

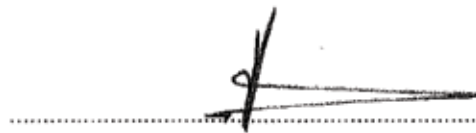
# Contents of 2011/12 General Purpose Financial Report

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# Certification of the Financial Report

## Glenorchy City Council Certification of the Financial Report

The financial report presents fairly the financial position of the Glenorchy City Council as at 30 June 2012, the results of its operations for the year then ended and the cash flows of the Council, in accordance with the *Local Government Act 1993* (as amended), Australian Accounting Standards (including interpretations) and other authoritative pronouncements issued by the Australian Accounting Standards Board.



Peter Brooks  
General Manager

Date: 6 September 2012

# Statement of Comprehensive Income

for the year ended 30 June 2012

	Note	2012 Budget \$'000	2012 Actual \$'000	2011 Actual \$'000
<b>Continuing operations</b>				
<b>Income</b>				
Rates	2	24,929	24,843	23,112
User charges and licences	3	9,754	9,876	10,670
Interest		1,329	1,717	1,401
Grants	5	5,089	6,089	5,401
Contributions - cash	6	208	109	218
Government subsidies	2	1,572	1,619	1,572
Investment income from Southern Water	7	8,869	8,749	7,428
Other revenues	8	2,913	1,045	1,340
<b>Total income</b>		<b>54,663</b>	<b>54,047</b>	<b>51,142</b>
<b>Expenses</b>				
Employee benefits	9	19,958	18,951	17,908
Materials and services	10	17,408	15,691	15,608
Depreciation and amortisation	11	15,396	14,747	14,506
State Fire Commission	2	3,859	3,859	3,707
Finance costs	13	711	646	686
Assets written off		-	2,025	1,489
Other expenses	12	632	711	588
<b>Total expenses</b>		<b>57,964</b>	<b>56,630</b>	<b>54,492</b>
<b>Surplus/(deficit) before:</b>		<b>(3,301)</b>	<b>(2,583)</b>	<b>(3,350)</b>
Contributions - non-monetary assets	6	-	5,275	2,564
Net gain/(loss) on disposal of property, infrastructure, plant and equipment	4	(536)	(300)	385
Capital grants received specifically for new or upgraded assets	5	8,492	20,966	4,714
Gain on revaluation of investment properties	34	-	-	3,411
<b>Surplus/(deficit)</b>		<b>4,655</b>	<b>23,358</b>	<b>7,724</b>
<b>Other comprehensive income</b>				
Net gain on revaluation of property, plant and equipment	38	-	13,729	36,013
Change in fair value of investment in Southern Water	24	-	434	1,136
<b>Comprehensive result</b>		<b>4,655</b>	<b>37,521</b>	<b>44,873</b>

The above statement should be read in conjunction with the accompanying notes

# Statement of Financial Position

As at 30 June 2012

	Note	2012 \$'000	2011 \$'000
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	14	52,512	24,045
Trade and other receivables	15	1,363	2,835
Inventories	16	133	147
Non-current assets classified as held for sale	17	3,652	1,325
Other current assets	18	456	665
<b>Total current assets</b>		<b>58,116</b>	<b>29,017</b>
<b>Non-current assets</b>			
Other financial assets	23	1	3
Investment in water corporation	24	198,474	198,040
Property, infrastructure, plant and equipment	25	470,011	456,615
Investment properties	34	4,970	6,487
Other non-current assets	33	8,125	6,532
<b>Total non-current assets</b>		<b>681,581</b>	<b>667,677</b>
<b>Total assets</b>		<b>739,697</b>	<b>696,694</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	19	3,553	2,228
Provisions	20	3,851	4,151
Borrowings	21	1,482	1,200
Other current liabilities	22	1,152	1,110
<b>Total current liabilities</b>		<b>10,038</b>	<b>8,689</b>
<b>Non-current liabilities</b>			
Provisions	20	2,757	2,582
Borrowings	21	13,224	9,266
<b>Total non-current liabilities</b>		<b>15,981</b>	<b>11,848</b>
<b>Total liabilities</b>		<b>26,019</b>	<b>20,537</b>
<b>Net assets</b>		<b>713,678</b>	<b>676,157</b>
<b>Equity</b>			
Accumulated surpluses		377,265	371,812
Reserves	38	336,413	304,345
<b>Total equity</b>		<b>713,678</b>	<b>676,157</b>

The above statement should be read in conjunction with the accompanying notes

# Statement of Cash Flows

for the year ended 30 June 2012

	Note	2012 \$'000	2011 \$'000
<b>Cash flows from operating activities</b>			
Rates (waste charges inclusive of GST)		24,935	23,168
Government subsidies		1,619	1,572
Government grants (inclusive of GST)		6,593	5,670
Contributions - cash (inclusive of GST)		109	218
Interest		1,717	1,558
User charges and licences (inclusive of GST)		11,681	9,558
Other (inclusive of GST)		1,552	3,406
Employee benefits (inclusive of GST)		(19,092)	(18,094)
Materials and services (inclusive of GST)		(15,501)	(18,895)
Finance costs		(652)	(686)
Levies paid to State Government		(3,859)	(3,707)
Other (inclusive of GST)		(724)	(600)
<b>Net cash provided by (used in) operating activities</b>	36	<b>8,378</b>	<b>3,168</b>
<b>Cash flows from investing activities</b>			
Payments for property, plant and equipment		(14,157)	(12,573)
Proceeds from sale of non-current assets		290	385
Investment revenue from water corporation		8,749	8,922
Government grants (capital)		20,966	4,714
<b>Net cash flows provided by (used in) investing activities</b>		<b>15,848</b>	<b>1,448</b>
<b>Cash flows from financing activities</b>			
Repayment of interest bearing loans and borrowings		(1,200)	(1,375)
Proceeds from interest bearing loans and borrowings		5,440	680
Repayment of loans receivable		1	5
<b>Net cash flows provided by (used in) financing activities</b>		<b>4,241</b>	<b>(690)</b>
Net increase (decrease) in cash and cash equivalents		28,467	3,926
Cash and cash equivalents at the beginning of the financial year		24,045	20,119
<b>Cash and cash equivalents at the end of the financial year</b>	14	<b>52,512</b>	<b>24,045</b>
Financing arrangements	39		
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The above statement should be read in conjunction with the accompanying notes

# Statement of Changes in Equity

## for the year ended 30 June 2012

2012	Note	Total equity	Accumulated surpluses	Asset revaluation reserve	Fair value reserve	Other revenue reserves
		\$'000	\$'000	\$'000	\$'000	\$'000
<b>Balance at the beginning of the financial year</b>		676,157	371,812	294,084	1,136	9,125
Surplus / (deficit) for the year		37,521	23,358	13,729	434	-
Transfers to reserves	38	-	(18,072)	-	-	18,072
Transfers from reserves	38	-	167	-	-	(167)
<b>Balance at the end of the financial year</b>		<b>713,678</b>	<b>377,265</b>	<b>307,813</b>	<b>1,570</b>	<b>27,030</b>

2011	Total equity	Accumulated surpluses	Asset revaluation reserve	Fair value reserve	Other revenue reserves	
	\$'000	\$'000	\$'000	\$'000	\$'000	
<b>Balance at the beginning of the financial year</b>		631,284	365,825	258,071	-	7,388
Surplus / (deficit) for the year		44,873	7,724	36,013	1,136	-
Transfers to reserves	38	-	(2,543)	-	-	2,543
Transfers from reserves	38	-	806	-	-	(806)
<b>Balance at the end of the financial year</b>		<b>676,157</b>	<b>371,812</b>	<b>294,084</b>	<b>1,136</b>	<b>9,125</b>

The above statement should be read in conjunction with the accompanying notes

# Notes to and forming part of the financial statements for the financial year ended 30 June 2012

## Introduction

- a/ The Glenorchy City Council was established on 24th October 1964 and is a body corporate with perpetual succession and a common seal. Council's main office is located at 374 Main Road, Glenorchy.
- b/ Glenorchy City Council's mission is: 'Glenorchy City Council will be a leader in local government; representing its local community and ensuring best value services'.

The financial report is a General Purpose Financial Report that consists of the Statements of Comprehensive Income, Financial Position, Changes in Equity, Cash Flows, and notes accompanying these financial statements. The General Purpose Financial Report complies with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board (AASB), and the *Local Government Act 1993 LGA1993* (as amended). Council has determined that it does not have profit generation as a prime objective. Consequently, where appropriate, Council has elected to apply options and exemptions within accounting standards that are applicable to not-for-profit entities. As a result, the financial report does not comply with International Financial Reporting Standards.

The statements were authorised for issue by the General Manager on 6 September 2012.

## Note 1 Significant accounting policies

### a/ The local government reporting entity

All funds through which the Council controls resources to carry on its functions are included in the financial statements forming part of this financial report.

Amounts received as tender deposits and retention amounts controlled by Council are included in the amount disclosed as "Other current liabilities".

### b/ Basis of accounting

This financial report is prepared on the accrual and going concern bases.

This financial report has been prepared under the historical cost convention, except where specifically stated in notes 1(e), 1(g), 1(h), 1(j), 1(k), and 1(m).

Unless otherwise stated, all accounting policies are consistent with those applied in the prior year. Where appropriate, comparative figures have been amended to accord with current presentation, and disclosure has been made of any material changes to comparatives.

All entities controlled by Council that have material assets or liabilities, such as special committees of management, and material subsidiaries or joint ventures, have been included in this financial report. All transactions between these entities and Council have been eliminated in full.

## Judgements and Assumptions

In the application of Australian Accounting Standards Council is required to make judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on a regular basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Council has made no assumptions concerning the future that may cause a material adjustment to the carrying amounts of assets and liabilities within the next reporting period. Judgements made by Council that have significant effects on the financial report are disclosed in the relevant notes as follows:

### *Employee entitlements*

Assumptions are utilised in the determination of Council's employee entitlement provisions. These assumptions are outlined in note 1(h).

### *Defined benefit superannuation fund obligations*

Actuarial assumptions are utilised in the determination of Council's defined benefit superannuation fund obligations. These assumptions are outlined in note 45.

### *Fair value of property, plant & equipment*

Assumptions and judgements are utilised in determining the fair value of Council's property, plant and equipment including useful lives and depreciation rates. These assumptions are outlined in notes 1 (d), 1(e) and in note 25.

### *Investment in Southern Water*

Assumptions utilised in the determination of Council's valuation of its investment in Southern Water are outlined in note 1(k) and in note 24.

### *Landfill / Tip Rehabilitation*

Assumptions utilised in the determination of Council's landfill close-down and restoration costs are outlined in note 20.

### c/ Rates, grants, and other revenue

Rates, grants, donations and other contributions are recognised as revenues when the Council obtains control over the assets comprising of these receipts or the contributions.

Control over assets acquired from rates is obtained at the commencement of the rating year as it is an enforceable debt linked to the rateable property. A provision for impairment on rates has not been established as unpaid rates represents a charge against the rateable property that will be recovered when the property is next sold.

# Notes to and forming part of the financial statements for the financial year ended 30 June 2012

Revenue is recognised when Council obtains control of the contribution or the right to receive the contribution, it is probable that the economic benefits comprising the contribution will flow to Council and the amount of the contribution can be measured reliably. Control over granted assets is normally obtained upon their receipt (or acquittal) or upon earlier notification that a grant has been secured, and are valued at their fair value at the date of transfer.

