



North Sydney Council

# Financial Statements

for the year ended 30 June 2015



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# North Sydney Council

## Financial Statements

for the financial year ended 30 June 2015



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## North Sydney Council

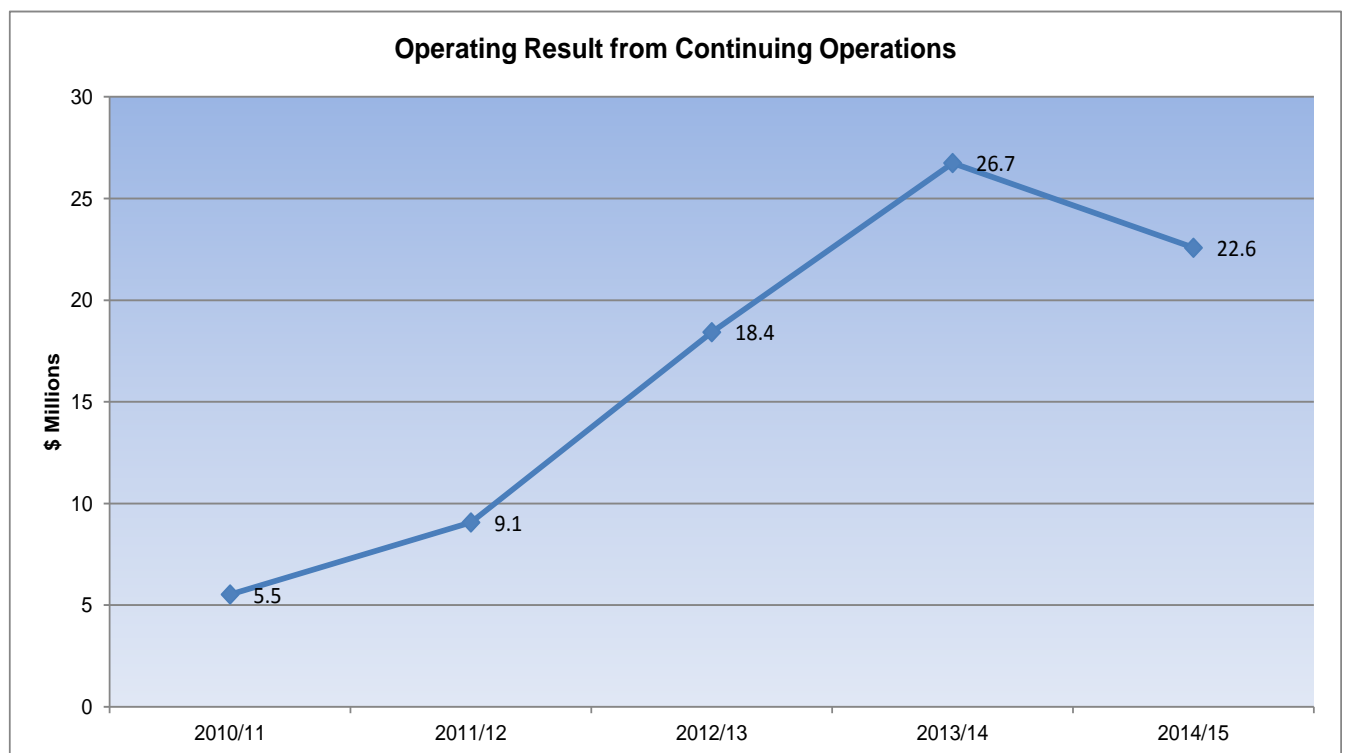
### Financial Statements

for the financial year ended 30 June 2015

### Executive Summary

#### Review of Council's Financial Result

Council achieved a net operating surplus from continuing operations of \$22.6 million in 2014/15. This was a decrease of \$4.1 million from the result achieved in 2013/14. The following graph shows Council's operating result from continuing operations over the last 5 years.



This operating result includes \$15.5 million of revenue received from grants and contributions provided for capital purposes, the offsetting expenditure of which is shown in the balance sheet in the year it is incurred. It also includes unrealised (i.e. non-cash) capital gains of \$4.9 million in the value of Council's investment property portfolio, a \$168,000 increase in the fair value of Council's investment portfolio, net gains from the disposal of assets of \$75,000 and a \$5,000 loss from Council's interest in the Shorelink Library Network Joint Venture. Before recognising capital revenue and adding back these amounts, the result was a surplus of \$1.9 million. This compared to a deficit of \$509,000 in 2013/14.

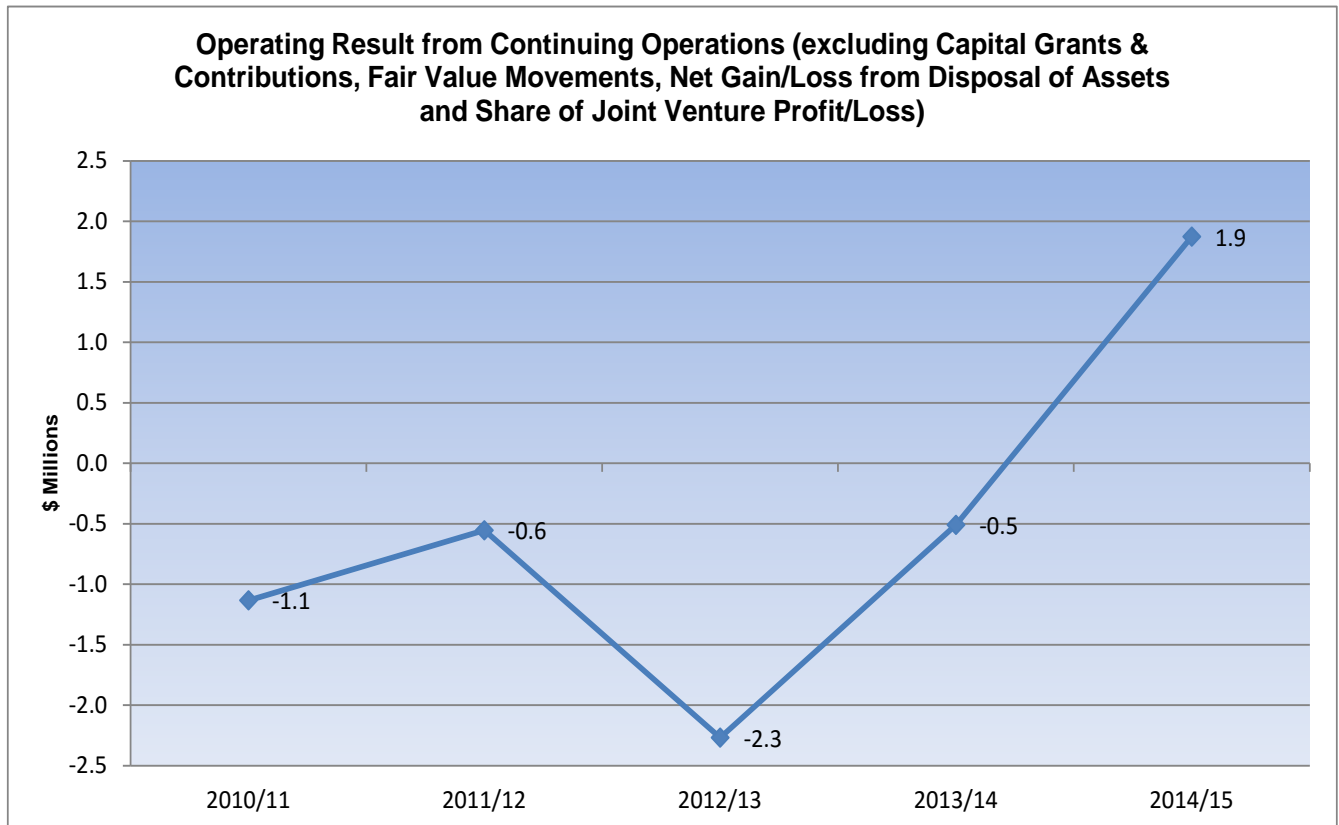
The following graph shows Council's operating result before capital grants and contributions, unrealised capital gains/fair value movements, net gains/losses from the disposal assets and share of Joint Venture profit/loss over the last 5 years.

## North Sydney Council

### Financial Statements

for the financial year ended 30 June 2015

### Executive Summary *(continued)*



The factors that contributed to the decrease of \$4.1 million in the operating result (including capital grants and contributions) from that achieved in 2013/14 are outlined below.

- Rates and annual charges revenue increased by \$2.8 million (6.4%) from 2013/14. Council has approval from IPART (Independent Pricing and Regulatory Tribunal) to increase its revenue from rates by 5.5% per year until 2017/18. This, combined with the introduction of a Stormwater Management Charge from 1 July 2014, was the reason for the increase in revenue from this income stream.
- User charges and fees revenue increased by \$2.1 million (9.3%) from 2013/14. This was primarily due to increased revenue from Construction Zone, Hoarding Permit and Parking Meter fees.
- Interest and investment revenue increased by \$591,000 (14.7%) from 2013/14. While the average rate of return on Council's investment portfolio was 4.37%, down from 4.71% in 2013/14 (though still 1.77% above the reportable benchmark - the UBS Bank Bill Index), the pool of funds available for investment in 2014/15 was greater than that available in 2013/14.
- Other revenues decreased by \$14.8 million (42.3%) from 2013/14. This was primarily due to the fact that the fair value of Council's investment property portfolio was estimated to have increased by \$4.9 million compared to \$20.6 million in 2013/14.
- Grants and contributions provided for operating purposes increased by \$1,199,000 (34.7%) from 2013/14. In June 2013, Council received 50% of its estimated 2013/14 Financial Assistance Grant in advance. However, this arrangement did not take place in 2013/14. Hence, revenue from this source

## North Sydney Council

### Financial Statements

for the financial year ended 30 June 2015

### Executive Summary (continued)

was lower in 2013/14 due to a one off timing difference and this is the reason for the increase in revenue from this source in 2014/15.

- Grants and contributions provided for capital purposes increased by \$4.1 million (36.2%) from 2013/14. This was due to a significant increase in the amount of revenue received from developer contributions.
- Employee benefits and on-costs expenditure increased by \$3.2 million (9%) from 2013/14. This was due to an award increase to rates of pay of 2.6% and the corresponding increase in employee leave entitlements, an increase in the number of equivalent full time employees and a 103% increase in Council's workers compensation insurance premium.
- Materials and contracts expenditure increased by \$1.6 million (5.5%) from 2013/14. Increased building maintenance costs and costs associated with the stabilisation of retaining walls were the main reason for this.
- Depreciation and amortisation increased by \$401,000 (2.6%) from 2013/14.
- Other expenses decreased by \$134,000 (1.6%) from 2013/14. This was due to lower electricity and street lighting costs.
- Council made a net gain of \$75,000 from the disposal of assets. This compared with a net loss of \$4.9 million in 2013/14. In 2013/14, Council incurred a \$4.9 million loss primarily due to the one off disposal/write-off 2 Anzac Avenue in Cammeray and the Alexander Street Carpark in Crows Nest prior to its redevelopment.
- Council is a member of the Shorelink Library Network, a Joint Venture with four other Councils. The entity incurred a loss of \$22,000 in 2014/15 and North Sydney's share of this loss was \$5,000 compared to a loss of \$4,000 in 2013/14.

#### Review of Council's Cash Position

After adjusting the \$22.5 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 increased by \$7.4 million from \$95.6 million to \$103 million, as per the following reconciliation:

		\$'000
<b>Operating surplus</b>		<b>22,575</b>
<b>add:</b>	depreciation	15,684
	net share of loss incurred by Shorelink Library Network	5
	net movements in operating assets and liabilities	3,065
	proceeds from sale of property, plant and equipment	1,408
<b>deduct:</b>	net gain from disposal of assets	75
	fair value gains in investment property portfolio	4,920
	capital expenditure	<u>30,391</u>
<b>net increase in cash and investments held</b>		<b>7,351</b>
<b>plus:</b>	cash and investments held at the beginning of the year	<u>95,618</u>
<b>Cash and Investments held at the end of the year</b>		<b><u>102,969</u></b>

# North Sydney Council

## Financial Statements

for the financial year ended 30 June 2015

### Executive Summary *(continued)*

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#### **Review of Council's Financial Position**

As at 30 June 2015, Council's financial position was sound with no debt and total net assets of \$866 million, including cash and investments of \$103 million. Of this \$103 million, \$29.7 million was externally restricted for specific purposes and \$64.3 million was internally restricted for specific purposes. The remaining \$9 million was unrestricted.

Available working capital was \$4.8 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 2014, Council's unrestricted current ratio was 4.95:1, up significantly from 2.25:1 the previous year and well above the industry benchmark of 1.5:1. During the year, the classification of Council's investments was changed from "Held to Maturity" to "At Fair Value through the Profit & Loss". While investments classified as "Held to Maturity" can be either current or non-current assets, all investments classified as "At Fair Value through the Profit & Loss" are deemed to be current assets. Hence, Council's current assets and, consequently, its unrestricted current ratio as at 30 June 2015 were significantly higher than at 30 June 2014.

During 2014/15, \$21.6 million was spent on the renewal of Council's building and infrastructure assets. Over the same period, the depreciation expense for these assets was \$12.5 million. Hence, the Building and Infrastructure Renewals Ratio was 172.78%, above the benchmark of 100% for the second consecutive year. A further \$5.1 million was spent on the maintenance of buildings and infrastructure and this resulted in an Asset Maintenance Ratio of 1.11:1, slightly above the benchmark of 1:1. 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 its ageing infrastructure. Council's infrastructure backlog, i.e. the cost to bring infrastructure assets to a condition deemed satisfactory by the community, was estimated to be \$15.3 million as at 30 June 2014. A 67% increase in funding for infrastructure renewal in 2014/15 has addressed this backlog.

The NSW Government has been working with councils since 2011 on local government reform through its Fit for the Future (FFTF) initiative. Currently, the Independent Regulatory and Pricing Tribunal (IPART) is performing the role of the Expert Advisory Panel for the Government to assess whether each council is FFTF. IPART are scheduled to provide the Government with a final assessment report in October 2015. Accordingly, at this point, North Sydney Council is unable to determine what impact this may have on these financial reports.

# North Sydney Council

GENERAL PURPOSE FINANCIAL STATEMENTS  
for the year ended 30 June 2015

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# North Sydney Council

## General Purpose Financial Statements

for the financial year ended 30 June 2015

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### Overview

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

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

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

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

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

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

(iv) These financial statements were authorised for issue by the Council on 20 October 2015. Council has the power to amend and reissue these financial statements.

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# North Sydney Council

## Notes to the Financial Statements for the financial year ended 30 June 2015

### Understanding Council's Financial Statements

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#### Introduction

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

#### What you will find in the Statements

The financial statements set out the financial performance, financial position & cash flows of Council for the financial year ended 30 June 2015.

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

#### About the Primary Financial Statements

The financial statements incorporate 5 "primary" financial statements:

##### 1. The Income Statement

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

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

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

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

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

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

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

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

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

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

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

#### About the Notes to the Financial Statements

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

#### About the Auditor's Reports

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

In NSW, the Auditor provides 2 audit reports:

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

#### Who uses the Financial Statements ?

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

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

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

## North Sydney Council

### General Purpose Financial Statements for the financial year ended 30 June 2015

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

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

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

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


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

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

**Signed in accordance with a resolution of Council made on 19 October 2015.**



Jilly Gibson  
MAYOR



Jeff Morris  
COUNCILLOR



Warwick Winn  
GENERAL MANAGER



Garry Ross  
RESPONSIBLE ACCOUNTING OFFICER

## North Sydney Council

## Income Statement

for the financial year ended 30 June 2015

Budget <sup>1</sup>				Actual	Actual
2015	\$ '000		Notes	2015	2014
<b>Income from Continuing Operations</b>					
<b>Revenue:</b>					
45,822	Rates & Annual Charges		3a	46,336	43,550
21,148	User Charges & Fees		3b	24,812	22,709
3,433	Interest & Investment Revenue		3c	4,613	4,022
17,785	Other Revenues		3d	20,184 <sup>2</sup>	35,005
4,138	Grants & Contributions provided for Operating Purposes		3e,f	4,656	3,457 <sup>3</sup>
5,625	Grants & Contributions provided for Capital Purposes		3e,f	15,543	11,414
<b>Other Income:</b>					
287	Net gains from the disposal of assets		5	75	-
<b>98,238</b>	<b>Total Income from Continuing Operations</b>			<b>116,219</b>	<b>120,157</b>
<b>Expenses from Continuing Operations</b>					
37,546	Employee Benefits & On-Costs		4a	38,756	35,559
162	Borrowing Costs		4b	-	-
28,946	Materials & Contracts		4c	30,891	29,275
15,996	Depreciation & Amortisation		4d	15,684	15,283
-	Impairment		4d	-	-
8,607	Other Expenses		4e	8,308	8,442
-	Net Losses from the Disposal of Assets		5	-	4,851
-	Net Share of interests in Joint Ventures & Associates using the equity method		19	5	4
<b>91,257</b>	<b>Total Expenses from Continuing Operations</b>			<b>93,644</b>	<b>93,414</b>
<b>6,981</b>	<b>Operating Result from Continuing Operations</b>			<b>22,575</b>	<b>26,743</b>
<b>Discontinued Operations</b>					
-	Net Profit/(Loss) from Discontinued Operations		24	-	-
<b>6,981</b>	<b>Net Operating Result for the Year</b>			<b>22,575</b>	<b>26,743</b>
6,981	Net Operating Result attributable to Council			22,575	26,743
-	Net Operating Result attributable to Non-controlling Interests			-	-
<b>Net Operating Result for the year before Grants and Contributions provided for Capital Purposes</b>					
<b>1,356</b>				<b>7,032</b>	<b>15,329</b>

<sup>1</sup> Original Budget as approved by Council - refer Note 16

<sup>2</sup> Other Revenues 2015 includes \$4.9 million in Fair Value adjustments (non-cash) associated with Investment Properties - refer Note 3 (d). The corresponding figure in 2014 was \$20.6 million

<sup>3</sup> Financial Assistance Grants for 13/14 were lower reflecting one off timing differences due to a change in how the grant was paid in prior years - refer Note 3 (e)

## North Sydney Council

Statement of Comprehensive Income  
for the financial year ended 30 June 2015

\$ '000	Notes	Actual 2015	Actual 2014
<b>Net Operating Result for the year</b> (as per Income statement)		<b>22,575</b>	<b>26,743</b>
<b>Other Comprehensive Income:</b>			
Amounts which will not be reclassified subsequently to the Operating Result			
Gain (loss) on revaluation of I,PP&E	20b (ii)	87,359	-
<b>Total Items which will not be reclassified subsequently to the Operating Result</b>		<b>87,359</b>	<b>-</b>
Amounts which will be reclassified subsequently to the Operating Result when specific conditions are met			
Nil			
<b>Total Other Comprehensive Income for the year</b>		<b>87,359</b>	<b>-</b>
<b>Total Comprehensive Income for the Year</b>		<b>109,934</b>	<b>26,743</b>
<b>Total Comprehensive Income attributable to Council</b>		<b>109,934</b>	<b>26,743</b>
<b>Total Comprehensive Income attributable to Non-controlling Interests</b>		<b>-</b>	<b>-</b>

## North Sydney Council

## Statement of Financial Position

as at 30 June 2015

\$ '000	Notes	Actual 2015	Actual 2014
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash & Cash Equivalents	6a	8,607	5,108
Investments	6b	94,534	26,185
Receivables	7	5,688	6,485
Inventories	8	43	51
Other	8	228	59
Non-current assets classified as "held for sale"	22	-	-
<b>Total Current Assets</b>		<b>109,100</b>	<b>37,888</b>
<b>Non-Current Assets</b>			
Investments	6b	-	64,325
Receivables	7	141	118
Inventories	8	-	-
Infrastructure, Property, Plant & Equipment	9	711,182	608,323
Investments accounted for using the equity method	19	56	61
Investment Property	14	79,570	74,650
Intangible Assets	25	-	-
<b>Total Non-Current Assets</b>		<b>790,949</b>	<b>747,477</b>
<b>TOTAL ASSETS</b>		<b>900,049</b>	<b>785,365</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Payables	10	18,802	15,475
Borrowings	10	172	-
Provisions	10	14,601	13,259
<b>Total Current Liabilities</b>		<b>33,575</b>	<b>28,734</b>
<b>Non-Current Liabilities</b>			
Payables	10	-	-
Borrowings	10	-	-
Provisions	10	187	278
<b>Total Non-Current Liabilities</b>		<b>187</b>	<b>278</b>
<b>TOTAL LIABILITIES</b>		<b>33,762</b>	<b>29,012</b>
<b>Net Assets</b>		<b>866,287</b>	<b>756,353</b>
<b>EQUITY</b>			
Retained Earnings	20	696,327	673,752
Revaluation Reserves	20	169,960	82,601
Council Equity Interest		866,287	756,353
Non-controlling Equity Interests		-	-
<b>Total Equity</b>		<b>866,287</b>	<b>756,353</b>

## North Sydney Council

Statement of Changes in Equity  
for the financial year ended 30 June 2015

\$ '000	Notes	Retained Earnings	Reserves (Refer 20b)	Council Interest	Non- controlling Interest	Total Equity
<b>2015</b>						
<b>Opening Balance</b> (as per Last Year's Audited Accounts)		673,752	82,601	<b>756,353</b>	-	<b>756,353</b>
a. Correction of Prior Period Errors	20 (c)	-	-	-	-	-
b. Changes in Accounting Policies (prior year effects)	20 (d)	-	-	-	-	-
<b>Revised Opening Balance (as at 1/7/14)</b>		<b>673,752</b>	<b>82,601</b>	<b>756,353</b>	-	<b>756,353</b>
<b>c. Net Operating Result for the Year</b>		<b>22,575</b>	-	<b>22,575</b>	-	<b>22,575</b>
d. Other Comprehensive Income						
- Revaluations : IPP&E Asset Revaluation Rsve	20b (ii)	-	87,359	<b>87,359</b>	-	<b>87,359</b>
<b>Other Comprehensive Income</b>		-	<b>87,359</b>	<b>87,359</b>	-	<b>87,359</b>
<b>Total Comprehensive Income (c&amp;d)</b>		<b>22,575</b>	<b>87,359</b>	<b>109,934</b>	-	<b>109,934</b>
e. Distributions to/(Contributions from) Non-controlling Interests		-	-	-	-	-
f. Transfers between Equity		-	-	-	-	-
<b>Equity - Balance at end of the reporting period</b>		<b>696,327</b>	<b>169,960</b>	<b>866,287</b>	-	<b>866,287</b>

