



GLENORCHY CITY
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*Glenorchy
City Council*
Annual Report

12
13

*Glenorchy
City Council*

Financial Statements

12

13

Contents of 2013 General Purpose Financial Report

	Note No.	Page No.
Certification of the 2013 General Purpose Financial Report		27
Statement of Comprehensive Income		28
Statement of Financial Position		29
Statement of Cash Flows		30
Statement of Changes in Equity		31
Notes to these statements		32
Significant accounting policies	1	32
Rates	2	40
User charges and licences	3	40
Net gain/(loss) on disposal of property, infrastructure, plant and equipment	4	41
Grants	5	41
Contributions	6	43
Investment income from Southern Water	7	43
Other income	8	43
Employee benefits	9	44
Materials and services	10	44
Depreciation and amortisation	11	44
Other expenses	12	44
Finance costs	13	44
Cash and cash equivalents	14	45
Trade and other receivables	15	45
Inventories	16	46
Non-current assets classified as held for sale	17	46
Other current assets	18	46
Trade and other payables	19	46
Provisions	20	47
Borrowings	21	49
Other current liabilities	22	49
Other financial assets	23	50
Investment in Southern Water	24	50
Property, infrastructure, plant and equipment	25	51
Roads	26	52
Stormwater and drainage	27	52
Land	28	52
Buildings and other land improvements	29	52
Plant and vehicles	30	52
Equipment and furniture	31	52
Valuation roll	32	52
Other non-current assets	33	53
Investment properties	34	53
Commitments for expenditure	35	53
Reconciliation of net surplus/(deficit) for the period to net cash flows from operating activities	36	54
Contingent liabilities	37	54
Reserves	38	55
Financing arrangements	39	56
Financial instruments	40	57
Register of interests	41	62
Remuneration of Aldermen	42	62
Remuneration of Key Management Personnel holding senior positions	43	62
Special committees	44	63
Defined benefit superannuation plans	45	64
Grants, donations and bursaries	46	65
Significant business activities	47	65
Functions/activities of the Council	48	66
Events occurring after balance date	49	68

Certification of the Financial Report



The financial report presents fairly the financial position of the Glenorchy City Council as at 30 June 2013, 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: 14/8/2013

Statement of Comprehensive Income for the Year Ended 30 June 2013

	Note	2013 Budget \$'000	2013 Actual \$'000	2012 Actual \$'000
Income				
Recurrent income				
Rates	2	26,841	26,848	24,843
User charges and licences	3	10,072	8,707	9,876
Interest		1,372	2,261	1,717
Grants	5	5,247	6,315	6,089
Contributions – cash	6	120	74	109
Government subsidies	2	1,619	1,658	1,619
Investment income from Southern Water	7	8,869	8,888	8,749
Other income	8	952	917	1,045
		55,092	55,668	54,047
Capital income				
Contributions – non-monetary assets	6	-	3,745	5,275
Net gain/(loss) on disposal of property, infrastructure, plant and equipment	4	950	50	(300)
Capital grants received specifically for new or upgraded assets	5	3,873	4,498	20,966
		4,823	8,293	25,941
Total income		59,915	63,961	79,988
Expenses				
Employee benefits	9	19,215	19,718	18,951
Materials and services	10	17,267	16,127	15,691
Depreciation and amortisation	11	15,810	15,462	14,747
State Fire Commission contribution	2	4,023	4,023	3,859
Finance costs	13	931	556	646
Assets written off		-	1,915	2,025
Other expenses	12	654	632	711
Total expenses		57,900	58,433	56,630
Surplus/(deficit)		2,015	5,528	23,358
Other comprehensive income				
Items that will not be reclassified to surplus or deficit				
Net gain/(loss) on revaluation of property, plant and equipment	38	-	(3,839)	13,729
		-	(3,839)	13,729
Items that may be reclassified subsequently to surplus or deficit				
Financial assets available for sale reserve				
- Fair Value adjustment on available for sale assets	24	-	(38)	434
		-	(38)	434
Total other comprehensive income		-	(3,877)	14,163
Comprehensive result		2,015	1,651	37,521

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

Statement of Financial Position

As at 30 June 2013

	Note	2013 \$'000	2012 \$'000
Assets			
Current assets			
Cash and cash equivalents	14	40,966	52,512
Trade and other receivables	15	2,361	1,363
Inventories	16	158	133
Non-current assets classified as held for sale	17	4,238	3,652
Other current assets	18	540	456
Total current assets		48,263	58,116
Non-current assets			
Other financial assets	23	-	1
Investment in Southern Water	24	198,436	198,474
Property, infrastructure, plant and equipment	25	465,335	470,011
Investment properties	34	7,327	4,970
Other non-current assets	33	21,054	8,125
Total non-current assets		692,152	681,581
Total assets		740,415	739,697
Liabilities			
Current liabilities			
Trade and other payables	19	5,124	3,553
Provisions	20	4,037	3,851
Borrowings	21	133	1,482
Other current liabilities	22	1,642	1,152
Total current liabilities		10,936	10,038
Non-current liabilities			
Provisions	20	5,222	2,757
Borrowings	21	8,928	13,224
Total non-current liabilities		14,150	15,981
Total liabilities		25,086	26,019
Net assets		715,329	713,678
Equity			
Accumulated surpluses		380,754	377,265
Reserves	38	334,575	336,413
Total equity		715,329	713,678