Where grants or contributions recognised as revenues during the financial year were obtained on the condition that they be expended in a particular manner or used over a particular period, and those conditions were undischarged as at the reporting date, the nature of and amounts pertaining to those undischarged conditions are disclosed in note 5. The note also discloses the amount of unused grant or contribution from prior years that was expended on Council's operations during the current year.

A liability is recognised in respect of revenue that is reciprocal in nature to the extent that the requisite service has not been provided at balance date and conditions include a requirement to refund unused contributions. Revenue is then recognised as the various performance obligations under an agreement are fulfilled. Council does not currently have any reciprocal grants.

#### *Non-monetary contributions*

Non-monetary contributions (including developer contributions) with a value in excess of the asset capitalisation recognition thresholds, are recognised as revenue and as non-current assets. Non-monetary contributions below the thresholds are recorded as revenue and expenses.

#### *User fees and charges*

User fees and charges (including fines) are recognised as revenue when the service has been provided, the payment is received, or when the penalty has been applied, whichever first occurs. A provision for impairment is recognised when collection in full is no longer probable.

#### *Sale of property, plant and equipment, infrastructure*

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

#### *Interest*

Interest is recognised progressively as it is earned.

#### *Rent*

Rents are recognised as revenue when the payment is due, or the payment is received, whichever first occurs. Rental payments received in advance are recognised as a prepayment until they are due.

#### *Investment Revenue from Southern Water*

Investment revenue from Southern Water is recognised when Council's right to receive payment is established.

Investment revenue from Southern Water is received in the form of dividends, tax equivalent payments and guarantee fees.

#### **d/ Expense recognition**

Expenses are recognised in the Statement of Comprehensive Income when a decrease in future economic benefits related to a decrease in asset or an increase of a liability has arisen that can be measured reliably.

#### *Employee benefits*

Employee benefits include, where applicable, entitlements to wages and salaries, annual leave, sick leave, long service leave, superannuation and any other post-employment benefits.

#### *Depreciation and amortisation of property, plant and equipment, infrastructure and intangibles*

Buildings, land improvements, plant and equipment, infrastructure and other assets having limited useful lives are systematically depreciated over their useful lives to the Council in a manner which reflects consumption of the service potential embodied in those assets.

Land is not depreciated.



# Notes to and forming part of the financial statements for the financial year ended 30 June 2012

All non-current assets are depreciated over their useful lives (as determined by Council's officers) on a straight line basis. These are as follows:

Nature/type of asset	Class of asset	Useful life (years)
Roads	Road pavement surface	10 to 50
	Road pavement base	50 to 70
	Road pavement earthwork	100
	Kerb and channel	5 to 70
Stormwater and drainage	Pipes	60 to 100
	Nodes	50 to 120
	Natural water course improvements	80
	Silt basins	120
	Concrete culverts and spoon drains	50 to 120
Buildings and land improvements	Freehold buildings	10 to 95
	Other land improvements	5 to 50
Other infrastructure	Signalised or roundabout intersections	15 to 50
	Islands	35 to 50
	Car parks	5 to 60
	Bridges	40 to 80
Plant and vehicles	Infrastructure plant	5 to 75
	Fleet	3 to 5
	Mobile plant	5 to 20
	Minor plant	3 to 5
Equipment and furniture	Furniture, fittings and office equipment	3 to 20
	Computer systems and technical equipment	3 to 5
Valuation rolls	Valuation roll of the municipality	5 to 6

## Repairs and maintenance

Routine maintenance, repair costs, and minor renewal costs are expensed as incurred. Where the repair relates to the replacement of a component of an asset and the cost exceeds the capitalisation threshold the cost is capitalised and depreciated. The carrying value of the replaced asset is expensed.

## Finance costs

Finance costs are recognised as an expense in the period in which they are incurred, except where they are capitalised as part of a qualifying asset constructed by Council. Where specific borrowings are obtained for the purpose of specific asset acquisition, the weighted average interest rate applicable to borrowings at balance date, excluding borrowings associated with superannuation, is used to determine the borrowing costs to be capitalised. No borrowing costs were capitalised during the period.

Finance costs include interest on bank overdrafts, interest on borrowings, and unwinding of discounts.

## e/ Recognition and measurement of assets

1. All material items were considered and an assessment made to determine if such items are assets.
2. If expenditure on an asset improved its service potential or future economic benefits (i.e. the useful life is extended) then this expenditure will be capitalised (added to the value of the asset). If not, the expenditure will be charged to the Statement of

Comprehensive Income as repairs/maintenance.

3. Asset categories of the Glenorchy City Council are specified in the asset matrix. Asset categories will be consolidated into the following broad categories of nature or type:

- Land;
- Buildings and other land improvements;
- Equipment and furniture;
- Roads;
- Stormwater and drainage;
- Plant and vehicles;
- Valuation roll; and
- Capital work in progress.

4. All assets that have a cost or other value that can be reliably measured will be recorded in the Statement of Financial Position at the end of the reporting period.
5. Council adopts depreciated replacement cost or fair value for all property, plant and equipment assets.
6. Assets are recorded by identifying separately their gross carrying value and any accumulated depreciation, other than capital work in progress.
7. The asset capitalisation threshold adopted by council is \$1,500. Assets valued at less than \$1,500 are charged to the Statement of Comprehensive Income in the year of purchase (other than where they form part of a group of similar items which are material in total).
8. Where a number of like items exist with individual values below the recognition threshold for future

# Notes to and forming part of the financial statements for the financial year ended 30 June 2012

transactions, then these items will be recognised as a group, provided their total value is in excess of the group threshold for that category.

9. All property, plant and equipment assets are revalued to their depreciated replacement cost in accordance with the asset matrix. Revaluations will be conducted with sufficient regularity, so as to ensure they represent fair value.

10. If Council believes asset values within a class have materially changed between scheduled revaluations, the asset classes value will be indexed by an appropriate inflation factor.

11. All net revaluation increments for a class are credited directly to the asset revaluation reserve account. However, the increment is charged to the Statement of Comprehensive Income to the extent that it reverses a net revaluation decrease of the same class of assets previously recognised in the income statement. Net revaluation decrements for a class of assets will be debited to any previous revaluation increments for that class of assets, with any deficiency being charged to the Statement of Comprehensive Income.

12. The cost method of accounting is used for the initial recording of all assets acquired after a revaluation. Cost is determined as the fair value of the asset given as consideration plus costs incidental to the acquisition (e.g. architects fees, engineering design fees, administration charges, direct and indirect salary costs, overheads and all other costs incurred in getting the asset ready for use) and (if applicable) the initial estimate of the cost of dismantling and removing the asset and restoring the site on which it is located. All property, plant and equipment assets that are replaced or retired are removed from the asset register. This includes the gross replacement cost of the asset and the related accumulated depreciation.

13. Capital work in progress is recorded at cost.

14. Land under roads acquired after 30 June 2008 is recognised as a non-current asset – roads where the Council holds title or a finance lease over the asset. Council does not recognise land under roads that it controlled prior to that period in its financial report.

## **f/ Impairment of assets**

At each reporting date, Council reviews the carrying value of its assets to determine whether there is any indication that these assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the Statement of Comprehensive Income, unless the asset is carried at the revalued amount in which case, the impairment loss is recognised directly against the revaluation reserve in respect of the same class of asset to the extent that the impairment loss does not exceed the amount in the revaluation surplus for that same class of asset. For non-cash generating

assets of Council such as roads, drains, public buildings and the like, value in use is represented by the deprival value of the asset approximated by its written down replacement cost.

## **g/ Investment properties**

Investment property, comprising freehold office complexes, is held to generate long-term rental yields. Investment property is measured initially at cost, including transaction costs. Costs incurred subsequent to initial acquisition are capitalised when it is probable that future economic benefit in excess of the originally assessed performance of the asset will flow to Council. Subsequent to initial recognition at cost, investment property is carried at fair value. Changes to fair value are recorded in the Statement of Comprehensive Income in the period that they arise. Rental income from the leasing of investment properties is recognised in the Statement of Comprehensive Income on a straight line basis over the lease term.

## **h/ Provisions**

Provisions are liabilities of uncertain timing and amount and are recognised where there is a present legal, equitable or constructive obligation as a result of a past event and when the outflow of economic benefits is probable and can be measured reliably. Provisions are reviewed at each balance sheet reporting date.

### **Provisions - Employee benefits**

Employee benefits are accrued for salaries, annual leave, sick leave and long service leave in respect of services provided by employees up to the reporting date. The sick leave accrual relates to 25.00% of the outstanding balance, which is payable upon termination. Provisions are reviewed at each balance sheet reporting date.

### *Annual, sick and long service leave*

The liability for annual, sick and long service leave expected to be settled within 12 months after the end of the reporting date is recognised and measured at the undiscounted amounts expected to be paid when the liabilities are settled. Annual, sick and long service leave expected to be settled more than 12 months after the end of the reporting date is measured at the present value of amounts expected to be paid when the liabilities are settled.

When assessing expected future payments, consideration is given to expected future wage and salary levels including non-salary components such as employer superannuation contributions. In addition, the long service leave liability considers the experience of employee departures and periods of service.

The interest rates attaching as at the reporting date to Commonwealth Government guaranteed securities are used to discount the estimated future cash outflows to their present value.

The superannuation expense for the reporting period is the amount of required contributions the Council makes to the superannuation plan which provides benefits to its employees.

# Notes to and forming part of the financial statements for the financial year ended 30 June 2012

## Classification of employee benefits

An employee benefit liability is classified as a current liability if the Council does not have an unconditional right to defer settlement of the liability for at least 12 months after the end of the period. This would include all annual leave and unconditional long service leave entitlements.

## Provisions - Other

### Employment on-costs

Employment on-costs, workers compensation and payroll tax, are not employee benefits and are recognised separately as liabilities when the employment to which they relate has occurred. Employment on-costs are included as part of the Council's 'Employee benefits' in the Statement of Comprehensive Income. The related liability is included in 'Employment on-costs provision'.

### Close-down and restoration costs - Landfill

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

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

The amortisation or 'unwinding' of the discount applied in establishing the net present value of provisions is charged to the Statement of Comprehensive Income in each accounting period where material. The amortisation of the discount is shown as a finance cost.

### i/ Leases

Council has no finance lease obligations at 30 June 2012.

In respect of operating leases, where the lessor effectively retains substantially all of the risks and benefits incident to ownership of the leased items, lease payments are recognised on a straight line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Refer to

note 35 for further information.

### j/ Non-current assets held for sale

A non-current asset held for sale (including disposal groups) is measured at the lower of its carrying amount and fair value less costs to sell, and are not subject to depreciation. Non-current assets, disposal groups and related liabilities assets are treated as current and classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset's sale (or disposal group sale) is expected to be completed within 12 months from the date of classification.

### k/ Investment in Southern Water

Council's investment in Southern Water is valued at its fair value at balance date. Fair value was determined by using Council's ownership interest against Southern Water's net asset value at balance date based on the Final Treasurer's Allocation Order in 2011. Council has an ownership interest of 21.50% in the corporation. Any unrealised gains and losses on holdings at balance date are recognised through the Statement of Comprehensive Income to a Financial Assets Available for Sale Reserve each year (refer note 38).

Council has classified this asset as an Available-for-Sale financial asset as defined in AASB 139 Financial Instruments: Recognition and Measurement and has followed AASB 132 Financial Instruments: Presentation and AASB 7 Financial Instruments: Disclosures to value and present the asset in the financial report.

