



North Sydney Council

Financial Statements

for the year ended 30 June 2016



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North Sydney Council

Financial Statements

for the financial year ended 30 June 2016



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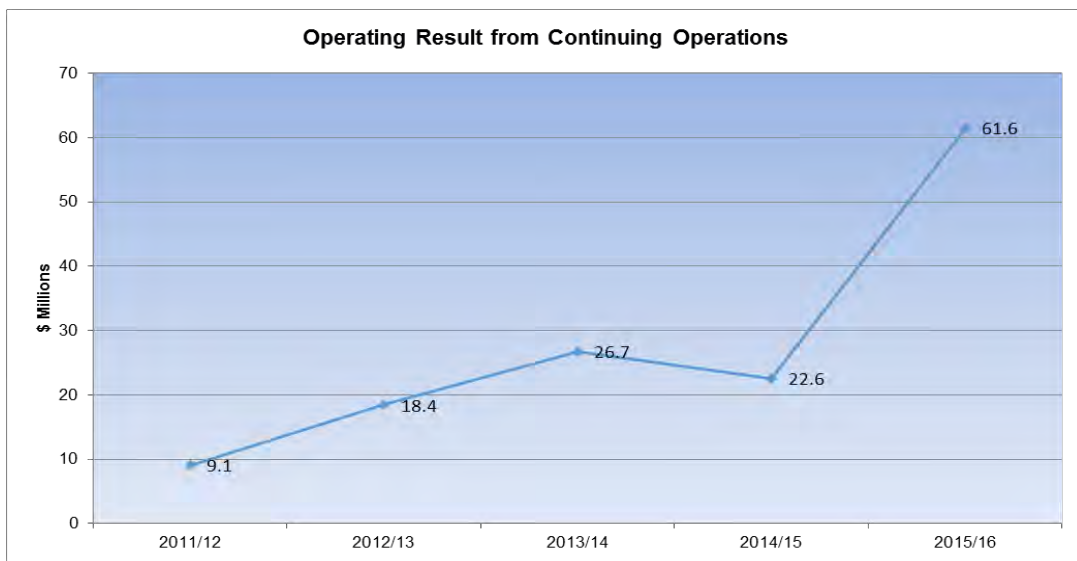
North Sydney Council

Financial Statements for the financial year ended 30 June 2016

Executive summary

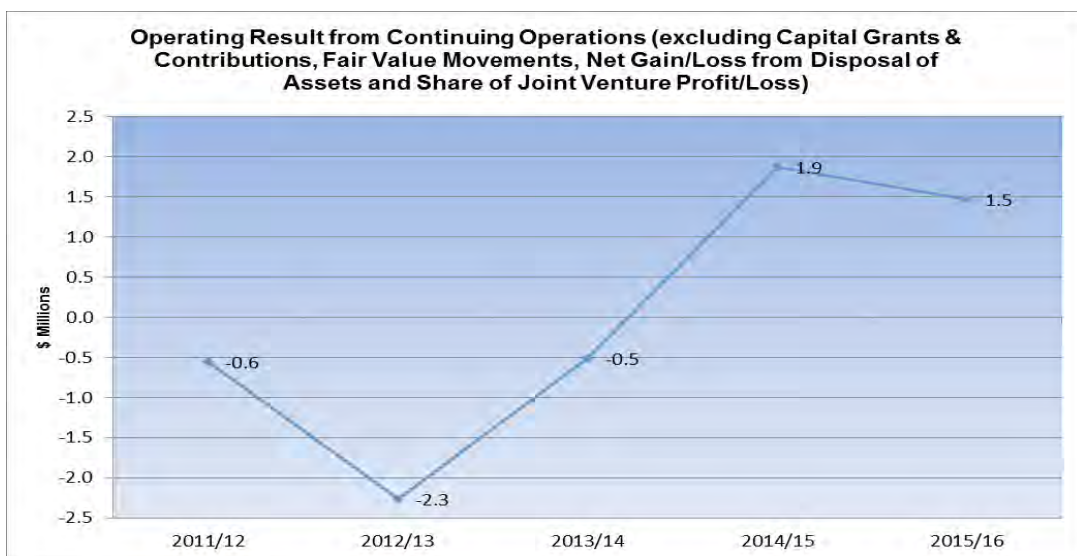
Review of Council's Financial Result

Council achieved a net operating surplus from continuing operations of \$61.6 million in 2015/16. This was an increase of \$40 million over the result achieved in 2014/15. The following graph shows Council's operating result from continuing operations over the last 5 years.



The operating result includes \$47.7 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 \$12.4 million in the value of Council's assets, net gains from the disposal of assets of \$25,000 and a \$22,000 loss from Council's interest in the Shorelink Library Network Joint Venture. Excluding these amounts, the result was a surplus of \$1.5 million. This compared to a surplus of \$1.9 million in 2014/15.

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 2016

Executive summary (continued)

The factors that contributed to the increase of \$40 million in the operating result (including capital grants and contributions) from that achieved in 2014/15 are outlined below.

- Rates and annual charges revenue increased by \$2.7 million (5.7%) from 2014/15. Council has approval from IPART (Independent Pricing and Regulatory Tribunal) to increase its revenue from rates by 5.5% per year until 2017/18. Adjustments for changes in the number of rateable assessments accounted for the other 0.2% increase.
- User charges and fees revenue increased by \$662,000 (2.7%) from 2014/15. This was due to increased revenue from on street (parking meter) and off street (parking station) fees.
- Interest and investment revenue decreased by \$645,000 (14%) from 2014/15. Lower interest rates resulted in the the average rate of return on Council's investment portfolio falling from 4.37% in 2014/15 to 3.97% (though still 1.73% above our benchmark - the UBS Bank Bill Index). Also, the pool of funds available for investment in 2015/16 was smaller than that available in 2014/15 due to monies being drawn down to fund our capital works program.
- Other revenues increased by \$8.3 million (41.2%) from 2014/15. This was due to the fair value of Council's investment property portfolio increasing by \$12.8 million compared to \$4.9 million in 2014/15 and increased revenue from parking infringements.
- Grants and contributions provided for operating purposes increased by \$1.5 million (31.4%) from 2014/15. This was due to increased Roads to Recovery funding from the Commonwealth government and a contribution from Link Housing towards the construction of affordable housing at Nicholson Street in Wollstonecraft.
- Grants and contributions provided for capital purposes increased by \$32.2 million (206.9%) from 2014/15. This was due to a \$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 and increased funding for bicycle facilities from NSW Roads and Maritime Services. Offsetting this, revenue received from developer contributions fell by \$2.6 million.
- Net gains from the disposal of assets amounted to \$25,000 compared with \$75,000 in 2014/15.
- Employee benefits and on-costs expenditure increased by \$1.8 million (4.6%) from 2014/15. This was due to an award increase to rates of pay of 2.7% and the corresponding increase in employee leave entitlements, an increase in the number of equivalent full time employees and a 52% increase in Council's workers compensation insurance premium.
- Materials and contracts expenditure increased by \$3.5 million (11.4%) from 2014/15. Increased property maintenance, waste disposal and legal costs associated with the amalgamation challenge and North Sydney Public Inquiry were largely responsible for this. Another component of the increase was that construction costs of the aforementioned affordable housing project at Nicholson Street in Wollstonecraft were expensed as this building will be leased long-term to Link Housing.
- Depreciation and amortisation decreased by \$148,000 (0.9%) from 2014/15.
- Other expenses increased by \$128,000 (1.5%) from 2014/15.
- Council is a member of the Shorelink Library Network, a Joint Venture with four other Councils. The joint venture incurred a deficit of \$90,000 and North Sydney's share of this deficit was \$22,000. In 2014/15, Shorelink's deficit was \$22,000 and North Sydney's share was \$5,000.

North Sydney Council

Financial Statements

for the financial year ended 30 June 2016

Executive summary (continued)

Review of Council's Cash Position

After adjusting the \$61.6 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 \$2.3 million from \$103 million to \$100.7 million, as per the following reconciliation:

		\$'000
Operating surplus		61,560
add:	depreciation	15,536
	proceeds from borrowings	9,500
	net movements in operating assets and liabilities	6,114
	proceeds from sale of property, plant and equipment	1,204
	decrements in fair value of community land	245
	net share of loss incurred by Shorelink Library Network	22
deduct:	capital expenditure	49,266
	non-cash capital contribution received	34,321
	gains in fair value of investment property portfolio	12,803
	net gain from disposal of assets	25
decrease in cash and investments held		(2,234)
plus:	cash and investments held at the beginning of the year	<u>102,969</u>
Cash and Investments held at the end of the year		<u>100,735</u>

Review of Council's Financial Position

As at 30 June 2016, Council's financial position was sound with net assets of \$918 million, including cash and investments of \$101 million. Of this \$101 million, \$35 million was externally restricted for specific purposes and \$53 million was internally restricted for specific purposes. The remaining \$13 million was unrestricted.

Available working capital was \$3.8 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 2016, Council's unrestricted current ratio was 3.3:1, 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, \$3.30 of unrestricted or internally restricted cash was available.

During 2015/16, \$37.8 million was spent on the renewal of Council's infrastructure assets. Over the same period, the depreciation expense for these assets was \$11.7 million. Hence, the Infrastructure Renewals Ratio was 322.6%, above the benchmark of 100% for the third successive year. A further \$9.2 million was spent on the maintenance of infrastructure and this resulted in an Asset Maintenance Ratio of 1.07:1, above the benchmark of 1:1 also for the third 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 2016

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North Sydney Council

General Purpose Financial Statements for the year ended 30 June 2016

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

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

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

- (iii) All figures presented in these financial statements are presented in Australian currency.
- (iv) These financial statements were authorised for issue by the Council on 25 October 2016. Council has the power to amend and reissue these financial statements.
-

North Sydney Council

General Purpose Financial Statements for the year ended 30 June 2016

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 2016.

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

This 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

This statement primarily records changes in the fair values of Council's infrastructure, property, plant and equipment.

3. The Statement of Financial Position

An end of year snapshot of Council's financial position indicating its assets, liabilities and equity ('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

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

About the Notes to the Financial Statements

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

About the Auditor's Reports

Council's financial statements are required to be audited by external accountants (that generally specialise in local government). In NSW, the auditor provides 2 audit reports:

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

Who uses the financial statements?

The financial statements are publicly available documents and must be presented at a Council meeting between 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 15/16 financial year can be found at Note 28 of the financial statements.

North Sydney Council

General Purpose Financial Statements for the year ended 30 June 2016

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:

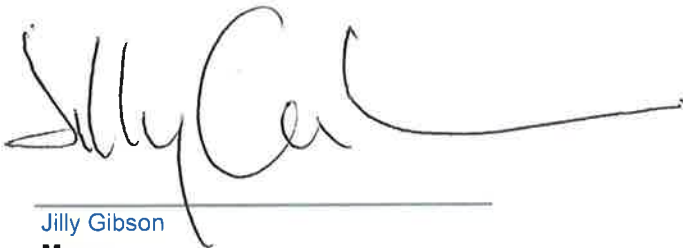
- the *Local Government Act 1993 (NSW)* (as amended) and the regulations made thereunder,
- the Australian Accounting Standards and professional pronouncements, and
- the Local Government Code of Accounting Practice and Financial Reporting.

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 24 October 2016.



Jilly Gibson
Mayor



Melissa Clare
Councillor



Ross McCreanor
Acting General manager



Garry Ross
Responsible accounting officer

North Sydney Council

Income Statement

for the year ended 30 June 2016

Budget ¹				Actual	Actual
2016	\$ '000		Notes	2016	2015
Income from continuing operations					
Revenue:					
48,476	Rates and annual charges		3a	49,000	46,336
21,631	User charges and fees		3b	25,474	24,812
2,358	Interest and investment revenue		3c	3,968	4,613
21,005	Other revenues		3d	28,507 ²	20,184
4,512	Grants and contributions provided for operating purposes		3e,f	6,118	4,656
4,042	Grants and contributions provided for capital purposes		3e,f	47,704 ³	15,543
Other income:					
253	Net gains from the disposal of assets		5	25	75
102,277	Total income from continuing operations			160,796	116,219
Expenses from continuing operations					
39,875	Employee benefits and on-costs		4a	40,544	38,756
335	Borrowing costs		4b	277	–
30,069	Materials and contracts		4c	34,421	30,891
16,918	Depreciation and amortisation		4d	15,536	15,684
–	Impairment		4d	–	–
8,210	Other expenses		4e	8,436	8,308
–	Net share of interests in joint ventures and associates using the equity method		19	22	5
95,407	Total expenses from continuing operations			99,236	93,644
6,870	Operating result from continuing operations			61,560	22,575
Discontinued operations					
–	Net profit/(loss) from discontinued operations		24	–	–
6,870	Net operating result for the year			61,560	22,575
6,870	Net operating result attributable to Council			61,560	22,575
–	Net operating result attributable to non-controlling interests			–	–
2,828	Net operating result for the year before grants and contributions provided for capital purposes			13,856	7,032

¹ Original budget as approved by Council – refer Note 16

² Other Revenues 2016 includes \$12.8 million in Fair Value adjustments (non-cash) associated with Investment Properties - refer Note 3 (d). The corresponding figure in 2015 was \$4.9 million.

³ Grants and Contributions provided for Capital purposes includes \$34.3 million non-cash land and building contribution associated with a Public Private Partnership project at Alexander Street Car Park site.

North Sydney Council

Statement of Comprehensive Income
for the year ended 30 June 2016

\$ '000	Notes	Actual 2016	Actual 2015
Net operating result for the year (as per Income Statement)		61,560	22,575
Other comprehensive income:			
Amounts which will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of I,PP&E	20b (ii)	–	87,359
Total items which will not be reclassified subsequently to the operating result		–	87,359
Amounts which will be reclassified subsequently to the operating result when specific conditions are met			
Nil		–	–
Total other comprehensive income for the year		–	87,359
Total comprehensive income for the year		61,560	109,934
Total comprehensive income attributable to Council		61,560	109,934
Total comprehensive income attributable to non-controlling interests		–	–

North Sydney Council

Statement of Financial Position
as at 30 June 2016

\$ '000	Notes	Actual 2016	Actual 2015	Actual 2014
ASSETS				
Current assets				
Cash and cash equivalents	6a	5,521	8,607	5,108
Investments	6b	95,434	94,534	26,185
Receivables	7	6,693	5,688	6,485
Inventories	8	43	43	51
Other	8	226	228	59
Non-current assets classified as 'held for sale'	22	–	–	–
Total current assets		107,917	109,100	37,888
Non-current assets				
Investments	6b	–	–	64,325
Receivables	7	147	141	118
Inventories	8	–	–	–
Infrastructure, property, plant and equipment	9	769,132	701,806	608,323
Investments accounted for using the equity method	19	34	56	61
Investment property	14	92,390	79,570	74,650
Intangible assets	25	–	–	–
Total non-current assets		861,703	781,573	747,477
TOTAL ASSETS		969,620	890,673	785,365
LIABILITIES				
Current liabilities				
Payables	10	25,290	18,802	15,475
Borrowings	10	220	172	–
Provisions	10	15,934	14,601	13,259
Total current liabilities		41,444	33,575	28,734
Non-current liabilities				
Payables	10	–	–	–
Borrowings	10	9,500	–	–
Provisions	10	205	187	278
Total non-current liabilities		9,705	187	278
TOTAL LIABILITIES		51,149	33,762	29,012
Net assets		918,471	856,911	756,353
EQUITY				
Retained earnings	20	748,511	686,951	673,752
Revaluation reserves	20	169,960	169,960	82,601
Council equity interest		918,471	856,911	756,353
Non-controlling equity interests		–	–	–
Total equity		918,471	856,911	756,353

North Sydney Council

Statement of Changes in Equity

for the year ended 30 June 2016

\$ '000	Notes	Retained earnings	Reserves (Refer 20b)	Council interest	Non-controlling Interest	Total equity
2016						
Opening balance (as per last year's audited accounts)		696,327	169,960	866,287	–	866,287
a. Correction of prior period errors	20 (c)	–	–	–	–	–
b. Changes in accounting policies (prior year effects)	20 (d)	(9,376)	–	(9,376)	–	(9,376)
Revised opening balance (as at 1/7/15)		686,951	169,960	856,911	–	856,911
c. Net operating result for the year		61,560	–	61,560	–	61,560
d. Other comprehensive income						
– Revaluations: IPP&E asset revaluation rsve	20b (ii)	–	–	–	–	–
– Revaluations: other reserves	20b (ii)	–	–	–	–	–
– Transfers to Income Statement	20b (ii)	–	–	–	–	–
– Impairment (loss) reversal relating to I,PP&E	20b (ii)	–	–	–	–	–
– Joint ventures and associates	19b	–	–	–	–	–
Other comprehensive income		–	–	–	–	–
Total comprehensive income (c&d)		61,560	–	61,560	–	61,560
e. Distributions to/(contributions from) non-controlling Interests		–	–	–	–	–
f. Transfers between equity		–	–	–	–	–
Equity – balance at end of the reporting period		748,511	169,960	918,471	–	918,471

\$ '000	Notes	Retained Earnings	Reserves (Refer 20b)	Council Interest	Non-controlling Interest	Total Equity
2015						
Opening balance (as per last year's audited accounts)		673,752	82,601	756,353	–	756,353
a. Correction of prior period errors	20 (c)	–	–	–	–	–
b. Changes in accounting policies (prior year effects)	20 (d)	(9,376)	–	(9,376)	–	(9,376)
Revised opening balance (as at 1/7/14)		664,376	82,601	746,977	–	746,977
c. Net operating result for the year		22,575	–	22,575	–	22,575
d. Other comprehensive income						
– Revaluations: IPP&E asset revaluation rsve	20b (ii)	–	87,359	87,359	–	87,359
– Revaluations: other reserves	20b (ii)	–	–	–	–	–
– Transfers to Income Statement	20b (ii)	–	–	–	–	–
– Impairment (loss) reversal relating to I,PP&E	20b (ii)	–	–	–	–	–
– Joint ventures and associates	19b	–	–	–	–	–
Other comprehensive income		–	87,359	87,359	–	87,359
Total comprehensive income (c&d)		22,575	87,359	109,934	–	109,934
e. Distributions to/(contributions from) non-controlling Interests		–	–	–	–	–
f. Transfers between equity		–	–	–	–	–
Equity – balance at end of the reporting period		686,951	169,960	856,911	–	856,911

