Bobbin Head Road. Photo by Aditya Chordia

Ku·ring·gai Council

Draft Annual Financial Statements

For the year ended 30 June 2018

Ku-ring-gai Council

GENERAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2018

"…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 2018

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Overview

Ku-ring-gai Council is constituted under the Local Government Act 1993 (NSW) and has its principal place of business at:

818 Pacific Highway
Gordon NSW 2072

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).

Through the use of the internet, we have ensured that our reporting is timely, complete and available at minimum cost. All press releases, financial statements and other information are publicly available on our website: www.kmc.nsw.gov.au.

Ku-ring-gai Council

General Purpose Financial Statements
for the year ended 30 June 2018

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 2018.

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

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

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

3. The Statement of Financial Position

A 30 June snapshot of Council's financial position indicating its assets, liabilities and "net wealth".

4. The Statement of Changes in Equity

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

5. The Statement of Cash Flows

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

About the Notes to the Financial Statements

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

About the Auditor's Reports

Council's annual 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 2018

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 other pronouncements of the Australian Accounting Standards Board
- 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,
- 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 25 September 2018.

Jennifer Anderson
Mayor
25 September 2018

Callum Clarke
Deputy Mayor
25 September 2018

John McKee
General Manager
25 September 2018

Angela Apostol
Responsible Accounting Officer
25 September 2018

Ku-ring-gai Council

Income Statement
for the year ended 30 June 2018

Original unaudited budget 2018	$ '000	Notes	Actual 2018	Actual 2017
	Income from continuing operations			
	Revenue:			
81,705	Rates and annual charges	3a	82,557	80,439
19,089	User charges and fees	3b	20,529	19,151
3,365	Interest and investment revenue	3c	5,086	4,624
11,987	Other revenues	3d	11,206	12,146
7,624	Grants and contributions provided for operating purposes	3e,f	8,797	10,508
19,714	Grants and contributions provided for capital purposes	3e,f	26,924	14,316
	Other income:			
	Net gains from the disposal of assets	5	–	–
–	Fair value increment on investment property	11	541	9,627
143,484	Total income from continuing operations		155,640	150,811
	Expenses from continuing operations			
41,718	Employee benefits and on-costs	4a	39,889	38,272
723	Borrowing costs	4b	676	781
41,503	Materials and contracts	4c	44,167	40,112
21,853	Depreciation and amortisation	4d	20,103	19,672
16,442	Other expenses	4e	18,201	16,657
–	Net losses from the disposal of assets	5	63	2,178
122,239	Total expenses from continuing operations		123,099	117,672
21,245	Operating result from continuing operations		**32,541**	**33,139**
21,245	Net operating result for the year		32,541	33,139
1,531	Net operating result for the year before grants and contributions provided for capital purposes		5,617	18,823

Ku-ring-gai Council

Statement of Comprehensive Income
for the year ended 30 June 2018

$ '000	Notes	2018	2017
Net operating result for the year (as per Income Statement)		**32,541**	**33,139**
Other comprehensive income:			
Amounts that will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of IPP&E	10a	105,758	–
Total items which will not be reclassified subsequently to the operating result		**105,758**	**–**
Total other comprehensive income for the year		**105,758**	**–**
Total comprehensive income for the year		138,299	33,139

Ku-ring-gai Council

Statement of Financial Position
as at 30 June 2018

$ '000	Notes	2018	Restated 2017	Restated* 1 July 2016
ASSETS				
Current assets				
Cash and cash equivalents	6a	17,142	15,303	11,095
Investments	6b	73,501	52,500	46,509
Receivables	7	9,709	9,843	8,042
Inventories	8a	190	191	231
Other	8b	2,057	2,423	2,231
Non-current assets classified as 'held for sale'	9	–	1,237	–
Total current assets		**102,599**	**81,497**	**68,108**
Non-current assets				
Investments	6b	86,750	76,253	68,254
Receivables	7	107	112	133
Infrastructure, property, plant and equipment	10a	1,352,879	1,245,174	1,242,390
Investment property	11a	37,500	36,720	27,056
Intangible assets	12	294	211	397
Total non-current assets		**1,477,530**	**1,358,470**	**1,338,230**
TOTAL ASSETS		1,580,129	1,439,967	1,406,338
LIABILITIES				
Current liabilities				
Payables	13	14,987	11,923	10,266
Income received in advance	13	1,713	1,808	1,945
Borrowings	13	1,065	1,180	1,584
Provisions	14	10,644	10,745	10,813
Total current liabilities		**28,409**	**25,656**	**24,608**
Non-current liabilities				
Borrowings	13	20,685	21,751	22,344
Provisions	14	496	320	285
Total non-current liabilities		**21,181**	**22,071**	**22,629**
TOTAL LIABILITIES		49,590	47,727	47,237
Net assets		1,530,539	1,392,240	1,359,101
EQUITY				
Accumulated surplus		841,995	809,454	776,315
Revaluation reserves		688,544	582,786	582,786
Total equity		1,530,539	1,392,240	1,359,101

*Refer Note 15

Ku-ring-gai Council

Statement of Changes in Equity
for the year ended 30 June 2018

$ '000	Notes	2018 Accumulated surplus	IPP&E revaluation reserve	Total equity	2017 Accumulated surplus	IPP&E revaluation reserve	Restated Total equity
Opening balance		809,454	582,786	**1,392,240**	776,315	506,714	**1,283,029**
Correction of prior period errors		–	–	**–**	–	76,072	**76,072**
Restated opening balance		**809,454**	**582,786**	**1,392,240**	**776,315**	**582,786**	**1,359,101**
Net operating result for the year prior to correction of errors and changes in accounting policies		**32,541**	**–**	**32,541**	33,139		**30,228**
Restated net operating result for the year		**32,541**	**–**	**32,541**	**33,139**	**–**	**33,139**
Other comprehensive income							
– Gain (loss) on revaluation of IPP&E	10a		105,758	**105,758**	–	–	**–**
Other comprehensive income		**–**	**105,758**	**105,758**	**–**	**–**	**–**
Total comprehensive income		**32,541**	**105,758**	**138,299**	**33,139**	**–**	**33,139**
Equity – balance at end of the reporting period		**841,995**	**688,544**	**1,530,539**	**809,454**	**582,786**	**1,392,240**

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

Ku-ring-gai Council

Statement of Cash Flows
for the year ended 30 June 2018

Original unaudited budget 2018	$ '000	Notes	Actual 2018	Actual 2017
	Cash flows from operating activities			
	Receipts:			
81,630	Rates and annual charges		82,753	80,276
19,089	User charges and fees		22,299	21,319
3,365	Investment and interest revenue received		4,843	4,612
27,340	Grants and contributions		34,868	24,512
–	Bonds, deposits and retention amounts received		1,898	1,743
11,991	Other		17,309	15,470
	Payments:			
(40,234)	Employee benefits and on-costs		(39,814)	(38,351)
(35,025)	Materials and contracts		(48,108)	(43,713)
(723)	Borrowing costs		(676)	(194)
	Bonds, deposits and retention amounts refunded		(93)	(102)
(21,269)	Other		(20,249)	(19,551)
46,164	**Net cash provided (or used in) operating activities**	16b	55,030	46,021
	Cash flows from investing activities			
	Receipts:			
–	Sale of investment securities		52,500	48,938
–	Sale of infrastructure, property, plant and equipment		2,678	775
	Payments:			
–	Purchase of investment securities		(83,999)	(62,938)
–	Purchase of investment property		(239)	(37)
(61,951)	Purchase of infrastructure, property, plant and equipment		(22,950)	(26,967)
(61,951)	**Net cash provided (or used in) investing activities**		(52,010)	(40,229)
	Cash flows from financing activities			
	Receipts:			
1,800	Proceeds from borrowings and advances		–	–
	Payments:			
(1,749)	Repayment of borrowings and advances		(1,181)	(1,584)
51	**Net cash flow provided (used in) financing activities**		(1,181)	(1,584)
(15,736)	**Net increase/(decrease) in cash and cash equivalents**		1,839	4,208
16,771	Plus: **cash and cash equivalents – beginning of year**	16a	15,303	11,095
1,035	**Cash and cash equivalents – end of the year**	16a	17,142	15,303
	Additional Information:			
	plus: **Investments on hand – end of year**	6b	160,251	128,753
	Total cash, cash equivalents and investments		177,393	144,056

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

Ku-ring-gai Council

Notes to the Financial Statements
for the year ended 30 June 2018

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Ku-ring-gai Council

Notes to the Financial Statements
for the year ended 30 June 2018

Note 1. Basis of preparation

These financial statements were authorised for issue by Council on 25/09/2018.

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

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

Basis of preparation

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

The financial statements are presented in Australian dollars and are rounded to the nearest thousand dollars.

Unless otherwise indicated, all amounts disclosed in the financial statements are actual amounts.

Specific budgetary amounts have been included for comparative analysis (to actuals) in the following reports and notes are clearly marked.

- Income statement
- Statement of cash flows
- Note 20 – Material budget variations

(a) Historical cost convention

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain financial assets and liabilities and certain classes of infrastructure, property, plant and equipment and investment property.

(b) Significant accounting estimates and judgements

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Council's accounting policies.

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

Critical accounting estimates and assumptions

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

(i) Estimated fair values of investment properties refer Note 11,

(ii) Estimated fair values of infrastructure, property, plant and equipment refer Note 10,

Ku-ring-gai Council

Notes to the Financial Statements
for the year ended 30 June 2018

Note 1. Basis of preparation (continued)

(iii) Employee benefit provisions – refer Note 14.

Significant judgements in applying the Council's accounting policies

(iv) Impairment of receivables

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

Monies and other assets received by Council

(a) The Consolidated Fund

In accordance with the provisions of Section 409(1) of the *Local Government Act 1993 (NSW)*, all money and other assets received by Council is held in the Council's Consolidated Fund unless it is required to be held in the Council's Trust Fund.

Cash and other assets of the following entities have been included as part of the Consolidated Fund:

- General purpose operations
- Thomas Carlyle Children Centre
- Art Centre
- Trade waste
- Gordon Golf Course
- Turramurra Golf Course
- Tennis Courts
- Swimming Pool
- Nursery
- Commercial Leasing

(b) The Trust Fund

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

Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to the taxation authority is included with other receivables or payables in the Statement of Financial Position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which that are recoverable from, or payable to the taxation authority are presented as operating cash flows.

Ku-ring-gai Council

Notes to the Financial Statements
for the year ended 30 June 2018

Note 1. Basis of preparation (continued)

New accounting standards and interpretations issued not yet effective

Certain new accounting standards and interpretations have been published that are not mandatory for the current reporting period and which have not been applied.

Effective for annual reporting periods beginning on or after 1 July 2018

- AASB 9 *Financial Instruments*

This replaces AASB 139 Financial Instruments: Recognition and Measurement, and addresses the classification, measurement and disclosure of financial assets and liabilities.

The standard introduces a new impairment model that requires impairment provisions to be based on expected credit losses, rather than incurred credit losses.

Based on assessments to date, Council expects a small increase to impairment losses however the standard is not expected to have a material impact overall.

Effective for annual reporting periods beginning on or after 1 July 2019

- AASB 15 *Revenue from Contracts with Customers,* AASB 1058 *Income of Not-for-Profit Entities* and AASB 2016-8 *Amendments to Australian Accounting Standards - Australian Implementation Guidance for Not-for-Profit Entities*

AASB 15 will replace AASB 118 Revenue, AASB 111 Construction Contracts and a number of Interpretations. AASB 2016-8 provides Australian requirements and guidance for not-for-profit entities in applying AASB 9 and AASB 15, and AASB 1058 will replace AASB 1004 Contributions.

Together they contain a comprehensive and robust framework for the recognition, measurement and disclosure of income including revenue from contracts with customers.

While Council is still reviewing the way that income is measured and recognised to identify whether there will be any material impact arising from these standards, these standards may affect the timing of the recognition of some grants and donations.

- AASB 16 *Leases*

Council is currently a party to leases that are not recognised in the Statement of Financial Position.

It is likely that some of these leases will need to be included in the Statement of Financial Position when this standard comes into effect.

A lease liability will initially be measured at the present value of the lease payments to be made over the lease term.

A corresponding right-of-use asset will also be recognised over the lease term.

Apart from those listed above, there are no other released standards (with future effective dates) that are expected to have a material impact on Council.

Council has not elected to apply any pronouncements before their operative date in these financial statements.

Ku-ring-gai Council

Notes to the Financial Statements
for the year ended 30 June 2018

Note 2(a). Council functions/activities – financial information

$ '000	Income, expenses and assets have been directly attributed to the following functions/activities. Details of these functions/activities are provided in Note 2(b).									
Functions/activities	**Income from continuing operations**		**Expenses from continuing operations**		**Operating result from continuing operations**		**Grants included in income from continuing operations**		**Total assets held (current and non-current)**	
	2018	2017	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017
Access, Traffic and Transport	5,578	4,058	2,145	1,998	3,433	2,060	1,923	1,092	10	536
Community, People and Culture	12,564	12,053	23,291	24,460	(10,727)	(12,407)	694	382	56,220	50,270
Leadership and Governance	73,009	83,138	20,409	19,506	52,600	63,632	4,440	5,726	298,289	247,482
Local Economy and Employment	5	5	116	121	(111)	(116)	5	5	13,422	10,580
Natural Environment	22,084	21,423	25,562	22,920	(3,478)	(1,497)	685	661	9,326	9,643
Places, Spaces and Infrastructure	42,400	30,134	51,576	48,667	(9,176)	(18,533)	2,192	2,114	1,202,862	1,121,456
Total functions and activities	**155,640**	**150,811**	**123,099**	**117,672**	**32,541**	**33,139**	**9,939**	**9,980**	**1,580,129**	**1,439,967**

Ku-ring-gai Council

Notes to the Financial Statements
for the year ended 30 June 2018

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:

Access, Traffic and Transport

This theme is about ensuring that access and connection to, from and within Ku-ring-gai provides safe, reliable and affordable public and private travel, transport and infrastructure.
Services provided under this theme - Traffic and transport strategy and research, Road safety, Engineering design, Civil works and maintenance.

Community, People and Culture

This theme is about creating a healthy, safe, and diverse community that respects our history and celebrates our differences in a vibrant culture of learning. Services provided under this theme - Children's services, Youth services, Aged services, Disability services, Cultural development, Community events, Libraries and Art centre, Community health, safety and wellbeing programs, Community facilities and halls management, Sports grounds and parks bookings and Emergency management support.

Leadership and Governance

This theme is about ensuring that Ku-ring-gai is well led, managed and supported by an ethical organisation which delivers projects and services to the community by listening, advocating and responding to their needs.
Services provided under this theme - Financial management, Integrated planning and reporting, Property and asset management, Revenue accounting, Governance, Procurement, Risk management, Customer services, Communication, Community engagement, Human Resources, Information management, Administration and records and Civic support.