Council has derived returns from the corporation as disclosed at note 7.

### l/ Payables

All of Council's expenditure, both operating and capital, is brought to account at the time the invoice is processed, after the receipt of the goods and services.

Payables are settled within specific trading terms or 30 days, whichever is earlier.

### m/ Interest bearing liabilities

The borrowing capacity of Council is limited by the *Local Government Act 1993*. Interest bearing liabilities are initially recognised at fair value, net of transaction costs incurred. Subsequent to initial recognition, these liabilities are measured at amortised cost.

Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the Statement of Comprehensive Income over the period of the liability using the effective interest method.

### n/ Trade and other receivables

Receivables are carried at amortised cost using the effective interest rate method. A provision for impairment is recognised when there is objective evidence that an impairment loss has occurred.

Other receivables are payable within 30 days of issue of the account. No interest is added to overdue sundry receivables.

# Notes to and forming part of the financial statements for the financial year ended 30 June 2012

## **o/ Inventories**

Inventories held for distribution are measured at cost adjusted when applicable for any loss of service potential. Other inventories are measured at the lower of cost and net realisable value. Costs are assigned by the method most appropriate to each particular class of inventory.

## **p/ Cash and cash equivalents**

For the purposes of the Statement of Cash Flows, cash and cash equivalents include cash on hand, deposits at call, and other highly liquid investments with original maturities of three months or less, net of outstanding bank overdrafts.

## **q/ Taxation**

Council is exempt from all forms of taxation except Fringe Benefits Tax, Payroll Tax and the Goods and Services Tax.

## *Goods and Services Tax*

Revenues, expenses and assets are recognised net of the amount of Goods and Services Tax (GST), except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO). In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from the ATO is included as part of current receivables or payables in the Statement of Financial Position.

Cash flows are presented as Statement of Cash Flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

## **r/ Allocation between current and non-current**

In the determination of whether an asset or liability is current or non-current, consideration is given to the time when each asset or liability is expected to be settled. The asset or liability is classified as current if it is expected to be settled within the next twelve months, being Council's operational cycle, or if Council does not have an unconditional right to defer settlement of a liability for at least 12 months after the reporting date.

## **s/ Comparative information**

Where required by Accounting Standards or other requirements, comparative figures are adjusted to conform with changes in presentation for the current financial year.

## **t/ Rounding**

Dollar amounts shown in the General Purpose Financial Report are rounded to the nearest thousand. This may result in minor variations between schedules.

## **u/ Budget**

The estimated revenue and expense amounts in the Statement of Comprehensive Income represent revised budget amounts and are not audited.

## **V/ Contingent assets, contingent liabilities and commitments**

Contingent assets and contingent liabilities are not

recognised in the Statement of Financial Position, but are disclosed by way of a note and, if quantifiable, are measured at nominal value. Contingent assets and liabilities are presented inclusive of GST receivable or payable respectively.

Commitments are not recognised in the Statement of Financial Position. Commitments are disclosed at their nominal value and inclusive of the GST payable.

## **w/ Pending accounting standards**

The AASB has issued a number of new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods, some of which are relevant to Council. Council has decided not to early adopt any of the new and amended pronouncements.

Council has not yet been able to reasonably estimate the impact of these pronouncements on its financial report/statements

# Notes to and forming part of the financial statements for the financial year ended 30 June 2012

Standard/Interpretation	Summary	Applicable for annual reporting periods beginning or ending on	Impact on Local Government financial statements
AASB 9 Financial Instruments	<p>These standards are applicable retrospectively and amend the classification and measurement of financial assets. Council has not yet determined the potential impact on the financial statements. Specific changes include:</p> <ul style="list-style-type: none"> <li>* simplifying the classifications of financial assets into those carried at amortised cost and those carried at fair value;</li> <li>* removing the tainting rules associated with held-to-maturity assets;</li> <li>* simplifying the requirements for embedded derivatives;</li> <li>* removing the requirements to separate and fair value embedded derivatives for financial assets carried at amortised costs;</li> <li>* allowing an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is not impairment or recycling on disposal of the instrument; and</li> <li>* reclassifying financial assets where there is a change in an entity's business model as they are initially classified based on:               <ul style="list-style-type: none"> <li>(a) the objective of the entity's business model for managing the financial assets; and</li> <li>(b) the characteristics of the contractual cash flows.</li> </ul> </li> </ul>	Applicable for annual reporting periods commencing on or after 1 Jan 2013.	These changes are expected to provide some simplification in the accounting for and disclosure of financial instruments.
AASB 10: Consolidated Financial Statements	This Standard supersedes requirements under AASB 127 Consolidated and Separate Financial Statements and Int 112 Consolidation - Special Purpose Entities, introducing a number of changes to accounting treatments. The Standard was issued in August 2011.	Applicable for annual reporting periods commencing on or after 1 January 2013.	Council has not yet determined the application or the potential impact of the Standard.
AASB 11: Joint Arrangements	This Standard supersedes AASB 131 Interests in Joint Ventures, introducing a number of changes to accounting treatments. This Standard was issued in August 2011.	Applicable for annual reporting periods commencing on or after 1 January 2013.	Council has not yet determined the application or the potential impact of the Standard.
AASB 12: Disclosure of Interests in Other Entities	This Standard supersedes AASB 127 Consolidated and Separate Financial Statements and AASB 131 Interests in Joint Ventures. This Standard was issued in August 2011.	Applicable for annual reporting periods commencing on or after 1 January 2013.	Council has not yet determined the application or the potential impact of the Standard.
AASB 13: Fair Value Measurement	This Standard defines fair value, sets out a framework for measuring fair value and requires disclosures about fair value measurements. There is no financial impact.	Applicable for annual reporting periods commencing on or after 1 January 2013.	No financial impact.

# Notes to and forming part of the financial statements

## for the financial year ended 30 June 2012

Standard/Interpretation	Summary	Applicable for annual reporting periods beginning or ending on	Impact on Local Government financial statements
AASB 119: Employee Benefits	This Standard supersedes AASB 119 Employee Benefits, introducing a number of changes to accounting treatments. This Standard was issued in September 2011.	Applicable for annual reporting periods commencing on or after 1 January 2013.	Council has not yet determined the application or the potential impact of the Standard.
AASB 1053: Application of Tiers of Australian Accounting Standards	This Standard establishes a differential financial reporting framework consisting of two tiers of reporting requirements for preparing general purpose financial statements. This Standard is not expected to impact Council. However, it may affect disclosures if reduced disclosure requirements apply.	Applicable for annual reporting periods commencing on or after 1 July 2013.	These amendments are not expected to impact Council.
AASB 127: Separate Financial Statements	This Standard supersedes requirements under AASB 127 Consolidated and Separate Financial Statements, introducing a number of changes to accounting treatments. This Standard was issued in August 2011.	Applicable for annual reporting periods commencing on or after 1 January 2013.	Council has not yet determined the application or the potential impact of the Standard.
AASB 128: Investments in Associates and Joint Ventures	This Standard supersedes AASB 128 Investments in Associates, introducing a number of changes to accounting treatments. This Standard was issued in August 2011.	Applicable for annual reporting periods commencing on or after 1 January 2013.	Council has not yet determined the application or the potential impact of the Standard.
AASB 2009-11: Amendments to Australian Accounting Standards arising from AASB 9 [AASB 1, 3, 4, 5, 7, 101, 102, 112, 118, 121, 127, 128, 131, 132, 136, 139, 1023 & 1038 and int 10 & 12]	[Modified by AASB 2010-7]	Applicable for annual reporting periods commencing on or after 1 July 2013.	Council has not yet determined the application or the potential impact of the Standard.
AASB 2010-2: Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements	Introduces reduced disclosure requirements for certain types of entities.	Applicable for annual reporting periods commencing on or after 1 January 2013.	This standard is not expected to have a financial impact.
AASB 2010-7: Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) [AASB 1, 3, 4, 5, 7, 101, 102, 112, 118, 121, 127, 128, 131, 132, 136, 139, 1023 & 1038 and int 2, 5, 10, 12, 19 & 127]	This Standard makes consequential amendments to other Australian Accounting Standards and interpretations as a result of issuing AASB 9 in December 2010.	Applicable for annual reporting periods commencing on or after 1 January 2013.	Council has not yet determined the application or the potential impact of the Standard.

# Notes to and forming part of the financial statements

## for the financial year ended 30 June 2012

Standard/Interpretation	Summary	Applicable for annual reporting periods beginning or ending on	Impact on Local Government financial statements
AASB 2011-7: Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards [AASB 1, 2, 3, 5, 7, 9, 2009-11, 101, 107, 112, 118, 121, 124, 132, 133, 136, 138, 139, 1023 & 1038 and Int 5, 9, 16 & 17]	This Standard gives effect to consequential changes arising from the issuance of AASB 10, AASB 11, AASB 127 Separate Financial Statements and AASB 128 Investments in Associates and Joint Ventures.	Applicable for annual reporting periods commencing on or after 1 January 2013.	Council has not yet determined the application or the potential impact of the Standard.
AASB 2011-8: Amendments to Australian Accounting Standards arising from AASB 13 [AASB 1, 2, 3, 4, 5, 7, 9, 2009-11, 2010-7, 101, 102, 108, 110, 116, 117, 118, 119, 120, 121, 128, 131, 132, 133, 134, 136, 138, 139, 140, 141, 1004, 1023 & 1038 and int 2, 4, 12, 13, 14, 17, 19, 131, 132]	This Standard replaces the existing definition and fair value guidance in other Australian Accounting Standards and Interpretations as the result of issuing AASB 13 in September 2011. There is no financial impact.	Applicable for annual reporting periods commencing on or after 1 January 2013.	No financial impact.
AASB 2011-9: Amendments to Australian Accounting Standards - Presentation of Items of Other Comprehensive Income [AASB 1, 5, 7, 101, 112, 120, 121, 132, 133, 134, 1039 & 1049]	This Standard requires to group items presented in other comprehensive income on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments).	Applicable for annual reporting periods commencing on or after 1 July 2013.	Council has not yet determined the application or the potential impact of the Standard.
AASB 2011-10: Amendments to Australian Accounting Standards arising from AASB 119 (September 2011) [AASB 1, 8, 101, 124, 134, 1049 & 2011-8 and int 14]	The Standard makes amendments to other Australian Accounting Standards and interpretations as a result of issuing AASB 119 Employee Benefits in September 2011.	Applicable for annual reporting periods commencing on or after 1 January 2013.	Council has not yet determined the application or the potential impact of the Standard.
AASB 2011-11: Amendments to AASB 119 (September 2011) arising from Reduced Disclosure Requirements	This Standard gives effect to Australian Accounting Standards - Reduced Disclosure Requirements for AASB 119 (September 2011). There is no financial impact.	Applicable for annual reporting periods commencing on or after 1 January 2013.	No financial impact.
AASB 2012-1: Amendments to Australian Accounting Standards - Fair value measurement - arising from Reduced Disclosure Requirements [AASB 3, 7, 13 & 140]	This Standard amends Reduced Disclosure Requirements arising from AASB13 Fair Value Measurement and consequential amendments implemented through AASB 2011-8 Amendments to Australian Accounting Standards arising from AASB13.	Applicable for annual reporting periods commencing on or after 1 January 2013.	Council has not yet determined the application or the potential impact of the Standard.

