

*Glenorchy  
City Council*

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Financial Statements

13/14

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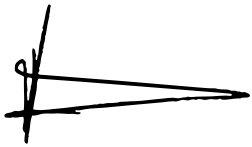
## 2014 General Purpose Financial Report

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## ***Certification of the Financial Report***

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The financial report presents fairly the financial position of the Glenorchy City Council as at 30 June 2014, 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: 14/8/2014

# Statement of Comprehensive Income for the Year Ended 30 June 2014

	Note	2014 Budget \$'000	2014 Actual \$'000	2013 Actual \$'000
<b>Income</b>				
<b>Recurrent income</b>				
Rates	2	28,079	28,134	26,848
User charges and licences	3	9,265	9,917	8,707
Interest		1,900	1,249	2,261
Grants	5	3,240	2,130	6,315
Contributions – cash	6(a)	119	80	74
Government subsidies	2	1,658	1,683	1,658
Investment income from TasWater	7	5,474	5,416	8,888
Other income	8	825	2,508	917
		50,560	51,117	55,668
<b>Capital income</b>				
Contributions – non-monetary assets	6(b)	-	1,987	3,745
Net gain/(loss) on disposal of property, infrastructure, plant and equipment	4	504	(14)	50
Capital grants received specifically for new or upgraded assets	5	685	841	4,498
		1,189	2,814	8,293
<b>Total income</b>		51,749	53,931	63,961
<b>Expenses</b>				
Employee benefits	9	18,421	19,680	19,718
Materials and services	10	17,654	14,965	16,127
Depreciation and amortisation	11	16,322	14,774	15,462
State Fire Commission contribution	2	4,195	4,183	4,023
Finance costs	14	547	562	556
Assets written off	11(b)	2,000	1,557	1,915
Bad and doubtful debts	12	2	1,505	1
Impairment expense	28	-	726	-
Other expenses	13	660	585	631
<b>Total expenses</b>		59,801	58,537	58,433
<b>Surplus/(deficit)</b>		(8,052)	(4,606)	5,528
<b>Other comprehensive income</b>				
<b>Items that will not be reclassified to surplus or deficit</b>				
Net gain/(loss) on revaluation of property, plant and equipment	39	-	6,317	(3,839)
		-	6,317	(3,839)
<b>Items that may be reclassified subsequently to surplus or deficit</b>				
Financial assets available for sale reserve				
– Fair Value adjustment on available for sale assets	25	-	(38,536)	(38)
		-	(38,536)	(38)
<b>Total other comprehensive income</b>		-	(32,219)	(3,877)
<b>Comprehensive result</b>		(8,052)	(36,825)	1,651

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

# Statement of Financial Position

## As at 30 June 2014

	Note	2014 \$'000	2013 \$'000
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	15	31,467	40,966
Trade and other receivables	16	1,927	2,361
Inventories	17	163	158
Non-current assets classified as held for sale	18	4,047	4,238
Other current assets	19	260	540
<b>Total current assets</b>		<b>37,864</b>	<b>48,263</b>
<b>Non-current assets</b>			
Other financial assets	24	-	-
Investment in TasWater	25	159,900	198,436
Property, infrastructure, plant and equipment	26	482,639	465,335
Investment properties	35	6,231	7,327
Other non-current assets	34	16,269	21,054
<b>Total non-current assets</b>		<b>665,039</b>	<b>692,152</b>
<b>Total assets</b>		<b>702,903</b>	<b>740,415</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	20	3,968	5,124
Provisions	21	4,182	4,037
Borrowings	22	1,103	890
Other current liabilities	23	2,625	1,642
<b>Total current liabilities</b>		<b>11,878</b>	<b>11,693</b>
<b>Non-current liabilities</b>			
Provisions	21	5,453	5,222
Borrowings	22	7,068	8,171
<b>Total non-current liabilities</b>		<b>12,521</b>	<b>13,393</b>
<b>Total liabilities</b>		<b>24,399</b>	<b>25,086</b>
<b>Net assets</b>		<b>678,504</b>	<b>715,329</b>
<b>Equity</b>			
Accumulated surpluses		382,322	380,754
Reserves	39	296,182	334,575
<b>Total equity</b>		<b>678,504</b>	<b>715,329</b>

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

# Statement of Cash Flows for the Year Ended 30 June 2014

	Note	2014 \$'000	2013 \$'000
<b>Cash flows from operating activities</b>			
Rates		28,149	26,958
Government subsidies		1,683	1,658
Operational government grants (inclusive of GST)		2,156	6,404
Contributions – cash		81	74
Interest		1,249	2,261
User charges and licences (inclusive of GST)		9,209	7,962
Other income (inclusive of GST)		3,606	1,545
Investment income from TasWater		5,416	8,888
Employee benefits		(19,408)	(19,479)
Materials and services (inclusive of GST)		(16,344)	(15,229)
Finance costs		(429)	(563)
Levies paid to State Government		(4,183)	(4,023)
Other payments (inclusive of GST)		(596)	(642)
<b>Net cash provided by/(used in) operating activities</b>	37	10,589	15,814
<b>Cash flows from investing activities</b>			
Payments for property, plant and equipment		(20,316)	(26,680)
Proceeds from sale of non-current assets		230	215
Interest paid for capital works		47	251
<b>Net cash flows provided by/(used in) investing activities</b>		(20,039)	(26,214)
<b>Cash flows from financing activities</b>			
Repayment of interest bearing loans and borrowings		(890)	(5,645)
Proceeds from interest bearing loans and borrowings		-	-
Government grants (capital)		841	4,498
Repayment of loans receivable		-	1
<b>Net cash flows provided by/(used in) financing activities</b>		(49)	(1,146)
Net increase/(decrease) in cash and cash equivalents		(9,499)	(11,546)
Cash and cash equivalents at the beginning of the financial year		40,966	52,512
<b>Cash and cash equivalents at the end of the financial year</b>	15	31,467	40,966
Financing arrangements	40		
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The above statement should be read in conjunction with the accompanying notes

## *Statement of Changes in Equity for the Year Ended 30 June 2014*

2014		Total equity \$'000	Accumulated surpluses \$'000	Asset revaluation reserve \$'000	Fair value reserve \$'000	Other revenue reserves \$'000
<b>Balance at the beginning of the financial year</b>	Note	715,329	380,754	303,974	1,532	29,069
Comprehensive result		(36,825)	(4,606)	6,317	(38,536)	-
Transfers to reserves	39	-	(756)	-	-	756
Transfers from reserves	39	-	6,930	-	-	(6,930)
<b>Balance at the end of the financial year</b>		<b>678,504</b>	<b>382,322</b>	<b>310,291</b>	<b>(37,004)</b>	<b>22,895</b>
<hr/>						
2013		Total equity \$'000	Accumulated surpluses \$'000	Asset revaluation reserve \$'000	Fair value reserve \$'000	Other revenue reserves \$'000
<b>Balance at the beginning of the financial year</b>	Note	713,678	377,265	307,813	1,570	27,030
Comprehensive result		1,651	5,528	(3,839)	(38)	-
Transfers to reserves	39	-	(3,039)	-	-	3,039
Transfers from reserves	39	-	1,000	-	-	(1,000)
<b>Balance at the end of the financial year</b>		<b>715,329</b>	<b>380,754</b>	<b>303,974</b>	<b>1,532</b>	<b>29,069</b>

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 2014***

## **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 2014.

## **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 basis.

This financial report has been prepared under the historical cost convention, except where specifically stated in notes 1(f), 1(h), 1(i), 1(k), 1(l), 1(m) and 1(o).

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(o) and note 21(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 46.

#### ***Fair value of property, plant and 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 (f) and 1(g).



**Investment in TasWater**

Assumptions utilised in the determination of Council's valuation of its investment in TasWater are discussed in note 1(m) and in note 25.

**Landfill/Tip Rehabilitation**

Assumptions utilised in the determination of Council's landfill close-down and restoration costs are discussed in note 21 (b).

**(c) Change in accounting policies****AASB 13 Fair Value Measurement**

Council has applied AASB 13 for the first time in the current year. AASB 13 establishes a single source of guidance for fair value measurements. The fair value measurement requirements of AASB 13 apply to both financial instrument items and non-financial instrument items for which other Australian equivalents to International Financial Reporting Standards (A-IFRS) require or permit fair value measurements and disclosures about fair value measurements, except for leasing transactions that are within the scope of AASB 17 Leases, and measurements that have some similarities to fair value but not fair value (e.g. net realisable value for the purposes of measuring inventories or value in use for impairment assessment purposes).

AASB 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under AASB 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, AASB 13 includes extensive disclosure requirements.

AASB 13 requires prospective application from 1 January 2013. In addition, specific transitional provisions were given to entities such that they need not apply the disclosure requirements set out in the Standard in comparative information provided for periods before the initial application of the Standard. In accordance with these transitional provisions, Council has not made any new disclosures required by AASB 13 for the 2013 comparative period (refer note 51).

Other than the additional disclosures, the application of AASB 13 has not had any material impact on the amounts recognised in the financial statements.