\$ '000	Notes	Retained Earnings	Reserves (Refer 20b)	Council Interest	Non- controlling Interest	Total Equity
<b>2014</b>						
<b>Opening Balance</b> (as per Last Year's Audited Accounts)		647,009	82,601	<b>729,610</b>	-	<b>729,610</b>
a. Correction of Prior Period Errors	20 (c)	-	-	-	-	-
b. Changes in Accounting Policies (prior year effects)	20 (d)	-	-	-	-	-
<b>Revised Opening Balance (as at 1/7/13)</b>		<b>647,009</b>	<b>82,601</b>	<b>729,610</b>	-	<b>729,610</b>
<b>c. Net Operating Result for the Year</b>		<b>26,743</b>	-	<b>26,743</b>	-	<b>26,743</b>
d. Other Comprehensive Income						
- Revaluations : IPP&E Asset Revaluation Rsve	20b (ii)	-	-	-	-	-
<b>Other Comprehensive Income</b>		-	-	-	-	-
<b>Total Comprehensive Income (c&amp;d)</b>		<b>26,743</b>	-	<b>26,743</b>	-	<b>26,743</b>
e. Distributions to/(Contributions from) Non-controlling Interests		-	-	-	-	-
f. Transfers between Equity		-	-	-	-	-
<b>Equity - Balance at end of the reporting period</b>		<b>673,752</b>	<b>82,601</b>	<b>756,353</b>	-	<b>756,353</b>

## North Sydney Council

## Statement of Cash Flows

for the financial year ended 30 June 2015

Budget 2015	\$ '000	Notes	Actual 2015	Actual 2014
<b>Cash Flows from Operating Activities</b>				
<b>Receipts:</b>				
45,800	Rates & Annual Charges		46,263	43,669
21,123	User Charges & Fees		25,963	26,660
3,457	Investment & Interest Revenue Received		4,273	3,589
10,481	Grants & Contributions		20,679	14,813
1,400	Bonds, Deposits & Retention amounts received		2,512	2,135
14,528	Other		20,379	15,942
<b>Payments:</b>				
(36,899)	Employee Benefits & On-Costs		(37,327)	(35,165)
(29,057)	Materials & Contracts		(33,500)	(32,209)
(162)	Borrowing Costs		-	-
(1,400)	Bonds, Deposits & Retention amounts refunded		(640)	(1,307)
(8,607)	Other		(12,245)	(11,044)
<b>20,664</b>	<b>Net Cash provided (or used in) Operating Activities</b>	11b	<b>36,357</b>	<b>27,083</b>
<b>Cash Flows from Investing Activities</b>				
<b>Receipts:</b>				
43,100	Sale of Investment Securities		42,195	46,372
-	Sale of Investment Property		-	19,500
1,295	Sale of Infrastructure, Property, Plant & Equipment		1,408	1,269
<b>Payments:</b>				
(42,000)	Purchase of Investment Securities		(46,051)	(68,295)
(26,829)	Purchase of Infrastructure, Property, Plant & Equipment		(30,582)	(23,902)
<b>(24,434)</b>	<b>Net Cash provided (or used in) Investing Activities</b>		<b>(33,030)</b>	<b>(25,056)</b>
<b>Cash Flows from Financing Activities</b>				
<b>Receipts:</b>				
4,000	Proceeds from Borrowings & Advances		-	-
<b>Payments:</b>				
(230)	Repayment of Borrowings & Advances		-	-
<b>3,770</b>	<b>Net Cash Flow provided (used in) Financing Activities</b>		<b>-</b>	<b>-</b>
-	<b>Net Increase/(Decrease) in Cash &amp; Cash Equivalents</b>		<b>3,327</b>	<b>2,027</b>
4,000	plus: <b>Cash &amp; Cash Equivalents - beginning of year</b>	11a	5,108	3,081
<b>4,000</b>	<b>Cash &amp; Cash Equivalents - end of the year</b>	11a	<b>8,435</b>	<b>5,108</b>
Additional Information:				
	plus: <b>Investments on hand - end of year</b>	6b	94,534	90,510
	<b>Total Cash, Cash Equivalents &amp; Investments</b>		<b>102,969</b>	<b>95,618</b>

Please refer to Note 11 for additional cash flow information

## North Sydney Council

### Notes to the Financial Statements

for the financial year ended 30 June 2015

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n/a - not applicable



## North Sydney Council

### Notes to the Financial Statements

for the financial year ended 30 June 2015

#### 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 Local Government (General) Regulation (2005); and
- the Local Government Code of Accounting Practice and Financial Reporting.

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

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

Because AASBs are sector neutral, some standards either:

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

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

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

###### (iii) New and amended standards adopted by Council

During the current year, the following relevant standards became mandatory for Council and have been adopted:

- AASB 10 Consolidated Financial Statements
- AASB 11 Joint Arrangements
- AASB 12 Disclosures of Interests in Other Entities

AASB 10 introduced a new definition of control based on the substance of the relationship and required Councils to consider their involvement with other entities regardless of whether there was a financial interest.

AASB 11 classified joint arrangements into either joint ventures (equity accounting) or joint operations (accounting for share of assets and liabilities).

AASB 12 has increased the level of disclosures required where Council has any interests in subsidiaries, joint arrangements, associates or unconsolidated structured entities.

###### (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 2014.

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

###### (v) Basis of Accounting

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

- (i) 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;

## North Sydney Council

### Notes to the Financial Statements

for the financial year ended 30 June 2015

#### Note 1. Summary of Significant Accounting Policies

(ii) the write down of any asset on the basis of impairment (if warranted); and

(iii) certain classes of non current assets (e.g. Infrastructure, Property, Plant & 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)].

#### (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
- (ii) estimated fair values of infrastructure, property, plant and equipment.

#### *Critical judgements in applying Council's accounting policies*

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

(ii) projected Section 94 Commitments - Council has used significant judgement in determining future Section 94 income and expenditure in Note 17.

#### (b) Revenue recognition

Council recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to 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 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.

## North Sydney Council

### Notes to the Financial Statements

for the financial year ended 30 June 2015

#### Note 1. Summary of Significant Accounting Policies

Revenue from Contributions is recognised when the Council either obtains control of the contribution or the right to receive it, it is probable that the economic benefits comprising the contribution will flow to the Council and 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.

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.

#### 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 financial statements incorporate the assets and liabilities of Council and any entities (or operations) that it **controls** (as at 30 June 2015) and all of the related operating results (for the financial year ended the 30 June 2015).

The financial statements also include Council's share of the assets, liabilities, income and expenses of any Jointly Controlled Operations. Detailed information relating to the entities that Council Controls can be found at Note 19 (a).

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

#### (i) The Consolidated Fund

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

## North Sydney Council

### Notes to the Financial Statements

for the financial year ended 30 June 2015

#### Note 1. Summary of Significant Accounting Policies

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) Joint Ventures

###### Jointly Controlled Assets & Operations

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

###### Jointly Controlled Entities

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

Under the equity method, the share of the profits or losses of the partnership is recognised in the income statement and the share of movements in retained earnings and reserves is recognised in the balance sheet. Note 19 provides more information in relation to Joint Venture Operations.

##### (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 which are subject to an insignificant risk of changes in value; and
- bank overdrafts.

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

##### (f) Investments and Other Financial Assets

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

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

Each classification depends on the purpose/intention for which the investment was acquired 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 financial year ended 30 June 2015

#### Note 1. Summary of Significant Accounting Policies

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 & Receivables” classification, these investments are generally quoted in an active market.

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

##### (iv) Available-for-sale financial assets

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

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

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

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

##### Financial Assets – Reclassification

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

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

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

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

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

##### General Accounting & Measurement of Financial Instruments

###### (i) Initial Recognition

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

## North Sydney Council

### Notes to the Financial Statements

for the financial year ended 30 June 2015

#### Note 1. Summary of Significant Accounting Policies

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

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

##### (ii) Subsequent Measurement

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

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

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

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

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

##### Impairment

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

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

In the case of equity securities classified as available-for-sale, a significant or prolonged decline

in the fair value of a security below its cost is considered in determining whether the security is impaired.

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

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

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

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

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

##### (iii) Types of Investments

Council has an approved Investment Policy in order to undertake its investment of money in accordance with (and to comply with) Section 625 of the Local Government Act (1993) and Section 212 of the Local Government (General) Regulation 2005.

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

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

## North Sydney Council

### Notes to the Financial Statements

for the financial year ended 30 June 2015

#### Note 1. Summary of Significant Accounting Policies

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

##### (g) Fair value estimation

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

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

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

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

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

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

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

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

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

##### (h) Receivables

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

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

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

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

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

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

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

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

##### (i) Inventories

###### Raw Materials and Stores, Work in Progress and Finished Goods

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

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

## North Sydney Council

### Notes to the Financial Statements for the financial year ended 30 June 2015

#### Note 1. Summary of Significant Accounting Policies

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

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

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

#### Land Held for Resale/Capitalisation of Borrowing Costs

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

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

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

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

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

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

##### Acquisition of assets

Council's non current assets are continually revalued (over a 5 year period) in accordance with the fair valuation policy as mandated by the 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 assets cost is measured at its fair value, plus all expenditure that is directly attributable to the acquisition.

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

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

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



## North Sydney Council

### Notes to the Financial Statements

for the financial year ended 30 June 2015

#### Note 1. Summary of Significant Accounting Policies

##### Subsequent costs

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

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

##### Asset Revaluations (including Indexation)

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

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

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

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

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

##### Capitalisation Thresholds

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

##### Land

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

##### Plant & Equipment

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

##### Buildings & Land Improvements

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

##### Stormwater Assets

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

##### Transport Assets

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

##### 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&E include:

##### Plant & Equipment

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

## North Sydney Council

### Notes to the Financial Statements

for the financial year ended 30 June 2015

#### Note 1. Summary of Significant Accounting Policies

##### Other Equipment

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

##### Buildings

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

##### Stormwater Drainage

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

##### Transportation Assets

- Sealed Roads: Surface	20 to 25 years
- Sealed Roads: Structure	80 to 120 years
- Unsealed roads	20 years

- Bridge: Concrete	100 years
- Bridge: Other	50 years

- Road Pavements	20 to 50 years
- Kerb, Gutter & Paths	50 to 100 years

##### Other Infrastructure Assets

- Bulk earthworks	Infinite
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All asset residual values and useful lives are reviewed and adjusted (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 De-recognition

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

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

##### (k) Land

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

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

##### (l) Land under roads

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

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

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

##### (m) Intangible Assets

Council has not classified any assets as intangible.

##### (n) Crown Reserves

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

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

Improvements on Crown Reserves are also recorded as assets, while maintenance costs incurred by 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 financial year ended 30 June 2015

#### Note 1. Summary of Significant Accounting Policies

##### **(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 and/or capital gains 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 2015.

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

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

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

Non-current assets (or disposal groups) are classified as held for sale and stated at the lower of either their carrying amount and 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 of Council's I,PP&E is subject to an annual assessment of impairment.

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

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

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

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

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

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

## North Sydney Council

### Notes to the Financial Statements

for the financial year ended 30 June 2015

#### Note 1. Summary of Significant Accounting Policies

##### (t) Payables

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

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

##### (u) Borrowings

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

Council has no borrowings as at the reporting date.

##### (v) Provisions

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

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

Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in

settlement is determined by considering the class of obligations as a whole.

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

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

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

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

##### (w) Employee benefits

###### (i) Short Term Obligations

Short term employee benefit obligations include liabilities for wages and salaries (including non-monetary benefits), annual leave and vesting sick leave expected to be 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

## North Sydney Council

### Notes to the Financial Statements for the financial year ended 30 June 2015

#### Note 1. Summary of Significant Accounting Policies

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.

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 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 2015 was \$1,006,607.

The last valuation of the Scheme was performed by Martin Stevenson BSc, FIA, FIAA, on 20<sup>th</sup> February 2013 and covers the period ended 30 June 2014. The position is monitored annually and the Actuary has estimated that, as at 30 June 2015, a deficit still exists.

Effective from 1 July 2009, employers are required to contribute additional contributions to assist in extinguishing this deficit. The amount of additional contributions in 2014/15 towards the extinguishment of this deficit included in the aforementioned total employer contributions is \$382,042.

As at 30 June 2015, the share of this deficit that can be broadly attributed to Council is \$382,042, however, the Trustee is considering extending the additional contribution beyond 30 June 2016.

However, Council's share of the 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

## North Sydney Council

### Notes to the Financial Statements

for the financial year ended 30 June 2015

#### Note 1. Summary of Significant Accounting Policies

liability for the deficiency has been recognised in these financial statements.

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

##### Defined Contribution Plans

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

##### (iv) Employee Benefit On-Costs

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

These amounts include Superannuation and Workers Compensation expenses which will be payable upon the future payment of certain leave liabilities accrued as at 30 June 2015.

##### (x) Self insurance

Council does not self insure.

##### (y) Allocation between current and non-current assets & liabilities

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

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

##### Exceptions

In the case of liabilities where Council does not have the unconditional right to defer settlement beyond 12 months (such as vested long service leave), the

liability is classified as current even if not expected to be settled within the next 12 months.

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

##### (z) Taxes

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

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

##### Goods & Services Tax (GST)

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

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

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

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

Operating cash flows within the Cash Flow Statement are on a gross basis, 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 which are recoverable from or payable to the ATO are classified as operating cash flows.

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

## North Sydney Council

### Notes to the Financial Statements

for the financial year ended 30 June 2015

#### Note 1. Summary of Significant Accounting Policies

##### **(aa) New accounting standards and interpretations**

Certain new (or amended) accounting standards and interpretations have been published that are not mandatory for reporting periods ending 30 June 2015.

**Council has not adopted any of these standards early.**

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

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

##### **Applicable to Local Government:**

##### ***AASB 9 - Financial Instruments (and associated amending standards)***

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.

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 where very specific conditions are met).

##### ***AASB 15 - Revenue from contracts with customers and associated amending standards***

AASB 15 will introduce a five 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 full impact of AASB 15 has not yet been ascertained or quantified.

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

The effective date of this standard is for annual reporting periods beginning on or after 1 January 2017.

##### ***AASB 124 - Related Party Disclosures***

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.

## North Sydney Council

### Notes to the Financial Statements

for the financial year ended 30 June 2015

#### Note 1. Summary of Significant Accounting Policies

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The effective date of this standard is for annual reporting periods beginning on or after 1 January 2016.

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

***AASB 2014 - 3 Amendments to Australian Accounting Standards - Accounting for Acquisitions of Interests in Joint Operations [AASB 1 and AASB 11]***

This Standard amends AASB 11 to provide guidance on the accounting for acquisitions of interests in joint operations in which the activity constitutes a business.

The amendments require:

- (a) the acquirer of an interest in a joint operation in which the activity constitutes a business, as defined in AASB 3 Business Combinations, to apply all of the principles on business combinations accounting in AASB 3 and other Australian Accounting Standards except for those principles that conflict with the guidance in AASB 11; and
- (b) the acquirer to disclose the information required by AASB 3 and other Australian Accounting Standards for business combinations.

This Standard also makes an editorial correction to AASB 11.

The effective date of this standard is for annual reporting periods beginning on or after 1 January 2016.

If a joint operation is acquired during the reporting period, then this standard clarifies the accounting for the acquisition to be in accordance with AASB 3, i.e. assets and liabilities acquired to be measured at fair value.

**Not applicable to Local Government per se**

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

**(ab) Rounding of amounts**

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

**(ac) Comparative Figures**

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

**(ad) Disclaimer**

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



# North Sydney Council

## Notes to the Financial Statements

for the financial year ended 30 June 2015

### 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
	2015	2015	2014	2015	2015	2014	2015	2015	2014	2015	2014	2015	2014
Governance	-	-	-	1,995	2,503	2,164	(1,995)	(2,503)	(2,164)	-	-	30	50
Administration	4,935	8,349	5,881	14,401	16,187	19,316	(9,466)	(7,838)	(13,435)	-	-	142,915	130,606
Public Order & Safety	7,188	6,983	7,365	7,260	6,849	6,921	(72)	134	444	-	-	2,225	1,967
Health	173	275	207	1,600	1,589	1,345	(1,427)	(1,314)	(1,138)	8	8	563	571
Environment	13,720	13,867	13,331	17,512	17,619	16,224	(3,792)	(3,752)	(2,893)	212	283	125,316	82,462
Community Services & Education	550	993	564	2,452	2,685	2,337	(1,902)	(1,692)	(1,773)	675	436	3,035	3,080
Housing & Community Amenities	873	1,121	1,110	6,474	6,005	5,559	(5,601)	(4,884)	(4,449)	211	236	5,099	4,010
Recreation & Culture	9,177	18,679	14,636	19,316	20,412	19,534	(10,139)	(1,733)	(4,898)	319	443	256,979	256,088
Mining, Manufacturing & Construction	45	40	41	-	-	-	45	40	41	-	-	-	-
Transport & Communication	13,045	13,344	13,183	13,692	12,922	12,207	(647)	422	976	443	404	243,662	190,082
Economic Affairs	11,750	14,130	29,004	6,555	6,868	7,803	5,195	7,262	21,201	-	2	120,167	116,387
<b>Total Functions &amp; Activities</b>	<b>61,456</b>	<b>77,781</b>	<b>85,322</b>	<b>91,257</b>	<b>93,639</b>	<b>93,410</b>	<b>(29,801)</b>	<b>(15,858)</b>	<b>(8,088)</b>	<b>1,868</b>	<b>1,812</b>	<b>899,991</b>	<b>785,303</b>
Share of gains/(losses) in Associates & Joint Ventures (using the Equity Method)	-	-	-	-	5	4	-	(5)	(4)	-	-	56	61
General Purpose Income <sup>1</sup>	36,782	38,438	34,835	-	-	-	36,782	38,438	34,835	2,054	1,127	2	1
<b>Operating Result from Continuing Operations</b>	<b>98,238</b>	<b>116,219</b>	<b>120,157</b>	<b>91,257</b>	<b>93,644</b>	<b>93,414</b>	<b>6,981</b>	<b>22,575</b>	<b>26,743</b>	<b>3,922</b>	<b>2,939</b>	<b>900,049</b>	<b>785,365</b>

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

## North Sydney Council

### Notes to the Financial Statements

for the financial year ended 30 June 2015

#### Note 2(b). Council Functions / Activities - Component Descriptions

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

##### **GOVERNANCE**

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

##### **ADMINISTRATION**

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

##### **PUBLIC ORDER & SAFETY**

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

##### **HEALTH**

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

##### **ENVIRONMENT**

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

##### **COMMUNITY SERVICES & EDUCATION**

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

##### **HOUSING & COMMUNITY AMENITIES**

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

##### **RECREATION & CULTURE**

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

##### **MINING, MANUFACTURING & CONSTRUCTION**

Building control, abattoirs, quarries & pits, other.

##### **TRANSPORT & COMMUNICATION**

Urban roads, sealed rural roads, unsealed rural roads, bridges, footpaths, aerodromes, parking areas, bus shelters and services, water transport, 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 financial year ended 30 June 2015

#### Note 3. Income from Continuing Operations

\$ '000	Notes	Actual 2015	Actual 2014
<b>(a) Rates &amp; Annual Charges</b>			
<b>Ordinary Rates</b>			
Residential		19,423	18,198
Business		12,659	11,762
<b>Total Ordinary Rates</b>		<b>32,082</b>	<b>29,960</b>
<b>Special Rates</b>			
Environmental Levy		1,820	1,820
Infrastructure Levy		1,630	1,631
Main Street Levies		497	495
<b>Total Special Rates</b>		<b>3,947</b>	<b>3,946</b>
<b>Annual Charges</b> (pursuant to s.496, s.496A, s.496B, s.501 & s.611)			
Domestic Waste Management Services		9,701	9,585
Stormwater Management Services		543	-
Section 611 Charges		63	59
<b>Total Annual Charges</b>		<b>10,307</b>	<b>9,644</b>
<b>TOTAL RATES &amp; ANNUAL CHARGES</b>		<b>46,336</b>	<b>43,550</b>

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

## North Sydney Council

## Notes to the Financial Statements

for the financial year ended 30 June 2015

## Note 3. Income from Continuing Operations (continued)

\$ '000	Notes	Actual 2015	Actual 2014
<b>(b) User Charges &amp; Fees</b>			
<b>Specific User Charges</b> (per s.502 - Specific "actual use" charges)			
Domestic Waste Management Services		994	977
<b>Total User Charges</b>		<b>994</b>	<b>977</b>
<b>Other User Charges &amp; Fees</b>			
<b>(i) Fees &amp; Charges - Statutory &amp; Regulatory Functions</b> (per s.608)			
Planning & Building Regulation		3,423	2,522
Regulatory/ Statutory Fees		3,769	2,552
Section 149 Certificates (EPA Act)		359	365
Section 603 Certificates		159	181
<b>Total Fees &amp; Charges - Statutory/Regulatory</b>		<b>7,710</b>	<b>5,620</b>
<b>(ii) Fees &amp; Charges - Other (incl. General User Charges)</b> (per s.608)			
Business Trade Waste		347	355
Community Centres / Facilities		50	49
Domestic Waste Management - Other		23	20
Library		139	138
Ovals		882	1,019
Off Street Parking		2,504	2,534
On Street Parking		8,298	7,923
Planning & Building Regulation (Non Statutory)		452	416
Public Events		28	25
Reinstatements		837	990
Swimming Centres		2,287	2,362
Family Day Care		93	-
Other		168	281
<b>Total Fees &amp; Charges - Other</b>		<b>16,108</b>	<b>16,112</b>
<b>TOTAL USER CHARGES &amp; FEES</b>		<b>24,812</b>	<b>22,709</b>

## North Sydney Council

### Notes to the Financial Statements

for the financial year ended 30 June 2015

#### Note 3. Income from Continuing Operations (continued)

\$ '000	Notes	Actual 2015	Actual 2014
<b>(c) Interest &amp; Investment Revenue (incl. losses)</b>			
<b>Interest &amp; Dividends</b>			
- Interest on Overdue Rates & Annual Charges (incl. Special Purpose Rates)		44	48
- Interest earned on Investments (interest & coupon payment income)		4,061	3,594
- Interest on Developer Contributions		340	307
<b>Fair Value Adjustments</b>			
- Fair Valuation movements in Investments (at FV or Held for Trading)		168	73
<b><u>TOTAL INTEREST &amp; INVESTMENT REVENUE</u></b>		<b><u>4,613</u></b>	<b><u>4,022</u></b>
<b>Interest Revenue is attributable to:</b>			
<b>Unrestricted Investments/Financial Assets:</b>			
Overdue Rates & Annual Charges (General Fund)		44	48
General Council Cash & Investments		4,229	3,667
<b>Restricted Investments/Funds - External:</b>			
Development Contributions			
- Section 94		337	307
- Section 93F		3	-
- Section 64		-	-
<b>Total Interest &amp; Investment Revenue Recognised</b>		<b><u>4,613</u></b>	<b><u>4,022</u></b>
<b>(d) Other Revenues</b>			
Fair Value Adjustments - Investment Properties (Non-cash)	14	4,920	20,620
Rental Income - Investment Properties	14	5,989	5,388
Rental Income - Other Council Properties		359	294
Ex Gratia Rates		29	33
Fines - Environmental & Compliance		130	70
Fines - Parking		6,464	6,966
Legal Fees Recovery - Rates & Charges (Extra Charges)		75	73
Legal Fees Recovery - Other		102	94
Advertising on Council Infrastructure		869	926
Better Waste & Recycling Fund		178	201
Commissions & Agency Fees		7	9
Insurance Bonuses, Rebates & Claim Recoveries		412	113
Sales - General		3	16
Other		647	202
<b><u>TOTAL OTHER REVENUE</u></b>		<b><u>20,184</u></b>	<b><u>35,005</u></b>

## North Sydney Council

## Notes to the Financial Statements

for the financial year ended 30 June 2015

## Note 3. Income from Continuing Operations (continued)

\$ '000	2015 Operating	2014 Operating	2015 Capital	2014 Capital
<b>(e) Grants</b>				
<b>General Purpose (Untied)</b>				
Financial Assistance - General Component	1,431	736	-	-
Financial Assistance - Local Roads Component	462	231	-	-
Pensioners' Rates Subsidies - General Component	161	160	-	-
<b>Total General Purpose</b>	<b>2,054</b>	<b>1,127</b>	<b>-</b>	<b>-</b>

<sup>1</sup> The Financial Assistance Grant for the comparative 13/14 year reflects a one off timing difference (reduction). This grant ceased being paid in advance in the 13/14 year by up to 50% as had occurred in previous years.

