



Annual Financial Statements

For the year ended 30 June 2017

Ku-ring-gai Council

GENERAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2017

"...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 2017

Contents	Page
1. Understanding Council's Financial Statements	2
2. Statement by Councillors and Management	3
3. Primary Financial Statements:	
– Income Statement	4
– Statement of Comprehensive Income	5
– Statement of Financial Position	6
– Statement of Changes in Equity	7
– Statement of Cash Flows	8
4. Notes to the Financial Statements	9
5. Independent Auditor's Reports:	
– On the Financial Statements (Sect 417 [2])	82
– On the Conduct of the Audit (Sect 417 [3])	85

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 guiding principles are detailed in Chapter 3 of the LGA and includes:

- principles applying to the exercise of functions generally by council,
- principles to be applied when making decisions,
- principles of community participation,
- principles of sound financial management, and
- principles for strategic planning relating to the development of an integrated planning and reporting framework.

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 10 October 2017. Council has the power to amend and reissue these financial statements.
-

Ku-ring-gai Council

General Purpose Financial Statements for the year ended 30 June 2017

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 2017.

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 value 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 the NSW Audit Office. 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 2017

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:

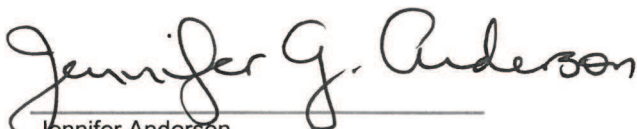
- the *Local Government Act 1993 (NSW)* (as amended) and the regulations made thereunder,
- the Australian Accounting Standards and professional pronouncements, and
- the Local Government Code of Accounting Practice and Financial Reporting.

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.

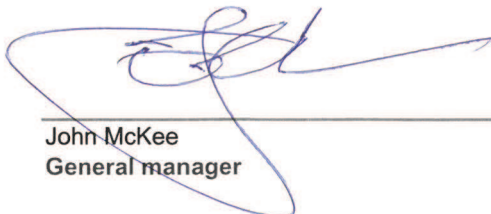
Signed in accordance with a resolution of Council made on 10 October 2017.



Jennifer Anderson
Mayor



Callum Clarke
Deputy Mayor



John McKee
General manager



Angela Apostol
Responsible accounting officer

Ku-ring-gai Council

Income Statement

for the year ended 30 June 2017

Budget ¹ 2017	\$ '000	Notes	Actual 2017	Actual 2016
Income from continuing operations				
Revenue:				
80,443	Rates and annual charges	3a	80,439	78,537
17,547	User charges and fees	3b	19,151	18,003
3,846	Interest and investment revenue	3c	4,624	4,218
12,772	Other revenues	3d	21,773	11,823
8,405	Grants and contributions provided for operating purposes	3e,f	10,508	8,295
19,038	Grants and contributions provided for capital purposes	3e,f	14,316	35,151
Other income:				
7,957	Net gains from the disposal of assets	5	–	–
150,008	Total income from continuing operations		150,811	156,027
Expenses from continuing operations				
40,428	Employee benefits and on-costs	4a	38,272	37,447
763	Borrowing costs	4b	781	948
40,571	Materials and contracts	4c	40,112	39,539
21,197	Depreciation and amortisation	4d	19,672	19,476
15,977	Other expenses	4e	16,657	16,242
–	Net losses from the disposal of assets	5	2,178	405
118,936	Total expenses from continuing operations		117,672	114,057
31,072	Operating result from continuing operations		33,139	41,970
31,072	Net operating result for the year		33,139	41,970
12,034	Net operating result for the year before grants and contributions provided for capital purposes		18,823	6,819

¹ Original budget as approved by Council – refer Note 16

Ku-ring-gai Council

Statement of Comprehensive Income
for the year ended 30 June 2017

\$ '000	Notes	Actual 2017	Actual 2016
Net operating result for the year (as per Income Statement)		33,139	41,970
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
Total other comprehensive income for the year		–	95,633
Total comprehensive income for the year		33,139	137,604

Ku-ring-gai Council

Statement of Financial Position
as at 30 June 2017

\$ '000	Notes	Actual 2017	Actual 2016
ASSETS			
Current assets			
Cash and cash equivalents	6a	15,303	11,095
Investments	6b	52,500	46,509
Receivables	7	9,843	8,042
Inventories	8	191	231
Other	8	2,423	2,231
Non-current assets classified as 'held for sale'	22	1,237	–
Total current assets		81,497	68,108
Non-current assets			
Investments	6b	76,253	68,254
Receivables	7	112	133
Infrastructure, property, plant and equipment	9	1,169,102	1,166,318
Investment property	14	36,720	27,056
Intangible assets	25	211	397
Total non-current assets		1,282,398	1,262,158
TOTAL ASSETS		1,363,895	1,330,266
LIABILITIES			
Current liabilities			
Payables	10	11,923	10,266
Income received in advance	10	1,808	1,945
Borrowings	10	1,180	1,584
Provisions	10	10,745	10,813
Total current liabilities		25,656	24,608
Non-current liabilities			
Borrowings	10	21,751	22,344
Provisions	10	320	285
Total non-current liabilities		22,071	22,629
TOTAL LIABILITIES		47,727	47,237
Net assets		1,316,168	1,283,029
EQUITY			
Retained earnings	20	809,454	776,315
Revaluation reserves	20	506,714	506,714
Council equity interest		1,316,168	1,283,029
Total equity		1,316,168	1,283,029

Ku-ring-gai Council

Statement of Changes in Equity
for the year ended 30 June 2017

	2017					2016				
	Retained earnings	Reserves (Refer 20b)	Council interest	Non-controlling interest	Total equity	Retained earnings	Reserves (Refer 20b)	Council interest	Non-controlling interest	Total equity
\$ '000										
Opening balance (as per last year's audited accounts)	776,315	506,714	1,283,029	-	1,283,029	734,344	411,081	1,145,425	-	1,145,425
Revised opening balance	776,315	506,714	1,283,029	-	1,283,029	734,344	411,081	1,145,425	-	1,145,425
c. Net operating result for the year	33,139	-	33,139	-	33,139	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)	33,139	-	33,139	-	33,139	41,970	95,633	137,604	-	137,604
Equity – balance at end of the reporting period	809,454	506,714	1,316,168	-	1,316,168	776,315	506,714	1,283,029	-	1,283,029

Notes

Ku-ring-gai Council

Statement of Cash Flows

for the year ended 30 June 2017

Budget 2017	\$ '000	Notes	Actual 2017	Actual 2016
Cash flows from operating activities				
Receipts:				
81,288	Rates and annual charges		80,276	78,500
17,547	User charges and fees		21,319	19,052
3,846	Investment and interest revenue received		4,612	4,238
27,441	Grants and contributions		24,512	44,340
–	Bonds, deposits and retention amounts received		1,743	25
12,772	Other		15,470	12,856
Payments:				
(38,784)	Employee benefits and on-costs		(38,351)	(36,992)
(36,429)	Materials and contracts		(43,713)	(42,885)
(217)	Borrowing costs		(194)	(292)
–	Bonds, deposits and retention amounts refunded		(102)	(305)
(20,818)	Other		(19,551)	(15,894)
46,646	Net cash provided from operating activities	11b	46,021	62,643
Cash flows from investing activities				
Receipts:				
–	Sale of investment securities		48,938	35,546
–	Sale of assets held for sale		–	1,146
15,457	Sale of infrastructure, property, plant and equipment		775	773
Payments:				
–	Purchase of investment securities		(62,938)	(64,052)
–	Purchase of investment property		(37)	(256)
(54,003)	Purchase of infrastructure, property, plant and equipment		(26,967)	(32,328)
–	Purchase of other investments		–	(114)
(38,546)	Net cash used in investing activities		(40,229)	(59,285)
Cash flows from financing activities				
Receipts:				
14,533	Proceeds from borrowings and advances		–	–
Payments:				
(15,326)	Repayment of borrowings and advances		(1,584)	(3,251)
(793)	Net cash flow used in financing activities		(1,584)	(3,251)
7,307	Net increase in cash and cash equivalents		4,208	107
9,464	Plus: cash and cash equivalents – beginning of year	11a	11,095	10,988
16,771	Cash and cash equivalents – end of the year	11a	15,303	11,095
	plus: Investments on hand – end of year		128,753	114,763
	Total cash, cash equivalents and investments		144,056	125,858

Please refer to Note 11 for additional cash flow information

Ku-ring-gai Council

Notes to the Financial Statements

for the year ended 30 June 2017

Contents of the notes accompanying the financial statements

Note	Details	Page
1	Summary of significant accounting policies	10
2(a)	Council functions/activities – financial information	21
2(b)	Council functions/activities – component descriptions	22
3	Income from continuing operations	23
4	Expenses from continuing operations	28
5	Gains or losses from the disposal of assets	31
6(a)	Cash and cash equivalent assets	32
6(b)	Investments	32
6(c)	Restricted cash, cash equivalents and investments – details	33
7	Receivables	34
8	Inventories and other assets	34
9(a)	Infrastructure, property, plant and equipment	35
9(b)	Externally restricted infrastructure, property, plant and equipment	36
9(c)	Infrastructure, property, plant and equipment – current year impairments	36
10(a)	Payables, borrowings and provisions	36
10(b)	Description of (and movements in) provisions	37
11	Statement of cash flows – additional information	38
12	Commitments for expenditure	39
13	Statement of performance measures:	
	13a (i) Local government industry indicators (consolidated)	40
	13a (ii) Local government industry graphs (consolidated)	41
14	Investment properties	43
15	Financial risk management	44
16	Material budget variations	48
17	Statement of developer contributions	50
18	Contingencies and other liabilities/assets not recognised	54
19	Interests in other entities	55
20	Retained earnings, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors	56
21	Financial result and financial position by fund	58
22	'Held for sale' non-current assets and disposal groups	58
23	Events occurring after the reporting date	59
24	Discontinued operations	59
25	Intangible assets	60
26	Reinstatement, rehabilitation and restoration liabilities	60
27	Fair value measurement	61
28	Related party disclosures	81

Ku-ring-gai Council

Notes to the Financial Statements

for the year ended 30 June 2017

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 (NSW) 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:

- 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
- 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

AASB 124 Related Party Disclosures was adopted during the year. The impact of this standard is on disclosures only - there is no impact on Council's reporting financial position or performance. Note 28 – Related Party Disclosures has been included for the required disclosures associated with AASB 124.

AASB 2014-3 Amendments to Australian Accounting Standards – Accounting for Acquisitions of Interests in Joint Operations [AASB 1 and AASB 11] – were introduced during the year which has no impact for Council.

(iv) Early adoption of standards

Council has not elected to apply any pronouncements before their operative date in the annual reporting period beginning 1 July 2016.

(v) Basis of accounting

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

- assets held for sale – measured at fair value less cost of disposal
- the write down of any asset on the basis of impairment (if warranted), and
- certain classes of non-current assets (e.g. 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.

Ku-ring-gai Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 1. Summary of significant accounting policies (continued)

(vi) Changes in accounting policies

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

There has 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 adjustments 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 the Council 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 revenue 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 sold next.

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 un-discharged 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.

Ku-ring-gai Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 1. Summary of significant accounting policies (continued)

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

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

User charges and fees

User charges and fees and other income are recognised as revenue when the service has been provided 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 2017) and (ii) all the related operating results (for the financial year ended the 30 June 2017).

(i) The Consolidated Fund

In accordance with the provisions of Section 409(1) of the Local Government Act 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

Council has no interest in any joint operation.

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

- cash on hand;

Ku-ring-gai Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 1. Summary of significant accounting policies (continued)

- 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 Statements.

(f) Investments and other financial assets

Classification

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.

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

Ku-ring-gai Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 1. Summary of significant accounting policies (continued)

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), and Council does not hold any such investments.

(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 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 five year period) in accordance with the Fair

Ku-ring-gai Council

Notes to the Financial Statements

for the year ended 30 June 2017

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 historic cost)
- **Operational land** (external valuation)
- **Community land** (VG valuation)
- **Land improvements**
(as approximated by depreciated historic cost)
- **Buildings – specialised/non-specialised**
(external valuation)
- **Other structures**
(as approximated by depreciated historic cost)
- **Roads assets including roads, bridges and footpaths** (internal valuation)
- **Bulk earthworks** (internal valuation)
- **Stormwater drainage** (internal valuation)
- **Swimming pools** (as approximated by depreciated historic cost)
- **Recreation Facility Assets**
(as approximated by depreciated historic cost)
- **Other infrastructure**
(as approximated by depreciated historic cost)
- **Other assets**
(as approximated by depreciated historic 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 2017

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 (Non- Dep)	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 recorded in the Income Statement as part of 'other income'.

Ku-ring-gai Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 1. Summary of significant accounting policies (continued)

(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 for goods and services provided to the Council prior to the end of financial year that are unpaid.

The amounts 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.

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

Ku-ring-gai Council

Notes to the Financial Statements for the year ended 30 June 2017

Note 1. Summary of significant accounting policies (continued)

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 2nd December 2016, relating to the period ending 30 June 2016.

The position is monitored annually and the actuary has estimated that as at 30 June 2017 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 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.

Ku-ring-gai Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 1. Summary of significant accounting policies (continued)

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 2017

Council has not adopted any of these standards early.

As at the date of authorisation of the financial statements, the standards and interpretations listed below were in issue but not yet effective.

Effective for annual reporting periods beginning on or after 1 January 2017

AASB 2016-1 Amendments to Australian Accounting Standards – Recognition of Deferred Tax Assets for Unrealised Losses [AASB 112] – Income Taxes

AASB 2016-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107- Statement of Cash Flows

AASB 2016-4 Amendments to Australian Accounting Standards – Recoverable Amount of Non-Cash-Generating Specialised Assets of Not-for-Profit Entities

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.

Ku-ring-gai Council

Notes to the Financial Statements for the year ended 30 June 2017

Note 1. Summary of significant accounting policies (continued)

(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 2017

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 2017	Actual 2017	Actual 2016	Original budget 2017	Actual 2017	Actual 2016	Original budget 2017	Actual 2017	Actual 2016	Actual 2017	Actual 2016	Actual 2017	Actual 2016
Governance	3	6	7	962	264	265	(959)	(258)	(258)	–	52	98,124	96,878
Administration	64,336	61,642	71,679	24,104	27,977	22,444	40,232	33,665	49,235	48	–	189,796	184,940
Public order and safety	497	470	820	4,477	4,542	4,430	(3,980)	(4,072)	(3,610)	80	388	7,472	7,281
Health	206	172	289	472	419	509	(266)	(247)	(220)	7	–	8,550	8,332
Environment	22,622	23,073	23,196	28,521	25,254	26,414	(5,899)	(2,181)	(3,218)	563	211	5,697	5,551
Community services and education	7,769	8,742	7,587	7,199	7,267	7,228	570	1,475	359	1,390	1,233	12,047	11,739
Housing and community amenities	902	1,157	1,199	4,313	4,074	4,134	(3,411)	(2,917)	(2,935)	309	473	64,704	63,049
Recreation and culture	6,869	7,859	7,078	27,306	26,513	26,816	(20,437)	(18,654)	(19,738)	228	332	386,240	376,358
Mining, manufacturing and construction	2,310	2,946	2,463	5,983	6,185	6,898	(3,673)	(3,239)	(4,435)	–	–	2,002	1,951
Transport and communication	6,894	5,585	4,792	15,361	14,997	14,572	(8,467)	(9,412)	(9,780)	1,734	1,811	589,263	574,187
Economic affairs	64	211	655	238	180	347	(174)	31	308	5	–	–	–
Total functions and activities	112,472	111,863	119,765	118,936	117,672	114,057	(6,464)	(5,809)	5,708	4,364	4,500	1,363,895	1,330,266
General purpose income ¹	37,536	38,948	36,262	–	–	–	37,536	38,948	36,262	5,616	3,801	–	–
Operating result from continuing operations	150,008	150,811	156,027	118,936	117,672	114,057	31,072	33,139	41,970	9,980	8,301	1,363,895	1,330,266

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 2017

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 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, public disclosure (e.g. GIPA), and legislative compliance.

