

2012/13

CITY OF SYDNEY GENERAL PURPOSE FINANCIAL STATEMENTS



city of villages





General Purpose Financial Statements

for the financial year ended 30 June 2013

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Overview

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

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

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

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

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

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

(iv) These financial statements were authorised for issue by the Council on 21 October 2013. Council has the power to amend and reissue these financial statements.



General Purpose Financial Statements for the financial year ended 30 June 2013

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 and Community.

What you will find in the Statements

The Financial Statements set out the financial performance, financial position and cash flows of Council for the financial year ended 30 June 2013.

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

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

3. A Statement of Financial Position

A 30 June snapshot of Council's Financial Position including its Assets and 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 accountants (that generally specialize in Local Government).

In NSW, the Auditor provides 2 audit reports:

1. An opinion on whether the Financial Statements present fairly the Council's financial performance and financial 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 and must be presented at a Council meeting between 7 days and 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.

City of Sydney



General Purpose Financial Statements

for the financial year ended 30 June 2013

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 21 October 2013.

A large, stylized handwritten signature in black ink, reading 'Clover Moore'.

Clover Moore
LORD MAYOR

A handwritten signature in blue ink, reading 'Robyn Kemmis'.

Robyn Kemmis
COUNCILLOR

A handwritten signature in black ink, reading 'P. M. Barone'.

Monica Barone
CHIEF EXECUTIVE OFFICER

A handwritten signature in blue ink, reading 'Bill Carter'.

Bill Carter
CHIEF FINANCIAL OFFICER
RESPONSIBLE ACCOUNTING OFFICER



Income Statement

for the financial year ended 30 June 2013

Budget ⁽¹⁾			Actual	Actual
2013	\$ '000	Notes	2013	2012
	Income from Continuing Operations			
	Revenue:			
263,884	Rates & Annual Charges	3a	272,537	255,231
90,122	User Charges & Fees	3b	91,895	88,355
28,270	Interest & Investment Revenue	3c	25,998	32,182
99,894	Other Revenues	3d	94,620	89,518
14,363	Grants & Contributions provided for Operating Purposes	3e,f	13,141	16,476
20,110	Grants & Contributions provided for Capital Purposes	3e,f	96,233	42,176
	Other Income:			
-	Net gains from the disposal of assets	5	4,822	402
516,643	Total Income from Continuing Operations		599,246	524,340
	Expenses from Continuing Operations			
180,615	Employee Benefits & On-Costs	4a	180,253	177,819
88,695	Materials & Contracts	4c	105,542	86,634
76,307	Depreciation & Amortisation	4d	110,378	79,143
-	Impairment	4d	-	-
98,946	Other Expenses	4e	89,224	80,954
-	Interest & Investment Losses	3c	-	-
-	Net Losses from the Disposal of Assets	5	-	-
444,563	Total Expenses from Continuing Operations		485,398	424,550
72,080	Operating Result from Continuing Operations		113,848	99,790
	Discontinued Operations			
-	Net Profit/(Loss) from Discontinued Operations	24	-	-
72,080	Net Operating Result for the Year		113,848	99,790
51,970	Net Operating Result for the year before Grants and Contributions provided for Capital Purposes		17,615	57,615

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



Statement of Comprehensive Income

for the financial year ended 30 June 2013

\$ '000	Notes	Actual 2013	Actual 2012
Net Operating Result for the year (as per Income statement)		113,848	99,790
Other Comprehensive Income:			
<i>Amounts which will not be reclassified subsequently to the Operating Result</i>			
Gain (loss) on revaluation of I,P,P&E	20b (ii)	-	407,203
- Transfer from Retained Surplus to Trust Asset Revaluation Reserve		(46,593)	-
- Transfer of accumulated revaluation deficit from Asset Revaluation Reserve to Trust Asset Revaluation Reserve	20b (ii)	11,971	-
- Transfer to Trust Asset Revaluation Reserve of the net effect of the above	20b (ii)	34,622	-
Net total transfers		-	-
Total Items which will not be reclassified subsequently to the Operating Result		-	407,203
Total Other Comprehensive Income for the year		-	407,203
Total Comprehensive Income for the Year		113,848	506,993
Total Comprehensive Income attributable to Council		113,848	506,993



Statement of Financial Position

as at 30 June 2013

\$ '000	Notes	Actual 2013	Actual 2012
ASSETS			
Current Assets			
Cash & Cash Equivalents	6a	163,461	160,900
Investments	6b	139,371	105,556
Receivables	7	48,772	44,971
Inventories	8	1,360	1,353
Other	8	3,705	3,594
Total Current Assets		356,669	316,373
Non-Current Assets			
Investments	6b	210,929	258,747
Receivables	7	41,695	2,702
Infrastructure, Property, Plant & Equipment	9	6,624,483	6,532,376
Investment Property	14	194,005	211,350
Other	8	230	244
Total Non-Current Assets		7,071,342	7,005,419
TOTAL ASSETS		7,428,011	7,321,792
LIABILITIES			
Current Liabilities			
Payables	10	73,201	81,363
Provisions	10	50,110	46,737
Total Current Liabilities		123,312	128,100
Non-Current Liabilities			
Provisions	10	21,188	24,030
Total Non-Current Liabilities		21,188	24,030
TOTAL LIABILITIES		144,500	152,130
Net Assets		7,283,511	7,169,662
EQUITY			
Retained Earnings	20	2,843,322	2,776,066
Revaluation Reserves	20	4,440,189	4,393,596
Council Equity Interest		7,283,511	7,169,662
Total Equity		7,283,511	7,169,662



Statement of Changes in Equity

for the financial year ended 30 June 2013

\$ '000	Notes	Retained Earnings	Reserves (Refer 20b)	Council Interest	Non-controlling Interest	Total Equity
2013						
Opening Balance (as per Last Year's Audited Accounts)		2,776,066	4,393,596	7,169,662	-	7,169,662
a. Correction of Prior Period Errors	20 (c)	-	-	-	-	-
Revised Opening Balance (as at 1/7/12)		2,776,066	4,393,596	7,169,662	-	7,169,662
c. Net Operating Result for the Year		113,848		113,848	-	113,848
d. Other Comprehensive Income						
- Transfer of accumulated revaluation deficit from Asset Revaluation Reserve to Trust Asset Revaluation Reserve	20b (ii)		11,971	11,971		11,971
- Transfer from Retained Surplus to Trust Asset Revaluation Reserve	20b (ii)	(46,593)		(46,593)		(46,593)
- Transfer to Trust Asset Revaluation Reserve of the net effect of the above	20b (ii)		34,622	34,622		34,622
Other Comprehensive Income		(46,593)	46,593	-	-	-
Total Comprehensive Income (c&d)		67,255	46,593	113,848	-	113,848
Equity - Balance at end of the reporting period		2,843,322	4,440,189	7,283,511	-	7,283,511

\$ '000	Notes	Retained Earnings	Reserves (Refer 20b)	Council Interest	Non-controlling Interest	Total Equity
2012						
Opening Balance (as per Last Year's Audited Accounts)		2,676,276	3,986,393	6,662,669	-	6,662,669
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)		2,676,276	3,986,393	6,662,669	-	6,662,669
c. Net Operating Result for the Year		99,790	-	99,790	-	99,790
d. Other Comprehensive Income						
- Revaluations : IPP&E Asset Revaluation Rsve	20b (ii)	-	407,203	407,203	-	407,203
Other Comprehensive Income		-	407,203	407,203	-	407,203
Total Comprehensive Income (c&d)		99,790	407,203	506,993	-	506,993
Equity - Balance at end of the reporting period		2,776,066	4,393,596	7,169,662	-	7,169,662



Statement of Cash Flows

for the financial year ended 30 June 2013

Budget 2013	\$ '000	Notes	Actual 2013	Actual 2012
Cash Flows from Operating Activities				
Receipts:				
263,900	Rates & Annual Charges		261,512	255,238
90,100	User Charges & Fees		90,457	89,611
28,200	Investment & Interest Revenue Received		27,934	27,050
34,500	Grants & Contributions		80,471	49,448
	Bonds, Deposits & Retention amounts received		4,327	7,257
99,900	Other		83,479	109,792
Payments:				
(180,600)	Employee Benefits & On-Costs		(177,985)	(173,511)
(88,700)	Materials & Contracts		(118,070)	(83,817)
	Bonds, Deposits & Retention amounts refunded		(9,218)	(6,370)
(98,900)	Other		(105,189)	(107,524)
148,400	Net Cash provided (or used in) Operating Activities	11b	137,718	167,174
Cash Flows from Investing Activities				
Receipts:				
	Sale/Redemption of Investment Securities		313,075	362,084
	Investments reclassified as cash/cash equivalents		125,676	196,875
	Sale of Infrastructure, Property, Plant & Equipment		11,065	7,232
	Other Investing Activity Receipts			9,204
Payments:				
	Purchase of Investment Securities		(420,906)	(672,676)
	Additions to Investment Property		(4,387)	(1,479)
(168,400)	Purchase of Infrastructure, Property, Plant & Equipment		(159,680)	(105,517)
(168,400)	Net Cash provided (or used in) Investing Activities		(135,157)	(204,276)
Cash Flows from Financing Activities				
Receipts:				
	Nil			
Payments:				
	Nil			
-	Net Cash Flow provided (used in) Financing Activities		-	-
(20,000)	Net Increase/(Decrease) in Cash & Cash Equivalents		2,561	(37,102)
160,900	plus: Cash & Cash Equivalents - beginning of year	11a	160,900	198,002
140,900	Cash & Cash Equivalents - end of the year	11a	163,461	160,900
Additional Information:				
	plus: Investments on hand - end of year	6b	350,300	364,303
	Total Cash, Cash Equivalents & Investments		513,761	525,202
Please refer to Note 11 for information on the following:				
- Non Cash Financing & Investing Activities.				
- Financing Arrangements.				
- Net cash flow disclosures relating to any Discontinued Operations				



Notes to the Financial Statements

for the financial year ended 30 June 2013

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CITY OF SYDNEY NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

Note 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

1. Basis of preparation

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

These financial statements encompass all business and non-business operations which the City of Sydney controls and have been prepared on the accrual basis of accounting.

New and amended standards adopted by Council 1

None of the new standards and amendments to standards that are mandatory for the first time for the financial year beginning 1 July 2012 affected any of the amounts recognised in the current period or any prior period and are not likely to affect future periods.

Early adoption of standards

Council has not elected to apply any pronouncements before their operative date in the annual reporting period beginning 1 July 2012.

Historical cost convention

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and liabilities at fair value through profit or loss, employee leave entitlements shown at the present value of future cash flows, and certain classes of infrastructure, property, plant and equipment and investment property shown at fair value.

Critical accounting estimates and judgements

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Council's accounting policies. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

• *Critical accounting estimates and assumptions*

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

- (i) Estimated fair values of investment properties.
- (ii) Estimated fair values of infrastructure, property, plant and equipment.
- (iii) Estimated determination of infringement charges under the Parking Enforcement Agreement.
- (iv) Estimated employee benefits.



- *Critical judgements in applying the entity's accounting policies*

- (i) *Impairment of Receivables*

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

- (ii) *Projected Section 94 Commitments*

- Council has used significant judgement in determining future Section 94 income and expenditure in Note 17.

2. The Local Government Reporting Entity and Principles of consolidation

Council has its principal business office at Town Hall House, 456 Kent Street, Sydney, NSW 2000, Australia. Council is empowered by the New South Wales Local Government Act 1993 and its Charter is specified in Section 8 of the Act.

A description of the nature of Council's operations and its principal activities are provided in Note 2 of this report.

The General Purpose Financial Statements incorporate the assets and liabilities of the Council for the financial period ended on 30 June 2013. In the process of reporting on the local government as a single unit, all transactions and balance between activities (for example, loans and transfers) have been eliminated.

2.1 The Consolidated Fund

In accordance with the provisions of Section 409(1) of the Local Government Act 1993 (as amended), all money and property received by Council is held in Council's Consolidated Fund unless it is required to be held in Council's Trust Fund. The Consolidated Fund and any other entities through which Council controls resources to carry on its functions, including reserve trusts relating to Crown reserves, have been included in the financial statements forming part of this report.

2.2 The Trust Fund

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

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

2.3 Joint Venture

Council did not at any time for the years presented have an interest in any joint venture.

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

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

3.1 Rates

The rating period and reporting period for the Council coincide. Accordingly, all rates levied for the year are recognised as revenues. Uncollected rates are recognised as receivables after providing for amounts due from unknown owners, postponed rates and doubtful rates for properties on leased Crown Land in accordance with the requirements of the Local Government Act 1993. A provision for Doubtful Debts on all other rates has not been established, as unpaid rates represents a charge against the rateable property that will be recovered when the property is next sold.



3.2 Grants, Contributions and Donations

Grants, contributions and donations (in cash or in kind) are recognised as revenues when Council obtains control over the assets comprising the contributions. Control over granted assets is normally obtained upon their receipt. When notification has been received that a grant has been secured and Council acts in reliance of that notification, control is deemed at that time.

Yet to be received contributions over which Council has control are recognised as receivables.

Where grants, contributions and donations are recognised as revenues during the reporting period on the condition that they be expended in a particular manner or used over a particular period, and those conditions were undischarged as at the reporting date, the nature of and amounts pertaining to those undischarged conditions are disclosed in these notes.

The amount of grants and contributions recognised as revenues in a previous reporting period which were obtained in respect of Council's operations for the current reporting period are also disclosed.

3.3 Contributions under Section 94 of the Environmental Planning and Assessment (EPA) Act 1979

Council has obligations to provide facilities from contributions required from developers under the provisions of s.94 of the EPA Act 1979. These contributions may be expended only for the purposes for which the contributions were required, but Council may, within each area of benefit, apply contributions according to the priorities established in the relevant contributions plans and accompanying works schedules.

Contributions plans adopted by Council are available for public inspection free of cost.

3.4 User charges and fees

User charges and fees are recognised as revenue when the service has been provided, or the payment is received, whichever first occurs.

A provision for doubtful debt is recognised when collection in full is no longer probable.

3.5 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.

3.6 Interest and rents

Interest and 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.

3.7 Infringement charges and parking fees

Parking fees are recognised as revenue when the service has been provided or the payment is received, whichever first occurs. Infringement charges are recognised as revenue when the penalty has been applied to the extent of expected recovery determined in accordance with past experience.

3.8 Environmental Upgrade Agreement receipts

Payments received in respect of principal and interest repayments under agreements made in accordance with *Local Government Amendment (Environmental Upgrade Agreements) Act 2010* are not recognised as revenue.

4. 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 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, if any, are shown within borrowings in current liabilities on the balance sheet.



Short-term, highly liquid investments are valued at market value in accordance with the policy in Note 1(6). All revenue and changes in market values are recognised in the income statement.

5. Policy on internal and external restrictions on cash, cash equivalents and investments -

Cash, cash equivalents and investments are restricted for prudent financial management purposes as follows:

Employee Leave Entitlements - 10% of the employee leave entitlement provision is set aside to fund extraordinary movements of staff. Normal annual payments of leave entitlements are funded from operating income.

Public Liability Insurance - Cash has been restricted for 100% of the provision.

Workers Compensation Insurance - In accordance with actuarial advice, Council restricts funds for 100% of the provision, plus an additional "prudent margin".

Domestic Waste - Any cash surplus from operations is held as a restricted asset to fund future capital expenditure or process improvements to the Domestic Waste collection business.

Performance Bond Deposits - All security deposits are held as restricted funds.

Commercial Properties - Funds from the divestment of excess commercial properties are set aside to reinvest and continue the revenue stream from and maintain diversification of Council's large commercial and investment property portfolio.

Unexpended Grants - 100% of cash grants received not spent during the year are treated as restricted funds.

Developer Contributions - 100% of cash Developer Contributions levied under Section 94, Section 61, Bonus Floor Space scheme and Voluntary Planning Agreements (including the Developer Rights Scheme for Green Square Town Centre) received but not yet expended in accordance with the applicable deed or contributions plan.

Contributions - Capital Works - 100% of cash contributions provided to Council by third parties that are yet to be expended on the project/s for which they were provided.

Stormwater Management - Funds received through the stormwater levy are set aside for various structural and non-structural programs used to reduce urban stormwater pollution. Unspent funds are held as restricted assets.

City Centre Transformation - Monies set aside to meet future contributions to the State Government in respect of the future transformation of George Street into a shared pedestrian zone incorporating light rail.

Green Square Town Centre - Monies set aside in anticipation of Green Square infrastructure not funded by developer contributions or grant funding.

Green Infrastructure - Monies set aside for implementing green infrastructure projects including co/trigeneration plants, water recycling and evacuated waste systems to deliver enhanced environmental benefits to the organisation and community.