**Specific Purpose**

## Pensioners' Rates Subsidies:

- Domestic Waste Management	42	43	-	-
- Aged Care	60	59	-	-
- Family Day Care	538	312	-	-
- Vacation Care	28	28	-	-
- Youth Care	12	2	-	-
- Other	46	44	-	-
Environmental Protection	170	98	-	141
Recreation & Culture				
- Aboriginal Heritage	32	91	-	-
- Library	128	126	47	46
- Parks & Gardens	-	-	25	130
- Sporting Grounds & Venues	-	-	48	-
- Other Sport & Recreation	-	-	38	50
Street Lighting	181	166	-	-
Town Planning	30	72	-	-
Traffic Route Subsidy	21	24	-	-
Transport (Roads to Recovery)	218	220	-	-
Transport (Other Roads & Bridges Funding)	52	-	51	88
Transport (Road Safety)	101	72	-	-
<b>Total Specific Purpose</b>	<b>1,659</b>	<b>1,357</b>	<b>209</b>	<b>455</b>
<b>Total Grants</b>	<b>3,713</b>	<b>2,484</b>	<b>209</b>	<b>455</b>

**Grant Revenue is attributable to:**

- Commonwealth Funding	788	588	17	141
- State Funding	2,897	1,887	192	214
- Other Funding	28	9	-	100
	<b>3,713</b>	<b>2,484</b>	<b>209</b>	<b>455</b>

## North Sydney Council

## Notes to the Financial Statements

for the financial year ended 30 June 2015

## Note 3. Income from Continuing Operations (continued)

\$ '000	2015 Operating	2014 Operating	2015 Capital	2014 Capital
<b>(f) Contributions</b>				
<b>Developer Contributions:</b>				
<b>(s93 &amp; s94 - EP&amp;A Act, s64 of the LGA):</b>				
S 93F - Contributions using Planning Agreements	-	-	708	1,528
S 94 - Contributions towards amenities/services	-	-	14,586	9,431
<b>Total Developer Contributions</b> 17	<b>-</b>	<b>-</b>	<b>15,294</b>	<b>10,959</b>
<b>Other Contributions:</b>				
Affordable Housing	12	-	-	-
Environmental Protection	14	29	-	-
Recreation & Culture				
- Aboriginal Heritage	251	258	-	-
- Museums	-	-	40	-
RMS Contributions (Regional Roads, Block Grant)	666	686	-	-
<b>Total Other Contributions</b>	<b>943</b>	<b>973</b>	<b>40</b>	<b>-</b>
<b>Total Contributions</b>	<b>943</b>	<b>973</b>	<b>15,334</b>	<b>10,959</b>
<b><u>TOTAL GRANTS &amp; CONTRIBUTIONS</u></b>	<b><u>4,656</u></b>	<b><u>3,457</u></b>	<b><u>15,543</u></b>	<b><u>11,414</u></b>

\$ '000	Actual 2015	Actual 2014
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**(g) Restrictions relating to Grants and Contributions**

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

Unexpended at the Close of the Previous Reporting Period	18,512	15,873
<b>add:</b> Grants & contributions recognised in the current period but not yet spent:	10,888	6,944
<b>less:</b> Grants & contributions recognised in a previous reporting period now spent:	(3,571)	(4,305)
<b>Net Increase (Decrease) in Restricted Assets during the Period</b>	<b>7,317</b>	<b>2,639</b>
<b>Unexpended and held as Restricted Assets</b>	<b><u>25,829</u></b>	<b><u>18,512</u></b>
<b>Comprising:</b>		
- Specific Purpose Unexpended Grants	132	184
- Developer Contributions	25,671	18,294
- Other Contributions	26	34
	<b><u>25,829</u></b>	<b><u>18,512</u></b>

## North Sydney Council

### Notes to the Financial Statements

for the financial year ended 30 June 2015

#### Note 4. Expenses from Continuing Operations

\$ '000	Notes	Actual 2015	Actual 2014
<b>(a) Employee Benefits &amp; On-Costs</b>			
Salaries and Wages		28,640	26,760
Travelling		444	449
Employee Leave Entitlements (ELE)		5,629	4,426
Superannuation - Defined Contribution Plans		2,527	2,330
Superannuation - Defined Benefit Plans		1,007	1,031
Workers' Compensation Insurance		426	210
Fringe Benefit Tax (FBT)		271	215
Training Costs (other than Salaries & Wages)		334	345
Other		158	168
<b>Total Employee Costs</b>		<b>39,436</b>	<b>35,934</b>
less: Capitalised Costs		(680)	(375)
<b>TOTAL EMPLOYEE COSTS EXPENSED</b>		<b>38,756</b>	<b>35,559</b>

Number of "Equivalent Full Time" Employees at year end	391	383
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#### (b) Borrowing Costs

Nil

#### (c) Materials & Contracts

Raw Materials & Consumables	3,718	3,644
Contractor Costs:		
- Aboriginal Heritage	110	158
- Agency Staff	897	659
- Cash Collection	394	401
- CBD Marketing	197	107
- Cleaning of Council Properties	390	382
- Community Transport	168	168
- Computer Hardware & Software Maintenance	1,141	1,104
- Drainage Maintenance	357	396
- Footpath Maintenance	587	576
- Graffiti Removal	108	77
- Internal Audit Program	70	73
- Mowing	930	799
- Other Infrastructure Maintenance	821	212
- Parking Meter Maintenance	760	833
- Parks, Gardens & Tree Maintenance	1,748	1,483
- Property Maintenance	3,288	3,271
- Property Management	269	322

(continued on the next page...)



## North Sydney Council

### Notes to the Financial Statements

for the financial year ended 30 June 2015

#### Note 4. Expenses from Continuing Operations (continued)

\$ '000	Notes	Actual 2015	Actual 2014
<b>(c) Materials &amp; Contracts (continued)</b>			
Contractor Costs (continued):			
- Public Events		400	518
- Roads Maintenance		585	936
- Waste & Recycling Collection		4,712	4,442
- Waste & Recycling Disposal		4,187	4,066
- Other		1,586	1,254
Consultancy		1,553	1,079
Auditors Remuneration <sup>(1)</sup>		67	50
Infringement Notice Contract Costs (SEINS)		932	1,045
Legal Expenses:			
- Legal Expenses: Planning & Development		566	778
- Legal Expenses: Debt Recovery		75	77
- Legal Expenses: Other		275	365
<b><u>TOTAL MATERIALS &amp; CONTRACTS</u></b>		<b><u>30,891</u></b>	<b><u>29,275</u></b>

#### 1. Auditor Remuneration

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

##### (i) Audit and Other Assurance Services

- Audit & review of financial statements: Council's Auditor	67	50
<b>Remuneration for audit and other assurance services</b>	<b>67</b>	<b>50</b>
<b>Total Auditor Remuneration</b>	<b>67</b>	<b>50</b>

## North Sydney Council

## Notes to the Financial Statements

for the financial year ended 30 June 2015

## Note 4. Expenses from Continuing Operations (continued)

\$ '000	Notes	Impairment Costs		Depreciation/Amortisation	
		Actual 2015	Actual 2014	Actual 2015	Actual 2014
Plant and Equipment		-	-	1,555	1,506
Office Equipment		-	-	682	745
Furniture & Fittings		-	-	280	275
Land Improvements (depreciable)		-	-	299	256
Buildings - Non Specialised		-	-	44	44
Buildings - Specialised		-	-	2,834	2,835
Infrastructure:					
- Roads		-	-	4,974	4,824
- Footpaths		-	-	1,656	1,621
- Stormwater Drainage		-	-	1,070	1,060
- Swimming Pools		-	-	412	366
- Other Open Space/Recreational Assets		-	-	475	447
- Other Infrastructure		-	-	1,012	897
Other Assets					
- Heritage Collections		-	-	20	36
- Library Books		-	-	371	371
<b>TOTAL DEPRECIATION &amp; IMPAIRMENT COSTS EXPENSED</b>		<b>-</b>	<b>-</b>	<b>15,684</b>	<b>15,283</b>

## North Sydney Council

### Notes to the Financial Statements

for the financial year ended 30 June 2015

#### Note 4. Expenses from Continuing Operations (continued)

\$ '000	Notes	Actual 2015	Actual 2014
<b>(e) Other Expenses</b>			
Other Expenses for the year include the following:			
Advertising		171	133
Bad & Doubtful Debts		13	79
Bank Charges		366	331
Contributions/Levies to Other Levels of Government			
- Department of Planning Levy		245	240
- Emergency Services Levy (includes FRNSW, SES, and RFS Levies)		1,309	1,306
- Land Tax		58	37
- State Treasury (share of net parking infringement revenue)		-	120
- RMS Traffic Signal Installation		163	-
Contribution to Vivid Sydney		-	100
Councillor Expenses - Mayoral Fee		61	59
Councillor Expenses - Councillors' Fees		249	285
Councillors' Expenses (incl. Mayor) - Other (excluding fees above)		76	43
Donations, Contributions & Assistance to other organisations (Section 356)			
- Crows Nest Centre		361	343
- Crows Nest Mainstreet		151	148
- Neutral Bay Mainstreet		16	16
- North Sydney Community Centre		72	70
- Nutcote		36	75
- Other organisations		244	205
Electricity & Heating		971	1,074
Insurance		1,951	1,924
NSW Local Government Association Membership		44	43
Postage		243	257
Street Lighting		1,113	1,226
Telephone & Communications		253	238
Valuation Fees		67	66
Other		75	24
<b><u>TOTAL OTHER EXPENSES</u></b>		<b><u>8,308</u></b>	<b><u>8,442</u></b>

## North Sydney Council

## Notes to the Financial Statements

for the financial year ended 30 June 2015

## Note 5. Gains or Losses from the Disposal of Assets

\$ '000	Notes	Actual 2015	Actual 2014
<b>Property</b> (excl. Investment Property)			
Proceeds from Disposal - Property		-	-
less: Carrying Amount of Property Assets Sold / Written Off		-	(806)
<b>Net Gain/(Loss) on Disposal</b>		<b>-</b>	<b>(806)</b>
<b>Plant &amp; Equipment</b>			
Proceeds from Disposal - Plant & Equipment		1,408	1,269
less: Carrying Amount of P&E Assets Sold / Written Off		(1,333)	(1,164)
<b>Net Gain/(Loss) on Disposal</b>		<b>75</b>	<b>105</b>
<b>Investment Properties</b>			
Proceeds from Disposal - Investment Properties		-	19,500
less: Carrying Amount of Investment Properties Sold / Written Off		-	(23,650)
<b>Net Gain/(Loss) on Disposal</b>		<b>-</b>	<b>(4,150)</b>
<b>Financial Assets*</b>			
Proceeds from Disposal / Redemptions / Maturities - Financial Assets		42,195	46,372
less: Carrying Amount of Financial Assets Sold / Redeemed / Matured		(42,195)	(46,372)
<b>Net Gain/(Loss) on Disposal</b>		<b>-</b>	<b>-</b>
<b><u>NET GAIN/(LOSS) ON DISPOSAL OF ASSETS</u></b>		<b><u>75</u></b>	<b><u>(4,851)</u></b>

## North Sydney Council

## Notes to the Financial Statements

for the financial year ended 30 June 2015

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

\$ '000	Notes	2015 Actual Current	2015 Actual Non Current	2014 Actual Current	2014 Actual Non Current
<b>Cash &amp; Cash Equivalents (Note 6a)</b>					
Cash on Hand and at Bank		22	-	104	-
Cash-Equivalent Assets <sup>1</sup>					
- Deposits at Call		8,585	-	5,004	-
<b>Total Cash &amp; Cash Equivalents</b>		<b>8,607</b>	<b>-</b>	<b>5,108</b>	<b>-</b>
<b>Investments (Note 6b)</b>					
- Long Term Deposits		77,000	-	22,685	46,000
- NCD's, FRN's (with Maturities > 3 months)		17,534	-	3,500	18,325
<b>Total Investments</b>		<b>94,534</b>	<b>-</b>	<b>26,185</b>	<b>64,325</b>
<b>TOTAL CASH ASSETS, CASH EQUIVALENTS &amp; INVESTMENTS</b>		<b>103,141</b>	<b>-</b>	<b>31,293</b>	<b>64,325</b>

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

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

**Cash & Cash Equivalents**

<b>a. "At Fair Value through the Profit &amp; Loss"</b>		<b>8,607</b>	<b>-</b>	<b>5,108</b>	<b>-</b>
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**Investments**

<b>a. "At Fair Value through the Profit &amp; Loss"</b>					
- "Held for Trading"	6(b-i)	94,534	-	-	-
<b>b. "Held to Maturity"</b>	6(b-ii)	-	-	26,185	64,325
<b>Investments</b>		<b>94,534</b>	<b>-</b>	<b>26,185</b>	<b>64,325</b>

Refer to Note 27 - Fair Value Measurement for information regarding the fair value of investments held.

## North Sydney Council

## Notes to the Financial Statements

for the financial year ended 30 June 2015

## Note 6b. Investments (continued)

\$ '000	2015	2015	2014	2014
	Actual Current	Actual Non Current	Actual Current	Actual Non Current
<b>Note 6(b-i)</b>				
<b>Reconciliation of Investments classified as "At Fair Value through the Profit &amp; Loss"</b>				
Balance at the Beginning of the Year	-	-	2,812	-
Revaluations (through the Income Statement)	168	-	73	-
Additions	46,051	-	-	-
Disposals (sales & redemptions)	(42,195)	-	(2,885)	-
Transfers from/(to) "Held to Maturity"	90,510	-	-	-
<b>Balance at End of Year</b>	<b>94,534</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Comprising:</b>				
- NCD's, FRN's (with Maturities > 3 months)	94,534	-	-	-
<b>Total</b>	<b>94,534</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Note 6(b-ii)</b>				
<b>Reconciliation of Investments classified as "Held to Maturity"</b>				
Balance at the Beginning of the Year	26,185	64,325	25,371	40,331
Additions	-	-	23,190	45,105
Disposals (sales & redemptions)	-	-	(36,376)	(7,111)
Transfers between Current/Non Current	-	-	14,000	(14,000)
Transfers from/(to) "At Fair Value"	(26,185)	(64,325)	-	-
<b>Balance at End of Year</b>	<b>-</b>	<b>-</b>	<b>26,185</b>	<b>64,325</b>
<b>Comprising:</b>				
- Long Term Deposits	-	-	22,685	46,000
- NCD's, FRN's (with Maturities > 3 months)	-	-	3,500	18,325
<b>Total</b>	<b>-</b>	<b>-</b>	<b>26,185</b>	<b>64,325</b>

## North Sydney Council

## Notes to the Financial Statements

for the financial year ended 30 June 2015

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

\$ '000	2015	2015	2014	2014
	Actual Current	Actual Non Current	Actual Current	Actual Non Current
<b>Total Cash, Cash Equivalents and Investments</b>	<b>103,141</b>	<b>-</b>	<b>31,293</b>	<b>64,325</b>
<b>attributable to:</b>				
External Restrictions (refer below)	29,701	-	7,806	15,580
Internal Restrictions (refer below)	64,316	-	17,260	48,745
Unrestricted	9,124	-	6,227	-
	<b>103,141</b>	<b>-</b>	<b>31,293</b>	<b>64,325</b>

2015 \$ '000	Opening Balance	Transfers to Restrictions	Transfers from Restrictions	Closing Balance
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## Details of Restrictions

## External Restrictions - Included in Liabilities

Nil

## External Restrictions - Other

Developer Contributions - General (D)	18,294	15,634	(8,257)	25,671
RMS (formerly RTA) Contributions (E)	-	666	(666)	-
Specific Purpose Unexpended Grants (F)	184	3,880	(3,933)	132
Domestic Waste Management (G)	2,947	9,666	(10,160)	2,453
Stormwater Management (G)	-	538	(538)	-
Environment Levy (D)	743	1,818	(1,666)	895
Infrastructure Levy (D)	273	1,476	(1,666)	83
Mainstreet Levies (D)	417	203	(505)	115
Waste & Sustainability Improvement Funds (E)	293	-	(293)	-
Better Waste & Recycling Funds	201	178	(53)	326
Other Specific Purpose Contributions	34	317	(325)	26
<b>External Restrictions - Other</b>	<b>23,386</b>	<b>34,376</b>	<b>(28,062)</b>	<b>29,701</b>
<b>Total External Restrictions</b>	<b>23,386</b>	<b>34,376</b>	<b>(28,062)</b>	<b>29,701</b>

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

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

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

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

## North Sydney Council

## Notes to the Financial Statements

for the financial year ended 30 June 2015

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

2015 \$ '000	Opening Balance	Transfers to Restrictions	Transfers from Restrictions	Closing Balance
<b>Internal Restrictions</b>				
Plant & Vehicle Replacement	2,050	4,341	(4,374)	2,017
Employees Leave Entitlement	6,769	10,112	(9,487)	7,394
Deposits, Retentions & Bonds	5,600	3,158	(1,286)	7,472
2 Anzac Avenue Lease Proceeds	19,500	-	-	19,500
Capital Works	17,869	11,561	(14,206)	15,224
Community Housing - Capital Purchases	2,065	-	(117)	1,948
Community Housing - Major Maintenance	203	-	(13)	190
Income Producing Projects	7,446	115	(15)	7,546
Insurance	1,227	-	(328)	899
Land Tax	1,025	-	(607)	418
I.T. Hardware & Software	338	939	(481)	796
On Street Meters	402	-	(402)	-
Oval Improvements	284	221	(256)	249
Property Maintenance	1,227	1,656	(2,220)	663
<b>Total Internal Restrictions</b>	<b>66,005</b>	<b>32,103</b>	<b>(33,792)</b>	<b>64,316</b>
<b>TOTAL RESTRICTIONS</b>	<b>89,391</b>	<b>66,479</b>	<b>(61,854)</b>	<b>94,017</b>



## North Sydney Council

Notes to the Financial Statements  
for the financial year ended 30 June 2015

## Note 7. Receivables

\$ '000	Notes	2015		2014	
		Current	Non Current	Current	Non Current
<b>Purpose</b>					
Rates & Annual Charges		187	93	130	77
Interest & Extra Charges		16	48	29	41
User Charges & Fees		1,031	-	1,860	-
Accrued Revenues					
- Interest on Investments		1,733	-	1,555	-
- Other Income Accruals		649	-	890	-
Government Grants & Subsidies		255	-	654	-
Net GST Receivable		907	-	690	-
Outstanding Infringements		919	-	820	-
Other Debtors		34	-	56	-
<b>Total</b>		<b>5,731</b>	<b>141</b>	<b>6,684</b>	<b>118</b>
<b>less: Provision for Impairment</b>					
User Charges & Fees		(43)	-	(199)	-
<b>Total Provision for Impairment - Receivables</b>		<b>(43)</b>	<b>-</b>	<b>(199)</b>	<b>-</b>
<b><u>TOTAL NET RECEIVABLES</u></b>		<b><u>5,688</u></b>	<b><u>141</u></b>	<b><u>6,485</u></b>	<b><u>118</u></b>
<b>Externally Restricted Receivables</b>					
Domestic Waste Management		87	2	77	2
Stormwater Management		5	-	-	-
Other					
- Environmental Levy		15	4	17	1
- Infrastructure Levy		14	3	15	1
- Mainstreet Levies		6	1	6	1
<b>Total External Restrictions</b>		<b>127</b>	<b>10</b>	<b>115</b>	<b>5</b>
<b>Internally Restricted Receivables</b>					
Nil					
<b>Unrestricted Receivables</b>		<b>5,561</b>	<b>131</b>	<b>6,370</b>	<b>113</b>
<b>TOTAL NET RECEIVABLES</b>		<b><u>5,688</u></b>	<b><u>141</u></b>	<b><u>6,485</u></b>	<b><u>118</u></b>

**Notes on Debtors above:**

- (i) Rates & Annual Charges Outstanding are secured against the property.
- (ii) Doubtful Rates Debtors are provided for where the value of the property is less than the debt outstanding.  
An allowance for other doubtful debts is made when there is objective evidence that a receivable is impaired.
- (iii) Interest was charged on overdue rates & charges at 8.50% (2014 9.00%).  
Generally all other receivables are non interest bearing.
- (iv) Please refer to Note 15 for issues concerning Credit Risk and Fair Value disclosures.

