

*Glenorchy
City Council*

Financial Statements

14/15

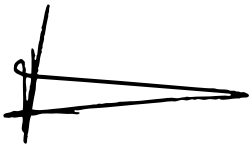
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2015 General Purpose Financial Report

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Certification of the Financial Report

I certify that this financial report presents fairly the financial position of the Glenorchy City Council as at 30 June 2015, 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: 20/8/2015

Statement of Profit or Loss and Other Comprehensive Income for the Year Ended 30 June 2015

	Note	2015 Budget \$'000	2015 Actual \$'000	2014 Actual \$'000
Income				
Recurrent income				
Rates	2	30,934	31,153	29,817
User charges and licences	3	10,769	10,942	9,917
Interest		1,023	1,119	1,249
Grants	5	3,047	4,408	2,130
Contributions – cash	6(a)	87	43	80
Investment income from TasWater	7	3,258	3,256	5,416
Other income	8	731	1,011	2,508
		49,849	51,932	51,117
Capital income				
Contributions – non-monetary assets	6(b)	–	4,519	1,987
Net gain/(loss) on disposal of property, infrastructure, plant and equipment	4	(128)	(1,993)	(14)
Capital grants received specifically for new or upgraded assets	5	448	1,640	841
		320	4,166	2,814
Total income		50,169	56,098	53,931
Expenses				
Employee benefits	9	21,180	21,884	19,680
Materials and services	10	16,813	16,070	14,965
Depreciation and amortisation	11(a)	16,224	15,250	14,774
State Fire Commission contribution	2	4,381	4,428	4,183
Finance costs	14	483	556	562
Assets written off	11(b)	170	2,017	1,557
Bad and doubtful debts	12	2	1	1,505
Impairment expense	18	–	152	726
Other expenses	13	576	632	585
Total expenses		59,829	60,990	58,537
Surplus/(deficit)		(9,660)	(4,892)	(4,606)
Other comprehensive income				
Items that will not be reclassified to surplus or deficit				
Net gain/(loss) on revaluation of property, plant and equipment	38	–	5,088	6,317
		–	5,088	6,317
Items that may be reclassified subsequently to surplus or deficit				
Financial assets available for sale reserve				
– Fair value adjustment on available for sale assets	38	–	1,284	(38,536)
		–	1,284	(38,536)
Total other comprehensive income		–	6,372	(32,219)
Total comprehensive result		(9,660)	1,480	(36,825)

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

Statement of Financial Position

As at 30 June 2015

	Note	2015 \$'000	2014 \$'000
Assets			
Current assets			
Cash and cash equivalents	15	22,692	31,467
Trade and other receivables	16	3,709	1,927
Inventories	17	158	163
Non-current assets classified as held for sale	18	1,461	4,047
Other current assets	19	255	260
Total current assets		28,275	37,864
Non-current assets			
Investment in TasWater	24	161,184	159,900
Property, infrastructure, plant and equipment	25	489,022	482,639
Investment properties	34	7,975	6,231
Other non-current assets	33	16,556	16,269
Total non-current assets		674,737	665,039
Total assets		703,012	702,903
Liabilities			
Current liabilities			
Trade and other payables	20	4,157	3,968
Provisions	21(d)	4,160	4,227
Borrowings	22	779	1,103
Other current liabilities	23	2,580	2,625
Total current liabilities		11,676	11,923
Non-current liabilities			
Provisions	21(d)	5,316	5,408
Borrowings	22	6,036	7,068
Total non-current liabilities		11,352	12,476
Total liabilities		23,028	24,399
Net assets		679,984	678,504
Equity			
Accumulated surpluses		378,479	382,322
Reserves	38	301,505	296,182
Total equity		679,984	678,504

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

Statement of Cash Flows for the Year Ended 30 June 2015

	Note	2015 \$'000	2014 \$'000
Cash flows from operating activities			
Rates		31,124	29,832
Operational government grants (inclusive of GST)		4,421	2,156
Contributions – cash		43	81
Interest		1,119	1,249
User charges and licences (inclusive of GST)		9,629	9,209
Other income (inclusive of GST)		1,941	3,606
Investment income from TasWater		3,256	5,416
Employee benefits		(22,203)	(19,408)
Materials and services (inclusive of GST)		(17,267)	(16,344)
Finance costs		(419)	(429)
Levies paid to State Government		(4,428)	(4,183)
Other payments (inclusive of GST)		(633)	(596)
Net cash provided by/(used in) operating activities	36	6,583	10,589
Cash flows from investing activities			
Government grants (capital)		1,640	841
Payments for property, plant and equipment		(17,933)	(20,316)
Proceeds from sale of non-current assets		2,291	230
Interest paid for capital works		-	47
Net cash flows provided by/(used in) investing activities		(14,002)	(20,039)
Cash flows from financing activities			
Repayment of interest bearing loans and borrowings		(1,356)	(890)
Net cash flows provided by/(used in) financing activities		(1,356)	(890)
Net increase/(decrease) in cash and cash equivalents		(8,775)	(9,499)
Cash and cash equivalents at the beginning of the financial year		31,467	40,966
Cash and cash equivalents at the end of the financial year	15	22,692	31,467
Financing arrangements	39		
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The above statement should be read in conjunction with the accompanying notes