Renewable Energy - Monies set aside to develop renewable energy for the organisation that can be derived from wind, solar or geo-thermal sources. A further \$2M per annum will be set aside until 2014/15

Community Facilities - Cash proceeds from the divestment of properties that no longer fulfill community needs are set aside for the future acquisition or development of property to improved community spaces or replacement facilities that meet community needs at that time.

Operational Facilities - Cash proceeds from the divestment of surplus operational properties are set aside for the future acquisition or development of properties to supplement or replace buildings within the current operational building assets portfolio that provide infrastructure for the operation of Council's services.

Infrastructure Contingency - 100% of monies are set aside for the immediate funding of urgent and expensive rectification of historic buildings and ageing infrastructure (eg. stormwater).

Public Roads - In accordance with section 43 (4) of the Roads Act (NSW) 1993, proceeds from the sale of (former) public road are set aside for the acquisition of land for public roads, and/or carrying out works on public roads.



6. Investments and other financial assets

6.1 Classification

Council classifies its investments in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and, in the case of assets classified as held-to-maturity, re-evaluates this designation at each reporting date.

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

Financial assets at fair value through profit or loss are financial assets available for trading and include any assets that may be acquired principally for the purpose of selling in the short term. Derivatives are not acquired unless they are required as hedges. Assets in this category are classified under current assets as either cash equivalents where the maturity is 90 days or less from balance date, or as investments where the maturity dates are longer.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the balance sheet date which are classified as non-current assets. Loans and receivables are included in trade and other receivables in the statement of financial position.

(iii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that Council's management has the positive intention and ability to hold to maturity. If Council were to sell other than an insignificant amount of held-to-maturity financial assets, the whole category would be tainted and reclassified as available-for-sale. Held-to-maturity financial assets are included in non-current assets, except for those with maturities less than 12 months from the reporting date, 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. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date. Investments are designated as available-for-sale if they do not have fixed maturities and fixed or determinable payments and management intends to hold them for the medium to long term.

Council did not at any time for the years presented hold any available-for-sale financial assets.

6.2 Recognition and de-recognition

Regular purchases and sales of financial assets are recognised on trade-date - the date on which Council commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss.

Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the income statement. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and Council has transferred substantially all the risks and rewards of ownership.

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

6.3 Subsequent measurement

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

Available-for-sale financial assets and financial assets at fair value through profit and loss are subsequently carried at fair value. Gains or losses arising from changes in the fair value of the financial assets at fair value through profit or loss category are presented in the income statement within other income or other expenses in the period in which they arise.



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

6.4 *Fair value*

The fair value of financial instruments traded in active markets is based on quoted bid prices at the reporting date.

The fair value of financial instruments that are not traded in an active or orderly market is determined using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, reference to credible market information, discounted cash flow analysis, and option pricing models providing indicative prices making maximum use of market inputs and relying as little as possible on entity-specific inputs.

6.5 *Impairment*

Council assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator that the assets are impaired.

6.6 *Investment Policy*

Council has an approved investment policy complying with Section 625 of the Local Government Act and S212 of the Local Government (General) Regulations 2005. Investments are placed and managed in accordance with that policy and having particular regard to authorised investments prescribed under the Ministerial Local Government Investment Order. Council maintains an investment policy that complies with the Act and ensures that it or its representatives exercise care, diligence and skill that a prudent person would exercise in investing council funds.

Council amended its investment policy following revisions to the Investment Order arising from the Cole Inquiry recommendations. Certain investments Council holds are no longer prescribed, however they have been retained under grandfathering provisions of the Order. These will either be held to maturity or disposed of when most financially advantageous to Council.

7. **Receivables**

Receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for impairment. Receivables are due for settlement no more than 30 days from the date of recognition.

Collectability of receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off by reducing the carrying amount directly. An allowance for impairment of 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 receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the receivable is impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short term receivables are not discounted if the effect of discounting is immaterial.

The amount of the impairment loss is recognised in the income statement within other expenses. When a receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in the income statement.

Non-current receivables represent unconditional future entitlements to works in kind for which construction certificates have been issued and are only recognised once secured by bank guarantees, security deposits or other similar forms of security.



8. Inventories

Council holds inventories for consumption for the purpose of providing works and services. There is no objective of sale for such items. Council values these items at cost, assessed for loss of service potential, and where appropriate, writes the value down accordingly. Council does not hold any land inventories for re-sale.

9. Infrastructure, property, plant and equipment

9.1 Valuation of assets

Council's assets have been progressively revalued to fair value in accordance with a staged implementation advised by the Division of Local Government. Fair value estimations are determined in accordance with the policy stated in the *Fair Value* paragraph of the Note 1- Summary of Significant Accounting Policies.

At balance date the following classes of infrastructure, property, plant and equipment were stated at their fair value:

- Operational land (External Valuation).
- Buildings (including buildings subject to long-term leases) – Specialised/Non Specialised (External Valuation).
- Plant and equipment (Internal Valuation).
- Land under roads (Internal Valuation).
- Road assets – roads, bridges and footpaths (Internal Valuation).
- Drainage assets (Internal Valuation).
- Community land (Internal Valuation).
- Land improvements (Internal Valuation).
- Other structures - Trees (Internal Valuation).
- Other structures - Signs (Internal Valuation).
- Public Art (External Valuation).
- Heritage Collection (External Valuation).
- Other assets (Internal Valuation).

Council assesses at each reporting date whether there is any indication that the carrying value of an asset or asset class may differ materially from that which would be determined if the asset or asset class were revalued at the reporting date. If any such indication exists, Council determines the asset's or asset class' fair value and revalues the asset or asset class to that amount. Full revaluations are undertaken for all assets on a minimum 5 year cycle.

Operational land that is either subject to development as Community land or is zoned by Council as Open space is classified as Community land.

Increases in the carrying amounts arising on revaluation are credited to the asset revaluation reserve. To the extent that the increase reverses a decrease previously recognising profit or loss relating to that asset class, the increase is first recognised in profit or loss. Decreases that reverse previous increases of assets in the same class are first charged against revaluation reserves directly in equity to the extent of the remaining reserve attributable to the class; all other decreases are charged to the Income statement.

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



Council has elected not to recognise land under roads acquired before 1 July 2008 in accordance with AASB 1051. Council considered that comparability with State organisations and other major councils was of greater significance than recognising the notional completeness of the asset class. Since Council had not recognised any land under roads before 1 July 2008 there was no requirement to derecognise at 1 July 2008 such land against the opening balance of retained earnings. The value of land under roads not recognised is disclosed in Note 9(a).

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

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

When assets are acquired through contributions, they are valued at fair value at the time of acquisition.

9.2 Depreciation of assets

Land, Trees, Road signs and Heritage assets are not depreciated. Depreciation on other assets is calculated using the straight line method to allocate their cost over their estimated useful lives, as follows:

Bridges	100 years
Buildings – Exterior Fabric and components	15 - 200 years
Computer Equipment	4 years
Drainage	100 years
Footpaths	30 - 50 years
Furniture & Fittings	5 - 10 years
Kerbs & Gutters	50 - 150 years
Library Resources	3 - 10 years
Office Equipment	5 years
Other Structures	25 - 50 years
Parking Meters	7 years
Parks & Assets	25 - 50 years
Plant & Equipment	3 - 10 years
Public Art	100 years
Roads – Lower Strata	100 years
Roads – Upper Strata	20 - 50 years
Street Furniture	20 years
Swimming Pools	30 years
Vehicles & Road-making Equipment	7 years

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

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

9.3 Impairment of assets

Assets that have an indefinite useful life are not subject to depreciation and amortisation and are tested annually for 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 the Council such as roads, drains, public buildings, etc., value in use is represented by the deprival value of the asset approximated by its written down replacement cost.



9.4 Classification of property

Property assets are classified as follows:

- Operational – Property assets classified as operational are owner-occupied and owner-operated properties of Council utilised for conducting Council operations
- Community – Property assets classified as community are publicly accessible and are clearly identified as kept for use by the general public for community, cultural or recreational purposes.
- Investment – Property assets classified as investment are primarily held to earn rentals or for capital appreciation or both. Investment properties are disclosed as a separate category in the financial statements.

10. Investment properties

Investment property, principally comprising freehold office buildings, is held for long-term rental yields and is not occupied by Council. Investment property is carried at fair value, representing open-market value determined annually by a member of the Australian Property Institute.

Revaluations are undertaken every year. Changes in fair values are recorded in the income statement as part of other income.

Investment property includes properties that are under construction for future use as investment properties. These are carried at fair value unless the fair value cannot yet be reliably determined.

Where that is the case, the property will be accounted for at cost until either the fair value becomes reliably determinable or construction is complete.

11. Non-current assets held for sale or resale

Non-current assets are classified as held for sale and stated at the lower of their carrying amount and fair value less costs to sell if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. Plant and motor vehicles which are turned over on a regular basis, financial assets and investment properties are exempted from this classification and are retained within their original respective asset classifications.

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

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

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

12. Work In Progress

Work in progress is stated at the total costs expended on the capital works projects which are incomplete at balance date.

An impairment loss is recognised to the extent of any costs that may result in the estimated completion cost of any capital works project being in excess of its fair value at completion.

13. Payables

These amounts represent liabilities to external parties for goods and services received by Council prior to the end of the financial year which are unpaid. The amounts are unsecured and are normally paid 30 days after initial recognition. Interest is not payable on these amounts.

14. Borrowings

Borrowings, if any, are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the



redemption amount is recognised in the income statement over the period of the borrowings using the effective interest method.

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

Council did not at any time for the years presented have any borrowings.

15. Provisions

Provisions are recognised when:

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

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.

16. Employee Benefits

16.1 Salaries, Wages and Compensated Absences

Liabilities for wages and salaries and annual leave expected to be settled within 12 months of the reporting date are recognised, as appropriate, in employee related payables and annual leave provision, in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

Liabilities for leave, long service leave, preserved sick leave and gratuities are recognised in the provision for employee benefits and are measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds, with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

The obligations are presented as current liabilities in the balance sheet if the entity does not have an unconditional right to defer settlement for at least twelve months after the reporting date, regardless of when the actual settlement is expected to occur.

16.2 Superannuation

All employees of Council are entitled to benefits on retirement, disability or death. Council contributes to various defined benefit plans and defined contribution plans on behalf of its employees.

Defined benefit plans

A liability or asset in respect of defined benefit superannuation plans would ordinarily be recognised in the statement of financial position, and measured as the present value of the defined benefit obligation at the reporting date plus unrecognised actuarial gains (less unrecognised actuarial losses) less the fair value of the superannuation fund's assets at that date and any unrecognised past service cost. The present value of the defined benefit obligation is based on expected future payments 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 accounts for its obligations to defined benefit plans on the same basis as its obligations to defined contribution plans (see below).



The Local Government Superannuation Scheme has advised member councils that, as a result of the global financial crisis, it has a significant deficiency of assets over liabilities. As a result, they have asked for significant increases in contributions to recover that deficiency. Council's share of that deficiency cannot be accurately calculated as the Scheme is a mutual arrangement where assets and liabilities are pooled together for all member councils. For this reason, no liability for the deficiency has been recognised in Council's accounts. 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.

17. Leases

Council has leases in the following categories:

17.1 Leases in which Council is lessor

Leases of property where the Council has substantially transferred to the lessee all the risks and rewards of ownership are classified as finance leases. Finance lease receivables are raised at the inception of the leases in respect the present value of the aggregate of the minimum lease payments receivable under the leases and any guaranteed residual values. Each lease payment is allocated between the receivable and interest so as to achieve a constant rate on the receivable balance outstanding. The interest revenue is credited to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the receivable for each period.

In leases classified as finance leases where the terms and conditions relating to lease payments result in either the occurrence of payments or the quantum of the payments or both being determined based upon presently undeterminable future events and occurrences, finance lease receivables are only raised at the time when the lease payments are certain and determinable.

Leases of property where Council has substantially retained all the risks and rewards of ownership are classified as operating leases. Leased property assets are reflected on the statement of financial position as assets and lease income rentals are recognised as income on a straight-line basis over the terms of the leases.

17.2 Leases in which Council is lessee

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 terms of the leases.

18. Provisions for close down and restoration costs and for environmental clean-up costs

Close down and restoration costs include the dismantling and demolition of infrastructure and the removal of residual materials and remediation of disturbed areas. Estimated close down and restoration costs are provided for in the accounting period when the obligation arising from the related disturbance occurs, whether this occurs during the development or during the operation phase, based on the net present value of estimated future costs. Provisions for close down and restoration costs do not include any additional obligations which are expected to arise from future disturbance. The costs are estimated on the basis of a closure plan. The cost estimates are calculated annually during the life of the operation to reflect known developments, eg updated cost estimates and revisions to the estimated lives of operations, and are subject to formal review at regular intervals.

Close down and restoration costs are a normal consequence of any service operations, and the majority of close down and restoration expenditure is incurred at the end of the life of the operations. Although the ultimate cost to be incurred is uncertain, Council estimates the respective costs based on feasibility and engineering studies using current restoration standards and techniques.

The amortisation or 'unwinding' of the discount applied in establishing the net present value of provisions is charged to the income statement in each accounting period. The amortisation of the discount is shown as a borrowing cost.

Other movements in the provisions for close down and restoration costs, including those resulting from new disturbance, updated cost estimates, changes to the estimated lives of operations and revisions to discount rates



are capitalised within infrastructure, property, plant and equipment. These costs are then depreciated over the lives of the assets to which they relate.

Where rehabilitation is conducted systematically over the life of the operation, rather than at the time of closure, provision is made for the estimated outstanding continuous rehabilitation work at each balance sheet date and the cost is charged to the income statement.

Provision is made for the estimated present value of the costs of environmental clean-up obligations outstanding at the balance sheet date. These costs are charged to the income statement and are recognised at the time a Remediation Action Plan (RAP) is produced. Movements in the environmental clean-up provisions are presented as an operating cost, except for the un-wind of the discount which is shown as a borrowing cost. Remediation procedures generally commence soon after the time the damage, remediation process and estimated remediation costs become known, but may continue for many years depending on the nature of the disturbance and the remediation techniques.

As noted above, the ultimate cost of remediation is uncertain and cost estimates can vary in response to many factors including changes to the relevant legal requirements, the emergence of new restoration techniques or experience at other locations. The expected timing of expenditure can also change. As a result there could be significant adjustments to the provision for close down and restoration and clean-up, which would affect future financial results.

19. Budget information

The Income Statement provides budget information on major income and expenditure items. Details of material budget variations are detailed in Note 16. Note 2 also provides budget information of revenues and expenses of each of Council's major activities. Budget figures represented are those approved by Council at the beginning of the financial year and do not reflect Council approved variations throughout the year.

Budget information in the financial report is not subject to audit.

20. Goods and services Tax (GST)

In accordance with the provisions of A New Tax System (Goods and Services Tax) Act 1999 legislation, Council is required to account for GST under the "accruals" method, and submits monthly returns to the Australian Taxation Office.

Revenues, expenses and assets are recognised net of the amount of GST, except where:

1. The amount of GST incurred, as a purchaser, that is not recoverable from the Australian Taxation Office is recognised as part of the cost of acquisition of an asset or as part of an item of expense;
2. Receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the balance sheet.

Cash flows are presented on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the Australian Taxation Office is classified as operating cash flows.

21. Insurance

Pursuant to Section 382 of the Local Government Act NSW 1993, Council has primary and excess layer insurance cover against Public Liability and Professional Indemnity liability. Council carries a self-insured retention (deductible) on this policy and makes provision for its uninsured exposure in relation to claims outstanding.

The current Public Liability and Professional Indemnity Policy has been negotiated for a three year period with an annual reducing premium scale and an annual increasing deductible, over the period, reflecting a growing acceptance of risk by Council within reasonable commercial, financial and operational boundaries.

Council's other significant insurance cover is its Industrial Special Risks Insurance. This policy covers Council's owned diverse property portfolio and leased properties, where required, together with contents and equipment in



these properties. The deductible within this policy also reflects an acceptance of risk within reasonable commercial, financial and operational boundaries.

Council is a self-insurer, to a self-insured retention level, of its Workers' Compensation liability. To fulfil a condition of WorkCover's NSW Workers' Compensation Self-Insurance licence, Council has Excess Employers Indemnity Insurance cover, which is unlimited in excess of Council's self-insured retention. Council's liability for worker's compensation is assessed annually by an actuary. In determining this assessment, the actuary incorporates major assumptions relating to discount rates, average weekly earnings and claims experience based on market data and actual levels of experience.

In addition to the above insurance coverage, Council has other classes of insurance covering risks such as Councillors' and Officers' Liability, General Property, Contract Works, Fidelity Guarantee, Hirers' and Authorised Users Liability etc.