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

North Sydney Council

Statement of Cash Flows

for the year ended 30 June 2016

Budget 2016	\$ '000	Notes	Actual 2016	Actual 2015
Cash flows from operating activities				
Receipts:				
48,450	Rates and annual charges		48,830	46,263
23,700	User charges and fees		29,229	25,963
2,000	Investment and interest revenue received		4,132	4,273
8,500	Grants and contributions		18,857	20,679
2,900	Bonds, deposits and retention amounts received		2,950	2,512
16,500	Other		22,300	20,379
Payments:				
(39,875)	Employee benefits and on-costs		(39,585)	(37,327)
(31,000)	Materials and contracts		(35,117)	(33,500)
(335)	Borrowing costs		(262)	–
(2,900)	Bonds, deposits and retention amounts refunded		(2,969)	(640)
(8,800)	Other		(11,862)	(12,245)
19,140	Net cash provided (or used in) operating activities	11b	36,503	36,357
Cash flows from investing activities				
Receipts:				
55,000	Sale of investment securities		47,445	42,195
827	Sale of infrastructure, property, plant and equipment		1,204	1,408
Payments:				
(45,000)	Purchase of investment securities		(48,520)	(46,051)
–	Purchase of investment property		(17)	–
(38,880)	Purchase of infrastructure, property, plant and equipment		(49,249)	(30,582)
(28,053)	Net cash provided (or used in) investing activities		(49,137)	(33,030)
Cash flows from financing activities				
Receipts:				
9,500	Proceeds from borrowings and advances		9,500	–
Payments:				
	Nil			
9,500	Net cash flow provided (used in) financing activities		9,500	–
587	Net increase/(decrease) in cash and cash equivalents		(3,134)	3,327
4,000	Plus: cash and cash equivalents – beginning of year	11a	8,435	5,108
4,587	Cash and cash equivalents – end of the year	11a	5,301	8,435
Additional Information:				
	plus: Investments on hand – end of year	6b	95,434	94,534
	Total cash, cash equivalents and investments		100,735	102,969

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 2016

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n/a – not applicable

North Sydney Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 1. Summary of significant accounting policies

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

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

(a) Basis of preparation

(i) Background

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

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

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

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

Because AASBs are sector neutral, some standards either:

- (a) have local Australian content and prescription that is specific to the not-for-profit sector (including local government) which are not in compliance with IFRSs, or
- (b) specifically exclude application by not-for-profit entities.

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

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

(iii) New and amended standards adopted by Council

There have been no new accounting standards adopted in this year's financial statements which have had any material impact on reported financial position, performance or cash flows.

(iv) Early adoption of accounting standards

Council has not elected to apply any pronouncements before their operative date in the annual reporting period beginning 1 July 2015.

For summary information relating to the effects of standards with future operative dates refer further to paragraph (ab) on page 23.

(v) Basis of accounting

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

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

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

(vi) Changes in accounting policies

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

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

North Sydney Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

(vii) Critical accounting estimates

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

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

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

Critical accounting estimates and assumptions

Council makes estimates and assumptions concerning the future.

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

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

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

Significant judgements in applying Council's accounting policies include the impairment of receivables – Council has made judgements 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 it, and specific criteria have been met for each of the Council's activities as described below.

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

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

Revenue is measured on major income categories as follows:

Rates, Annual Charges, Grants and Contributions

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

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

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

Control over granted assets/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.

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

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

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

The Council has obligations to provide facilities from contribution revenues levied on developers under the provisions of s94 of the *EPA Act 1979*.

North Sydney Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

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

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

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

User charges, fees and other income

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

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

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

Sale of infrastructure, property, plant and equipment

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

Interest and rents

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

Interest income from cash and investments is accounted for using the effective interest rate at the date that interest is earned.

Dividend income

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

Other Income

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

(c) Principles of consolidation

These consolidated financial statements include the financial position and performance of controlled entities from the date on which control is obtained until the date that control is lost.

(i) The Consolidated Fund

In accordance with the provisions of section 409(1) of the LGA 1993, all money and property received by Council is held in the Council's consolidated fund unless it is required to be held in the Council's trust fund.

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

(ii) The trust fund

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

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

(iii) Interests in other entities

Subsidiaries

Council has no interest in any subsidiaries.

Joint arrangements

Council has no interest in any joint arrangements.

North Sydney Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

Joint ventures

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

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

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

Detailed information relating to Council's joint ventures can be found at Note 19 (b).

Associates

Council has no interest in any associates.

County councils

Council is not a member of any county councils.

(d) Leases

All leases entered into by Council are reviewed and classified on inception date as either a finance lease or an operating lease.

Finance leases

Council has no finance leases.

Operating Leases

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

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

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

(e) Cash and Cash Equivalents

For Statement of Cash Flows (and Statement of Financial Position) presentation purposes, cash and cash equivalents includes;

- cash on hand,
- deposits held at call with financial institutions,
- other short-term, highly liquid investments with **original maturities of three months or less** that are readily convertible to known amounts of cash and that are subject to an insignificant risk of changes in value, and
- bank overdrafts.

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

(f) Investments and other financial assets

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

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

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

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

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

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

North Sydney Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

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

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

(ii) Loans and receivables

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

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

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

(iii) Held-to-maturity investments

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

In contrast to the 'loans and receivables' classification, these investments are generally quoted in an active market.

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

Council has no held-to-maturity investments.

(iv) Available-for-sale financial assets

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

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

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

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

Council has no available – for - sale investments.

Financial assets – reclassification

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

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

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

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

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

General accounting and measurement of financial instruments:

(i) Initial recognition

Investments are initially recognised (and measured) at fair value, plus in the case of investments not at

North Sydney Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

'fair value through profit or loss', directly attributable transactions costs.

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

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

(ii) Subsequent measurement

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

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

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

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

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

Impairment

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

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

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

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

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

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

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

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

(iii) Types of investments

Council has an approved Investment Policy in order to invest in accordance with (and to comply with) section 625 of the *Local Government Act* and s212 of the LG (General) Regulation 2005.

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

Council maintains its Investment Policy in compliance with the Act and ensures that it or its representatives exercise care, diligence and skill that

North Sydney Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

a prudent person would exercise in investing Council funds.

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

(g) Fair value estimation – 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 balance sheet date.

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

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

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

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

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

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

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

(h) Receivables

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

Receivables (excluding rates and annual charges) are generally due for settlement no more than 30 days from the date of recognition.

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

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

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

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

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

Subsequent recoveries of amounts previously written off are credited against other expenses in the Income Statement.

(i) Inventories

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

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

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

North Sydney Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

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

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

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

(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.

(j) Infrastructure, property, plant and equipment (I,PP&E)

Acquisition of assets

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

At balance date, the following classes of I,PP&E were stated at their fair value:

- **Investment Properties** – refer Note 1(p);
- **Operational Land** (External/Internal Valuation);
- **Buildings – Specialised/Non Specialised** (External/Internal Valuation);
- **Plant and Equipment** (as approximated by depreciated historical cost);
- **Roads Assets** (External/Internal Valuation);
- **Footpath Assets** (Internal Valuation);
- **Drainage Assets** (Internal Valuation);
- **Swimming Pool Assets** (External/Internal Valuation);
- **Open Space/Recreation Assets** (as approximated by depreciated historical cost);
- **Other Infrastructure Assets** (as approximated by depreciated historical cost);
- **Community Land** (External/Internal Valuation)
- **Land Improvements** (as approximated by depreciated historical cost);
- **Other Structures** (as approximated by depreciated historical cost);
- **Other Assets** (as approximated by depreciated historical cost).

Initial recognition

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

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

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

Where infrastructure, property, plant and equipment assets are acquired for no cost or for an amount other than cost, the assets are recognised in the financial statements at their fair value at acquisition

North Sydney Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

date – being the amount that the asset could have been exchanged between knowledgeable willing parties in an arm's length transaction.

Subsequent costs

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

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

Asset revaluations (including indexation)

In accounting for asset revaluations relating to infrastructure, property, plant and equipment:

- increases in the combined carrying amounts of asset classes arising on revaluation are credited to the asset revaluation reserve,
- to the extent that a net asset class increase reverses a decrease previously recognised via the profit or loss, then increase is first recognised in profit or loss,
- net decreases that reverse previous increases of the same asset class are first charged against revaluation reserves directly in equity to the extent of the remaining reserve attributable to the asset, with all other decreases charged to the Income Statement.

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

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

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

Capitalisation thresholds

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

Land

- Council Land	100% Capitalised
- Open Space	100% Capitalised
- Land Under Roads (purchases after 30 June 2008)	100% Capitalised

Plant and Equipment

- Office Furniture	> \$5,000
- Office Equipment	> \$5,000
- Other Plant and Equipment	> \$5,000

Buildings and Land Improvements

- Park Furniture and Equipment	> \$2,000
- Building	
- construction/extensions	100% Capitalised
- renovations	> \$10,000
- Other Structures	> \$10,000

Stormwater Assets

- Drains and Culverts	> \$10,000
- Other	> \$10,000

Transport Assets

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

Other Infrastructure Assets

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

Depreciation

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

Land is not depreciated.

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

North Sydney Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

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

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
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All asset residual values and useful lives are reviewed and adjusted (if appropriate) at each reporting date.

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

Disposal and derecognition

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

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

(k) Land

Land (other than land under roads) is in accordance with Part 2 of Chapter 6 of the *Local Government Act (1993)* classified as either operational or community.

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

(l) Land under roads

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

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

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

(m) Intangible assets

Council has not classified any assets as intangible.

(n) Crown reserves

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

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

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

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

North Sydney Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

(o) Rural fire service assets

Council has no rural fire services assets.

(p) Investment property

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

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

Annual changes in the fair value of investment properties are recorded in the Income Statement as part of 'other income'.

Full revaluations are carried out every year. The last full revaluation for Council's investment properties was dated 30 June 2016.

(q) Provisions for close down, restoration and for environmental clean-up costs – including tips and quarries

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

(r) Non-current assets (or disposal groups) 'held for sale' and discontinued operations

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

The exception to this is plant and motor vehicles, which are turned over on a regular basis. Plant and motor vehicles are retained in non-current assets under the classification of infrastructure, property, plant and equipment – unless the assets are to be traded in after 30 June and the replacement assets were already purchased and accounted for as at 30 June.

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

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

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

Council has no discontinued operations.

(s) Impairment of assets

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

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

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

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

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

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

Goodwill and other intangible assets that have an indefinite useful life and are not subject to amortisation are tested annually for impairment.

(t) Payables

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

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

North Sydney Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

(u) Borrowings

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

Borrowings are subsequently measured at amortised cost.

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

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

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

(v) Borrowing costs

Borrowing costs are expensed

(w) Provisions

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

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

Provisions are not recognised for future operating losses.

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

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

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

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

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

(x) Employee benefits

(i) Short-term obligations

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

Leave liabilities are recognised in the provision for employee benefits in respect of employees' services up to the reporting date with other short term employee benefit obligations disclosed under payables.

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

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

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

Wages and salaries, annual leave and vesting sick leave are all classified as current liabilities.

(ii) Other long-term obligations

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

North Sydney Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

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

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

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

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

(iii) Retirement benefit obligations

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

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

Defined benefit plans

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

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

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

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

This scheme has been deemed to be a 'multi-employer fund' for the purposes of AASB 119.

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

The last valuation of the scheme was performed by Mr Richard Boyfield, FIAA on 24 February 2016 and covers the period ended 30 June 2015.

However the position is monitored annually and the actuary has estimated that as at 30 June 2016 the prior period deficit still exists.

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

The amount of employer contributions to the defined benefit section of the Local Government Superannuation Scheme and recognised as an expense and disclosed as part of superannuation expenses at Note 4 (a) for the year ending 30 June 2016 was \$984,333.

The amount of additional contributions included in the total employer contribution is \$1,568,000.

The share of this deficit that can be broadly attributed to Council is estimated to be \$735,515 as at 30 June 2016.

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

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

North Sydney Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

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

Defined contribution plans

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

(iv) Employee benefit on-costs

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

These amounts include superannuation and workers compensation expenses which will be payable upon the future payment of certain leave liabilities accrued as at 30/06/16.

(y) Self-insurance

Council does not self-insure.

(z) Allocation between current and non-current assets and liabilities

In the determination of whether an asset or liability is classified as current or non-current, consideration is given to the time when each asset or liability is expected to be settled.

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

Exceptions

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

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

(aa) Taxes

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

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

Goods and Services Tax (GST)

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

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

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

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

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

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

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

(ab) New accounting standards and Interpretations issued (not yet effective)

Certain new (or amended) accounting standards and interpretations have been published that are not mandatory for reporting periods ending 30 June 2016.

Council has not adopted any of these standards early.

North Sydney Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

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

Council's assessment of the impact of upcoming new standards and interpretations that are likely to have an effect are set out below.

AASB 9 – Financial Instruments

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

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

These requirements are designed to improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139.

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

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

Council is yet to undertake a detailed assessment of the impact of AASB 9.

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

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

AASB 15 will introduce a 5-step process for revenue recognition with the core principle of the new standard being that entities recognise revenue so as to depict the transfer of goods or services to customers in amounts that reflect the consideration (that is, payment) to which the entity expects to be entitled in exchange for those goods or services.

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

The effective date of this standard is for annual reporting periods beginning on or after 1 January 2018.

Council is yet to undertake a detailed assessment of the impact of AASB 15.

AASB ED 260 Income of Not-for-Profit Entities

The AASB previously issued exposure draft AASB ED 260 on Income of Not-for-Profit Entities in April 2015.

The exposure draft proposed specific not-for-profit entity requirements and guidance when applying the principles of AASB 15 to income from certain transactions.

Much of the material in AASB 1004 is expected to be replaced by material included in AASB ED 260.

Specific revenue items that may considerably change are Grants and Contributions.

The most likely financial statement impact is the deferred recognition of Grants and Contributions (i.e. recognition as unearned revenue [liability]) until Council has met the associated performance obligation/s relating to the Grants or Contribution.

At this stage there is no specific date of release for a standard or a date of applicability.

AASB16 – Leases

AASB 116 Leases replaces AASB 117 Leases and some associated lease-related Interpretations.

AASB 16 introduces a single lease accounting model (for lessees) that will require all leases to be accounted for on the balance sheet (ie. recognition of both a right-of-use asset and a corresponding lease) for all leases with a term of more than 12 months unless the underlying assets are determined to be of 'low value'. There will also be detailed disclosure requirements for all lessees.

North Sydney Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

The effective date of this standard is for annual reporting periods beginning on or after 1 January 2019.

Council is yet to undertake a detailed assessment of the accounting impacts from AASB 16. However, based on preliminary assessments, impacts from the first time adoption of the standard are likely to include:

- a significant increase in lease assets and financial liabilities recognised on the balance sheet,
- a reduction in reported equity as the carrying amount of lease assets will reduce more quickly than the carrying amount of lease liabilities,
- lower operating cash outflows and higher financing cash flows in the statement of cash flows as principal repayments on all lease liabilities will now be included in financing activities rather than operating activities.

AASB2015-6 – Amendments to Australian Accounting Standards – Extending Related Party Disclosures to Not-for-Profit Public Sector Entities

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

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

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

AASB 2014 – 10 Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture

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

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

A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary.

The effective date of this standard is for annual reporting periods beginning on or after 1 January 2018.

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

(ac) Rounding of amounts

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

(ad) 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.

(ae) 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 2016

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

Functions/activities	Income, expenses and assets have been directly attributed to the following functions/activities. Details of these functions/activities are provided in Note 2(b).												
	Income from continuing operations			Expenses from continuing operations			Operating result from continuing operations			Grants included in income from continuing operations		Total assets held (current & non-current)	
	Original budget	Actual	Actual	Original budget	Actual	Actual	Original budget	Actual	Actual	Actual	Actual	Actual	Actual
	2016	2016	2015	2016	2016	2015	2016	2016	2015	2016	2015	2016	2015
Governance	–	–	–	2,028	3,530	2,503	(2,028)	(3,530)	(2,503)	1	–	103	30
Administration	5,381	7,708	8,349	25,768	16,295	16,187	(20,387)	(8,587)	(7,838)	–	–	146,578	142,915
Public order and safety	7,363	7,837	6,983	7,403	7,215	6,849	(40)	622	134	–	–	2,188	2,225
Health	223	356	275	1,679	1,700	1,589	(1,456)	(1,344)	(1,314)	9	8	565	563
Environment	14,045	14,373	13,867	18,036	19,118	17,619	(3,991)	(4,745)	(3,752)	91	212	126,570	125,316
Community services and education	769	1,324	993	2,655	2,826	2,685	(1,886)	(1,502)	(1,692)	682	675	2,978	3,035
Housing and community amenities	986	1,637	1,121	5,900	7,651	6,005	(4,914)	(6,014)	(4,884)	185	211	4,807	5,099
Recreation and culture	7,426	15,532	18,679	17,883	22,033	20,412	(10,457)	(6,501)	(1,733)	197	319	248,670	247,603
Mining, manufacturing and construction	–	–	40	–	–	–	–	–	40	–	–	–	–
Transport and communication	13,023	15,480	13,344	7,925	12,116	12,922	5,098	3,364	422	1,867	443	261,657	243,662
Economic affairs	14,853	56,409	14,130	6,130	6,730	6,868	8,723	49,679	7,262	–	–	175,469	120,167
Total functions and activities	64,069	120,656	77,781	95,407	99,214	93,639	(31,338)	21,442	(15,858)	3,032	1,868	969,585	890,615
Share of gains/(losses) in associates and joint ventures (using the equity method)	–	–	–	–	22	5	–	(22)	(5)	–	–	34	56
General purpose income ¹	38,208	40,140	38,438	–	–	–	38,208	40,140	38,438	2,063	2,054	1	2
Operating result from continuing operations	102,277	160,796	116,219	95,407	99,236	93,644	6,870	61,560	22,575	5,095	3,922	969,620	890,673

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 2016

Note 2(b). Council functions/activities – component descriptions

Details relating to the Council's functions/activities as reported in Note 2(a) are as follows:

GOVERNANCE

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

ADMINISTRATION

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

PUBLIC ORDER AND SAFETY

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

HEALTH

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

ENVIRONMENT

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

COMMUNITY SERVICES AND EDUCATION

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

HOUSING AND COMMUNITY AMENITIES

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

RECREATION AND CULTURE

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

MINING, MANUFACTURING AND CONSTRUCTION

Building control, abattoirs, quarries & pits, other.

