



Wahroonga Park photo by Paul Gilmour



Annual Financial Statements

For the year ended 30 June 2016

Ku-ring-gai Council

GENERAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2016

"...a creative, vibrant place where citizens respect each other and conserve the magnificent environment and society for our children and our grandchildren"



Ku-ring-gai Council

General Purpose Financial Statements

for the year ended 30 June 2016

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Overview

- (i) These financial statements are General Purpose Financial Statements and cover the operations for Ku-ring-gai Council.
- (ii) Ku-ring-gai Council is a body politic of NSW, Australia – being constituted as a Local Government area by proclamation and is duly empowered by the *Local Government Act 1993* (LGA).

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

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

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

- (iii) All figures presented in these financial statements are presented in Australian currency.
- (iv) These financial statements were authorised for issue by the Council on 20 September 2016. Council has the power to amend and reissue these financial statements.
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Ku-ring-gai Council

General Purpose Financial Statements

for the year ended 30 June 2016

Understanding Council's Financial Statements

Introduction

Each year, individual local governments across New South Wales are required to present a set of audited financial statements to their council and community.

What you will find in the statements

The financial statements set out the financial performance, financial position and cash flows of Council for the financial year ended 30 June 2016.

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

About the Councillor/Management Statement

The financial statements must be certified by senior staff as 'presenting fairly' the Council's financial results for the year, and are required to be adopted by Council – ensuring both responsibility for and ownership of the financial statements.

About the primary financial statements

The financial statements incorporate five 'primary' financial statements:

1. The Income Statement

This statement summarises Council's financial performance for the year, listing all income and expenses.

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

2. The Statement of Comprehensive Income

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

3. The Statement of Financial Position

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

4. The Statement of Changes in Equity

The overall change for the year of Council's 'net wealth'.

5. The Statement of Cash Flows

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

About the Notes to the Financial Statements

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

About the Auditor's Reports

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

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

Who uses the financial statements?

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

The public can make submissions to Council up to seven days subsequent to the public presentation of the financial statements.

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

Ku-ring-gai Council

General Purpose Financial Statements for the year ended 30 June 2016

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

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

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

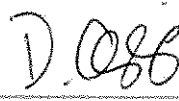
To the best of our knowledge and belief, these financial statements:

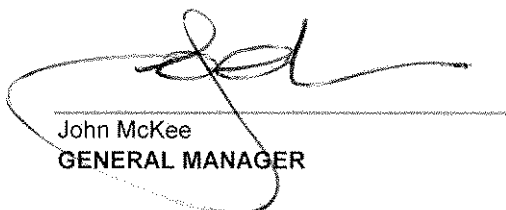
- present fairly the Council's operating result and financial position for the year, and
- accord with Council's accounting and other records.

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

Signed in accordance with a resolution of Council made on 20 September 2016.


Jennifer Anderson
MAYOR


David Ossip
DEPUTY MAYOR


John McKee
GENERAL MANAGER


Angela Apostol
RESPONSIBLE ACCOUNTING OFFICER

Ku-ring-gai Council

Income Statement for the year ended 30 June 2016

Budget ¹ 2016	\$ '000	Notes	Actual 2016	Actual 2015
Income from continuing operations				
Revenue:				
78,387	Rates and annual charges	3a	78,537	76,370
16,991	User charges and fees	3b	18,003	13,683
4,183	Interest and investment revenue	3c	4,218	4,027
10,723	Other revenues	3d	11,823	9,534
7,566	Grants and contributions provided for operating purposes	3e,f	8,295	7,728
18,162	Grants and contributions provided for capital purposes	3e,f	35,151	9,126
Other income:				
5,587	Net gains from the disposal of assets	5	–	12,852
141,599	Total income from continuing operations		156,027	133,320
Expenses from continuing operations				
38,679	Employee benefits and on-costs	4a	37,447	36,127
1,093	Borrowing costs	4b	948	1,562
38,654	Materials and contracts	4c	39,539	38,390
19,155	Depreciation and amortisation	4d	19,476	19,349
16,748	Other expenses	4e	16,242	15,306
–	Net losses from the disposal of assets	5	405	–
114,329	Total expenses from continuing operations		114,057	110,734
27,270	Operating result from continuing operations		41,970	22,586
27,270	Net operating result for the year		41,970	22,586
9,108	Net operating result for the year before grants and contributions provided for capital purposes		6,819	13,460

¹ Original budget as approved by Council – refer Note 16

Ku-ring-gai Council

Statement of Comprehensive Income for the year ended 30 June 2016

\$ '000	Notes	Actual 2016	Actual 2015
Net operating result for the year (as per Income Statement)		41,970	22,586
Other comprehensive income:			
Amounts which will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of I,PP&E	20b (ii)	95,633	93,593
Total other comprehensive income for the year		95,633	93,593
Total comprehensive income for the year		137,604	116,179

Ku-ring-gai Council

Statement of Financial Position as at 30 June 2016

\$ '000	Notes	Actual 2016	Actual 2015 * Reinstated	Actual 2014 * Reinstated
ASSETS				
Current assets				
Cash and cash equivalents	6a	291	184	–
Investments	6b	57,313	34,826	41,457
Receivables	7	8,042	8,081	7,811
Inventories	8	231	251	252
Other	8	2,231	1,304	1,159
Assets classified as 'held for sale'	22	–	1,040	7,290
Total current assets		68,108	45,686	57,969
Non-current assets				
Investments	6b	68,254	62,274	51,005
Receivables	7	133	150	185
Infrastructure, property, plant and equipment	9	1,174,318	1,084,422	984,728
Investment property	14	19,056	–	–
Intangible assets	25	397	618	748
Total non-current assets		1,262,158	1,147,464	1,036,666
TOTAL ASSETS		1,330,266	1,193,150	1,094,635
LIABILITIES				
Current liabilities				
Payables	10	12,211	10,609	11,055
Borrowings	10	1,584	2,536	4,397
Provisions	10	10,813	10,300	10,307
Total current liabilities		24,608	23,445	25,759
Non-current liabilities				
Borrowings	10	22,344	23,987	39,335
Provisions	10	285	293	295
Total non-current liabilities		22,629	24,280	39,630
TOTAL LIABILITIES		47,237	47,725	65,389
Net assets		1,283,029	1,145,425	1,029,246
EQUITY				
Retained earnings	20	776,315	734,344	711,758
Revaluation reserves	20	506,714	411,081	317,488
Council equity interest		1,283,029	1,145,425	1,029,246
Total equity		1,283,029	1,145,425	1,029,246

* Refer to Note 20(c) for the details of the reinstatement

Ku-ring-gai Council

Statement of Changes in Equity
for the year ended 30 June 2016

\$ '000	Notes	Retained Earnings	Reserves (Refer 20b)	Council Interest	Non- controlling Interest	Total equity
2016						
Opening balance (as per last year's audited accounts)		734,344	411,081	1,145,425	–	1,145,425
a. Correction of prior period errors	20 (c)	–	–	–	–	–
b. Changes in accounting policies (prior year effect)	20 (d)	–	–	–	–	–
Revised opening balance (as at 1/7/15)		734,344	411,081	1,145,425	–	1,145,425
c. Net operating result for the year		41,970	–	41,970	–	41,970
d. Other comprehensive income						
– Revaluations: IPP&E asset revaluation reserve	20b (ii)	–	95,633	95,633	–	95,633
Total comprehensive income (c&d)		41,970	95,633	137,604	–	137,604
Equity – balance at end of the reporting period		776,315	506,714	1,283,029	–	1,283,029

\$ '000	Notes	Retained Earnings	Reserves (Refer 20b)	Council Interest	Non- controlling Interest	Total Equity
2015						
Opening balance (as per last year's audited accounts)		704,772	317,488	1,022,260	–	1,022,260
a. Correction of prior period errors	20 (c)	6,986	–	6,986	–	6,986
b. Changes in accounting policies (prior year effect)	20 (d)	–	–	–	–	–
Revised opening balance (as at 1/7/14)		711,758	317,488	1,029,246	–	1,029,246
c. Net operating result for the year		22,586	–	22,586	–	22,586
d. Other comprehensive income						
– Revaluations: IPP&E asset revaluation reserve	20b (ii)	–	93,593	93,593	–	93,593
Total comprehensive income (c&d)		22,586	93,593	116,179	–	116,179
Equity – balance at end of the reporting period		734,344	411,081	1,145,425	–	1,145,425

Ku-ring-gai Council

Statement of Cash Flows
for the year ended 30 June 2016

Budget 2016	\$ '000	Notes	Actual 2016	Actual 2015
Cash flows from operating activities				
Receipts:				
77,465	Rates and annual charges		78,500	76,298
16,991	User charges and fees		19,052	14,925
4,183	Investment and interest revenue received		4,238	3,969
25,728	Grants and contributions		44,340	17,897
–	Bonds, deposits and retention amounts received		25	36
10,744	Other		12,856	14,789
Payments:				
(36,853)	Employee benefits and on-costs		(36,992)	(36,187)
(35,174)	Materials and contracts		(42,885)	(42,295)
(355)	Borrowing costs		(948)	(812)
–	Bonds, deposits and retention amounts refunded		(305)	(124)
(20,930)	Other		(15,894)	(19,231)
41,799	Net cash provided (or used in) operating activities	11b	61,987	29,265
Cash flows from investing activities				
Receipts:				
–	Sale of investment securities		35,546	39,216
–	Sale of assets held for sale		1,146	12,607
11,587	Sale of infrastructure, property, plant and equipment		773	9,618
Payments:				
–	Purchase of investment securities		(64,052)	(43,813)
–	Purchase of investment property		(256)	–
(47,669)	Purchase of infrastructure, property, plant and equipment		(32,328)	(28,750)
(36,082)	Net cash provided (or used in) investing activities		(59,285)	(11,122)
Cash flows from financing activities				
Receipts:				
–	Proceeds from borrowings and advances		656	283
Payments:				
(2,228)	Repayment of borrowings and advances		(3,251)	(18,192)
(2,228)	Net cash flow provided (used in) financing activities		(2,595)	(17,909)
3,489	Net increase/(decrease) in cash and cash equivalents		107	234
5,975	Plus: cash and cash equivalents – beginning of year	11a	184	(50)
9,464	Cash and cash equivalents – end of the year	11a	291	184
	plus: Investments on hand – end of year	6b	125,567	97,100
	Total cash, cash equivalents and investments		125,858	97,284

Please refer to Note 11 for additional cash flow information

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

Ku-ring-gai Council

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

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Ku-ring-gai Council

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

Note 1. Summary of Significant Accounting Policies

Ku-ring-gai Council has its principal business office at 818 Pacific Highway Gordon NSW 2072. Council is empowered by the New South Wales Local Government Act (LGA) 1993 and its Charter as specified in Section 8 of the Act.

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

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

(a) Basis of preparation

(i) Background

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

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

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

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

Because AASBs are sector neutral, some standards either:

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

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

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

(iii) New and amended standards adopted by Council

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

(iv) Early adoption of accounting standards

Council has not elected to apply any pronouncements before their operative date in the annual reporting period beginning 1 July 2015, except for AASB 2015-7 Amendments to Australian Accounting Standards – Fair Value Disclosures of Not-for-Profit Public Sector Entities, which has reduced the fair value disclosures for Level 3 assets.

(v) Basis of accounting

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

- (i) assets held for sale - measured at fair value less cost of disposal
- (ii) the write down of any asset on the basis of impairment (if warranted), and
- (iii) certain classes of non-current assets (eg. infrastructure, property, plant and equipment and investment property) that are accounted for at fair value.

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

(vi) Changes in accounting policies

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

Ku-ring-gai Council

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

Note 1. Summary of Significant Accounting Policies (continued)

There have also been no changes in accounting policies when compared with previous financial statements unless otherwise stated.

(vii) Critical accounting estimates

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

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

Critical accounting estimates and assumptions

Council makes estimates and assumptions concerning the future.

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

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

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

(b) Revenue recognition

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

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

Revenue is measured on major income categories as follows:

Rates, Annual Charges, Grants and Contributions

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

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

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

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

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

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

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

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

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

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

Ku-ring-gai Council

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

Note 1. Summary of Significant Accounting Policies (continued)

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

User charges, fees and other income

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

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

Sale of infrastructure, property, plant and equipment

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

Interest and rents

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

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

Other income

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

(c) Principles of consolidation

These financial statements incorporate (i) the assets and liabilities of Council and any entities (or operations) that it controls (as at 30 June 2016) and (ii) all the related operating results (for the financial year ended the 30th June 2016).

(i) The Consolidated Fund

In accordance with the provisions of section 409(1) of the LGA 1993, all money and property received by Council is held in the Council's consolidated fund. Council's General Purpose Operations have been included as part of the consolidated fund. Council does not hold money or property in a Trust fund.

(ii) Joint Arrangements

Joint operations (controlled assets and operations)

Joint operations represent operational arrangements where the joint control parties have rights to specific assets and obligations for specific liabilities relating to the arrangement rather than a right to the net assets of the arrangement.

The proportionate interests of Council in the assets, liabilities, income and expenses of all Joint Operation activities have been incorporated throughout the financial statements under the appropriate notes and line items.

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

Joint ventures

Council has no interest in any joint venture.

Associates

Council has no interest in any associates.

(d) Leases

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

Operating Leases

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

Payments made under operating leases are charged to the income statement on a straight-line basis over the period of the lease.

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

(e) Cash and Cash Equivalents

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

Ku-ring-gai Council

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

Note 1. Summary of Significant Accounting Policies (continued)

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

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

(f) Investments and other financial assets

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

- financial assets at fair value through profit or loss,
- loans and receivables,
- held-to-maturity investments,

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

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

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

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

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

(ii) Loans and receivables

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

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

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

(iii) Held-to-maturity investments

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

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

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

General accounting and measurement of financial instruments:

(i) Initial recognition

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

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

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

(ii) Subsequent measurement

Financial assets at fair value through profit and loss are subsequently carried at fair value.

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

Realised and unrealised gains and losses arising from changes in the fair value of the financial assets classified as 'fair value through profit or loss'

Ku-ring-gai Council

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

Note 1. Summary of Significant Accounting Policies (continued)

category are included in the income statement in the period in which they arise.

Impairment

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

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

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

(iii) Types of investments

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

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

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

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

(g) Fair value estimation

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

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

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

(h) Receivables

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

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

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

(i) Inventories

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

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

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

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

Acquisition of assets

Council's non-current assets are continually revalued (over a 5-year period) in accordance with the Fair

Ku-ring-gai Council

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

Note 1. Summary of Significant Accounting Policies (continued)

Valuation Policy as mandated by the Office of Local Government.

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

- **Plant and equipment**
(as approximated by depreciated historical cost)
- **Operational land** (external valuation)
- **Community land** (VG valuation)
- **Land improvements**
(as approximated by depreciated historical cost)
- **Buildings – specialised/non-specialised**
(external valuation)
- **Other structures**
(as approximated by depreciated historical cost)
- **Roads assets including roads, bridges and footpaths** (internal valuation)
- **Bulk earthworks** (internal valuation)
- **Stormwater drainage** (internal valuation)
- **Swimming pools** (as approximated by depreciated historical cost)
- **Recreational Facility Assets**
(as approximated by depreciated historical cost)
- **Other infrastructure**
(as approximated by depreciated historical cost)
- **Other assets**
(as approximated by depreciated historical cost)

Initial recognition

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

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

Subsequent costs

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

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

Asset revaluations (including indexation)

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

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

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

Capitalisation thresholds

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

Asset capitalisation thresholds:

- Road Assets	\$10,000
- Bridge Assets	\$10,000
- Road & Reserve Furniture	\$2,000
- Car Park Assets	\$10,000
- Footpath Assets	\$5,000
- Kerb & Gutter Assets	\$5,000
- Stormwater Drainage Assets	\$10,000
- Buildings	\$5,000
- Parks & Recreation Assets	\$5,000

Ku-ring-gai Council

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

Note 1. Summary of Significant Accounting Policies (continued)

- Fleet & Plant	\$2,000
- Information Technology Hardware/ Software	\$2,000

In determining (and annually reviewing) such thresholds, regard is given to the nature of the asset and its estimated service life.

Depreciation

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

Land is not depreciated.

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

- Roads: Surface	20 - 30 years
- Roads: Pavement	50 - 100 years
- Roads: Formation	120 years
- Recreational Facilities	30 -100 years
- Drain Structures	10 - 50 years
- Drain grates, inlets and pipes	100 -150 years
- Buildings	60 - 95 years
- Motor vehicles	10 years
- Plant & Equipment	10 years
- Office Equipment	10 years
- Software	5 years
- Land Improvement	20 years
- Car Park	20 - 100 years
- Bridges	10 - 100 years
- Footpaths	40 - 80 years
- Kerb & Gutter	60 - 100 years

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

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

Disposal and de-recognition

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

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

(k) Land

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

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

(l) Land under roads

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

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

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

(m) Intangible assets

IT development and software

Systems and costs incurred in acquiring software and licenses that will contribute to future period financial benefits through revenue generation and/or cost reduction are capitalised to software and systems. Costs capitalised include software licenses.

Amortisation is calculated on a straight line bases over periods generally ranging from 3 to 5 years.

(n) Investment property

Investment property comprises buildings that are principally held for long-term rental yields, capital gains or both, that is not occupied by Council. Investment property is carried at fair value. Annual changes in the fair value of investment properties are

Ku-ring-gai Council

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

Note 1. Summary of Significant Accounting Policies (continued)

recorded in the Income Statement as part of 'other income'.

(o) Non-current assets 'held for sale'

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

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

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

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

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

(p) Impairment of assets

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

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

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

(q) Payables

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

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

(r) Borrowing costs

Borrowing costs are expensed, except to the extent that they are incurred during the construction of qualifying assets.

(s) Provisions

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

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

Provisions are not recognised for future operating losses.

(t) Employee benefits

(i) Short-term obligations

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

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

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

Ku-ring-gai Council

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

Note 1. Summary of Significant Accounting Policies (continued)

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

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

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

(ii) Other long-term obligations

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

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

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

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

Due to the nature of when and how long service leave can be taken, all long service leave for employees with 5 or more years of service has been classified as current, as it has been deemed that Council does not have the unconditional right to defer settlement beyond 12 months – even though it is not anticipated that all employees with more than 5 years service (as at reporting date) will apply for and take their leave entitlements in the next 12 months.

(iii) Retirement benefit obligations

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

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

Defined benefit plans

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

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

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

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

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

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

The last valuation of the Scheme was performed by Mr Richard Boyfield, FIAA on 24th February 2016, relating to the period ending 30 June 2015.

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

As a result the Scheme has asked for a continuation of increased future contributions to recover that deficiency.

Council's share of that deficiency cannot be accurately calculated as the scheme is a mutual

Ku-ring-gai Council

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

Note 1. Summary of Significant Accounting Policies (continued)

arrangement where assets and liabilities are pooled together for all member councils.

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

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

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.

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

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

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

Exceptions

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

(v) Taxes

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

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

Goods and Services Tax (GST)

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

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

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

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

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

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

Council has not adopted any of these standards early.

These include the following standards that are anticipated will impact on local government:

AASB 9 – Financial Instruments

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

AASB ED 260 – Income of Not-for-Profit Entities

AASB16 – Leases

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

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

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

Ku-ring-gai Council

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

Note 1. Summary of Significant Accounting Policies (continued)

The full impact of the above standards has yet to be ascertained or quantified but will range from additional and/or revised disclosures to changes in how certain transactions and balances are accounted for.