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

Statement of Cash Flows for the Year Ended 30 June 2013

	Note	2013 \$'000	2012 \$'000
Cash flows from operating activities			
Rates		26,958	24,935
Government subsidies		1,658	1,619
Operational government grants (inclusive of GST)		6,404	6,593
Contributions – cash		74	109
Interest		2,261	1,717
User charges and licences (inclusive of GST)		7,962	11,681
Other income (inclusive of GST)		1,545	1,552
Investment income from Southern Water		8,888	8,749
Employee benefits		(19,479)	(19,092)
Materials and services (inclusive of GST)		(15,229)	(15,501)
Finance costs		(563)	(652)
Levies paid to State Government		(4,023)	(3,859)
Other payments (inclusive of GST)		(642)	(724)
Net cash provided by/(used in) operating activities	36	15,814	17,127
Cash flows from investing activities			
Payments for property, plant and equipment		(26,680)	(14,157)
Proceeds from sale of non-current assets		215	290
Interest paid for capital works		251	-
Net cash flows provided by/(used in) investing activities		(26,214)	(13,867)
Cash flows from financing activities			
Repayment of interest bearing loans and borrowings		(5,645)	(1,200)
Proceeds from interest bearing loans and borrowings		-	5,440
Government grants (capital)		4,498	20,966
Repayment of loans receivable		1	1
Net cash flows provided by/(used in) financing activities		(1,146)	25,207
Net increase/(decrease) in cash and cash equivalents		(11,546)	28,467
Cash and cash equivalents at the beginning of the financial year		52,512	24,045
Cash and cash equivalents at the end of the financial year	14	40,966	52,512
Financing arrangements	39		
Restrictions of cash assets	14		

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

Statement of Changes in Equity for the Year Ended 30 June 2013

		Total equity	Accumulated	Asset	Fair value	Other
		\$'000	surpluses	revaluation	reserve	revenue
		\$'000	\$'000	reserve	\$'000	reserves
		\$'000	\$'000	\$'000	\$'000	\$'000
2013	Note					
Balance at the beginning of the financial year		713,678	377,265	307,813	1,570	27,030
Comprehensive result		1,651	5,528	(3,839)	(38)	-
Transfers to reserves	38	-	(3,039)	-	-	3,139
Transfers from reserves	38	-	1,000	-	-	(1,000)
Balance at the end of the financial year		715,329	380,754	303,974	1,532	29,169
2012	Note					
Balance at the beginning of the financial year		676,157	371,812	294,084	1,136	9,125
Comprehensive result		37,521	23,358	13,729	434	-
Transfers to reserves	38	-	(18,072)	-	-	18,072
Transfers from reserves	38	-	167	-	-	(167)
Balance at the end of the financial year		713,678	377,265	307,813	1,570	27,030

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

Notes to and forming part of the financial statements for the Year Ended 30 June 2013

Introduction

Glenorchy City Council ("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.

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 14 August 2013.

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), 1(l) 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 discussed in note 1(n) and note 20(a).

Defined benefit superannuation fund obligations

Actuarial assumptions are utilised in the determination of Council's defined benefit superannuation fund obligations. These assumptions are discussed 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 discussed in notes 1 (e), 1(f) and in note 25.

Investment in Southern Water

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

Landfill / Tip Rehabilitation

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

(c) Pending accounting standards

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

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

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

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

(ii) AASB 10 Consolidated Financial Statements, AASB 11 Joint Arrangements, AASB 12 Disclosure of Interests in Other Entities, revised AASB 127 Separate Financial Statements and AASB 128 Investments in Associates and Joint Ventures and AASB 2011-7 Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards (effective 1 January 2013).

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

AASB 10 replaces all of the guidance on control and consolidation in AASB 127 Consolidated and Separate Financial Statements, and Interpretation 12 Consolidation – Special Purpose Entities. The core principle that a consolidated entity presents a parent and its subsidiaries as if they are a single economic entity remains unchanged, as do the mechanics of consolidation. However, the standard introduces a single definition of control that applies to all entities. It focuses on the need to have both power and rights or exposure to variable returns. Power is the current ability to direct the activities that significantly influence returns. Returns must vary and can be positive, negative or both. Control exists when the investor can use its power to affect the amount of its returns. There is also new guidance on participating and protective rights and on agent/principal relationships. Council does not expect the new standard to have a significant impact on its composition.

AASB 11 introduces a principles based approach to accounting for joint arrangements. The focus is no longer on the legal structure of joint arrangements, but rather on how rights and obligations are shared by the parties to the joint arrangement. Based on the assessment of rights and obligations, a joint arrangement will be classified as either a joint operation or a joint venture. Joint ventures are accounted for using the equity method, and the choice to proportionately consolidate will no longer be permitted. Parties to a joint operation will account their share of revenues, expenses, assets and liabilities in much the same way as under the previous standard. AASB 11 also provides guidance for parties that participate in joint arrangements but do not share joint control.

The standard will not affect Council as it does not have any joint arrangements.

AASB 12 sets out the required disclosures for entities reporting under the two new standards, AASB 10 and AASB 11, and replaces the disclosure requirements currently found in AASB 127 and AASB 128. Application of this standard by Council will not affect any of the amounts recognised in the financial statements, but will impact the type of information disclosed in relation to Council's investments.

Amendments to AASB 128 provide clarification that an entity continues to apply the equity method and does not remeasure its retained interest as part of ownership changes where a joint venture becomes an associate, and vice versa. The amendments also introduce a "partial disposal" concept. Council is still assessing the impact of these amendments.

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

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

AASB 13 sets out a new definition of 'fair value' as well as new principles to be applied when determining the fair value of assets and liabilities. The new requirements will apply to all of Council's assets and liabilities (excluding leases), that are measured and/or disclosed at fair value or another measurement based on fair value.

Council has commenced reviewing its fair value methodologies (including instructions to valuers, data used and assumptions made) for all items of property, plant and equipment measured at fair value to determine whether those methodologies comply with AASB 13. To the extent that the methodologies don't comply, changes will be necessary. While Council is yet to complete this review, no substantial changes are anticipated, based on the fair value methodologies presently used. Therefore, at this stage, no consequential material impacts are expected for Council's property, plant and equipment as from 2013-14.

AASB 13 will require an increased amount of information to be disclosed in relation to fair value measurements for both assets and liabilities. To the extent that any fair value measurement for an asset or liability uses data that is not 'observable' outside Council, the amount of information to be disclosed will be relatively greater.

(iv) Revised AASB 119 Employee Benefits, AASB 2011-10 Amendments to Australian Accounting Standards arising from AASB 119 (September 2011) and AASB 2011-11 Amendments to AASB 119 (September 2011) arising from Reduced Disclosure Requirements (effective 1 January 2013).