TRANSPORT AND COMMUNICATION

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

ECONOMIC AFFAIRS

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

North Sydney Council

Notes to the Financial Statements for the year ended 30 June 2016

Note 3. Income from continuing operations

\$ '000	Notes	Actual 2016	Actual 2015
(a) Rates and annual charges			
Ordinary rates			
Residential		20,849	19,423
Business		13,504	12,659
Total ordinary rates		34,353	32,082
Special rates			
Environmental Levy		1,820	1,820
Infrastructure Levy		1,631	1,630
Main Street Levies		498	497
Total special rates		3,949	3,947
Annual charges (pursuant to s.496, s.496A, s.496B, s.501 & s.611)			
Domestic Waste Management Services		10,081	9,701
Stormwater Management Services		547	543
Section 611 Charges		70	63
Total annual charges		10,698	10,307
TOTAL RATES AND ANNUAL CHARGES		49,000	46,336

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 2016

Note 3. Income from continuing operations (continued)

\$ '000	Notes	Actual 2016	Actual 2015
(b) User charges and fees			
Specific user charges (per s.502 – specific 'actual use' charges)			
Domestic Waste Management Services		1,026	994
Total user charges		1,026	994
Other user charges and fees			
(i) Fees and charges – statutory and regulatory functions (per s.608)			
Planning and Building Regulation		3,461	3,423
Regulatory / Statutory Fees		3,526	3,769
Section 149 Certificates (EPA Act)		280	359
Section 603 Certificates		173	159
Total fees and charges – statutory/regulatory		7,440	7,710
(ii) Fees and charges – other (incl. general user charges (per s.608))			
Business Trade Waste		364	347
Community Centres / Facilities		58	50
Domestic Waste Management – Other		25	23
Family Day Care		191	93
Library		118	139
Planning and Building Regulation (Non-Statutory)		488	452
Public Events		44	28
Off Street Parking		2,853	2,504
On Street Parking		8,816	8,298
Ovals		907	882
Reinstatements		645	837
Swimming centres		2,312	2,287
Other		187	168
Total fees and charges – other		17,008	16,108
TOTAL USER CHARGES AND FEES		25,474	24,812

North Sydney Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 3. Income from continuing operations (continued)

\$ '000	Notes	Actual 2016	Actual 2015
(c) Interest and investment revenue (including losses)			
Interest			
– Interest on overdue rates and annual charges (incl. special purpose rates)		54	44
– Interest earned on investments (interest and coupon payment income)		3,814	4,061
– Interest on developer contributions		275	340
Fair value adjustments			
– Fair valuation movements in investments (at fair value or held for trading)		(175)	168
<u>TOTAL INTEREST AND INVESTMENT REVENUE</u>		<u>3,968</u>	<u>4,613</u>
Interest revenue is attributable to:			
Unrestricted investments/financial assets:			
Overdue rates and annual charges (general fund)		54	44
General Council cash and investments		3,639	4,229
Restricted investments/funds – external:			
Development contributions			
– Section 94		255	337
– Section 93F		20	3
<u>Total interest and investment revenue recognised</u>		<u>3,968</u>	<u>4,613</u>
(d) Other revenues			
Fair Value Adjustments – Investment Properties (Non-Cash)	14	12,803	4,920
Rental Income – Investment Properties	14	5,851	5,989
Rental Income – Other Council Properties		337	359
Ex Gratia Rates		31	29
Fines – Environmental and Compliance		120	130
Fines – Parking		7,287	6,464
Advertising on Council Infrastructure		901	869
Better Waste and Recycling Fund		178	178
Carbon Tax Refund		173	–
Commissions and Agency Fees		3	7
Insurance Bonuses, Rebates and Claim Recoveries		100	412
Legal Fees Recovered		94	102
Miscellaneous Sales		21	3
Other Charges for Overdue Rates and Charges		29	75
Other		579	647
<u>TOTAL OTHER REVENUE</u>		<u>28,507</u>	<u>20,184</u>

North Sydney Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 3. Income from continuing operations (continued)

\$ '000	2016 Operating	2015 Operating	2016 Capital	2015 Capital
(e) Grants				
General purpose (untied)				
Financial Assistance – General Component	1,440	1,431	–	–
Financial Assistance – Local Roads Component	461	462	–	–
Pensioners' Rates Subsidies – General Component	162	161	–	–
Total general purpose	2,063	2,054	–	–
Specific purpose				
Pensioners' Rates Subsidies:				
– Domestic Waste Management	42	42	–	–
Bus Weight Tax Subsidy	31	21	–	–
Community Care:				
– Aged Care	58	60	–	–
– Crime Prevention	45	–	–	–
– Family Day Care	495	538	–	–
– Vacation Care	40	28	–	–
– Youth Care	5	12	–	–
– Other	47	46	–	–
Environmental Protection	50	170	–	–
Recreation and Culture:				
– Aboriginal Heritage	–	32	–	–
– Library - Per Capita	131	128	–	–
– Library - Special Projects	–	–	47	47
– Parks and Gardens	–	–	19	25
– Sporting Grounds and Venues	–	–	–	48
– Other Sport and Recreation	–	–	–	38
Town Planning	–	30	–	–
Traffic Route Lighting Subsidy	185	181	–	–
Transport:				
– Bicycle Facilities	37	–	532	18
– Roads to Recovery	1,165	218	–	–
– Roads Safety	103	101	–	–
– Other Roads funding	–	52	–	33
Total specific purpose	2,434	1,659	598	209
Total grants	4,497	3,713	598	209
Grant revenue is attributable to:				
– Commonwealth funding	1,660	788	–	17
– State funding	2,836	2,897	597	192
– Other funding	1	28	1	–
	4,497	3,713	598	209

North Sydney Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 3. Income from continuing operations (continued)

\$ '000	2016 Operating	2015 Operating	2016 Capital	2015 Capital
(f) Contributions				
Developer contributions:				
(s93 & s94 – EP&A Act, s64 of the LGA):				
S 93F – Contributions Using Planning Agreements	–	–	3,288	708
S 94 – Contributions Towards Amenities/Services	–	–	9,413	14,586
Total developer contributions	17	–	12,701	15,294
Other contributions:				
Affordable Housing	660	12	–	–
Alexander Street Car Park (non-cash)	–	–	34,321	–
Community Services				
– Youth Care	6	–	–	–
Environmental Protection	15	14	–	–
Recreation and Culture				
– Aboriginal Heritage	244	251	–	–
Recreation and culture – museums	–	–	–	40
RMS Contributions (Regional Roads, Block Grant)	673	666	–	–
Town Planning	23	–	–	–
Other	–	–	84	–
Total other contributions	1,621	943	34,405	40
Total contributions	1,621	943	47,106	15,334
TOTAL GRANTS AND CONTRIBUTIONS	6,118	4,656	47,704	15,543

\$ '000	Actual 2016	Actual 2015
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(g) Restrictions relating to grants and contributions

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

Unexpended at the close of the previous reporting period	25,829	18,512
Add: grants and contributions recognised in the current period but not yet spent:	12,941	10,888
Less: grants and contributions recognised in a previous reporting period now spent:	(7,926)	(3,571)
Net increase (decrease) in restricted assets during the period	5,015	7,317
Unexpended and held as restricted assets	30,844	25,829
Comprising:		
– Specific purpose unexpended grants	301	132
– Developer contributions	30,499	25,671
– Other contributions	44	26
	30,844	25,829

North Sydney Council

Notes to the Financial Statements
for the year ended 30 June 2016

Note 4. Expenses from continuing operations

\$ '000	Notes	Actual 2016	Actual 2015
(a) Employee benefits and on-costs			
Salaries and Wages		30,269	28,640
Travel Expenses		337	444
Employee Leave Entitlements (ELE)		5,982	5,629
Superannuation – Defined Contribution Plans		2,645	2,527
Superannuation – Defined Benefit Plans		994	1,007
Workers' Compensation Insurance		647	426
Fringe Benefit Tax (FBT)		266	271
Training Costs (Other than Salaries and Wages)		390	334
Other		154	158
Total employee costs		41,684	39,436
Less: capitalised costs		(1,140)	(680)
TOTAL EMPLOYEE COSTS EXPENSED		40,544	38,756
Number of 'full-time equivalent' employees (FTE) at year end		398	391
(b) Borrowing costs			
(i) Interest bearing liability costs			
Interest on loans		277	–
Total interest bearing liability costs expensed		277	–
(ii) Other borrowing costs			
Nil		–	–
TOTAL BORROWING COSTS EXPENSED		277	–

North Sydney Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 4. Expenses from continuing operations (continued)

\$ '000	Notes	Actual 2016	Actual 2015
(c) Materials and contracts			
Raw materials and consumables		3,521	3,718
Contractor and consultancy costs			
– Aboriginal Heritage		111	110
– Agency Staff		1,423	897
– Cash Collection		393	394
– CBD Marketing		141	197
– Cleaning of Council Properties		334	390
– Community Transport		168	168
– Computer Hardware and Software Maintenance		1,244	1,141
– Drainage Maintenance		326	357
– Footpath Maintenance		646	587
– Graffiti Removal		134	108
– Internal Audit Program		68	70
– Mowing		979	930
– Other Infrastructure Maintenance		897	821
– Parking Meter Maintenance		843	760
– Parks, Gardens and Tree Maintenance		1,568	1,748
– Property Maintenance		4,901	3,288
– Property Management		311	269
– Public Events		515	400
– Roads Maintenance		832	585
– Waste and Recycling Collection		4,820	4,712
– Waste and Recycling Disposal		4,553	4,187
– Other		1,757	1,586
Consultancy		1,475	1,553
Auditors Remuneration ⁽¹⁾		55	67
Infringement Notice Contract Costs (SEINS)		1,036	932
Legal expenses:			
– Legal expenses: Planning and Development		535	566
– Legal Expenses: Debt Recovery		31	75
– Legal Expenses: Other		804	275
<u>TOTAL MATERIALS AND CONTRACTS</u>		<u>34,421</u>	<u>30,891</u>

1. Auditor remuneration

During the year, the following fees were incurred for services provided by the Council's Auditor:

(i) Audit and other assurance services

– Audit and review of financial statements: Council's Auditor

Remuneration for audit and other assurance services

Total Auditor remuneration

55	67
<u>55</u>	<u>67</u>
<u>55</u>	<u>67</u>

North Sydney Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 4. Expenses from continuing operations (continued)

\$ '000	Notes	Impairment costs		Depreciation/amortisation	
		Actual 2016	Actual 2015	Actual 2016	Actual 2015
Plant and Equipment		–	–	1,723	1,555
Office Equipment		–	–	817	682
Furniture and Fittings		–	–	465	280
Land Improvements (Depreciable)		–	–	387	299
Infrastructure:					
– Buildings – Non-Specialised		–	–	46	44
– Buildings – Specialised		–	–	2,800	2,834
– Other Structures		–	–	1	–
– Roads		–	–	3,667	4,974
– Footpaths		–	–	1,411	1,656
– Stormwater Drainage		–	–	1,656	1,070
– Swimming Pools		–	–	423	412
– Other Open Space / Recreational Assets		–	–	526	475
– Other Infrastructure		–	–	1,197	1,012
Other assets					
– Heritage Collections		–	–	35	20
– Library Books		–	–	382	371
<u>TOTAL DEPRECIATION AND IMPAIRMENT COSTS EXPENSED</u>		–	–	15,536	15,684

North Sydney Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 4. Expenses from continuing operations (continued)

\$ '000	Notes	Actual 2016	Actual 2015
(e) Other expenses			
Other expenses for the year include the following:			
Advertising		363	171
Bad and Doubtful Debts		6	13
Bank Charges		355	366
Contributions/levies to other levels of government			
– Department of Planning Levy		251	245
– Emergency Services Levy (includes FRNSW, SES, and RFS levies)		1,362	1,309
– Land Tax		63	58
– RMS traffic signal installation		–	163
Councillor Expenses – Mayoral Fee		62	61
Councillor Expenses – Councillors' Fees		233	249
Councillors' Expenses (incl. Mayor) – Other (excluding fees above)		37	76
Donations, contributions and assistance to other organisations (Section 356)			
– Crows Nest Centre		383	361
– Crows Nest Mainstreet		16	151
– Neutral Bay Mainstreet		16	16
– North Sydney community centre		74	72
– Nutcote		33	36
– Other organisations		236	244
Electricity and Heating		1,046	971
Fair value decrements – I,PP&E	9(a)	245	–
Insurance		1,851	1,951
NSW Local Government Association Membership		44	44
Postage		319	243
Street lighting		1,015	1,113
Telephone and Communications		274	253
Valuation Fees		68	67
Other		84	75
<u>TOTAL OTHER EXPENSES</u>		<u>8,436</u>	<u>8,308</u>

North Sydney Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 5. Gains or losses from the disposal of assets

\$ '000	Notes	Actual 2016	Actual 2015
Property (excl. investment property)			
Less: carrying amount of property assets sold/written off		(51)	–
Net gain/(loss) on disposal		(51)	–
Plant and equipment			
Proceeds from disposal – plant and equipment		1,204	1,408
Less: carrying amount of plant and equipment assets sold/written off		(1,128)	(1,333)
Net gain/(loss) on disposal		76	75
Financial assets			
Proceeds from disposal/redemptions/maturities – financial assets		47,445	42,195
Less: carrying amount of financial assets sold/redeemed/matured		(47,445)	(42,195)
Net gain/(loss) on disposal		–	–
NET GAIN/(LOSS) ON DISPOSAL OF ASSETS		25	75

North Sydney Council

Notes to the Financial Statements

for the year ended 30 June 2016

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

\$ '000	Notes	2016	2016	2015	2015
		Actual Current	Actual Non-current	Actual Current	Actual Non-current
Cash and cash equivalents (Note 6a)					
Cash on hand and at bank		498	–	22	–
Cash-equivalent assets ¹					
– Deposits at call		5,023	–	8,585	–
Total cash and cash equivalents		5,521	–	8,607	–
Investments (Note 6b)					
– Long term deposits		54,500	–	77,000	–
– NCD's, FRN's (with maturities > 3 months)		40,934	–	17,534	–
Total investments		95,434	–	94,534	–
TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS		100,955	–	103,141	–

¹ 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'

	5,521	–	8,607	–
--	-------	---	-------	---

Investments

a. 'At fair value through the profit and loss'

– 'Held for trading'

6(b-i)

	95,434	–	94,534	–
--	--------	---	--------	---

Investments

	95,434	–	94,534	–
--	--------	---	--------	---

Note 6(b-i)

Reconciliation of investments classified as 'at fair value through the profit and loss'

Balance at the beginning of the year	94,534	–	–	–
Revaluations (through the Income Statement)	(175)	–	168	–
Additions	48,520	–	46,051	–
Disposals (sales and redemptions)	(47,445)	–	(42,195)	–
Transfers from/(to) 'held to maturity'	–	–	90,510	–
Balance at end of year	95,434	–	94,534	–

Comprising:

– NCD's, FRN's (with maturities > 3 months)

	40,934	–	17,534	–
--	--------	---	--------	---

– Other long term financial assets

	54,500	–	77,000	–
--	--------	---	--------	---

Total

	95,434	–	94,534	–
--	--------	---	--------	---

Note 6(b-ii)

Reconciliation of investments classified as 'held to maturity'

Balance at the beginning of the year	–	–	26,185	64,325
Transfers from/(to) 'at fair value'	–	–	(26,185)	(64,325)
Balance at end of year	–	–	–	–

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 2016

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

\$ '000	2016	2016	2015	2015
	Actual Current	Actual Non-current	Actual Current	Actual Non-current
Total cash, cash equivalents and investments	100,955	–	103,141	–
attributable to:				
External restrictions (refer below)	35,175	–	29,701	–
Internal restrictions (refer below)	52,834	–	64,316	–
Unrestricted	12,946	–	9,124	–
	100,955	–	103,141	–

2016 \$ '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)	25,671	12,976	(8,148)	30,499
RMS (formerly RTA) contributions	(E)	–	673	(673)	–
Specific purpose unexpended grants	(F)	132	5,052	(4,883)	301
Domestic waste management	(G)	2,453	10,129	(10,169)	2,413
Stormwater management	(G)	–	546	(339)	207
Environment levy	(D)	895	1,785	(1,760)	920
Infrastructure levy	(D)	83	1,560	(1,344)	299
Mainstreet levies	(D)	115	492	(234)	373
Waste and sustainability improvement funds	(E)	326	171	(378)	119
Other specific purpose contributions		26	35,354	(35,336)	44
External restrictions – other		29,701	68,738	(63,264)	35,175
Total external restrictions		29,701	68,738	(63,264)	35,175

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 Water, sewerage, 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 2016

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

2016 \$ '000	Opening balance	Transfers to restrictions	Transfers from restrictions	Closing balance
Internal restrictions				
Plant and vehicle replacement	2,017	3,964	(4,414)	1,567
Employees leave entitlement	7,394	11,447	(9,964)	8,877
Deposits, retentions and bonds	7,472	2,950	(2,969)	7,453
2 Anzac Avenue lease proceeds	19,500	–	(8,773)	10,727
Capital works	15,224	13,813	(15,239)	13,798
Community housing – capital purchases	1,948	–	(914)	1,034
Community housing – major maintenance	190	–	(13)	177
Income producing projects	7,546	207	(1,205)	6,548
Insurance	899	100	(66)	933
Land tax	418	–	(418)	–
I.T. hardware and software	796	551	(847)	500
Oval improvements	249	217	(466)	–
Property maintenance	663	1,628	(1,546)	745
Loan Principal	–	475	–	475
Total internal restrictions	64,316	35,352	(46,834)	52,834
TOTAL RESTRICTIONS	94,017	104,090	(110,098)	88,009

North Sydney Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 7. Receivables

\$ '000	Notes	2016		2015	
		Current	Non-current	Current	Non-current
Purpose					
Rates and annual charges		353	97	187	93
Interest and extra charges		18	50	16	48
User charges and fees		713	–	1,031	–
Accrued revenues					
– Interest on investments		1,740	–	1,733	–
– Other income accruals		931	–	649	–
Government grants and subsidies		899	–	255	–
Net GST receivable		1,171	–	907	–
Outstanding infringements		887	–	919	–
Other debtors		20	–	34	–
Total		6,732	147	5,731	141
Less: provision for impairment					
User charges and fees		(39)	–	(43)	–
Total provision for impairment – receivables		(39)	–	(43)	–
TOTAL NET RECEIVABLES		6,693	147	5,688	141
Externally restricted receivables					
Domestic waste management		108	–	87	2
Stormwater management		5	1	5	–
– Environmental levy		19	4	15	4
– Infrastructure levy		17	3	14	3
– Mainstreet levies		6	2	6	1
Total external restrictions		155	10	127	10
Internally restricted receivables					
Nil					
Unrestricted receivables		6,538	137	5,561	131
TOTAL NET RECEIVABLES		6,693	147	5,688	141

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% (2015 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 2016

Note 8. Inventories and other assets

\$ '000	Notes	2016		2015	
		Current	Non-current	Current	Non-current
(a) Inventories					
(i) Inventories at cost					
Trading stock		43	–	43	–
Total inventories at cost		43	–	43	–
(ii) Inventories at net realisable value (NRV)					
Nil					
TOTAL INVENTORIES		43	–	43	–
(b) Other assets					
Prepayments		226	–	228	–
TOTAL OTHER ASSETS		226	–	228	–

Externally restricted assets

There are no restrictions applicable to the above assets.