Notes to and forming part of the financial statements  
for the financial year ended 30 June 2012

<b>2 Rate income</b>	<b>Note</b>	<b>2012 \$'000</b>	<b>2011 \$'000</b>
Rates charge		22,272	20,503
Interest charge		57	54
Penalty charge		207	308
Recovery legal expenses		67	112
<b>State Government charges and levies</b>			
State Fire Commission contribution		3,859	3,707
Less pensioner remissions		(1,619)	(1,572)
		24,843	23,112
<b>3 User charges and licences</b>			
Parent fees and childcare		806	839
Animal registration		303	265
Food related licences		103	93
Landfill fees		2,190	2,494
Building and plumbing application fees		145	191
Plumbing inspection fees		102	137
Plumbing assessment fees		89	121
Development advertising fees		52	57
Development application fees		67	180
Engineering assessment fees		33	8
Section 132 and 337 certificates		212	280
Service provider fees		35	48
Rental of sporting grounds		147	132
Revenue from reserves		24	45
Car parking rental		95	93
Other rental revenue		183	168
Admission fee revenue from Aquatic Centre		-	62
Aquatic Centre kiosk		-	37
Aquatic Centre pool hire charges		-	49
Tolosa Park hire		47	45
Parking enforcement		224	172
Kerbside recycling		1,379	1,235
Garbage collection/disposal		1,294	1,159
Recycling materials		87	43
Concrete crushing		51	38
Derwent Entertainment Centre food and beverage sales		495	452
Derwent Entertainment Centre commissions and recoveries		1,257	1,821
General fines and infringements		76	73
Fees and licences		34	27
Certificates of completion		75	95
Stratum application fee		31	36
Equipment hire		29	2
Aged care client fees		17	13
Road opening permits		47	34
Court fees		12	3
Permits		11	10
Other (items less than \$10,000)		124	113
		9,876	10,670

**Ageing analysis of contractual receivables**

Please refer to note 40 for the ageing analysis of trade and other receivables.



# Notes to and forming part of the financial statements for the financial year ended 30 June 2012

	2012	2011
	\$'000	\$'000
<b>4 Net gain/(loss) on disposal of property, infrastructure, plant and equipment</b>		
Proceeds from disposal of property, infrastructure, plant and equipment	290	1,124
Less carrying amount of property, infrastructure, plant and equipment	(590)	(739)
Net gain/(loss) on disposal of property, infrastructure, plant and equipment	(300)	385
<b>5 Grants</b>		
Grants were received in respect of the following:		
<b>Summary of grants</b>		
Federally funded grants	26,728	7,663
State funded grants	182	2,400
Others	145	52
	27,055	10,115
<b>Summary of grants</b>		
<b>Operational grants</b>		
Commonwealth Government Financial Assistance Grants - General Purpose	1,133	886
Commonwealth Government Financial Assistance Grants - Roads	1,866	1,463
Childcare services	2,009	2,216
Arts and cultural development	124	41
Aged Care	359	351
Commonwealth traineeship	10	4
Youth and Safer Communities program	12	25
National Binge Drinking Strategy Grant	100	-
Older Adults physical Activity	280	138
Steps to the Future Grant	97	-
Evacuation Plan for Glenorchy CBD Grant	59	-
KGV Precinct Study	-	120
RLCIP Grant	-	115
Other	40	42
<b>Total operating grants</b>	6,089	5,401

The Australian Government provides Financial Assistance Grants to Council for general purpose use and the provision of local roads. On 11 May 2012 the Government announced in the Commonwealth Budget following the downturn in the economy that, "to assist local councils with planning for the recovery and to ensure local government has maximum certainty to begin planning their 2012-13 works programs", it would bring forward for payment to all councils in June 2012, the first two instalments of the 2012-13 grant pool.

Since 2009-10 the Commonwealth has been making early payment of the first quarterly instalment for the following year. However, the above General Purpose and Roads Financial Assistance Grants for 2011-12 thus include an additional instalment over that received in 2010-11.

In accordance with AASB1004 Contributions, Council recognises these grants as revenue when it receives the funds and obtains control. The effects of the early receipt of instalments each year has resulted in Commonwealth Government Financial Assistance Grants being above that originally budgeted in 2011-12 by \$1,223,925 and 2010-11 by \$596,850. This has impacted the Statement of Comprehensive Income resulting in the Net surplus/(deficit) being higher in both years by these amounts. With fewer instalments due to be received in 2012-13, the reverse effect is expected to occur.

Notes to and forming part of the financial statements  
for the financial year ended 30 June 2012

Note	2012 \$'000	2011 \$'000
<b>Capital grants received specifically for new or upgraded assets</b>		
Blackspot Grants	283	-
Cadbury Community Sports Ground Grant	44	-
Derwent Park Stormwater Reuse	6,518	924
Department of Transport	448	448
Glenorchy Arts Sculpture Park - Stage 1	-	2,542
Glenorchy Arts Sculpture Park - Stage 2	759	-
KGV infrastructure	8,700	650
KGV Accessible Communities Grant	99	-
Moonah Arts Centre Redevelopment	4,000	-
RLCIP Grant	115	-
Tolosa Park Criterium Circuit	-	150
<b>Total capital grants</b>	<b>20,966</b>	<b>4,714</b>
<b>Conditions on grants</b>		
Non-reciprocal grants recognised as revenue during the year that were obtained on condition they be expended in a specified manner that had not occurred at balance date were:		
Glenorchy Arts Sculpture Park - Stage 2	349	2,542
Tolosa Park Criterium Circuit	-	150
Derwent Park Stormwater Reuse (1)	5,040	924
Moonah Arts Centre Redevelopment	4,000	-
KGV infrastructure	8,692	-
Cadbury Community Sports Ground Grant	44	-
<b>Total</b>	<b>18,125</b>	<b>3,616</b>
(1) Derwent Park Stormwater Reuse - note that 50% of this Grant receipt is refundable should this project be cancelled.		
Non-reciprocal grants which were recognised as revenue in prior years and were expended during the current year in the manner specified by the grantor were:		
Glenorchy Arts Sculpture Park - Stage 1	2,241	1,579
Tolosa Park Criterium Circuit	150	-
Derwent Park Stormwater Reuse	924	-
	<b>3,315</b>	<b>1,579</b>
Net increase/(decrease) in non-reciprocal grant revenues for the year	<b>14,810</b>	<b>2,037</b>

Notes to and forming part of the financial statements  
for the financial year ended 30 June 2012

	2012 \$'000	2011 \$'000
<b>6 Contributions</b>		
<b>(a) Cash</b>		
Parking	-	16
Parks, open space and streetscapes	13	45
Recharge work contributions	96	157
	109	218
<b>(b) Non-monetary assets</b>		
Land	-	85
Roads	2,590	245
Parks, open space and streetscapes	394	54
Stormwater	2,291	2,180
	5,275	2,564
<b>Total contributions</b>	5,384	2,782
<b>7 Investment income from Southern Water</b>		
Dividend income	5,103	3,439
Tax equivalent	2,970	3,380
Guarantee fee	676	609
	8,749	7,428
<b>8 Other income</b>		
Fuel Tax Credits	75	64
Advertising	150	141
State Fire Commission	154	148
Heavy vehicle motor tax	28	28
Donations	73	53
Contributions	153	392
Levy collection	126	163
Refund	39	22
Other	247	329
	1,045	1,340
<b>9 Employee benefits</b>		
Wages and salaries	21,885	20,313
Relief/casual staff	703	693
Fringe Benefits Tax	63	64
Other	28	23
	22,679	21,093
Less amounts capitalised	(3,728)	(3,185)
	18,951	17,908
<b>10 Materials and services</b>		
Materials and services	4,965	5,115
Contract payments	8,991	8,789
Plant and equipment maintenance	461	534
Utilities	924	820
Consultants	350	350
	15,691	15,608

Notes to and forming part of the financial statements  
for the financial year ended 30 June 2012

	Note	2012 \$'000	2011 \$'000
<b>11 Depreciation and amortisation</b>			
Buildings and other land improvements		2,238	2,001
Plant and vehicles		222	329
Equipment and furniture		433	438
Roads		8,410	8,448
Stormwater and drainage		3,387	3,233
Valuation roll		57	57
		14,747	14,506
<b>12 Other expenses</b>			
Bad and doubtful debts		52	2
Land tax		453	353
External auditor's remuneration (Tasmanian Audit Office)		49	43
Internal auditor's remuneration (internal audit services - Deloitte)		78	88
Grants and specific purpose benefits	46	79	102
		711	588
<b>13 Finance costs</b>			
Interest		646	686
<b>14 Cash and cash equivalents</b>			
Current investment funds		40,874	12,041
Operating account		11,442	11,731
Brooker Highway Beautification trust account		21	181
Derwent Entertainment Centre trust account		142	61
Glenorchy City Concert Brass account		3	4
Petty cash floats		7	7
Derwent Entertainment Centre operating cash floats		20	12
Derwent Entertainment Centre ATM		3	8
		52,512	24,045
Councils cash and cash equivalents are subject to a number of internal and external restrictions that limit amounts available for discretionary or future use. These include:			
Leave provisions (excl. on-costs)	20	5,209	5,207
Revenue reserves	38	27,030	9,125
Trust account - Brooker Highway Beautification Project		21	181
Trust account - Derwent Entertainment Centre		142	61
Derwent Entertainment Centre ATM		3	-
Glenorchy City Concert Brass account		3	4
Derwent Park Stormwater Reuse borrowing		5,100	-
Commonwealth Government Financial Assistance Grants		1,224	597
Restricted funds		38,732	15,175
Total unrestricted cash and cash equivalents		13,780	8,870

Notes to and forming part of the financial statements  
for the financial year ended 30 June 2012

<b>15 Trade and other receivables</b>	<b>Note</b>	<b>2012 \$'000</b>	<b>2011 \$'000</b>
Employees advanced salaries		12	14
Rates and charges		468	377
Debtors		940	2,192
Provision for impairment - other debtors		(58)	(7)
Loans receivable	23	1	1
		1,363	2,577
Goods and Services Tax on purchases		-	524
Goods and Services Tax on sales		-	(266)
Goods and Services Tax receivable		-	258
		1,363	2,835
<p>All debtors are due and payable after thirty days from the date of invoice. Council does not charge interest on debtors. Outstanding rates attract a penalty of 10% fourteen days after instalments are due. Interest of 11.47% is charged after the instalments are due and is calculated weekly on the outstanding balance.</p> <p>All outstanding trade receivables have been assessed as past due but not impaired.</p> <p>An allowance has been made for those debts considered doubtful. Council evaluates unsecured debts through its debt collection process and where applicable these debts are transferred into the allowance.</p> <p>Credit checks are completed for larger customers and all waste management customers.</p>			
<u>Ageing of past due - rates and charges</u>			
30 - 60 days		-	-
60 - 90 days		-	-
Over 90 days		468	377
		468	377
<u>Ageing of past due - debtors</u>			
30 - 60 days		21	20
60 - 90 days		15	138
Over 90 days		22	50
		58	208
<b>Movement in the provision for impairment - other debtors</b>			
Balance at the beginning of the year		7	8
Amounts transferred to the provision during the year		52	-
Amounts recovered during the year		-	(1)
Amounts written off as uncollectable		(1)	-
Balance at the end of the year		58	7

Notes to and forming part of the financial statements  
for the financial year ended 30 June 2012