ADMINISTRATION

Corporate support and other support services, engineering works, and any Council policy compliance.

PUBLIC ORDER AND SAFETY

Fire protection, emergency services, enforcement of regulations and animal control.

HEALTH

Immunisation, food control, health centres, other, administration.

ENVIRONMENT

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

COMMUNITY SERVICES AND EDUCATION

Administration, family day 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 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, quarries, pits and abattoirs.

TRANSPORT AND COMMUNICATION

Urban road, 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, sale yards and markets, real estate development, commercial nurseries, and other business undertakings.

Ku-ring-gai Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 3. Income from continuing operations

\$ '000	Notes	Actual 2017	Actual 2016
(a) Rates and annual charges			
Ordinary rates			
Residential		27,648	26,969
Business		4,123	4,035
Total ordinary rates		31,771	31,004
Special rates			
Environmental levy		2,682	2,638
Infrastructure levy		25,200	24,604
Total special rates		27,882	27,242
Annual charges (pursuant to s.496, s.496A, s.496B, s.501 & s.611)			
Domestic waste management services		19,668	19,253
Stormwater management services		971	964
Section 611 charges		147	74
Total annual charges		20,786	20,291
TOTAL RATES AND ANNUAL CHARGES		80,439	78,537

Council has used 2016 year valuations provided by the NSW Valuer General in calculating its rates.

Ku-ring-gai Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 3. Income from continuing operations (continued)

\$ '000	Notes	Actual 2017	Actual 2016
(b) User charges and fees			
Other user charges and fees			
(i) Fees and charges – statutory and regulatory functions (per s.608)			
Building regulation		2,450	2,230
Certificates		691	696
DA advertising fees		79	83
Driveway application fees		424	302
Outstanding notices		221	212
Regulatory application fees		436	243
Tree preservation charges		98	90
Total fees and charges – statutory/regulatory		4,399	3,856
(ii) Fees and charges – other (incl. general user charges (per s.608))			
Art centre		486	508
Bus shelters		337	330
Thomas Carlyle Children Centre and Family day care		1,307	1,287
Golf courses (Gordon and Turramurra)		1,158	1,139
Halls		364	382
Holiday activities		455	447
Leaseback fees – Council vehicles		362	353
Library		90	101
Nursery and Wildflower Garden		54	62
Parks		1,121	806
Restoration charges		1,435	1,781
Swimming centres		4,750	4,197
Sale of documents		4	6
Showground		134	73
Tennis courts		307	322
Trade waste charges		1,774	1,779
Other		614	574
Total fees and charges – other		14,752	14,147
TOTAL USER CHARGES AND FEES		19,151	18,003

Ku-ring-gai Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 3. Income from continuing operations (continued)

\$ '000	Notes	Actual 2017	Actual 2016
(c) Interest and investment revenue (including losses)			
Interest			
– Interest on overdue rates and annual charges (incl. special purpose rates)		119	127
– Interest earned on investments (interest and coupon payment income)		4,515	4,130
Amortisation of premiums and discounts			
– ‘Held to maturity’ investments		(10)	(39)
TOTAL INTEREST AND INVESTMENT REVENUE		4,624	4,218
Interest revenue is attributable to:			
Unrestricted investments/financial assets:			
Overdue rates and annual charges (general fund)		119	127
General Council cash and investments		968	867
Restricted investments/funds – external:			
Development contributions			
– Section 94		3,063	2,761
Restricted investments/funds – internal:			
Internally restricted assets		474	463
Total interest and investment revenue recognised		4,624	4,218
(d) Other revenues			
Fair value increments – investment properties	14	9,627	–
Rental income – investment properties	14	1,454	1,106
Rental income – other council properties		4,526	4,232
Fines – parking		2,019	1,833
Fines – other		449	632
Legal fees recovery – rates and charges (extra charges)		65	62
Legal fees recovery – other		458	316
Commissions and agency fees		15	26
Credit card surcharge		117	119
Dog registration fees		50	93
Filming fees		5	6
Insurance claim recoveries		2	4
Licence income		404	454
Program fees		223	227
Recycling income (non-domestic)		843	1,025
Trade discount		20	26
Domestic waste other income		167	497
Other		1,329	1,164
TOTAL OTHER REVENUE		21,773	11,823

Ku-ring-gai Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 3. Income from continuing operations (continued)

\$ '000	2017 Operating	2016 Operating	2017 Capital	2016 Capital
(e) Grants				
General purpose (untied)				
Financial assistance	5,347	3,527	–	–
Pensioners' rates subsidies – general component	269	274	–	–
Total general purpose	5,616	3,801	–	–
Specific purpose				
Pensioners' rates subsidies:				
– Domestic waste management	196	203	–	–
Community care	36	21	–	–
Community centres	1,284	1,212	–	–
Economic development	5	–	–	–
Environmental protection	102	70	–	–
Fire management	–	–	–	141
Library	227	298	85	–
LIRS subsidy	41	51	–	–
NSW rural fire services	79	60	–	–
Recreation and culture	–	–	–	34
Street lighting	287	286	–	–
Road safety	92	42	–	–
Transport	1,180	1,811	463	–
Better waste and recycling fund	272	271	–	–
Other	15	–	–	–
Total specific purpose	3,816	4,326	548	174
Total grants	9,432	8,127	548	174
Grant revenue is attributable to:				
– Commonwealth funding	2,390	2,518	–	–
– State funding	7,042	5,609	548	174
	9,432	8,127	548	174

Ku-ring-gai Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 3. Income from continuing operations (continued)

\$ '000	2017 Operating	2016 Operating	2017 Capital	2016 Capital
(f) Contributions				
Developer contributions:				
S 94 – contributions towards amenities/services	–	2	13,447	33,401
Total developer contributions	17	2	13,447	33,401
Other contributions:				
Contribution to works	1,076	166	321	876
Other	–	–	–	700
Total other contributions	1,076	166	321	1,576
Total contributions	1,076	168	13,768	34,977
TOTAL GRANTS AND CONTRIBUTIONS	10,508	8,295	14,316	35,151

\$ '000	Actual 2017	Actual 2016
(g) Unspent 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	89,481	65,970
Add: grants and contributions recognised in the current period but not yet spent:	19,296	38,600
Less: grants and contributions recognised in a previous reporting period now spent:	(8,302)	(15,089)
Net increase in restricted assets during the period	10,994	23,511
Unexpended and held as restricted assets	100,475	89,481
Comprising:		
– Specific purpose unexpended grants	456	972
– Developer contributions	100,019	88,509
	100,475	89,481

Ku-ring-gai Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 4. Expenses from continuing operations

\$ '000	Notes	Actual 2017	Actual 2016
(a) Employee benefits and on-costs			
Salaries and wages		30,436	30,003
Employee leave entitlements (ELE)		4,903	4,972
Superannuation		3,682	3,555
Workers' compensation insurance		466	362
Fringe benefit tax (FBT)		331	356
Training costs (other than salaries and wages)		179	249
Other		123	78
Total employee costs		40,120	39,575
Less: capitalised costs		(1,848)	(2,128)
TOTAL EMPLOYEE COSTS EXPENSED		38,272	37,447
(b) Borrowing costs			
(i) Interest bearing liability costs			
Interest on loans		781	948
Total interest bearing liability costs expensed		781	948
TOTAL BORROWING COSTS EXPENSED		781	948
(c) Materials and contracts			
Raw materials and consumables		3,563	3,552
Contractor and consultancy costs		32,866	32,978
Auditors remuneration ⁽¹⁾		58	57
Lease expense		434	424
Legal expenses:			
– Legal expenses: planning and development		2,332	1,805
– Legal expenses: other		131	252
Operating leases:			
– Operating lease rentals: minimum lease payments		343	270
Other		385	201
TOTAL MATERIALS AND CONTRACTS		40,112	39,539

Ku-ring-gai Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 4. Expenses from continuing operations (continued)

\$ '000	Notes	Actual 2017	Actual 2016
(c) Materials and contracts (continued)			
1. Auditor remuneration			
During the year, the following fees were incurred for services provided by the Auditor-General:			
Audit and other assurance services			
– Audit and review of financial statements: Auditor-General		58	57
Remuneration for audit and other assurance services		58	57
Total Auditor-General remuneration		58	57
2. Operating lease payments are attributable to:			
Computers		343	270
		343	270
(d) Depreciation, amortisation and impairment			
Plant and equipment		891	895
Office equipment		157	191
Furniture and fittings		27	27
Land improvements (depreciable)		141	334
Infrastructure:			
– Buildings – non-specialised		1,517	1,899
– Buildings – specialised		508	402
– Other structures		274	272
– Roads		8,981	8,810
– Bridges		162	163
– Footpaths		768	750
– Stormwater drainage		1,660	1,653
– Swimming pools		372	353
– Other open space/recreational assets		3,400	2,853
Other assets			
– Library books		540	530
– Other		54	54
Intangible assets	25	220	290
TOTAL DEPRECIATION AND IMPAIRMENT COSTS EXPENSED		19,672	19,476

Ku-ring-gai Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 4. Expenses from continuing operations (continued)

\$ '000	Notes	Actual 2017	Actual 2016
(e) Other expenses			
Advertising		471	497
Bad and doubtful debts		450	207
Bank charges		242	244
Commissions		543	305
Computer software charges		1,094	1,029
Conferences		146	278
Contributions/levies to other levels of government		—	
– Department of planning levy		403	374
– Emergency services levy (includes FRNSW, SES, and RFS levies)		2,032	2,212
Corporate events		49	44
Councillor expenses – mayoral fee		41	40
Councillor expenses – councillors' fees		188	184
Councillors' expenses (incl. mayor) – other (excluding fees above)		37	44
Donations, contributions and assistance to other organisations (Section 356)		253	174
Electricity and heating		1,059	1,069
External plant hire		24	32
Family day care (child care assistance)		550	511
Insurance		1,187	1,450
Insurance excess		59	47
Postage		329	275
Rate issue costs		42	17
Rental rebates		2,417	2,306
Street lighting		2,071	2,085
Subscriptions and publications		245	255
Sydney water		504	356
Telephone and communications		480	604
Valuation fees		230	212
Vehicle registration		162	149
Other		1,349	1,242
TOTAL OTHER EXPENSES		16,657	16,242

Ku-ring-gai Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 5. Gains or losses from the disposal of assets

\$ '000	Notes	Actual 2017	Actual 2016
Property (excl. investment property)			
Proceeds from disposal – property		–	–
Less: carrying amount of property assets written off ¹		(2,148)	–
Net gain/(loss) on disposal		(2,148)	–
Plant and equipment			
Proceeds from disposal – plant and equipment		775	774
Less: carrying amount of plant and equipment assets sold/written off		(805)	(908)
Net gain/(loss) on disposal		(30)	(135)
Infrastructure			
Less: carrying amount of infrastructure assets sold/written off		–	(331)
Net gain/(loss) on disposal		–	(331)
Financial assets			
Proceeds from disposal/redemptions/maturities – financial assets		48,938	35,546
Less: carrying amount of financial assets sold/redeemed/matured		(48,938)	(35,546)
Net gain/(loss) on disposal		–	–
Non-current assets classified as ‘held for sale’			
Proceeds from disposal – non-current assets ‘held for sale’		–	1,146
Less: carrying amount of ‘held for sale’ assets sold/written off		–	(1,040)
Net gain/(loss) on disposal		–	106
Other			
Less: carrying amount of Other assets sold/written off		–	(45)
Net gain/(loss) on disposal		–	(45)
NET GAIN/(LOSS) ON DISPOSAL OF ASSETS		(2,178)	(405)

¹ Assets have been written off due to demolition for future open space and other works.

Ku-ring-gai Council

Notes to the Financial Statements
for the year ended 30 June 2017

Note 6a. – Cash assets and Note 6b – investments

\$ '000	Notes	2017	2017	2016	2016
		Actual Current	Actual Non-current	Actual Current	Actual Non-current
Cash and cash equivalents (Note 6a)					
Cash on hand and at bank		15,303	–	11,095	–
Total cash and cash equivalents		15,303	–	11,095	–
Investments (Note 6b)					
– Term deposits		51,500	53,000	43,500	44,000
– FRN's (with maturities > 3 months)		1,000	23,253	3,009	24,254
Total investments		52,500	76,253	46,509	68,254
TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS		67,803	76,253	57,604	68,254

Cash, cash equivalents and investments were classified at year end in accordance with AASB 139 as follows:

Cash and cash equivalents

a. 'At fair value through the profit and loss'		15,303	–	11,095	–
Investments					
b. 'Held to maturity'		52,500	76,253	46,509	68,254
Investments		52,500	76,253	46,509	68,254

Ku-ring-gai Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 6c. Restricted cash, cash equivalents and investments – details

\$ '000	2017	2017	2016	2016
	Actual Current	Actual Non-current	Actual Current	Actual Non-current
Total cash, cash equivalents and investment	67,803	76,253	57,604	68,254
Attributable to:				
External restrictions (refer below)	36,480	76,253	30,515	68,254
Internal restrictions (refer below)	27,699	–	23,256	–
Unrestricted	3,624	–	3,833	–
	67,803	76,253	57,604	68,254

2017 \$ '000	Opening balance	Transfers to restrictions	Transfers from restrictions	Closing balance
-----------------	--------------------	------------------------------	--------------------------------	--------------------

Details of restrictions

External restrictions					
Developer contributions – general	(A)	88,509	16,510	(5,000)	100,019
Specific purpose unexpended grants	(B)	972	2,786	(3,302)	456
Domestic waste management	(C)	5,413	20,900	(16,669)	9,644
Environmental levy		2,269	2,681	(2,447)	2,503
New facility rate		1,338	–	(1,338)	–
Specific purpose unexpended loan – LIRS		268	–	(157)	111
Total external restrictions		98,769	42,877	(28,913)	112,733
Internal restrictions					
Employees leave entitlement		2,226	68	–	2,294
Carry over works		1,007	933	(498)	1,442
Deposits, retentions and bonds		1,199	–	–	1,199
Infrastructure and facilities		12,467	13,503	(9,536)	16,434
Other		6,357	990	(1,017)	6,330
Total internal restrictions		23,256	15,494	(11,051)	27,699
TOTAL RESTRICTIONS		122,025	58,371	(39,964)	140,432

- 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 2017

Note 7. Receivables

\$ '000	Notes	2017		2016	
		Current	Non-current	Current	Non-current
Purpose					
Rates and annual charges		2,400	72	2,222	87
Interest and extra charges		212	40	211	46
User charges and fees		2,350	–	2,296	–
Accrued revenues					
– Interest on investments		1,631	–	1,604	–
– Other income accruals		2,471	–	935	–
Government grants and subsidies		343	–	–	–
Net GST receivable		1,059	–	934	–
Other debtors		24	–	43	–
Total		10,490	112	8,245	133
Less: provision for impairment					
User charges and fees		(647)	–	(203)	–
Total provision for impairment – receivables		(647)	–	(203)	–
TOTAL NET RECEIVABLES		9,843	112	8,042	133

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% (2016 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	2017		2016	
		Current	Non-current	Current	Non-current
(a) Inventories					
Inventories at cost					
Stores and materials		171	–	139	–
Trading stock		20	–	92	–
TOTAL INVENTORIES		191	–	231	–
(b) Other assets					
Prepayments		2,423	–	2,231	–
TOTAL OTHER ASSETS		2,423	–	2,231	–
TOTAL INVENTORIES AND OTHER ASSETS		2,614	–	2,462	–

There are no restrictions applicable to the above assets.