**AASB 119 Employee benefits**

In the current year, Council has applied AASB 119 Employee Benefits (as revised) and the related consequential amendments for the first time. AASB 119 changes the definition of short-term employee benefits. These were previously benefits that were due

to be settled within twelve months after the end of the reporting period in which the employees render the related service. However, short-term employee benefits are now defined as benefits expected to be settled wholly before twelve months after the end of the reporting period in which the employees render the related service. As a result, accrued annual leave balances which were previously calculated/measured by Council as short-term benefits no longer meet this definition and are now classified as long-term benefits. This has resulted in a change of measurement for that portion of annual leave provision from an undiscounted to discounted basis.

This change in classification has not materially altered Council's measurement of the annual leave provision.

**(d) Pending accounting standards**

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2014 reporting periods. Council's assessment of the impact of these new standards and interpretations is set out below.

(i) *AASB 9 Financial Instruments* and the relevant amending standards (effective from 1 January 2017)

AASB 9 is one of a series of amendments that are expected to replace AASB 139 Financial Instruments: Recognition and Measurement. The main impact of the standard is to change the requirements for the classification, measurement and disclosures associated with financial assets. Under the new requirements the four categories of financial assets in AASB 139 will be replaced with two measurement categories: fair value and amortised cost.

Amortised cost is to be used for assets with contractual terms giving rise to principal and interest payments.

Fair value is to be used for all other financial assets. Gains or losses on financial assets at fair value are to be recognised in profit and loss unless the asset is part of a hedging relationship or an irrevocable election has been made to present in other comprehensive income changes in the fair value of an equity instrument not held for trading.

When adopted, the standard will affect, in particular, Council's accounting for its available-for-sale financial assets. Currently, Council recognises changes in the fair value of its available-for-sale assets through other comprehensive income. Under AASB 9 fair value gains and losses on available-for-sale assets will have to be recognised directly in profit or loss. Had this requirement been adopted at 30 June 2014, the fair value gain/loss on Council's investment in TasWater of \$38,536,000 would have increased/decreased Council's surplus/deficit accordingly.

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 1031 Materiality* (effective from 1 January 2014)

The objective of this standard is to make cross-references to other standards and the Framework for the Preparation and Presentation of Financial Statements (as identified in AASB 1048 Interpretation of Standards) that contain guidance on materiality.

(iii) *AASB 2013-3 Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets* (effective from 1 January 2014)

This standard amends the disclosure requirements of AASB 136. The amendments include the requirement to disclose additional information about the fair value measurement when the recoverable amount of impaired assets is based on fair value less costs of disposal. The adoption of this standard will not impact Council's accounting policies but may result in changes to information disclosed in the financial statements.

(iv) *AASB 2013-9 Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments* (Part A – Conceptual Framework effective from 20 December 2013; Part B – Materiality effective from 1 January 2014; Part C – Financial Instruments effective from 1 January 2015)

Part A of this standard updates references to the Framework for the Preparation and Presentation of Financial Statements in other standards as a consequence of the issue of AASB CF 2013-1 in December 2013.

Part B of this standard deletes references to AASB 1031 Materiality in various other standards. Once all references to AASB 1031 have been deleted from all Australian Accounting Standards, AASB 1031 will be withdrawn.

Part C of this standard amends AASB 9 Financial Instruments to add Chapter 6 Hedge Accounting and makes consequential amendments to AASB 9 and numerous other standards. Part C also amends the effective date of AASB 9 to annual reporting periods beginning on or after 1 January 2017, instead of 1 January 2015.

The adoption of this standard will not impact Council's accounting policies.

### (e) 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 23.

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.

**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 TasWater**

Investment revenue from TasWater is recognised when Council's right to receive payment is established. Investment revenue from TasWater is received in the form of dividends, tax equivalent payments and guarantee fees.

**(f) 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:

<b>Nature/type of asset</b>	<b>Class of asset</b>	<b>Useful life (years)</b>
Buildings and land improvements	Freehold buildings	10 to 95
	Other land improvements	5 to 50
Equipment and furniture	Furniture, fittings and office equipment	3 to 20
	Computer systems and technical equipment	3 to 10
	Signalised or roundabout intersections	15 to 50
Other infrastructure	Islands	35 to 50
	Car parks	5 to 60
	Bridges	40 to 80
	Infrastructure plant	5 to 75
Plant and vehicles	Fleet	3 to 5
	Mobile plant	5 to 20
	Minor plant	3 to 5
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 135
	Nodes	50 to 120
	Natural water course improvements	80
	Silt basins	120
	Concrete culverts and spoon drains	50 to 120
Valuation rolls	Valuation roll of the municipality	5 to 6

A review of the useful life for the underground drainage network across the city was undertaken during the year. The review resulted in an extension of the estimated useful life for concrete reinforced pipes from a maximum 80 years to a maximum 135 years. The pipes represent approximately 70% of the total Cost at Valuation for the Stormwater and Drainage Assets, and the change resulted in a reduction of \$1,534,399 to Depreciation Expense for 2013/14 and future years, subject to any unforeseen future change to those assets.

#### **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. No borrowing costs were capitalised during the period (2013: \$250,211).

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

#### **(g) 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 Council are specified in the asset matrix. Asset categories will be consolidated into the following broad categories of nature or type:
  - Buildings and other land improvements;
  - Equipment and furniture;
  - Land;
  - Plant and vehicles;
  - Roads;
  - Stormwater and drainage;
  - 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. Cost is determined as the fair value of the assets given as consideration plus costs incidental to the acquisition.
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. Property, infrastructure, plant and equipment received in the form of contributions, are recognised as assets and revenues at fair value by Council valuation where that value exceeds the recognition thresholds for the respective asset class. Fair value is the price that would be received to sell the asset in an orderly transaction between market participants at the measurement date.
12. 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.
13. If Council believes asset values within a class have materially changed between scheduled revaluations, the asset class value will be indexed by an appropriate inflation factor.
14. 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.

15. 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.
16. Capital work in progress is recorded at cost.
17. 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.

#### **(h) 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.

#### **(i) 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.

#### **(j) 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.

#### **(k) 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.

#### **(l) 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.

#### **(m) Investment in TasWater**

Council's investment in TasWater is valued at its fair value at balance date. Fair value was determined by using Council's ownership interest against TasWater's net asset value at balance date. Council has an ownership interest of 10.41% 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 39).

Council has classified its investment in TasWater 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.

#### **(n) 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.

### **(o) 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.

#### *(i) Short-term obligations*

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be wholly settled within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liability for annual leave is recognised in the provision for employee benefits. All other short-term employee benefit obligations are presented as payables.

The obligations are presented as current liabilities in the statement of financial position if the entity does not have an unconditional right to defer settlement for at least twelve months after the reporting date, regardless of when the actual settlement is expected to occur.

#### *(ii) Other long-term employee benefit obligations*

The liability for long service leave and annual leave which is not expected to be wholly settled within 12 months after the end of the period in which the employees render the related service is recognised in the provision for employee benefits and measured as the present value of expected future payments to be

made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the end of the reporting period on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

The obligations are presented as current liabilities in the Statement of Financial Position if the entity does not have an unconditional right to defer settlement for at least twelve months after the reporting date, regardless of when the actual settlement is expected to occur.

#### *(iii) Retirement benefit obligations*

All employees of the Council are entitled to benefits on retirement, disability or death. Council contributes to various defined benefit plans and defined contribution plans on behalf of its employees.

#### *Defined benefit plans*

A liability or asset in respect of defined benefit superannuation plans would ordinarily be recognised in the statement of financial position, and measured as the present value of the defined benefit obligation at the reporting date plus unrecognised actuarial gains (less unrecognised actuarial losses) less the fair value of the superannuation fund's assets at that date and any unrecognised past service cost. The present value of the defined benefit obligation is based on expected future payments which arise from membership of the fund to the reporting date, calculated annually by independent actuaries using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. However, when this information is not reliably available, Council accounts for its obligations to defined benefit plans on the same basis as its obligations to defined contribution plans i.e as an expense when it becomes payable.

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 Quadrant 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 Employee Benefits, Council does not use defined benefit accounting for these contributions.

*Defined contribution plans*

Contributions to defined contribution plans are recognised as an expense as they become payable. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

*Provisions – Other**Employment on-costs*

Payroll tax is not an employee benefit and it is recognised separately as a liability when the employment to which it relates has occurred. Payroll tax is 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.

**(p) Leases***Finance leases*

Council has no finance lease obligations at 30 June 2014.

*Operating leases*

Leases in which a significant portion of the risks and rewards of ownership are not transferred to Council as lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the Statement of Comprehensive Income 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 36.

*Operating leases as lessor*

Council owns a range of facilities that are available for lease by not-for-profit sport, recreational and community organisations. Leases to not-for-profit organisations, in general, do not reflect commercial arrangements and have minimal lease payments. Land and building which are leased under these arrangements are recognised within Property, plant and equipment in the Statement of Financial Position and associated rental income is recognised in accordance with note 1(e).

Furthermore, council leases some of its land and buildings on commercial terms. Where leasing of a property is incidental to Council's use of it, the associated land and buildings are recognised within Property, plant and equipment in the Statement of Financial Position and valued in accordance with note 1(g). Properties that are held largely to earn rental income or for capital appreciation or both are recognised as investment properties in accordance with note 1(k).

**(q) 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.

**(r) 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.

**(s) 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 in the 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.

