



NORTH SYDNEY COUNCIL

Financial Statements

for the year ended 30 June 2012



North Sydney Council

Financial Statements

for the financial year ended 30 June 2012



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North Sydney Council

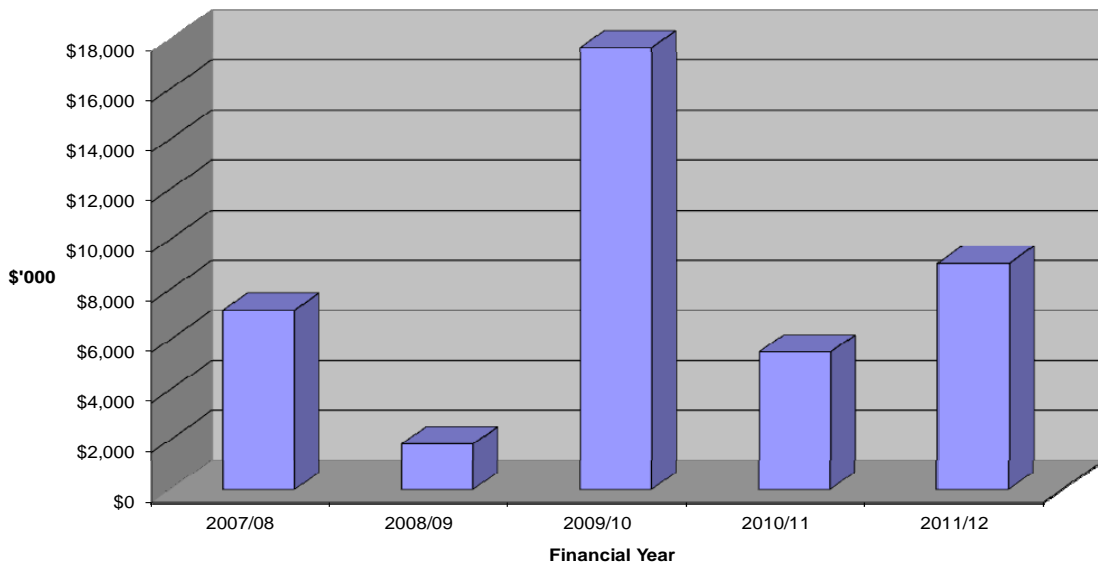
Financial Statements for the financial year ended 30 June 2012

Executive Summary

Review of Council's Financial Result

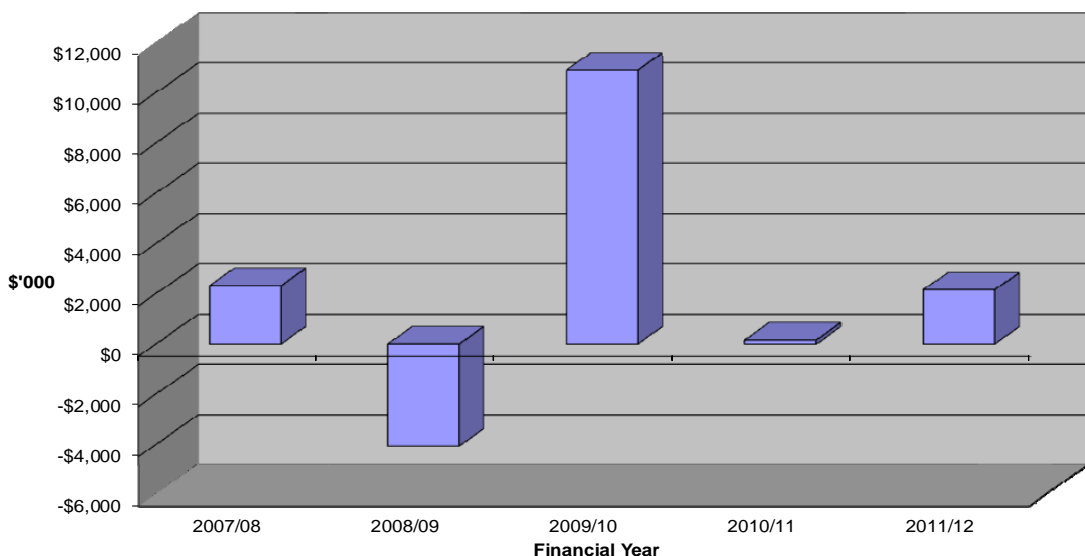
Council achieved a net operating surplus of \$9.1 million in 2011/12. This was an increase of \$3.6 million from the result achieved in 2010/11. The following graph shows Council's operating result over the last 5 years.

This **Operating Result from Continuing Operations**



operating result includes revenue received from grants and contributions provided for capital purposes, the offsetting expenditure of which is shown in the balance sheet in the year it is incurred. Before recognising capital revenue, the surplus was \$2.1 million. This was an increase of \$2 million from the result achieved in 2010/11. The following graph shows the trend of Council's operating result before capital grants and contributions over the last 5 years.

The **Operating Result before Capital Grants & Contributions**



North Sydney Council

Financial Statements

for the financial year ended 30 June 2012

Executive Summary (continued)

factors that contributed to the increase of \$3.6 million in the operating result (including capital grants and contributions) from that achieved in 2010/11 are outlined below.

- Rates and annual charges revenue increased by \$1.8 million, a 4.9% increase from 2010/11. In June 2011, IPART (Independent Pricing and Regulatory Tribunal) granted Council approval to increase its revenue from rates by 5.5% per year for seven years commencing in 2011/12. However, in 2011/12, this increase only applied to revenue from Ordinary Rates (i.e. Residential and Business Rates) and not Special Rates (i.e. Environmental, Infrastructure and Main Street Levies) nor Annual Charges (i.e. Domestic Waste Management and Section 611 Charges).
- User charges and fees revenue increased by \$1.3 million, a 6.7% increase from 2010/11. This was primarily due to significantly increased revenue from Construction Zone fees (\$509K), off-street parking fees (\$362K) and North Sydney Olympic Pool fees (\$234K).
- Interest and investment revenue increased by \$333,000, a 9.7% increase from 2010/11. While the average return on Council's investment portfolio fell from 7.32% in 2010/11 to 5.92% in 2011/12, delays in the commencement of some capital projects and the receipt of some large developer contributions produced a greater than anticipated pool of funds available for investment and, hence increased interest and investment revenue.
- Other Revenues increased by \$1.2 million, an 8.4% increase from 2010/11. The fair value of Council's investment property portfolio was estimated to have increased by \$2.1 million compared to \$1.2 million in 2010/11, a reflection of the improvement in Sydney's property market during the year. This and the receipt of \$433,000 from Sydney Water for compensation and back-dated rental arising from the acquisition of part of Forsyth Park in Neutral Bay for the purpose of constructing a sewerage pump station were the main reasons for the increase in other revenues.
- Grants and contributions provided for operating purposes increased by \$765,000, a 20.7% increase from 2010/11. In the Federal Budget delivered in May 2012, the Australian Government announced that it would bring forward one-half of the estimated 2012/13 local government financial assistance grant allocations for payment in the 2011/12 financial year. A similar arrangement applied in 2010/11 but only one-quarter of the following year's grant allocations were paid in advance. As result of this decision, the amount of North Sydney Council's Financial Assistance Grant paid in advance in 2011/12 was \$892,538 compared to \$430,062 in 2010/11. This was the main reason for the increase in revenue from operating grants and contributions.
- Grants and contributions provided for capital purposes increased by \$1.5 million, a 28.7% increase from 2010/11. During the year, Council received Developer Contributions totalling \$6.3 million compared to \$2 million in 2010/11. Offsetting this, revenue from capital grants fell by \$1.8 million and revenue from other specific purpose capital contributions fell by \$1 million from the amounts received in 2010/11. Grants towards the transformation of former industrial sites at Waverton Peninsula resulted in higher revenue from capital grants in 2010/11 and the corresponding fall in 2011/12. Council was granted control over a property previously leased and controlled by the Department of Housing. Its fair value of \$800,000 was accounted for as a capital contribution in 2010/11 and this has resulted in higher revenue from other specific purpose contributions in 2010/11 and the corresponding fall in 2011/12.
- Employee benefits and on-costs expenditure increased by \$763,000, a 2.3% increase from 2010/11. This was mainly due to award salary and wage increases.
- Materials and contracts expenditure increased by \$2.6 million, an 11.2% increase from 2010/11. Raw materials and consumables purchases (\$736K), infrastructure and property maintenance (\$723K), waste and recycling disposal (\$564K) and legal expenses (\$520K) were the main contributors to this increase.

North Sydney Council

Financial Statements

for the financial year ended 30 June 2012

Executive Summary (continued)

- Other Expenses increased by \$194,000, an increase of 2.5% from 2010/11. This was mainly due to increased electricity and street lighting costs.

Review of Council's Cash Flows

After adding/deducting non-cash items to/from the net operating surplus and allowing for movements in operating assets and liabilities, the net cash provided from operating activities totalled \$23.265 million, as detailed in the following reconciliation:

		\$'000
Operating surplus		9,066
add:	depreciation	14,469
	fair value loss in investment portfolio	52
	net movements in operating assets and liabilities	1,889
deduct:	fair value gains in investment property portfolio	2,062
	net gain from disposal of assets	129
	net share of interest in Shorelink Library Network	<u>20</u>
Net cash provided	from operating activities	<u>23,265</u>

After supplementing this cash inflow from operating activities with proceeds from the sale of investment securities, property plant and equipment and applying funds to the purchase of investment securities, infrastructure, property, plant and equipment, Council's cash held increased by \$1.021 million from \$1.263 million to \$2.284 million, as detailed in the following reconciliation:

		\$'000
Net cash provided	from operating activities	23,265
add:	proceeds from sale of investment securities	34,492
	proceeds from sale of property, plant & equipment	944
deduct:	purchase of investment securities	45,227
	purchase of infrastructure, property, plant & equipment	<u>12,453</u>
net increase in	cash held	1,021
plus:	cash held at the beginning of the year	<u>1,263</u>
Cash held at the	end of the year	<u>2,284</u>

North Sydney Council

Financial Statements

for the financial year ended 30 June 2012

Executive Summary (continued)

After allowing for the previously mentioned \$500,000 net revaluation of its investment portfolio and the above purchase and sale of investments during the year, Council's total cash and investments held increased by \$11.704 million from \$53.888 million to \$65.592 million, as detailed in the following reconciliation:

		\$'000
Cash & Investments	held at the beginning of the year	53,888
add:	investments purchased during the year	45,227
	net increase in cash held	1,021
deduct:	investments sold during the year	34,492
	fair value loss in investment portfolio	<u>52</u>
Cash & Investments	held at the end of the year	<u>65,592</u>

Review of Council's Financial Position

As at 30 June 2012, Council's financial position was sound with no debt and total net assets of \$716 million, including cash and investments of \$65.6 million. Of this \$65.6 million, \$20.8 million was externally restricted for specific purposes and \$40.9 million was internally restricted for specific purposes. The remaining \$3.9 million was unrestricted.

Available working capital was \$4.7 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 2012, Council's unrestricted current ratio was 2.86:1, up from 2.94:1 the previous year and well above the industry benchmark 1.5:1.

During 2011/12, \$5.5 million was spent on the renewal of Council's building and infrastructure assets. Over the same period, the depreciation expense for these assets was \$10.1 million. Hence, the building and infrastructure renewals ratio was 54.52%, well below 100% for the second consecutive year. This indicates that, during 2011/12, building and infrastructure assets were not renewed at the rate at which they were consumed by the community. This is an issue affecting local government at large. Council applied for and was granted a special rate variation for 7 years from 2011/12 and the additional funds generated from this during 2011/12 and over the next six years should go some way toward rectifying this asset renewal shortfall.

North Sydney Council

GENERAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2012

“...a vibrant community”



North Sydney Council

General Purpose Financial Statements for the financial year ended 30 June 2012

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Overview

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

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

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

- carrying out activities and providing goods, services & facilities appropriate to the current & future needs of the Local community and of the wider public
- responsibility for administering regulatory requirements under the LGA and other applicable legislation, &
- a role in the management, improvement and development of the resources of the local government 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 23 October 2012. Council has the power to amend and reissue the financial statements.

North Sydney Council

General Purpose Financial Statements

for the financial year ended 30 June 2012

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 2012.

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

About the Councillor/Management Statement

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

About the Primary Financial Statements

The Financial Statements incorporate 5 "primary" financial statements:

1. An Income Statement

A summary of 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. A Statement of Comprehensive Income

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

3. A Balance Sheet

A 30 June snapshot of Council's Financial Position including its Assets & Liabilities.

4. A Statement of Changes in Equity

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

5. A 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 registered company auditors.

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 the Council's financial performance and financial position.

Who uses the Financial Statements?

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

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

Council is required to forward an audited set of Financial Statements to the Division of Local Government.

Financial Review

A summary of Council's financial performance and position over the past 5 years can be found at Note 27 of the Financial Statements.

North Sydney Council

General Purpose Financial Statements

for the financial year ended 30 June 2012

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:

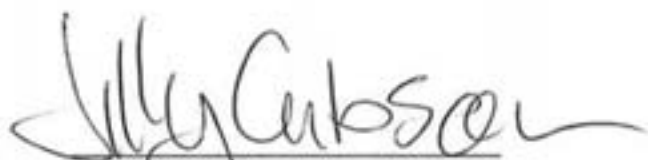
- The Local Government Act 1993 (as amended) and the Regulations made thereunder,
- The Australian Accounting Standards and professional pronouncements, and
- The Local Government Code of Accounting Practice and Financial Reporting.

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 22 October 2012.



Jilly Gilson
MAYOR



Sarah Burke
COUNCILLOR



Penny Holloway
GENERAL MANAGER



Garry Ross
RESPONSIBLE ACCOUNTING OFFICER

North Sydney Council

Income Statement

for the financial year ended 30 June 2012

Budget ⁽¹⁾ 2012	\$ '000	Notes	Actual 2012	Actual 2011
Income from Continuing Operations				
Revenue:				
39,076	Rates & Annual Charges	3a	38,968	37,157
18,360	User Charges & Fees	3b	20,624	19,335
2,020	Interest & Investment Revenue	3c	3,770	3,437
14,779	Other Revenues	3d	16,110 ⁽³⁾	14,868 ⁽²⁾
3,218	Grants & Contributions provided for Operating Purposes	3e,f	4,462	3,697
3,428	Grants & Contributions provided for Capital Purposes	3e,f	6,909	5,369
Other Income:				
114	Net gains from the disposal of assets	5	129	143
-	Net Share of interests in Joint Ventures & Associated Entities using the equity method	19	20	10
80,995	Total Income from Continuing Operations		90,992	84,016
Expenses from Continuing Operations				
33,097	Employee Benefits & On-Costs	4a	33,611	32,848
-	Borrowing Costs	4b	-	-
25,246	Materials & Contracts	4c	25,932	23,326
15,041	Depreciation & Amortisation	4d	14,469	14,597
-	Impairment	4d	-	-
7,874	Other Expenses	4e	7,914	7,720
81,258	Total Expenses from Continuing Operations		81,926	78,491
(263)	Operating Result from Continuing Operations		9,066	5,525
Discontinued Operations				
-	Net Profit/(Loss) from Discontinued Operations	24	-	-
(263)	Net Operating Result for the Year		9,066	5,525
(263)	Net Operating Result attributable to Council		9,066	5,525
(3,691)	Net Operating Result for the year before Grants and Contributions provided for Capital Purposes		2,157	156

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

(2) Other Revenues 2011 includes \$1,188,000 from Fair Value adjustments (non-cash) associated with Investment Properties - refer Note 14.