(x) Rounding of amounts

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

(y) Comparative figures

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

(z) Disclaimer

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

Ku-ring-gai Council

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

Note 2(a). Council Functions/Activities – Financial Information

Functions/activities	Income, expenses and assets have been directly attributed to the following functions/activities. Details of these functions/activities are provided in Note 2(b).												
	Income from Continuing Operations			Expenses from Continuing Operations			Operating Result from Continuing Operations			Grants included in Income from Continuing Operations		Total Assets held (current & non-current)	
	Original Budget 2016	Actual 2016	Actual 2015	Original Budget 2016	Actual 2016	Actual 2015	Original Budget 2016	Actual 2016	Actual 2015	Actual 2016	Actual 2015	Actual 2016	Actual 2015
Governance	3	7	11	295	265	176	(292)	(258)	(165)	52	–	96,878	87,463
Administration	59,292	71,679	48,978	25,850	22,444	25,200	33,442	49,235	23,778	–	59	184,940	165,926
Public order and safety	442	820	638	4,405	4,430	4,147	(3,963)	(3,610)	(3,509)	388	278	7,281	6,533
Health	130	289	173	567	509	373	(437)	(220)	(200)	–	24	8,332	6,578
Environment	22,487	23,196	20,905	26,739	26,414	24,547	(4,252)	(3,217)	(3,642)	211	172	5,551	4,980
Community services and education	7,102	7,587	6,808	6,511	7,228	6,514	591	359	294	1,233	1,414	11,739	10,532
Housing and community amenities	1,022	1,199	1,148	4,531	4,134	4,466	(3,509)	(2,935)	(3,318)	473	475	63,049	56,567
Recreation and culture	7,077	7,078	10,646	25,561	26,816	23,846	(18,484)	(19,738)	(13,200)	332	513	376,358	337,665
Mining, manufacturing and construction	2,266	2,463	2,259	5,230	6,898	7,829	(2,964)	(4,435)	(5,570)	–	–	1,951	1,750
Transport and communication	5,764	4,792	6,678	14,302	14,572	13,441	(8,538)	(9,780)	(6,763)	1,811	1,302	574,187	515,155
Economic affairs	63	655	31	338	347	195	(275)	308	(164)	–	–	–	–
Total functions and activities	105,648	119,765	98,275	114,329	114,057	110,734	(8,681)	5,708	(12,459)	4,500	4,237	1,330,266	1,193,150
General purpose income ¹	35,951	36,262	35,045	–	–	–	35,951	36,262	35,045	3,801	3,833	–	–
Operating result from continuing operations	141,599	156,027	133,320	114,329	114,057	110,734	27,270	41,970	22,586	8,301	8,070	1,330,266	1,193,150

1. Includes: rates and annual charges (incl. ex-gratia), untied general purpose grants and unrestricted interest and investment income.

Ku-ring-gai Council

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

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

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

GOVERNANCE

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

ADMINISTRATION

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

PUBLIC ORDER AND SAFETY

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

HEALTH

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

ENVIRONMENT

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

COMMUNITY SERVICES AND EDUCATION

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

HOUSING AND COMMUNITY AMENITIES

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

RECREATION AND CULTURE

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

MINING, MANUFACTURING AND CONSTRUCTION

Building control, abattoirs, quarries, pits and other.

TRANSPORT AND COMMUNICATION

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

ECONOMIC AFFAIRS

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

Ku-ring-gai Council

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

Note 3. Income from Continuing Operations

\$ '000	Notes	Actual 2016	Actual 2015
(a) Rates and annual charges			
Ordinary rates			
Residential		26,969	25,752
Business		4,035	3,970
Total ordinary rates		31,004	29,722
Special rates			
Environmental levy		2,638	2,643
Infrastructure levy		24,604	23,739
New facility rate		–	1,669
Total special rates		27,242	28,051
Annual charges (pursuant to s.496, s.496A, s.496B, s.501 & s.611)			
Domestic waste management services		19,253	17,579
Stormwater management services		964	952
Section 611 charges		74	66
Total annual charges		20,291	18,597
TOTAL RATES AND ANNUAL CHARGES		78,537	76,370

Ku-ring-gai Council

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

Note 3. Income from Continuing Operations (continued)

\$ '000	Notes	Actual 2016	Actual 2015
(b) User charges and fees			
Other user charges and fees			
(i) Fees and charges – statutory and regulatory functions (per s.608)			
Building regulation		2,230	1,660
Certificates		696	746
DA advertising fees		83	76
Driveway application fees		302	252
Outstanding notices		212	148
Regulatory application fees		243	237
Tree preservation charges		90	91
Total fees and charges – statutory/regulatory		3,856	3,210
(ii) Fees and charges – other (incl. general user charges (per s.608))			
Art centre		508	446
Bus shelters		330	323
Thomas Carlyle Children Centre & Family day care		1,287	1,106
Golf courses (Gordon & Turramurra)		1,139	725
Halls		382	328
Holiday activities		447	386
Leaseback fees – Council vehicles		353	342
Library		101	43
Nursery & Wildflower Garden		62	38
Parks		806	706
Restoration charges		1,781	1,282
Sale of documents		6	6
Showground		73	61
Swimming centres		4,197	2,234
Tennis courts		322	299
Trade waste charges		1,779	1,666
Other		574	482
Total fees and charges – other		14,147	10,473
TOTAL USER CHARGES AND FEES		18,003	13,683

Ku-ring-gai Council

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

Note 3. Income from Continuing Operations (continued)

\$ '000	Notes	Actual 2016	Actual 2015
(c) Interest and investment revenue (including losses)			
Interest			
– Interest on overdue rates and annual charges (incl. special purpose rates)		127	120
– Interest earned on investments (interest and coupon payment income)		4,130	3,866
Amortisation of premiums and discounts			
– 'Held to maturity' investments		(39)	41
TOTAL INTEREST AND INVESTMENT REVENUE		4,218	4,027
Interest revenue is attributable to:			
Unrestricted investments/financial assets:			
Overdue rates and annual charges (general fund)		127	120
General Council cash and investments		867	892
Restricted investments/funds – external:			
Development contributions			
– Section 94		2,761	2,537
Restricted investments/funds – internal:			
Internally restricted assets		463	478
Total interest and investment revenue recognised		4,218	4,027
(d) Other revenues			
Rental income – investment properties	14	1,106	–
Rental income – other council properties		4,232	4,720
Fines – parking		1,833	2,001
Fines – other		632	350
Legal fees recovery – rates and charges (extra charges)		–	79
Legal fees recovery – other		378	87
Commissions and agency fees		26	17
Credit card surcharge		119	118
Dog registration fees		93	71
Filming fees		6	6
Insurance claim recoveries		4	95
Licence income		454	290
Program fees		227	407
Recycling income (non-domestic)		1,025	740
Trade discount		26	26
Domestic waste other income		497	140
Other		1,164	387
TOTAL OTHER REVENUE		11,823	9,534

Ku-ring-gai Council

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

Note 3. Income from Continuing Operations (continued)

\$ '000	2016 Operating	2015 Operating	2016 Capital	2015 Capital
(e) Grants				
General purpose (untied)				
Financial assistance	3,527	3,544	–	–
Pensioners' rates subsidies – general component	274	289	–	–
Total general purpose	3,801	3,833	–	–
Specific purpose				
Pensioners' rates subsidies:				
– Domestic waste management	203	203	–	–
Community care	21	60	–	–
Community centres	1,212	1,298	–	–
Environmental protection	70	172	–	40
Fire management	–	1	141	137
Library	298	234	–	–
LIRS subsidy	51	61	–	–
NSW rural fire services	60	92	–	–
Recreation and culture	–	29	34	171
Road safety	42	54	–	–
Street lighting	286	276	–	–
Transport	1,811	715	–	362
Better waste and recycling fund	271	271	–	–
Other	–	61	–	–
Total specific purpose	4,326	3,527	174	710
Total grants	8,127	7,360	174	710
Grant revenue is attributable to:				
– Commonwealth funding	2,518	3,544	–	55
– State funding	5,609	3,816	174	655
	8,127	7,360	174	710

Ku-ring-gai Council

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

Note 3. Income from Continuing Operations (continued)

\$ '000	2016 Operating	2015 Operating	2016 Capital	2015 Capital
(f) Contributions				
Developer contributions:				
S 94 – contributions towards amenities/services	2	2	33,401	7,671
Total developer contributions	17 2	2	33,401	7,671
Other contributions:				
Contribution to works	166	366	876	93
RMS contributions (regional roads, block grant)	–	–	–	652
Other	–	–	700	–
Total other contributions	166	366	1,576	745
Total contributions	168	368	34,977	8,416
TOTAL GRANTS AND CONTRIBUTIONS	8,295	7,728	35,151	9,126

\$ '000	Actual 2016	Actual 2015
(g) Restrictions relating to grants and contributions		
Certain grants and contributions are obtained by Council on condition that they be spent in a specified manner:		
Unexpended at the close of the previous reporting period	65,970	61,444
Add: grants and contributions recognised in the current period but not yet spent:	38,600	12,219
Less: grants and contributions recognised in a previous reporting period now spent:	(15,089)	(7,693)
Net increase in restricted assets during the period	23,511	4,526
Unexpended and held as restricted assets	89,481	65,970
Comprising:		
– Specific purpose unexpended grants	972	823
– Developer contributions	88,509	65,147
	89,481	65,970

Ku-ring-gai Council

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

Note 4. Expenses from Continuing Operations

\$ '000	Notes	Actual 2016	Actual 2015
(a) Employee benefits and on-costs			
Salaries and wages		30,003	28,779
Employee leave entitlements (ELE)		4,972	4,925
Superannuation		3,555	3,531
Workers' compensation insurance		362	296
Fringe benefit tax (FBT)		356	358
Training costs (other than salaries and wages)		249	329
Other		78	82
Total employee costs		39,575	38,300
Less: capitalised costs		(2,128)	(2,173)
TOTAL EMPLOYEE COSTS EXPENSED		37,447	36,127
Number of 'full-time equivalent' employees (FTE) at year end			
		409	424
(b) Borrowing costs			
(i) Interest bearing liability costs			
Interest on loans		948	1,562
Total interest bearing liability costs		948	1,562
TOTAL BORROWING COSTS EXPENSED		948	1,562
(c) Materials and contracts			
Raw materials and consumables		3,552	3,319
Contractor and consultancy costs		32,978	32,818
Auditors remuneration		57	46
Lease expense		424	350
Legal expenses:			
– Legal expenses: planning and development		1,805	1,277
– Legal expenses: other		252	150
Operating leases:			
– Operating lease rentals: minimum lease payments		270	273
Other		201	157
TOTAL MATERIALS AND CONTRACTS		39,539	38,390

Ku-ring-gai Council

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

Note 4. Expenses from Continuing Operations (continued)

\$ '000	Notes	Actual 2016	Actual 2015
(c) Materials and contracts (continued)			
1. Auditor remuneration			
During the year, the following fees were incurred for services provided by the Council's Auditor:			
Audit and other assurance services			
– Audit and review of financial statements: Council's Auditor		57	46
Remuneration for audit and other assurance services		57	46
Total Auditor remuneration		57	46
2. Operating lease payments are attributable to:			
Computers		270	273
		270	273

\$ '000	Notes	Depreciation/amortisation Actual 2016	Actual 2015
(d) Depreciation, amortisation and impairment			
Plant and equipment		895	894
Office equipment		191	172
Furniture and fittings		27	21
Land improvements (depreciable)		334	451
Infrastructure:			
– Buildings – non-specialised		1,899	2,494
– Buildings – specialised		402	442
– Other structures		272	31
– Roads		8,810	6,664
– Bridges		163	162
– Footpaths		750	1,235
– Stormwater drainage		1,653	2,396
– Swimming pools		353	625
– Other open space/recreational assets		2,853	2,931
Other assets			
– Library books		530	512
– Other		54	53
Intangible assets	25	290	266
TOTAL DEPRECIATION AND IMPAIRMENT COSTS EXPENSED		19,476	19,349

Ku-ring-gai Council

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

Note 4. Expenses from Continuing Operations (continued)

\$ '000	Notes	Actual 2016	Actual 2015
(e) Other expenses			
Advertising		497	497
Bad and doubtful debts		207	3
Bank charges		244	243
Commissions		305	303
Computer software charges		1,029	907
Conferences		278	158
Contributions/levies to other levels of government			
– Department of Planning levy		374	391
– NSW Fire Brigade Levy		2,212	1,956
Corporate events		44	28
Councillor expenses – mayoral fee		40	39
Councillor expenses – councillors' fees		184	179
Donations, contributions and assistance to other organisations (Section 356)		174	173
Electricity and heating		1,069	1,169
External plant hire		32	59
Family day care (child care assistance)		511	507
Insurance		1,450	1,267
Insurance excess		47	73
Postage		275	231
Rate issue costs		17	21
Rental rebates		2,306	2,321
Street lighting		2,085	2,237
Subscriptions and publications		255	283
Sydney water		356	340
Telephone and communications		604	464
Valuation fees		212	215
Vehicle registration		149	155
Other		1,286	1,087
TOTAL OTHER EXPENSES		16,242	15,306

Ku-ring-gai Council

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

Note 5. Gains or Losses from the Disposal of Assets

\$ '000	Notes	Actual 2016	Actual 2015
Plant and equipment			
Proceeds from disposal – plant and equipment		774	720
Less: carrying amount of plant and equipment assets sold/written off		(908)	(712)
Net gain/(loss) on disposal		(135)	8
Infrastructure			
Proceeds from disposal – infrastructure		–	9,004
Less: carrying amount of infrastructure assets sold/written off		(331)	(2,937)
Net gain/(loss) on disposal		(331)	6,067
Financial assets			
Proceeds from disposal/redemptions/maturities – financial assets		35,546	39,216
Less: carrying amount of financial assets sold/redeemed/matured		(35,546)	(39,216)
Net gain/(loss) on disposal		–	–
Non-current assets classified as 'held for sale'			
Proceeds from disposal – non-current assets 'held for sale'		1,146	12,607
Less: carrying amount of 'held for sale' assets sold/written off		(1,040)	(5,830)
Net gain on disposal		106	6,777
Other			
Proceeds from disposal – Other		–	–
Less: carrying amount of Other assets sold/written off		(45)	–
Net (loss) on disposal		(45)	–
NET GAIN/(LOSS) ON DISPOSAL OF ASSETS		(405)	12,852

Ku-ring-gai Council

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

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

\$ '000	Notes	2016	2016	2015	2015
		Actual Current	Actual Non-current	Actual Current	Actual Non-current
Cash and cash equivalents (Note 6a)					
Cash on hand and at bank		291	–	184	–
Total cash and cash equivalents		291	–	184	–
Investments (Note 6b)					
–Term deposits		43,500	44,000	16,000	43,000
– FRN's (with maturities > 3 months)		3,009	24,254	4,993	13,274
– Deposits (Short Term) ¹		10,804	–	13,833	–
– Other Long Term Financial Assets (CPDO PP)		–	–	–	6,000
Total investments		57,313	68,254	34,826	62,274
TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS		57,604	68,254	35,010	62,274

¹ Those investments where time to maturity (from date of purchase) is less than 3 months.

Refer to Note 27. Fair value measurement for information regarding the fair value of investments held.

\$ '000	2016	2016	2015	2015
	Actual Current	Actual Non-current	Actual Current	Actual Non-current
Reconciliation of investments classified as 'held to maturity'				
Balance at the beginning of the year	34,826	62,274	41,457	51,005
Additions	42,052	22,000	21,557	22,256
Disposals (sales and redemptions)	(35,544)	(2)	(39,166)	(9)
Transfers between current/non-current	16,018	(16,018)	10,978	(10,978)
Balance at end of year	57,313	68,254	34,826	62,274
Comprising:				
– Term deposits	54,304	44,000	29,833	43,000
– FRN's (with maturities > 3 months)	3,009	24,254	4,993	13,274
– Other Long Term Financial Assets (CPDO PP)	–	–	–	6,000
Total	57,313	68,254	34,826	62,274

Ku-ring-gai Council

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

Note 6c. Restricted Cash, Cash Equivalents and Investments – Details

\$ '000	2016	2016	2015	2015
	Actual Current	Actual Non-current	Actual Current	Actual Non-current
Total cash, cash equivalents and investment	57,604	68,254	35,010	62,274
Attributable to:				
External restrictions (refer below)	30,515	68,254	11,280	62,274
Internal restrictions (refer below)	23,256	–	20,701	–
Unrestricted	3,833	–	3,029	–
	57,604	68,254	35,010	62,274

\$ '000			Opening	Transfers to	Transfers from	Closing
			balance	restrictions	restrictions	balance
Details of restrictions						
External restrictions						
Developer contributions – general	(A)	65,147	36,164	(12,802)		88,509
Specific purpose unexpended grants	(B)	823	2,436	(2,287)		972
Domestic waste management	(C)	2,483	21,003	(18,073)		5,413
Infrastructure levy		–	2,720	(2,720)		–
Environmental levy		2,171	2,638	(2,540)		2,269
New facility rate		2,352	1,543	(2,557)		1,338
Specific purpose unexpended loan – LIRS		578	–	(310)		268
Total external restrictions		73,554	66,504	(41,289)		98,769
Internal restrictions						
Employees leave entitlement		2,201	25	–		2,226
Carry over works		182	1,190	(365)		1,007
Deposits, retentions and bonds		1,199	–	–		1,199
Infrastructure and facilities		11,617	9,064	(8,214)		12,467
Other		5,502	1,776	(921)		6,357
Total internal restrictions		20,701	12,055	(9,500)		23,256
TOTAL RESTRICTIONS		94,255	78,559	(50,789)		122,025

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

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

C Domestic waste management (DWM) and other special rates/levies/charges are externally restricted assets and must be applied for the purposes for which they were raised.

Ku-ring-gai Council

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

Note 7. Receivables

\$ '000	Notes	2016		2015	
		Current	Non-current	Current	Non-current
Purpose					
Rates and annual charges		2,222	87	2,154	118
Interest and extra charges		211	46	207	32
User charges and fees		2,296	–	1,513	–
Capital debtors (being sale of assets)					
– Other asset sales		–	–	106	–
Accrued revenues					
– Interest on investments		1,604	–	1,825	–
– Other income accruals		935	–	752	–
Government grants and subsidies		–	–	687	–
Net GST receivable		934	–	914	–
Other debtors		43	–	27	–
Total		8,245	133	8,185	150
Less: provision for impairment					
User charges and fees		(203)	–	(104)	–
Total provision for impairment – receivables		(203)	–	(104)	–
TOTAL NET RECEIVABLES		8,042	133	8,081	150

There are no restrictions applicable to the above assets.

Notes on debtors above:

- (i) Rates and annual charges outstanding are secured against the property.
- (ii) Interest was charged on overdue rates and charges at 8.00% (2015 8.50%).
Generally all other receivables are non-interest bearing.
- (iii) Please refer to Note 15 for issues concerning credit risk and fair value disclosures.

Note 8. Inventories and Other Assets

\$ '000	Notes	2016		2015	
		Current	Non-current	Current	Non-current
(a) Inventories					
Inventories at cost					
Stores and materials		139	–	142	–
Trading stock		92	–	109	–
TOTAL INVENTORIES		231	–	251	–
(b) Other assets					
Prepayments		2,231	–	1,304	–
TOTAL OTHER ASSETS		2,231	–	1,304	–
TOTAL INVENTORIES AND OTHER ASSETS		2,462	–	1,555	–

There are no restrictions applicable to the above assets.

Note 9a. Infrastructure, Property, Plant and Equipment

\$ '000	as at 30/6/2015				Asset movements during the reporting period										as at 30/6/2016				
	At cost	At fair value	Accumulated depreciation	Carrying value	Additions renewals	Additions new assets	Carrying value of disposals	Depreciation expense	WIP transfers	Adjustments and transfers	Other movements	Tfrs from/(to) investment properties	Revaluation decrements to equity (ARR)	Revaluation increments to equity (ARR)	At cost	At fair value	Accumulated		Carrying value
																	depreciation	impairment	
Capital work in progress	8,462	-	-	8,462	3,711	3,630	-	-	(5,324)	-	(2)	-	-	-	10,476	-	-	-	10,476
Plant and equipment	-	12,223	6,193	6,030	1,781	-	(865)	(895)	-	-	-	-	-	-	-	12,284	6,232	-	6,052
Office equipment	-	2,363	1,171	1,192	-	65	(43)	(191)	-	-	(50)	-	-	-	-	1,743	770	-	973
Furniture and fittings	-	445	231	214	-	6	-	(27)	-	-	-	-	-	-	-	451	258	-	193
Land:																			
- Operational land	-	52,632	-	52,632	-	2,515	-	-	-	1,145	-	-	-	-	-	56,292	-	-	56,292
- Community land*	-	334,736	-	334,736	-	1,700	-	-	-	(1,145)	-	-	(23,008)	116,122	-	428,406	-	-	428,406
- Land under roads (post 30/6/08)	-	66	-	66	-	-	-	-	-	-	-	-	-	-	-	66	-	-	66
Land improvements – depreciable	-	17,911	304	17,607	-	3,522	-	(334)	-	(18,600)	-	-	-	-	-	2,834	639	-	2,195
Infrastructure:																			
- Buildings – non-specialised	-	126,472	60,192	66,280	1,435	1,242	-	(1,899)	140	172	-	(19,228)	-	-	-	109,805	61,663	-	48,142
- Buildings – specialised	-	11,899	1,431	10,468	-	17	-	(402)	-	3,100	-	-	-	-	-	15,016	1,833	-	13,183
- Other structures	-	13,032	5,131	7,901	33	-	-	(272)	-	-	-	-	-	-	-	12,988	5,326	-	7,662
- Roads	-	455,348	205,745	249,603	7,608	108	-	(8,810)	1,276	603	-	-	-	-	-	464,943	214,555	-	250,388
- Bridges	-	11,418	4,869	6,549	-	-	-	(163)	-	-	-	-	-	-	-	11,418	5,032	-	6,386
- Footpaths	-	45,413	14,066	31,347	434	35	-	(750)	-	-	-	-	-	-	-	45,882	14,816	-	31,066
- Bulk earthworks (non-depreciable)	-	58,789	-	58,789	-	937	-	-	-	-	-	-	-	-	-	59,726	-	-	59,726
- Stormwater drainage	-	236,237	73,118	163,119	113	171	-	(1,653)	-	-	-	-	-	-	-	236,520	74,770	-	161,750
- Swimming pools	-	23,979	4,091	19,888	122	994	-	(353)	-	-	-	-	-	-	-	25,095	4,444	-	20,651
- Other open space/recreational assets	-	87,192	41,386	45,806	593	2,441	(331)	(2,853)	3,892	14,897	-	-	-	2,080	-	110,087	43,562	-	66,525
Other assets:																			
- Library books	-	12,931	10,192	2,739	582	-	-	(530)	16	-	-	-	-	-	-	13,528	10,721	-	2,807
- Other*	-	5,233	4,239	994	-	-	-	(54)	-	-	-	-	-	439	-	5,671	4,292	-	1,379
TOTAL INFRASTRUCTURE, PROPERTY, PLANT AND EQUIP.	8,462	1,508,319	432,359	1,084,422	16,412	17,383	(1,239)	(19,186)	-	172	(52)	(19,228)	(23,008)	118,641	10,476	1,612,755	448,913	-	1,174,318

Renewals are defined as the replacement of existing assets (as opposed to the acquisition of new assets).