(i) Other disclosures

(a) 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 2016

Note 9a. Infrastructure, property, plant and equipment

\$ '000	as at 30/6/2015					Asset movements during the reporting period						as at 30/6/2016				
	At cost	At fair value	Accumulated		Carrying value	Additions renewals	Additions new assets	Carrying value of disposals	Depreciation expense	WIP transfers	Revaluation decrements to P&L	At cost	At fair value	Accumulated		Carrying value
			depreciation	impairment										depreciation	impairment	
Capital work in progress	6,213	–	–	–	6,213	5,357	2,078	–	–	(2,109)	–	11,539	–	–	–	11,539
Plant and equipment	–	13,933	6,944	–	6,989	2,664	659	(1,128)	(1,723)	561	–	–	15,808	7,786	–	8,022
Office equipment	–	15,845	13,131	–	2,714	597	419	–	(817)	31	–	–	16,892	13,948	–	2,944
Furniture and fittings	–	6,795	3,924	–	2,871	488	–	–	(465)	29	–	–	7,312	4,389	–	2,923
Land:																
– Operational land	–	62,008	–	–	62,008	–	16,950	–	–	–	–	–	78,958	–	–	78,958
– Community land	–	148,353	–	–	148,353	–	2,289	–	–	–	(245)	–	150,397	–	–	150,397
Land improvements – depreciable	–	18,133	2,243	–	15,890	121	1,202	–	(387)	27	–	–	19,483	2,630	–	16,853
Infrastructure:																
– Buildings – non-specialised	–	2,158	1,526	–	632	8	28	–	(46)	–	–	–	2,194	1,572	–	622
– Buildings – specialised	–	140,062	78,198	–	61,864	10,368	14,413	(51)	(2,800)	825	–	–	165,282	80,663	–	84,619
– Other structures	–	29	1	–	28	–	10	–	(1)	–	–	–	39	2	–	37
– Roads	–	296,467	104,736	–	191,731	10,873	54	–	(3,667)	57	–	–	307,451	108,403	–	199,048
– Footpaths	–	69,851	30,047	–	39,804	6,187	–	–	(1,411)	52	–	–	76,090	31,458	–	44,632
– Stormwater drainage	–	188,665	63,458	–	125,207	2,758	–	–	(1,656)	80	–	–	191,504	65,115	–	126,389
– Swimming pools	–	24,959	13,862	–	11,097	53	–	–	(423)	–	–	–	25,012	14,285	–	10,727
– Other open space/recreational assets	–	9,549	6,910	–	2,639	909	355	–	(526)	60	–	–	10,872	7,435	–	3,437
– Other infrastructure	–	31,496	9,856	–	21,640	1,527	3,097	–	(1,197)	370	–	–	36,490	11,053	–	25,437
Other assets:																
– Heritage collections	–	1,774	714	–	1,060	412	5	–	(35)	17	–	–	2,209	750	–	1,459
– Library books	–	6,613	5,547	–	1,066	405	–	–	(382)	–	–	–	7,018	5,929	–	1,089
TOTAL INFRASTRUCTURE, PROPERTY, PLANT AND EQUIP.	6,213	1,036,690	341,097	–	701,806	42,727	41,559	(1,179)	(15,536)	–	(245)	11,539	1,113,011	355,418	–	769,132

Additions to Buildings & Infrastructure Assets are made up of Asset Renewals (\$37,834, of which \$5,357 are work in progress) and New Assets (\$17,957). 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 2016

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 2016

Note 10a. Payables, borrowings and provisions

\$ '000	Notes	2016		2015	
		Current	Non-current	Current	Non-current
Payables					
Goods and services – operating expenditure		6,473	–	4,105	–
Goods and services – capital expenditure		6,846	–	6,130	–
Payments received in advance		1,962	–	105	–
Accrued expenses:					
– Borrowings		15	–	–	–
– Salaries and wages		270	–	560	–
– Other expenditure accruals		1,935	–	114	–
Security bonds, deposits and retentions		7,453	–	7,472	–
Other		336	–	316	–
Total payables		25,290	–	18,802	–
Borrowings					
Bank overdraft		220	–	172	–
Loans – secured ¹		–	9,500	–	–
Total borrowings		220	9,500	172	–
Provisions					
Employee benefits:					
Annual leave		3,586	–	3,500	–
Sick leave		142	–	123	–
Long service leave		8,446	205	7,907	187
Gratuities		3,709	–	3,013	–
Other leave – RDO's		51	–	58	–
Total provisions		15,934	205	14,601	187
<u>TOTAL PAYABLES, BORROWINGS AND PROVISIONS</u>		41,444	9,705	33,575	187
(i) Liabilities relating to restricted assets					
		2016		2015	
		Current	Non-current	Current	Non-current
Externally restricted assets					
Domestic waste management		1,698	3	1,017	2
Special rate levies		395	–	285	–
Better waste and recycling funds		23	–	29	–
Liabilities relating to externally restricted assets		2,116	3	1,331	2
Internally restricted assets					
Nil					
Total liabilities relating to restricted assets		2,116	3	1,331	2
Total liabilities relating to unrestricted assets		39,328	9,702	32,244	185
TOTAL PAYABLES, BORROWINGS AND PROVISIONS		41,444	9,705	33,575	187

¹ Loans are secured over the general rating income of Council

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

North Sydney Council

Notes to the Financial Statements

for the year ended 30 June 2016

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

\$ '000	Actual 2016	Actual 2015
(ii) Current liabilities not anticipated to be settled within the next twelve months		
The following liabilities, even though classified as current, are not expected to be settled in the next 12 months.		
Provisions – employees benefits	12,064	10,914
Payables – security bonds, deposits and retentions	5,243	5,300
	17,307	16,214

Note 10b. Description of and movements in provisions

Class of provision	2015		2016			
	Opening balance as at 1/7/15	Additional provisions	Decrease due to payments	Remeasurement effects due to discounting	Unused amounts reversed	Closing balance as at 30/6/16
Annual leave	3,500	2,634	(2,548)	–	–	3,586
Sick leave	123	1,093	(1,074)	–	–	142
Long service leave	8,094	1,307	(750)	–	–	8,651
Other leave – RDO's	58	51	(58)	–	–	51
Gratuities	3,013	756	(60)	–	–	3,709
TOTAL	14,788	5,841	(4,490)	–	–	16,139

- 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 2016

Note 11. Statement of cash flows – additional information

\$ '000	Notes	Actual 2016	Actual 2015
(a) Reconciliation of cash assets			
Total cash and cash equivalent assets	6a	5,521	8,607
Less bank overdraft	10	(220)	(172)
Balance as per the Statement of Cash Flows		5,301	8,435
(b) Reconciliation of net operating result to cash provided from operating activities			
Net operating result from Income Statement		61,560	22,575
Adjust for non-cash items:			
Depreciation and amortisation		15,536	15,684
Net losses/(gains) on disposal of assets		(25)	(75)
Non-cash capital grants and contributions		(34,321)	–
Losses/(gains) recognised on fair value re-measurements through the P&L:			
– Investments classified as 'at fair value' or 'held for trading'		175	(168)
– Investment properties		(12,803)	(4,920)
– Write offs relating to the fair valuation of I,PP&E		245	–
– Other (works in progress not capitalised)		–	191
Share of net (profits) or losses of associates/joint ventures		22	5
+/- Movement in operating assets and liabilities and other cash items:			
Decrease/(increase) in receivables		(1,007)	930
Increase/(decrease) in provision for doubtful debts		(4)	(156)
Decrease/(increase) in inventories		–	8
Decrease/(increase) in other assets		2	(169)
Increase/(decrease) in payables		2,368	127
Increase/(decrease) in accrued interest payable		15	–
Increase/(decrease) in other accrued expenses payable		1,531	271
Increase/(decrease) in other liabilities		1,858	803
Increase/(decrease) in employee leave entitlements		1,351	1,251
Net cash provided from/(used in) operating activities from the Statement of Cash Flows		36,503	36,357
(c) Non-cash investing and financing activities			
Woolworths/Alexander Street Car Park site		34,321	–
Total non-cash investing and financing activities		34,321	–
(d) Financing arrangements			
(i) Unrestricted access was available at balance date to the following lines of credit:			
Bank overdraft facilities ⁽¹⁾		500	500
Credit cards/purchase cards		350	350
Total financing arrangements		850	850

1. The bank overdraft facility may be drawn at any time and may be terminated by the bank without notice. Interest rates on overdrafts are interest rates on loans 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 2016

Note 12. Commitments for expenditure

\$ '000	Notes	Actual 2016	Actual 2015
(a) Capital commitments (exclusive of GST)			
Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:			
Property, plant and equipment			
Buildings		2,927	1,933
Computer equipment		34	3
Computer software		10	56
Infrastructure		16,189	14,857
Library books		66	50
Other structures		594	29
Parking meters		266	888
Plant and equipment		366	210
Office Equipment		9	–
Parking Equipment		17	–
Total commitments		20,478	18,026
These expenditures are payable as follows:			
Within the next year		20,478	18,026
Total payable		20,478	18,026
Sources for funding of capital commitments:			
Unrestricted general funds		116	51
Sect 64 and 94 funds/reserves		1,134	92
Unexpended grants		56	25
Externally restricted reserves		174	321
Internally restricted reserves		18,551	16,645
Unexpended loans		447	–
New loans (to be raised)		–	892
Total sources of funding		20,478	18,026
Details of capital commitments			
Infrastructure commitments include major works in North Sydney CBD and other works across the Council including drainage, roads and retaining walls upgrades.			

(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 2016

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

\$ '000	Amounts 2016	Indicator 2016	Prior periods	
			2015	2014
Local government industry indicators – consolidated				
1. Operating performance ratio				
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions less operating expenses	<u>1,470</u>	1.46%	1.96%	-0.58%
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions	<u>100,439</u>			
2. Own source operating revenue ratio				
Total continuing operating revenue ⁽¹⁾ excluding all grants and contributions	<u>94,321</u>	63.67%	81.81%	85.05%
Total continuing operating revenue ⁽¹⁾	<u>148,143</u>			
3. Unrestricted current ratio				
Current assets less all external restrictions ⁽²⁾	<u>72,587</u>	3.30x	4.95x	2.25x
Current liabilities less specific purpose liabilities ^(3, 4)	<u>22,021</u>			
4. Debt service cover ratio				
Operating result ⁽¹⁾ before capital excluding interest and depreciation/impairment/amortisation	<u>17,283</u>	62.39x	0.00x	0.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	<u>277</u>			
5. Rates, annual charges, interest and extra charges outstanding percentage				
Rates, annual and extra charges outstanding	<u>518</u>	1.05%	0.74%	0.63%
Rates, annual and extra charges collectible	<u>49,427</u>			
6. Cash expense cover ratio				
Current year's cash and cash equivalents plus all term deposits	<u>60,021</u>	8.02 mths	12.3 mths	11.1 mths
Payments from cash flow of operating and financing activities	<u>7,483</u>			

Notes

⁽¹⁾ 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.

⁽²⁾ Refer Notes 6-8 inclusive.

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

⁽³⁾ Refer to Note 10(a).

⁽⁴⁾ 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 2016

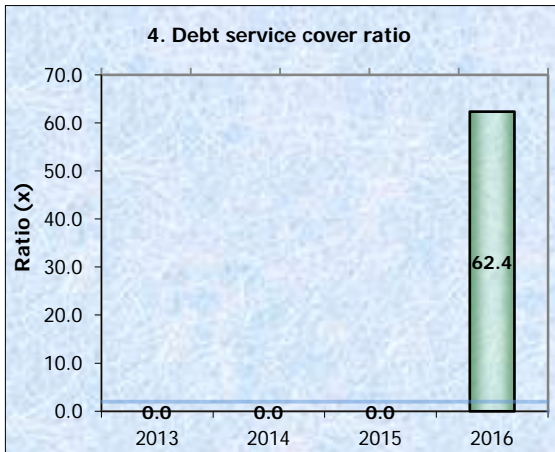
Note 13a(ii). Local government industry indicators – graphs (consolidated)

<p>1. Operating performance ratio</p> <table border="1"> <thead> <tr> <th>Year</th> <th>Ratio %</th> </tr> </thead> <tbody> <tr> <td>2013</td> <td>-2.70%</td> </tr> <tr> <td>2014</td> <td>-0.58%</td> </tr> <tr> <td>2015</td> <td>1.96%</td> </tr> <tr> <td>2016</td> <td>1.46%</td> </tr> </tbody> </table> <p>Benchmark: — Minimum $\geq 0.00\%$ Source for benchmark: Code of Accounting Practice and Financial Reporting #24</p>	Year	Ratio %	2013	-2.70%	2014	-0.58%	2015	1.96%	2016	1.46%	<p>Purpose of operating performance ratio</p> <p>This ratio measures Council's achievement of containing operating expenditure within operating revenue.</p>	<p>Commentary on 2015/16 result</p> <p>2015/16 ratio 1.46%</p> <p>For the second consecutive year, this ratio was better than the benchmark. The operating result excluding capital grants and contributions, fair value adjustments and gains/losses from disposal of assets and the interest in the Shorelink Library Network joint venture was a surplus. To prevent a deterioration in the financial position, at least a breakeven result should be achieved on average over the long term.</p> <p> Ratio achieves benchmark Ratio is outside benchmark</p>
Year	Ratio %											
2013	-2.70%											
2014	-0.58%											
2015	1.96%											
2016	1.46%											
<p>2. Own source operating revenue ratio</p> <table border="1"> <thead> <tr> <th>Year</th> <th>Ratio %</th> </tr> </thead> <tbody> <tr> <td>2013</td> <td>92%</td> </tr> <tr> <td>2014</td> <td>85%</td> </tr> <tr> <td>2015</td> <td>82%</td> </tr> <tr> <td>2016</td> <td>64%</td> </tr> </tbody> </table> <p>Benchmark: — Minimum $\geq 60.00\%$ Source for benchmark: Code of Accounting Practice and Financial Reporting #24</p>	Year	Ratio %	2013	92%	2014	85%	2015	82%	2016	64%	<p>Purpose of own source operating revenue ratio</p> <p>This ratio measures fiscal flexibility. It is the degree of reliance on external funding sources such as operating grants and contributions.</p>	<p>Commentary on 2015/16 result</p> <p>2015/16 ratio 63.67%</p> <p>This ratio was better than the benchmark, as has been the case for many years. It fell from 82% last year to 64% this year due to the inclusion of a one-off \$34.3M non-cash capital contribution in continuing operating revenue.</p> <p> Ratio achieves benchmark Ratio is outside benchmark</p>
Year	Ratio %											
2013	92%											
2014	85%											
2015	82%											
2016	64%											
<p>3. Unrestricted current ratio</p> <table border="1"> <thead> <tr> <th>Year</th> <th>Ratio (x)</th> </tr> </thead> <tbody> <tr> <td>2013</td> <td>2.3</td> </tr> <tr> <td>2014</td> <td>2.2</td> </tr> <tr> <td>2015</td> <td>4.9</td> </tr> <tr> <td>2016</td> <td>3.3</td> </tr> </tbody> </table> <p>Benchmark: — Minimum ≥ 1.50 Source for benchmark: Code of Accounting Practice and Financial Reporting #24</p>	Year	Ratio (x)	2013	2.3	2014	2.2	2015	4.9	2016	3.3	<p>Purpose of unrestricted current ratio</p> <p>To assess the adequacy of working capital and its ability to satisfy obligations in the short term for the unrestricted activities of Council.</p>	<p>Commentary on 2015/16 result</p> <p>2015/16 ratio 3.30x</p> <p>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 its obligations for its unrestricted activities in the short term. At 30 June 2016, for every \$1 of current liabilities to be funded from unrestricted cash, \$3.30 was available from unrestricted current assets.</p> <p> Ratio achieves benchmark Ratio is outside benchmark</p>
Year	Ratio (x)											
2013	2.3											
2014	2.2											
2015	4.9											
2016	3.3											

North Sydney Council

Notes to the Financial Statements for the year ended 30 June 2016

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 2015/16 result

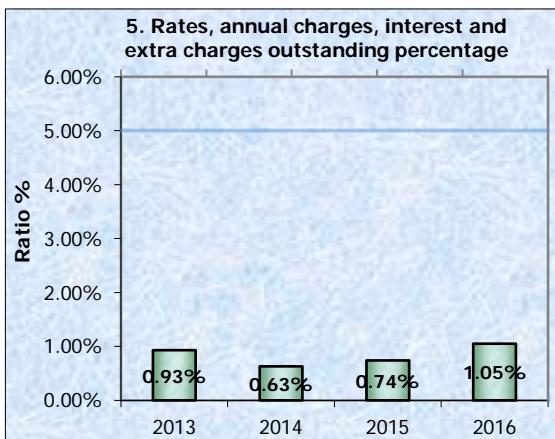
2015/16 ratio 62.39x

This ratio was better than the benchmark. During the year, Council borrowed \$9.5M with repayments consisting of interest only until 31 July 2018. Excluding capital grants and contributions, depreciation, fair value adjustments and gains/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 62.4 times.