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

North Sydney Council

Statement of Comprehensive Income
for the financial year ended 30 June 2012

\$ '000	Notes	Actual 2012	Actual 2011
Net Operating Result for the year (as per Income statement)		9,066	5,525
Other Comprehensive Income			
Gain (loss) on revaluation of I,PP&E	20b (ii)	-	-
Gain (loss) on revaluation of available-for-sale investments	20b (ii)	-	-
Gain (loss) on revaluation of other reserves	20b (ii)	-	-
Realised (gain) loss on available-for-sale investments recognised in P&L	20b (ii)	-	-
Realised (gain) loss from other reserves recognised in P&L	20b (ii)	-	-
Impairment (loss) reversal relating to I,PP&E	20b (ii)	-	-
Other Movements in Reserves	20b (ii)	-	-
Total Other Comprehensive Income for the year		-	-
Total Comprehensive Income for the Year		9,066	5,525
Total Comprehensive Income attributable to Council		9,066	5,525
Total Comprehensive Income attributable to Minority Interests		-	-

North Sydney Council

Balance Sheet

as at 30 June 2012

\$ '000	Notes	Actual 2012	Actual 2011
ASSETS			
Current Assets			
Cash & Cash Equivalents	6a	2,284	1,263
Investments	6b	30,560	24,604
Receivables	7	6,032	6,662
Inventories	8	39	35
Other	8	217	146
Non-current assets classified as "held for sale"	22	-	-
Total Current Assets		39,132	32,710
Non-Current Assets			
Investments	6b	32,748	28,021
Receivables	7	172	100
Inventories	8	-	-
Infrastructure, Property, Plant & Equipment	9	582,702	585,404
Investments accounted for using the equity method	19	73	53
Investment Property	14	85,370	83,308
Intangible Assets	25	-	-
Total Non-Current Assets		701,065	696,886
TOTAL ASSETS		740,197	729,596
LIABILITIES			
Current Liabilities			
Payables	10	11,891	11,504
Borrowings	10	-	-
Provisions	10	12,006	10,863
Total Current Liabilities		23,897	22,367
Non-Current Liabilities			
Payables	10	-	-
Borrowings	10	-	-
Provisions	10	324	319
Total Non-Current Liabilities		324	319
TOTAL LIABILITIES		24,221	22,686
Net Assets		715,976	706,910
EQUITY			
Retained Earnings	20	628,585	619,519
Revaluation Reserves	20	87,391	87,391
Council Equity Interest		715,976	706,910
Minority Equity Interest		-	-
Total Equity		715,976	706,910

North Sydney Council

Statement of Changes in Equity for the financial year ended 30 June 2012

\$ '000	Notes	Retained Earnings	Reserves (Refer 20b)	Council Interest	Minority Interest	Total Equity
2012						
Opening Balance (as per Last Year's Audited Accounts		619,519	87,391	706,910	-	706,910
a. Correction of Prior Period Errors	20 (c)	-	-	-	-	-
b. Changes in Accounting Policies (prior year effects	20 (d)	-	-	-	-	-
Revised Opening Balance (as at 1/7/11)		619,519	87,391	706,910	-	706,910
c. Net Operating Result for the Year		9,066	-	9,066	-	9,066
d. Other Comprehensive Income						
- Revaluations : IPP&E Asset Revaluation Rsve	20b (ii)	-	-	-	-	-
- Revaluations: Other Reserves	20b (ii)	-	-	-	-	-
- Transfers to Income Statement	20b (ii)	-	-	-	-	-
- Impairment (loss) reversal relating to I,PP&E	20b (ii)	-	-	-	-	-
- Other Movements	20b (ii)	-	-	-	-	-
Other Comprehensive Income		-	-	-	-	-
Total Comprehensive Income (c&d)		9,066	-	9,066	-	9,066
e. Distributions to/(Contributions from) Minority Interests		-	-	-	-	-
f. Transfers between Equity		-	-	-	-	-
Equity - Balance at end of the reporting period		628,585	87,391	715,976	-	715,976

\$ '000	Notes	Retained Earnings	Reserves (Refer 20b)	Council Interest	Minority Interest	Total Equity
2011						
Opening Balance (as per Last Year's Audited Accounts		684,738	87,391	772,129	-	772,129
a. Correction of Prior Period Errors	20 (c)	(4,739)	-	(4,739)	-	(4,739)
b. Changes in Accounting Policies (prior year effects	20 (d)	-	-	-	-	-
Revised Opening Balance (as at 1/7/10)		679,999	87,391	767,390	-	767,390
c. Net Operating Result for the Year		5,525	-	5,525	-	5,525
d. Other Comprehensive Income						
- Revaluations : IPP&E Asset Revaluation Rsve	20b (ii)	-	-	-	-	-
- Revaluations: Other Reserves	20b (ii)	-	-	-	-	-
- Transfers to Income Statement	20b (ii)	-	-	-	-	-
- Impairment (loss) reversal relating to I,PP&E	20b (ii)	-	-	-	-	-
- Other Movements (Accounting Policy Change)	20b (ii)	(66,005)	-	(66,005)	-	(66,005)
Other Comprehensive Income		(66,005)	-	(66,005)	-	(66,005)
Total Comprehensive Income (c&d)		(60,480)	-	(60,480)	-	(60,480)
e. Distributions to/(Contributions from) Minority Interests		-	-	-	-	-
f. Transfers between Equity		-	-	-	-	-
Equity - Balance at end of the reporting period		619,519	87,391	706,910	-	706,910

North Sydney Council

Statement of Cash Flows

for the financial year ended 30 June 2012

Budget 2012	\$ '000	Notes	Actual 2012	Actual 2011
Cash Flows from Operating Activities				
Receipts:				
39,051	Rates & Annual Charges		38,880	37,145
19,092	User Charges & Fees		20,650	21,234
1,920	Investment & Interest Revenue Received		3,677	2,134
7,764	Grants & Contributions		12,463	7,927
1,000	Bonds, Deposits & Retention amounts received		1,385	1,512
15,678	Other		17,409	16,185
Payments:				
(31,769)	Employee Benefits & On-Costs		(32,323)	(32,019)
(27,331)	Materials & Contracts		(27,777)	(25,195)
(1,000)	Bonds, Deposits & Retention amounts refunded		(1,198)	(1,108)
(8,705)	Other		(9,901)	(10,046)
15,700	Net Cash provided (or used in) Operating Activities	11b	23,265	17,769
Cash Flows from Investing Activities				
Receipts:				
-	Sale of Investment Securities		34,492	38,467
952	Sale of Infrastructure, Property, Plant & Equipment		944	2,181
Payments:				
-	Purchase of Investment Securities		(45,227)	(55,021)
(23,146)	Purchase of Infrastructure, Property, Plant & Equipment		(12,453)	(14,992)
(22,194)	Net Cash provided (or used in) Investing Activities		(22,244)	(29,365)
Cash Flows from Financing Activities				
Receipts:				
9,000	Proceeds from Borrowings & Advances		-	-
Payments:				
	Nil			
9,000	Net Cash Flow provided (used in) Financing Activities		-	-
2,506	Net Increase/(Decrease) in Cash & Cash Equivalents		1,021	(11,596)
1,158	plus: Cash & Cash Equivalents - beginning of year	11a	1,263	12,859
3,664	Cash & Cash Equivalents - end of the year	11a	2,284	1,263
Additional Information:				
	plus: Investments on hand - end of year	6b	63,308	52,625
Total Cash, Cash Equivalents & Investments			65,592	53,888

Please refer to Note 11 for additional cash flow information

North Sydney Council

Notes to the Financial Statements

for the financial year ended 30 June 2012

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North Sydney Council

Notes to the Financial Statements

for the financial year ended 30 June 2012

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 (AASB's), accounting policies are defined as those specific principles, bases, conventions, rules and practices applied by a reporting entity (in this case Council) in preparing and presenting its financial statements.

(a) Basis of preparation

(i) Background

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

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

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

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

Because Australian Accounting Standards (AASB's) 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) and the Regulations made there under and the Local Government Code of Accounting Practice & Financial Reporting, it should be noted that Councils in NSW only have a requirement to comply with Australian Accounting Standards.

(iii) New and amended standards adopted by Council

None of the new standards and amendments to standards that are mandatory for the first time for the financial year beginning 1 July 2011 affected any of the amounts recognised in the current period or any prior period and are not likely to affect future periods.

(iv) Early adoption of Accounting Standards

Council has not elected to apply any pronouncements before their operative date in the annual reporting period beginning 1 July 2011.

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

(v) Basis of Accounting

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

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

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

(vi) Changes in Accounting Policies

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

North Sydney Council

Notes to the Financial Statements

for the financial year ended 30 June 2012

Note 1. Summary of Significant Accounting Policies (continued)

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 AASB's).

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

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

(b) Revenue recognition

Council recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Council's activities as described below.

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

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

Revenue is measured on major income categories as follows:

Rates, Annual Charges, Grants and Contributions

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

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

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

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

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

Where grants or contributions recognised as revenues during the financial year were obtained on condition that they be expended in a particular manner or used over a particular period and those 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

North Sydney Council

Notes to the Financial Statements

for the financial year ended 30 June 2012

Note 1. Summary of Significant Accounting Policies (continued)

when the service has been provided, the payment is received, or when the penalty has been applied, whichever first occurs.

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

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

Sale of Infrastructure, Property, Plant and Equipment

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

Interest and Rents

Rents are recognised as revenue on a proportional basis when the payment is due, the value of the payment is notified, or the payment is received, whichever first occurs.

Interest Income from Cash and Investments is accounted for using the Effective Interest method in accordance with AASB 139.

(c) Principles of Consolidation

These financial statements incorporate **(i)** the assets and liabilities of Council and any Entities (or operations) that it **controls** (as at 30 June 2012) and **(ii)** all the related operating results (for the financial year ended the 30 June 2012).

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

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

(i) The Consolidated Fund

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

unless it is required to be held in the Council's Trust Fund.

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

(ii) The Trust Fund

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

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

A separate statement of monies held in the Trust Fund is available for inspection at the Council office by any person free of charge.

(iii) Joint Ventures

Jointly Controlled Assets & Operations

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

Jointly Controlled Entities

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

Under the equity method, the share of the profits or losses of the partnership is recognised in the income statement, and the share of movements in retained earnings & reserves is recognised in the balance sheet.

(iv) Associated Entities

Where Council has the power to participate in the financial and operating decisions (of another entity), ie. where Council is deemed to have "significant influence" over the other entities operations but neither controls nor jointly controls the entity, then Council accounts for such interests using the equity

North Sydney Council

Notes to the Financial Statements

for the financial year ended 30 June 2012

Note 1. Summary of Significant Accounting Policies (continued)

method of accounting – in a similar fashion to Joint Venture Entities and Partnerships.

Such entities are usually termed Associates.

(v) County Councils

Council is not a member of any County Councils.

(vi) Additional Information

Note 19 provides more information in relation to Joint Venture Entities, Associated Entities and Joint Venture Operations where applicable.

(d) Leases

All Leases entered into by Council are reviewed and classified on inception date as either a Finance Lease or an Operating Lease.

Finance Leases

Leases of property, plant and equipment where the Council has substantially all the risks and rewards of ownership are classified as finance leases.

Council has no finance leases.

Operating Leases

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

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

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

(e) Cash and Cash Equivalents

Cash and cash equivalents includes;

- cash on hand,
- deposits held at call with financial institutions,

- other short-term, highly liquid investments with **original maturities of three months or less** that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and

- bank overdrafts.

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

(f) Investments and Other Financial Assets

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

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

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

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

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

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

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.

Derivatives are classified as held for trading unless they are designated as hedges.

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.

North Sydney Council

Notes to the Financial Statements

for the financial year ended 30 June 2012

Note 1. Summary of Significant Accounting Policies (continued)

(ii) Loans and receivables

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

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

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

(iii) Held-to-maturity investments

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

In contrast to the "Loans & Receivables" classification, these investments are generally quoted in an active market.

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

(iv) Available-for-sale financial assets

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

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

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

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

Financial Assets – Reclassification

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

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

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

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

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

General Accounting & Measurement of Financial Instruments:

(i) Initial Recognition

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

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

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

North Sydney Council

Notes to the Financial Statements

for the financial year ended 30 June 2012

Note 1. Summary of Significant Accounting Policies (continued)

(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.

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.

(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 and S212 of the LG (General) Regulation 2005.

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

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

Council amended its policy following revisions to the Ministerial Local Government Investment Order arising from the Cole Inquiry recommendations. Certain investments that Council holds are no longer prescribed (eg. managed funds, CDOs, and equity linked notes), however they have been retained under grandfathering provisions of the Order. These will be disposed of when most financially advantageous to Council.

(g) Fair value estimation

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

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

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

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

North Sydney Council

Notes to the Financial Statements

for the financial year ended 30 June 2012

Note 1. Summary of Significant Accounting Policies (continued)

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

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

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

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

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

(h) Receivables

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

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

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

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

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

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

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

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

(i) Inventories

Raw Materials and Stores, Work in Progress and Finished Goods

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

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

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

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

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

Land Held for Resale/Capitalisation of Borrowing Costs

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

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

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

North Sydney Council

Notes to the Financial Statements

for the financial year ended 30 June 2012

Note 1. Summary of Significant Accounting Policies (continued)

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 have been progressively revalued to fair value in accordance with a staged implementation as advised by the Division of Local Government.

At balance date, the following classes of I,PP&E were stated at their Fair Value;

- **Investment Properties** – refer Note 1(p),
- **Operational Land** (External Valuation)
- **Buildings – Specialised/Non Specialised** (External Valuation)
- **Plant and Equipment** (as approximated by depreciated historical cost)
- **Roads Assets incl. roads, bridges & footpaths** (Internal Valuation)
- **Drainage Assets** (Internal Valuation)
- **Bulk Earthworks** (Internal Valuation)
- **Community Land** (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 (i.e. date of exchange) of the asset to arrive at fair value.

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

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

Subsequent costs

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

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

Asset Revaluations (including Indexation)

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

- Increases in the carrying amounts arising on revaluation are credited to the asset revaluation reserve.
- To the extent that the increase reverses a decrease previously recognised via the profit or loss, then increase is first recognised in profit or loss.
- Decreases that reverse previous increases of the same asset are first charged against revaluation

North Sydney Council

Notes to the Financial Statements

for the financial year ended 30 June 2012

Note 1. Summary of Significant Accounting Policies (continued)

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
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Building

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

Other Structures	> \$10,000
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Stormwater Assets

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

Transport Assets

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

Bridge construction & reconstruction	> \$10,000
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Depreciation

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

Land is not depreciated.

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

Plant & Equipment

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

Other Equipment

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

Buildings

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

Stormwater Drainage

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

Transportation Assets

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

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

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

Other Infrastructure Assets

- Bulk earthworks	Infinite
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All asset residual values and useful lives are reviewed and adjusted (where appropriate), at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's

North Sydney Council

Notes to the Financial Statements

for the financial year ended 30 June 2012

Note 1. Summary of Significant Accounting Policies (continued)

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 the reserves are recognised within Council's Income Statement.

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

(o) Rural Fire Service assets

Council has no Rural Fire Services Assets.

(p) Investment property

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

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

Annual changes in the fair value of Investment Properties are recorded in the Income Statement as part of "Other Income".

Full revaluations are carried out every year.

The last full revaluation for Council's Investment Properties was dated 30 June 2012.

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

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 2012

Note 1. Summary of Significant Accounting Policies (continued)

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

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

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

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

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

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

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

Council has no discontinued operations.

(s) Impairment of assets

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

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

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

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

For non-cash generating assets of Council such as roads, drains, public buildings etc - value in use is represented by the "deprival value" of the asset which is approximated as its written down replacement cost.

Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

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

(t) Payables

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

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

(u) Borrowings

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

Borrowings are subsequently measured at amortised cost.

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

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

Borrowings are classified as current liabilities unless the Council has an unconditional right to defer

North Sydney Council

Notes to the Financial Statements

for the financial year ended 30 June 2012

Note 1. Summary of Significant Accounting Policies (continued)

settlement of the liability for at least 12 months after the balance sheet date.

(v) Borrowing costs

Borrowing costs are expensed.

(w) Provisions

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

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

Provisions are not recognised for future operating losses.

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

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

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

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

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

(x) Employee benefits

(i) Short Term Obligations

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

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

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

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

Wages 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 settled within the 12 months after the reporting period) are recognised in the provision for employee benefits.

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

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

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

Due to the nature of when and how Long Service Leave can be taken, all Long Service Leave for employees with 4 or more years of service has been classified as Current, as it has been deemed that Council does not have the unconditional right to defer

North Sydney Council

Notes to the Financial Statements

for the financial year ended 30 June 2012

Note 1. Summary of Significant Accounting Policies (continued)

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.

Accordingly, Council's contributions to the scheme for the current reporting year have been recognised as an expense and disclosed as part of Superannuation Expenses at Note 4(a).

The last valuation of the Scheme was performed by Mr Martin Stevenson BSc, FIA, FIAA on 16 February 2010 and covers the period ended 30 June 2009.

However, the position is monitored annually and the Actuary has estimated that as at 30 June 2012 a deficit still exists.

As a result, they have asked for significant increases in future contributions to recover that deficiency.

The share of this deficit that can be broadly attributed to Council was estimated to be in the order of \$2,715,413 as at 30 June 2012.

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.

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 2012.

(y) Self insurance

Council does not self insure.

North Sydney Council

Notes to the Financial Statements

for the financial year ended 30 June 2012

Note 1. Summary of Significant Accounting Policies (continued)

(z) 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.

(aa) Taxes

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

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

Goods & Services Tax (GST)

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

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

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

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

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

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

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

(ab) New accounting standards and UIG interpretations

Certain new (or amended) accounting standards and interpretations have been published that are not mandatory for reporting periods ending 30 June 2012.

Council has not adopted any of these standards early.