Local Economy and Employment

This theme is about creating sustainable economic and employment opportunities through vital, attractive local and neighbourhood centres, business innovation and use of technology.
Services provided under this theme - Economic and social development, Marketing and Events coordination.

Natural Environment

This theme is about working together as a community to protect and enhance our special natural environment and resources.
Services provided under this theme - Environmental Levy programs and initiatives, Corporate sustainability program, Biodiversity and bushland management programs, Bush fire management program, Water conservation, reuse and water quality management program, Environmental education and sustainable living programs, Environmental volunteering program, Climate change adaptation program, Energy management program, Waste management, recycling and education.

Places, Spaces and Infrastructure

This theme is about creating a range of well planned, clean and safe neighbourhoods and public spaces designed with a strong sense of identity and place.
Services provided under this theme - Urban design and planning, Heritage planning, Development assessment, Development compliance, Regulation and compliance, Open space projects, Landscape design, Engineering design, Civil works and maintenance, Drainage works and maintenance, Strategic asset management, Building asset works and maintenance, Parks and sportsfield works and maintenance, Tree preservation and maintenance.

Ku-ring-gai Council

Notes to the Financial Statements
for the year ended 30 June 2018

Note 3. Income from continuing operations

$ '000	2018	2017
(a) Rates and annual charges		
Ordinary rates		
Residential	28,363	27,648
Business	4,351	4,123
Total ordinary rates	**32,714**	**31,771**
Special rates		
Environmental levy	2,729	2,682
Infrastructure levy	25,855	25,200
Total special rates	**28,584**	**27,882**
Annual charges (pursuant to s.496, s.496A, s.496B, s.501 & s.611)		
Domestic waste management services	20,177	19,668
Stormwater management services	984	971
Section 611 charges	98	147
Total annual charges	**21,259**	**20,786**
TOTAL RATES AND ANNUAL CHARGES	82,557	80,439

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

Accounting policy for rates and annual charges

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

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.

(b) User charges and fees

Other user charges and fees		
(i) Fees and charges – statutory and regulatory functions (per s.608)		
Building regulation	2,558	2,450
Certificates	688	691
DA advertising fees	71	79
Driveway application fees	566	424
Outstanding notices	215	221
Regulatory application fees	372	436
Tree preservation charges	86	98
Total fees and charges – statutory/regulatory	**4,556**	**4,399**

Ku-ring-gai Council

Notes to the Financial Statements
for the year ended 30 June 2018

Note 3. Income from continuing operations (continued)

$ '000	2018	2017
(b) User charges and fees (continued)		
(ii) Fees and charges – other (incl. general user charges (per s.608))		
Art centre	458	486
Bus shelters	343	337
Golf courses (Gordon and Turramurra)	1,461	1,158
Halls	393	364
Holiday activities	562	455
Leaseback fees – Council vehicles	375	362
Library	101	90
Nursery and wildflower garden	45	54
Parks	1,100	1,121
Restoration charges	1,418	1,435
Showground	474	134
Swimming centres	4,944	4,750
Tennis courts	298	307
Thomas Carlyle children centre and family day care	1,348	1,307
Trade waste charges	1,821	1,774
Other	832	618
Total fees and charges – other	**15,973**	**14,752**
TOTAL USER CHARGES AND FEES	20,529	19,151

Accounting policy for user charges and fees
User charges and fees are recognised as revenue when the service has been provided.

(c) Interest and investment revenue

Interest		
– Overdue rates and annual charges (incl. special purpose rates)	120	119
– Cash and investments	4,967	4,515
Amortisation of premiums and discounts		
– 'Held to maturity' investments	(1)	(10)
TOTAL INTEREST AND INVESTMENT REVENUE	5,086	4,624
Interest revenue is attributable to:		
Unrestricted investments/financial assets:		
Overdue rates and annual charges (general fund)	120	119
General Council cash and investments	945	968
Restricted investments/funds – external:		
Development contributions		
– Section 7.11	3,422	3,063
Restricted investments/funds – internal:		
Internally restricted assets	599	474
Total interest and investment revenue recognised	**5,086**	**4,624**

Accounting policy for interest and investment revenue
Interest income is recognised using the effective interest rate at the date that interest is earned.

Ku-ring-gai Council

Notes to the Financial Statements
for the year ended 30 June 2018

Note 3. Income from continuing operations (continued)

$ '000	Notes	2018	2017
(d) Other revenues			
Rental income – investment property	11	1,277	1,662
Rental income – other council properties		4,433	4,526
Fines – parking		2,542	2,019
Fines – other		633	449
Legal fees recovery – rates and charges (extra charges)		48	65
Legal fees recovery – other		174	458
Commissions and agency fees		14	15
Credit card surcharge		137	117
Dog registration fees		98	50
Domestic waste other income		183	167
Licence income		146	196
Program fees		236	223
Recycling income (non-domestic)		964	843
Trade discount		11	20
Other		310	1,336
TOTAL OTHER REVENUE		11,206	12,146

Accounting policy for other revenue

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

Parking fees and fines are recognised as revenue when the penalty has been applied.

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

Miscellaneous sales are recognised when physical possession has transferred to the customer which is deemed to be the point of transfer of risks and rewards.

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

Ku-ring-gai Council

Notes to the Financial Statements
for the year ended 30 June 2018

Note 3. Income from continuing operations (continued)

$ '000	2018 Operating	2017 Operating	2018 Capital	2017 Capital
(e) Grants				
General purpose (untied)				
Current year allocation				
Financial assistance	3,670	5,347	–	–
Other				
Pensioners' rates subsidies – general component	233	269	–	–
Total general purpose	**3,903**	**5,616**	**–**	**–**
Specific purpose				
Pensioners' rates subsidies:				
– Domestic waste management	168	196	–	–
Better waste and recycling fund	126	272	54	–
Community care	58	36	–	–
Community centres	1,372	1,284	–	–
Economic development	5	5	–	–
Environmental protection	161	102	55	–
Library	250	227	49	85
LIRS subsidy	30	41	–	–
NSW rural fire services	62	79	–	–
Recreation and culture	–	–	123	–
Road safety	63	92	–	–
Street lighting	292	287	–	–
Transport	1,204	1,180	1,964	463
Other	–	15	–	–
Total specific purpose	**3,791**	**3,816**	**2,245**	**548**
Total grants	**7,694**	**9,432**	**2,245**	**548**
Grant revenue is attributable to:				
– Commonwealth funding	5,240	7,737	776	–
– State funding	2,454	1,695	1,469	548
	7,694	**9,432**	**2,245**	**548**
(f) Contributions				
Developer contributions:				
(s7.4 and s7.11 – EP&A Act, s64 of the LGA):				
Cash contributions				
S 7.11 – contributions towards amenities/services	–	–	24,597	13,447
Total developer contributions – cash	**–**	**–**	**24,597**	**13,447**
Total developer contributions	**–**	**–**	**24,597**	**13,447**

Ku-ring-gai Council

Notes to the Financial Statements
for the year ended 30 June 2018

Note 3. Income from continuing operations (continued)

$ '000	2018 Operating	2017 Operating	2018 Capital	2017 Capital
(f) Contributions (continued)				
Other contributions:				
Cash contributions				
Contribution to works	1,103	1,076	82	321
Total other contributions – cash	**1,103**	**1,076**	**82**	**321**
Total other contributions	**1,103**	**1,076**	**82**	**321**
Total contributions	1,103	1,076	24,679	13,768
TOTAL GRANTS AND CONTRIBUTIONS	8,797	10,508	26,924	14,316

Accounting policy for contributions

Control over grants and contributions is normally obtained upon their receipt (or acquittal) and is valued at the fair value of the granted or contributed asset at the date of transfer.

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 reporting date, the unspent grants or contributions are disclosed in Note 3(g).

$ '000	2018	2017
(g) Unspent grants and contributions		
Certain grants and contributions are obtained by Council on condition that they be spent in a specified manner:		
Operating grants		
Unexpended at the close of the previous reporting period	100,475	89,481
Add: operating grants and capital and operating contributions recognised in the current period but not yet spent	32,165	19,296
Less: operating grants and capital and operating contributions recognised in a previous reporting period now spent	(7,132)	(8,302)
Unexpended and held as restricted assets	125,508	100,475

Ku-ring-gai Council

Notes to the Financial Statements
for the year ended 30 June 2018

Note 4. Expenses from continuing operations

$ '000	2018	2017
(a) Employee benefits and on-costs		
Salaries and wages	31,409	30,436
Employee leave entitlements (ELE)	5,244	4,903
Superannuation	3,706	3,682
Workers' compensation insurance	629	466
Fringe benefit tax (FBT)	278	331
Training costs (other than salaries and wages)	305	179
Other	88	123
Total employee costs	**41,659**	**40,120**
Less: capitalised costs	(1,770)	(1,848)
TOTAL EMPLOYEE COSTS EXPENSED	39,889	38,272

Accounting policy for employee benefits and on-costs
Employee benefit expenses are recorded when the service has been provided by the employee.

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.

Superannuation 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.

Council participates in a Defined Benefit Plan under the Local Government Superannuation Scheme. Sufficient information to account for the plan as a defined benefit is not available and therefore Council accounts for its obligations to defined benefit plans on the same basis as its obligations to defined contribution plans, i.e. as an expense when it becomes payable – refer to Note 14 for more information.

(b) Borrowing costs

(i) Interest bearing liability costs		
Interest on loans	676	781
Total interest bearing liability costs expensed	**676**	**781**
TOTAL BORROWING COSTS EXPENSED	676	781

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

Ku-ring-gai Council

Notes to the Financial Statements
for the year ended 30 June 2018

Note 4. Expenses from continuing operations (continued)

$ '000	2018	2017
(c) Materials and contracts		
Raw materials and consumables	3,574	3,563
Contractor and consultancy costs	36,464	32,866
Auditors remuneration [2]	57	58
Lease expense	403	434
Legal expenses:		
– Legal expenses: planning and development	2,838	2,332
– Legal expenses: other	106	131
Operating leases:		
– Operating lease rentals: minimum lease payments [1]	400	343
Other	325	385
TOTAL MATERIALS AND CONTRACTS	44,167	40,112

Operating leases

Leases in which a significant portion of the risks and rewards of ownership are not transferred to Council as leasse are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

1. Operating lease payments are attributable to:

Computers	400	343
	400	**343**

2. Auditor remuneration

During the year the following fees were paid or payable for services provided by the auditor of Council, related and non-related audit firms.

Auditors of the Council – NSW Auditor-General:

Audit and other assurance services		
Audit and review of financial statements	57	58
Remuneration for audit and other assurance services	**57**	**58**
Total Auditor-General remuneration	**57**	**58**

Ku-ring-gai Council

Notes to the Financial Statements
for the year ended 30 June 2018

Note 4. Expenses from continuing operations (continued)

$ '000	Notes	2018	2017
(d) Depreciation, amortisation and impairment			
Depreciation and amortisation			
Plant and equipment		886	891
Office equipment		179	157
Furniture and fittings		27	27
Land improvements (depreciable)		145	141
Infrastructure:			
– Buildings – non-specialised		1,563	1,517
– Buildings – specialised		491	508
– Other structures		293	274
– Roads		9,277	8,981
– Bridges		163	162
– Footpaths		785	768
– Stormwater drainage		1,657	1,660
– Swimming pools		344	372
– Other open space/recreational assets		3,535	3,400
Other assets:			
– Library books		550	540
– Other		60	54
Intangible assets	12	148	220
Total depreciation and amortisation costs		20,103	19,672
TOTAL DEPRECIATION, AMORTISATION AND IMPAIRMENT / REVALUATION DECREMENT COSTS EXPENSED		20,103	19,672

Accounting policy for depreciation, amortisation and impairment expenses

Depreciation and amortisation

Depreciation and amortisation are calculated using the straight line method to allocate their cost, net of their residual values, over their estimated useful lives. Useful lives are included in Note 10 for IPPE assets and Note 12 for intangible assets.

Ku-ring-gai Council

Notes to the Financial Statements
for the year ended 30 June 2018

Note 4. Expenses from continuing operations (continued)

$ '000	2018	2017
(e) Other expenses		
Advertising	438	471
Bad and doubtful debts	1,036	450
Bank charges	331	242
Commissions and management fees	560	543
Computer software charges	1,165	1,094
Conferences	139	146
Contributions/levies to other levels of government		
– Department of planning levy	428	403
– Emergency services levy (includes FRNSW, SES, and RFS levies)	2,105	2,032
Corporate events	42	49
Councillor expenses – mayoral fee	63	41
Councillor expenses – councillors' fees	240	188
Councillors' expenses (incl. mayor) – other (excluding fees above)	67	37
Donations, contributions and assistance to other organisations (Section 356)	227	253
Election expenses	559	–
Electricity and heating	1,074	1,059
External plant hire	95	24
Family day care (child care assistance)	588	550
Insurance	1,406	1,187
Insurance excess	63	59
Postage	346	329
Rate issue costs	35	42
Rental rebates	2,446	2,417
Street lighting	1,919	2,071
Subscriptions and publications	285	245
Sydney water	337	504
Telephone and communications	440	480
Valuation fees	226	230
Vehicle registration	165	162
Other	1,376	1,349
TOTAL OTHER EXPENSES	18,201	16,657

Accounting policy for other expenses

Other expenses are recorded on an accrual basis as the Council receives the goods or services.

Ku-ring-gai Council

Notes to the Financial Statements
for the year ended 30 June 2018

Note 5. Gains or losses from the disposal of assets

$ '000	Notes	2018	2017
Property (excl. investment property)			
Proceeds from disposal – property		–	–
Less: carrying amount of property assets sold		–	(2,148)
Net Loss on disposal		**–**	**(2,148)**
Plant and equipment			
Proceeds from disposal – plant and equipment		797	775
Less: carrying amount of plant and equipment assets sold and written of		(849)	(805)
Net Loss on disposal		**(52)**	**(30)**
Infrastructure			
Less: carrying amount of infrastructure assets sold and written off		(639)	–
Net Loss on disposal		**(639)**	**–**
Financial assets			
Proceeds from disposal/redemptions/maturities – financial assets		52,500	48,938
Less: carrying amount of financial assets sold/redeemed/matured		(52,500)	(48,938)
Net gain/(loss) on disposal		**–**	**–**
Non-current assets classified as 'held for sale'			
Proceeds from disposal – non-current assets 'held for sale'		1,881	–
Less: carrying amount of 'held for sale' assets sold/written off		(1,253)	–
Net Gain on disposal		**628**	**–**
NET GAIN/(LOSS) ON DISPOSAL OF ASSETS		(63)	(2,178)

Accounting policy for disposal of assets

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

Note 6(a). Cash and cash equivalent assets

Cash and cash equivalents		
Cash on hand and at bank	17,142	15,303
Total cash and cash equivalents	**17,142**	**15,303**

Accounting policy for cash and cash equivalents

For Statement of Cash Flow presentation purposes, cash and cash equivalents includes cash on hand; deposits held at call with financial institutions and bank overdrafts.