16 Inventories	Note	2012 \$'000	2011 \$'000
Stores and materials		133	147
<b>17 Non-current assets classified as held for sale</b>			
Land held for sale		3,652	1,325
<p>Council intends to dispose of land it no longer utilises in the next 12 months. No impairment loss was recognised on reclassification of the land as held for sale or at reporting date.</p>			
<b>18 Other current assets</b>			
Prepayments		47	127
Accrued revenue		409	538
		456	663
<b>19 Trade and other payables</b>			
Trade payables		2,884	401
Accrued expenses		530	1,809
Fringe Benefits Tax payable		16	18
		3,430	2,228
Goods and Services Tax on sales		500	-
Goods and Services Tax on purchases		(377)	-
Goods and Service Tax payable		123	-
		3,553	2,228

**20 Provisions**

**2012**

	Annual leave \$ '000	Sick Leave \$ '000	On Costs \$ '000	Long Service Leave \$ '000	Landfill Restoration \$ '000	Total \$ '000
Balance at the beginning of the financial year	2,039	1,018	455	2,150	1,071	6,733
Additional provisions	1,083	372	(22)	267	-	1,700
Amounts used	(1,084)	(390)	(105)	(246)	-	(1,825)
Increase in the discounted amount arising because of the time and the effect of any change in the discount rate	-	-	-	-	-	-
Balance at the end of the financial year	2,038	1,000	328	2,171	1,071	6,608

**2011**

	Annual leave \$ '000	Sick Leave \$ '000	On Costs \$ '000	Long Service Leave \$ '000	Landfill Restoration \$ '000	Total \$ '000
Balance at the beginning of the financial year	2,229	1,006	403	2,191	1,071	6,901
Additional provisions	868	497	142	212	-	1,718
Amounts used	(1,058)	(485)	(90)	(253)	-	(1,886)
Increase in the discounted amount arising because of the time and the effect of any change in the discount rate	-	-	-	-	-	-
Balance at the end of the financial year	2,039	1,018	455	2,150	1,071	6,733

Notes to and forming part of the financial statements  
for the financial year ended 30 June 2012

	2012 \$'000	2011 \$'000
<b>(a) Employee benefits provision</b>		
<b>(i) Current</b>		
Annual leave	2,038	2,039
Sick leave	1,000	1,018
Long service leave	642	799
Other provisions		
Employment on-costs:		
Payroll tax	171	295
	3,851	4,151
<b>(ii) Non-current</b>		
Long service leave	1,529	1,350
Other provisions		
Employment on-costs:		
Payroll tax	157	160
	1,686	1,510
Aggregate carrying amount of employee benefits:		
Current	3,851	4,151
Non-current	1,686	1,510
	5,537	5,661

The following assumptions were adopted in measuring the present value of employee benefits:

	2012	2011
Weighted average increase in employee costs	3.00%	3.00%
Weighted average discount rates	2.69%	4.94%
Weighted average settlement period	11	11

**(i) Current**

All annual leave, sick leave and the long service leave entitlements representing 10 or more years

	2012 \$'000	2011 \$'000
- short-term employee benefits, that fall due within 12 months after the end of the period measured at nominal value	2,992	3,176
- other long-term employee benefits that do not fall due within 12 months after the end	688	680
	3,680	3,856

**(ii) Non-current**

Long service leave representing less than 10 years of continuous service measured at present value

	1,529	1,350
	434	451

**(iii) Employee numbers**

**(b) Landfill restoration**

Council operates a Landfill at Jackson Street which is deemed to have a further useful life of at least 18 years. On closure of the landfill, Council will face close-down and restoration costs. Current estimates of the respective costs are based on management advice and engineering studies using current restoration standards and techniques.

# Notes to and forming part of the financial statements for the financial year ended 30 June 2012

Under legislation Council is obligated to rehabilitate the landfill site to a particular standard. Current projections indicate that the landfill site will cease operation in 2030 and restoration work is expected to commence shortly thereafter. The forecast life of the landfill site is based on current estimates of remaining capacity and the forecast rate of infill. The provision for landfill restoration has been calculated based on the present value of the expected cost of works to be undertaken. The expected cost of works has been estimated based on current understanding of work required to reinstate the site to a suitable standard. Accordingly, the estimation of the provision required is dependent on the accuracy of the forecast timing of the work, work required and related costs.

Council does not expect to receive reimbursement from a third party.

Note	2012 \$'000	2011 \$'000
<b>(c) Provision summary</b>		
<b>Current</b>		
Employee benefits provision	3,851	4,151
<b>Non-current</b>		
Employee benefits provision	1,686	1,510
Landfill provision	1,071	1,071
	2,757	2,581
<b>21 Borrowings (secured)</b>		
Borrowings at the beginning of the year	10,466	11,161
New borrowings	5,440	680
Repayments	(1,200)	(1,375)
Borrowings at the end of the year	14,706	10,466
Current borrowings	1,482	1,200
Non-current borrowings	13,224	9,266
	14,706	10,466
<p>The loan portfolio owed by Council to Tascorp has been reviewed by Tascorp effective 30 June 2012. Following this review it was determined that having regard to the fixed rate of interest applicable for the remaining life of each loan, that the approximate net fair value (which equates to current market value) is \$15,012,373 (2011: \$10,558,049) compared to the actual value of \$14,705,984 (2011: \$10,466,813). All loan funds are secured against future council rate revenue.</p> <p>The maturity profile for Council's borrowings is:</p>		
Not later than one year	1,482	1,200
Later than one year and not later than five years	1,130	3,394
Later than five years	12,094	5,872
	14,706	10,466
<b>22 Other current liabilities</b>		
Trust monies held (Derwent Entertainment Centre)	45	-
Vehicle Funding Facility	60	-
Revenue received in advance	681	556
Deposits	366	554
	1,152	1,110



# Notes to and forming part of the financial statements for the financial year ended 30 June 2012

<b>23 Other financial assets</b>	<b>Note</b>	<b>2012 \$'000</b>	<b>2011 \$'000</b>
Loans receivable			
Balance at the beginning of the financial year		4	10
Deduct loan principal payments made		(2)	(6)
Balance at the end of the financial year		2	4
Current loans receivable	15	1	1
Non-current loans receivable		1	3
		2	4
<b>24 Investment in Southern Water</b>			
Balance at the beginning of the year		198,040	196,904
Increase/(decrease) in fair value		434	1,136
Balance at the end of the financial year	l (k)	198,474	198,040

Council has derived returns from Southern Water as disclosed at Note 7.

Council has classified this asset as an Available-for-Sale financial asset as defined in AASB 139 Financial Instruments: Recognition and Measurement and has followed AASB 132 Financial Instruments: Presentation and AASB 7 Financial Instruments: Disclosures to value and present the asset in the financial statements.

There is no active market for the investment and so it is valued at Council's share of total equity as at each balance date. Changes in the fair value are recognised through the Comprehensive Income Statement to a Fair Value Reserve each year. Dividends received from Southern Water are brought to account as income is received.

Council has an ownership interest of 21.50% in Southern Water based on the Final Treasurer's Allocation Order in 2011. Council does not have significant influence to allow it to use the equity method to account for this interest.

Notes to and forming part of the financial statements  
for the financial year ended 30 June 2012

25 Property, infrastructure, plant and equipment

Reconciliation of Property, infrastructure, plant and equipment

2012		Carrying amount 1/7/2011 \$'000	Transfer between asset classes \$'000	Assets classified as Investment Property (note 34) \$'000	Disposals \$'000	Net revaluation adjustments (note 38) \$'000	Depreciation and amortisation (note 11) \$'000	Carrying amount 30/6/2012 \$'000
	<b>Note</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Roads	26	207,336	-	-	(502)	6,550	(8,410)	215,161
Stormwater and drainage	27	153,437	-	-	(1,529)	4,708	(3,387)	156,582
Land	28	53,515	(2,326)	1,350	(590)	1,035	-	53,378
Buildings and other land improvements	29	37,875	1,963	167	-	1,422	(2,238)	42,550
Plant and vehicles	30	2,514	(1,963)	-	(6)	-	(222)	795
Equipment and furniture	31	1,655	-	-	-	14	(433)	1,319
Valuation roll	32	283	-	-	-	-	(57)	226
		456,615	(2,326)	1,517	(2,627)	13,729	(14,747)	470,011
		17,850	(2,326)	1,517	(2,627)	13,729	(14,747)	470,011
2011		Carrying amount 1/7/2010 \$'000	Transfer between asset classes \$'000	Assets classified as Investment Property (note 34) \$'000	Disposals \$'000	Net revaluation adjustments (note 38) \$'000	Depreciation and amortisation (note 11) \$'000	Carrying amount 30/6/2011 \$'000
	<b>Note</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Roads	26	203,673	-	-	(638)	6,618	(8,448)	207,336
Stormwater and drainage	27	146,994	-	-	(558)	3,616	(3,233)	153,437
Land	28	29,252	233	-	(733)	24,679	-	53,515
Buildings and other land improvements	29	38,497	-	-	(344)	979	(2,001)	37,875
Plant and vehicles	30	2,594	-	-	(33)	88	(329)	2,514
Equipment and furniture	31	2,041	-	-	-	33	(438)	1,655
Valuation roll	32	-	-	-	-	-	(57)	283
		423,051	233	-	(2,306)	36,013	(14,506)	456,615
		14,130	233	-	(2,306)	36,013	(14,506)	456,615

# Notes to and forming part of the financial statements for the financial year ended 30 June 2012

	Note	2012 \$'000	2011 \$'000
<b>26 Roads</b>			
At 30 June 2011 valuation		435,986	414,372
Less accumulated depreciation		(220,825)	(207,036)
Roads at fair value	25	215,161	207,336
<b>27 Stormwater and drainage</b>			
At 1 July 2009 valuation		305,356	294,257
Less accumulated depreciation		(148,774)	(140,820)
Stormwater and drainage at fair value	25	156,582	153,437
<b>28 Land</b>			
At 30 June 2011 valuation		53,378	53,515
Land at fair value	25	53,378	53,515
<b>29 Buildings and other land improvements</b>			
At 30 June 2011 valuation		94,745	82,424
Less accumulated depreciation		(52,195)	(44,549)
Buildings and other land improvements at fair value	25	42,550	37,875
<b>30 Plant and vehicles</b>			
At valuation		1,974	7,156
Less accumulated depreciation		(1,179)	(4,642)
Plant and vehicles at fair value	25	795	2,514
<b>31 Equipment and furniture</b>			
At valuation		6,505	6,418
Less accumulated depreciation		(5,186)	(4,763)
Equipment and furniture at fair value	25	1,319	1,655
<b>32 Valuation roll</b>			
At cost		283	340
Less accumulated amortisation		(57)	(57)
Valuation roll at cost	25	226	283
<b>Total property, infrastructure, plant and equipment</b>	25	470,011	456,615

Valuation of land (excluding land under roads) and buildings were undertaken by the Valuer General. The valuation of buildings is at fair value based on current replacement cost less accumulated depreciation at the date of valuation. The valuation of land is at fair value, being market value based on highest and best use permitted by relevant land planning provisions.

Land under roads is valued at deemed cost. Council does not recognise land under roads that it controlled prior to 30 June 2008 in its financial report. Deemed cost is based on Council valuations at 30 June 2008 for land under roads in existence at that date and at the date acquired for subsequent acquisitions using site values adjusted for englobo (undeveloped and/or unserviced) characteristics, access rights and private interests of other parties and entitlements of infrastructure assets and services.

Valuation of infrastructure assets is at fair value based on replacement cost less accumulated depreciation as at the date of valuation.