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

Applicable to Local Government with implications:

AASB 9 Financial Instruments, AASB 2009 11 Amendments to Australian Accounting Standards arising from AASB 9 and AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) (effective from 1 January 2013)

AASB 9 Financial Instruments addresses the classification, measurement and derecognition of financial assets and financial liabilities.

The standard is not applicable until 1 January 2013 but is available for early adoption.

When adopted, the standard will affect in particular the 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

North Sydney Council

Notes to the Financial Statements

for the financial year ended 30 June 2012

Note 1. Summary of Significant Accounting Policies (continued)

investments, for example, will therefore have to be recognised directly in profit or loss.

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 derecognition rules have been transferred from AASB 139 Financial Instruments: Recognition and Measurement and have not been changed

AASB 10 - Consolidated Financial Statements, AASB 11 - Joint Arrangements, AASB 12 - Disclosure of Interests in Other Entities, revised AASB 127 - Separate Financial Statements and AASB 128 - Investments in Associates and Joint Ventures and AASB 2011-7 Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards (effective 1 January 2013)

In August 2011, the AASB issued a suite of five new and amended standards which address the accounting for joint arrangements, consolidated financial statements and associated disclosures.

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

The core principle that a consolidated entity presents a parent and its subsidiaries as if they are a single economic entity remains unchanged, as do the mechanics of consolidation.

However, the standard introduces a single definition of control that applies to all entities.

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

Power is the current ability to direct the activities that significantly influence returns. Returns must vary and can be positive, negative or both. Control exists when the investor can use its power to affect the amount of its returns.

There is also new guidance on participating and protective rights and on agent/principal relationships.

Council does not expect the new standard to have a significant impact on its composition.

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

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

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

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

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

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

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

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

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

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

Amendments to AASB 128 provide clarification that an entity continues to apply the equity method and does not remeasure its retained interest as part of ownership changes where a joint venture becomes an associate, and vice versa. The amendments also introduce a "partial disposal" concept. Council is still assessing the impact of these amendments.

North Sydney Council

Notes to the Financial Statements

for the financial year ended 30 June 2012

Note 1. Summary of Significant Accounting Policies (continued)

Council does not expect to adopt the new standards before their operative date. They would therefore be first applied in the financial statements for the annual reporting period ending 30 June 2014.

AASB 13 Fair Value Measurement and AASB 2011-8 Amendments to Australian Accounting Standards arising from AASB 13 (effective 1 January 2013)

AASB 13 was released in September 2011.

It explains how to measure fair value and aims to enhance fair value disclosures. Council has yet to determine which, if any, of its current measurement techniques will have to change as a result of the new guidance.

It is therefore not possible to state the impact, if any, of the new rules on any of the amounts recognised in the financial statements. However, application of the new standard will impact the type of information disclosed in the notes to the financial statements.

Council does not intend to adopt the new standard before its operative date, which means that it would be first applied in the annual reporting period ending 30 June 2014.

Applicable to Local Government but no implications for Council:

None

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

Revised AASB 119 Employee Benefits, AASB 2011-10 Amendments to Australian Accounting Standards arising from AASB 119 (September 2011) and AASB 2011-11 Amendments to AASB 119 (September 2011) arising from Reduced Disclosure Requirements (effective 1 January 2013)

In September 2011, the AASB released a revised standard on accounting for employee benefits.

It requires the recognition of all remeasurements of defined benefit liabilities/assets immediately in other comprehensive income (removal of the so-called

'corridor' method) and the calculation of a net interest expense or income by applying the discount rate to the net defined benefit liability or asset.

This replaces the expected return on plan assets that is currently included in profit or loss.

The standard also introduces a number of additional disclosures for defined benefit liabilities/assets and could affect the timing of the recognition of termination benefits.

The amendments will have to be implemented retrospectively.

Council does not recognise defined benefit assets and liabilities for the reasons set out in Note 1 (x) (iii) and so these changes will not have an impact on its reported results.

Not applicable to Local Government per se:

None

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

(ac) Rounding of amounts

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

(ad) Comparative Figures

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

(ae) Disclaimer

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

North Sydney Council

Notes to the Financial Statements

for the financial year ended 30 June 2012

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 2012	Actual 2012	Actual 2011	Original Budget 2012	Actual 2012	Actual 2011	Original Budget 2012	Actual 2012	Actual 2011	Actual 2012	Actual 2011	Actual 2012	Actual 2011
Governance	-	2	-	1,676	1,682	1,697	(1,676)	(1,680)	(1,697)	-	-	-	-
Administration	3,491	4,516	3,981	11,762	13,866	11,888	(8,271)	(9,350)	(7,907)	-	-	93,545	80,792
Public Order & Safety	6,732	7,021	7,031	7,112	6,390	6,845	(380)	631	186	-	-	1,755	2,345
Health	751	956	692	1,024	1,044	989	(273)	(88)	(297)	12	7	492	496
Environment	11,912	12,432	11,866	15,501	15,104	13,983	(3,589)	(2,672)	(2,117)	319	212	82,987	82,836
Community Services & Education	456	553	507	1,945	2,061	1,936	(1,489)	(1,508)	(1,429)	379	316	2,369	2,421
Housing & Community Amenities	1,071	918	1,902	5,132	4,842	4,071	(4,061)	(3,924)	(2,169)	258	158	2,756	3,274
Recreation & Culture	6,026	10,127	7,196	17,979	17,625	17,444	(11,953)	(7,498)	(10,248)	472	2,198	246,758	248,300
Mining, Manufacturing & Construction	105	37	69	-	-	-	105	37	69	-	-	-	-
Transport & Communication	11,617	12,588	12,447	12,362	12,830	13,107	(745)	(242)	(660)	316	388	187,242	188,391
Economic Affairs	9,079	9,676	8,483	6,765	6,482	6,531	2,314	3,194	1,952	-	-	122,219	120,688
Total Functions & Activities	51,240	58,826	54,174	81,258	81,926	78,491	(30,018)	(23,100)	(24,317)	1,756	3,279	740,123	729,543
Share of gains/(losses) in Associates & Joint Ventures (using the Equity Method)	-	20	10	-	-	-	-	20	10	-	-	73	53
General Purpose Income ¹	29,755	32,146	29,832	-	-	-	29,755	32,146	29,832	2,344	1,852	1	-
Operating Result from Continuing Operations	80,995	90,992	84,016	81,258	81,926	78,491	(263)	9,066	5,525	4,100	5,131	740,197	729,596

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 2012

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

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

GOVERNANCE

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

ADMINISTRATION

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

PUBLIC ORDER & SAFETY

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

HEALTH

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

ENVIRONMENT

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

COMMUNITY SERVICES & EDUCATION

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

HOUSING & COMMUNITY AMENITIES

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

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 and pits, other.

TRANSPORT & COMMUNICATION

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

ECONOMIC AFFAIRS

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

North Sydney Council

Notes to the Financial Statements for the financial year ended 30 June 2012

Note 3. Income from Continuing Operations

\$ '000	Notes	Actual 2012	Actual 2011
(a). Rates & Annual Charges			
Ordinary Rates			
Residential		15,957	15,156
Business		10,372	9,694
Total Ordinary Rates		26,329	24,850
Special Rates			
Environmental Levy		1,813	1,824
Infrastructure Levy		1,622	1,631
Main Street Levies		495	502
Total Special Rates		3,930	3,957
Annual Charges (pursuant to s.496, s.496A, s.496B, s.501 & s.611)			
Domestic Waste Management Services		8,659	8,303
Section 611 Charges		50	47
Total Annual Charges		8,709	8,350
TOTAL RATES & ANNUAL CHARGES		38,968	37,157

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 2012

Note 3. Income from Continuing Operations (continued)

\$ '000	Notes	Actual 2012	Actual 2011
(b). User Charges & Fees			
Specific User Charges (per s.502 - Specific "actual use" charges)			
Domestic Waste Management Services		852	798
Total User Charges		852	798
Other User Charges & Fees			
(i) Fees & Charges - Statutory & Regulatory Functions (per s.608)			
Planning & Building Regulation		1,867	1,821
Regulatory / Statutory Fees		2,081	1,439
Section 149 Certificates (EPA Act)		309	239
Section 603 Certificates		132	188
Total Fees & Charges - Statutory/Regulatory		4,389	3,687
(ii) Fees & Charges - Other (including General User Charges) (per s.608)			
Business Trade Waste		373	347
Community Centres / Facilities		92	52
Domestic Waste Management - Other		20	15
Library		165	173
Ovals		740	708
Off Street Parking		2,803	2,441
On Street Parking		7,583	7,719
Planning & Building Regulation (Non Statutory)		353	386
Public Holiday Events		18	22
Reinstatements		792	777
Swimming Centres		2,225	1,991
Other		219	219
Total Fees & Charges - Other		15,383	14,850
TOTAL USER CHARGES & FEES		20,624	19,335

North Sydney Council

Notes to the Financial Statements for the financial year ended 30 June 2012

Note 3. Income from Continuing Operations (continued)

\$ '000	Notes	Actual 2012	Actual 2011
(c). Interest & Investment Revenue (incl. losses)			
Interest & Dividends			
- Interest on Overdue Rates & Annual Charges		52	33
- Interest earned on Investments (interest & coupon payment income)		3,497	2,604
- Interest on Developer Contributions		273	300
Fair Value Adjustments			
- Fair Valuation movements in Investments (at FV or Held for Trading)		(52)	633
Impairment Losses/Reversals			
- Impairment (Losses)/Reversals - Investments other than AFS		-	(133)
<u>TOTAL INTEREST & INVESTMENT REVENUE</u>		<u>3,770</u>	<u>3,437</u>
Interest Revenue is attributable to:			
Unrestricted Investments/Financial Assets:			
Overdue Rates & Annual Charges (General Fund)		52	33
General Council Cash & Investments		3,445	3,104
Restricted Investments/Funds - External:			
Development Contributions			
- Section 94		273	300
Total Interest & Investment Revenue Recognised		<u>3,770</u>	<u>3,437</u>
(d). Other Revenues			
Fair Value Adjustments - Investment Properties (non-cash)	14	2,062	1,188
Rental Income - Investment Properties	14	5,031	4,870
Rental Income - Other Council Properties		751	268
Ex Gratia Rates		28	26
Fines - Environmental & Compliance		148	95
Fines - Parking		6,519	6,663
Legal Fees Recovery - Rates & Charges (Extra Charges)		51	45
Legal Fees Recovery - Other		51	151
Commissions & Agency Fees		7	9
Insurance Bonuses, Rebates & Claim Recoveries		200	293
Sales - General		23	3
Waste - Performance Improvement Program		362	317
Advertising on Council Infrastructure		631	653
Other		246	287
<u>TOTAL OTHER REVENUE</u>		<u>16,110</u>	<u>14,868</u>

North Sydney Council

Notes to the Financial Statements

for the financial year ended 30 June 2012

Note 3. Income from Continuing Operations (continued)

\$ '000	2012 Operating	2011 Operating	2012 Capital	2011 Capital
(e). Grants				
General Purpose (Untied)				
Financial Assistance - General Component	1,648 ⁽²⁾	1,276 ⁽¹⁾	-	-
Financial Assistance - Local Roads Component	543 ⁽²⁾	419 ⁽¹⁾	-	-
Pensioners' Rates Subsidies - General Component	153	157	-	-
Total General Purpose	2,344	1,852	-	-
Specific Purpose				
Pensioners' Rates Subsidies:				
- Domestic Waste Management	42	44	-	-
Community Care:				
- Aged Care	59	38	-	-
- Family Day Care	255	214	-	-
- Vacation Care	27	29	-	-
- Youth Care	4	7	-	-
- Other	41	35	-	-
Environmental Protection	282	154	-	14
Recreation & Culture:				
- Aboriginal Heritage	29	34	-	-
- Library	120	118	44	42
- Parks & Gardens	-	-	259	2,003
- Other	20	1	-	-
Street Lighting	162	158	-	-
Town Planning	96	-	-	-
Traffic Route Subsidy	21	26	-	-
Transport (Roads to Recovery)	-	-	219	219
Transport (Other Roads & Bridges Funding)	55	138	21	5
Total Specific Purpose	1,213	996	543	2,283
Total Grants	3,557	2,848	543	2,283
Grant Revenue is attributable to:				
- Commonwealth Funding	286	219	219	1,256
- State Funding	3,270	2,629	324	1,027
- Other Funding	1	-	-	-
	3,557	2,848	543	2,283

(1) Includes advance payment of one-quarter of the estimated 2011-12 grant allocation.

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

North Sydney Council

Notes to the Financial Statements
for the financial year ended 30 June 2012

Note 3. Income from Continuing Operations (continued)

\$ '000	2012 Operating	2011 Operating	2012 Capital	2011 Capital
(f). Contributions				
Developer Contributions:				
(s93 & s94 - EP&A Act, s64 of the NSW LG Act):				
S 94 - Contributions towards amenities/services	-	-	6,351	2,047
Total Developer Contributions	17 -	-	6,351	2,047
Other Contributions:				
Community Care				
- Aboriginal Care	34	104	-	-
Drainage	-	-	-	14
Environmental Protection	6	10	-	-
Housing	-	-	-	800
Recreation & Culture				
- Aboriginal Heritage	241	233	-	-
- Parks & Gardens	-	-	15	-
RMS Contributions (Regional Roads, Block Grant)	594	495	-	-
Town Planning	30	-	-	-
Transport	-	-	-	225
Other	-	7	-	-
Total Other Contributions	905	849	15	1,039
Total Contributions	905	849	6,366	3,086
<u>TOTAL GRANTS & CONTRIBUTIONS</u>	<u>4,462</u>	<u>3,697</u>	<u>6,909</u>	<u>5,369</u>

North Sydney Council

Notes to the Financial Statements for the financial year ended 30 June 2012

Note 3. Income from Continuing Operations (continued)

\$ '000	Actual 2012	Actual 2011
(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	9,719	9,006
add: Grants & contributions recognised in the current period but not yet spent:	5,704	1,929
less: Grants & contributions recognised in a previous reporting period now spent:	(566)	(1,216)
Net Increase (Decrease) in Restricted Assets during the Period	5,138	713
Unexpended and held as Restricted Assets	14,857	9,719
Comprising:		
- Specific Purpose Unexpended Grants	273	224
- Developer Contributions	14,478	9,343
- Other Contributions	106	152
	14,857	9,719

Note 4. Expenses from Continuing Operations

\$ '000	Notes	Actual 2012	Actual 2011
(a) Employee Benefits & On-Costs			
Salaries and Wages		24,500	23,917
Travelling		448	458
Employee Leave Entitlements (ELE)		4,763	4,179
Superannuation - Defined Contribution Plans		1,966	1,933
Superannuation - Defined Benefit Plans		1,054	1,378
Workers' Compensation Insurance		708	715
Fringe Benefit Tax (FBT)		151	200
Training Costs (other than Salaries & Wages)		263	313
Other		255	176
Total Employee Costs		34,108	33,269
less: Capitalised Costs		(497)	(421)
TOTAL EMPLOYEE COSTS EXPENSED		33,611	32,848
Number of "Equivalent Full Time" Employees at year end		365	357

(b) Borrowing Costs

Nil

North Sydney Council

Notes to the Financial Statements

for the financial year ended 30 June 2012

Note 4. Expenses from Continuing Operations (continued)

\$ '000	Notes	Actual 2012	Actual 2011
(c) Materials & Contracts			
Raw Materials & Consumables		3,441	2,705
Contractor Costs:			
- Aboriginal Heritage		115	170
- Agency Staff		647	519
- Cash Collection		319	319
- Cleaning of Council Properties		326	307
- Community Transport		164	157
- Computer Hardware & Software Maintenance		859	851
- Drainage Maintenance		338	422
- Footpath Maintenance		482	444
- Graffiti Removal		113	111
- Infringement Notice Contract Costs (SEINS)		989	1,031
- Internal Audit Program		57	46
- Mowing		779	734
- Other Infrastructure Maintenance		355	108
- Parking Meter Maintenance		325	351
- Parks, Gardens & Tree Maintenance		1,213	1,252
- Property Maintenance		2,356	2,170
- Property Management		300	362
- Public Events		277	215
- Roads Maintenance		1,941	1,605
- Waste & Recycling Collection		4,095	4,039
- Waste & Recycling Disposal		3,379	2,815
- Other		950	1,163
Consultancy Costs		866	719
Auditors Remuneration ⁽¹⁾		55	47
Legal Expenses:			
- Legal Expenses: Planning & Development		827	455
- Legal Expenses: Debt Recovery		53	44
- Legal Expenses: Other		249	110
Operating Leases:			
- Operating Lease Rentals: Minimum Lease Payments ⁽²⁾		62	55
Total Materials & Contracts		25,932	23,326
less: Capitalised Costs		-	-
TOTAL MATERIALS & CONTRACTS		25,932	23,326

North Sydney Council

Notes to the Financial Statements for the financial year ended 30 June 2012

Note 4. Expenses from Continuing Operations (continued)