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

Ku-ring-gai Council

Notes to the Financial Statements
for the year ended 30 June 2018

Note 6(b). Investments

$ '000	2018 Current	2018 Non-current	2017 Current	2017 Non-current
Investments				
'Held to maturity'	73,501	86,750	52,500	76,253
Total investments	**73,501**	**86,750**	**52,500**	**76,253**
TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS	**90,643**	**86,750**	**67,803**	**76,253**
Held to maturity investments				
Long Term deposits	69,000	68,000	51,500	53,000
FRN's (with maturities > 3 months)	4,501	18,750	1,000	23,253
Total	**73,501**	**86,750**	**52,500**	**76,253**

Accounting policy for investments

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

(a) Financial assets at fair value through profit or loss
Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term.

(b) 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. Assets in this category are measured at amortised cost.

(c) Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the reporting date which are classified as non-current assets. Loans and receivables are included in receivables (Note 7) in the Statement of Financial Position.
Receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Receivables are generally due for settlement within 30 days.

Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

Recognition and de-recognition
Regular purchases and sales of financial assets are recognised on trade-date: the date on which Council commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the income statement. Investments are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and Council has transferred substantially all the risks and rewards of ownership.

Ku-ring-gai Council

Notes to the Financial Statements
for the year ended 30 June 2018

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

$ '000		2018 Current	2018 Non-current	2017 Current	2017 Non-current
Total cash, cash equivalents and investments		90,643	86,750	67,803	76,253
attributable to:					
External restrictions	(refer below)	52,992	86,750	36,480	76,253
Internal restrictions	(refer below)	34,247	–	27,699	–
Unrestricted		3,404	–	3,624	–
		90,643	**86,750**	**67,803**	**76,253**

$ '000	2018	2017
Details of restrictions		
External restrictions – other		
Developer contributions – general	125,137	100,019
Specific purpose unexpended grants	371	456
Domestic waste management	11,400	9,644
Environmental levy	2,732	2,503
Specific purpose unexpended loan – LIRS	102	111
External restrictions – other	139,742	112,733
Total external restrictions	139,742	112,733
Internal restrictions		
Employees leave entitlement	2,321	2,294
Carry over works	2,510	1,442
Deposits, retentions and bonds	1,199	1,199
Infrastructure and facilities	22,484	16,434
Other	5,733	6,330
Total internal restrictions	**34,247**	**27,699**
TOTAL RESTRICTIONS	173,989	140,432

Ku-ring-gai Council

Notes to the Financial Statements
for the year ended 30 June 2018

Note 7. Receivables

$ '000	2018 Current	2018 Non-current	2017 Current	2017 Non-current
Purpose				
Rates and annual charges	2,208	68	2,400	72
Interest and extra charges	212	39	212	40
User charges and fees	3,522	–	2,350	–
Accrued revenues				
– Interest on investments	1,876	–	1,631	–
– Other income accruals	1,251	–	2,471	–
Government grants and subsidies	1,196	–	343	–
Net GST receivable	1,108	–	1,059	–
Other debtors	4	–	24	–
Total	**11,377**	**107**	**10,490**	**112**
Less: provision for impairment				
User charges and fees	(1,668)	–	(647)	–
Total provision for impairment – receivables	**(1,668)**	**–**	**(647)**	**–**
TOTAL NET RECEIVABLES	9,709	107	9,843	112

There are no restrictions applicable to the above assets.

Movement in provision for impairment of receivables	2018	2017
Balance at the beginning of the year	647	203
+ new provisions recognised during the year	1,021	444
Balance at the end of the year	**1,668**	**647**

Accounting policy for receivables

Notes on debtors above:

(i) Rates and annual charges outstanding are secured against the property.

(ii) Doubtful rates debtors are provided for where the value of the property is less than the debt outstanding. An allowance for other doubtful debts is made when there is objective evidence that a receivable is impaired.

(iii) Interest was charged on overdue rates and charges at 7.5% (2017 8%). Generally all other receivables are non-interest bearing.

(iv) Please refer to Note 19 for issues concerning credit risk and fair value disclosures.

Ku-ring-gai Council

Notes to the Financial Statements
for the year ended 30 June 2018

Note 8. Inventories and other assets

$ '000	2018 Current	2018 Non-current	2017 Current	2017 Non-current
(a) Inventories				
(i) Inventories at cost				
Stores and materials	168	–	171	–
Trading stock	22	–	20	–
Total inventories at cost	**190**	**–**	**191**	**–**
TOTAL INVENTORIES	190	–	191	–
(b) Other assets				
Prepayments	2,057	–	2,423	–
TOTAL OTHER ASSETS	2,057	–	2,423	–

Externally restricted assets

There are no restrictions applicable to the above assets.

Accounting policy

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.

Inventory held for distribution

Inventory held for distribution is held at cost, adjusted where applicable for any loss of service potential.

Ku-ring-gai Council

Notes to the Financial Statements
for the year ended 30 June 2018

Note 9. Non-current assets classified as held for sale (and disposal groups)

$ '000	2018 Current	2018 Non-current	2017 Current	2017 Non-current
(i) Non-current assets and disposal group assets				
Non-current assets 'held for sale'				
Land	–	–	1,237	–

Accounting policy for non-current assets classified as 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 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 other assets in the balance sheet.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale.

Ku-ring-gai Council

Notes to the Financial Statements
for the year ended 30 June 2018

Note 10(a). Infrastructure, property, plant and equipment

Asset class	as at 30/6/2017*			Asset movements during the reporting period									as at 30/6/2018		
$ '000	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount	Additions renewals	Additions new assets	Carrying value of disposals	Depreciation expense	WIP transfers	Transfers	Other Adjustments	Revaluation decrements to equity (ARR)	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount
Capital work in progress	9,233	–	9,233	5,313	2,218	–	–	(3,788)	(49)	(108)	–	–	12,819	–	12,819
Plant and equipment	12,438	6,139	6,299	2,062	–	(780)	(886)	–	(3)		–	–	12,259	5,567	6,692
Office equipment	1,838	912	926	186	27	(69)	(179)	6	(41)	(15)	–	–	1,563	722	841
Furniture and fittings	451	285	166	19	–	–	(27)	6		(1)	–	–	474	311	163
Land:															
– Operational land	51,637	–	51,637		705	–	–	46	24,195		(3,051)	86,017	159,549	–	159,549
– Community land	427,427	–	427,427	–	–	–	–	–	(24,523)	1	–	–	402,905	–	402,905
– Crown Land	72,727	–	72,727				–						72,727	–	72,727
– Land under roads (post 30/6/08)	66	–	66	–	–	–	–	–	342		–	–	408	–	408
Land improvements – depreciable	3,536	780	2,756	–	–	–	(145)	34		(624)	–	–	2,946	925	2,021
Infrastructure:															
– Buildings – non-specialised	109,171	61,486	47,685	937	3	(543)	(1,563)	88	(41,887)	(404)	(851)	–	7,627	3,981	3,646
– Buildings – specialised	15,169	2,341	12,828	–	36	–	(491)	55	56,500	64	–	21,771	149,841	59,259	90,582
– Other structures	13,572	5,607	7,965	127	2	–	(293)	717	24	(14)	–	–	14,047	5,519	8,528
– Roads	477,991	223,526	254,465	6,948	109	(54)	(9,277)	577	1,078	(276)	–	–	484,193	230,623	253,570
– Bridges	11,419	5,195	6,224	320	–	–	(163)	16		(1)	–	–	11,754	5,358	6,396
– Footpaths	46,951	15,586	31,365	518	346	–	(785)	281	311	(2)	–	–	48,405	16,371	32,034
– Bulk earthworks (non-depreciable)	59,726	–	59,726	36	–	–	–	5	(937)	221	–	–	59,051	–	59,051
– Stormwater drainage	237,113	76,431	160,682	524	58	–	(1,657)	264	197	(12)		849	236,539	75,634	160,905
– Swimming pools	25,094	4,815	20,279	–	216	–	(344)	13	(18,925)	32		1,023	2,777	483	2,294
– Other open space/recreational assets	115,279	46,963	68,316	1,661	540	(42)	(3,535)	1,671	3,633	1,017	–	–	125,132	51,871	73,261
Other assets:															
– Library books	14,102	11,261	2,841	667	–	–	(550)	9	–		–	–	6,046	3,079	2,967
– Other	5,907	4,346	1,561	24	–	–	(60)	–		(5)	–	–	5,932	4,412	1,520
TOTAL INFRASTRUCTURE, PROPERTY, PLANT AND EQUIP.	**1,710,847**	**465,673**	**1,245,174**	**19,342**	**4,260**	**(1,488)**	**(19,955)**	**–**	**(85)**	**(127)**	**(3,902)**	**109,660**	**1,816,994**	**464,115**	**1,352,879**

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

Ku-ring-gai Council

Notes to the Financial Statements
for the year ended 30 June 2018

Note 10(a). Infrastructure, property, plant and equipment (continued)

Accounting policy for infrastructure, property, plant and equipment

Infrastructure, property, plant and equipment are held at fair value. Independent valuations are performed at least every five years, however the carrying amount of assets is assessed at each reporting date to confirm that it is not materially different from current fair value.

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

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

Land is not depreciated. Depreciation on other assets is calculated using the straight line method to allocate their cost, net of their residual values, over their estimated useful lives as follows:

Plant and equipment	**Years**	**Stormwater assets**	**Years**
Office equipment	10	Pipes	150
Office furniture	5 to 10	Pit	50 to 100
Computer equipment	10		
Vehicles	10		
Heavy plant/road making equipment	10		
Other plant and equipment	5 to 15		
Transportation assets		**Other assets**	
Road Surface	10 to 120	Bulk earthworks	N/A
Road structure and Furniture	10 to 100	Swimming pools	100
Bridge	10 to 100	Library Books	10
Road pavements	55 to 120	Other Asset (Art Works)	N/A
Kerb, gutter and footpaths	40 to 100		
Other equipment			
Playground equipment	5 to 50		
Benches, seats etc.	15 to 30		
Buildings			
Buildings	25 to 100		

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date. Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the Income statement.

Ku-ring-gai Council

Notes to the Financial Statements
for the year ended 30 June 2018

Note 10(a). Infrastructure, property, plant and equipment (continued)

Accounting policy for infrastructure, property, plant and equipment (continued)

Land under roads

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

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

Ku-ring-gai Council

Notes to the Financial Statements
for the year ended 30 June 2018

Note 11. Investment property

$ '000	2018	2017
(a) Investment property at fair value		
Investment property on hand	37,500	36,720
Reconciliation of annual movement:		
Opening balance	36,720	27,056
– Acquisitions	239	37
– Net gain/(loss) from fair value adjustments	541	9,627
CLOSING BALANCE – INVESTMENT PROPERTY	**37,500**	**36,720**

(b) Valuation basis

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

The 2018 revaluations were based on independent assessments made by: Scott Fullarton Valuations Pty Ltd, Director Scott Fullarton, FAPI, Certified Practising Valuer, Registered Valuer No. 2144.

(c) Contractual obligations at reporting date

Refer to Note 18 for disclosures relating to any capital and service obligations that have been contracted.

(d) Leasing arrangements – Council as lessor

Details of Leased investment properties are as follows;
leases with rentals payable monthly.

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	1,271	963
Later than 1 year but less than 5 years	2,559	2,536
Total minimum lease payments receivable	**3,830**	**3,499**

(e) Investment property income and expenditure – summary

Rental income from investment property:		
– Minimum lease payments	1,277	1,662
Direct operating expenses on investment property:		
– that generated rental income	(723)	(769)
Net revenue contribution from investment property	**554**	**893**
plus:		
Fair value movement for year	541	9,627
Total income attributable to investment property	**1,095**	**10,520**

Ku-ring-gai Council

Notes to the Financial Statements
for the year ended 30 June 2018

Note 12. Intangible assets

$ '000	2018	2017

Intangible assets represent identifiable non-monetary assets without physical substance.

Intangible assets are as follows:

Opening values:		
Gross book value (1/7)	1,421	1,387
Accumulated amortisation (1/7)	(1,210)	(990)
Net book value – opening balance	**211**	**397**
Movements for the year		
– Purchases and transfers from office equipments	320	34
– Amortisation charges	(148)	(220)
– Transfers and adjustment to amortisation charges	(89)	–
– Gross book value written off	(9)	–
– Accumulated amortisation charges written off	9	–
– Accumulated impairment charges written off		–
Closing values:		
Gross book value (30/6)	1,732	1,421
Accumulated amortisation (30/6)	(1,438)	(1,210)
Accumulated impairment (30/6)	–	–
TOTAL INTANGIBLE ASSETS – NET BOOK VALUE [1]	294	211

[1.] **The net book value of intangible assets represents:**

Software	294	211
	294	**211**

Accounting policy for 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.

Ku-ring-gai Council

Notes to the Financial Statements
for the year ended 30 June 2018

Note 13. Payables and borrowings

$ '000	2018 Current	2018 Non-current	2017 Current	2017 Non-current
Payables				
Goods and services – operating expenditure	5,422	–	4,958	–
Goods and services – capital expenditure	2,831	–	1,928	–
Security bonds, deposits and retentions[1]	6,109	–	4,211	–
Other	625	–	826	–
Total payables	**14,987**	**–**	**11,923**	**–**
Income received in advance				
Payments received in advance	1,713	–	1,808	–
Total income received in advance	**1,713**	**–**	**1,808**	**–**
Borrowings				
Loans – secured [2]	1,065	20,685	1,180	21,751
Total borrowings	**1,065**	**20,685**	**1,180**	**21,751**
TOTAL PAYABLES AND BORROWINGS	17,765	20,685	14,911	21,751

(a) Payables and borrowings relating to restricted assets

1. Council holds $2.38million of security bonds. The status of these security bonds is currently being analysed and advice sought in regards to their appropriate treatment.

2. 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 19.

(b) Current payables and borrowings not anticipated to be settled within the next twelve months

The following payables and borrowings, even though classified as current, are not expected to be settled in the next 12 months.

Payables – security bonds, deposits and retentions	5,963	4,111
	5,963	**4,111**

(c) Changes in liabilities arising from financing activities

Class of borrowings	2017 Opening balance as at 1/7/17	Cash flows	Non-cash changes: Acquisition	Non-cash changes: Fair value changes	Non-cash changes: Other non-cash movements	2018 Closing balance as at 30/6/18
Loans – secured	22,931	(1,181)	–	–	–	**21,750**
TOTAL	**22,931**	**(1,181)**	**–**	**–**	**–**	**21,750**

Ku-ring-gai Council

Notes to the Financial Statements
for the year ended 30 June 2018

Note 13. Payables and borrowings (continued)

$ '000	2018	2017
(d) Financing arrangements		
(i) Unrestricted access was available at balance date to the following lines of credit:		
Bank overdraft facilities [1]	1,980	2,520
Credit cards/purchase cards	100	100
Total financing arrangements	**2,080**	**2,620**
Undrawn facilities as at balance date:		
– Bank overdraft facilities	1,980	2,520
– Credit cards/purchase cards	100	100
Total undrawn financing arrangements	**2,080**	**2,620**

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

Accounting policy for payables and borrowings

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.