Refer to Note 27. Fair value measurement for information regarding the fair value of other infrastructure, property, plant and equipment.

Ku-ring-gai Council

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

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

Council has no externally restricted infrastructure, property, plant and equipment.

Note 9c. Infrastructure, Property, Plant and Equipment – Current Year Impairments

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

Note 10a. Payables, Borrowings and Provisions

\$ '000	Notes	2016		2015	
		Current	Non-current	Current	Non-current
Payables					
Goods and services – operating expenditure		4,588	–	4,347	–
Goods and services – capital expenditure		2,435	–	1,382	–
Payments received In advance		1,945	–	1,625	–
Accrued expenses:					
Security bonds, deposits and retentions		2,570	–	2,621	–
Other		673	–	634	–
Total payables		12,211	–	10,609	–
Borrowings					
Loans – secured ¹		1,584	22,344	2,536	23,987
Total borrowings		1,584	22,344	2,536	23,987
Provisions					
Employee benefits:					
Annual leave		3,058	–	3,124	–
Sick leave		323	–	321	–
Long service leave		6,714	285	6,093	293
Gratuities		718	–	762	–
Total provisions		10,813	285	10,300	293
TOTAL PAYABLES, BORROWINGS AND PROVISIONS		24,608	22,629	23,445	24,280

(i) Liabilities relating to restricted assets

There are no restricted assets (external or internal) applicable to the above liabilities except for certain employee entitlements.

¹ Loans are secured over the general rating income of Council

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

Ku-ring-gai Council

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

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

\$ '000	Actual 2016	Actual 2015
(ii) Current liabilities not anticipated to be settled within the next twelve months		
The following liabilities, even though classified as current, are not expected to be settled in the next 12 months.		
Provisions – employees benefits	7,569	7,210
Payables – security bonds, deposits and retentions	2,470	2,486
	10,039	9,696

Note 10b. Description of and Movements in Provisions

Class of provision	2015	2016				Closing balance as at 30/6/16
	Opening balance as at 1/7/15	Additional provisions	Decrease due to payments	Remeasurement effects due to discounting	Unused amounts reversed	
Annual leave	3,124	2,382	(2,448)	–	–	3,058
Sick leave	321	2	–	–	–	323
Long service leave	6,386	1,453	(840)	–	–	6,999
Gratuities	762	–	(44)	–	–	718
TOTAL	10,593	3,837	(3,332)	–	–	11,098

- a. Employees leave entitlements and on-costs represents those benefits accrued and payable and an estimate of those that will become payable in the future as a result of past service.

Ku-ring-gai Council

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

Note 11. Statement of Cash Flows – Additional Information

\$ '000	Notes	Actual 2016	Actual 2015
(a) Reconciliation of cash assets			
Total cash and cash equivalent assets	6a	291	184
Balance as per the Statement of Cash Flows		291	184
(b) Reconciliation of net operating result to cash provided from operating activities			
Net operating result from Income Statement		41,970	22,586
Adjust for non-cash items:			
Depreciation and amortisation		19,476	19,349
Net losses/(gains) on disposal of assets		405	(12,852)
Non-cash capital grants and contributions		–	750
Amortisation of premiums, discounts and prior period fair valuations – ‘Held to maturity’ financial assets		39	(41)
+/- Movement in operating assets and liabilities and other cash items:			
Decrease/(increase) in receivables		(149)	(126)
Increase/(decrease) in provision for doubtful debts		99	(3)
Decrease/(increase) in inventories		20	1
Decrease/(increase) in other assets		(927)	(145)
Increase/(decrease) in payables		241	(67)
Increase/(decrease) in other liabilities		308	(178)
Increase/(decrease) in employee leave entitlements		505	(9)
Net cash provided from operating activities from the Statement of Cash Flows		61,987	29,265
(c) Non-cash investing and financing activities			
Nil			
(d) Financing arrangements			
Unrestricted access was available at balance date to the following lines of credit:			
Bank overdraft facilities ⁽¹⁾		2,520	2,000
Credit cards		100	100
Total financing arrangements		2,620	2,100

1. The bank overdraft facility may be drawn at any time and may be terminated by the bank without notice.
Interest rates on overdrafts are interest rates on loans and other payables are disclosed in Note 15.

Ku-ring-gai Council

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

Note 12. Commitments for Expenditure

\$ '000	Notes	Actual 2016	Actual 2015
(a) Capital commitments (exclusive of GST)			
Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:			
Property, plant and equipment			
Buildings		1,020	891
Other		1,597	4,459
Total commitments		2,617	5,350
These expenditures are payable as follows:			
Within the next year		2,617	5,350
Total payable		2,617	5,350
Sources for funding of capital commitments:			
Unrestricted general funds		2,617	5,350
Total sources of funding		2,617	5,350
(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		369	297
Later than one year and not later than 5 years		490	533
Total non-cancellable operating lease commitments		859	830

b. Non-cancellable operating leases include the following assets:

Council's current operating leases are for IT Equipment including desktop computers, laptops, printers and multi-function devices and are for a term of four years.

Conditions relating to operating leases:

- All operating lease agreements are secured only against the leased asset.
- No lease agreements impose any financial restrictions on Council regarding future debt etc.

Ku-ring-gai Council

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

Note 13a(i). Statement of Performance Measurement – Indicators (consolidated)

\$ '000	Amounts 2016	Indicator 2016	Prior periods	
			2015	2014
Local government industry indicators – consolidated				
1. Operating performance ratio				
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions less operating expenses	<u>7,224</u>	5.98%	0.55%	1.56%
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions	120,876			
2. Own source operating revenue ratio				
Total continuing operating revenue ⁽¹⁾ excluding all grants and contributions	<u>112,581</u>	72.15%	86.01%	84.72%
Total continuing operating revenue ⁽¹⁾	156,027			
3. Unrestricted current ratio				
Current assets less all external restrictions ⁽²⁾	<u>37,593</u>	2.58x	2.50x	2.78x
Current liabilities less specific purpose liabilities ^(3, 4)	14,569			
4. Debt service cover ratio				
Operating result ⁽¹⁾ before capital excluding interest and depreciation/impairment/amortisation	<u>27,648</u>	6.58x	1.09x	4.82x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	4,199			
5. Rates, annual charges, interest and extra charges outstanding percentage				
Rates, annual and extra charges outstanding	<u>2,566</u>	3.16%	3.18%	3.25%
Rates, annual and extra charges collectible	81,175			
6. Cash expense cover ratio				
Current year's cash and cash equivalents plus all term deposits	<u>87,791</u>	10.51 mths	6.08 mths	8.01 mths
Payments from cash flow of operating and financing activities	8,356			

Notes

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

⁽²⁾ Refer Notes 6-8 inclusive.

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

⁽³⁾ Refer to Note 10(a).

⁽⁴⁾ Refer to Note 10(a)(ii) – excludes all payables and provisions not expected to be paid in the next 12 months (incl. ELE).

Ku-ring-gai Council

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

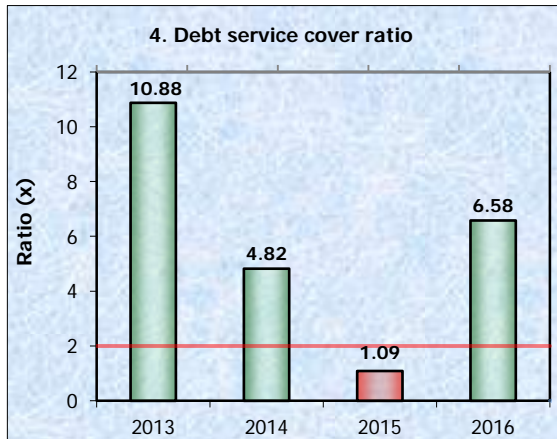
Note 13a(ii). Local Government Industry Indicators – Graphs (consolidated)

<p>1. Operating performance ratio</p> <table border="1"> <thead> <tr> <th>Year</th> <th>Ratio %</th> </tr> </thead> <tbody> <tr> <td>2013</td> <td>5.84%</td> </tr> <tr> <td>2014</td> <td>1.56%</td> </tr> <tr> <td>2015</td> <td>0.55%</td> </tr> <tr> <td>2016</td> <td>5.98%</td> </tr> </tbody> </table> <p>Benchmark: — Minimum $\geq 0.00\%$ Source for benchmark: Code of Accounting Practice and Financial Reporting #24</p>	Year	Ratio %	2013	5.84%	2014	1.56%	2015	0.55%	2016	5.98%	<p>Purpose of operating performance ratio</p> <p>This ratio measures Council's achievement of containing operating expenditure within operating revenue.</p>	<p>Commentary on 2015/16 result</p> <p>2015/16 ratio 5.98%</p> <p>Council's performance ratio is above the benchmark of (0%), which means that Council can easily contain operating expenditure (excluding capital grants and contributions) within its operating revenue. The ratio has been above benchmark for the last four years. The increase from previous year is mainly due to higher operating revenue from user fees and charges.</p>
Year	Ratio %											
2013	5.84%											
2014	1.56%											
2015	0.55%											
2016	5.98%											
<p>2. Own source operating revenue ratio</p> <table border="1"> <thead> <tr> <th>Year</th> <th>Ratio %</th> </tr> </thead> <tbody> <tr> <td>2013</td> <td>84.22%</td> </tr> <tr> <td>2014</td> <td>84.72%</td> </tr> <tr> <td>2015</td> <td>86.01%</td> </tr> <tr> <td>2016</td> <td>72.15%</td> </tr> </tbody> </table> <p>Benchmark: — Minimum $\geq 60.00\%$ Source for benchmark: Code of Accounting Practice and Financial Reporting #24</p>	Year	Ratio %	2013	84.22%	2014	84.72%	2015	86.01%	2016	72.15%	<p>Purpose of own source operating revenue ratio</p> <p>This ratio measures fiscal flexibility. It is the degree of reliance on external funding sources such as operating grants and contributions.</p>	<p>Commentary on 2015/16 result</p> <p>2015/16 ratio 72.15%</p> <p>Council's Own Source Operating Revenue Ratio has remained above the benchmark of ($>60\%$) in the last four years. Council has sufficient level of fiscal flexibility, in the event of being faced with unforeseen events.</p>
Year	Ratio %											
2013	84.22%											
2014	84.72%											
2015	86.01%											
2016	72.15%											
<p>3. Unrestricted current ratio</p> <table border="1"> <thead> <tr> <th>Year</th> <th>Ratio (x)</th> </tr> </thead> <tbody> <tr> <td>2013</td> <td>2.04</td> </tr> <tr> <td>2014</td> <td>2.78</td> </tr> <tr> <td>2015</td> <td>2.50</td> </tr> <tr> <td>2016</td> <td>2.58</td> </tr> </tbody> </table> <p>Benchmark: — Minimum ≥ 1.50 Source for benchmark: Code of Accounting Practice and Financial Reporting #24</p>	Year	Ratio (x)	2013	2.04	2014	2.78	2015	2.50	2016	2.58	<p>Purpose of unrestricted current ratio</p> <p>To assess the adequacy of working capital and its ability to satisfy obligations in the short term for the unrestricted activities of Council.</p>	<p>Commentary on 2015/16 result</p> <p>2015/16 ratio 2.58x</p> <p>Council's Unrestricted Current Ratio is above the benchmark of $>1.5x$ and has been outperforming benchmark for the last four years. Council's liquidity is good and it can readily pay its debts as they fall due.</p>
Year	Ratio (x)											
2013	2.04											
2014	2.78											
2015	2.50											
2016	2.58											

Ku-ring-gai Council

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

Note 13a(ii). Local Government Industry Indicators – Graphs (consolidated)



Benchmark: ——— Minimum ≥ 2.00

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

Purpose of debt service cover ratio

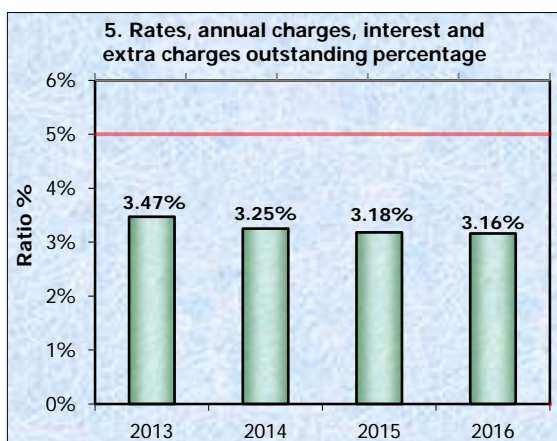
This ratio measures the availability of operating cash to service debt including interest, principal and lease payments

Commentary on 2015/16 result

2015/16 ratio 6.58x

The Debt Service Cover Ratio has increased from previous year and is above the benchmark of 2x, mainly due to decreased principal and interest repayments during the financial year compared to the year before.

Ratio achieves benchmark
 Ratio is outside benchmark



Benchmark: ——— Maximum $< 5.00\%$

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

Purpose of rates and annual charges outstanding ratio

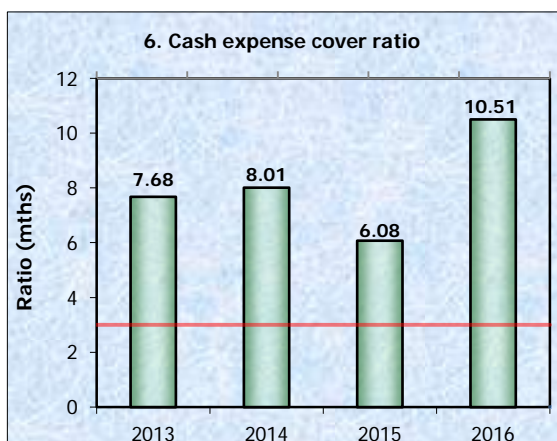
To assess the impact of uncollected rates and annual charges on Council's liquidity and the adequacy of recovery efforts.

Commentary on 2015/16 result

2015/16 ratio 3.16%

The percentage of rates and annual charges that are unpaid at the end of the financial year is a measure of how well Council is managing debt recovery. Council's ratio of 3.16% is satisfactory and is better than the benchmark of "less than 5%".

Ratio is within Benchmark
 Ratio is outside Benchmark



Benchmark: ——— Minimum ≥ 3.00

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

Purpose of cash expense cover ratio

This liquidity ratio indicates the number of months a Council can continue paying for its immediate expenses without additional cash inflow.

Commentary on 2015/16 result

2015/16 ratio 10.51 mths

Council's Cash Expense Cover Ratio is satisfactory and above benchmark of "greater than 3 months". The ratio has increased compared to the year before largely due to a higher proportion of the investment portfolio invested in shorter term deposits.

Ratio achieves benchmark
 Ratio is outside benchmark

Ku-ring-gai Council

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

Note 14. Investment Properties

\$ '000	Notes	Actual 2016	Actual 2015
(a) Investment properties at fair value			
Investment properties on hand		19,056	–
CLOSING BALANCE – INVESTMENT PROPERTIES		19,056	–
(b) Leasing arrangements			
Details of leased investment properties are as follows;			
Future minimum lease payments receivable under non-cancellable investment property operating leases not recognised in the financial statements are receivable as follows:			
Within 1 year		315	–
Later than 1 year but less than 5 years		1,903	–
Later than 5 years		–	–
Total minimum lease payments receivable		2,218	–
(c) Investment property income and expenditure – summary			
Rental income from investment properties:			
– Other income		1,106	–
Direct operating expenses on investment properties:			
– that generated rental income		(763)	–
Net revenue contribution from investment properties		343	–
plus:			
Fair value movement for year		–	–
Total income attributable to investment properties		343	–

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

Ku-ring-gai Council

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

Note 15. Financial Risk Management

\$ '000

Risk management

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

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

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

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

	Carrying value		Fair value	
	2016	2015	2016	2015
Financial assets				
Cash and cash equivalents	291	184	291	184
Investments				
– 'Held to maturity'	125,567	97,100	125,567	97,129
Receivables	8,175	8,231	8,374	8,231
Total financial assets	134,033	105,515	134,232	105,544
Financial liabilities				
Payables	10,266	8,984	10,266	8,833
Loans/advances	23,928	26,523	23,928	26,523
Total financial liabilities	34,194	35,507	34,194	35,356

Fair value is determined as follows:

- **Cash and cash equivalents, receivables, payables** – are estimated to be the carrying value that approximates market value.
- **Borrowings and held-to-maturity investments** – are based upon estimated future cash flows discounted by the current market interest rates applicable to assets and liabilities with similar risk profiles, unless quoted market prices are available.
- **Payables** – excludes payments received in advance

Refer to Note 27. Fair value measurement for information regarding the fair value of financial assets and liabilities.

Ku-ring-gai Council

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

Note 15. Financial Risk Management (continued)

\$ '000

(a) Cash & Cash Equivalents & "Held-to-maturity" Investments

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

Council's finance area manages the cash and Investments portfolio with the assistance of independent advisors.

Council has an investment policy which complies with the *Local Government Act 1993* and Minister's investment order. This policy is regularly reviewed by Council and it's staff and an investment report is tabled before Council on a monthly basis setting out the portfolio breakup and its performance.

The risks associated with the investments held are:

- **Price risk** – the risk that the capital value of Investments may fluctuate due to changes in market prices, whether there changes are caused by factors specific to individual financial instruments or their issuers or are caused by factors affecting similar instruments traded in a market.
- **Interest rate risk** – the risk that movements in interest rates could affect returns and income.
- **Credit risk** – the risk that the investment counterparty will not complete their obligations particular to a financial instrument, resulting in a financial loss to Council – be it of a capital or income nature.

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

Council also seeks advice from independent advisers before placing any funds in cash equivalents and investments.

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

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

	Increase of values/rates		Decrease of values/rates	
	Profit	Equity	Profit	Equity
2016				
Possible impact of a 10% movement in market values	1,080	1,080	(1,080)	(1,080)
Possible impact of a 1% movement in interest rates	108	108	(108)	(108)
2015				
Possible impact of a 10% movement in market values	1,383	1,383	(1,383)	(1,383)
Possible impact of a 1% movement in interest rates	138	138	(138)	(138)

Ku-ring-gai Council

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

Note 15. Financial Risk Management (continued)

\$ '000

(b) Credit risk

Council's major receivables comprise (i) rates and annual charges and (ii) user charges and fees.

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

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

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

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

		2016	2016	2015	2015
		Rates and annual charges	Other receivables	Rates and annual charges	Other receivables
(i) Ageing of receivables – %					
Current (not yet overdue)		100%	74%	100%	84%
Overdue		0%	26%	0%	16%
		100%	100%	100%	100%
		Rates and annual charges	Other receivables	Rates and annual charges	Other receivables
(ii) Ageing of receivables – value					
Rates and annual charges	Other receivables				
Current	Current	2,309	4,469	2,272	5,064
< 1 year overdue	0 – 30 days overdue	–	329	–	162
1 – 2 years overdue	30 – 60 days overdue	–	124	–	159
2 – 5 years overdue	60 – 90 days overdue	–	1,147	–	678
		2,309	6,069	2,272	6,063
(iii) Movement in provision for impairment of receivables					
				2016	2015
Balance at the beginning of the year				104	107
+ new provisions recognised during the year				203	–
– amounts already provided for and written off this year				(104)	(3)
Balance at the end of the year				203	104

Ku-ring-gai Council

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

Note 15. Financial Risk Management (continued)

\$ '000

(c) Liquidity risk

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

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

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

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

\$ '000	Subject to no maturity	payable in:						Total cash outflows	Actual carrying values
		≤ 1 Year	1-2 Yrs	2-3 Yrs	3-4 Yrs	4-5 Yrs	> 5 Yrs		
2016									
Trade/other payables	2,570	7,696	–	–	–	–	–	10,266	10,266
Loans and advances	–	1,802	19,686	1,177	741	404	764	24,574	23,928
Total financial liabilities	2,570	9,498	19,686	1,177	741	404	764	34,840	34,194
2015									
Trade/other payables	2,621	6,363	–	–	–	–	–	8,984	8,984
Loans and advances	–	2,824	19,743	1,497	1,388	708	1,118	27,278	26,523
Total financial liabilities	2,621	9,187	19,743	1,497	1,388	708	1,118	36,262	35,507

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

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

	2016		2015	
	Carrying value	Average interest rate	Carrying value	Average interest rate
Trade/other payables	10,266	0.00%	8,984	5.00%
Loans and advances – fixed interest rate	1,153	5.13%	1,804	6.00%
Loans and advances – variable interest rate	22,775	3.60%	24,719	3.90%
	34,194		35,507	

Ku-ring-gai Council

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

Note 16. Material Budget Variations

\$ '000

Council's original financial budget for 2015/2016 was adopted by the Council on 12 June 2015.

