



North Sydney Council

Financial Statements

for the year ended 30 June 2014



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North Sydney Council

Financial Statements

for the financial year ended 30 June 2014



Contents

Section

Executive summary

I

General Purpose Financial Statements

II

Special Purpose Financial Statements

III

Special Schedules

IV

North Sydney Council

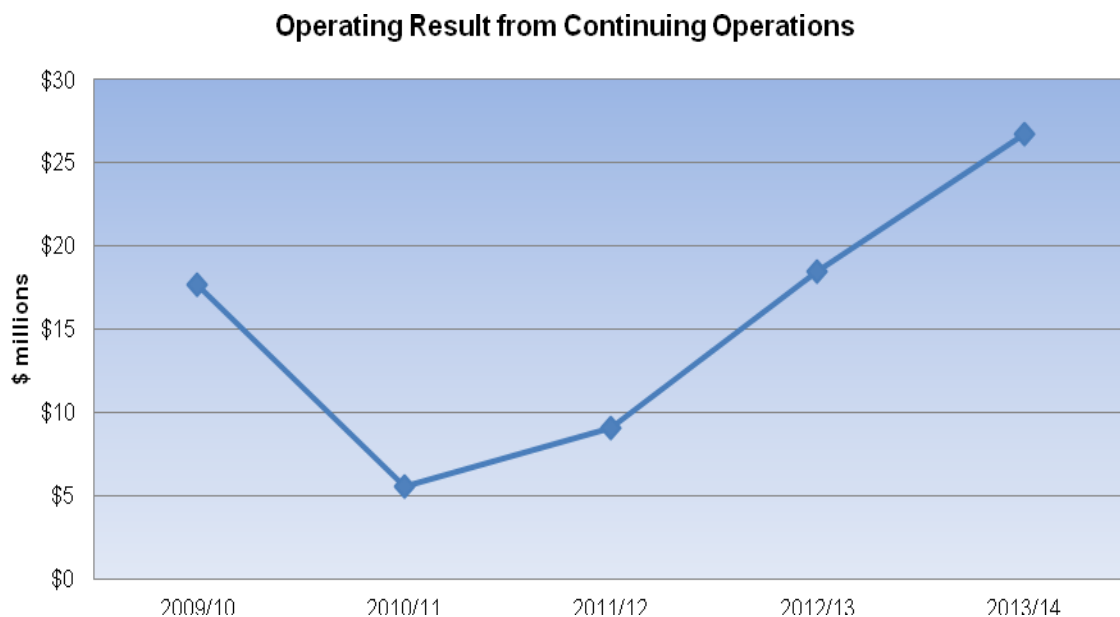
Financial Statements

for the financial year ended 30 June 2014

Executive Summary

Review of Council's Financial Result

Council achieved a net operating surplus from continuing operations of \$26.7 million in 2013/14. This was an increase of \$8.3 million over the result achieved in 2012/13. The following graph shows Council's operating result from continuing operations over the last 5 years.



This operating result includes \$11.4 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 \$20.6 million in the value of Council's investment property portfolio, a \$73,000 increase in the fair value of Council's investment portfolio, net losses from the disposal of assets of \$4.9 million and a \$4,000 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 deficit of \$509,000. This compared to a deficit of \$2.2 million in 2012/13.

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.

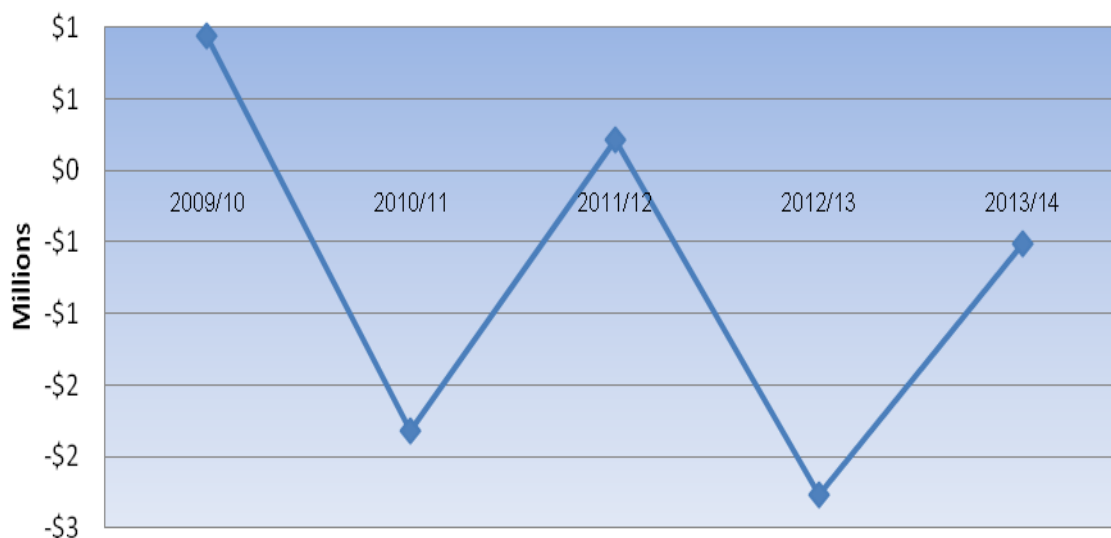
North Sydney Council

Financial Statements

for the financial year ended 30 June 2014

Executive Summary (continued)

Operating Result from Continuing Operations (excluding Capital Grants & Contributions, Fair Value Movements, Net Gain/Loss on Disposal of Assets and Share of Joint Venture Profit/Loss)



The factors that contributed to the increase of \$8.3 million in the operating result (including capital grants and contributions) from that achieved in 2012/13 are outlined below.

- Rates and annual charges revenue increased by \$2.8 million (6.8%) from 2012/13. 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 a 9.4% increase in the annual charge for Domestic Waste Management to offset forecast increases in waste disposal costs, was the reason for the increase in revenue from this income stream.
- User charges and fees revenue increased by \$1.7 million (7.9%) from 2012/13. This was primarily due to increased revenue from Construction Zone and Hoarding Permit fees.
- Interest and investment revenue decreased by \$258,000 (2%) from 2012/13. While the pool of funds available for investment in 2013/14 was greater than that available in 2012/13, the average rate of return on Council's investment portfolio was 4.71%, down from 5.95% in 2012/13 (though still 2.03% above the reportable benchmark - the UBS Bank Bill Index).
- Other revenues increased by \$5.2 million (17.5%) from 2012/13. This was primarily due to the fact that the fair value of Council's investment property portfolio was estimated to have increased by \$20.6 million compared to \$15.3 million in 2012/13.
- Grants and contributions provided for operating purposes decreased by \$384,000 (10%) from 2012/13. 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.
- Grants and contributions provided for capital purposes increased by \$8 million (231.5%) from 2012/13. This was due to a significant increase in the amount of revenue received from developer contributions.

North Sydney Council

Financial Statements

for the financial year ended 30 June 2014

Executive Summary (continued)

- Employee benefits and on-costs expenditure increased by \$748,000 (2.1%) from 2012/13. This was less than the 3.25% award increase in salaries and wages primarily due to a \$695,000 fall in Council's workers compensation insurance premium.
- Materials and contracts expenditure increased by \$1.5 million (5.5%) from 2012/13. Increased building maintenance, parking meter maintenance, computer hardware and software maintenance, parks, gardens and tree maintenance and waste and recycling collection and disposal costs were the main reason for this.
- Depreciation and amortisation increased by \$239,000 (1.6%) from 2012/13.
- Other expenses decreased by \$262,000 (3%) from 2012/13. This was because the 2012/13 figure included the cost of the Local Government Election held in September 2012.
- Council incurred a net loss of \$4.9 million from the disposal of assets. This compared with a net gain of \$1.5 million in 2012/13. The \$6.4 million turnaround can be primarily attributed to the disposal/write-off of two properties. During the year, Council entered into an agreement for the long-term lease of 2 Anzac Avenue, Cammeray. This asset is recorded as having a nil value but still identified as an asset held but not controlled by Council. Due to the term of the lease, the transaction was treated as a property disposal which resulted in a net loss of \$4.1 million. Also, towards the end of the year, the Alexander Street Carpark in Crows Nest was demolished as part of the redevelopment of the site. At the date of demolition, its written down value was \$795,000. The disposal/write-off of these properties resulted in a \$4.9 million loss.
- Council is a member of the Shorelink Library Network, a Joint Venture with four other Councils. The entity incurred a loss of \$15,000 in 2013/14 and North Sydney's share of this loss was \$4,000 compared to a loss of \$8,000 in 2012/13.

Review of Council's Cash Position

After adjusting the \$26.7 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 \$24 million from \$71.6 million to \$95.6 million, as per the following reconciliation:

		\$'000
Operating surplus		26,743
add:	depreciation	15,283
	net loss from disposal of assets	4,851
	net share of loss incurred by Shorelink Library Network	4
	net movements in operating assets and liabilities	895
	proceeds from sale of investment property	19,500
	proceeds from sale of property, plant and equipment	1,269
deduct:	fair value gains in investment property portfolio	20,620
	capital expenditure	<u>23,902</u>
net increase in cash and investments held		24,023
plus:	cash and investments held at the beginning of the year	<u>71,595</u>
Cash and Investments held at the end of the year		<u>95,618</u>

North Sydney Council

Financial Statements

for the financial year ended 30 June 2014

Executive Summary (continued)

Review of Council's Financial Position

As at 30 June 2014, Council's financial position was sound with no debt and total net assets of \$756 million, including cash and investments of \$95.6 million. Of this \$95.6 million, \$23.4 million was externally restricted for specific purposes and \$66 million was internally restricted for specific purposes. The remaining \$6.2 million was unrestricted.

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

The unrestricted current ratio provides a measure of the adequacy of working capital and the degree to which unrestricted current assets can satisfy the organisation's short term commitments. As at 30 June 2014, Council's unrestricted current ratio was 2.25:1, slightly down from 2.34:1 the previous year but still well above the industry benchmark of 1.5:1.

During 2013/14, \$12.9 million was spent on the renewal of Council's building and infrastructure assets. Over the same period, the depreciation expense for these assets was \$12.1 million. Hence, the Building and Infrastructure Renewals Ratio was 106.6%, above the benchmark of 100% for the first time since 2009/10. A further \$12.9 million was spent on the maintenance of buildings and infrastructure and this resulted in an Asset Maintenance Ratio of 1.04:1, 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. Accordingly, 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, down from \$16 million the previous year. Council's Long Term Financial Plan forecasts the allocation of \$47.8 million towards the renewal of existing infrastructure over the remaining three years of the current Delivery Program. This should result in further reductions to the infrastructure backlog over this period.

North Sydney Council

GENERAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2014

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North Sydney Council

General Purpose Financial Statements

for the financial year ended 30 June 2014

Contents	Page
1. Understanding Council's Financial Statements	2
2. Statement by Councillors & Management	3
3. Primary Financial Statements:	
- Income Statement	4
- Statement of Comprehensive Income	5
- Statement of Financial Position	6
- Statement of Changes in Equity	7
- Statement of Cash Flows	8
4. Notes to the Financial Statements	9
5. Independent Auditor's Reports:	
- On the Financial Statements (Sect 417 [2])	79
- On the Conduct of the Audit (Sect 417 [3])	81

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 14 October 2014. Council has the power to amend and reissue these financial statements.

North Sydney Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Understanding Council's Financial Statements

Introduction

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

What you will find in the Statements

The financial statements set out the financial performance, financial position & cash flows of Council for the financial year ended 30 June 2014.

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; and
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 2014

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.

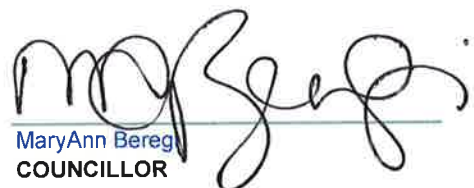
To the best of our knowledge and belief, these Financial Statements:

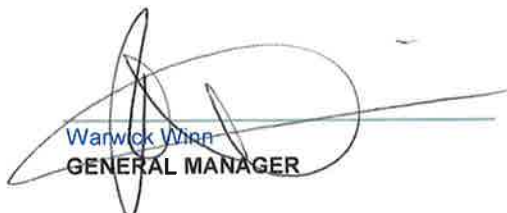
- present fairly the Council's operating result and financial position for the year, and
- accords with Council's accounting and other records.

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 13 October 2014.


Jilly Gibson
MAYOR


MaryAnn Bereg
COUNCILLOR


Warwick Winn
GENERAL MANAGER


Garry Ross
RESPONSIBLE ACCOUNTING OFFICER

North Sydney Council

Income Statement

for the financial year ended 30 June 2014

Budget ¹ 2014	\$ '000	Notes	Actual 2014	Actual 2013
Income from Continuing Operations				
Revenue:				
43,400	Rates & Annual Charges	3a	43,550	40,789
20,154	User Charges & Fees	3b	22,709	21,056
2,728	Interest & Investment Revenue	3c	4,022	4,280
14,450	Other Revenues	3d	35,005 ³	29,797
3,868	Grants & Contributions provided for Operating Purposes	3e,f	3,457 ²	3,841
4,181	Grants & Contributions provided for Capital Purposes	3e,f	11,414	3,443
Other Income:				
287	Net gains from the disposal of assets	5	-	1,542
89,068	Total Income from Continuing Operations		120,157	104,748
Expenses from Continuing Operations				
35,689	Employee Benefits & On-Costs	4a	35,559	34,811
-	Borrowing Costs	4b	-	-
28,100	Materials & Contracts	4c	29,275	27,757
15,101	Depreciation & Amortisation	4d	15,283	15,044
-	Impairment	4d	-	-
8,480	Other Expenses	4e	8,442	8,704
-	Net Losses from the Disposal of Assets	5	4,851	-
-	Net Share of interests in Joint Ventures & Associated Entities using the equity method	19	4	8
87,370	Total Expenses from Continuing Operations		93,414	86,324
1,698	Operating Result from Continuing Operations		26,743	18,424
Discontinued Operations				
-	Net Profit/(Loss) from Discontinued Operations	24	-	-
1,698	Net Operating Result for the Year		26,743	18,424
1,698	Net Operating Result attributable to Council		26,743	18,424
-	Net Operating Result attributable to Non-controlling Interests		-	-
Net Operating Result for the year before Grants and Contributions provided for Capital Purposes				
(2,483)			15,329	14,981

¹ Original Budget as approved by Council - refer Note 16

² Financial Assistance Grants for 13/14 are lower, reflecting a timing difference due to a change in how the grant is paid - refer Note 3 (e)

³ Other Revenues 2014 includes an additional \$5.3 million in Fair Value adjustments (non-cash) associated with Investment Properties - refer Note 14.

