of each Declared Business Activity as at 30 June 2017, the income statement of each Declared Business Activity for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information for the Business Activities declared by Council, and the Statement by Councillors and Management.

The Declared Business Activities of the Council are:

- Commercial properties
- Waste management
- Car parking services
- North Sydney function centre
- Development applications.

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Council's declared Business Activities as at 30 June 2017, and their financial performance for the year then ended, in accordance with the Australian Accounting Standards described in Note 1 and the Local Government Code of Accounting Practice and Financial Reporting (LG Code).

My opinion should be read in conjunction with the rest of this report and in particular, the Emphasis of Matter referring to the basis of accounting.

### Basis for Opinion

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

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

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

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

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

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

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

### **Emphasis of Matter - Basis of Accounting**

Without modifying my opinion, I 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 Council's financial reporting responsibilities under the LG Code. As a result, the financial statements may not be suitable for another purpose.

### **Other Matter**

The financial statements of the Council for the year ended 30 June 2016 were audited by another auditor who expressed an unmodified opinion on that financial statement on 25 October 2016.

### **The Councillors' Responsibility for the Financial Statements**

The Councillors are responsible for the preparation and fair presentation of the financial statements and for determining that the accounting policies, described in Note 1 to the financial statements, are appropriate to meet the requirements in the LG Code. The Councillors' responsibility also includes such internal control as the Councillors determine is necessary to enable the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Councillors must assess the Council's ability to continue as a going concern except where the Council will be dissolved or amalgamated by an Act of Parliament. The assessment must disclose, as applicable, matters related to going concern and the appropriateness of using the going concern basis of accounting, as it affects the Council's Declared Business Activities.

### **Auditor's Responsibility for the Audit of the Financial Statements**

My objectives are to:

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

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

A description of my responsibilities for the audit of the financial statements is located at the Auditing and Assurance Standards Board website at:

[http://www.auasb.gov.au/auditors\\_responsibilities/ar4.pdf](http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf).

The description forms part of my auditor's report.

My opinion does not provide assurance:

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

A handwritten signature in blue ink, appearing to be 'W. Liao', with a vertical line extending downwards from the end of the signature.

Weini Liao  
Director, Financial Audit Services

31 October 2017  
SYDNEY

# North Sydney Council

SPECIAL SCHEDULES

for the year ended 30 June 2017

---

progressive *vibrant* diverse



# North Sydney Council

## Special Schedules

for the year ended 30 June 2017

### Contents

Page

#### Special Schedules<sup>1</sup>

<b>Special Schedule 1</b>	Net Cost of Services	2
<b>Special Schedule 2(a)</b>	Statement of Long Term Debt (all purposes)	4
<b>Special Schedule 2(b)</b>	Statement of Internal Loans (Sect. 410(3) LGA 1993)	n/a
<b>Special Schedule 3</b>	Water Supply Operations – incl. Income Statement	n/a
<b>Special Schedule 4</b>	Water Supply – Statement of Financial Position	n/a
<b>Special Schedule 5</b>	Sewerage Service Operations – incl. Income Statement	n/a
<b>Special Schedule 6</b>	Sewerage Service – Statement of Financial Position	n/a
<b>Notes to Special Schedules 3 and 5</b>		n/a
<b>Special Schedule 7</b>	Report on Infrastructure Assets	5
<b>Special Schedule 8</b>	Permissible Income Calculation	9

<sup>1</sup> Special Schedules are not audited (with the exception of Special Schedule 8).