Statement of Changes in Equity for the Year Ended 30 June 2015

	Note	Total equity \$'000	Accumulated surpluses \$'000	Asset revaluation reserve \$'000	Fair value reserve \$'000	Other revenue reserves \$'000
2015						
Balance at the beginning of the financial year		678,504	382,322	310,291	(37,004)	22,895
Comprehensive result		1,480	(4,892)	5,088	1,284	–
Transfers to reserves	38	–	(2,782)	–	–	2,782
Transfers from reserves	38	–	3,831	–	–	(3,831)
Balance at the end of the financial year		679,984	378,479	315,379	(35,720)	21,846
2014						
Balance at the beginning of the financial year		715,329	380,754	303,974	1,532	29,069
Comprehensive result		(36,825)	(4,606)	6,317	(38,536)	–
Transfers to reserves	38	–	(756)	–	–	756
Transfers from reserves	38	–	6,930	–	–	(6,930)
Balance at the end of the financial year		678,504	382,322	310,291	(37,004)	22,895

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 2015

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.

Statement of compliance

This financial report is a general purpose financial report that consists of a Statement of Profit or Loss and Other Comprehensive Income, Financial Position, Changes in Equity, Statement of Cash Flows, and notes accompanying these financial statements. The 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).

The financial report was certified by the General Manager on 20 August 2015.

Note 1 Significant accounting policies

(a) The local government reporting entity

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

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

(b) Basis of accounting

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

This financial report has been prepared under the historical cost convention, except where specifically stated in notes 1(f), 1(g), 1(j), 1(k), 1(l), 1(n), 1(q).

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 have been included in this financial report. All transactions between these entities

and Council have been eliminated in full. Details of entities not included in this financial report based on their materiality are detailed in note 44.

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 an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

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

Employee entitlements

Assumptions are utilised in the determination of Council's employee entitlement provisions. These assumptions are discussed in note 1(n) and note 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 45.

Fair value of property, plant & equipment

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

Investment in TasWater

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

Landfill Rehabilitation

Assumptions and judgements are utilised in determining Council's landfill close-down and restoration costs. These are discussed in note 21(c).

(c) Pending accounting standards

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2015 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 2018) 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.

However, investments in equity instruments can be designated as 'fair value through other comprehensive income' assets. This designation is irrevocable. Council is likely to designate its investment in TasWater as 'fair value through other comprehensive income' and therefore the adoption of this standard will not impact the way movements in the fair value are accounted for.

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 2014-4 Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation* (effective from 1 January 2016)

This amendment introduces a rebuttable presumption that the use of revenue-based amortisation methods for intangible assets is inappropriate. In addition to this, there is limited opportunity for presumption to be overcome and clarifies that revenue-based depreciation for property, plant and equipment cannot be used.

(iii) *AASB 2015-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101* (effective from 1 January 2016)

The amendments to AASB 101 do not require any significant change to current practice, but should facilitate improved reporting, including emphasis on only including material disclosures, clarity on the aggregation and disaggregation of line items, the presentation of subtotals, the ordering of notes and the identification of significant accounting policies.

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

(iv) *AASB 15 Revenue from Contracts with Customers, and AASB 2014-5 Amendments to Australian Accounting Standards arising from AASB 15* (effective from 1 January 2017). Under the new standard, a single model that applies to contracts with customers and two approaches to recognising revenue, at a point in time or over time is proposed. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognised. The new standard will apply to contracts of not-for-profit entities that are exchange contracts. AASB 1004 Contributions will continue to apply to non-exchange transactions until the Income from Transactions of Not-for-Profit Entities project is completed.

The adoption of this standard is not anticipated to have a material impact on the financial report.

(v) *AASB 2015-6 Amendments to Australian Accounting Standards – Extending Related Party Disclosures to Not-for-Profit Public Sector Entities* (effective from 1 January 2016)

The amendments extend the scope to AASB 124 *Related Party Disclosures* to include not-for-profit public sector entities.

(d) Revenue recognition

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

Rates, grants, and other revenue

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

Unreceived contributions over which Council has control are recognised as receivables.

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.

Operating leases as lessor

Council is a lessor and enters into agreements with a number of lessees. These include commercial and non-commercial agreements.