While the Income Statement included in this General Purpose Financial Report must disclose the original budget adopted by Council, the *Local Government Act 1993* requires Council to review its financial budget on a quarterly basis, so that it is able to manage the various variations between actuals versus budget that invariably occur throughout the year.

This note sets out the details of **material variations** between Council's original budget and its actual results for the year as per the Income Statement – even though such variations may have been adjusted for during each quarterly budget review.

Note that for variations* of budget to actual :

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

F = Favourable budget variation, **U** = Unfavourable budget variation

\$ '000	2016 Budget	2016 Actual	2016 ----- Variance* -----	
REVENUES				
Other revenues	10,723	11,823	1,100	10% F
Other Revenue is favourable compared to budget by \$1.1 million. This is primarily due to higher waste income received from metals recovery and sale of paper and includes higher Area Ranger fines and rental income from childcare facilities.				
Operating grants and contributions	7,566	8,295	729	10% F
The favourable variance of \$729k in Operating Grants & Contributions is primarily due to the reclassification of Roads to Recovery actual grants as operational. Roads to Recovery grants are not specifically given to Council for Capital purposes, therefore, are treated and disclosed as Operational Grants.				
Capital grants and contributions	18,162	35,151	16,989	94% F
Capital grants and contributions is higher than anticipated by \$17m as a result of additional section 94 income received.				
Net gains from disposal of assets	5,587	–	(5,587)	(100%) U
Net gain from disposal of assets is lower than anticipated due to the timing variances in the sale of two parcels of land.				
EXPENSES				
Borrowing costs	1,093	948	145	13% F
The favourable variance of \$145k in borrowing costs is mainly due to lower loan balance during the year and low interest rates.				

Ku-ring-gai Council

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

Note 17. Statement of Developer Contributions

\$ '000

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

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

SUMMARY OF CONTRIBUTIONS AND LEVIES

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Roads	(6,785)	2,527	–	–	(1,492)	–	(5,750)	–
Traffic facilities	10,902	9,648	–	522	(250)	–	20,822	–
Parking	836	–	–	31	(3)	–	864	–
Open space	53,882	18,694	–	1,966	(9,614)	–	64,928	–
Community facilities	6,182	2,497	–	239	(1,348)	–	7,570	–
Other	130	3	–	3	(95)	–	41	–
S94 contributions – under a plan	65,147	33,369	–	2,761	(12,802)	–	88,475	–
S94A levies – under a plan	–	34	–	–	–	–	34	–
Total S94 revenue under plans	65,147	33,403	–	2,761	(12,802)	–	88,509	–
Total contributions	65,147	33,403	–	2,761	(12,802)	–	88,509	–

Ku-ring-gai Council

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

Note 17. Statement of Developer Contributions (continued)

\$ '000

S94 CONTRIBUTIONS – UNDER A PLAN

CONTRIBUTION PLAN - 1993 Plan

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Parking	836	–	–	31	(3)	–	864	–
Community facilities	219	–	–	8	(1)	–	226	–
Total	1,055	–	–	39	(4)	–	1,090	–

CONTRIBUTION PLAN - 2000 to 2003 Residential Plan

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Open space	1,414	–	–	51	(22)	–	1,443	–
Community facilities	640	–	–	24	–	–	664	–
Total	2,054	–	–	75	(22)	–	2,107	–

CONTRIBUTION PLAN - 2004/2009 Residential Plan

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Open space	4,815	26	–	132	(2,480)	–	2,493	–
Community facilities	3,130	17	–	115	–	–	3,262	–
Other	140	1	–	3	(94)	–	50	–
Total	8,085	44	–	250	(2,574)	–	5,805	–

Ku-ring-gai Council

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

Note 17. Statement of Developer Contributions (continued)

\$ '000

S94 CONTRIBUTIONS – UNDER A PLAN

CONTRIBUTION PLAN - 2010 Plan

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Roads	(6,785)	2,527	–	–	(1,492)	–	(5,750)	–
Traffic facilities	10,902	9,648	–	522	(250)	–	20,822	–
Open space	47,313	18,668	–	1,771	(7,112)	–	60,640	–
Community facilities	2,193	2,480	–	92	(1,347)	–	3,418	–
Other	(10)	2	–	–	(1)	–	(9)	–
Total	53,613	33,325	–	2,385	(10,202)	–	79,121	–

CONTRIBUTION PLAN - Ku-ring-gai SEPP 5 Plan

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Open space	340	–	–	12	–	–	352	–
Total	340	–	–	12	–	–	352	–

S94A LEVIES – UNDER A PLAN

CONTRIBUTION PLAN NUMBER - Section 94 A levies

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Open space	–	34	–	–	–	–	34	–
Total	–	34	–	–	–	–	34	–

Ku-ring-gai Council

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

Note 18. Contingencies and Other Assets/Liabilities Not Recognised

\$ '000

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

LIABILITIES NOT RECOGNISED:

1. Guarantees

(i) Defined benefit superannuation contribution plans

Council participates in an employer-sponsored defined benefit superannuation scheme, and makes contributions as determined by the superannuation scheme's trustees.

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

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

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

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

(ii) Statewide Limited

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

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

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

(iii) StateCover Limited

Council is a member of StateCover Mutual Limited and holds a partly paid share in the entity.

StateCover is a company providing workers compensation insurance cover to the NSW local government industry and specifically Council.

Council has a contingent liability to contribute further equity in the event of the erosion of the company's capital base as a result of the company's past performance and/or claims experience or as a result of any increased prudential requirements from APRA.

These future equity contributions would be required to maintain the company's minimum level of net assets in accordance with its licence requirements.

(iv) Other guarantees

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

Ku-ring-gai Council

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

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

\$ '000

LIABILITIES NOT RECOGNISED (continued):

2. Other liabilities

(i) Third party claims

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

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

(ii) S94 plans

Council levies Section 94 contributions upon various development across the Council area through the required contributions plans.

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

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

These future expenses do not yet qualify as liabilities as of the reporting date, but represent Council's intention to spend funds in the manner and timing set out in those plans.

(iii) Potential land acquisitions due to planning

Council has zoned a number of privately owned land parcels as RE1 Local Open Space or SP2 Local Road.

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

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

ASSETS NOT RECOGNISED:

(i) Land under roads

As permitted under AASB 1051, Council has elected not to bring to account land under roads that it owned or controlled up to and including 30/6/08.

(ii) Infringement notices/fines

Fines and penalty income, the result of Council issuing infringement notices is followed up and collected by the Infringement Processing Bureau.

Council's revenue recognition policy for such income is to account for it as revenue on receipt.

Accordingly, at year end, there is a potential asset due to Council representing issued but unpaid infringement notices.

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

Ku-ring-gai Council

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

Note 19. Interests in Other Entities

\$ '000

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

These operations and entities range from 100% ownership and control through to lower levels of ownership and control via co-operative arrangements with other councils, bodies and other outside organisations.

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

Controlled entities (subsidiaries)

Note 19(a)

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

Joint ventures and associates

Note 19(b)

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

Associates are separate entities where Council has significant influence over the operations (but neither controls nor jointly controls them).

Joint operations

Note 19(c)

Operational arrangements where the parties that have joint control have rights to specific assets and obligations for specific liabilities relating to the arrangement rather than a right to the net assets of the arrangement.

Unconsolidated structured entities

Note 19(d)

Unconsolidated structured entities represent "special vehicles" that Council has an interest in but which are not controlled by Council and therefore not consolidated as a subsidiary, joint arrangement or associate. Attributes of structured entities include restricted activities, a narrow and well-defined objective and insufficient equity to finance its activities without financial support.

Ku-ring-gai Council

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

Note 19. Interests in Other Entities (continued)

\$ '000

(a) Controlled entities (subsidiaries) – being entities and operations controlled by Council

Council has no interest in any controlled entities (subsidiaries).

(b) Joint ventures and associates

Council has no interest in any joint ventures or associates.

(c) Joint operations

(i) Council was involved in the following joint operations (JO's)

Name of joint operation	Principal activity	Place of business	Interest in ownership		Interest in voting	
			2016	2015	2016	2015
B2 Land Subdivision	Joint Operation with the Office of Strategic Lands, NSW Environment and Planning, the joint development and sale of 26 lots housing subdivision.	South Turramurra	0%	54%	0%	50%

(ii) Council assets employed in the joint operations

Council's own assets employed in the operations

Current assets:

Other assets

Total assets – Council owned

Council's share of assets jointly owned with other partners

Current assets

Current liabilities

Total net assets employed – Council and jointly owned

	2016	2015
Other assets	–	1,040
Total assets – Council owned	–	1,040
Current assets	–	16
Current liabilities	–	(12)
Total net assets employed – Council and jointly owned	–	1,044

(d) Unconsolidated structured entities

Council has no unconsolidated structured entities

Ku-ring-gai Council

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

Note 20. Retained Earnings, Revaluation Reserves, Changes in Accounting Policies, Changes in Accounting Estimates and Errors

\$ '000	Notes	Actual 2016	Actual 2015
(a) Retained earnings			
Movements in retained earnings were as follows:			
Balance at beginning of year (from previous years audited accounts)		734,344	704,772
a. Correction of prior period errors	20 (c)	–	6,986
b Net operating result for the year		41,970	22,586
Balance at end of the reporting period		776,315	734,344
(b) Revaluation reserves			
(i) Reserves are represented by:			
– Infrastructure, property, plant and equipment revaluation reserve		506,714	411,081
Total		506,714	411,081
(ii) Reconciliation of movements in reserves:			
Infrastructure, property, plant and equipment revaluation reserve			
– Opening balance		411,081	317,488
– Revaluations for the year (Community Land & Artworks)	9(a)	95,633	93,593
Balance at end of year		506,714	411,081
Total value of reserves		506,714	411,081

(iii) Nature and purpose of reserves

Infrastructure, property, plant and equipment revaluation reserve

- The infrastructure, property, plant and equipment revaluation reserve is used to record increments/decrements of non-current asset values due to their revaluation.

Ku-ring-gai Council

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

Note 20. Retained Earnings, Revaluation Reserves, Changes in Accounting
Policies, Changes in Accounting Estimates and Errors (continued)

\$ '000	Notes	Actual 2016	Actual 2015
(c) Correction of error/s relating to a previous reporting period			
Correction of errors disclosed in this year's financial statements:			
Adjustment to Retained Earnings and Assets Register			
As part of the revaluation of Community Land and Art Works Council undertook a detailed review of assets classified as Community Land and Art Works. As a result, an adjustment has been made to Retained Earnings to recognise assets not previously recorded in the Assets Register .			
The following adjustment has been made to Retained Earnings:			
- Community Land Assets		7,961	7,961
- Art Works Assets		458	458
- Retained Earnings		(8,419)	(8,419)
Correction of errors as disclosed in last year's financial statements:			
During 2013/14 Council received reimbursement of expenses from the NSW Department of Planning for works undertaken as part of the Joint Operation for B2 land subdivision. This reimbursement was treated as contribution and accounted for as income in the Income Statement, rather than offset against expenditure. As a result, Council's held for sale assets relating to B2 were overstated due to projects gross expenditure being capitalised.			
To correct this error, the following balances have been reinstated:			
- Assets held for sale			(1,456)
- Retained Earnings			1,456
Minor adjustment to Council's Assets Register			
As part of an Assets review performed last year, an immaterial discrepancy was identified between the Financial Assets Register and the General ledger which was carried forward from previous financial years. This discrepancy was rectified to Retained Earnings at the end of financial year.			
			23
This adjustment resulted in a net increase/(decrease) in Council's accumulated surplus as at 30/6/14.			
In accordance with AASB 108 – Accounting Policies, Changes in Accounting Estimates and Errors, the above prior period errors have been recognised retrospectively.			
These amounted to the following equity adjustments:			
- Adjustments to opening equity – 1/7/14 (relating to adjustments for the 30/6/14 reporting year end and prior periods)		–	6,986
Total prior period adjustments – prior period errors		–	6,986

Ku-ring-gai Council

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

Note 20. Retained Earnings, Revaluation Reserves, Changes in Accounting Policies, Changes in Accounting Estimates and Errors (continued)

(d) Voluntary changes in accounting policies

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

Note 21. Financial Result and Financial Position by Fund

Council utilises only a general fund for its operations.

Note 22. 'Held for Sale' Non-Current Assets and Disposal Groups

\$ '000	2016 Current	2016 Non-current	2015 Current	2015 Non-current
(i) Non-current assets and disposal group assets				
Non-current assets 'held for sale'				
Land	–	–	1,040	–
Total non-current assets 'held for sale'	–	–	1,040	–

\$ '000	Assets 'held for sale'	
	2016	2015
(ii) Reconciliation of non-current assets 'held for sale' and disposal groups – i.e. discontinued operations		
Opening balance	1,040	7,290
Less: carrying value of assets/operations sold	(1,040)	(5,830)
Balance still unsold after 12 months:	–	1,460
Plus new transfers in:		
– Assets 'held for sale'	–	(420)
Closing balance of 'held for sale' non-current assets and operations	–	1,040

Refer to Note 27. Fair value measurement for fair value measurement information.

Ku-ring-gai Council

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

Note 23. Events Occurring After the Reporting Date

\$ '000

Events that occur between the end of the reporting period (30 June 2016) and the date when the financial statements are 'authorised for issue' have been taken into account in preparing these statements.

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

Accordingly, the 'authorised for issue' date is 20 September 2016.

Events that occur after the reporting period represent one of two types:

(i) Events that provide evidence of conditions that existed at the reporting period

These financial statements (and the figures therein) incorporate all 'adjusting events' that provided evidence of conditions that existed at 30 June 2016.

(ii) Events that provide evidence of conditions that arose after the reporting period

These financial statements (and figures therein) do not incorporate any 'non-adjusting events' that have occurred after 30 June 2016 and which are only indicative of conditions that arose after 30 June 2016.

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

Proposed merger of Ku-ring-gai Council with part of Hornsby Shire Council

The Minister for Local Government is considering a proposal to merge Ku-ring-gai Council with part of Hornsby Shire Council. This merger is opposed by Ku-ring-gai Council and supported by Hornsby Shire Council.

Ku-ring-gai Council has taken legal action to challenge the process undertaken by the State Government to assess the merger proposal. A decision on the merger proposal by the Minister for Local Government is pending, subject to a decision by the courts.

Note 24. Discontinued Operations

Council has not classified any of its operations as 'discontinued'.

Ku-ring-gai Council

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

Note 25. Intangible Assets

\$ '000	Actual 2016	Actual 2015
Intangible assets represent identifiable non-monetary assets without physical substance.		
Intangible assets are as follows:		
Opening values:		
Gross book value (1/7)	1,339	1,203
Accumulated amortisation (1/7)	(721)	(455)
Net book value – opening balance	618	748
Movements for the year		
– Purchases	64	136
– Transfers	50	–
– Amortisation charges	(290)	(266)
– Gross book value written off	(66)	–
– Accumulated amortisation charges written off	21	–
Closing values:		
Gross book value (30/6)	1,387	1,339
Accumulated amortisation (30/6)	(990)	(721)
TOTAL INTANGIBLE ASSETS – NET BOOK VALUE¹	397	618
¹ The net book value of intangible assets represent:		
– Software	397	618
	397	618

Note 26. Reinstatement, Rehabilitation and Restoration Liabilities

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

Ku-ring-gai Council

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

Note 27. Fair Value Measurement

\$ '000

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

- Infrastructure, property, plant and equipment
- Investment property
- Financial assets and liabilities

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

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

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

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

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

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

2016	Date	Fair value measurement hierarchy			Total
		Level 1	Level 2	Level 3	
Recurring fair value measurements	of latest valuation	Quoted prices in active mkts	Significant observable inputs	Significant unobservable inputs	
Investment properties					
Investment properties	30/06/13	–	–	19,056	19,056
Total investment properties		–	–	19,056	19,056
Infrastructure, property, plant and equipment					
Operational Land	30/06/13	–	–	56,292	56,292
Community Land	30/06/16	–	–	428,406	428,406
Land Under Roads	30/06/14	–	–	66	66
Land Improvements Depreciable	30/06/16	–	–	2,195	2,195
Stormwater Drainage	30/06/15	–	–	161,750	161,750
Structure (Car Parks)	30/06/15	–	–	7,662	7,662
Buildings - Non Specialised	30/06/13	–	–	48,142	48,142
Buildings - Specialised	30/06/13	–	–	13,183	13,183
Furniture & Fittings	30/06/15	–	–	193	193
Library Books	30/06/15	–	–	2,807	2,807
Office Equipment	30/06/15	–	–	973	973
Plant & Equipment (e.g. Fleet & Small Plant)	30/06/15	–	–	6,052	6,052
Other (Artworks, Sculptures)	30/06/16	–	–	1,379	1,379
Roads	30/06/15	–	–	238,552	238,552
Bridges	30/06/15	–	–	6,386	6,386
Footpaths	30/06/15	–	–	31,066	31,066
Kerb & Gutter	30/06/15	–	–	67,979	67,979
Road Structure & Street Furniture	30/06/15	–	–	3,583	3,583
Recreational Facilities	30/06/13	–	–	66,525	66,525
Swimming Pools	30/06/13	–	–	20,651	20,651
Total infrastructure, property, plant and equipment		–	–	1,163,842	1,163,842

Ku-ring-gai Council

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

Note 27. Fair Value Measurement (continued)

\$ '000

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

2015	Date of latest valuation	Fair value measurement hierarchy			Total
		Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
Recurring fair value measurements					
Infrastructure, property, plant and equipment					
Operational Land	30/06/13	–	–	52,632	52,632
Community Land	30/06/11	–	–	326,775	326,775
Land Under Roads	30/06/14	–	–	66	66
Land Improvements Depreciable	30/06/11	–	–	16,930	16,930
Stormwater Drainage	30/06/15	–	–	163,119	163,119
Structure (Car Parks)	30/06/15	–	–	7,901	7,901
Buildings - Non Specialised	30/06/13	–	–	66,280	66,280
Buildings - Specialised	30/06/13	–	–	10,832	10,832
Furniture & Fittings	30/06/15	–	–	214	214
Library Books	30/06/15	–	–	2,739	2,739
Office Equipment	30/06/15	–	–	1,164	1,164
Plant & Equipment (e.g. Fleet & Small Plant)	30/06/15	–	–	6,030	6,030
Other (Artworks, Sculptures)	30/06/11	–	–	536	536
Roads	30/06/15	–	–	233,162	233,162
Bridges	30/06/15	–	–	6,549	6,549
Footpaths	30/06/15	–	–	31,347	31,347
Kerb & Gutter	30/06/15	–	–	69,303	69,303
Road Structure & Street Furniture	30/06/15	–	–	5,948	5,948
Recreational Facilities	30/06/11	–	–	46,098	46,098
Swimming Pools	30/06/13	–	–	19,888	19,888
Total infrastructure, property, plant and equipment		–	–	1,067,513	1,067,513
Non-recurring fair value measurements					
Non-current assets classified as 'held for sale'					
Community Land	30/06/11	–	–	1,040	1,040
Total NCA's classified as 'held for sale'		–	–	1,040	1,040

(2) Transfers between level 1 and level 2 fair value hierarchies

During the year, there were no transfers between level 1 and level 2 fair value hierarchies for recurring fair value measurements.

Ku-ring-gai Council

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

Note 27. Fair Value Measurement (continued)

\$ '000

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

Where Council is unable to derive fair valuations using quoted market prices of identical assets (i.e. level 1 inputs) Council instead utilises a spread of both observable inputs (level 2 inputs) and unobservable inputs (level 3 inputs).