North Sydney Council

Statement of Comprehensive Income
for the financial year ended 30 June 2014

\$ '000	Notes	Actual 2014	Actual 2013
Net Operating Result for the year (as per Income statement)		26,743	18,424
Other Comprehensive Income:			
Amounts which will not be reclassified subsequently to the Operating Result			
Gain (loss) on revaluation of I,PP&E	20b (ii)	-	(4,790)
Total Items which will not be reclassified subsequently to the Operating Result		-	(4,790)
Amounts which will be reclassified subsequently to the Operating Result when specific conditions are met			
Nil			
Total Other Comprehensive Income for the year		-	(4,790)
Total Comprehensive Income for the Year		26,743	13,634
Total Comprehensive Income attributable to Council		26,743	13,634
Total Comprehensive Income attributable to Non-controlling Interests		-	-

North Sydney Council

Statement of Financial Position

as at 30 June 2014

\$ '000	Notes	Actual 2014	Actual 2013
ASSETS			
Current Assets			
Cash & Cash Equivalents	6a	5,108	3,081
Investments	6b	26,185	28,183
Receivables	7	6,485	5,429
Inventories	8	51	43
Other	8	59	43
Non-current assets classified as "held for sale"	22	-	-
Total Current Assets		37,888	36,779
Non-Current Assets			
Investments	6b	64,325	40,331
Receivables	7	118	118
Inventories	8	-	-
Infrastructure, Property, Plant & Equipment	9	608,323	600,893
Investments accounted for using the equity method	19	61	65
Investment Property	14	74,650	77,680
Intangible Assets	25	-	-
Total Non-Current Assets		747,477	719,087
TOTAL ASSETS		785,365	755,866
LIABILITIES			
Current Liabilities			
Payables	10	15,475	13,213
Borrowings	10	-	-
Provisions	10	13,259	12,763
Total Current Liabilities		28,734	25,976
Non-Current Liabilities			
Payables	10	-	-
Borrowings	10	-	-
Provisions	10	278	280
Total Non-Current Liabilities		278	280
TOTAL LIABILITIES		29,012	26,256
Net Assets		756,353	729,610
EQUITY			
Retained Earnings	20	673,752	647,009
Revaluation Reserves	20	82,601	82,601
Council Equity Interest		756,353	729,610
Non-controlling Interests		-	-
Total Equity		756,353	729,610

North Sydney Council

Statement of Changes in Equity
for the financial year ended 30 June 2014

\$ '000	Notes	Retained Earnings	Reserves (Refer 20b)	Council Interest	Non- controlling Interest	Total Equity
2014						
Opening Balance (as per Last Year's Audited Accounts)		647,009	82,601	729,610	-	729,610
a. Correction of Prior Period Errors	20 (c)	-	-	-	-	-
b. Changes in Accounting Policies (prior year effects)	20 (d)	-	-	-	-	-
Revised Opening Balance (as at 1/7/13)		647,009	82,601	729,610	-	729,610
c. Net Operating Result for the Year		26,743	-	26,743	-	26,743
d. Other Comprehensive Income						
- Revaluations : IPP&E Asset Revaluation Rsv	20b (ii)	-	-	-	-	-
- Revaluations: Other Reserves	20b (ii)	-	-	-	-	-
- Transfers to Income Statement	20b (ii)	-	-	-	-	-
- Impairment (loss) reversal relating to I,PP&E	20b (ii)	-	-	-	-	-
Other Comprehensive Income		-	-	-	-	-
Total Comprehensive Income (c&d)		26,743	-	26,743	-	26,743
e. Distributions to/(Contributions from) Non-controlling Interests		-	-	-	-	-
f. Transfers between Equity		-	-	-	-	-
Equity - Balance at end of the reporting period		673,752	82,601	756,353	-	756,353
2013						
Opening Balance (as per Last Year's Audited Accounts)		628,585	87,391	715,976	-	715,976
a. Correction of Prior Period Errors	20 (c)	-	-	-	-	-
b. Changes in Accounting Policies (prior year effects)	20 (d)	-	-	-	-	-
Revised Opening Balance (as at 1/7/12)		628,585	87,391	715,976	-	715,976
c. Net Operating Result for the Year		18,424	-	18,424	-	18,424
d. Other Comprehensive Income						
- Revaluations : IPP&E Asset Revaluation Rsv	20b (ii)	-	(4,790)	(4,790)	-	(4,790)
- Revaluations: Other Reserves	20b (ii)	-	-	-	-	-
- Transfers to Income Statement	20b (ii)	-	-	-	-	-
- Impairment (loss) reversal relating to I,PP&E	20b (ii)	-	-	-	-	-
Other Comprehensive Income		-	(4,790)	(4,790)	-	(4,790)
Total Comprehensive Income (c&d)		18,424	(4,790)	13,634	-	13,634
e. Distributions to/(Contributions from) Non-controlling Interests		-	-	-	-	-
f. Transfers between Equity		-	-	-	-	-
Equity - Balance at end of the reporting period		647,009	82,601	729,610	-	729,610

North Sydney Council

Statement of Cash Flows

for the financial year ended 30 June 2014

Budget 2014	\$ '000	Notes	Actual 2014	Actual 2013
Cash Flows from Operating Activities				
Receipts:				
43,376	Rates & Annual Charges		43,669	40,871
20,156	User Charges & Fees		26,660	22,879
2,670	Investment & Interest Revenue Received		3,589	4,018
9,020	Grants & Contributions		14,813	8,158
1,200	Bonds, Deposits & Retention amounts received		2,135	1,395
12,958	Other		15,942	17,284
Payments:				
(35,099)	Employee Benefits & On-Costs		(35,165)	(34,153)
(28,186)	Materials & Contracts		(32,209)	(32,267)
(1,200)	Bonds, Deposits & Retention amounts refunded		(1,307)	(1,343)
(8,490)	Other		(11,044)	(9,073)
16,405	Net Cash provided (or used in) Operating Activities	11b	27,083	17,769
Cash Flows from Investing Activities				
Receipts:				
45,000	Sale of Investment Securities		46,372	49,181
-	Sale of Investment Property		19,500	-
1,295	Sale of Infrastructure, Property, Plant & Equipment		1,269	2,395
Payments:				
(40,000)	Purchase of Investment Securities		(68,295)	(53,980)
(20,202)	Purchase of Infrastructure, Property, Plant & Equipment		(23,902)	(14,568)
(13,907)	Net Cash provided (or used in) Investing Activities		(25,056)	(16,972)
Cash Flows from Financing Activities				
Nil				
2,498	Net Increase/(Decrease) in Cash & Cash Equivalents		2,027	797
2,000	plus: Cash & Cash Equivalents - beginning of year	11a	3,081	2,284
4,498	Cash & Cash Equivalents - end of the year	11a	5,108	3,081
Additional Information:				
	plus: Investments on hand - end of year	6b	90,510	68,514
Total Cash, Cash Equivalents & Investments			95,618	71,595

Please refer to Note 11 for information on the following:

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

North Sydney Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Contents of the Notes accompanying the Financial Statements

Note	Details	Page
1	Summary of Significant Accounting Policies	10
2(a)	Council Functions / Activities - Financial Information	26
2(b)	Council Functions / Activities - Component Descriptions	27
3	Income from Continuing Operations	28
4	Expenses from Continuing Operations	33
5	Gains or Losses from the Disposal of Assets	37
6(a)	Cash & Cash Equivalent Assets	38
6(b)	Investments	38
6(c)	Restricted Cash, Cash Equivalents & Investments - Details	40
7	Receivables	42
8	Inventories & Other Assets	43
9(a)	Infrastructure, Property, Plant & Equipment	44
9(b)	Externally Restricted Infrastructure, Property, Plant & Equipment	45 n/a
9(c)	Infrastructure, Property, Plant & Equipment - Current Year Impairments	45 n/a
10(a)	Payables, Borrowings & Provisions	46
10(b)	Description of (and movements in) Provisions	47
11	Statement of Cash Flows - Additional Information	48
12	Commitments for Expenditure	49
13	Statement of Performance Measures:	
	13a (i) Local Government Industry Indicators (Consolidated)	50
	13a (ii) Local Government Industry Graphs (Consolidated)	51
14	Investment Properties	53
15	Financial Risk Management	54
16	Material Budget Variations	58
17	Statement of Developer Contributions	60
18	Contingencies and Other Liabilities/Assets not recognised	62
19	Controlled Entities, Associated Entities & Interests in Joint Ventures	64
20	Equity - Retained Earnings and Revaluation Reserves	66
21	Financial Result & Financial Position by Fund	66 n/a
22	"Held for Sale" Non Current Assets & Disposal Groups	67 n/a
23	Events occurring after the Reporting Date	67 n/a
24	Discontinued Operations	67 n/a
25	Intangible Assets	67 n/a
26	Reinstatement, Rehabilitation & Restoration Liabilities	67 n/a
27	Fair Value Measurement	68
 Additional Council Disclosures		
28	Financial Review	77
29	Council Information & Contact Details	78

n/a - not applicable

North Sydney Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

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 13 Fair Value Measurement
- AASB 119 Employee Benefits

AASB 13 Fair Value Measurement has not affected the assets or liabilities which are to be measured at fair value. However, it does provide detailed guidance on how to measure fair value in accordance with the accounting standards.

It introduces the concept of highest and best use for non-financial assets and has caused the Council to review their valuation methodology.

The level of disclosures regarding fair value have increased significantly and have been included in the financial statements at Note 27.

AASB 119 Employee Benefits introduced revised definitions for short-term employee benefits.

Whilst the Council has reviewed the annual leave liability to determine the level of annual leave which is expected to be paid more than 12 months after the end of the reporting period, there has been no effect on the amounts disclosed as leave liabilities since Council's existing valuation policy was to discount annual leave payable more than 12 months after the end of the reporting period to present values.

(iv) Early adoption of Accounting Standards

Council has not elected to apply any pronouncements before their operative date in the annual reporting period beginning 1 July 2013.

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

North Sydney Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 1. Summary of Significant Accounting Policies

(v) Basis of Accounting

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

- (i) certain financial assets and liabilities at fair value through profit or loss and available-for-sale financial assets which are all valued at fair value;
- (ii) the write down of any asset on the basis of impairment (if warranted); and
- (iii) certain classes of non current assets (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.

North Sydney Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 1. Summary of Significant Accounting Policies

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

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

Revenue from Contributions is recognised when the Council either obtains control of the contribution or the right to receive it, 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 2014) and all of the related operating results (for the financial year ended the 30 June 2014).

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

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

North Sydney Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 1. Summary of Significant Accounting Policies

(i) The Consolidated Fund

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

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

(ii) 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.

North Sydney Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 1. Summary of Significant Accounting Policies

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

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

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

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

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.

North Sydney Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 1. Summary of Significant Accounting Policies

General Accounting & Measurement of Financial Instruments

(i) Initial Recognition

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

Purchases and sales of investments are recognised on trade-date, 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.

North Sydney Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 1. Summary of Significant Accounting Policies

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

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

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

(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

North Sydney Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 1. Summary of Significant Accounting Policies

are all stated at the lower of cost and net realisable value.

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

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

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

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

Land Held for Resale/Capitalisation of Borrowing Costs

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

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

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

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

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

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

Acquisition of assets

Council's non current assets are continually revalued (over a 5 year period) in accordance with the fair valuation policy as mandated by the 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 incl. roads, bridges & footpaths** (Internal Valuation);
- **Drainage Assets** (Internal Valuation);
- **Community Land** (External/Internal Valuation);
- **Land Improvements** (as approximated by depreciated historical cost);
- **Other Structures** (as approximated by depreciated historical cost);
- **Other Assets** (as approximated by depreciated historical cost).

Initial Recognition

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

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

The discount rate used is the Council's incremental borrowing rate, being the rate at which a similar 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 2014

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

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

Other Equipment

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

North Sydney Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 1. Summary of Significant Accounting Policies

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.

(o) Rural Fire Service assets

Council has no Rural Fire Services assets.

North Sydney Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 1. Summary of Significant Accounting Policies

(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 2014.

(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.

(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.

North Sydney Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 1. Summary of Significant Accounting Policies

(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 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.

North Sydney Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 1. Summary of Significant Accounting Policies

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

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

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

(iii) Retirement benefit obligations

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

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

Defined Benefit Plans

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

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

However, when this information is not reliably available, Council can account for its obligations to defined benefit plans on the same basis as its

obligations to defined contribution plans, i.e. as an expense when they become payable.

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

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

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

The 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 2014 was \$1,030,973.

The last valuation of the Scheme was performed by Richard Boyfield, AFS Licence No. 411770, on 30 June 2014 and covers the period ended 30 June 2014. The position is monitored annually and the Actuary has estimated that, as at 30 June 2014, 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 2013/14 towards the extinguishment of this deficit included in the aforementioned total employer contributions is \$382,042.

As at 30 June 2014, the share of this deficit that can be broadly attributed to Council is estimated to be in the order of \$1,528,168.

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 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.

North Sydney Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 1. Summary of Significant Accounting Policies

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 2014.

(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.

(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 2014.

Council has not adopted any of these standards early.

North Sydney Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 1. Summary of Significant Accounting Policies

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

Applicable to Local Government with implications

AASB 9 Financial Instruments, associated standards, AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 and AASB 2012-6 Amendments to Australian Accounting Standards – Mandatory Effective Date of AASB 9 and transitional disclosures and AASB 2013-9 Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments (effective from 1 January 2017).

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

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

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

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

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

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

The Council has not yet fully assessed the impact on the reporting financial position and performance on adoption of AASB 9.

Applicable to Local Government but no implications for Council

AASB 2013-3 Amendments to AASB 136 Recoverable Amount Disclosures for Non-Financial Assets (effective for 30 June 2015 Financial Statements).

There are no changes to reported financial position or performance from AASB 2013–3, however additional disclosures may be required.

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

AASB 10 Consolidated Financial Statements, AASB 11 Joint Arrangements, AASB 12 Disclosure of Interests in Other Entities, revised AASB 127 Separate Financial Statements and AASB 128 Investments in Associates and Joint Ventures and AASB 2011-7 Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards (effective for 30 June 2015 Financial Statements for not-for-profit entities).

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

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

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

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

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

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

North Sydney Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 1. Summary of Significant Accounting Policies

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

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

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

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

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

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

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

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

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

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

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

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

The amendments also introduce a "partial disposal" concept.

Council is still assessing the impact of these amendments.

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

They would therefore be first applied in the financial statements for the annual reporting period ending 30 June 2015.

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 2014

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
	2014	2014	2013	2014	2014	2013	2014	2014	2013	2014	2013	2014	2013
Governance	-	-	1	1,896	2,164	1,902	(1,896)	(2,164)	(1,901)	-	-	50	33
Administration	3,780	5,881	6,362	14,268	19,316	14,789	(10,488)	(13,435)	(8,427)	-	-	130,606	106,532
Public Order & Safety	6,728	7,365	7,051	6,761	6,921	6,532	(33)	444	519	-	-	1,967	1,924
Health	777	207	165	1,151	1,345	1,122	(374)	(1,138)	(957)	8	8	571	572
Environment	12,941	13,331	12,752	16,932	16,224	15,898	(3,991)	(2,893)	(3,146)	283	442	82,462	82,278
Community Services & Education	621	564	518	2,270	2,337	2,265	(1,649)	(1,773)	(1,747)	436	424	3,080	3,151
Housing & Community Amenities	1,096	1,110	1,098	5,650	5,559	5,773	(4,554)	(4,449)	(4,675)	236	166	4,010	3,604
Recreation & Culture	7,472	14,636	6,708	18,404	19,534	18,537	(10,932)	(4,898)	(11,829)	443	268	256,088	255,361
Mining, Manufacturing & Construction	60	41	57	-	-	-	60	41	57	-	-	-	-
Transport & Communication	12,795	13,183	13,107	13,002	12,207	12,478	(207)	976	629	404	370	190,082	187,227
Economic Affairs	8,833	29,004	22,934	7,036	7,803	7,020	1,797	21,201	15,914	2	-	116,387	115,117
Total Functions & Activities	55,103	85,322	70,753	87,370	93,410	86,316	(32,267)	(8,088)	(15,563)	1,812	1,678	785,303	755,799
Share of gains/(losses) in Associates & Joint Ventures (using the Equity Method)	-	-	-	-	4	8	-	(4)	(8)	-	-	61	65
General Purpose Income ¹	33,965	34,835	33,995	-	-	-	33,965	34,835	33,995	1,127	1,875	1	2
Operating Result from Continuing Operations	89,068	120,157	104,748	87,370	93,414	86,324	1,698	26,743	18,424	2,939	3,553	785,365	755,866

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 2014

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 2014

Note 3. Income from Continuing Operations

\$ '000	Notes	Actual 2014	Actual 2013
(a) Rates & Annual Charges			
Ordinary Rates			
Residential		18,198	17,011
Business		11,762	11,097
Total Ordinary Rates		29,960	28,108
Special Rates			
Environmental Levy		1,820	1,819
Infrastructure Levy		1,631	1,627
Main Street Levies		495	500
Total Special Rates		3,946	3,946
Annual Charges (pursuant to s.496, s.496A, s.496B, s.501 & s.611)			
Domestic Waste Management Services		9,585	8,681
Section 611 Charges		59	54
Total Annual Charges		9,644	8,735
TOTAL RATES & ANNUAL CHARGES		43,550	40,789

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

North Sydney Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 3. Income from Continuing Operations (continued)

\$ '000	Notes	Actual 2014	Actual 2013
(b) User Charges & Fees			
Specific User Charges (per s.502 - Specific "actual use" charges)			
Domestic Waste Management Services		977	912
Total User Charges		977	912
Other User Charges & Fees			
(i) Fees & Charges - Statutory & Regulatory Functions (per s.608)			
Planning & Building Regulation		2,522	1,710
Regulatory/ Statutory Fees		2,552	1,918
Section 149 Certificates (EPA Act)		365	324
Section 603 Certificates		181	143
Total Fees & Charges - Statutory/Regulatory		5,620	4,095
(ii) Fees & Charges - Other (incl. General User Charges) (per s.608)			
Business Trade Waste		355	357
Community Centres / Facilities		49	48
Domestic Waste Management - Other		20	20
Library		138	134
Ovals		1,019	644
Off Street Parking		2,534	2,722
On Street Parking		7,923	7,749
Planning & Building Regulation (Non Statutory)		416	377
Public Events		25	20
Reinstatements		990	1,377
Swimming Centres		2,362	2,395
Other		281	206
Total Fees & Charges - Other		16,112	16,049
TOTAL USER CHARGES & FEES		22,709	21,056