Borrowings
Borrowing costs are expensed, except to the extent that they are incurred during the construction of qualifying assets.
Borrowings are classified as current liabilities unless Council has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

Ku-ring-gai Council

Notes to the Financial Statements
for the year ended 30 June 2018

Note 14. Provisions

$ '000	2018 Current	2018 Non-current	2017 Current	2017 Non-current
Provisions				
Employee benefits:				
Annual leave	3,119	–	3,085	–
Sick leave	269	–	309	–
Long service leave	6,775	496	6,870	320
Gratuities	481	–	481	–
TOTAL PROVISIONS	**10,644**	**496**	**10,745**	**320**

(a) Provisions relating to restricted assets
Refer to Note 6c for restricted assets (internal) related to provisions.

$ '000	2018	2017
(b) Current provisions not anticipated to be settled within the next twelve months		
The following provisions, even though classified as current, are not expected to be settled in the next 12 months.		
Provisions – employees benefits	6,171	7,522
	6,171	**7,522**

Ku-ring-gai Council

Notes to the Financial Statements
for the year ended 30 June 2018

Note 14. Provisions (continued)

$ '000

(c) Description of and movements in provisions

2018	Annual leave	Sick leave	ELE provisions Long service leave	ELE on-costs	Other employee benefits	Total
At beginning of year	3,085	309	7,190	–	481	**11,065**
Additional provisions	2,761	–	1,279	–	–	**4,040**
Amounts used (payments)	(2,727)	(40)	(1,198)	–	–	**(3,965)**
Total ELE provisions at end of year	**3,119**	**269**	**7,271**	**–**	**481**	**11,140**

2017	Annual leave	Sick leave	ELE provisions Long service leave	ELE on-costs	Other employee benefits	Total
At beginning of year	3,058	323	6,999	–	718	**11,098**
Additional provisions	2,563	–	1,078	–	–	**3,641**
Amounts used (payments)	(2,536)	(14)	(887)	–	(237)	**(3,674)**
Total ELE provisions at end of year	**3,085**	**309**	**7,190**	**–**	**481**	**11,065**

Employee benefits

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.

Ku-ring-gai Council

Notes to the Financial Statements
for the year ended 30 June 2018

Note 14. Provisions (continued)

$ '000

Employee benefits (continued)

These provisions are measured at the amounts expected to be paid when the liabilities are settled.
All other short-term employee benefit obligations are presented as payables.

Liabilities for non-vesting sick leave are recognised at the time when the leave is taken and measured at the rates paid or payable, and accordingly no liability has been recognised in these reports.
Wages and salaries, annual leave and vesting sick leave are all classified as current liabilities.

Other long-term employee benefit 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.
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.

Ku-ring-gai Council

Notes to the Financial Statements
for the year ended 30 June 2018

Note 14. Provisions (continued)

Defined benefit superannuation contribution plans

Council participates in an employer-sponsored defined benefit superannuation scheme, named the Local Government Superannuation Scheme – Pool B (the Scheme) which is a defined benefit plan that has been deemed to be a "multi-employer fund" for purposes of AASB 119 *Employee benefits*.

Sufficient reliable information is not available to account for the Scheme as a defined benefit plan in accordance with AASB119 because the assets to the Scheme are pooled together for all Councils.

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 significantly higher contributions in future years.

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

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

In relation to further disclosure below, under item d (iii) the expected contributions by Council to the Fund for the next annual reporting period are $633,540.52.

Based on the past service liabilities methodology, for item (d) (iv) (information about the deficit or surplus in the plan that may affect the amount of future contributions), the share of the surplus that can be attributed to Council is 0.84%.

The requirement for additional contributions (currently $40M per annum) is assessed annually by the Actuary and is designed to not only restore the Funds to a satisfactory financial position but to allow the Trustee, on behalf of the employers, to commence de-risking the asset allocation and consequently reduce the market exposure risk to growth assets.

To enable this de-risking of the asset allocation to commence, additional contributions are estimated to remain in place until 30 June 2021. It is advised that under item (d) (v), it is estimated that there are $1.01 million additional contributions remaining. However, the Trustee will be reviewing the financial position of the fund on an annual basis and will provide updates to you accordingly.

The amount of Council's contributions to the defined benefit section of the Fund and recognised as an expense for the year ending 30 June 2018 was $682,354.73. The last valuation of the Fund was performed by the Actuary, Mr Richard Boyfield, FIAA on 12 December 2017, relating to the period ending 30 June 2017.

Council received further disclosure requirements under paragraph 148 of the AASB119 which are detailed below:

(a) *A description of the funding arrangements, including the method used to determine the entity's rate of contribution and any minimum funding requirements.*

Pooled Employers are required to pay standard employer contribution and additional lump sum contributions to the Fund.

The standard employer contributions were determined using the new entrant rate method under which a contribution rate sufficient to fund the total benefits over the working life-time of a typical new entrant is calculated. The current standard employer contribution rates are:

Ku-ring-gai Council

Notes to the Financial Statements
for the year ended 30 June 2018

Note 14. Provisions (continued)

Division B	1.9 times employee contribution
Division C	2.5% Salaries
Division D	1.64 times employee contributions

The additional lump sum contribution for each Pooled Employer is a share of the total additional contributions of $40 million per annum from 1 July 2017 for 4 years to 30 June 2021, apportioned according to each employer's share of the accrued liabilities as at 30 June 2017. These additional lump sum contributions are used to fund the deficit of assets to accrued liabilities as at 30 June 2017.

(b) A description of the extent to which the entity can be liable to the plant other entities' obligations under the terms and conditions of the multi-employer plan.

As stated above, each sponsoring employer is exposed to the actuarial risks associated with current and former employees of other sponsoring employers and hence shares in the associated gains and losses.
However, there is not relief under the Fund's trust deed for employers to walk away from their defined benefit obligations. Under limited circumstances, an employer may withdraw from the plan when there are no active members, on full payment of outstanding additional contributions. There is no provision for allocation of any surplus which may be present at the date of withdrawal of the entity.

(c) A description of any agreed allocation of a deficit or surplus on:

(i) Wind-up the plan

There are no specific provisions under the Fund's trust deed dealing with deficits or surplus on wind-up.

(ii) The entity's withdrawal from the plan

There is no provision for allocation of any surplus which may be present at the state of withdrawal of any employer.

(d) Further information relating to reasons for accounting for the pooled employer fund as a defined contribution plan:

(i) The fact that the plan is defined benefit plan.

We confirm the plan is defined benefit plan.

(ii) The reason why sufficient information is not available to enable the entity to account for the plan as a defined benefit plan.

- Assets are not segregated within the sub-group according to the employees of each sponsoring employer;
- The contribution rates have been the same for all sponsoring employers and have not varied for each employer according to the experience relating to the employees of that employer;
- Benefits for employees of all sponsoring employers are determined according to the same formulae and without regard to the sponsoring employer; and
- The same actuarial assumptions are currently used in respect of the employees of each sponsoring employer.

Ku-ring-gai Council

Notes to the Financial Statements
for the year ended 30 June 2018

Note 14. Provisions (continued)

Given the factors set out above, each sponsoring employer is exposed to the actuarial risks associated with current and former employees of other sponsoring employers and hence shares in the associated gains and losses (to the extent that they are not borne by the members). As such there is insufficient reliable information to allow each sponsoring employer to account for its proportionate share of the defined benefit obligation, sub-group assets and costs associated with the sub-group in the same way as it would be for a single employer sponsored defined benefit plan.

(iii) The expected contributions to the plan for the next annual reporting period.

The expected contributions by Council to the Fund for the next annual reporting period are $633,540.52.

(iv) Information about any deficit or surplus in the plan that may affect the amount of future contributions, including the basis used to determine that deficit or surplus and the implications, if any, for the entity.

The estimated employer reserves financial position for the Pooled Employers at 30 June 2018 is:

Employer reserves only*	$millions	Asset Coverage
Assets	1,817.80	
Passt Service Liabilites	1,787.50	101.70%
Vested Benefits	1,778.00	102.20%

*Excluding member accounts and reserves in both assets and liabilities.

The key economic long term assumptions used to calculate the present value of accrued benefit are:

Investment return	6.0% Per annum
Salary inflation*	3.5% Per annum
Increased in CPI	2.5% per annum

*Plus promotional increases

Council's additional contribution requirements are estimated to remain in place to 30 June 2021 and total $1.01 million. However, the Trustee will be reviewing the financial position of the fund on an annual basis and will provide updates accordingly.
The contribution requirements may vary from the current rates if the overall sub-group experience is not in line with the actuarial assumptions in determining the funding program; however, any adjustment to the funding program would be the same for all sponsoring employers in the Pooled Employers.

(v) An indication of level of participation of the entity in the plan compared with other participating entities.

Council's participation in the Scheme compared with other entities is about 1.58% based on the Council's current level of annual additional contributions of $0.63M against total contributions of $40M.

Ku-ring-gai Council

Notes to the Financial Statements
for the year ended 30 June 2018

Note 15. Changes in accounting policies, changes in accounting estimates and errors

$ '000

Adjustments to the comparative figures for the year ended 30 June 2017

Correction of errors relating to a previous reporting period

Changes to the opening balance sheet 1 July 2016

	Original Balance 1 July,2016	Impact Increase/ (decrease)	Restated Balance 1 July, 2016
Crown Land recognised as assets of the Council [1]	–	72,727	72,727
Operational Land not previously recognised[2]	48,292	6,393	54,685
Land under road adjustment to Operational Land[3]		(3,048)	51,637
Total Adjustment to Revaluation Reserve	**48,292**	**76,072**	**124,364**

[1] **Crown Land recognised as assets of the Council**

Council identified a number of Crown land reserves which are under Council care, management and control. While ownership of reserves remains with the Crown, Council retains operational control of the reserves and is responsible for their maintenance and use in accordance with the specific purpose to which reserves are dedicated. As a result, Council recognised these assets in the community land asset register retrospectively.

[2] **Operational Land not previously recognised**

As part of the revaluation of Operational land Council undertook a detailed review of assets classified as Operational Land. As a result, an adjustment has been made to the Asset Revaluation Reserve in the prior period to recognise assets not previously recognised.

[3] **Land under Road**

Council constructed a road (Beans Farm Road, Gordon) on two parcels of operational land. This asset is classified as Land under Road and is recognised in Council's asset register in accordance with AASB 116 - Property, Plant and Equipment. The two parcels of Operational land have been transferred to Land under Road and revalued accordingly.

Ku-ring-gai Council

Notes to the Financial Statements
for the year ended 30 June 2018

Note 16. Statement of cash flows – additional information

$ '000	Notes	2018	2017
(a) Reconciliation of cash assets			
Total cash and cash equivalent assets	6a	17,142	15,303
Less bank overdraft	13	–	–
Balance as per the Statement of Cash Flows		**17,142**	**15,303**
(b) Reconciliation of net operating result to cash provided from operating activities			
Net operating result from Income Statement		**32,541**	**33,139**
Adjust for non-cash items:			
Depreciation and amortisation		20,103	19,672
Net losses/(gains) on disposal of assets		63	2,178
– investment property		(541)	(9,627)
Amortisation of premiums, discounts and prior period fair valuations			
– 'Held to maturity' financial assets		1	10
+/- Movement in operating assets and liabilities and other cash items:			
Increase in receivables		(666)	(2,224)
Decrease in provision for doubtful debts		1,021	444
Decrease in inventories		1	40
Decrease/Increase in other assets		366	(192)
Increase in payables- operating		464	370
Increase in other liabilities		1,602	2,244
Increase/Decrease in employee leave entitlements		75	(33)
Net cash provided from operating activities from the Statement of Cash Flows		**55,030**	**46,021**

Ku-ring-gai Council

Notes to the Financial Statements
for the year ended 30 June 2018

Note 17. Commitments for expenditure

$ '000	2018	2017
(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	932	2,029
Other	5,494	5,207
Total commitments	**6,426**	**7,236**
These expenditures are payable as follows:		
Within the next year	6,426	7,236
Total payable	**6,426**	**7,236**
Sources for funding of capital commitments:		
Unrestricted general funds	6,426	7,236
Total sources of funding	**6,426**	**7,236**

(b) 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	338	335
Later than one year and not later than 5 years	348	488
Total non-cancellable operating lease commitments	**686**	**823**

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.

Ku-ring-gai Council

Notes to the Financial Statements
for the year ended 30 June 2018

Note 18. Contingencies and other liabilities/assets not recognised

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) 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 June 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.

(ii) 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.

Ku-ring-gai Council

Notes to the Financial Statements
for the year ended 30 June 2018

Note 18. Contingencies and other liabilities/assets not recognised (continued)

(iii) Other guarantees

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

2. Other liabilities

(i) Third party claims

The Council is involved from time to time in various claims incidental to the ordinary course of business including claims for damages relating to its services.
Council believes that it is appropriately covered for all claims through its insurance coverage and does not expect any material liabilities to eventuate.

(ii) Potential land acquisitions due to planning restrictions imposed by Council

Council has reserved a number of privately owned land parcels for local open space and 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.

Ku-ring-gai Council

Notes to the Financial Statements
for the year ended 30 June 2018

Note 19. 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	
	2018	2017	2018	2017
Financial assets				
Cash and cash equivalents	17,142	15,303	17,142	15,303
Investments				
– 'Held to maturity'	160,251	128,753	160,251	129,010
Receivables	9,816	9,955	9,816	9,955
Total financial assets	**187,209**	**154,011**	**187,209**	**154,268**
Financial liabilities				
Payables	14,987	11,923	14,987	11,923
Loans/advances	21,750	22,931	21,750	22,931
Total financial liabilities	**36,737**	**34,854**	**36,737**	**34,854**

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 2018

Note 19. 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 advisers.

Council has an investment policy which complies with the *Local Government Act 1993* and Ministerial Investment Order 625. This policy is regularly reviewed by Council and its staff and a monthly Investment report is provided to Council setting out the make-up and performance of the portfolio as required by Local Government regulations.

The risks associated with the investments held are:

– **Price risk** – these risk that the capital value of Investments may fluctuate due to changes in market prices, whether there changes are caused by factors specific to individual financial instruments or their issuers or are caused by factors affecting similar instruments traded in a market.

– **Interest rate risk** – the risk that movements in interest rates could affect returns and income.