## North Sydney Council

### Notes to the Financial Statements for the financial year ended 30 June 2015

#### Note 8. Inventories & Other Assets

\$ '000	Notes	2015		2014	
		Current	Non Current	Current	Non Current
<b>Inventories</b>					
Trading Stock		43	-	51	-
<b>Total Inventories</b>		<b>43</b>	<b>-</b>	<b>51</b>	<b>-</b>
<b>Other Assets</b>					
Prepayments		228	-	59	-
<b>Total Other Assets</b>		<b>228</b>	<b>-</b>	<b>59</b>	<b>-</b>
<b>TOTAL INVENTORIES / OTHER ASSETS</b>		<b>271</b>	<b>-</b>	<b>110</b>	<b>-</b>

#### Externally Restricted Assets

There are no restrictions applicable to the above assets.

Notes to the Financial Statements  
for the financial year ended 30 June 2015

Note 9a. Infrastructure, Property, Plant & Equipment

\$ '000	as at 30/6/2014					Asset Movements during the Reporting Period						as at 30/6/2015					
	At	At	Accumulated		Carrying	Asset Additions	WDV of Asset Disposals	Depreciation Expense	WIP Transfers	Adjustments & Transfers	Revaluation Increments to Equity (ARR)	At	At	Accumulated		Carrying	
	Cost	Fair Value	Dep'n	Impairment	Value							Cost	Fair Value	Dep'n	Impairment	Value	
Capital Work in Progress	5,503	-	-	-	5,503	4,366	-	-	(3,465)	(191)	-	6,213	-	-	-	-	6,213
Plant & Equipment	-	12,925	6,835	-	6,090	3,467	(1,333)	(1,555)	320	-	-	-	13,933	6,944	-	-	6,989
Office Equipment	-	13,959	12,449	-	1,510	607	-	(682)	1,279	-	-	-	15,845	13,131	-	-	2,714
Furniture & Fittings	-	5,831	3,645	-	2,186	950	-	(280)	15	-	-	-	6,795	3,924	-	-	2,871
<b>Land:</b>																	
- Operational Land	-	62,008	-	-	62,008	-	-	-	-	-	-	-	62,008	-	-	-	62,008
- Community Land	-	157,729	-	-	157,729	-	-	-	-	-	-	-	157,729	-	-	-	157,729
Land Improvements - depreciable	-	16,233	1,944	-	14,289	1,761	-	(299)	139	-	-	-	18,133	2,243	-	-	15,890
Buildings - Non Specialised	-	2,129	1,482	-	647	29	-	(44)	-	-	-	-	2,158	1,526	-	-	632
Buildings - Specialised	-	137,406	75,364	-	62,042	1,695	-	(2,834)	961	-	-	-	140,062	78,198	-	-	61,864
Other Structures	-	-	-	-	-	23	-	-	5	-	-	-	29	1	-	-	28
<b>Infrastructure:</b>																	
- Roads	-	295,460	146,039	-	149,421	5,754	-	(4,974)	229	-	41,301	-	296,467	104,736	-	-	191,731
- Footpaths	-	51,210	19,258	-	31,952	4,307	-	(1,656)	148	-	5,053	-	69,851	30,047	-	-	39,804
- Stormwater Drainage	-	140,571	58,251	-	82,320	2,863	-	(1,070)	89	-	41,005	-	188,665	63,458	-	-	125,207
- Swimming Pools	-	24,906	13,450	-	11,456	53	-	(412)	-	-	-	-	24,959	13,862	-	-	11,097
- Other Open Space/Recreational Assets	-	8,985	6,435	-	2,550	564	-	(475)	-	-	-	-	9,549	6,910	-	-	2,639
- Other Infrastructure	-	25,563	8,843	-	16,720	5,652	-	(1,012)	280	-	-	-	31,496	9,856	-	-	21,640
<b>Other Assets:</b>																	
- Heritage Collections	-	1,590	694	-	896	184	-	(20)	-	-	-	-	1,774	714	-	-	1,060
- Library Books	-	6,180	5,176	-	1,004	433	-	(371)	-	-	-	-	6,613	5,547	-	-	1,066
<b>TOTAL INFRASTRUCTURE, PROPERTY, PLANT &amp; EQUIP.</b>	<b>5,503</b>	<b>962,685</b>	<b>359,865</b>	<b>-</b>	<b>608,323</b>	<b>32,708</b>	<b>(1,333)</b>	<b>(15,684)</b>	<b>-</b>	<b>(191)</b>	<b>87,359</b>	<b>6,213</b>	<b>1,046,066</b>	<b>341,097</b>	<b>-</b>	<b>-</b>	<b>711,182</b>

Additions to Buildings & Infrastructure Assets are made up of Asset Renewals (\$21,558) and New Assets (\$4,727). 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 & Equipment.

## North Sydney Council

### Notes to the Financial Statements for the financial year ended 30 June 2015

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

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\$ '000

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

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

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

## North Sydney Council

## Notes to the Financial Statements

for the financial year ended 30 June 2015

## Note 10a. Payables, Borrowings &amp; Provisions

\$ '000	Notes	2015		2014	
		Current	Non Current	Current	Non Current
<b>Payables</b>					
Goods & Services - operating expenditure		4,105	-	3,978	-
Goods & Services - capital expenditure		6,130	-	4,004	-
Payments Received In Advance		105	-	1,107	-
Accrued Expenses:					
- Salaries & Wages		560	-	299	-
- Other Expenditure Accruals		114	-	104	-
Security Bonds, Deposits & Retentions		7,472	-	5,600	-
Other		316	-	383	-
<b>Total Payables</b>		<b>18,802</b>	<b>-</b>	<b>15,475</b>	<b>-</b>
<b>Borrowings</b>					
Bank Overdraft		172	-	-	-
<b>Total Borrowings</b>		<b>172</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Provisions</b>					
<b>Employee Benefits;</b>					
Annual Leave		3,500	-	3,243	-
Sick Leave		123	-	117	-
Long Service Leave		7,907	187	7,270	278
Gratuities		3,013	-	2,557	-
Other Leave - RDO's		58	-	72	-
<b>Total Provisions</b>		<b>14,601</b>	<b>187</b>	<b>13,259</b>	<b>278</b>
<b>Total Payables, Borrowings &amp; Provisions</b>		<b>33,575</b>	<b>187</b>	<b>28,734</b>	<b>278</b>

## (i) Liabilities relating to Restricted Assets

	2015		2014	
	Current	Non Current	Current	Non Current
<b>Externally Restricted Assets</b>				
Domestic Waste Management	1,017	2	1,106	3
Special Rate Levies	285	-	669	-
Better Waste & Recycling Funds	29	-	-	-
Liabilities relating to externally restricted assets	<b>1,331</b>	<b>2</b>	<b>1,775</b>	<b>3</b>
<b>Internally Restricted Assets</b>				
Nil				
<b>Total Liabilities relating to restricted assets</b>	<b>1,331</b>	<b>2</b>	<b>1,775</b>	<b>3</b>
<b>Total Liabilities relating to Unrestricted Assets</b>	<b>32,244</b>	<b>185</b>	<b>26,959</b>	<b>275</b>
<b>TOTAL PAYABLES, BORROWINGS &amp; PROVISIONS</b>	<b>33,575</b>	<b>187</b>	<b>28,734</b>	<b>278</b>

## North Sydney Council

## Notes to the Financial Statements

for the financial year ended 30 June 2015

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

\$ '000	Actual 2015	Actual 2014
<b>(ii) Current Liabilities not anticipated to be settled within the next 12 months</b>		
The following Liabilities, even though classified as current, are not expected to be settled in the next 12 months.		
Provisions - Employees Benefits	10,914	9,792
Payables - Security Bonds, Deposits & Retentions	5,300	3,847
	<u>16,214</u>	<u>13,639</u>

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

Class of Provision	2014		2015			
	Opening Balance as at 1/7/14	Additional Provisions	Decrease due to Payments	Remeasurement effects due to Discounting	Unused amounts reversed	Closing Balance as at 30/6/15
Annual Leave	3,243	257	-	-	-	3,500
Sick Leave	117	6	-	-	-	123
Long Service Leave	7,548	546	-	-	-	8,094
Other Leave - RDO's	72	(14)	-	-	-	58
Gratuities	2,557	456	-	-	-	3,013
<b>TOTAL</b>	<b>13,537</b>	<b>1,251</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>14,788</b>

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

## North Sydney Council

## Notes to the Financial Statements

for the financial year ended 30 June 2015

## Note 11. Statement of Cash Flows - Additional Information

\$ '000	Notes	Actual 2015	Actual 2014
<b>(a) Reconciliation of Cash Assets</b>			
Total Cash & Cash Equivalent Assets	6a	8,607	5,108
Less Bank Overdraft	10	(172)	-
<b>BALANCE as per the STATEMENT of CASH FLOWS</b>		<b>8,435</b>	<b>5,108</b>
<b>(b) Reconciliation of Net Operating Result to Cash provided from Operating Activities</b>			
<b>Net Operating Result from Income Statement</b>		<b>22,575</b>	<b>26,743</b>
<b>Adjust for non cash items:</b>			
Depreciation & Amortisation		15,684	15,283
Net Losses/(Gains) on Disposal of Assets		(75)	4,851
Losses/(Gains) recognised on Fair Value Re-measurements through the P&L:			
- Investments classified as "At Fair Value" or "Held for Trading"		(168)	(73)
- Investment Properties		(4,920)	(20,620)
- Other (Works in progress not capitalised)		191	-
Share of Net (Profits) or Losses of Associates/Joint Ventures		5	4
<b>+/- Movement in Operating Assets and Liabilities &amp; Other Cash Items:</b>			
Decrease/(Increase) in Receivables		930	(1,131)
Increase/(Decrease) in Provision for Doubtful Debts		(156)	75
Decrease/(Increase) in Inventories		8	(8)
Decrease/(Increase) in Other Assets		(169)	(16)
Increase/(Decrease) in Payables		127	(315)
Increase/(Decrease) in other accrued Expenses Payable		271	37
Increase/(Decrease) in Other Liabilities		803	1,759
Increase/(Decrease) in Employee Leave Entitlements		1,251	494
<b>NET CASH PROVIDED FROM/(USED IN) OPERATING ACTIVITIES from the STATEMENT of CASH FLOWS</b>		<b>36,357</b>	<b>27,083</b>
<b>(c) Non-Cash Investing &amp; Financing Activities</b>			
Nil			
<b>(d) Financing Arrangements</b>			
<b>(i) Unrestricted access was available at balance date to the following lines of credit:</b>			
Bank Overdraft Facilities <sup>(1)</sup>		500	500
Credit Cards / Purchase Cards		350	350
<b>Total Financing Arrangements</b>		<b>850</b>	<b>850</b>

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

**(ii) Secured Loan Liabilities**

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

## North Sydney Council

### Notes to the Financial Statements

for the financial year ended 30 June 2015

#### Note 12. Commitments for Expenditure

\$ '000	Notes	Actual 2015	Actual 2014
<b>(a) Capital Commitments (exclusive of GST)</b>			
Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:			
<b>Property, Plant &amp; Equipment</b>			
Buildings		1,933	505
Computer Equipment		3	5
Computer Software		56	-
Infrastructure		14,857	6,231
Library Books		50	64
Other Structures		29	4
Parking Meters		888	-
Plant & Equipment		210	143
<b>Total Commitments</b>		<b>18,026</b>	<b>6,952</b>
<b>These expenditures are payable as follows:</b>			
Within the next year		18,026	6,952
<b>Total Payable</b>		<b>18,026</b>	<b>6,952</b>
<b>Sources for Funding of Capital Commitments:</b>			
Unrestricted General Funds		51	127
Future Grants & Contributions		-	53
Sect 64 & 94 Funds/Reserves		92	2,858
Unexpended Grants		25	-
Externally Restricted Reserves		321	229
Internally Restricted Reserves		16,645	3,670
New Loans (to be raised)		892	15
<b>Total Sources of Funding</b>		<b>18,026</b>	<b>6,952</b>
<b>Details of Capital Commitments</b>			
Infrastructure commitments include major works in North Sydney CBD and other works across the Council including drainage, roads and retaining walls upgrades.			
<b>(b) Finance Lease Commitments</b>			
Nil			
<b>(c) Operating Lease Commitments (Non Cancellable)</b>			
Nil			
<b>(d) Investment Property Commitments</b>			
Nil			



## North Sydney Council

## Notes to the Financial Statements

for the financial year ended 30 June 2015

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

\$ '000	Amounts 2015	Indicator 2015	Prior Periods 2014    2013	
<b>Local Government Industry Indicators - Consolidated</b>				
<b>1. Operating Performance Ratio</b>				
Total continuing operating revenue <sup>(1)</sup>				
<u>(excl. Capital Grants &amp; Contributions) - Operating Expenses</u>	<u>1,874</u>	<b>1.96%</b>	-0.58%	-2.70%
Total continuing operating revenue <sup>(1)</sup> (excl. Capital Grants & Contributions)	<b>95,513</b>			
<b>2. Own Source Operating Revenue Ratio</b>				
Total continuing operating revenue <sup>(1)</sup>				
<u>(excl. ALL Grants &amp; Contributions)</u>	<u>90,857</u>	<b>81.81%</b>	85.05%	91.67%
Total continuing operating revenue <sup>(1)</sup>	<b>111,056</b>			
<b>3. Unrestricted Current Ratio</b>				
Current Assets less all External Restrictions <sup>(2)</sup>	<u>79,272</u>	<b>4.95x</b>	2.25	2.34
Current Liabilities less Specific Purpose Liabilities <sup>(3, 4)</sup>	<u>16,030</u>			
<b>4. Debt Service Cover Ratio</b>				
Operating Result <sup>(1)</sup> before capital excluding interest and depreciation / impairment / amortisation	<u>17,558</u>	<b>0.00x</b>	0.00	0.00
Principal Repayments (from the Statement of Cash Flows) + Borrowing Costs (from the Income Statement)	<u>-</u>			
<b>5. Rates, Annual Charges, Interest &amp; Extra Charges Outstanding Percentage</b>				
Rates, Annual and Extra Charges Outstanding	<u>344</u>	<b>0.74%</b>	0.63%	0.93%
Rates, Annual and Extra Charges Collectible	<u>46,732</u>			
<b>6. Cash Expense Cover Ratio</b>				
Current Year's Cash and Cash Equivalents + All Term Deposits	<u>85,607</u>	<b>12.27</b>	11.11	7.77
Payments from cash flow of operating and financing activities	<u>6,976</u>	<b>mths</b>		

## Notes

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

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

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

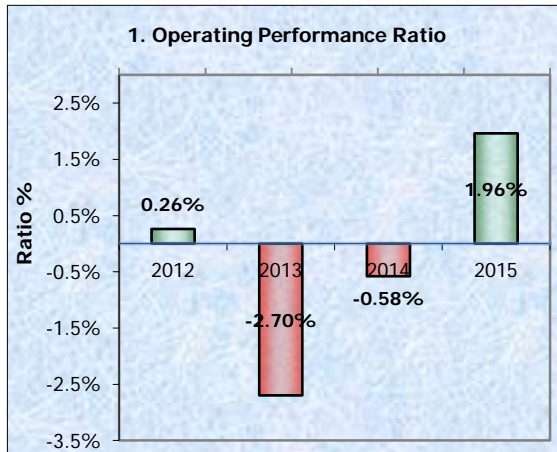
<sup>(3)</sup> Refer to Note 10(a).

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

# North Sydney Council

## Notes to the Financial Statements for the financial year ended 30 June 2015

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



**Purpose of Operating Performance Ratio**

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

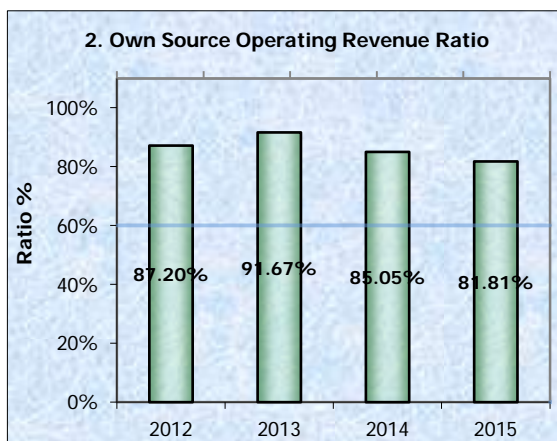
**Commentary on 2014/15 Result**

**2014/15 Ratio 1.96%**

This ratio was better than the benchmark in for the first time in 3 years. Operating revenue (excluding Capital Grants and Contributions and Fair Value adjustments) increased by 8.5% from the previous year compared to a 5.7% increase in operating expenditure. On average, over the long term, at least a breakeven position should be achieved to prevent a deterioration in Council's financial position.

Benchmark: Minimum  $\geq 0.00\%$   
Source for Benchmark: Code of Accounting Practice and Financial Reporting #23

Ratio is within Benchmark  
 Ratio is outside Benchmark



**Purpose of Own Source Operating Revenue Ratio**

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

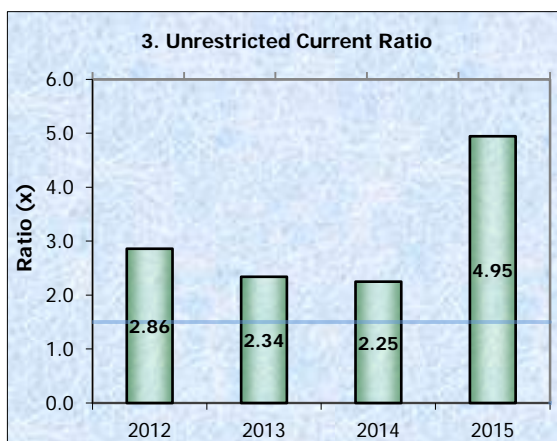
**Commentary on 2014/15 Result**

**2014/15 Ratio 81.81%**

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

Benchmark: Minimum  $\geq 60.00\%$   
Source for Benchmark: Code of Accounting Practice and Financial Reporting #23

Ratio is within Benchmark  
 Ratio is outside Benchmark



**Purpose of Unrestricted Current Ratio**

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

**Commentary on 2014/15 Result**

**2014/15 Ratio 4.95x**

This ratio was comfortably above 1.5:1, the benchmark considered satisfactory by the industry. This indicates that Council has more than adequate capacity to meet its obligations in the short term for its unrestricted activities.

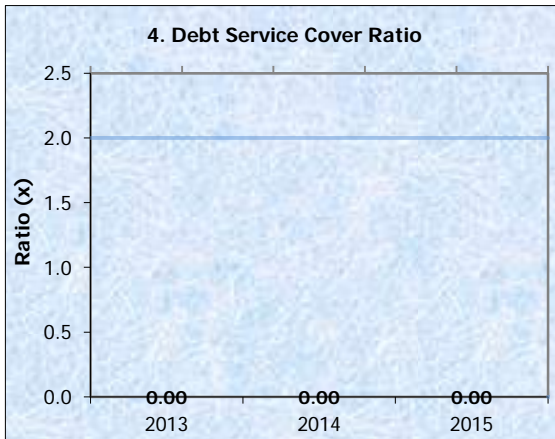
Benchmark: Minimum  $\geq 1.50$   
Source for Benchmark: Code of Accounting Practice and Financial Reporting #23

Ratio is within Benchmark  
 Ratio is outside Benchmark

# North Sydney Council

## Notes to the Financial Statements for the financial year ended 30 June 2015

### 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 2014/15 Result

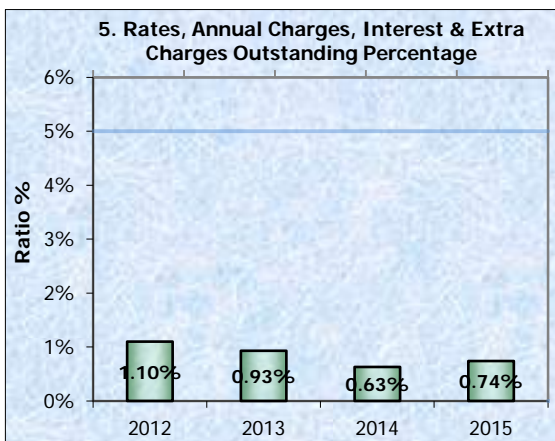
**2014/15 Ratio 0.00x**

Council remains debt free and hence this ratio remained at 0%

Benchmark: ——— Minimum  $\geq 2.00$

Source for Benchmark: Code of Accounting Practice and Financial Reporting #23

Ratio is within Benchmark  
 Ratio is outside Benchmark



#### Purpose of Rates & 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 2014/15 Result

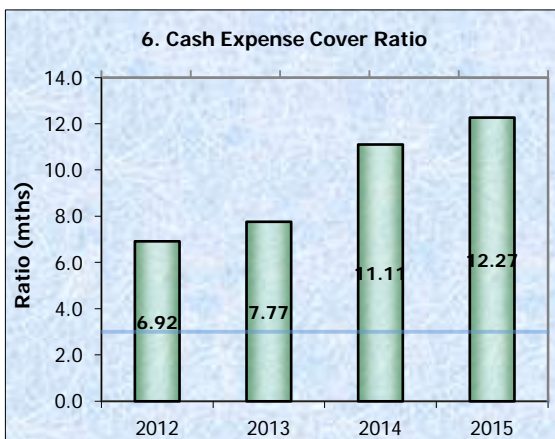
**2014/15 Ratio 0.74%**

This ratio was considerably better than the industry benchmark of 5%, as it has been for many years. This is an indication of the effectiveness of Council's recovery efforts.

Benchmark: ——— Maximum  $< 5.00\%$

Source for Benchmark: Code of Accounting Practice and Financial Reporting #23

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 2014/15 Result

**2014/15 Ratio 12.27 mths**

This ratio was better than the benchmark of 3 months. As at 30 June 2015, Council had sufficient cash and funds invested in term deposits, which could potentially be redeemed if required, to continue paying for its immediate expenses for 11 months without any additional cash inflows.