22. Treatment of Parking Enforcement Agreement with NSW Police

Council has an agreement with NSW Police for the provision of parking enforcement services within the CBD. Under this agreement Council has agreed to pay NSW Police 50% of the net profits generated from the provision of the service. This payment is recognised as an operating expense within the Income Statement. Revenues from the issuing of infringement notices are shown as gross amounts.

Council does not recognise a receivable for all infringement notices at the time each notice is issued. The lack of certainty of collection precludes this accounting treatment. Council has applied a policy of recognising as a receivable that portion of infringement notices that are likely to be collected based on past experience in the collection of such notices.

23. 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 non-current assets is determined as follows:

- Operational land and all Buildings is determined by professionally qualified valuers:
 - from market-based evidence by appraisal, or
 - where there is no market-based evidence because of the specialised nature of the land or building and it is rarely sold, an estimate using a depreciated replacement cost approach.
- Community land is valued on the deprival method using Valuer-General valuations of immediately adjacent properties
- Land under roads acquired after 1 July 2008 is valued as approximated by the average Valuer-General valuations of all land in the surrounding suburbs within the Local Government area.
- Public Art and the Heritage Collection is determined by professionally qualified valuers from market-based evidence by appraisal.
- Road assets, Drainage assets and Land improvements are determined by depreciated replacement cost based on existing asset replacement contracts.
- Other structures – Trees and Signs are determined by replacement cost based on existing asset replacement contracts.
- Plant and equipment and other assets are determined as approximated by depreciated historical cost.

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

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. Council uses a variety of methods and makes assumptions that are based on market conditions



existing at each balance date. Quoted market prices or dealer quotes for similar instruments are used for long-term debt instruments held. Other techniques, such as estimated discounted cash flows, are used to determine fair value via indicative values for the remaining financial instruments.

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Council for similar financial instruments.

24. Allocation between current and non-current assets and liabilities

In the determination of whether an asset or liability is 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. 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.

25. Comparative amounts

Comparative amounts included in the financial statements relate to the financial year ended 30 June 2012. These figures have been reclassified, where necessary, on a basis consistent with current disclosure for 2012-13.

26. Rounding of amounts

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

27. 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.

The financial statements are consolidated financial statements for Council and the entities through which the Crown Reserves are controlled. The parent entity has not been deemed a separate reporting identity in accordance with AASB 127 as no specific users of that information were identified.

28. New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2013 reporting periods. NSW Council's assessment of the impact of these new standards and interpretations is set out below.

- (i) *AASB 9 Financial Instruments, associated standards, AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 and AASB 2012-6 Amendments to Australian Accounting Standards – Mandatory Effective Date of AASB 9 and transitional disclosures (effective from 1 January 2015)*

AASB 9 Financial Instruments addresses the classification, measurement and derecognition of financial assets and financial liabilities. The standard is not applicable until 1 January 2015 but is available for early adoption. When adopted, the standard will affect in particular Council's accounting for its available-for-sale financial assets, since AASB 9 only permits the recognition of fair value gains and losses in other comprehensive income if they relate to equity investments that are not held for trading. Fair value gains and losses on available-for-sale debt investments, for example, will therefore have to be recognised directly in profit or loss although there is currently a proposal by the IASB to introduce a Fair value through Other Comprehensive income category for debt instruments.

There will be no impact on Council's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and Council does not have any such liabilities. The derecognition rules have been transferred from AASB 139 Financial Instruments: Recognition and Measurement and have not been changed.



- (ii) *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)*

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

AASB 10 replaces all of the guidance on control and consolidation in AASB 127 *Consolidated and Separate Financial Statements*, and *Interpretation 12 Consolidation – Special Purpose Entities*. The core principle that a consolidated entity presents a parent and its subsidiaries as if they are a single economic entity remains unchanged, as do the mechanics of consolidation. However, the standard introduces a single definition of control that applies to all entities. It focuses on the need to have both power and rights or exposure to variable returns. Power is the current ability to direct the activities that significantly influence returns. Returns must vary and can be positive, negative or both. Control exists when the investor can use its power to affect the amount of its returns. 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 re-measure its retained interest as part of ownership changes where a joint venture becomes an associate, and vice versa. The amendments also introduce a "partial disposal" concept. Council is still assessing the impact of these amendments.

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

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

AASB 13 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.

- (iv) *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)*

This revised standard on accounting for employee benefits requires the recognition of all re-measurements 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



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 (s)(iii) and so these changes will not have an impact on its reported results.

(v) *AASB 2012-2 Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities [AASB 132 & AASB 7] (effective 1 January 2013)*

This Standard amends the required disclosures in AASB 7 to include information that will enable users of an entity's financial statements to evaluate the effect or potential effect of netting arrangements, including rights of set-off associated with the entity's recognised financial assets and recognised financial liabilities, on the entity's financial position.

This Standard also amends AASB 132 to refer to the additional disclosures added to AASB 7 by this Standard.

The adoption of this standard will not change the reported financial position and performance of the entity, there are no impact on disclosures as there are no offsetting arrangements currently in place.

(vi) *AASB 2012-3 Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities [AASB 132] (effective 1 January 2014)*

This Standard adds application guidance to AASB 132 to address inconsistencies identified in applying some of the offsetting criteria of AASB 132, including clarifying the meaning of "currently has a legally enforceable right of set-off" and that some gross settlement systems may be considered equivalent to net settlement.

The adoption of this standard will not change the reported financial position and performance of the entity, there are no impact on disclosures as there are no offsetting arrangements currently in place.

(vii) *AASB 2012-5 Amendments to Australian Accounting Standards arising from Annual Improvements 2009–2011 Cycle (effective 1 January 2013)*

AASB 1 - this standard clarifies that an entity can apply AASB 1 more than once. An entity can elect to apply AASB 123 from the transition date or an earlier date.

AASB 101 - clarifies that a third statement of financial position is required when the opening statement of financial position is materially affected by any adjustments.

AASB 116 - clarifies the classification of servicing equipment.

AASB 132 and Interpretation 2 - clarifies that income tax relating to distributions to holders of an equity instrument and to transaction costs of an equity transaction shall be accounted for in accordance with AASB 112 Income Taxes

AASB 134- provides clarification about segment reporting.

The amendments arising from this standard are not expected to change the reported financial position or performance of the Council.

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.

29. Authorisation for issue

The financial statements were authorised for issue by the Council on 21 October 2013. Council has the power to amend and reissue the financial statements.

30. Changes in accounting policy

- (i) Council has at the commencement of the financial reporting period ending 30 June 2013 voluntarily changed its accounting policy in relation to setting materiality thresholds on capitalising assets with an economic life greater than one year.



Previously, Council's policy was to expense in the Income Statement any acquisitions of assets with values less than the materiality threshold of \$5,000. In accordance with the revised policy, Council now recognises all expenditure of a capital nature as part of the cost of the asset.

The revised policy provides reliable and more relevant information since it enables recognition as an asset of any expenditure on smaller assets that collectively comprise materially significant pools of assets. The revised policy ensures that the required accounting recognition and financial management and controls extended by management to capital assets are now consistently applied across all assets.

The amount of the adjustment is impracticable to determine and is not material.

31. Changes in classification of Building

- (ii) Council has for a number of years had operational control of Crown Reserves (owned by the Crown) and Customs House (owned by the Federal Government and leased on a 'peppercorn rental' to Council). The operational control of these assets is essentially based around maintaining and preserving these assets for the benefit and enjoyment of the community. Consequently, the assets are maintained and they are not 'consumed' in the traditional manner in the operational activities of Council.

At the time of implement IFRS, Council recognised that the deprival value of the controlled but not owned Trust Reserves was appropriately recognised on the Balance Sheet while the corresponding equity in relation to those assets was recorded in the controlled and owned Retained Surplus element of equity. To address this inconsistency, Council created a separate Trust Asset Reserve to record the element of equity that corresponded to controlled but not owned assets on the Balance Sheet.

In that time Customs House building has been treated as an asset held under a long-term lease that will ultimately be returned to the Federal Government. As a consequence, it was being depreciated over the life of the lease. As part of the deliberations of useful asset lives this year, it was acknowledged that Customs House was an iconic heritage building that is subject to 'preservation' maintenance and that it is effectively not being consumed by Council over the term of the lease since it is subject to being handed back at termination in a preserved condition. Consequently, it was appropriate to change the useful lives for depreciation purposes to reflect its minimal deterioration with age regardless of the term of the lease. At the same time, it has also been considered appropriate to recognise with effect from this year the equity in respect of this controlled but not owned asset on the same basis as the Crown Reserves as this is considered to be a more informative method of accounting.

Notes to the Financial Statements

for the financial year ended 30 June 2013

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 2013	Actual 2013	Actual 2012	Original Budget 2013	Actual 2013	Actual 2012	Original Budget 2013	Actual 2013	Actual 2012	Actual 2013	Actual 2012	Actual 2013	Actual 2012
Globally competitive and innovative city	40,360	36,704	37,748	51,265	46,884	46,709	(10,905)	(10,180)	(8,961)	-	2,035	774	1,837
Leading environmental performer	2,973	2,218	2,136	62,794	59,437	58,813	(59,821)	(57,219)	(56,677)	1,118	-	17,492	18,312
Integrated transport for a connected city	64,577	65,603	59,799	44,829	46,973	38,609	19,748	18,630	21,190	2,791	-	1,082,297	1,090,999
City for walking and cycling	-	-	-	-	-	1,229	-	-	(1,229)	-	-	-	-
Lively and engaging city centre	153	201	151	886	886	868	(733)	(685)	(717)	-	-	597	1,501
Vibrant local communities and economies	16,761	16,144	17,573	65,642	84,209	62,993	(48,881)	(68,065)	(45,420)	5,417	1,787	4,153,904	4,122,081
Cultural and creative city	2,128	2,097	2,016	4,845	4,753	4,950	(2,717)	(2,656)	(2,934)	-	-	51	712
Housing for a diverse population	-	-	-	-	-	-	-	-	-	-	-	-	-
Sustainable development renewal and design	29,036	101,496	55,714	32,336	28,127	25,604	(3,300)	73,369	30,110	110	-	-	65
Implementation through effective governance and partnership	96,772	102,247	93,972	181,964	214,129	184,775	(85,192)	(111,883)	(90,803)	501	6,022	2,172,897	2,086,285
Total Functions & Activities	252,760	326,710	269,109	444,561	485,399	424,550	(191,802)	(158,689)	(155,441)	9,937	9,844	7,428,012	7,321,792
General Purpose Income ¹	263,884	272,537	255,231	-	-	-	263,884	272,537	255,231	4,162	5,677	-	-
Operating Result from Continuing Operations	516,643	599,246	524,340	444,561	485,399	424,550	72,082	113,847	99,790	14,099	15,521	7,428,012	7,321,792



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



Notes to the Financial Statements for the financial year ended 30 June 2013

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:

GLOBALLY COMPETITIVE AND INNOVATIVE CITY

Activities include economic development, cultural events, tourism as well as other factors contributing to a global city that are not included under other activities, such as lifestyle, cultural diversity, adequate transport and affordable housing.

LEADING ENVIRONMENTAL PERFORMER

Activities comprise ecologically sustainable development including environmental projects and program development, cleansing and waste services, drainage and recycling.

INTEGRATED TRANSPORT FOR A CONNECTED CITY

Activities comprise advocacy for the State and Federal Governments to invest in a high quality world-class transport system that is well planned, efficient and integrated as an essential cornerstone of sustainable development. Additional services include planning and transport management, road and streetscape maintenance, inspection and parking.

CITY FOR WALKING AND CYCLING

Activities include providing alternative, active and sustainable means of transport to provide a bicycle-friendly environment and a pedestrian plan based on public space life studies. Activities are aimed at improving health and reducing greenhouse emissions and road congestion for the City.

LIVELY AND ENGAGING CITY CENTRE

Activities include the provision of more safe and attractive public spaces for people to enjoy themselves and to create more activities that enliven the streets, including the provision of a public square at Town Hall.

VIBRANT LOCAL COMMUNITIES AND ECONOMIES

Activities comprise planning activities, economic development, and the provision of parks and recreation areas for both local residents and daily visitors. Responsibilities include community development interaction, building strong and positive relationships and partnerships with community organisations and the provision of community facilities.

CULTURAL AND CREATIVE CITY

Activities comprise the provision of spaces for artists to work and show their wares, the use of public domain to make art more accessible to the public and the recognition and celebration of the traditional and living Aboriginal and Torres Strait Island culture.

HOUSING FOR A DIVERSE POPULATION

Activities include planning and facilitating partnerships and using planning controls to identify the character of the villages and provide guidance on what developments should look like. Planning controls are also used to guarantee a percentage of affordable housing units in large developments where relevant. Support is also given to State and Federal Government initiatives to expand affordable housing opportunities.

SUSTAINABLE DEVELOPMENT RENEWAL AND DESIGN

Activities comprise the use of planning and regulatory powers to set controls and targets for renewal and ensure that residential and commercial development is appropriate to its broader setting.

IMPLEMENTATION THROUGH EFFECTIVE GOVERNANCE AND PARTNERSHIPS

Activities comprise a commitment to work in partnership with government, business and community and to be open and accountable to the community that is served. The process includes aligning corporate planning and organisational structure through effective governance procedures in support of all activities.



Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 3. Income from Continuing Operations

	Actual 2013	Actual 2012
\$ '000		
(a) Rates & Annual Charges		
Ordinary Rates		
Residential	51,283	49,210
Business	188,835	175,208
Total Ordinary Rates	240,117	224,418
Special Rates		
Nil		
Annual Charges (pursuant to s.496, s.496A, s.496B, s.501 & s.611)		
Domestic Waste Management Services	30,590	29,012
Stormwater Management Services	1,829	1,801
Total Annual Charges	32,420	30,813
<u>TOTAL RATES & ANNUAL CHARGES</u>	<u>272,537</u>	<u>255,231</u>

Council has used 2009 year valuations provided by the NSW Valuer General in calculating its rates.



Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 3. Income from Continuing Operations (continued)

\$ '000	Actual 2013	Actual 2012
(b) User Charges & Fees		
Other User Charges & Fees		
(i) Fees & Charges - Statutory & Regulatory Functions (per s.608)		
Planning and Building Regulation	12,246	10,710
Private Works - Section 67	5,742	4,622
Health Inspections	1,016	1,054
Total Fees & Charges - Statutory/Regulatory	19,004	16,386
(ii) Fees & Charges - Other (incl. General User Charges (per s.608))		
Advertising Space Income	6,174	5,461
Child Care	1,962	1,897
Parking Meter Income	34,839	34,112
Parking Station Income	8,743	9,386
Recreation Facilities Hire	4,708	6,785
Venue Hire	3,859	3,609
Workzone and Filming Fees	6,896	6,138
Other	5,710	4,581
Total Fees & Charges - Other	72,891	71,969
TOTAL USER CHARGES & FEES	91,895	88,355



Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 3. Income from Continuing Operations (continued)

\$ '000	Notes	Actual 2013	Actual 2012
(c) Interest & Investment Revenue (incl. losses)			
Interest & Dividends			
- Interest on Overdue Rates and Annual Charges		548	293
- Interest earned on Investments (interest & coupon payment income)		23,420	28,606
Fair Value Adjustments			
- Fair Valuation movements in Investments (at FV or Held for Trading)		2,030	3,282
<u>TOTAL INTEREST & INVESTMENT REVENUE</u>		<u>25,998</u>	<u>32,182</u>
Interest Revenue is attributable to:			
Unrestricted Investments/Financial Assets:			
Overdue Rates and Annual Charges (General Fund)		548	293
General Council Cash and Investments		5,915	10,864
Restricted Investments/Funds - External:			
Developer Contributions			
- Section 94		3,064	3,306
- Planning Agreements		496	465
- Bonus Floor Space Contributions		179	519
Domestic Waste Management operations		524	588
Stormwater Management Service Charge		37	38
Specific Purpose Unexpended Grants		134	112
Restricted Investments/Funds - Internal:			
Internally Restricted Assets		15,101	15,996
<u>Total Interest & Investment Revenue Recognised</u>		<u>25,998</u>	<u>32,182</u>
(d) Other Revenues			
Fair Value Adjustments - Investment Properties	14	225	(1,417)
Rental Income - Investment Properties	14	12,283	16,987
Rental Income - Other Council Properties		42,586	36,157
Ex Gratia Rates		602	589
Fines - Enforcement of Regulations		36,719	35,798
Sponsorship and Donations		402	490
Other		1,803	914
<u>TOTAL OTHER REVENUE</u>		<u>94,620</u>	<u>89,518</u>



Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 3. Income from Continuing Operations (continued)