North Sydney Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 3. Income from Continuing Operations (continued)

\$ '000	Notes	Actual 2014	Actual 2013
(c) Interest & Investment Revenue (incl. losses)			
Interest & Dividends			
- Interest on Overdue Rates & Annual Charges (incl. Special Purpose Rates)		48	47
- Interest earned on Investments (interest & coupon payment income)		3,594	3,522
- Interest on Developer Contributions		307	299
Fair Value Adjustments			
- Fair Valuation movements in Investments (at FV or Held for Trading)		73	407
Other		-	5
<u>TOTAL INTEREST & INVESTMENT REVENUE</u>		<u>4,022</u>	<u>4,280</u>
Interest Revenue is attributable to:			
Unrestricted Investments/Financial Assets:			
Overdue Rates & Annual Charges (General Fund)		48	47
General Council Cash & Investments		3,667	3,934
Restricted Investments/Funds - External:			
Development Contributions			
- Section 94		307	299
<u>Total Interest & Investment Revenue Recognised</u>		<u>4,022</u>	<u>4,280</u>
(d) Other Revenues			
Fair Value Adjustments - Investment Properties (Non-cash)	14	20,620	15,308
Rental Income - Investment Properties	14	5,388	5,093
Rental Income - Other Council Properties		294	286
Ex Gratia Rates		33	31
Fines - Environmental & Compliance		70	103
Fines - Parking		6,966	6,612
Legal Fees Recovery - Rates & Charges (Extra Charges)		73	66
Legal Fees Recovery - Other		94	241
Advertising on Council Infrastructure		926	1,020
Commissions & Agency Fees		9	5
Insurance Bonuses, Rebates & Claim Recoveries		113	218
Sales - General		16	8
Waste and Sustainability Improvement Program		-	417
Better Waste & Recycling Fund		201	-
Other		202	389
<u>TOTAL OTHER REVENUE</u>		<u>35,005</u>	<u>29,797</u>

North Sydney Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 3. Income from Continuing Operations (continued)

\$ '000	2014 Operating	2013 Operating	2014 Capital	2013 Capital
(e) Grants				
General Purpose (Untied)				
Financial Assistance - General Component	736 ¹	1,291 ²	-	-
Financial Assistance - Local Roads Component	231 ¹	425 ²	-	-
Pensioners' Rates Subsidies - General Component	160	159	-	-
Total General Purpose	1,127	1,875	-	-

¹ The Financial Assistance Grant for 13/14 reflects a one off reduction due to the fact that this grant is no longer being paid in advance by up to 50% as has occurred in previous years - it does not represent a loss of income but is instead a timing difference.

² Includes advance payment of one-half of the estimated 2013-14 grant allocation

Specific Purpose

Pensioners' Rates Subsidies:

- Domestic Waste Management	43	41	-	-
- Aged Care	59	54	-	-
- Family Day Care	312	305	-	-
- Vacation Care	28	28	-	-
- Youth Care	2	2	-	-
- Other	44	43	-	-
Environmental Protection	98	103	141	298
- Aboriginal Heritage	91	77	-	-
- Library	126	121	46	44
- Parks & Gardens	-	-	180	26
Street Lighting	166	166	-	-
Town Planning	72	-	-	-
Traffic Route Subsidy	24	20	-	-
Transport (Roads to Recovery)	220	217	-	-
Transport (Other Roads & Bridges Funding)	72	58	88	75
Total Specific Purpose	1,357	1,235	455	443
Total Grants	2,484	3,110	455	443

Grant Revenue is attributable to:

- Commonwealth Funding	588	599	141	298
- State Funding	1,887	2,511	214	145
- Other Funding	9	-	100	-
	2,484	3,110	455	443

North Sydney Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 3. Income from Continuing Operations (continued)

\$ '000	2014 Operating	2013 Operating	2014 Capital	2013 Capital
(f) Contributions				
Developer Contributions:				
(s93 & s94 - EP&A Act, s64 of the LGA):				
S 93F - Contributions using Planning Agreements	-	-	1,528	-
S 94 - Contributions towards amenities/services	-	-	9,431	2,938
Total Developer Contributions 17	-	-	10,959	2,938
Other Contributions:				
Environmental Protection	29	7	-	-
- Aboriginal Heritage	258	250	-	-
RMS Contributions (Regional Roads, Block Grant)	686	474	-	-
Other	-	-	-	62
Total Other Contributions	973	731	-	62
Total Contributions	973	731	10,959	3,000
TOTAL GRANTS & CONTRIBUTIONS	3,457	3,841	11,414	3,443

\$ '000	Actual 2014	Actual 2013
(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	15,873	14,857
add: Grants & contributions recognised in the current period but not yet spent:	6,944	1,904
less: Grants & contributions recognised in a previous reporting period now spent:	(4,305)	(888)
Net Increase (Decrease) in Restricted Assets during the Period	2,639	1,016
Unexpended and held as Restricted Assets	18,512	15,873
Comprising:		
- Specific Purpose Unexpended Grants	184	246
- Developer Contributions	18,294	15,610
- Other Contributions	34	17
	18,512	15,873

North Sydney Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 4. Expenses from Continuing Operations

\$ '000	Notes	Actual 2014	Actual 2013
(a) Employee Benefits & On-Costs			
Salaries and Wages		26,760	26,011
Travelling		449	441
Employee Leave Entitlements (ELE)		4,426	4,255
Superannuation - Defined Contribution Plans		2,330	2,161
Superannuation - Defined Benefit Plans		1,031	1,046
Workers' Compensation Insurance		210	905
Fringe Benefit Tax (FBT)		215	176
Training Costs (other than Salaries & Wages)		345	388
Other		168	170
Total Employee Costs		35,934	35,553
less: Capitalised Costs		(375)	(742)
TOTAL EMPLOYEE COSTS EXPENSED		35,559	34,811

Number of "Equivalent Full Time" Employees at year end	383	384
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(b) Borrowing Costs

Nil

(c) Materials & Contracts

Raw Materials & Consumables	3,644	3,510
Contractor Costs:		
- Aboriginal Heritage	158	122
- Agency Staff	659	708
- Cash Collection	401	352
- Cleaning of Council Properties	382	310
- Community Transport	168	164
- Computer Hardware & Software Maintenance	1,104	960
- Drainage Maintenance	396	377
- Footpath Maintenance	576	575
- Graffiti Removal	77	100
- Internal Audit Program	73	67
- Mowing	799	810
- Other Infrastructure Maintenance	212	470
- Parking Meter Maintenance	833	541
- Parks, Gardens & Tree Maintenance	1,483	1,360
- Property Maintenance	3,271	2,483
- Property Management	322	292
- Public Events	518	327
- Roads Maintenance	936	1,347

(continued on the next page...)

North Sydney Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 4. Expenses from Continuing Operations (continued)

\$ '000	Notes	Actual 2014	Actual 2013
(c) Materials & Contracts (continued)			
Contractor Costs (continued):			
- Waste & Recycling Collection		4,442	4,313
- Waste & Recycling Disposal		4,066	3,951
- Other		1,359	1,151
Consultancy		1,079	943
Auditors Remuneration ⁽¹⁾		52	54
Infringement Notice Contract Costs (SEINS)		1,045	932
Legal Expenses:			
- Legal Expenses: Planning & Development		778	1,241
- Legal Expenses: Debt Recovery		77	66
- Legal Expenses: Other		365	185
Operating Leases:			
- Operating Lease Rentals: Minimum Lease Payments ⁽²⁾		-	46
<u>TOTAL MATERIALS & CONTRACTS</u>		<u>29,275</u>	<u>27,757</u>
1. Auditor Remuneration			
During the year, the following fees were incurred for services provided by the Council's Auditor (& the Auditors of other Consolidated Entities):			
(i) Audit and Other Assurance Services			
- Audit & review of financial statements: Council's Auditor		52	54
Remuneration for audit and other assurance services		<u>52</u>	<u>54</u>
Total Auditor Remuneration		<u>52</u>	<u>54</u>
2. Operating Lease Payments are attributable to:			
Parking Meters		-	46
		<u>-</u>	<u>46</u>

North Sydney Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 4. Expenses from Continuing Operations (continued)

\$ '000	Notes	Impairment Costs		Depreciation/Amortisation	
		Actual 2014	Actual 2013	Actual 2014	Actual 2013
Plant and Equipment		-	-	1,506	1,363
Office Equipment		-	-	745	746
Furniture & Fittings		-	-	275	200
Land Improvements (depreciable)		-	-	256	267
Buildings - Non Specialised		-	-	44	51
Buildings - Specialised		-	-	2,835	2,972
Infrastructure:					
- Roads		-	-	4,824	4,712
- Footpaths		-	-	1,621	1,584
- Stormwater Drainage		-	-	1,060	1,070
- Swimming Pools		-	-	366	212
- Other Open Space/Recreational Assets		-	-	447	483
- Other Infrastructure		-	-	897	970
Other Assets					
- Heritage Collections		-	-	36	28
- Library Books		-	-	371	386
TOTAL DEPRECIATION & IMPAIRMENT COSTS EXPENSED		-	-	15,283	15,044

North Sydney Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 4. Expenses from Continuing Operations (continued)

\$ '000	Notes	Actual 2014	Actual 2013
(e) Other Expenses			
Other Expenses for the year include the following:			
Advertising		133	118
Bad & Doubtful Debts		79	107
Bank Charges		331	436
Contributions/Levies to Other Levels of Government			
- Department of Planning Levy		240	234
- Emergency Services Levy (includes FRNSW, SES, and RFS Levies)		1,306	1,275
- Land Tax		37	64
- State Treasury (share of net parking infringement revenue)		120	114
Councillor Expenses - Mayoral Fee		59	57
Councillor Expenses - Councillors' Fees		285	274
Councillors' Expenses (incl. Mayor) - Other (excluding fees above)		43	40
Donations, Contributions & Assistance to other organisations (Section 356)			
- Crows Nest Centre		343	321
- Crows Nest Mainstreet		148	149
- Neutral Bay Mainstreet		16	16
- North Sydney Community Centre		70	69
- Nutcote		75	72
- Other organisations		205	216
Electricity & Heating		1,074	1,081
Insurance		1,924	1,861
NSW Local Government Association Membership		43	41
Postage		257	209
Street Lighting		1,226	1,196
Telephone & Communications		238	227
Valuation Fees		66	62
Election Expenses		-	314
Contribution to Vivid Sydney		100	100
Other		24	51
<u>TOTAL OTHER EXPENSES</u>		<u>8,442</u>	<u>8,704</u>

North Sydney Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 5. Gains or Losses from the Disposal of Assets

\$ '000	Notes	Actual 2014	Actual 2013
Property (excl. Investment Property)			
Proceeds from Disposal - Property		-	1,632
less: Carrying Amount of Property Assets Sold / Written Off		(806)	(138)
Net Gain/(Loss) on Disposal		(806)	1,494
Plant & Equipment			
Proceeds from Disposal - Plant & Equipment		1,269	763
less: Carrying Amount of P&E Assets Sold / Written Off		(1,164)	(715)
Net Gain/(Loss) on Disposal		105	48
Investment Properties			
Proceeds from Disposal - Investment Properties		19,500	-
less: Carrying Amount of Investment Properties Sold / Written Off		(23,650)	-
Net Gain/(Loss) on Disposal		(4,150)	-
Financial Assets*			
Proceeds from Disposal / Redemptions / Maturities - Financial Assets		46,372	49,181
less: Carrying Amount of Financial Assets Sold / Redeemed / Matured		(46,372)	(49,181)
Net Gain/(Loss) on Disposal		-	-
<u>NET GAIN/(LOSS) ON DISPOSAL OF ASSETS</u>		<u>(4,851)</u>	<u>1,542</u>

North Sydney Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

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

\$ '000	Notes	2014	2014	2013	2013
		Actual Current	Actual Non Current	Actual Current	Actual Non Current
Cash & Cash Equivalents (Note 6a)					
Cash on Hand and at Bank		104	-	448	-
Cash-Equivalent Assets ¹					
- Deposits at Call		5,004	-	1,633	-
- Short Term Deposits		-	-	1,000	-
Total Cash & Cash Equivalents		5,108	-	3,081	-
Investments (Note 6b)					
- Managed Funds		-	-	2,812	-
- Long Term Deposits		22,685	46,000	23,000	23,640
- NCD's, FRN's (with Maturities > 3 months)		3,500	18,325	2,371	16,691
Total Investments		26,185	64,325	28,183	40,331
TOTAL CASH ASSETS, CASH EQUIVALENTS & INVESTMENTS		31,293	64,325	31,264	40,331

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

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

Cash & Cash Equivalents

a. "At Fair Value through the Profit & Loss"		5,108	-	3,081	-
--	--	--------------	----------	--------------	----------

Investments

a. "At Fair Value through the Profit & Loss"					
- "Held for Trading"	6(b-i)	-	-	2,812	-
- "Designated at Fair Value on Initial Recognition"	6(b-i)	-	-	-	-
b. "Held to Maturity"	6(b-ii)	26,185	64,325	25,371	40,331
c. "Loans & Receivables"	6(b-iii)	-	-	-	-
d. "Available for Sale"	6(b-iv)	-	-	-	-
Investments		26,185	64,325	28,183	40,331

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 2014

Note 6b. Investments (continued)

\$ '000	2014 Actual Current	2014 Actual Non Current	2013 Actual Current	2013 Actual Non Current
Note 6(b-i)				
Reconciliation of Investments classified as "At Fair Value through the Profit & Loss"				
Balance at the Beginning of the Year	2,812	-	3,560	-
Revaluations (through the Income Statement)	73	-	407	-
Disposals (sales & redemptions)	(2,885)	-	(1,155)	-
Balance at End of Year	-	-	2,812	-
Comprising:				
- Managed Funds	-	-	2,812	-
Total	-	-	2,812	-
Note 6(b-ii)				
Reconciliation of Investments classified as "Held to Maturity"				
Balance at the Beginning of the Year	25,371	40,331	27,000	32,748
Additions	23,190	45,105	25,367	28,613
Disposals (sales & redemptions)	(36,376)	(7,111)	(48,026)	-
Transfers between Current/Non Current	14,000	(14,000)	21,030	(21,030)
Balance at End of Year	26,185	64,325	25,371	40,331
Comprising:				
- Long Term Deposits	22,685	46,000	23,000	23,640
- NCD's, FRN's (with Maturities > 3 months)	3,500	18,325	2,371	16,691
Total	26,185	64,325	25,371	40,331
Note 6(b-iii)				
Reconciliation of Investments classified as "Loans & Receivables"				
Nil				
Note 6(b-iv)				
Reconciliation of Investments classified as "Available for Sale"				
Nil				

North Sydney Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

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

\$ '000	2014	2014	2013	2013
	Actual Current	Actual Non Current	Actual Current	Actual Non Current
Total Cash, Cash Equivalents and Investments	31,293	64,325	31,264	40,331
attributable to:				
External Restrictions (refer below)	7,806	15,580	7,806	12,523
Internal Restrictions (refer below)	17,260	48,745	16,898	27,808
Unrestricted	6,227	-	6,560	-
	31,293	64,325	31,264	40,331

2014 \$ '000	Opening Balance	Transfers to Restrictions	Transfers from Restrictions	Closing Balance
-----------------	--------------------	------------------------------	--------------------------------	--------------------

Details of Restrictions

External Restrictions - Included in Liabilities

Nil

External Restrictions - Other

Developer Contributions - General (D)	15,610	11,266	(8,582)	18,294
RMS (formerly RTA) Contributions (E)	-	686	(686)	-
Specific Purpose Unexpended Grants (F)	246	2,895	(2,957)	184
Domestic Waste Management (G)	2,688	9,648	(9,389)	2,947
Environment Levy (G)	844	1,820	(1,921)	743
Infrastructure Levy (G)	84	1,631	(1,442)	273
Mainstreet Levies (G)	270	494	(347)	417
Waste & Sustainability Improvement Funds (G)	571	-	(278)	293
Better Waste & Recycling Funds (G)	-	201	-	201
Other Specific Purpose Contributions	16	287	(269)	34
External Restrictions - Other	20,329	28,928	(25,871)	23,386
Total External Restrictions	20,329	28,928	(25,871)	23,386