**(t) 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.

**(u) 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.

**(v) Rounding**

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

**(w) Budget**

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

**(x) 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	2014 \$'000	2013 \$'000
<b>2 Rates</b>			
Council uses Assessed Annual Value (AAV) as the basis of valuation of all properties within the municipality. The AAV of a property is its base amount used to calculate the annual rates. The AAV is multiplied against the rate in the dollar to give the annual rates amount.			
The valuation base used to calculate general rates for 2014 was \$341,638,121 (2013: \$346,370,544). The 2014 rate in the dollar was \$7.3385 (2013: \$6.9168).			
Rates charge		25,301	24,174
Interest charge		60	57
Penalty charge		202	173
Recovery of legal expenses		71	79
<b>State Government charges and levies</b>			
State Fire Commission contribution		4,183	4,023
Less Government subsidies		(1,683)	(1,658)
		28,134	26,848
The date of the latest general revaluation of land for rating purposes within the municipality was 1 January 2011, and the valuation was first applied in the rating year commencing 1 July 2011.			
<b>3 User charges and licences</b>			
Parent fees and childcare		590	718
Animal registration		343	224
Food related licences		91	107
Landfill fees		2,554	2,277
Building and plumbing application fees		144	121
Plumbing inspection fees		92	74
Plumbing assessment fees		85	64
Development advertising fees		48	41
Development application fees		212	85
Engineering assessment fees		3	5
Section 132 and 337 certificates		263	211
Service provider fees		18	20
Rental of sporting grounds		123	124
Revenue from reserves		10	14
Car parking rental		109	115
Other rental revenue		235	186
Tolosa Park hire		46	47
Parking enforcement		279	253
Kerbside recycling		1,534	1,460
Garbage collection/disposal		1,450	1,394
Recycling materials		50	65
Derwent Entertainment Centre food and beverage sales		198	168
Derwent Entertainment Centre commissions and recoveries		861	492
General fines and infringements		103	83
Fees and licences		33	38
Certificates of completion		80	66
Stratum application fee		13	19
Equipment hire		-	5
Aged care client fees		-	29
Road opening permits		18	35
Court fees		-	1

**3 User charges and licences (continued)**

	Note	2014 \$'000	2013 \$'000
Permits		12	9
Planning scheme amendments		9	13
Aerated wastewater treatment systems		44	38
Derwent Park Reuse sales		157	-
Other (items less than \$10,000)		110	106
		9,917	8,707

**Ageing analysis of contractual receivables**

Please refer to notes 16 and 41 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		231	215
Less carrying amount of property, infrastructure, plant and equipment		(245)	(165)
Net gain/(loss) on disposal of property, infrastructure, plant and equipment		(14)	50

**5 Grants**

Grants were received in respect of the following:

**Summary of grants**

Federally funded grants		2,748	10,311
State funded grants		176	453
Others		47	49
		2,971	10,813

**Grants – recurrent**

Commonwealth Government Financial Assistance Grants - General Purpose		479	906
Commonwealth Government Financial Assistance Grants - Roads		680	1,188
Childcare Services		634	1,764
Hobart City Council/Glenorchy City Council Street Light Replacement Project		-	1,644
Arts and Cultural Development		4	16
Aged Care		-	364
Commonwealth Traineeship		10	9
Youth and Safer Communities		13	6
National Binge Drinking Strategy		49	100
Claremont Cycling Facilities		22	99
Moonah Taste of the World		21	24
Healthy Communities Initiative		134	150
Clearing the Smoke - Smoking Cessation Innovation		4	11
New Ideas		10	-
Glenorchy Flood Early Warning System & Evacuation Plan		7	-
26 Ten Literacy		50	-
Other		13	34
<b>Total recurrent grants</b>		2,130	6,315

**35 Grants (continued)**

The Australian Commonwealth Government provides Financial Assistance Grants to Council for general purpose use and the provision of local roads. In 2011/12 and 2012/13 the Commonwealth made early payment of the two quarterly instalments for the following year. In accordance with AASB1004 Contributions, Council recognises these grants as revenue when it receives the funds and obtains control. The early receipt of instalments resulted in Commonwealth Government Financial Assistance Grants being above that originally budgeted in 2012/13 by \$1,143,263. This has impacted the Statement of Comprehensive Income resulting in the Surplus/(deficit) being higher in 2012/13 by \$1,143,263. In the 2014/15 Budget the Commonwealth announced it would discontinue the approach of prepaying instalments. Therefore there was no prepayment in 2013/14.

**Capital grants received specifically for new or upgraded assets**

	2014 \$'000	2013 \$'000
Blackspot	6	152
Department of Transport	448	448
Glenorchy Arts Sculpture Park - Stage 2	233	1,897
Glenorchy Arts Sculpture Park Ferry Adaptation	23	-
Local Government Energy Efficiency Program	24	-
Cadbury Sports Ground Cricket Net Replacement	26	-
Synthetic Bowls Green	80	-
Derwent Park Stormwater Reuse	-	1,701
Tolosa Park Road Safety Track - Kids Bike	-	80
Windermere Bay Project	-	100
Closed Circuit Television Cameras	-	120
Other	1	-
<b>Total capital grants</b>	<b>841</b>	<b>4,498</b>

**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:

Closed Circuit Television Cameras	-	48
Hobart City Council/Glenorchy City Council Street Light Replacement Project	-	1,543
Glenorchy Arts Sculpture Park Ferry Adaptation	23	-
Windermere Bay Project	-	42
26 Ten Literacy	50	-
<b>Total</b>	<b>73</b>	<b>1,633</b>

**35 Grants (continued)**

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:

	Note	2014 \$'000	2013 \$'000
Derwent Park Stormwater Reuse		3,387	4,113
Glenorchy Arts Sculpture Park – Stage 2		-	349
Moonah Arts Centre Redevelopment		1,139	103
King George V infrastructure		530	1,948
		5,056	6,513

Net increase/(decrease) in non-reciprocal grant revenues for the year

(4,983)	(4,880)
---------	---------

The balance of unexpended grants at the end of the reporting period is \$10,627,698, the majority of which are King George V, Moonah Arts Centre and Street Light Replacement.

**6 Contributions****(a) Cash**

Parking		15	-
Parks, open space and streetscapes		36	-
Recharge work contributions		29	74
		80	74

**(b) Non-monetary assets**

Land		-	48
Roads		927	2,209
Stormwater		1,060	1,488
		1,987	3,745

**Total contributions**

2,067	3,819
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**7 Investment income from TasWater**

Dividend income		3,709	6,330
Tax equivalent		1,429	1,690
Guarantee fee		278	868
		5,416	8,888

**8 Other income**

12

Liquidated damages claim		1,498	-
Fuel Tax Credits		82	84
Advertising		-	129
State Fire Commission contribution		167	161
Heavy vehicle motor tax		31	28
Donations		10	17
Immunisations		20	14
Contributions		373	214
Levy collection		76	102
Royalties		49	-
Refund		31	28
Mona GASP fun run		41	-
Other		130	140
		2,508	917

	Note	2014 \$'000	2013 \$'000
<b>9 Employee benefits</b>			
Wages and salaries		21,967	22,003
Relief/casual staff		687	606
Fringe Benefits Tax		61	110
Other		30	26
		22,745	22,745
Less amounts capitalised		(3,065)	(3,027)
		19,680	19,718
<b>10 Materials and services</b>			
Materials and services		5,245	4,817
Contract payments		7,878	9,115
Plant and equipment maintenance		199	233
Utilities		986	950
Consultants		657	1,012
		14,965	16,127
<b>11 (a) Depreciation and amortisation</b>			
Buildings and other land improvements		2,194	2,646
Plant and vehicles		442	215
Equipment and furniture		169	53
Roads		8,911	8,934
Stormwater and drainage		2,741	3,557
Valuation roll		57	57
Restoration costs		260	-
	26	14,774	15,462
<b>(b) Assets written off</b>			
Assets written off comprises of Buildings and other land improvements (\$39,958), Roads (\$1,274,897) and Stormwater and drainage (\$242,429).			
<b>12 Bad and doubtful debts</b>		1,498	-
Bad debts related to liquidated damages claim		7	1
Other		1,505	1
		1,505	1
During the 2013/14 financial year a major contractor for Council went into liquidation prior to completing the contracted works.			
<b>13 Other expenses</b>			
Land tax		433	481
External auditor's remuneration (Tasmanian Audit Office) – Financial statements audit		53	46
External auditor's remuneration (Tasmanian Audit Office) – Other financial audits		4	17
Internal auditor's remuneration (internal audit services – Deloitte)		72	68
Grants and specific purpose benefits	47	23	19
		585	631