Ku-ring-gai Council

Notes to the Financial Statements
for the year ended 30 June 2017

Note 9a. Infrastructure, property, plant and equipment

Asset class	as at 30/6/2016				Asset movements during the reporting period							as at 30/6/2017				
	At cost	Gross carrying amount	Accumulated depreciation	Net carrying amount	Additions renewals	Additions new assets	Carrying value of disposals	Depreciation expense	WIP transfers	Adjustments and transfers	Other transfers	Tifs to 'held for sale' category	At cost	Gross carrying amount	Accumulated depreciation	Net carrying amount
Capital work in progress	-	10,476	-	10,476	825	4,722	-	-	(6,759)	(71)	40	-	9,233	-	-	9,233
Plant and equipment	-	12,284	6,232	6,052	1,896	-	(758)	(891)	-	-	-	-	-	12,438	6,139	6,299
Office equipment	-	1,743	770	973	153	3	(46)	(157)	-	-	-	-	-	1,838	912	926
Furniture and fittings	-	451	258	193	-	-	-	(27)	-	-	-	-	-	451	285	166
Land:																
- Operational land	-	48,292	-	48,292	-	-	-	-	-	-	-	-	-	48,292	-	48,292
- Community land	-	428,406	-	428,406	-	-	-	-	-	-	-	(979)	-	427,427	-	427,427
- Land under roads (post 30/6/08)	-	66	-	66	-	-	-	-	-	-	-	-	-	66	-	66
Land improvements – depreciable	-	2,834	639	2,195	237	623	-	(141)	100	-	-	(258)	-	3,536	780	2,756
Infrastructure:																
- Buildings – non-specialised	-	109,805	61,663	48,142	622	2,040	(2,149)	(1,517)	547	-	-	-	-	109,171	61,486	47,685
- Buildings – specialised	-	15,016	1,833	13,183	61	92	-	(508)	-	-	-	-	-	15,169	2,341	12,828
- Other structures	-	12,988	5,326	7,662	439	136	-	(274)	2	-	-	-	-	13,572	5,607	7,965
- Roads	-	464,943	214,555	250,388	10,043	558	-	(8,981)	2,457	-	-	-	-	477,991	223,526	254,465
- Bridges	-	11,418	5,032	6,386	-	-	-	(162)	-	-	-	-	-	11,419	5,195	6,224
- Footpaths	-	45,882	14,816	31,066	58	470	-	(768)	539	-	-	-	-	46,951	15,586	31,365
- Bulk earthworks (non-depreciable)	-	59,726	-	59,726	-	-	-	-	-	-	-	-	-	59,726	-	59,726
- Stormwater drainage	-	236,520	74,770	161,750	34	266	-	(1,660)	292	-	-	-	-	237,113	76,431	160,682
- Swimming pools	-	25,095	4,444	20,651	-	-	-	(372)	-	-	-	-	-	25,094	4,815	20,279
- Other open space/recreational assets	-	110,087	43,562	66,525	2,231	138	-	(3,400)	2,822	-	-	-	-	115,279	46,963	68,316
Other assets:																
- Library books	-	13,528	10,721	2,807	574	-	-	(540)	-	-	-	-	-	14,102	11,261	2,841
- Other	-	5,671	4,292	1,379	236	-	-	(54)	-	-	-	-	-	5,907	4,346	1,561
TOTAL INFRASTRUCTURE, PROPERTY, PLANT AND EQUIPMENT	-	1,615,231	448,913	1,166,318	17,409	9,048	(2,953)	(19,452)	-	(71)	40	(1,237)	9,233	1,625,542	465,673	1,169,102

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 infrastructure, property, plant and equipment.

Ku-ring-gai Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 9b. Externally restricted infrastructure, property, plant and equipment

\$ '000

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	2017		2016	
		Current	Non-current	Current	Non-current
Payables					
Goods and services – operating expenditure		4,958	–	4,588	–
Goods and services – capital expenditure		1,928	–	2,435	–
Security bonds, deposits and retentions		4,211	–	2,570	–
Other		826	–	673	–
Total payables		11,923	–	10,266	–
Income received in advance					
Payments received in advance		1,808	–	1,945	–
Total income received in advance		1,808	–	1,945	–
Borrowings					
Loans – secured ¹		1,180	21,751	1,584	22,344
Total borrowings		1,180	21,751	1,584	22,344
Provisions					
Employee benefits:					
Annual leave		3,085	–	3,058	–
Sick leave		309	–	323	–
Long service leave		6,870	320	6,714	285
Gratuities		481	–	718	–
Total provisions		10,745	320	10,813	285
TOTAL PAYABLES, BORROWINGS AND PROVISIONS		25,656	22,071	24,608	22,629

(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 2017

Note 10a. Payables, borrowings and provisions (continued)

\$ '000	Actual 2017	Actual 2016
---------	----------------	----------------

(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	7,522	7,569
Payables – security bonds, deposits and retentions	4,111	2,470
	11,633	10,039

Note 10b. Description of and movements in provisions

Class of provision	2016		2017			Closing balance as at 30/6/17
	Opening balance as at 1/7/16	Additional provisions	Decrease due to payments	Remeasurement effects due to discounting	Unused amounts reversed	
Annual leave	3,058	2,563	(2,536)	–	–	3,085
Sick leave	323	–	(14)	–	–	309
Long service leave	6,999	1,078	(887)	–	–	7,190
Gratuities	718	–	(237)	–	–	481
TOTAL	11,098	3,641	(3,674)	–	–	11,065

- a. Employees leave entitlements and on-costs represent 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 2017

Note 11. Statement of cash flows – additional information

\$ '000	Notes	Actual 2017	Actual 2016
(a) Reconciliation of cash assets			
Total cash and cash equivalent assets	6a	15,303	11,095
Balance as per the Statement of Cash Flows		15,303	11,095
(b) Reconciliation of net operating result to cash provided from operating activities			
Net operating result from Income Statement		33,139	41,970
Adjust for non-cash items:			
Depreciation and amortisation		19,672	19,476
Net losses/(gains) on disposal of assets		2,178	405
Losses/(gains) recognised on fair value re-measurements through the P&L:			
– Investment properties		(9,627)	–
Amortisation of premiums, discounts and prior period fair valuations			
– ‘Held to maturity’ financial assets		10	39
+/- Movement in operating assets and liabilities and other cash items:			
Decrease in receivables		(2,224)	(149)
Increase in provision for doubtful debts		444	99
Increase in inventories		40	20
Decrease in other assets		(192)	(927)
Increase in payables		370	241
Increase in other liabilities		2,244	964
Decrease in employee leave entitlements		(33)	505
Net cash provided from operating activities from the Statement of Cash Flows		46,021	62,643
(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	2,520
Credit cards		100	100
Total financing arrangements		2,620	2,620

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 and are disclosed in Note 15.

Ku-ring-gai Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 12. Commitments for expenditure

\$ '000	Notes	Actual 2017	Actual 2016
(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		2,029	1,020
Other		5,207	1,597
Total commitments		7,236	2,617
These expenditures are payable as follows:			
Within the next year		7,236	2,617
Total payable		7,236	2,617
Sources for funding of capital commitments:			
Unrestricted general funds		7,236	2,617
Total sources of funding		7,236	2,617
(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		335	369
Later than one year and not later than 5 years		488	490
Total non-cancellable operating lease commitments		823	859

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.

(d) Investment property commitments

Nil

Ku-ring-gai Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 13a(i). Statement of performance measurement – indicators (consolidated)

\$ '000	Amounts	Indicator	Prior periods		Benchmark
	2017	2017	2016	2015	
Local government industry indicators – consolidated					
1. Operating performance ratio					
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions less operating expenses	11,374	8.97%	5.98%	0.55%	>0%
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions	126,868				
2. Own source operating revenue ratio					
Total continuing operating revenue ⁽¹⁾ excluding all grants and contributions	116,360	82.42%	72.15%	86.01%	>60.00%
Total continuing operating revenue ⁽¹⁾	141,184				
3. Unrestricted current ratio					
Current assets less all external restrictions ⁽²⁾	45,017	3.21x	2.58x	2.50x	>1.5x
Current liabilities less specific purpose liabilities ^(3, 4)	14,024				
4. Debt service cover ratio					
Operating result ⁽¹⁾ before capital excluding interest and depreciation/impairment/amortisation	31,827	13.46x	6.58x	1.09x	>2x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	2,365				
5. Rates, annual charges, interest and extra charges outstanding percentage					
Rates, annual and extra charges outstanding	2,724	3.27%	3.16%	3.18%	< 5% Metro <10% Rural
Rates, annual and extra charges collectible	83,189				
6. Cash expense cover ratio					
Current year's cash and cash equivalents plus all term deposits	119,803	13.89 mths	11.9 mths	6.1 mths	> 3 mths
Payments from cash flow of operating and financing activities	8,625				

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.

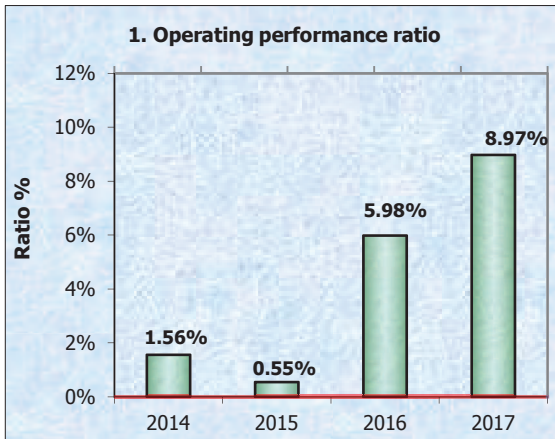
⁽³⁾ Refer to Note 10(a).

⁽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 2017

Note 13a(ii). Local government industry indicators – graphs (consolidated)



Purpose of operating performance ratio

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

Commentary on 2016/17 result

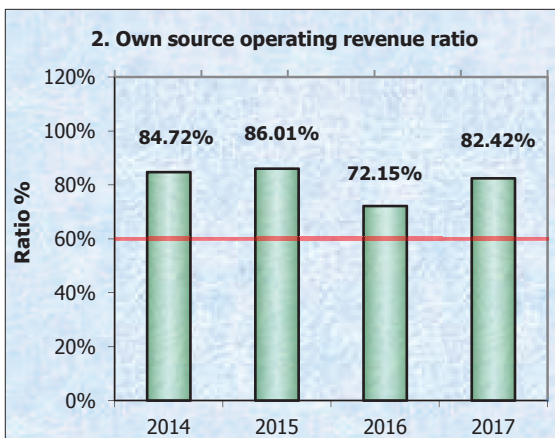
2016/17 ratio 8.97%

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 revaluation of Council's investment property.

Benchmark: ——— Minimum >=0.00%

Source for benchmark: Code of Accounting Practice and Financial Reporting #25

Ratio achieves benchmark
 Ratio is outside benchmark



Purpose of own source operating revenue ratio

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

Commentary on 2016/17 result

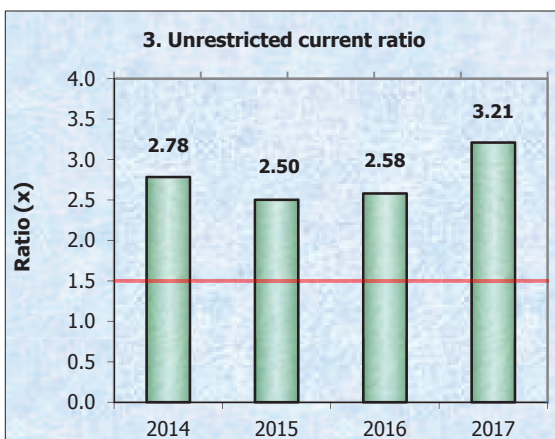
2016/17 ratio 82.42%

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.

Benchmark: ——— Minimum >=60.00%

Source for benchmark: Code of Accounting Practice and Financial Reporting #25

Ratio achieves benchmark
 Ratio is outside benchmark



Purpose of unrestricted current ratio

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

Commentary on 2016/17 result

2016/17 ratio 3.21x

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. The increase from previous year is mainly due to the first two instalments of the FAG grant received in advance

Benchmark: ——— Minimum >=1.50

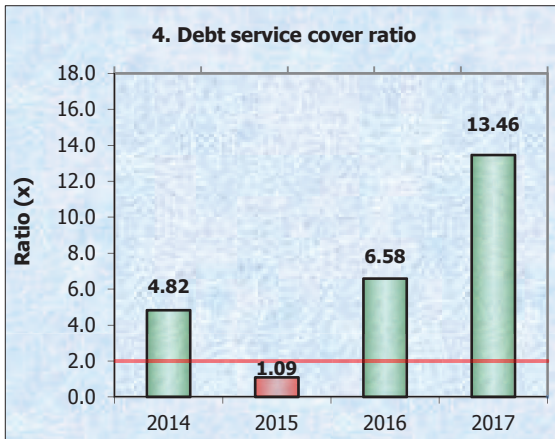
Source for benchmark: Code of Accounting Practice and Financial Reporting #25

Ratio achieves benchmark
 Ratio is outside benchmark

Ku-ring-gai Council

Notes to the Financial Statements for the year ended 30 June 2017

Note 13a(ii). Local government industry indicators – graphs (consolidated)



Purpose of debt service cover ratio

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

Commentary on 2016/17 result

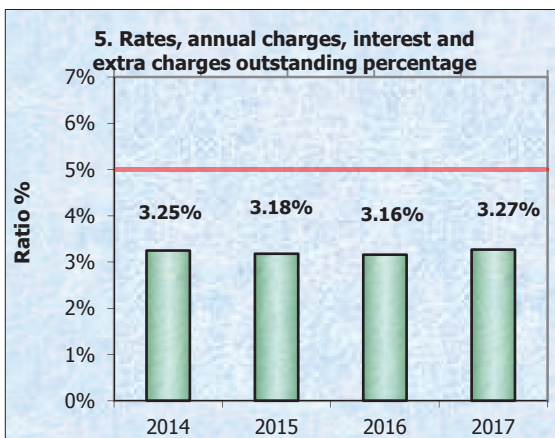
2016/17 ratio 13.46x

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 and increased revenue during the financial year compared to the year before.

Benchmark: — Minimum ≥ 2.00

Source for benchmark: Code of Accounting Practice and Financial Reporting #25

Ratio achieves benchmark
 Ratio is outside benchmark



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 2016/17 result

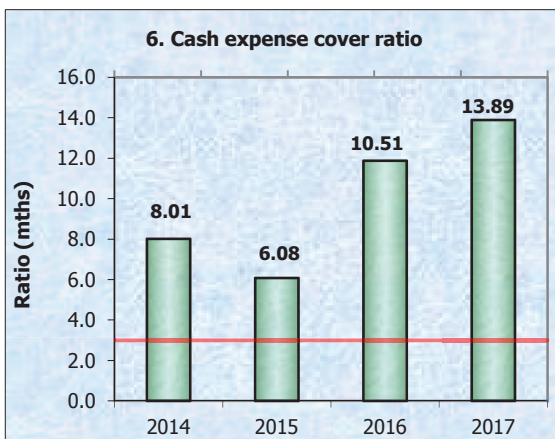
2016/17 ratio 3.27%

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 3.27% is satisfactory and is better than the benchmark of "less than 5%".