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 2014

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

2014 \$ '000	Opening Balance	Transfers to Restrictions	Transfers from Restrictions	Closing Balance
Internal Restrictions				
Plant & Vehicle Replacement	2,337	4,128	(4,415)	2,050
Employees Leave Entitlement	5,818	9,780	(8,829)	6,769
Deposits, Retentions & Bonds	4,772	2,135	(1,307)	5,600
Capital Works	16,833	8,660	(7,624)	17,869
Community Housing - Capital Purchases	2,086	-	(21)	2,065
Community Housing - Major Maintenance	203	-	-	203
Income Producing Projects	7,316	615	(485)	7,446
Insurance	1,259	108	(140)	1,227
Land Tax	1,061	-	(36)	1,025
Office Equipment	230	514	(406)	338
On Street Meters	470	-	(68)	402
Oval Improvements	248	347	(311)	284
Property Maintenance	2,073	900	(1,746)	1,227
2 Anzac Avenue Lease Proceeds	-	19,500	-	19,500
Total Internal Restrictions	44,706	46,687	(25,388)	66,005
TOTAL RESTRICTIONS	65,035	75,615	(51,259)	89,391

North Sydney Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 7. Receivables

\$ '000	Notes	2014		2013	
		Current	Non Current	Current	Non Current
Purpose					
Rates & Annual Charges		130	77	266	60
Interest & Extra Charges		29	41	22	35
User Charges & Fees		1,860	-	1,379	23
Accrued Revenues					
- Interest on Investments		1,555	-	1,208	-
- Other Income Accruals		890	-	619	-
Government Grants & Subsidies		654	-	442	-
Net GST Receivable		690	-	675	-
Outstanding Infringements		820	-	866	-
Other Debtors		56	-	76	-
Total		6,684	118	5,553	118
less: Provision for Impairment					
User Charges & Fees		(199)	-	(124)	-
Total Provision for Impairment - Receivables		(199)	-	(124)	-
<u>TOTAL NET RECEIVABLES</u>		<u>6,485</u>	<u>118</u>	<u>5,429</u>	<u>118</u>
Externally Restricted Receivables					
Domestic Waste Management		77	2	76	1
- Environmental Levy		17	1	17	1
- Infrastructure Levy		15	1	17	1
- Mainstreet Levies		6	1	5	1
Total External Restrictions		115	5	115	4
Internally Restricted Receivables					
Nil					
Unrestricted Receivables		6,370	113	5,314	114
TOTAL NET RECEIVABLES		6,485	118	5,429	118

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 9.00% (2013 10.00%).
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 2014

Note 8. Inventories & Other Assets

\$ '000	Notes	2014		2013	
		Current	Non Current	Current	Non Current
Inventories					
Trading Stock		51	-	43	-
Total Inventories		51	-	43	-
Other Assets					
Prepayments		59	-	43	-
Total Other Assets		59	-	43	-
TOTAL INVENTORIES/OTHER ASSETS		110	-	86	-

Externally Restricted Assets

There are no restrictions applicable to the above assets.

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

Notes to the Financial Statements
for the financial year ended 30 June 2014

Note 9a. Infrastructure, Property, Plant & Equipment

\$ '000	as at 30/6/2013					Asset Movements during the Reporting Period					as at 30/6/2014				
	At Cost	At Fair Value	Accumulated		Carrying Value	Asset Additions	WDV of Asset Disposals	Depreciatio n Expense	WIP Transfers	Adjustment s & Transfers	At Cost	At Fair Value	Accumulated		Carrying Value
			Dep'n	Impairment									Dep'n	Impairment	
Capital Work in Progress	5,446	-	-	-	5,446	3,670	-	-	(3,613)	-	5,503	-	-	-	5,503
Plant & Equipment	-	12,096	7,172	-	4,924	3,143	(1,164)	(1,506)	693	-	-	12,925	6,835	-	6,090
Office Equipment	-	13,419	11,705	-	1,714	510	(1)	(745)	32	-	-	13,959	12,449	-	1,510
Furniture & Fittings	-	5,094	3,370	-	1,724	723	-	(275)	14	-	-	5,831	3,645	-	2,186
Land:															
- Operational Land	-	58,682	-	-	58,682	3,326	-	-	-	-	-	62,008	-	-	62,008
- Community Land	-	157,729	-	-	157,729	-	-	-	-	-	-	157,729	-	-	157,729
Land Improvements - depreciable	-	16,128	1,688	-	14,440	50	-	(256)	55	-	-	16,233	1,944	-	14,289
Buildings - Non Specialised	-	2,122	1,439	-	683	8	-	(44)	-	-	-	2,129	1,482	-	647
Buildings - Specialised	-	162,632	89,192	-	73,440	2,457	(805)	(2,835)	323	(10,538)	-	137,406	75,364	-	62,042
Other Structures	-	31,732	13,934	-	17,798	-	-	-	-	(17,798)	-	-	-	-	-
Infrastructure:															
- Roads	-	339,274	158,851	-	180,423	4,809	-	(4,824)	-	(30,987)	-	295,460	146,039	-	149,421
- Footpaths	-	-	-	-	-	1,300	-	(1,621)	1,286	30,987	-	51,210	19,258	-	31,952
- Stormwater Drainage	-	139,131	57,191	-	81,940	1,440	-	(1,060)	-	-	-	140,571	58,251	-	82,320
- Swimming Pools	-	-	-	-	-	736	-	(366)	548	10,538	-	24,906	13,450	-	11,456
- Other Open Space/Recreational Assets	-	-	-	-	-	589	-	(447)	218	2,190	-	8,985	6,435	-	2,550
- Other Infrastructure	-	-	-	-	-	1,565	-	(897)	444	15,608	-	25,563	8,843	-	16,720
Other Assets:															
- Heritage Collections	-	1,584	659	-	925	7	-	(36)	-	-	-	1,590	694	-	896
- Library Books	-	5,830	4,805	-	1,025	350	-	(371)	-	-	-	6,180	5,176	-	1,004
TOTAL INFRASTRUCTURE, PROPERTY, PLANT & EQUIP.	5,446	945,453	350,006	-	600,893	24,683	(1,970)	(15,283)	-	-	5,503	962,685	359,865	-	608,323

Additions to Buildings & Infrastructure Assets are made up of Asset Renewals (\$10,617) and New Assets (\$2,337).
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 2014

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

\$ '000

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

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

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

North Sydney Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 10a. Payables, Borrowings & Provisions

\$ '000	Notes	2014		2013	
		Current	Non Current	Current	Non Current
Payables					
Goods & Services - operating expenditure		3,978	-	4,293	-
Goods & Services - capital expenditure		4,004	-	3,223	-
Payments Received In Advance		1,107	-	187	-
Accrued Expenses:					
- Salaries & Wages		299	-	301	-
- Other Expenditure Accruals		104	-	65	-
Security Bonds, Deposits & Retentions		5,600	-	4,772	-
Other		383	-	372	-
Total Payables		15,475	-	13,213	-
Borrowings					
Nil					
Provisions					
Employee Benefits;					
Annual Leave		3,243	-	3,217	-
Sick Leave		117	-	119	-
Long Service Leave		7,270	278	7,154	280
Gratuities		2,557	-	2,221	-
Other Leave - RDO's		72	-	52	-
Total Provisions		13,259	278	12,763	280
Total Payables, Borrowings & Provisions		28,734	278	25,976	280
(i) Liabilities relating to Restricted Assets					
		2014		2013	
		Current	Non Current	Current	Non Current
Externally Restricted Assets					
Domestic Waste Management		1,106	3	719	3
Special Rate Levies		669	-	353	-
Liabilities relating to externally restricted assets		1,775	3	1,072	3
Internally Restricted Assets					
Nil					
Total Liabilities relating to restricted assets		1,775	3	1,072	3
Total Liabilities relating to Unrestricted Assets		26,959	275	24,904	277
TOTAL PAYABLES, BORROWINGS & PROVISIONS		28,734	278	25,976	280

North Sydney Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

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

\$ '000	Actual 2014	Actual 2013
(ii) Current Liabilities not anticipated to be settled within the next 12 months		
The following Liabilities, even though classified as current, are not expected to be settled in the next 12 months.		
Provisions - Employees Benefits	9,792	9,418
Payables - Security Bonds, Deposits & Retentions	3,847	3,155
	<u>13,639</u>	<u>12,573</u>

Note 10b. Description of and movements in Provisions

Class of Provision	2013		2014			
	Opening Balance as at 1/7/13	Additional Provisions	Decrease due to Payments	Remeasurement effects due to Discounting	Unused amounts reversed	Closing Balance as at 30/6/14
Annual Leave	3,217	2,252	(2,226)	-	-	3,243
Sick Leave	119	1	(3)	-	-	117
Long Service Leave	7,434	871	(757)	-	-	7,548
Other Leave - RDO's	52	20	-	-	-	72
Gratuities	2,221	336	-	-	-	2,557
TOTAL	13,043	3,480	(2,986)	-	-	13,537

- 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 2014

Note 11. Statement of Cash Flows - Additional Information

\$ '000	Notes	Actual 2014	Actual 2013
(a) Reconciliation of Cash Assets			
Total Cash & Cash Equivalent Assets	6a	5,108	3,081
Less Bank Overdraft	10	-	-
BALANCE as per the STATEMENT of CASH FLOWS		5,108	3,081
(b) Reconciliation of Net Operating Result to Cash provided from Operating Activities			
Net Operating Result from Income Statement		26,743	18,424
Adjust for non cash items:			
Depreciation & Amortisation		15,283	15,044
Net Losses/(Gains) on Disposal of Assets		4,851	(1,542)
Losses/(Gains) recognised on Fair Value Re-measurements through the P&L:			
- Investments classified as "At Fair Value" or "Held for Trading"		(73)	(407)
- Investment Properties		(20,620)	(15,308)
Share of Net (Profits) or Losses of Associates/Joint Ventures		4	8
+/- Movement in Operating Assets and Liabilities & Other Cash Items:			
Decrease/(Increase) in Receivables		(1,131)	563
Increase/(Decrease) in Provision for Doubtful Debts		75	94
Decrease/(Increase) in Inventories		(8)	(4)
Decrease/(Increase) in Other Assets		(16)	174
Increase/(Decrease) in Payables		(315)	(133)
Increase/(Decrease) in other accrued Expenses Payable		37	12
Increase/(Decrease) in Other Liabilities		1,759	131
Increase/(Decrease) in Employee Leave Entitlements		494	713
NET CASH PROVIDED FROM/(USED IN) OPERATING ACTIVITIES from the STATEMENT of CASH FLOWS		27,083	17,769
(c) Non-Cash Investing & Financing Activities			
Nil			
(d) Financing Arrangements			
(i) Unrestricted access was available at balance date to the following lines of credit:			
Bank Overdraft Facilities ⁽¹⁾		500	500
Credit Cards / Purchase Cards		350	350
Total Financing Arrangements		850	850

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

(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 2014

Note 12. Commitments for Expenditure

\$ '000	Notes	Actual 2014	Actual 2013
(a) Capital Commitments (exclusive of GST)			
Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:			
Property, Plant & Equipment			
Buildings		505	619
Computer Equipment		5	15
Computer Software		-	1
Infrastructure		6,231	1,224
Library Books		64	75
Other Structures		4	-
Parking Meters		-	2,535
Plant & Equipment		143	1,039
Total Commitments		6,952	5,508
These expenditures are payable as follows:			
Within the next year		6,952	5,508
Total Payable		6,952	5,508
Sources for Funding of Capital Commitments:			
Unrestricted General Funds		127	72
Future Grants & Contributions		53	337
Sect 64 & 94 Funds/Reserves		2,858	41
Externally Restricted Reserves		229	167
Internally Restricted Reserves		3,670	2,356
New Loans (to be raised)		15	2,535
Total Sources of Funding		6,952	5,508

(b) Finance Lease Commitments

Nil

(c) Operating Lease Commitments (Non Cancellable)

Nil

(d) Investment Property Commitments

Nil

(e) Investment in Associates / Joint Ventures - Commitments

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

North Sydney Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

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

\$ '000	Amounts 2014	Indicator 2014	Prior Periods 2013 2012	
Local Government Industry Indicators - Consolidated				
1. Operating Performance Ratio				
Total continuing operating revenue ⁽¹⁾				
<u>(excl. Capital Grants & Contributions) - Operating Expenses</u>	<u>(509)</u>	-0.58%	-2.70%	0.26%
Total continuing operating revenue ⁽¹⁾ (excl. Capital Grants & Contributions)	88,050			
2. Own Source Operating Revenue Ratio				
Total continuing operating revenue ⁽¹⁾				
<u>(less ALL Grants & Contributions)</u>	<u>84,593</u>	85.05%	91.67%	87.20%
Total continuing operating revenue ⁽¹⁾	99,464			
3. Unrestricted Current Ratio				
Current Assets less all External Restrictions ⁽²⁾	<u>29,967</u>	2.25 : 1	2.34	2.86
Current Liabilities less Specific Purpose Liabilities ^(3, 4)	<u>13,320</u>			
4. Debt Service Cover Ratio				
Operating Result ⁽¹⁾ before capital excluding interest and depreciation / impairment / amortisation (EBITDA)	<u>14,774</u>	0.00	0.00	0.00
Principal Repayments (from the Statement of Cash Flows) + Borrowing Interest Costs (from the Income Statement)	<u>-</u>			
5. Rates, Annual Charges, Interest & Extra Charges Outstanding Percentage				
Rates, Annual and Extra Charges Outstanding	<u>277</u>	0.63%	0.93%	1.10%
Rates, Annual and Extra Charges Collectible	<u>44,054</u>			
6. Cash Expense Cover Ratio				
Current Year's Cash and Cash Equivalents including All Term Deposits	<u>73,793</u>	11.11	7.77	6.92
Payments from cash flow of operating and financing activities	<u>6,644</u>			

Notes

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

⁽²⁾ Refer Notes 6-8 inclusive.

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

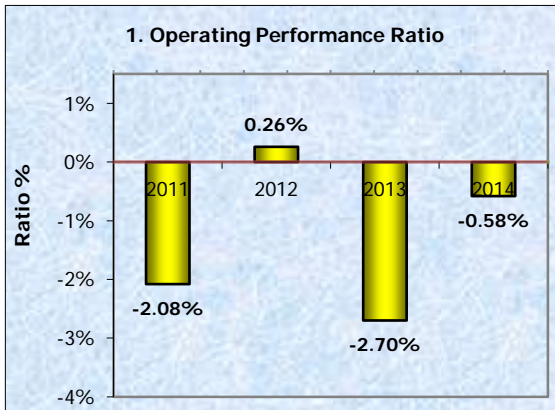
⁽³⁾ Refer to Note 10(a).

⁽⁴⁾ Refer to Note 10(a)(ii) - excludes all payables & 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 2014

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.

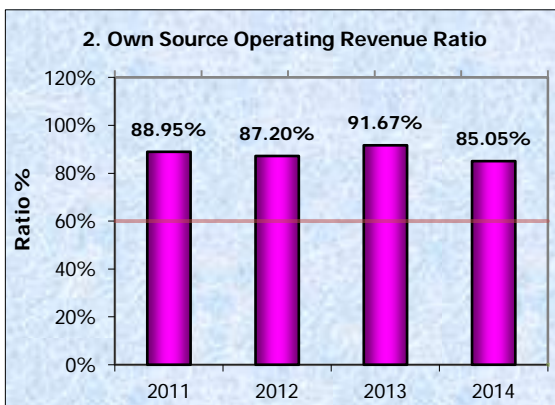
Commentary on 2013/14 Result

2013/14 Ratio -0.58%

This ratio was slightly below the breakeven position of 0%, an indication that operating expenditure was not entirely funded from operating income. This has been the case in 3 of the last 4 years. At least a breakeven position should be achieved, on average, over the long term to prevent a further deterioration in Council's financial position.

— Minimum 0.00%

Source for Benchmark: Code of Accounting Practice and Financial Reporting



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.