#### Background

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

## North Sydney Council

Special Schedule 1 – Net Cost of Services  
for the year ended 30 June 2017

\$'000

Function or activity	Expenses from continuing operations	Income from continuing operations		Net cost of services
		Non-capital	Capital	
<b>Governance</b>	<b>3,102</b>	<b>–</b>	<b>–</b>	<b>(3,102)</b>
<b>Administration</b>	<b>20,233</b>	<b>10,385</b>	<b>137</b>	<b>(9,711)</b>
<b>Public order and safety</b>				
Fire service levy, fire protection, emergency services	1,401	–	–	(1,401)
Beach control	–	–	–	–
Enforcement of local government regulations	5,777	8,405	–	2,628
Animal control	36	1	–	(35)
Other	128	–	–	(128)
<b>Total public order and safety</b>	<b>7,342</b>	<b>8,406</b>	<b>–</b>	<b>1,064</b>
<b>Health</b>	<b>1,927</b>	<b>618</b>	<b>–</b>	<b>(1,309)</b>
<b>Environment</b>				
Noxious plants and insect/vermin control	131	–	–	(131)
Other environmental protection	2,829	2,210	125	(494)
Solid waste management	11,736	12,160	–	424
Street cleaning	2,205	15	–	(2,190)
Drainage	–	–	–	–
Stormwater management	2,266	573	–	(1,693)
<b>Total environment</b>	<b>19,167</b>	<b>14,958</b>	<b>125</b>	<b>(4,084)</b>
<b>Community services and education</b>				
Administration and education	877	28	–	(849)
Social protection (welfare)	575	–	–	(575)
Aged persons and disabled	293	59	–	(234)
Children's services	1,135	692	462	19
<b>Total community services and education</b>	<b>2,880</b>	<b>779</b>	<b>462</b>	<b>(1,639)</b>
<b>Housing and community amenities</b>				
Public cemeteries	–	–	–	–
Public conveniences	264	–	–	(264)
Street lighting	931	190	–	(741)
Town planning	4,826	1,424	–	(3,402)
Other community amenities	694	295	–	(399)
<b>Total housing and community amenities</b>	<b>6,715</b>	<b>1,909</b>	<b>–</b>	<b>(4,806)</b>
<b>Water supplies</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Sewerage services</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>

## North Sydney Council

Special Schedule 1 – Net Cost of Services (continued)  
for the year ended 30 June 2017

\$'000

Function or activity	Expenses from continuing operations	Income from continuing operations		Net cost of services
		Non-capital	Capital	
<b>Recreation and culture</b>				
Public libraries	3,352	273	406	(2,673)
Museums	465	10	–	(455)
Art galleries	–	–	–	–
Community centres and halls	800	102	435	(263)
Performing arts venues	–	–	–	–
Other performing arts	–	–	–	–
Other cultural services	605	65	–	(540)
Sporting grounds and venues	3,485	427	–	(3,058)
Swimming pools	3,544	2,455	279	(810)
Parks and gardens (lakes)	6,038	307	–	(5,731)
Other sport and recreation	4,666	91	13,964	9,389
<b>Total recreation and culture</b>	<b>22,955</b>	<b>3,730</b>	<b>15,084</b>	<b>(4,141)</b>
<b>Fuel and energy</b>	–	–	–	–
<b>Agriculture</b>	–	–	–	–
<b>Mining, manufacturing and construction</b>				
Building control	–	–	–	–
Other mining, manufacturing and construction	–	–	–	–
<b>Total mining, manufacturing and const.</b>	–	–	–	–
<b>Transport and communication</b>				
Urban roads (UR) – local	1,508	709	–	(799)
Urban roads – regional	72	680	–	608
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	2,220	11,822	227	9,829
Footpaths	1,979	717	9	(1,253)
Aerodromes	–	–	–	–
Other transport and communication	8,183	1,267	2,436	(4,480)
<b>Total transport and communication</b>	<b>13,962</b>	<b>15,195</b>	<b>2,672</b>	<b>3,905</b>
<b>Economic affairs</b>				
Camping areas and caravan parks	–	–	–	–
Other economic affairs	7,868	16,118	–	8,250
<b>Total economic affairs</b>	<b>7,868</b>	<b>16,118</b>	–	<b>8,250</b>
<b>Totals – functions</b>	<b>106,151</b>	<b>72,098</b>	<b>18,480</b>	<b>(15,573)</b>
<b>General purpose revenues <sup>(1)</sup></b>		<b>42,939</b>		<b>42,939</b>
<b>Share of interests – joint ventures and associates using the equity method</b>	<b>1</b>	–		<b>(1)</b>
<b>NET OPERATING RESULT <sup>(2)</sup></b>	<b>106,152</b>	<b>115,037</b>	<b>18,480</b>	<b>27,365</b>

(1) Includes: rates and annual charges (including ex gratia, excluding water and sewer), non-capital general purpose grants, interest on investments (excluding externally restricted assets) and interest on overdue rates and annual charges (2) As reported in the Income Statement