The fair valuation techniques Council has employed while utilising level 2 and level 3 inputs are as follows:

Investment properties

Council obtains independent valuations of its investment property on a regular basis to ensure the financial statements reflect the most up-to-date valuation. The investment property valuation is included in level 3 of the hierarchy. The key unobservable input to the valuation is the price per square metre. The fair value of the investment property is determined by an independent and qualified valuer. The Council reviews the valuation and discusses significant movements with the valuer. Council will revalue its Investment Property to make sure it reflects the most up-to-date value at the end of the reporting period.

Infrastructure, property, plant and equipment (IPP&E)

Community Land

Assets within the "Community Land" class are Council owned Community Land. Council's community land is valued on the Unimproved Capital Value (UCV), provided by the Valuer General.

Currently all Council assets in this asset class are based on UCV, however, should Council have an asset in future for which an UCV is not provided, the replacement cost will be used. Replacement cost will be based on average unit rates for similar properties, land use, dimensions, land size and shape, which are not considered observable based on market evidence, therefore, placing the whole asset class in Level 3. Valuation techniques remained the same for this reporting period.

The last revaluation of Community Land was performed in June 2016

Operational Land

Council's operational land includes all of Council's land classified as operational land under Local Government Act 1993. The total area of land at the time of the last valuation was 42,713m². Council's operational land is valued on an annual basis with a comprehensive valuation completed and revalued every five years. Liquid Pacific Holdings Pty Ltd completed the last valuation in June 2013. Council's operational land was valued at market value (highest and best use) after identifying all elements that would be taken into account by buyers and sellers in setting the price, including but not limited to zoning, topography, location, size, shape, access, exposure to traffic and businesses. Remaining useful life, condition of asset, future cash flow from the use of asset are also considered when determining the fair value.

This asset class is categorised as Level 3 as some of the above-mentioned inputs used in the valuation of these assets require significant professional judgement and are therefore unobservable.

Valuation techniques remained the same for this reporting period.

Ku-ring-gai Council

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

Note 27. Fair Value Measurement (continued)

\$ '000

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

Land Under Roads

Land under roads is land under roadways and road reserves including land under footpaths, nature strips and median strips. Council has elected not to recognise land under roads acquired before 1 July 2008 in accordance with AASB 1051. Land under roads acquired after 1 July 2008 is recognised in accordance with AASB 116 – Property, Plant and Equipment and Council recognised this asset for the first time in financial year 2010/11. One location was included in the valuation. The Land under Roads was valued in accordance with the Australian Accounting Standard AASB 116 Property, Plant and Equipment, the Code of Accounting Practice and Financial Reporting June 2014, and completed by Council's Strategic Asset Coordinator. Values were determined using the Englobo methodology derived from the Code of Accounting Practice and Financial Reporting. This asset class is classified as Level 3 asset as significant inputs used in the Englobo valuation methodology are unobservable.

There are no changes in valuation techniques from prior years.

Land Improvements Depreciable

The land improvements asset class consists of bus shelters, North Turramurra Recreation Area assets and land improvement assets surrounding Council buildings. Council values these land improvements internally using cost approach. Replacement costs (unit rates) and useful lives of Council's land improvement assets were determined using technical knowledge from council staff (engineers and asset management) and contractor information. Other significant inputs considered in the valuation of these assets are asset condition, remaining useful life, pattern of consumption, dimensions and residual value. The condition of each asset was determined by completing field inspections using the ratings 1 (Excellent) to 5 (Very Poor). This asset class is categorised as Level 3 as some of the above-mentioned inputs used in the valuation of these assets require significant professional judgement and are therefore unobservable. Valuation techniques remained the same for this reporting period.

Stormwater Drainage

The Stormwater Drainage asset class consists of Council's pits and pipes. Council staff completed the valuation of these assets internally using replacement cost approach and the last valuation was completed in June 2015.

Replacement costs (unit rates) and useful lives for Stormwater Drainage assets were determined through a combination of historic subdivision data and technical knowledge of Council staff, which incorporated standard unit rates applied to the dimensions of the asset and considered environmental factors based on asset location. Other significant inputs considered in the valuation of these assets are asset condition, remaining useful life, pattern of consumption, and residual value. The asset condition of 1 (Excellent) to 5 (Very Poor) was determined by assumptions based on age and CCTV investigations undertaken across a representative selection of Council's drainage network. This asset class is categorised as Level 3 as some of the above-mentioned inputs used in the valuation of these assets require significant professional judgement and are therefore unobservable. Valuation techniques remained the same for this reporting period.

Ku-ring-gai Council

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

Note 27. Fair Value Measurement (continued)

\$ '000

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

Other Structure

Council's car park assets are separated into two registers: the car park surface and pavement register and the car park structures register which consists of all road structures and furniture within the car park location. Replacement costs (unit rate) were determined using technical knowledge from council staff (engineers and asset management) and contractor information. The useful lives were determined using SSROC useful life as a guide. Other significant inputs considered in the valuation of these assets are condition rating, remaining useful life, pattern of consumption, dimensions, components and residual value.

The condition of each asset was determined by completing field inspections using the 1 (Excellent) to 5 (Very Poor).

This asset class is categorised as Level 3 as some of the above-mentioned inputs used in the valuation of these assets require significant professional judgement and are therefore unobservable. Valuation techniques remained the same for this reporting period.

Buildings - Non specialised and Specialised

Council engaged Liquid Pacific Holdings Pty Ltd to value all buildings and shelters in 2013. The valuation methodology adopted was dependent on whether a market exists to substantiate the value of the asset. Council's buildings are separated into commercial, community and operational assets.

If there are changes in valuation techniques from prior years, these and the reasons for change also need to be listed.

Non Specialised Buildings

The market sale approach to the valuation of assets comprises reference to market evidence of the sale of the identical and or similar assets. The valuation aspects are generally, but not limited to the location, size, condition, style and utility of the asset. Replacement cost, asset condition, remaining useful life and building components are some of the inputs used in fair value determination. Since most of these inputs require judgement and are unobservable, the asset class has been classified as Level 3.

There are no changes in valuation techniques from prior years.

Specialised Buildings

The market buying approach is estimated by the sum of the current market prices for one or more purchase transactions required to reproduce or replace the asset, less accumulated depreciation.

In determining the current cost of a specialised asset, reference is made to the cost of replacing the assets service potential and in doing so the Modern Equivalent Replacement Cost (MERC) is adopted. The other significant inputs considered in the valuation are remaining useful life of the asset, condition, pattern of consumption and residual value.

In 2012/13 financial year Council completed construction of Council's Depot at Suakin Street, Pymble which was classified as a specialised building.

This asset class is categorised as Level 3 as some of the above-mentioned inputs used in the valuation of these assets require significant professional judgement and are therefore unobservable.

There are no changes in valuation techniques from prior years.

Ku-ring-gai Council

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

Note 27. Fair Value Measurement (continued)

\$ '000

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

Roads

Council's roads are componentised into the pavement, surface and formation and further separated into segments for inspection and valuation. The full revaluation of road assets is undertaken on a 5 year cycle. The valuation, which is completed by Council's asset and pavement engineers, was completed in June 2015. The Cost approach was adopted to value Council roads. The replacement costs (based on unit rates), useful lives and conditions were determined by extracting technical information contained in Council's pavement management system (SMEC) and the updated road condition spread sheet provided by the asset and pavement engineer (based on invoices and contracts). Useful lives were reviewed based on SSROC guide. This year all the road assets data stored in the Pavement Management System (SMEC) has been imported into the new corporate system. Roads due for renewal are assessed by pavement engineers and the entire road network is assessed by an independent consultant (every 2-3 years). The last independent assessment was completed in 2013. An updated assessment of Council road conditions were carried out in the 2015/2016 financial year. Some of the other significant inputs considered in the valuation of these assets are remaining useful life, inspections and pattern of consumption, dimensions, components, residual value and type of road. A pavement condition index (PCI) is used in SMEC and determined by field. This PCI is converted into road technical ratings condition 1 (Excellent) to 5 (Very Poor). This asset class is categorised as Level 3 as some of the above mentioned inputs used in the valuation of these assets require significant professional judgement and are therefore unobservable.

Bridges

Council's bridges register consists of all pedestrian and vehicle access bridges. The bridges were inspected and valued by an independent consultant (Asset Val) in June 2015. In order to apply fair valuation and condition based depreciation, the following information was determined by the consultant for each component:

- The replacement cost was based on the cost to replace a component to a current day equivalent. Published available market data for recent projects and published cost guides are utilised to determine the estimated replacement cost.
- The useful life and remaining useful life - Where the site inspections were done, a condition assessment was allocated to all the assets and that was used to estimate useful and remaining useful life of an asset.
- Condition assessment - is based on factors such as age of the asset, overall condition, economic & functional obsolescence.
- Residual value – The estimated amount that an entity would currently obtain from disposal of the asset
- Pattern of Consumption – straight line pattern of consumption

This asset class is categorised as Level 3 as some of the above-mentioned inputs used in the valuation of these assets require significant professional judgement and are therefore unobservable.

There are no changes in valuation techniques from prior years.

Ku-ring-gai Council

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

Note 27. Fair Value Measurement (continued)

\$ '000

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

Footpaths

Council's footpath register consists of all pedestrian walkways and cycleways within the Council area. Council staff completed the valuation of the Footpath assets internally and the valuation was completed in June 2015. Replacement costs (unit rates) and useful lives of Council's footpaths were determined using technical knowledge and Contractor information. Some of the other significant inputs considered in the valuation of these assets are remaining useful life, pattern of consumption, dimensions, components and residual value.

The condition of each asset was determined using the ratings 1 (Excellent) to 5 (Very Poor).

This asset class is categorised as Level 3 as some of the above-mentioned inputs used in the valuation of these assets require significant professional judgement and are therefore unobservable. Valuation techniques remained the same for this reporting period.

Kerb & Gutter

Council's kerb and gutter register consists of all kerb and gutter within Council's road network. Council staff performed the valuation of the assets internally and the valuation was completed in June 2015.

Replacement costs (unit rates) and useful lives of Council's kerb and gutter were determined using technical knowledge, Contractor information and SSROC Guide. Some of the other significant inputs considered in the valuation of these assets are remaining useful life, pattern of consumption, dimensions, components and residual value.

The condition of each asset was determined using the ratings 1 (Excellent) to 5 (Very Poor).

This asset class is categorised as Level 3 as some of the above-mentioned inputs used in the valuation of these assets require significant professional judgement and are therefore unobservable. Valuation techniques remained the same for this reporting period.

Road Structure and Street Furniture

The Road Structures and Street Furniture register comprises of all structures (traffic islands, guardrails) and furniture (bollards, signs) within Council's road network. Council staff completed the valuation of the assets internally and the valuation was completed in June 2015. Replacement costs (unit rates) and useful lives of Council's road structures and street furniture were determined using technical knowledge from Council staff (engineers and asset management), Contractor information, current invoices and SSROC guide. Some of the other significant inputs considered in the valuation of these assets are remaining useful life, pattern of consumption, dimensions, components and residual value.

The condition of each asset was determined using the ratings 1 (Excellent) to 5 (Very Poor).

This asset class is categorised as Level 3 as some of the above-mentioned inputs used in the valuation of these assets require significant professional judgement and are therefore unobservable. Valuation techniques remained the same for this reporting period.

Ku-ring-gai Council

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

Note 27. Fair Value Measurement (continued)

\$ '000

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

Open Space / Recreational Assets

Council's recreational facilities register includes all assets within our sports fields, bushland and park locations. This includes but is not limited to ovals, playing courts, playgrounds, fences and fire trails. Council staff completes the valuation of these assets internally. Replacement costs (unit rates) and useful lives of Council's recreational facilities were determined using technical knowledge from Council staff (engineers and asset management) and Contractor information. Some of the other significant inputs considered in the valuation of these assets are remaining useful life, pattern of consumption, dimensions, components and residual value.

The condition of these assets was determined by field inspections using the ratings 1 (Excellent) to 5 (Very Poor).

This asset class is categorised as Level 3 as some of the above-mentioned inputs used in the valuation of these assets require significant professional judgement and are therefore unobservable. Valuation techniques remained the same for this reporting period.

Swimming Pool

The swimming pool includes all assets located within the facility.

Liquid Pacific Pty Ltd valued the building components of the swimming pool in June 2013 as part of the building revaluation and other substantial components of the pool are valued using replacement cost method. Replacement costs were determined using square metre rates and other significant inputs considered in the valuation of these assets are asset condition, remaining useful life, components, dimensions and residual value.

This asset class is categorised as Level 3 as some of the above-mentioned inputs used in the valuation of these assets require significant professional judgement and are therefore unobservable. Valuation techniques remained the same for this reporting period.

Plant & Equipment, Office Equipment, and Furniture & Fittings

This asset category includes:

Plant & Equipment – Motor vehicles, trucks, mowers, buses, earthmoving equipment

Office Equipment – Computer equipment

Furniture & Fittings – Chairs, desks, cabinets, display systems

These assets are valued at cost in Council's books and reported at Fair value in the notes due to the nature of the items. The cost of these assets are based on current invoices and contracts, which are based on observable inputs, however the remaining useful life and residual value is based on internal factors which are unobservable in the market therefore placing these assets in Level 3. Valuation techniques remained the same for this reporting period.

Library Books

This asset category comprises of assets such as library books, journals, magazines, CDs and DVDs.

The library books are reported at Fair value in the notes however, due to the nature of these items they are valued at cost. There are no major variances between the fair value and carrying amount of these assets. The cost of these assets are based on current invoices and contracts, which are based on observable inputs, however the remaining useful life and residual value is based on internal factors which are unobservable in the market making it a Level 3 asset. Valuation techniques remain the same for this reporting period.

Ku-ring-gai Council

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

Note 27. Fair Value Measurement (continued)

\$ '000

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

Others (Artwork, Sculptures)

Council engaged McWilliam and Associates Pty Ltd to value all artwork, memorabilia and monuments in June 2016. This information was updated into Council's public art register.

The valuation was completed using the replacement cost approach and market value in accordance with AASB 116.

The replacement value for artworks and memorabilia was determined by the price at which the items could be purchased from a reputable dealer, gallery or retail outlet.

The replacement value for monuments was determined as the cost of replacing an asset with a similar object in a condition equal to, but not better than its condition when new. An estimate of associated costs including consultancy and site management is included in the determination of the replacement value.

Where the fair value of an asset could not be determined by sale on the open market, a depreciable replacement cost has been adopted. Other significant inputs considered in the valuation are the condition of the asset, pattern of consumption and remaining useful life. This asset class is categorised as Level 3 as some of the above mentioned inputs used in the valuation of these assets require significant professional judgement and are therefore unobservable.

There are no changes in valuation techniques from prior years.

(4). Fair value measurements using significant unobservable inputs (level 3)

a. The following tables present the changes in level 3 fair value asset classes.

	Community Land	Land Under Roads	Land Improvements Depreciable	Stormwater Drainage	Total
Opening balance – 1/7/14	336,311	66	13,761	136,183	486,321
Transfers from/(to) another asset class	(147)	–	646	–	499
Purchases (GBV)	–	–	3,651	1,205	4,856
Disposals (WDV)	(1,428)	–	–	–	(1,428)
Depreciation and impairment	–	–	(451)	(2,396)	(2,847)
Reval Inc\ Dec to Equity (ARR)	–	–	–	28,127	28,127
Closing balance – 30/6/15	334,736	66	17,607	163,119	515,528
Transfers from/(to) another asset class	(1,145)	–	(18,600)	–	(19,745)
Purchases (GBV)	1,700	–	3,522	284	5,506
Disposals (WDV)	–	–	–	–	–
Depreciation and impairment	–	–	(334)	(1,653)	(1,987)
Reval Inc\ Dec to Equity (ARR)	93,114	–	–	–	93,114
Closing balance – 30/6/16	428,406	66	2,195	161,750	592,417

Ku-ring-gai Council

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

Note 27. Fair Value Measurement (continued)

\$ '000

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

a. The following tables present the changes in level 3 fair value asset classes. (continued)

	Structure (Car Parks)	Buildings Specialised	Other	Roads	Total
Opening balance – 1/7/14	1,197	10,911	1,047	214,992	228,147
Transfers from/(to) another asset class	207	–	–	–	207
Purchases (GBV)	–	–	–	9,555	9,555
Depreciation and impairment	(31)	(442)	(53)	(4,688)	(5,214)
Reval Inc / Dec to Equity (ARR)	6,528	–	–	15,349	21,877
Transfer from WIP	–	–	–	92	92
Closing balance – 30/6/15	7,901	10,469	994	235,300	254,664
Transfers from/(to) another asset class	–	3,100	–	603	3,703
Purchases (GBV)	33	17	–	8,637	8,687
Depreciation and impairment	(272)	(402)	(54)	(7,264)	(7,992)
Reval Inc / Dec to Equity (ARR)	–	–	439	–	439
Transfer from WIP	–	–	–	1,276	1,276
Closing balance – 30/6/16	7,662	13,184	1,379	238,552	260,777

	Bridges	Footpaths	Kerb and Gutter	Road Structure and Street Furniture	Total
Opening balance – 1/7/14	5,911	21,218	35,571	5,646	68,346
Transfers from/(to) another asset class	1,238	354	–	–	1,592
Purchases (GBV)	–	854	–	–	854
Depreciation and impairment	(162)	(1,235)	(1,652)	(345)	(3,394)
Reval Inc / Dec to Equity (ARR)	(438)	10,156	35,384	(1,512)	43,590
Closing balance – 30/6/15	6,549	31,347	69,303	3,789	110,988
Purchases (GBV)	–	469	7	9	485
Depreciation and impairment	(163)	(750)	(1,331)	(215)	(2,459)
Closing balance – 30/6/16	6,386	31,066	67,979	3,583	109,015

Ku-ring-gai Council

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

Note 27. Fair Value Measurement (continued)

\$ '000

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

a. The following tables present the changes in level 3 fair value asset classes. (continued)

	Recreational Facilities	Swimming Pools	Land (Oper. and Comm) (Assets Held for Sale)	Land Improvements (Assets Held for Sale)	Total
Opening balance – 1/7/14	47,303	17,479	5,003	2,287	72,072
Transfers from/(to) another asset class	(1,683)	11	–	–	(1,672)
Purchases (GBV)	672	2,862	–	–	3,534
Disposals (WDV)	–	–	(3,963)	(2,287)	(6,250)
Depreciation and impairment	(2,931)	(625)	–	–	(3,556)
Transfers from WIP	2,445	161	–	–	2,606
Closing balance – 30/6/15	45,806	19,888	1,040	–	66,734
Transfers from/(to) another asset class	14,897	–	–	–	14,897
Purchases (GBV)	3,034	1,116	–	–	4,150
Disposals (WDV)	(331)	–	(1,040)	–	(1,371)
Depreciation and impairment	(2,853)	(353)	–	–	(3,206)
Transfers from WIP	3,892	–	–	–	3,892
Reval Inc / Dec to Equity (ARR)	2,080	–	–	–	2,080
Closing balance – 30/6/16	66,525	20,651	–	–	87,176

	Buildings Non Specialised	Furniture and Fittings	Office Equipment	Plant and Equipment	Total
Opening balance – 1/7/14	67,390	165	853	6,241	74,649
Transfers from/(to) another asset class	27	4	208	(220)	19
Purchases (GBV)	1,925	66	275	1,614	3,880
Disposals (WDV)	(970)	–	–	(712)	(1,682)
Depreciation and impairment	(2,494)	(21)	(144)	(894)	(3,553)
Transfers from WIP	402	–	–	–	402
Closing balance – 30/6/15	66,280	214	1,192	6,029	73,715
Transfers from/(to) another asset class	(19,056)	–	(50)	–	(19,106)
Purchases (GBV)	2,677	6	65	1,781	4,529
Disposals (WDV)	–	–	(43)	(865)	(908)
Depreciation and impairment	(1,899)	(27)	(191)	(895)	(3,012)
Transfers from WIP	140	–	–	–	140
Closing balance – 30/6/16	48,142	193	973	6,050	55,358

Ku-ring-gai Council

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

Note 27. Fair Value Measurement (continued)

\$ '000

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

a. The following tables present the changes in level 3 fair value asset classes. (continued)

	Investment Properties	Operational Land	Library Books	Total
Opening balance – 1/7/14	–	52,933	2,667	55,600
Purchases (GBV)	–	238	584	822
Disposals (WDV)	–	(539)	(512)	(1,051)
Reval Inc / Dec to Equity (ARR)	–	–	–	–
Closing balance – 30/6/15		52,632	2,739	55,371
Transfers from/(to) another asset class	19,056	1,145	–	20,201
Purchases (GBV)	–	2,515	582	3,097
Disposals (WDV)	–	–	–	–
Depreciation and impairment	–	–	(530)	(530)
Transfers from WIP	–	–	16	16
Closing balance – 30/6/16	19,056	56,292	2,807	78,155

b. Information relating to the transfers into and out of the level 3 fair valuation hierarchy (as disclosed in the table above):

During the year, there were no transfers into and out of the Level 3 Fair Valuation hierarchy

Ku-ring-gai Council

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

Note 27. Fair Value Measurement (continued)

\$ '000

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

c. Significant unobservable valuation inputs used (for level 3 asset classes) and their relationship to fair value.