\$ '000	Notes	Actual 2012	Actual 2011
(c) Materials & Contracts (continued)			
1. Auditor Remuneration			
During the year, the following fees were incurred for services provided by the Council's Auditor (and the Auditors of other Consolidated Entities):			
(i) Audit and Other Assurance Services			
- Audit and review of financial statements: Council's Auditor		55	47
Total Auditor Remuneration		55	47
2. Operating Lease Payments are attributable to:			
Office Equipment		-	55
Plant & Equipment		62	-
		62	55

\$ '000	Notes	Impairment Costs		Depreciation/Amortisation	
		Actual 2012	Actual 2011	Actual 2012	Actual 2011
(d) Depreciation, Amortisation & Impairment					
Plant and Equipment		-	-	1,473	1,742
Office Equipment		-	-	640	600
Furniture & Fittings		-	-	169	155
Land Improvements (depreciable)		-	-	195	171
Buildings - Non Specialised		-	-	51	47
Buildings - Specialised		-	-	2,148	2,051
Other Structures		-	-	1,461	1,322
Infrastructure:					
- Roads, Bridges & Footpaths		-	-	6,872	6,840
- Stormwater Drainage		-	-	1,036	1,265
Other Assets					
- Heritage Collections		-	-	31	35
- Library Books		-	-	393	369
Total Depreciation & Impairment Costs		-	-	14,469	14,597
less: Capitalised Costs		-	-	-	-
less: Impairments (to)/from ARR [Equity]	9a	-	-	-	-
TOTAL DEPRECIATION & IMPAIRMENT COSTS EXPENSED		-	-	14,469	14,597

North Sydney Council

Notes to the Financial Statements for the financial year ended 30 June 2012

Note 4. Expenses from Continuing Operations (continued)

\$ '000	Notes	Actual 2012	Actual 2011
(e) Other Expenses			
Other Expenses for the year include the following:			
Advertising		106	116
Bad & Doubtful Debts		32	7
Bank Charges		417	386
Contributions/Levies to Other Levels of Government			
- Department of Planning Levy		226	221
- Emergency Services Levy		1,285	1,300
- Land Tax		24	23
- State Treasury (share of net parking infringement revenue)		245	310
Councillor Expenses - Mayoral Fee		56	54
Councillor Expenses - Councillors' Fees		275	264
Councillors' Expenses (incl. Mayor) - Other (excluding fees above)		30	33
Donations, Contributions & Assistance to other organisations (Section 356)		663	610
Electricity & Heating		985	836
Insurance		1,920	1,831
NSW Local Government Association Membership		38	37
Postage		202	183
Street Lighting		1,098	1,023
Telephone & Communications		224	213
Valuation Fees		58	54
Other		30	219
Total Other Expenses		7,914	7,720
less: Capitalised Costs		-	-
<u>TOTAL OTHER EXPENSES</u>		<u>7,914</u>	<u>7,720</u>

North Sydney Council

Notes to the Financial Statements
for the financial year ended 30 June 2012

Note 5. Gains or Losses from the Disposal of Assets

\$ '000	Notes	Actual 2012	Actual 2011
Property (excl. Investment Property)			
Proceeds from Disposal - Property		-	780
less: Carrying Amount of Property Assets Sold / Written Off		-	(800)
Net Gain/(Loss) on Disposal		-	(20)
Plant & Equipment			
Proceeds from Disposal - Plant & Equipment		944	1,401
less: Carrying Amount of P&E Assets Sold / Written Off		(815)	(1,238)
Net Gain/(Loss) on Disposal		129	163
Financial Assets*			
Proceeds from Disposal / Redemptions / Maturities - Financial Assets		34,492	38,467
less: Carrying Amount of Financial Assets Sold / Redeemed / Matured		(34,492)	(38,467)
Net Gain/(Loss) on Disposal		-	-
NET GAIN/(LOSS) ON DISPOSAL OF ASSETS		129	143

North Sydney Council

Notes to the Financial Statements

for the financial year ended 30 June 2012

Note 6a. - Cash Assets and Note 6b. - Investment Securities

\$ '000	Notes	2012 Actual Current	2012 Actual Non Current	2011 Actual Current	2011 Actual Non Current
Cash & Cash Equivalents (Note 6a)					
Cash on Hand and at Bank		186	-	723	-
Cash-Equivalent Assets ¹					
- Deposits at Call		2,098	-	540	-
Total Cash & Cash Equivalents		2,284	-	1,263	-
Investment Securities (Note 6b)					
- Managed Funds		3,560	-	4,724	-
- Long Term Deposits		24,000	14,750	18,867	19,000
- NCD's ² , FRN's ³ (with Maturities > 3 months)		1,000	17,998	1,013	7,021
- CPPI ⁴ Notes		2,000	-	-	2,000
Total Investment Securities		30,560	32,748	24,604	28,021
TOTAL CASH ASSETS, CASH EQUIVALENTS & INVESTMENTS		32,844	32,748	25,867	28,021

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

² Negotiable Certificates of Deposits.

³ Floating Rate Notes.

⁴ Constant Proportion Portfolio Insurance Notes.

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"	2,284	-	1,263	-
--	-------	---	-------	---

Investments**a. "At Fair Value through the Profit & Loss"**

- "Held for Trading"	6(b-i)	3,560	-	4,724	-
- "Designated at Fair Value on Initial Recognition"	6(b-i)	-	-	-	-
b. "Held to Maturity"	6(b-ii)	27,000	32,748	19,880	28,021
c. "Loans & Receivables"	6(b-iii)	-	-	-	-
d. "Available for Sale"	6(b-iv)	-	-	-	-
Investments		30,560	32,748	24,604	28,021

North Sydney Council

Notes to the Financial Statements

for the financial year ended 30 June 2012

Note 6b. Investments (continued)

\$ '000	2012 Actual Current	2012 Actual Non Current	2011 Actual Current	2011 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	4,724	-	4,533	-
Revaluations (through the Income Statement)	(52)	-	633	-
Disposals (sales & redemptions)	(1,112)	-	(442)	-
Balance at End of Year	3,560	-	4,724	-
Comprising:				
- Managed Funds	3,560	-	4,724	-
Total	3,560	-	4,724	-
Note 6(b-ii)				
Reconciliation of Investments classified as "Held to Maturity"				
Balance at the Beginning of the Year	19,880	28,021	27,038	4,000
Additions	27,000	18,227	29,000	26,021
Impairment (loss)/prior loss reversal (via P&L)	-	-	(133)	-
Disposals (sales & redemptions)	(32,380)	(1,000)	(36,025)	(2,000)
Transfers between Current/Non Current	12,500	(12,500)	-	-
Balance at End of Year	27,000	32,748	19,880	28,021
Comprising:				
- Long Term Deposits	24,000	14,750	11,846	26,021
- NCD's, FRN's (with Maturities > 3 months)	1,000	17,998	8,034	-
- CPPI Notes	2,000	-	-	2,000
Total	27,000	32,748	19,880	28,021
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 2012

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

\$ '000	2012	2012	2011	2011
	Actual Current	Actual Non Current	Actual Current	Actual Non Current
Total Cash, Cash Equivalents and Investment Securities	32,844	32,748	25,867	28,021
attributable to:				
External Restrictions (refer below)	4,371	16,477	3,034	12,412
Internal Restrictions (refer below)	24,584	16,271	19,914	15,609
Unrestricted	3,889	-	2,919	-
	32,844	32,748	25,867	28,021

2012 \$ '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 (A)	9,343	6,624	(1,489)	14,478
RMS (formerly RTA) Contributions (B)	-	594	(594)	-
Specific Purpose Unexpended Grants (C)	224	3,166	(3,117)	273
Domestic Waste Management (D)	3,622	8,439	(8,746)	3,315
Environment Levy (D)	678	1,807	(1,552)	933
Infrastructure Levy (D)	429	1,597	(1,731)	295
Mainstreet Levies (D)	293	467	(217)	543
Waste & Sustainability Improvement Funds (E)	705	362	(162)	905
Other	152	326	(372)	106
External Restrictions - Other	15,446	23,382	(17,980)	20,848
Total External Restrictions	15,446	23,382	(17,980)	20,848

- A** Development contributions which are not yet expended for the provision of services and amenities in accordance with contributions plans (refer Note 17).
- B** RMS Contributions which are not yet expended for the provision of services and amenities in accordance with those contributions.
- C** Grants which are not yet expended for the purposes for which the grants were obtained (refer Note 1).
- D** Domestic Waste Management (DWM), Environment Levy, Infrastructure Levy and Mainstreet Levies are externally restricted assets and must be applied for the purposes for which they were raised.
- E** Waste & Sustainability Improvement Funds are externally restricted and must be used to invest in actions and programs that improve resource recovery and sustainability outcomes.

North Sydney Council

Notes to the Financial Statements
for the financial year ended 30 June 2012

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

2012 \$ '000	Opening Balance	Transfers to Restrictions	Transfers from Restrictions	Closing Balance
Internal Restrictions				
Employees Leave Entitlement	5,674	8,180	(8,417)	5,437
Deposits, Retentions & Bonds	4,533	1,562	(1,375)	4,720
Capital Works	11,375	8,978	(5,426)	14,927
Community Housing - Capital Purchases	2,093	-	-	2,093
Community Housing - Major Maintenance	342	-	(57)	285
Income Producing Projects	5,831	1,076	(711)	6,196
Insurance	1,081	87	(8)	1,160
Land Tax	549	300	(24)	825
Office Equipment	464	995	(816)	643
On Street Meters	627	-	(10)	617
Oval Improvements	174	85	(43)	216
Property Maintenance	645	1,691	(695)	1,641
Public Works Plant	2,135	3,744	(3,784)	2,095
Total Internal Restrictions	35,523	26,698	(21,366)	40,855
TOTAL RESTRICTIONS	50,969	50,080	(39,346)	61,703

North Sydney Council

Notes to the Financial Statements

for the financial year ended 30 June 2012

Note 7. Receivables

\$ '000	Notes	2012		2011	
		Current	Non Current	Current	Non Current
Purpose					
Rates & Annual Charges		327	81	241	74
Interest & Extra Charges		5	22	22	26
User Charges & Fees		1,504	69	635	-
Accrued Revenues					
- Interest on Investments		1,383	-	1,217	-
- Other Income Accruals		439	-	1,039	-
Government Grants & Subsidies		1,217	-	2,149	-
Net GST Receivable		329	-	267	-
Outstanding Infringements		789	-	1,057	-
Other Debtors		69	-	63	-
Total		6,062	172	6,690	100
less: Provision for Impairment					
User Charges & Fees		(30)	-	(28)	-
Total Provision for Impairment - Receivables		(30)	-	(28)	-
TOTAL NET RECEIVABLES		6,032	172	6,662	100
Externally Restricted Receivables					
Domestic Waste Management		83	1	49	-
Other					
- Environmental Levy		18	3	12	2
- Mainstreet Levies		5	2	5	2
- Infrastructure Levy		18	2	12	2
Total External Restrictions		124	8	78	6
Internally Restricted Receivables					
Nil					
Unrestricted Receivables		5,908	164	6,584	94
TOTAL NET RECEIVABLES		6,032	172	6,662	100

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 11.00% (2011 9.00%).
Generally all other receivables are non interest bearing.
- (iv) Please refer to Note 15 for issues concerning Credit Risk and Fair Value disclosures.

North Sydney Council

Notes to the Financial Statements for the financial year ended 30 June 2012

Note 8. Inventories & Other Assets

\$ '000	Notes	2012		2011	
		Current	Non Current	Current	Non Current
Inventories					
Trading Stock		39	-	35	-
Total Inventories		39	-	35	-
Other Assets					
Prepayments		217	-	146	-
Total Other Assets		217	-	146	-
TOTAL INVENTORIES / OTHER ASSETS		256	-	181	-

Externally Restricted Assets

There are no restrictions applicable to the above assets.

Notes to the Financial Statements
for the financial year ended 30 June 2012

Note 9a. Infrastructure, Property, Plant & Equipment

\$ '000	as at 30/6/2011					Asset Movements during the Reporting Period			as at 30/6/2012				
	At	At	Accumulated		Carrying	Asset Additions	WDV of Asset Disposals	Depreciation Expense	At	At	Accumulated		Carrying
	Cost	Fair Value	Dep'n	Impairment	Value				Cost	Fair Value	Dep'n	Impairment	Value
Capital Work in Progress	-	-	-	-	-	1,168	-	-	1,168	-	-	-	1,168
Plant & Equipment	-	11,420	6,227	-	5,193	2,330	(815)	(1,473)	-	11,899	6,664	-	5,235
Office Equipment	-	12,174	10,347	-	1,827	644	-	(640)	-	12,817	10,986	-	1,831
Furniture & Fittings	-	4,139	3,001	-	1,138	190	-	(169)	-	4,329	3,170	-	1,159
Land:													
- Operational Land	-	50,818	-	-	50,818	-	-	-	-	50,818	-	-	50,818
- Community Land	-	152,082	-	-	152,082	-	-	-	-	152,082	-	-	152,082
Land Improvements - depreciable	-	15,253	1,226	-	14,027	372	-	(195)	-	15,625	1,421	-	14,204
Buildings - Non Specialised	-	1,930	1,157	-	773	-	-	(51)	-	1,930	1,208	-	722
Buildings - Specialised	-	110,070	51,753	-	58,317	690	-	(2,148)	-	110,760	53,901	-	56,859
Other Structures	-	28,994	11,020	-	17,974	1,762	-	(1,461)	-	30,756	12,481	-	18,275
Infrastructure:													
- Roads, Bridges, Footpaths	-	362,183	163,622	-	198,561	4,128	-	(6,872)	-	366,310	170,493	-	195,817
- Stormwater Drainage	-	137,746	55,084	-	82,662	905	-	(1,036)	-	138,652	56,121	-	82,531
Other Assets:													
- Heritage Collections	-	1,551	599	-	952	30	-	(31)	-	1,581	630	-	951
- Library Books	-	5,106	4,026	-	1,080	363	-	(393)	-	5,469	4,419	-	1,050
TOTAL INFRASTRUCTURE, PROPERTY, PLANT & EQUIP.	-	893,466	308,062	-	585,404	12,582	(815)	(14,469)	1,168	903,028	321,494	-	582,702

Additions to Depreciable Land Improvements, Buildings, Other Structures & Infrastructure Assets are made up of Asset Renewals (\$6.8 million) and New Assets (\$2.1 million). \$1.1 million of this Capital Work in Progress. Renewals are defined as the replacement of existing assets (as opposed to the acquisition of new assets).

North Sydney Council

Notes to the Financial Statements for the financial year ended 30 June 2012

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 2012

Note 10a. Payables, Borrowings & Provisions

\$ '000	Notes	2012		2011	
		Current	Non Current	Current	Non Current
Payables					
Goods & Services - operating expenditure		4,426	-	3,997	-
Goods & Services - capital expenditure		1,911	-	1,782	-
Payments Received In Advance		159	-	759	-
Accrued Expenses:					
- Salaries & Wages		244	-	-	-
- Other Expenditure Accruals		110	-	79	-
Security Bonds, Deposits & Retentions		4,720	-	4,533	-
Other		321	-	354	-
Total Payables		11,891	-	11,504	-
Borrowings					
Nil					
Provisions					
Employee Benefits:					
Annual Leave		3,026	-	2,985	-
Sick Leave		137	-	157	-
Long Service Leave		6,693	324	5,979	319
Gratuities		2,107	-	1,687	-
Other Leave		43	-	55	-
Sub Total - Aggregate Employee Benefits		12,006	324	10,863	319
Total Provisions		12,006	324	10,863	319
Total Payables, Borrowings & Provisions		23,897	324	22,367	319

(i) Liabilities relating to Restricted Assets

	2012		2011	
	Current	Non Current	Current	Non Current
Externally Restricted Assets				
Domestic Waste Management	751	3	998	3
Developer Contributions - S94	-	-	14	-
Special Rate Levies	502	-	525	-
Specific Purpose Grants	-	-	100	-
Other (Contributions)	-	-	91	-
Liabilities relating to externally restricted assets	1,253	3	1,728	3
Internally Restricted Assets				
Capital Works Reserve	-	-	450	-
Other Internally Restricted Reserves	-	-	928	-
Security Bonds, Deposits & Retentions	-	-	4,534	-
Liabilities relating to internally restricted assets	-	-	5,912	-
Total Liabilities relating to restricted assets	1,253	3	7,640	3

¹ Loans are secured over the general rating income of Council.

Disclosures on Liability Interest Rate Risk Exposures, Fair Value Disclosures & Security can be found in Note 15.