This revised standard on accounting for employee benefits includes significant revisions to the recognition, remeasurement, presentation and disclosure of defined benefit liabilities/assets. These changes will not affect Council as it does not have any defined benefit plans. Whilst this standard does include revision to multi-employer plans; such as Council's multi-employer sponsored plan the Quadrant Defined Benefit Fund (Refer Note 38); these are generally disclosure related and not expected to have a financial impact.

The standard also clarifies criteria for accounting for "short-term employee benefits" including treatment of terminations. Employee benefits 'expected to be settled' (as opposed to 'due to be settled' under

current standard) within 12 months after year end are short-term benefits, and therefore not discounted when calculating leave liabilities. Annual leave and other short-term benefits not expected to be used within 12 months of end of reporting period will in future be discounted when calculating the leave liability.

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

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

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

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

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

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

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

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

AASB 1 – this standard clarifies that an entity can apply AASB 1 more than once. AASB 101 – clarifies that a third statement of financial position is required when the opening statement of financial position is materially affected by any adjustments.

ASB 116 – clarifies the classification of servicing equipment. AASB 132 and Interpretation 2 – Clarifies that income tax relating to distributions to holders of an equity instrument and to transaction costs of an equity transaction shall be accounted for in

accordance with AASB 112 Income Taxes. AASB 134 provides clarification about segment reporting.

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

(d) Revenue recognition

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.

Rates, grants, and other revenue

Rate revenue relating to the current reporting period, grants, donations and other contributions are recognised as revenues when the Council obtains control over the assets comprising of these receipts or the contributions. Rate revenue obtained during the reporting period which relates to future rating periods is recognised as a liability and disclosed in note 22.

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.

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.

(e) 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.

All non-current assets excluding land 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 is used to determine the borrowing costs to be capitalised. Borrowing costs capitalised during the period totalled \$250, 511 (2012: nil).

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

(f) 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 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 transactions, then these items will be recognised as a group, provided their total value as a group is in excess of the capitalisation threshold for that category.
9. Where assets are constructed by Council, cost includes all materials used in construction, direct labour, borrowing costs incurred during construction, and an appropriate share of directly attributable variable and fixed overheads.
10. Vehicles and Plant, other than plant associated with property are recorded at cost.
11. All property, and plant and equipment assets which relate to property 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.
12. 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.
13. 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.
14. For assets acquired after a revaluation the cost method of accounting is used. 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.

15. Capital work in progress is recorded at cost.

16. 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.

(g) 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.

(h) 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.

(i) 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.

(j) Investment properties

Investment property, comprising car parking lots, 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.

(k) Non-current assets held for sale

A non-current asset held for sale (including disposal groups) are measured at the lower of their 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.

(l) 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 Fair Value Reserve each year (refer note 38).

From 1 July 2013, Council's ownership interest in Southern Water will change to an ownership interest in TasWater. Refer to note 49.

Council has classified its investment in Southern Water 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 this investment as disclosed at note 7.

(m) 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 assets carrying value. Any excess of the assets 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.

(n) 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 entitlements

Employee entitlements 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.

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.

Classification of employee entitlements

An employee entitlement 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.

(o) Leases

Council has no finance lease obligations at 30 June 2013.

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.

(p) 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.

(q) 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.

(r) 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 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.

(s) 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 operating 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.

(t) 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.

(u) Rounding

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

(v) Budget

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

(w) 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.

	Note	2013 \$'000	2012 \$'000
Court fees		1	12
Permits		9	11
Planning scheme amendments		13	8
Aerated wastewater treatment systems		38	33
Other (items less than \$10,000)		112	83
		8,707	9,876
Ageing analysis of contractual receivables			
Please refer to notes 15 and 40 for the ageing analysis of trade and other receivables.			
4	Net gain/(loss) on disposal of property, infrastructure, plant and equipment		
	Proceeds from disposal of property, infrastructure, plant and equipment	215	290
	Less carrying amount of property, infrastructure, plant and equipment	(165)	(590)
	Net gain/(loss) on disposal of property, infrastructure, plant and equipment	50	(300)
5	Grants		
	Grants were received in respect of the following:		
	Summary of grants		
	Federally funded grants	10,311	26,728
	State funded grants	453	182
	Others	49	145
		10,813	27,055
	Operational grants		
	Commonwealth Government Financial Assistance Grants – General Purpose	906	1,133
	Commonwealth Government Financial Assistance Grants – Roads	1,188	1,866
	Childcare Services	1,764	2,009
	Hobart City Council/Glenorchy City Council Street Light Replacement Project	1,644	-
	Arts and Cultural Development	16	124
	Aged Care	364	359
	Commonwealth Traineeship	9	10
	Youth and Safer Communities	6	12
	National Binge Drinking Strategy	100	100
	Claremont Cycling Facilities – Design Consultancy	99	-
	Moonah Taste of the World	24	-
	Healthy Communities Initiative	150	-
	Clearing the Smoke – Smoking Cessation Innovation	11	-
	Older Adults Physical Activity	-	280
	Steps to the Future	-	97
	Evacuation Plan for Glenorchy Central Business District	-	59
	Other	34	40
	Total operational grants	6,315	6,089

The Australian Government provides Financial Assistance Grants to Council for general purpose use and the provision of local roads. Since 2010 the Commonwealth has been making early payment of the first quarterly instalment for the following year. In 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 2013 grant pool.

In the 2014 Budget the Commonwealth announced it would continue this approach and include the first two instalments of the 2014 grant pool.

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 2013 by \$1,143,263 and in 2012 by \$1,223,925. 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 2014, the reverse effect is expected to occur, however future payments remain at the Commonwealth's discretion.