Benchmark: ——— Minimum  $\geq 3.00$

Source for Benchmark: Code of Accounting Practice and Financial Reporting #23

Ratio is within Benchmark  
 Ratio is outside Benchmark

## North Sydney Council

### Notes to the Financial Statements

for the financial year ended 30 June 2015

#### Note 14. Investment Properties

\$ '000	Notes	Actual 2015	Actual 2014
<b>(a) Investment Properties at Fair value</b>			
<b><u>Investment Properties on Hand</u></b>		<u>79,570</u>	<u>74,650</u>
<b>Reconciliation of Annual Movement:</b>			
Opening Balance		74,650	77,680
- Disposals during Year		-	(23,650)
- Net Gain/(Loss) from Fair Value Adjustments		4,920	20,620
<b>CLOSING BALANCE - INVESTMENT PROPERTIES</b>		<u><b>79,570</b></u>	<u><b>74,650</b></u>

#### (b) Valuation Basis

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

The 2015 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	4,140	5,489
Later than 1 year but less than 5 years	8,514	10,464
Later than 5 years	14,681	15,908
<b>Total Minimum Lease Payments Receivable</b>	<u><b>27,335</b></u>	<u><b>31,861</b></u>

#### (e) Investment Property Income & Expenditure - summary

<b>Rental Income from Investment Properties:</b>		
- Minimum Lease Payments	5,989	5,388
<b>Direct Operating Expenses on Investment Properties:</b>		
- that generated rental income	(1,992)	(1,892)
<b>Net Revenue Contribution from Investment Properties</b>	<u><b>3,997</b></u>	<u><b>3,496</b></u>
plus:		
<b>Fair Value Movement for year</b>	4,920	20,620
<b>Total Income attributable to Investment Properties</b>	<u><b>8,917</b></u>	<u><b>24,116</b></u>

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

## North Sydney Council

### Notes to the Financial Statements

for the financial year ended 30 June 2015

### Note 15. Financial Risk Management

\$ '000

#### Risk Management

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

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

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

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

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

	Carrying Value		Fair Value	
	2015	2014	2015	2014
<b>Financial Assets</b>				
Cash and Cash Equivalents	8,607	5,108	8,607	5,108
Investments				
- "Held for Trading"	94,534	-	94,534	-
- "Held to Maturity"	-	90,510	-	90,510
Receivables	5,829	6,603	5,829	6,603
<b>Total Financial Assets</b>	<b>108,970</b>	<b>102,221</b>	<b>108,970</b>	<b>102,221</b>
<b>Financial Liabilities</b>				
Bank Overdraft	172	-	172	-
Payables	18,697	14,368	18,697	14,368
<b>Total Financial Liabilities</b>	<b>18,869</b>	<b>14,368</b>	<b>18,869</b>	<b>14,368</b>

Fair Value is determined as follows:

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

Refer to Note 27 - Fair Value Measurement for information regarding the fair value of financial assets & liabilities

## North Sydney Council

### Notes to the Financial Statements

for the financial year ended 30 June 2015

#### Note 15. Financial Risk Management (continued)

\$ '000

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

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

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

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

The 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 & Investments.

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

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

	Increase of Values/Rates		Decrease of Values/Rates	
	Profit	Equity	Profit	Equity
<b>2015</b>				
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)
<b>2014</b>				
Possible impact of a 10% movement in Market Values	2,182	2,182	(2,182)	(2,182)
Possible impact of a 1% movement in Interest Rates	956	956	(956)	(956)

## North Sydney Council

### Notes to the Financial Statements

for the financial year ended 30 June 2015

#### Note 15. Financial Risk Management (continued)

\$ '000

##### (b) Receivables

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

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

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

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

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

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

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

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

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

	2015 Rates & Annual Charges	2015 Other Receivables	2014 Rates & Annual Charges	2014 Other Receivables
<b>(i) Ageing of Receivables - %</b>				
Current (not yet overdue)	0%	98%	0%	93%
Overdue	100%	2%	100%	7%
	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

##### (ii) Ageing of Receivables - value

Rates & Annual Charges	Other Receivables	2015 Rates & Annual Charges	2015 Other Receivables	2014 Rates & Annual Charges	2014 Other Receivables
Current	Current	186	5,404	-	6,151
< 1 year overdue	0 - 30 days overdue	14	57	-	165
1 - 2 years overdue	30 - 60 days overdue	18	1	124	29
2 - 5 years overdue	60 - 90 days overdue	24	27	-	33
> 5 years overdue	> 90 days overdue	38	103	83	217
		<b>280</b>	<b>5,592</b>	<b>207</b>	<b>6,595</b>

##### (iii) Movement in Provision for Impairment of Receivables

	2015	2014
Balance at the beginning of the year	199	124
+ new provisions recognised during the year	13	79
- amounts already provided for & written off this year	(169)	(4)
<b>Balance at the end of the year</b>	<b>43</b>	<b>199</b>

## North Sydney Council

### Notes to the Financial Statements

for the financial year ended 30 June 2015

#### Note 15. Financial Risk Management (continued)

\$ '000

##### (c) Payables & Borrowings

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

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

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

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

\$ '000	Subject to no maturity	payable in:						Total Cash Outflows	Actual Carrying Values
		≤ 1 Year	1-2 Yrs	2-3 Yrs	3-4 Yrs	4-5 Yrs	> 5 Yrs		
<b>2015</b>									
Bank Overdraft	172	-	-	-	-	-	-	172	172
Trade/Other Payables	7,472	11,225	-	-	-	-	-	18,697	18,697
<b>Total Financial Liabilities</b>	<b>7,644</b>	<b>11,225</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>18,869</b>	<b>18,869</b>
<b>2014</b>									
Trade/Other Payables	5,600	8,768	-	-	-	-	-	14,368	14,368
<b>Total Financial Liabilities</b>	<b>5,600</b>	<b>8,768</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>14,368</b>	<b>14,368</b>

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

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

	2015		2014	
	Carrying Value	Average Interest Rate	Carrying Value	Average Interest Rate
Bank Overdraft	172	5.0%	-	0.0%
Trade/Other Payables	18,697	0.0%	14,368	0.0%
	<u>18,869</u>		<u>14,368</u>	



## North Sydney Council

### Notes to the Financial Statements

for the financial year ended 30 June 2015

#### Note 16. Material Budget Variations

\$ '000

Council's Original Financial Budget for 14/15 was adopted by the Council on 23 June 2014.

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

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

**Note that for Variations\* of Budget to Actual :**

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

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

\$ '000	2015 Budget	2015 Actual	2015 ----- Variance* -----		
<b>REVENUES</b>					
<b>Rates &amp; Annual Charges</b>	<b>45,822</b>	<b>46,336</b>	<b>514</b>	1%	<b>F</b>
<b>User Charges &amp; Fees</b>	<b>21,148</b>	<b>24,812</b>	<b>3,664</b>	17%	<b>F</b>
This income category was over budget mainly due to greater than expected revenue from Construction Zone fees (\$1.4M), Hoarding Permit fees (\$1.2M), Plant Permit fees (\$305K), road and footpath reinstatement fees (\$250K), parks and sporting ground hire fees (\$144K), rezoning fees (\$99K) and parking meter fees (\$86K).					
<b>Interest &amp; Investment Revenue</b>	<b>3,433</b>	<b>4,613</b>	<b>1,180</b>	34%	<b>F</b>
Council traditionally adopts a conservative approach when budgeting for returns from its investment portfolio. This along with a greater than anticipated pool of funds available for investment due to delays in the completion of some capital projects and the earlier than expected receipt of some developer contributions generated significantly higher than expected revenue from this income stream.					
<b>Other Revenues</b>	<b>17,785</b>	<b>20,184</b>	<b>2,399</b>	13%	<b>F</b>
The main component of the budget variance for this income category was the increase in the fair value of Council's investment property portfolio. The budget allowed for a \$3.1M (4%) increase, whereas the actual increase was assessed to be \$4.9M (6.6%). The remainder of the budget variance can be primarily attributed to the receipt of unbudgeted compensation for a building's encroachment over Council airspace in Milsons Point.					
<b>Operating Grants &amp; Contributions</b>	<b>4,138</b>	<b>4,656</b>	<b>518</b>	13%	<b>F</b>
The actual amount of grants received often depends on decisions made by State and Commonwealth governments after the Original Budget was adopted. This income stream was over budget primarily due to the receipt of additional revenue from the Family Day Care Child Care Assistance Subsidy (\$230K), RMS Contributions (\$65K) and the Financial Assistance Grant (\$63K).					
<b>Capital Grants &amp; Contributions</b>	<b>5,625</b>	<b>15,543</b>	<b>9,918</b>	176%	<b>F</b>
When the budget was prepared, it was assumed that revenue from developer contributions levied under Section 93F and Section 94 of the Environmental Planning & Assessment Act would amount to \$5.5M. Actual contributions received amounted to \$15.3M, \$9.8M greater than the amount budgeted for.					
<b>Net Gains from Disposal of Assets</b>	<b>287</b>	<b>75</b>	<b>(212)</b>	(74%)	<b>U</b>
The budgeted gain from the disposal of assets was based on estimated proceeds of \$1.29M from the sale of plant with a written down value of \$1M. Although a greater number of items were disposed of throughout the year than had been anticipated, the return on the carrying amount realised from these items was significantly less than had been estimated.					

## North Sydney Council

## Notes to the Financial Statements

for the financial year ended 30 June 2015

## Note 16. Material Budget Variations (continued)

\$ '000	2015 Budget	2015 Actual	2015 ----- Variance* -----		
<b>EXPENSES</b>					
<b>Employee Benefits &amp; On-Costs</b>	<b>37,546</b>	<b>38,756</b>	<b>(1,210)</b>	(3%)	<b>U</b>
<b>Borrowing Costs</b>	<b>162</b>	<b>-</b>	<b>162</b>	100%	<b>F</b>
Council's Original Budget allowed for borrowings of \$4 million to fund the upgrade of its parking meters. Due to a delay in the completion of this project, expenditure to date has been temporarily funded from Council's internal cash reserves and the loan funds will be drawn down in 2015/16. Hence, there were no borrowing costs in 2014/15.					
<b>Materials &amp; Contracts</b>	<b>28,946</b>	<b>30,891</b>	<b>(1,945)</b>	(7%)	<b>U</b>
<b>Depreciation &amp; Amortisation</b>	<b>15,996</b>	<b>15,684</b>	<b>312</b>	2%	<b>F</b>
<b>Other Expenses</b>	<b>8,607</b>	<b>8,308</b>	<b>299</b>	3%	<b>F</b>
<b>Joint Ventures &amp; Associates - Net Losses</b>	<b>-</b>	<b>5</b>	<b>(5)</b>	0%	<b>U</b>
Council's share of the loss incurred by the Shorelink Library Network was \$5K and this was not allowed for in the Original Budget.					

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

<b>Cash Flows from Operating Activities</b>	<b>20,664</b>	<b>36,357</b>	<b>15,693</b>	75.9%	<b>F</b>
The aforementioned favourable variances in revenue from User Charges & Fees, Interest & Investment Revenues, Other Revenues, Operating Grants & Contributions and Capital Grants & Contributions all contributed to the favourable variance in cash flows from operating activities.					
<b>Cash Flows from Investing Activities</b>	<b>(24,434)</b>	<b>(33,030)</b>	<b>(8,596)</b>	35.2%	<b>U</b>
Greater than expected cash inflows from operating activities created a significantly larger pool of funds available for the purchase of investment securities and the subsequent investment of these funds is the reason for the unfavourable variance in cash flows from investing activities.					
<b>Cash Flows from Financing Activities</b>	<b>3,770</b>	<b>-</b>	<b>(3,770)</b>	(100.0%)	<b>U</b>
Council's Original Budget allowed for borrowings of \$4 million to fund the upgrade of its parking meters. Due to a delay in the completion of this project, expenditure to date has been temporarily funded from Council's internal cash reserves and the loan funds will be drawn down in 2015/16. Hence, there were no proceeds from borrowings and this is the reason for the unfavourable variance in cash flows from financing activities.					

## North Sydney Council

## Notes to the Financial Statements

for the financial year ended 30 June 2015

## Note 17. Statement of Developer Contributions

\$ '000

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

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

## SUMMARY OF CONTRIBUTIONS &amp; LEVIES

PURPOSE	Opening Balance	Contributions received during the Year		Interest earned in Year	Expenditure during Year	Internal Borrowing (to)/from	Held as Restricted Asset	Projections			Cumulative Internal Borrowings due/(payable)
		Cash	Non Cash					Future income	Exp still outstanding	Over or (under) Funding	
Administration	115	110	-	3	-	-	228	465	(693)	-	-
Affordable Housing	3,584	-	-	43	(9)	-	3,618	148	(3,766)	-	-
Child Care	182	215	-	5	(4)	-	398	1,628	(2,026)	-	-
Community Centres	-	513	-	-	-	(513)	-	1,501	(1,501)	-	(1,971)
Indoor Sports Centre	-	79	-	-	-	(79)	-	290	(290)	-	(218)
Library Acquisitions	1	95	-	-	(91)	-	5	311	(316)	-	-
Library Premises & Equipment	-	296	-	-	(5)	(291)	-	899	(899)	-	(929)
Olympic Pool	-	280	-	-	-	(280)	-	1,006	(1,006)	-	(619)
Open Space Acquisitions	8,484	3,393	-	199	-	1,163	13,239	5,894	(19,133)	-	3,737
Open Space Increased Capacity	1,049	6,741	-	57	(2,965)	-	4,882	11,730	(16,612)	-	-
North Sydney Public Domain	3,261	1,752	-	1	(4,967)	-	47	10,323	(10,370)	-	-
Other Public Domain	568	273	-	9	(50)	-	800	374	(1,174)	-	-
St Leonards Public Domain	597	483	-	13	-	-	1,093	835	(1,928)	-	-
Traffic Improvements	453	356	-	7	(166)	-	650	985	(1,635)	-	-
<b>S94 Contributions - under a Plan</b>	<b>18,294</b>	<b>14,586</b>	<b>-</b>	<b>337</b>	<b>(8,257)</b>	<b>-</b>	<b>24,960</b>	<b>36,389</b>	<b>(61,349)</b>	<b>-</b>	<b>-</b>
<b>Total S94 Revenue Under Plans</b>	<b>18,294</b>	<b>14,586</b>	<b>-</b>	<b>337</b>	<b>(8,257)</b>	<b>-</b>	<b>24,960</b>				<b>-</b>
S93F Planning Agreements	-	708	-	3	-	-	711				
<b>Total Contributions</b>	<b>18,294</b>	<b>15,294</b>	<b>-</b>	<b>340</b>	<b>(8,257)</b>	<b>-</b>	<b>25,671</b>	<b>36,389</b>	<b>(61,349)</b>	<b>-</b>	<b>-</b>

## North Sydney Council

## Notes to the Financial Statements

for the financial year ended 30 June 2015

## Note 17. Statement of Developer Contributions (continued)

\$ '000

## S94 CONTRIBUTIONS - UNDER A PLAN

## NORTH SYDNEY PLAN (2004)

PURPOSE	Opening Balance	Contributions received during the Year		Interest earned in Year	Expenditure during Year	Internal Borrowing (to)/from	Held as Restricted Asset	Projections			Cumulative Internal Borrowings due/(payable)
		Cash	Non Cash					Future income	Exp still outstanding	Over or (under) Funding	
Administration	115	110	-	3	-	-	228	465	(693)	-	-
Affordable Housing	3,584	-	-	43	(9)	-	3,618	148	(3,766)	-	-
Child Care	182	215	-	5	(4)	-	398	1,628	(2,026)	-	-
Community Centres	-	513	-	-	-	(513)	-	1,501	(1,501)	-	(1,971)
Indoor Sports Centre	-	79	-	-	-	(79)	-	290	(290)	-	(218)
Library Acquisitions	1	95	-	-	(91)	-	5	311	(316)	-	-
Library Premises & Equipment	-	296	-	-	(5)	(291)	-	899	(899)	-	(929)
Olympic Pool	-	280	-	-	-	(280)	-	1,006	(1,006)	-	(619)
Open Space Acquisitions	8,484	3,393	-	199	-	1,163	13,239	5,894	(19,133)	-	3,737
Open Space Increased Capacity	1,049	6,741	-	57	(2,965)	-	4,882	11,730	(16,612)	-	-
North Sydney Public Domain	3,261	1,752	-	1	(4,967)	-	47	10,323	(10,370)	-	-
Other Public Domain	568	273	-	9	(50)	-	800	374	(1,174)	-	-
St Leonards Public Domain	597	483	-	13	-	-	1,093	835	(1,928)	-	-
Traffic Improvements	453	356	-	7	(166)	-	650	985	(1,635)	-	-
<b>Total</b>	<b>18,294</b>	<b>14,586</b>	<b>-</b>	<b>337</b>	<b>(8,257)</b>	<b>-</b>	<b>24,960</b>	<b>36,389</b>	<b>(61,349)</b>	<b>-</b>	<b>-</b>

## North Sydney Council

### Notes to the Financial Statements

for the financial year ended 30 June 2015

#### Note 18. Contingencies & Other Assets/Liabilities Not Recognised

\$ '000

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

#### LIABILITIES NOT RECOGNISED:

##### 1. Guarantees

###### (i) Defined Benefit Superannuation Contribution Plans

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

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

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

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

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

###### (ii) Statewide Limited

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

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

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

###### (iii) 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 financial year ended 30 June 2015

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

\$ '000

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

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

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

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

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

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

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

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

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

Council is the planning authority for its area under the Environmental Planning & Assessment Act 1979. Pursuant to that Act, certain persons dissatisfied by a planning decision of the Council may appeal to the Land & 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 2015, Council had notice of ten (10) 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 five (5) 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 ten (10) local court prosecutions in which seven (7) have lead to convictions and fines. The remaining three (3) prosecutions are currently being defended.

Finally, as at 30 June 2015, Council was involved in two (2) Class 4 proceedings in the Land & Environment Court. Both matters continue 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 30/6/08.

##### **(ii) Repayment of Community Funds**

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

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

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

## North Sydney Council

### Notes to the Financial Statements

for the financial year ended 30 June 2015

#### Note 19. Interests in Other Entities

\$ '000

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

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

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

##### Controlled Entities (Subsidiaries)

*Note 19(a)*

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

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

	Council's Share of Net Income		Council's Share of Net Assets	
	Actual 2015	Actual 2014	Actual 2015	Actual 2014
Joint Ventures	(5)	(4)	56	61
Associates	-	-	-	-
<b>Total</b>	<b>(5)</b>	<b>(4)</b>	<b>56</b>	<b>61</b>

## North Sydney Council

### Notes to the Financial Statements

for the financial year ended 30 June 2015

#### Note 19. Interests in Other Entities (continued)

\$ '000

##### (a) Controlled Entities (Subsidiaries) - being entities & 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 & Associates

In addition to the Joint Ventures & Associates disclosed individually above, Council has interests in a number of individually immaterial Joint Ventures & Associates that have still been accounted for using the Equity Method.

Individually Immaterial Joint Ventures	2015	2014
<b>Aggregate carrying amount of individually immaterial Joint Ventures</b>	<u>56</u>	<u>61</u>
<b>Aggregate amounts of Council's share of individually immaterial:</b>		
Profit/(Loss) from Continuing Operations	<u>(5)</u>	<u>(4)</u>
<b>Total Comprehensive Income - Individually Immaterial Joint Ventures</b>	<u>(5)</u>	<u>(4)</u>

##### (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 & Associates not recognised

All Subsidiaries, Joint Arrangements and Associates have been recognised in this Financial Report.



## North Sydney Council

### Notes to the Financial Statements

for the financial year ended 30 June 2015

#### Note 20. Equity - Retained Earnings and Revaluation Reserves

\$ '000	Notes	Actual 2015	Actual 2014
<b>(a) Retained Earnings</b>			
<b>Movements in Retained Earnings were as follows:</b>			
Balance at beginning of Year (from previous years audited accounts)		673,752	647,009
a. Net Operating Result for the Year		22,575	26,743
<b>Balance at End of the Reporting Period</b>		<b>696,327</b>	<b>673,752</b>

#### (b) Reserves

##### (i) Reserves are represented by:

- Infrastructure, Property, Plant & Equipment Revaluation Reserve		169,960	82,601
<b>Total</b>		<b>169,960</b>	<b>82,601</b>

##### (ii) Reconciliation of movements in Reserves:

###### Infrastructure, Property, Plant & Equipment Revaluation Reserve

- Opening Balance		82,601	82,601
- Revaluations for the year	9(a)	87,359	-
<b>- Balance at End of Year</b>		<b>169,960</b>	<b>82,601</b>

###### **TOTAL VALUE OF RESERVES**

<b>169,960</b>	<b>82,601</b>
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##### (iii) Nature & Purpose of Reserves

###### Infrastructure, Property, Plant & Equipment Revaluation Reserve

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

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

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

#### (d) Voluntary Changes in Accounting Policies

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

#### Note 21. Financial Result & Financial Position by Fund

Council utilises only a General Fund for its operations.

## North Sydney Council

### Notes to the Financial Statements for the financial year ended 30 June 2015

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

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\$ '000

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

#### Note 23. Events occurring after the Reporting Date

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Events that occur between the end of the reporting period (ending 30 June 2015) 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 20/10/15.

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 2015.

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

These financial statements (& figures therein) do not incorporate any "non-adjusting events" that have occurred after 30 June 2015 and which are only indicative of conditions that arose after 30 June 2015.

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

#### **NSW Government Review of Local Government**

The NSW Government is undertaking a review of the performance and sustainability of local government through its Fit for the Future (FFTF) initiative. Under FFTF, Councils need to demonstrate how they will be sustainable, provide effective and efficient services and have the scale and capacity required to meet the needs of their community. Councils have been asked to consider amalgamating to reduce the number of councils in NSW. The Independent Local Government Review Panel (ILGRP) proposes that North Sydney amalgamate with Mosman, Lane Cove, Willoughby, Hunter's Hill and approximately two thirds of Ryde. North Sydney Council was asked to prepare a Merger Proposal or alternatively demonstrate via a Council Improvement Proposal how it will be FFTF by standing alone. Council resolved to stand alone and, on 29 June 2015, endorsed a Council Improvement Proposal detailing how it will meet the FFTF criteria within the required timeframes. The NSW Government has appointed the Independent Pricing and Regulatory Tribunal (IPART) to assess the proposals and will they will report their findings back to Minister for Local Government in October 2015.

As at 19 October 2015, Council is unable to determine the impact that the FFTF findings may have on Council and these financial statements.