## North Sydney Council

## Special Schedule 2(a) – Statement of Long Term Debt (all purpose)

for the year ended 30 June 2017

\$'000

Classification of debt	Principal outstanding at beginning of the year			New loans raised during the year	Debt redemption during the year		Transfers to sinking funds	Interest applicable for year	Principal outstanding at the end of the year		
	Current	Non-current	Total		From revenue	Sinking funds			Current	Non-current	Total
<b>Loans (by source)</b>											
Commonwealth Government	–	–	–	–	–	–	–	–	–	–	–
NSW Treasury Corporation	–	–	–	–	–	–	–	–	–	–	–
Other State Government	–	–	–	–	–	–	–	–	–	–	–
Public subscription	–	–	–	–	–	–	–	–	–	–	–
Financial institutions	–	9,500	9,500	–	–	–	–	302	–	9,500	9,500
Other	–	–	–	–	–	–	–	–	–	–	–
<b>Total loans</b>	–	9,500	9,500	–	–	–	–	302	–	9,500	9,500
<b>Other long term debt</b>											
Ratepayers advances	–	–	–	–	–	–	–	–	–	–	–
Government advances	–	–	–	–	–	–	–	–	–	–	–
Finance leases	–	–	–	–	–	–	–	–	–	–	–
Deferred payments	–	–	–	–	–	–	–	–	–	–	–
<b>Total long term debt</b>	–	–	–	–	–	–	–	–	–	–	–
<b>Total debt</b>	–	9,500	9,500	–	–	–	–	302	–	9,500	9,500

Notes: excludes (i) internal loans and (ii) principal inflows/outflows relating to loan re-financing.

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



## North Sydney Council

## Special Schedule 7 – Report on Infrastructure Assets as at 30 June 2017

\$'000

Asset class	Asset category	Estimated cost to bring assets to satisfactory standard	Estimated cost to bring to the agreed level of service set by Council	2016/17 Required maintenance <sup>a</sup>	2016/17 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
								1	2	3	4	5
<b>Buildings</b>	Buildings	–	–	2,484	2,217	84,733	170,195	22%	7%	63%	2%	6%
	<b>Sub-total</b>	<b>–</b>	<b>–</b>	<b>2,484</b>	<b>2,217</b>	<b>84,733</b>	<b>170,195</b>	<b>22.0%</b>	<b>7.0%</b>	<b>63.0%</b>	<b>2.0%</b>	<b>6.0%</b>
<b>Other structures</b>	Other structures	–	–	–	–	1,192	1,209	100%	0%	0%	0%	0%
	<b>Sub-total</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>1,192</b>	<b>1,209</b>	<b>100.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>
<b>Roads</b>	Sealed roads	–	–	870	857	155,071	225,850	46%	33%	16%	3%	2%
	Footpaths	–	–	1,720	1,840	51,276	84,098	22%	36%	38%	2%	2%
	Other road assets	–	–	104	109	51,261	90,663	32%	31%	19%	5%	13%
	<b>Sub-total</b>	<b>–</b>	<b>–</b>	<b>2,694</b>	<b>2,806</b>	<b>257,608</b>	<b>400,611</b>	<b>37.8%</b>	<b>33.2%</b>	<b>21.3%</b>	<b>3.2%</b>	<b>4.5%</b>

## North Sydney Council

## Special Schedule 7 – Report on Infrastructure Assets as at 30 June 2017 (continued)

\$'000

Asset class	Asset category	Estimated cost to bring assets to satisfactory standard	Estimated cost to bring to the agreed level of service set by Council	2016/17 Required maintenance <sup>a</sup>	2016/17 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
								1	2	3	4	5
<b>Stormwater drainage</b>	Stormwater drainage	–	–	517	576	127,099	193,877	44%	40%	2%	1%	13%
	<b>Sub-total</b>	<b>–</b>	<b>–</b>	<b>517</b>	<b>576</b>	<b>127,099</b>	<b>193,877</b>	<b>44.0%</b>	<b>40.0%</b>	<b>2.0%</b>	<b>1.0%</b>	<b>13.0%</b>
<b>Open space/recreational assets</b>	Swimming pools	–	–	774	789	10,389	25,093	3%	0%	95%	1%	1%
	Other	–	–	759	858	3,257	11,236	19%	7%	7%	31%	36%
	<b>Sub-total</b>	<b>–</b>	<b>–</b>	<b>1,533</b>	<b>1,647</b>	<b>13,646</b>	<b>36,329</b>	<b>7.9%</b>	<b>2.2%</b>	<b>67.8%</b>	<b>10.3%</b>	<b>11.8%</b>
<b>Other infrastructure assets</b>	Other	–	–	1,506	1,447	30,729	43,277	49%	33%	5%	2%	11%
	<b>Sub-total</b>	<b>–</b>	<b>–</b>	<b>1,506</b>	<b>1,447</b>	<b>30,729</b>	<b>43,277</b>	<b>49.0%</b>	<b>33.0%</b>	<b>5.0%</b>	<b>2.0%</b>	<b>11.0%</b>
<b>Land improvem. depreciable</b>	Land Improvements – depreciable	–	–	–	–	17,781	20,864	93%	3%	2%	1%	1%
	<b>Sub-total</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>17,781</b>	<b>20,864</b>	<b>93.0%</b>	<b>3.0%</b>	<b>2.0%</b>	<b>1.0%</b>	<b>1.0%</b>
	<b>TOTAL – ALL ASSETS</b>	<b>–</b>	<b>–</b>	<b>8,734</b>	<b>8,693</b>	<b>532,788</b>	<b>866,362</b>	<b>36.8%</b>	<b>27.5%</b>	<b>25.8%</b>	<b>2.7%</b>	<b>7.2%</b>