Where leases are non-commercial agreements, these are generally with not for profit, such as sporting, organisations. In these cases subsidised or peppercorn rents are charged because Council recognises part of its role is community service and community support. In these situations, Council records lease revenue on an accruals basis and records the associated properties as part of land and buildings within property, plant and equipment. Buildings are recognised at depreciated replacement cost.

Where leases are commercial agreements, but properties leased are part of properties predominantly used by Council for its own purposes, Council records lease revenue on an accruals basis and records the associated properties as part of land and buildings within property, plant and equipment. Buildings are recognised at depreciated replacement cost.

Where leases are commercial agreements, and properties leased are predominantly used for leasing to third parties, Council records lease revenue on an accruals basis and records the associated properties as investment property in accordance with AASB 140. These properties are recognised at fair value. These leases may include incentives which have not been

recognised in the statement of financial position, on the basis the amounts are unlikely to be material and could be reliably measured at balance date.

(e) Expense recognition

Expenses are recognised in the Statement of Profit or Loss and Other 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.

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

Nature/type of asset	Class of asset	Useful life (years)
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
Other infrastructure	Signalised or roundabout intersections	15 to 50
	Islands	35 to 50
	Car parks	5 to 60
	Infrastructure plant	5 to 75
Plant and vehicles	Fleet	3 to 5
	Mobile plant	5 to 20
	Minor plant	3 to 5
Transport	Road pavement surface	10 to 50
	Road pavement base	50 to 70
	Road pavement earthwork	100
	Kerb and channel	5 to 70
	Bridges	40 to 80
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

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 (2014: NIL).

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

(f) Recognition and measurement of assets

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

(g) Cash and cash equivalents

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

(h) Trade and other receivables

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

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

(i) Inventories

Inventories held for distribution are measured at cost adjusted when applicable for any loss of service potential. Other inventories are measured at the lower of cost and net realisable value. Costs are assigned by the method most appropriate to each particular class of inventory. Where inventories are acquired at no cost, or for nominal consideration, the cost shall be the current replacement cost as at the date of acquisition.

(j) Investment properties

Investment property, comprising car parking lots, is held to generate long-term rental yields. Investment property is measured initially at cost, including transaction costs. Costs incurred subsequent to initial acquisition are capitalised when it is probable that future economic benefit in excess of the originally assessed performance of the asset will flow to Council. Subsequent to initial recognition at cost,

investment property is carried at fair value. Changes to fair value are recorded in the Statement of Profit or Loss and Other Comprehensive Income in the period that they arise. Rental income from the leasing of investment properties is recognised in the Statement of Profit or Loss and Other Comprehensive Income on a straight line basis over the lease term.

(k) Non-current assets held for sale

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

(l) 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. At 30 June 2015, Council held a 10.41% (2014: 10.41%) ownership interest in TasWater which is based on schedule 2 of the Corporation Constitution which reflects the Council's voting rights. Any unrealised gains and losses are recognised through the Statement of Profit or Loss and Other Comprehensive Income to a Fair Value Reserve each year (refer note 38).

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.

(m) Impairment of assets

At each reporting date, Council reviews the carrying value of its assets to determine whether there is any indication that these assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the assets carrying value. Any excess of the assets carrying value over its recoverable amount is expensed to the Statement of Profit or Loss and Other Comprehensive Income, unless the asset is carried at the revalued amount in which case, the impairment loss is recognised directly against the

revaluation reserve in respect of the same class of asset to the extent that the impairment loss does not exceed the amount in the revaluation surplus for that same class of asset. For non-cash generating assets of Council such as roads, drains, public buildings and the like, value in use is represented by the deprival value of the asset approximated by its written down replacement cost.

(n) Provisions

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

Provisions – Employee entitlements

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

(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.

(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 Profit or Loss and Other 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 Profit or Loss and Other Comprehensive Income in each accounting period where material. The amortisation of the discount is shown as a finance cost.

(o) Leases**Finance leases**

Council has no finance lease obligations at 30 June 2015.

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 income statement on a straight line basis over the period of the lease. Council leases vehicles and plant and equipment, operating equipment and office premises. Refer to note 35.

Council leases several parcels of Crown land under lease agreements with the State Government. These leases, in general, do not reflect commercial arrangements, are long-term and have minimal lease payments. Crown land is recognised as an asset in the Statement of Financial Position and carried at fair value when Council establishes that (i) it has control over the land and (ii) it will derive economic benefits from it.

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(d).

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(f). 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(j).

(p) Payables

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

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

(q) Interest bearing liabilities

The borrowing capacity of Council is limited by the *Local Government Act 1993*. Interest bearing liabilities are initially recognised at fair value, net of transaction costs incurred. Subsequent to initial recognition, these liabilities are measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the Statement of Profit or Loss and Other Comprehensive Income over the period of the liability using the effective interest method.