	Note	2014 \$'000	2013 \$'000
<b>14 Finance costs</b>			
Interest		470	807
Less capitalised borrowing costs on qualifying assets		(47)	(251)
Unwinding of discounts applied to provisions		139	-
		562	556
Rate used to capitalise finance costs		10%	31%
<b>15 Cash and cash equivalents</b>			
Current investment funds		24,041	36,647
Operating account		7,372	4,246
Glenorchy City Concert Brass account		5	11
Petty cash floats		6	5
Derwent Entertainment Centre operating cash floats		24	23
Derwent Entertainment Centre Automatic Teller Machine		19	34
		31,467	40,966
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:			
<b>Internal restrictions</b>			
Leave provisions (excluding on-costs)	21	5,694	5,440
Revenue reserves	39	22,895	29,169
Derwent Entertainment Centre Automatic Teller Machine		19	34
		28,608	34,643
<b>External restrictions</b>			
Glenorchy City Concert Brass account		5	11
Commonwealth Government Financial Assistance Grants		-	1,143
		5	1,154
Restricted funds		28,613	35,797
Total unrestricted cash and cash equivalents		2,854	5,169
<b>16 Trade and other receivables</b>			
Employees advanced salaries		52	11
Rates and charges		592	577
Debtors		797	1,263
Liquidated damages claim		1,597	-
Provision for impairment - liquidated damages claim		(1,597)	-
Provision for impairment - other debtors		(49)	(50)
Loans receivable	24	-	-
		1,392	1,801
Goods and Services Tax on purchases		560	608
Goods and Services Tax on sales		(25)	(48)
Goods and Services Tax receivable		535	560
		1,927	2,361

**16 Trade and other receivables (continued)**

Note	2014 \$'000	2013 \$'000
All debtors are due and payable after thirty days from the date of invoice. Council does not charge interest on debtors. Outstanding rate revenue attracts a penalty of 10% fourteen days after instalments are due. Interest of 9.35% is charged after the instalments are due and is calculated daily 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.		
<u>Ageing of past due – rates and charges</u>		
30–60 days	-	-
60–90 days	-	-
Over 90 days	592	577
	592	577
<u>Ageing of past due – debtors</u>		
30–60 days	23	26
60–90 days	159	133
Over 90 days	20	16
	202	175
<b>Movement in the provision for impairment – other debtors</b>		
Balance at the beginning of the year	50	58
Amounts transferred to the provision during the year	1,606	3
Amounts recovered during the year	(7)	-
Amounts written off as uncollectable	(3)	(11)
Balance at the end of the year	1,646	50
<b>17 Inventories</b>		
Stores and materials	163	158
<b>18 Non-current assets classified as held for sale</b>		
Property held for sale	4,047	4,238
Council intends to dispose of property it no longer utilises in the next 12 months. No impairment loss was recognised on reclassification of the property as held for sale or at reporting date.		
<b>19 Other current assets</b>		
Prepayments	68	37
Accrued revenue	192	503
	260	540
<b>20 Trade and other payables</b>		
Trade payables	2,649	3,240
Accrued expenses	1,303	1,864
Fringe Benefits Tax payable	16	20
	3,968	5,124

**21 Provisions**

**2014**

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
	2,000	1,040	344	2,400	3,475	9,259
	1,217	411	128	340	-	2,096
	(1,090)	(376)	(105)	(248)	(40)	(1,859)
	-	-	-	-	139	139
	2,127	1,075	367	2,492	3,574	9,635

**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



**21 Provisions (continued)**

	Note	2014 \$'000	2013 \$'000
<b>(a) Employee entitlements provision</b>			
<b>(i) Current</b>			
Annual leave		2,127	2,000
Sick leave		1,075	1,040
Long service leave		782	806
<i>Other provisions</i>			
Employment on-costs:		198	191
Payroll tax		4,182	4,037
<b>(ii) Non-current</b>			
Long service leave		1,710	1,594
<i>Other provisions</i>			
Employment on-costs:		169	153
Payroll tax		1,879	1,747
Aggregate carrying amount of employee entitlements:			
Current		4,182	4,037
Non-current		1,879	1,747
		6,061	5,784
The following assumptions were adopted in measuring the present value of employee entitlements:			
Weighted average increase in employee costs		2.90%	3.00%
Weighted average discount rates		3.35%	2.81%
Weighted average settlement period		11	11
<b>(i) Current</b>			
All annual leave, sick leave and the long service leave entitlements representing 10 or more years			
– short-term employee entitlements, that fall due within 12 months after the end of the period measured at nominal value		2,449	3,252
– other long-term employee entitlements that do not fall due within 12 months after the end		1,535	712
		3,984	3,964
<b>(ii) Non-current</b>			
Long service leave representing less than 10 years of continuous service measured at present value		1,710	1,594
<b>(iii) Employee numbers</b>		363	376
<b>(b) Landfill restoration</b>			

Council operates a Landfill at Jackson Street that is deemed to have a further useful life of at least 9 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.

**21 Provisions (continued)**

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	2014 \$'000	2013 \$'000
<b>(c) Provision summary</b>			
<b>Current</b>			
Employee entitlements provision		4,182	4,037
<b>Non-current</b>			
Employee entitlements provision		1,879	1,747
Landfill restoration provision		3,574	3,475
		5,453	5,222
<b>22 Borrowings</b>			
Borrowings at the beginning of the year		9,061	14,706
New borrowings		-	-
Repayments		(890)	(5,645)
Borrowings at the end of the year		8,171	9,061
Current borrowings		1,103	890
Non-current borrowings		7,068	8,171
		8,171	9,061
<p>The loan portfolio owed by Council to Tascorp has been reviewed by Tascorp effective 30 June 2014. 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 \$8,451,360 (2013: \$9,245,837) compared to the actual value of \$8,170,564 (2013: \$9,060,884). 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		330	133
Later than one year and not later than five years		-	-
Later than five years		7,841	8,928
		8,171	9,061
<b>23 Other current liabilities</b>			
Trust monies held (Derwent Entertainment Centre)		14	16
Vehicle Funding Facility		945	194
Revenue received in advance		1,092	879
Refundable building deposits		281	281
Refundable contract deposits		255	235
Other refundable deposits		38	37
		2,625	1,642

	Note	2014 \$'000	2013 \$'000
<b>24 Other financial assets</b>			
Loans receivable			
Balance at the beginning of the financial year		-	2
Deduct loan principal payments made		-	(2)
Balance at the end of the financial year		-	-
<b>25 Investment in TasWater</b>			
Balance at the beginning of the year		198,436	198,474
Change in fair value of investment		-	-
Fair value adjustments on Available-for-Sale Assets		(38,536)	(38)
Balance at the end of the financial year	I (k)	159,900	198,436

Council has derived returns from TasWater as disclosed at Note 7.

At 30 June 2013, Council held a 21.50% ownership interest in Southern Water based on the Final Treasurer's Allocation Order in 2011. From 1 July 2013 a new State-wide water and sewerage corporation trading as "TasWater", commenced in accordance with the Water and Sewerage Corporation Act 2012. TasWater took over the water and sewerage services and assets previously operated by Ben Lomond Water, Cradle Mountain Water and Southern Water.

At 30 June 2014, Council held a 10.41% ownership interest in TasWater.

Council does not have significant influence to allow it to use the equity method to account for this interest.

**26 Property, infrastructure, plant and equipment**

**Reconciliation of Property, infrastructure, plant and equipment**

2014	Note	Carrying amount	Additions	Transfer between asset classes	Assets classified as Investment Property (note 35)	Disposals	Net revaluation adjustments (note 39)	Depreciation and amortisation (note 11)	Impairment losses recognised in profit or loss (a)	Carrying amount
		\$ '000								\$ '000
Roads	27	206,714	8,451	-	46	(1,281)	3,723	(8,911)	-	208,742
Stormwater and drainage	28	158,243	11,700	-	-	(241)	1,656	(2,741)	(726)	167,891
Land	29	52,098	110	215	1,040	(180)	-	-	-	53,283
Buildings and other land improvements	30	45,778	4,500	(24)	10	(39)	938	(2,454)	-	48,709
Plant and vehicles	31	1,008	1,172	-	-	(79)	-	(442)	-	1,659
Equipment and furniture	32	1,325	1,092	-	-	(5)	-	(169)	-	2,243
Valuation roll	33	169	-	-	-	-	-	(57)	-	112
		465,335	27,025	191	1,096	(1,825)	6,317	(14,774)	(726)	482,639

2013	Note	Carrying amount	Additions	Transfer between asset classes	Assets classified as Investment Property (note 35)	Disposals	Net revaluation adjustments (note 39)	Depreciation and amortisation (note 11)	Impairment losses recognised in profit or loss (a)	Carrying amount
		\$ '000								\$ '000
Roads	27	215,161	9,640	-	(946)	(1,011)	(7,196)	(8,934)	-	206,714
Stormwater and drainage	28	156,582	3,501	-	-	(820)	2,537	(3,557)	-	158,243
Land	29	53,378	358	(289)	(1,259)	(90)	-	-	-	52,098
Buildings and other land improvements	30	42,550	5,587	(298)	(150)	(85)	820	(2,646)	-	45,778
Plant and vehicles	31	795	503	-	-	(75)	-	(215)	-	1,008
Equipment and furniture	32	1,319	59	-	-	-	-	(53)	-	1,325
Valuation roll	33	226	-	-	-	-	-	(57)	-	169
		470,011	19,648	(587)	(2,355)	(2,081)	(3,839)	(15,462)	-	465,335