## Notes:

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

## Infrastructure asset condition assessment 'key'

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

## North Sydney Council

Special Schedule 7 – Report on Infrastructure Assets (continued)  
for the year ended 30 June 2017

\$ '000	Amounts	Indicator	Benchmark	Prior periods	
	2017	2017		2016	2015
<b>Infrastructure asset performance indicators * consolidated</b>					
<b>1. Infrastructure renewals ratio</b>					
Asset renewals <sup>(1)</sup>	<u>33,764</u>	<b>268.95%</b>	>= 100%	322.62%	172.78%
Depreciation, amortisation and impairment	<u>12,554</u>				
<b>2. Infrastructure backlog ratio</b>					
Estimated cost to bring assets to a satisfactory standard	<u>–</u>	<b>0.00%</b>	< 2%	0.00%	0.00%
Net carrying amount of infrastructure assets	<u>532,788</u>				
<b>3. Asset maintenance ratio</b>					
Actual asset maintenance	<u>8,693</u>	<b>1.00</b>	> 1.00	1.07	1.11
Required asset maintenance	<u>8,734</u>				
<b>4. Cost to bring assets to agreed service level</b>					
Estimated cost to bring assets to an agreed service level set by Council <sup>(2)</sup>	<u>–</u>	<b>0.00%</b>		0.00%	
Gross replacement cost	<u>866,362</u>				

## Notes

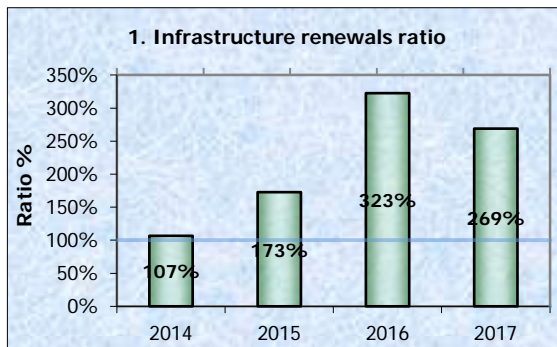
\* All asset performance indicators are calculated using the asset classes identified in the previous table.

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

(2) Sufficient funds are set aside in internal and external reserves to bring infrastructure assets assessed at balance date to be in a condition below the agreed service level set by Council to at least the agreed service level. Agreed service levels will be reviewed when the Community Strategic Plan is reviewed during 2017/18.

# North Sydney Council

## Special Schedule 7 – Report on Infrastructure Assets (continued) for the year ended 30 June 2017



**Purpose of asset renewals ratio**

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

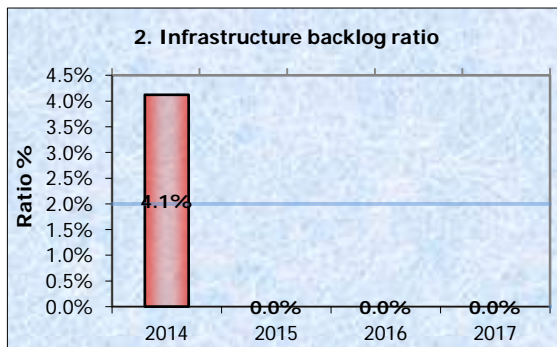
**Commentary on 2016/17 result**

**2016/17 Ratio 268.95%**

This ratio was better than the benchmark for the fourth successive year. This is a reflection of Council's ongoing commitment to ensuring that sufficient funds are allocated to the replacement and renewal of our infrastructure assets to offset the rate at which they are depreciating.