(r) Taxation

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

Goods and Services Tax

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

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

Cash flows are presented 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.

(s) Allocation between current and non-current

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

(t) Comparative information

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

(u) Rounding

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

(v) Budget

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

(w) Contingent assets, contingent liabilities and commitments

Contingent assets and contingent liabilities are not recognised in the Statement of Financial Position, but are disclosed by way of a note and, if quantifiable, are measured at nominal value. Contingent assets and liabilities are presented inclusive of GST receivable or payable respectively.

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

Note	2015 \$'000	2014 \$'000
2 Rates		
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 2015 was \$344,076,287 (2014: \$341,638,121). The increase in AAV from 2014 to 2015 was due to 2nd round of adjustment factors that came in June 2015 but is effective as of 1 July 2015. The 2015 rate in the dollar was \$7.5713 (2014: \$7.3385).		
Rates charge	28,136	26,984
Interest charge	63	60
Penalty charge	201	202
Recovery of legal expenses	43	71
State Government charges and levies		
State Fire Commission contribution	4,428	4,183
Less Government subsidies	(1,718)	(1,683)
	31,153	29,817
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.		
3 User charges and licences		
Parent fees and childcare	605	590
Animal registration	372	343
Food related licences	86	91
Landfill fees	2,831	2,554
Building and plumbing application fees	205	144
Plumbing inspection fees	131	92
Plumbing assessment fees	115	85
Development advertising fees	57	48
Development application fees	211	212
Engineering assessment fees	19	3
Section 132 and 337 certificates	300	263
Service provider fees	11	18
Rental of sporting grounds	147	123
Revenue from reserves	8	10
Car parking rental	110	109
Other rental revenue	361	235
Tolosa Park hire	49	46
Parking enforcement	307	279
Kerbside recycling	1,636	1,534
Garbage collection/disposal	1,507	1,450
Recycling materials	36	50
Derwent Entertainment Centre food and beverage sales	242	198
Derwent Entertainment Centre commissions and recoveries	1,103	861
General fines and infringements	135	103
Fees and licences	12	33
Certificates of completion	104	80
Stratum application fee	10	13
Road opening permits	17	18
Permits	8	12

3 User charges and licences (continued)

	Note	2015 \$'000	2014 \$'000
Planning scheme amendments		3	9
Aerated wastewater treatment systems		45	44
Derwent Park Reuse sales		141	157
Other (items less than \$10,000)		18	110
		10,942	9,917

Ageing analysis of contractual receivables

Please refer to notes 16 and 40 for the ageing analysis of trade and other receivables.

4 Net gain/(loss) on disposal of property, infrastructure, plant and equipment

Proceeds from disposal of property, infrastructure, plant and equipment		2,292	231
Less carrying amount of property, infrastructure, plant and equipment		(4,285)	(245)
Net gain/(loss) on disposal of property, infrastructure, plant and equipment		(1,993)	(14)

During 2014/15 the sale of one property at 404–408 Main Road Glenorchy resulted in a combined net loss of over \$1 million.

5 Grants

Grants were received in respect of the following:

Summary of grants

Commonwealth funded grants		5,180	2,748
State funded grants		835	176
Others		33	47
		6,048	2,971

Grants – recurrent

Commonwealth Government Financial Assistance Grants – General Purpose		1,395	479
Commonwealth Government Financial Assistance Grants – Roads		2,130	680
Childcare Services		737	634
Arts and Cultural Development		100	4
Commonwealth Traineeship		-	10
Moonah Taste of the World		22	21
Youth and Safer Communities		11	13
National Binge Drinking Strategy		-	49
Claremont Cycling Facilities		-	22
Healthy Communities Initiative		-	134
Clearing the Smoke – Smoking Cessation Innovation		-	4
New Ideas		-	10
Glenorchy Flood Early Warning System & Evacuation Plan		-	7
26 Ten Literacy		-	50
Other		13	13
Total recurrent grants		4,408	2,130

5 Grants (continued)

The Australian Commonwealth Government provides Financial Assistance Grants to Council for general purpose use and the provision of local roads. In 2014/15 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.

Capital grants received specifically for new or upgraded assets

	Note	2015 \$'000	2014 \$'000
Blackspot		630	6
Department of Transport		433	448
Collinsvale Oval Redevelopment		69	-
Central Business District Revitalisation		250	-
Glenorchy Skate Park		250	-
Glenorchy Arts Sculpture Park – Stage 2		-	233
Glenorchy Arts Sculpture Park Ferry Adaptation		-	23
Local Government Energy Efficiency Program		-	24
Cadbury Sports Ground Cricket Net Replacement		-	26
Synthetic Bowls Green		-	80
Other		8	1
Total capital grants		1,640	841

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:

Central Business District Revitalisation		250	-
Glenorchy Skate Park		250	-
Arts and Cultural Development - Migrant Resource Centre		100	-
Collinsvale Oval Redevelopment		69	-
Glenorchy Arts Sculpture Park Ferry Adaptation		-	23
26 Ten Literacy		-	50
Total		669	73

5 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	2015 \$'000	2014 \$'000
Derwent Park Stormwater Reuse Project		1,033	3,387
Moonah Arts Centre Development		2,979	1,139
King George V Redevelopment		1,572	530
		5,584	5,056

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

(4,915)	(4,983)
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The balance of unexpended grants at the end of the reporting period is \$8,403,614, the majority of which are King George V Redevelopment, Derwent Park Stormwater Project and the Skate Park Relocation.