Notes to and forming part of the financial statements  
for the financial year ended 30 June 2012

<b>33 Other non-current assets</b>	<b>Note</b>	<b>2012 \$'000</b>	<b>2011 \$'000</b>
Capital works in progress		8,125	6,532
<b>34 Investment properties</b>			
Opening Balance as at 1 July		6,487	3,059
Transfer in		-	17
Transfer out		(1,517)	-
Revaluation increment (*)		-	3,411
Closing balance at 30 June		4,970	6,487
<p>The basis of valuation of investment properties is fair value being the amounts for which the properties could be exchanged between willing parties in an arm's length transaction, based on current prices in an active market for similar properties in the same location and condition and subject to similar leases.</p> <p>(*) Gain on revaluation of Investment Land as per Valuer General 30/06/2011</p>			
<b>35 Commitments for expenditure</b>			
<b>(a) Operating lease commitments</b>			
Rental expense recognised in the reporting period		2,850	3,179
<p>At the reporting date, Council had the following obligations under non-cancellable operating leases (these obligations are not recognised as liabilities):</p>			
Not later than one year		1,657	1,275
Later than one year and not later than five years		3,929	3,000
Later than five years		24	140
		5,610	4,415
<p>The Council leases motor vehicles and mobile plant and equipment under operating leases, expiring from 1 - 5 years. Leases generally provide the entity with a right of renewal at which time all terms are renegotiated.</p> <p>Lease payments are initially established based on expected operating criteria and may adjust depending upon material variations in such operating criteria.</p> <p>The Council leases office equipment under operating leases, expiring from 1 - 4 years. Leases generally provide the entity with a right of renewal at which time all terms are renegotiated. Terms of the leases are fixed at the time of the lease start date.</p> <p>The Council leases office premises under operating leases, expiring from 4 - 6 years. Leases generally provide the entity with a right of renewal at which time all terms are renegotiated. Terms of the lease are fixed at the time of the lease start date.</p>			
<b>(b) Capital commitments</b>			
Capital expenditure contracted for at the reporting date but not recognised in the financial statements as liabilities:			
Property		14,084	1,097
Roads		1,091	1,884
Stormwater		5,595	784
		20,770	3,765

All contracted commitments are expected to be settled within 12 months of the reporting date.

Notes to and forming part of the financial statements  
for the financial year ended 30 June 2012

36	Reconciliation of net surplus/(deficit) for the period to net cash from operating activities	Note	2012 \$'000	2011 \$'000
	Net surplus/(deficit)		23,358	7,723
	<b>Items not involving cash</b>			
	Depreciation expense		14,747	14,507
	Contributions - non-monetary assets		(5,275)	(2,564)
	Dividends receivable		-	(1,494)
	Gain on revaluation of investment properties		-	(3,411)
	Carrying value of assets sold or retired		590	739
	Assets written off		2,025	1,489
	<b>Non operating items</b>			
	Sale of property, plant and equipment		(290)	(1,124)
	Government grants and external contributions		(20,966)	(4,714)
	Investment revenue from water corporation		(8,749)	(7,428)
	<b>Changes in operating assets and liabilities</b>			
	(Increase)/decrease in trade and other receivables		1,473	(1,505)
	(Increase)/decrease in other assets		209	1,351
	(Increase)/decrease in inventories		14	(25)
	Increase/(decrease) in trade and other payables		1,325	(389)
	Increase/(decrease) in other liabilities		42	181
	Increase/(decrease) in provisions		(125)	(168)
	<b>Net cash from operating activities</b>		<b>8,378</b>	<b>3,168</b>

**37 Contingent liabilities**

There are no contingent liabilities.

Notes to and forming part of the financial statements  
for the financial year ended 30 June 2012

38 Reserves

	Balance at beginning of reporting year		Transfers to reserves		Transfers from reserves		Balance at end of reporting year	
	1 Jul 11 \$'000	1 Jul 10 \$'000	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000	30 Jun 12 \$'000	30 Jun 11 \$'000
<b>Revenue reserves</b>	337	303	19	34	-	-	356	337
Car parking	416	350	37	66	-	-	453	416
Public open space	55	(31)	121	93	(2)	(7)	174	55
Community based programs	922	777	153	145	-	-	1,075	922
Landfill future close out costs	4,474	3,640	17,128	834	-	-	21,602	4,474
Incomplete works	-	686	100	-	-	(686)	100	-
City revaluation	2,592	1,431	451	1,213	(45)	(52)	2,998	2,592
Asset sales	1	1	-	-	-	-	1	1
Landfill plant and equipment	190	210	10	41	(65)	(61)	135	190
Property, plant and equipment	77	21	3	56	(55)	-	25	77
Irregular operating expenses	61	-	50	61	-	-	111	61
Strategic Asset Management Group Capital	9,125	7,388	18,072	2,543	(167)	(806)	27,030	9,125

	Balance at beginning of reporting year		Transfers to reserves		Transfers from reserves		Balance at end of reporting year	
	1 Jul 11 \$'000	1 Jul 10 \$'000	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000	30 Jun 12 \$'000	30 Jun 11 \$'000
<b>Fair value reserve</b>	1,136	-	434	1,136	-	-	1,570	1,136
Investment in Southern Water revaluation reserve	1,136	-	434	1,136	-	-	1,570	1,136

	Balance		Revaluation increment		Revaluation decrement		Balance	
	1 Jul 11 \$'000	1 Jul 10 \$'000	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000	30 Jun 12 \$'000	30 Jun 11 \$'000
<b>Asset revaluation reserves</b>	147,185	140,567	6,550	6,618	-	-	153,735	147,185
Asset revaluation reserve - roads	15,330	14,351	1,422	979	-	-	16,752	15,330
Asset revaluation reserve - buildings and other land improvements	43,655	18,976	1,035	24,679	-	-	44,690	43,655
Asset revaluation reserve - stormwater and drainage	84,239	80,623	4,708	3,616	-	-	88,947	84,239
Asset revaluation reserve - plant and vehicles	2,822	2,734	-	88	-	-	2,822	2,822
Asset revaluation reserve - furniture and equipment	853	820	14	33	-	-	867	853
	294,084	258,071	13,729	36,013	-	-	307,813	294,084
<b>Total revenue and asset revaluation reserves</b>	304,345	265,459	32,235	39,691	(167)	(806)	336,413	304,345

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**38 Reserves (continued)**

**Nature and purpose of reserves:**

**Revenue reserves**

The Car parking; Public open space and Community based programs revenue reserves reflect the statutory or third party compulsory contributions that are required to be expended for specific purposes as part of the statutory or third party agreements in future periods. On that basis, a portion of the operating result must be set aside in these reserves.

The City revaluation reserve represents funds set aside to undertake a city wide revaluation (as authorised by the Valuer General). This revaluation occurs every five years.

The Landfill future close out costs reserve is maintained for the restoration or rehabilitation of land to meet planning requirements and environmental standards.

The other reserves noted are maintained to provide for recurring, non-annual expenditure (Irregular operating expenses reserve); to provide for future property, plant and equipment requirements (Property, plant and equipment); and specific expenditure not completed in the previous year (Incomplete works). All asset sales are set aside to fund capital works.

**Fair value reserve**

The fair value reserve includes the net revaluation increments and decrements arising from the revaluation of council's share of the investment in Southern Water.

**Asset revaluation reserves**

The asset revaluation reserves include the net revaluation increments and decrements arising from the revaluation of property, plant and equipment assets in accordance with accounting policy (note 1 (d)).

Where a revalued asset is sold that portion of the asset revaluation reserve which relates to that asset, and is effectively realised, is transferred directly to Community Equity.

Notes to and forming part of the financial statements  
for the financial year ended 30 June 2012

<b>39 Financing arrangements</b>	<b>Note</b>	<b>2012 \$'000</b>	<b>2011 \$'000</b>
Bank overdraft limit		Nil	Nil
Bank overdraft at reporting date		Nil	Nil
Council does not have an overdraft limit because Council undertakes to cover any overdraft it incurs on a regular basis with cash from Council's short term investments or operating revenues.			
The credit limit with the CBA for the vehicle funding facility as at 30 June:		1,000	Nil
Council has access to an established line of credit to the value of \$1 million. This line of credit has been approved to purchase Council's fleet of vehicles.			
The credit limit with the Commonwealth Bank of Australia for Council's purchasing card facility as at 30 June:		280	280



# Notes to and forming part of the financial statements for the financial year ended 30 June 2012

## 40 Financial instruments

### (a) Accounting policy, terms and conditions

Financial instruments	Accounting policy	Terms and conditions
<b>Financial assets</b>		
<b>Cash and cash equivalents</b>	Comprises cash on hand and cash in bank.  Interest revenues are recognised as they accrue.	On call deposits returned an average interest rate of 4.56% (4.23% in 2010/2011). The interest rate at balance date was 3.40% (4.00% in 2010/2011).
<b>Other financial assets</b>	Investments are held to maximise interest returns of surplus cash.  Interest revenues are recognised as they accrue.	The average interest rate received for investments was 5.71% (5.75% in 2010/2011).
<b>Trade and other receivables</b>		
<b>Receivables rates and charges</b>	Rates are carried at nominal amounts due plus interest. Rate debts are a charge attached to the rateable land and are recoverable on sale, therefore, no allowance for doubtful debts is made. Interest rates are reviewed annually.	Rates are payable by 2 instalments during the year. Arrears, including deferred rates, attract interest. The interest rate was 11.47% (11.43% in 2010/2011) at balance date for general rates.
<b>Receivables other</b>	Receivables are carried at nominal amounts due less any allowance for doubtful debts. An allowance for doubtful debts is recognised when collection in full is no longer probable.  Collectability of overdue accounts is assessed on an ongoing basis.	General debtors are unsecured.
<b>Financial liabilities</b>		
<b>Deposits</b>	Deposits are lodged by organisations and individuals when performing work which may adversely affect Council assets. The deposits are repayable on demand or where certain conditions have been met. Deposits are recorded at fair value.	
<b>Payables</b>	Liabilities are recognised for amounts to be paid in the future for goods and services provided to Council as at balance date, whether or not invoices have been received.	General creditors are unsecured, not subject to interest charges and are normally settled within specific trading terms or 30 days, whichever is earlier.
<b>Interest-bearing loans and borrowings</b>	Loans are carried at amortised cost. Interest is accrued over the period it becomes due and recognised as part of payables.	All loans are secured against the future rate revenue of Council. The weighted average interest rate on borrowings was 5.88% (6.34% in 2010/2011).

Notes to and forming part of the financial statements  
for the financial year ended 30 June 2012

**40 Financial instruments (continued)**

**Liquidity risk management**

Council manages liquidity risk by maintaining adequate reserves, banking facilities and borrowing facilities. Council monitors cash flows on an on-going basis to further reduce liquidity risks.