Benchmark: ——— Minimum ≥ 2.00

Source for benchmark: Code of Accounting Practice and Financial Reporting #24

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 2015/16 result

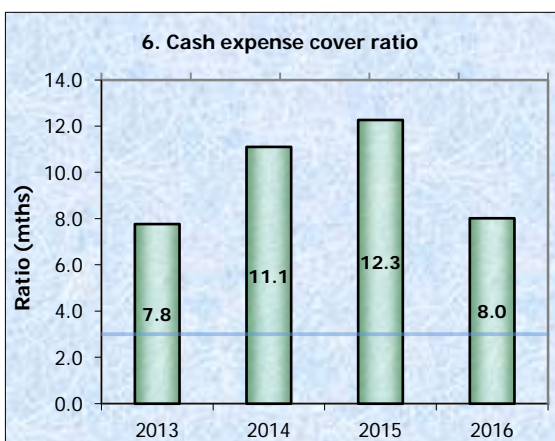
2015/16 ratio 1.05%

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 #24

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 2015/16 result

2015/16 ratio 8.02 mths

This ratio was better than the benchmark, as has been the case for many years. At 30 June 2016, Council had sufficient cash and funds invested in term deposits, which could potentially be redeemed if required, to continue paying for immediate expenses for 8 months in the absence of any additional cash inflows.

Benchmark: ——— Minimum ≥ 3.00

Source for benchmark: Code of Accounting Practice and Financial Reporting #24

Ratio achieves benchmark
 Ratio is outside benchmark

North Sydney Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 14. Investment properties

\$ '000	Notes	Actual 2016	Actual 2015
(a) Investment properties at fair value			
<u>Investment properties on hand</u>		<u>92,390</u>	<u>79,570</u>
Reconciliation of annual movement:			
Opening balance		79,570	74,650
– Net gain/(loss) from fair value adjustments		12,803	4,920
– Other movements		17	–
CLOSING BALANCE – INVESTMENT PROPERTIES		<u>92,390</u>	<u>79,570</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 2016 revaluations were based on independent assessments made by: Mr Andrew Graham AAPI of Colliers International			
(c) Contractual obligations at reporting date			
Refer to Note 12 for disclosures relating to any capital and service obligations that have been contracted.			
(d) Leasing arrangements			
Details of leased investment properties are as follows;			
Future minimum lease payments receivable under non-cancellable investment property operating leases not recognised in the financial statements are receivable as follows:			
Within 1 year		5,453	4,140
Later than 1 year but less than 5 years		12,162	8,514
Later than 5 years		16,303	14,681
Total minimum lease payments receivable		<u>33,918</u>	<u>27,335</u>
(e) Investment property income and expenditure – summary			
Rental income from investment properties:			
– Minimum lease payments		5,851	5,989
Direct operating expenses on investment properties:			
– that generated rental income		(1,929)	(1,992)
Net revenue contribution from investment properties		<u>3,922</u>	<u>3,997</u>
plus:			
Fair value movement for year		<u>12,803</u>	<u>4,920</u>
Total income attributable to investment properties		<u>16,725</u>	<u>8,917</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 2016

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	
	2016	2015	2016	2015
Financial assets				
Cash and cash equivalents	5,521	8,607	5,521	8,607
Investments				
– 'Held for trading'	95,434	94,534	95,434	94,534
Receivables	6,840	5,829	6,840	5,829
Total financial assets	107,795	108,970	107,795	108,970
Financial liabilities				
Bank overdraft	220	172	220	172
Payables	23,328	18,697	23,328	18,697
Loans/advances	9,500	–	9,500	–
Total financial liabilities	33,048	18,869	33,048	18,869

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 2016

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 its 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
2016				
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)
2015				
Possible impact of a 10% movement in market values	1,754	1,754	(1,754)	(1,754)
Possible impact of a 1% movement in interest rates	1,031	1,031	(1,031)	(1,031)

North Sydney Council

Notes to the Financial Statements for the year ended 30 June 2016

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.

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

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

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

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

	2016 Rates and annual charges	2016 Other receivables	2015 Rates and annual charges	2015 Other receivables
(i) Ageing of receivables – %				
Current (not yet overdue)	98%	98%	97%	98%
Overdue	2%	2%	3%	2%
	100%	100%	100%	100%

(ii) Ageing of receivables – value

Rates and annual charges	Other receivables	2016 Rates and annual charges	2016 Other receivables	2015 Rates and annual charges	2015 Other receivables
Current	Current	353	6,313	186	5,404
< 1 year overdue	0 – 30 days overdue	8	57	14	57
1 – 2 years overdue	30 – 60 days overdue	18	21	18	1
2 – 5 years overdue	60 – 90 days overdue	26	5	24	27
> 5 years overdue	> 90 days overdue	45	33	38	103
		450	6,429	280	5,592

(iii) Movement in provision for impairment of receivables

	2016	2015
Balance at the beginning of the year	43	199
+ new provisions recognised during the year	6	13
– amounts already provided for and written off this year	(10)	(169)
Balance at the end of the year	39	43

North Sydney Council

Notes to the Financial Statements

for the year ended 30 June 2016

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		
2016									
Bank overdraft	220	–	–	–	–	–	–	220	220
Trade/other payables	7,453	15,875	–	–	–	–	–	23,328	23,328
Loans and advances	–	326	326	9,527	–	–	–	10,179	9,500
Total financial liabilities	7,673	16,201	326	9,527	–	–	–	33,727	33,048
2015									
Bank overdraft	172	–	–	–	–	–	–	172	172
Trade/other payables	7,472	11,225	–	–	–	–	–	18,697	18,697
Total financial liabilities	7,644	11,225	–	–	–	–	–	18,869	18,869

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:

	2016		2015	
	Carrying value	Average interest rate	Carrying value	Average interest rate
Bank overdraft	220	8.34%	172	8.38%
Trade/other payables	23,328	0.00%	18,697	0.00%
Loans and advances – variable interest rate	9,500	2.89%	–	–
	<u>33,048</u>		<u>18,869</u>	

North Sydney Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 16. Material budget variations

\$ '000

Council's original financial budget for 15/16 was adopted by the Council on 18 May 2015.

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	2016 Budget	2016 Actual	2016 ----- Variance* -----		
REVENUES					
Rates and annual charges	48,476	49,000	524	1%	F
User charges and fees	21,631	25,474	3,843	18%	F
This income category was over budget due to greater than expected revenue from Construction Zone fees (\$1.03M), Hoarding Permit fees (\$998K), Parking Meter fees (\$564K), Parking Station fees (\$357K) and Plant Permit fees (\$205K).					
Interest and investment revenue	2,358	3,968	1,610	68%	F
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 and the earlier than expected receipt of some developer contributions generated significantly higher than expected revenue from this revenue category.					
Other revenues	21,005	28,507	7,502	36%	F
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 \$6M (8%) increase, whereas the actual increase was assessed to be \$12.8M (16%). Greater than expected revenue from parking enforcement (\$314K) made up the bulk of the remainder of the variance.					
Operating grants and contributions	4,512	6,118	1,606	36%	F
The actual amount of grants received often depends on decisions made by State and Commonwealth governments after the Original Budget was adopted. Council received additional Roads to Recovery grant funding of \$543K and an unbudgeted \$660K contribution from Link Housing towards the construction of affordable housing at 23 Nicholson Street in Wollstonecraft.					
Capital grants and contributions	4,042	47,704	43,662	1080%	F
The increase in the value of Council's interest in the Woolworths/Alexander Street Car Park development has been accounted for as a \$34.3M non-cash capital contribution. This was not included in the Original Budget. Further, actual revenue from developer contributions exceeded the amount forecast by \$8.7M and unbudgeted grant funds of \$532K were received from the RMS for bicycle facilities. These factors were the reason for the favourable variance in this revenue category.					
Net gains from disposal of assets	253	25	(228)	(90%)	U
While more items of plant were disposed of during the year than had been anticipated, the return on the carrying amount realised from these items was significantly less than had been estimated in the Original Budget. This, along with the write-off of property with a carrying value of \$51K was the reason for the budget variation in this revenue category.					

North Sydney Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 16. Material budget variations (continued)

\$ '000	2016 Budget	2016 Actual	2016 ----- Variance* -----	
EXPENSES				
Employee benefits and on-costs	39,875	40,544	(669)	(2%) U
Borrowing costs	335	277	58	17% F
During the year, Council borrowed \$9.5M to fund its contribution to the Woolworths/Alexander Street Car Park development and the upgrade of parking meter infrastructure. These funds were drawn down later in the year than was originally anticipated and at an interest rate more favourable than allowed for in the Original Budget, hence the favourable variance in this expenditure category.				
Materials and contracts	30,069	34,421	(4,352)	(14%) U
Costs associated with the construction of affordable housing at 23 Nicholson Street in Wollstonecraft, urgent stabilisation of retaining walls, amalgamation challenge and the North Sydney Public Inquiry which were incurred after the adoption of the Original Budget contributed to a substantial proportion of the negative variance in this expenditure category. The costs associated with these matters were largely unforeseen. Higher than expected property maintenance, general bulk waste clean up service and waste disposal costs also contributed to the variance.				
Depreciation and amortisation	16,918	15,536	1,382	8% F
Other expenses	8,210	8,436	(226)	(3%) U
Joint ventures and associates – net losses	–	22	(22)	0% U
Council's share of the deficit incurred by the Shorelink Library Network joint venture was \$22K and this was not allowed for in the Original Budget.				

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

Cash flows from operating activities	19,140	36,503	17,363	90.7% F
The aforementioned favourable variance in revenue from user charges and fees, interest and investment revenue, grants and developer contributions all contributed to the favourable variance in cash flows from operating activities.				
Cash flows from investing activities	(28,053)	(49,137)	(21,084)	75.2% U
Greater than expected cash inflows from operating activities reduced the reliance on the sale of investment securities to pay for capital expenditure. Funds were required to be carried over from 2014/15 to complete unfinished capital projects, brought forward from 2016/17 to fund the early commencement of capital projects originally scheduled to be undertaken in 2016/17 and a property was purchased to provide for future open space. These factors all required an increase in net cash outflows from investing activities, hence the unfavourable budget variance in this item.				
Cash flows from financing activities	9,500	9,500	–	0.0% F

North Sydney Council

Notes to the Financial Statements

for the year ended 30 June 2016

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	228	119	–	3	–	–	350	–
Affordable Housing	3,618	–	–	32	–	–	3,650	–
Child Care	398	436	–	7	–	–	841	–
Community Centres	–	360	–	–	(1)	(359)	–	(1,612)
Indoor Sports Centre	–	72	–	–	–	(72)	–	(146)
Library Acquisitions	5	70	–	–	(65)	–	10	–
Library Premises & Equipment	–	216	–	–	(11)	(205)	–	(724)
Olympic Pool	–	254	–	–	–	(254)	–	(365)
Open Space Acquisitions	13,239	1,210	–	126	(3,828)	890	11,637	2,847
Open Space Increased Capacity	4,882	2,406	–	35	(3,270)	–	4,053	–
North Sydney Public Domain	47	3,868	–	31	(354)	–	3,592	–
Other Public Domain	800	29	–	2	(600)	–	231	–
St Leonards Public Domain	1,093	54	–	10	(16)	–	1,141	–
Traffic Improvements	650	319	–	9	(3)	–	975	–
S94 contributions – under a plan	24,960	9,413	–	255	(8,148)	–	26,480	–
Total S94 revenue under plans	24,960	9,413	–	255	(8,148)	–	26,480	–
S93F planning agreements	711	3,288	–	20	–	–	4,019	–
Total contributions	25,671	12,701	–	275	(8,148)	–	30,499	–

North Sydney Council

Notes to the Financial Statements

for the year ended 30 June 2016

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	228	119	–	3	–	–	350	–
Affordable Housing	3,618	–	–	32	–	–	3,650	–
Child Care	398	436	–	7	–	–	841	–
Community Centres	–	360	–	–	(1)	(359)	–	(1,612)
Indoor Sports Centre	–	72	–	–	–	(72)	–	(146)
Library Acquisitions	5	70	–	–	(65)	–	10	–
Library Premises & Equipment	–	216	–	–	(11)	(205)	–	(724)
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Open Space Acquisitions	13,239	1,210	–	126	(3,828)	890	11,637	2,847
Open Space Increased Capacity	4,882	2,406	–	35	(3,270)	–	4,053	–
North Sydney Public Domain	47	3,868	–	31	(354)	–	3,592	–
Other Public Domain	800	29	–	2	(600)	–	231	–
St Leonards Public Domain	1,093	54	–	10	(16)	–	1,141	–
Traffic Improvements	650	319	–	9	(3)	–	975	–
Total	24,960	9,413	–	255	(8,148)	–	26,480	–

North Sydney Council

Notes to the Financial Statements for the year ended 30 June 2016

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 2016

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

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

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

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

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

(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 2016, Council had notice of nine (9) appeals against planning decisions made prior to the reporting date. All known costs have been recognised,

but the amount of further costs cannot be known until the appeals are determined.

Further, Council had notice of one (1) appeals against Orders issued by the Council under the provisions of the Environmental Planning & Assessment Act 1979 relating to compliance issues concerning the five premises. All known costs have been recognised, but the amount of further costs cannot be known until the appeals are determined.

Also, there have been eleven (11) local court prosecutions in which all have lead to convictions and fines. The remaining three (3) prosecutions are currently being defended. There were two (2) Class 6 matters in respect of an appeal against severity of fines imposed.

Finally, as at 30 June 2016, Council was involved in three (3) Class 4 proceedings in the Land & Environment Court. Each matter continues to be disputed.

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 2016

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 2016	Actual 2015	Actual 2016	Actual 2015
Joint ventures	(22)	(5)	34	56
Associates	—	—	—	—
Total	(22)	(5)	34	56

North Sydney Council

Notes to the Financial Statements for the year ended 30 June 2016

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

Summarised financial information for individually immaterial joint ventures and associates

Council has an interest in the Shorelink Library Network, an individually immaterial joint venture that has still been accounted for using the equity method.

(i) Individually immaterial joint ventures

	2016	2015
Aggregate carrying amount of individually immaterial joint ventures	34	56
Aggregate amounts of Council's share of individually immaterial:		
Profit/(loss) from continuing operations	(22)	(5)
Total comprehensive income – individually immaterial joint ventures	(22)	(5)

(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 2016

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

\$ '000	Notes	Actual 2016	Actual 2015
(a) Retained earnings			
Movements in retained earnings were as follows:			
Balance at beginning of year (from previous years audited accounts)		696,327	673,752
a. Changes in accounting policies (prior period effects)	20 (d)	(9,376)	(9,376)
b. Net operating result for the year		61,560	22,575
Balance at end of the reporting period		748,511	686,951
(b) Revaluation reserves			
(i) Reserves are represented by:			
– Infrastructure, property, plant and equipment revaluation reserve		169,960	169,960
Total		169,960	169,960
(ii) Reconciliation of movements in reserves:			
Infrastructure, property, plant and equipment revaluation reserve			
– Opening balance		169,960	82,601
– Revaluations for the year	9(a)	–	87,359
– Balance at end of year		169,960	169,960
TOTAL VALUE OF RESERVES		169,960	169,960
(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			
The valuation method for Community land was changed in the current reporting period. Previous valuations for a small number of parcels with no Valuer General (VG) valuation were calculated using a \$/sqm figure. Valuations were subsequently issued for the majority of these parcels and were used in place of the calculated \$/sqm figures. The effect of this is a \$9,376 reduction in the value of community land. Due to the legal restrictions that apply to community land this does not have any practical impact on Council's financial sustainability or service delivery.		(9,376)	–
In accordance with AASB 108 – Accounting Policies, Changes in Accounting Estimates and Errors, the above changes in accounting policy have been recognised retrospectively.			
These amounted to the following equity adjustments:			
– Adjustments to opening equity – 1/7/14 (relating to adjustments for the 30/6/14 reporting year end and prior periods)		(9,376)	–
Total prior period adjustments – accounting policy changes		(9,376)	–

North Sydney Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 21. Financial result and financial position by fund

\$ '000

Council utilises only a general fund for its operations.

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

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 2016) 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 25/10/16.

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 2016.

(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 2016 and which are only indicative of conditions that arose after 30 June 2016.

Council is aware of the following 'non-adjusting events' that merit disclosure:

In December 2015, the NSW State Government announced its proposal to merge North Sydney Council with Mosman Council and Willoughby City Council. The State Government appointed Ian Reynolds as its Delegate to oversee the Public Inquiry into the proposal. Following the Inquiry component, the Delegate provided his report to the Minister for Local Government and the NSW Boundaries Commission recommending the merger proceed.

North Sydney Council launched legal proceedings in the NSW Land & Environment Court challenging a number of aspects of the proposal and the process undertaken by the Delegate during the Inquiry period.