Capital grants received specifically for new or upgraded assets

Note	2013 \$'000	2012 \$'000
Blackspot	152	283
Cadbury Community Sports Ground	-	44
Derwent Park Stormwater Reuse	1,701	6,518
Department of Transport	448	448
Glenorchy Arts Sculpture Park – Stage 2	1,897	759
Tolosa Park Road Safety Track – Kids Bike	80	-
Windermere Bay Project	100	-
Closed Circuit Television Cameras	120	-
King George V Infrastructure	-	8,700
King George V Accessible Communities	-	99
Moonah Arts Centre Redevelopment	-	4,000
Regional and Local Community Infrastructure Program	-	115
Total capital grants	4,498	20,966

Conditions on grants

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
Derwent Park Stormwater Reuse (1)	-	5,040
Moonah Arts Centre Redevelopment	-	4,000
Hobart City Council/Glenorchy City Council Street Light Replacement Project	1,543	-
King George V Infrastructure	-	8,692
Windermere Bay Project	42	-
Closed Circuit Television Cameras	48	-
Cadbury Community Sports Ground	-	44
Total	1,633	18,125

(1) Derwent Park Stormwater Reuse – note that 50% of this Grant receipt is refundable should this project be cancelled.

	Note	2013 \$'000	2012 \$'000
Non-reciprocal grants that 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 2		349	-
Moonah Arts Centre Redevelopment		103	-
King George V infrastructure		1,948	-
Glenorchy Arts Sculpture Park – Stage 1		-	2,241
Tolosa Park Criterium Circuit		-	150
Derwent Park Stormwater Reuse		4,113	924
		6,513	3,315
Net increase/(decrease) in non-reciprocal grant revenues for the year		(4,880)	14,810
(2) The balance of unexpended grants at the end of the reporting period is \$13,414,353, the majority of which are King George V, Moonah Arts Centre and Street Light Replacement.			
6 Contributions			
(a) Cash			
Parking		-	-
Parks, open space and streetscapes		-	13
Recharge work contributions		74	96
		74	109
(b) Non-monetary assets			
Land		48	-
Roads		2,209	2,590
Parks, open space and streetscapes		-	394
Stormwater		1,488	2,291
		3,745	5,275
Total contributions		3,819	5,384
7 Investment income from Southern Water			
Dividend income		6,330	5,103
Tax equivalent		1,690	2,970
Guarantee fee		868	676
		8,888	8,749
8 Other income			
Fuel Tax Credits		84	75
Advertising		129	150
State Fire Commission contribution		161	154
Heavy vehicle motor tax		28	28
Donations		17	73
Immunisations		14	9
Contributions		214	153
Levy collection		102	126
Refund		28	39
Other		140	238
		917	1,045

	Note	2013 \$'000	2012 \$'000
9 Employee benefits			
Wages and salaries		22,576	21,885
Relief/casual staff		606	703
Fringe Benefits Tax		110	63
Other		26	28
		23,318	22,679
Less amounts capitalised		(3,600)	(3,728)
		19,718	18,951
10 Materials and services			
Materials and services		4,817	4,965
Contract payments		9,115	8,991
Plant and equipment maintenance		233	461
Utilities		950	924
Consultants		1,012	350
		16,127	15,691
11 Depreciation and amortisation			
Buildings and other land improvements		2,646	2,238
Plant and vehicles		215	222
Equipment and furniture		53	433
Roads		8,934	8,410
Stormwater and drainage		3,557	3,387
Valuation roll		57	57
	25	15,462	14,747
12 Other expenses			
Bad and doubtful debts		1	52
Land tax		481	453
External auditor's remuneration (Tasmanian Audit Office) – Financial statements audit		46	44
External auditor's remuneration (Tasmanian Audit Office) – Other financial audits		17	5
Internal auditor's remuneration (internal audit services – Deloitte)		68	78
Grants and specific purpose benefits	46	19	79
		632	711
13 Finance costs			
Interest		807	646
Less capitalised borrowing costs on qualifying assets		(251)	-
		556	646
		2013	2012
Rate used to capitalise finance costs		31%	-

	Note	2013 \$'000	2012 \$'000
14 Cash and cash equivalents			
Current investment funds		36,647	40,874
Operating account		4,246	11,442
Brooker Highway Beautification trust account		-	21
Derwent Entertainment Centre trust account		-	142
Glenorchy City Concert Brass account		11	3
Petty cash floats		5	7
Derwent Entertainment Centre operating cash floats		23	20
Derwent Entertainment Centre Automatic Teller Machine		34	3
		40,966	52,512
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	5,440	5,209
Revenue reserves	38	29,169	27,030
Trust account – Brooker Highway Beautification Project		-	21
Trust account – Derwent Entertainment Centre		-	142
Derwent Entertainment Centre Automatic Teller Machine		34	3
Glenorchy City Concert Brass account		11	3
Derwent Park Stormwater Reuse borrowing		4,696	5,100
Commonwealth Government Financial Assistance Grants	5	1,143	1,224
Restricted funds		40,493	38,732
Total unrestricted cash and cash equivalents		473	13,780
15 Trade and other receivables			
Employees advanced salaries		11	12
Rates and charges		577	468
Debtors		1,263	940
Provision for impairment – other debtors		(50)	(58)
Loans receivable	23	-	1
		1,801	1,363
Goods and Services Tax on purchases		608	-
Goods and Services Tax on sales		(48)	-
Goods & Services Tax receivable		560	-
		2,361	1,363

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 9.97% is charged after the instalments are due and is calculated weekly on the outstanding balance.

All outstanding trade receivables have been assessed as past due but not impaired.

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.

Credit checks are completed for larger customers and all waste management customers.