Benchmark: — Maximum $< 5.00\%$

Source for Benchmark: Code of Accounting Practice and Financial Reporting #25

Ratio is within Benchmark
 Ratio is outside Benchmark



Purpose of cash expense cover ratio

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

Commentary on 2016/17 result

2016/17 ratio 13.89 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.

Benchmark: — Minimum ≥ 3.00

Source for benchmark: Code of Accounting Practice and Financial Reporting #25

Ratio achieves benchmark
 Ratio is outside benchmark

Ku-ring-gai Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 14. Investment property

\$ '000	Notes	Actual 2017	Actual 2016
(a) Investment properties at fair value			
Investment property on hand		36,720	27,056
Reconciliation of annual movement:			
Opening balance		27,056	–
– Acquisitions		37	–
– Net gain/(loss) from fair value adjustments		9,627	–
– Transfers from owner occupied		–	27,056
CLOSING BALANCE – INVESTMENT PROPERTIES		36,720	27,056
(b) Valuation basis			
The basis of valuation of investment properties is fair value, being the amount for which the properties could be exchanged between willing parties in arms length transaction, based on current prices in an active market for similar properties, in the same location and condition and subject to similar leases.			
The 2017 revaluations were based on independent assessments made by Scott Fullarton Valuations Pty Ltd, Director Scott Fullarton, FAPI, Certified Practicing Valuer, Registered Valuer No.2144.			
(c) Contractual obligations at reporting date			
Refer to Note 12 for disclosures relating to any capital and service obligations that have been contracted.			
(d) Leasing arrangements			
Details of leased investment properties are as follows;			
Future minimum lease payments receivable under non-cancellable investment property operating leases not recognised in the financial statements are receivable as follows:			
Within 1 year		963	315
Later than 1 year but less than 5 years		2,536	1,903
Later than 5 years		–	–
Total minimum lease payments receivable		3,499	2,218
(e) Investment property income and expenditure – summary			
Rental income from investment properties:			
– Other income		1,454	1,106
Direct operating expenses on investment properties:			
– that generated rental income		(769)	(763)
Net revenue contribution from investment properties		685	343
plus:			
Fair value movement for year		9,627	–
Total income attributable to investment properties		10,312	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 2017

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	
	2017	2016	2017	2016
Financial assets				
Cash and cash equivalents	15,303	11,095	15,303	11,095
Investments				
– 'Held to maturity'	128,753	114,763	129,010	114,763
Receivables	9,955	8,175	9,955	8,374
Total financial assets	154,011	134,033	154,268	134,232
Financial liabilities				
Payables	11,923	10,266	11,923	10,266
Loans/advances	22,931	23,928	22,931	23,928
Total financial liabilities	34,854	34,194	34,854	34,194

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 - exclude payments received in advance

Ku-ring-gai Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 15. Financial risk management (continued)

\$ '000

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 its staff and an investment report is tabled before Council on a monthly basis setting out the portfolio breakup and its performance.

The risks associated with the investments held are:

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

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

(a) Market risk – price risk and interest rate risk

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
2017				
Possible impact of a 10% movement in market values	2,425	2,425	(2,425)	(2,425)
Possible impact of a 1% movement in interest rates	243	243	(243)	(243)
2016				
Possible impact of a 10% movement in market values	2,726	2,726	(2,726)	(2,726)
Possible impact of a 1% movement in interest rates	273	2,726	(2,726)	(2,726)

Ku-ring-gai Council

Notes to the Financial Statements

for the year ended 30 June 2017

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.

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:

	2017 Rates and annual charges	2017 Other receivables	2016 Rates and annual charges	2016 Other receivables
(i) Ageing of receivables – %				
Current (not yet overdue)	97%	77%	100%	74%
Overdue	3%	23%	0%	26%
	100%	100%	100%	100%
(ii) Ageing of receivables – value				
Rates and annual charges		Other receivables	Rates and annual charges	Other receivables
Current	2,400	6,288	2,309	4,469
< 1 year overdue	5	290	–	329
1 – 2 years overdue	6	129	–	124
2 – 5 years overdue	61	1,423	–	1,147
	2,472	8,130	2,309	6,069
(iii) Movement in provision for impairment of receivables			2017	2016
Balance at the beginning of the year			203	104
+ new provisions recognised during the year			444	203
– amounts already provided for and written off this year			–	(104)
Balance at the end of the year			647	203

Ku-ring-gai Council

Notes to the Financial Statements

for the year ended 30 June 2017

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		
2017									
Trade/other payables	4,211	7,712	–	–	–	–	–	11,923	11,923
Loans and advances	–	1,852	20,608	858	398	385	373	24,474	22,931
Total financial liabilities	4,211	9,564	20,608	858	398	385	373	36,397	34,854
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

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:

	2017		2016	
	Carrying value	Average interest rate	Carrying value	Average interest rate
Trade/other payables	11,923	0.00%	10,266	0.00%
Loans and advances – fixed interest rate	889	5.13%	1,153	5.13%
Loans and advances – variable interest rate	22,042	3.15%	22,775	3.60%
	34,854		34,194	

Ku-ring-gai Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 16. Material budget variations

\$ '000

Council's original financial budget for 2016/17 was adopted by the Council on 14 June 2016.

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	2017 Budget	2017 Actual	2017 Variance*	
REVENUES				
Interest and investment revenue	3,846	4,624	778	20% F
Council's investment portfolio performed strongly due to an increased investment portfolio size during the financial year and better than expected returns.				
Other revenues	12,772	21,773	9,001	70% F
Council performed a revaluation of its investment property at the end of the reporting period. As a result, a fair value increment of \$9.6m was recognised in Other revenues largely contributing to the variation in this category.				
Operating grants and contributions	8,405	10,508	2,103	25% F
The favourable variance in Operating Grants & Contributions is mainly attributed to the first two instalments of the 2017-18 Financial Assistance Grant (FAG) received in advance.				
Capital grants and contributions	19,038	14,316	(4,722)	(25%) U
Council received lower than anticipated Section 94 income during the financial year mainly contributing to the variance in this category.				
Net gains from disposal of assets	7,957	-	(7,957)	(100%) U
Council budgeted for net gains from divestment of assets during the 2016-17 financial year. There were delays in achieving the asset sales in the most part due to delays by the NSW Government to reclassify Council's assets to allow divestment of the planned assets.				

Ku-ring-gai Council

Notes to the Financial Statements
for the year ended 30 June 2017

Note 16. Material budget variations (continued)

\$ '000	2017 Budget	2017 Actual	2017 ----- Variance* -----
---------	----------------	----------------	-------------------------------

EXPENSES

Net losses from disposal of assets	-	2,178	(2,178)	0%	U
---	---	-------	---------	----	----------

Net losses were recognised as a result of demolition of a number of assets for open space.

Ku-ring-gai Council

Notes to the Financial Statements

for the year ended 30 June 2017

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	(5,750)	1,113	-	-	(124)	-	(4,761)	-
Traffic facilities	20,822	3,237	-	703	(169)	-	24,593	-
Parking	864	-	-	29	(1)	-	892	-
Open space	64,928	6,541	-	2,091	(3,422)	-	70,138	-
Community facilities	7,570	848	-	239	(1,248)	-	7,409	-
Other	41	-	-	1	(36)	-	6	-
S94 contributions – under a plan	88,475	11,739	-	3,063	(5,000)	-	98,277	-
S94A levies – under a plan	34	1,708	-	-	-	-	1,742	-
Total S94 revenue under plans	88,509	13,447	-	3,063	(5,000)	-	100,019	-
Total contributions	88,509	13,447	-	3,063	(5,000)	-	100,019	-

Ku-ring-gai Council

Notes to the Financial Statements
for the year ended 30 June 2017

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	864	-	-	29	(1)	-	892	-
Community facilities	226	-	-	6	(103)	-	129	-
Total	1,090	-	-	35	(104)	-	1,021	-

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	1,443	-	-	48	(15)	-	1,476	-
Community facilities	664	-	-	22	-	-	686	-
Total	2,107	-	-	70	(15)	-	2,162	-

Ku-ring-gai Council

Notes to the Financial Statements
for the year ended 30 June 2017

Note 17. Statement of developer contributions (continued)

\$ '000

S94 CONTRIBUTIONS – UNDER A PLAN

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	2,493	4	-	70	(780)	-	1,787	-
Community facilities	3,262	1	-	107	(68)	-	3,302	-
Other	50	-	-	1	(34)	-	17	-
Total	5,805	5	-	178	(882)	-	5,106	-

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	(5,750)	1,113	-	-	(124)	-	(4,761)	-
Traffic facilities	20,822	3,237	-	703	(169)	-	24,593	-
Open space	60,640	6,537	-	1,962	(2,588)	-	66,551	-
Community facilities	3,418	847	-	104	(1,077)	-	3,292	-
Other	(9)	-	-	-	(2)	-	(11)	-
Total	79,121	11,734	-	2,769	(3,960)	-	89,664	-

Ku-ring-gai Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 17. Statement of developer contributions (continued)

\$ '000

S94 CONTRIBUTIONS – UNDER A PLAN

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	352	-	-	11	(39)	-	324	-
Total	352	-	-	11	(39)	-	324	-

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	1,708	-	-	-	-	1,742	-
Total	34	1,708	-	-	-	-	1,742	-

Ku-ring-gai Council

Notes to the Financial Statements for the year ended 30 June 2017

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 scheme's 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 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 plan.

(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 2017

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 94/94A 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 restrictions imposed by Council

Council has zoned a number of privately owned land parcels as RE1Local 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.

Note 19. Interests in other entities

Council has no interest in any controlled entities, joint arrangements or associates.

Ku-ring-gai Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 20. Retained earnings, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors

\$ '000	Notes	Actual 2017	Actual 2016
(a) Retained earnings			
Movements in retained earnings were as follows:			
Balance at beginning of year (from previous years audited accounts)		776,315	734,344
a. Net operating result for the year		33,139	41,970
Balance at end of the reporting period		809,454	776,315
(b) Revaluation reserves			
(i) Reserves are represented by:			
– Infrastructure, property, plant and equipment revaluation reserve		506,714	506,714
Total		506,714	506,714
(ii) Reconciliation of movements in reserves:			
Infrastructure, property, plant and equipment revaluation reserve			
– Opening balance		506,714	411,081
– Revaluations for the year (Community Land & Artworks)	9(a)	–	95,633
Balance at end of year		506,714	506,714
TOTAL VALUE OF RESERVES		506,714	506,714

(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 2017

Note 20. Retained earnings, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors (continued)

\$ '000	Notes	Actual 2017	Actual 2016
---------	-------	----------------	----------------

(c) Correction of error/s relating to a previous reporting period

Cash & Cash Equivalents

During 2015/16 deposits held in "at call" account were disclosed under "Investments - Deposits (Short Term)" rather than "Cash & Cash Equivalents". These balances were retrospectively transferred to Cash & Cash Equivalents in the current financial year, as follows:

– Cash & Cash Equivalents	10,804
– Deposits (Short Term)	(10,804)

Transfer of Operational Land to Investment Property

In 2015/16 Council recognised an Investment Property and subsequently transferred the value of the building from the total fixed assets portfolio (Note 9 \$19M) to the Investment Property portfolio (Note 14). The value of the land included in the investment property has been corrected retrospectively in the current financial year, as follows:

– Operational Land	(8,000)
– Investment Property	8,000

(d) Voluntary changes in accounting policies

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

Ku-ring-gai Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 21. Financial result and financial position by fund

\$ '000

Council utilises only a general fund for its operations.

Note 22. 'Held for sale' non-current assets and disposal groups

\$ '000	2017	2017	2016	2016
	Current	Non-current	Current	Non-current

(i) Non-current assets and disposal group assets

Non-current assets 'held for sale'

Land	980	–	–	–
Other assets	257	–	–	–
Total non-current assets 'held for sale'	1,237	–	–	–

\$ '000

Assets 'held for sale'
2017 2016(ii) Reconciliation of non-current assets
'held for sale' and disposal groups
– i.e. discontinued operations

Opening balance	–	1,040
Less: carrying value of assets/operations sold	–	(1,040)
Plus new transfers in:		
– Assets 'held for sale'	1,237	–
Closing balance of 'held for sale' non-current assets and operations	1,237	–

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 2017

Note 23. Events occurring after the reporting date

\$ '000

Events that occur between the end of the reporting period (30 June 2017) 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 10/10/17.

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 2017.

(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 2017 and which are only indicative of conditions that arose after 30 June 2017.

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

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

Ku-ring-gai Council took legal action to challenge the process undertaken by the State Government to assess the merger proposal and was successful in the Court of Appeal. Subsequently in July 2017 the NSW Government announced that the ongoing merger policy has been abandoned.

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 2017

Note 25. Intangible assets

\$ '000	Actual 2017	Actual 2016
Intangible assets represent identifiable non-monetary assets without physical substance.		
Intangible assets are as follows:		
Opening values:		
Gross book value (1/7)	1,387	1,339
Accumulated amortisation (1/7)	(990)	(721)
Net book value – opening balance	397	618
Movements for the year		
– Purchases	34	64
– Transfers	–	50
– Amortisation charges	(220)	(290)
– Gross book value written off	–	(66)
– Accumulated amortisation charges written off	–	21
Closing values:		
Gross book value (30/6)	1,421	1,387
Accumulated amortisation (30/6)	(1,210)	(990)
TOTAL INTANGIBLE ASSETS – NET BOOK VALUE	211	397
¹ The net book value of intangible assets represent:		
Software	211	397
	211	397

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 2017

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:

2017	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					
Investment properties					
Investment properties	30/06/17	–	36,720	–	36,720
Total investment properties		–	36,720	–	36,720
Infrastructure, property, plant and equipment					
Operational Land	30/06/13	–	–	48,292	48,292
Community Land	30/06/16	–	–	427,427	427,427
Land Under Roads	30/06/14	–	–	66	66
Land Improvements Depreciable	30/06/16	–	–	2,756	2,756
Stormwater Drainage	30/06/15	–	–	160,682	160,682
Structure (Car Parks)	30/06/15	–	–	7,965	7,965
Buildings - Non Specialised	30/06/13	–	–	47,685	47,685
Buildings - Specialised	30/06/13	–	–	12,828	12,828
Furniture & Fittings	30/06/15	–	–	166	166
Library Books	30/06/15	–	–	2,841	2,841
Office Equipment	30/06/15	–	–	926	926
Plant & Equipment (e.g. Fleet & Small Plant)	30/06/15	–	–	6,299	6,299
Other (Artworks, Sculptures)	30/06/16	–	–	1,560	1,560
Roads	30/06/15	–	–	313,139	313,139
Bridges	30/06/15	–	–	6,224	6,224
Footpaths	30/06/15	–	–	31,365	31,365
Kerb & Gutter	30/06/15	–	–	772	772
Road Structure & Street Furniture	30/06/15	–	–	283	283
Recreational Facilities	30/06/13	–	–	68,316	68,316
Swimming Pools	30/06/13	–	–	20,279	20,279
Total infrastructure, property, plant and equipment		–	–	1,159,871	1,159,871
Non-current assets classified as 'held for sale'					
Land Asset	30/06/16	–	–	980	980
Other Asset	30/06/16	–	–	257	257
Total NCA's classified as 'held for sale'		–	–	1,237	1,237

Ku-ring-gai Council

Notes to the Financial Statements

for the year ended 30 June 2017

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)

2016	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					
Investment properties					
Investment properties	30/06/13	–	–	27,056	27,056
Total investment properties		–	–	27,056	27,056
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

(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 2017

Note 27. Fair value measurement (continued)

\$ '000

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

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

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

Investment properties

Council obtains an independent valuation of its investment property on an annual basis and at the end of each reporting period the financial statements reflect the most up to date valuation.