**(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	2014 \$'000	2013 \$'000
<b>27 Roads</b>			
At valuation (1 July 2012)		444,018	429,999
Less accumulated depreciation		(235,276)	(223,285)
Roads at fair value	26	208,742	206,714
<b>28 Stormwater and drainage</b>			
At valuation (1 July 2009)		333,594	312,516
Less accumulated depreciation		(164,977)	(154,273)
Less impairment expense		(726)	-
Stormwater and drainage at fair value	26	167,891	158,243
This financial year a provision for an impairment has been recognised for \$725,790. The impairment is based on the inspection and evaluation of Stormwater assets that were damaged during their construction.			
<b>29 Land</b>			
At valuation (30 June 2011)		53,283	52,098
Land at fair value	26	53,283	52,098
<b>30 Buildings and other land improvements</b>			
At valuation (1 July 2007)		107,366	100,355
Less accumulated depreciation		(58,657)	(54,577)
Buildings and other land improvements at fair value	26	48,709	45,778
<b>31 Plant and vehicles</b>			
At cost		2,925	2,035
Less accumulated depreciation		(1,266)	(1,027)
Plant and vehicles at fair value	26	1,659	1,008
<b>32 Equipment and furniture</b>			
At cost		7,586	6,564
Less accumulated depreciation		(5,343)	(5,239)
Equipment and furniture at fair value	26	2,243	1,325
<b>33 Valuation roll</b>			
At cost		339	339
Less accumulated amortisation		(227)	(170)
Valuation roll at cost	26	112	169
<b>Total property, infrastructure, plant and equipment</b>	26	482,639	465,335
<b>34 Other non-current assets</b>			
Capital works in progress		16,269	21,054
<b>35 Investment properties</b>			
Opening Balance as at 1 July		7,327	4,970
Transfer in		-	2,357
Transfer out		(1,096)	-
Closing balance at 30 June		6,231	7,327

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.

Note	2014 \$'000	2013 \$'000
<b>36 Commitments for expenditure</b>		
<b>(a) Operating lease commitments</b>		
At the reporting date, Council had the following obligations under non-cancellable operating leases (these obligations are not recognised as liabilities):		
Not later than one year	1,652	1,332
Later than one year and not later than five years	2,574	2,894
Later than five years	40	262
	4,266	4,488
The Council leases motor vehicles and mobile plant and equipment under operating leases, expiring from 1–6 years. Leases generally provide the entity with a right of renewal at which time all terms are renegotiated.		
Lease payments are initially established based on expected operating criteria and may adjust depending upon material variations in such operating criteria.		
The Council leases office equipment under operating leases, expiring from 1–3 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.		
The Council leases office premises under operating leases, expiring from 1–2 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.		
<b>(b) Capital commitments</b>		
Capital expenditure contracted for at the reporting date but not recognised in the financial statements as liabilities:		
Property	11,639	12,879
Roads	1,373	1,622
Stormwater	3,078	7,678
	16,090	22,179
Not later than one year	15,112	18,912
Later than one year and not later than five years	978	3,267
Later than five years	-	-
	16,090	22,179

	Note	2014 \$'000	2013 \$'000
<b>37 Reconciliation of net surplus/(deficit) for the period to net cash from operating activities</b>			
Net surplus/(deficit)		(4,606)	5,528
<b>Items not involving cash</b>			
Depreciation expense	11	14,774	15,462
Impairment expense	28	726	-
Contributions - non-monetary assets	6	(1,987)	(3,475)
Carrying value of assets sold or retired	4	245	165
Assets written off		1,557	1,915
Sale of property, plant and equipment	4	(231)	(215)
Government grants and external contributions (capital)	5	(841)	(4,498)
Unwinding of discounts applied to provisions	14	139	-
<b>Changes in operating assets and liabilities</b>			
(Increase)/decrease in trade and other receivables		434	(998)
(Increase)/decrease in other current assets		280	(84)
(Increase)/decrease in inventories		(5)	(25)
Increase/(decrease) in trade and other payables		(1,156)	1,571
Increase/(decrease) in other current liabilities		983	490
Increase/(decrease) in employee entitlement provisions		277	248
<b>Net cash from operating activities</b>		<b>10,589</b>	<b>15,814</b>
<b>38 Contingent liabilities</b>			
There are no contingent liabilities.			

**39 Reserves**

	Balance at beginning of year		Transfers to reserves		Transfers from reserves		Balance at end of year	
	1-Jul-13 \$ '000	1-Jul-12 \$ '000	2014 \$ '000	2013 \$ '000	2014 \$ '000	2013 \$ '000	30-Jun-14 \$ '000	30-Jun-13 \$ '000
<b>Revenue reserves</b>								
Asset sales	2,196	2,998	-	-	(146)	(802)	2,050	2,196
Car parking	372	356	28	16	-	-	400	372
City revaluation	205	100	107	105	-	-	312	205
Irregular operating expenses	96	25	4	71	-	-	100	96
Landfill future close out costs	1,124	1,075	295	49	-	-	1,419	1,124
Landfill plant and equipment	1	1	-	-	-	-	1	1
Property, plant and equipment	141	135	-	6	(26)	-	115	141
Public open space	474	453	54	21	-	-	528	474
Incomplete works	24,335	21,602	-	2,733	(6,491)	-	17,844	24,335
Community based programs	(24)	174	-	-	(267)	(198)	(291)	(24)
Strategic Asset Management Group Capital	149	111	268	38	-	-	417	149
	29,069	27,030	756	3,039	(6,930)	(1,000)	22,895	29,069
<b>Fair value reserve</b>								
Investment in TasWater revaluation reserve	1,532	1,570	-	-	(38,536)	(38)	(37,004)	1,532
	1,532	1,570	-	-	(38,536)	(38)	(37,004)	1,532
<b>Asset revaluation reserves</b>								
Asset revaluation reserve – roads								
Asset revaluation reserve – buildings and other land improvements	17,572	16,752	1,167	820	(229)	-	18,510	17,572
Asset revaluation reserve – land	44,690	44,690	-	-	-	-	44,690	44,690
Asset revaluation reserve – stormwater and drainage	91,484	88,947	1,656	2,537	-	-	93,140	91,484
Asset revaluation reserve – plant and vehicles	2,822	2,822	-	-	-	-	2,822	2,822
Asset revaluation reserve – furniture and equipment	867	867	-	-	-	-	867	867
	303,974	307,813	7,340	3,357	(1,023)	(7,196)	310,291	303,974
<b>Total revenue and asset revaluation reserves</b>	334,575	336,413	8,096	6,396	(46,489)	(8,234)	296,182	334,575



**39 Reserves (continued)**

**Nature and purpose of reserves:**

**Revenue reserves**

The Car parking, Public open space and Community based programs revenue reserves reflect the statutory or third party compulsory contributions that are required to be expended for specific purposes as part of the statutory or third party agreements in future periods. On that basis, a portion of the operating result must be set aside in these reserves. The City revaluation reserve represents funds set aside to undertake a city wide revaluation as authorised by the Valuer General. This revaluation occurs every 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 TasWater.

**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 (g)).

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.

**40 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 \$2 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	2014 \$'000	2013 \$'000
	Nil	Nil
	Nil	Nil
	2,000	1,000
	280	280

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

<b>Financial instruments</b>	<b>Accounting policy</b>	<b>Terms and conditions</b>
<b>Financial assets</b>		
<b>Cash and cash equivalents</b>	Comprises cash on hand and cash in bank.  Investments are held to maximise interest returns on surplus cash.  Interest revenues are recognised as they accrue.	On call deposits returned an average interest rate of 2.91% (2013: 3.81%). The interest rate at balance date was 2.40% (2013: 2.65%).  The weighted average interest rate received for investments was 3.45% (2013: 4.03%).
<b>Trade and other receivables</b>		
<b>Receivables rates and charges</b>	Rates are carried at nominal amounts due plus interest. Rate debts are a charge attached to the rateable land and are recoverable on sale, therefore, no allowance for doubtful debts is made. Interest rates are reviewed annually.	Rates are payable by 2 instalments during the year. Arrears, including deferred rates, attract interest. The interest rate was 9.35% (2013: 9.97%) at balance date for general rates.
<b>Receivables other</b>	Receivables are carried at nominal amounts due less any allowance for doubtful debts. An allowance for doubtful debts is recognised when collection in full is no longer probable.  Collectability of overdue accounts is assessed on an ongoing basis.	General debtors are unsecured.
<b>Financial liabilities</b>		
<b>Deposits</b>	Deposits are lodged by organisations and individuals when performing work 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.	
<b>Payables</b>	Liabilities are recognised for amounts to be paid in the future for goods and services provided to Council as at balance date, whether or not invoices have been received.	General creditors are unsecured, not subject to interest charges and are normally settled within specific trading terms or 30 days, whichever is earlier.
<b>Interest-bearing loans and borrowings</b>	Loans are carried at amortised cost. Interest is accrued over the period it becomes due and recognised as part of payables.	All loans are secured against the future rate revenue of Council. The weighted average interest rate on borrowings was 5.19% (2013: 5.34%).