On 20 September 2016, the court handed down its decision in Council's favour, with the decision also including a costs order, also in Council's favour. The NSW State Government, as part of its initial merger proposal, announced its in-principle support for the merger. At the date this document was issued the State Government's future plans are unknown.

North Sydney Council

Notes to the Financial Statements for the year ended 30 June 2016

Note 24. Discontinued operations

\$ '000

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 2016

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

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:

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	
Recurring fair value measurements					
Financial assets					
Investments					
– 'Held for trading'	30/06/16	54,500	40,934	–	95,434
Total financial assets		54,500	40,934	–	95,434
Investment properties					
Investment properties	30/06/16	–	92,390	–	92,390
Total investment properties		–	92,390	–	92,390
Infrastructure, property, plant and equipment					
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
Total infrastructure, property, plant and equipment		–	–	757,593	757,593

North Sydney Council

Notes to the Financial Statements

for the year ended 30 June 2016

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):

2015	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	
Recurring fair value measurements					
Financial assets					
Investments – 'Held for trading'	30/06/15	77,000	17,534	–	94,534
Total financial assets		77,000	17,534	–	94,534
Investment properties					
Investment properties	30/06/15	–	79,570	–	79,570
Total investment properties		–	79,570	–	79,570
Infrastructure, property, plant and equipment					
Plant and equipment	30/06/15	–	–	6,989	6,989
Office equipment	30/06/15	–	–	2,714	2,714
Furniture and fittings	30/06/15	–	–	2,871	2,871
Operational land	30/06/13	–	–	62,008	62,008
Community land	30/06/11	–	–	148,353	148,353
Land improvements – depreciable	30/06/15	–	–	15,890	15,890
Buildings – non-specialised	30/06/13	–	–	632	632
Buildings – specialised	30/06/13	–	–	61,864	61,864
Other structures	30/06/15	–	–	28	28
Roads	30/06/15	–	–	191,731	191,731
Footpaths	30/06/15	–	–	39,804	39,804
Stormwater drainage	30/06/15	–	–	125,207	125,207
Swimming pools	30/06/13	–	–	11,097	11,097
Other open space/recreation assets	30/06/15	–	–	2,639	2,639
Other infrastructure assets	30/06/15	–	–	21,640	21,640
Heritage collections	30/06/15	–	–	1,060	1,060
Library books	30/06/15	–	–	1,066	1,066
Total infrastructure, property, plant and equipment		–	–	695,593	695,593

(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 2016

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 2016

Note 27. Fair value measurement (continued)

\$ '000

(3) Valuation techniques used to derive level 2 and level 3 fair values (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 2016

Note 27. Fair value measurement (continued)

\$ '000

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

	Investments	Plant and equipment	Office equipment	Furniture and fittings	Total
Opening balance – 1/7/14	–	6,090	1,510	2,186	9,786
Purchases (GBV)	–	3,787	1,886	965	6,638
Disposals (WDV)	–	(1,333)	–	–	(1,333)
Depreciation and impairment	–	(1,555)	(682)	(280)	(2,517)
Closing balance – 30/6/15	–	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)
Closing balance – 30/6/16	–	8,022	2,944	2,923	13,889

North Sydney Council

Notes to the Financial Statements

for the year ended 30 June 2016

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
Opening balance – 1/7/14	62,008	148,353	14,289	647	225,297
Purchases (GBV)	–	–	1,900	29	1,929
Depreciation and impairment	–	–	(299)	(44)	(343)
Closing balance – 30/6/15	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 ¹	–	(245)	–	–	(245)
Closing balance – 30/6/16	78,958	150,397	16,853	622	246,830

	Buildings specialised	Other structures	Roads	Footpaths	Total
Opening balance – 1/7/14	62,042	–	149,421	31,952	243,415
Purchases (GBV)	2,656	28	5,983	4,455	13,122
Depreciation and impairment	(2,834)	–	(4,974)	(1,656)	(9,464)
FV gains – other comprehensive income	–	–	41,301	5,053	46,354
Closing balance – 30/6/15	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)
Closing balance – 30/6/16	84,619	37	199,048	44,632	328,336

North Sydney Council

Notes to the Financial Statements

for the year ended 30 June 2016

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
Opening balance – 1/7/14	82,321	11,457	2,550	16,720	113,048
Purchases (GBV)	2,952	52	564	5,932	9,500
Depreciation and impairment	(1,071)	(412)	(475)	(1,012)	(2,970)
FV gains – other comprehensive income	41,005	–	–	–	41,005

Closing balance – 30/6/15	125,207	11,097	2,639	21,640	160,583
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Purchases (GBV)	2,838	53	1,324	4,994	9,209
Depreciation and impairment	(1,656)	(423)	(526)	(1,197)	(3,802)

Closing balance – 30/6/16	126,389	10,727	3,437	25,437	165,990
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	Heritage Collection	Library Books	Total
Opening balance – 1/7/14	896	1,004	1,900
Purchases (GBV)	184	433	617
Depreciation and impairment	(20)	(371)	(391)

Closing balance – 30/6/15	1,060	1,066	2,126
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Purchases (GBV)	434	405	839
Depreciation and impairment	(35)	(382)	(417)

Closing balance – 30/6/16	1,459	1,089	2,548
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b. Information relating to the transfers into and out of the level 3 fair valuation hierarchy (as disclosed in the table above) includes:

No transfers were made in or out of the Level 3 Fair Valuation hierarchy during the year

North Sydney Council

Notes to the Financial Statements
for the year ended 30 June 2016

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 (30/6/16) \$'000	Valuation technique/s	Unobservable inputs
I,PP&E			
Plant and equipment	8,022	Cost approach	Depreciated historic cost Useful life
Office equipment	2,944	Cost approach	Depreciated historic cost Useful life
Furniture and fittings	2,923	Cost approach	Depreciated historic cost Useful life
Operational land	78,958	Market approach	Rate per square metre
Community land	150,397	Market approach	Rate per square metre
Land improvements - depreciable	16,853	Cost approach	Depreciated historic cost Useful life
Buildings - non specialised	622	Cost approach	Components Cost Residual value Useful life Condition
Buildings - specialised	84,619	Cost approach	Components Cost Residual value Useful life Condition
Other Structures	37	Cost approach	Depreciated historic cost Useful life
Roads	199,048	Cost approach	Unit Rates Useful life Remaining life Residual Value

North Sydney Council

Notes to the Financial Statements

for the year ended 30 June 2016

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 (30/6/16) \$'000	Valuation technique/s	Unobservable inputs
I, PP&E (continued)			
Footpaths	44,632	Cost approach	Unit Rates Useful life Remaining life Residual Value
Stormwater drainage	126,389	Cost approach	Unit Rates Useful life Remaining life Residual Value
Swimming pools	10,727	Cost approach	Components Cost Residual value Useful life Condition
Other open space/recreation assets	3,437	Cost approach	Depreciated historic cost Useful life
Other infrastructure assets	25,437	Cost approach	Depreciated historic cost Useful life
Heritage collections	1,459	Cost approach	Depreciated historic cost Useful life
Library books	1,089	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 2016

Note 28. Financial review

\$ '000

Key financial figures of Council over the past 5 years

Financial performance figures	2016	2015	2014	2013	2012
Inflows:					
Rates and annual charges revenue	49,000	46,336	43,550	40,789	38,968
User charges revenue	25,474	24,812	22,709	21,056	20,624
Interest and investment revenue (losses)	3,968	4,613	4,022	4,280	3,770
Grants income – operating and capital	5,095	3,922	2,939	3,553	4,100
Total income from continuing operations	160,796	116,219	120,157	104,748	90,992
Sale proceeds from I,PP&E	1,204	1,408	20,769	2,395	944
New loan borrowings and advances	9,500	–	–	–	–
Outflows:					
Employee benefits and on-cost expenses	40,544	38,756	35,559	34,811	33,611
Borrowing costs	277	–	–	–	–
Materials and contracts expenses	34,421	30,891	29,275	27,757	25,932
Total expenses from continuing operations	99,236	93,644	93,414	86,324	81,926
Total cash purchases of I,PP&E	49,249	30,582	23,902	14,568	12,453
Total loan repayments (incl. finance leases)	–	–	–	–	–
Operating surplus/(deficit) (excl. capital income)	13,856	7,032	15,329	14,981	2,376
Financial position figures	2016	2015	2014	2013	2012
Current assets	107,917	109,100	37,888	36,779	39,132
Current liabilities	41,444	33,575	28,734	25,976	23,897
Net current assets	66,473	75,525	9,154	10,803	15,235
Available working capital (Unrestricted net current assets)	(3,421)	(2,515)	(993)	(181)	4,135
Cash and investments – unrestricted	12,946	9,124	6,227	6,560	3,889
Cash and investments – internal restrictions	52,834	64,316	66,005	44,706	40,855
Cash and investments – total	100,955	103,141	95,618	71,595	65,592
Total borrowings outstanding (Loans, advances and finance leases)	9,720	172	–	–	–
Total value of I,PP&E (excl. land and earthworks)	895,195	832,542	748,451	734,488	705,183
Total accumulated depreciation	355,418	341,097	359,865	350,006	321,494
Indicative remaining useful life (as a % of GBV)	60%	59%	52%	52%	54%

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 2016

Note 29. 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

Email: council@northsydney.nsw.gov.au

Officers

ACTING GENERAL MANAGER

Ross McCreanor

RESPONSIBLE ACCOUNTING OFFICER

Garry Ross

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
Virginia Bevan
Tony Carr
Melissa Clare
Veronique Marchandean
Jeff Morris
Michel Reymond

Other information

ABN: 32 353 260 317

NORTH SYDNEY COUNCIL

GENERAL PURPOSE FINANCIAL STATEMENTS

INDEPENDENT AUDITORS' REPORT

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying general purpose financial statements of North Sydney Council, which comprises the Statement of Financial Position as at 30 June 2016, Income Statement, Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the year ended on that date, a summary of significant accounting policies and other explanatory notes and the Statement by Councillors and Management. The financial statements include the consolidated financial statements of the economic entity and the entities it controlled at year end or from time to time during the year.

Responsibility of Council for the Financial Statements

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

Auditors' Responsibility

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

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

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

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

Independence

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

Auditor's Opinion

In our opinion,

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

HILL ROGERS



GARY MOTTAU
Partner

Dated at Sydney this 25th day of October 2016

25 October 2016

The Mayor
North Sydney Council
200 Miller Street
NORTH SYDNEY NSW 2060

Mayor,

Audit Report - Year Ended 30 June 2016

We are pleased to advise completion of the audit of Council's books and records for the year ended 30 June 2016 and that all information required by us was readily available. We have signed our reports as required under Section 417(1) of the Local Government Act, 1993 and the Local Government Code of Accounting Practice and Financial Reporting to the General and Special Purpose Financial Statements.

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

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

1. RESULTS FOR THE YEAR

1.1 Operating Result

The operating result for the year was a surplus of \$61.560 million as compared with \$22.575 million in the previous year.

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

Assurance Partners

	2016	% of Total	2015	% of Total	Increase (Decrease)
	\$'000		\$'000		\$'000
Revenues before capital items					
Rates & annual charges	49,000	43%	46,336	46%	2,664
User charges, fees & other revenues	54,006	48%	45,071	45%	8,935
Grants & contributions provided for operating purposes	6,118	5%	4,656	5%	1,462
Interest & investment revenue	3,968	4%	4,613	5%	(645)
	113,092	100%	100,676	100%	12,416
Expenses					
Employee benefits & costs	40,544	41%	38,756	41%	1,788
Materials, contracts & other expenses	42,879	43%	39,204	42%	3,675
Depreciation, amortisation & impairment	15,536	16%	15,684	17%	(148)
Borrowing costs	277	0%	-	0%	277
	99,236	100%	93,644	100%	5,592
Surplus (Deficit) before capital items	13,856		7,032		6,824
Grants & contributions provided for capital purposes	47,704		15,543		32,161
Net Surplus (Deficit) for the year	61,560		22,575		38,985
Performance Measures					
	2016		2015		
Operating Performance	1.46%		1.96%		
Own Source Operating Revenue	63.67%		81.81%		

The above table shows an overall increase of \$38.985 million from the previous year and is mainly attributable to a non-cash contribution reflecting the increase in the value of the Woolworths/Alexander Street Car Park site in Crows Nest following its redevelopment (\$34.321 million) and an increase in the fair value movement of Council's investment property portfolio (\$7.883 million).

Operating Performance measures the ability to contain operating expenditure within operating revenue excluding capital amounts. For 2016, this indicator was 1.46% and exceeded the benchmark of 0%.

Own Source Operating Revenue measures the degree of reliance on external funding sources such as grants and contributions. For 2016, this indicator was 63.67% and exceeded the benchmark of 60%.

1.2 Funding Result

As the operating result only accounts for operating income and expenditure, in reviewing the overall financial performance of Council, it is useful to consider the total source of revenues and how they were applied during the year which is illustrated in the table below.

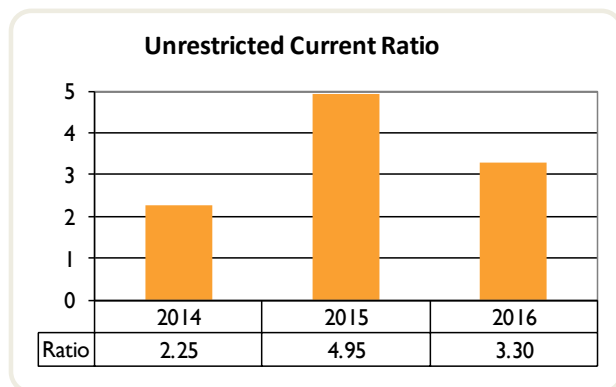
	2016	2015
	\$'000	\$'000
Funds were provided by:-		
Operating Result (as above)	61,560	22,575
Add back non funding items:-		
- Depreciation, amortisation & impairment	15,536	15,684
- Book value of non-current assets sold	1,179	1,333
- Non-cash contributions of assets acquired	(34,321)	0
- (Gain)/Loss of fair value to investment properties	(12,803)	(4,920)
- (Surplus)/Deficit in joint ventures	22	5
	<u>31,173</u>	<u>34,677</u>
Decrease/Redemption of non-current Investments	0	64,325
New loan borrowings	9,500	0
Transfers from internal reserves (net)	11,482	0
Net Changes in current/non-current assets & liabilities	1,326	3,100
	<u>53,481</u>	<u>102,102</u>
Funds were applied to:-		
Purchase and construction of assets	(49,737)	(32,517)
Transfers to externally restricted assets (net)	(4,717)	(22,351)
Transfers to internal reserves (net)	0	(47,056)
	<u>(54,454)</u>	<u>(101,924)</u>
Increase/(Decrease) in Available Working Capital	(973)	178

2. FINANCIAL POSITION

2.1 Unrestricted Current Ratio

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

After eliminating externally restricted assets and current liabilities not expected to be paid within the next 12 months net current assets amounted to \$50.566 million representing a factor of 3.30 to 1.



2.2 Available Working Capital – (Working Funds)

At the close of the year the Available Working Capital of Council stood at \$3.812 million as detailed below;

	2016	2015	Change
	\$'000	\$'000	\$'000
Net Current Assets (Working Capital) as per Accounts	66,473	75,525	(9,052)
Add: Payables & provisions not expected to be realised in the next 12 months included above	17,307	16,214	1,093
Adjusted Net Current Assets	83,780	91,739	(7,959)
Add: Budgeted & expected to pay in the next 12 months			
- Employees leave entitlements	3,870	3,687	183
- Deposits & retention moneys	2,210	2,172	38
Less: Externally restricted assets	(33,214)	(28,497)	(4,717)
Less: Internally restricted assets	(52,834)	(64,316)	11,482
Available Working Capital as at 30 June	3,812	4,785	(973)

The balance of Available Working Capital should be at a level to manage Council's day to day operations including the financing of hard core debtors, stores and to provide a buffer against unforeseen and unbudgeted expenditures. Taking into consideration the nature and level of the internally restricted assets (Reserves) set aside to fund future works and services and liabilities, Council's Available Working Capital at year end was sound.

2.3 Debt

Council drew down \$9.5 million from a \$30 million facility during the year, repayable in July 2018.

2.4 Summary

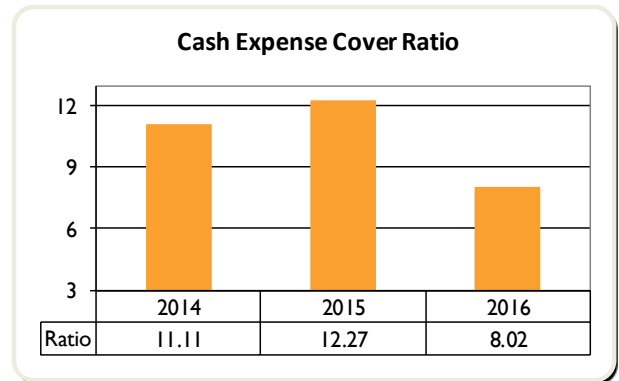
Council's overall financial position, when taking into account the above financial indicators was, in our opinion, sound.

3. CASH ASSETS

3.1 Cash Expense Cover Ratio

This liquidity ratio indicates the number of months of expenditure requirements that can be met with available cash and term deposit balances without the need for additional cash inflow.

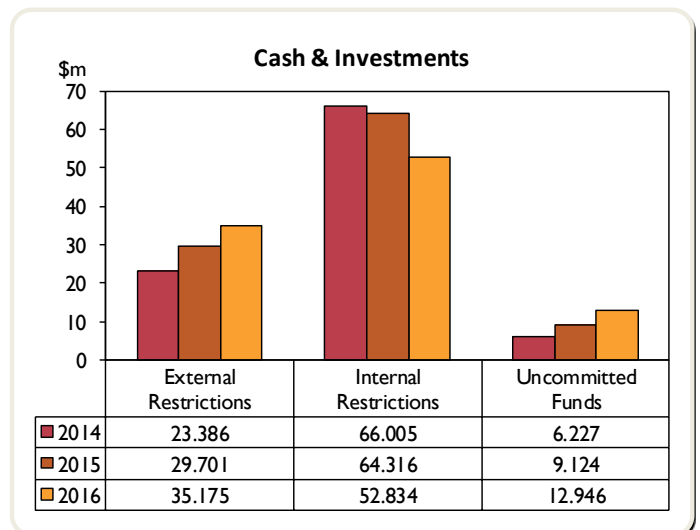
For 2016, this ratio stood at 8.02 months compared to the benchmark of 3.