The best evidence of fair value is the current price in an active market for similar assets. The following information is used where necessary;

- Current prices in an active market for different types of properties or similar properties in a less active market.
- Income that may arise out of renting the property based on direct capitalisation method.

The investment property held by Council has been valued by the valuer using valuation techniques that are appropriate and for which sufficient data was available to measure fair value, maximising the use of observable inputs and minimising unobservable inputs namely Level 2 inputs (based on the per square metres).

The market approach was used to value the investment property. It was valued on 30 June 2017 by Scott Fullerton FAPI, Certified Practising Valuer, and Registered Valuer No 2144.

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 regularly 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.

Ku-ring-gai Council

Notes to the Financial Statements

for the year ended 30 June 2017

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.

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 2017

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.

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.

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.

Ku-ring-gai Council

Notes to the Financial Statements

for the year ended 30 June 2017

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 in consultation with consultant Morrison Low, 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. In 2015 all the road assets data stored in the Pavement Management System (SMEC) was 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 was 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.

Ku-ring-gai Council

Notes to the Financial Statements

for the year ended 30 June 2017

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 2017

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 2017

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.

(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 – 1/7/15	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
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
Transfers from/(to) another asset class	(979)	–	(157)	292	(844)
Purchases (GBV)	–	–	859	300	1,159
Depreciation and impairment	–	–	(141)	(1,660)	(1,801)
Closing balance – 30/6/17	427,427	66	2,756	160,682	590,931

Ku-ring-gai Council

Notes to the Financial Statements

for the year ended 30 June 2017

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)

	Structures (Car Parks)	Buildings Specialised	Other	Roads	Total
Opening balance – 1/7/15	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
Transfers from/(to) another asset class	2	–	235	2,417	2,654
Purchases (GBV)	575	153	–	9,589	10,317
Depreciation and impairment	(274)	(508)	(54)	(7,423)	(8,259)
Closing balance – 30/6/17	7,965	12,828	1,560	243,135	265,489

	Bridges	Footpaths	Kerb and Gutter	Road Structure and Street Furniture	Total
Opening balance – 1/7/15	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
Transfers from/(to) another asset class	–	539	9	31	579
Purchases (GBV)	–	528	763	252	1,543
Depreciation and impairment	(162)	(768)	(1,331)	(224)	(2,485)
Closing balance – 30/6/17	6,224	31,365	67,420	3,642	108,652

Ku-ring-gai Council

Notes to the Financial Statements

for the year ended 30 June 2017

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	Held for Sale (Comm Land & LIMP)	Land Improvements	Total
Opening balance – 1/7/15	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

Transfers from/(to) another asset class	2,822	–	979	–	3,801
Purchases (GBV)	2,369	–	258	–	2,627
Depreciation and impairment	(3,400)	(372)	–	–	(3,772)
Closing balance – 30/6/17	68,316	20,279	1,237	–	89,832

	Buildings Non Specialised	Furniture and Fittings	Office Equipment	Plant and Equipment	Total
Opening balance – 1/7/15	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	1,780	4,528
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	6,049	55,357

Transfers from/(to) another asset class	547	–	–	–	547
Purchases (GBV)	2,662	–	156	1,896	4,714
Disposals (WDV)	(2,149)	–	(46)	(758)	(2,953)
Depreciation and impairment	(1,517)	(27)	(157)	(891)	(2,592)
Closing balance – 30/6/17	47,685	166	926	6,296	55,073

Ku-ring-gai Council

Notes to the Financial Statements

for the year ended 30 June 2017

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)

	Operational Land	Library Books	Total
Opening balance – 1/7/15	44,631	2,739	47,370
Transfers from/(to) another asset class	1,145	–	1,145
Purchases (GBV)	2,515	582	3,097
Depreciation and impairment	–	(530)	(530)
Transfers from WIP	–	16	16
Closing balance – 30/6/16	48,291	2,807	51,098
Purchases (GBV)	–	574	574
Depreciation and impairment	–	(540)	(540)
Closing balance – 30/6/17	48,291	2,841	51,132

(4). Fair value measurements using significant unobservable inputs (level 3) (continued)**b. Information relating to the transfers into and out of the level 3 fair valuation hierarchy (as disclosed in the table above) includes:**

During the year, Investment Property was transferred out of Level 3 category to Level 2 category.

Ku-ring-gai Council

Notes to the Financial Statements

for the year ended 30 June 2017

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 (30/6/17) \$'000	Valuation technique/s	Unobservable inputs	Range of Inputs (incl. probable)	Relationship of unobservable inputs to Fair Value
I,PP&E					
Community Land	427,427	Cost Approach	Unimproved Capital Value provided by Valuer General Total area (6,986,004 m2)	Unit Rates: (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	2,756	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 2017

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.

Class	Fair value (30/6/17) \$'000	Valuation technique/s	Unobservable inputs	Range of Inputs (incl. probable)	Relationship of unobservable inputs to Fair Value
I,PP&E (continued)					
Stormwater Drainage	160,682	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	12,828	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 2017

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.

Class	Fair value (30/6/17) \$'000	Valuation technique/s	Unobservable inputs	Range of Inputs (incl. probable)	Relationship of unobservable inputs to Fair Value
I,PP&E (continued)					
Other Structures	7,965	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)	1,560	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 2017

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.

Class	Fair value (30/6/17) \$'000	Valuation technique/s	Unobservable inputs	Range of Inputs (incl. probable)	Relationship of unobservable inputs to Fair Value
I,PP&E (continued)					
Roads	243,135	Cost Approach	Replacement Cost	Unit Rates - Surface: \$25-\$32 - Pavement: \$50-\$100 (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	
			Residual Value	Residual Value: 0%	
Bridges	6,224	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 2017

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.

Class	Fair value (30/6/17) \$'000	Valuation technique/s	Unobservable inputs	Range of Inputs (incl. probable)	Relationship of unobservable inputs to Fair Value
I,PP&E (continued)					
Footpaths	31,365	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	67,420	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 2017

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.

Class	Fair value (30/6/17) \$'000	Valuation technique/s	Unobservable inputs	Range of Inputs (incl. probable)	Relationship of unobservable inputs to Fair Value
I,PP&E (continued)					
Road Structure and Street Furniture	3,642	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	68,316	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	20,279	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 2017

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.

Class	Fair value (30/6/17) \$'000	Valuation technique/s	Unobservable inputs	Range of Inputs (incl. probable)	Relationship of unobservable inputs to Fair Value
I,PP&E (continued)					
Buildings Non Specialised	47,685	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)	7,388	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	48,291	Market Value / Cost Approach	Total area (38,531m2) Total Value of land (\$48,292,000)	Unit Rates: (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 2017

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.

Class	Fair value (30/6/17) \$'000	Valuation technique/s	Unobservable inputs	Range of Inputs (incl. probable)	Relationship of unobservable inputs to Fair Value
I,PP&E (continued)					
Library Books	2,841	Cost Approach	Replacement 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
			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

Notes to the Financial Statements

for the year ended 30 June 2017

Note 28. Related party disclosures

\$ '000

a. Key management personnel

Key management personnel (KMP) of the council are those persons having the authority and responsibility for planning, directing and controlling the activities of the council, directly or indirectly. KMP defined for this disclosure are elected members, general manager, directors and some managers (based on their responsibility and financial delegations).

The aggregate amount of KMP compensation included in the Income Statement is:

Compensation:	2017
Short-term benefits	3,080
Other long-term benefits	39
Total	3,119

b. Other transactions with KMP and their related parties

Council has determined that transactions at arm's length between KMP and Council as part of Council delivering a public service objective (e.g. access to library or Council swimming pool by KMP) will not be disclosed. There are no other disclosures to be made by KMP.



INDEPENDENT AUDITOR'S REPORT

Report on the general purpose financial statements

Ku-ring-gai Council

To the Councillors of the Ku-ring-gai Council

Opinion

I have audited the accompanying financial statements of Ku-ring-gai Council (the Council), which comprise the statement of financial position as at 30 June 2017, the income statement, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the Statement by Councillors and Management.

In my opinion,

- the Council's accounting records have been kept in accordance with the requirements of the *Local Government Act 1993*, Chapter 13, Part 3, Division 2 (the Division)
- the financial statements:
 - have been presented, in all material respects, in accordance with the requirements of this Division
 - are consistent with the Council's accounting records
 - present fairly, in all material respects, the financial position of the Council as at 30 June 2017, and of its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards
- all information relevant to the conduct of the audit has been obtained
- no material deficiencies in the accounting records or financial statements have come to light during the audit

My opinion should be read in conjunction with the rest of this report.

Basis for Opinion

I conducted my audit in accordance with Australian Auditing Standards. My responsibilities under the standards are described in the 'Auditor's Responsibilities for the Audit of the Financial Statements' section of my report.

I am independent of the Council in accordance with the requirements of the:

- Australian Auditing Standards
- Accounting Professional and Ethical Standards Board's APES 110 'Code of Ethics for Professional Accountants' (APES 110).

I have fulfilled my other ethical responsibilities in accordance with APES 110.

Parliament promotes independence by ensuring the Auditor-General and the Audit Office of New South Wales are not compromised in their roles by:

- providing that only Parliament, and not the executive government, can remove an Auditor-General
- mandating the Auditor-General as auditor of councils
- precluding the Auditor-General from providing non-audit services. I believe the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion. Other Matter

The financial statements of the Council for the year ended 30 June 2016 were audited by another auditor who expressed an unmodified opinion on that financial statement on 20 September 2016.

The Councillors' Responsibility for the Financial Statements

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

In preparing the financial statements, the Councillors must assess the Council's ability to continue as a going concern except where the Council will be dissolved or amalgamated by an Act of Parliament. The assessment must disclose, as applicable, matters related to going concern and the appropriateness of using the going concern basis of accounting.

Auditor's Responsibility for the Audit of the Financial Statements

My objectives are to:

- obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

Reasonable assurance is a high level of assurance, but does not guarantee an audit conducted in accordance with Australian Auditing Standards will always detect material misstatements. Misstatements can arise from fraud or error. Misstatements are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions users take based on the financial statements.

A description of my responsibilities for the audit of the financial statements is located at the Auditing and Assurance Standards Board website at:

http://www.auasb.gov.au/auditors_responsibilities/ar3.pdf.

The description forms part of my auditor's report.

My opinion does not provide assurance:

- that the Council carried out its activities effectively, efficiently and economically
- on the Original Budget information included in the Income Statement, Statement of Cash Flows, Note 2(a) and Note 16 budget variation explanations
- on the attached Special Schedules
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented
- about any other information which may have been hyperlinked to/from the financial statements.



Weini Liao
Director, Financial Audit Services

12 October 2017
SYDNEY

Jennifer Anderson
Mayor
Ku-ring-gai Municipal Council
818 Pacific Highway
Gordon NSW 2072

Contact: Weini Liao
Phone no: 02 9275 7432
Our ref: D1725831/1748

12 October 2017

Dear Mayor

Report on the Conduct of the Audit for the year ended 30 June 2017 Ku-ring-gai Municipal Council

I have audited the general purpose financial statements of the Ku-ring-gai Municipal Council (the Council) for the year ended 30 June 2017 as required by section 415 of the *Local Government Act 1993* (the Act).

I expressed an unmodified opinion on the Council's general purpose financial statements.

This Report on the Conduct of the Audit (the Report) for the Council for the year ended 30 June 2017 is issued in accordance with section 417 of the Act. This Report should be read in conjunction with my audit opinion on the general purpose financial statements issued under section 417(2) of the Act.

INCOME STATEMENT

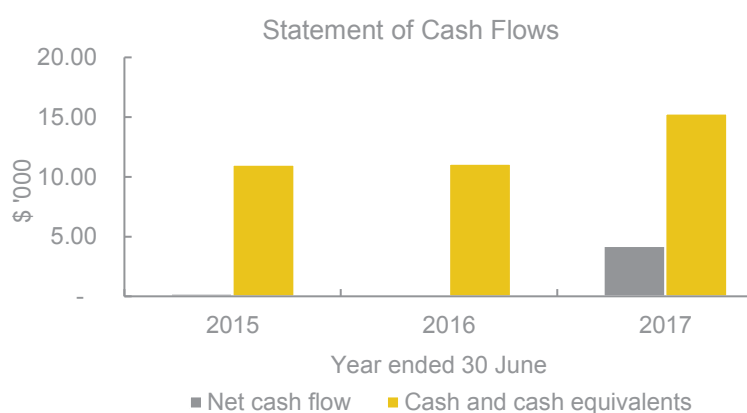
Operating result

	2017 \$m	2016 \$m	Variance %
Rates and annual charges revenue	80.4	78.5	2.4 ↑
Grants and contributions revenue	24.8	43.4	42.9 ↓
Operating result for the year	33.1	42.0	21.2 ↓
Net operating result before capital amounts	18.8	6.8	176.5 ↑

- The operating result from continuing activities declined by \$8.9 million or 21.2%. This was driven by a substantial reduction in s94 developer contributions for capital purposes which was down by \$20 million. This was offset by a one-off fair value increment adjustment of \$9.6 million relating to Council’s investment property.
- The net operating result before capital amounts increased by \$12 million or 1.76 times. This was primarily driven by the fair value adjustment noted above.
- Grants and contributions revenue declined by \$18.6 million or 42.9%. This was primarily driven by a reduction in s94 developer contributions as noted above. Revenue from grants alone increased by \$1.7 million i.e. from \$8.3 million in 2016 to \$10 million in 2017.
- Rates and annual charges revenue increased by \$1.9 million or 2.4%. The increase is attributable to an increase in rateable properties and the approved rate pegging increase of 1.8 per cent and increased domestic waste management charges.

STATEMENT OF CASH FLOWS

Net cash flows were significantly impacted by a reduction in s94 contributions (from \$33.4 million in FY15-16 to \$13.4 million in FY16-17) offset by lower outlays on infrastructure, property, plant & equipment (from \$32.3 million in FY15-16 to \$27 million in FY16-17) and a lower level of net investment in fixed income securities.



FINANCIAL POSITION

Cash and Investments

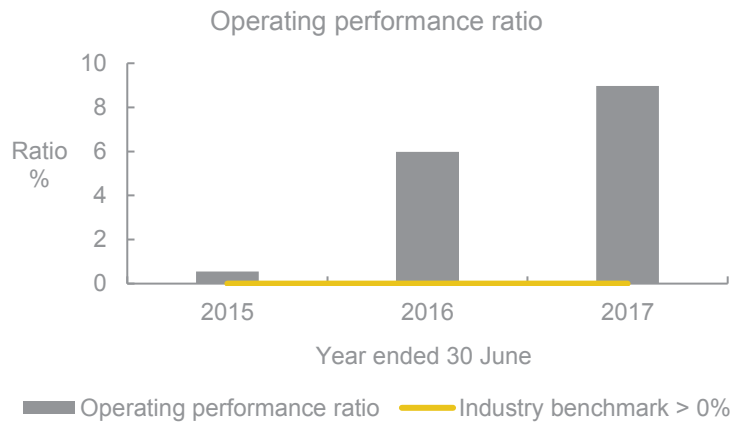
Restricted Cash and Investments	2017	2016	Commentary
	\$m	\$m	
External restrictions	112.7	98.8	Cash and investments have increased as a result of the Council’s operating surplus recorded in the financial year.
Internal restrictions	27.7	23.3	
Unrestricted	3.6	3.8	The increase in external restrictions largely reflects the receipt of S94 developer contributions exceeding the spending allocated to those contributions (representing a net increase of \$11.5 million in restrictions from 2016)
Cash and investments	144.1	125.9	

PERFORMANCE RATIOS

The definition of each ratio analysed below (except for the ‘building and infrastructure renewals ratio’) is included in Note 13 of the Council’s audited general purpose financial statements. The ‘building and infrastructure renewals ratio’ is defined in Council’s Special Schedule 7.