– **Credit risk** – the risk that the investment counterparty will not complete their obligations particular to a financial instrument, resulting in a financial loss to Council – be it of a capital or income nature.

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

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

(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	
2018	**Profit**	**Equity**	**Profit**	**Equity**
Possible impact of a 10% movement in market values	1,718	1,718	(1,718)	(1,718)
Possible impact of a 1% movement in interest rates	172	172	(172)	(172)
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)

Ku-ring-gai Council

Notes to the Financial Statements
for the year ended 30 June 2018

Note 19. 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.

There are no material receivables that have been subjected to a re-negotiation of repayment terms.

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

	2018 Rates and annual charges	2018 Other receivables	2017 Rates and annual charges	2017 Other receivables
(i) Ageing of receivables – %				
Current (not yet overdue)	97%	80%	97%	77%
Overdue	3%	20%	3%	23%
	100%	**100%**	**100%**	**100%**

(ii) Ageing of receivables – value	2018	2017
Rates and annual charges		
Current	2,208	2,400
< 1 year overdue	2	5
1 – 2 years overdue	6	6
2 – 5 years overdue	20	61
> 5 years overdue	40	–
	2,276	**2,472**
Other receivables		
Current	6,893	6,288
0 – 30 days overdue	113	290
31 – 60 days overdue	269	129
61 – 90 days overdue	233	423
> 91 days overdue	1,700	1,000
	9,208	**8,130**

Ku-ring-gai Council

Notes to the Financial Statements
for the year ended 30 June 2018

Note 19. 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	Weighted average interest rate	Subject to no maturity	payable in: ≤ 1 Year	1 – 5 Years	> 5 Years	Total cash outflows	Actual carrying values
2018							
Trade/other payables		6,109	8,878	-	-	14,987	**14,987**
Loans and advances	4.17%	-	1,775	20,983	-	22,758	**21,750**
Total financial liabilities		**6,109**	**10,653**	**20,983**	**–**	**37,745**	**36,737**
2017							
Trade/other payables		4,211	7,712	-	-	11,923	**11,923**
Loans and advances	4.14%	-	1,852	22,249	373	24,474	**22,931**
Total financial liabilities		**4,211**	**9,564**	**22,249**	**373**	**36,397**	**34,854**

Ku-ring-gai Council

Notes to the Financial Statements
for the year ended 30 June 2018

Note 20. Material budget variations

$ '000

Council's original financial budget for 2017/18 was adopted by the Council on 27 June 2017 and is not required to be audited.

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	2018 Budget	2018 Actual	2018 ---------- Variance* ----------		
Interest and investment revenue	**3,365**	**5,086**	**1,721**	**51%**	**F**
Council's investment portfolio performed strongly due to an increased investment portfolio size and better than expected interest rates during the financial year.					
Operating grants and contributions	**7,624**	**8,797**	**1,173**	**15%**	**F**
Favourable variance in operating grants and contributions is attributed to additional grants received, mainly for transport, better waste recycling, and environmental protection.					
Capital grants and contributions	**19,714**	**26,924**	**7,210**	**37%**	**F**
Council received higher than anticipated developer contribution income during the financial year largely contributing to the variation in this category.					

Ku-ring-gai Council

Notes to the Financial Statements
for the year ended 30 June 2018

Note 20. Material budget variations (continued)

$ '000	2018 Budget	2018 Actual	2018 ---------- Variance* ----------		
Other expenses	**16,442**	**18,201**	**(1,759)**	**(11%)**	**U**
The unfavourable variation to budget is mainly due to an allowance for doubtful debt provision not budgeted for.					
Budget variations relating to Council's Cash Flow Statement include:					
Cash flows from operating activities	**46,164**	**54,893**	**8,729**	**18.9%**	**F**
Receipts from developer contributions were higher than anticipated.					
Cash flows from investing activities	**(61,951)**	**(51,873)**	**10,078**	**(16.3%)**	**F**
The delay of a number of major projects lead to a larger than anticipated investment portfolio resulting in higher net investment during the financial year.					
Cash flows from financing activities	**51**	**(1,181)**	**(1,232)**	**(2415.7%)**	**U**
Council budgeted to borrow funds for a specific project, however due to delays in project commencement, the loan was not drawn,causing a large variation in this category.					

Ku-ring-gai Council

Notes to the Financial Statements
for the year ended 30 June 2018

Note 21. 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

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:

2018		Fair value measurement hierarchy			
		Level 1	Level 2	Level 3	Total
Recurring fair value measurements	Date of latest valuation	Quoted prices in active mkts	Significant observable inputs	Significant unobservable inputs	
Investment property					
Investment properties	30/06/18	–	37,500	–	37,500
Total investment property		**–**	**37,500**	**–**	**37,500**
Infrastructure, property, plant and equipment					
Operational Land	30/06/18	–	–	159,549	159,549
Community Land	30/06/16	–	–	402,905	402,905
Land Under Roads	30/06/14	–	–	408	408
Land Improvements Depreciable	30/06/16	–	–	2,021	2,021
Stormwater Drainage	30/06/18	–	–	160,905	160,905
Structure (Car Parks)	30/06/15	–	–	8,528	8,528
Buildings - Non Specialised	30/06/18	–	–	3,646	3,646
Buildings - Specialised	30/06/18	–	–	90,582	90,582
Furniture & Fittings	30/06/15	–	–	163	163
Library Books	30/06/15	–	–	2,967	2,967
Office Equipment	30/06/15	–	–	841	841
Plant & Equipment (e.g. Fleet & Small Plant)	30/06/15	–	–	6,692	6,692
Crown Land	30/06/15	–	–	72,727	72,727
Other (Artworks, Sculptures)	30/06/16	–	–	1,520	1,520
Roads	30/06/15	–	–	240,071	240,071
Bridges	30/06/15	–	–	6,396	6,396
Footpaths	30/06/15	–	–	32,034	32,034
Kerb & Gutter	30/06/15	–	–	66,817	66,817
Road Structure & Street Furniture	30/06/15	–	–	5,733	5,733
Recreational Facilities	30/06/15	–	–	73,261	73,261
Swimming Pools	30/06/18	–	–	2,294	2,294
Total infrastructure, property, plant and equipment		**–**	**–**	**1,340,060**	**1,340,060**

Ku-ring-gai Council

Notes to the Financial Statements
for the year ended 30 June 2018

Note 21. Fair value measurement (continued)

$ '000

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

2017	Date of latest	Fair value measurement hierarchy Level 1 Quoted prices in	Level 2 Significant observable	Level 3 Significant unobservable	Total
Recurring fair value measurements					
Investment property					
Investment properties	30/06/17	–	36,720	–	36,720
Total investment property		**–**	**36,720**	**–**	**36,720**
Infrastructure, property, plant and equipment					
Operational Land	30/06/13	–	–	54,685	54,685
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
Crown Land	30/06/15	–	–	72,727	72,727
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		**–**	**–**	**1,238,991**	**1,238,991**
Non-recurring fair value measurements					
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**

(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 2018

Note 21. 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 property

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 2018 by Scott Fullarton 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.

Crown Land

Crown Reserves under Council's care and control are recognised as assets of the Council.
While ownership of the reserves remains with the Crown, Council retains operational control of the reserves and is responsible for their maitenance and use in accordance with the specific purposes to which the reserves are dedicated. Crown Land is valued on the Unimproved Capital Value provided by the Valuer General.

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 82,222m^2. Council's operational land is valued regularly with a comprehensive valuation completed and revalued every five years. Scott Fullarton Valuation Pty Ltd. completed the last valuation in June 2018. 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 2018

Note 21. 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. Two locations were 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 2018.

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.
This year the Stormwater Drainage Assets were imported into Council's corporate system. In order to import the drainage assets (mainlypits and pipes) into council's corporate system.

Ku-ring-gai Council

Notes to the Financial Statements
for the year ended 30 June 2018

Note 21. 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 Scott Fullarton Valuation Pty Ltd to value all buildings in 2018. The approach estimated the replacement cost of each building and componentising of significant parts of specific buidlngs with different useful lives and taking into account a range of factors. Where the unit rates could be supported by market evidence, Level 2 inputs were utilised. Other outpus (such as estimates of residual value, useful lfie, asset condition and componentisation) required extensive professional judgment and impacted significantly on the final determination of fair value, As such, these assets have been valued utilising Level 3 inputs.

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.
Council conducted the assessment to the road assets to ensure the carrying amount does not differ materially from that would be determined using fair value at the end of the reporting period, according to the Code of Accounting Practice and Financial Reporting.

Ku-ring-gai Council

Notes to the Financial Statements
for the year ended 30 June 2018

Note 21. Fair value measurement (continued)

$ '000

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

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 and 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.

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.

Ku-ring-gai Council

Notes to the Financial Statements
for the year ended 30 June 2018

Note 21. Fair value measurement (continued)

$ '000

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

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.

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

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.

Ku-ring-gai Council

Notes to the Financial Statements
for the year ended 30 June 2018

Note 21. Fair value measurement (continued)

$ '000

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

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.

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.

Ku-ring-gai Council

Notes to the Financial Statements
for the year ended 30 June 2018

Note 21. Fair value measurement (continued)

$ '000

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

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

	Community Land	Land Under Roads	Land Improvements Depreciable	Stormwater Drainage	**Total**
Opening balance – 1/7/16	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**
Transfers from/(to) another asset class	(24,523)	341	–	197	(23,985)
Purchases (GBV)	–	–	34	846	880
Depreciation and impairment	–	–	(145)	(1,657)	(1,802)
Class Correction	1	–	(624)	(12)	(635)
Revaluation	–	–	–	849	849
Closing balance – 30/6/18	**402,905**	**407**	**2,021**	**160,905**	**566,238**

	Structures (Car Parks)	Buildings Specialised	Other	Roads	**Total**
Opening balance – 1/7/16	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**	**12,829**	**1,560**	**243,135**	**265,489**
Transfers from/(to) another asset class	24	5	(5)	54	78
Purchases (GBV)	846	91	25	6,826	7,788
Depreciation and impairment	(293)	(672)	(60)	(7,712)	(8,737)
Class Correction	(14)	59	–	(2,231)	(2,186)
Revaluation	–	78,270	–	–	78,270
Closing balance – 30/6/18	**8,528**	**90,582**	**1,520**	**240,072**	**340,702**

Ku-ring-gai Council

Notes to the Financial Statements
for the year ended 30 June 2018

Note 21. 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)

	Bridges	Footpaths	Kerb and Gutter	Road Structure and Street Furniture	**Total**
Opening balance – 1/7/16	6,386	31,066	67,979	3,583	109,014
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**	**108,651**
Transfers from/(to) another asset class	–	311	22	66	399
Purchases (GBV)	336	1,144	713	134	2,327
Disposals (WDV)	–		–	(54)	(54)
Depreciation and impairment	(163)	(784)	(1,338)	(225)	(2,510)
Class Correction	(1)	(2)	–	2,170	2,167
Closing balance – 30/6/18	**6,396**	**32,034**	**66,817**	**5,733**	**110,980**

	Recreational Facilities	Swimming Pools	Held for Sale Comm Land & LIMP)	Crown Land	**Total**
Opening balance – 1/7/16	66,525	20,651	–	72,727	159,903
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**	**72,727**	**162,559**
Transfers from/(to) another asset class	3,633	(18,925)			(15,292)
Purchases (GBV)	3,872	229	16	–	4,117
Disposals (WDV)	(42)	–	(1,455)	–	(1,497)
Depreciation and impairment	(3,535)	(344)	–	–	(3,879)
Class Correction	1,017	32	–	–	1,049
Revaluation	–	1,023	202	–	1,225
Closing balance – 30/6/18	**73,261**	**2,294**	**–**	**72,727**	**148,282**

Ku-ring-gai Council

Notes to the Financial Statements
for the year ended 30 June 2018

Note 21. Fair value measurement (continued)

$ '000

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

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

	Buildings Non Specialised	Furniture and Fittings	Office Equipment	Plant and Equipment	**Total**
Opening balance – 1/7/16	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**
Transfers from/(to) another asset class	14,613	–	(41)	(3)	14,569
Purchases (GBV)	1,028	25	219	2,062	3,334
Disposals (WDV)	(406)	–	(69)	(780)	(1,255)
Depreciation and impairment	(1,382)	(27)	(179)	(886)	(2,474)
Class Correction	(404)	(1)	(15)	3	(417)
Revaluation	(57,488)	–	–	–	(57,488)
Closing balance – 30/6/18	**3,646**	**163**	**841**	**6,692**	**11,342**

	Operational Land	Library Books	**Total**
Opening balance – 1/7/16	54,685	2,807	57,492
Purchases (GBV)	–	574	574
Depreciation and impairment	–	(540)	(540)
Closing balance – 30/6/17	**54,685**	**2,841**	**57,526**
Transfers from/(to) another asset class	24,195	–	24,195
Purchases (GBV)	751	676	1,427
Disposals (WDV)		–	–
Depreciation and impairment	–	(550)	(550)
Revaluation	79,918	–	79,918
Closing balance – 30/6/18	**159,549**	**2,967**	**162,516**

Ku-ring-gai Council

Notes to the Financial Statements
for the year ended 30 June 2018

Note 21. Fair value measurement (continued)

$ '000

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

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

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

Class	Fair value (30/6/18) $'000	Valuation technique/s	Unobservable inputs	Range of Inputs (incl. probable)	Relationship of unobservable inputs to Fair Value
IPP&E					
Community Land and Crown Land	475,632	Cost Approach	Unimproved Capital Value provided by Valuer General Total area (7,543,326.86m2)	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	407	Cost Approach	Total area (85,374,620m2) Total Value of land ($40,788,577,960) Total area LUR (4288m2) Englobo valuation basis (AASB116)	$477.76 (per square metre)	Increase/decrease in the price per square metre will result in changes in fair value
Land Improvements Depreciable	2,021	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 2018

Note 21. Fair value measurement (continued)

$ '000

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

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

Class	Fair value (30/6/18) $'000	Valuation technique/s	Unobservable inputs	Range of Inputs (incl. probable)	Relationship of unobservable inputs to Fair Value
IPP&E (continued)					
Stormwater Drainage	160,905	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: 10 - 135yrs	
			Residual Value	Residual Value: 0% to 10%	
Buildings - Specialised	90,582	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: 20- 99yrs	
			Components	Components: Structure Roof Floor Mechanical Fire and Security, Interal finishes and Electrical	

Ku-ring-gai Council

Notes to the Financial Statements
for the year ended 30 June 2018

Note 21. Fair value measurement (continued)

$ '000

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

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

Class	Fair value (30/6/18) $'000	Valuation technique/s	Unobservable inputs	Range of Inputs (incl. probable)	Relationship of unobservable inputs to Fair Value
IPP&E (continued)					
Other Structures	8,528	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)	1,520	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 2018

Note 21. Fair value measurement (continued)

$ '000

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

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

Class	Fair value (30/6/18) $'000	Valuation technique/s	Unobservable inputs	Range of Inputs (incl. probable)	Relationship of unobservable inputs to Fair Value
IPP&E (continued)					
Roads	240,072	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	6,396	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: 10 - 99 yrs	

Ku-ring-gai Council

Notes to the Financial Statements
for the year ended 30 June 2018

Note 21. Fair value measurement (continued)

$ '000

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

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

Class	Fair value (30/6/18) $'000	Valuation technique/s	Unobservable inputs	Range of Inputs (incl. probable)	Relationship of unobservable inputs to Fair Value
IPP&E (continued)					
Footpaths	32,034	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	66,817	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 2018

Note 21. Fair value measurement (continued)

$ '000

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

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

Class	Fair value (30/6/18) $'000	Valuation technique/s	Unobservable inputs	Range of Inputs (incl. probable)	Relationship of unobservable inputs to Fair Value
IPP&E (continued)					
Road Structure and Street Furniture	5,733	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	73,261	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	2,294	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 2018

Note 21. Fair value measurement (continued)

$ '000

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

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

Class	Fair value (30/6/18) $'000	Valuation technique/s	Unobservable inputs	Range of Inputs (incl. probable)	Relationship of unobservable inputs to Fair Value
IPP&E (continued)					
Buildings Non Specialised	3,646	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: 20 - 80yrs	
			Components	Components Structure Internal Finish Electrical Services Mechanical Services Fire/Security Services, Transporation and Roof	
Furniture and Fittings, Office Equipment and Plant and Equipment (e.g. Fleet and Small Plant)	7,696	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.