	Note	2013 \$'000	2012 \$'000
<u>Ageing of past due – rates and charges</u>			
30–60 days		-	-
60–90 days		-	-
Over 90 days		577	468
		577	468
<u>Ageing of past due – debtors</u>			
30–60 days		26	21
60–90 days		133	144
Over 90 days		16	22
		175	187
Movement in the provision for impairment – other debtors			
Balance at the beginning of the year		58	7
Amounts transferred to the provision during the year		3	52
Amounts recovered during the year		-	-
Amounts written off as uncollectable		(11)	(1)
Balance at the end of the year		50	58
16 Inventories			
Stores and materials		158	133
17 Non-current assets classified as held for sale			
Land held for sale		4,238	3,652
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.			
18 Other current assets			
Prepayments		37	47
Accrued revenue		503	409
		540	456
19 Trade and other payables			
Trade payables		3,240	2,884
Accrued expenses		1,864	530
Fringe Benefits Tax payable		20	16
		5,124	3,430
Goods and Services Tax on sales		-	500
Goods and Services Tax on purchases		-	(377)
Goods and Service Tax payable		-	123
		5,124	3,553

20 Provisions

2013

Balance at the beginning of the financial year
Additional provisions
Amounts used
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

	Annual leave \$ '000	Sick Leave \$ '000	On Costs \$ '000	Long Service Leave \$ '000	Landfill Restoration \$ '000	Total \$ '000
	2,038	1,000	328	2,171	1,071	6,608
	1,052	435	115	365	2,404	4,371
	(1,090)	(395)	(99)	(136)	-	(1,720)
	-	-	-	-	-	-
	2,000	1,040	344	2,400	3,475	9,259

2012

Balance at the beginning of the financial year
Additional provisions
Amounts used
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

	Annual leave \$ '000	Sick Leave \$ '000	On Costs \$ '000	Long Service Leave \$ '000	Landfill Restoration \$ '000	Total \$ '000
	2,039	1,018	455	2,150	1,071	6,733
	1,083	372	(22)	267	-	1,700
	(1,084)	(390)	(105)	(246)	-	(1,825)
	-	-	-	-	-	-
	2,038	1,000	328	2,171	1,071	6,608

	2013 \$'000	2012 \$'000
(a) Employee entitlements provision		
(i) Current		
Annual leave	2,000	2,038
Sick leave	1,040	1,000
Long service leave	806	642
<i>Other provisions</i>		
Employment on-costs:	191	171
Payroll tax	4,037	3,851
(ii) Non-current		
Long service leave	1,594	1,529
<i>Other provisions</i>		
Employment on-costs:	153	157
Payroll tax	1,747	1,686
Aggregate carrying amount of employee entitlements:		
Current	4,037	3,851
Non-current	1,747	1,686
	5,784	5,537
The following assumptions were adopted in measuring the present value of employee entitlements:		
	2013	2012
Weighted average increase in employee costs	3.00%	3.00%
Weighted average discount rates	2.81%	2.69%
Weighted average settlement period	11	11
(i) Current		
All annual leave, sick leave and the long service leave entitlements representing 10 or more years		
	2013 \$'000	2012 \$'000
- short-term employee entitlements, that fall due within 12 months after the end of the period measured at nominal value	3,252	2,992
- other long-term employee entitlements that do not fall due within 12 months after the end	712	688
	3,964	3,680
(ii) Non-current		
Long service leave representing less than 10 years of continuous service measured at present value	1,594	1,529
(iii) Employee numbers	376	434

(b) Landfill restoration

Council operates a Landfill at Jackson Street that is deemed to have a further useful life of at least 10 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.

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 2023. Rehabilitation is occurring progressively with major works planned in 2018 and after the landfill closes in 2023. 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	2013 \$'000	2012 \$'000
(c) Provision summary			
Current			
Employee entitlements provision		4,037	3,851
Non-current			
Employee entitlements provision		1,747	1,686
Landfill restoration provision		3,475	1,071
		5,222	2,757
21 Borrowings			
Borrowings at the beginning of the year		14,706	10,466
New borrowings		-	5,440
Repayments		(5,645)	(1,200)
Borrowings at the end of the year		9,061	14,706
Current borrowings		133	1,482
Non-current borrowings		8,928	13,224
		9,061	14,706
<p>The loan portfolio owed by Council to Tascorp has been reviewed by Tascorp effective 30 June 2013. 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 \$9,245,837 (2012: \$15,012,373) compared to the actual value of \$9,060,884 (2012: \$14,705,984). 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		133	1,482
Later than one year and not later than five years		-	1,130
Later than five years		8,928	12,094
		9,061	14,706
22 Other current liabilities			
Trust monies held (Derwent Entertainment Centre)		16	45
Vehicle Funding Facility		194	60
Revenue received in advance		879	681
Refundable building deposits		281	267
Refundable contract deposits		235	61
Other refundable deposits		37	38
		1,642	1,152

	Note	2013 \$'000	2012 \$'000
23 Other financial assets			
Loans receivable			
Balance at the beginning of the financial year		2	4
Deduct loan principal payments made		(2)	(2)
Balance at the end of the financial year		-	2
Current loans receivable	15	-	1
Non-current loans receivable		-	1
		-	2
24 Investment in Southern Water			
Balance at the beginning of the year		198,474	198,040
Change in fair value of investment		-	-
Fair value adjustments on Available-for-Sale Assets		(38)	434
Balance at the end of the financial year	I (k)	198,436	198,474

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

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.

From 1 July 2013, Council's ownership interest in Southern Water will change to ownership in TasWater. Refer to Note 49.

25 Property, infrastructure, plant and equipment

Reconciliation of Property, infrastructure, plant and equipment

2013	Note	Carrying amount 1/07/12 \$ '000	Additions \$ '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 30/06/13 \$ '000
Roads	26	215,161	9,640	-	(946)	(1,011)	(7,196)	(8,934)	206,714
Stormwater and drainage	27	156,582	3,501	-	-	(820)	2,537	(3,557)	158,243
Land	28	53,378	358	(289)	(1,259)	(90)	-	-	52,098
Buildings and other land improvements	29	42,550	5,587	(298)	(150)	(85)	820	(2,646)	45,778
Plant and vehicles	30	795	503	-	-	(75)	-	(215)	1,008
Equipment and furniture	31	1,319	59	-	-	-	-	(53)	1,325
Valuation roll	32	226	-	-	-	-	-	(57)	169
		470,011	19,648	(587)	(2,355)	(2,081)	(3,839)	(15,462)	465,335