3.2 Cash & Investment Securities

Cash and investments amounted \$100.955 million at 30 June 2016 as compared with \$103.141 million in 2015 and \$95.618 million in 2014.

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



Externally restricted cash and investments are restricted in their use by externally imposed requirements and consisted of unexpended development contributions under Section 94 (\$30.499 million), domestic waste management charges (\$2.413 million) and specific purpose grants, contributions and special levies (\$2.263 million).

Internally restricted cash and investments have been restricted in their use by resolution or policy of Council to reflect forward plans, identified programs of works, and are, in fact, Council's "Reserves". These Reserves totalled \$52.834 million and their purposes are more fully disclosed in Note 6 of the financial statements.

Unrestricted cash and investments amounted to \$12.946 million, which is available to provide liquidity for day to day operations.

3.3 Cash Flows

The Statement of Cash Flows illustrates the flow of cash (highly liquid cash and investments) moving in and out of Council during the year and reveals that cash decreased by \$3.134 million to \$5.301 million at the close of the year.

In addition to operating activities which contributed net cash of \$36.503 million were the proceeds from the sale of investment securities (\$47.445 million), proceeds from borrowings (\$9.5 million) and sale of assets (\$1.204 million). Cash outflows other than operating activities were used to purchase investment securities (\$48.520 million), and to purchase and construct assets (\$49.266 million).

4. RECEIVABLES

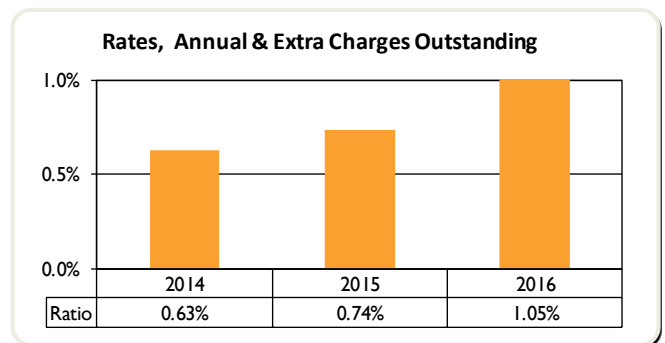
4.1 Rates & Annual Charges (excluding interest & extra charges)

Net rates and annual charges levied during the year totalled \$49 million and represented 30.47% of Council’s total revenues.

Including arrears, the total rates and annual charges collectible was \$49.280 million of which \$48.830 million (99.09%) was collected.

4.2 Rates, Annual & Extra Charges

Arrears of rates, annual and extra charges stood at \$518,000 at the end of the year and represented 1.05% of those receivables.



4.3 Other Receivables

Receivables (other than rates & annual charges) totalled \$6.361 million and consisted mainly of unpaid infringement notices (\$887,000), user charges and fees (\$713,000) and amounts due from government departments (\$2.070 million). Those considered to be uncertain of collection have been provided for as doubtful debts and this provision amounted to \$39,000.

5. PAYABLES

5.1 Employees Leave Entitlements

Council’s provision for its liability toward employees leave entitlements and associated on costs amounted to \$16.139 million. Internally restricted cash and investments of \$8.877 million was held representing 55% of this liability and was, in our opinion, sufficient to meet unbudgeted and unanticipated retirements.

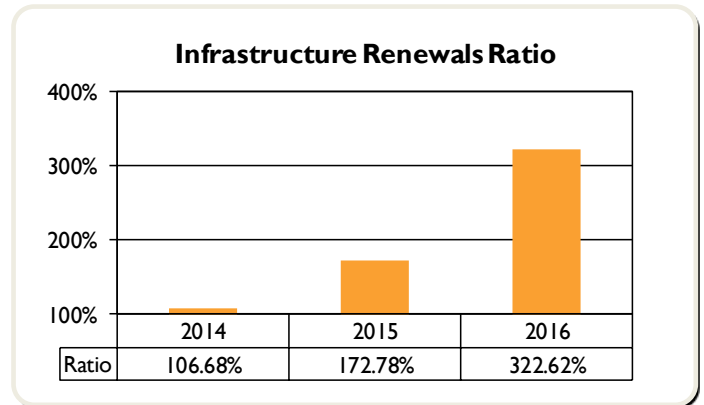
5.2 Deposits, Retentions & Bonds

Deposits, retentions and bonds held at year end amounted to \$7.453 million and were fully funded by internally restricted cash and investments.

6. INFRASTRUCTURE RENEWALS

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

Special Schedule No. 7 discloses that asset renewals for 2016 represented 323% of the depreciation charges for these assets. An industry benchmark is considered to be 100%, measured annually over the long term.



7. MANAGEMENT LETTER

An audit management letter addressing the findings from our interim audit was issued on 15 March 2016. This included our recommendations on possible ways to strengthen and/or improve procedures. Management provided a written response on 12 April 2016 including comments and proposed actions.

8. CONCLUSION

We wish to record our appreciation to your Acting General Manager and his staff for their ready co-operation and the courtesies extended to us during the conduct of the audit.

Yours faithfully,
HILL ROGERS

GARY MOTTAU
Partner

North Sydney Council

SPECIAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2016

progressive vibrant diverse



North Sydney Council

Special Purpose Financial Statements

for the year ended 30 June 2016

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Income Statement – Sewerage Business Activity	n/a
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Statement of Financial Position – Water Supply Business Activity	n/a
Statement of Financial Position – Sewerage Business Activity	n/a
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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 2016

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 24 October 2016.



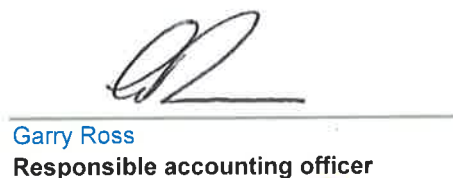
Jilly Gibson
Mayor



Melissa Clare
Councillor



Ross McCreanor
Acting General manager



Garry Ross
Responsible accounting officer

North Sydney Council

Income Statement of Council's Other Business Activities

for the year ended 30 June 2016

\$ '000	Commercial Properties		Waste Management	
	Category 1		Category 1	
	Actual 2016	Actual 2015	Actual 2016	Actual 2015
Income from continuing operations				
Access charges	–	–	10,081	9,701
User charges	–	–	1,026	994
Fees	–	–	388	369
Interest	–	–	–	–
Grants and contributions provided for non-capital purposes	–	–	42	42
Profit from the sale of assets	–	–	–	–
Other income	19,190	10,744	–	–
Total income from continuing operations	19,190	10,744	11,537	11,106
Expenses from continuing operations				
Employee benefits and on-costs	7	3	1,530	1,308
Borrowing costs	–	–	–	–
Materials and contracts	1,691	1,707	9,666	9,191
Depreciation and impairment	251	247	–	–
Loss on sale of assets	–	–	–	–
Calculated taxation equivalents	597	599	39	27
Debt guarantee fee (if applicable)	–	–	–	–
Other expenses	757	789	35	28
Total expenses from continuing operations	3,303	3,345	11,270	10,554
Surplus (deficit) from continuing operations before capital amounts	15,887	7,399	267	552
Grants and contributions provided for capital purposes	–	–	–	–
Surplus (deficit) from continuing operations after capital amounts	15,887	7,399	267	552
Surplus (deficit) from discontinued operations	–	–	–	–
Surplus (deficit) from all operations before tax	15,887	7,399	267	552
Less: corporate taxation equivalent (30%) [based on result before capital]	(4,766)	(2,220)	(80)	(166)
SURPLUS (DEFICIT) AFTER TAX	11,121	5,179	187	386
Plus opening retained profits	84,147	80,889	1,308	1,744
Plus adjustments for amounts unpaid:				
– Taxation equivalent payments	597	599	39	27
– Debt guarantee fees	–	–	–	–
– Corporate taxation equivalent	4,766	2,220	80	166
Add:				
– Subsidy paid/contribution to operations	488	–	–	–
Less:				
– TER dividend paid	–	–	–	–
– Dividend paid	–	(4,740)	(2,901)	(1,015)
Closing retained profits	101,119	84,147	(1,287)	1,308
Return on capital %	183.1%	8.8%	n/a	n/a
Subsidy from Council	–	–	–	–

North Sydney Council

Income Statement of Council's Other Business Activities

for the year ended 30 June 2016

\$ '000	Car Parking Services		North Sydney Function Centre	
	Category 1		Category 2	
	Actual 2016	Actual 2015	Actual 2016	Actual 2015
Income from continuing operations				
Access charges	–	–	–	–
User charges	–	–	–	–
Fees	3,090	2,710	455	335
Interest	–	–	–	–
Grants and contributions provided for non-capital purposes	–	–	–	–
Profit from the sale of assets	–	–	–	–
Other income	–	–	–	–
Total income from continuing operations	3,090	2,710	455	335
Expenses from continuing operations				
Employee benefits and on-costs	176	279	236	170
Borrowing costs	–	–	–	–
Materials and contracts	563	448	297	187
Depreciation and impairment	713	705	88	88
Loss on sale of assets	–	–	–	–
Calculated taxation equivalents	263	265	–	–
Debt guarantee fee (if applicable)	–	–	–	–
Other expenses	364	357	194	123
Total expenses from continuing operations	2,079	2,054	815	568
Surplus (deficit) from continuing operations before capital amounts	1,011	656	(360)	(233)
Grants and contributions provided for capital purposes	–	–	–	–
Surplus (deficit) from continuing operations after capital amounts	1,011	656	(360)	(233)
Surplus (deficit) from discontinued operations	–	–	–	–
Surplus (deficit) from all operations before tax	1,011	656	(360)	(233)
Less: corporate taxation equivalent (30%) [based on result before capital]	(303)	(197)	–	–
SURPLUS (DEFICIT) AFTER TAX	708	459	(360)	(233)
Plus opening retained profits	19,087	20,070	889	1,025
Plus adjustments for amounts unpaid:				
– Taxation equivalent payments	263	265	–	–
– Debt guarantee fees	–	–	–	–
– Corporate taxation equivalent	303	197	–	–
Add:				
– Subsidy paid/contribution to operations	38,649	–	376	97
Less:				
– TER dividend paid	–	–	–	–
– Dividend paid	–	(1,904)	–	–
Closing retained profits	59,010	19,087	905	889
Return on capital %	1.4%	2.1%	-21.2%	-13.9%
Subsidy from Council	541	297	397	284

North Sydney Council

Income Statement of Council's Other Business Activities

for the year ended 30 June 2016

Development
Applications

Category 2

\$ '000	Actual 2016	Actual 2015
Income from continuing operations		
Access charges	–	–
User charges	–	–
Fees	1,639	1,817
Interest	–	–
Grants and contributions provided for non-capital purposes	–	–
Profit from the sale of assets	–	–
Other income	–	–
Total income from continuing operations	1,639	1,817
Expenses from continuing operations		
Employee benefits and on-costs	4,422	4,177
Borrowing costs	–	–
Materials and contracts	333	290
Depreciation and impairment	–	–
Loss on sale of assets	–	–
Calculated taxation equivalents	204	188
Debt guarantee fee (if applicable)	–	–
Other expenses	682	651
Total expenses from continuing operations	5,641	5,306
Surplus (deficit) from continuing operations before capital amounts	(4,002)	(3,489)
Grants and contributions provided for capital purposes	–	–
Surplus (deficit) from continuing operations after capital amounts	(4,002)	(3,489)
Surplus (deficit) from discontinued operations	–	–
Surplus (deficit) from all operations before tax	(4,002)	(3,489)
Less: corporate taxation equivalent (30%) [based on result before capital]	–	–
SURPLUS (DEFICIT) AFTER TAX	(4,002)	(3,489)
Plus opening retained profits	(1,199)	(1,213)
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	204	188
– Debt guarantee fees	–	–
– Corporate taxation equivalent	–	–
Add:		
– Subsidy paid/contribution to operations	3,711	3,315
Less:		
– TER dividend paid	–	–
– Dividend paid	–	–
Closing retained profits	(1,286)	(1,199)
Return on capital %	n/a	n/a
Subsidy from Council	4,002	3,489

North Sydney Council

Statement of Financial Position – Council's Other Business Activities

as at 30 June 2016

\$ '000	Commercial Properties		Waste Management	
	Category 1		Category 1	
	Actual 2016	Actual 2015	Actual 2016	Actual 2015
ASSETS				
Current assets				
Cash and cash equivalents	–	–	712	2,453
Investments	–	–	–	–
Receivables	177	230	109	89
Inventories	–	–	–	–
Other	–	–	–	–
Non-current assets classified as held for sale	–	–	–	–
Total Current Assets	177	230	821	2,542
Non-current assets				
Investments	–	–	–	–
Receivables	–	–	–	–
Inventories	–	–	–	–
Infrastructure, property, plant and equipment	8,679	4,934	–	–
Investments accounted for using equity method	–	–	–	–
Investment property	92,392	79,130	–	–
Other	–	–	–	–
Total non-current assets	101,071	84,064	–	–
TOTAL ASSETS	101,248	84,294	821	2,542
LIABILITIES				
Current liabilities				
Bank overdraft	–	–	–	–
Payables	129	147	1,843	1,017
Borrowings	–	–	–	–
Provisions	–	–	259	212
Total current liabilities	129	147	2,102	1,229
Non-current liabilities				
Payables	–	–	3	3
Borrowings	–	–	–	–
Provisions	–	–	3	2
Other Liabilities	–	–	–	–
Total non-current liabilities	–	–	6	5
TOTAL LIABILITIES	129	147	2,108	1,234
NET ASSETS	101,119	84,147	(1,287)	1,308
EQUITY				
Retained earnings	101,119	84,147	(1,287)	1,308
Revaluation reserves	–	–	–	–
Council equity interest	101,119	84,147	(1,287)	1,308
Non-controlling equity interest	–	–	–	–
TOTAL EQUITY	101,119	84,147	(1,287)	1,308

North Sydney Council

Statement of Financial Position – Council's Other Business Activities

as at 30 June 2016

	Car Parking Services Category 1		North Sydney Function Centre Category 2	
	Actual 2016	Actual 2015	Actual 2016	Actual 2015
\$ '000				
ASSETS				
Current assets				
Cash and cash equivalents	8	12	6	6
Investments	–	–	–	–
Receivables	11	56	8	9
Inventories	–	–	10	10
Other	–	–	–	–
Non-current assets classified as held for sale	–	–	–	–
Total Current Assets	19	68	24	25
Non-current assets				
Investments	–	–	–	–
Receivables	–	–	–	–
Inventories	–	–	–	–
Infrastructure, property, plant and equipment	71,533	31,569	1,702	1,682
Investments accounted for using equity method	–	–	–	–
Investment property	–	–	–	–
Other	–	–	–	–
Total non-current assets	71,533	31,569	1,702	1,682
TOTAL ASSETS	71,552	31,637	1,726	1,707
LIABILITIES				
Current liabilities				
Bank overdraft	–	–	–	–
Payables	126	106	–	–
Borrowings	–	–	–	–
Provisions	72	100	64	61
Total current liabilities	198	206	64	61
Non-current liabilities				
Payables	–	–	–	–
Borrowings	–	–	–	–
Provisions	1	1	1	1
Other Liabilities	–	–	–	–
Total non-current liabilities	1	1	1	1
TOTAL LIABILITIES	199	207	65	62
NET ASSETS	71,353	31,430	1,661	1,645
EQUITY				
Retained earnings	59,010	19,087	905	889
Revaluation reserves	12,343	12,343	756	756
Council equity interest	71,353	31,430	1,661	1,645
Non-controlling equity interest	–	–	–	–
TOTAL EQUITY	71,353	31,430	1,661	1,645

North Sydney Council

Statement of Financial Position – Council's Other Business Activities

as at 30 June 2016

Development Applications

Category 2

\$ '000	Actual 2016	Actual 2015
ASSETS		
Current assets		
Cash and cash equivalents	–	–
Investments	–	–
Receivables	–	–
Inventories	–	–
Other	–	–
Non-current assets classified as held for sale	–	–
Total Current Assets	–	–
Non-current assets		
Investments	–	–
Receivables	–	–
Inventories	–	–
Infrastructure, property, plant and equipment	–	–
Investments accounted for using equity method	–	–
Investment property	–	–
Other	–	–
Total non-current assets	–	–
TOTAL ASSETS	–	–
LIABILITIES		
Current liabilities		
Bank overdraft	–	–
Payables	–	–
Borrowings	–	–
Provisions	1,268	1,184
Total current liabilities	1,268	1,184
Non-current liabilities		
Payables	–	–
Borrowings	–	–
Provisions	18	15
Other Liabilities	–	–
Total non-current liabilities	18	15
TOTAL LIABILITIES	1,286	1,199
NET ASSETS	(1,286)	(1,199)
EQUITY		
Retained earnings	(1,286)	(1,199)
Revaluation reserves	–	–
Council equity interest	(1,286)	(1,199)
Non-controlling equity interest	–	–
TOTAL EQUITY	(1,286)	(1,199)

North Sydney Council

Special Purpose Financial Statements

for the year ended 30 June 2016

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 2016

Note 1. Significant accounting policies

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

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

The figures presented in the SPFS, unless otherwise stated, have been prepared in accordance with:

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

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

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

National Competition Policy

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

The framework for its application is set out in the June 1996 government policy statement, *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 standards for disclosure. 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)

d. North Sydney Oval Function Centre

Bar and catering facilities for hire to the public and members.

e. Development Applications

Building, Development and Subdivision approval processing.