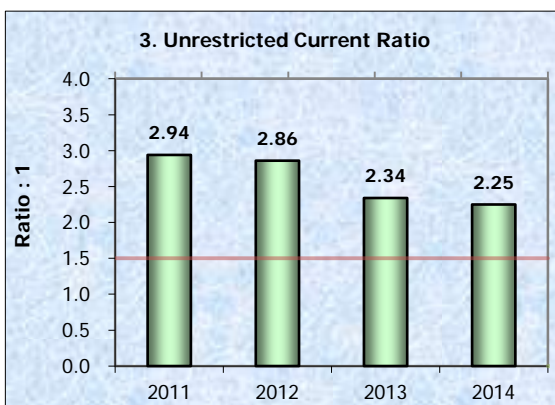
Commentary on 2013/14 Result

2013/14 Ratio 85.05%

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

— Minimum 60.00%

Source for Benchmark: Code of Accounting Practice and Financial Reporting



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 2013/14 Result

2013/14 Ratio 2.25 : 1

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.

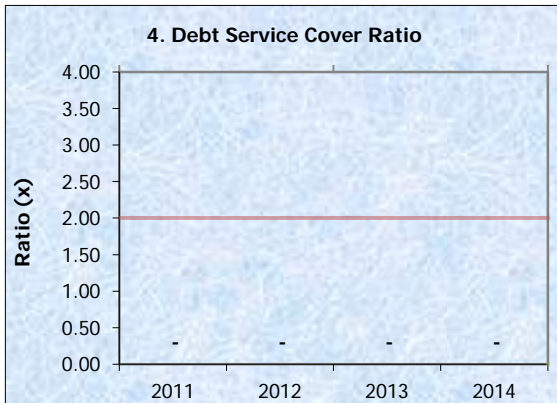
— Minimum 1.50

Source for Benchmark: Code of Accounting Practice and Financial Reporting

North Sydney Council

Notes to the Financial Statements for the financial year ended 30 June 2014

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



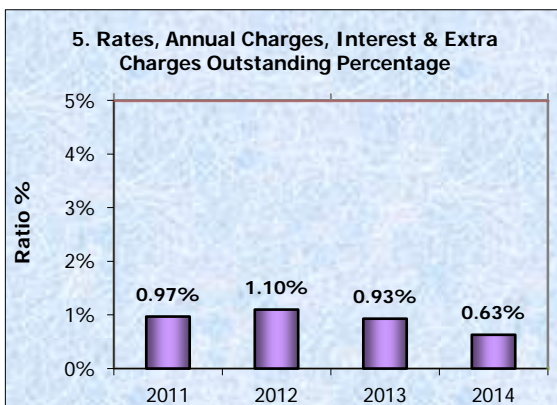
— Minimum 2.00

Source for Benchmark: NSW Treasury Corporation

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 2013/14 Result	
2013/14 Ratio	0.00
Council remains debt free and hence this ratio remained 0%.	



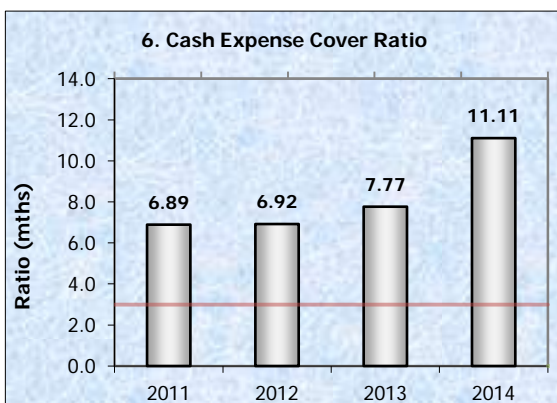
— Maximum 5.00%

Source for Benchmark: Office of Local Govt - Comparative Information (10/11)

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 2013/14 Result	
2013/14 Ratio	0.63%
After being around 1% for many years, this ratio improved further to 0.63%. This was well below the industry benchmark of 5%, an indication of the effectiveness of Council's recovery efforts.	



— Minimum 3.00

Source for Benchmark: Code of Accounting Practice and Financial Reporting

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 Result	
2013/14 Ratio	11.11
This ratio was well above the benchmark of 3 months. As at 30 June 2014, Council had sufficient cash and funds invested in term deposits which could potentially be redeemed if required to continuing paying for its immediate expenses for 11 months without any additional cash inflows.	

North Sydney Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 14. Investment Properties

\$ '000	Notes	Actual 2014	Actual 2013
(a) Investment Properties at Fair value			
<u>Investment Properties on Hand</u>		<u>74,650</u>	<u>77,680</u>
Reconciliation of Annual Movement:			
Opening Balance		77,680	62,372
- Disposals during Year		(23,650)	-
- Net Gain/(Loss) from Fair Value Adjustments		20,620	15,308
CLOSING BALANCE - INVESTMENT PROPERTIES		<u>74,650</u>	<u>77,680</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 2014 revaluations were based on Independent Assessments made by:
Mr Andrew Graham AAPI of Colliers International

(c) Contractual Obligations at Reporting Date

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

(d) Leasing Arrangements

Details of leased Investment Properties are as follows;

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

Within 1 year	5,489	4,798
Later than 1 year but less than 5 years	10,464	10,034
Later than 5 years	15,908	16,977
Total Minimum Lease Payments Receivable	<u>31,861</u>	<u>31,809</u>

(e) Investment Property Income & Expenditure - summary

Rental Income from Investment Properties:		
- Minimum Lease Payments	5,388	5,093
Net Revenue Contribution from Investment Properties	<u>5,388</u>	<u>5,093</u>
plus:		
Fair Value Movement for year	20,620	15,308
Total Income attributable to Investment Properties	<u>26,008</u>	<u>20,401</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 2014

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	
	2014	2013	2014	2013
Financial Assets				
Cash and Cash Equivalents	5,108	3,081	5,108	3,081
Investments				
- "Held for Trading"	-	2,812	-	2,812
- "Held to Maturity"	90,510	65,702	90,756	65,875
Receivables	6,603	5,547	6,603	5,547
Total Financial Assets	102,221	77,142	102,467	77,315
Financial Liabilities				
Payables	14,368	13,026	14,368	13,026
Total Financial Liabilities	14,368	13,026	14,368	13,026

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 2014

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 these changes are caused by factors specific to individual financial instruments or their issuers or are caused by factors affecting similar instruments traded in a market.
- **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
2014				
Possible impact of a 10% movement in Market Values	-	-	-	-
Possible impact of a 1% movement in Interest Rates	956	956	(956)	(956)
2013				
Possible impact of a 10% movement in Market Values	281	281	(281)	(281)
Possible impact of a 1% movement in Interest Rates	720	720	(720)	(720)

North Sydney Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

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:

	2014 Rates & Annual Charges	2014 Other Receivables	2013 Rates & Annual Charges	2013 Other Receivables
(i) Ageing of Receivables - %				
Current (not yet overdue)	0%	93%	0%	82%
Overdue	100%	7%	100%	18%
	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>

(ii) Ageing of Receivables - value

Current (not yet overdue)	-	6,151	-	4,361
Past due by up to 30 days	-	165	-	782
Past due between 31 and 60 days	124	29	196	60
Past due between 61 and 90 days	-	33	-	-
Past due by more than 90 days	83	217	130	142
	<u>207</u>	<u>6,595</u>	<u>326</u>	<u>5,345</u>

(iii) Movement in Provision for Impairment of Receivables

	2014	2013
Balance at the beginning of the year	124	30
+ new provisions recognised during the year	79	107
- amounts already provided for & written off this year	(4)	(13)
Balance at the end of the year	<u>199</u>	<u>124</u>

North Sydney Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

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		
2014									
Trade/Other Payables	5,600	8,768	-	-	-	-	-	14,368	14,368
Total Financial Liabilities	5,600	8,768	-	-	-	-	-	14,368	14,368
2013									
Trade/Other Payables	4,772	8,254	-	-	-	-	-	13,026	13,026
Total Financial Liabilities	4,772	8,254	-	-	-	-	-	13,026	13,026

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:

	2014		2013	
	Carrying Value	Average Interest Rate	Carrying Value	Average Interest Rate
Trade/Other Payables	14,368	0.0%	13,026	0.0%
	<u>14,368</u>		<u>13,026</u>	

North Sydney Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 16. Material Budget Variations

\$ '000

Council's Original Financial Budget for 13/14 was adopted by the Council on 17 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	2014 Budget	2014 Actual	2014 ----- Variance* -----		
REVENUES					
Rates & Annual Charges	43,400	43,550	150	0%	F
User Charges & Fees	20,154	22,709	2,555	13%	F
This income category was over budget mainly due greater than expected revenue from Construction Zone fees (\$697K), Hoarding Permit fees (\$528K), road and footpath reinstatement fees (\$418K), parks and sporting ground hire fees (\$359K) and outdoor seating rental (\$210).					
Interest & Investment Revenue	2,728	4,022	1,294	47%	F
Council traditionally adopts a conservative approach when budgeting for returns from its investment portfolio. This along with a greater than anticipated pool of funds available for investment due to delays in the commencement of some capital projects generated significantly higher than expected revenue from this income stream.					
Other Revenues	14,450	35,005	20,555	142%	F
The main component of the variance was the increase in the fair value of Council's investment property portfolio. The budget allowed for a \$1.5M (3%) increase, whereas the actual increase was assessed to be \$20.6M (38%). The remainder of the variance can be attributed to greater than expected revenue from parking fines, property rental and advertising on Council infrastructure.					
Operating Grants & Contributions	3,868	3,457	(411)	(11%)	U
In June 2013, Council received one-half of its estimated 2013/14 Financial Assistance Grant in advance. This arrangement did not take place in 2013/14. The resulting revenue shortfall of \$718K was partially offset by the receipt of unbudgeted grant funding towards a number of projects.					
Capital Grants & Contributions	4,181	11,414	7,233	173%	F
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 \$3.9M. Actual contributions received amounted to \$11M, \$7.1M greater than the amount budgeted for.					
Net Gains from Disposal of Assets	287	-	(287)	(100%)	U
Refer to Net Losses from Disposal of Assets on the next page.					

North Sydney Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 16. Material Budget Variations (continued)

\$ '000	2014 Budget	2014 Actual	2014 ----- Variance* -----		
EXPENSES					
Employee Benefits & On-Costs	35,689	35,559	130	0%	F
Materials & Contracts	28,100	29,275	(1,175)	(4%)	U
Depreciation & Amortisation	15,101	15,283	(182)	(1%)	U
Other Expenses	8,480	8,442	38	0%	F
Net Losses from Disposal of Assets	-	4,851	(4,851)	0%	U
During the year, Council received \$19.5M in proceeds from the long-term lease of 2 Anzac Avenue at Cammeray. Due to the term of the lease, the transaction was treated as a property disposal. As this property had a carrying value of \$23.65M upon the commencement of the lease, Council incurred a loss of \$4.15M on its disposal. Also, towards the end of the year, the Alexander Street Carpark in Crows Nest was demolished as part of the redevelopment of the site. At the time, it had a carrying value of \$795K and, hence, a loss of this amount was incurred on its disposal. The budget did not allow for a loss from the disposal of either of these properties.					
Share of Net Losses - Joint Ventures & Associates	-	4	(4)	0%	U
Council's share of the loss incurred by the Shorelink Library Network was \$4K and this was not budgeted for.					

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

Cash Flows from Operating Activities	16,405	27,083	10,678	65.1%	F
The aforementioned favourable variances in revenue from User Charges & Fees and Interest & Investment Revenue and greater than expected cash inflows from parking fines, property rental, advertising on Council infrastructure and developer contributions all had an impact on the variance in cash flows from operating activities.					
Cash Flows from Investing Activities	(13,907)	(25,056)	(11,149)	80.2%	U
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 variance in cash flows from investing activities.					

North Sydney Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 17. Statement of Developer Contributions

\$ '000

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

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

SUMMARY OF CONTRIBUTIONS & LEVIES

PURPOSE	Opening Balance	Contributions received during the Year		Interest earned in Year	Expenditure during Year	Internal Borrowing (to)/from	Held as Restricted Asset	Projections			Cumulative Internal Borrowings due/(payable)
		Cash	Non Cash					Future income	Exp still outstanding	Over or (under) Funding	
Administration	73	41	-	1	-	-	115	477	(592)	-	-
Affordable Housing	3,548	9	-	48	(21)	-	3,584	149	(3,733)	-	-
Child Care	326	59	-	2	(205)	-	182	1,604	(1,786)	-	-
Community Centres	-	186	-	-	-	(186)	-	1,612	(1,612)	-	(2,484)
Indoor Sports Centre	137	26	-	-	(460)	297	-	330	(330)	-	(297)
Library Acquisitions	88	42	-	-	(129)	-	1	958	(959)	-	-
Library Premises & Equipment	-	108	-	-	-	(108)	-	301	(301)	-	(1,219)
Olympic Pool	515	85	-	-	(1,499)	899	-	1,055	(1,055)	-	(899)
Open Space Acquisitions	9,685	1,570	-	177	(3,310)	362	8,484	7,005	(15,489)	-	4,899
Open Space Increased Capacity	-	3,112	-	14	(813)	(1,264)	1,049	13,938	(14,987)	-	-
North Sydney Public Domain	27	3,634	-	43	(443)	-	3,261	10,780	(14,041)	-	-
Other Public Domain	448	112	-	8	-	-	568	370	(938)	-	-
St Leonards Public Domain	477	112	-	8	-	-	597	569	(1,166)	-	-
Traffic Improvements	286	335	-	6	(174)	-	453	1,058	(1,511)	-	-
S94 Contributions - under a Plan	15,610	9,431	-	307	(7,054)	-	18,294	40,206	(58,500)	-	-
Total S94 Revenue Under Plans	15,610	9,431	-	307	(7,054)	-	18,294				-
S93F Planning Agreements	-	1,528	-	-	(1,528)	-	-				
Total Contributions	15,610	10,959	-	307	(8,582)	-	18,294	40,206	(58,500)	-	-

North Sydney Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

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	73	41	-	1	-	-	115	477	(592)	-	-
Affordable Housing	3,548	9	-	48	(21)	-	3,584	149	(3,733)	-	-
Child Care	326	59	-	2	(205)	-	182	1,604	(1,786)	-	-
Community Centres	-	186	-	-	-	(186)	-	1,612	(1,612)	-	(2,484)
Indoor Sports Centre	137	26	-	-	(460)	297	-	330	(330)	-	(297)
Library Acquisitions	88	42	-	-	(129)	-	1	958	(959)	-	-
Library Premises & Equipment	-	108	-	-	-	(108)	-	301	(301)	-	(1,219)
Olympic Pool	515	85	-	-	(1,499)	899	-	1,055	(1,055)	-	(899)
Open Space Acquisitions	9,685	1,570	-	177	(3,310)	362	8,484	7,005	(15,489)	-	4,899
Open Space Increased Capacity	-	3,112	-	14	(813)	(1,264)	1,049	13,938	(14,987)	-	-
North Sydney Public Domain	27	3,634	-	43	(443)	-	3,261	10,780	(14,041)	-	-
Other Public Domain	448	112	-	8	-	-	568	370	(938)	-	-
St Leonards Public Domain	477	112	-	8	-	-	597	569	(1,166)	-	-
Traffic Improvements	286	335	-	6	(174)	-	453	1,058	(1,511)	-	-
Total	15,610	9,431	-	307	(7,054)	-	18,294	40,206	(58,500)	-	-

North Sydney Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 18. Contingencies & Other Assets/Liabilities Not Recognised

\$ '000

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

LIABILITIES NOT RECOGNISED:

1. Guarantees

(i) Defined Benefit Superannuation Contribution Plans

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

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

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

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

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

(ii) Statewide Limited

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

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

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

(iii) Other Guarantees

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

2. Other Liabilities

(i) Third Party Claims

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

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

(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 2014

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 2014, Council had notice of six (6) current 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 three (3) appeals against Orders issued by the Council under the provisions of the *Environmental Planning & Assessment Act 1979* relating to compliance issues concerning the three premises. All known costs have been recognised, but the amount of further costs cannot be known until the appeals are determined.

Finally, as at 30 June 2014, Council was involved in three (3) Class 4 proceedings in the Land & Environment Court. One of the three matters has been completed with each party paying their own costs. The other two involving the substantive matters were resolved apart from costs.

ASSETS NOT RECOGNISED:

(i) Land Under Roads

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

(ii) Repayment of Community Funds

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

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

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

North Sydney Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

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

\$ '000

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

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

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

Associated Entities & Joint Venture Entities

Note 19(a) (i)&(ii)

Arrangements in the form of a Separate Entity that deploys the resources of the operation itself.