Class IPP&E (continued)	Fair value (30/6/18)	Valuation technique/s	Unobservable inputs	Range of Inputs (incl. probable)	Relationship of unobservable inputs to Fair Value
			Residual Value	Residual Value: 0-5%	
Operational Land	159,549	Market Value / Cost Approach	Total area (82,222m^2) Total Value of land ($159,549,000)	Unit Rates: (per square metre)	Increase/decrease in the price per square metre will result in changes in fair value
Library Books	2,967	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 2018

Note 22. Related party transactions

$ '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:	**2018**	**2017**
Short-term benefits	3,274	3,080
Other long-term benefits	256	39
Total	**3,530**	**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.

Ku-ring-gai Council

Notes to the Financial Statements
for the year ended 30 June 2018

Note 23. Statement of developer contributions

$ '000

Under the *Environmental Planning and Assessment Act 1979* , Council has significant obligations to provide Section 7.11 (contributions towards provision or improvement of amenities or services) infrastructure in new release areas.

It is possible that the funds contributed may be less than the cost of this infrastructure, requiring Council to borrow or use general revenue to fund the difference.

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					
Traffic facilities	19,832	7,720	–	813	(812)	–	**27,553**	–
Parking	892	–	–	27	(38)	–	**881**	–
Open space	70,138	13,164	–	2,270	(672)	–	**84,900**	–
Community facilities	7,409	1,591	–	229	(1,328)	–	**7,901**	–
Other	6	6	–	–	(6)	–	**6**	–
S7.11 contributions – under a plan	**98,277**	**22,481**	**–**	**3,339**	**(2,856)**	**–**	**121,241**	**–**
S7.12 levies – under a plan	**1,742**	**2,116**	**–**	**83**	**(45)**	**–**	**3,896**	**–**
Total S7.11 and S7.12 revenue under plans	**100,019**	**24,597**	**–**	**3,422**	**(2,901)**	**–**	**125,137**	**–**
Total contributions	**100,019**	**24,597**	**–**	**3,422**	**(2,901)**	**–**	**125,137**	**–**

Ku-ring-gai Council

Notes to the Financial Statements
for the year ended 30 June 2018

Note 23. Statement of developer contributions (continued)

$ '000

S7.11 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	892	–	–	27	(38)	–	**881**	
Community facilities	129	–	–	2	(131)	–	**–**	
Total	**1,021**	**–**	**–**	**29**	**(169)**	**–**	**881**	**–**

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	1,476	–	–	45	(27)	–	**1,494**	
Community facilities	686	–	–	11	(653)	–	**44**	
Total	**2,162**	**–**	**–**	**56**	**(680)**	**–**	**1,538**	**–**

Ku-ring-gai Council

Notes to the Financial Statements
for the year ended 30 June 2018

Note 23. Statement of developer contributions (continued)

$ '000

S7.11 CONTRIBUTIONS – UNDER A PLAN

CONTRIBUTION PLAN - 2004/2009 Residential Plan

PURPOSE	Opening balance	Contributions received during the year Cash	Non-cash	Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
Traffic facilities	–	6	–	–	–	–	**6**	
Open space	1,787	566	–	56	(37)	–	**2,372**	
Community facilities	3,302	32	–	103	(3)	–	**3,434**	
Other	17	6	–	–	(6)	–	**17**	
Total	**5,106**	**610**	**–**	**159**	**(46)**	**–**	**5,829**	**–**

CONTRIBUTION PLAN - 2010 Plan

PURPOSE	Opening balance	Contributions received during the year Cash	Non-cash	Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
Roads	–	–	–	–	–	–	**–**	
Traffic facilities	19,832	7,714	–	813	(812)	–	**27,547**	
Open space	66,551	12,598	–	2,159	(608)	–	**80,700**	
Community facilities	3,292	1,559	–	113	(541)	–	**4,423**	
Other	(11)	–	–	–	–	–	**(11)**	
Total	**89,664**	**21,871**	**–**	**3,085**	**(1,961)**	**–**	**112,659**	**–**

Ku-ring-gai Council

Notes to the Financial Statements
for the year ended 30 June 2018

Note 23. Statement of developer contributions (continued)

$ '000

S7.11 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	324	–	–	10	–	–	**334**	
Total	**324**	**–**	**–**	**10**	**–**	**–**	**334**	**–**

S7.12 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	1,742	2,116	–	83	(45)	–	**3,896**	
Total	**1,742**	**2,116**	**–**	**83**	**(45)**	**–**	**3,896**	**–**

Ku-ring-gai Council

Notes to the Financial Statements
for the year ended 30 June 2018

Note 24(a). Statement of performance measures – consolidated results

$ '000	Amounts 2018	Indicator 2018	Prior periods 2017	Prior periods 2016	Benchmark
Local government industry indicators – consolidated					
1. Operating performance ratio					
Total continuing operating revenue [1] excluding capital grants and contributions less operating expenses / Total continuing operating revenue [1] excluding capital grants and contributions	5,139 / 128,175	**4.01%**	8.97%	5.98%	> 0.00%
2. Own source operating revenue ratio					
Total continuing operating revenue [1] excluding all grants and contributions / Total continuing operating revenue [1]	119,378 / 155,099	**76.97%**	82.42%	72.15%	> 60.00%
3. Unrestricted current ratio					
Current assets less all external restrictions [2] / Current liabilities less specific purpose liabilities [3, 4]	49,607 / 16,275	**3.05x**	3.21x	2.58x	> 1.5x
4. Debt service cover ratio					
Operating result [1] before capital excluding interest and depreciation/impairment/amortisation / Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	25,918 / 1,857	**13.96x**	13.46x	6.58x	> 2x
5. Rates, annual charges, interest and extra charges outstanding percentage					
Rates, annual and extra charges outstanding / Rates, annual and extra charges collectible	2,527 / 85,449	**2.96%**	3.27%	3.16%	<5%
6. Cash expense cover ratio					
Current year's cash and cash equivalents plus all term deposits / Payments from cash flow of operating and financing activities x12	154,142 / 9,188	**16.78 mths**	13.9 mths	11.9 mths	> 3 mths

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.

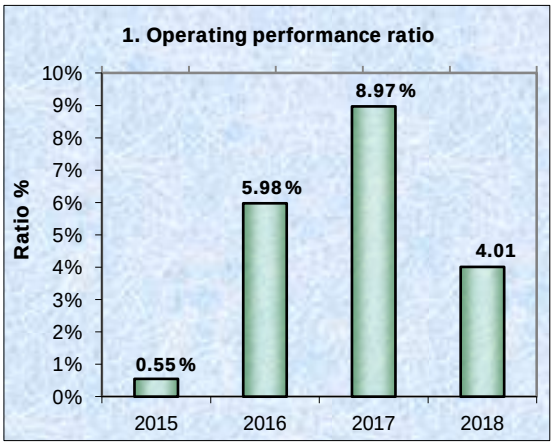
[3] Refer to Notes 13 and 14.

[4] Refer to Note 13(b) and 14(b) – 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 2018

Note 24(b). Statement of performance measures – consolidated results (graphs)



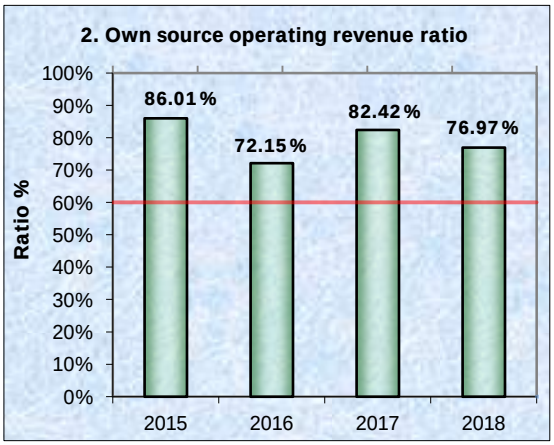
Purpose of operating performance ratio	Commentary on 2017/18 result
	2017/18 ratio 4.01%
This ratio measures Council's achievement of containing operating expenditure within operating revenue.	Council's Performance Ratio is above the benchmark of (0%), which means that Council can easily contain operating expenditure (excluding capital grants and contributions) within its operating revenue. The ratio has been above benchmark for the last four years. The decrease from previous year is mainly due to reduced installments for FAG grant and higher operational expenses.

Benchmark: ——— Minimum >=0.00%

Source for benchmark: Code of Accounting Practice and Financial Reporting #26

Ratio achieves benchmark

Ratio is outside benchmark



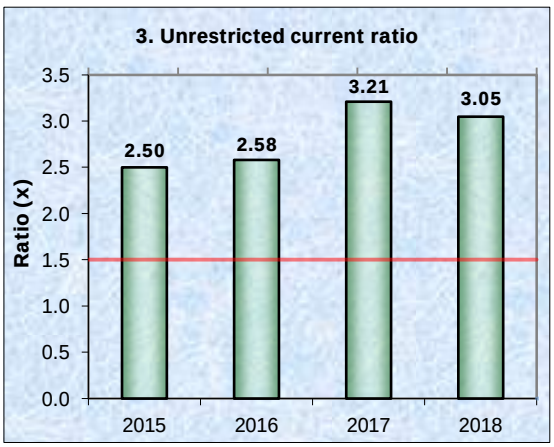
Purpose of own source operating revenue ratio	Commentary on 2017/18 result
	2017/18 ratio 76.97%
This ratio measures fiscal flexibility. It is the degree of reliance on external funding sources such as operating grants and contributions.	Council's Own Source Operating Revenue Ratio has remained above the benchmark of (>60%) in the last four years. Council has sufficient level of fiscal fixeibility, in the event of being faced with unforeseen events.

Benchmark: ——— Minimum >=60.00%

Source for benchmark: Code of Accounting Practice and Financial Reporting #26

Ratio achieves benchmark

Ratio is outside benchmark



Purpose of unrestricted current ratio	Commentary on 2017/18 result
	2017/18 ratio 3.05x
To assess the adequacy of working capital and its ability to satisfy obligations in the short term for the unrestricted activities of Council.	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.

Benchmark: ——— Minimum >=1.50

Source for benchmark: Code of Accounting Practice and Financial Reporting #26

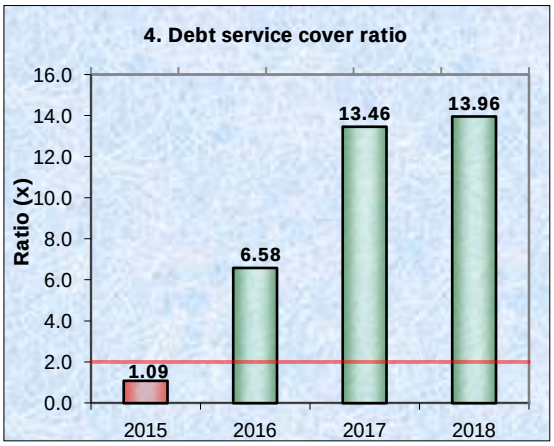
Ratio achieves benchmark

Ratio is outside benchmark

Ku-ring-gai Council

Notes to the Financial Statements
for the year ended 30 June 2018

Note 24(b). Statement of performance measures – consolidated results (graphs)



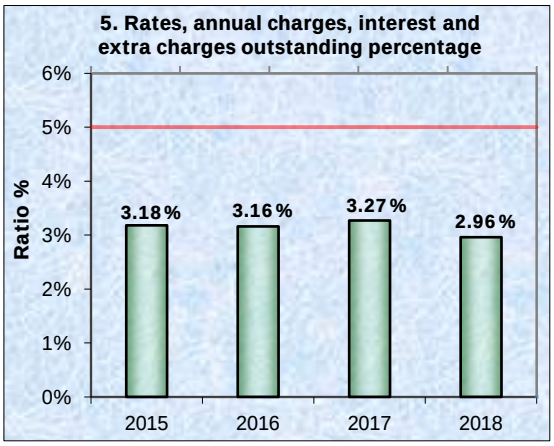
Purpose of debt service cover ratio	Commentary on 2017/18 result
	2017/18 ratio 13.96x
This ratio measures the availability of operating cash to service debt including interest, principal and lease payments	The Debt Service Cover Ratio has increased from previous year and is above the benchmark of 2x, 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 #26

Ratio achieves benchmark

Ratio is outside benchmark



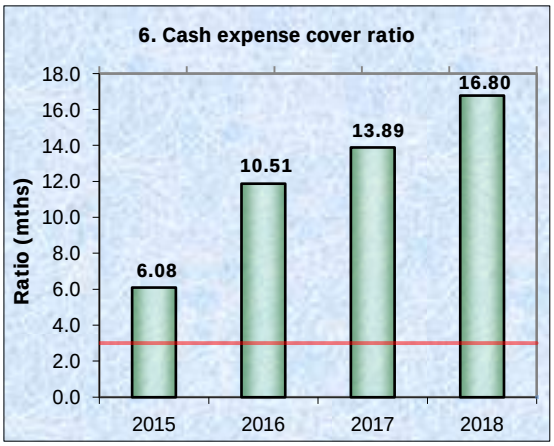
Purpose of rates and annual charges outstanding ratio	Commentary on 2017/18 result
	2017/18 ratio 2.96%
To assess the impact of uncollected rates and annual charges on Council's liquidity and the adequacy of recovery efforts.	The percentage of rates and annual charges that are unpaid at the end of the financial year is a measure of how well Council is managing debt recovery. Council's ratio of 2.96% 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 #26

Ratio is within Benchmark

Ratio is outside Benchmark



Purpose of cash expense cover ratio	Commentary on 2017/18 result
	2017/18 ratio 16.80 mths
This liquidity ratio indicates the number of months a Council can continue paying for its immediate expenses without additional cash inflow.	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 #26

Ratio achieves benchmark

Ratio is outside benchmark

Ku-ring-gai Council

SPECIAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2018

"…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 2018

Contents

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4. Auditor's Report	

Background

(i) These Special Purpose Financial Statements have been prepared for the use by both Council and the 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).