6 Contributions**(a) Cash**

Parking		-	15
Parks, open space and streetscapes		-	36
Recharge work contributions		43	29
		43	80

(b) Non-monetary assets

Land		760	-
Roads		668	927
Stormwater		2,694	1,060
Buildings		397	-
		4,519	1,987

A budget is not allocated to non-monetary assets as contributions are highly variable.

Total contributions

4,562	2,067
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7 Investment income from TasWater

Dividend income		2,402	3,709
Tax equivalent		601	1,429
Guarantee fee		253	278
		3,256	5,416

8 Other income

Sundry recoveries	12	-	1,498
Liquidated damages claim		145	82
Fuel Tax Credits		177	167
State Fire Commission contribution		35	31
Heavy vehicle motor tax		4	10
Donations		17	20
Immunisations		190	373
Contributions		72	76
Levy collection		-	49
Royalties		251	31
Refund		-	41
Mona GASP fun run		120	130
		1,011	2,508

	Note	2015 \$'000	2014 \$'000
9 Employee benefits			
Wages and salaries		21,650	21,967
Redundancies		2,028	-
Relief/casual staff		574	687
Fringe Benefits Tax		49	61
Other		21	30
		24,322	22,745
Less amounts capitalised		(2,438)	(3,065)
		21,884	19,680
Redundancies			
The following table represents payments made as a result of termination of employment due to the restructure.			
Former employees – redundancies		2015	2014
\$420,000 – \$439,999		1	-
\$400,000 – \$419,999		1	-
\$220,000 – \$239,999		1	-
\$200,000 – \$219,999		1	-
\$50,000 – \$69,999			
These redundancy payments may include:			
– current annual leave entitlements;			
– current long service leave entitlements;			
time in lieu owing;			
– three weeks pay for every completed year of service or part thereof;			
– an ex-gratia payment for long service leave (if no current entitlement owing) provided there has been five years of service; and			
– payment made for any motor vehicle entitlements.			
		2015	2014
		\$'000	\$'000
10 Materials and services			
Materials and services		5,045	5,245
Contract payments		8,953	7,878
Plant and equipment maintenance		244	199
Utilities		1,068	986
Consultants		760	657
		16,070	14,965
11 (a) Depreciation and amortisation			
Buildings and other land improvements		2,094	2,194
Plant and vehicles		375	442
Equipment and furniture		234	169
Transport		9,570	8,911
Stormwater and drainage		2,661	2,741
Valuation roll		56	57
Restoration costs		260	260
	25	15,250	14,774

	Note	2015 \$'000	2014 \$'000
(b) Assets written off			
Buildings and other land improvements		-	40
Transport		1,442	1,275
Stormwater and drainage		575	242
		2,017	1,557
12 Bad and doubtful debts			
Bad debts related to liquidated damages claim		-	1,498
Other		1	7
		1	1,505
During the 2013/14 financial year a major contractor for Council went into liquidation prior to completing the contracted works.			
13 Other expenses			
Land tax		469	433
External auditor's remuneration (Tasmanian Audit Office) – Financial statements audit		50	53
External auditor's remuneration (Tasmanian Audit Office) – Other financial audits		2	4
Internal auditor's remuneration (internal audit services – Deloitte)		87	72
Grants and specific purpose benefits		24	23
		632	585
14 Finance costs			
Interest		411	470
Less capitalised borrowing costs on qualifying assets		-	(47)
Unwinding of discounts applied to provisions		145	139
		556	562
Rate used to capitalise finance costs		0%	10%
15 Cash and cash equivalents			
Current investment funds		18,529	24,041
Operating account		4,042	7,372
Glenorchy City Concert Brass account		19	5
Petty cash floats		6	6
Derwent Entertainment Centre operating cash floats		49	24
Derwent Entertainment Centre Automatic Teller Machine		47	19
		22,692	31,467
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:			
Internal restrictions			
Leave provisions (excluding on-costs)	21(a)	5,072	5,694
Statutory reserves	38	15,071	18,772
Derwent Entertainment Centre Automatic Teller Machine		47	19
		20,190	24,485