## North Sydney Council

### Notes to the Financial Statements for the financial year ended 30 June 2015

#### Note 24. Discontinued Operations

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\$ '000

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

#### Note 25. Intangible Assets

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

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

#### Note 26. Reinstatement, Rehabilitation & Restoration Liabilities

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

## North Sydney Council

### Notes to the Financial Statements

for the financial year ended 30 June 2015

### Note 27. Fair Value Measurement

\$ '000

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

- Financial Assets
- Investment Property
- Infrastructure, Property, Plant and Equipment

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 & recognised at fair values:**

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	
<b>Recurring Fair Value Measurements</b>					
<b>Financial Assets</b>					
Investments					
- "Held for Trading"	30/06/15	77,000	17,534	-	94,534
<b>Total Financial Assets</b>		<b>77,000</b>	<b>17,534</b>	<b>-</b>	<b>94,534</b>
<b>Investment Properties</b>					
Investment Properties	30/06/15	-	79,570	-	79,570
<b>Total Investment Properties</b>		<b>-</b>	<b>79,570</b>	<b>-</b>	<b>79,570</b>
<b>Infrastructure, Property, Plant &amp; Equipment</b>					
Plant & Equipment	30/06/15	-	-	6,989	6,989
Office Equipment	30/06/15	-	-	2,714	2,714
Furniture & Fittings	30/06/15	-	-	2,871	2,871
Operational Land	30/06/13	-	-	62,008	62,008
Community Land	30/06/11	-	-	157,729	157,729
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
<b>Total Infrastructure, Property, Plant &amp; Equipment</b>		<b>-</b>	<b>-</b>	<b>704,969</b>	<b>704,969</b>

## North Sydney Council

## Notes to the Financial Statements

for the financial year ended 30 June 2015

## Note 27. Fair Value Measurement (continued)

\$ '000

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

2014	Date of latest Valuation	Fair Value Measurement Hierarchy			Total
		Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
<b>Recurring Fair Value Measurements</b>					
<b>Investment Properties</b>					
Investment Properties	30/06/14	-	74,650	-	74,650
<b>Total Investment Properties</b>		<b>-</b>	<b>74,650</b>	<b>-</b>	<b>74,650</b>
<b>Infrastructure, Property, Plant &amp; Equipment</b>					
Plant & Equipment	30/06/14	-	-	6,090	6,090
Office Equipment	30/06/14	-	-	1,510	1,510
Furniture & Fittings	30/06/14	-	-	2,186	2,186
Operational Land	30/06/13	-	-	62,008	62,008
Community Land	30/06/11	-	-	157,729	157,729
Land Improvements - depreciable	30/06/14	-	-	14,289	14,289
Buildings - Non Specialised	30/06/13	-	-	647	647
Buildings - Specialised	30/06/13	-	-	62,042	62,042
Roads	30/06/10	-	-	149,421	149,421
Footpaths	30/06/10	-	-	31,952	31,952
Stormwater Drainage	30/06/10	-	-	82,321	82,321
Swimming Pools	30/06/13	-	-	11,457	11,457
Other Open Space/Recreation Assets	30/06/14	-	-	2,550	2,550
Other Infrastructure Assets	30/06/14	-	-	16,720	16,720
Heritage Collections	30/06/14	-	-	895	895
Library Books	30/06/14	-	-	1,003	1,003
<b>Total Infrastructure, Property, Plant &amp; Equipment</b>		<b>-</b>	<b>-</b>	<b>602,820</b>	<b>602,820</b>

## (2) Transfers between Level 1 &amp; 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 financial year ended 30 June 2015

#### 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 2015 revaluations were based on Independent Assessments made by Mr Andrew Graham AAPI of Colliers International. There has been no change to the valuation process during the reporting period.

#### **Infrastructure, Property, Plant & Equipment**

##### **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 financial year ended 30 June 2015

#### Note 27. Fair Value Measurement (continued)

\$ '000

#### (3) Valuation techniques used to derive Level 2 and Level 3 Fair Values (continued)

##### Infrastructure, Property, Plant & Equipment (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

## North Sydney Council

### Notes to the Financial Statements

for the financial year ended 30 June 2015

#### Note 27. Fair Value Measurement (continued)

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\$ '000

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#### (3) Valuation techniques used to derive Level 2 and Level 3 Fair Values (continued)

##### Infrastructure, Property, Plant & Equipment (continued)

###### 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

###### 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



## North Sydney Council

## Notes to the Financial Statements

for the financial year ended 30 June 2015

## Note 27. Fair Value Measurement (continued)

\$ '000

## (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 & Equipment	Office Equipment	Furniture & Fittings	Total
Adoption of AASB 13	2,812	4,924	1,715	1,724	11,175
Purchases (GBV)	-	3,836	542	737	5,115
Disposals (WDV)	(2,885)	(1,164)	(1)	-	(4,050)
Depreciation & Impairment	-	(1,506)	(746)	(275)	(2,527)
FV Gains - Income Statement <sup>1</sup>	73	-	-	-	73
<b>Closing Balance - 30/6/14</b>	<b>-</b>	<b>6,090</b>	<b>1,510</b>	<b>2,186</b>	<b>9,786</b>
Purchases (GBV)	-	3,787	1,886	965	6,638
Disposals (WDV)	-	(1,333)	-	-	(1,333)
Depreciation & Impairment	-	(1,555)	(682)	(280)	(2,517)
<b>Closing Balance - 30/6/15</b>	<b>-</b>	<b>6,989</b>	<b>2,714</b>	<b>2,871</b>	<b>12,574</b>

	Operational Land	Community Land	Land Improvements depreciable	Buildings Non Specialised	Total
Adoption of AASB 13	62,008	157,729	14,440	683	234,860
Purchases (GBV)	-	-	105	8	113
Depreciation & Impairment	-	-	(256)	(44)	(300)
<b>Closing Balance - 30/6/14</b>	<b>62,008</b>	<b>157,729</b>	<b>14,289</b>	<b>647</b>	<b>234,673</b>
Purchases (GBV)	-	-	1,900	29	1,929
Depreciation & Impairment	-	-	(299)	(44)	(343)
<b>Closing Balance - 30/6/15</b>	<b>62,008</b>	<b>157,729</b>	<b>15,890</b>	<b>632</b>	<b>236,259</b>

## North Sydney Council

## Notes to the Financial Statements

for the financial year ended 30 June 2015

## 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)

	Buildings Specialised	Other Structures	Roads	Footpaths	Total
Adoption of AASB 13	73,440	17,798	180,423	-	271,661
Transfers from/(to) another asset class	(10,538)	(17,798)	(30,987)	30,987	(28,336)
Purchases (GBV)	2,780	-	4,809	2,586	10,175
Disposals (WDV)	(805)	-	-	-	(805)
Depreciation & Impairment	(2,835)	-	(4,824)	(1,621)	(9,280)
<b>Closing Balance - 30/6/14</b>	<b>62,042</b>	<b>-</b>	<b>149,421</b>	<b>31,952</b>	<b>243,415</b>
Purchases (GBV)	2,656	28	5,983	4,455	13,122
Depreciation & Impairment	(2,834)	-	(4,974)	(1,656)	(9,464)
FV Gains - Other Comprehensive Income	-	-	41,301	5,053	46,354
<b>Closing Balance - 30/6/15</b>	<b>61,864</b>	<b>28</b>	<b>191,731</b>	<b>39,804</b>	<b>293,427</b>
	Stormwater Drainage	Swimming Pools	Open Space Recreation Assets	Other Infrastructu- - re Assets	Total
Adoption of AASB 13	81,940	-	-	-	81,940
Transfers from/(to) another asset class	-	10,538	2,190	15,608	28,336
Purchases (GBV)	1,440	1,284	807	2,009	5,540
Depreciation & Impairment	(1,059)	(365)	(447)	(897)	(2,768)
<b>Closing Balance - 30/6/14</b>	<b>82,321</b>	<b>11,457</b>	<b>2,550</b>	<b>16,720</b>	<b>113,048</b>
Purchases (GBV)	2,952	52	564	5,932	9,500
Depreciation & Impairment	(1,071)	(412)	(475)	(1,012)	(2,970)
FV Gains - Other Comprehensive Income	41,005	-	-	-	41,005
<b>Closing Balance - 30/6/15</b>	<b>125,207</b>	<b>11,097</b>	<b>2,639</b>	<b>21,640</b>	<b>160,583</b>
			Heritage Collection	Library Books	Total
Adoption of AASB 13			924	1,025	1,949
Purchases (GBV)			7	349	356
Depreciation & Impairment			(35)	(370)	(405)
<b>Closing Balance - 30/6/14</b>			<b>896</b>	<b>1,004</b>	<b>1,900</b>
Purchases (GBV)			184	433	617
Depreciation & Impairment			(20)	(371)	(391)
<b>Closing Balance - 30/6/15</b>			<b>1,060</b>	<b>1,066</b>	<b>2,126</b>

## North Sydney Council

## Notes to the Financial Statements

for the financial year ended 30 June 2015

## Note 27. Fair Value Measurement (continued)

\$ '000

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

## b. 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 (30/6/15) \$'000	Valuation Technique/s	Unobservable Inputs	Range of Inputs (incl. probable)	Relationship of unobservable inputs to Fair Value
<b>I,PP&amp;E</b>					
Plant & Equipment		Cost approach	Depreciated historic cost Useful life		Changes in the estimated pattern of consumption and the cost of modern economic equivalent assets would result in a change in fair value.
Office Equipment		Cost approach	Depreciated historic cost Useful life		Changes in the estimated pattern of consumption and the cost of modern economic equivalent assets would result in a change in fair value.
Furniture & Fittings		Cost approach	Depreciated historic cost Useful life		Changes in the estimated pattern of consumption and the cost of modern economic equivalent assets would result in a change in fair value.
Operational Land		Market approach	Rate per square metre	+ or - 5%	A change of 5% would result in a change to fair value of \$2.9 million.
Community Land		Market approach	Rate per square metre	+ or - 5%	A change of 5% would result in a change to fair value of \$7.9 million.
Land Improvements - depreciable		Cost approach	Depreciated historic cost Useful life		Changes in the estimated pattern of consumption and the cost of modern economic equivalent assets would result in a change in fair value.
Buildings - Non Specialised		Cost approach	Components Cost Residual value Useful life Condition	+ or - 5%	A change of 5% would result in a change to fair value of \$32,000.
Buildings - Specialised		Cost approach	Components Cost Residual value Useful life Condition	+ or - 5%	A change of 5% would result in a change to fair value of \$3 million.

## North Sydney Council

Notes to the Financial Statements  
for the financial year ended 30 June 2015

## Note 27. Fair Value Measurement (continued)

\$ '000

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

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

Class	Fair Value (30/6/15) \$'000	Valuation Technique/s	Unobservable Inputs	Range of Inputs (incl. probable)	Relationship of unobservable inputs to Fair Value
<b>I,PP&amp;E (continued)</b>					
Roads		Cost approach	Unit Rates	\$40 - \$393 per sqr metre / metre	Unit rates vary significantly depending on the type of material. Useful life varies significantly depending on level of service. Remaining life may vary significantly depending on environmental conditions. Condition assessments involve assumptions and reasonable estimates. Variations in these parameters would result in a change in fair value.
			Useful life	20 - 100 years	
			Remaining life	0 - 100 years	
			Residual Value	0% - 10%	
Footpaths		Cost approach	Unit Rates	\$58 - \$1,150 per sqr metre	Unit rates vary significantly depending on the type of material. Useful life varies significantly depending on level of service. Remaining life may vary significantly depending on environmental conditions. Condition assessments involve assumptions and reasonable estimates. Variations in these parameters would result in a change in fair value.
			Useful life	10 - 50 years	
			Remaining life	0 - 50 years	
			Residual Value	0% - 10%	
Stormwater Drainage		Cost approach	Unit Rates	\$920 - \$5,200 per metre	Unit rates vary significantly depending on the type of material. Useful life varies significantly depending on level of service. Remaining life may vary significantly depending on environmental conditions. Condition assessments involve assumptions and reasonable estimates. Variations in these parameters would result in a change in fair value.
			Useful life	100 - 150 years	
			Remaining life	0 - 150 years	
			Residual Value	0% - 10%	

## North Sydney Council

## Notes to the Financial Statements

for the financial year ended 30 June 2015

## Note 27. Fair Value Measurement (continued)

\$ '000

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

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

Class	Fair Value (30/6/15) \$'000	Valuation Technique/s	Unobservable Inputs	Range of Inputs (incl. probable)	Relationship of unobservable inputs to Fair Value
<b>I, PP&amp;E (continued)</b>					
Swimming Pools		Cost approach	Components Cost Residual value Useful life Condition	+ or - 5%	A change of 5% would result in a change to fair value of \$0.5 million.
Other Open Space/Recreation Assets		Cost approach	Depreciated historic cost  Useful life		Changes in the estimated pattern of consumption and the cost of modern economic equivalent assets would result in a change in fair value.
Other Infrastructure Assets		Cost approach	Depreciated historic cost  Useful life		Changes in the estimated pattern of consumption and the cost of modern economic equivalent assets would result in a change in fair value.
Heritage Collections		Cost approach	Depreciated historic cost  Useful life		Changes in the estimated pattern of consumption and the cost of modern economic equivalent assets would result in a change in fair value.
Library Books		Cost approach	Depreciated historic cost  Useful life		Changes in the estimated pattern of consumption and the cost of modern economic equivalent assets would result in a change in fair value.

## c. The Valuation Process for Level 3 Fair Value Measurements

Nil

## (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 financial year ended 30 June 2015

#### Note 28. Financial Review

\$ '000

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

<b>Financial Performance Figures</b>	<b>2015</b>	<b>2014</b>	2013	2012	2011
<b>Inflows:</b>					
Rates & Annual Charges Revenue	<b>46,336</b>	43,550	40,789	38,968	37,157
User Charges Revenue	<b>24,812</b>	22,709	21,056	20,624	19,335
Interest & Investment Revenue (Losses)	<b>4,613</b>	4,022	4,280	3,770	3,437
Grants Income - Operating & Capital	<b>3,922</b>	2,939	3,553	4,100	5,131
Total Income from Continuing Operations	<b>116,219</b>	120,157	104,748	90,992	84,016
Sale Proceeds from I,PP&E	<b>1,408</b>	20,769	2,395	944	2,181
New Loan Borrowings & Advances	-	-	-	-	-
<b>Outflows:</b>					
Employee Benefits & On-cost Expenses	<b>38,756</b>	35,559	34,811	33,611	32,848
Borrowing Costs	-	-	-	-	-
Materials & Contracts Expenses	<b>30,891</b>	29,275	27,757	25,932	23,326
Total Expenses from Continuing Operations	<b>93,644</b>	93,414	86,324	81,926	78,491
Total Cash purchases of I,PP&E	<b>30,582</b>	23,902	14,568	12,453	14,992
Total Loan Repayments (incl. Finance Leases)	-	-	-	-	-
Operating Surplus/(Deficit) (excl. Capital Income)	<b>7,032</b>	15,329	14,981	2,376	156
<b>Financial Position Figures</b>	<b>2015</b>	<b>2014</b>	2013	2012	2011
Current Assets	<b>109,100</b>	37,888	36,779	39,132	32,710
Current Liabilities	<b>33,575</b>	28,734	25,976	23,897	22,367
Net Current Assets	<b>75,525</b>	9,154	10,803	15,235	10,343
Available Working Capital (Unrestricted Net Current Assets)	<b>(2,515)</b>	(993)	(181)	4,135	4,441
Cash & Investments - Unrestricted	<b>9,124</b>	6,227	6,560	3,889	2,919
Cash & Investments - Internal Restrictions	<b>64,316</b>	66,005	44,706	40,855	35,523
Cash & Investments - Total	<b>103,141</b>	95,618	71,595	65,592	53,888
Total Borrowings Outstanding (Loans, Advances & Finance Leases)	<b>172</b>	-	-	-	-
Total Value of I,PP&E (excl. Land & Earthworks)	<b>832,542</b>	748,451	734,488	705,183	690,566
Total Accumulated Depreciation	<b>341,097</b>	359,865	350,006	321,494	308,062
Indicative Remaining Useful Life (as a % of GBV)	59%	52%	52%	54%	55%

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

## North Sydney Council

### Notes to the Financial Statements for the financial year ended 30 June 2015

#### Note 29. Council Information & Contact Details

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**Principal Place of Business:**

200 Miller Street  
North Sydney NSW 2060

**Contact Details**

**Mailing Address:**

PO Box 12  
North Sydney NSW 2060

**Opening Hours:**

9am - 5pm  
Monday - Friday

**Telephone:** 02 9936 8100

**Facsimile:** 02 9936 8177

**Internet:** [www.northsydney.nsw.gov.au](http://www.northsydney.nsw.gov.au)

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

**Officers**

**GENERAL MANAGER**

Warwick Winn

**RESPONSIBLE ACCOUNTING OFFICER**

Garry Ross

**PUBLIC OFFICER**

Ross McCreanor

**AUDITORS**

Hill Rogers Spencer Steer  
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**

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**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 2015, 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.

**Assurance Partners**

T. +61 2 9232 5111  
F. +61 2 9233 7950

Level 5, 1 Chifley Square  
Sydney NSW 2000 Australia

GPO Box 7066  
Sydney NSW 2001

[www.hr-ss.com.au](http://www.hr-ss.com.au)  
[info@hr-ss.com.au](mailto:info@hr-ss.com.au)

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

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

### **Independence**

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

### **Auditor's Opinion**

In our opinion,

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

### **HILL ROGERS SPENCER STEER**



**GARY MOTTAU**

Partner

Dated at Sydney this 20th day of October 2015

20 October 2015

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

Mayor,

### **Audit Report - Year Ended 30 June 2015**

We are pleased to advise completion of the audit of Council's books and records for the year ended 30 June 2015 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;

## **I. RESULTS FOR THE YEAR**

### ***1.1 Operating Result***

The operating result for the year was a surplus of \$22.575 million as compared with \$26.743 million in the previous year.

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

	2015	% of	2014	% of	Increase
	\$'000	Total	\$'000	Total	(Decrease)
					\$'000
<b>Revenues before capital items</b>					
Rates & annual charges	46,336	46%	43,550	40%	2,786
User charges, fees & other revenues	45,071	45%	57,714	53%	(12,643)
Grants & contributions provided for operating purposes	4,656	5%	3,457	3%	1,199
Interest & investment revenue	4,613	5%	4,022	4%	591
	<b>100,676</b>	<b>100%</b>	<b>108,743</b>	<b>100%</b>	<b>(8,067)</b>
<b>Expenses</b>					
Employee benefits & costs	38,756	41%	35,559	38%	3,197
Materials, contracts & other expenses	39,204	42%	42,572	46%	(3,368)
Depreciation, amortisation & impairment	15,684	17%	15,283	16%	401
	<b>93,644</b>	<b>100%</b>	<b>93,414</b>	<b>100%</b>	<b>230</b>
<b>Surplus (Deficit) before capital items</b>	<b>7,032</b>		<b>15,329</b>		<b>(8,297)</b>
Grants & contributions provided for capital purposes	15,543		11,414		4,129
<b>Net Surplus (Deficit) for the year</b>	<b>22,575</b>		<b>26,743</b>		<b>(4,168)</b>
<b>Performance Measures</b>		<b>2015</b>		<b>2014</b>	
Operating Performance		1.96%		-0.58%	
Own Source Operating Revenue		81.81%		85.05%	

The above table shows an overall decrease of \$4.168 million from the previous year and is mainly attributable to reduced fair value adjustments on investment properties (\$15.7 million) and offset by the timing of the payment of the Financial Assistance Grant, which ceased being paid in advance during the prior year (\$926,000), increased developer contributions (\$4.335 million) and rates and annual charges (\$2.786 million).

**Operating Performance** measures the ability to contain operating expenditure within operating revenue excluding capital amounts. For 2015, this indicator was 1.96% 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 2015, this indicator was 81.81% 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.

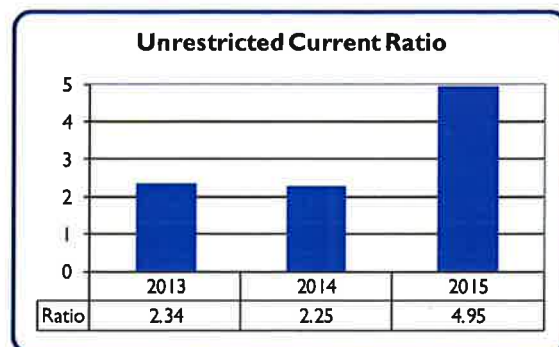
	2015	2014
	\$'000	\$'000
<b>Funds were provided by:-</b>		
<b>Operating Result (as above)</b>	<b>22,575</b>	<b>26,743</b>
Add back non funding items:-		
- Depreciation, amortisation & impairment	15,684	15,283
- Book value of non-current assets sold	1,333	25,620
- (Gain)/Loss of fair value to investment properties	(4,920)	(20,620)
- (Surplus)/Deficit in joint ventures	5	4
	<u>34,677</u>	<u>47,030</u>
Decrease/Redemption of non-current Investments	64,325	0
Transfers from externally restricted assets (net)	0	703
Net Changes in current/non-current assets & liabilities	3,100	1,322
	<u>102,102</u>	<u>49,055</u>
<b>Funds were applied to:-</b>		
Purchase and construction of assets	(32,517)	(24,683)
Increase/Purchase in non current investments	0	(23,994)
Transfers to externally restricted assets (net)	(22,351)	0
Transfers to internal reserves (net)	(47,056)	(362)
	<u>(101,924)</u>	<u>(49,039)</u>
<b>Increase/(Decrease) in Available Working Capital</b>	<b>178</b>	<b>16</b>

## 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 \$63.242 million representing a factor of 4.95 to 1.



## 2.2 Available Working Capital – (Working Funds)

At the close of the year the Available Working Capital of Council stood at \$4.785 million as detailed below;

	2015	2014	Change
	\$'000	\$'000	\$'000
<b>Net Current Assets (Working Capital) as per Accounts</b>	<b>75,525</b>	<b>9,154</b>	<b>66,371</b>
<b>Add:</b> Payables & provisions not expected to be realised in the next 12 months included above	16,214	13,639	2,575
Adjusted Net Current Assets	91,739	22,793	68,946
<b>Add:</b> Budgeted & expected to pay in the next 12 months			
- Employees leave entitlements	3,687	3,467	220
- Deposits & retention moneys	2,172	1,753	419
<b>Less:</b> Externally restricted assets	(28,497)	(6,146)	(22,351)
<b>Less:</b> Internally restricted assets	(64,316)	(17,260)	(47,056)
<b>Available Working Capital as at 30 June</b>	<b>4,785</b>	<b>4,607</b>	<b>178</b>

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 is debt free.