**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.

**41 Financial instruments (continued)**

**(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		Non-bearing \$'000		Total \$'000	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
<b>Financial assets</b>												
<i>Variable interest rate</i>												
Cash and cash equivalent assets	3.47%	4.03%	31,418	40,904							31,418	40,904
<i>Non-interest bearing</i>												
Cash and cash equivalent assets			49	62							49	62
Trade and other receivables			800	1,824							800	1,824
Investment in TasWater							159,900	198,436			159,900	198,436
<i>Fixed interest rate</i>												
Trade and other receivables (rates and charges)	9.35%	9.97%	592	537							592	537
<b>Total</b>			32,859	43,327	-	-	159,900	198,436	-	-	192,759	241,763
<b>Financial liabilities</b>												
<i>Non-interest bearing</i>												
Trade and other payables			3,968	5,124							3,968	5,124
Other current liabilities			2,625	1,642							2,625	1,642
<i>Fixed interest rate</i>												
Borrowings:												
- Not later than one year	3.49%	6.42%	330	133							330	133
- Later than one year and not later than five years												
- Later than five years	5.26%	5.33%			7,841	8,928					7,841	8,928
<b>Total</b>			6,923	6,899	-	-	-	8,928	-	-	14,764	15,827
<b>Net financial assets/(liabilities)</b>												
											177,995	225,936

**41 Financial instruments (continued)****(c) Fair value**

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	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
<b>(1) Financial Assets</b>				
Cash and cash equivalents	31,467	40,966	31,467	40,966
Investment in TasWater	159,900	198,436	159,900	198,436
Trade and other receivables	1,927	2,361	1,927	2,361
<b>Total Financial Assets</b>	<b>193,294</b>	<b>241,763</b>	<b>193,294</b>	<b>241,763</b>
<b>(2) Financial Liabilities</b>				
Trade and other payables	3,968	5,124	3,968	5,124
Interest bearing loans and borrowings	8,171	9,061	8,451	9,246
Other liabilities	2,625	1,642	2,625	1,642
<b>Total Financial Liabilities</b>	<b>14,764</b>	<b>15,827</b>	<b>15,044</b>	<b>16,012</b>

**(d) Credit risk**

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

**(e) Risks and mitigation****Financial risk management**

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

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

**Capital risk management**

Council manages its capital to ensure that Council will be able to continue as a going concern while still being able to meet the needs of the community through the optimisation of debt and equity balance. The capital structure of Council consists of debt, which includes the borrowings disclosed in note 22, cash and cash equivalents disclosed in note 15 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.

**41 Financial instruments (continued)**

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 +0.25% and -0.25% in market interest rates (AUD) from year end rates of 2.40%.

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

**41 Financial instruments (continued)**  
**2014**

	Interest Rate Risk				
	Carrying amount subject to interest	-0.25% (25 basis points)		0.25% (25 basis points)	
		Profit	Equity	Profit	Equity
<b>Market Risk Exposure</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Financial Assets:</b>					
Cash and cash equivalents	31,418	(79)	(79)	79	79
Trade and other receivables	592	(1)	(1)	1	1

**2013**

	Interest Rate Risk				
	Carrying amount subject to interest	-0.50% (50 basis points)		0.50% (50 basis points)	
		Profit	Equity	Profit	Equity
<b>Market Risk Exposure</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Financial Assets:</b>					
Cash and cash equivalents	40,904	(205)	(205)	205	205
Trade and other receivables	537	(3)	(3)	3	3

**(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.

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<b>30 June 2014</b>				
Available for sale financial assets	-	-	159,900	159,900
<b>Total</b>	-	-	<b>159,900</b>	<b>159,900</b>

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

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

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

<b>(ii) Reconciliation of Level 3 Fair Value Movements</b>	<b>2014 \$'000</b>	<b>2013 \$'000</b>
<b>Opening balance</b>		
Investment on transfer of assets	198,436	198,474
<i>Gain (losses) recognised in other comprehensive income:</i>		
Change in fair value of investment in TasWater	(38,536)	(38)
<b>Closing balance</b>	<b>159,900</b>	<b>198,436</b>

**42 Register of interests**

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

\* Declaration not received.

<b>43 Remuneration of Aldermen</b>	<b>2014</b>	<b>2013</b>
	<b>\$</b>	<b>\$</b>
Total allowances paid to the Mayor, Deputy Mayor and Aldermen	404,284	379,253
Total expenses paid to all Aldermen	26,938	21,739
	<u>431,222</u>	<u>400,992</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.

**44 Remuneration of Key Management Personnel holding senior positions**

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

	<b>2014</b>	<b>2013</b>
\$200,001–\$250,000	1	1
\$150,001–\$200,000	5	4

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.

**45 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 2013/2014 were as follows:

	<b>Income</b>	<b>Expenditure</b>	<b>Net result</b>	<b>Cash at bank</b>
	<b>2014</b>	<b>2014</b>	<b>2014</b>	<b>30 June</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>2014</b>
				<b>\$'000</b>
Glenorchy Brass Band	26	31	(5)	5

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



#### 46 Superannuation

Council makes superannuation contributions for a number of its employees to the Quadrant Defined Benefits Fund (the Fund), which is a sub fund of the Quadrant Superannuation Scheme (the Scheme). The Quadrant 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 34 of AASB 119 *Employee Benefits*, Council does not use defined benefit accounting for these contributions.

For the year ended 30 June 2014 Council contributed 10.5% 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 is 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 7.0% 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 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 financial position the Fund 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*.

As required in terms of paragraph 148 of AASB 119 *Employee Benefits*, Council discloses the following details:

1. The 2011 actuarial review used a funding method that sets the level of Council contributions targeting a margin of 10% in the value of Fund assets over the total of members' vested benefits over the medium to longer term.

The funding method used was the same as the method used at the previous actuarial review in 2008. Under the target funding method of financing the benefits, the stability of the Councils' contributions over time depends on how closely the Fund's actual experience matches the expected experience. If the actual experience differs from that expected, the Councils' contribution rate may need to be adjusted accordingly to ensure the Fund remains on course towards its financing target.

2. In terms of Clause 1.9.2 of the Scheme Trust Deed, there is a risk that employers within the Fund may incur an additional liability when an Employer ceases to participate in the Fund at a time when the assets of the Fund are less than members' vested benefits. Each member of the Fund who is an employee of the Employer who is ceasing to Participate is required to be provided with a benefit at least equal to their vested benefit in terms of Clause 1.9.2(b). However in terms of Clause 1.9.2 (d), the only contributions that can be sought from the Employer and its employee Members are any arrears of contributions. This issue can be resolved by the Trustee seeking an Actuarial Certificate in terms of Clause 1.22.2(a) requiring the Employer to make good any shortfall before the cessation of participation is approved.

**46 Superannuation (continued)**

Clause 1.22.2(b) specifically provides that employers participating in the Fund will not be liable for the obligations of other Employers in other funds within the Scheme.

3. The application of Fund assets on the Fund or the Scheme being wound-up is set out in Clause 1.21.3. This Clause provides that expenses, pensions in payment and the Superannuation Guarantee benefits of other members should have first call on the available assets. Additional assets will initially be applied proportionately to providing Member's benefits in respect of completed service. If additional assets are available they are applied to increasing members' benefits.

The Trust Deed does not contemplate the Fund withdrawing from the Scheme. However it is likely that Clause 1.9.2 would be applied in this case (as detailed above).

4. The Fund is a defined benefit fund.
5. The Quadrant 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. Thus the Fund is not able to prepare standard AASB119 defined benefit reporting.
6. During the reporting period the amount of contributions paid to defined benefits schemes was \$230,924 (2013, \$207,066), and the amount paid to accumulation schemes was \$2,000,131 (2013, \$1,912,952).
- 7 During the next reporting period the expected amount of contributions to be paid to defined benefits schemes is \$233,799 and the amount to be paid to accumulation schemes is \$2,061,957.
8. As reported on the first page of this note, Assets exceeded accrued benefits as at the date of the last actuarial review, 30 June 2011. Favourable investment returns, since that date, make it quite probable that this is still the position. The financial position of the Fund will be fully investigated at the actuarial review as at 30 June 2014.
9. An analysis of the assets and vested benefits of funds participating in the Scheme, prepared by Bendzulla Actuarial Pty Ltd as at 30 June 2013, showed that the Fund had assets of \$61.5 million and members' Vested Benefits were \$54.2 million. These amounts represented 9.8% and 8.7% respectively of the corresponding total amounts for the Scheme.

**47 Grants, donations and bursaries**

<b>Details</b>	<b>\$</b>
Claremont College Bursaries – Cash	1,410
Glenorchy City Concert Brass Band Donation – Cash	7,500
The Lions Club of Glenorchy – Cash	5,050
Various minor contributions to community organisations – Cash (below \$1,000)	9,082
	<u>23,042</u>
 <b>In-kind contributions</b>	
Aardvark Adventures – In-kind	3,000
Anglicare – Rental subsidy	16,171
Chigwell Community Garden – In-kind	2,165
Civic Centre – Rental subsidy	10,400
Claremont RSL War Memorial – in-kind	1,000
Design work for KGV Practice Wickets and Cricket Entry Gates	2,500
Gerard Street Reserve (Arrogone Archers Inc) – Rental subsidy	3,810
Glenorchy City Concert Brass Band – In-kind	3,710
Glenorchy Football Club Grandstand – Rental subsidy	10,300
Glenorchy Historical Society – In-kind	1,340
Ground hire discount to encourage junior sports – Licence subsidy	6,590
Membership & Support of the KGV Sports & Community Facility Redevelopment – In-kind	5,000
Model Makers & Collectors – Rental subsidy	5,150
Provision of Signs & Leaflets for various community organisations	1,000
Tasmanian Transport Museum – Rental subsidy	5,150
Waiving of Landfill fees for various community organisations	7,121
Waiving of Building & Plumbing fees for various community organisations	2,390
West Moonah Community Garden – In-kind	2,195
Various minor contributions to community organisations – In-kind (below \$1,000)	1,541
	<u>90,533</u>