	Note	2015 \$'000	2014 \$'000
15 Cash and cash equivalents (continued)			
External restrictions			
Glenorchy City Concert Brass account		19	5
		19	5
Restricted funds		20,209	24,490
Total unrestricted cash and cash equivalents		2,483	6,977
16 Trade and other receivables			
Employees advanced salaries		35	52
Rates and charges		564	592
Debtors		4,489	797
Liquidated damages claim		-	1,597
Provision for impairment – liquidated damages claim		(1,597)	(1,597)
Provision for impairment – other debtors		(41)	(49)
		3,450	1,392
Goods and Services Tax on purchases		536	560
Goods and Services Tax on sales		(277)	(25)
Goods and Services Tax receivable		259	535
		3,709	1,927
<p>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 10.02% is charged after the instalments are due and is calculated weekly on the outstanding balance.</p> <p>All outstanding trade receivables have been assessed as past due but not impaired.</p> <p>An allowance has been made for those debts considered doubtful. Council evaluates unsecured debts through its debt collection process and where applicable these debts are transferred into the allowance.</p> <p>Credit checks are completed for larger customers and all waste management customers.</p>			
<u>Ageing of past due – rates and charges</u>			
30–60 days		-	-
60–90 days		-	-
Over 90 days		564	592
		564	592
<u>Ageing of past due – debtors</u>			
30–60 days		34	23
60–90 days		26	159
Over 90 days		75	20
		135	202

16 Trade and other receivables (continued)	Note	2015 \$'000	2014 \$'000
Movement in the provision for impairment – other debtors			
Balance at the beginning of the year		1,646	50
Amounts transferred to the provision during the year		-	1,606
Amounts recovered during the year		(6)	(7)
Amounts written off as uncollectable		(2)	(3)
Balance at the end of the year		<u>1,638</u>	<u>1,646</u>
17 Inventories			
Stores and materials		<u>158</u>	<u>163</u>
18 Non-current assets classified as held for sale			
Property held for sale		1,613	4,047
Less impairment expense		(152)	-
		<u>1,461</u>	<u>4,047</u>
19 Other current assets			
Prepayments		5	68
Accrued revenue		250	192
		<u>255</u>	<u>260</u>
20 Trade and other payables			
Trade payables		2,993	2,649
Accrued expenses		1,151	1,303
Fringe Benefits Tax payable		13	16
		<u>4,157</u>	<u>3,968</u>

21 Provisions

2015

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	Redundancy \$ '000	Total \$ '000
	2,127	1,075	367	2,492	3,574	-	9,635
	1,171	364	96	195	-	372	2,198
	(1,484)	(553)	(143)	(315)	(7)	-	(2,502)
	-	-	-	-	145	-	145
	1,814	886	320	2,372	3,712	372	9,476

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	Redundancy \$ '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

21 Provisions (continued)

	Note	2015 \$'000	2014 \$'000
(a) Employee entitlements provision			
(i) Current			
Annual leave		1,814	2,127
Sick leave		886	1,075
Long service leave		870	782
<i>Other provisions</i>			
Employment on-costs:		218	243
Payroll tax		3,788	4,227
(ii) Non-current			
Long service leave		1,502	1,710
<i>Other provisions</i>			
Employment on-costs:		102	124
Payroll tax		1,604	1,834
Aggregate carrying amount of employee entitlements:			
Current		3,788	4,227
Non-current		1,604	1,834
		5,392	6,061
The following assumptions were adopted in measuring the present value of employee entitlements:			
Weighted average increase in employee costs		3.00%	2.90%
Weighted average discount rates		2.24%	3.35%
Weighted average settlement period		11	11
(i) Current			
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		2,488	2,449
– other long-term employee entitlements that do not fall due within 12 months after the end		1,012	1,535
		3,500	3,984
(ii) Non-current			
Long service leave representing less than 10 years of continuous service measured at present value		1,502	1,710
(iii) Employee numbers		2015	2014
Full-time equivalents		241	256
Total workforce		361	363

21 Provisions (continued)**(b) Redundancy provision**

During 2014/15 Council undertook an organisational restructure which resulted in redundancies. The provision at 30 June represents payments to be made in early 2015/16.

(c) Landfill restoration

Council operates a Landfill at Jackson Street that is deemed to have a further useful life of at least 8 years. On closure of the landfill, Council will face close-down and restoration costs. Current estimates of the respective costs are based on management advice and engineering studies using current restoration standards and techniques.

Under legislation Council is obligated to rehabilitate the landfill site to a particular standard. Current projections indicate that the landfill site will cease operation in 2023. Rehabilitation is occurring progressively with major works planned in 2018 and after the landfill closes in 2023. The forecast life of the landfill site is based on current estimates of remaining capacity and the forecast rate of infill. The provision for landfill restoration has been calculated based on the present value of the expected cost of works to be undertaken. The expected cost of works has been estimated based on current understanding of work required to reinstate the site to a suitable standard. Accordingly, the estimation of the provision required is dependent on the accuracy of the forecast timing of the work, work required and related costs.