North Sydney Council

Notes to the Financial Statements for the financial year ended 30 June 2012

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

\$ '000	2012	2011
(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	8,890	7,726
Payables - Security Bonds, Deposits & Retentions	1,644	2,845
	10,534	10,571

Note 10b. Description of and movements in Provisions

Class of Provision	2011		2012			
	Opening Balance as at 1/7/11	Additional Provisions	Decrease due to Payments	Remeasurement effects due to Discounting	Unused amounts reversed	Closing Balance as at 30/6/12
Annual Leave	2,985	1,996	(1,955)	-	-	3,026
Sick Leave	157	138	(158)	-	-	137
Long Service Leave	6,298	1,274	(555)	-	-	7,017
Gratuities	1,687	478	(58)	-	-	2,107
Other Leave	55	(12)	-	-	-	43
TOTAL	11,182	3,874	(2,726)	-	-	12,330

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 2012

Note 11. Statement of Cash Flows - Additional Information

\$ '000	Notes	Actual 2012	Actual 2011
(a) Reconciliation of Cash Assets			
Total Cash & Cash Equivalent Assets	6a	2,284	1,263
Less Bank Overdraft	10	-	-
BALANCE as per the STATEMENT of CASH FLOWS		2,284	1,263
(b) Reconciliation of Net Operating Result to Cash provided from Operating Activities			
Net Operating Result from Income Statement		9,066	5,525
Adjust for non cash items:			
Depreciation & Amortisation		14,469	14,597
Net Losses/(Gains) on Disposal of Assets		(129)	(143)
Non Cash Capital Grants and Contributions		-	(800)
Impairment Losses / (Prior Period Reversals) - Financial Investments		-	133
Losses/(Gains) recognised on Fair Value Re-measurements through the P&L:			
- Investments classified as "At Fair Value" or "Held for Trading"		52	(633)
- Investment Properties (non-cash)		(2,062)	(1,188)
Share of Net (Profits) or Losses of Associates/Joint Ventures		(20)	(10)
+/- Movement in Operating Assets and Liabilities & Other Cash Items:			
Decrease/(Increase) in Receivables		556	(1,677)
Increase/(Decrease) in Provision for Doubtful Debts		2	2
Decrease/(Increase) in Inventories		(4)	10
Decrease/(Increase) in Other Assets		(71)	(64)
Increase/(Decrease) in Payables		429	315
Increase/(Decrease) in other accrued Expenses Payable		275	(254)
Increase/(Decrease) in Other Liabilities		(446)	1,014
Increase/(Decrease) in Employee Leave Entitlements		1,148	942
NET CASH PROVIDED FROM/(USED IN) OPERATING ACTIVITIES from the STATEMENT of CASH FLOWS		23,265	17,769

North Sydney Council

Notes to the Financial Statements
for the financial year ended 30 June 2012

Note 11. Statement of Cash Flows - Additional Information (continued)

\$ '000	Notes	Actual 2012	Actual 2011
(c) Non-Cash Investing & Financing Activities			
Regained control of properties previously leased to Housing NSW		-	800
Total Non-Cash Investing & Financing Activities		-	800
(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.

(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 2012

Note 12. Commitments for Expenditure

\$ '000	Notes	Actual 2012	Actual 2011
(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		219	127
Plant & Equipment		234	536
Infrastructure		1,122	821
Library Books		229	54
Computer Equipment		9	16
Computer Software		9	53
Office Equipment		-	12
Parking Meters		5	-
Other		85	-
Total Commitments		1,912	1,619
These expenditures are payable as follows:			
Within the next year		1,912	1,619
Later than one year and not later than 5 years		-	-
Later than 5 years		-	-
Total Payable		1,912	1,619
Sources for Funding of Capital Commitments:			
Unrestricted General Funds		288	163
Future Grants & Contributions		59	-
Sect 94 Funds/Reserves		206	3
Unexpended Grants		-	87
Externally Restricted Reserves		52	435
Internally Restricted Reserves		1,307	931
Total Sources of Funding		1,912	1,619

(b) Finance Lease & Operating Lease Commitments (Non Cancellable)

Nil

(c) Investment Property Commitments

Nil

(d) 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 2012

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

\$ '000	Amounts 2012	Indicator 2012	Prior Periods 2011 2010	
Local Government Industry Indicators				
1. Unrestricted Current Ratio				
Current Assets less all External Restrictions ⁽¹⁾	<u>34,637</u>	2.86 : 1	2.94	4.30
Current Liabilities less Specific Purpose Liabilities ^(2,3)	<u>12,110</u>			
2. Debt Service Ratio				
Debt Service Cost	<u>-</u>	0.00%	0.00%	0.00%
Income from Continuing Operations excluding Capital Items & Specific Purpose Grants/Contributions	<u>81,965</u>			
3. Rates & Annual Charges Coverage Ratio				
Rates & Annual Charges	<u>38,968</u>	42.83%	44.23%	39.57%
Income from Continuing Operations	<u>90,992</u>			
4. Rates, Annual Charges, Interest & Extra Charges Outstanding Percentage				
Rates, Annual & Extra Charges Outstanding	<u>435</u>	1.10%	0.97%	0.98%
Rates, Annual & Extra Charges Collectible	<u>39,434</u>			
5. Building & Infrastructure Renewals Ratio				
Asset Renewals ⁽⁴⁾	<u>5,510</u>	54.52%	77.34%	119.40%
Depreciation, Amortisation & Impairment	<u>10,107</u>			

Notes

(1) Refer Notes 6-8 inclusive.

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

(2) Refer to Note 10(a).

(3) Refer to Note 10(a)(ii) - excludes all payables and provisions not expected to be paid in the next 12 months (incl. ELE).

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

North Sydney Council

Notes to the Financial Statements for the financial year ended 30 June 2012

Note 13a(ii). Statement of Performance Measurement - Graphs (Consolidated)

<p>1. Unrestricted Current Ratio</p> <table border="1"> <thead> <tr> <th>Year</th> <th>Ratio : 1</th> </tr> </thead> <tbody> <tr> <td>2009</td> <td>3.6</td> </tr> <tr> <td>2010</td> <td>4.30</td> </tr> <tr> <td>2011</td> <td>2.94</td> </tr> <tr> <td>2012</td> <td>2.86</td> </tr> </tbody> </table>	Year	Ratio : 1	2009	3.6	2010	4.30	2011	2.94	2012	2.86	<p>Purpose of Unrestricted Current Ratio</p> <p>To assess the adequacy of working capital and its ability to satisfy obligations in the short term for the unrestricted activities of Council.</p>	<p>Commentary on 2011/12 Result</p> <p>2011/12 Ratio 2.86 : 1</p> <p>This ratio is, once again, well above 1.5:1 the benchmark considered satisfactory by the industry. This indicates that Council has more than adequate capacity to meet its obligations in the short term for its unrestricted activities.</p>
Year	Ratio : 1											
2009	3.6											
2010	4.30											
2011	2.94											
2012	2.86											
<p>2. Debt Service Ratio</p> <table border="1"> <thead> <tr> <th>Year</th> <th>Ratio %</th> </tr> </thead> <tbody> <tr> <td>2009</td> <td>0.00%</td> </tr> <tr> <td>2010</td> <td>0.00%</td> </tr> <tr> <td>2011</td> <td>0.00%</td> </tr> <tr> <td>2012</td> <td>0.00%</td> </tr> </tbody> </table>	Year	Ratio %	2009	0.00%	2010	0.00%	2011	0.00%	2012	0.00%	<p>Purpose of Debt Service Ratio</p> <p>To assess the impact of loan principal & interest repayments on the discretionary revenue of council.</p>	<p>Commentary on 2011/12 Result</p> <p>2011/12 Ratio 0.00%</p> <p>Council remains debt free and, hence this ratio remains 0%.</p>
Year	Ratio %											
2009	0.00%											
2010	0.00%											
2011	0.00%											
2012	0.00%											
<p>3. Rates & Annual Charges Coverage Ratio</p> <table border="1"> <thead> <tr> <th>Year</th> <th>Ratio %</th> </tr> </thead> <tbody> <tr> <td>2009</td> <td>44.12%</td> </tr> <tr> <td>2010</td> <td>39.57%</td> </tr> <tr> <td>2011</td> <td>44.23%</td> </tr> <tr> <td>2012</td> <td>42.83%</td> </tr> </tbody> </table>	Year	Ratio %	2009	44.12%	2010	39.57%	2011	44.23%	2012	42.83%	<p>Purpose of Rates & Annual Charges Coverage Ratio</p> <p>To assess the degree of Council's dependence upon revenue from rates and annual charges and to assess the security of Council's income.</p>	<p>Commentary on 2011/12 Result</p> <p>2011/12 Ratio 42.83%</p> <p>This ratio remains below 50%, an indication of Council's dependence upon revenue from sources other than rates and annual charges, i.e. those that are subject to fluctuations in the business cycle.</p>
Year	Ratio %											
2009	44.12%											
2010	39.57%											
2011	44.23%											
2012	42.83%											
<p>4. Rates, Annual Charges, Interest & Extra Charges Outstanding Percentage</p> <table border="1"> <thead> <tr> <th>Year</th> <th>Ratio %</th> </tr> </thead> <tbody> <tr> <td>2009</td> <td>0.99%</td> </tr> <tr> <td>2010</td> <td>0.98%</td> </tr> <tr> <td>2011</td> <td>0.97%</td> </tr> <tr> <td>2012</td> <td>1.10%</td> </tr> </tbody> </table>	Year	Ratio %	2009	0.99%	2010	0.98%	2011	0.97%	2012	1.10%	<p>Purpose of Rates & Annual Charges Outstanding Ratio</p> <p>To assess the impact of uncollected rates and annual charges on Council's liquidity and the adequacy of recovery efforts.</p>	<p>Commentary on 2011/12 Result</p> <p>2011/12 Ratio 1.10%</p> <p>This ratio has been around 1% for many years, well below the industry benchmark of 5% and an indication of the effectiveness of Council's recovery efforts.</p>
Year	Ratio %											
2009	0.99%											
2010	0.98%											
2011	0.97%											
2012	1.10%											
<p>5. Building & Infrastructure Renewals Ratio</p> <table border="1"> <thead> <tr> <th>Year</th> <th>Ratio %</th> </tr> </thead> <tbody> <tr> <td>2009</td> <td>109.77%</td> </tr> <tr> <td>2010</td> <td>119.40%</td> </tr> <tr> <td>2011</td> <td>77.34%</td> </tr> <tr> <td>2012</td> <td>54.52%</td> </tr> </tbody> </table>	Year	Ratio %	2009	109.77%	2010	119.40%	2011	77.34%	2012	54.52%	<p>Purpose of Asset Renewals Ratio</p> <p>To assess the rate at which these assets are being renewed relative to the rate at which they are depreciating.</p>	<p>Commentary on Result</p> <p>2011/12 Ratio 54.52%</p> <p>This ratio indicates that during 2011/12, insufficient funds were allocated to the renewal of Council's building and infrastructure assets to offset the amount by which they depreciated. The 4 year average is 90.26% and is approaching the desired target.</p>
Year	Ratio %											
2009	109.77%											
2010	119.40%											
2011	77.34%											
2012	54.52%											

North Sydney Council

Notes to the Financial Statements for the financial year ended 30 June 2012

Note 14. Investment Properties

\$ '000	Notes	Actual 2012	Actual 2011
(a) Investment Properties at Fair value			
Investment Properties on Hand		85,370	83,308
Reconciliation of Annual Movement:			
Opening Balance		83,308	82,120
- Net Gain/(Loss) from Fair Value Adjustments (non-cash)		2,062	1,188
CLOSING BALANCE - INVESTMENT PROPERTIES		85,370	83,308

(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 an 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 2012 revaluations were based on independent assessments made by:
Mr Greg Rowe, B.Bus, FAPI, of Preston Rowe Paterson

(c) Contractual Obligations at Reporting Date

Refer to Note 12 for disclosures relating to any capital and service obligations that have been contracted.

(d) Leasing Arrangements

Details of leased Investment Properties are as follows;

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

Within 1 year	4,187	3,836
Later than 1 year but less than 5 years	9,675	8,550
Later than 5 years	14,834	15,568
Total Minimum Lease Payments Receivable	28,696	27,954

(e) Investment Property Income & Expenditure - summary

Rental Income from Investment Properties:		
- Minimum Lease Payments	5,031	4,870
Direct Operating Expenses on Investment Properties:		
- that generated rental income	(1,527)	(1,524)
Net Revenue Contribution from Investment Properties	3,504	3,346
plus:		
Fair Value Movement for year	2,062	1,188
Total Income attributable to Investment Properties	5,566	4,534

North Sydney Council

Notes to the Financial Statements

for the financial year ended 30 June 2012

Note 15. Financial Risk Management

\$ '000

Risk Management

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

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

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

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

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

	Carrying Value		Fair Value	
	2012	2011	2012	2011
Financial Assets				
Cash and Cash Equivalents	2,284	1,263	3,286	1,263
Investments				
- "Held for Trading"	3,560	4,724	3,560	4,724
- "Held to Maturity"	59,748	47,901	58,573	48,380
Receivables	6,204	6,762	6,204	6,762
Total Financial Assets	71,796	60,650	71,623	61,129
Financial Liabilities				
Payables	11,732	10,745	11,731	10,745
Total Financial Liabilities	11,732	10,745	11,731	10,745

Fair Value is determined as follows:

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

North Sydney Council

Notes to the Financial Statements

for the financial year ended 30 June 2012

Note 15. Financial Risk Management (continued)

\$ '000

(a) Fair Value Measurements

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

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

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

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

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

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

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

2012	Level 1	Level 2	Level 3	Total
Financial Assets				
Investments				
- "Held for Trading"	3,560	-	-	3,560
Total Financial Assets	3,560	-	-	3,560
2011	Level 1	Level 2	Level 3	Total
Financial Assets				
Investments				
- "Held for Trading"	4,724	-	-	4,724
Total Financial Assets	4,724	-	-	4,724

North Sydney Council

Notes to the Financial Statements for the financial year ended 30 June 2012

Note 15. Financial Risk Management (continued)

\$ '000

(b) Cash & Cash Equivalents, Financial assets 'At Fair Value Through the Profit & Loss' "Available-For-Sale" financial assets & "Held-To-Maturity" Investments

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

Council's Finance staff manage the Cash and Investments portfolio with the assistance of independent advisors.

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

The major risk associated with investments is price risk - the risk that the capital value of investments may fluctuate due to changes in market prices, whether the changes are caused by factors specific to individual financial instruments or their issuers or are caused by factors affecting similar instruments traded in a market.

Cash and investments are also subject to interest rate risk - the risk that movements in interest rates could affect returns and income.

A further risk associated with cash and investments is credit risk - the risk that the investment counterparty will not complete their obligations particular to a financial instrument, resulting in a financial loss to Council - be it of a capital or income nature.

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

Council also seeks advice from independent advisers before placing any funds in Cash Equivalents and 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
2012				
Possible impact of a 10% movement in Market Values	356	356	(356)	(356)
Possible impact of a 1% movement in Interest Rates	656	656	(656)	(656)
2011				
Possible impact of a 10% movement in Market Values	472	472	(472)	(472)
Possible impact of a 1% movement in Interest Rates	542	542	(542)	(542)

North Sydney Council

Notes to the Financial Statements

for the financial year ended 30 June 2012

Note 15. Financial Risk Management (continued)

\$ '000

(c) Receivables

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

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

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

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

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

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

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

There are no material receivables that have been subjected to a renegotiation of repayment terms.

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

	2012	2012	2011	2011
	Rates & Annual Charges	Other Receivables	Rates & Annual Charges	Other Receivables
(i) Ageing of Receivables				
Current (not yet overdue)	(24)	5,711	-	6,102
Past due by up to 30 days	-	42	-	329
Past due between 31 and 180 days	259	39	189	44
Past due between 181 and 365 days	91	3	66	-
Past due by more than 1 year	82	31	60	-
	408	5,826	315	6,475

(ii) Movement in Provision for Impairment of Receivables

	2012	2011
Balance at the beginning of the year	28	26
+ new provisions recognised during the year	-	7
- amounts already provided for and written off this year	2	(5)
Balance at the end of the year	30	28

North Sydney Council

Notes to the Financial Statements for the financial year ended 30 June 2012

Note 15. Financial Risk Management (continued)

\$ '000

(d) Payables & Borrowings

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

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

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

The contractual undiscounted cash outflows (i.e. principal and interest) of Council's Payables & Borrowings are set out in the Liquidity Table below:

\$ '000	Subject to no maturity		payable in:					Total Cash Outflows	Actual Carrying Values
	≤ 1 Year	1-2 Yrs	2-3 Yrs	3-4 Yrs	4-5 Yrs	> 5 Yrs			
2012									
Trade/Other Payables	4,720	7,012	-	-	-	-	-	11,732	11,732
Total Financial Liabilities	4,720	7,012	-	-	-	-	-	11,732	11,732
2011									
Trade/Other Payables	4,533	6,212	-	-	-	-	-	10,745	10,745
Total Financial Liabilities	4,533	6,212	-	-	-	-	-	10,745	10,745

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

	2012		2011	
	Carrying Value	Average Interest Rate	Carrying Value	Average Interest Rate
Trade/Other Payables	11,732	0.0%	10,745	0.0%
	<u>11,732</u>		<u>10,745</u>	

North Sydney Council

Notes to the Financial Statements

for the financial year ended 30 June 2012

Note 16. Material Budget Variations

\$ '000

Council's Original Financial Budget for 11/12 was adopted by the Council on 30 May 2011.