2012	Note	Carrying amount 1/07/11 \$ '000	Additions \$ '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 30/06/12 \$ '000
Roads	26	207,336	10,187	-	-	(502)	6,550	(8,410)	215,161
Stormwater and drainage	27	153,437	3,353	-	-	(1,529)	4,708	(3,387)	156,582
Land	28	53,515	394	(2,326)	1,350	(590)	1,035	-	53,378
Buildings and other land improvements	29	37,875	3,361	1,963	167	-	1,422	(2,238)	42,550
Plant and vehicles	30	2,514	472	(1,963)	-	(6)	-	(222)	795
Equipment and furniture	31	1,655	83	-	-	-	14	(433)	1,319
Valuation roll	32	283	-	-	-	-	-	(57)	226
		456,615	17,850	(2,326)	1,517	(2,627)	13,729	(14,747)	470,011

(a) Impairment losses

Impairment losses are recognised in the statement of comprehensive income under other expenses. Reversals of impairment losses are recognised in the statement of comprehensive income under other revenue.

	Note	2013 \$'000	2012 \$'000
26 Roads			
At 1 July 2012 valuation		429,999	435,986
Less accumulated depreciation		(223,285)	(220,825)
Roads at fair value	25	206,714	215,161
27 Stormwater and drainage			
At 1 July 2009 valuation		312,516	305,356
Less accumulated depreciation		(154,273)	(148,774)
Stormwater and drainage at fair value	25	158,243	156,582
28 Land			
At 30 June 2011 valuation		52,098	53,378
Land at fair value	25	52,098	53,378
29 Buildings and other land improvements			
At 1 July 2006 valuation		100,355	94,745
Less accumulated depreciation		(54,577)	(52,195)
Buildings and other land improvements at fair value	25	45,778	42,550
30 Plant and vehicles			
At cost		2,035	1,974
Less accumulated depreciation		(1,027)	(1,179)
Plant and vehicles at fair value	25	1,008	795
31 Equipment and furniture			
At cost		6,564	6,505
Less accumulated depreciation		(5,239)	(5,186)
Equipment and furniture at fair value	25	1,325	1,319
32 Valuation roll			
At cost		339	339
Less accumulated amortisation		(170)	(113)
Valuation roll at cost	25	169	226
Total property, infrastructure, plant and equipment	25	465,335	470,011

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.

Note	2013 \$'000	2012 \$'000
33 Other non-current assets		
Capital works in progress	21,054	8,125
34 Investment properties		
Opening Balance as at 1 July	4,970	6,487
Transfer in	2,357	-
Transfer out	-	(1,517)
Closing balance at 30 June	7,327	4,970
<p>The basis of valuation of investment properties is fair value being the amounts that 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>		
35 Commitments for expenditure		
(a) Operating lease commitments		
<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	1,332	1,657
Later than one year and not later than five years	2,894	3,929
Later than five years	262	24
	4,488	5,610
<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 3–5 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) Capital commitments		
<p>Capital expenditure contracted for at the reporting date but not recognised in the financial statements as liabilities:</p>		
Property	12,879	14,084
Roads	1,622	1,091
Stormwater	7,678	5,595
	22,179	20,770
Not later than one year	18,912	9,857
Later than one year and not later than five years	3,267	10,913
Later than five years	-	-
	22,179	20,770

	Note	2013 \$'000	2012 \$'000
36 Reconciliation of net surplus/(deficit) for the period to net cash from operating activities			
Net surplus/(deficit)		5,528	23,358
Items not involving cash			
Depreciation expense	11	15,462	14,747
Contributions – non-monetary assets	6	(3,745)	(5,275)
Carrying value of assets sold or retired	4	165	590
Assets written off		1,915	2,025
Sale of property, plant and equipment	4	(215)	(290)
Government grants and external contributions (capital)	5	(4,498)	(20,966)
Changes in operating assets and liabilities			
(Increase)/decrease in trade and other receivables		(998)	1,473
(Increase)/decrease in other assets		(84)	209
(Increase)/decrease in inventories		(25)	14
Increase/(decrease) in trade and other payables		1,571	1,325
Increase/(decrease) in other liabilities		490	42
Increase/(decrease) in provisions		248	(125)
Net cash from operating activities		15,814	17,127
37 Contingent liabilities			
There are no contingent liabilities.			

38 Reserves

	Balance at beginning of year		Transfers to reserves		Transfers from reserves		Balance at end of year	
	1-Jul-12 \$ '000	1-Jul-11 \$ '000	2013 \$ '000	2012 \$ '000	2013 \$ '000	2012 \$ '000	30-Jun-13 \$ '000	30-Jun-12 \$ '000
Revenue reserves	2,998	2,592	-	451	(802)	(45)	2,196	2,998
Asset sales	356	337	16	19	-	-	372	356
Car parking	100	-	105	100	-	-	205	100
City revaluation	25	77	71	3	-	(55)	96	25
Irregular operating expenses	1,075	922	49	153	-	-	1,124	1,075
Landfill future close out costs	1	1	-	-	-	-	1	1
Landfill plant and equipment	135	190	6	10	-	(65)	141	135
Property, plant and equipment	453	416	21	37	-	-	474	453
Public open space	21,602	4,474	2,733	17,128	-	-	24,335	21,602
Incomplete works	174	55	-	121	(198)	(2)	(24)	174
Community based programs	111	61	38	50	-	-	149	111
Strategic Asset Management Group Capital	27,030	9,125	3,039	18,072	(1,000)	(167)	29,069	27,030

	Balance at beginning of year		Transfers to reserves		Transfers from reserves		Balance at end of year	
	1-Jul-12 \$ '000	1-Jul-11 \$ '000	2013 \$ '000	2012 \$ '000	2013 \$ '000	2012 \$ '000	30-Jun-13 \$ '000	30-Jun-12 \$ '000
Fair value reserve	1,570	1,136	-	434	(38)	-	1,532	1,570
Investment in Southern Water revaluation reserve	1,570	1,136	-	434	(38)	-	1,532	1,570