Monetary amounts

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

(i) Taxation-equivalent charges

Council is liable to pay various taxes and financial duties in undertaking its business activities. Where this is the case, they are disclosed in these

North Sydney Council

Notes to the Special Purpose Financial Statements for the year ended 30 June 2016

Note 1. Significant accounting policies (continued)

statements as a cost of operations just like all other costs.

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

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

Notional rate applied (%)

Corporate income tax rate – **30%**

Land tax – the first **\$482,000** of combined land values attracts **0%**. For that valued from \$482,001 to \$2,947,000 the rate is **1.6% + \$100**. For the remaining combined land value that exceeds \$2,947,000, a premium marginal rate of **2.0%** applies.

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

Income tax

An income tax equivalent has been applied on the profits of each reported business activity.

While 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 or loss from ordinary activities before capital amounts) as would be applied by a private sector competitor – that is, it should include a provision equivalent to the corporate income tax rate, currently 30%.

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

Since this taxation equivalent is notional – that is, it is payable to Council as the 'owner' of business operations, it represents an internal payment and

has no effect on the operations of the Council. Accordingly, there is no need for disclosure of internal charges in Council's General Purpose Financial Statements.

The 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.

North Sydney Council

Notes to the Special Purpose Financial Statements for the year ended 30 June 2016

Note 1. Significant accounting policies (continued)

(iii) Return on investments (rate of return)

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

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

The rate of return on capital is calculated as follows:

Operating result before capital income + interest expense

Written down value of I,PP&E as at 30 June

As a minimum, business activities should generate a return equal to the Commonwealth 10 year bond rate which is 2.17% at 30 June 2016.

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

(iv) Dividends

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

NORTH SYDNEY COUNCIL

SPECIAL PURPOSE FINANCIAL STATEMENTS

INDEPENDENT AUDITORS' REPORT

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying special purpose financial statements of North Sydney Council, which comprises the Statement of Financial Position as at 30 June 2016, Income Statement for the year ended on that date, a summary of significant accounting policies and other explanatory notes and the Statement by Councillors and Management.

Responsibility of Council for the Financial Statements

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

Auditors' Responsibility

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

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

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

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

Assurance Partners

Independence

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

Auditor's Opinion

In our opinion, the special purpose financial statements of the Council are presented fairly in accordance with the requirements of those applicable Accounting Standards detailed in Note 1 and the Local Government Code of Accounting Practice and Financial Reporting.

Basis of Accounting

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

HILL ROGERS



GARY MOTTAU
Partner

Dated at Sydney this 25th day of October 2016

North Sydney Council

SPECIAL SCHEDULES
for the year ended 30 June 2016

progressive vibrant diverse



North Sydney Council

Special Schedules

for the year ended 30 June 2016

Contents

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Special Schedules¹

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

¹ 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 2016

\$'000

Function or activity	Expenses from continuing operations	Income from continuing operations		Net cost of services
		Non-capital	Capital	
Governance	3,530	–	–	(3,530)
Administration	16,295	7,505	203	(8,587)
Public order and safety				
Fire service levy, fire protection, emergency services	1,394	–	–	(1,394)
Beach control	–	–	–	–
Enforcement of local government regulations	5,662	7,837	–	2,175
Animal control	35	–	–	(35)
Other	124	–	–	(124)
Total public order and safety	7,215	7,837	–	622
Health	1,700	356	–	(1,344)
Environment				
Noxious plants and insect/vermin control	154	–	–	(154)
Other environmental protection	3,470	1,866	–	(1,604)
Solid waste management	11,153	11,887	–	734
Street cleaning	2,099	23	–	(2,076)
Drainage	–	–	–	–
Stormwater management	2,242	597	–	(1,645)
Total environment	19,118	14,373	–	(4,745)
Community services and education				
Administration and education	894	38	–	(856)
Social protection (welfare)	469	45	–	(424)
Aged persons and disabled	311	58	–	(253)
Children's services	1,152	747	436	31
Total community services and education	2,826	888	436	(1,502)
Housing and community amenities				
Public cemeteries	–	–	–	–
Public conveniences	387	–	–	(387)
Street lighting	1,015	185	–	(830)
Town planning	4,285	792	–	(3,493)
Other community amenities	1,964	660	–	(1,304)
Total housing and community amenities	7,651	1,637	–	(6,014)

North Sydney Council

Special Schedule 1 – Net Cost of Services (continued)
for the year ended 30 June 2016

\$'000

Function or activity	Expenses from continuing operations	Income from continuing operations		Net cost of services
		Non-capital	Capital	
Recreation and culture				
Public libraries	3,367	267	333	(2,767)
Museums	448	2	–	(446)
Art galleries	–	–	–	–
Community centres and halls	1,198	72	360	(766)
Performing arts venues	–	–	–	–
Other performing arts	–	–	–	–
Other cultural services	689	244	–	(445)
Sporting grounds and venues	2,651	404	(23)	(2,270)
Swimming pools	3,407	2,369	254	(784)
Parks and gardens (lakes)	5,869	77	37	(5,755)
Other sport and recreation	4,404	204	10,932	6,732
Total recreation and culture	22,033	3,639	11,893	(6,501)
Fuel and energy	–	–	–	–
Agriculture	–	–	–	–
Mining, manufacturing and construction				
Building control	–	–	–	–
Other mining, manufacturing and construction	–	–	–	–
Total mining, manufacturing and const.	–	–	–	–
Transport and communication				
Urban roads (UR) – local	1,508	1,307	–	(201)
Urban roads – regional	34	673	–	639
Sealed rural roads (SRR) – local	–	–	–	–
Sealed rural roads (SRR) – regional	–	–	–	–
Unsealed rural roads (URR) – local	–	–	–	–
Unsealed rural roads (URR) – regional	–	–	–	–
Bridges on UR – local	–	–	–	–
Bridges on SRR – local	–	–	–	–
Bridges on URR – local	–	–	–	–
Bridges on regional roads	–	–	–	–
Parking areas	1,928	11,268	–	9,340
Footpaths	1,036	498	–	(538)
Aerodromes	–	–	–	–
Other transport and communication	7,610	883	851	(5,876)
Total transport and communication	12,116	14,629	851	3,364
Economic affairs				
Camping areas and caravan parks	–	–	–	–
Other economic affairs	6,730	22,088	34,321	49,679
Total economic affairs	6,730	22,088	34,321	49,679
Totals – functions	99,214	72,952	47,704	21,442
General purpose revenues ⁽¹⁾		40,140		40,140
Share of interests – joint ventures and associates using the equity method	22	–		(22)
NET OPERATING RESULT ⁽²⁾	99,236	113,092	47,704	61,560

(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 2016

\$'000

Classification of debt	Principal outstanding at beginning of the year			New loans raised during the year	Debt redemption during the year		Transfers to sinking funds	Interest applicable for year	Principal outstanding at the end of the year		
	Current	Non-current	Total		From revenue	Sinking funds			Current	Non-current	Total
Loans (by source)											
Commonwealth government	–	–	–							–	–
Treasury corporation	–	–	–							–	–
Other state government	–	–	–							–	–
Public subscription	–	–	–							–	–
Financial institutions	–	–	–	9,500	–	–	–	277	–	9,500	9,500
Other	–	–	–							–	–
Total loans	–	–	–	9,500	–	–	–	277	–	9,500	9,500
Other long term debt											
Ratepayers advances	–	–	–							–	–
Government advances	–	–	–							–	–
Finance leases	–	–	–							–	–
Deferred payments	–	–	–							–	–
Total long term debt	–	–	–	–	–	–	–	–	–	–	–
Total debt	–	–	–	9,500	–	–	–	277	–	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 2016

\$'000

Asset class	Asset category	Estimated cost to bring assets to satisfactory standard	2015/16 Required maintenance ^a	2015/16 Actual maintenance	Carrying value	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
							1	2	3	4	5
Buildings	Buildings	–	2,109	2,427	85,241	167,476	21%	8%	64%	2%	5%
	Sub-total	–	2,109	2,427	85,241	167,476	21.0%	8.0%	64.0%	2.0%	5.0%
Other structures	Other	–	–	–	37	38	100%				0%
	Sub-total	–	–	–	37	38	100.0%	0.0%	0.0%	0.0%	0.0%
Roads	Sealed roads	–	936	943	151,441	221,452	46%	32%	17%	3%	2%
	Footpaths	–	1,455	1,658	44,632	76,071	14%	44%	39%	2%	1%
	Other road assets	–	77	101	47,607	85,999	29%	35%	19%	5%	12%
	Sub-total	–	2,468	2,702	243,680	383,522	35.8%	35.1%	21.8%	3.3%	4.0%
Stormwater drainage	Stormwater drainage	–	512	511	126,389	191,503	45%	40%	2%	1%	12%
	Sub-total	–	512	511	126,389	191,503	45.0%	40.0%	2.0%	1.0%	12.0%

North Sydney Council

Special Schedule 7 – Report on Infrastructure Assets as at 30 June 2016 (continued)

\$'000

Asset class	Asset category	Estimated cost to bring assets to satisfactory standard	2015/16 Required maintenance ^a	2015/16 Actual maintenance	Carrying value	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
							1	2	3	4	5
Open space/recreational assets	Swimming pools	–	797	724	10,728	25,012	4%	0%	95%	1%	0%
	Other	–	787	715	3,436	10,872	21%	9%	1%	32%	37%
	Sub-total	–	1,584	1,439	14,164	35,884	9.2%	2.7%	66.5%	10.4%	11.2%
Other infrastructure assets	Other	–	1,948	2,128	25,437	36,490	42%	36%	6%	16%	0%
	Sub-total	–	1,948	2,128	25,437	36,490	42.0%	36.0%	6.0%	16.0%	0.0%
Land Improvements Depreciable	Land Improvements - depreciable	–	–	–	16,853	19,483	93%	5%	2%		0%
	Sub-total	–	–	–	16,853	19,483	93.0%	5.0%	2.0%	0.0%	0.0%
TOTAL – ALL ASSETS		–	8,621	9,207	511,801	834,396	35.4%	28.7%	26.5%	3.3%	6.1%

Notes:

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

Infrastructure asset condition assessment 'key'

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

North Sydney Council

Special Schedule 7 – Report on Infrastructure Assets (continued)
for the year ended 30 June 2016

\$ '000	Amounts 2016	Indicator 2016	Prior periods	
			2015	2014
Infrastructure asset performance indicators * consolidated				
1. Infrastructure renewals ratio				
Asset renewals ⁽¹⁾	<u>37,834</u>	322.62%	172.78%	106.68%
Depreciation, amortisation and impairment	<u>11,727</u>			
2. Infrastructure backlog ratio				
Estimated cost to bring assets to a satisfactory standard	<u>–</u>	0.00%	0.00%	4.12%
Carrying value of infrastructure assets	<u>511,801</u>			
3. Asset maintenance ratio				
Actual asset maintenance	<u>9,207</u>	1.07	1.11	1.04
Required asset maintenance	<u>8,621</u>			
4. Capital expenditure ratio				
Annual capital expenditure	<u>83,107</u>	5.35	2.00	1.49
Annual depreciation	<u>15,536</u>			

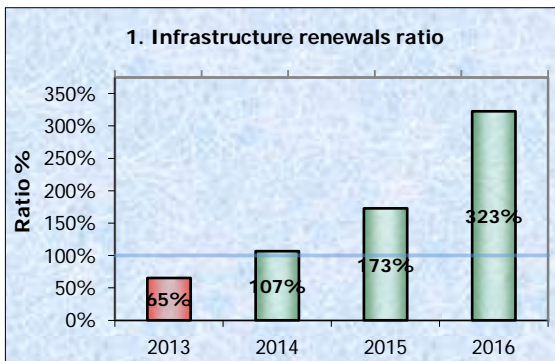
Notes

* 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.

North Sydney Council

Special Schedule 7 – Report on Infrastructure Assets (continued) for the year ended 30 June 2016



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.

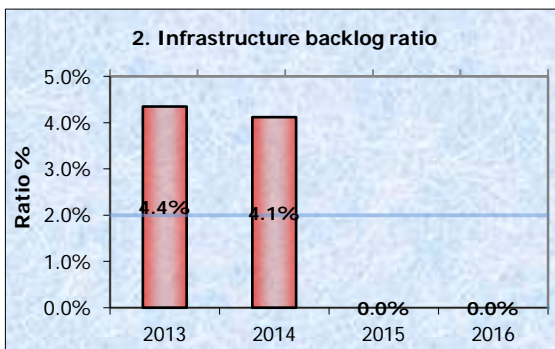
Commentary on 2015/16 result

2015/16 Ratio 322.62%

This ratio was better than the benchmark for the third 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 #24

■ 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.

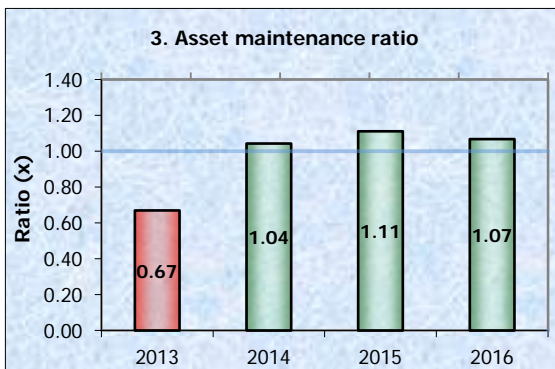
Commentary on 2015/16 result

2015/16 Ratio 0.00%

This ratio was better than the benchmark for the second successive year. A significant increase in funding for infrastructure renewal over the last two years has resulted in the elimination of our infrastructure backlog.

Benchmark: — Maximum $< 2.00\%$
Source for benchmark: Code of Accounting Practice and Financial Reporting #24

■ 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.

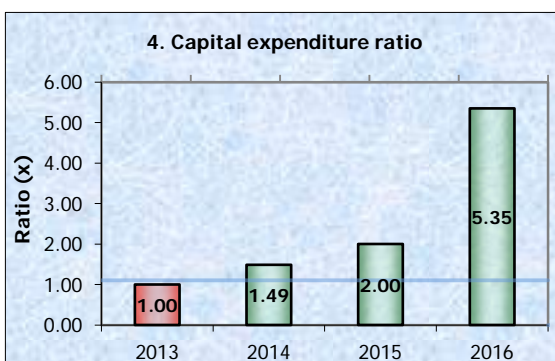
Commentary on 2015/16 result

2015/16 Ratio 1.07 x

This ratio was better than the benchmark for the third successive year. This indicates that sufficient funds were allocated to the maintenance of our infrastructure assets.

Benchmark: — Minimum > 1.00
Source for benchmark: Code of Accounting Practice and Financial Reporting #24

■ Ratio achieves benchmark
■ Ratio is outside benchmark



Purpose of capital expenditure ratio

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

Commentary on 2015/16 result

2015/16 Ratio 5.35 x

This ratio was better than the benchmark for the third successive year. This is a reflection of Council's ongoing commitment to the allocation of sufficient funds to the replacement and renewal of its infrastructure, while also maintaining an acceptable level of expenditure on new assets.

Benchmark: — Minimum > 1.10
Source for benchmark: Code of Accounting Practice and Financial Reporting #24

■ Ratio achieves benchmark
■ Ratio is outside benchmark

North Sydney Council

Special Schedule 8 – Permissible Income Calculation

for the year ended 30 June 2017

\$'000		Calculation 2015/16	Calculation 2016/17
Notional general income calculation ⁽¹⁾			
Last year notional general income yield	a	36,684	39,014
Plus or minus adjustments ⁽²⁾	b	238	92
Notional general income	c = (a + b)	36,922	39,106
Permissible income calculation			
Special variation percentage ⁽³⁾	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)	2,031	2,151
Or plus rate peg amount	i = c x e	–	–
Or plus Crown land adjustment and rate peg amount	j = c x f	–	–
Sub-total	k = (c + g + h + i + j)	38,953	41,257
Plus (or minus) last year's carry forward total	l	–	(0)
Less valuation objections claimed in the previous year	m	–	(61)
Sub-total	n = (l + m)	–	(61)
Total permissible income	o = k + n	38,953	41,196
Less notional general income yield	p	39,014	41,197
Catch-up or (excess) result	q = o – p	(61)	(1)
Plus income lost due to valuation objections claimed ⁽⁴⁾	r	61	2
Less unused catch-up ⁽⁵⁾	s	–	–
Carry forward to next year	t = q + r – s	(0)	1

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.

NORTH SYDNEY COUNCIL

SPECIAL SCHEDULE NO. 8

INDEPENDENT AUDITORS' REPORT

REPORT ON SPECIAL SCHEDULE NO. 8

We have audited the accompanying special purpose financial statement comprising the reconciliation of total permissible general income (Special Schedule No. 8) of North Sydney Council for the year ending 30 June 2017.

Responsibility of Council for Special Schedule No. 8

The Council is responsible for the preparation and fair presentation of Special Schedule No. 8 in accordance with the Local Government Code of Accounting Practice and Financial Reporting (Guidelines) Update No. 24. This responsibility includes the maintenance of adequate accounting records and internal controls designed to prevent and detect fraud and error; designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of Special Schedule No. 8 that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on Special Schedule No. 8 based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether Special Schedule No. 8 is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in Special Schedule No. 8. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of Special Schedule No. 8, whether due to fraud or error. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of Special Schedule No. 8.

Because of the inherent limitations of an audit, together with the inherent limitations of internal control, there is an unavoidable risk that some material misstatements may not be detected, even though the audit is properly planned and performed in accordance with Australian Auditing Standards.

In making our risk assessments, we consider internal controls relevant to the entity's preparation of Special Schedule No. 8 in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

Assurance Partners

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

Independence

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

Audit Opinion

In our opinion, Special Schedule No. 8 of North Sydney Council for 2016/17 is properly drawn up in accordance with the requirements of the Office of Local Government and in accordance with the books and records of the Council.

Basis of Accounting

Without modifying our opinion, we advise that this schedule has been prepared for distribution to the Office of Local Government for the purposes of confirming that Council's reconciliation of Council's total permissible general income is presented fairly. As a result, the schedule may not be suitable for another purpose.

HILL ROGERS



GARY MOTTAU

Partner

Dated at Sydney this 25th day of October 2016