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	2012 Budget	2012 Actual	2012 ----- Variance* -----		
REVENUES					
Rates & Annual Charges	39,076	38,968	(108)	(0%)	U
User Charges & Fees	18,360	20,624	2,264	12%	F
This item was over budget due to greater than expected revenue from road reinstatement fees (\$436K), construction zone fees (\$401K), off-street parking fees (\$346K), on-street parking fees (\$185K), parks hire fees (\$222K), Olympic Pool fees (\$219K), outdoor seating rental (\$160K) and hoarding permit fees (\$121K).					
Interest & Investment Revenue	2,020	3,770	1,750	87%	F
Council traditionally adopts a conservative approach when budgeting for returns from its investment portfolio. This along with changes in interest rates available on the short-term money market during the year and a greater than anticipated pool of funds available for investment due to delays in the commencement of some capital projects has generated significantly higher than expected revenue from this income stream.					
Other Revenues	14,779	16,110	1,331	9%	F
Operating Grants & Contributions	3,218	4,462	1,244	39%	F
The actual amount of grants received often depends on decisions made by the State and Commonwealth governments after the Original Budget was adopted. This income stream was over budget due to the receipt in advance of one-half of the estimated 2012/13 Financial Assistance Grant (\$892K) and the receipt of additional unbudgeted grant funding towards environmental protection (\$271K) and town planning (\$126K) projects.					
Capital Grants & Contributions	3,428	6,909	3,481	102%	F
The receipt of developer contributions levied under Section 94 of the Environmental Planning & Assessment Act in excess of the amount budgeted for was the reason why this item was over budget.					

North Sydney Council

Notes to the Financial Statements

for the financial year ended 30 June 2012

Note 16. Material Budget Variations (continued)

\$ '000	2012 Budget	2012 Actual	2012 ----- Variance* -----		
REVENUES (continued)					
Net Gains from Disposal of Assets	114	129	15	13%	F
The budgeted gain on disposal of assets was based on estimated proceeds of \$952K from the sale of plant with a written down value of \$838K. Although fewer items were disposed of throughout the year than had been anticipated, the return on the carrying amount realised from these items was higher than had been estimated.					
Share of Net Profits - Joint Ventures & Associates	-	20	20	0%	F
EXPENSES					
Employee Benefits & On-Costs	33,097	33,611	(514)	(2%)	U
Materials & Contracts	25,246	25,932	(686)	(3%)	U
Depreciation & Amortisation	15,041	14,469	572	4%	F
Other Expenses	7,874	7,914	(40)	(1%)	U
Budget Variations relating to Council's Cash Flow Statement include:					
Cash Flows from Operating Activities	15,700	23,265	7,565	48.2%	F
The aforementioned favourable variances in revenue from User Charges & Fees, Interest & Investment Revenue, Operating Grants and Contributions and Capital Grants and Contributions resulted in a corresponding favourable variance in Cash Flows from Operating Variations.					
Cash Flows from Investing Activities	(22,194)	(22,244)	(50)	0.2%	U
Cash Flows from Financing Activities	9,000	-	(9,000)	(100.0%)	U
Council's Original Budget allowed for borrowings of \$9M to fund two major capital projects: the Alexander Street Car Park redevelopment (\$5M) and the replacement parking meter solution (\$4M). Delays in the commencement of both projects meant that it was not necessary to borrow the monies required to fund them. This resulted in an unfavourable variance in Cash Flows from Financing Activities.					

North Sydney Council

Notes to the Financial Statements

for the financial year ended 30 June 2012

Note 17. Statement of Developer Contributions

\$ '000

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

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

SUMMARY OF CONTRIBUTIONS & 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	15	37	-	1	-	-	53	353	(406)	-	-
Affordable Housing	3,542	(78)	-	47	-	-	3,511	18	(3,529)	-	-
Child Care	255	72	-	5	-	-	332	1,316	(1,648)	-	-
Community Centres	-	197	-	-	-	(197)	-	1,072	(1,072)	-	(2,772)
Indoor Sports Centre	92	26	-	2	-	-	120	216	(336)	-	-
Library Acquisitions	70	36	-	1	(15)	-	92	228	(320)	-	-
Library Premises & Equipment	-	111	-	-	-	(111)	-	648	(648)	-	(1,386)
Olympic Pool	772	107	-	12	-	-	891	772	(1,663)	-	-
Open Space Acquisitions	3,549	1,632	-	185	-	2,576	7,942	3,685	(11,627)	-	5,831
Open Space Increased Capacity	-	3,239	-	-	(971)	(2,268)	-	7,337	(7,337)	-	(1,673)
North Sydney Public Domain	200	635	-	4	(486)	-	353	11,445	(11,798)	-	-
Other Public Domain	529	9	-	7	-	-	545	331	(876)	-	-
St Leonards Public Domain	192	170	-	5	-	-	367	187	(554)	-	-
Traffic Improvements	127	158	-	4	(17)	-	272	923	(1,195)	-	-
S94 Contributions - under a Plan	9,343	6,351	-	273	(1,489)	-	14,478	28,531	(43,009)	-	-
Total S94 Revenue Under Plans	9,343	6,351	-	273	(1,489)	-	14,478				-
Total Contributions	9,343	6,351	-	273	(1,489)	-	14,478	28,531	(43,009)	-	-

North Sydney Council

Notes to the Financial Statements

for the financial year ended 30 June 2012

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	15	37	-	1	-	-	53	353	(406)	-	-
Affordable Housing	3,542	(78)	-	47	-	-	3,511	18	(3,529)	-	-
Child Care	255	72	-	5	-	-	332	1,316	(1,648)	-	-
Community Centres	-	197	-	-	-	(197)	-	1,072	(1,072)	-	(2,772)
Indoor Sports Centre	92	26	-	2	-	-	120	216	(336)	-	-
Library Acquisitions	70	36	-	1	(15)	-	92	228	(320)	-	-
Library Premises & Equipment	-	111	-	-	-	(111)	-	648	(648)	-	(1,386)
Olympic Pool	772	107	-	12	-	-	891	772	(1,663)	-	-
Open Space Acquisitions	3,549	1,632	-	185	-	2,576	7,942	3,685	(11,627)	-	5,831
Open Space Increased Capacity	-	3,239	-	-	(971)	(2,268)	-	7,337	(7,337)	-	(1,673)
North Sydney Public Domain	200	635	-	4	(486)	-	353	11,445	(11,798)	-	-
Other Public Domain	529	9	-	7	-	-	545	331	(876)	-	-
St Leonards Public Domain	192	170	-	5	-	-	367	187	(554)	-	-
Traffic Improvements	127	158	-	4	(17)	-	272	923	(1,195)	-	-
Total	9,343	6,351	-	273	(1,489)	-	14,478	28,531	(43,009)	-	-

North Sydney Council

Notes to the Financial Statements

for the financial year ended 30 June 2012

Note 18. Contingencies & Other Assets/Liabilities Not Recognised

\$ '000

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

LIABILITIES NOT RECOGNISED:

1. Guarantees

(i) Defined Benefit Superannuation Contribution Plans

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

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

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

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

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

(ii) Statewide Limited

Council is a member of Statewide Mutual, a mutual pool scheme providing liability insurance to local government. The current membership is 149 Councils.

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

The future realisation and finalisation of claims incurred but not reported to 30 June 2012 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 2012

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 (and subsequent land asset) from such potential acquisitions has not been possible.

ASSETS NOT RECOGNISED:

(i) Land Under Roads

As permitted under AASB 1051, Council has elected not to bring to account Land Under Roads that it owned or controlled up to and including 30 June 2008.

(ii) Repayment of Community Funds

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

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

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

North Sydney Council

Notes to the Financial Statements

for the financial year ended 30 June 2012

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 Council's (i) interest and (ii) control and the type (form) of entity/operation, as follows:

Subsidiaries

Note 19(a)

Operational Arrangements where Councils Control (but not necessarily Interest) exceeds 50%

Associated Entities & Joint Venture Entities

Note 19(b) (i)&(ii)

Arrangements in the form of a Separate Entity that deploys the resources of the operation itself. Under Associated Entities, Council significantly influences the operations but does not control them, whilst for Joint Venture Entities, Council Jointly Controls the Operations with other parties.

Joint Venture Operations

Note 19(c)

Arrangements that do not comprise an actual individual entity which can deploy the resources of the individual participants. Under Joint Venture Operations, Council jointly controls the operations with the other parties involved.

Subsidiaries, Associated Entities and Joint Ventures Not Recognised

Note 19(d)

Accounting Recognition:

(i) Subsidiaries disclosed under Note 19(a), and Joint Venture Operations disclosed at Note 19(c), are accounted for on a Line by Line Consolidation basis within the Income Statement and Balance Sheet.

(ii) Associated Entities and Joint Venture Entities as per Notes 19(b)(i) & (ii) are accounted for using the Equity Accounting Method - and are disclosed as a 1 line entry in both the Income Statement and Balance Sheet.

	Council's Share of Net Income		Council's Share of Net Assets	
	Actual 2012	Actual 2011	Actual 2012	Actual 2011
Associated Entities	-	-	-	-
Joint Venture Entities	20	10	73	53
Total	20	10	73	53

North Sydney Council

Notes to the Financial Statements for the financial year ended 30 June 2012

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

\$ '000

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

Council has no interest in any Subsidiaries.

19(b) Associated Entities & Joint Venture Entities

(i) ASSOCIATED ENTITIES

Council has no interest in any Associated Entities.

(ii) JOINT VENTURE ENTITIES

(a) Carrying Amounts

Name of Entity	Principal Activity	2012	2011
Shorelink (Library Network)	Public Library Services	73	53
Total Carrying Amounts - Joint Venture Entities		73	53

(b) Relevant Interests

Name of Entity	Interest in Outputs		Interest in Ownership		Proportion of Voting Power	
	2012	2011	2012	2011	2012	2011
Shorelink (Library Network)	24%	24%	24%	24%	24%	24%

(c) Movement in Carrying Amounts

	Shorelink (Library Network)	
	2012	2011
Opening Balance	53	43
Share in Operating Result	20	10
Council's Equity Share in the Joint Venture Entity	73	53

(d) Share of Joint Ventures Assets & Liabilities

	Assets		Liabilities		Net Assets
	Current	Non Current	Current	Non Current	
2012					
Shorelink (Library Network)	76	11	14	-	73
Totals	76	11	14	-	73
2011					
Shorelink (Library Network)	57	8	12	-	53
Totals	57	8	12	-	53

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

	2012			2011		
	Revenues	Expenses	Result	Revenues	Expenses	Result
Shorelink (Library Network)	154	134	20	148	138	10
Totals	154	134	20	148	138	10

North Sydney Council

Notes to the Financial Statements for the financial year ended 30 June 2012

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

\$ '000

19(c) Joint Venture Operations

Council has no interest in any Joint Venture Operations.

19(d) Subsidiaries, Associated Entities & Joint Venture Operations Not Recognised

None.

Note 20. Equity - Retained Earnings and Revaluation Reserves

\$ '000	Notes	Actual 2012	Actual 2011
a. Retained Earnings			
Movements in Retained Earnings were as follows:			
Balance at beginning of Year (from previous year's audited accounts)		619,519	684,738
a. Correction of Prior Period Errors	20 (c)	-	(4,739)
b. Net Operating Result for the Year		9,066	5,525
c. Changes in Accounting Policies (current period effects)		-	(66,005)
Balance at End of the Reporting Period		<u>628,585</u>	<u>619,519</u>
b. Reserves			
(i) Reserves are represented by:			
- Infrastructure, Property, Plant & Equipment Revaluation Reserve		<u>87,391</u>	<u>87,391</u>
Total		<u>87,391</u>	<u>87,391</u>
(ii). Reconciliation of movements in Reserves:			
Infrastructure, Property, Plant & Equipment Revaluation Reserve			
- Opening Balance		<u>87,391</u>	<u>87,391</u>
- Balance at End of Year		<u>87,391</u>	<u>87,391</u>
TOTAL VALUE OF RESERVES		<u>87,391</u>	<u>87,391</u>
(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.			

North Sydney Council

Notes to the Financial Statements

for the financial year ended 30 June 2012

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

\$ '000	Notes	Actual 2012	Actual 2011
c. Correction of Error/s relating to a Previous Reporting Period			
Correction of errors as disclosed in last year's financial statements:			
Community Land (incorrectly recorded)			(1,744)
Community Land (not controlled by Council)			(2,995)
In accordance with AASB 108 - Accounting Policies, Changes in Accounting Estimates and Errors, the above Prior Period Errors have been recognised retrospectively.			
These amounted to the following Equity Adjustments:			
- Adjustments to Opening Equity - 1 July 2010 (relating to adjustments for the 30/6/10 reporting year end and prior periods)		-	(4,739)
- Adjustments to Closing Equity - 30 June 2011 (relating to adjustments for the 30/6/11 year end)		-	-
Total Prior Period Adjustments - Prior Period Errors		-	(4,739)

d. Voluntary Changes in Accounting Policies

Accounting Policy changes relating to the valuation of Community Land

Council previously revalued Community Land in 1997 using an average municipal rate. The 2011 revaluation applies the Valuer-General values in accordance with the Local Government Code of Accounting Practice. (66,005)

In accordance with AASB 108 - Accounting Policies, Changes in Accounting Estimates and Errors, the above changes in Accounting Policy have been recognised retrospectively.

These amounted to the following Equity Adjustments:

- Adjustments to Opening Equity - 1 July 2010 (relating to adjustments for the 30/6/10 reporting year end and prior periods)		-	-
- Adjustments to Closing Equity - 30 June 2011 (relating to adjustments for the 30/6/11 year end)		-	(66,005)
Total Prior Period Adjustments - Accounting Policy Changes		-	(66,005)

North Sydney Council

Notes to the Financial Statements for the financial year ended 30 June 2012

Note 21. Financial Result & Financial Position by Fund

\$ '000

Council utilises only a General Fund for its operations.

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

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

Note 23. Events occurring after Balance Sheet Date

Events that occur after the reporting date of 30 June 2012, up to and including 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 appropriate "authorised for issue" date relating to these General Purpose Financial Statements.

Accordingly, the "authorised for issue" date is 23 October 2012.

Events that occur after the Reporting Date represent one of two types:

(i) Events that have provided evidence of conditions that existed at the Reporting Date

These financial statements (and the figures therein) incorporate all "adjusting events" that provided evidence of conditions that existed at 30 June 2012.

(ii) Events that have provided evidence of conditions that arose after the Reporting Date

These financial statements (& figures therein) do not incorporate any "non adjusting events" that have occurred after 30 June 2012 and which are only indicative of conditions that arose after 30 June 2012.