Under Associated Entities, Council significantly influences the operations (but does not control them, whilst for JV Entities, Council Jointly Controls the Operations with other parties.

Accounting Recognition:

(ii) Associated Entities and Joint Venture Entities as per Notes 19(a)(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 2014	Actual 2013	Actual 2014	Actual 2013
Associated Entities	-	-	-	-
Joint Venture Entities	(4)	(8)	61	65
Total	(4)	(8)	61	65

North Sydney Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

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

\$ '000

(a) Associated Entities & Joint Venture Entities

(i) ASSOCIATED ENTITIES

Council has no interest in any Associated Entities.

(ii) JOINT VENTURE ENTITIES

(a) Carrying Amounts

Name of Entity	Principal Activity	2014	2013
Shorelink (Library Network)	Public Library Services	61	65
Total Carrying Amounts - Joint Venture Entities		61	65

(b) Relevant Interests

Name of Entity	Interest in Outputs		Interest in Ownership		Proportion of Voting Power	
	2014	2013	2014	2013	2014	2013
Shorelink (Library Network)	24%	24%	24%	24%	24%	24%

(c) Movement in Carrying Amounts

	Shorelink (Library Network)	
	2014	2013
Opening Balance	65	73
Share in Operating Result	(4)	(8)
Council's Equity Share in the Joint Venture Entity	61	65

(d) Share of Joint Ventures Assets & Liabilities

	Assets		Liabilities		Net Assets
	Current	Non Current	Current	Non Current	
2014					
Shorelink (Library Network)	73	6	18	-	61
Totals	73	6	18	-	61
2013					
Shorelink (Library Network)	70	12	17	-	65
Totals	70	12	17	-	65

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

	2014			2013		
	Revenues	Expenses	Result	Revenues	Expenses	Result
Shorelink (Library Network)	115	119	(4)	136	144	(8)
Totals	115	119	(4)	136	144	(8)

North Sydney Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 20. Equity - Retained Earnings and Revaluation Reserves

\$ '000	Notes	Actual 2014	Actual 2013
(a) Retained Earnings			
Movements in Retained Earnings were as follows:			
Balance at beginning of Year (from previous years audited accounts)		647,009	628,585
a. Net Operating Result for the Year		26,743	18,424
Balance at End of the Reporting Period		673,752	647,009
(b) Reserves			
(i) Reserves are represented by:			
- Infrastructure, Property, Plant & Equipment Revaluation Reserve		82,601	82,601
Total		82,601	82,601
(ii) Reconciliation of movements in Reserves:			
Infrastructure, Property, Plant & Equipment Revaluation Reserve			
- Opening Balance		82,601	87,391
- Revaluations for the year ⁽¹⁾	9(a)	-	(4,790)
- Balance at End of Year		82,601	82,601
TOTAL VALUE OF RESERVES		82,601	82,601

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

(iii) Nature & Purpose of Reserves

Infrastructure, Property, Plant & Equipment Revaluation Reserve

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

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

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

(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 2014

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

\$ '000

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

Note 23. Events occurring after the Reporting Date

Events that occur between the end of the reporting period (ending 30 June 2014) 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 14/10/14.

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 2014.

(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 2014 and which are only indicative of conditions that arose after 30 June 2014.

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

Note 24. Discontinued Operations

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

Note 25. Intangible Assets

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

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

Note 26. Reinstatement, Rehabilitation & Restoration Liabilities

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

North Sydney Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 27. Fair Value Measurement

\$ '000

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

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

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

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

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

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

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

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

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	
Recurring Fair Value Measurements					
Financial Assets					
Investments					
- "Held to Maturity"	30/06/14	-	-	-	-
Total Financial Assets		-	-	-	-
Investment Properties					
Investment Properties	30/06/14	-	74,650	-	74,650
Total Investment Properties		-	74,650	-	74,650
Infrastructure, Property, Plant & Equipment					
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
Total Infrastructure, Property, Plant & Equipment		-	-	602,820	602,820

North Sydney Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 27. Fair Value Measurement (continued)

\$ '000

(2) Transfers between Level 1 & 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.

(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

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

North Sydney Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

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)

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

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 2014

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)

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 2014

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 ¹	73	-	-	-	73
Closing Balance - 30/6/14	-	6,090	1,510	2,186	9,786

	Operational Land	Community Land	Land Improve- ments 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)
Closing Balance - 30/6/14	62,008	157,729	14,289	647	234,673

¹ FV Gains recognised in the Income Statement relating to assets still on hand at year end total:

YE 12/13	73	-	-	-	73
YE 13/14	-	-	-	-	-

North Sydney Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

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)
Closing Balance - 30/6/14	62,042	-	149,421	31,952	243,415

	Stormwater Drainage	Swimming Pools	Open Space/Recrea- -tion 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)
Closing Balance - 30/6/14	82,321	11,457	2,550	16,720	113,048

	Heritage Collection	Library Books	Total
Adoption of AASB 13	924	1,025	1,949
Purchases (GBV)	7	349	356
Depreciation & Impairment	(36)	(371)	(407)
Closing Balance - 30/6/14	895	1,003	1,898

North Sydney Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

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 (30/6/14) \$'000	Valuation Technique/s	Unobservable Inputs	Range of Inputs (incl. probable)	Relationship of unobservable inputs to Fair Value
I,PP&E					
Plant & Equipment	6,090	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	1,510	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	2,186	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	58,682	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	157,729	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	14,289	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	647	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	60,539	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 2014

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 (30/6/14) \$'000	Valuation Technique/s	Unobservable Inputs	Range of Inputs (incl. probable)	Relationship of unobservable inputs to Fair Value
I,PP&E (continued)					
Roads	149,421	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	31,951	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	82,321	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 2014

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 (30/6/14) \$'000	Valuation Technique/s	Unobservable Inputs	Range of Inputs (incl. probable)	Relationship of unobservable inputs to Fair Value
I,PP&E (continued) Swimming Pools	11,457	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	2,550	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	16,720	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	895	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	1,003	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 2014

Note 28. Financial Review

\$ '000

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

Financial Performance Figures	2014	2013	2012	2011	2010
Inflows:					
Rates & Annual Charges Revenue	43,550	40,789	38,968	37,157	35,241
User Charges Revenue	22,709	21,056	20,624	19,335	18,135
Interest & Investment Revenue (Losses)	4,022	4,280	3,770	3,437	2,783
Grants Income - Operating & Capital	2,939	3,553	4,100	5,131	5,457
Total Income from Continuing Operations	120,157	104,748	90,992	84,016	89,055
Sale Proceeds from I,PP&E	20,769	2,395	944	2,181	2,632
New Loan Borrowings & Advances	-	-			
Outflows:					
Employee Benefits & On-cost Expenses	35,559	34,811	33,611	32,848	30,877
Borrowing Costs	-	-	-	-	-
Materials & Contracts Expenses	29,275	27,757	25,932	23,326	22,485
Total Expenses from Continuing Operations	93,414	86,324	81,926	78,491	71,401
Total Cash purchases of I,PP&E	23,902	14,568	12,453	14,992	14,424
Total Loan Repayments (incl. Finance Leases)	-	-			
Operating Surplus/(Deficit) (excl. Capital Income)	15,329	14,981	2,376	156	10,893
Financial Position Figures	2014	2013	2012	2011	2010
Current Assets	37,888	36,779	39,132	32,710	49,608
Current Liabilities	28,734	25,976	23,897	22,367	21,067
Net Current Assets	9,154	10,803	15,235	10,343	28,541
Available Working Capital (Unrestricted Net Current Assets)	(993)	(181)	4,135	4,441	4,313
Cash & Investments - Unrestricted	6,227	6,560	3,889	2,919	4,183
Cash & Investments - Internal Restrictions	66,005	44,706	40,855	35,523	30,820
Cash & Investments - Total	95,618	71,595	65,592	53,888	48,519
Total Borrowings Outstanding (Loans, Advances & Finance Leases)	-	-			89
Total Value of I,PP&E (excl. Land & Earthworks)	748,451	734,488	705,183	690,566	679,111
Total Accumulated Depreciation	359,865	350,006	321,494	308,062	295,057
Indicative Remaining Useful Life (as a % of GBV)	52%	52%	54%	55%	57%

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

North Sydney Council

Notes to the Financial Statements for the financial year ended 30 June 2014

Note 29. Council Information & Contact Details

Principal Place of Business:

200 Miller Street
North Sydney NSW 2060

Contact Details**Mailing Address:**

PO Box 12
North Sydney NSW 2060

Opening Hours:

9am - 5pm
Monday - Friday

Telephone: 02 9936 8100

Facsimile: 02 9936 8177

Internet: www.northsydney.nsw.gov.au

Email: council@northsydney.nsw.gov.au

Officers**GENERAL MANAGER**

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
Sarah Burke
Tony Carr
Melissa Clare
Veronique Marchandean
Jeff Morris
Michel Reymond

Other Information

ABN: 32 353 260 317

NORTH SYDNEY COUNCIL
GENERAL PURPOSE FINANCIAL STATEMENTS
INDEPENDENT AUDITORS' REPORT

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying general purpose financial statements of North Sydney Council, which comprises the Statement of Financial Position as at 30 June 2014, 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.

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Steer Assurance Partners

ABN 56 435 338 966

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 14th day of October 2014

14 October 2014

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

Mayor,

Audit Report - Year Ended 30 June 2014

We are pleased to advise completion of the audit of Council's books and records for the year ended 30 June 2014 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 \$26.743 million as compared with \$18.424 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.

	2014	% of	2013	% of	Increase
	\$'000	Total	\$'000	Total (Decrease)	\$'000
Revenues before capital items					
Rates & annual charges	43,550	40%	40,789	40%	2,761
User charges, fees & other revenues	57,714	53%	52,395	52%	5,319
Grants & contributions provided for operating purposes	3,457	3%	3,841	4%	(384)
Interest & investment revenue	4,022	4%	4,280	4%	(258)
	108,743	100%	101,305	100%	7,438
Expenses					
Employee benefits & costs	35,559	38%	34,811	40%	748
Materials, contracts & other expenses	42,572	46%	36,469	42%	6,103
Depreciation, amortisation & impairment	15,283	16%	15,044	17%	239
Borrowing costs	-	0%	-	0%	-
	93,414	100%	86,324	100%	7,090
Surplus (Deficit) before capital items	15,329		14,981		348
Grants & contributions provided for capital purposes	11,414		3,443		7,971
Net Surplus (Deficit) for the year	26,743		18,424		8,319
Performance Measures					
		2014		2013	
Operating Performance		-0.58%		-2.70%	
Own Source Operating Revenue		85.05%		91.67%	

The above table shows an overall increase of \$8.319 million from the previous year and is mainly attributable to increased developer contributions of \$10.959 million compared with \$2.938 million for the same period last year.

Operating Performance measures the ability to contain operating expenditure within operating revenue excluding capital amounts. For 2014, this indicator was -0.58% and was below the benchmark of 0%.

Own Source Operating Revenue measures the degree of reliance on external funding sources such as grants and contributions. For 2014, this indicator was 85.05% 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.

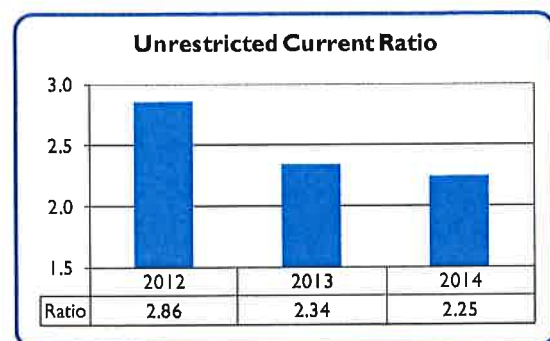
	2014	2013
	\$'000	\$'000
Funds were provided by:-		
Operating Result (as above)	26,743	18,424
Add back non funding items:-		
- Depreciation, amortisation & impairment	15,283	15,044
- Book value of non-current assets sold	25,620	853
- (Gain)/Loss of fair value to investment properties	(20,620)	(15,308)
- (Surplus)/Deficit in joint ventures	4	8
	<u>47,030</u>	<u>19,021</u>
Transfers from externally restricted assets (net)	703	0
Transfers from internal reserves (net)	0	7,686
Net Changes in current/non-current assets & liabilities	1,322	819
	<u>49,055</u>	<u>27,526</u>
Funds were applied to:-		
Purchase and construction of assets	(24,683)	(15,880)
Increase/Purchase in non current investments	(23,994)	(7,583)
Transfers to externally restricted assets (net)	0	(3,607)
Transfers to internal reserves (net)	(362)	0
	<u>(49,039)</u>	<u>(27,070)</u>
Increase/(Decrease) in Available Working Capital	16	456

2. FINANCIAL POSITION

2.1 Unrestricted Current Ratio

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

After eliminating externally restricted assets and current liabilities not expected to be paid within the next 12 months net current assets amounted to \$16.647 million representing a factor of 2.25 to 1.



2.2 Available Working Capital – (Working Funds)

At the close of the year the Available Working Capital of Council stood at \$4.607 million as detailed below;

	2014	2013	Change
	\$'000	\$'000	\$'000
Net Current Assets (Working Capital) as per Accounts	9,154	10,803	(1,649)
Add: Payables & provisions not expected to be realised in the next 12 months included above	13,639	12,573	1,066
Adjusted Net Current Assets	22,793	23,376	(583)
Add: Budgeted & expected to pay in the next 12 months			
- Employees leave entitlements	3,467	3,345	122
- Deposits & retention moneys	1,753	1,617	136
Less: Externally restricted assets	(6,146)	(6,849)	703
Less: Internally restricted assets	(17,260)	(16,898)	(362)
Available Working Capital as at 30 June	4,607	4,591	16

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

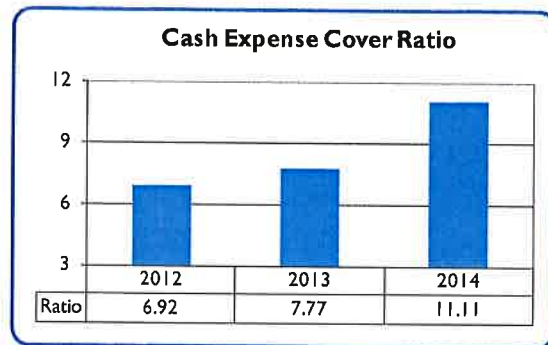
Council's overall financial position, when taking into account the above financial indicators was, in our opinion, sound.

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.

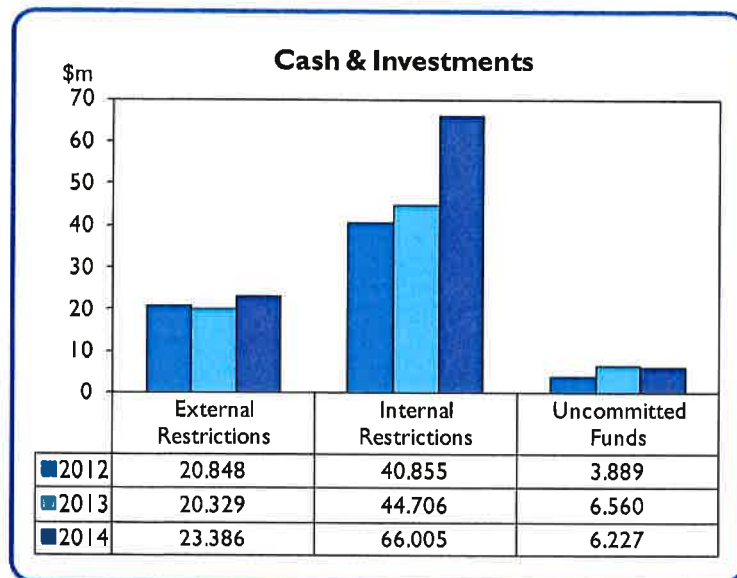
For 2014, this ratio stood at 11.11 months compared to the benchmark of 3.



3.2 Cash & Investment Securities

Cash and investments amounted \$95.618 million at 30 June 2014 as compared with \$71.595 million in 2013 and \$65.592 million in 2012.

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 (\$18.294 million), domestic waste management charges (\$2.947 million) and specific purpose grants, contributions and special levies (\$2.145 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 \$66.005 million and their purposes are more fully disclosed in Notes 6 of the financial statements.

Unrestricted cash and investments amounted to \$6.227 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 \$2.027 million to \$5.108 million at the close of the year.