(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 2018

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

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

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

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

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

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

Signed in accordance with a resolution of Council made on 25 September 2018.

Jennifer Anderson **Mayor**	Callum Clarke **Councillor**
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 2018

	Thomas Carlyle Children Centre		Art Centre	
$ '000	**2018**	**2017**	**2018**	**2017**
Income from continuing operations				
User charges	1,161	1,141	465	496
Grants and contributions provided for non-capital purposes	463	373	–	–
Total income from continuing operations	**1,624**	**1,514**	**465**	**496**
Expenses from continuing operations				
Employee benefits and on-costs	1,135	952	311	587
Materials and contracts	221	235	313	65
Depreciation, amortisation and impairment	21	18	27	25
Other expenses	83	78	53	36
Total expenses from continuing operations	**1,460**	**1,283**	**704**	**713**
Surplus (deficit) from continuing operations before capital amounts	**164**	**231**	**(239)**	**(217)**
Surplus (deficit) from continuing operations after capital amounts	**164**	**231**	**(239)**	**(217)**
Surplus (deficit) from all operations before tax	**164**	**231**	**(239)**	**(217)**
Less: corporate taxation equivalent (30%) [based on result before capital]	(49)	(69)	–	–
SURPLUS (DEFICIT) AFTER TAX	**115**	**162**	**(239)**	**(217)**
Plus opening retained profits	933	968	4,332	4,006
Plus adjustments for amounts unpaid:				
– Corporate taxation equivalent	49	69	–	–
Add:				
– Subsidy paid/contribution to operations	–	–	–	543
Less:				
– Dividend paid	–	(266)	–	–
Closing retained profits	**1,097**	**933**	**4,093**	**4,332**
Return on capital %	**12.8%**	**22.3%**	**-4.2%**	**-4.8%**
Subsidy from Council	**–**	**–**	**397**	**324**

Ku-ring-gai Council

Income Statement of Council's Other Business Activities
for the year ended 30 June 2018

	Trade Waste		Gordon Golf Course	
$ '000	**2018**	**2017**	**2018**	**2017**
Income from continuing operations				
User charges	1,821	1,774	643	377
Other income	103	92	103	128
Total income from continuing operations	**1,924**	**1,866**	**746**	**505**
Expenses from continuing operations				
Employee benefits and on-costs	86	81	675	492
Materials and contracts	1,321	1,225	568	249
Depreciation, amortisation and impairment	–	–	118	118
Other expenses	22	6	478	327
Total expenses from continuing operations	**1,429**	**1,312**	**1,839**	**1,186**
Surplus (deficit) from continuing operations before capital amounts	**495**	**554**	**(1,093)**	**(681)**
Surplus (deficit) from continuing operations after capital amounts	**495**	**554**	**(1,093)**	**(681)**
Surplus (deficit) from all operations before tax	**495**	**554**	**(1,093)**	**(681)**
Less: corporate taxation equivalent (30%) [based on result before capital]	(149)	(166)	–	–
SURPLUS (DEFICIT) AFTER TAX	**347**	**388**	**(1,093)**	**(681)**
Plus opening retained profits	324	(230)	8,242	8,225
Plus adjustments for amounts unpaid:				
– Corporate taxation equivalent	149	166	–	–
Add:				
– Subsidy paid/contribution to operations	–	–	384	698
Less:				
– Dividend paid			–	–
Closing retained profits	**819**	**324**	**7,533**	**8,242**
Return on capital %	**50.4%**	**116.4%**	**-14.9%**	**-9.0%**
Subsidy from Council	**–**	**–**	**1,297**	**861**

Ku-ring-gai Council

Income Statement of Council's Other Business Activities
for the year ended 30 June 2018

	Turramurra Golf Course		Tennis Courts	
$ '000	**2018**	**2017**	**2018**	**2017**
Income from continuing operations				
User charges	818	781	300	307
Other income	34	29	–	–
Total income from continuing operations	**852**	**810**	**300**	**307**
Expenses from continuing operations				
Employee benefits and on-costs	463	451	3	3
Materials and contracts	251	266	7	19
Depreciation, amortisation and impairment	505	380	517	580
Loss on sale of assets	100	–	2	–
Other expenses	296	237	33	29
Total expenses from continuing operations	**1,615**	**1,334**	**562**	**631**
Surplus (deficit) from continuing operations before capital amounts	**(763)**	**(524)**	**(262)**	**(324)**
Surplus (deficit) from continuing operations after capital amounts	**(763)**	**(524)**	**(262)**	**(324)**
Surplus (deficit) from all operations before tax	**(763)**	**(524)**	**(262)**	**(324)**
Less: corporate taxation equivalent (30%) [based on result before capital]	–	–	–	–
SURPLUS (DEFICIT) AFTER TAX	**(763)**	**(524)**	**(262)**	**(324)**
Plus opening retained profits	17,747	18,013	4,125	4,404
Add:				
– Subsidy paid/contribution to operations	128	258	6	45
Closing retained profits	**17,112**	**17,747**	**3,869**	**4,125**
Return on capital %	**-2.9%**	**-2.9%**	**-4.4%**	**-7.8%**
Subsidy from Council	**1,506**	**950**	**426**	**422**

Ku-ring-gai Council

Income Statement of Council's Other Business Activities
for the year ended 30 June 2018

	Swimming Pool		Nursery	
$ '000	**2018**	**2017**	**2018**	**2017**
Income from continuing operations				
User charges	4,944	4,750	27	20
Other income	–	–	–	14
Total income from continuing operations	**4,944**	**4,750**	**27**	**34**
Expenses from continuing operations				
Employee benefits and on-costs	–	–	73	83
Materials and contracts	3,977	3,734	7	20
Depreciation, amortisation and impairment	364	392	10	10
Other expenses	599	612	16	49
Total expenses from continuing operations	**4,940**	**4,738**	**106**	**162**
Surplus (deficit) from continuing operations before capital amounts	**4**	**12**	**(79)**	**(128)**
Surplus (deficit) from continuing operations after capital amounts	**4**	**12**	**(79)**	**(128)**
Surplus (deficit) from all operations before tax	**4**	**12**	**(79)**	**(128)**
Less: corporate taxation equivalent (30%) [based on result before capital]	(1)	(4)	–	–
SURPLUS (DEFICIT) AFTER TAX	**3**	**8**	**(79)**	**(128)**
Plus opening retained profits	20,150	20,635	(1)	32
Plus adjustments for amounts unpaid:				
– Corporate taxation equivalent	1	4	–	–
Add:				
– Subsidy paid/contribution to operations	–	–	–	95
Less:				
– Dividend paid	–	(497)	–	–
Closing retained profits	**20,154**	**20,150**	**(80)**	**(1)**
Return on capital %	**0.0%**	**0.1%**	**-85.9%**	**-474.1%**
Subsidy from Council	**563**	**471**	**82**	**129**

Ku-ring-gai Council

Income Statement of Council's Other Business Activities
for the year ended 30 June 2018

	Commercial Leasing	
$ '000	**2018**	**2017**
Income from continuing operations		
User charges	1,738	2,062
Other income	375	323
Total income from continuing operations	**2,113**	**2,385**
Expenses from continuing operations		
Employee benefits and on-costs	266	222
Materials and contracts	577	615
Depreciation, amortisation and impairment	29	28
Other expenses	247	315
Total expenses from continuing operations	**1,119**	**1,180**
Surplus (deficit) from continuing operations before capital amounts	**994**	**1,205**
Surplus (deficit) from continuing operations after capital amounts	**994**	**1,205**
Surplus (deficit) from all operations before tax	**994**	**1,205**
Less: corporate taxation equivalent (30%) [based on result before capital]	(298)	(362)
SURPLUS (DEFICIT) AFTER TAX	**696**	**844**
Plus opening retained profits	38,140	22,081
Plus adjustments for amounts unpaid:		
– Corporate taxation equivalent	298	362
Add:		
– Subsidy paid/contribution to operations	20	14,854
Closing retained profits	**39,154**	**38,140**
Return on capital %	**49.6%**	**3.2%**

Ku-ring-gai Council

Statement of Financial Position – Council's Other Business Activities
as at 30 June 2018

	Thomas Carlyle Children Centre		Art Centre	
$ '000	**2018**	**2017**	**2018**	**2017**
ASSETS				
Current assets				
Receivables	–	5	1	–
Total Current Assets	**–**	**5**	**1**	**–**
Non-current assets				
Infrastructure, property, plant and equipment	1,286	1,038	5,665	4,504
Total non-current assets	**1,286**	**1,038**	**5,665**	**4,504**
TOTAL ASSETS	**1,286**	**1,043**	**5,666**	**4,504**
LIABILITIES				
Current liabilities				
Payables	19	38	149	132
Provisions	109	72	46	40
Total current liabilities	**128**	**110**	**195**	**172**
Total non-current liabilities	**–**	**–**	**–**	**–**
TOTAL LIABILITIES	**128**	**110**	**195**	**172**
NET ASSETS	1,158	933	5,471	4,332
EQUITY				
Accumulated surplus	1,097	933	4,093	4,332
Revaluation reserves	61	–	1,378	–
TOTAL EQUITY	1,158	933	5,471	4,332

Ku-ring-gai Council

Statement of Financial Position – Council's Other Business Activities
as at 30 June 2018

	Trade Waste		Gordon Golf Course	
$ '000	**2018**	**2017**	**2018**	**2017**
ASSETS				
Current assets				
Receivables	–	–	745	745
Total Current Assets	**–**	**–**	**745**	**745**
Non-current assets				
Infrastructure, property, plant and equipment	982	476	7,318	7,570
Total non-current assets	**982**	**476**	**7,318**	**7,570**
TOTAL ASSETS	**982**	**476**	**8,063**	**8,315**
LIABILITIES				
Current liabilities				
Payables	112	120	2	3
Provisions	51	32	40	70
Total current liabilities	**163**	**152**	**42**	**73**
Total non-current liabilities	**–**	**–**	**–**	**–**
TOTAL LIABILITIES	**163**	**152**	**42**	**73**
NET ASSETS	819	324	8,021	8,242
EQUITY				
Accumulated surplus	819	324	7,533	8,242
Revaluation reserves		–	488	–
TOTAL EQUITY	819	324	8,021	8,242

Ku-ring-gai Council

Statement of Financial Position – Council's Other Business Activities
as at 30 June 2018

	Turramurra Golf Course		Tennis Courts	
$ '000	**2018**	**2017**	**2018**	**2017**
ASSETS				
Current assets				
Receivables	28	–	–	–
Total Current Assets	**28**	**–**	**–**	**–**
Non-current assets				
Infrastructure, property, plant and equipment	26,646	17,880	5,893	4,138
Total non-current assets	**26,646**	**17,880**	**5,893**	**4,138**
TOTAL ASSETS	**26,674**	**17,880**	**5,893**	**4,138**
LIABILITIES				
Current liabilities				
Payables	3	9	4	13
Provisions	133	124	–	–
Total current liabilities	**136**	**133**	**4**	**13**
Total non-current liabilities	**–**	**–**	**–**	**–**
TOTAL LIABILITIES	**136**	**133**	**4**	**13**
NET ASSETS	26,538	17,747	5,889	4,125
EQUITY				
Accumulated surplus	17,112	17,747	3,869	4,125
Revaluation reserves	9,426	–	2,020	–
TOTAL EQUITY	26,538	17,747	5,889	4,125

Ku-ring-gai Council

Statement of Financial Position – Council's Other Business Activities
as at 30 June 2018

	Swimming Pool		Nursery	
$ '000	**2018**	**2017**	**2018**	**2017**
ASSETS				
Current assets				
Receivables	367	398	–	–
Total Current Assets	**367**	**398**	**–**	**–**
Non-current assets				
Infrastructure, property, plant and equipment	20,336	20,311	92	27
Total non-current assets	**20,336**	**20,311**	**92**	**27**
TOTAL ASSETS	**20,703**	**20,709**	**92**	**27**
LIABILITIES				
Current liabilities				
Payables	549	559	–	–
Provisions	–	–	81	28
Total current liabilities	**549**	**559**	**81**	**28**
Total non-current liabilities	**–**	**–**	**–**	**–**
TOTAL LIABILITIES	**549**	**559**	**81**	**28**
NET ASSETS	20,154	20,150	11	(1)
EQUITY				
Accumulated surplus	20,154	20,150	(80)	(1)
Revaluation reserves	–	–	69	–
TOTAL EQUITY	20,154	20,150	(11)	(1)

Ku-ring-gai Council

Statement of Financial Position – Council's Other Business Activities
as at 30 June 2018

	Commercial Leasing	
$ '000	**2018**	**2017**
ASSETS		
Current assets		
Receivables	108	–
Total Current Assets	**108**	**–**
Non-current assets		
Infrastructure, property, plant and equipment	2,004	1,470
Investment property	37,500	36,720
Total non-current assets	**39,504**	**38,190**
TOTAL ASSETS	**39,612**	**38,190**
LIABILITIES		
Current liabilities		
Payables	126	3
Provisions	32	47
Total current liabilities	**158**	**50**
Total non-current liabilities	**–**	**–**
TOTAL LIABILITIES	**158**	**50**
NET ASSETS	39,454	38,140
EQUITY		
Accumulated surplus	39,454	38,140
TOTAL EQUITY	39,454	38,140

Ku-ring-gai Council

Notes to the Special Purpose Financial Statements
for the year ended 30 June 2018

Note 1. Significant accounting policies

A statement summarising the supplemental accounting policies adopted in the preparation of the Special Purpose Financial Statements (SPFS) for National Competition Policy (NCP) reporting purposes follows.

These financial statements are 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 have been prepared in accordance with the recognition and measurement criteria of relevant Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board (AASB) and Australian Accounting Interpretations.

The disclosures in these Special Purpose Financial Statements have been prepared in accordance with the Local Government Act 1993 (NSW), the Local Government (General) Regulation, and the Local Government Code of Accounting Practice and Financial Reporting.

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

The Statement of Financial Position includes notional assets/liabilities receivable from/payable to Council's general fund. These balances reflect a notional intra-entity funding arrangement with the declared business activities.

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 NSW government policy statement titled '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 requirements.

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

Declared business activities

In accordance with *Pricing 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.