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

North Sydney Council

Notes to the Financial Statements for the financial year ended 30 June 2012

Note 24. Discontinued Operations

\$ '000

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

Note 25. Intangible Assets

Intangible Assets represent identifiable non-monetary 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 2012

Note 27. Financial Review

\$ '000

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

Financial Performance Figures	2012	2011	2010	2009	2008
Inflows:					
Rates & Annual Charges Revenue	38,968	37,157	35,241	33,886	32,194
User Charges Revenue	20,624	19,335	18,135	18,962	18,181
Interest & Investment Revenue (Losses)	3,770	3,437	2,783	1,173	452
Grants Income - Operating & Capital	4,100	5,131	5,457	3,765	3,858
Total Income from Continuing Operations	90,992	84,016	89,055	76,812	76,373
Sale Proceeds from I,PP&E	944	2,181	2,632	1,506	1,403
New Loan Borrowings & Advances	-	-	-	-	-
Outflows:					
Employee Benefits & On-cost Expenses	33,611	32,848	30,877	29,807	28,062
Borrowing Costs	-	-	-	-	-
Materials & Contracts Expenses	25,932	23,326	22,485	23,006	23,542
Total Expenses from Continuing Operations	81,926	78,491	71,401	74,954	69,177
Total Cash purchases of I,PP&E	12,453	14,992	14,424	15,923	19,894
Total Loan Repayments (incl. Finance Leases)	-	-	-	-	-
Operating Surplus/(Deficit) (excl. Capital Income)	2,157	156	10,893	(4,056)	2,319
Financial Position Figures					
	2012	2011	2010	2009	2008
Current Assets	39,132	32,710	49,608	41,223	44,069
Current Liabilities	23,897	22,367	21,067	18,285	18,835
Net Current Assets	15,235	10,343	28,541	22,938	25,234
Available Working Capital (Unrestricted Net Current Assets)	(585)	(92)	273	(76)	(1,728)
Cash & Investments - Unrestricted	3,889	2,919	4,183	3,662	3,226
Cash & Investments - Internal Restrictions	40,855	35,523	30,820	22,387	23,402
Cash & Investments - Total	65,592	53,888	48,519	40,954	38,610
Total Borrowings Outstanding (Loans, Advances & Finance Leases)	-	-	89	-	-
Total Value of I,PP&E (excl. Land & Earthworks)	701,296	690,566	679,111	581,039	538,712
Total Accumulated Depreciation	321,494	308,062	295,057	251,698	305,066
Indicative Remaining Useful Life (as a % of GBV)	54%	55%	57%	57%	43%

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 2012

Note 28. Council Information & Contact Details

Principal Place of Business:

200 Miller Street
North Sydney NSW 2060

Contact Details

Mailing Address:

PO Box 12
North Sydney NSW 2060

Opening Hours:

9am - 5pm
Monday - Friday

Telephone: 02 9936 8100

Facsimile: 02 9936 8177

Internet: www.northsydney.nsw.gov.au

Email: council@northsydney.nsw.gov.au

Officers

GENERAL MANAGER

Penny Holloway

RESPONSIBLE ACCOUNTING OFFICER

Garry Ross

PUBLIC OFFICER

Ross McCreanor

AUDITORS

Hill Rogers Spencer Steer, Chartered Accountants

Elected Members

After 2012 Elections

Prior 2012 Elections

MAYOR

Jilly Gibson

Genia McCaffery

COUNCILLORS

Zoe Baker

Zoe Baker

Stephen Barbour

Stephen Barbour

MaryAnn Beregi

Craig Carland

Virginia Bevan

Trent Zimmerman

Sarah Burke

Sarah Burke

Danielle Butcher

Richard Pearson

Tony Carr

Jillian Christie

Melissa Clare

Caroline Raymond

Veronique Marchandean

Veronique Marchandean

Jeff Morris

Jilly Gibson

Michel Reymond

Michel Reymond

Tom Robertson

Andrew Robjohns

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 Balance Sheet as at 30 June 2012, 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 graphs and commentary in Note 13 and projected future developer contributions and costs disclosed in Note 17. Accordingly, no opinion is expressed on these matters.

Assurance Partners

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

Level 5, 1 Chifley Square
Sydney NSW 2000 Australia

GPO Box 7066
Sydney NSW 2001

www.hr-ss.com.au
info@hr-ss.com.au

Practising as Hill Rogers Spencer
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 24th day of October 2012

24 October 2012

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

Madam Mayor,

Audit Report - Year Ended 30 June 2012

We are pleased to advise completion of the audit of Council's books and records for the year ended 30 June 2012 and that all information required by us was readily available. We have signed our reports as required under Section 417(1) of the Local Government Act, 1993 and the Local Government Code of Accounting Practice and Financial Reporting to the General and Special Purpose Financial Statements.

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

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

1. RESULTS FOR THE YEAR

1.1 Operating Result

The operating result for the year was a surplus of \$9.066 million as compared with \$5.525 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.

	2012 \$'000	% of Total	2011 \$'000	% of Total	Increase (Decrease) \$'000
Revenues before capital items					
Rates & annual charges	38,968	46%	37,157	47%	1,811
User charges, fees & other revenues	36,883	44%	34,356	44%	2,527
Grants & contributions provided for operating purposes	4,462	5%	3,697	5%	765
Interest & investment revenue	3,770	4%	3,437	4%	333
	84,083	100%	78,647	100%	5,436
Expenses					
Employee benefits & costs	33,611	41%	32,848	42%	763
Materials, contracts & other expenses	33,846	41%	31,046	40%	2,800
Depreciation, amortisation & impairment	14,469	18%	14,597	19%	(128)
	81,926	100%	78,491	100%	3,435
Surplus/(Deficit) before capital items	2,157		156		2,001
Grants & contributions provided for capital purposes	6,909		5,369		1,540
Net Surplus/(Deficit) for the year	9,066		5,525		3,541

The table above shows an overall increase over the previous year of \$3.541 million and can be mainly attributed to an increase of developer contributions of \$4.304 million.

Levies of rates and annual charges increased by \$1.811 million and accounted for 46% of Council's operating revenue before capital receipts.

1.2 Funding Result

The operating result does not take into account all revenues and all expenditures and in reviewing the overall financial performance of Council it is useful to take into account the total source of revenues and where they were spent during the year, which is illustrated in the table below.

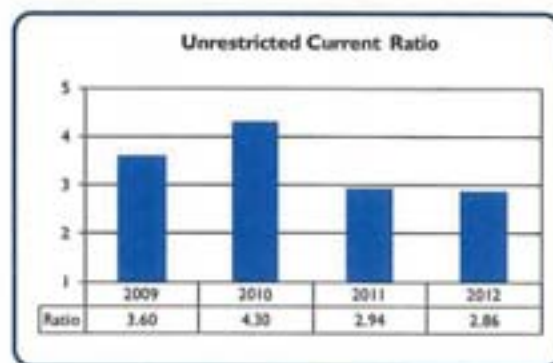
	2012	2011
	\$'000	\$'000
Funds were provided by:-		
Operating Result (as above)	9,066	5,525
Add back non funding items:-		
- Depreciation, amortisation & impairment	14,469	14,597
- Book value of non current assets sold	815	2,038
- (Gain)Loss of fair value to investment properties	(2,062)	(1,188)
- (Surplus)Deficit in joint ventures	(20)	(10)
	22,268	20,962
Transfers from externally restricted assets (net)	0	5,995
Transfers from internal reserves (net)	0	10,906
Net Changes in current/non current assets & liabilities	1,263	1,371
	23,531	39,234
Funds were applied to:-		
Purchase and construction of assets	(12,582)	(15,085)
Increase/Purchase in Non Current Investments	(4,727)	(24,021)
Transfers to internal reserves (net)	(4,670)	0
	(23,837)	(39,106)
Increase/(Decrease) in Available Working Capital	(306)	128

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 \$22.527 million representing a factor of 2.86 to 1.



2.2 Available Working Capital – (Working Funds)

At the close of the year the Available Working Capital of Council stood at \$4.135 million as detailed below;

	2012	2011	Change
	\$'000	\$'000	\$'000
Net Current Assets (Working Capital) as per Accounts	15,235	10,343	4,892
Add: Payables & provisions not expected to be realised in the next 12 months included above	10,534	10,571	(37)
Adjusted Net Current Assets	25,769	20,914	4,855
Add: Budgeted & expected to pay in the next 12 months			
- Employees leave entitlements	3,116	3,137	(21)
- Deposits & retention moneys	3,076	1,688	1,388
Less: Externally restricted assets	(3,242)	(1,384)	(1,858)
Less: Internally restricted assets	(24,584)	(19,914)	(4,670)
Available Working Capital as at 30 June	4,135	4,441	(306)

The balance of Available Working Capital should be at a level to manage Council's day to day operations including the financing of hard core debtors and inventories and to provide a buffer against unforeseen and unbudgeted expenditures. Taking into consideration the nature and level of the internally restricted assets (Reserves) set aside we are of the opinion that Available Working Capital as at 30 June 2012 was sound.

2.3 Debt

Council is debt free.

2.4 Summary

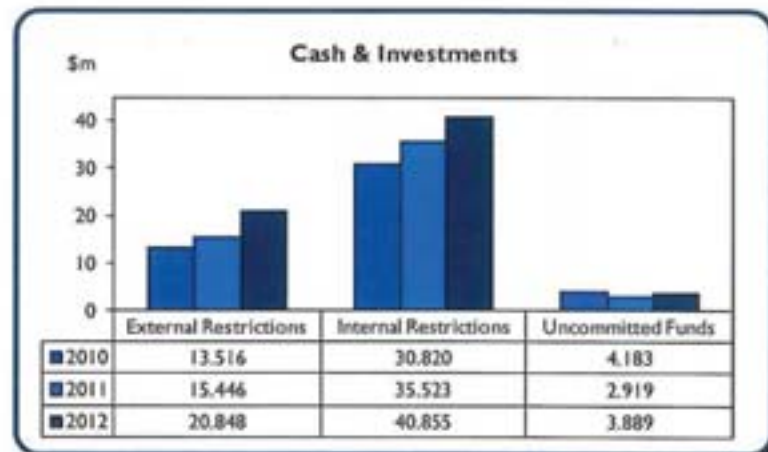
Council's overall financial position, when taking into account the above financial indicators is, in our opinion, sound.

3. CASH ASSETS

3.1 Cash & Investments

Cash and investments held at the close of the year amounted to \$65.592 million as compared with \$53.888 million and \$48.519 million at the close of financial years 2011 and 2010 respectively.

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



Externally restricted cash and investments are restricted in their use by externally imposed requirements and consisted of unexpended development contributions under Section 94 of \$14.478 million, domestic waste management charges of \$3.315 million and specific purpose grants, contributions and special levies of \$3.055 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 \$40.855 million and their purposes are more fully disclosed in Note 6 of the financial statements.

Unrestricted cash and investments amounted to \$3.889 million, which are available to provide liquidity for day to day operations and form the basis of Council's sound financial position.

3.2 Cash Flows

The Statement of Cash Flows illustrates the flow of cash moving in and out of Council during the year and reveals that Cash Assets increased by \$1.021 million to \$2.284 million at the close of the year.

In addition to operating activities which contributed net cash of \$23.265 million were the proceeds from the sale of assets (\$944,000) and redemption of investment securities (\$34.492 million). Cash outflows other than operating activities were used to purchase investment securities (\$45.227 million) and to purchase and construct assets (\$12.453 million).

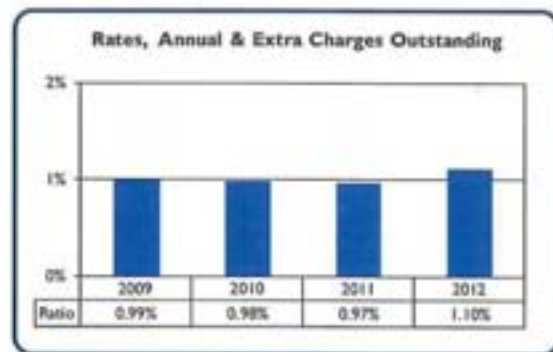
4. RECEIVABLES

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

Net rates and annual charges levied during the year totalled \$38.968 million and represented 43% of Council's total revenues. Including arrears, the total rates and annual charges collectible was \$39.283 million of which \$38.875 million (98.96%) was collected.

4.2 Rates, Annual & Extra Charges

Arrears of rates, annual & extra charges stood at \$435,000 at the end of the year and represented 1.10% of those receivables.



4.3 Other Receivables

Receivables (other than rates & annual charges) totalled \$5.799 million and consisted mainly of unpaid infringement notices (\$789,000), user charges and accrued revenues (\$3.326 million) and amounts due from government departments (\$1.546 million). Of these receivables, \$30,000 was considered to be uncertain of collection and have been provided for as doubtful debts.

5. PAYABLES

5.1 Employees Leave Entitlements

Council's provision for its liability toward employees leave entitlements and associated on costs amounted to \$12.330 million. A cash reserve of \$5.437 million was held at year end representing 44% of this liability and, was in our opinion, more than adequate to enable Council to meet unbudgeted and unanticipated retirements.

5.2 Deposits, Retentions & Bonds

Deposits, Retentions and Bonds held at year end amounted to \$4.720 million and were fully funded by internally restricted cash and investments.

Hill Rogers
Spencer Steer

6. MANAGEMENT LETTER

An audit management letter addressing the findings from our interim audit was issued on 13 April 2012 and this included our recommendations on possible ways to strengthen and/or improve procedures. Management's response outlining management's comments and proposed actions was presented to a meeting of Council's Audit & Risk Committee on 15 October 2012.

7. CONCLUSION

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

Yours faithfully,

HILL ROGERS SPENCER STEER



GARY MOTTAU

Partner

North Sydney Council

SPECIAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2012

“...a vibrant community”



North Sydney Council

Special Purpose Financial Statements

for the financial year ended 30 June 2012

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Background

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

Essentially, the principle is that government businesses, whether Commonwealth, State or Local, should operate without net competitive advantages over other businesses as a result of their public ownership.

- (iii) For Council, the principle of competitive neutrality & public reporting applies only to declared business activities.

These include **(a)** those activities classified by the Australian Bureau of Statistics as business activities being water supply, sewerage services, abattoirs, gas production and reticulation and **(b)** those activities with a turnover of over \$2 million that Council has formally declared as a Business Activity (defined as Category 1 activities).

- (iv) In preparing these financial statements for Council's self classified Category 1 businesses and ABS defined activities, councils must **(a)** adopt a corporatisation model and **(b)** apply full cost attribution including tax equivalent regime payments & debt guarantee fees (where the business benefits from councils borrowing position by comparison with commercial rates).
-

North Sydney Council

Special Purpose Financial Statements

for the financial year ended 30 June 2012

Statement by Councillors and Management

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

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

- The NSW Government Policy Statement "Application of National Competition Policy to Local Government".
- The Division of Local Government Guidelines "Pricing & Costing for Council Businesses - A Guide to Competitive Neutrality".
- The Local Government Code of Accounting Practice and Financial Reporting.

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

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

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

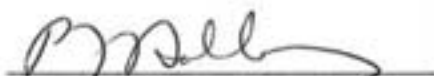
Signed in accordance with a resolution of Council made on 22 October 2012.



Jilly Gibson
MAYOR



Sarah Burke
COUNCILLOR



Penny Holloway
GENERAL MANAGER



Garry Ross
RESPONSIBLE ACCOUNTING OFFICER

North Sydney Council

Income Statement of Council's Other Business Activities

for the financial year ended 30 June 2012

\$ '000	Commercial Properties		Waste Management	
	Category 1		Category 1	
	Actual 2012	Actual 2011	Actual 2012	Actual 2011
Income from continuing operations				
Access charges	-	-	8,659	8,399
User charges	-	-	852	702
Fees	-	-	393	362
Interest	-	-	-	-
Grants and contributions provided for non capital purposes	-	-	41	44
Profit from the sale of assets	-	-	-	-
Other income	7,771	6,260	-	-
Total income from continuing operations	7,771	6,260	9,945	9,507
Expenses from continuing operations				
Employee benefits and on-costs	51	54	1,087	1,057
Borrowing costs	-	-	-	-
Materials and contracts	1,277	1,186	8,072	6,925
Depreciation and impairment	258	267	-	-
Loss on sale of assets	-	-	-	-
Calculated taxation equivalents	472	482	21	21
Debt guarantee fee (if applicable)	-	-	-	-
Other expenses	744	740	40	50
Total expenses from continuing operations	2,802	2,729	9,220	8,053
Surplus (deficit) from Continuing Operations before capital amounts	4,969	3,531	725	1,454
Grants and contributions provided for capital purposes	-	-	-	-
Surplus (deficit) from Continuing Operations after capital amounts	4,969	3,531	725	1,454
Surplus (deficit) from discontinued operations	-	-	-	-
Surplus (deficit) from ALL Operations before tax	4,969	3,531	725	1,454
less: Corporate Taxation Equivalent (30%) [based on result before capital]	(1,491)	(1,059)	(217)	(436)
SURPLUS (DEFICIT) AFTER TAX	3,478	2,472	508	1,018
plus Opening Retained Profits	84,276	82,988	2,288	2,297
plus/less: Prior Period Adjustments	-	-	-	-
plus Adjustments for amounts unpaid:				
- Taxation equivalent payments	472	482	21	21
- Debt guarantee fees	-	-	-	-
- Corporate taxation equivalent	1,491	1,059	217	436
add:				
- Subsidy Paid/Contribution To Operations	-	-	-	-
less:				
- TER dividend paid	-	-	-	-
- Dividend paid	(3,476)	(2,725)	(675)	(1,484)
Closing Retained Profits	86,241	84,276	2,359	2,288
Return on Capital %	610.4%	416.4%	n/a	n/a
Subsidy from Council	-	-	-	-