	Balance at beginning of year		Revaluation increment		Revaluation decrement		Balance at end of year	
	1-Jul-12 \$ '000	1-Jul-11 \$ '000	2013 \$ '000	2012 \$ '000	2013 \$ '000	2012 \$ '000	30-Jun-13 \$ '000	30-Jun-12 \$ '000
Asset revaluation reserves	153,735	147,185	-	6,550	(7,196)	-	146,539	153,735
Asset revaluation reserve – roads	16,752	15,330	820	1,422	-	-	17,572	16,752
Asset revaluation reserve – buildings and other land improvements	44,690	43,655	-	1,035	-	-	44,690	44,690
Asset revaluation reserve – land	88,947	84,239	2,537	4,708	-	-	91,484	88,947
Asset revaluation reserve – stormwater and drainage	2,822	2,822	-	-	-	-	2,822	2,822
Asset revaluation reserve – plant and vehicles	867	853	-	14	-	-	867	867
Asset revaluation reserve – furniture and equipment	307,813	294,084	3,357	13,729	(7,196)	-	303,974	307,813
Total revenue and asset revaluation reserves	336,413	304,345	6,496	32,235	(8,234)	(167)	334,575	336,413

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 seven 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). Net proceeds from asset sales are set aside to fund future property purchases.

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.

39 Financing arrangements

Bank overdraft limit

Bank overdraft at reporting date

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 Commonwealth Bank of Australia for the vehicle funding facility as at 30 June:

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:

Note	2013 \$'000	2012 \$'000
	Nil	Nil
	Nil	Nil
	1,000	1,000
	280	280

40 Financial instruments**(a) Accounting policy, terms and conditions**

Financial instruments	Accounting policy	Terms and conditions
Financial assets		
Cash and cash equivalents	Comprises cash on hand and cash in bank. Investments are held to maximise interest returns of surplus cash. Interest revenues are recognised as they accrue.	On call deposits returned an average interest rate of 3.81% (2012: 4.56%). The interest rate at balance date was 2.65% (2012: 3.40%). The weighted average interest rate received for investments was 4.03% (2012: 4.99%).
Trade and other receivables		
Receivables rates and charges	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 9.97% (2012: 11.47%) at balance date for general rates.
Receivables other	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.	General debtors are unsecured.
Collectability of overdue accounts is assessed on an ongoing basis.		
Financial liabilities		
Deposits	Deposits are lodged by organisations and individuals when performing work that may adversely affect Council assets. The deposits are repayable on demand or where certain conditions have been met. Deposits are recorded at fair value.	
Payables	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.
Interest-bearing loans and borrowings	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 5.34% (2012: 5.88%).

Liquidity risk management

Council manages liquidity risk by maintaining adequate reserves, banking facilities and borrowing facilities. Council monitors cash flows on a regular 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	
	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
Financial assets												
<i>Variable interest rate</i>												
Cash and cash equivalent assets	4.03%	4.99%	40,904	52,484							40,904	52,484
<i>Non interest bearing</i>												
Cash and cash equivalent assets			62	30							62	30
Trade and other receivables			1,824	940							1,824	940
Investment in Southern Water							198,436	198,474			198,436	198,474
<i>Fixed interest rate</i>												
Trade and other receivables (rates and charges)	9.97%	11.47%	537	423							537	423
Total			43,327	53,877	-	-	-	-	198,436	198,474	241,763	252,351
Financial liabilities												
<i>Non interest bearing</i>												
Trade and other payables			5,124	3,553							5,124	3,553
Other current liabilities			1,642	1,152							1,642	1,152
<i>Fixed interest rate</i>												
Borrowings:												
- Not later than one year	6.42%	6.32%	133	1,482							133	1,482
- Later than one year and not later than five years	-	6.40%				1,130					-	1,130
- Later than five years	5.33%	5.80%					8,928	12,094			8,928	12,094
Total			6,899	6,187	-	1,130	8,928	12,094	-	-	15,827	19,411
Net financial assets/(liabilities)												
											225,936	232,940

(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	
	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
(1) Financial Assets				
Cash and cash equivalents	40,966	52,514	40,966	52,514
Investment in Southern Water	198,436	198,474	198,436	198,474
Trade and other receivables	2,361	1,363	2,361	1,363
Total Financial Assets	241,763	252,351	241,763	252,351
(2) Financial Liabilities				
Trade and other payables	5,124	3,553	5,124	3,553
Interest bearing loans and borrowings	9,061	14,706	9,246	15,012
Other liabilities	1,642	1,152	1,642	1,152
Total Financial Liabilities	15,827	19,411	16,012	19,717

(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.

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 an insignificant exposure to other price risks and no exposure to foreign currency risk. Components of market risk to which Council is 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

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.

(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 the Commonwealth Bank of Australia):

A parallel shift of +0.50% and -0.50% in market interest rates (AUD) from year end rates of 2.65%.

The following table 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.

2013	Interest Rate Risk				
	Carrying amount subject to interest	-0.50% (50 basis points)		0.50% (50 basis points)	
		Profit	Equity	Profit	Equity
Market Risk Exposure	\$'000	\$'000	\$'000	\$'000	\$'000
Financial Assets:					
Cash and cash equivalents	40,904	(205)	(205)	205	205
Trade and other receivables	537	(3)	(3)	3	3
2012					
	Interest Rate Risk				
	Carrying amount subject to interest	-1.00% (100 basis points)		-1.00% (100 basis points)	
		Profit	Equity	Profit	Equity
Market Risk Exposure	\$'000	\$'000	\$'000	\$'000	\$'000
Financial Assets:					
Cash and cash equivalents	52,484	(525)	(525)	525	525
Trade and other receivables	423	(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.