**48 Significant business activities**

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

**49 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	<b>2013/14</b>	<b>39,338</b>	<b>20,194</b>	<b>193,852</b>
	2012/13	43,515	18,926	242,585
Public order, fire and safety	<b>2013/14</b>	<b>746</b>	<b>944</b>	<b>228</b>
	2012/13	615	993	150
Community and public health	<b>2013/14</b>	<b>190</b>	<b>596</b>	<b>187</b>
	2012/13	197	623	110
Welfare	<b>2013/14</b>	<b>1,939</b>	<b>2,749</b>	<b>519</b>
	2012/13	4,985	3,951	312
Nursing homes/aged care	<b>2013/14</b>	<b>-</b>	<b>2</b>	<b>187</b>
	2012/13	422	488	110
Housing	<b>2013/14</b>	<b>4</b>	<b>288</b>	<b>187</b>
	2012/13	-	316	110
Community amenities	<b>2013/14</b>	<b>-</b>	<b>-</b>	<b>187</b>
	2012/13	-	-	110
Household garbage/protection of the environment	<b>2013/14</b>	<b>5,762</b>	<b>3,354</b>	<b>-</b>
	2012/13	5,341	3,643	-
Other protection of the environment/biodiversity	<b>2013/14</b>	<b>1,090</b>	<b>3,928</b>	<b>173,686</b>
	2012/13	1,588	4,756	165,502
Community and regional development	<b>2013/14</b>	<b>984</b>	<b>2,080</b>	<b>187</b>
	2012/13	706	2,020	110
Recreation facilities and services	<b>2013/14</b>	<b>1,673</b>	<b>8,512</b>	<b>118,211</b>
	2012/13	1,261	8,158	116,772
Cultural facilities and services	<b>2013/14</b>	<b>512</b>	<b>1,192</b>	<b>187</b>
	2012/13	527	991	110
Road, bridge and street infrastructure	<b>2013/14</b>	<b>1,484</b>	<b>14,189</b>	<b>214,538</b>
	2012/13	4,605	13,395	213,973
Road, plant, parking and other road transport	<b>2013/14</b>	<b>-</b>	<b>-</b>	<b>560</b>
	2012/13	-	-	351
Other economic affairs	<b>2013/14</b>	<b>-</b>	<b>23</b>	<b>187</b>
	2012/13	12	8	110
Other purpose	<b>2013/14</b>	<b>209</b>	<b>486</b>	<b>-</b>
	2012/13	187	165	-
<b>Total</b>	<b>2013/14</b>	<b>53,931</b>	<b>58,537</b>	<b>702,903</b>
	2012/13	63,961	58,433	740,415

**49 Functions/activities of the Council (continued)****Reconciliation of Assets from Note 49 with the Statement of Financial Position at 30 June:**

	<b>2014</b>	<b>2013</b>
	<b>\$'000</b>	<b>\$'000</b>
Current assets	37,864	48,263
Non-current assets	665,039	692,152
	<u>702,903</u>	<u>740,415</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.

**50 Management indicators**

	Benchmark	2014 \$'000	2013 \$'000	2012 \$'000	2011 \$'000
<b>(a) Underlying surplus or deficit</b>					
Recurrent income*		50,762	55,799	53,420	51,501
Less recurrent expenditure		56,327	58,433	56,930	54,492
Underlying surplus/deficit	> \$0	(5,565)	(2,634)	(3,510)	(2,991)

\*Recurrent income excludes income received specifically for new or upgraded assets, physical resources received free of charge or other income of a capital nature.

**(b) Underlying surplus ratio**

Underlying surplus or deficit		(5,565)	(2,634)	(3,510)	(2,991)
Recurrent income*		50,762	55,799	53,420	51,501
Underlying surplus ratio %	2.5% - 5.0%	-11%	-5%	-7%	-6%

This ratio serves as an overall measure of financial operating effectiveness.

Council's underlying surplus/deficit ratios reflect deficits in all four years. The negative ratios indicate that Council did not generate sufficient revenue to fulfil its operating requirements. 2014 reflects lower distributions from the TasWater investment. Council is committed to break even by 2016/17, which is supported by several reviews targeting service levels and service efficiencies.

**(c) Net financial liabilities**

Liquid assets		33,585	43,830	54,284	27,418
Less total liabilities		24,399	25,086	26,019	20,537
Net financial liabilities	> \$0	9,186	18,744	28,265	6,881

This measure shows whether Council's total liabilities can be met by its liquid assets. An excess of total liabilities over liquid assets means that, if all liabilities fell due at once, additional revenue would be needed to fund the shortfall.

Council recorded positive net financial liabilities ratios with liquid assets in excess of current and non-current liabilities over the four year period under review. These positive ratios indicate a strong liquidity position, with Council able to meet its existing commitments.

**(d) Net financial liabilities ratio**

Net financial liabilities		9,186	18,744	28,265	6,881
Recurrent income*		50,762	55,799	53,420	51,501
Net financial liabilities ratio %	<(25%)	18%	34%	53%	13%

This ratio indicates the net financial obligations of Council compared to its recurrent income.

Council recorded positive ratios with liquid assets in excess of financial liabilities. The declining trend reflects Councils reducing cash balances that has included capital grant funding for projects close to being completed.

**50 Management indicators (continued)**

	<b>Benchmark</b>	<b>2014 \$'000</b>	<b>2013 \$'000</b>	<b>2012 \$'000</b>	<b>2011 \$'000</b>
<b>(e) Asset consumption ratio</b>					
An asset consumption ratio has been calculated in relation to each asset class required to be included in the long-term strategic asset management plan of Council.					
<i>Roads</i>					
Depreciated replacement cost		208,742	206,714	215,161	207,336
Current replacement cost		444,018	429,999	435,986	414,373
Asset consumption ratio %	40-60%	47%	48%	49%	50%
<i>Buildings and other land improvements</i>					
Depreciated replacement cost		48,709	45,778	42,550	37,875
Current replacement cost		107,366	100,355	94,745	82,424
Asset consumption ratio %	40-60%	45%	46%	45%	46%
<i>Stormwater and drainage</i>					
Depreciated replacement cost		167,891	158,243	156,582	153,437
Current replacement cost		333,594	312,516	305,356	294,257
Asset consumption ratio %	40-60%	50%	51%	51%	52%

This ratio indicates the level of service potential available in Council's existing asset base.

All classes reported above are within the target range.

**(f) Asset renewal funding ratio**

An asset renewal funding ratio has been calculated in relation to each asset class required to be included in the long-term strategic asset management plan of Council.

<i>Roads</i>					
Projected capital funding outlays**		102,183	95,706	88,167	88,537
Projected capital expenditure funding***		102,183	95,706	112,970	98,545
Asset renewal funding ratio %	90-100%	100%	100%	78%	90%
<i>Buildings and other land improvements</i>					
Projected capital funding outlays**		20,414	24,441	20,340	23,910
Projected capital expenditure funding***		20,414	24,441	26,062	26,613
Asset renewal funding ratio %	90-100%	100%	100%	78%	90%
<i>Stormwater and drainage</i>					
Projected capital funding outlays**		15,384	35,803	35,469	31,700
Projected capital expenditure funding***		15,384	35,803	45,415	35,284
Asset renewal funding ratio %	90-100%	100%	100%	78%	90%

\*\*Current value of projected capital funding outlays for an asset identified in Council's long-term financial plan.

\*\*\*Value of projected capital expenditure funding for an asset identified in Council's long-term strategic asset management plan.

This ratio measures Council's capacity to fund future asset replacement requirements.

Council's funding for Roads has been within the target range three out of the four years, due to comprehensive reviews undertaken for this class. The Building and other land improvements and Stormwater and drainage classes have similar comprehensive reviews scheduled, which should see projected funding and projected capital expenditure more closely align.

**50 Management indicators (continued)**

	Benchmark	2014 \$'000	2013 \$'000	2012 \$'000	2011 \$'000
<b>(g) Asset sustainability ratio</b>					
Capital expenditure on replacement/ renewal of existing assets		9,602	9,084	6,975	6,985
Annual depreciation expense		14,774	15,462	14,747	14,506
Asset sustainability ratio %	100%	65%	59%	47%	48%

This ratio indicates whether Council is maintaining operating capacity through renewal of their existing asset base.

The ratio trend over the last four years reflects the current long-term strategy to maintain replacement and renewal capital programs for the long-term sustainability of the city assets.

Asset class	Capital renewal expenditure \$'000	Capital new/ upgrade expenditure \$'000	Capital new/upgrade expenditure \$'000
Land	-	-	-
Buildings and other land improvements	618	2,627	3,245
Roads	8,277	691	8,968
Stormwater and drainage	155	5,914	6,068
Other	553	1,613	2,166
Total	9,602	10,845	20,447

**51 Fair value measurements**

Council measures and recognises the following assets at fair value on a recurring basis:

- Investment in TasWater
- Investment properties
- Property, infrastructure plant and equipment
  - Buildings and other land improvements
  - Equipment and furniture
  - Land
  - Plant and vehicles
  - Roads
  - Stormwater and drainage
  - Valuation roll

Council does not measure any liabilities at fair value on a recurring basis.