North Sydney Council

Income Statement of Council's Other Business Activities

for the financial year ended 30 June 2012

	Car Parking Services Category 1		North Sydney Function Centre Category 2	
	Actual 2012	Actual 2011	Actual 2012	Actual 2011
\$ '000				
Income from continuing operations				
Access charges	-	-	-	-
User charges	-	-	-	-
Fees	3,010	2,611	235	299
Interest	-	-	-	-
Grants and contributions provided for non capital purposes	-	-	-	-
Profit from the sale of assets	-	-	-	-
Other income	-	-	-	-
Total income from continuing operations	3,010	2,611	235	299
Expenses from continuing operations				
Employee benefits and on-costs	406	437	80	151
Borrowing costs	-	-	-	-
Materials and contracts	378	514	114	142
Depreciation and impairment	763	695	91	93
Loss on sale of assets	-	-	-	-
Calculated taxation equivalents	252	252	-	-
Debt guarantee fee (if applicable)	-	-	-	-
Other expenses	427	416	109	138
Total expenses from continuing operations	2,226	2,314	394	524
Surplus (deficit) from Continuing Operations before capital amounts	784	297	(159)	(225)
Grants and contributions provided for capital purposes	-	-	-	-
Surplus (deficit) from Continuing Operations after capital amounts	784	297	(159)	(225)
Surplus (deficit) from discontinued operations	-	-	-	-
Surplus (deficit) from ALL Operations before tax	784	297	(159)	(225)
less: Corporate Taxation Equivalent (30%) [based on result before capital]	(235)	(89)	-	-
SURPLUS (DEFICIT) AFTER TAX	549	208	(159)	(225)
plus Opening Retained Profits	18,495	18,545	1,147	1,264
plus/less: Prior Period Adjustments	-	-	-	-
plus Adjustments for amounts unpaid:				
- Taxation equivalent payments	252	252	-	-
- Debt guarantee fees	-	-	-	-
- Corporate taxation equivalent	235	89	-	-
add:				
- Subsidy Paid/Contribution To Operations	-	-	83	108
less:				
- TER dividend paid	-	-	-	-
- Dividend paid	(1,447)	(599)	-	-
Closing Retained Profits	18,084	18,495	1,071	1,147
Return on Capital %	2.4%	0.9%	-6.6%	-9.0%
Subsidy from Council	194	1,407	232	355

North Sydney Council

Income Statement of Council's Other Business Activities

for the financial year ended 30 June 2012

Development
Applications

Category 2

\$ '000	Actual 2012	Actual 2011
Income from continuing operations		
Access charges	-	-
User charges	-	-
Fees	1,431	1,628
Interest	-	-
Grants and contributions provided for non capital purposes	-	-
Profit from the sale of assets	-	-
Other income	-	-
Total income from continuing operations	1,431	1,628
Expenses from continuing operations		
Employee benefits and on-costs	3,797	3,513
Borrowing costs	-	-
Materials and contracts	254	285
Depreciation and impairment	-	-
Loss on sale of assets	-	-
Calculated taxation equivalents	167	160
Debt guarantee fee (if applicable)	-	-
Other expenses	720	699
Total expenses from continuing operations	4,938	4,657
Surplus (deficit) from Continuing Operations before capital amounts	(3,507)	(3,029)
Grants and contributions provided for capital purposes	-	-
Surplus (deficit) from Continuing Operations after capital amounts	(3,507)	(3,029)
Surplus (deficit) from discontinued operations	-	-
Surplus (deficit) from ALL Operations before tax	(3,507)	(3,029)
less: Corporate Taxation Equivalent (30%) [based on result before capital]	-	-
SURPLUS (DEFICIT) AFTER TAX	(3,507)	(3,029)
plus Opening Retained Profits	(984)	(908)
plus/less: Prior Period Adjustments	-	-
plus Adjustments for amounts unpaid:		
- Taxation equivalent payments	167	160
- Debt guarantee fees	-	-
- Corporate taxation equivalent	-	-
add:		
- Subsidy Paid/Contribution To Operations	3,135	2,793
less:		
- TER dividend paid	-	-
- Dividend paid	-	-
Closing Retained Profits	(1,189)	(984)
Return on Capital %	n/a	n/a
Subsidy from Council	3,507	3,029

North Sydney Council

Balance Sheet of Council's Other Business Activities

as at 30 June 2012

\$ '000	Commercial Properties		Waste Management	
	Category 1		Category 1	
	Actual 2012	Actual 2011	Actual 2012	Actual 2011
ASSETS				
Current Assets				
Cash and cash equivalents	-	-	3,135	3,254
Investments	-	-	-	-
Receivables	173	246	85	50
Inventories	-	-	-	-
Other	-	-	-	-
Non-current assets classified as held for sale	-	-	-	-
Total Current Assets	173	246	3,220	3,304
Non-Current Assets				
Investments	-	-	-	-
Receivables	-	-	-	-
Inventories	-	-	-	-
Infrastructure, property, plant and equipment	814	848	-	-
Investments accounted for using equity method	-	-	-	-
Investment property	85,370	83,308	-	-
Other	-	-	-	-
Total Non-Current Assets	86,184	84,156	-	-
TOTAL ASSETS	86,357	84,402	3,220	3,304
LIABILITIES				
Current Liabilities				
Bank Overdraft	-	-	-	-
Payables	116	126	751	910
Interest bearing liabilities	-	-	-	-
Provisions	-	-	105	104
Total Current Liabilities	116	126	856	1,014
Non-Current Liabilities				
Payables	-	-	3	-
Interest bearing liabilities	-	-	-	-
Provisions	-	-	2	2
Other Liabilities	-	-	-	-
Total Non-Current Liabilities	-	-	5	2
TOTAL LIABILITIES	116	126	861	1,016
NET ASSETS	86,241	84,276	2,359	2,288
EQUITY				
Retained earnings	86,241	84,276	2,359	2,288
Revaluation reserves	-	-	-	-
Council equity interest	86,241	84,276	2,359	2,288
Minority equity interest	-	-	-	-
TOTAL EQUITY	86,241	84,276	2,359	2,288

North Sydney Council

Balance Sheet of Council's Other Business Activities

as at 30 June 2012

	Car Parking Services		North Sydney Function Centre	
	Category 1		Category 2	
\$ '000	Actual 2012	Actual 2011	Actual 2012	Actual 2011
ASSETS				
Current Assets				
Cash and cash equivalents	14	13	6	6
Investments	-	-	-	-
Receivables	32	15	47	24
Inventories	-	-	16	22
Other	-	-	-	-
Non-current assets classified as held for sale	-	-	-	-
Total Current Assets	46	28	69	52
Non-Current Assets				
Investments	-	-	-	-
Receivables	-	-	-	-
Inventories	-	-	-	-
Infrastructure, property, plant and equipment	32,285	32,698	2,402	2,491
Investments accounted for using equity method	-	-	-	-
Investment property	-	-	-	-
Other	-	-	-	-
Total Non-Current Assets	32,285	32,698	2,402	2,491
TOTAL ASSETS	32,331	32,726	2,471	2,543
LIABILITIES				
Current Liabilities				
Bank Overdraft	-	-	-	-
Payables	109	103	-	-
Interest bearing liabilities	-	-	-	-
Provisions	78	68	54	50
Total Current Liabilities	187	171	54	50
Non-Current Liabilities				
Payables	-	-	-	-
Interest bearing liabilities	-	-	-	-
Provisions	1	1	1	1
Other Liabilities	-	-	-	-
Total Non-Current Liabilities	1	1	1	1
TOTAL LIABILITIES	188	172	55	51
NET ASSETS	32,143	32,554	2,416	2,492
EQUITY				
Retained earnings	18,084	18,495	1,071	1,147
Revaluation reserves	14,059	14,059	1,345	1,345
Council equity interest	32,143	32,554	2,416	2,492
Minority equity interest	-	-	-	-
TOTAL EQUITY	32,143	32,554	2,416	2,492

North Sydney Council

Balance Sheet of Council's Other Business Activities

as at 30 June 2012

Development Applications

Category 2

\$ '000	Actual 2012	Actual 2011
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	1,160	955
Total Current Liabilities	1,160	955
Non-Current Liabilities		
Payables	-	-
Interest bearing liabilities	-	-
Provisions	29	29
Other Liabilities	-	-
Total Non-Current Liabilities	29	29
TOTAL LIABILITIES	1,189	984
NET ASSETS	(1,189)	(984)
EQUITY		
Retained earnings	(1,189)	(984)
Revaluation reserves	-	-
Council equity interest	(1,189)	(984)
Minority equity interest	-	-
TOTAL EQUITY	(1,189)	(984)

North Sydney Council

Special Purpose Financial Statements

for the financial year ended 30 June 2012

Contents of the Notes accompanying the Financial Statements

Note	Details	Page
1	Summary of Significant Accounting Policies	10

North Sydney Council

Notes to the Special Purpose Financial Statements

for the financial year ended 30 June 2012

Note 1. Significant Accounting Policies

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

For the purposes of these statements, the Council's business activities (reported herein) are not reporting entities.

These special purpose financial statements, unless otherwise stated, have been prepared in accordance with;

- applicable Australian Accounting Standards,
- other authoritative pronouncements of the Australian Accounting Standards Board,
- Australian Accounting Interpretations,
- the Local Government Act and Regulation, and
- the Local Government Code of Accounting Practice and Financial Reporting.

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

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

National Competition Policy

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

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

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

The pricing & costing guidelines outline the process for identifying and allocating costs to activities and provide a standard of disclosure requirements.

These disclosures are reflected in Council's pricing and/or financial reporting systems and include taxation equivalents; council subsidies; return on investments (rate of return); and dividends paid.

Declared Business Activities

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

Category 1

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

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

Category 2

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

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

Monetary Amounts

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

(i) Taxation Equivalent Charges

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

North Sydney Council

Notes to the Special Purpose Financial Statements

for the financial year ended 30 June 2012

Note 1. Significant Accounting Policies (continued)

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

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

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

Notional Rate Applied %

Corporate Income Tax Rate – 30%

Land Tax – The first \$396,000 of combined land values attracts 0%. From \$396,001 to \$2,421,000 the rate is 1.6% + \$100. For the remaining combined land value that exceeds \$2,421,000, a premium marginal rate of 2.0% applies.

Payroll Tax – 5.45% on the value of taxable salaries and wages in excess of \$678,000.

Income Tax

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

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 GPFS.

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 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 Business Activities.

North Sydney Council

Notes to the Special Purpose Financial Statements for the financial year ended 30 June 2012

Note 1. Significant Accounting Policies (continued)

(iii) Return on Investments (Rate of Return)

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

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

The Rate of Return on Capital is calculated as follows:

Operating Result before Capital Income + Interest Expense

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

As a minimum, business activities should generate a return equal to the Commonwealth 10 year bond rate which is 3.03% at 30/6/12.

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 Balance Sheet as at 30 June 2012, 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.

Assurance Partners

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

Level 5, 1 Chifley Square
Sydney NSW 2000 Australia

GPO Box 7066
Sydney NSW 2001

www.hr-ss.com.au
info@hr-ss.com.au

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Steer Assurance Partners

ABN 56 435 338 966

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

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

Independence

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

Auditor's Opinion

In our opinion, the special purpose financial statements of the Council are presented fairly in accordance with the requirements of those applicable Accounting Standards detailed in Note 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 24th day of October 2012

North Sydney Council

SPECIAL SCHEDULES
for the year ended 30 June 2012

“...a vibrant community”



North Sydney Council

Special Schedules

for the financial year ended 30 June 2012

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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 - Income Statement	n/a
- Special Schedule No. 4	Water Supply - Balance Sheet	n/a
- Special Schedule No. 5	Sewerage Service - Income Statement	n/a
- Special Schedule No. 6	Sewerage Service - Balance Sheet	n/a
- Notes to Special Schedules No. 3 & 5		n/a
- Special Schedule No. 7	Condition of Public Works	4
- Special Schedule No. 8	Financial Projections	6

¹ Special Purpose Schedules are not audited.

Background

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

North Sydney Council

Special Schedule No. 1 - Net Cost of Services

for the financial year ended 30 June 2012

\$'000

Function or Activity	Expenses from Continuing Operations	Income from continuing operations		Net Cost of Services
		Non Capital	Capital	
Governance	1,682	2	-	(1,680)
Administration	13,866	4,479	37	(9,350)
Public Order and Safety				
Fire Service Levy, Fire Protection, Emergency Services	1,357	35	-	(1,322)
Beach Control	-	-	-	-
Enforcement of Local Govt. Regulations	4,985	6,981	-	1,996
Animal Control	48	5	-	(43)
Other	-	-	-	-
Total Public Order & Safety	6,390	7,021	-	631
Health	1,044	956	-	(88)
Environment				
Noxious Plants and Insect/Vermin Control	82	-	-	(82)
Other Environmental Protection	2,201	2,114	-	(87)
Solid Waste Management	9,170	10,307	-	1,137
Street Cleaning	1,960	11	-	(1,949)
Drainage	-	-	-	-
Stormwater Management	1,691	-	-	(1,691)
Total Environment	15,104	12,432	-	(2,672)
Community Services and Education				
Administration & Education	684	35	-	(649)
Social Protection (Welfare)	268	34	-	(234)
Aged Persons and Disabled	308	59	-	(249)
Children's Services	801	353	72	(376)
Total Community Services & Education	2,061	481	72	(1,508)
Housing and Community Amenities				
Public Cemeteries	-	-	-	-
Public Conveniences	245	-	-	(245)
Street Lighting	1,117	162	-	(955)
Town Planning	3,215	835	(79)	(2,459)
Other Community Amenities	265	-	-	(265)
Total Housing and Community Amenities	4,842	997	(79)	(3,924)
Water Supplies	-	-	-	-
Sewerage Services	-	-	-	-

North Sydney Council

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

for the financial year ended 30 June 2012

\$'000

Function or Activity	Expenses from Continuing Operations	Income from continuing operations		Net Cost of Services
		Non Capital	Capital	
Recreation and Culture				
Public Libraries	3,220	303	191	(2,726)
Museums	391	9	-	(382)
Art Galleries	-	-	-	-
Community Centres and Halls	1,235	13	197	(1,025)
Performing Arts Venues	-	-	-	-
Other Performing Arts	-	-	-	-
Other Cultural Services	668	276	-	(392)
Sporting Grounds and Venues	1,964	517	140	(1,307)
Swimming Pools	2,761	2,297	107	(357)
Parks & Gardens (Lakes)	6,520	42	-	(6,478)
Other Sport and Recreation	866	204	5,831	5,169
Total Recreation and Culture	17,625	3,661	6,466	(7,498)
Fuel & Energy	-	-	-	-
Agriculture	-	-	-	-
Mining, Manufacturing and Construction				
Building Control	-	-	37	37
Other Mining, Manufacturing & Construction	-	-	-	-
Total Mining, Manufacturing and Const.	-	-	37	37
Transport and Communication				
Urban Roads (UR) - Local	7,374	422	219	(6,733)
Urban Roads - Regional	677	249	-	(428)
Parking Areas	1,259	10,121	-	8,862
Footpaths	1,265	496	-	(769)
Aerodromes	-	-	-	-
Other Transport & Communication	2,255	902	179	(1,174)
Total Transport and Communication	12,830	12,190	398	(242)
Economic Affairs				
Camping Areas & Caravan Parks	-	-	-	-
Other Economic Affairs	6,482	9,676	-	3,194
Total Economic Affairs	6,482	9,676	-	3,194
Totals – Functions	81,926	51,895	6,931	(23,100)
General Purpose Revenues⁽²⁾		32,146		32,146
Share of interests - joint ventures & associates using the equity method	-	20		20
NET OPERATING RESULT⁽¹⁾	81,926	84,061	6,931	9,066

(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)

North Sydney Council

Special Schedule No. 8 - Financial Projections

as at 30 June 2012

\$'000	Actual ⁽¹⁾ 11/12	Forecast 12/13	Forecast 13/14	Forecast ⁽³⁾ 14/15	Forecast ⁽³⁾ 15/16
(i) OPERATING BUDGET					
Income from continuing operations	90,992	88,420	87,466	90,452	93,921
Expenses from continuing operations	81,926	83,235	86,841	89,505	92,641
Operating Result from Continuing Operations	<u>9,066</u>	<u>5,185</u>	<u>625</u>	<u>947</u>	<u>1,280</u>
(ii) CAPITAL BUDGET					
New Capital Works ⁽²⁾	2,340	390	-	-	-
Replacement/Refurbishment of Existing Assets	10,242	17,056	12,816	11,021	11,119
Total Capital Budget	<u>12,582</u>	<u>17,446</u>	<u>12,816</u>	<u>11,021</u>	<u>11,119</u>
Funded by:					
- Loans	-	5,000	-	-	-
- Asset sales	-	-	-	-	-
- Reserves	9,378	8,811	9,370	8,079	8,036
- Grants/Contributions	1,794	2,007	1,315	747	819
- Recurrent revenue	1,410	1,628	2,131	2,195	2,264
- Other	-	-	-	-	-
	<u>12,582</u>	<u>17,446</u>	<u>12,816</u>	<u>11,021</u>	<u>11,119</u>

Notes:

(1) From 11/12 Income Statement.

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

(3) If Council has only adopted 3 years of projections then only show 3 years.

(4) Financial Projections should be in accordance with Council's Integrated Planning & Reporting framework.