\$ '000	2013 Operating	2012 Operating	2013 Capital	2012 Capital
(e) Grants				
General Purpose (Untied)				
Financial Assistance - General Component	4,162	5,677	-	-
Financial Assistance - Local Roads Component	1,122	1,691	-	-
Pensioners' Rates Subsidies - General Component	383	345	-	-
Total General Purpose	5,667	7,713	-	-
Specific Purpose				
Child Care	716	583	-	-
Community and Recreation	2,100	2,170	-	337
Environmental Protection	1,118	1,184	2,326	1,122
Library	466	458	-	-
Transport (Roads to Recovery)	-	-	419	545
Transport (Other Roads & Bridges Funding)	1,287	1,410	-	-
Total Specific Purpose	5,687	5,804	2,745	2,004
Total Grants	11,354	13,517	2,745	2,004
Grant Revenue is attributable to:				
- Commonwealth Funding	6,688	8,014	2,594	1,782
- State Funding	4,667	5,503	151	222
	11,354	13,517	2,745	2,004



Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 3. Income from Continuing Operations (continued)

\$ '000		2013 Operating	2012 Operating	2013 Capital	2012 Capital
(f) Contributions					
Developer Contributions:					
(s93 & s94 - EP&A Act, s64 of the LGA):					
S 93F - Contributions using Planning Agreements		-	-	53,301	12,786
S 94 - Contributions towards amenities		-	-	30,592	20,434
S 61 - Contributions towards amenities		-	-	9,541	6,583
Total Developer Contributions	17	-	-	93,434	39,804
Other Contributions:					
External Contributions to Capital Projects		-	-	55	369
Other		1,787	2,959	-	-
Total Other Contributions		1,787	2,959	55	369
Total Contributions		1,787	2,959	93,488	40,172
TOTAL GRANTS & CONTRIBUTIONS		13,141	16,476	96,233	42,176



Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 3. Income from Continuing Operations (continued)

	Actual 2013	Actual 2012
\$ '000		
(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	97,351	64,386
add: Grants & contributions recognised in the current period but not yet spent:	91,624	38,727
less: Grants & contributions recognised in a previous reporting period now spent:	(55,839)	(5,762)
Net Increase (Decrease) in Restricted Assets during the Period	35,785	32,965
Unexpended and held as Restricted Assets	133,136	97,351
Comprising:		
- Specific Purpose Unexpended Grants	4,008	1,896
- Developer Contributions [#]	129,128	95,455
	133,136	97,351
[#] Developer Contributions consist of \$82.2M in cash and \$46.9M in receivables		



Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 4. Expenses from Continuing Operations

	Actual 2013	Actual 2012
\$ '000		
(a) Employee Benefits & On-Costs		
Salaries and Wages	148,055	138,463
Travelling	383	415
Employee Leave Entitlements (ELE)	15,433	18,820
Superannuation - Defined Contribution Plans	8,116	9,596
Superannuation - Defined Benefit Plans	7,093	7,169
Workers' Compensation Insurance	1,761	4,314
Fringe Benefit Tax (FBT)	362	489
Training Costs (other than Salaries & Wages)	2,005	1,505
Other	1,372	1,557
Total Employee Costs	184,580	182,328
less: Capitalised Costs	(4,327)	(4,509)
<u>TOTAL EMPLOYEE COSTS EXPENSED</u>	<u>180,253</u>	<u>177,819</u>
Number of "Equivalent Full Time" Employees at year end	1,741	1,704

(b) Borrowing Costs

(i) Interest Bearing Liability Costs

Nil

(ii) Other Borrowing Costs

Nil



Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 4. Expenses from Continuing Operations (continued)

\$ '000	Actual 2013	Actual 2012
(c) Materials & Contracts		
Raw Materials & Consumables	5,317	4,999
Contractor & Consultancy Costs	-	-
- Building and Facilities Management	18,801	20,919
- City Infrastructure Management	6,625	6,460
- Parks Management	12,127	11,137
- Waste Disposal, Recycling and Graffiti Removal	10,125	9,697
- Project Costs and Minor Contracts	32,029	11,398
- Consultancies	3,943	4,386
Auditors Remuneration ⁽¹⁾	117	117
Legal Expenses:		
- Legal Expenses: Planning & Development	1,071	1,567
- Legal Expenses: Other	2,070	3,048
Operating Leases:		
- Operating Lease Rentals: Minimum Lease Payments ⁽²⁾	1,341	1,229
Asset Maintenance and Minor Purchases	9,643	9,769
Other	2,728	2,388
Total Materials & Contracts	105,938	87,114
less: Capitalised Costs	(395)	(480)
TOTAL MATERIALS & CONTRACTS	105,542	86,634
1. Auditor Remuneration		
During the year, the following fees were incurred for services provided by Council's Auditor:		
(i) Audit and Other Assurance Services		
- Audit & review of financial statements: Council's Auditor	115	117
- Audit of regulatory returns	-	-
Remuneration for audit and other assurance services	115	117
(ii) Taxation Services - Nil		
(iii) Other Services		
Total Auditor Remuneration	117	117
2. Operating Lease Payments are attributable to:		
Buildings	1,283	1,207
Motor Vehicles	57	22
	1,341	1,229



Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 4. Expenses from Continuing Operations (continued)

\$ '000	Notes	Impairment Costs		Depreciation/Amortisation	
		Actual 2013	Actual 2012	Actual 2013	Actual 2012
(d) Depreciation, Amortisation & Impairment					
Plant and Equipment		-	-	8,340	10,377
Office Equipment		-	-	5,339	3,170
Furniture & Fittings		-	-	6,448	4,400
Land Improvements (depreciable)		-	-	17,234	14,231
Buildings - Non Specialised		-	-	36,194	23,591
Buildings - Specialised		-	-	1,028	479
Infrastructure:					
- Roads, Bridges & Footpaths		-	-	31,756	20,759
- Stormwater Drainage		-	-	2,470	846
Other Assets					
- Library Resources		-	-	1,252	1,040
- Poles & Lighting		-	-	17	-
- Public Art / Open Museum		-	-	301	250
TOTAL DEPRECIATION & IMPAIRMENT COSTS EXPENSED		-	-	110,378	79,143



Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 4. Expenses from Continuing Operations (continued)

	Actual 2013	Actual 2012
\$ '000		
(e) Other Expenses		
Other Expenses for the year include the following:		
Advertising	3,120	2,930
Bad & Doubtful Debts	423	(413)
Bank Charges	1,273	1,466
Books and Periodicals	227	175
Computer Costs	1,348	1,148
Contributions/Levies to Other Levels of Government	24,921	24,581
Councillor Expenses - Mayoral Fee	187	181
Councillor Expenses - Councillors' Fees	330	325
Councillors' Expenses (incl. Mayor) - Other (excluding fees above)	601	758
Donations, Contributions & Assistance to other organisations (Section 356)	7,954	6,535
Election Expenses	1,058	-
Event and Project Costs	14,551	13,586
Insurance	3,253	2,613
Land Tax and Water rates	1,865	1,680
Management Fees	24	23
Other Property Related Expenditure	312	346
Parking Enforcement Profit Share	6,049	5,688
Postage and Couriers	955	974
Printing and Stationery	1,974	2,003
Public Domain Enhancement Contributions	318	193
Research and Development	468	336
Security	1,118	1,059
Storage	579	608
Street Lighting	5,382	4,767
Telephone & Communications	2,424	2,378
Utilities	5,359	4,496
Other	3,151	2,518
<u>TOTAL OTHER EXPENSES</u>	<u>89,224</u>	<u>80,954</u>

Notes to the Financial Statements

for the financial year ended 30 June 2013



Note 5. Gains or Losses from the Disposal of Assets

\$ '000	Actual 2013	Actual 2012
Property (excl. Investment Property)		
Proceeds from Disposal - Property	5,975	-
less: Carrying Amount of Property Assets Sold / Written Off	(5,505)	-
Net Gain/(Loss) on Disposal	470	-
Infrastructure, Plant and Equipment and Other Assets		
Proceeds from Disposal - Infrastructure	5,090	7,232
less: Carrying Amount of Infrastructure Assets Sold / Written Off	(2,550)	(6,916)
Net Gain/(Loss) on Disposal	2,540	317
Financial Assets*		
Proceeds from Disposal / Redemptions / Maturities - Financial Assets	313,075	362,084
less: Carrying Amount of Financial Assets Sold / Redeemed / Matured	(311,263)	(362,000)
Net Gain/(Loss) on Disposal	1,812	84
NET GAIN/(LOSS) ON DISPOSAL OF ASSETS	4,822	402
* Financial Assets disposals / redemptions include:		
- Net Gain/(Loss) from Financial Instruments "At Fair Value through profit & loss"	1,812	84
Net Gain/(Loss) on Disposal of Financial Instruments	1,812	84



Notes to the Financial Statements

for the financial year ended 30 June 2013

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

\$ '000	Notes	2013 Actual Current	2013 Actual Non Current	2012 Actual Current	2012 Actual Non Current
Cash & Cash Equivalents (Note 6a)					
Cash on Hand and at Bank		5,838	-	2,899	-
Cash-Equivalent Assets ¹					
- Deposits at Call*		21,609	-	30,000	-
- Short Term Deposits*		125,000	-	106,000	-
- NCD's, FRN's		11,014	-	22,001	-
Total Cash & Cash Equivalents		163,461	-	160,900	-
Investments (Note 6b)					
- Long Term Deposits		110,000	83,000	68,000	48,000
- NCD's, FRN's (with Maturities > 3 months)		25,490	127,929	33,617	206,907
- CDO's		-	-	-	-
- Capital Protected Notes (Equity and Asset Linked)		3,881	-	3,939	3,840
Total Investments		139,371	210,929	105,556	258,747
TOTAL CASH ASSETS, CASH EQUIVALENTS & INVESTMENTS		302,832	210,929	266,456	258,747

¹ Those Investments where time to maturity is < 3 mths.

* Those Term Deposits classified as cash equivalents under AASB 139 where time to maturity (from date of purchase) is < 3 mths.

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

Cash & Cash Equivalents

a. Cash		5,838	-	2,899	-
b. "At Fair Value through the Profit & Loss"		11,014	-	22,001	-
c. "Held to Maturity"		146,609	-	136,000	-
		163,461	-	160,900	-

Investments

a. "At Fair Value through the Profit & Loss"					
- "Designated at Fair Value on Initial Recognition"	6(b-i)	29,371	127,929	37,556	210,747
b. "Held to Maturity"	6(b-ii)	110,000	83,000	68,000	48,000
Investments		139,371	210,929	105,556	258,747



Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 6b. Investments (continued)

	2013 Actual Current	2013 Actual Non Current	2012 Actual Current	2012 Actual Non Current
\$ '000				
Note 6(b-i)				
Reconciliation of Investments classified as "At Fair Value through the Profit & Loss"				
Balance at the Beginning of the Year	37,556	210,747	43,851	141,369
Revaluations (through the Income Statement)	149	1,881	248	3,034
Additions	92	28,814	3,487	125,188
Disposals (sales & redemptions)	(3,931)	(73,332)	-	(3,000)
Transfers between Current/Non Current	40,181	(40,181)	55,844	(55,844)
Transfers to cash and cash equivalents	(44,676)	-	(65,875)	-
Balance at End of Year	29,371	127,929	37,556	210,747

Comprising:

- NCD's, FRN's (with Maturities > 3 months)	25,490	127,929	33,617	206,907
- CDO's	-	-	-	-
- Capital Protected Notes (Equity and Asset Linked)	3,881	-	3,939	3,840
Total	29,371	127,929	37,556	210,747

Note 6(b-ii)

Reconciliation of Investments classified as "Held to Maturity"

Balance at the Beginning of the Year	68,000	48,000	36,000	26,000
Additions	324,000	68,000	501,000	43,000
Disposals (sales & redemptions)	(234,000)	-	(359,000)	-
Transfers between Current/Non Current	33,000	(33,000)	21,000	(21,000)
Transfers to cash and cash equivalents	(81,000)	-	(131,000)	-
Balance at End of Year	110,000	83,000	68,000	48,000

Comprising:

- Long Term Deposits	110,000	83,000	68,000	48,000
Total	110,000	83,000	68,000	48,000

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



Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 6b. Investments (continued)

Note 6(b-v)

Investment Returns

Deposits are held with banks and earn various rates of interest between 3.00% and 6.05% (2012: 3.50% and 6.23%). FRNs, CDOs, Capital Protected Notes and Managed Funds are all invested with organisations that comply with the Minister's Order, including the grandfathering provisions, and earn various rates of return between 0.00% and 7.25% (2012: 0.00% and 7.25%). (The 0% earning rate is due to a small number of capital protected investments that have reverted to zero-based coupon bank secured notes during the Global Financial Crisis (GFC) as part of their capital protection mechanism).

Note 6(b-vi)

Valuation of Collateralised Debt Obligation (CDO)

The valuation of the CDO has been made on the basis that there is not considered to be an orderly market for the CDO. Offers are considered to be reflective of distressed sales as purchasers seek profit opportunities rather than investment acquisition in respect of a financial instrument that is under stress. Council's view is that any future cash flows arising out of the investment are likely to be coupon interest payments with practically little chance of principal repayment under prevailing global economic conditions. Council has not included any value for these future cash flows on the basis that they constitute raising future income prior to receipt.



Notes to the Financial Statements

for the financial year ended 30 June 2013

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

	2013 Actual Current	2013 Actual Non Current	2012 Actual Current	2012 Actual Non Current
\$ '000				
Total Cash, Cash Equivalents and Investments	302,832	210,929	266,456	258,747
attributable to:				
External Restrictions (refer below)	11,925	87,207	4,288	95,725
Internal Restrictions (refer below)	219,632	123,722	158,877	163,023
Unrestricted	71,274	-	103,291	-
	302,832	210,929	266,456	258,747

2013 \$ '000	Opening Balance	Transfers to Restrictions	Transfers from Restrictions	Closing Balance
-----------------	--------------------	------------------------------	--------------------------------	--------------------

Details of Restrictions

External Restrictions - Included in Liabilities

Nil

External Restrictions - Other

Developer Contributions - General (D)	86,308	55,439	(59,523)	82,224
Specific Purpose Unexpended Grants (F)	1,896	3,991	(1,880)	4,007
Domestic Waste Management (G)	10,942	30,220	(29,029)	12,133
Stormwater Management (G)	866	1,862	(1,960)	768
External Restrictions - Other	100,012	91,512	(92,392)	99,132
Total External Restrictions	100,012	91,512	(92,392)	99,132



Notes to the Financial Statements

for the financial year ended 30 June 2013

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

2013 \$ '000	Opening Balance	Transfers to Restrictions	Transfers from Restrictions	Closing Balance
Internal Restrictions				
Employee Leave Entitlement	5,256	2,064	(1,837)	5,483
Performance Cash Bonds and Retentions	16,053	7,128	(12,018)	11,163
Public Liability Insurance	400	-	-	400
Provision - Workers Compensation	17,857	-	(2,240)	15,617
City Centre Transformation Reserve*	140,000	40,000	-	180,000
Public Road Reserve	-	4,000	-	4,000
Community Reserve	10,000	2,456	-	12,456
Green Infrastructure	65,000	-	(11,072)	53,928
Green Square Reserve	40,000	-	-	40,000
Renewable Energy Reserve	7,333	2,000	(1,236)	8,097
Infrastructure Contingency	20,000	-	(7,790)	12,210
Total Internal Restrictions	321,899	57,648	(36,193)	343,354
TOTAL RESTRICTIONS	421,911	149,160	(128,585)	442,486

Council's policies relating to both internal and external restrictions of cash and investments are detailed in note 1-5

* Council has entered into a Memorandum of Understanding with Transport NSW for the future transformation of George Street. Council's monetary contribution will be a maximum of \$220 million.



Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 7. Receivables

\$ '000	2013		2012	
	Current	Non Current	Current	Non Current
Purpose				
Rates & Annual Charges*	15,261	-	4,270	-
Interest & Extra Charges	755	-	323	-
User Charges & Fees	4,050	-	2,368	-
Accrued Revenues				
- Interest on Investments	3,288	-	7,686	-
- Other Income Accruals	13,635	-	13,535	-
Net GST Receivable	2,137	-	1,885	-
Rental Debtors	5,338	-	5,067	-
Outstanding Works in Kind Contributions	5,208	41,695	10,733	2,702
Other Debtors	-	-	-	-
Total	49,672	41,695	45,867	2,702
less: Provision for Impairment				
Rates & Annual Charges	(68)	-	(102)	-
Interest & Extra Charges	-	-	-	-
User Charges & Fees	(832)	-	(794)	-
Total Provision for Impairment - Receivables	(900)	-	(896)	-
TOTAL NET RECEIVABLES	48,772	41,695	44,971	2,702
Externally Restricted Receivables				
Domestic Waste Management	488	-	487	-
Domestic Waste Extra Charges	27	-	26	-
Outstanding Works in Kind Contributions	5,208	41,695	10,733	2,702
Total External Restrictions	5,723	41,695	11,246	2,702
Unrestricted Receivables	43,049	-	33,725	-
TOTAL NET RECEIVABLES	48,772	41,695	44,971	2,702

* Note that the significant increase in Rates & Annual Charges reflects the levy of the Barangaroo development site for the 2012/13 and prior years, which is expected to be received within the 12 months

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 10.00% (2012 11.00%).
Generally all other receivables are non interest bearing.
- (iv) Please refer to Note 15 for issues concerning Credit Risk and Fair Value disclosures.