Operating performance ratio

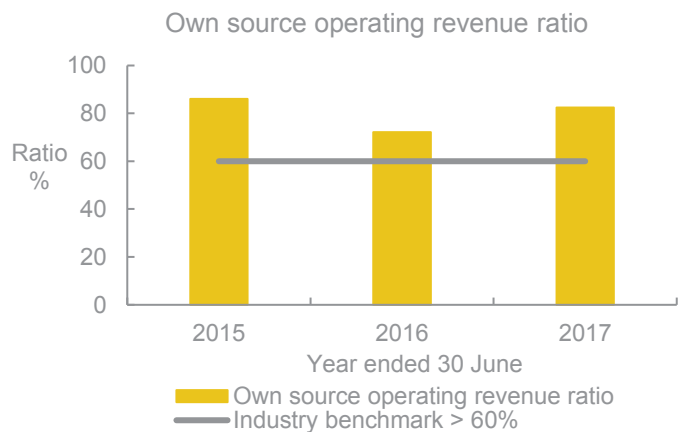
- Council's operating performance ratio of 8.97 per cent reflects a surplus in operating revenues over operating expenses and exceeds the OLG benchmark of greater than zero per cent.
- This was driven by increases in rates, operating grants and user charges in conjunction with relatively stable operating expenses.
- Council's operating performance ratio has increased over the last three years as increases in revenue outstrip costs.



The 'operating performances ratio' measures how well council contained operating expenditure within operating revenue (excluding capital grants and contributions, fair value adjustments, and reversal of revaluation decrements). The benchmark set by the Office of Local Government (OLG) is greater than zero per cent.

Own source operating revenue ratio

- Council's own source operating revenue ratio of 82.42 per cent reflects a low level of reliance on externally sourced grant revenue and exceeds the OLG benchmark of greater than 60 per cent.
- The ratio has remained relatively stable above the benchmark of 60 per cent over the last 3 years.

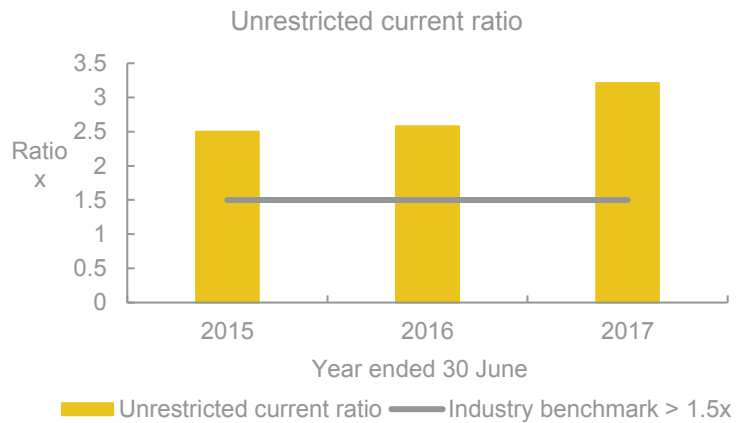


The 'own source operating revenue ratio' measures council's fiscal flexibility and the degree to which it relies on external funding sources such as operating grants and contributions. The benchmark set by OLG is greater than 60 per cent.

Unrestricted current ratio

- This ratio indicates that Council currently has \$3.21 of unrestricted assets available to service every \$1.00 of its unrestricted current liabilities. This reflects a sizable operating buffer for use in Council's operations and exceeds the OLG benchmark of greater than 1.5 times.
- This ratio reflects Council's historical operating surpluses and a build up of cash & other investment securities.
- The ratio has remained relatively stable above the benchmark of 1.5 times over the last three years.
- The unrestricted current ratio includes adjustments for assets held by Council, but restricted in use to a specific purpose.

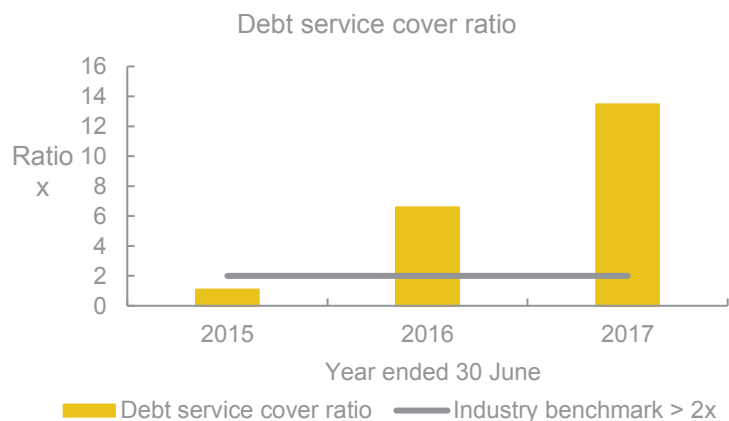
The 'unrestricted current ratio' is specific to local government and represents council's ability to meet its short-term obligations as they fall due. The benchmark set by OLG is greater than 1.5 times.



Debt service cover ratio

- Council's debt service cover ratio of 13.46 times reflects the continued repayments made on Council's existing debt facilities and exceeds the OLG benchmark of greater than two times.
- Council's debt service cover ratio has increased dramatically over the past three years as Council has made significant debt repayments and withheld from significant new borrowings.

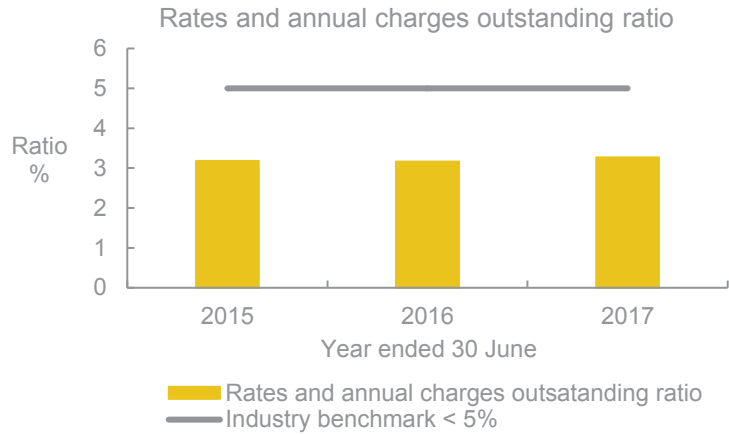
The 'debt service cover ratio' measures the operating cash to service debt including interest, principal and lease payments. The benchmark set by OLG is greater than two times.



Rates and annual charges outstanding ratio

- Council's rates and annual charges outstanding ratio of 3.27 per cent exceeded the OLG benchmark of less than 5 per cent.
- This was driven by the strong economic environment in the local government area.
- The ratio has remained fairly consistent over the past three years.

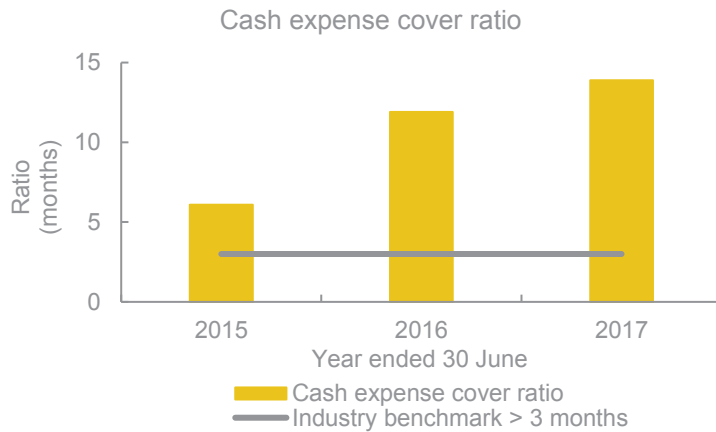
The 'rates and annual charges outstanding ratio' assesses the impact of uncollected rates and annual charges on council's liquidity and the adequacy of debt recovery efforts. The benchmark set by OLG is less than 5 per cent for metro councils.



Cash expense cover ratio

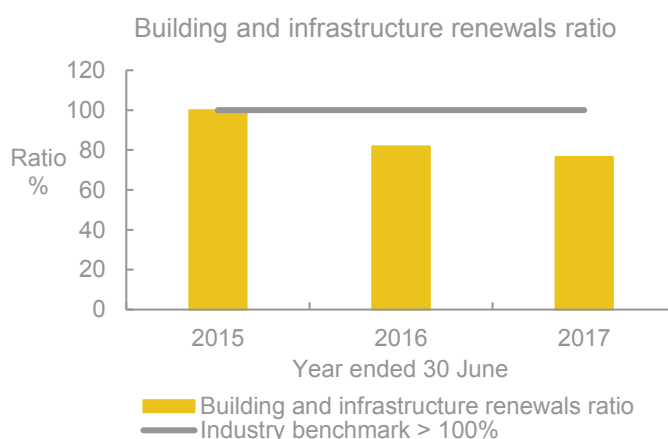
- Council's cash expense cover ratio of 13.8 months exceeded the OLG benchmark of greater than three months.
- This reflects the substantial building up of cash and investment securities made over a number of years.
- Council's cash expense cover ratio has increased over the past three years, reflecting ongoing operating surpluses.

This liquidity ratio indicates the number of months the council can continue paying for its immediate expenses without additional cash inflow. The benchmark set by OLG is greater than three months.



Building and infrastructure renewals ratio

- Council's building and infrastructure renewals ratio of 76.47 per cent failed to meet the OLG benchmark of greater than 100 per cent.
- This reflected a lack of capital investment in asset renewals in respect of stormwater drainage and recreational facilities assets.
- Council's building and infrastructure renewals ratio has declined since 2015 as a result of lower capital outlays.



The 'building and infrastructure renewals ratio assesses the rate at which these assets are being renewed against the rate at which they are depreciating. The benchmark set by OLG is greater than 100 per cent.

This ratio is sourced from information contained in council's Special Schedule 7 which has not been audited.

OTHER MATTERS

New accounting standards implemented

AASB 124 'Related Party Disclosures'

Effective for annual reporting periods beginning on or 1 July 2016

AASB 2015-6 extended the scope of AASB 124 to include not-for-profit public sector entities. As a result, Council's financial statements disclosed the:

- compensation paid to their key management personnel
- nature of their related party relationships
- amount and nature of their related party transactions, outstanding balances and commitments and outstanding balances (including commitments).

Legislative compliance

My audit procedures did not identify any instances of non-compliance with legislative requirements or a material deficiency in the Council's accounting records or financial reports. The Council's:

- accounting records were maintained in a manner and form to allow the general purpose financial statements to be prepared and effectively audited
- staff provided all accounting records and information relevant to the audit.



Weini Liao
Director, Financial Audit Services

12 October 2017
SYDNEY

cc: John Mckee, General Manager
John Gordon, Chair of Audit and Risk Committee
Tim Hurst, Acting Chief Executive of the Office of Local Government

Ku-ring-gai Council

SPECIAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2017

"...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 2017

Contents	Page
1. Statement by Councillors and Management	2
2. Special Purpose Financial Statements:	
Income Statement – Other Business Activities	3
Statement of Financial Position – Other Business Activities	8
3. Notes to the Special Purpose Financial Statements	13
4. Auditor’s Report	17

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, and **(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 2017

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:

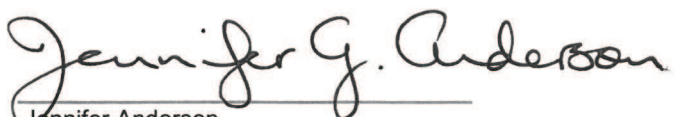
- the NSW Government Policy Statement 'Application of National Competition Policy to Local Government',
- the Division of Local Government Guidelines 'Pricing and Costing for Council Businesses – A Guide to Competitive Neutrality',
- the Local Government Code of Accounting Practice and Financial Reporting,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

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.

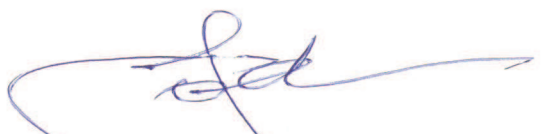
Signed in accordance with a resolution of Council made on 10 October 2017.



Jennifer Anderson
Mayor



Callum Clarke
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 2017

\$ '000	Thomas Carlyle Children Centre		Art Centre	
	Actual 2017	Actual 2016	Actual 2017	Actual 2016
Income from continuing operations				
User charges	1,141	1,111	496	516
Grants and contributions provided for non-capital purposes	373	385	–	–
Total income from continuing operations	1,514	1,496	496	516
Expenses from continuing operations				
Employee benefits and on-costs	952	1,047	587	554
Materials and contracts	235	127	65	81
Depreciation, amortisation and impairment	18	18	25	25
Other expenses	78	84	36	46
Total expenses from continuing operations	1,283	1,276	713	706
Surplus (deficit) from continuing operations before capital amounts	231	220	(217)	(190)
Grants and contributions provided for capital purposes	–	–	–	–
Surplus (deficit) from continuing operations after capital amounts	231	220	(217)	(190)
Less: corporate taxation equivalent (30%) [based on result before capital]	(69)	(66)	–	–
SURPLUS (DEFICIT) AFTER TAX	162	154	(217)	(190)
Plus opening retained profits	968	820	4,006	4,196
Plus adjustments for amounts unpaid:				
– Corporate taxation equivalent	69	66	–	–
Add:				
– Subsidy paid/contribution to operations	–	–	543	–
Less:				
– Dividend paid	(266)	(72)	–	–
Closing retained profits	933	968	4,332	4,006
Return on capital %	22.3%	22.5%	-4.8%	-4.6%
Subsidy from Council	–	–	324	279

Ku-ring-gai Council

Income Statement of Council's Other Business Activities

for the year ended 30 June 2017

\$ '000	Trade Waste		Gordon Golf Course	
	Actual 2017	Actual 2016	Actual 2017	Actual 2016
Income from continuing operations				
User charges	1,774	1,779	377	451
Other income	92	87	128	107
Total income from continuing operations	1,866	1,866	505	558
Expenses from continuing operations				
Employee benefits and on-costs	81	43	492	375
Materials and contracts	1,225	1,203	249	286
Depreciation, amortisation and impairment	–	–	118	118
Other expenses	6	3	327	371
Total expenses from continuing operations	1,312	1,249	1,186	1,150
Surplus (deficit) from continuing operations before capital amounts	554	617	(681)	(592)
Less: corporate taxation equivalent (30%) [based on result before capital]	(166)	(185)	–	–
SURPLUS (DEFICIT) AFTER TAX	388	432	(681)	(592)
Plus opening retained profits	(230)	(335)	8,225	6,073
Plus adjustments for amounts unpaid:				
– Corporate taxation equivalent	166	185	–	–
Add:				
– Subsidy paid/contribution to operations	–	–	698	2,744
Less:				
– Dividend paid	(477)	(512)	–	–
Closing retained profits	(153)	(230)	8,242	8,225
Return on capital %	n/a	n/a	-9.0%	-7.7%
Subsidy from Council	–	–	861	758