The following table summarises the quantitative information relating to the significant unobservable inputs used in deriving the various level 3 asset class fair values.

Class	Fair value (30/6/16) \$'000	Valuation technique/s	Unobservable inputs	Range of Inputs (incl. probable)	Relationship of unobservable inputs to Fair Value
Investment properties					
Investment property	19,056	Market Value/Sales/Income Approach	Replacement Cost Total area (17,068 m2)	Unit Rates: \$1,172 (per square metre)	Increase/decrease in the unit rate by 10% will result in 10% increase/decrease in fair value
			Asset Condition Rating	Asset Condition: 1 (Excellent)	Asset condition rating and pattern of consumption that impact the remaining useful life or residual value of the asset will also result in significant changes to fair value.
			Remaining Useful Life	Remaining Useful Life: 47	
			Components	Components: Superstructure Roof Fire Mechanical Lift Floor	

Ku-ring-gai Council

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

Note 27. Fair Value Measurement (continued)

\$ '000

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

c. Significant unobservable valuation inputs used (for level 3 asset classes) and their relationship to fair value (continued).

Class	Fair value (30/6/16) \$'000	Valuation technique/s	Unobservable inputs	Range of Inputs (incl. probable)	Relationship of unobservable inputs to Fair Value
I,PP&E					
Community Land	428,406	Cost Approach	Unimproved Capital Value provided by Valuer General Total area (6,986,004 m2)	Unit Rates: \$1 - \$2,384 (per square metre)	Increase/decrease in the price per square metre based on the unimproved capital value will result in changes in fair value
Land Under Roads	66	Cost Approach	Total area (85,374,620m2) Total Value of land (\$24,944,545,350) Total area LUR (2245m2) Englobo valuation basis (AASB116)	\$29.22 (per square metre)	Increase/decrease in the price per square metre will result in changes in fair value
Land Improvements Depreciable	2,195	Cost Approach	Replacement Cost	Unit Rates - vary from asset to asset	Increase/decrease in the unit rates by 10% will result in 10% increase/decrease in fair value
			Asset Condition rating	Asset Condition 1 - 5 representing Excellent to Very poor	Asset condition rating and pattern of consumption that impact the remaining useful life or residual value of the asset will also result in significant changes to fair value.
			Remaining Useful life	Remaining Useful Life 20 yrs	

Ku-ring-gai Council

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

Note 27. Fair Value Measurement (continued)

\$ '000

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

c. Significant unobservable valuation inputs used (for level 3 asset classes) and their relationship to fair value (continued).

Class	Fair value (30/6/16) \$'000	Valuation technique/s	Unobservable inputs	Range of Inputs (incl. probable)	Relationship of unobservable inputs to Fair Value
I,PP&E					
Stormwater Drainage	161,750	Cost Approach	Replacement Cost	Unit Rates: \$92 - \$5,567 vary from asset to asset	Increase/decrease in the unit rates by 10% will result in 10% increase/decrease in fair value
			Asset Condition rating	Asset Condition: 1-5 (Excellent to Very poor)	Asset condition rating and pattern of consumption that impact the remaining useful life or residual value of the asset will also result in significant changes to fair value.
			Remaining Useful life	Remaining Useful Life: 15 - 135 yrs	
			Residual Value	Residual Value: 0% to 10%	
Buildings - Specialised	48,142	Cost Approach	Modern Equivalent Replacement Cost (MERC)	Unit Rates: vary from asset to asset	Increase/decrease in the unit rates by 10% will result in 10% increase/decrease in fair value
			Asset Condition rating	Asset Condition: 1-5 (Excellent to Very poor)	Asset condition rating and pattern of consumption that impact the remaining useful life or residual value of the asset will also result in significant changes to fair value.
			Remaining Useful life	Remaining Useful Life: 4 - 95yrs	
			Components	Components: Superstructure Roof Floor Mechanical Fire	

Ku-ring-gai Council

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

Note 27. Fair Value Measurement (continued)

\$ '000

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

c. Significant unobservable valuation inputs used (for level 3 asset classes) and their relationship to fair value (continued).

Class	Fair value (30/6/16) \$'000	Valuation technique/s	Unobservable inputs	Range of Inputs (incl. probable)	Relationship of unobservable inputs to Fair Value
I,PP&E					
Structure (Car Parks)	7,662	Cost Approach	Replacement Cost	Unit Rates: Surface: \$25 Pavement: \$50 Formation \$15	Increase/decrease in the unit rates by 10% will result in 10% increase/decrease in fair value
			Asset Condition rating	Asset Condition: 1-5 (Excellent to Very poor)	Asset condition rating and pattern of consumption that impact the remaining useful life or residual value of the asset will also result in significant changes to fair value.
			Remaining Useful life	Remaining Useful Life: 2.5yrs to 100 yrs	
			Residual Value	Residual Value: Pavement: 0% to 10%	
Other (Artworks, Sculptures)	1,379	Cost Approach	Replacement costs In the absence of replacement cost, depreciable replacement (DRC) cost is adopted	Replacement cost vary from asset to asset	Increases (decreases) in replacement cost or condition of the asset would result in a higher (lower) fair value measurement

Ku-ring-gai Council

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

Note 27. Fair Value Measurement (continued)

\$ '000

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

c. Significant unobservable valuation inputs used (for level 3 asset classes) and their relationship to fair value (continued).

Class	Fair value (30/6/16) \$'000	Valuation technique/s	Unobservable inputs	Range of Inputs (incl. probable)	Relationship of unobservable inputs to Fair Value
I,PP&E					
Roads	238,552	Cost Approach	Replacement Cost	Unit Rates - Surface: \$25-\$32 - Pavement: \$50-\$100 - Formation: \$15-\$20 (Unit rates vary from asset to asset)	Increase/decrease in the unit rates by 10% will result in 10% increase/decrease in fair value
			Asset Condition rating	Asset Condition - Surface - Pavement - Formation Assessed as 1 - 5: Excellent to Very poor	Asset condition rating and pattern of consumption that impact the remaining useful life or residual value of the asset will also result in significant changes to fair value.
			Remaining Useful life	Remaining Useful Life - Surface: 30yrs - Pavement: 80 yrs - Formation 120 yrs	
			Residual Value	Residual Value: 0%	
Bridges	6,386	Cost Approach	Replacement Cost	Unit Rates - vary from asset to asset	Increase/decrease in the unit rates by 10% will result in 10% increase/decrease in fair value
			Asset Condition rating	Asset Condition: 1-5 (Excellent to Very poor)	Asset condition rating and pattern of consumption that impact the remaining useful life or residual value of the asset will also result in significant changes to Fair value.
			Remaining Useful life	Remaining Useful Life: 3 - 85 yrs	

Ku-ring-gai Council

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

Note 27. Fair Value Measurement (continued)

\$ '000

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

c. Significant unobservable valuation inputs used (for level 3 asset classes) and their relationship to fair value (continued).

Class	Fair value (30/6/16) \$'000	Valuation technique/s	Unobservable inputs	Range of Inputs (incl. probable)	Relationship of unobservable inputs to Fair Value
I,PP&E					
Footpaths	31,066	Cost Approach	Replacement Cost	Unit Rates: \$85 - \$120 vary from asset to asset	Increase/decrease in the unit rates by 10% will result in 10% increase/decrease in fair value
			Asset Condition rating	Asset Condition: 1-5 (Excellent to Very poor)	Asset condition rating and pattern of consumption that impact the remaining useful life or residual value of the asset will also result in significant changes to fair value.
			Remaining Useful life	Remaining Useful Life: 3 - 80 yrs	
Kerb and Gutter	67,979	Cost Approach	Replacement Cost	Unit Rates: \$100 - \$900 vary from asset to asset	Increase/decrease in the unit rates by 10% will result in 10% increase/decrease in fair value
			Asset Condition rating	Asset Condition: 1-5 (Excellent to Very poor)	Asset condition rating and pattern of consumption that impact the remaining useful life or residual value of the asset will also result in significant changes to fair value.
			Remaining Useful life	Remaining Useful Life: 0 - 90 yrs	

Ku-ring-gai Council

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

Note 27. Fair Value Measurement (continued)

\$ '000

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

c. Significant unobservable valuation inputs used (for level 3 asset classes) and their relationship to fair value (continued).

Class	Fair value (30/6/16) \$'000	Valuation technique/s	Unobservable inputs	Range of Inputs (incl. probable)	Relationship of unobservable inputs to Fair Value
I,PP&E					
Road Structure and Street Furniture	3,583	Cost Approach	Replacement Cost	Unit Rates: vary from asset to asset	Increase/decrease in the unit rates by 10% will result in 10% increase/decrease in fair value
			Asset Condition rating	Asset Condition: 1-5 (Excellent to Very poor)	Asset condition rating and pattern of consumption that impact the remaining useful life or residual value of the asset will also result in significant changes to fair value.
			Remaining Useful life	Remaining Useful Life: 18 - 90 yrs	
Recreational Facilities	66,525	Cost Approach	Replacement Cost	Unit Rates: vary from asset to asset	Increase/decrease in the unit rates by 10% will result in 10% increase/decrease in fair value
			Asset Condition rating	Asset Condition: 1-5 (Excellent to Very poor)	Asset condition rating and pattern of consumption that impact the remaining useful life or residual value of the asset will also result in significant changes to fair value.
			Remaining Useful life	Remaining Useful Life: 0 - 100 yrs	
Swimming Pools	20,651	Cost Approach	Replacement Cost	Unit Rates: vary from asset to asset	Increase/decrease in the unit rates by 10% will result in 10% increase/decrease in fair value
			Asset Condition rating	Asset Condition: 1-5 (Excellent to Very poor)	Asset condition rating and pattern of consumption that impact the remaining useful life or residual value of the asset will also result in significant changes to fair value.
			Remaining Useful life	Remaining Useful Life: 60 yrs	

Ku-ring-gai Council

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

Note 27. Fair Value Measurement (continued)

\$ '000

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

c. Significant unobservable valuation inputs used (for level 3 asset classes) and their relationship to fair value (continued).

Class	Fair value (30/6/16) \$'000	Valuation technique/s	Unobservable inputs	Range of Inputs (incl. probable)	Relationship of unobservable inputs to Fair Value
I,PP&E					
Buildings Non Specialised	48,142	Cost Approach	Replacement Cost	Unit Rates: vary from asset to asset	Increase/decrease in the unit rates by 10% will result in 10% increase/decrease in fair value
			Asset Condition rating	Asset Condition: 1-5 (Excellent to Very poor)	Asset condition rating and pattern of consumption that impact the remaining useful life or residual value of the asset will also result in significant changes to fair value.
			Remaining Useful life	Remaining Useful Life: 2 - 60yrs	
			Components	Components Superstructure Roof Floor Mechanical Fire	
Furniture and Fittings, Office Equipment and Plant and Equipment (e.g. Fleet and Small Plant)	193	Cost Approach	Replacement Cost	Cost vary from asset to asset	Increase/decrease in the cost of the asset by 10% will result in 10% increase/decrease in fair value
			Remaining Useful life	Remaining Useful Life: 0 - 10yrs	Asset condition rating and pattern of consumption that impact the remaining useful life or residual value of the asset will also result in significant changes to fair value.
			Residual Value	Residual Value: 0-5%	
Operational Land	56,292	Market Value / Cost Approach	Total area (42,713m ²) Total Value of land (\$49,810,000)	Unit Rates: \$1 - \$1170 (per square metre)	Increase/decrease in the price per square metre will result in changes in fair value

Ku-ring-gai Council

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

Note 27. Fair Value Measurement (continued)

\$ '000

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

c. Significant unobservable valuation inputs used (for level 3 asset classes) and their relationship to fair value (continued).

Class	Fair value (30/6/16) \$'000	Valuation technique/s	Unobservable inputs	Range of Inputs (incl. probable)	Relationship of unobservable inputs to Fair Value
I,PP&E					
Library Books	2,807	Cost Approach	Replacement Cost	Unit Rates: vary from asset to asset	Increase/decrease in the cost of the asset by 10% will result in 10% increase/decrease in fair value
			Asset Condition rating	Asset Condition: 1-5 (Excellent to Very poor)	Asset condition rating and pattern of consumption that impact the remaining useful life or residual value of the asset will also result in significant changes to fair value.
			Remaining Useful life	Remaining Useful Life: 0 - 10 yrs	
			Residual Value	Residual Value: 0% to 10%	

(5). Highest and best use

All of Council's non-financial assets are considered as being utilised for their highest and best use.

Ku-ring-gai Council
General Purpose Financial Report
Independent Auditor's Report

We have audited the accompanying financial report of Ku-ring-gai Council (the Council), which comprises the statement of financial position as at 30 June 2016, the income statement, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the Statement by Councillors and Management in the approved form as required by Section 413(2) of the Local Government Act 1993.

Councillor's Responsibility for the Financial Report

The Councillors of the Council are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Local Government Act 1993* and for such internal controls as the Councillors determine are necessary to enable the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error.

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. Those standards require that we comply with the 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 judgement, 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 Council'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 Council's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Council, as well as evaluating the overall presentation of the financial report.

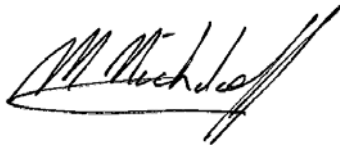
Our audit responsibility does not extend to the original budget information disclosed in the income statement, statement of cash flows, original budget disclosures in Notes 2(a) and 16 and the Projects disclosed in Note 17 to the financial statements, nor the attached Special Schedules and accordingly, 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 opinion.

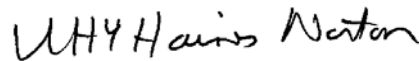
Auditor's Opinion

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;
- (b) the financial report:
 - (i) has been presented, in all material respects, in accordance with the requirements of this Division;
 - (ii) is consistent with the Council's accounting records;
 - (iii) presents fairly, in all material respects, the Council's financial position as at 30 June 2016 and the results of its operations and its cash flows for the year then ended in accordance with applicable 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 report that have come to light during the course of the audit.



M.D. Nicholaeff
Partner



UHY Haines Norton
Chartered Accountants

Signed in Sydney on 20 September 2016

20 September 2016

The Mayor
Ku-ring-gai Council
818 Pacific Highway
GORDON NSW 2072

Dear Mayor,

**Report on the Conduct of the Audit
Year Ended 30 June 2016**

We are pleased to advise completion of our audit of the General and Special Purpose Financial Statements for Ku-ring-gai Council for the year ended 30 June 2016, in accordance with Section 415 of the Local Government Act, 1993 ("the Act"); and that our audit opinion provided under Section 417(2) of the Act has been issued to Council. The following report on the conduct of the audit is issued in compliance with Section 417(3) of the Act.

The Councillors and Council Management are responsible for the preparation and true and fair presentation of the financial reports, which includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial reports. While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

We have conducted our audit in accordance with Australian Auditing Standards in order to provide reasonable assurance as to whether the Council's financial reports are free of material misstatement. An audit is influenced by factors such as professional judgement, selective testing, the inherent limitations of internal control and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We have reviewed that the accounts have been prepared in accordance with Australian equivalents to International Financial Reporting Standards (AIFRS) and the Local Government Code of Accounting Practice and Financial Reporting.

We offer the following comments on the financial statements and the audit:

STATEMENT OF COMPREHENSIVE INCOME

MOVEMENT IN RESULTS OVER PRIOR YEAR

Council's Net Operating Result before Grants and Contributions provided for capital purposes indicates a surplus of \$6.820 million for the year ended 30 June 2016 compared to a surplus of \$13.460 million for the year ended 30 June 2015.

The Net Operating Result after Grants and Contributions for capital purposes has increased by \$19.384 million to a surplus of \$41.971 million (2015: surplus of \$22.586 million).

Commentary on the major movements within the income and expense categories within the income statement is detailed below:

MOVEMENT IN REVENUE ITEMS 2015-2016

	2016	2015	Increase (Decrease)
	\$'000	\$'000	\$'000
Rates and Annual Charges	78,537	76,370	2,167
User Charges and Fees	18,003	13,683	4,320
Grants & Contributions Provided for Operating Purposes	8,295	7,728	567
Grants & Contributions Provided for Capital Purposes	35,151	9,126	26,025
Net Gains from the Disposal of Assets	-	12,852	(12,852)

RATES AND ANNUAL CHARGES

Rates and annual charges have increased by \$2.167 million (3%). The increase in rate income is in line with the permissible rate increase granted by the Minister for Local Government and in line with the changes to supplementary valuations in the Ku-ring-gai area.

USER CHARGES AND FEES

User fees & charges have increased this year by \$4.320 million (32%). This increase is as a result of the full year income received from Council's Fitness and Aquatic Centre which officially opened in October 2014. There were notable increases also in fees and charges for building regulations, golf courses and restoration charges.

GRANTS AND CONTRIBUTIONS PROVIDED FOR OPERATING PURPOSES

Grants and contributions provided for operating purposes has increased by \$0.567 million (7.3%) to \$8.295 million. The increase was largely due to the full receipt of the Transport Grant.

GRANTS AND CONTRIBUTIONS PROVIDED FOR CAPITAL PURPOSES

Grants and contributions provided for capital purposes has increased by \$26.025 million (285%) to \$35.151 million. The main reason for the increase in Capital Grant income is due to increased Section 94 contributions from developers.

NET GAINS FROM THE DISPOSAL OF ASSETS

Net gains from the disposal of assets is nil in 2016 compared to \$12.852 million. The prior year balance relates to the sale of the Culworth Avenue carpark and twenty-four (24) lots from the B2 Land Subdivision project with the NSW Department of Planning.

MOVEMENT IN EXPENSE ITEMS 2015-2016

	2016	2015	Increase (Decrease)
	\$'000	\$'000	\$'000
Employee Benefits and On-costs	37,447	36,127	1,320
Materials and Contracts	39,539	38,390	1,149
Depreciation and Amortisation	19,476	19,349	127
Other Expenses	16,242	15,306	936

EMPLOYEE BENEFITS & ON-COSTS

Employee benefits and on-costs expense has increased by \$1.320 million (4%) to \$37.447 million. The increase is broadly consistent with the increases to the award.

MATERIALS AND CONTRACTS

Materials and contracts expense has increased by \$1.149 million (3%) to \$39.539 million. The increase can mainly be attributed to various contractor expenses and consultancy costs.

DEPRECIATION AND AMORTISATION

Depreciation and amortisation expense has increased by \$127,000 (0.7%) to \$19.476 million. The increase was due to the recognition of additional assets recognised in the infrastructure asset class.

OTHER EXPENSES

Other expenses have increased by \$936,000 (6%) to \$16.242 million. This was largely a result of increased costs for contributions/levies to other levels of government, insurance, telephone and communications and computer software charges.

STATEMENT OF FINANCIAL POSITION

During the year, the Council’s net assets increased by \$137.604 million to \$1.283 billion. The major movements within the balance sheet were:

- Increase in current and noncurrent investments of \$28,467 million
- Increase of \$89.896 million in the value of infrastructure, property, plant, and equipment.

INVESTMENTS

- The increase in investments is largely due to higher long term deposits (2016 - \$87.500 million compared to 2015 - \$59.000 million) and floating rate notes (2016 - \$27.263 million compared to 2015 - \$18.267 million). A significant portion of this is the external restricted funds for the developer contributions – general (2016 - \$88.509 million compared to 2015 - \$65.147 million)

INFRASTRUCTURE, PROPERTY, PLANT, AND EQUIPMENT

The increase in the IPPE balance is largely a result of asset revaluations of community land and art works conducted for the financial year. Net revaluation increment resulting from these revaluations is \$95.633 million.

Council also brought to account additional assets and asset renewals to the value of \$33.795 million and had a depreciation expense of \$19.186 million.

STATEMENT OF CASH FLOWS

	2016	2015	Increase (Decrease)
	\$'000	\$'000	\$'000
Net Cash Flows from Operations	61,987	29,265	32,722
Net Cash Flows from Investing	(59,285)	(11,122)	48,163
Net Cash Flows from Financing	(2,595)	(17,909)	(15,314)

NET CASH FLOWS FROM OPERATIONS

Net cash provided from operating activities amounted to \$61.987 million in 2016 compared to \$29.265 million in the prior year. The increase can mainly be explained by higher cash received from grants and contributions of \$44.341 million in 2016 (2015 - \$17.897 million), user charges and fees of \$19.052 million in 2016 (2015 – 14.925 million) and rates and annual charges of \$78.500 million in 2016 (2015 - \$76.298 million).