## 2.4 Summary

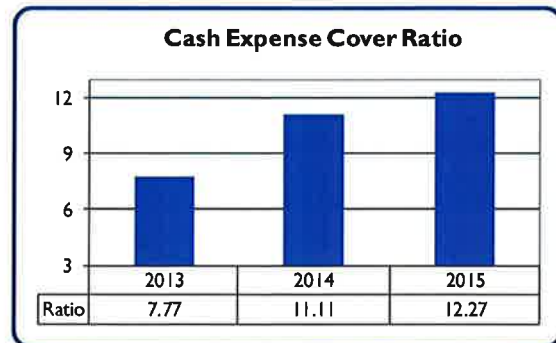
Council's overall financial position, when taking into account the above financial indicators was, in our opinion, sound.

### 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.

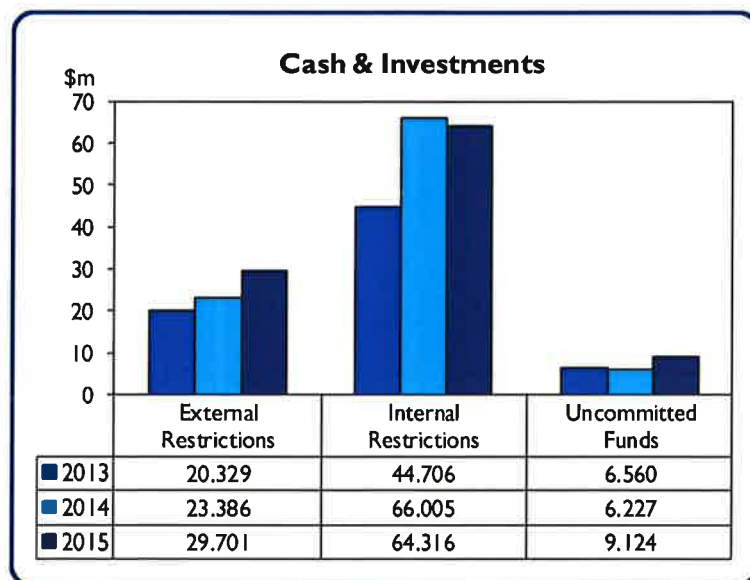
For 2015, this ratio stood at 12.27 months compared to the benchmark of 3.



#### 3.2 Cash & Investment Securities

Cash and investments amounted \$103.141 million at 30 June 2015 as compared with \$95.618 million in 2014 and \$71.595 million in 2013.

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 (\$25.671 million), domestic waste management charges (\$2.453 million) and specific purpose grants, contributions and special levies (\$1.577 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 \$64.316 million and their purposes are more fully disclosed in Notes 6 of the financial statements.

**Unrestricted cash and investments** amounted to \$9.124 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 increased by \$3.327 million to \$8.435 million at the close of the year.

In addition to operating activities which contributed net cash of \$36.357 million were the proceeds from the sale of investment securities (\$42.195 million) and sale of assets (\$1.408 million). Cash outflows other than operating activities were used to purchase investment securities (\$46.051 million), and to purchase and construct assets (\$30.582 million).

## 4. RECEIVABLES

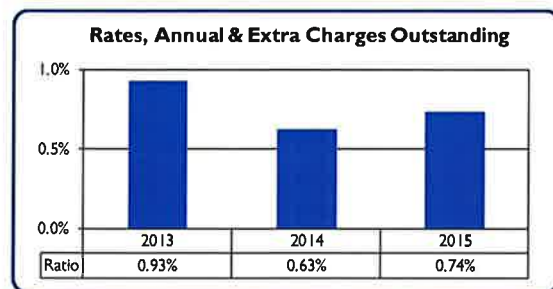
### 4.1 Rates & Annual Charges (excluding interest & extra charges)

Net rates and annual charges levied during the year totalled \$46.336 million and represented 39.87% of Council's total revenues.

Including arrears, the total rates and annual charges collectible was \$46.543 million of which \$46.263 million (99.40%) was collected.

### 4.2 Rates, Annual & Extra Charges

Arrears of rates, annual and extra charges stood at \$344,000 at the end of the year and represented 0.74% of those receivables.



### 4.3 Other Receivables

Receivables (other than rates & annual charges) totalled \$5.528 million and consisted mainly of unpaid infringement notices (\$919,000), user charges and accrued revenues (\$3.413 million) and amounts due from government departments (\$1.162 million). Those considered to be uncertain of collection have been provided for as doubtful debts and this provision amounted to \$43,000.

## 5. PAYABLES

### 5.1 Employees Leave Entitlements

Council's provision for its liability toward employees leave entitlements and associated on costs amounted to \$14.788 million. Internally restricted cash and investments of \$7.394 million was held representing 50% of this liability and was, in our opinion, sufficient to meet unbudgeted and unanticipated retirements.

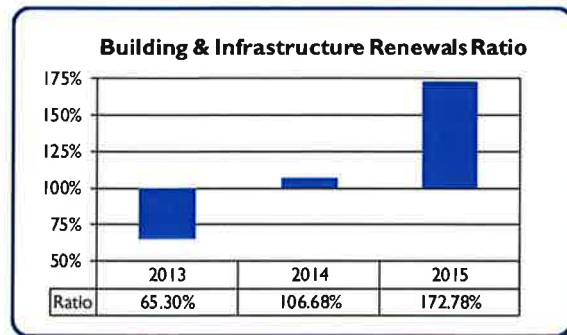
## 5.2 Deposits, Retentions & Bonds

Deposits, retentions and bonds held at year end amounted to \$7.472 million and were fully funded by internally restricted cash and investments.

## 6. BUILDING AND INFRASTRUCTURE RENEWALS

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

Special Schedule No. 7 discloses that asset renewals for 2015 represented 173% of the depreciation charges for these assets. An industry benchmark is considered to be 100%, measured annually over the long term.



## 7. REVALUATION OF ASSETS

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

During the year, buildings and infrastructure assets were revalued. This resulted in a net increase of \$87.359 million that was credited directly to Equity. Notes 1(j) and 9 of the financial statements provide further details.

## 8. MANAGEMENT LETTER

An audit management letter addressing the findings from our interim audit was issued on 19 February 2015. This included our recommendations on possible ways to strengthen and/or improve procedures. Management provided a written response on 2 March 2015 including comments and proposed actions.

## 9. CONCLUSION

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

Yours faithfully,

**HILL ROGERS SPENCER STEER**

**GARY MOTTAU**

Partner



# North Sydney Council

SPECIAL PURPOSE FINANCIAL STATEMENTS  
for the year ended 30 June 2015

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progressive *vibrant* diverse



# North Sydney Council

## Special Purpose Financial Statements

for the financial year ended 30 June 2015

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<b>2. Special Purpose Financial Statements:</b>	
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<b>4. Auditor's Report</b>	13

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### Background

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

## North Sydney Council

### Special Purpose Financial Statements

for the financial year ended 30 June 2015

### Statement by Councillors and Management

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

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

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

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


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

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

**Signed in accordance with a resolution of Council made on 19 October 2015.**



Jilly Gibson  
MAYOR



Jeff Morris  
COUNCILLOR



Warwick Winn  
GENERAL MANAGER



Garry Ross  
RESPONSIBLE ACCOUNTING OFFICER

## North Sydney Council

## Income Statement of Council's Other Business Activities

for the financial year ended 30 June 2015

\$ '000	Commercial Properties		Waste Management	
	Category 1		Category 1	
	Actual 2015	Actual 2014	Actual 2015	Actual 2014
<b>Income from continuing operations</b>				
Access charges	-	-	9,701	9,585
User charges	-	-	994	977
Fees	-	-	369	376
Interest	-	-	-	-
Grants and contributions provided for non capital purposes	-	-	42	43
Profit from the sale of assets	-	-	-	-
Other income	10,744	26,244	-	-
<b>Total income from continuing operations</b>	<b>10,744</b>	<b>26,244</b>	<b>11,106</b>	<b>10,981</b>
<b>Expenses from continuing operations</b>				
Employee benefits and on-costs	3	11	1,308	1,310
Borrowing costs	-	-	-	-
Materials and contracts	1,707	1,548	9,191	8,751
Depreciation and impairment	247	253	-	-
Loss on sale of assets	-	-	-	-
Calculated taxation equivalents	599	462	27	28
Debt guarantee fee (if applicable)	-	-	-	-
Other expenses	789	766	28	28
<b>Total expenses from continuing operations</b>	<b>3,345</b>	<b>3,040</b>	<b>10,554</b>	<b>10,117</b>
<b>Surplus (deficit) from Continuing Operations before capital amounts</b>	<b>7,399</b>	<b>23,204</b>	<b>552</b>	<b>864</b>
Grants and contributions provided for capital purposes	-	-	-	-
<b>Surplus (deficit) from Continuing Operations after capital amounts</b>	<b>7,399</b>	<b>23,204</b>	<b>552</b>	<b>864</b>
Surplus (deficit) from discontinued operations	-	-	-	-
<b>Surplus (deficit) from ALL Operations before tax</b>	<b>7,399</b>	<b>23,204</b>	<b>552</b>	<b>864</b>
less: Corporate Taxation Equivalent (30%) [based on result before capital]	(2,220)	(6,961)	(166)	(259)
<b>SURPLUS (DEFICIT) AFTER TAX</b>	<b>5,179</b>	<b>16,243</b>	<b>386</b>	<b>605</b>
plus Opening Retained Profits	80,889	78,835	1,744	1,897
plus/less: Prior Period Adjustments	-	-	-	-
plus Adjustments for amounts unpaid:				
- Taxation equivalent payments	599	462	27	28
- Debt guarantee fees	-	-	-	-
- Corporate taxation equivalent	2,220	6,961	166	259
add:				
- Subsidy Paid/Contribution To Operations	-	-	-	-
less:				
- TER dividend paid	-	-	-	-
- Dividend paid	(4,740)	(21,612)	(1,015)	(1,045)
<b>Closing Retained Profits</b>	<b>84,147</b>	<b>80,889</b>	<b>1,308</b>	<b>1,744</b>
Return on Capital %	8.8%	28.9%	n/a	n/a
Subsidy from Council	-	-	-	-

## North Sydney Council

## Income Statement of Council's Other Business Activities

for the financial year ended 30 June 2015

	Car Parking Services		North Sydney Function Centre	
	Category 1		Category 2	
\$ '000	Actual 2015	Actual 2014	Actual 2015	Actual 2014
<b>Income from continuing operations</b>				
Access charges	-	-	-	-
User charges	-	-	-	-
Fees	2,710	2,740	335	525
Interest	-	-	-	-
Grants and contributions provided for non capital purposes	-	-	-	-
Profit from the sale of assets	-	-	-	-
Other income	-	-	-	-
<b>Total income from continuing operations</b>	<b>2,710</b>	<b>2,740</b>	<b>335</b>	<b>525</b>
<b>Expenses from continuing operations</b>				
Employee benefits and on-costs	279	287	170	146
Borrowing costs	-	-	-	-
Materials and contracts	448	454	187	262
Depreciation and impairment	705	766	88	97
Loss on sale of assets	-	-	-	-
Calculated taxation equivalents	265	252	-	-
Debt guarantee fee (if applicable)	-	-	-	-
Other expenses	357	374	123	128
<b>Total expenses from continuing operations</b>	<b>2,054</b>	<b>2,133</b>	<b>568</b>	<b>633</b>
<b>Surplus (deficit) from Continuing Operations before capital amounts</b>	<b>656</b>	<b>607</b>	<b>(233)</b>	<b>(108)</b>
Grants and contributions provided for capital purposes	-	-	-	-
<b>Surplus (deficit) from Continuing Operations after capital amounts</b>	<b>656</b>	<b>607</b>	<b>(233)</b>	<b>(108)</b>
Surplus (deficit) from discontinued operations	-	-	-	-
<b>Surplus (deficit) from ALL Operations before tax</b>	<b>656</b>	<b>607</b>	<b>(233)</b>	<b>(108)</b>
less: Corporate Taxation Equivalent (30%) [based on result before capital]	(197)	(182)	-	-
<b>SURPLUS (DEFICIT) AFTER TAX</b>	<b>459</b>	<b>425</b>	<b>(233)</b>	<b>(108)</b>
<b>plus Opening Retained Profits</b>	20,070	21,266	1,025	1,121
<b>plus/less: Prior Period Adjustments</b>	-	-	-	-
<b>plus Adjustments for amounts unpaid:</b>				
- Taxation equivalent payments	265	252	-	-
- Debt guarantee fees	-	-	-	-
- Corporate taxation equivalent	197	182	-	-
<b>add:</b>				
- Subsidy Paid/Contribution To Operations	-	-	97	12
<b>less:</b>				
- TER dividend paid	-	-	-	-
- Dividend paid	(1,904)	(2,055)	-	-
<b>Closing Retained Profits</b>	<b>19,087</b>	<b>20,070</b>	<b>889</b>	<b>1,025</b>
<b>Return on Capital %</b>	<b>2.1%</b>	<b>1.9%</b>	<b>-13.9%</b>	<b>-6.1%</b>
<b>Subsidy from Council</b>	<b>297</b>	<b>540</b>	<b>284</b>	<b>171</b>

## North Sydney Council

## Income Statement of Council's Other Business Activities

for the financial year ended 30 June 2015

Development  
Applications

## Category 2

\$ '000	Actual 2015	Actual 2014
<b>Income from continuing operations</b>		
Access charges	-	-
User charges	-	-
Fees	1,817	1,704
Interest	-	-
Grants and contributions provided for non capital purposes	-	-
Profit from the sale of assets	-	-
Other income	-	-
<b>Total income from continuing operations</b>	<b>1,817</b>	<b>1,704</b>
<b>Expenses from continuing operations</b>		
Employee benefits and on-costs	4,177	3,983
Borrowing costs	-	-
Materials and contracts	290	333
Depreciation and impairment	-	-
Loss on sale of assets	-	-
Calculated taxation equivalents	188	185
Debt guarantee fee (if applicable)	-	-
Other expenses	651	688
<b>Total expenses from continuing operations</b>	<b>5,306</b>	<b>5,189</b>
<b>Surplus (deficit) from Continuing Operations before capital amounts</b>	<b>(3,489)</b>	<b>(3,485)</b>
Grants and contributions provided for capital purposes	-	-
<b>Surplus (deficit) from Continuing Operations after capital amounts</b>	<b>(3,489)</b>	<b>(3,485)</b>
Surplus (deficit) from discontinued operations	-	-
<b>Surplus (deficit) from ALL Operations before tax</b>	<b>(3,489)</b>	<b>(3,485)</b>
less: Corporate Taxation Equivalent (30%) [based on result before capital]	-	-
<b>SURPLUS (DEFICIT) AFTER TAX</b>	<b>(3,489)</b>	<b>(3,485)</b>
plus Opening Retained Profits	(1,213)	(1,253)
plus/less: Prior Period Adjustments	-	-
plus Adjustments for amounts unpaid:		
- Taxation equivalent payments	188	185
- Debt guarantee fees	-	-
- Corporate taxation equivalent	-	-
add:		
- Subsidy Paid/Contribution To Operations	3,315	3,340
less:		
- TER dividend paid	-	-
- Dividend paid	-	-
<b>Closing Retained Profits</b>	<b>(1,199)</b>	<b>(1,213)</b>
Return on Capital %	n/a	n/a
Subsidy from Council	3,489	3,485

## North Sydney Council

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

as at 30 June 2015

\$ '000	Commercial Properties		Waste Management	
	Category 1		Category 1	
	Actual 2015	Actual 2014	Actual 2015	Actual 2014
<b>ASSETS</b>				
<b>Current Assets</b>				
Cash and cash equivalents	-	-	2,453	2,947
Investments	-	-	-	-
Receivables	230	773	89	79
Inventories	-	-	-	-
Other	-	-	-	-
Non-current assets classified as held for sale	-	-	-	-
<b>Total Current Assets</b>	<b>230</b>	<b>773</b>	<b>2,542</b>	<b>3,026</b>
<b>Non-Current Assets</b>				
Investments	-	-	-	-
Receivables	-	-	-	-
Inventories	-	-	-	-
Infrastructure, property, plant and equipment	4,934	5,584	-	-
Investments accounted for using equity method	-	-	-	-
Investment property	79,130	74,650	-	-
Other	-	-	-	-
<b>Total Non-Current Assets</b>	<b>84,064</b>	<b>80,234</b>	<b>-</b>	<b>-</b>
<b>TOTAL ASSETS</b>	<b>84,294</b>	<b>81,007</b>	<b>2,542</b>	<b>3,026</b>
<b>LIABILITIES</b>				
<b>Current Liabilities</b>				
Bank Overdraft	-	-	-	-
Payables	147	118	1,017	1,106
Interest bearing liabilities	-	-	-	-
Provisions	-	-	212	170
<b>Total Current Liabilities</b>	<b>147</b>	<b>118</b>	<b>1,229</b>	<b>1,276</b>
<b>Non-Current Liabilities</b>				
Payables	-	-	3	3
Interest bearing liabilities	-	-	-	-
Provisions	-	-	2	3
Other Liabilities	-	-	-	-
<b>Total Non-Current Liabilities</b>	<b>-</b>	<b>-</b>	<b>5</b>	<b>6</b>
<b>TOTAL LIABILITIES</b>	<b>147</b>	<b>118</b>	<b>1,234</b>	<b>1,282</b>
<b>NET ASSETS</b>	<b>84,147</b>	<b>80,889</b>	<b>1,308</b>	<b>1,744</b>
<b>EQUITY</b>				
Retained earnings	84,147	80,889	1,308	1,744
Revaluation reserves	-	-	-	-
Council equity interest	<b>84,147</b>	<b>80,889</b>	<b>1,308</b>	<b>1,744</b>
Non-controlling equity interest	-	-	-	-
<b>TOTAL EQUITY</b>	<b>84,147</b>	<b>80,889</b>	<b>1,308</b>	<b>1,744</b>

## North Sydney Council

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

as at 30 June 2015

	Car Parking Services Category 1		North Sydney Function Centre Category 2	
	Actual 2015	Actual 2014	Actual 2015	Actual 2014
<b>\$ '000</b>				
<b>ASSETS</b>				
<b>Current Assets</b>				
Cash and cash equivalents	12	12	6	6
Investments	-	-	-	-
Receivables	56	5	9	22
Inventories	-	-	10	16
Other	-	-	-	-
Non-current assets classified as held for sale	-	-	-	-
<b>Total Current Assets</b>	<b>68</b>	<b>17</b>	<b>25</b>	<b>44</b>
<b>Non-Current Assets</b>				
Investments	-	-	-	-
Receivables	-	-	-	-
Inventories	-	-	-	-
Infrastructure, property, plant and equipment	31,569	32,233	1,682	1,779
Investments accounted for using equity method	-	-	-	-
Investment property	-	-	-	-
Other	-	-	-	-
<b>Total Non-Current Assets</b>	<b>31,569</b>	<b>32,233</b>	<b>1,682</b>	<b>1,779</b>
<b>TOTAL ASSETS</b>	<b>31,637</b>	<b>32,250</b>	<b>1,707</b>	<b>1,823</b>
<b>LIABILITIES</b>				
<b>Current Liabilities</b>				
Bank Overdraft	-	-	-	-
Payables	106	111	-	-
Interest bearing liabilities	-	-	-	-
Provisions	100	91	61	41
<b>Total Current Liabilities</b>	<b>206</b>	<b>202</b>	<b>61</b>	<b>41</b>
<b>Non-Current Liabilities</b>				
Payables	-	-	-	-
Interest bearing liabilities	-	-	-	-
Provisions	1	2	1	1
Other Liabilities	-	-	-	-
<b>Total Non-Current Liabilities</b>	<b>1</b>	<b>2</b>	<b>1</b>	<b>1</b>
<b>TOTAL LIABILITIES</b>	<b>207</b>	<b>204</b>	<b>62</b>	<b>42</b>
<b>NET ASSETS</b>	<b>31,430</b>	<b>32,046</b>	<b>1,645</b>	<b>1,781</b>
<b>EQUITY</b>				
Retained earnings	19,087	20,070	889	1,025
Revaluation reserves	12,343	11,976	756	756
Council equity interest	<b>31,430</b>	<b>32,046</b>	<b>1,645</b>	<b>1,781</b>
Non-controlling equity interest	-	-	-	-
<b>TOTAL EQUITY</b>	<b>31,430</b>	<b>32,046</b>	<b>1,645</b>	<b>1,781</b>



## North Sydney Council

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

as at 30 June 2015

## Development Applications

Category 2

\$ '000	Actual 2015	Actual 2014
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	-	-
Investments	-	-
Receivables	-	-
Inventories	-	-
Other	-	-
Non-current assets classified as held for sale	-	-
<b>Total Current Assets</b>	<b>-</b>	<b>-</b>
<b>Non-Current Assets</b>		
Investments	-	-
Receivables	-	-
Inventories	-	-
Infrastructure, property, plant and equipment	-	-
Investments accounted for using equity method	-	-
Investment property	-	-
Other	-	-
<b>Total Non-Current Assets</b>	<b>-</b>	<b>-</b>
<b>TOTAL ASSETS</b>	<b>-</b>	<b>-</b>
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Bank Overdraft	-	-
Payables	-	-
Interest bearing liabilities	-	-
Provisions	1,184	1,185
<b>Total Current Liabilities</b>	<b>1,184</b>	<b>1,185</b>
<b>Non-Current Liabilities</b>		
Payables	-	-
Interest bearing liabilities	-	-
Provisions	15	28
Other Liabilities	-	-
<b>Total Non-Current Liabilities</b>	<b>15</b>	<b>28</b>
<b>TOTAL LIABILITIES</b>	<b>1,199</b>	<b>1,213</b>
<b>NET ASSETS</b>	<b>(1,199)</b>	<b>(1,213)</b>
<b>EQUITY</b>		
Retained earnings	(1,199)	(1,213)
Revaluation reserves	-	-
Council equity interest	(1,199)	(1,213)
Non-controlling equity interest	-	-
<b>TOTAL EQUITY</b>	<b>(1,199)</b>	<b>(1,213)</b>

## North Sydney Council

### Special Purpose Financial Statements

for the financial year ended 30 June 2015

#### Contents of the Notes accompanying the Financial Statements

Note	Details	Page
1	Summary of Significant Accounting Policies	10
2	Water Supply Business Best Practice Management disclosure requirements	n/a
3	Sewerage Business Best Practice Management disclosure requirements	n/a

## North Sydney Council

### Notes to the Special Purpose Financial Statements

for the financial year ended 30 June 2015

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

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

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

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

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

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

#### National Competition Policy

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

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

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

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

#### Declared Business Activities

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

##### Category 1

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

##### a. Commercial Properties

*Managed rental Property portfolio.*

##### b. Waste Management

*Waste collection and disposal (Domestic, Trade and recyclables).*

##### c. Car Parking Services

*Permanent and casual off street parking facilities subject to charges.*

##### Category 2

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

##### d. North Sydney Oval Function Centre

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

##### e. Development Applications

*Building, Development and Subdivision approval processing.*

#### Monetary Amounts

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

## North Sydney Council

### Notes to the Special Purpose Financial Statements

for the financial year ended 30 June 2015

#### Note 1. Significant Accounting Policies

##### (i) Taxation Equivalent Charges

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

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

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

##### Notional Rate Applied %

Corporate Income Tax Rate – 30%

Land Tax – The first \$432,000 of combined land values attracts 0%. From \$432,001 to \$2,641,000 the rate is 1.6% + \$100. For the remaining combined land value that exceeds \$2,641,000, 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.