30 June 2013	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Available for sale financial assets	-	-	198,436	198,436
Total	-	-	198,436	198,436

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

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

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

(ii) Reconciliation of Level 3 Fair Value Movements	2013 \$'000	2012 \$'000
Opening balance		
Investment on transfer of assets	198,474	198,040
<i>Gain (losses) recognised in other comprehensive income:</i>		
Change in fair value of investment in Southern Water	(38)	434
Closing balance	198,436	198,474

41 Register of interests

Aldermen and position	Interest
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	No
Ald. Matt Stevenson	No
Ald. Peter Ridler RFD	No
Ald. Richard Lowrie	No
Ald. Sharon Carnes	No
Ald. Steven King	No

42 Remuneration of Aldermen	2013	2012
	\$	\$
Total allowances paid to the Mayor, Deputy Mayor and Aldermen	379,253	364,300
Total expenses paid to all Aldermen	21,739	16,628
	<u>400,992</u>	<u>380,928</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:

Existing employees	2013	2012
\$200,001–\$250,000	1	1
\$150,001–\$200,000	4	3
\$100,001–\$150,000	-	1
Former employees	2013	2012
\$350,001–\$400,000	-	1
\$300,001–\$350,000	-	1
\$80,001–\$100,000	-	1

Former 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.

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.

Community 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 2012/2013 were as follows:

	Income	Expenditure	Net result	Cash at bank
	2013	2013	2013	30 June
	\$'000	\$'000	\$'000	2013
				\$'000
Glenorchy Brass Band	18	10	8	11

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

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.

For the year ended 30 June 2013 Council contributed 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 brief 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 \$207,066 (2012: \$204,393), and the amount paid to accumulation schemes was \$1,912,952 (2012: \$1,988,255).

46 Grants, donations and bursaries

Details	\$
Claremont College Bursaries – Cash	1,604
Glenorchy City Concert Brass Band Donation – Cash	7,500
The Lions Club of Glenorchy – Cash	5,000
Various minor contributions to community organisations – Cash	5,025
	<u>19,129</u>

In-kind contributions

Anglicare – Rental subsidy	15,700
Chigwell Community Garden – In-kind	2,100
Civic Centre – Rental subsidy	9,984
Collinsvale Community Association – Bismark Park – Rental subsidy	2,000
Content Management System for Regional Planning Schemes – In-kind	13,936
Cosmos – Rental subsidy	10,500
Cycling South – Rental subsidy	600
Gerard Street Reserve (Arrogone Archers Inc) – Rental subsidy	3,700
Glenorchy City Concert Brass Band – In-kind	3,600
Glenorchy Football Club Grandstand – Rental subsidy	10,000
Glenorchy Historical Society – In-kind	1,300
Ground hire discount to encourage junior sports – Licence subsidy	6,400
King George V – Synthetic Field	39,000
Model Makers & Collectors – Rental subsidy	2,100
Tasmanian Transport Museum – Bus Display Shed	15,000
Tasmanian Transport Museum – Rental subsidy	5,000
Waiving of Landfill fees for various community organisations	8,189
Waiving of Planning fees for various community organisations	2,689
Waiving of Tolosa Park hut fees for various community organisations	355
West Moonah Community Garden – In-kind	2,100
	<u>154,253</u>

47 Significant business activities

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

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 on the following page.

		Income \$'000	Expenses \$'000	Assets \$'000
Legislative, financial, executive and fiscal	2012/13	43,515	18,926	242,585
	2011/12	36,847	14,869	253,143
Public order, fire and safety	2012/13	615	993	150
	2011/12	4,449	4,511	143
Community and public health	2012/13	197	623	110
	2011/12	249	780	110
Welfare	2012/13	4,985	3,951	312
	2011/12	8,348	3,846	661
Nursing homes/aged care	2012/13	422	488	110
	2011/12	404	382	110
Housing	2012/13	-	316	110
	2011/12	2	298	110
Community amenities	2012/13	-	-	110
	2011/12	-	-	110
Household garbage/protection of the environment	2012/13	5,341	3,643	-
	2011/12	5,182	3,412	-
Other protection of the environment/biodiversity	2012/13	1,588	4,756	165,502
	2011/12	2,291	4,603	159,875
Community and regional development	2012/13	706	2,020	110
	2011/12	516	1,598	110
Recreation facilities and services	2012/13	1,261	8,158	116,772
	2011/12	4,690	7,740	105,955
Cultural facilities and services	2012/13	527	991	110
	2011/12	4,810	831	110
Road, bridge and street infrastructure	2012/13	4,605	13,395	213,973
	2011/12	9,460	12,875	218,455
Road, plant, parking and other road transport	2012/13	-	-	351
	2011/12	703	485	695
Other economic affairs	2012/13	12	8	110
	2011/12	10	145	110
Other purpose	2012/13	187	165	-
	2011/12	2,027	255	-
Total	2012/13	63,961	58,433	740,415
	2011/12	79,988	56,630	739,697

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

	2013	2012
	\$'000	\$'000
Current assets	48,263	58,116
Non-current assets	692,152	681,581
	<u>740,415</u>	<u>739,697</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 Central Business District.

Other purpose

Unallocatable private works and other.

49 Events occurring after balance date**(a) New Water Corporation**

From 1 July 2013 a new statewide water and sewerage corporation trading as TasWater, commenced in accordance with the *Water and Sewerage Corporation Act 2012*. TasWater will take over the water and sewerage services and assets currently operated by Ben Lomond Water, Cradle Mountain Water and Southern Water. It will also manage the billing, IT and payroll functions currently managed by the industry's service firm, Onstream.

Council holds an equal representation with all other councils. No change is expected to current investment treatment, with Council receiving a proportional share in the new corporation. Council will continue to derive returns in the form of dividends, guarantee fees and tax equivalents. Any changes to Council's investment in TasWater is unquantifiable at the date of signing and will be treated as a non-adjusting event and accounted for in the next financial year.



Independent Auditor's Report

To the Aldermen of Glenorchy City Council

Financial Report for the Year Ended 30 June 2013

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 2013 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 statement.

Auditor's Opinion

In my opinion Council's financial report:

- (a) presents fairly, in all material respects, its financial position as at 30 June 2013 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, including the assessment of risks of material misstatement of the financial report, whether due to

...1 of 2

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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 this 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



E R De Santi
Deputy Auditor-General
Delegate of the Auditor-General

Hobart
2 September 2013

...2 of 2

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