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

	Note	2015 \$'000	2014 \$'000
(d) Provision summary			
Current			
Employee entitlements provision		3,788	4,227
Redundancy provision		372	-
		4,160	4,227
Non-current			
Employee entitlements provision		1,604	1,834
Landfill restoration provision		3,712	3,574
		5,316	5,408
Total provisions		9,476	9,635
22 Borrowings			
Borrowings at the beginning of the year		8,171	9,061
New borrowings		-	-
Repayments		(1,356)	(890)
Borrowings at the end of the year		6,815	8,171
Current borrowings		779	1,103
Non-current borrowings		6,036	7,068
		6,815	8,171
The loan portfolio owed by Council to Tascorp has been reviewed by Tascorp effective 30 June 2015. 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 \$7,135,256 (2014: \$8,451,360) compared to the actual value of \$6,814,357 (2014: \$8,170,564). All loan funds are secured against future Council rate revenue.			
The maturity profile for Council's borrowings is:			
Not later than one year		-	330
Later than one year and not later than five years		-	-
Later than five years		6,815	7,841
		6,815	8,171

	Note	2015 \$'000	2014 \$'000
23 Other current liabilities			
Trust monies held (Derwent Entertainment Centre)		32	14
Vehicle Funding Facility		1,062	945
Revenue received in advance		1,178	1,092
Refundable building deposits		243	281
Refundable contract deposits		26	255
Other refundable deposits		39	38
		2,580	2,625
24 Investment in TasWater			
Balance at the beginning of the year		159,900	198,436
Change in fair value of investment		-	-
Fair value adjustments on available-for-sale assets		1,284	(38,536)
Balance at the end of the financial year	I(l)	161,184	159,900

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

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

25 Property, infrastructure, plant and equipment

Reconciliation of Property, infrastructure, plant and equipment

	Carrying amount 1/07/14	Additions	Transfer between asset classes	Assets classified as Investment Property (note 34)	Disposals	Net revaluation adjustments (note 38)	Depreciation and amortisation (note 11)	Impairment losses recognised in profit or loss (a)	Carrying amount 30/06/15
2015	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000
Transport	204,317	8,049	3,610	10	(1,442)	5,047	(9,570)	-	210,021
Stormwater and drainage	167,891	6,303	(1,219)	-	(575)	4,231	(2,661)	-	173,970
Land	57,708	760	2,470	(1,568)	(2,879)	-	-	-	56,491
Buildings and other land improvements	48,709	6,121	(2,427)	(186)	(1,299)	(4,190)	(2,354)	-	44,374
Plant and vehicles	1,659	550	-	-	(107)	-	(375)	-	1,727
Equipment and furniture	2,243	374	-	-	-	-	(234)	-	2,383
Valuation roll	112	-	-	-	-	-	(56)	-	56
	482,639	22,157	2,434	(1,744)	(6,302)	5,088	(15,250)	-	489,022

	Carrying amount 1/07/13	Additions	Transfer between asset classes	Assets classified as Investment Property (note 34)	Disposals	Net revaluation adjustments (note 38)	Depreciation and amortisation (note 11)	Impairment losses recognised in profit or loss (a)	Carrying amount 30/06/14
2014	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000
Transport	206,714	8,451	(4,425)	46	(1,281)	3,723	(8,911)	-	204,317
Stormwater and drainage	158,243	11,700	-	-	(241)	1,656	(2,741)	(726)	167,891
Land	52,098	110	4,640	1,040	(180)	-	-	-	57,708
Buildings and other land improvements	45,778	4,500	(24)	10	(39)	938	(2,454)	-	48,709
Plant and vehicles	1,008	1,172	-	-	(79)	-	(442)	-	1,659
Equipment and furniture	1,325	1,092	-	-	(5)	-	(169)	-	2,243
Valuation roll	169	-	-	-	-	-	(57)	-	112
	465,335	27,025	191	1,096	(1,825)	6,317	(14,774)	(726)	482,639