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

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

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

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

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

##### Local Government Rates & Charges

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

##### Loan & Debt Guarantee Fees

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

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

##### (ii) Subsidies

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

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

Accordingly, Subsidies disclosed (in relation to National Competition Policy) represents the difference between revenue generated from 'rate of

## North Sydney Council

### Notes to the Special Purpose Financial Statements for the financial year ended 30 June 2015

#### Note 1. Significant Accounting Policies

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return' pricing and revenue generated from prices set by the council in any given financial year.

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

#### **(iii) Return on Investments (Rate of Return)**

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

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**

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

As a minimum, business activities should generate a return equal to the Commonwealth 10 year bond rate which is 3.02% at 30/6/15.

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**

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**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 2015, 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.

**Assurance Partners**

T. +61 2 9232 5111  
F. +61 2 9233 7950

Level 5, 1 Chifley Square  
Sydney NSW 2000 Australia

GPO Box 7066  
Sydney NSW 2001

[www.hr-ss.com.au](http://www.hr-ss.com.au)  
[info@hr-ss.com.au](mailto:info@hr-ss.com.au)

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Steer Assurance Partners

ABN 56 435 338 966

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

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

***Independence***

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

***Auditor's Opinion***

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

***Basis of Accounting***

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

**HILL ROGERS SPENCER STEER**



**GARY MOTTAU**

Partner

Dated at Sydney this 20th day of October 2015

# North Sydney Council

SPECIAL SCHEDULES  
for the year ended 30 June 2015

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progressive *vibrant* diverse





# North Sydney Council

## Special Schedules

for the financial year ended 30 June 2015

### Contents

Page

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

- Special Schedule No. 1	Net Cost of Services	2
- Special Schedule No. 2(a)	Statement of Long Term Debt (all purposes)	n/a
- Special Schedule No. 2(b)	Statement of Internal Loans (Sect. 410(3) LGA 1993)	n/a
- Special Schedule No. 3	Water Supply Operations - incl. Income Statement	n/a
- Special Schedule No. 4	Water Supply - Statement of Financial Position	n/a
- Special Schedule No. 5	Sewerage Service Operations - incl. Income Statement	n/a
- Special Schedule No. 6	Sewerage Service - Statement of Financial Position	n/a
- Notes to Special Schedules No. 3 & 5		n/a
- Special Schedule No. 7	Report on Infrastructure Assets (as at 30 June 2015)	4
- Special Schedule No. 8	Financial Projections	n/a
- Special Schedule No. 9	Permissible Income Calculation	8

<sup>1</sup> Special Schedules are not audited (with the exception of Special Schedule 9).

#### 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 No. 1 - Net Cost of Services  
for the financial year ended 30 June 2015

\$'000

Function or Activity	Expenses from Continuing Operations	Income from continuing operations		Net Cost of Services
		Non Capital	Capital	
<b>Governance</b>	<b>2,503</b>	-	-	<b>(2,503)</b>
<b>Administration</b>	<b>16,187</b>	<b>8,239</b>	<b>110</b>	<b>(7,838)</b>
<b>Public Order and Safety</b>				
Fire Service Levy, Fire Protection, Emergency Services	1,366	-	-	<b>(1,366)</b>
Beach Control	-	-	-	-
Enforcement of Local Govt. Regulations	5,323	6,982	-	<b>1,659</b>
Animal Control	36	1	-	<b>(35)</b>
Other	124	-	-	<b>(124)</b>
<b>Total Public Order &amp; Safety</b>	<b>6,849</b>	<b>6,983</b>	-	<b>134</b>
<b>Health</b>	<b>1,589</b>	<b>275</b>	-	<b>(1,314)</b>
<b>Environment</b>				
Noxious Plants and Insect/Vermin Control	170	-	-	<b>(170)</b>
Other Environmental Protection	3,140	1,842	-	<b>(1,298)</b>
Solid Waste Management	10,455	11,284	-	<b>829</b>
Street Cleaning	2,052	14	-	<b>(2,038)</b>
Drainage	-	-	-	-
Stormwater Management	1,802	727	-	<b>(1,075)</b>
<b>Total Environment</b>	<b>17,619</b>	<b>13,867</b>	-	<b>(3,752)</b>
<b>Community Services and Education</b>				
Administration & Education	853	39	-	<b>(814)</b>
Social Protection (Welfare)	459	-	-	<b>(459)</b>
Aged Persons and Disabled	319	60	-	<b>(259)</b>
Children's Services	1,054	679	215	<b>(160)</b>
<b>Total Community Services &amp; Education</b>	<b>2,685</b>	<b>778</b>	<b>215</b>	<b>(1,692)</b>
<b>Housing and Community Amenities</b>				
Public Cemeteries	-	-	-	-
Public Conveniences	224	-	-	<b>(224)</b>
Street Lighting	1,113	181	-	<b>(932)</b>
Town Planning	3,983	929	-	<b>(3,054)</b>
Other Community Amenities	685	11	-	<b>(674)</b>
<b>Total Housing and Community Amenities</b>	<b>6,005</b>	<b>1,121</b>	-	<b>(4,884)</b>
<b>Water Supplies</b>	-	-	-	-
<b>Sewerage Services</b>	-	-	-	-

## North Sydney Council

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

for the financial year ended 30 June 2015

\$'000

Function or Activity	Expenses from Continuing Operations	Income from continuing operations		Net Cost of Services
		Non Capital	Capital	
<b>Recreation and Culture</b>				
Public Libraries	3,213	281	438	(2,494)
Museums	438	8	40	(390)
Art Galleries	-	-	-	-
Community Centres and Halls	926	68	513	(345)
Performing Arts Venues	-	-	-	-
Other Performing Arts	-	-	-	-
Other Cultural Services	729	265	-	(464)
Sporting Grounds and Venues	2,189	523	48	(1,618)
Swimming Pools	3,370	2,358	280	(732)
Parks & Gardens (Lakes)	5,532	56	20	(5,456)
Other Sport and Recreation	4,015	308	13,473	9,766
<b>Total Recreation and Culture</b>	<b>20,412</b>	<b>3,867</b>	<b>14,812</b>	<b>(1,733)</b>
<b>Fuel &amp; Energy</b>	-	-	-	-
<b>Agriculture</b>	-	-	-	-
<b>Mining, Manufacturing and Construction</b>				
Building Control	-	40	-	40
Other Mining, Manufacturing & Construction	-	-	-	-
<b>Total Mining, Manufacturing and Const.</b>	-	<b>40</b>	-	<b>40</b>
<b>Transport and Communication</b>				
Urban Roads (UR) - Local	1,279	346	-	(933)
Urban Roads - Regional	95	666	-	571
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	1,513	10,424	-	8,911
Footpaths	1,263	497	-	(766)
Aerodromes	-	-	-	-
Other Transport & Communication	8,772	1,005	406	(7,361)
<b>Total Transport and Communication</b>	<b>12,922</b>	<b>12,938</b>	<b>406</b>	<b>422</b>
<b>Economic Affairs</b>				
Camping Areas & Caravan Parks	-	-	-	-
Other Economic Affairs	6,868	14,130	-	7,262
<b>Total Economic Affairs</b>	<b>6,868</b>	<b>14,130</b>	-	<b>7,262</b>
<b>Totals – Functions</b>	<b>93,639</b>	<b>62,238</b>	<b>15,543</b>	<b>(15,858)</b>
<b>General Purpose Revenues</b> <sup>(2)</sup>		<b>38,438</b>		<b>38,438</b>
<b>Share of interests - joint ventures &amp; associates using the equity method</b>	<b>5</b>	-		<b>(5)</b>
<b>NET OPERATING RESULT</b> <sup>(1)</sup>	<b>93,644</b>	<b>100,676</b>	<b>15,543</b>	<b>22,575</b>

(1) As reported in the Income Statement

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

## North Sydney Council

## Special Schedule No. 7 - Report on Infrastructure Assets

as at 30 June 2015

\$'000

Asset Class	Asset Category	Estimated cost to bring up to a satisfactory standard refer (1)	Required Annual Maintenance refer (2)	Actual Maintenance 2014/15 refer (3)	Written Down Value (WDV) refer (4)	Assets in Condition as a % of WDV				
						1	2	3	4	5
						refer (4) & (5)				
<b>Buildings</b>	Specialised Buildings	-	1,429	1,727	61,864	13%	19%	66%	1%	1%
	Non Specialised Buildings	-	71	71	632	0%	8%	71%	21%	0%
	Land Improvements - depreciable	-	-	-	15,890	97%	2%	1%		0%
	<b>sub total</b>	<b>-</b>	<b>1,500</b>	<b>1,798</b>	<b>78,386</b>	<b>29.9%</b>	<b>15.5%</b>	<b>52.9%</b>	<b>1.0%</b>	<b>0.8%</b>
<b>Other Structures</b>	Other Structures	-	-	-	28	100%				0%
	<b>sub total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>28</b>	<b>100.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>
<b>Roads</b>	Footpaths	-	922	1,040	39,804	26%	60%	14%	0%	0%
	Other Road Assets	-	119	109	44,422	43%	41%	14%	1%	1%
	Pavement	-	453	398	147,309	62%	27%	10%	1%	0%
	<b>sub total</b>	<b>-</b>	<b>1,494</b>	<b>1,547</b>	<b>231,535</b>	<b>52.2%</b>	<b>35.4%</b>	<b>11.5%</b>	<b>0.8%</b>	<b>0.2%</b>
<b>Stormwater Drainage</b>	Stormwater Drainage	-	472	488	125,207	57%	40%	1%	1%	1%
	<b>sub total</b>	<b>-</b>	<b>472</b>	<b>488</b>	<b>125,207</b>	<b>57.0%</b>	<b>40.0%</b>	<b>1.0%</b>	<b>1.0%</b>	<b>1.0%</b>
<b>Open Space/ Recreational Assets</b>	Swimming Pools	-	249	247	11,097	8%	1%	91%		0%
	Open Space/Recreation Assets	-	166	162	2,639	47%	13%	3%	32%	5%
	<b>sub total</b>	<b>-</b>	<b>415</b>	<b>409</b>	<b>13,736</b>	<b>15.5%</b>	<b>3.3%</b>	<b>74.1%</b>	<b>6.1%</b>	<b>1.0%</b>
<b>Other Infrastructure Assets</b>	Other Infrastructure Assets	-	717	869	21,640	55%	36%	4%	5%	0%
	<b>sub total</b>	<b>-</b>	<b>717</b>	<b>869</b>	<b>21,640</b>	<b>55.0%</b>	<b>36.0%</b>	<b>4.0%</b>	<b>5.0%</b>	<b>0.0%</b>

## North Sydney Council

## Special Schedule No. 7 - Report on Infrastructure Assets (continued)

as at 30 June 2015

\$'000										
Asset Class	Asset Category	Estimated cost to bring up to a satisfactory standard refer (1)	Required Annual Maintenance refer (2)	Actual Maintenance 2014/15 refer (3)	Written Down Value (WDV) refer (4)	Assets in Condition as a % of WDV				
						1	2	3	4	5
						refer (4) & (5)				
	<b>TOTAL - ALL ASSETS</b>	-	4,598	5,111	470,532	48.8%	32.4%	17.1%	1.2%	0.5%

**Notes:**

- (1). Satisfactory is defined as "satisfying expectations or needs, leaving no room for complaint, causing satisfaction, adequate".  
The estimated cost to bring assets to a satisfactory standard is the amount of money that is required to be spent on an asset to ensure that it is in a satisfactory standard.  
This estimated cost should not include any planned enhancements (ie.to heighten, intensify or improve the facilities).
- (2). Required Annual Maintenance is "what should be spent to maintain assets in a satisfactory standard.
- (3). Actual Maintenance is what has been spent in the current year to maintain the assets.  
Actual Maintenance may be higher or lower than the required annual maintenance due to the timing of when the maintenance actually occurs.
- (4). Written Down Value is in accordance with Note 9 of Council's General Purpose Financial Statements
- (5). **Infrastructure Asset Condition Assessment "Key"**

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

## North Sydney Council

Special Schedule No. 7 - Report on Infrastructure Assets (continued)  
for the financial year ended 30 June 2015

\$ '000	Amounts	Indicator	Prior Periods	
	2015	2015	2014	2013
<b>Infrastructure Asset Performance Indicators Consolidated</b>				
<b>1. Building, Infrastructure &amp; Other Structures Renewals Ratio</b>				
Asset Renewals				
<u>(Building, Infrastructure &amp; Other Structures) <sup>(1)</sup></u>	<u>21,558</u>	<b>172.78%</b>	106.68%	65.30%
Depreciation, Amortisation & Impairment	<u>12,477</u>			
<b>2. Infrastructure Backlog Ratio</b>				
Estimated Cost to bring Assets to a Satisfactory Condition	-			
<u>Total value <sup>(2)</sup> of Infrastructure, Building, Other Structures &amp; depreciable Land Improvement Assets</u>	<u>470,532</u>	<b>0.00%</b>	4.12%	4.35%
<b>3. Asset Maintenance Ratio</b>				
Actual Asset Maintenance	5,111			
<u>Required Asset Maintenance</u>	<u>4,598</u>	<b>1.11</b>	1.04	0.67
<b>4. Capital Expenditure Ratio</b>				
Annual Capital Expenditure	31,375			
<u>Annual Depreciation</u>	<u>15,684</u>	<b>2.00</b>	1.49	1.00

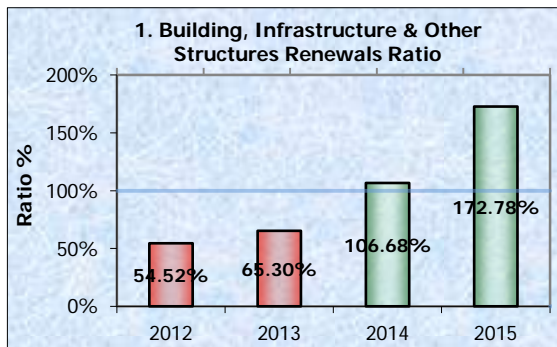
## Notes

<sup>(1)</sup> Asset Renewals represent the replacement &/or refurbishment of existing assets to an equivalent capacity/performance as opposed to the acquisition of new assets (or the refurbishment of old assets) that increases capacity/performance. Asset Renewals include building, infrastructure & Other Structure assets only.

<sup>(2)</sup> Written Down Value

# North Sydney Council

## Special Schedule No. 7 - Report on Infrastructure Assets (continued) for the financial year ended 30 June 2015



### 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.

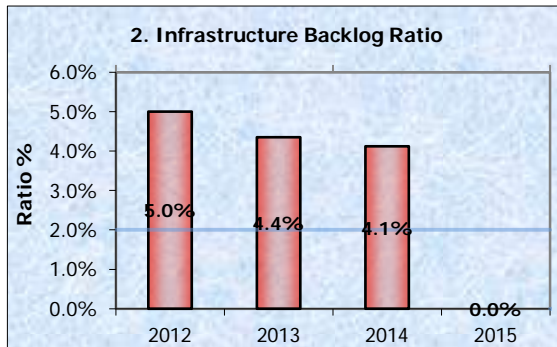
### Commentary on 2014/15 Result

**2014/15 Ratio 172.78%**

This ratio was better than the benchmark of 100% for the second successive year. This is a reflection of Council's ongoing commitment to ensuring that sufficient funds are allocated to the replacement and renewal of its 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 #23

■ Ratio is within 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.

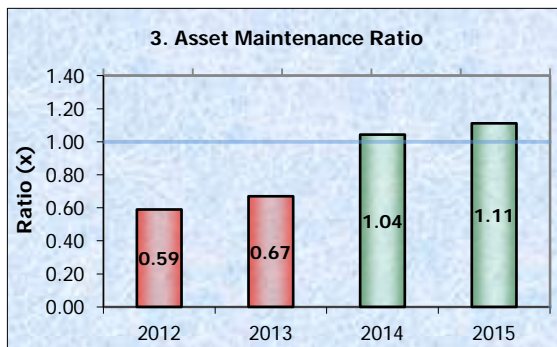
### Commentary on 2014/15 Result

**2014/15 Ratio 0.00%**

This ratio was better than the benchmark of 2% for the first time in many years. A significant increase in funding for infrastructure renewal in 2014/15 has resulted in the elimination of Council's infrastructure backlog.

Benchmark: ——— Maximum  $< 0.02$   
Source for Benchmark: Code of Accounting Practice and Financial Reporting #23

■ Ratio is within 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.

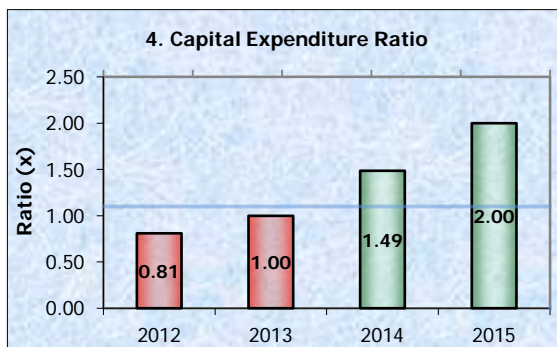
### Commentary on 2014/15 Result

**2014/15 Ratio 1.11 x**

This ratio was better than the benchmark of 1.0 for the second successive year. This indicates that sufficient funds were also allocated to the maintenance of Council's infrastructure assets.

Benchmark: ——— Minimum  $> 1.00$   
Source for Benchmark: Code of Accounting Practice and Financial Reporting #23

■ Ratio is within 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 2014/15 Result

**2014/15 Ratio 2.00 x**

This ratio was better than the benchmark of 1.1 for the second 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 #23

■ Ratio is within Benchmark  
■ Ratio is outside Benchmark

## North Sydney Council

## Special Schedule No. 9 - Permissible Income Calculation

for the financial year ended 30 June 2016

\$'000		Calculation 2014/15	Calculation 2015/16
<b>Notional General Income Calculation <sup>(1)</sup></b>			
Last Year Notional General Income Yield	a	34,597	36,684
Plus or minus Adjustments <sup>(2)</sup>	b	177	238
<b>Notional General Income</b>	c = (a + b)	<b>34,774</b>	<b>36,922</b>
<b>Permissible Income Calculation</b>			
Special variation percentage <sup>(3)</sup>	d	5.50%	5.50%
or Rate peg percentage	e	0.00%	0.00%
or Crown land adjustment (incl. rate peg percentage)	f	0.00%	0.00%
less expiring Special variation amount	g	-	-
plus Special variation amount	h = d x (c-g)	1,913	2,031
or plus Rate peg amount	i = c x e	-	-
or plus Crown land adjustment and rate peg amount	j = c x f	-	-
<b>sub-total</b>	k = (c+g+h+i+j)	<b>36,687</b>	<b>38,953</b>
plus (or minus) last year's Carry Forward Total	l	-	-
less Valuation Objections claimed in the previous year	m	(3)	-
<b>sub-total</b>	n = (l + m)	<b>(3)</b>	-
<b>Total Permissible income</b>	o = k + n	<b>36,684</b>	<b>38,953</b>
less Notional General Income Yield	p	36,684	39,014
<b>Catch-up or (excess) result</b>	q = o - p	-	<b>(61)</b>
plus Income lost due to valuation objections claimed <sup>(4)</sup>	r	-	61
less Unused catch-up <sup>(5)</sup>	s	-	-
<b>Carry forward to next year</b>	t = q + r - s	-	-

**Notes**

- 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.
- 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.
- The Special Variation Percentage is inclusive of the Rate Peg percentage and where applicable crown land adjustment.
- 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.
- 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.
- 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 councils' Special Schedule 9 in the Financial Data Return (FDR) to administer this process.



**NORTH SYDNEY COUNCIL**  
**SPECIAL SCHEDULE NO. 9**  
**INDEPENDENT AUDITORS' REPORT**

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**REPORT ON SPECIAL SCHEDULE NO. 9**

We have audited the accompanying special purpose financial statement comprising the reconciliation of total permissible general income (Special Schedule No. 9) of North Sydney Council for the year ending 30 June 2016.

***Responsibility of Council for Special Schedule No. 9***

The Council is responsible for the preparation and fair presentation of Special Schedule No. 9 in accordance with the Local Government Code of Accounting Practice and Financial Reporting (Guidelines) Update No. 23. 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. 9 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. 9 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. 9 is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in Special Schedule No. 9. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of Special Schedule No. 9, 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. 9.

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.

**Assurance Partners**

T. +61 2 9232 5111  
F. +61 2 9233 7950

Level 5, 1 Chifley Square  
Sydney NSW 2000 Australia

GPO Box 7066  
Sydney NSW 2001

[www.hr-ss.com.au](http://www.hr-ss.com.au)  
[info@hr-ss.com.au](mailto:info@hr-ss.com.au)

Practising as Hill Rogers Spencer  
Steer Assurance Partners

ABN 56 435 338 966

In making our risk assessments, we consider internal controls relevant to the entity's preparation of Special Schedule No. 9 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.

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. 9 of North Sydney Council for 2015/16 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 SPENCER STEER**



**GARY MOTTAU**  
Partner

Dated at Sydney this 20th day of October 2015