In addition to operating activities which contributed net cash of \$27.083 million were the proceeds from the sale of investment securities (\$46.372 million) and sale of assets (\$20.769 million). Cash outflows other than operating activities were used to purchase investment securities (\$69.295 million), and to purchase and construct assets (\$23.902 million).

4. RECEIVABLES

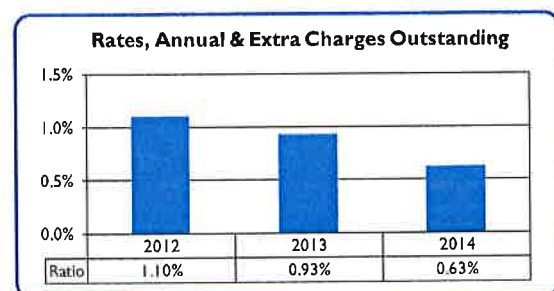
4.1 Rates & Annual Charges (excluding interest & extra charges)

Net rates and annual charges levied during the year totalled \$43.550 million and represented 36.24% of Council's total revenues.

Including arrears, the total rates and annual charges collectible was \$43.876 million of which \$43.669 million (99.53%) was collected.

4.2 Rates, Annual & Extra Charges

Arrears of rates, annual and extra charges stood at \$277,000 at the end of the year and represented 0.63% of those receivables.



4.3 Other Receivables

Receivables (other than rates & annual charges) totalled \$6.525 million and consisted mainly of unpaid infringement notices (\$820,000), user charges and accrued revenues (\$4.305 million) and amounts due from government departments (\$1.344 million). Those considered to be uncertain of collection have been provided for as doubtful debts and this provision amounted to \$199,000.

5. PAYABLES

5.1 Employees Leave Entitlements

Council's provision for its liability toward employees leave entitlements and associated costs amounted to \$13.537 million. Internally restricted cash and investments of \$6.769 million was held representing 50% of this liability and was, in our opinion, sufficient to meet unbudgeted and unanticipated retirements.

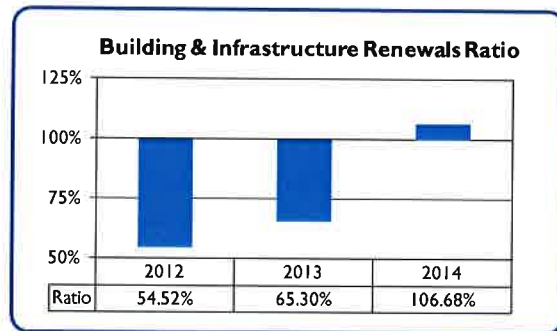
5.2 Deposits, Retentions & Bonds

Deposits, retentions and bonds held at year end amounted to \$5.6 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 2014 represented 107% of the depreciation charges for these assets. An industry benchmark is considered to be 100%, measured annually over the long term.



7. MANAGEMENT LETTER

An audit management letter addressing the findings from our interim audit was issued on 17 February 2014. This included our recommendations on possible ways to strengthen and/or improve procedures and management's comments and proposed actions.

8. CONCLUSION

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

Yours faithfully,
HILL ROGERS SPENCER STEER

GARY MOTTAU
Partner

North Sydney Council

SPECIAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2014

progressive **vibrant** diverse



North Sydney Council

Special Purpose Financial Statements

for the financial year ended 30 June 2014

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

Background

- (i) These Special Purpose Financial Statements have been prepared for the use by both Council and the Office of Local Government in fulfilling their requirements under National Competition Policy.
 - (ii) The principle of competitive neutrality is based on the concept of a "level playing field" between persons/entities competing in a market place, particularly between private and public sector competitors.

Essentially, the principle is that government businesses, whether Commonwealth, State or Local, should operate without net competitive advantages over other businesses as a result of their public ownership.
 - (iii) For Council, the principle of competitive neutrality & 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 2014

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 Office 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 13 October 2014.



Jilly Gibson
MAYOR



MaryAnn Beregi
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 2014

\$ '000	Commercial Properties		Waste Management	
	Category 1		Category 1	
	Actual 2014	Actual 2013	Actual 2014	Actual 2013
Income from continuing operations				
Access charges	-	-	9,585	8,681
User charges	-	-	977	912
Fees	-	-	376	377
Interest	-	-	-	-
Grants and contributions provided for non capital purposes	-	-	43	41
Profit from the sale of assets	-	-	-	-
Other income	26,244	20,626	-	-
Total income from continuing operations	26,244	20,626	10,981	10,011
Expenses from continuing operations				
Employee benefits and on-costs	11	38	1,310	1,255
Borrowing costs	-	-	-	-
Materials and contracts	1,548	1,216	8,751	8,515
Depreciation and impairment	253	256	-	-
Loss on sale of assets	-	-	-	-
Calculated taxation equivalents	462	457	28	29
Debt guarantee fee (if applicable)	-	-	-	-
Other expenses	766	913	28	29
Total expenses from continuing operations	3,040	2,880	10,117	9,828
Surplus (deficit) from Continuing Operations before capital amounts	23,204	17,746	864	183
Grants and contributions provided for capital purposes	-	-	-	-
Surplus (deficit) from Continuing Operations after capital amounts	23,204	17,746	864	183
Surplus (deficit) from discontinued operations	-	-	-	-
Surplus (deficit) from ALL Operations before tax	23,204	17,746	864	183
less: Corporate Taxation Equivalent (30%) [based on result before capital]	(6,961)	(5,324)	(259)	(55)
SURPLUS (DEFICIT) AFTER TAX	16,243	12,422	605	128
plus Opening Retained Profits	78,835	63,243	1,897	2,359
plus/less: Prior Period Adjustments	-	-	-	-
plus Adjustments for amounts unpaid:				
- Taxation equivalent payments	462	457	28	29
- Debt guarantee fees	-	-	-	-
- Corporate taxation equivalent	6,961	5,324	259	55
add:				
- Subsidy Paid/Contribution To Operations	-	-	-	-
less:				
- TER dividend paid	-	-	-	-
- Dividend paid	(21,612)	(2,611)	(1,045)	(674)
Closing Retained Profits	80,889	78,835	1,744	1,897
Return on Capital %	28.9%	22.6%	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 2014

	Car Parking Services		North Sydney Function Centre	
	Category 1		Category 2	
\$ '000	Actual 2014	Actual 2013	Actual 2014	Actual 2013
Income from continuing operations				
Access charges	-	-	-	-
User charges	-	-	-	-
Fees	2,740	2,936	525	250
Interest	-	-	-	-
Grants and contributions provided for non capital purposes	-	-	-	-
Profit from the sale of assets	-	-	-	-
Other income	-	-	-	-
Total income from continuing operations	2,740	2,936	525	250
Expenses from continuing operations				
Employee benefits and on-costs	287	387	146	96
Borrowing costs	-	-	-	-
Materials and contracts	454	425	262	115
Depreciation and impairment	766	941	97	86
Loss on sale of assets	-	-	-	-
Calculated taxation equivalents	252	252	-	-
Debt guarantee fee (if applicable)	-	-	-	-
Other expenses	374	472	128	116
Total expenses from continuing operations	2,133	2,477	633	413
Surplus (deficit) from Continuing Operations before capital amounts	607	459	(108)	(163)
Grants and contributions provided for capital purposes	-	-	-	-
Surplus (deficit) from Continuing Operations after capital amounts	607	459	(108)	(163)
Surplus (deficit) from discontinued operations	-	-	-	-
Surplus (deficit) from ALL Operations before tax	607	459	(108)	(163)
less: Corporate Taxation Equivalent (30%) [based on result before capital]	(182)	(138)	-	-
SURPLUS (DEFICIT) AFTER TAX	425	321	(108)	(163)
plus Opening Retained Profits	21,266	22,005	1,121	1,071
plus/less: Prior Period Adjustments	-	-	-	-
plus Adjustments for amounts unpaid:				
- Taxation equivalent payments	252	252	-	-
- Debt guarantee fees	-	-	-	-
- Corporate taxation equivalent	182	138	-	-
add:				
- Subsidy Paid/Contribution To Operations	-	-	12	213
less:				
- TER dividend paid	-	-	-	-
- Dividend paid	(2,055)	(1,450)	-	-
Closing Retained Profits	20,070	21,266	1,025	1,121
Return on Capital %	1.9%	1.4%	-6.1%	-8.9%
Subsidy from Council	540	801	171	232

North Sydney Council

Income Statement of Council's Other Business Activities

for the financial year ended 30 June 2014

Development
Applications

Category 2

\$ '000	Actual 2014	Actual 2013
Income from continuing operations		
Access charges	-	-
User charges	-	-
Fees	1,704	1,429
Interest	-	-
Grants and contributions provided for non capital purposes	-	-
Profit from the sale of assets	-	-
Other income	-	-
Total income from continuing operations	1,704	1,429
Expenses from continuing operations		
Employee benefits and on-costs	3,983	3,770
Borrowing costs	-	-
Materials and contracts	333	282
Depreciation and impairment	-	-
Loss on sale of assets	-	-
Calculated taxation equivalents	185	182
Debt guarantee fee (if applicable)	-	-
Other expenses	688	802
Total expenses from continuing operations	5,189	5,036
Surplus (deficit) from Continuing Operations before capital amounts	(3,485)	(3,607)
Grants and contributions provided for capital purposes	-	-
Surplus (deficit) from Continuing Operations after capital amounts	(3,485)	(3,607)
Surplus (deficit) from discontinued operations	-	-
Surplus (deficit) from ALL Operations before tax	(3,485)	(3,607)
less: Corporate Taxation Equivalent (30%) [based on result before capital]	-	-
SURPLUS (DEFICIT) AFTER TAX	(3,485)	(3,607)
plus Opening Retained Profits	(1,253)	(1,189)
plus/less: Prior Period Adjustments	-	-
plus Adjustments for amounts unpaid:		
- Taxation equivalent payments	185	182
- Debt guarantee fees	-	-
- Corporate taxation equivalent	-	-
add:		
- Subsidy Paid/Contribution To Operations	3,340	3,361
less:		
- TER dividend paid	-	-
- Dividend paid	-	-
Closing Retained Profits	(1,213)	(1,253)
Return on Capital %	n/a	n/a
Subsidy from Council	3,485	3,607

North Sydney Council

Statement of Financial Position - Council's Other Business Activities

as at 30 June 2014

\$ '000	Commercial Properties		Waste Management	
	Category 1		Category 1	
	Actual 2014	Actual 2013	Actual 2014	Actual 2013
ASSETS				
Current Assets				
Cash and cash equivalents	-	-	2,947	2,688
Investments	-	-	-	-
Receivables	773	484	79	77
Inventories	-	-	-	-
Other	-	-	-	-
Non-current assets classified as held for sale	-	-	-	-
Total Current Assets	773	484	3,026	2,765
Non-Current Assets				
Investments	-	-	-	-
Receivables	-	-	-	-
Inventories	-	-	-	-
Infrastructure, property, plant and equipment	5,584	787	-	-
Investments accounted for using equity method	-	-	-	-
Investment property	74,650	77,680	-	-
Other	-	-	-	-
Total Non-Current Assets	80,234	78,467	-	-
TOTAL ASSETS	81,007	78,951	3,026	2,765
LIABILITIES				
Current Liabilities				
Bank Overdraft	-	-	-	-
Payables	118	116	1,106	719
Interest bearing liabilities	-	-	-	-
Provisions	-	-	170	143
Total Current Liabilities	118	116	1,276	862
Non-Current Liabilities				
Payables	-	-	3	3
Interest bearing liabilities	-	-	-	-
Provisions	-	-	3	3
Other Liabilities	-	-	-	-
Total Non-Current Liabilities	-	-	6	6
TOTAL LIABILITIES	118	116	1,282	868
NET ASSETS	80,889	78,835	1,744	1,897
EQUITY				
Retained earnings	80,889	78,835	1,744	1,897
Revaluation reserves	-	-	-	-
Council equity interest	80,889	78,835	1,744	1,897
Non-controlling equity interest	-	-	-	-
TOTAL EQUITY	80,889	78,835	1,744	1,897

North Sydney Council

Statement of Financial Position - Council's Other Business Activities

as at 30 June 2014

\$ '000	Car Parking Services		North Sydney Function Centre	
	Category 1		Category 2	
	Actual 2014	Actual 2013	Actual 2014	Actual 2013
ASSETS				
Current Assets				
Cash and cash equivalents	12	13	6	41
Investments	-	-	-	-
Receivables	5	11	22	28
Inventories	-	-	16	17
Other	-	-	-	-
Non-current assets classified as held for sale	-	-	-	-
Total Current Assets	17	24	44	86
Non-Current Assets				
Investments	-	-	-	-
Receivables	-	-	-	-
Inventories	-	-	-	-
Infrastructure, property, plant and equipment	32,233	33,417	1,779	1,834
Investments accounted for using equity method	-	-	-	-
Investment property	-	-	-	-
Other	-	-	-	-
Total Non-Current Assets	32,233	33,417	1,779	1,834
TOTAL ASSETS	32,250	33,441	1,823	1,920
LIABILITIES				
Current Liabilities				
Bank Overdraft	-	-	-	-
Payables	111	108	-	-
Interest bearing liabilities	-	-	-	-
Provisions	91	89	41	42
Total Current Liabilities	202	197	41	42
Non-Current Liabilities				
Payables	-	-	-	-
Interest bearing liabilities	-	-	-	-
Provisions	2	2	1	1
Other Liabilities	-	-	-	-
Total Non-Current Liabilities	2	2	1	1
TOTAL LIABILITIES	204	199	42	43
NET ASSETS	32,046	33,242	1,781	1,877
EQUITY				
Retained earnings	20,070	21,266	1,025	1,121
Revaluation reserves	11,976	11,976	756	756
Council equity interest	32,046	33,242	1,781	1,877
Non-controlling equity interest	-	-	-	-
TOTAL EQUITY	32,046	33,242	1,781	1,877

North Sydney Council

Statement of Financial Position - Council's Other Business Activities

as at 30 June 2014

Development Applications

Category 2

\$ '000	Actual 2014	Actual 2013
ASSETS		
Current Assets		
Cash and cash equivalents	-	-
Investments	-	-
Receivables	-	-
Inventories	-	-
Other	-	-
Non-current assets classified as held for sale	-	-
Total Current Assets	-	-
Non-Current Assets		
Investments	-	-
Receivables	-	-
Inventories	-	-
Infrastructure, property, plant and equipment	-	-
Investments accounted for using equity method	-	-
Investment property	-	-
Other	-	-
Total Non-Current Assets	-	-
TOTAL ASSETS	-	-
LIABILITIES		
Current Liabilities		
Bank Overdraft	-	-
Payables	-	-
Interest bearing liabilities	-	-
Provisions	1,185	1,225
Total Current Liabilities	1,185	1,225
Non-Current Liabilities		
Payables	-	-
Interest bearing liabilities	-	-
Provisions	28	28
Other Liabilities	-	-
Total Non-Current Liabilities	28	28
TOTAL LIABILITIES	1,213	1,253
NET ASSETS	(1,213)	(1,253)
EQUITY		
Retained earnings	(1,213)	(1,253)
Revaluation reserves	-	-
Council equity interest	(1,213)	(1,253)
Non-controlling equity interest	-	-
TOTAL EQUITY	(1,213)	(1,253)

North Sydney Council

Special Purpose Financial Statements for the financial year ended 30 June 2014

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 2014

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); and
- Australian Accounting Interpretations.

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

- the Local Government Act (1993) and Local Government (General) Regulation (2005); 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 2014

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 **\$412,000** of combined land values attracts **0%**. From \$412,001 to \$2,519,000 the rate is **1.6% + \$100**. For the remaining combined land value that exceeds \$2,519,000, 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 2014

Note 1. Significant Accounting Policies

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

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 3.56% at 30 June 2014.

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

(iv) Dividends

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

NORTH SYDNEY COUNCIL
SPECIAL PURPOSE FINANCIAL STATEMENTS
INDEPENDENT AUDITORS' REPORT

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying special purpose financial statements of North Sydney Council, which comprises the Statement of Financial Position as at 30 June 2014, Income Statement for the year ended on that date, a summary of significant accounting policies and other explanatory notes and the Statement by Councillors and Management.