Benchmark: — Minimum  $\geq 100.00\%$   
Source for benchmark: Code of Accounting Practice and Financial Reporting #25

Ratio achieves benchmark  
Ratio is outside benchmark



**Purpose of infrastructure backlog ratio**

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

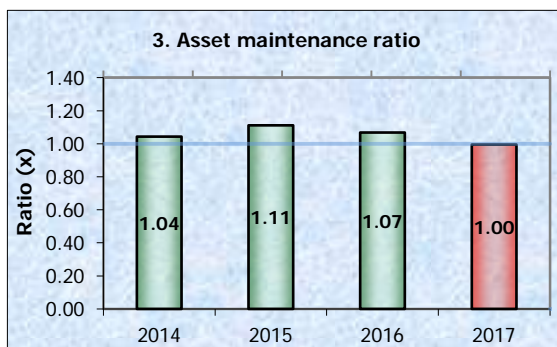
**Commentary on 2016/17 result**

**2016/17 Ratio 0.00%**

This ratio was better than the benchmark for the third successive year. Significant increases in funding for infrastructure renewal over the last three years has ensured that our infrastructure assets are in a satisfactory condition.

Benchmark: — Maximum  $< 2.00\%$   
Source for benchmark: Code of Accounting Practice and Financial Reporting #25

Ratio achieves benchmark  
Ratio is outside benchmark



**Purpose of asset maintenance ratio**

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

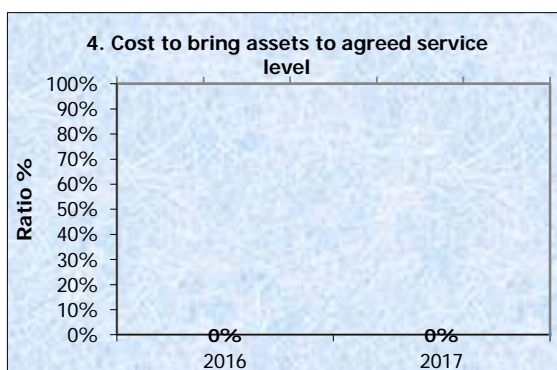
**Commentary on 2016/17 result**

**2016/17 Ratio 1.00 x**

After being better than the benchmark for the previous three years, this ratio dropped slightly below the benchmark in 2016/17. More funds will need to be allocated to the maintenance of our infrastructure assets in future years to ensure that they remain in a satisfactory condition.

Benchmark: — Minimum  $> 1.00$   
Source for benchmark: Code of Accounting Practice and Financial Reporting #25

Ratio achieves benchmark  
Ratio is outside benchmark



**Purpose of agreed service level ratio**

This ratio provides a snapshot of the proportion of outstanding renewal works compared to the total value of assets under Council's care and stewardship.

**Commentary on 2016/17 result**

**2016/17 Ratio 0.00%**

Significant increases in funding for infrastructure renewal over the last three years has ensured that our infrastructure assets are in a satisfactory condition.

## North Sydney Council

## Special Schedule 8 – Permissible Income Calculation

for the year ended 30 June 2018

\$'000		Calculation 2016/17	Calculation 2017/18
<b>Notional general income calculation <sup>(1)</sup></b>			
Last year notional general income yield	a	39,014	41,197
Plus or minus adjustments <sup>(2)</sup>	b	92	47
<b>Notional general income</b>	c = (a + b)	<b>39,106</b>	<b>41,244</b>
<b>Permissible income calculation</b>			
Special variation percentage <sup>(3)</sup>	d	5.50%	5.50%
Or rate peg percentage	e	0.00%	0.00%
Or crown land adjustment (incl. rate peg percentage)	f	0.00%	0.00%
Less expiring special variation amount	g	–	–
Plus special variation amount	h = d x (c – g)	2,151	2,268
Or plus rate peg amount	i = c x e	–	–
Or plus Crown land adjustment and rate peg amount	j = c x f	–	–
<b>Sub-total</b>	k = (c + g + h + i + j)	<b>41,257</b>	<b>43,512</b>
Plus (or minus) last year's carry forward total	l	–	(1)
Less valuation objections claimed in the previous year	m	(61)	–
<b>Sub-total</b>	n = (l + m)	<b>(61)</b>	<b>(1)</b>
<b>Total permissible income</b>	o = k + n	<b>41,196</b>	<b>43,511</b>
Less notional general income yield	p	41,197	43,512
<b>Catch-up or (excess) result</b>	q = o – p	<b>(1)</b>	<b>(1)</b>
Plus income lost due to valuation objections claimed <sup>(4)</sup>	r	–	–
Less unused catch-up <sup>(5)</sup>	s	–	(200)
<b>Carry forward to next year</b>	t = q + r – s	<b>(1)</b>	<b>(201)</b>