Ku-ring-gai Council

Notes to the Special Purpose Financial Statements
for the year ended 30 June 2018

Note 1. Significant accounting policies (continued)

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.

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

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

Monetary amounts

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

(i) Taxation-equivalent charges

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

However, where Council does not pay some taxes which are generally paid by private sector businesses, such as income tax, these equivalent tax payments have been applied to all Council-nominated business activities and are reflected in Special Purpose Financial Statements.

For the purposes of disclosing comparative information relevant to the private sector equivalent, the following taxation equivalents have been applied to all Council-nominated business activities:

Corporate income tax rate – 30%

Income tax

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

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.

Ku-ring-gai Council

Notes to the Special Purpose Financial Statements
for the year ended 30 June 2018

Note 1. Significant accounting policies (continued)

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

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

Since the 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 the SPFS.

Loan and debt guarantee fees

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

(ii) Subsidies

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

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

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

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

(iii) Return on investments (rate of return)

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

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

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

The rate of return is calculated as follows:

$$\frac{\textbf{Operating result before capital income + interest expense}}{\textbf{Written down value of I,PP\&E as at 30 June}}$$

As a minimum, business activities should generate a return equal to the Commonwealth 10 year bond rate which is 2.79% at 30/6/18.

(iv) Dividends

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

Ku-ring-gai Council

SPECIAL SCHEDULES
for the year ended 30 June 2018

"…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 2018

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[1] Special Schedules are not audited (with the exception of Special Schedule 2).

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 2018

$'000

Function or activity	Expenses from continuing operations	Income from continuing operations		Net cost of services
		Non-capital	Capital	
Governance	**832**	**9**	**–**	**(823)**
Administration	**25,818**	**38,306**	**25,002**	**37,490**
Public order and safety				
Fire service levy, fire protection, emergency services	2,994	–	62	**(2,932)**
Enforcement of local government regulations	1,517	363	–	**(1,154)**
Animal control	177	118	–	**(59)**
Total public order and safety	**4,688**	**481**	**62**	**(4,145)**
Health	**424**	**109**	**8**	**(307)**
Environment				
Other environmental protection	1,272	1,822	–	**550**
Solid waste management	18,743	21,347	179	**2,783**
Street cleaning	1,644	1	–	**(1,643)**
Drainage	2,347	1	–	**(2,346)**
Stormwater management	3,762	196	70	**(3,496)**
Total environment	**27,768**	**23,367**	**249**	**(4,152)**
Community services and education				
Administration and education	3,091	4,162	112	**1,183**
Aged persons and disabled	282	50	142	**(90)**
Children's services	3,946	4,179	14	**247**
Total community services and education	**7,319**	**8,391**	**268**	**1,340**
Housing and community amenities				
Street lighting	1,938	10	292	**(1,636)**
Town planning	2,694	644	17	**(2,033)**
Other community amenities	173	198	–	**25**
Total housing and community amenities	**4,805**	**852**	**309**	**(3,644)**

Ku-ring-gai Council

Special Schedule 1 – Net Cost of Services (continued)
for the year ended 30 June 2018

$'000

Function or activity	Expenses from continuing operations	Income from continuing operations		Net cost of services
		Non-capital	Capital	
Recreation and culture				
Public libraries	4,523	131	307	**(4,085)**
Art galleries	693	465	–	**(228)**
Community centres and halls	2,240	1,000	–	**(1,240)**
Other cultural services	338	46	–	**(292)**
Sporting grounds and venues	6,465	748	–	**(5,717)**
Swimming pools	4,940	4,944	–	**4**
Parks and gardens (lakes)	8,912	339	–	**(8,573)**
Other sport and recreation	369	3,000	(2,941)	**(310)**
Building control	6,592	3,101	–	**(3,491)**
Total mining, manufacturing and const.	**6,592**	**3,101**	**–**	**(3,491)**
Transport and communication				
Urban roads (UR) – local	13,991	2,523	3,660	**(7,808)**
Parking areas	816	2,400	–	**1,584**
Footpaths	1,397	–	276	**(1,121)**
Total transport and communication	**16,204**	**4,923**	**3,936**	**(7,345)**
Economic affairs				
Other economic affairs	169	(53)	–	**(222)**
Total economic affairs	**169**	**(53)**	**–**	**(222)**
Totals – functions	**123,099**	**90,159**	**27,200**	**(5,740)**
General purpose revenues (1)		**38,281**		**38,281**
NET OPERATING RESULT (2)	**123,099**	**128,440**	**27,200**	**32,541**

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

for the year ended 30 June 2019

$'000		Calculation 2018/19	Calculation 2017/18
Notional general income calculation [1]			
Last year notional general income yield	a	61,665	60,358
Plus or minus adjustments [2]	b	1,031	405
Notional general income	c = (a + b)	**62,696**	**60,763**
Permissible income calculation			
Special variation percentage [3]	d	0.00%	0.00%
Or rate peg percentage	e	2.30%	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	1,442	911
Or plus Crown land adjustment and rate peg amount	j = c x f	–	–
Sub-total	k = (c + g + h + i + j)	**64,139**	**61,674**
Plus (or minus) last year's carry forward total	l	0	–
Less valuation objections claimed in the previous year	m	(1)	(10)
Sub-total	n = (l + m)	**(1)**	**(10)**
Total permissible income	o = k + n	**64,138**	**61,664**
Less notional general income yield	p	64,151	61,665
Catch-up or (excess) result	q = o – p	**(13)**	**(1)**
Plus income lost due to valuation objections claimed [4]	r	13	1
Less unused catch-up [5]	s	–	–
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 2 in the financial data return (FDR) to administer this process.

Ku-ring-gai Council

Special Schedule 2 – Independent Auditors Report
for the year ended 30 June 2019

Report on Special Schedule 2

Insert here signed Independent Auditors Report

Ku-ring-gai Council

Special Schedule 7 – Report on Infrastructure Assets as at 30 June 2018

$'000

Asset class	Asset category	Estimated cost to bring assets to satisfactory standard [b]	Estimated cost to bring to the agreed level of service set by Council [c]	2017/18 Required maintenance [a]	2017/18 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	1,210	6,912	3,150	3,292	94,228	157,468	25%	26%	45%	4%	0%
	Sub-total	**1,210**	**6,912**	**3,150**	**3,292**	**94,228**	**157,468**	**25%**	**26%**	**45%**	**4%**	**0%**
Other Structures	Other Structures	384	1,521	570	208	8,528	14,047	23%	30%	36%	9%	2%
	Sub-total	**384**	**1,521**	**570**	**208**	**8,528**	**14,047**	**23%**	**30%**	**36%**	**9%**	**2%**
Roads	Roads	16,602	54,186	2,260	1,383	181,020	342,363	13%	40%	31%	11%	5%
	Bridges	49	155	60	–	6,396	11,754	3%	51%	45%	1%	0%
	Footpaths	649	2,914	940	1,057	32,034	48,405	37%	19%	38%	5%	1%
	Other Road Assets (Incl. Bulk Earthworks)	388	1,489	740	1,322	131,601	200,881	33%	7%	59%	1%	0%
	Sub-total	**17,688**	**58,744**	**4,000**	**3,762**	**351,051**	**603,403**	**21%**	**28%**	**41%**	**7%**	**3%**

Ku-ring-gai Council

Special Schedule 7 – Report on Infrastructure Assets as at 30 June 2018 (continued)

$'000

Asset class	Asset category	Estimated cost to bring assets to satisfactory standard [b]	Estimated cost to bring to the agreed level of service set by Council [c]	2017/18 Required maintenance [a]	2017/18 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
								1	2	3	4	5
Stormwater Drainage	Stormwater Drainage	60	340	830	1,438	160,905	236,539	32%	56%	11%	0%	1%
	Sub-total	**60**	**340**	**830**	**1,438**	**160,905**	**236,539**	**32%**	**56%**	**11%**	**0%**	**1%**
Open Space/ Recreational Assets	Swimming Pools & Recreational Assets	675	3,145	5,730	7,668	75,555	127,909	42%	33%	23%	2%	0%
	Sub-total	**675**	**3,145**	**5,730**	**7,668**	**75,555**	**127,909**	**42%**	**33%**	**23%**	**2%**	**0%**
	TOTAL – ALL ASSETS	**20,017**	**70,662**	**14,280**	**16,368**	**690,267**	**1,139,366**	**26%**	**34%**	**33%**	**5%**	**2%**

Notes:

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

b The estimated cost to bring assets to a satisfactory standard is the amount of money that is required to be spent on an asset that is currently not at the condition determined to be satisfactory by the Council and community.

c The estimated cost to renew or rehabilitate existing assets that have reached the condition-based intervention level adopted by Council.

Infrastructure asset condition assessment 'key'

1	**Excellent/very good**	No work required (normal maintenance)
2	**Good**	Only minor maintenance work required
3	**Satisfactory**	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 2018

	Amounts 2018	Indicator 2018	Prior periods 2017	Prior periods 2016	Benchmark
Infrastructure asset performance indicators * consolidated					
1. Buildings and infrastructure renewals ratio					
Asset renewals (1)	11,071	61%	76%	82%	>= 100%
Depreciation, amortisation and impairment	18,108				
2. Infrastructure backlog ratio					
Estimated cost to bring assets to a satisfactory standard	20,017	3%	4%	6%	< 2.00%
Net carrying amount of infrastructure assets	690,267				
3. Asset maintenance ratio					
Actual asset maintenance	16,368	115%	104%	107%	> 100%
Required asset maintenance	14,280				
4. Cost to bring assets to agreed service level					
Estimated cost to bring assets to an agreed service level set by Council	70,662	6%	7%	8%	
Gross replacement cost	1,139,366				

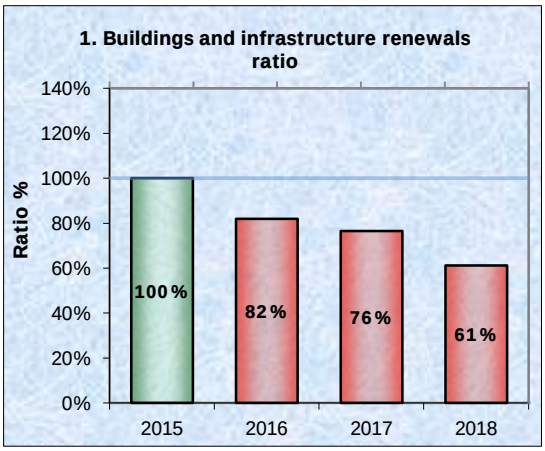
Notes

* 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.
Excluded work in progress (WIP)

Ku-ring-gai Council

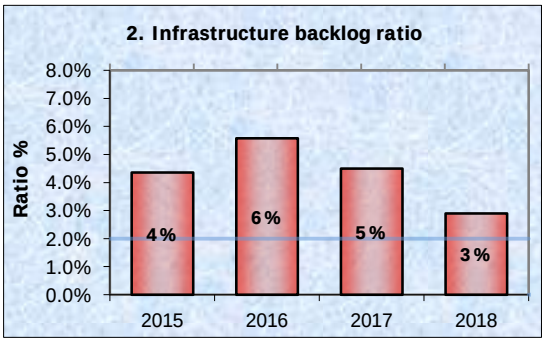
Special Schedule 7 – Report on Infrastructure Assets (continued)
for the year ended 30 June 2018



Purpose of asset renewals ratio	Commentary on 2017/18 result
	2017/18 Ratio 61%
To assess the rate at which these assets are being renewed relative to the rate at which they are depreciating.	A ratio of 61% indicates that amount spent on renewing infrastructures assets is lower than the amount of depreciation on those assets. This is due to incomplete projects at end of year. Council's long term financial plan provides for infrastructure renewal to meet the benchmark of 100% in future years. Council will continue to focus on appropriate asset standards for renewal and maintenance of its assets and prioritise renewal capital work programs.

Benchmark: ——— Minimum >=100.00%
Source for benchmark: Code of Accounting Practice and Financial Reporting #26

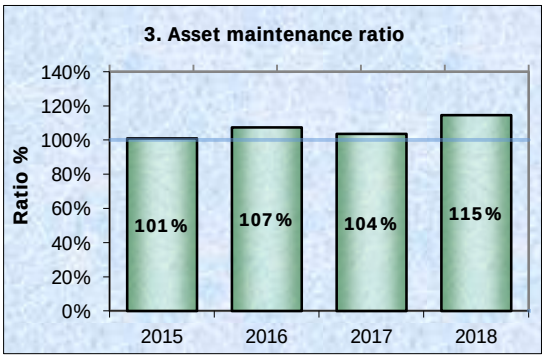
Ratio achieves benchmark
Ratio is outside benchmark



Purpose of infrastructure backlog ratio	Commentary on 2017/18 result
	2017/18 Ratio 3%
This ratio shows what proportion the backlog is against the total value of a Council's infrastructure.	Council achieved a backlog ratio of 3% at the end of 2017/18 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.

Benchmark: ——— Maximum <2.00%
Source for benchmark: Code of Accounting Practice and Financial Reporting #26

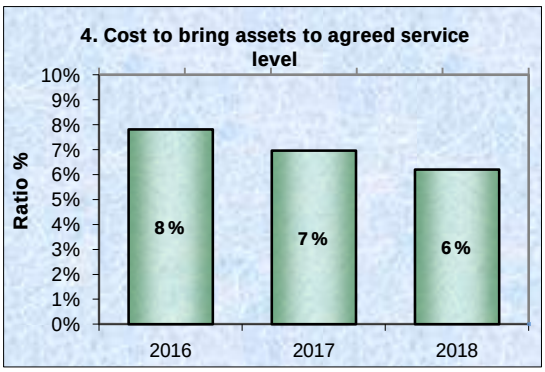
Ratio achieves benchmark
Ratio is outside benchmark



Purpose of asset maintenance ratio	Commentary on 2017/18 result
	2017/18 Ratio 115%
Compares actual vs. required annual asset maintenance. A ratio above 100% indicates Council is investing enough funds to stop the infrastructure backlog growing.	A ratio of above 100% indicates that the Council is investing enough funds within the year to ensure assets reach their useful lives. The benchmark is greater than 100%. Council is committed to increase expenditure on asset maintenance in future to maintain its infrastructure assets in satisfactory condition in the long term.

Benchmark: ——— Minimum >100.00%
Source for benchmark: Code of Accounting Practice and Financial Reporting #26

Ratio achieves benchmark
Ratio is outside benchmark



Purpose of agreed service level ratio	Commentary on 2017/18 result
	2017/18 Ratio 6%
This ratio provides a snapshot of the proportion of outstanding renewal works compared to the total value of assets under Council's care and stewardship.	The cost to bring to level of service is an estimate of the cost to renew existing assets that have reached the condition-based intervention level. Council is committed to increase expenditure on assets renewal in future years and reduce the cost to bring to level of service and this is reflected in Council's Long Term Financial Plan and Asset Management Strategy.

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