Ku-ring-gai Council

Income Statement of Council's Other Business Activities

for the year ended 30 June 2017

\$ '000	Turramurra Golf Course		Tennis Courts	
	Actual 2017	Actual 2016	Actual 2017	Actual 2016
Income from continuing operations				
User charges	781	688	307	322
Other income	29	20	–	–
Total income from continuing operations	810	708	307	322
Expenses from continuing operations				
Employee benefits and on-costs	451	344	3	2
Materials and contracts	266	418	19	18
Depreciation, amortisation and impairment	380	233	580	612
Other expenses	237	223	29	26
Total expenses from continuing operations	1,334	1,218	631	658
Surplus (deficit) from continuing operations before capital amounts	(524)	(510)	(324)	(336)
SURPLUS (DEFICIT) AFTER TAX	(524)	(510)	(324)	(336)
Plus opening retained profits	18,013	17,668	4,404	5,381
Add:				
– Subsidy paid/contribution to operations	258	855	45	–
Less:				
– Dividend paid	–	–	–	(641)
Closing retained profits	17,747	18,013	4,125	4,404
Return on capital %	-2.9%	-2.8%	-7.8%	-7.6%
Subsidy from Council	950	903	422	432

Ku-ring-gai Council

Income Statement of Council's Other Business Activities

for the year ended 30 June 2017

\$ '000	Swimming Pool		Nursery	
	Actual 2017	Actual 2016	Actual 2017	Actual 2016
Income from continuing operations				
User charges	4,750	4,197	20	41
Other income	–	–	14	4
Total income from continuing operations	4,750	4,197	34	45
Expenses from continuing operations				
Employee benefits and on-costs	–	–	83	142
Materials and contracts	3,734	3,700	20	12
Depreciation, amortisation and impairment	392	374	10	11
Other expenses	612	395	49	42
Total expenses from continuing operations	4,738	4,469	162	207
Surplus (deficit) from continuing operations before capital amounts	12	(272)	(128)	(162)
Less: corporate taxation equivalent (30%) [based on result before capital]	(4)	–	–	–
SURPLUS (DEFICIT) AFTER TAX	8	(272)	(128)	(162)
Plus opening retained profits	20,635	19,755	32	69
Add:				
– Subsidy paid/contribution to operations	–	1,152	95	125
Less:				
– Dividend paid	(497)	–	–	–
Closing retained profits	20,150	20,635	(1)	32
Return on capital %	0.1%	-1.3%	-474.1%	-522.6%
Subsidy from Council	471	720	129	163

Ku-ring-gai Council

Income Statement of Council's Other Business Activities
for the year ended 30 June 2017Commercial
Leasing

\$ '000	Actual 2017	Actual 2016
Income from continuing operations		
User charges	2,062	1,855
Other income	323	208
Total income from continuing operations	2,385	2,063
Expenses from continuing operations		
Employee benefits and on-costs	222	198
Materials and contracts	615	636
Depreciation, amortisation and impairment	28	456
Other expenses	315	323
Total expenses from continuing operations	1,180	1,613
Surplus (deficit) from continuing operations before capital amounts	1,205	450
Less: corporate taxation equivalent (30%) [based on result before capital]	(362)	(135)
SURPLUS (DEFICIT) AFTER TAX	844	315
Plus opening retained profits	22,081	21,392
Plus adjustments for amounts unpaid:		
– Corporate taxation equivalent	362	135
Add:		
– Subsidy paid/contribution to operations	14,854	239
Closing retained profits	38,140	22,081
Return on capital %	3.2%	2.0%
Subsidy from Council	–	28

Ku-ring-gai Council

Statement of Financial Position – Council's Other Business Activities

as at 30 June 2017

\$ '000	Thomas Carlyle Children Centre		Art Centre	
	Actual 2017	Actual 2016	Actual 2017	Actual 2016
ASSETS				
Current assets				
Cash and cash equivalents	–	–	–	–
Investments	–	–	–	–
Receivables	5	25	–	–
Inventories	–	–	–	–
Other	–	–	–	–
Non-current assets classified as held for sale	–	–	–	–
Total Current Assets	5	25	–	–
Non-current assets				
Investments	–	–	–	–
Receivables	–	–	–	–
Inventories	–	–	–	–
Infrastructure, property, plant and equipment	1,038	977	4,504	4,122
Investments accounted for using equity method	–	–	–	–
Investment property	–	–	–	–
Intangible assets	–	–	–	–
Total non-current assets	1,038	977	4,504	4,122
TOTAL ASSETS	1,043	1,002	4,504	4,122
LIABILITIES				
Current liabilities				
Bank overdraft	–	–	–	–
Payables	38	34	132	116
Income received in advance	–	–	–	–
Borrowings	–	–	–	–
Provisions	72	–	40	–
Total current liabilities	110	34	172	116
Non-current liabilities				
Payables	–	–	–	–
Borrowings	–	–	–	–
Provisions	–	–	–	–
Other Liabilities	–	–	–	–
Total non-current liabilities	–	–	–	–
TOTAL LIABILITIES	110	34	172	116
NET ASSETS	933	968	4,332	4,006
EQUITY				
Retained earnings	933	968	4,332	4,006
Revaluation reserves	–	–	–	–
TOTAL EQUITY	933	968	4,332	4,006

Ku-ring-gai Council

Statement of Financial Position – Council's Other Business Activities

as at 30 June 2017

\$ '000	Trade Waste		Gordon Golf Course	
	Actual 2017	Actual 2016	Actual 2017	Actual 2016
ASSETS				
Current assets				
Cash and cash equivalents	–	–	–	–
Investments	–	–	–	–
Receivables	–	–	745	557
Inventories	–	–	–	–
Other	–	–	–	–
Non-current assets classified as held for sale	–	–	–	–
Total Current Assets	–	–	745	557
Non-current assets				
Investments	–	–	–	–
Receivables	–	–	–	–
Inventories	–	–	–	–
Infrastructure, property, plant and equipment	–	–	7,570	7,670
Investments accounted for using equity method	–	–	–	–
Investment property	–	–	–	–
Intangible assets	–	–	–	–
Total non-current assets	–	–	7,570	7,670
TOTAL ASSETS	–	–	8,315	8,227
LIABILITIES				
Current liabilities				
Bank overdraft	–	–	–	–
Payables	121	120	3	2
Income received in advance	–	–	–	–
Borrowings	–	–	–	–
Provisions	32	110	70	–
Total current liabilities	153	230	73	2
Non-current liabilities				
Payables	–	–	–	–
Borrowings	–	–	–	–
Provisions	–	–	–	–
Other Liabilities	–	–	–	–
Total non-current liabilities	–	–	–	–
TOTAL LIABILITIES	153	230	73	2
NET ASSETS	(153)	(230)	8,242	8,225
EQUITY				
Retained earnings	(153)	(230)	8,242	8,225
Revaluation reserves	–	–	–	–
TOTAL EQUITY	(153)	(230)	8,242	8,225

Ku-ring-gai Council

Statement of Financial Position – Council's Other Business Activities

as at 30 June 2017

\$ '000	Turramurra Golf Course		Tennis Courts	
	Actual 2017	Actual 2016	Actual 2017	Actual 2016
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	17,880	18,113	4,138	4,407
Investments accounted for using equity method	–	–	–	–
Investment property	–	–	–	–
Intangible assets	–	–	–	–
Total non-current assets	17,880	18,113	4,138	4,407
TOTAL ASSETS	17,880	18,113	4,138	4,407
LIABILITIES				
Current liabilities				
Bank overdraft	–	–	–	–
Payables	9	–	13	3
Income received in advance	–	–	–	–
Borrowings	–	–	–	–
Provisions	124	100	–	–
Total current liabilities	133	100	13	3
Non-current liabilities				
Payables	–	–	–	–
Borrowings	–	–	–	–
Provisions	–	–	–	–
Other Liabilities	–	–	–	–
Total non-current liabilities	–	–	–	–
TOTAL LIABILITIES	133	100	13	3
NET ASSETS	17,747	18,013	4,125	4,404
EQUITY				
Retained earnings	17,747	18,013	4,125	4,404
Revaluation reserves	–	–	–	–
TOTAL EQUITY	17,747	18,013	4,125	4,404

Ku-ring-gai Council

Statement of Financial Position – Council's Other Business Activities

as at 30 June 2017

\$ '000	Swimming Pool		Nursery	
	Actual 2017	Actual 2016	Actual 2017	Actual 2016
ASSETS				
Current assets				
Cash and cash equivalents	–	–	–	–
Investments	–	–	–	–
Receivables	398	–	–	1
Inventories	–	–	–	–
Other	–	–	–	–
Non-current assets classified as held for sale	–	–	–	–
Total Current Assets	398	–	–	1
Non-current assets				
Investments	–	–	–	–
Receivables	–	–	–	–
Inventories	–	–	–	–
Infrastructure, property, plant and equipment	20,311	20,651	27	31
Investments accounted for using equity method	–	–	–	–
Investment property	–	–	–	–
Intangible assets	–	–	–	–
Total non-current assets	20,311	20,651	27	31
TOTAL ASSETS	20,709	20,651	27	32
LIABILITIES				
Current liabilities				
Bank overdraft	–	–	–	–
Payables	559	16	–	–
Income received in advance	–	–	–	–
Borrowings	–	–	–	–
Provisions	–	–	28	–
Total current liabilities	559	16	28	–
Non-current liabilities				
Payables	–	–	–	–
Borrowings	–	–	–	–
Provisions	–	–	–	–
Other Liabilities	–	–	–	–
Total non-current liabilities	–	–	–	–
TOTAL LIABILITIES	559	16	28	–
NET ASSETS	20,150	20,635	(1)	32
EQUITY				
Retained earnings	20,150	20,635	(1)	32
Revaluation reserves	–	–	–	–
TOTAL EQUITY	20,150	20,635	(1)	32

Ku-ring-gai Council

Statement of Financial Position – Council's Other Business Activities

as at 30 June 2017

Commercial
Leasing

\$ '000	Actual 2017	Actual 2016
ASSETS		
Current assets		
Cash and cash equivalents	–	–
Investments	–	–
Receivables	–	37
Inventories	–	–
Other	–	–
Non-current assets classified as held for sale	–	–
Total Current Assets	–	37
Non-current assets		
Investments	–	–
Receivables	–	–
Inventories	–	–
Infrastructure, property, plant and equipment	1,470	22,046
Investments accounted for using equity method	–	–
Investment property	36,720	–
Intangible assets	–	–
Total non-current assets	38,190	22,046
TOTAL ASSETS	38,190	22,083
LIABILITIES		
Current liabilities		
Bank overdraft	–	–
Payables	3	2
Income received in advance	–	–
Borrowings	–	–
Provisions	47	–
Total current liabilities	50	2
Non-current liabilities		
Payables	–	–
Borrowings	–	–
Provisions	–	–
Other Liabilities	–	–
Total non-current liabilities	–	–
TOTAL LIABILITIES	50	2
NET ASSETS	38,140	22,081
EQUITY		
Retained earnings	38,140	22,081
Revaluation reserves	–	–
TOTAL EQUITY	38,140	22,081

Ku-ring-gai Council

Special Purpose Financial Statements

for the year ended 30 June 2017

Contents of the notes accompanying the financial statements

Note	Details	Page
1	Summary of significant accounting policies	14

Ku-ring-gai Council

Notes to the Special Purpose Financial Statements

for the year ended 30 June 2017

Note 1. Significant accounting policies

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

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

The figures presented in these Special Purpose Financial Statements, unless otherwise stated have been prepared in accordance with:

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

The disclosures in the Special Purpose Financial Statements 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 purpose of the National Competition Policy.

National Competition Policy

Council has adopted the principle of 'competitive neutrality' in 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 a standard 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 Councils Swimming Pool

b. Commercial Leasing

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

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.

Ku-ring-gai Council

Notes to the Special Purpose Financial Statements for the year ended 30 June 2017

Note 1. Significant accounting policies (continued)

f. Tennis Courts

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

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

g. Plant Nursery

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

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.

Monetary amounts

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

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

(i) Taxation-equivalent charges

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

Loan and debt guarantee fees

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

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 Special Purpose Financial Statements.

(ii) Subsidies

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

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):

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.

Income tax

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

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.

Whilst 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.

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

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%.

(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.

Ku-ring-gai Council

Notes to the Special Purpose Financial Statements for the year ended 30 June 2017

Note 1. Significant accounting policies (continued)

The rate of return on capital is calculated as follows:

Operating result before capital income + interest expense

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

As a minimum, business activities should generate a return equal to the Commonwealth 10 year bond rate which is 2.38% at 30/6/17.

(iv) Dividends

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



INDEPENDENT AUDITOR'S REPORT

Report on the special purpose financial statement

Ku-ring-gai Council

To the Councillors of the Ku-ring-gai Council

Opinion

I have audited the accompanying special purpose financial statements (the financial statements) of Ku-ring-gai Council's (the Council) Declared Business Activities, which comprise the statement of financial position of each Declared Business Activity as at 30 June 2017, the income statement of each Declared Business Activity for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information for the Business Activities declared by Council, and the Statement by Councillors and Management.

The Declared Business Activities of the Council are:

- Thomas Carlyle Children Centre
- Art Centre
- Trade Waste
- Gordon Golf Course
- Turramurra Golf Course
- Tennis Courts
- Swimming Pool
- Nursery
- Commercial Leasing

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Council's declared Business Activities as at 30 June 2017, and their financial performance for the year then ended, in accordance with the Australian Accounting Standards described in Note 1 and the Local Government Code of Accounting Practice and Financial Reporting (LG Code).

My opinion should be read in conjunction with the rest of this report and in particular, the Emphasis of Matter referring to the basis of accounting.

Basis for Opinion

I conducted my audit in accordance with Australian Auditing Standards. My responsibilities under the standards are described in the 'Auditor's Responsibilities for the Audit of the Financial Statements' section of my report. I am independent of the Council in accordance with the requirements of the:

- Australian Auditing Standards
- Accounting Professional and Ethical Standards Board's APES 110 'Code of Ethics for Professional Accountants' (APES 110).

I have fulfilled my other ethical responsibilities in accordance with APES 110.

Parliament promotes independence by ensuring the Auditor-General and the Audit Office of New South Wales are not compromised in their roles by:

- providing that only Parliament, and not the executive government, can remove an Auditor-General
- mandating the Auditor-General as the auditor of councils
- precluding the Auditor-General from providing non-audit services.

I believe the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Emphasis of Matter - Basis of Accounting

Without modifying my opinion, I draw attention to Note 1 to the financial statements which describes the basis of accounting. The financial statements have been prepared for the purpose of fulfilling Council's financial reporting responsibilities under the LG Code. As a result, the financial statements may not be suitable for another purpose.

Other Matter

The financial statements of the Council for the year ended 30 June 2017 were audited by another auditor who expressed an unmodified opinion on that financial statement on 20 September 2016.

The Councillors' Responsibility for the Financial Statements

The Councillors are responsible for the preparation and fair presentation of the financial statements and for determining that the accounting policies, described in Note 1 to the financial statements, are appropriate to meet the requirements in the LG Code. The Councillors' responsibility also includes such internal control as the Councillors determine is necessary to enable the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Councillors must assess the Council's ability to continue as a going concern except where the Council will be dissolved or amalgamated by an Act of Parliament. The assessment must disclose, as applicable, matters related to going concern and the appropriateness of using the going concern basis of accounting, as it affects the Council's Declared Business Activities.