**Notes**

- (1) The notional general income will not reconcile with rate income in the financial statements in the corresponding year. The statements are reported on an accrual accounting basis which include amounts that relate to prior years' rates income.
- (2) Adjustments account for changes in the number of assessments and any increase or decrease in land value occurring during the year. The adjustments are called 'supplementary valuations' as defined in the *Valuation of Land Act 1916*.
- (3) The 'special variation percentage' is inclusive of the rate peg percentage and where applicable Crown land adjustment.
- (4) Valuation objections are unexpected changes in land values as a result of land owners successfully objecting to the land value issued by the Valuer-General. Councils can claim the value of the income lost due to valuation objections in any single year.
- (5) Unused catch-up amounts will be deducted if they are not caught up within 2 years. Usually councils will have a nominal carry forward figure. These amounts can be adjusted for in setting the rates in a future year.
- (6) Carry forward amounts which are in excess (an amount that exceeds the permissible income) require ministerial approval by order published in the *NSW Government Gazette* in accordance with section 512 of the *Local Government Act 1993*. The OLG will extract these amounts from Council's Special Schedule 8 in the financial data return (FDR) to administer this process.



## INDEPENDENT AUDITOR'S REPORT

### Special Schedule No. 8

### North Sydney Council

To the Councillors of North Sydney Council

### Opinion

I have audited the accompanying special purpose financial statement comprising the reconciliation of total permissible general income (Special Schedule No. 8) of North Sydney Council (the Council) for the year ending 30 June 2018.

In my opinion, Special Schedule No. 8 of North Sydney Council for 30 June 2018 is prepared, in all material respects in accordance with the requirements of the Local Government Code of Accounting Practice and Financial Reporting (LG Code) issued by the Office of Local Government (OLG), and is in accordance with the books and records of the Council.

My opinion should be read in conjunction with the rest of this report, and in particular the Emphasis of Matter paragraph, which describes the basis of accounting.

### Basis for Opinion

I conducted my audit in accordance with Australian Auditing Standards. My responsibilities under the standards are described in the 'Auditor's Responsibilities for the Audit of Special Schedule No.8' section of my report.

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

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

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

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

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

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

## **Emphasis of Matter - Basis of Accounting**

Without modifying my opinion, I draw attention to the notes and explanations in Special Schedule No. 8 that instruct councils in its preparation so it complies with OLG's requirements as described in the LG Code. As a result, Special Schedule No. 8 may not be suitable for another purpose.

## **Other Matter**

Special Schedule No.8 of the Council for the year ended 30 June 2017 was audited by another auditor who expressed an unmodified opinion on Special Schedule No. 8 on 25 October 2016.

## **Councillors' Responsibility for Special Schedule No. 8**

The Councillors of the Council are responsible for the preparation of Special Schedule No. 8 in accordance with the LG Code. The Councillors' responsibility also includes such internal control as the Councillors determine is necessary to enable the preparation of Special Schedule No. 8 that is free from material misstatement, whether due to fraud or error.

In preparing Special Schedule No.8, the Councillors must assess the Council's ability to continue as a going concern except where the Council will be dissolved or amalgamated by an Act of Parliament. The assessment must disclose, as applicable, matters related to going concern and the appropriateness of using the going concern basis of accounting.

## **Auditor's Responsibility for the Audit of Special Schedule No. 8**

My objectives are to:

- obtain reasonable assurance whether Special Schedule No. 8 as a whole is free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

Reasonable assurance is a high level of assurance, but does not guarantee an audit conducted in accordance with Australian Auditing Standards will always detect material misstatements. Misstatements can arise from fraud or error. Misstatements are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions users take based on Special Schedule No.8.

A description of my responsibilities for the audit of Special Schedule No.8 is located at the Auditing and Assurance Standards Board website at [http://www.auasb.gov.au/auditors\\_responsibilities/ar8.pdf](http://www.auasb.gov.au/auditors_responsibilities/ar8.pdf). The description forms part of my auditor's report.

My opinion does not provide assurance:

- that the Council carried out its activities effectively, efficiently and economically
- about the security and controls over the electronic publication of the audited Special Schedule No.8 on any website where they may be presented
- about any other information which may have been hyperlinked to/from Special Schedule No 8.



Weini Liao  
Director, Financial Audit Services

31 October 2017  
SYDNEY