NET CASH FLOWS FROM INVESTING

Net cash used in investing activities amounted to \$59.285 million for the year ended 30 June 2016 compared to \$11.122 million for the prior year.

This is largely due to net cash outflows for the sale and purchase of investment securities of \$28.506 million in 2016 (2015 - \$4.597 million) and net purchase of infrastructure, plant and equipment of \$31.555 million (2015 - \$19.132 million).

NET CASH FLOWS FROM FINANCING

Net cash used in financing activities amount to \$2.595 million for the year ended 30 June 2016 compared to \$17.909 million in 2015. The current year cash outflows relate to the net repayment of borrowings while the prior year balance can be attributed to the voluntary repayment of the loan associated with the Council Administration Building and repayment of other loans of \$18.192 million offset by loan proceeds of \$283,000.

TOTAL INVESTMENTS AND CASH BALANCES

	2016	2015	Increase (Decrease)
	\$'000	\$'000	\$'000
Externally Restricted Cash	98,769	73,554	25,215
Internally Restricted Cash	23,256	20,701	2,555
Unrestricted Cash	3,833	3,029	804
Total Cash, Cash Equivalents and Investments	125,858	97,284	28,574

EXTERNALLY RESTRICTED CASH

Externally restricted cash and investments are restricted in their use by externally imposed requirements. The movement in externally restricted cash balances included the net increase of \$23.262 million in developer contributions – general and \$2.930 million domestic waste management.

INTERNALLY RESTRICTED CASH

Internally restricted cash and investments have been restricted in their use by resolution or policy of Council to reflect identified programs of works and any forward plans identified by Council. The movement in internally restricted cash balances included the net increase of \$850,000 in infrastructure and facilities and \$825,000 in carry over works.

UNRESTRICTED CASH

Unrestricted cash and investments are those funds available to provide liquidity for day to day operations.

WORKING CAPITAL (NET CURRENT ASSETS)

	2016	2015	Increase (Decrease)
	\$'000	\$'000	\$'000
Current Assets	68,108	45,686	22,422
Current Liabilities	(24,608)	(23,445)	(1,163)
Net Current Assets	43,500	22,241	21,259
Add: Current Liabilities not anticipated to be settled within the next 12 months	10,039	9,696	343
Adjusted Net Current Assets	53,539	31,937	21,602
Add: Current Liabilities expected to be settled within the next 12 months			
- Borrowings	1,584	2,536	(952)
- Provisions	3,244	3,090	154
- Security Bonds, Deposits and Retentions	100	135	(35)
Less: Externally Restricted Assets	(30,515)	(11,280)	(19,235)
Less: Internally Restricted Assets including Current Assets Classified as Held for Sale	(23,256)	(21,741)	(1,515)
Working Capital as at 30 June	4,696	4,677	19

Council's balance of working capital has had a slight increase of \$19 thousand to \$4.696 million for the 2016 financial year.

PERFORMANCE INDICATORS AND TRENDS

Our comments in regard to Council's performance for the 2016 year are based on those performance indicators that are considered meaningful.

The indicators we have reviewed are as follows:

	2016	2015
Unrestricted Current Ratio	2.58 : 1	2.50 : 1
Debt Service Cover Ratio	6.58 : 1	1.09 : 1
Operating Performance Ratio	5.98%	0.55%
Own Source Operating Revenue Ratio	72.15%	86.01%
Rates and Annual Charges Outstanding Percentage	3.16%	3.18%
Cash Expense Cover Ratio	10.51	6.08

UNRESTRICTED CURRENT RATIO

The unrestricted current ratio is used to assess the adequacy of available current assets and Council's ability to satisfy its obligations in the short term after taking into account any external restrictions over the use of the current assets. The ratio of 2.58 has increased from the prior year's ratio of 2.50 and this is an indicator of Council's ability to effectively meet their current liabilities.

DEBT SERVICE COVER RATIO

At 30 June 2016 Council had outstanding borrowings of \$23.298 million compared with \$26.523 million as at 30 June 2015. The debt service cover ratio measures the availability of operating cash to service debt repayments. For the 2016 financial year the ratio indicated that operating results before capital, interest, depreciation and amortisation covered payments required to service debt by 6.58 to 1. The ratio has increased mainly due to lower payments for borrowings during the year compared to last year.

OPERATING PERFORMANCE RATIO

This ratio is measures Council's ability to contain operating expenditure within its operating revenue, excluding capital grants and contributions. For the 2016 financial year, this indicator was 5.98%, which exceeded the benchmark of 0%.

OWN SOURCE OPERATING REVENUE RATIO

The own source operating revenue ratio measures Council's fiscal flexibility and their degree of reliance on external funding sources such as grants and contributions. For the 2016 financial year, this indicator was 72.15% and exceeded the benchmark of 60%.

RATES AND ANNUAL CHARGES OUTSTANDING PERCENTAGE

The rates and annual charges outstanding percentage is used to assess the impact of uncollected rates and annual charges on liquidity and the adequacy of debt recovery efforts. The percentage of rates and annual charges outstanding has decreased from 3.18% to 3.16% in the current year. This indicates that debtors are being collected at a faster rate than in the prior year.

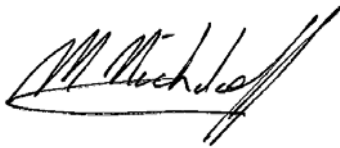
CASH EXPENSE COVER RATIO

This liquidity ratio indicates the number of months that Council can continue to pay its immediate expenditure items with available cash and term deposit balances, without the need for additional cash inflow. For 2016, this ratio stood at 10.51 months compared to the benchmark of greater than 3 months.

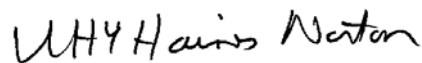
REPORTING TO MANAGEMENT

A management letter highlighting matters arising from our interim audit has been prepared and issued where considered necessary or appropriate. Matters raised in the letter included suggestions for improvement and management's comments and proposed actions.

We wish to record our appreciation to your General Manager, Director Corporate, Finance Manager and their staff for the co-operation and courtesy extended to us during the course of our audit and commend their efforts in the early completion of the financial reports.



M.D. Nicholaeff
Partner



UHY Haines Norton
Chartered Accountants

Signed at Sydney on 20 September 2016

Ku-ring-gai Council

SPECIAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2016

"...a creative, vibrant place where citizens respect each other and conserve the magnificent environment and society for our children and our grandchildren"



Ku-ring-gai Council

Special Purpose Financial Statements

for the year ended 30 June 2016

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Background

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

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

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

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

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

Ku-ring-gai Council

Special Purpose Financial Statements

for the year ended 30 June 2016

Statement by Councillors and Management

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

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


- the NSW Government Policy Statement 'Application of National Competition Policy to Local Government',
- the Division of Local Government Guidelines 'Pricing and Costing for Council Businesses – A Guide to Competitive Neutrality',
- the Local Government Code of Accounting Practice and Financial Reporting,

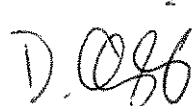
To the best of our knowledge and belief, these financial statements:

- 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 20 September 2016.


 Jennifer Anderson
 MAYOR


 David Ossip
 DEPUTY MAYOR


 John McKee
 GENERAL MANAGER


 Angela Apostol
 RESPONSIBLE ACCOUNTING OFFICER

Ku-ring-gai Council

Income Statement of Council's Other Business Activities
for the year ended 30 June 2016

\$ '000	Thomas Carlyle Childrens Centre		Art Centre	
	Actual 2016	Actual 2015	Actual 2016	Actual 2015
Income from continuing operations				
User charges	1,111	986	516	452
Grants and contributions provided for non-capital purposes	385	384	–	–
Total income from continuing operations	1,496	1,370	516	452
Expenses from continuing operations				
Employee benefits and on-costs	1,047	1,011	554	523
Materials and contracts	127	147	81	43
Depreciation and impairment	18	23	25	32
Other expenses	84	76	46	50
Total expenses from continuing operations	1,276	1,257	706	648
Surplus (deficit) from continuing operations before capital amounts	220	113	(190)	(196)
Less: corporate taxation equivalent (30%) [based on result before capital]	(66)	(34)	–	–
SURPLUS (DEFICIT) AFTER TAX	154	79	(190)	(196)
Plus opening retained profits	820	831	4,196	3,847
Plus adjustments for amounts unpaid:				
– Corporate taxation equivalent	66	34	–	–
Add:				
– Subsidy paid/contribution to operations	–	–	–	544
Less:				
– Dividend paid	(72)	(124)	–	–
Closing retained profits	968	820	4,006	4,195
Return on capital %	22.5%	12.2%	-4.6%	-4.5%
Subsidy from Council	–	–	279	329

Ku-ring-gai Council

Income Statement of Council's Other Business Activities
for the year ended 30 June 2016

\$ '000	Trade Waste		Gordon Golf Course	
	Actual 2016	Actual 2015	Actual 2016	Actual 2015
Income from continuing operations				
User charges	1,779	1,671	558	558
Other income	87	92	–	–
Total income from continuing operations	1,866	1,763	558	558
Expenses from continuing operations				
Employee benefits and on-costs	43	42	375	274
Materials and contracts	1,203	1,475	286	347
Depreciation and impairment	–	–	118	124
Other expenses	3	1	371	161
Total expenses from continuing operations	1,249	1,518	1,150	906
Surplus (deficit) from continuing operations before capital amounts	617	245	(592)	(348)
Less: corporate taxation equivalent (30%) [based on result before capital]	(185)	(74)	–	–
SURPLUS (DEFICIT) AFTER TAX	432	172	(592)	(348)
Plus opening retained profits	(335)	(175)	6,073	6,292
Plus adjustments for amounts unpaid:				
– Corporate taxation equivalent	185	74	–	–
Add:				
– Subsidy paid/contribution to operations	–	–	2,187	129
Less:				
– Dividend paid	(512)	(405)	–	–
Closing retained profits	(230)	(335)	7,668	6,073
Return on capital %	n/a	n/a	-7.7%	-5.3%
Subsidy from Council	–	–	758	549

Ku-ring-gai Council

Income Statement of Council's Other Business Activities
for the year ended 30 June 2016

\$ '000	Turramurra Golf Course		Tennis Courts	
	Actual 2016	Actual 2015	Actual 2016	Actual 2015
Income from continuing operations				
User charges	708	294	322	298
Total income from continuing operations	708	294	322	298
Expenses from continuing operations				
Employee benefits and on-costs	344	321	2	2
Materials and contracts	418	265	18	8
Depreciation and impairment	233	242	612	639
Other expenses	223	191	26	26
Total expenses from continuing operations	1,218	1,019	658	675
Surplus (deficit) from continuing operations before capital amounts	(510)	(725)	(336)	(377)
SURPLUS (DEFICIT) AFTER TAX	(510)	(725)	(336)	(377)
Plus opening retained profits	17,668	14,342	5,381	5,993
Add:				
– Subsidy paid/contribution to operations	855	4,051	–	–
Less:				
– Dividend paid	–	–	(641)	(235)
Closing retained profits	18,013	17,668	4,404	5,381
Return on capital %	-2.8%	-4.0%	-7.6%	-7.0%
Subsidy from Council	903	1,288	432	543

Ku-ring-gai Council

Income Statement of Council's Other Business Activities
for the year ended 30 June 2016

\$ '000	Swimming Pool		Nursery	
	Actual 2016	Actual 2015	Actual 2016	Actual 2015
Income from continuing operations				
User charges	4,197	2,234	41	33
Other income	–	–	4	7
Total income from continuing operations	4,197	2,234	45	40
Expenses from continuing operations				
Employee benefits and on-costs	–	–	142	137
Materials and contracts	3,700	2,404	12	8
Depreciation and impairment	374	625	11	11
Other expenses	395	384	42	11
Total expenses from continuing operations	4,469	3,413	207	167
Surplus (deficit) from continuing operations before capital amounts	(272)	(1,179)	(162)	(127)
SURPLUS (DEFICIT) AFTER TAX	(272)	(1,179)	(162)	(127)
Plus opening retained profits	19,755	16,926	69	83
Add:				
– Subsidy paid/contribution to operations	1,152	4,008	125	113
Closing retained profits	20,635	19,755	32	69
Return on capital %	-1.3%	-5.9%	-522.6%	-135.1%
Subsidy from Council	720	1,789	163	130

Ku-ring-gai Council

Income Statement of Council's Other Business Activities
for the year ended 30 June 2016

Commercial Leasing

\$ '000	Actual 2016	Actual 2015
Income from continuing operations		
User charges	1,855	1,495
Other income	208	158
Total income from continuing operations	2,063	1,653
Expenses from continuing operations		
Employee benefits and on-costs	198	195
Materials and contracts	636	504
Depreciation and impairment	456	565
Other expenses	323	305
Total expenses from continuing operations	1,613	1,569
Surplus (deficit) from continuing operations before capital amounts	450	84
Less: corporate taxation equivalent (30%) [based on result before capital]	(135)	(25)
SURPLUS (DEFICIT) AFTER TAX	315	59
Plus opening retained profits	21,392	21,036
Plus adjustments for amounts unpaid:		
– Corporate taxation equivalent	135	25
Add:		
– Subsidy paid/contribution to operations	239	272
Closing retained profits	22,081	21,392
Return on capital %	2.0%	0.4%
Subsidy from Council	28	573

Ku-ring-gai Council

Statement of Financial Position – Council's Other Business Activities
as at 30 June 2016

\$ '000	Thomas Carlyle Childrens Centre		Art Centre	
	Actual 2016	Actual 2015	Actual 2016	Actual 2015
ASSETS				
Current assets				
Cash and cash equivalents	–	–	–	–
Investments	–	–	–	–
Receivables	25	19	–	2
Inventories	–	–	–	–
Other	–	–	–	–
Non-current assets classified as held for sale	–	–	–	–
Total Current Assets	25	19	–	2
Non-current assets				
Investments	–	–	–	–
Receivables	–	–	–	–
Inventories	–	–	–	–
Infrastructure, property, plant and equipment	977	924	4,122	4,323
Investments accounted for using equity method	–	–	–	–
Intangible assets	–	–	–	–
Other	–	–	–	–
Total non-current assets	977	924	4,122	4,323
TOTAL ASSETS	1,002	943	4,122	4,325
LIABILITIES				
Current liabilities				
Bank overdraft	–	–	–	–
Payables	34	49	116	114
Borrowings	–	–	–	–
Provisions	–	70	–	16
Total current liabilities	34	119	116	130
Non-current liabilities				
Payables	–	–	–	–
Borrowings	–	–	–	–
Provisions	–	–	–	–
Other Liabilities	–	–	–	–
Total non-current liabilities	–	–	–	–
TOTAL LIABILITIES	34	119	116	130
NET ASSETS	968	824	4,006	4,195
EQUITY				
Retained earnings	968	820	4,006	4,195
Revaluation reserves	–	4	–	–
TOTAL EQUITY	968	824	4,006	4,195

Ku-ring-gai Council

Statement of Financial Position – Council's Other Business Activities
as at 30 June 2016

\$ '000	Trade Waste		Gordon Golf Course	
	Actual 2016	Actual 2015	Actual 2016	Actual 2015
ASSETS				
Current assets				
Cash and cash equivalents	–	–	–	–
Investments	–	–	–	–
Receivables	–	–	–	–
Inventories	–	–	–	–
Other	–	–	–	–
Non-current assets classified as held for sale	–	–	–	–
Total Current Assets	–	–	–	–
Non-current assets				
Investments	–	–	–	–
Receivables	–	–	–	–
Inventories	–	–	–	–
Infrastructure, property, plant and equipment	–	–	7,670	6,562
Investments accounted for using equity method	–	–	–	–
Intangible assets	–	–	–	–
Other	–	–	–	–
Total non-current assets	–	–	7,670	6,562
TOTAL ASSETS	–	–	7,670	6,562
LIABILITIES				
Current liabilities				
Bank overdraft	–	–	–	–
Payables	120	140	2	1
Borrowings	–	–	–	–
Provisions	110	195	–	47
Total current liabilities	230	335	2	48
Non-current liabilities				
Payables	–	–	–	–
Borrowings	–	–	–	–
Provisions	–	–	–	–
Other Liabilities	–	–	–	–
Total non-current liabilities	–	–	–	–
TOTAL LIABILITIES	230	335	2	48
NET ASSETS	(230)	(335)	7,668	6,514
EQUITY				
Retained earnings	(230)	(335)	7,668	6,073
Revaluation reserves	–	–	–	441
TOTAL EQUITY	(230)	(335)	7,668	6,514

Ku-ring-gai Council

Statement of Financial Position – Council's Other Business Activities
as at 30 June 2016

\$ '000	Turramurra Golf Course		Tennis Courts	
	Actual 2016	Actual 2015	Actual 2016	Actual 2015
ASSETS				
Current assets				
Cash and cash equivalents	–	–	–	–
Investments	–	–	–	–
Receivables	–	27	–	–
Inventories	–	–	–	–
Other	–	–	–	–
Non-current assets classified as held for sale	–	–	–	–
Total Current Assets	–	27	–	–
Non-current assets				
Investments	–	–	–	–
Receivables	–	–	–	–
Inventories	–	–	–	–
Infrastructure, property, plant and equipment	18,113	18,330	4,407	5,396
Investments accounted for using equity method	–	–	–	–
Intangible assets	–	–	–	–
Other	–	–	–	–
Total non-current assets	18,113	18,330	4,407	5,396
TOTAL ASSETS	18,113	18,357	4,407	5,396
LIABILITIES				
Current liabilities				
Bank overdraft	–	–	–	–
Payables	–	–	3	15
Borrowings	–	–	–	–
Provisions	100	107	–	–
Total current liabilities	100	107	3	15
Non-current liabilities				
Payables	–	–	–	–
Borrowings	–	–	–	–
Provisions	–	–	–	–
Other Liabilities	–	–	–	–
Total non-current liabilities	–	–	–	–
TOTAL LIABILITIES	100	107	3	15
NET ASSETS	18,013	18,250	4,404	5,381
EQUITY				
Retained earnings	18,013	17,668	4,404	5,381
Revaluation reserves	–	582	–	–
TOTAL EQUITY	18,013	18,250	4,404	5,381

Ku-ring-gai Council

Statement of Financial Position – Council's Other Business Activities
as at 30 June 2016

\$ '000	Swimming Pool		Nursery	
	Actual 2016	Actual 2015	Actual 2016	Actual 2015
ASSETS				
Current assets				
Cash and cash equivalents	–	–	–	–
Investments	–	–	–	–
Receivables	–	262	1	–
Inventories	–	–	–	–
Other	–	–	–	–
Non-current assets classified as held for sale	–	–	–	–
Total Current Assets	–	262	1	–
Non-current assets				
Investments	–	–	–	–
Receivables	–	–	–	–
Inventories	–	–	–	–
Infrastructure, property, plant and equipment	20,651	19,880	31	94
Investments accounted for using equity method	–	–	–	–
Intangible assets	–	–	–	–
Other	–	–	–	–
Total non-current assets	20,651	19,880	31	94
TOTAL ASSETS	20,651	20,142	32	94
LIABILITIES				
Current liabilities				
Bank overdraft	–	–	–	–
Payables	16	321	–	–
Borrowings	–	–	–	–
Provisions	–	–	–	21
Total current liabilities	16	321	–	21
Non-current liabilities				
Payables	–	–	–	–
Borrowings	–	–	–	–
Provisions	–	–	–	–
Other Liabilities	–	–	–	–
Total non-current liabilities	–	–	–	–
TOTAL LIABILITIES	16	321	–	21
NET ASSETS	20,635	19,821	32	73
EQUITY				
Retained earnings	20,635	19,755	32	69
Revaluation reserves	–	66	–	4
TOTAL EQUITY	20,635	19,821	32	73

Ku-ring-gai Council

Statement of Financial Position – Council's Other Business Activities
as at 30 June 2016

Commercial Leasing

\$ '000	Actual 2016	Actual 2015
ASSETS		
Current assets		
Cash and cash equivalents	–	–
Investments	–	–
Receivables	37	37
Inventories	–	–
Other	–	–
Non-current assets classified as held for sale	–	–
Total Current Assets	37	37
Non-current assets		
Investments	–	–
Receivables	–	–
Inventories	–	–
Infrastructure, property, plant and equipment	22,046	21,394
Investments accounted for using equity method	–	–
Intangible assets	–	–
Other	–	–
Total non-current assets	22,046	21,394
TOTAL ASSETS	22,083	21,431
LIABILITIES		
Current liabilities		
Bank overdraft	–	–
Payables	2	3
Borrowings	–	–
Provisions	–	36
Total current liabilities	2	39
Non-current liabilities		
Payables	–	–
Borrowings	–	–
Provisions	–	–
Other Liabilities	–	–
Total non-current liabilities	–	–
TOTAL LIABILITIES	2	39
NET ASSETS	22,081	21,392
EQUITY		
Retained earnings	22,081	21,392
Revaluation reserves	–	–
TOTAL EQUITY	22,081	21,392

Ku-ring-gai Council

Special Purpose Financial Statements
for the year ended 30 June 2016

Contents of the Notes accompanying the Financial Statements

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Ku-ring-gai Council

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

Note 1. Summary of Significant Accounting Policies

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

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

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

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

The disclosures in the SPFS have been prepared in accordance with:

- the Local Government Act (1993) NSW,
- the Local Government (General) Regulation, and
- the Local Government Code of Accounting Practice and Financial Reporting.