Auditor's Responsibility for the Audit of the Financial Statements

My objectives are to:

- obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

Reasonable assurance is a high level of assurance, but does not guarantee an audit conducted in accordance with Australian Auditing Standards will always detect material misstatements. Misstatements can arise from fraud or error. Misstatements are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions users take based on the financial statements.

A description of my responsibilities for the audit of the financial statements is located at the Auditing and Assurance Standards Board website at:

http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf.

The description forms part of my auditor's report.

My opinion does not provide assurance:

- that the Council carried out its activities effectively, efficiently and economically
- on the best practice management disclosures in Notes 2 and 3 of the financial statements
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented
- about any other information which may have been hyperlinked to/from the financial statements.



Weini Liao
Director, Financial Audit Services

12 October 2017
SYDNEY

Ku-ring-gai Council

SPECIAL SCHEDULES

for the year ended 30 June 2017

"...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 2017

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	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 2017

\$'000

Function or activity	Expenses from continuing operations	Income from continuing operations		Net cost of services
		Non-capital	Capital	
Governance	264	6	–	(258)
Administration	27,977	47,538	14,104	33,665
Public order and safety				
Fire service levy, fire protection, emergency services	2,914	79	–	(2,835)
Enforcement of local government regulations	1,402	302	–	(1,100)
Animal control	226	89	–	(137)
Total public order and safety	4,542	470	–	(4,072)
Health	419	172	–	(247)
Environment				
Other environmental protection	1,312	1,774	–	462
Solid waste management	16,250	21,141	–	4,891
Street cleaning	1,566	–	–	(1,566)
Drainage	2,674	28	–	(2,646)
Stormwater management	3,452	130	–	(3,322)
Total environment	25,254	23,073	–	(2,181)
Community services and education				
Administration and education	3,366	4,600	–	1,234
Aged persons and disabled	336	224	–	(112)
Children's services	3,565	3,898	20	353
Total community services and education	7,267	8,722	20	1,475
Housing and community amenities				
Street lighting	2,074	287	–	(1,787)
Town planning	1,814	476	–	(1,338)
Other community amenities	186	394	–	208
Total housing and community amenities	4,074	1,157	–	(2,917)

Ku-ring-gai Council

Special Schedule 1 – Net Cost of Services (continued)
for the year ended 30 June 2017

\$'000

Function or activity	Expenses from continuing operations	Income from continuing operations		Net cost of services
		Non-capital	Capital	
Recreation and culture				
Public libraries	4,268	345	77	(3,846)
Art galleries	711	496	–	(215)
Community centres and halls	1,942	937	–	(1,005)
Other cultural services	443	51	–	(392)
Sporting grounds and venues	5,967	511	2	(5,454)
Swimming pools	4,738	4,750	–	12
Parks and gardens (lakes)	8,188	595	95	(7,498)
Other sport and recreation	256	–	–	(256)
Total recreation and culture	26,513	7,685	174	(18,654)
Mining, manufacturing and construction				
Building control	6,185	2,946	–	(3,239)
Total mining, manufacturing and const.	6,185	2,946	–	(3,239)
Transport and communication				
Urban roads (UR) – local	12,829	3,398	–	(9,431)
Parking areas	731	2,107	–	1,376
Footpaths	1,437	62	18	(1,357)
Total transport and communication	14,997	5,567	18	(9,412)
Economic affairs				
Other economic affairs	180	211	–	31
Total economic affairs	180	211	–	31
Totals – functions	117,672	97,547	14,316	(5,809)
General purpose revenues ⁽¹⁾		38,948		38,948
NET OPERATING RESULT ⁽²⁾	117,672	136,495	14,316	33,139

(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 2017

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		From revenue	Sinking funds			Current	Non-current	Total
Loans (by source)										
Commonwealth Government	-	-	-	-	-	-	-	-	-	
NSW Treasury Corporation	-	-	-	-	-	-	-	-	-	
Other State Government	-	-	-	-	-	-	-	-	-	
Public subscription	-	-	-	-	-	-	-	-	-	
Financial institutions	1,584	22,344	587	1,584	-	-	781	1,180	21,751	
Other	-	-	-	-	-	-	-	-	-	
Total loans	1,584	22,344	587	1,584	-	-	781	1,180	21,751	
Other long term debt										
Ratepayers advances	-	-	-	-	-	-	-	-	-	
Government advances	-	-	-	-	-	-	-	-	-	
Finance leases	-	-	-	-	-	-	-	-	-	
Deferred payments	-	-	-	-	-	-	-	-	-	
Total long term debt	-	-	-	-	-	-	-	-	-	
Total debt	1,584	22,344	587	1,584	-	-	781	1,180	21,751	
									22,931	

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 2017
as at 30 June 2017

\$'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	2016/17 Required maintenance ^a	2016/17 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost					
								1	2	3	4	5	
Buildings	All Council Buildings	1,853	7,460	2,600	2,101	60,513	124,339	12%	12%	70%	5%	1%	
	Sub-total	1,853	7,460	2,600	2,101	60,513	124,339	12.0%	12.0%	70.0%	5.0%	1.0%	
Other structures	Other structures	385	1,509	200	50	7,965	13,572	19%	32%	38%	9%	2%	
	Sub-total	385	1,509	200	50	7,965	13,572	19.0%	32.0%	38.0%	9.0%	2.0%	
Roads	Roads	22,240	53,652	2,200	1,073	179,467	334,887	0%	37%	36%	17%	10%	
	Bridges	49	155	100	–	6,225	11,419	0%	52%	46%	1%	0%	
	Footpaths	665	2,930	900	803	31,365	46,951	37%	21%	36%	5%	1%	
	Kerb and Gutter	145	826	700	219	67,435	132,583	3%	8%	88%	1%	0%	
	Road Furniture	50	221	200	716	7,561	10,523	37%	32%	28%	2%	0%	
	Bulk earthworks	–	–	–	–	59,727	59,727	100%					0%
	Sub-total	23,149	57,784	4,100	2,811	351,780	596,090	14%	26%	44%	10%	6%	

Ku-ring-gai Council

Special Schedule 7 – Report on Infrastructure Assets as at 30 June 2017 (continued)
as at 30 June 2017

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 ^b	2016/17 Required maintenance ^a	2016/17 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
								1	2	3	4	5
Drainage	Pits & Pipes	771	3,320	1,200	597	160,682	237,113	12%	70%	17%	1%	0%
	Sub-total	771	3,320	1,200	597	160,682	237,113	12.0%	70.0%	17.0%	1.0%	0.0%
Open space/recreational assets	Swimming pools	571	3,262	400	–	20,279	25,094	0%	83%	4%	13%	0%
	Recreational Assets	836	3,975	1,700	5,013	68,316	115,279	43%	28%	25%	3%	0%
	Sub-total	1,407	7,237	2,100	5,013	88,595	140,373	36%	38%	21%	5%	0%
	TOTAL – ALL ASSETS	27,565	77,310	10,200	10,572	669,535	1,111,487	16.3%	35.3%	38.2%	7.0%	3.3%

Notes:

- a Required maintenance is the amount identified in Council's asset management plans.
- b Estimated cost to bring to the agreed level of service is the amount of money that is required to be spent on an asset that is currently not at the condition determined by the community. Council has undertaken consultation with their community and has agreed to a condition level for Council's assets.

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 2017

\$ '000	Amounts	Indicator	Benchmark	Prior periods	
	2017	2017		2016	2015
Infrastructure asset performance indicators * consolidated					
1. Infrastructure renewals ratio					
Asset renewals ⁽¹⁾	13,491	76.47%	>= 100%	81.89%	100.01%
Depreciation, amortisation and impairment	17,642				
2. Infrastructure backlog ratio					
Estimated cost to bring assets to a satisfactory standard	27,565	4.50%	< 2%	5.58%	4.36%
Net carrying amount of infrastructure assets	612,565				
3. Asset maintenance ratio					
Actual asset maintenance	10,572	1.04	> 1.00	1.07	1.01
Required asset maintenance	10,200				

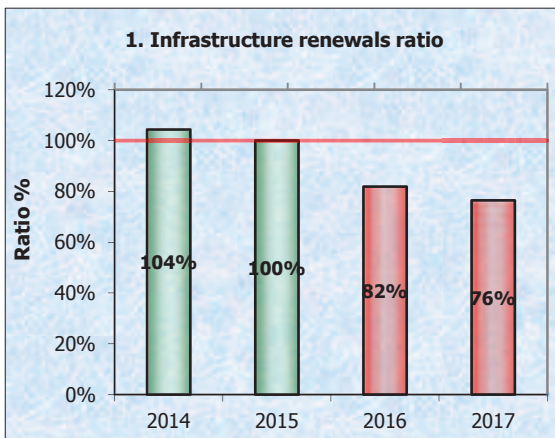
Notes

* 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 2017



Benchmark: — Minimum $\geq 100.00\%$
Source for benchmark: Code of Accounting Practice and Financial Reporting #25

Purpose of asset renewals ratio

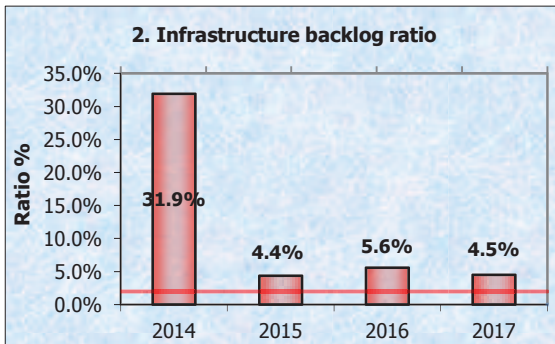
To assess the rate at which these assets are being renewed relative to the rate at which they are depreciating.

Commentary on 2016/17 result

2016/17 Ratio 76.47%

A ratio of 76% 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 2016/17 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 #25

Purpose of infrastructure backlog ratio

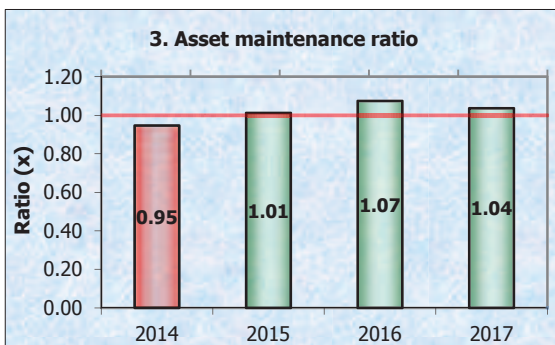
This ratio shows what proportion the backlog is against the total value of a Council's infrastructure.

Commentary on 2016/17 result

2016/17 Ratio 4.50%

Council achieved a backlog ratio of 4.5% at the end of 2016/17 financial year, which is an improvement 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 #25

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 2016/17 result

2016/17 Ratio 1.04 x

A ratio of above 1.04x 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 2018

\$'000		Calculation 2016/17	Calculation 2017/18
Notional general income calculation ⁽¹⁾			
Last year notional general income yield	a	58,973	60,358
Plus or minus adjustments ⁽²⁾	b	325	405
Notional general income	c = (a + b)	59,298	60,763
Permissible income calculation			
Special variation percentage ⁽³⁾	d	0.00%	0.00%
Or rate peg percentage	e	1.80%	1.50%
Or crown land adjustment (incl. rate peg percentage)	f	0.00%	0.00%
Less expiring special variation amount	g	–	–
Plus special variation amount	h = d x (c – g)	–	–
Or plus rate peg amount	i = c x e	1,067	911
Or plus Crown land adjustment and rate peg amount	j = c x f	–	–
Sub-total	k = (c + g + h + i + j)	60,365	61,674
Plus (or minus) last year's carry forward total	l	1	0
Less valuation objections claimed in the previous year	m	(18)	(10)
Sub-total	n = (l + m)	(17)	(10)
Total permissible income	o = k + n	60,348	61,665
Less notional general income yield	p	60,358	61,665
Catch-up or (excess) result	q = o – p	(10)	(0)
Plus income lost due to valuation objections claimed ⁽⁴⁾	r	10	–
Less unused catch-up ⁽⁵⁾	s	(2)	–
Carry forward to next year	t = q + r – s	0	(0)

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.



INDEPENDENT AUDITOR'S REPORT

Special Schedule No. 8

Ku-ring-gai Council

To the Councillors of Ku-ring-gai Council

Opinion

I have audited the accompanying special purpose financial statement comprising the reconciliation of total permissible general income (Special Schedule No. 8) of Ku-ring-gai Council (the Council) for the year ending 30 June 2018.

In my opinion, Special Schedule No. 8 of Ku-ring-gai Council for 30 June 2018 is prepared, in all material respects in accordance with the requirements of the Local Government Code of Accounting Practice and Financial Reporting (LG Code) issued by the Office of Local Government (OLG), and is in accordance with the books and records of the Council.

My opinion should be read in conjunction with the rest of this report, and in particular the Emphasis of Matter paragraph, which describes the basis of accounting.

Basis for Opinion

I conducted my audit in accordance with Australian Auditing Standards. My responsibilities under the standards are described in the 'Auditor's Responsibilities for the Audit of Special Schedule No.8' section of my report.

I am independent of the Council in accordance with the requirements of the:

- Australian Auditing Standards
- ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 'Code of Ethics for Professional Accountants' (APES 110).

I have fulfilled my other ethical responsibilities in accordance with APES 110.

Parliament promotes independence by ensuring the Auditor-General and the Audit Office of New South Wales are not compromised in their roles by:

- providing that only Parliament, and not the executive government, can remove an Auditor-General
- mandating the Auditor-General as auditor of councils
- precluding the Auditor-General from providing non-audit services.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Emphasis of Matter - Basis of Accounting

Without modifying my opinion, I draw attention to the notes and explanations in Special Schedule No. 8 that instruct councils in its preparation so it complies with OLG's requirements as described in the LG Code. As a result, Special Schedule No. 8 may not be suitable for another purpose.

Other Matter

Special Schedule No.8 of the Council for the year ended 30 June 2017 was audited by another auditor who expressed an unmodified opinion on Special Schedule No. 8 on 20 September 2016.

Councillors' Responsibility for Special Schedule No. 8

The Councillors of the Council are responsible for the preparation of Special Schedule No. 8 in accordance with the LG Code. The Councillors' responsibility also includes such internal control as the Councillors determine is necessary to enable the preparation of Special Schedule No. 8 that is free from material misstatement, whether due to fraud or error.

In preparing Special Schedule No.8, the Councillors must assess the Council's ability to continue as a going concern except where the Council will be dissolved or amalgamated by an Act of Parliament. The assessment must disclose, as applicable, matters related to going concern and the appropriateness of using the going concern basis of accounting.

Auditor's Responsibility for the Audit of Special Schedule No. 8

My objectives are to:

- obtain reasonable assurance whether Special Schedule No. 8 as a whole is free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

Reasonable assurance is a high level of assurance, but does not guarantee an audit conducted in accordance with Australian Auditing Standards will always detect material misstatements. Misstatements can arise from fraud or error. Misstatements are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions users take based on Special Schedule No.8.

A description of my responsibilities for the audit of Special Schedule No.8 is located at the Auditing and Assurance Standards Board website at http://www.auasb.gov.au/auditors_responsibilities/ar8.pdf. The description forms part of my auditor's report.

My opinion does not provide assurance:

- that the Council carried out its activities effectively, efficiently and economically
- about the security and controls over the electronic publication of the audited Special Schedule No.8 on any website where they may be presented
- about any other information which may have been hyperlinked to/from Special Schedule No 8.



Weini Liao
Director, Financial Audit Services

12 October 2017
SYDNEY