Responsibility of Council for the Financial Statements

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

Auditors' Responsibility

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

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

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

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

Independence

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

Auditor's Opinion

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

Basis of Accounting

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

HILL ROGERS SPENCER STEER



GARY MOTTAU

Partner

Dated at Sydney this 14th day of October 2014

North Sydney Council

SPECIAL SCHEDULES
for the year ended 30 June 2014

progressive **vibrant** diverse



North Sydney Council

Special Schedules

for the financial year ended 30 June 2014

Contents

Page

Special Schedules¹

- 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 2014)	4
- Special Schedule No. 8	Financial Projections	8
- Special Schedule No. 9	Permissible Income Calculation	9

¹ 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 2014

\$'000

Function or Activity	Expenses from Continuing Operations	Income from continuing operations		Net Cost of Services
		Non Capital	Capital	
Governance	2,164	-	-	(2,164)
Administration	19,316	5,840	41	(13,435)
Public Order and Safety				
Fire Service Levy, Fire Protection, Emergency Services	1,364	-	-	(1,364)
Beach Control	-	-	-	-
Enforcement of Local Govt. Regulations	5,511	7,362	-	1,851
Animal Control	46	3	-	(43)
Other	-	-	-	-
Total Public Order & Safety	6,921	7,365	-	444
Health	1,345	207	-	(1,138)
Environment				
Noxious Plants and Insect/Vermin Control	129	-	-	(129)
Other Environmental Protection	2,520	1,960	141	(419)
Solid Waste Management	10,054	11,182	-	1,128
Street Cleaning	1,999	12	-	(1,987)
Drainage	-	-	-	-
Stormwater Management	1,522	36	-	(1,486)
Total Environment	16,224	13,190	141	(2,893)
Community Services and Education				
Administration & Education	672	37	-	(635)
Social Protection (Welfare)	422	-	-	(422)
Aged Persons and Disabled	309	60	-	(249)
Children's Services	934	408	59	(467)
Total Community Services & Education	2,337	505	59	(1,773)
Housing and Community Amenities				
Public Cemeteries	-	-	-	-
Public Conveniences	300	-	-	(300)
Street Lighting	1,226	166	-	(1,060)
Town Planning	3,664	935	9	(2,720)
Other Community Amenities	369	-	-	(369)
Total Housing and Community Amenities	5,559	1,101	9	(4,449)
Water Supplies	-	-	-	-
Sewerage Services	-	-	-	-

North Sydney Council

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

for the financial year ended 30 June 2014

\$'000

Function or Activity	Expenses from Continuing Operations	Income from continuing operations		Net Cost of Services
		Non Capital	Capital	
Recreation and Culture				
Public Libraries	3,450	279	197	(2,974)
Museums	464	4	-	(460)
Art Galleries	-	-	-	-
Community Centres and Halls	1,196	62	186	(948)
Performing Arts Venues	-	-	-	-
Other Performing Arts	-	-	-	-
Other Cultural Services	900	361	-	(539)
Sporting Grounds and Venues	2,502	480	-	(2,022)
Swimming Pools	3,254	2,406	85	(763)
Parks & Gardens (Lakes)	6,693	45	94	(6,554)
Other Sport and Recreation	1,075	257	10,180	9,362
Total Recreation and Culture	19,534	3,894	10,742	(4,898)
Fuel & Energy	-	-	-	-
Agriculture	-	-	-	-
Mining, Manufacturing and Construction				
Building Control	-	41	-	41
Other Mining, Manufacturing & Construction	-	-	-	-
Total Mining, Manufacturing and Const.	-	41	-	41
Transport and Communication				
Urban Roads (UR) - Local	7,491	322	(12)	(7,181)
Urban Roads - Regional	95	686	-	591
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	1,559	10,150	-	8,591
Footpaths	1,277	495	-	(782)
Aerodromes	-	-	-	-
Other Transport & Communication	1,785	1,108	434	(243)
Total Transport and Communication	12,207	12,761	422	976
Economic Affairs				
Camping Areas & Caravan Parks	-	-	-	-
Other Economic Affairs	7,803	29,004	-	21,201
Total Economic Affairs	7,803	29,004	-	21,201
Totals – Functions	93,410	73,908	11,414	(8,088)
General Purpose Revenues ⁽²⁾		34,835		34,835
Share of interests - joint ventures & associates using the equity method	4	-		(4)
NET OPERATING RESULT ⁽¹⁾	93,414	108,743	11,414	26,743

(1) As reported in the Income Statement

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

North Sydney Council

Special Schedule No. 7 - Report on Infrastructure Assets

as at 30 June 2014

\$'000

Asset Class	Asset Category	Estimated cost to bring up to a satisfactory standard ⁽¹⁾	Required Annual Maintenance ⁽²⁾	Actual Maintenance 2013/14 ⁽³⁾	Written Down Value (WDV) ⁽⁴⁾	Assets in Condition as a % of WDV ^{(4), (5)}				
						1	2	3	4	5
Buildings	Specialised Buildings	1,667	3,865	3,915	62,042	11%	19%	68%	1%	1%
	Non Specialised Buildings	2	200	200	647	0%	2%	97%	1%	0%
	sub total	1,669	4,065	4,115	62,689	10.9%	18.8%	68.3%	1.0%	1.0%
Roads	Footpaths	654	1,248	1,472	31,951	45%	42%	12%	1%	0%
	Other Road Assets	2,593	528	511	35,614	32%	49%	17%	2%	0%
	Pavement	2,146	1,375	1,477	113,808	15%	44%	36%	5%	0%
	sub total	5,393	3,151	3,460	181,373	23.6%	44.6%	28.0%	3.7%	0.0%
Stormwater Drainage	Stormwater Drainage	7,192	453	462	82,320	52%	44%	3%	1%	0%
	sub total	7,192	453	462	82,320	52.0%	44.0%	3.0%	1.0%	0.0%
Open Space/ Recreational Assets	Swimming Pools	-	2,899	2,925	11,456	9%	1%	90%	0%	0%
	Open Space/Recreation Assets	801	186	267	2,550	35%	16%	42%	2%	5%
	sub total	801	3,085	3,192	14,006	13.7%	3.7%	81.3%	0.4%	0.9%

Special Schedule No. 7 - Report on Infrastructure Assets (continued)
as at 30 June 2014

\$'000

Asset Class	Asset Category	Estimated cost to bring up to a satisfactory standard ⁽¹⁾	Required Annual Maintenance ⁽²⁾	Actual Maintenance 2013/14 ⁽³⁾	Written Down Value (WDV) ⁽⁴⁾	Assets in Condition as a % of WDV ^{(4), (5)}				
						1	2	3	4	5
Other Infrastructure Assets	Other Infrastructure Assets	255	1,609	1,669	16,720	51%	32%	14%	3%	0%
	Other	-	-	-	-					
	sub total	255	1,609	1,669	16,720	51.0%	32.0%	14.0%	3.0%	0.0%
TOTAL - ALL ASSETS		15,310	12,363	12,898	357,108	28.8%	37.8%	30.8%	2.4%	0.2%

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

North Sydney Council

Special Schedule No. 7 - Report on Infrastructure Assets (continued)
for the financial year ended 30 June 2014

\$ '000	Amounts 2014	Indicator 2014	Prior Periods	
			2013	2012
Infrastructure Asset Performance Indicators Consolidated				
1. Building and Infrastructure Renewals Ratio				
Asset Renewals (Building and Infrastructure) ⁽¹⁾	<u>12,902</u>	106.68%	65.30%	54.52%
Depreciation, Amortisation & Impairment	<u>12,094</u>			
2. Infrastructure Backlog Ratio				
Estimated Cost to bring Assets to a Satisfactory Condition	<u>15,310</u>	0.04	0.04	0.05
Total value ⁽²⁾ of Infrastructure, Building, Other Structures & depreciable Land Improvement Assets	<u>371,397</u>			
3. Asset Maintenance Ratio				
Actual Asset Maintenance	<u>12,898</u>	1.04	0.67	0.59
Required Asset Maintenance	<u>12,363</u>			
4. Capital Expenditure Ratio				
Annual Capital Expenditure	<u>22,713</u>	1.49	1.00	0.81
Annual Depreciation	<u>15,283</u>			

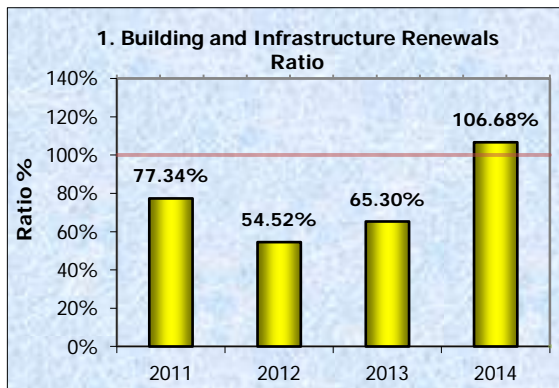
Notes

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

⁽²⁾ Written down value

North Sydney Council

Special Schedule No. 7 - Report on Infrastructure Assets (continued) for the financial year ended 30 June 2014



— Minimum 100.00%

Source for Benchmark: TCorp Sustainability Review of NSW Local Govt. (2013)

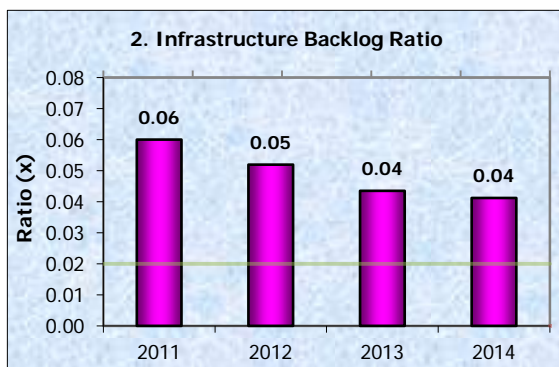
Purpose of Asset Renewals Ratio

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

Commentary on 2013/14 Result

2013/14 Ratio 106.68%

After being well below the benchmark of 100% for 3 years, this ratio improved to be slightly above it in 2013/14. This is a reflection of Council's increased commitment to ensuring that sufficient funds are allocated to the replacement and renewal of its ageing infrastructure assets to offset the rate at which they are depreciating.



— Maximum .02

Source for Benchmark: TCorp Sustainability Review of NSW Local Govt. (2013)

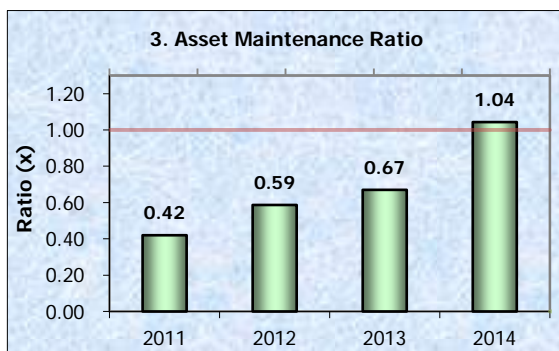
Purpose of Infrastructure Backlog Ratio

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

Commentary on 2013/14 Result

2013/14 Ratio 0.04 x

This ratio was above the benchmark of 0.02 as it has been for a number of years. Nevertheless, sufficient funds were spent on the maintenance of Council's infrastructure assets in 2013/14 to prevent it from growing. Increased funding towards infrastructure renewal will be required to reduce the backlog.



— Minimum 1.00

Source for Benchmark: TCorp Sustainability Review of NSW Local Govt. (2013)

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 2013/14 Result

2013/14 Ratio 1.04 x

After being below the benchmark for 3 years, this ratio improved to be slightly above it in 2013/14. This indicates that sufficient funds were allocated to the maintenance of Council's infrastructure assets during the year to prevent the Infrastructure Backlog from growing.



— Minimum 1.10

Source for Benchmark: TCorp Sustainability Review of NSW Local Govt. (2013)

Purpose of Capital Expenditure Ratio

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

Commentary on 2013/14 Result

2013/14 Ratio 1.49 x

After being below the benchmark of 1.1 for 3 years, this ratio improved to be well above it in 2013/14. This is a reflection of Council's increased 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.

North Sydney Council

Special Schedule No. 8 - Financial Projections

as at 30 June 2014

\$'000	Actual ⁽¹⁾ 13/14	Forecast ⁽³⁾ 14/15	Forecast ⁽³⁾ 15/16	Forecast ⁽³⁾ 16/17	Forecast ⁽³⁾ 17/18	Forecast ⁽³⁾ 18/19	Forecast ⁽³⁾ 19/20	Forecast ⁽³⁾ 20/21	Forecast ⁽³⁾ 21/22	Forecast ⁽³⁾ 22/23	Forecast ⁽³⁾ 23/24
(i) OPERATING BUDGET											
Income from continuing operations	120,157	98,238	98,898	101,229	103,847	107,466	110,473	113,803	117,211	120,689	123,059
Expenses from continuing operations	93,414	91,257	93,760	97,450	100,060	103,539	108,032	111,634	115,372	119,255	123,286
Operating Result from Continuing Operations	26,743	6,981	5,138	3,779	3,787	3,927	2,441	2,169	1,839	1,434	(227)
(ii) CAPITAL BUDGET											
New Capital Works ⁽²⁾	6,652	4,739	3,567	2,560	2,343	1,936	918	1,176	840	1,451	892
Replacement/Refurbishment of Existing Assets	18,031	19,536	19,229	19,895	13,591	12,948	13,713	13,625	14,736	14,684	15,600
Total Capital Budget	24,683	24,275	22,796	22,455	15,934	14,884	14,631	14,801	15,576	16,135	16,492
Funded by:											
– Loans	-	4,700	3,250	950	-	-	-	-	-	-	-
– Asset sales	-	-	-	-	-	-	-	-	-	-	-
– Reserves	20,643	15,978	16,066	17,976	12,599	11,472	11,379	11,473	12,172	12,651	12,913
– Grants/Contributions	1,499	1,221	1,135	1,139	1,012	1,035	820	838,231	856	815	908
– Recurrent revenue	2,541	2,376	2,345	2,390	2,323	2,377	2,432	2,489	2,548	2,669	2,671
– Other	-	-	-	-	-	-	-	-	-	-	-
	24,683	24,275	22,796	22,455	15,934	14,884	14,631	852,193	15,576	16,135	16,492

Notes:

(1) From 13/14 Income Statement.

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

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

North Sydney Council

Special Schedule No. 9 - Permissible Income Calculation

for the financial year ended 30 June 2015

\$'000		Calculation 2013/14	Calculation 2014/15
Notional General Income Calculation ⁽¹⁾			
Last Year Notional General Income Yield	a	32,713	34,597
Plus or minus Adjustments ⁽²⁾	b	72	177
Notional General Income	c	32,785	34,774
Permissible Income Calculation			
Special variation percentage ⁽³⁾	d	14.57%	5.50%
or Rate peg percentage	e		
or Crown land adjustment incl. rate peg percentage	f		
less expiring Special variation amount	g	(2,590)	-
plus Special variation amount	h = (c+g) x d	4,399	1,913
or plus Rate peg amount	i = c x e	-	-
or plus Crown land adjustment and rate peg amount	j = c x f	-	-
sub-total	k = (c+g+h+i+j)	34,594	36,687
plus (or minus) last year's Carry Forward Total	l	-	-
less Valuation Objections claimed in the previous year	m	-	(3)
sub-total	n = (l + m)	-	(3)
Total Permissible income	o = k + n	34,594	36,684
less Notional General Income Yield	p	34,597	36,684
Catch-up or (excess) result	q = o - p	(3)	-
plus Income lost due to valuation objections claimed ⁽⁴⁾	r	3	-
less Unused catch-up ⁽⁵⁾	s	-	-
Carry forward to next year	t = q + r - s	-	-

Notes

- ¹ The Notional General Income will not reconcile with rate income in the financial statements in the corresponding year. The statements are reported on an accrual accounting basis which include amounts that relate to prior years' rates income.
- ² Adjustments account for changes in the number of assessments and any increase or decrease in land value occurring during the year. The adjustments are called "supplementary valuations" as defined in the Valuation of Land Act 1916.
- ³ The Special Variation Percentage is inclusive of the Rate Peg percentage and where applicable crown land adjustment.
- ⁴ Valuation objections are unexpected changes in land values as a result of land owners successfully objecting to the land value issued by the Valuer-General. Councils can claim the value of the income lost due to valuation objections in any single year.
- ⁵ Unused catch-up amounts will be deducted if they are not caught up within 2 years. Usually councils will have a nominal carry forward figure. These amounts can be adjusted for in setting the rates in a future year.

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

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 2015.

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. 22. 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.

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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 2014/15 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 14th day of October 2014