Notes to the Financial Statements

for the financial year ended 30 June 2013



Note 8. Inventories & Other Assets

\$ '000	2013		2012	
	Current	Non Current	Current	Non Current
Inventories				
Stores & Materials	1,360	-	1,353	-
Total Inventories	1,360	-	1,353	-
Other Assets				
Prepayments	3,691	-	3,580	-
Future Benefits - Shared Services relating to Sutherland Animal Shelter	14	230	14	244
Total Other Assets	3,705	230	3,594	244
<u>TOTAL INVENTORIES / OTHER ASSETS</u>	<u>5,065</u>	<u>230</u>	<u>4,947</u>	<u>244</u>

Externally Restricted Assets

There are no restrictions applicable to the above assets.

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 9a. Infrastructure, Property, Plant & Equipment

	as at 30/6/2012				Asset Movements during the Reporting Period				as at 30/6/2013				
	At Cost	At Fair Value	Accumulated Dep'n	Carrying Value	Asset Additions(2)	WDV of Asset Disposals	Depreciation Expense	Adjustments & Transfers(1)	At Cost	At Fair Value	Accumulated Dep'n	Impairment	Carrying Value
Capital Work in Progress(3) Plant & Equipment Office Equipment Furniture & Fittings Land: - Operational Land - Community Land(4) - Land under Roads (post 30/6/08)(5) Land Improvements - depreciable Buildings - Non Specialised Buildings - Specialised Other Structures - Trees Other Structures - Signs Other Structures - Poles & Lights Infrastructure: - Roads, Bridges, Footpaths - Stormwater Drainage Other Assets: - Heritage Collections - Library Resources - City Art	131,491	-	-	131,491	(34,632)	-	(8,340)	-	96,859	-	-	-	96,859
	-	82,561	51,899	30,662	11,323	(1,658)	(8,340)	-	-	60,825	28,837	-	31,987
	-	23,396	16,697	6,699	12,719	(1)	(5,339)	-	-	26,229	12,150	-	14,079
	-	57,285	40,055	17,230	1,067	(25)	(6,448)	-	-	50,126	38,303	-	11,824
	-	444,000	-	444,000	64,573	(1,865)	-	14,400	-	521,108	-	-	521,108
	-	3,781,921	-	3,781,921	2,200	-	-	-	-	3,784,121	-	-	3,784,121
	-	41,433	-	41,433	92	-	-	-	-	41,525	-	-	41,525
	-	361,210	148,448	212,762	26,894	(51)	(17,234)	-	-	387,964	165,593	-	222,371
	-	1,507,679	823,568	684,111	65,511	(3,424)	(36,194)	7,557	-	1,565,119	847,558	-	717,561
	-	41,634	23,701	17,933	2,786	(216)	(1,028)	-	-	42,810	23,335	-	19,475
	-	85,516	-	85,516	749	-	-	-	-	86,265	-	-	86,265
	-	7,443	-	7,443	1,199	-	-	-	-	8,642	-	-	8,642
	-	-	-	-	-	345	-	(17)	-	-	345	17	-
-	1,663,593	772,219	891,374	22,819	(815)	(31,756)	-	-	-	1,684,150	802,528	-	881,622
-	241,384	92,041	149,343	3,371	-	(2,470)	-	-	-	244,756	94,513	-	150,243
-	6,259	-	6,259	137	-	-	-	-	-	6,396	-	-	6,396
-	8,868	4,734	4,134	970	-	(1,252)	-	-	-	9,104	5,252	-	3,852
-	25,429	5,364	20,065	6,461	-	(301)	-	-	-	31,890	5,665	-	26,226
TOTAL INFRASTRUCTURE, PROPERTY, PLANT & EQUIP.	131,491	8,379,611	1,978,726	6,532,376	188,584	(8,055)	(110,378)	21,957	96,859	8,551,375	2,023,751	-	6,624,483



Notes to the Financial Statements

for the financial year ended 30 June 2013



Note 9a. Infrastructure, Property, Plant & Equipment Continued

The following information relates to the adjoining table of asset movements during the financial year:

- (1) Refer to Note 20 for details relating to Prior Period Error and Voluntary Changes in Accounting Policy.
- (2) Additions to Buildings and Infrastructure includes Asset Renewals (\$47.069M). Renewals are defined as replacements of existing assets to equivalent capacity of a new asset.
- (3) The Capital Work in Progress "Additions" figure represents additions (reductions) to Work in Progress for the year, net of any completed works transferred to the Fixed Asset Register. Transfers to the Fixed Asset Register (when work is completed) are shown in the additions column of the respective asset classes.
- (4) The Community Land Class includes a number of Trust and Crown Reserve assets valued at \$2,347m. Ownership of these assets remains with the Commonwealth Government or Crown while Council continues to retain both operational control of the assets and responsibility for the maintenance of improvements thereon in accordance with the specified purposes for which the Crown Reserves were created. Council includes the Trust and Crown Reserve assets on the Statement of Financial Position as well as the cost of Council funded related improvements on the basis of its financial rights and responsibilities in controlling and maintaining the assets and the fact that revocation of such control by the State Government is regarded as extremely unlikely given the history of Crown Reserves. Commonwealth Government owned assets are subject to return at the end of long-term lease periods.

Reserve Trusts were created for administrative purposes under section 92 of the Crown Lands Act, 1989 ("the Act") for a large proportion of these Crown Reserves. Prior to the enactment of the Act, Council was Reserve Trustee of these assets and upon enactment, section 5A of the Schedule 8 (Savings, transitional and other provisions) of the Act has appointed Council Reserve Trust Manager of the related Reserve Trusts created under section 92.

- (5) Refer to Note 1.9.1 - Council has elected to bring to account only land under roads acquired post 1 July 2008. The fair value of Land Under Roads acquired before 1 July 2008 is \$11,808m (2012:\$11,808m).

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

\$ '000 Class of Asset	Actual 2013				Actual 2012			
	At Cost	At Fair Value	A/Dep & Impairm't	Carrying Value	At Cost	At Fair Value	A/Dep & Impairm't	Carrying Value
Domestic Waste Management								
Plant & Equipment		4,084	1,846	2,238	-	4,049	1,640	2,409
Land								
- Operational Land'		6,910		6,910	-	6,910	-	6,910
Buildings		6,332	4,783	1,549	-	6,312	4,616	1,696
Total DWM	-	17,326	6,629	10,697	-	17,270	6,255	11,015
TOTAL RESTRICTED I,PP&E	-	17,326	6,629	10,697	-	17,270	6,255	11,015

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.

Notes to the Financial Statements

for the financial year ended 30 June 2013



Note 10a. Payables, Borrowings & Provisions

\$ '000	Notes	2013		2012	
		Current	Non Current	Current	Non Current
Payables					
Goods & Services		48,270	-	48,232	-
Payments Received In Advance		6,508	-	6,301	-
Accrued Expenses:					
- Interest on Bonds & Deposits		5	-	662	-
Performance Cash Bonds, Deposits & Retentions		11,162	-	16,053	-
Employee Related Payables		5,972	-	5,450	-
Works Received in Advance		991	-	4,405	-
Other		295	-	260	-
Total Payables		73,201	-	81,363	-
Borrowings					
Nil					
Provisions					
Employee Benefits;					
Annual Leave		11,443	-	10,518	-
Sick Leave		4,167	5,768	3,475	6,468
Long Service Leave		30,340	2,401	28,822	2,536
Gratuities		413	303	215	532
Sub Total - Aggregate Employee Benefits		46,362	8,471	43,030	9,536
Self Insurance - Workers Compensation		2,151	8,467	2,206	10,244
Public Liability Insurance		150	250	150	250
Public Holidays		239	-	288	-
Asset Remediation/Restoration (Future Works)	26	-	4,000	-	4,000
Other		1,208	-	1,063	-
Total Provisions		50,110	21,188	46,737	24,030
Total Payables, Borrowings & Provisions		123,312	21,188	128,100	24,030

(i) Liabilities relating to Restricted Assets

	2013		2012	
	Current	Non Current	Current	Non Current
Externally Restricted Assets				
Domestic Waste Management	419	-	627	-
Works Received in Advance	991	-	4,405	-
Liabilities relating to externally restricted assets	1,410	-	5,032	-

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



Notes to the Financial Statements

for the financial year ended 30 June 2013

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

\$ '000	Actual 2013	Actual 2012
(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	34,851	28,822
Performance Cash Bonds, Deposits & Retentions	3,716	6,005
	38,567	34,827

Note 10b. Description of and movements in Provisions

Class of Provision	2012	2013				
	Opening Balance as at 1/7/12	Additional Provisions	Decrease due to Payments	Remeasurement effects due to Discounting	Unused amounts reversed	Closing Balance as at 30/6/13
Annual Leave	10,518	10,590	(9,665)	-	-	11,443
Sick Leave	9,943	652	(661)	-	-	9,934
Long Service Leave	31,358	4,636	(3,253)	-	-	32,741
Gratuities	747	(31)	-	-	-	716
Other Leave	-	-	-	-	-	-
Workers Compensation	12,450	1,761	(3,593)	-	-	10,618
Public Liability Insurance	400	-	-	-	-	400
Public Holidays	288	(49)	-	-	-	239
Asset Remediation	4,000	-	-	-	-	4,000
Other	1,063	145	-	-	-	1,208
TOTAL	70,767	17,703	(17,172)	-	-	71,299

Notes to the Financial Statements

for the financial year ended 30 June 2013



Note 10c. Defined Benefit Superannuation Disclosure

\$ '000	2013	2012
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Defined benefit plans

Council participates in an employer sponsored Defined Benefit Superannuation Scheme, and makes contributions as determined by the Superannuation Scheme's Trustees. The Scheme is deemed to be a "multi employer fund" for purposes of AASB 119. As the assets of the Scheme are pooled together for all employers, sufficient information under AASB 119 is not available to account for the Scheme as a defined benefit fund.

Member Councils bear responsibility of ensuring there are sufficient funds available to pay out the required benefits as they fall due. The Scheme was reviewed by Mr Martin Stevenson BSc, FIA, FIAA for the period ended 30 June 2009 and the position is annually monitored. The Actuary has estimated that a deficit still currently exists and as a result, Councils are required to contribute additional contributions to assist in extinguishing this deficit. Council's employer contribution to the Scheme for the year ended 30 June 2013 was \$4.3M, of which \$2.1M comprised additional contributions to extinguish the deficit.

Council has not recorded any net liability from its Defined Benefit Scheme obligations in accordance with AASB 119 and 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. The Local Government Superannuation Scheme has estimated Council's share of the net deficit as follows:

	Actual \$M	Actual \$M
Estimated amount attributed to council	9.9	15.1

In addition, Council is the sponsor of a defined benefit superannuation fund referred to as the State Authorities Non-Contributory Superannuation Scheme (SANCS) and the State Superannuation Scheme (SSS).

All the Schemes are closed to new members.

In respect of the defined benefit superannuation fund referred to as the State Authorities Non-Contributory Superannuation Scheme (SANCS) and the State Superannuation Scheme (SSS), the position is as follows:

	Actual \$M	Actual \$M
Present value of defined benefit obligations	2,041	2,085
Fair value of plan assets	(792)	(625)
Net liability	<u>1,249</u>	<u>1,460</u>

The liability has been recognised in the financial statements. Council continues to make contributions to the Funds and monitors the net position



Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 11. Statement of Cash Flows - Additional Information

\$ '000	Notes	Actual 2013	Actual 2012
(a) Reconciliation of Cash Assets			
Total Cash & Cash Equivalent Assets	6a	163,461	160,900
Less Bank Overdraft	10	-	-
BALANCE as per the STATEMENT of CASH FLOWS		163,461	160,900
(b) Reconciliation of Net Operating Result to Cash provided from Operating Activities			
Net Operating Result from Income Statement		113,848	99,790
Adjust for non cash items:			
Depreciation & Amortisation		110,378	79,143
Net Losses/(Gains) on Disposal of Assets		(4,822)	(401)
Non Cash Capital Grants and Contributions		(28,903)	(9,204)
Losses/(Gains) recognised on Fair Value Re-measurements through the Income Statement:			
- Investments classified as "At Fair Value" or "Held for Trading"		(2,030)	(3,282)
- Investment Properties		(225)	1,417
+/- Movement in Operating Assets and Liabilities & Other Cash Items:			
Decrease/(Increase) in Receivables		(42,799)	(7,800)
Increase/(Decrease) in Provision for Doubtful Debts		4	(505)
Decrease/(Increase) in Inventories		(7)	(622)
Decrease/(Increase) in Other Assets		(97)	438
Increase/(Decrease) in Payables		38	3,439
Increase/(Decrease) in Other Accrued Expenses Payable		-	6,149
Increase/(Decrease) in Other Liabilities		(8,200)	(6,004)
Increase/(Decrease) in Employee Leave Entitlements		2,268	4,307
Increase/(Decrease) in Other Provisions		(1,736)	308
NET CASH PROVIDED FROM/(USED IN) OPERATING ACTIVITIES from the STATEMENT of CASH FLOWS		137,719	167,173



Notes to the Financial Statements

for the financial year ended 30 June 2013

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

\$ '000	Actual 2013	Actual 2012
(c) Non-Cash Investing & Financing Activities		
S94 Contributions "in kind"	28,903	9,204
Total Non-Cash Investing & Financing Activities	28,903	9,204
(d) Financing Arrangements		
(i) Unrestricted access was available at balance date to the following lines of credit:		
Bank Overdraft Facilities ⁽¹⁾	2,000	2,000
Credit Cards / Purchase Cards	300	300
Total Financing Arrangements	2,300	2,300
Amounts utilised as at Balance Date:		
- Bank Overdraft Facilities	-	-
- Credit Cards / Purchase Cards	-	-
Total Financing Arrangements Utilised	-	-

1. The Bank overdraft facility may be drawn at any time and may be terminated by the bank without notice.

Interest rates on overdrafts are Interest Rates on Loans & Other Payables are disclosed in Note 15.

2. The Corporate Purchasing Card Facility has been configured for direct payment, such that there were no outstanding balances on the cards at the end of each of the financial years.

City of Sydney



Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 12. Commitments for Expenditure

	Actual 2013	Actual 2012
\$ '000		
(a) Capital Commitments (exclusive of GST)		
Property, Plant & Equipment		
Buildings	63	268
Plant & Equipment	8,856	6,448
Total Commitments	8,919	6,716
(b) Finance Lease Commitments		
Nil		
(c) Operating Lease Commitments (Non Cancellable)		
a. Commitments under Non Cancellable Operating Leases at the Reporting date, but not recognised as Liabilities are payable:		
Within the next year	1,551	970
Later than one year and not later than 5 years	5,116	4,583
Later than 5 years	27,780	29,669
Total Non Cancellable Operating Lease Commitments	34,447	35,222

b. Non Cancellable Operating Leases include the following assets:

Operating lease commitments arise as a result of Council's commitment under a non-cancellable operating lease, being in relation to Goulburn Street Parking Station. Council has a 99 year lease arrangement to rent the airspace that the parking station exists in from the NSW TrainLink who control that asset. The commitment recognises the 47 years remaining on the lease, which is estimated at \$24.2M

The lease commitments also include duct rental payable to Energy Australia in respect of Smartpoles at \$346K per year for 30 years, indexed at an assumed CPI of 3% per annum. The agreement to 2032 results in a total commitment of \$9.288M

(d) Investment Property Commitments

Non Capital expenditure on Investment Properties committed for at the reporting date but not recognised in the financial statements as liabilities:

Contractual Obligations - Repairs & Maintenance	780	723
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Notes to the Financial Statements

for the financial year ended 30 June 2013

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

\$ '000	Amounts 2013	Indicator 2013	Prior Periods 20122011	
Local Government Industry Indicators - Consolidated				
1a. Unrestricted Current Ratio				
Current Assets less all External Restrictions ⁽¹⁾	339,021	4.07 : 1	3.46	4.35
Current Liabilities less Specific Purpose Liabilities ^(2,3)	83,335			
1b. Unrestricted Current Ratio (less External and Internal Restrictions)				
Current Assets less External and Internal Restrictions ⁽⁴⁾	119,389	1.43 : 1	1.66	1.42
Current Liabilities less Specific Purpose Liabilities ^(2,3)	83,335			
2. Debt Service Ratio				
Debt Service Cost	-	0.00%	0.00%	0.00%
Income from Continuing Operations (excl. Capital Items & Specific Purpose Grants/Contributions)	495,539			
3. Rates & Annual Charges Coverage Ratio				
Rates & Annual Charges	272,537	45.48%	48.68%	48.87%
Income from Continuing Operations	599,246			
4a. Rates, Annual Charges, Interest & Extra Charges Outstanding Percentage				
Rates, Annual & Extra Charges Outstanding	15,948	5.75%	1.73%	1.79%
Rates, Annual & Extra Charges Collectible	277,576			
4b. Rates, Annual Charges, Interest & Extra Charges Outstanding Percentage (excl significant potential rates claim - refer note 18)				
Rates, Annual & Extra Charges Outstanding	4,954	1.78%	1.73%	1.79%
Rates, Annual & Extra Charges Collectible	277,576			
5. Building & Infrastructure Renewals Ratio				
Asset Renewals ⁽⁴⁾	47,069	65.88%	91.00%	88.75%
Depreciation, Amortisation & Impairment	71,449			

Notes

⁽¹⁾ Refer to Notes 7-8 inclusive.