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

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

National Competition Policy

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

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

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

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

Declared business activities

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

Category 1

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

a. Swimming Pool

Comprising the whole of the operations and assets of Council's Swimming Pool

Category 2

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

a. Thomas Carlyle Children Centre

Comprising the whole of the operations and assets of Thomas Carlyle Children Centre.

b. Art Centre

Comprising the whole of the operations and assets of the Art Centre.

c. Trade Waste

Comprising the whole of the operations and assets of Trade Waste.

d. Gordon Golf Course

Comprising the whole of the operations and assets of the Gordon Golf Course.

e. Turramurra Golf Course

Comprising the whole of the operations and assets of Turramurra Golf Course.

f. Tennis Courts

Comprising the whole of the operations and assets of Council's Tennis Courts.

g. Plant Nursery

Comprising the whole of the operations and assets of Council's Plant Nursery.

Ku-ring-gai Council

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

Note 1. Summary of Significant Accounting Policies (continued)

h. Commercial Leasing

Comprising the whole of the operations and assets of Commercial Leasing.

Monetary amounts

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

(i) Taxation-equivalent charges

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

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

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

Income tax

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

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

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

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

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

The 30% rate applied is the equivalent company tax rate prevalent as at balance date.

Loan and debt guarantee fees

There are no loans applicable to the business activities in the operating statement.

(ii) Subsidies

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

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

Accordingly, 'subsidies disclosed' (in relation to National Competition Policy) represents the difference between revenue generated from 'rate of return' pricing and revenue generated from prices set by Council in any given financial year.

The overall effect of subsidies is contained within the Income Statement of each reported business activity.

(iii) Return on investments (rate of return)

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

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

The rate of return on capital is calculated as follows:

Operating result before capital income + interest expense

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

Ku-ring-gai Council

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

Note 1. Summary of Significant Accounting Policies (continued)

As a minimum, business activities should generate a return equal to the Commonwealth 10 year bond rate which is 2.17% at 30/6/16.

(iv) Dividends

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

**Ku-ring-gai Council
Special Purpose Financial Report
Independent Auditor's Report**

We have audited the accompanying financial report, being the special purpose financial report, of Ku-ring-gai Council (the Council), which comprises the statement of financial position by Business Activity as at 30 June 2016, the income statement by Business Activity for the year then ended, the notes to the financial report for the Business Activities identified by Council and the statement by Councillors and Management made pursuant to the Local Government Code of Accounting Practice and Financial Reporting for the year ended 30 June 2016.

Councillor's 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 report 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. 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 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 Council'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 Council's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Council, as well as evaluating the overall presentation of the financial report.

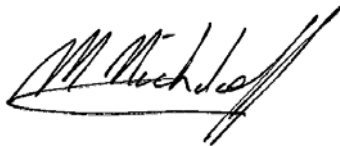
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Auditor's Opinion

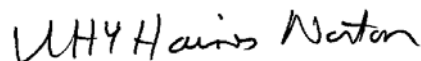
In our opinion, the financial report presents fairly, in all material respects, the financial position by Business Activity of the Ku-ring-gai Council as of 30 June 2016 and its financial performance by Business Activity for the year then ended in accordance with the requirements of those applicable 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 describe 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.



M.D. Nicholaeff
Partner



UHY Haines Norton
Chartered Accountants

Signed in Sydney on 20 September 2016

Ku-ring-gai Council

SPECIAL SCHEDULES

for the year ended 30 June 2016

"...a creative, vibrant place where citizens respect each other and conserve the magnificent environment and society for our children and our grandchildren"



Ku-ring-gai Council

Special Schedules

for the year ended 30 June 2016

Contents		Page
Special Schedules¹		
Special Schedule 1	Net Cost of Services	2
Special Schedule 2(a)	Statement of Long Term Debt (all purposes)	4
Special Schedule 7	Report on Infrastructure Assets (as at 30 June 2016)	5
Special Schedule 8	Permissible Income Calculation	9

¹ Special Schedules are not audited (with the exception of Special Schedule 8).

Background

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

Ku-ring-gai Council

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

\$'000

Function or Activity	Expenses from Continuing Operations	Income from Continuing Operations		Net Cost of Services
		Non-Capital	Capital	
Governance	265	7	–	(258)
Administration	22,444	36,138	35,541	49,235
Public order and safety				
Fire service levy, fire protection, emergency services	2,835	60	141	(2,634)
Enforcement of local government regulations	1,386	464	–	(922)
Animal control	209	155	–	(54)
Total public order and safety	4,430	679	141	(3,610)
Health	509	289	–	(220)
Environment				
Other environmental protection	1,189	1,779	–	590
Solid waste management	16,579	21,274	–	4,696
Street cleaning	1,865	–	–	(1,865)
Drainage	2,683	1	–	(2,682)
Stormwater management	4,098	128	14	(3,956)
Total environment	26,414	23,182	14	(3,217)
Community services and education				
Administration and education	3,454	3,524	–	70
Aged persons and disabled	299	187	–	(112)
Children's services	3,475	3,876	–	401
Total community services and education	7,228	7,587	–	359
Housing and community amenities				
Public conveniences	–	–	1	1
Street lighting	2,087	288	–	(1,799)
Town planning	1,897	697	–	(1,200)
Other community amenities	150	213	–	63
Total housing and community amenities	4,134	1,198	1	(2,935)

Ku-ring-gai Council

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

\$'000

Function or Activity	Expenses from Continuing Operations	Income from Continuing Operations		Net Cost of Services
		Non-Capital	Capital	
Recreation and culture				
Public libraries	4,432	414	–	(4,018)
Art galleries	706	516	–	(190)
Community centres and halls	1,890	845	–	(1,045)
Other cultural services	437	75	–	(362)
Sporting grounds and venues	5,717	558	17	(5,142)
Swimming pools	4,469	4,264	–	(205)
Parks and gardens (lakes)	8,697	192	197	(8,308)
Other sport and recreation	468	–	–	(468)
Total recreation and culture	26,816	6,864	214	(19,738)
Mining, manufacturing and construction				
Building control	6,898	2,463	–	(4,435)
Total mining, manufacturing and const.	6,898	2,463	–	(4,435)
Transport and communication				
Urban roads (UR) – local	12,256	3,548	(771)	(9,479)
Parking areas	737	1,906	–	1,169
Footpaths	1,579	98	11	(1,470)
Total transport and communication	14,572	5,552	(760)	(9,780)
Economic affairs				
Other economic affairs	347	655	–	308
Total economic affairs	347	655	–	308
Totals – functions	114,057	84,614	35,151	5,708
General purpose revenues ⁽¹⁾		36,262		36,262
NET OPERATING RESULT ⁽²⁾	114,057	120,876	35,151	41,970

(1) Includes: rates and annual charges (including ex gratia, excluding water and sewer), non-capital general purpose grants, interest on investments (excluding externally restricted assets) and interest on overdue rates and annual charges

(2) As reported in the Income Statement

Ku-ring-gai Council

Special Schedule 2(a) – Statement of Long Term Debt (all purpose) for the year ended 30 June 2016

\$'000

Classification of debt	Principal outstanding at beginning of the year			New loans raised during the year	Debt redemption during the year		Transfers to sinking funds	Interest applicable for year	Principal outstanding at the end of the year		
	Current	Non-current	Total		From revenue	Sinking funds			Current	Non-current	Total
Loans (by source)											
Commonwealth government	–	–	–	–	–	–	–	–	–	–	–
Treasury corporation	–	–	–	–	–	–	–	–	–	–	–
Other state government	–	–	–	–	–	–	–	–	–	–	–
Public subscription	–	–	–	–	–	–	–	–	–	–	–
Financial institutions	2,536	23,987	26,523	656	3,251	–	–	948	1,584	22,344	23,928
Other	–	–	–	–	–	–	–	–	–	–	–
Total loans	2,536	23,987	26,523	656	3,251	–	–	948	1,584	22,344	23,928
Other long term debt											
Ratepayers advances	–	–	–	–	–	–	–	–	–	–	–
Government advances	–	–	–	–	–	–	–	–	–	–	–
Finance leases	–	–	–	–	–	–	–	–	–	–	–
Deferred payments	–	–	–	–	–	–	–	–	–	–	–
Total long term debt	–	–	–	–	–	–	–	–	–	–	–
Total debt	2,536	23,987	26,523	656	3,251	–	–	948	1,584	22,344	23,928

Notes: excludes (i) internal loans and (ii) principal inflows/outflows relating to loan re-financing.

This schedule is prepared using the **face value** of debt obligations, rather than **fair value** (which are reported in the GPFS).

Ku-ring-gai Council

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

\$'000

Asset class	Asset category	Estimated cost to bring assets to satisfactory standard	Estimated cost to bring to the agreed level of service set by Council	2015/16 Required maintenance ^a	2015/16 Actual maintenance	Carrying value	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
								1	2	3	4	5
Buildings	All Council Buildings	286	1,637	2,600	2,082	61,325	124,821	25%	12%	60%	2%	1%
	Sub-total	286	1,637	2,600	2,082	61,325	124,821	25.0%	12.0%	60.0%	2.0%	1.0%
Other structures	Other structures	402	1,698	200	24	7,662	13,064	2%	53%	32%	11%	2%
	Sub-total	402	1,698	200	24	7,662	13,064	2.0%	53.0%	32.0%	11.0%	2.0%
Roads	Roads	23,424	52,902	2,200	940	178,826	325,795	16%	26%	43%	10%	5%
	Bridges	49	155	100	–	6,386	11,418	0%	52%	46%	1%	1%
	Footpaths	703	2,969	900	819	31,066	45,882	37%	21%	35%	5%	2%
	Kerb and Gutter	128	732	700	171	67,979	133,074	3%	8%	88%	1%	0%
	Road Furniture	4	19	100	–	3,583	6,073	38%	39%	23%	0%	0%
	Sub-total	24,308	56,777	4,000	1,930	287,840	522,242	14.7%	21.6%	53.4%	7.1%	3.1%
Drainage	Pits and Pipes	497	2,838	1,300	617	161,750	236,521	14%	73%	12%	1%	0%
	Sub-total	497	2,838	1,300	617	161,750	236,521	14.0%	73.0%	12.0%	1.0%	0.0%
Open space/ recreational assets	Swimming pools	575	3,287	400	–	20,651	25,095	0%	83%	4%	13%	0%
	Recreational Assets	7,875	14,576	1,700	6,413	66,525	110,087	84%	3%	0%	1%	12%
	Sub-total	8,450	17,863	2,100	6,413	87,176	135,182	68.4%	17.9%	0.7%	3.2%	9.8%

Ku-ring-gai Council

Special Schedule 7 – Report on Infrastructure Assets (continued)

as at 30 June 2016

\$'000

Asset class	Asset category	Estimated cost to bring assets to satisfactory standard	Estimated cost to bring to the agreed level of service set by Council	2015/16 Required maintenance ^a	2015/16 Actual maintenance	Carrying value	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
								1	2	3	4	5
Land improvements - depreciable	Land Improvements			100	–	2,195	2,834	97%	3%	0%	0%	0%
	Sub-total	–	–	100	–	2,195	2,834	97.0%	3.0%	0.0%	0.0%	0.0%
	TOTAL – ALL ASSETS	33,943	80,813	10,300	11,066	607,948	1,034,664	22.9%	32.1%	37.4%	4.6%	3.0%

Notes:

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

Infrastructure asset condition assessment 'key'

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

Ku-ring-gai Council

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

\$ '000	Amounts	Indicator	Prior periods	
	2016	2016	2015	2014
Infrastructure asset performance indicators * consolidated				
1. Infrastructure renewals ratio				
Asset renewals ⁽¹⁾	14,049	81.89%	100.01%	104.35%
Depreciation, amortisation and impairment	17,155			
2. Infrastructure backlog ratio				
Estimated cost to bring assets to a satisfactory standard	33,943	5.58%	4.36%	31.91%
Carrying value of infrastructure assets	607,948			
3. Asset maintenance ratio				
Actual asset maintenance	11,066	1.07	1.01	0.95
Required asset maintenance	10,300			

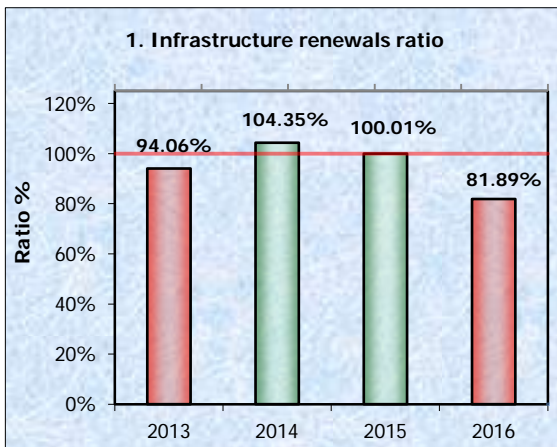
Notes

* All asset performance indicators are calculated using the asset classes identified in the previous table.

(1) Asset renewals represent the replacement and/or refurbishment of existing assets to an equivalent capacity/performance as opposed to the acquisition of new assets (or the refurbishment of old assets) that increases capacity/performance.

Ku-ring-gai Council

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



Benchmark: — Minimum $\geq 100.00\%$
Source for benchmark: Code of Accounting Practice and Financial Reporting #24

Purpose of asset renewals ratio

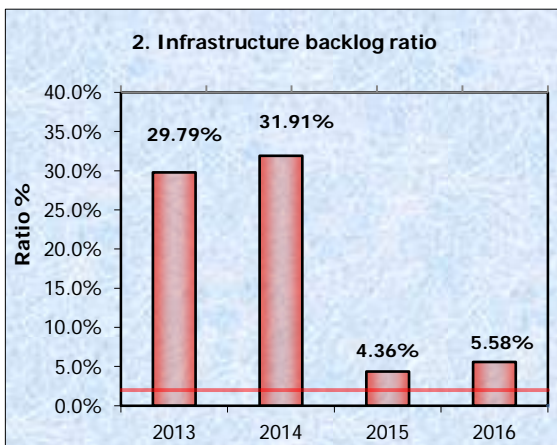
To assess the rate at which these assets are being renewed relative to the rate at which they are depreciating.

Commentary on 2015/16 result

2015/16 Ratio 81.89%

A ratio of 82% indicates that the amount spent on renewing infrastructure assets is lower than the amount of depreciation on those assets. While Council's long term financial plan provides for infrastructure renewal to meet the benchmark of 100% in all years, in 2015/16 there were delays in obtaining funding for planned asset renewal that will be caught up in future years. Council will continue to focus on appropriate asset standards for renewal and maintenance of its assets and prioritise renewal capital works programs.

■ Ratio achieves benchmark
■ Ratio is outside benchmark



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

Purpose of infrastructure backlog ratio

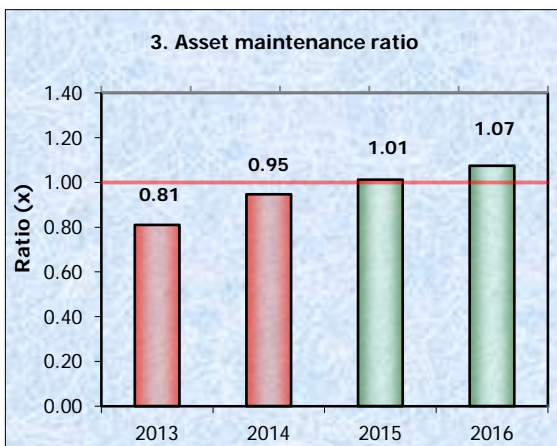
This ratio shows what proportion the backlog is against the total value of a Council's infrastructure.

Commentary on 2015/16 result

2015/16 Ratio 5.58%

Council achieved a backlog ratio of 5.6% at the end of 2015/16 financial year, which is an increase from the last financial year. The ratio indicates that Council still has an infrastructure backlog. Council is continuing to focus on appropriate asset standards for renewal and maintenance of its assets.

■ Ratio achieves benchmark
■ Ratio is outside benchmark



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

Purpose of asset maintenance ratio

Compares actual vs. required annual asset maintenance. A ratio above 1.0 indicates Council is investing enough funds to stop the infrastructure backlog growing.

Commentary on 2015/16 result

2015/16 Ratio 1.07 x

A ratio of above 1.0x indicates that the Council is investing enough funds within the year to ensure assets reach their useful lives. The benchmark is greater than 1.0x. Council is committed to increase expenditure on asset maintenance in future to maintain its infrastructure assets in satisfactory condition in the long term.

■ Ratio achieves benchmark
■ Ratio is outside benchmark

Ku-ring-gai Council

Special Schedule 8 – Permissible Income Calculation
for the year ended 30 June 2017

\$'000		Calculation 2015/16	Calculation 2016/17
Notional general income calculation ⁽¹⁾			
Last year notional general income yield	a	58,666	58,973
Plus or minus adjustments ⁽²⁾	b	539	325
Notional general income	c = (a + b)	59,205	59,298
Permissible income calculation			
Special variation percentage ⁽³⁾	d	0.00%	0.00%
Or rate peg percentage	e	2.40%	1.80%
Or crown land adjustment (incl. rate peg percentage)	f	0.00%	0.00%
Less expiring special variation amount	g	(1,683)	–
Plus special variation amount	h = d x (c – g)	–	–
Or plus rate peg amount	i = c x e	1,381	1,067
Or plus Crown land adjustment and rate peg amount	j = c x f	–	–
Sub-total	k = (c + g + h + i + j)	58,903	60,365
Plus (or minus) last year's carry forward total	l	55	–
Less valuation objections claimed in the previous year	m	–	(18)
Sub-total	n = (l + m)	55	(18)
Total permissible income	o = k + n	58,956	60,347
Less notional general income yield	p	58,973	60,358
Catch-up or (excess) result	q = o – p	(17)	(11)
Plus income lost due to valuation objections claimed ⁽⁴⁾	r	18	10
Less unused catch-up ⁽⁵⁾	s	(1)	(1)
Carry forward to next year	t = q + r – s	–	–

Notes

- (1) The notional general income will not reconcile with rate income in the financial statements in the corresponding year. The statements are reported on an accrual accounting basis which include amounts that relate to prior years' rates income.
- (2) Adjustments account for changes in the number of assessments and any increase or decrease in land value occurring during the year. The adjustments are called 'supplementary valuations' as defined in the *Valuation of Land Act 1916*.
- (3) The 'special variation percentage' is inclusive of the rate peg percentage and where applicable Crown land adjustment.
- (4) Valuation objections are unexpected changes in land values as a result of land owners successfully objecting to the land value issued by the Valuer-General. Councils can claim the value of the income lost due to valuation objections in any single year.
- (5) Unused catch-up amounts will be deducted if they are not caught up within 2 years. Usually councils will have a nominal carry forward figure. These amounts can be adjusted for in setting the rates in a future year.
- (6) Carry forward amounts which are in excess (an amount that exceeds the permissible income) require ministerial approval by order published in the *NSW Government Gazette* in accordance with section 512 of the *Local Government Act 1993*. The OLG will extract these amounts from Council's Special Schedule 8 in the financial data return (FDR) to administer this process.

Ku-ring-gai Council

Report on Special Schedule No. 8

Scope

We have audited the accompanying special purpose financial report comprising the reconciliation of total permissible general income (Special Schedule No. 8) of Ku-ring-gai Council for the year ending 30 June 2016.

Councillor's Responsibility for Special Schedule No. 8

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

Auditors' Responsibility

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

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

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

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

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

Independence

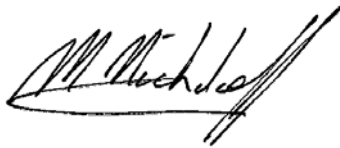
In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements.

Audit Opinion

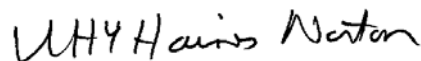
In our opinion, Special Schedule No. 8 of Ku-ring-gai Council for the year ending 30 June 2016 is properly drawn up in accordance with the requirements of the Office of Local Government and in accordance with the books and records of the Council.

Basis of Accounting

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



M.D. Nicholaeff
Partner



UHY Haines Norton
Chartered Accountants

Signed in Sydney on 20 September 2016