Council also has assets measured at fair value on a non-recurring basis as a result of being reclassified as assets held for sale. This asset category comprises land as disclosed in note 18. A description of the valuation techniques and the inputs used to determine the fair value of this land is included below under the heading 'Land held for sale'.

**(a) Fair value hierarchy**

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

Level 1	Unadjusted quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date.
Level 2	Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
Level 3	Unobservable inputs for the asset or liability.



**51 Fair value measurements (continued)**

The table below shows the assigned level for each asset and liability held at fair value by the Council. The table presents the Council's assets and liabilities measured and recognised at fair value at 30 June 2014. Comparative information has not been provided as allowed by the transitional provisions of AASB 13.

The fair values of the assets are determined using valuation techniques which maximise the use of observable data, where it is available, and minimise the use of entity specific estimates. If one or more of the significant inputs is not based on observable market data, the asset is included in level 3. This is the case for Council infrastructure assets, which are of a specialist nature for which there is no active market for similar or identical assets. These assets are valued using a combination of observable and unobservable inputs.

As at 30 June 2014	Note	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<b>Recurring fair value measurements</b>					
Investment in TasWater	25			159,900	159,900
Investment properties	35			6,231	6,231
Buildings and other land improvements	30			107,366	107,366
Equipment and furniture	32			7,586	7,586
Land	29		53,283		53,283
Plant and vehicles	31			2,925	2,925
Roads	27			444,018	444,018
Stormwater and drainage	28			333,594	333,594
Valuation roll	33			339	339
		-	53,283	1,061,959	1,115,242
<b>Non-recurring fair value measurements</b>					
Assets held for sale	18		3,725	322	
		-	3,725	322	

**Transfers between levels of the hierarchy**

There were no transfers between levels 1 and 2 during the year, nor between levels 2 and 3.

**(b) Highest and best use**

All assets valued at fair value in this note are being used for their highest and best use.

**(c) Valuation techniques and significant inputs used to derive fair values.**

Council adopted AASB 13 *Fair Value Measurement* for the first time this financial year and has reviewed each valuation to ensure compliance with the requirements of the new standard.

**Investment property and Investment in TasWater**

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 transactions in the same location and condition and subject to similar leases. Council's investment in TasWater is valued at its fair value at balance date. Fair value is determined by Council's ownership interest against TasWater's net asset value at balance date.

**Land**

Land fair values were determined by the Valuer General effective 30 June 2011.

**Land held for sale**

Land classified as held for sale during the reporting period was measured at the lower of its carrying amount and fair value less cost to sell at the time of reclassification. The fair value of the land was determined using the approach described in the preceding paragraph.

**Land under roads**

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, the average land size and the average value, of the surrounding lots in the immediate area.

## 51 Fair value measurements (continued)

### Buildings and other land improvements

The fair value of buildings including buildings of a specialist nature (eg heritage buildings) were determined by a qualified independent valuer effective 1 July 2007. The most significant input into this valuation approach was price per square metre.

In determining the level of accumulated depreciation the asset has been disaggregated into significant components which exhibit useful lives. Allowance has been made for the typical asset life cycle and renewal treatments of each component, residual value at the time the asset is considered to be no longer available for use.

While the unit rates based on square metres can be supported by market evidence (level 2), the estimates of residual value and useful life that are used to calculate accumulated depreciation comprise unobservable inputs (level 3). Where these other inputs are significant to the valuation the overall valuation has been classified as level 3. The table at (d) below summarises the effect that changes in the most significant unobservable inputs would have on the valuation.

### Infrastructure assets

All Council infrastructure assets were fair valued using written down current replacement cost. This valuation comprises the asset's current replacement cost (CRC) less accumulated depreciation calculated on the basis of such cost to reflect the already consumed or expired future economic benefits of the asset. Council first determined the gross cost of replacing the full service potential of the asset and then adjusted this amount to take account of the expired service potential of the asset.

CRC was measured by reference to the lowest cost at which the gross future economic benefits of the asset could currently be obtained in the normal course of business. The resulting valuation reflects the cost of replacing the existing economic benefits based on an efficient set of modern equivalent assets to achieve the required level of service output.

The unit rates (labour and materials) and quantities applied to determine the CRC of an asset or asset component were based on a "Greenfield" assumption meaning that the CRC was determined as the full cost of replacement with a new asset including components that may not need to be replaced, such as earthworks.

The level of accumulated depreciation for infrastructure assets was determined based on the age of the asset and the useful life adopted by Council for the asset type. Estimated useful lives and residual values are disclosed in Note 1(f).

The calculation of CRC involves a number of inputs that require judgement and are therefore classed as unobservable. While these judgements are made by qualified and experienced staff, different judgements could result in a different valuation. The table at (d) below summarises the effect that changes in the most significant unobservable inputs would have on the valuation.

The methods for calculating CRC are described under individual asset categories below.

#### *Roads, including footpaths & cycleways*

Council categorises its road infrastructure into urban and rural roads and then further sub-categorises these into sealed and unsealed roads. Urban and rural roads are managed in segments. These segments are based on intersections. An intersection is where a road intersects with another road. All road segments are then componentised into formation, pavement, sub-pavement and seal (where applicable). Council assumes that environmental factors such as soil type, climate and topography are consistent across each segment. Council also assumes a segment is designed and constructed to the same standard and uses a consistent amount of labour and materials.

CRC is based on the road area multiplied by a unit price; the unit price being an estimate of labour and material inputs, services costs, and overhead allocations. Council assumes that pavements for high traffic areas that were constructed after 1984 are constructed to depths of 40cm. All other pavements are constructed to depths of 20cm or less. For internal construction estimates, material and services prices are based on existing supplier contract rates or supplier price lists, and labour rates are based on Council's Enterprise Bargaining Agreement (EBA) with a percentage provision for any other employee on costs.

#### *Bridges*

A full valuation of bridge assets was undertaken by independent valuers, AusSpan, effective 30 June 2014. Each bridge is assessed individually and componentised into sub-assets representing the deck and sub-structure. The valuation is based on the material type used for construction and the deck and sub-structure area.

#### *Stormwater and drainage*

A review of useful life for drainage infrastructure was undertaken by Council's Engineer and Asset Coordinator effective 30 June 2014. Similar to roads, drainage assets are managed in segments; pits and pipes being the major components.

Consistent with roads, Council assumes that environmental factors such as soil type, climate and topography are consistent across each segment and that a segment is designed and constructed to the same standard and uses a consistent amount of labour and materials.

CRC is based on the unit price for the type of asset component. For pipes, the unit price is multiplied by the asset's length. The unit price for pipes is based on the construction material as well as the depth the pipe is laid.

**51 Fair value measurements (continued)***Other Infrastructure*

Other infrastructure is not deemed to be significant in terms of Council's Statement of Financial Position.

**(d) Unobservable inputs and sensitivities**

Asset/liability category*	Carrying amount (at fair value) \$'000	Key unobservable inputs*	Expected range of inputs	Description of how changes in inputs will affect the fair value
Buildings and other land improvements	107,366.00	Combination of useful life and unit price per square metre	Refer Note 1(f)	The higher the useful life and unit price per square metre, the higher the fair value
Roads	444,018.00	Combination of useful life and unit price per square metre	Refer Note 1(f)	The higher the useful life and unit price per square metre, the higher the fair value
Stormwater and drainage	333,594.00	Combination of useful life and unit price per square metre	Refer Note 1(f)	The higher the useful life and unit price per square metre, the higher the fair value

\*There were no significant inter-relationships between unobservable inputs that materially affect fair values.

**(e) Changes in recurring level 3 fair value measurements**

The changes in level 3 assets with recurring fair value measurements are detailed in note 26 (Property, infrastructure, plant and equipment). There have been no transfers between level 1, 2 or 3 measurements during the year.

**(f) Valuation processes**

Council uses unit rates based on internal estimating software where available or a contracted rate when the internal information is not available. Where there is no basis to provide a rate from these two sources Rawlinson's Construction Cost Guide is used.

Council's current policy for the valuation of property, infrastructure, plant and equipment, investment properties and investment in TasWater (recurring fair value measurements) is set out in note 1(g), 1(k) and 1(m) respectively.

Non-recurring fair value measurements are made at the point of reclassification by a registered valuer.

**(g) Assets and liabilities not measured at fair value but for which fair value is disclosed**

Council has assets and liabilities which are not measured at fair value, but for which fair values are disclosed in other notes (refer note 41).

Council borrowings are measured at amortised cost with interest recognised in profit or loss when incurred. The fair value of borrowings disclosed in note 41 equates to the carrying amount as the carrying amount approximates fair value (Level 2).

The carrying amounts of trade receivables and trade payables are assumed to approximate their fair values due to their short-term nature (Level 2).



## Independent Auditor's Report

To the Aldermen of Glenorchy City Council

Financial Report for the Year Ended 30 June 2014

### 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 2014 and the statements of comprehensive income, statement of changes in equity and statement of 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 2014 and financial performance, cash flows and changes in equity for the year then ended
- (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 my judgement, including the assessment of risks of material misstatement of the financial report, whether due to fraud or error. In making those

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risk assessments, I considered 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 or the asset renewal funding ratio 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
- 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  
**Acting Auditor-General**

Hobart  
2 September 2014

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