Also excludes any Real Estate & 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 & 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.



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

<p>1a. Unrestricted Current Ratio</p> <table><tr><th>Year</th><th>Ratio : 1</th></tr><tr><td>2011</td><td>4.35</td></tr><tr><td>2012</td><td>3.46</td></tr><tr><td>2013</td><td>4.07</td></tr></table>	Year	Ratio : 1	2011	4.35	2012	3.46	2013	4.07	<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 2012/13 Result</p> <p>2012/13 Ratio 4.07 : 1</p> <p>The 2013 ratio reflects at a level at which Council still has excess capacity to meet its obligations. The current level represents the maturity profile of the investment portfolio in support of both current and future funding requirements of the Council</p>
Year	Ratio : 1									
2011	4.35									
2012	3.46									
2013	4.07									
<p>1b. Unrestricted Current Ratio (less External and Internal Restrictions)</p> <table><tr><th>Year</th><th>Ratio : 1</th></tr><tr><td>2011</td><td>1.42</td></tr><tr><td>2012</td><td>1.66</td></tr><tr><td>2013</td><td>1.43</td></tr></table>	Year	Ratio : 1	2011	1.42	2012	1.66	2013	1.43	<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 2012/13 Result</p> <p>2012/13 Ratio 1.43 : 1</p> <p>The 2013 ratio reflects a level at which Council still has capacity to meet its obligations after all External and Internal Restrictions are excluded. The current level represents the maturity profile of the investment portfolio in support of both current and future funding requirements of the Council.</p>
Year	Ratio : 1									
2011	1.42									
2012	1.66									
2013	1.43									
<p>3. Rates & Annual Charges Coverage Ratio</p> <table><tr><th>Year</th><th>Ratio %</th></tr><tr><td>2011</td><td>48.87%</td></tr><tr><td>2012</td><td>48.68%</td></tr><tr><td>2013</td><td>45.48%</td></tr></table>	Year	Ratio %	2011	48.87%	2012	48.68%	2013	45.48%	<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 2012/13 Result</p> <p>2012/13 Ratio 45.48%</p> <p>The ratio continues to remain within a small band of variation reflecting the consistency in the structure of Council's revenue. The change reflects the income levels recovering with improved economic conditions.</p>
Year	Ratio %									
2011	48.87%									
2012	48.68%									
2013	45.48%									
<p>4a. Rates, Annual Charges, Interest & Extra Charges Outstanding Percentage</p> <table><tr><th>Year</th><th>Ratio %</th></tr><tr><td>2011</td><td>1.79%</td></tr><tr><td>2012</td><td>1.73%</td></tr><tr><td>2013</td><td>5.75%</td></tr></table>	Year	Ratio %	2011	1.79%	2012	1.73%	2013	5.75%	<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 2012/13 Result</p> <p>2012/13 Ratio 5.75%</p> <p>The ratio has increased in 2013 reflecting the inclusion of Barangaroo as a rateable property, which remains unpaid awaiting resolution of a legal challenge. The significant increase in ratio to 5.75% reflects this unresolved debt, which would otherwise be 1.78% consistent with prior years, and reflect the continuing efficient collection procedures.</p>
Year	Ratio %									
2011	1.79%									
2012	1.73%									
2013	5.75%									
<p>4b. Rates, Annual Charges, Interest & Extra Charges Outstanding Percentage (excl significant potential rates claim - refer note 18)</p> <table><tr><th>Year</th><th>Ratio %</th></tr><tr><td>2011</td><td>1.79%</td></tr><tr><td>2012</td><td>1.73%</td></tr><tr><td>2013</td><td>1.78%</td></tr></table>	Year	Ratio %	2011	1.79%	2012	1.73%	2013	1.78%	<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 2012/13 Result</p> <p>2012/13 Ratio 1.78%</p> <p>Refer to commentary in ratio 4a.</p>
Year	Ratio %									
2011	1.79%									
2012	1.73%									
2013	1.78%									
<p>5. Building & Infrastructure Renewals Ratio</p> <table><tr><th>Year</th><th>Ratio %</th></tr><tr><td>2011</td><td>88.75%</td></tr><tr><td>2012</td><td>91.00%</td></tr><tr><td>2013</td><td>65.88%</td></tr></table>	Year	Ratio %	2011	88.75%	2012	91.00%	2013	65.88%	<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 2012/13 Result</p> <p>2012/13 Ratio 65.88%</p> <p>The average expenditure over the years continues to meet renewal rates relative to rates of depreciation. Individual levels of expenditure in each year are subject to variations due to timing of contractual commitments, weather conditions, etc.</p>
Year	Ratio %									
2011	88.75%									
2012	91.00%									
2013	65.88%									

City of Sydney



Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 14. Investment Properties

\$ '000	Actual 2013	Actual 2012
(a) Investment Properties at Fair value		
Investment Properties on Hand	194,005	211,350
Reconciliation of Annual Movement:		
Opening Balance	211,350	211,287
- Capitalised Expenditure - this year	4,387	1,480
- Reclassified to I,P,P&E	(21,957)	-
- Net Gain/(Loss) from Fair Value Adjustments	225	(1,417)
CLOSING BALANCE - INVESTMENT PROPERTIES	194,005	211,350

(b) Valuation Basis

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

The 2013 revaluations were based on independent assessments made by:
AON Valuation Services (A division of AON Risk Services Australia Limited)
Certifying Valuer : Jeffrey Millar, AAPI

(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	10,177	10,702
Later than 1 year but less than 5 years	21,111	23,751
Later than 5 years	11,344	14,569
Total Minimum Lease Payments Receivable	42,632	49,022

(e) Investment Property Income & Expenditure - summary

Rental Income from Investment Properties:		
- Minimum Lease Payments	12,283	16,987
Direct Operating Expenses on Investment Properties:		
- that generated rental income	(2,730)	(2,341)
Net Revenue Contribution from Investment Properties	9,553	14,646
plus:		
Fair Value Movement for year	225	(1,417)
Total Income attributable to Investment Properties	9,778	13,229



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 Chief Finance Office under policies approved by the Council.

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

	Carrying Value		Fair Value	
	2013	2012	2013	2012
Financial Assets				
Cash and Cash Equivalents	163,461	160,900	163,461	160,900
Investments				
- "Held for Trading"	-	-	-	-
- "Designated At Fair Value on Initial Recognition"	157,300	248,303	157,300	248,303
- "Held to Maturity"	193,000	116,000	193,000	116,000
- "Available for Sale"	-	-	-	-
Receivables	90,467	47,673	90,467	47,673
Other Financial Assets	-	-	-	-
Total Financial Assets	604,229	572,875	604,229	572,875
Financial Liabilities				
Bank Overdraft	-	-	-	-
Payables	66,693	75,062	66,693	75,062
Lease Liabilities	-	-	-	-
Other Financial Liabilities	-	-	-	-
Total Financial Liabilities	66,693	75,062	66,693	75,062

Fair Value is determined as follows:

- **Cash and 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 & liabilities with similar risk profiles, unless quoted market prices are available.
- Financial Assets classified (i) **"at fair value through profit and loss"** or (ii) **"Available for Sale"** - are based upon quoted market prices (in active markets for identical investments) at the reporting date or independent valuation.

Notes to the Financial Statements

for the financial year ended 30 June 2013



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:

2013	Level 1	Level 2	Level 3	Total
Financial Assets				
Investments				
- "Designated At Fair Value on Initial Recognition"	157,300	-	-	157,300
Total Financial Assets	157,300	-	-	157,300
2012	Level 1	Level 2	Level 3	Total
Financial Assets				
Investments				
- "Designated At Fair Value on Initial Recognition"	248,303	-	-	248,303
Total Financial Assets	248,303	-	-	248,303

Notes to the Financial Statements

for the financial year ended 30 June 2013



Note 15. Financial Risk Management (continued)

\$ '000

(b) Cash and Cash Equivalents, Financial assets 'at fair value through the 'Income Statement' "Available-for-sale" financial assets and "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 Chief Finance Office manages 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.

Cash and Investments are subject to the following risks -

- 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.
- Interest rate risk - the risk that movements in interest rates could affect returns and income.
- Credit risk - the risk that the counter-party (to an investment) 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 as follows:

- Price risk is managed by ensuring that liquidity requirements are adequately sourced from short-term investments that are not subject to price risk and that sales of higher yielding investments which are subject to price risk are confined to either face value maturities or sales during periods of favourable price movements.
- Interest rate risks are managed by linking returns where possible to rates based around benchmark indices and by managing investment maturity profiles.
- Credit risk is managed by diversifying its portfolio and only purchasing investments with high credit ratings or capital guarantees. Council also seeks where necessary advice from independent advisors before placing selected investments.

Council also seeks advice from independent advisors when necessary.

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.

	2013		2012	
	Profit	Equity	Profit	Equity
Possible impact of a 10% movement in Market Values	16,862	16,862	27,109	27,109
Possible impact of a 1% movement in Interest Rates	5,086	5,086	5,255	5,255



Notes to the Financial Statements

for the financial year ended 30 June 2013

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.

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

The level of outstanding receivables is monitored for acceptable collection performance.

Credit risk on infringement notices is minimised by assigning the recovery of these amounts to the State Debt Recovery Office. These receivables are subject to defence, credit checks and individual assessment of impairment are not possible, so these recoverable amounts are based on historic recovery rates.

With the exception of a small number of property tenants, there are no other material receivables that have been subjected to a re-negotiation of repayment terms.

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

	2013 Rates & Annual Charges	2013 Other Receivables	2012 Rates & Annual Charges	2012 Other Receivables
(i) Ageing of Receivables				
Current (not yet overdue)	0%	95%	0%	95%
Past due by more than 1 year	100%	5%	100%	5%
(ii) Movement in Provision for Impairment of Receivables	2013		2012	
Balance at the beginning of the year	896		1,401	
+ new provisions recognised during the year	127		(319)	
- amounts already provided for & written off this year	(123)		(186)	
Balance at the end of the year	900		896	



Notes to the Financial Statements

for the financial year ended 30 June 2013

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.

The contractual undiscounted cash outflows (ie. 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		
2013									
Trade/Other Payables	12,153	54,541	-	-	-	-	-	66,693	66,693
2012									
Trade/Other Payables	20,458	54,603	-	-	-	-	-	75,062	75,062

The above payables are not subject to interest rates.



Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 16. Material Budget Variations

\$ '000

Council's Original Financial Budget for 12/13 was adopted by the Council on 25 June 2012.

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	2013 Budget	2013 Actual	2013 Variance*	
REVENUES				
Capital Grants & Contributions	20,110	96,233	76,123	379% F
Capital contributions are favourable to budget reflecting higher than budgeted developer contributions in the CBD and the Southern Precinct including: Harold Park ,Frasers site and Green Square.				
EXPENSES				
Materials & Contracts	88,695	105,542	(16,847)	(19%) U
Capital related expenditure increased in line with ongoing Infrastructure replacement programs in the CBD and site clearance works in the Green Square precinct.				
Depreciation & Amortisation	76,307	110,378	(34,071)	(45%) U
Asset revaluations in 2011/12 of Infrastructure and Property assets have resulted in increased levels of depreciation. The implementation of improved asset management systems has enabled more accurate assessments of the useful lives of assets and instances of accelerated depreciation rates.				
Other Expenses	98,946	89,224	9,722	10% F
Cost savings have arisen due to energy saving efficiencies in utilities and street lighting, reductions in event costs and unused contingencies.				

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 17. Statement of Developer Contributions

\$ '000

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

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

SUMMARY OF CONTRIBUTIONS & LEVIES

PURPOSE	Opening Balance	Contributions received during the Year		Interest earned in Year	Expenditure during Year	Held as Restricted Asset	Projections		
		Cash	Non Cash				Future income	Exp still outstanding	Over or (under) Funding
Roads	16,350	3,019	-	542	(11,759)	8,152	41,695	(49,847)	-
Traffic Facilities	2,523	222	-	89	(1,364)	1,470	438	(1,908)	-
Open Space	22,755	24,200	-	1,092	(21,240)	26,807	211,959	(238,766)	-
Community Facilities	25,431	2,913	-	1,184	(1,515)	28,013	29,008	(57,021)	-
Other	1,778	239	-	86	-	2,103	963	(3,066)	-
S94 Contributions - under a Plan	68,837	30,593	-	2,993	(35,878)	66,545	284,063	(350,608)	-
Total S94 Revenue Under Plans	68,837	30,593	-	2,993	(35,878)	66,545			
S94 not under Plans	1,571	-	-	71	-	1,642	-	(1,642)	-
S93F Planning Agreements	13,308	24,398	14,187	496	(11,466)	40,923	-	(40,923)	-
Bonus Floor Space Contributions	11,826		14,716	179	(6,703)	20,018	-	(20,018)	-
S61 Contributions	4,201	9,541	-	-	(13,742)	-	-	-	-
Total Contributions	99,743	64,532	28,903	3,739	(67,789)	129,128	284,063	(413,191)	-
Comprising: Cash*	86,308					82,224			
Receivables**	13,435					46,904			
Total Contributions	99,743					129,128			

* The closing balance held as restricted cash asset consists of S94 \$67.6M, S93F \$11.7M and Bonus Floor Space \$2.8M

** The closing balance held as restricted receivable assets consist of S94 \$0.5M, S93F \$29M and Bonus Floor Space \$17M



Notes to the Financial Statements
for the financial year ended 30 June 2013

Note 17. Statement of Developer Contributions (continued)

\$ '000

S94 CONTRIBUTIONS - UNDER A PLAN

CONTRIBUTION PLAN - WALSH BAY

PURPOSE	Opening Balance	Contributions received during the Year		Interest earned in Year	Expenditure during Year	Held as Restricted Asset	Projections		
		Cash	Non Cash				Future income	Exp still outstanding	Over or (under) Funding
Traffic Facilities	18			1		19		(19)	-
Other	63			3		66		(66)	-
Total	81	-	-	4	-	85	-	(85)	-

CONTRIBUTION PLAN - CITY OF SYDNEY (2006)

PURPOSE	Opening Balance	Contributions received during the Year		Interest earned in Year	Expenditure during Year	Held as Restricted Asset	Future income	Exp still outstanding	Over or (under) Funding
		Cash	Non Cash						
Roads	16,350	3,019		542	(11,759)	8,152	41,695	(49,847)	-
Traffic Facilities	2,505	222		88	(1,364)	1,451	438	(1,889)	-
Open Space	22,755	24,200		1,092	(21,240)	26,807	211,959	(238,766)	-
Community Facilities	25,431	2,913		1,184	(1,515)	28,013	29,008	(57,021)	-
Other	1,715	239		83		2,037	963	(3,000)	-
Total	68,756	30,593	-	2,989	(35,878)	66,460	284,063	(350,523)	-



Notes to the Financial Statements
for the financial year ended 30 June 2013

Note 17. Statement of Developer Contributions (continued)

\$ '000

S94 CONTRIBUTIONS - NOT UNDER A PLAN

PURPOSE	Opening Balance	Contributions received during the Year		Interest earned in Year	Expenditure during Year	Held as Restricted Asset	Projections		
		Cash	Non Cash				Future income	Exp still outstanding	Over or (under) Funding
Roads	71			3		74		(74)	-
Parking	701			32		733		(733)	-
Other	799			36		835		(835)	-
Total	1,571	-	-	71	-	1,642	-	(1,642)	-

S94 CONTRIBUTIONS - EXECUTED THROUGH AGREEMENT WITH THIRD PARTY

CONTRIBUTION PLAN - ULTIMO-PYRMONT

PURPOSE	Opening Balance	Contributions received during the Year		Interest earned in Year	Expenditure during Year	Held as Restricted Asset	Projections		
		Cash	Non Cash				Future income	Exp still outstanding	Over or (under) Funding
Roads	-					-		(1,000)	(1,000)
Other	-					-			-
Total	-	-	-	-	-	-	-	(1,000)	(1,000)



Notes to the Financial Statements for the financial year ended 30 June 2013

Note 17. Statement of Developer Contributions (continued)

The Ultimo- Pymont Section 94 Contributions Plan 1994 ("the Plan") represents a schedule of public facilities which are required as a consequence of anticipated infrastructure demands generated by new residential, employment and hospitality development to be undertaken in the Ultimo- Pymont area. The significant costs of the provision of these public facilities were to be in part met and/or recouped from new development in the Ultimo- Pymont area. The "cost" of works detailed within the Plan is, in fact, representative of the extent to which contributions may be used to fund the works. The value of works completed and land dedicated may in turn exceed the value nominated within the Plan. However, they may only be funded by developer contributions to the extent of that nominated value.