**(b) Liquidity and interest rate risk table**

The following table details the Council's remaining contractual maturity for its financial liabilities and expected maturity for financial assets:

	Weighted average interest rate %		Less than 1 year \$'000		1 to 5 years \$'000		More than 5 years \$'000		Other \$'000		Total \$'000	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
<b>Financial assets</b>												
<i>Variable interest rate</i>												
Cash and cash equivalent assets	4.56%	4.23%	52,482	24,019							52,482	24,019
Other financial assets	5.71%	5.75%	2	4							2	4
<i>Non interest bearing</i>												
Cash and cash equivalent assets			30	27							30	27
Trade and other receivables			940	2,450							940	2,450
Investment in Southern Water							198,474		198,474		198,474	198,040
<i>Fixed interest rate</i>												
Trade and other receivables (rates and charges)	11.47%	11.43%	423	385							423	385
<b>Total</b>			53,877	26,885	-	-	-	-	198,474	198,040	252,351	224,925
<b>Financial liabilities</b>												
<i>Non interest bearing</i>												
Other current liabilities			1,152	1,110							1,152	1,110
Trade and other payables			3,553	2,228							3,553	2,228
<i>Fixed interest rate</i>												
<b>Borrowings:</b>												
- Not later than one year	6.32%	5.74%	1,482	1,200							1,482	1,200
- Later than one year and not later than five years	6.40%	6.43%			1,130	3,394					1,130	3,394
- Later than five years	5.80%	6.40%					12,094	5,872			12,094	5,872
<b>Total</b>			6,187	4,538	1,130	3,394	12,094	5,872	198,474	198,040	19,411	13,804
<b>Net financial assets/(liabilities)</b>												
											232,940	211,121

# Notes to and forming part of the financial statements for the financial year ended 30 June 2012

## (c) Net fair values

The aggregate net fair values of financial assets and financial liabilities, both recognised and unrecognised, at balance date are as follows:

Financial Instruments	Total carrying amount		Aggregate Net Fair Value	
	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000
<b>(1) Financial Assets</b>				
Cash and cash equivalents	52,512	24,046	52,512	24,046
Other financial assets	2	4	2	4
Investment in Southern Water	198,474	198,040	198,474	198,040
Trade and other receivables	1,363	2,835	1,363	2,835
<b>Total Financial Assets</b>	<b>252,351</b>	<b>224,925</b>	<b>252,351</b>	<b>224,925</b>
<b>(2) Financial Liabilities</b>				
Other liabilities	1,152	1,110	1,152	1,110
Trade and other payables	3,553	2,228	3,553	2,228
Interest bearing loans and borrowings	14,706	10,466	15,012	10,558
<b>Total Financial Liabilities</b>	<b>19,411</b>	<b>13,804</b>	<b>19,717</b>	<b>13,896</b>

## (d) Credit risk

The maximum exposure to credit risk at balance date in relation to each class of recognised financial asset is represented by those assets as indicated in the balance sheet.

## (e) Risks and mitigation

### Financial risk management

Council undertakes a business risk review on a regular basis. The review evaluates Council's exposure to significant business risks with these outcomes reported to Council. The Council manages its exposure to key financial risks through this process and also through the Council Audit and Risk Committee. The committee monitors risks and policies implemented to mitigate risk exposure.

The Council does not enter into or trade financial instruments including derivative financial instruments, for speculative purposes.

### Capital risk management

Council manages its capital to ensure that Council will be able to continue as a going concern while still being able to meet the needs of the community through the optimisation of debt and equity balance. The capital structure of Council consists of debt, which includes the borrowings disclosed in note 21, cash and cash equivalents disclosed in note 14 and equity including community equity and reserves as disclosed in the statement of changes in equity. Council is not subject to externally imposed capital requirements.

Operating cash flows are used to maintain and expand Council's infrastructure and other assets, as well as to make the routine repayment of maturing debt. Council borrow from Tascorp to meet anticipated funding requirements.

# Notes to and forming part of the financial statements for the financial year ended 30 June 2012

## Market risk

Market risk is the risk that the fair value or future cash flows of the financial instruments will fluctuate because of changes in market prices. The Council exposures to market risk are primarily through interest rate risk with only insignificant exposure to other price risks and no exposure to foreign currency risk. Components of market risk to which Council are exposed are outlined below.

### Interest rate risk

Interest rate risk refers to the risk that the value of a financial instrument or cash flows associated with the instrument will fluctuate due to changes in market interest rates. Interest rate risk arises from interest bearing financial assets and liabilities that Council use. Non-derivative interest bearing assets are predominantly short term liquid assets. The interest rate liability risk arises primarily from long term borrowings at fixed rates which exposes Council to fair value interest rate risk.

Council manages the interest rate exposure on the net debt portfolio by appropriate budgeting strategies and obtaining approval for borrowings from Treasury each year.

Council maintains policies to guide management in the undertaking of borrowings and the investment of short term, surplus funds.

Council's Borrowing Policy establishes a structure to ensure the organisation:

- minimises its costs of borrowings;
- minimises its liquidity risk;
- where possible, that the characteristics of debt match those of the assets being funded; and
- borrowing activities operate within Council's legislative and common law responsibilities.

Council's Investment of Short Term Funds Policy establishes a structure to ensure the organisation:

- maximises interest earned on surplus funds within prudent risk limits;
- minimises its liquidity risk; and
- investment activities operate within Council's legislative and common law responsibilities.

Maturity of investments is staggered to provide for interest rate variations and to minimise interest rate risk.

### Credit risk

Credit risk is the risk that a contracting entity will not complete its obligations under a financial instrument and cause Council to make a financial loss. Council has exposure to credit risk on all financial assets included in the Statement of Financial Position. To help manage this risk Council:

- has a policy for establishing credit limits for the entities it deals with;
- may require collateral where appropriate; and
- only invest surplus funds with financial institutions which have a recognised credit rating of A- or above.

Credit risk arises from Council's financial assets, which comprise cash and cash equivalents, and trade and other receivables. Council's exposure to credit risk arises from potential default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments. Exposure at balance date is addressed in each applicable policy note. Council generally trades with recognised, creditworthy third parties, and as such collateral is generally not requested, nor is it Council's policy to securitise its trade and other receivables.

Trade and other receivables consist of a number of customers, spread across the consumer, business and government sectors. Ongoing credit evaluation is performed on the financial condition of customers and, where appropriate, an allowance for doubtful debts is raised.

Liquidity risk includes the risk that, as a result of operational liquidity requirements the Council:

- will not have sufficient funds to settle a transaction on the date;
- will be forced to sell financial assets at a value that is less than what they are worth; or
- may be unable to settle or recover a financial asset at all.

To help reduce these risks Council:

- has a liquidity policy which targets a minimum level of cash and cash equivalents to be maintained;
- monitors budget to actual performance on a regular basis; and
- set limits on borrowings in accordance with Council's borrowing policy.

The Council's exposure to liquidity risk is deemed insignificant based on prior periods data and current assessment of risk.

# Notes to and forming part of the financial statements for the financial year ended 30 June 2012

## (f) Sensitivity Disclosure Analysis

Taking into account past performance, future expectations, economic forecasts and management's knowledge and experience of the financial markets, the council believes the following movements are 'reasonably possible' over the next 12 months (base rates are sourced from Reserve Bank of Australia):

A parallel shift of +1.00% and -1.00% in market interest rates (AUD) from year end rates of 3.40%.

The table below discloses the impact on net operating result and equity for each category of financial instruments held by Council at year-end, if the above movements were to occur.

2012	Interest Rate Risk				
	Carrying amount subject to interest	-1.00% (100 basis points)		1.00% (100 basis points)	
Market Risk Exposure		Profit	Equity	Profit	Equity
	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Financial Assets:</b>					
Cash and cash equivalents	52,482	(525)	(525)	525	525
Other financial assets	2	-	-	-	-
Trade and other receivables	423	(4)	(4)	4	4

2011	Interest Rate Risk				
	Carrying amount subject to interest	-1.00% (100 basis points)		1.00% (100 basis points)	
Market Risk Exposure		Profit	Equity	Profit	Equity
	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Financial Assets:</b>					
Cash and cash equivalents	24,019	(240)	(240)	240	240
Other financial assets	4	-	-	-	-
Trade and other receivables	385	(4)	(4)	4	4

## (g) Fair Value Hierarchy

### (i) The table below analyses financial instruments carried at fair value by valuation method

The different levels have been defined as follows:

- Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 - inputs other than quoted prices included within level one that are observable for the asset or liability, either directly (i.e. prices) or indirectly (i.e. derived from prices).
- Level 3 - inputs for the asset or liability that are not based on observable market data.

Notes to and forming part of the financial statements  
for the financial year ended 30 June 2012

<b>30 June 2012</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Available for sale financial assets	-	-	198,474	198,474
<b>Total</b>	-	-	198,474	198,474

There were no transfers between Level 1 and Level 2 in the period

<b>30 June 2011</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Available for sale financial assets	-	-	198,040	198,040
<b>Total</b>	-	-	198,040	198,040

There were no transfers between Level 1 and Level 2 in the period

**(ii) Reconciliation of Level 3 Fair Value Movements**

	<b>2012</b>	<b>2011</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Opening balance</b>		
Investment on transfer of assets	198,040	196,904
<i>Gain (losses) recognised in other comprehensive income:</i>		
Change in fair value of investment in Southern Water	434	1,136
<b>Closing balance</b>	198,474	198,040

# Notes to and forming part of the financial statements for the financial year ended 30 June 2012

## 41 Register of interests

<b>Aldermen and position</b>	<b>Interest</b>
Ald. Stuart Slade (Mayor)	No
Ald. Haydyn Nielsen (Deputy Mayor)	No
Ald. Christine Lucas	No
Ald. David Pearce OAM	No
Ald. Jenny Branch-Allen	No
Ald. Kristie Johnston	No
Ald. Luke Martin	*
Ald. Matt Stevenson	No
Ald. Peter Ridler RFD	No
Ald. Richard Lowrie	No
Ald. Steven King	No
Ald. Sharon Carnes	No

\* Declaration not received

	<b>2012</b>	<b>2011</b>
<b>42 Remuneration of Aldermen</b>	<b>\$</b>	<b>\$</b>
Total allowances paid to the Mayor, Deputy Mayor and Aldermen	364,300	349,435
Total expenses paid to all Aldermen	16,628	16,071
	<u>380,928</u>	<u>365,506</u>

Expenses include vehicle, travel, telephone, and other out of pocket expenses.

### Related party transactions:

The usual nature of the transactions between Aldermen and Council is:

- to pay rates and other charges;
- to recoup expenses and allowances owing; and
- to meet the costs of attendance at various Council events, seminars or functions.

All of these were normal transactions. Where transactions between Council and the Aldermen are of a commercial nature, they are conducted on a normal arms length basis.

## 43 Remuneration of Key Management Personnel holding senior positions

The number of Key Management Personnel holding senior positions whose remuneration falls within the following bands:

<b>Current employees</b>	<b>2012</b>	<b>2011</b>
\$200,001 - \$250,000	1	1
\$150,001 - \$200,000	3	4
\$100,001 - \$150,000	1	2
<b>Non-current employees</b>	<b>2012</b>	<b>2011</b>
\$350,001 - \$400,000	1	-
\$300,001 - \$350,000	1	-
\$80,001 - \$100,000	1	-

Non-current employees include remuneration arising from termination of employment.

Remuneration includes:

- salary payable;
- employer contribution to employee's superannuation;
- value of the use of any motor vehicle provided; and
- the value of any other allowance or benefits paid or payable to, or provided for the benefit of, the employee.

# Notes to and forming part of the financial statements for the financial year ended 30 June 2012

## 44 Special committees

Glenorchy City Council recognises a special committee when the committee has been adopted by Council under section 24 of the *Local Government Act 1993*. Below are the committees supported during the reporting period:

- the Audit and Risk Committee;
- the City of Glenorchy Australia Day Award Nominations Committee;
- the Code of Conduct Committee;
- Community Precincts;
- the Cultural Diversity Advisory Committee;
- the General Manager Performance Review Committee;
- the Glenorchy Arts and Culture Advisory Committee;
- the Glenorchy City Council Access Committee;
- the Glenorchy Emergency Management Committee;
- Glenorchy Planning Authority;
- the Glenorchy Tourism Taskforce;
- the Glenorchy Tracks, Trails and Cycleways Committee;
- the Safer Communities Committee;
- the Sport and Recreation Advisory Committee; and
- the Youth Task Force.