In accordance with the Ultimo Pymont Public Amenities and Services Agreement ("the Agreement") signed on 23rd December 1994 by Sydney City Council (now known as the City of Sydney) and City West Development Corporation (since conglomerated into the Sydney Harbour Foreshore Authority), it was agreed that the Sydney Harbour Foreshore Authority (SHFA) take responsibility for the delivery of \$120M of the \$143M of works identified under the Ultimo-Pymont Section 94 Contributions Plan 1994.

In providing the works identified within the Plan, the majority of projects were completed - and assets delivered - in the early years of the Plan's existence. To date, based on a combination of City of Sydney data and information provided by SHFA, approximately \$132M of land and works recoverable under the Plan has been delivered (based on the values assigned to identified land and works under the Plan). These works are still under recoupment in terms of contributions received.

The anticipated funding for the works was to come from grants received under the Building Better Cities program (approximately \$26.5M), with the balance as Section 94 contributions levied on developments. The Agreement requires that contributions levied and received by the City of Sydney are to be forwarded to SHFA. Based on information from SHFA last updated as at 31 December 2007, approximately \$55M in Section 94 cash contributions have been collected to date. Additionally approximately \$16M of the \$132M identified works have been delivered as land dedications and works in kind contributions. In regards to the information detailed in the above table, the "Expenditure Still Outstanding" represents works identified in the Plan (and also described as "Council Work" in the Agreement), that have not yet been delivered. This total in no way represents an obligation on the part of the City of Sydney to deliver the works. As detailed above, the Plan continues to operate on a recoupment basis at present, with the overall attributed value of works delivered still exceeding the value of funding received to date. The extent to which the outstanding works are delivered may be dependent upon the extent to which future development takes place (and therefore what volume of additional funding is received through Section 94 contributions levied).

The Plan as a whole, and also the Agreement are presently subject to review by both SHFA and Council, with a view to updating the documents to reflect not only changes to the identified infrastructure requirements of the Ultimo-Pymont area and expected development activity therein, but also to incorporate recent changes to state planning legislation, where applicable.





Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 18. Contingencies and Other Assets/Liabilities Not Recognised

\$ '000

1. Potential benefits to Council

- (i) In accordance with a deed of agreement signed with a developer, Council is entitled to acquire a site from a developer at no cost to Council. The site is a fully remediated park with enhancements, estimated to be worth more than \$5M.
- (ii) Council is pursuing its legal rights to income in relation to the agreed placement of the operational assets of third parties on Council owned property. The amount is not quantifiable.

2. Self insurance – Workers Compensation

Council has decided, on the basis of proper risk management practices, to carry its own insurance in regard to worker's compensation. A provision for self insurance has been made to recognise outstanding claims, the amount of which is detailed in Note 10.

As a self-insurer, Council is required to lodge a bank guarantee with the Workcover Authority. At 30 June 2013, bank guarantees of \$11.905M were held by the Workcover Authority, and the Authority is currently reviewing whether any additional assurance is required.

All other insurance risks, including workers compensation claims above \$750,000, are covered by external companies.

3. Superannuation – Defined Benefits Schemes

Council makes employer contributions to the defined benefits categories of the Scheme at rates determined by the Scheme's Trustee. Employees also make member contributions to the Fund. As such, assets accumulate in the Fund to meet the member's benefit, as defined in the Trust Deed, as they accrue.

Council has an ongoing obligation to share in the future rights and liabilities of the Scheme. Favourable or unfavourable variations may arise should the financial requirements of the Scheme differ from the assumptions made by the Scheme's actuary in estimating the accrued benefits liability.

4. Breach of licence agreement by third party licensee

Council has been awarded \$16M for damages and costs in relation to breaches of a licence agreement between Council and a licensee. Some aspects of the judgment are still the subject of appeal and there is also uncertainty about whether Council will be able to recover the damages and costs. Further legal costs have been and will continue to be incurred in relation to the appeal and associated proceedings seeking to recover the damages.



Notes to the Financial Statements

for the financial year ended 30 June 2013

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

\$ '000

5. Proposed Land Transfers between Sydney Harbour Foreshore Authority (SHFA) and Council

Council has agreed to proceed with the transfer of public assets from SHFA in Pyrmont. The completion of these transfers is subject to the fulfilment of specific conditions. The value of these assets cannot be quantified at this time, as they are subject to assessment of age and condition at the time of transfer.

6. S94 Plans

Council levies Section 94/94A Contributions upon various developments across the Council area through the required Contributions Plans, for which it will be required to expend monies to fulfil.

The Plans indicate proposed future expenditure to be undertaken by Council, which will be funded by making levies and receipting funds in future years. These future expenses do not yet qualify as liabilities as of the Reporting Date, but represent Council's intention to spend funds in the manner and timing set out in those Plans.

7. Infringement Notices/Fines

Fines & Penalty Income, as a result of Council issuing Infringement Notices is followed up and collected by the State Debt Recovery Office.

Council's Revenue Recognition policy for such income is to account for it as revenue when the penalty is applied to the extent of expected recovery rates that are determined in accordance with past experience.

Accordingly, at year end, there is a potential asset due to Council representing issued but unpaid Infringement Notices that are in excess of the accrued revenue recognised in the accounts.

Due to the limited information available on the status, value and duration of outstanding Notices, Council is unable to reliably determine the full value of outstanding income.

8. Potential claims

In the 2012/13 financial year, Council issued rates notices totalling in excess of \$10M on the Barangaroo development site for this financial year and the previous two financial years. The basis for rating is that the relevant Authority advised the existence of licences [leases] on the land and the commencement date, in accordance with the requirements of the Local Government Act. The rateability of the land is now the subject of a legal challenge. (refer to Note 7)



Notes to the Financial Statements

for the financial year ended 30 June 2013

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

\$ '000

Council has no interest in any Controlled Entities, Associated Entities or Joint Ventures.



Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 20. Equity - Retained Earnings and Revaluation Reserves

\$ '000	Notes	Actual 2013	Actual 2012
(a) Retained Earnings			
Movements in Retained Earnings were as follows:			
Balance at beginning of Year (from previous years audited accounts)		2,776,066	2,676,276
a. Correction of Prior Period Errors	20 (c)	-	-
b. Changes in Accounting Policies (prior period effects)		-	-
c. Other Comprehensive Income (excl. direct to Reserves transactions)		(46,593)	-
d. Net Operating Result for the Year		113,848	99,790
e. Distributions to/(Contributions from) Non-controlling Interests		-	-
f. Transfers between Equity (Change in Accounting Policy)	20 (d)	-	-
Balance at End of the Reporting Period		2,843,322	2,776,066
(b) Reserves			
(i) Reserves are represented by:			
- Infrastructure, Property, Plant & Equipment Revaluation Reserve		2,093,652	2,081,681
- Trust Asset Revaluation Reserve		2,346,537	2,311,915
Total		4,440,189	4,393,596
(ii) Reconciliation of movements in Reserves:			
Infrastructure, Property, Plant & Equipment Revaluation Reserve			
- Opening Balance		2,081,681	1,674,478
- Revaluations for the year	9(a)	-	407,203
- Transfer to Trust Asset Revaluation Reserve		11,971	-
- Balance at End of Year		2,093,652	2,081,681
Trust Asset Revaluation Reserve			
- Opening Balance		2,311,915	2,311,915
- Transfers from the I,P,P&E Revaluation Reserve		(11,971)	-
- Transfers from Retained Earnings		46,593	-
- Balance at End of Year		2,346,537	2,311,915
TOTAL VALUE OF RESERVES		4,440,189	4,393,596

(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.

Trust Asset Revaluation Reserve

- The Trust Assets Revaluation Reserve represents the total fair value of trust land assets (such as Crown Reserve Trusts) that have come under the management control of Council at no acquisition cost and which have subsequently been revalued to fair value on the replacement cost basis. These assets are owned by State and Federal entities and are effectively controlled by the City as custodians or Reserve Trust manager.



Notes to the Financial Statements

for the financial year ended 30 June 2013

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

	Actual 2013	Actual 2012
\$ '000		

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

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

(d) Voluntary Changes in Accounting Policies

a) Low value asset capitalisation

With effect from 1 July 2012, Council changed its Accounting Policy in relation to its capitalisation policy on assets of less than \$5,000. Prior to that date assets acquired for a value less than that threshold were not capitalised and were expensed as operational materials. The policy change now results in all such expenditure being capitalised so that there is a more accurate presentation of the enduring benefit associated with these assets in the form of collective componentary for combination assets as well as large volume single function collective assets.

It was impracticable to determine the retrospective impact due to the complexities created by varying useful lives and depreciation rates of the different asset groups over the potential years to which the change applies. The value of the change was not considered to be material.

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

	Actual 2013	Actual 2012
--	----------------	----------------

(d) Change to classification of building**(b) Transfer of Customs House equity balance to Trust Assets Reserve**

Council includes in the Trust Asset Revaluation Reserve an amount equal to the fair value of trust assets that come under the management control of Council and which are not owned by Council. Council maintains and preserves these assets for the enduring benefit of the community.

Customs House is owned by the Commonwealth Government and is leased to Council under conditions that ensure minimum thresholds in respect of use as a community asset as well as the preservation of the asset. Council has historically accounted for the asset as a leased asset whose benefits are operationally consumed over the life of the lease.

With effect from 1 July 2012, Council has changed its Accounting Policy in relation to the treatment of this asset to align it with Council's other assets under management control which are not owned. The change enables more relevant accounting disclosure of the asset to recognise the preservation activities of the asset in addition to the operational consumption over the life of the asset.

The financial impact of the change in policy on the financial position of Council is neutral and involves equal and opposite transfers of the existing equity relating to Customs House between Retained Surplus and the Asset Revaluation Reserve to the Trust Asset Revaluation Reserve.

The transfers are as follows:

- Transfer from Retained Surplus to Trust Asset Revaluation Reserve	(46,593)	-
- Transfer of accumulated revaluation deficit from Asset Revaluation Reserve to Trust Asset Revaluation Reserve	11,971	-
- Transfer to Trust Asset Revaluation Reserve of the net effect of the above	34,622	-
Net total transfers	-	-

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

These amounted to the following Equity Adjustments:

- Adjustments to Opening Equity - 1/7/12 (relating to adjustments for the 30/6/12 reporting year end and prior periods)	-	-
- Adjustments to Closing Equity - 30/6/13 (relating to adjustments for the 30/6/13 year end)	-	-
Total Prior Period Adjustments - Accounting Policy Changes	-	-



Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 21. Financial Result & Financial Position by Fund

\$ '000

Council utilises only a General Fund for its operations.



Notes to the Financial Statements

for the financial year ended 30 June 2013

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

\$ '000

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



Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 23. Events occurring after the Reporting Period

\$ '000

Events that occur between the end of the reporting period (ending 30 June 2013) and the date when the financial statements are "authorised for issue" have been taken into account in preparing these statements.

Council has adopted the date of receipt of the Auditors' Report as the applicable "authorised for issue" date relating to these General Purpose Financial Statements.

Accordingly, the "authorised for issue" date is 21 October 2013

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

(i) Events that provide evidence of conditions that existed at the Reporting Period

These financial statements (and the figures therein) incorporate all "adjusting events" that provided evidence of conditions that existed at 30 June 2013.

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

These financial statements (& figures therein) do not incorporate any "non-adjusting events" that have occurred after 30 June 2013 and which are only indicative of conditions that arose after 30 June 2013.

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



Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 24. Discontinued Operations

\$ '000

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



Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 25. Intangible Assets

\$ '000

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.



Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 26. Reinstatement, Rehabilitation & Restoration Liabilities

\$ '000

Site Remediation

Council has implemented a Remediation Action Plan (RAP) in respect of a former Council depot at Fig and Wattle Streets, Pyrmont.

The estimated cost of the remediation is \$4.0M based on the requirements of the RAP

Reconciliation of movement in Provision for the year

	2013	2012
Total - Reinstatement, rehabilitation and restoration provision	4,000	4,000



Council of the City of Sydney

Independent auditor's report to the Council – s417(2) Report on the general purpose financial statements

Report on the financial statements

We have audited the accompany financial statements of Council of the City of Sydney (the Council), which comprise the statement of financial position as at 30 June 2013 and the income statement, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, accompanying notes to the financial statements and the Statement by Councillors and Management in the approved form as required by Section 413(2) of the Local Government Act 1993.

Councillors' responsibility for the financial statements

The Councillors of the Council are 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 and for such internal control as the Councillors determine is necessary to enable the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's 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. Those 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 judgment, 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Councillors, as well as evaluating the overall presentation of the financial statements.

When this audit report is included in an Annual Report, our procedures include reading the other information in the Annual Report to determine whether it contains any material inconsistencies with the financial statements.

Our audit responsibility does not extend to the Original Budget Figures included in the Income Statement, Statement of Cash Flows and the Original Budget disclosures in notes 2(a) and 16 and the

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Projections disclosed in note 17 to the financial statements, nor the attached Special Schedules, and accordingly, we express no opinion on them.

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

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 (the Division); and
- (b) the financial statements:
 - (i) have been presented, in all material respects, in accordance with the requirements of this Division
 - (ii) are consistent with the Council's accounting records
 - (iii) present fairly, in all material respects, the Council's financial position as of 30 June 2013 and its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards
- (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 have come to light during the course of the audit.

A handwritten signature in blue ink, appearing to read 'Peter Buchholz'.

PricewaterhouseCoopers

A handwritten signature in blue ink, appearing to read 'Peter Buchholz'.

Peter Buchholz
Partner

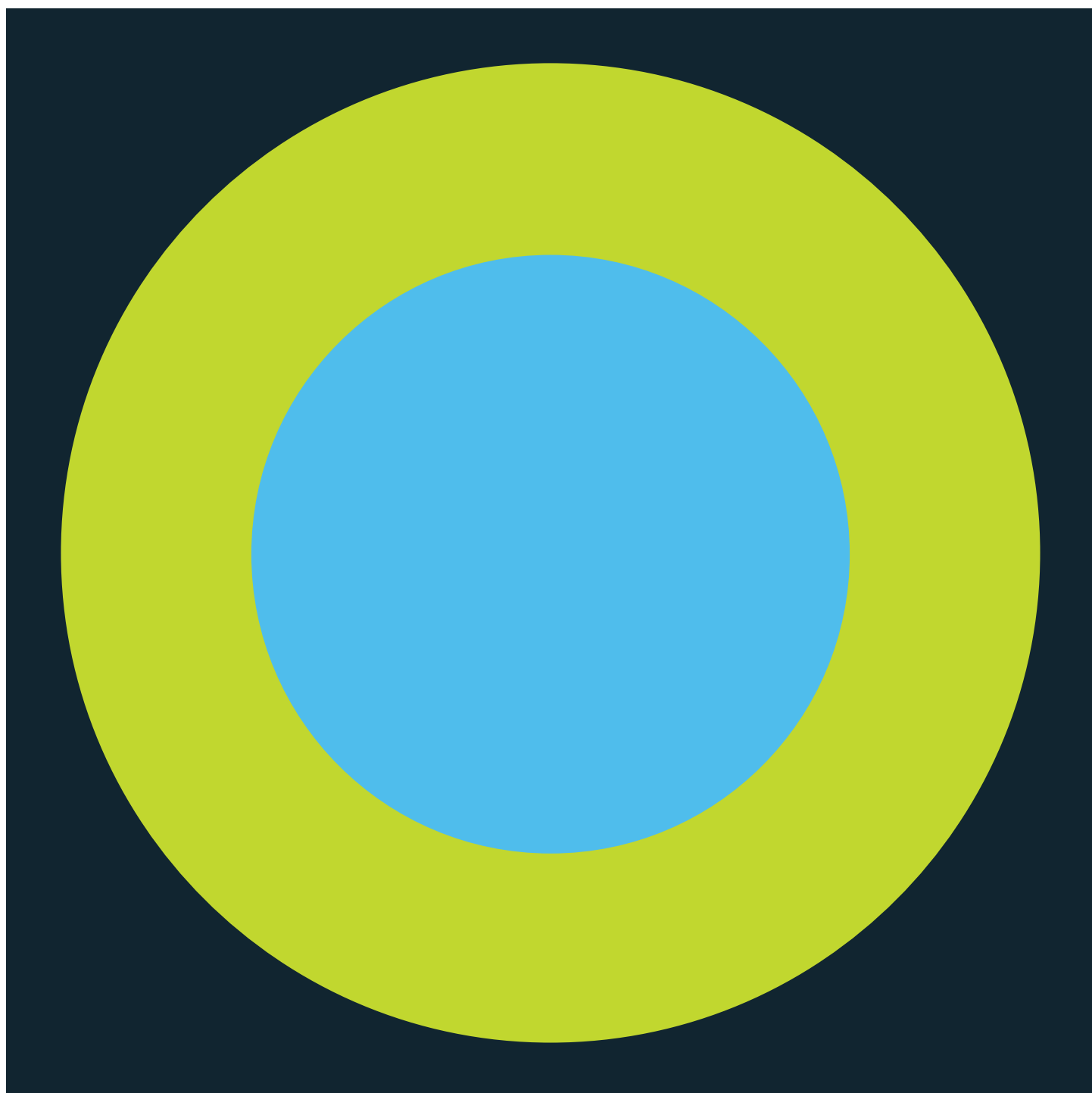
Sydney
23 October 2013

2012/13

CITY OF SYDNEY SPECIAL PURPOSE FINANCIAL STATEMENTS



city of villages





Special Purpose Financial Statements

for the financial year ended 30 June 2013

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Statement of Financial Position - Other Business Activities

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3. Notes to the Special Purpose Financial Statements

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4. Auditor's Report

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).
-

City of Sydney



Special Purpose Financial Statements
for the financial year ended 30 June 2013

Statement by Councillors and Management
made pursuant to the Local Government Code of Accounting Practice and Financial Reporting

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


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

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

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


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

Signed in accordance with a resolution of Council made on 21 October 2013.


Clover Moore
LORD MAYOR


Robyn Kemmis
COUNCILLOR


Monica Barone
CHIEF EXECUTIVE OFFICER


Bill Carter
CHIEF FINANCIAL OFFICER
RESPONSIBLE ACCOUNTING OFFICER



Income Statement of Council's Other Business Activities

for the financial year ended 30 June 2013

Parking Stations

0

\$ '000	Actual 2013	Actual 2012
Income from continuing operations		
User charges	8,743	9,162
Total income from continuing operations	8,743	9,162
Expenses from continuing operations		
Employee benefits and on-costs	210	178
Materials and contracts	1,369	1,620
Depreciation and impairment	1,458	1,119
Calculated taxation equivalents	48	44
Other expenses	1,300	1,351
Total expenses from continuing operations	4,385	4,312
Surplus (deficit) from Continuing Operations before capital amounts	4,358	4,850
Grants and contributions provided for capital purposes	-	-
Surplus (deficit) from Continuing Operations after capital amounts	4,358	4,850
Surplus (deficit) from discontinued operations	-	-
Surplus (deficit) from ALL Operations before tax	4,358	4,850
less: Corporate Taxation Equivalent (30%) [based on result before capital]	(1,308)	(1,455)
SURPLUS (DEFICIT) AFTER TAX	3,051	3,395
plus Opening Retained Profits	56,927	52,033
plus Adjustments for amounts unpaid:		
- Taxation equivalent payments	48	44
- Corporate taxation equivalent	1,308	1,455
Closing Retained Profits	61,333	56,927
Return on Capital %	11.0%	11.8%
Subsidy from Council	-	-



Statement of Financial Position - Council's Other Business Activities
as at 30 June 2013

Parking Stations

\$ '000	Actual 2013	Actual 2012
ASSETS		
Current Assets		
Receivables	179	159
Total Current Assets	179	159
Non-Current Assets		
Infrastructure, property, plant and equipment	39,782	41,065
Inter-Entity Debtor	45,791	40,238
Total Non-Current Assets	85,573	81,303
TOTAL ASSETS	85,752	81,462
LIABILITIES		
Current Liabilities		
Payables	679	802
Provisions	65	57
Total Current Liabilities	744	859
Non-Current Liabilities		
Provisions	23	25
Total Non-Current Liabilities	23	25
TOTAL LIABILITIES	767	884
NET ASSETS	84,985	80,578
EQUITY		
Retained earnings	61,334	56,927
Revaluation reserves	23,651	23,651
TOTAL EQUITY	84,985	80,578

CITY OF SYDNEY

NOTES TO AND FORMING PART OF THE SPECIAL PURPOSE FINANCIAL REPORTS for the year ended 30 June 2013

Note 1 Significant Accounting Policies

A statement summarising the supplemental accounting policies adopted in the preparation of the SPFR for National Competition Policy reporting purposes follows.

These financial statements are a Special Purpose Financial Report (SPFR) prepared for use by the Council and the Department of Local Government. For the purposes of these statements, the Council is not a reporting entity.

The figures presented in these special purpose financial statements have been prepared in accordance with the recognition and measurement criteria of relevant Australian Accounting Standards, other authoritative pronouncements of the AASB and Australian Accounting Interpretations. The disclosures in these special purpose financial statements have been prepared in accordance with the Local Government Act and Regulation and the Local Government Code of Accounting Practice and Financial Reporting.

The statements are also prepared on an accruals basis. They are based on historic costs and do not take into account changing money values or, except where specifically stated, current values of non-current assets. Certain taxes and other costs, appropriately described, have been imputed for the purposes of the National Competition Policy.

National competition policy

Council has adopted the principle of 'competitive neutrality' 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 Department 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 in its 2013-14 Operational Plan that the following are to be considered as business activities:

Category 1

Name	Brief Description of Activity
Parking Stations	Operation of the Goulburn Street and Kings Cross Parking Stations

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. Where this is the case, they are disclosed as a cost of operations (Special Purpose Financial Report) just like all other costs. However, where Council does not pay some taxes which are generally paid by private sector businesses, such as income tax, these equivalent tax payments have been applied to all Council nominated business activities and are reflected in the SPFR. 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 Tax Rate	30% applicable on surplus
Land Tax	\$100 for \$406K + 1.6% on \$406K to \$2482,000 + 2% on taxable values above \$2,482,000
Payroll Tax	5.45% (\$689K threshold applied)

NOTES TO AND FORMING PART OF THE SPECIAL PURPOSE FINANCIAL STATEMENTS for the year ended 30 June 2013

Note 1 - Significant Accounting Policies (continued)

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 the 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 the GPFR. 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 and charges

A calculation of the equivalent rates and charges for all Category 1 businesses has been applied to all assets owned or exclusively used by the business activity.

(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. The overall effect of subsidies is contained within the Income statement of Business Activities.

(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”.

Funds are subsequently available for meeting commitments or financing future investment strategies. The rate of return is disclosed for each of Council’s business activities on the Income statement.

The Calculation of Return on Capital is as follows:

Surplus/(Deficit) from continuing operations before Capital amounts + Interest expense
Total Written Down Value of Property, Plant and Equipment

(iv) Dividends

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

END OF AUDITED FINANCIAL REPORT



Council of the City of Sydney

Independent auditor's report Report on the special purpose financial report

Report on the financial report

We have audited the accompanying financial report, being a special purpose financial report, of **Council of the City of Sydney** (the Council), which comprises the Statement of Financial Position by Business Activity for the year ended 30 June 2013, the Income Statements by Business Activity for the year then ended, Notes to the financial report for the business activities identified by Council and the Statement by Councillors and Management for Council for the year ended 30 June 2013.

Councillors' responsibility for the financial report

The Councillors of the Council are responsible for the preparation and fair presentation of the financial report and have determined that the accounting policies described in note 1 to the financial statements which form part of the financial report, are appropriate to meet the requirements of the Local Government Code of Accounting Practice and Financial Reporting. The Councillors' responsibility also includes such internal control as the Councillors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to error or fraud.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report 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 report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, 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 report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Councillors, as well as evaluating the overall presentation of the financial report.

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



Auditor's opinion:

In our opinion, the financial report presents fairly, in all material respects, the financial position by Business Activities of **Council of the City of Sydney** as of 30 June 2013 and its financial performance by Business Activities for the year then ended in accordance with the requirements of those applicable Accounting Standards detailed in Note 1 to the financial report, and the Local Government Code of Accounting Practice and Financial Reporting.

Basis of Accounting and Restriction on Distribution and Use

Without modifying our opinion, we draw attention to Note 1 to the financial report, which describes the basis of accounting. The financial report has been prepared for the purpose of fulfilling the Council's financial reporting responsibilities under the Local Government Code of Accounting Practice and Financial Reporting. As a result, the financial report may not be suitable for another purpose. Our report is intended solely for the Council.

A handwritten signature in blue ink, appearing to read 'PricewaterhouseCoopers', written in a cursive style.

PricewaterhouseCoopers

A handwritten signature in blue ink, appearing to read 'Peter Buchholz', written in a cursive style.

Peter Buchholz
Partner

Sydney
23 October 2013

CITY OF SYDNEY

Special Schedules

For the year ended 30 June 2013



Sydney 2030 Green/Global/Connected



city of villages



Special Schedules

for the financial year ended 30 June 2013

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- 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.



Special Schedule No. 1 - Net Cost of Services

for the financial year ended 30 June 2013

\$'000

Function or Activity	Expenses from. Continuing. Operations.	Income from continuing operations		Net Cost. of Services.
		Non Capital.	Capital.	
Governance	6,608	-	-	(6,608)
Administration	200,184	38,410	7,175	(154,599)
Public Order and Safety				
Fire Service Levy, Fire Protection, Emergency Services	19	-	-	(19)
Beach Control	-	-	-	-
Enforcement of Local Govt. Regulations	24,072	36,418	-	12,346
Animal Control	-	-	-	-
Other	5,566	-	-	(5,566)
Total Public Order & Safety	29,657	36,418	-	6,761
Health	12,222	7,709	-	(4,513)
Environment				
Noxious Plants and Insect/Vermin Control	-	-	-	-
Other Environmental Protection	7,271	645	72	(6,554)
Solid Waste Management	25,164	1,290	-	(23,874)
Street Cleaning	21,720	159	-	(21,561)
Drainage	1,054	-	-	(1,054)
Stormwater Management	-	-	-	-
Total Environment	55,209	2,094	72	(53,043)
Community Services and Education				
Administration & Education	2,970	41	-	(2,929)
Social Protection (Welfare)	3,231	640	-	(2,591)
Aged Persons and Disabled	2,914	1,345	-	(1,569)
Children's Services	5,984	3,329	-	(2,655)
Total Community Services & Education	15,099	5,355	-	(9,744)
Housing and Community Amenities				
Public Cemeteries	-	-	-	-
Public Conveniences	-	-	-	-
Street Lighting	9,934	6,089	-	(3,845)
Town Planning	18,266	5,338	88,434	75,506
Other Community Amenities	1,755	3,329	-	1,574
Total Housing and Community Amenities	29,955	14,756	88,434	73,235
Water Supplies	-	-	-	-
Sewerage Services	-	-	-	-



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

for the financial year ended 30 June 2013

\$'000

Function or Activity	Expenses from. Continuing. Operations.	Income from continuing operations		Net Cost. of Services.
		Non Capital.	Capital.	
Recreation and Culture				
Public Libraries	7,088	734	-	(6,354)
Museums	-	-	-	-
Art Galleries	-	-	-	-
Community Centres and Halls	3,541	955	-	(2,586)
Performing Arts Venues	701	194	-	(507)
Other Performing Arts	-	-	-	-
Other Cultural Services	27,700	391	-	(27,309)
Sporting Grounds and Venues	-	-	-	-
Swimming Pools	818	2,482	-	1,664
Parks & Gardens (Lakes)	22,497	35	-	(22,462)
Other Sport and Recreation	3,355	1,009	-	(2,346)
Total Recreation and Culture	65,700	5,800	-	(59,900)
Fuel & Energy	-	-	-	-
Agriculture	-	-	-	-
Mining, Manufacturing and Construction				
Building Control	-	-	-	-
Other Mining, Manufacturing & Construction	-	-	-	-
Total Mining, Manufacturing and Const.	-	-	-	-
Transport and Communication				
Urban Roads (UR) - Local	16,115	7,177	554	(8,384)
Urban Roads - Regional	-	-	-	-
Sealed Rural Roads (SRR) - Local	-	-	-	-
Sealed Rural Roads (SRR) - Regional	-	-	-	-
Unsealed Rural Roads (URR) - Local	-	-	-	-
Unsealed Rural Roads (URR) - Regional	-	-	-	-
Bridges on UR - Local	-	-	-	-
Bridges on SRR - Local	-	-	-	-
Bridges on URR - Local	-	-	-	-
Bridges on Regional Roads	-	-	-	-
Parking Areas	9,099	43,582	-	34,483
Footpaths	3,466	708	-	(2,758)
Aerodromes	-	-	-	-
Other Transport & Communication	7,175	6,665	-	(510)
Total Transport and Communication	35,855	58,132	554	22,831
Economic Affairs				
Camping Areas & Caravan Parks	-	-	-	-
Other Economic Affairs	34,909	61,940	-	27,031
Total Economic Affairs	34,909	61,940	-	27,031
Totals – Functions	485,398	230,614	96,235	(158,549)
General Purpose Revenues⁽²⁾		267,951	4,446	272,397
Share of interests - joint ventures & associates using the equity method	-	-	-	-
NET OPERATING RESULT ⁽¹⁾	485,398	498,565	100,681	113,848

(1) As reported in the Income Statement

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

City of Sydney

Special Schedule No. 2(a) - Statement of Long Term Debt (all purpose) for the financial year ended 30 June 2013

Council has no debt.



1	Excellent - No work required (normal maintenance)
2	Good - Only minor maintenance work required
3	Average - Maintenance work required

Asset Condition "Key" - as per the DLG Integrated Planning & Reporting Manual

City of Sydney

Special Schedule No. 8 - Financial Projections

as at 30 June 2013

\$'000	Actual ⁽¹⁾ 12/13	Forecast ⁽³⁾ 13/14	Forecast ⁽³⁾ 14/15	Forecast ⁽³⁾ 15/16	Forecast ⁽³⁾ 16/17	Forecast ⁽³⁾ 17/18	Forecast ⁽³⁾ 18/19	Forecast ⁽³⁾ 19/20	Forecast ⁽³⁾ 20/21	Forecast ⁽³⁾ 21/22	Forecast ⁽³⁾ 22/23
(i) OPERATING BUDGET											
Income from continuing operations	599,246	522,264	545,803	574,211	600,592	597,406	610,030	630,329	655,631	675,752	695,099
Expenses from continuing operations	485,398	500,440	512,457	526,385	541,199	556,437	573,525	589,696	606,166	623,118	640,566
Operating Result from Continuing Operations	113,848	21,824	33,346	47,826	59,393	40,969	36,505	40,633	49,465	52,634	54,533
(ii) CAPITAL BUDGET											
New Capital Works ⁽²⁾	108,944	111,818	130,675	191,296	141,651	151,453	92,821	116,566	41,325	82,041	54,183
Enhancement of Existing Assets	28,014	58,696	49,863	24,573	16,005	25,194	22,705	34,825	45,205	41,605	60,505
Replacement/Refurbishment of Existing Assets	71,706	89,374	56,440	39,743	37,606	38,782	42,543	56,821	90,988	99,762	78,290
Total Capital Budget	208,664	259,888	236,978	255,612	195,262	215,429	158,069	208,212	177,518	223,408	192,978
Funded by:											
– Loans											
– Asset sales	7,886	5,100	30,500		43,150	12,500			1,850	23,700	
– Reserves	19,499	53,119	22,255	68,978	54,787	48,046	57,736	76,165	8,974	1,884	1,893
– Grants/Contributions	62,557	22,000	31,648	45,054	50,344	29,237	24,844	27,451	34,291	34,845	34,021
– Recurrent revenue	118,722	179,669	152,575	141,580	46,980	125,646	75,489	104,596	132,404	16,298	157,065
– Other											
	208,664	259,888	236,978	255,612	195,261	215,429	158,069	208,212	177,519	76,727	192,979

Notes:

- (1) From 12/13 Income Statement.
- (2) New Capital Works are major non-recurrent projects, eg new Leisure Centre, new Library, new Swimming pool etc.
- (3) Financial projections should be in accordance with Council's Integrated Planning and Reporting framework.