All expenses associated with these committees have been included in the accounts of Council.

Council precinct committees have been established by Council as special committees and are provided with \$50 per annum to cover expenses. These expenses have been included in the accounts of Council.

The Glenorchy Brass Band are a special committee of Council and maintains its own books and records and operates a separate bank account.

The operations of the Glenorchy Brass Band during 2011/2012 were as follows:

	<b>Income</b>	<b>Expenditure</b>	<b>Net result</b>	<b>Cash at bank</b>
	<b>2012</b>	<b>2012</b>	<b>2012</b>	<b>30/6/2012</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Glenorchy Brass Band	14	15	(1)	3

These results have been consolidated into Council's financial statements.



# Notes to and forming part of the financial statements for the financial year ended 30 June 2012

## 45 Defined benefit superannuation plans

The Council makes superannuation contributions for a number of its employees to the Quadrant Defined Benefits Fund, which is a sub fund of the Quadrant Superannuation Scheme. The Defined Benefits Fund has been classified as a multi-employer sponsored plan. As the Fund's assets and liabilities are pooled and are not allocated by employer, the Actuary is unable to allocate benefit liabilities, assets and costs between employers. As provided under paragraph 32(b) of AASB 119, Council does not use defined benefit accounting for these contributions.

At the present time Council contributes 9.5% of employees' gross income to the Fund. Assets accumulate in the fund to meet member benefits as they accrue, and if assets within the fund are insufficient to satisfy benefits payable, the Council is required to meet its share of the deficiency.

Bendzulla Actuarial Pty Ltd undertook the last actuarial review of the Fund at 30 June 2011. The review disclosed that at that time the net market value of assets available for funding member benefits was \$57,588,247, the value of vested benefits was \$52,794,839, the surplus was \$4,793,408, and the value of total accrued benefits was \$57,330,437. These amounts relate to all members of the Fund at the date of valuation and no asset or liability has been recorded in the Quadrant Superannuation Scheme's financial statements for Council employees.

The financial assumptions used to calculate the accrued benefits for the Fund were:

Net investment return	0% pa for 2011/12 and 7% pa thereafter
Salary inflation	4.0% pa
Price inflation	n/a

The actuarial review concluded that:

1. The value of assets of the Quadrant Defined Benefit Fund was adequate to meet the liabilities of the Fund in respect of vested benefits as at 30 June 2011.
2. The value of assets of the Fund was adequate to meet the value of the liabilities of the Fund in respect of accrued benefits as at 30 June 2011.
3. Based on the assumptions used, and assuming the Employer contributes at the levels described below, the value of the assets is expected to continue to be adequate to meet the value of the liabilities of the Fund in respect of vested benefits at all times during the period up to 30 June 2014.

The Actuary recommended that in future the Council contribute 9.5% of salaries in 2012/13, 10.5% of salaries in 2013/14, and 11% of salaries in 2014/15.

The Actuary will continue to undertake a review of the Fund financial position at the end of each financial year to confirm that the contribution rates remain appropriate. The next full triennial actuarial review of the Fund will have an effective date of 30 June 2014 and is expected to be completed late in 2014 or early in 2015.

Council contributes to other accumulation schemes on behalf of a number of employees, however the Council has no ongoing responsibility to make good any deficiencies that may occur in those schemes.

During the year Council made the required superannuation contributions for all eligible employees to an appropriate complying superannuation fund as required by the Superannuation Guarantee (Administration) Act 1992.

During the reporting period the amount of contributions paid to defined benefits schemes was \$279,696 (\$271,820 in 2010/11), and the amount paid to accumulation schemes was \$1,796,847 (\$1,729,489 in 2010/11).

# Notes to and forming part of the financial statements for the financial year ended 30 June 2012

## 46 Grants, donations and bursaries

Details	\$
Australian Community Fund - Cash	53,023
Claremont College Bursaries - Cash	6,500
Derwent Valley Country Music Club - Cash	450
Glenorchy City Concert Brass Band Donation - Cash	7,500
Hobart Gymnastics Academy - Cash	300
The Hobart Jazz Club - Cash	500
The Lions Club of Glenorchy - Cash	5,000
University of Tasmania - Eric Reece Memorial Scholarship - Cash	3,000
Various minor contributions to community organisations - Cash	2,407
	78,680
 <b>In-kind contributions</b>	
Anglicare - Rental subsidy	15,561
Chigwell Community Garden - In-kind	2,000
Clean Up Australia Day - Rubbish Removal - In-kind	1,780
Cosmos - Rental subsidy	10,360
Cycling South - Rental subsidy	510
Gerard Street Reserve (Arrogone Archers Inc) - Rental subsidy	3,573
Glenorchy City Concert Brass Band - In-kind	3,500
Ground hire discount to encourage junior sports - Licence subsidy	6,260
Glenorchy Historical Group - Rental subsidy	1,225
Glenorchy Historical Group - Contribution	1,886
Model Makers & Collectors - Rental subsidy	2,000
Waiving of Planning fees for various community organisations	3,266
Waiving of Building & Plumbing fees for various community organisations	1,332
Waiving of Landfill fees for various community organisations	7,821
West Moonah Community Garden - In-kind	2,000
	63,074

## 47 Significant business activities

Council has determined that there are no significant business activities that require disclosure.

# Notes to and forming part of the financial statements for the financial year ended 30 June 2012

## 48 Functions/activities of the Council

Income, expenses and assets have been attributed to the following functions/activities. Details of functions/activities are set out below:

		Expenses \$'000	Income \$'000	Assets \$'000
Legislative, financial, executive and fiscal	2011/12	14,869	36,847	253,143
	2010/11	12,210	36,296	225,620
Public order, fire and safety	2011/12	4,511	4,449	143
	2010/11	4,280	4,247	175
Community and public health	2011/12	780	249	110
	2010/11	748	175	138
Welfare	2011/12	3,846	8,348	661
	2010/11	3,956	6,048	641
Nursing homes/aged care	2011/12	382	404	110
	2010/11	344	394	138
Housing	2011/12	298	2	110
	2010/11	272	-	138
Community amenities	2011/12	-	-	110
	2010/11	-	-	138
Household garbage/protection of the environment	2011/12	3,412	5,182	-
	2010/11	3,498	7,540	-
Other protection of the environment/biodiversity	2011/12	4,603	2,291	159,875
	2010/11	4,367	2,184	156,154
Community and regional development	2011/12	1,598	516	110
	2010/11	1,292	305	138
Recreation facilities and services	2011/12	8,330	5,280	105,955
	2010/11	8,411	3,445	102,408
Cultural facilities and services	2011/12	831	4,810	110
	2010/11	791	29	138
Road, bridge and street infrastructure	2011/12	12,875	9,460	218,455
	2010/11	13,267	1,271	210,053
Road, plant, parking and other road transport	2011/12	485	703	695
	2010/11	501	660	677
Other economic affairs	2011/12	145	10	110
	2010/11	236	4	138
Other purpose	2011/12	255	2,027	-
	2010/11	625	1,222	-
<b>Total</b>	2011/12	57,220	80,578	739,697
	2010/11	54,798	63,819	696,694

# Notes to and forming part of the financial statements for the financial year ended 30 June 2012

## 48 Functions/activities of the Council (continued)

### (b) Reconciliation of Assets from Note 48 with the Statement of Financial Position at 30 June:

	2012	2011
	\$'000	\$'000
Current assets	58,116	29,017
Non-current assets	681,581	667,677
	<u>739,697</u>	<u>696,694</u>

#### Functions/activities defined

##### **Legislative, financial, executive and fiscal**

Aldermen expenses, election costs, public relations and strategic planning. Also other expenses such as, accounting, General Managers department, information technology and human resources not otherwise allocated.

##### **Public order, fire and safety**

Fire protection services, State Emergency Service contributions, enforcement of by-laws, animal and nuisance control.

##### **Community and public health**

Infant health services, immunisation services, environmental health - inspection and general services.

##### **Welfare**

Childcare, family day care, youth services, handicapped assistance programs and services that serve the social security and welfare systems.

##### **Nursing homes/aged care**

Nursing homes, aged care services including transport and recreation services for the aged.

##### **Housing**

Rental housing for council employees and others, housing information dissemination.

##### **Community amenities**

Crematoria and cemeteries, public conveniences, drinking fountains, public clocks, street furniture and lighting.

##### **Household garbage/protection of the environment**

Garbage and refuse disposal, garbage collection and recycling.

##### **Other protection of the environment/biodiversity**

Flood protection, street cleaning, stormwater drainage and biodiversity/habitat protection.

##### **Community and regional development**

Building inspections, statutory planning - town planning and development applications.

##### **Recreation facilities and services**

Parks and reserves, playgrounds, swimming pools, indoor and outdoor sports facilities, halls and civic centres.

##### **Cultural facilities and services**

Art galleries, museums, theatres and libraries.

##### **Road, bridge and street infrastructure**

Road, bridge and street construction and maintenance, road design and research, road and highway extensions and traffic lights.

##### **Road, plant, parking and other road transport**

On and off street parking, bikeway maintenance, roadside revegetation and landscaping and footbridges.

##### **Other economic affairs**

Saleyard and markets, development support and incentives, market and promotion - tourism events and CBD.

##### **Other purpose**

Unallocatable private works and other.



## **Independent Auditor's Report**

**To the Aldermen of Glenorchy City Council**

**Glenorchy City Council**

**Financial Report for the Year Ended 30 June 2012**

### **Report on the Financial Report**

I have audited the accompanying financial report of Glenorchy City Council (Council), which comprises the statement of financial position as at 30 June 2012 and the statements of comprehensive income, changes in equity and cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the General Manager's declaration.

### **Auditor's Opinion**

In my opinion Council's financial report:

- (a) present fairly, in all material respects, its financial position as at 30 June 2012, and financial performance, cash flows and changes in equity for the year then ended; and
- (b) is in accordance with the *Local Government Act 1993* and Australian Accounting Standards.

### *The Responsibility of the General Manager for the Financial Report*

The General Manager is responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards and Section 84 of the *Local Government Act 1993*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### *Auditor's Responsibility*

My responsibility is to express an opinion on the financial report based upon my audit. My audit was conducted in accordance with Australian Auditing Standards. These Auditing Standards require that I comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance as to whether the financial report is free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement,

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including the assessment of risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the General Manager's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate to the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Council's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the General Manager, as well as evaluating the overall presentation of the financial report.

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

My audit is not designed to provide assurance on the accuracy and appropriateness of the budget information in Council's financial report.

#### **Independence**

In conducting my audit, I have complied with the independence requirements of Australian Auditing Standards and other relevant ethical requirements. The *Audit Act 2008* further promotes independence by:

- providing that only Parliament, and not the executive government, can remove an Auditor-General, and
- mandating the Auditor-General as auditor of State Entities but precluding the provision of non-audit services, thus ensuring the Auditor-General and the Tasmanian Audit Office are not compromised in their role by the possibility of losing clients or income.

#### **TASMANIAN AUDIT OFFICE**



H M Blake  
**AUDITOR-GENERAL**

HOBART  
11 September 2012

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