(a) Impairment losses

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

	Note	2015 \$'000	2014 \$'000
26 Transport			
At valuation (1 July 2012)		462,864	439,593
Less accumulated depreciation		(252,843)	(235,276)
Roads at fair value	25	210,021	204,317
27 Stormwater and drainage			
At valuation (1 July 2009)		346,126	333,594
Less accumulated depreciation		(172,105)	(164,977)
Less impairment expense		(51)	(726)
Stormwater and drainage at fair value	25	173,970	167,891
This financial year a provision for an impairment has been recognised for \$50,883.75. The impairment is based on the inspection and evaluation of Stormwater assets that were damaged during their construction.			
28 Land			
At valuation (30 June 2011)		51,306	53,283
Land under roads (30 June 2011)		5,185	4,425
Land at fair value	25	56,491	57,708
29 Buildings and other land improvements			
At valuation (30 June 2015)		88,901	107,366
Less accumulated depreciation		(44,527)	(58,657)
Buildings and other land improvements at fair value	25	44,374	48,709
30 Plant and vehicles			
At cost		3,138	2,925
Less accumulated depreciation		(1,411)	(1,266)
Plant and vehicles at cost	25	1,727	1,659
31 Equipment and furniture			
At cost		7,959	7,586
Less accumulated depreciation		(5,576)	(5,343)
Equipment and furniture at cost	25	2,383	2,243
32 Valuation roll			
At cost		339	339
Less accumulated amortisation		(283)	(227)
Valuation roll at cost	25	56	112
Total property, infrastructure, plant and equipment	25	489,022	482,639
33 Other non-current assets			
Capital works in progress		16,556	16,269
34 Investment properties			
Opening Balance as at 1 July		6,231	7,327
Transfer in		1,744	-
Transfer out		-	(1,096)
Closing balance at 30 June		7,975	6,231

Note	2015 \$'000	2014 \$'000
35 Commitments for expenditure		
(a) Operating lease commitments		
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	1,127	1,652
Later than one year and not later than five years	1,252	2,574
Later than five years	-	40
	2,379	4,266
The Council leases motor vehicles and mobile plant and equipment under operating leases, expiring from 1–5 years. Leases generally provide the entity with a right of renewal at which time all terms are renegotiated.		
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 1–2 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 within 1 year. 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) Capital commitments		
Capital expenditure contracted for at the reporting date but not recognised in the financial statements as liabilities:		
Property	8,114	11,639
Transport	2,708	1,373
Stormwater	2,938	3,078
	13,760	16,090
Not later than one year	13,760	15,112
Later than one year and not later than five years	-	978
Later than five years	-	-
	13,760	16,090

	Note	2015 \$'000	2014 \$'000
36 Reconciliation of net surplus/(deficit) for the period to net cash from operating activities			
Net surplus/(deficit)		(4,892)	(4,606)
Items not involving cash			
Depreciation expense	11	15,250	14,774
Impairment expense	18	152	726
Contributions – non-monetary assets	6	(4,519)	(1,987)
Carrying value of assets sold or retired	4	4,285	245
Assets written off	11	2,017	1,557
Sale of property, plant and equipment	4	(2,292)	(231)
Government grants and external contributions (capital)	5	(1,640)	(841)
Unwinding of discounts applied to provisions	14	145	139
Changes in operating assets and liabilities			
(Increase)/decrease in trade and other receivables		(1,782)	434
(Increase)/decrease in other current assets		5	280
(Increase)/decrease in inventories		6	(5)
Increase/(decrease) in trade and other payables		189	(1,156)
Increase/(decrease) in other current liabilities		(44)	983
Increase/(decrease) in employee entitlement provisions		(297)	277
Net cash from operating activities		6,583	10,589

37 Contingent liabilities

There are no contingent liabilities.

38 Reserves

	Balance at beginning of year		Transfers between asset classes		Transfers to reserves		Transfers from reserves		Balance at end of year	
	1-Jul-14 \$ '000	1-Jul-13 \$ '000	2015 \$ '000	2014 \$ '000	2015 \$ '000	2014 \$ '000	2015 \$ '000	2014 \$ '000	30-Jun-15 \$ '000	30-Jun-14 \$ '000
Revenue reserves										
Statutory reserves										
Car parking	400	372	-	-	13	28	-	-	413	400
Public open space	528	474	-	-	17	54	-	-	545	528
Incomplete works	17,844	24,335	-	-	-	-	(3,731)	(6,491)	14,113	17,844
	18,772	25,181	-	-	30	82	(3,731)	(6,491)	15,071	18,772
Other reserves										
Irregular operating expenses	100	96	-	-	-	4	(100)	-	-	100
Landfill future close out costs	1,419	1,124	-	-	305	295	-	-	1,724	1,419
Landfill plant and equipment	1	1	-	-	-	-	-	-	1	1
Property, plant and equipment	115	141	-	-	3	-	-	(26)	118	115
City revaluation	312	205	-	-	60	107	-	-	372	312
Asset sales	2,050	2,196	-	-	2,228	-	-	(146)	4,278	2,050
Community based programs	(291)	(24)	-	-	81	-	-	(267)	(210)	(291)
Strategic Asset Management Group Capital	417	149	-	-	75	268	-	-	492	417
	4,123	3,888	-	-	2,752	674	(100)	(439)	6,775	4,123
	22,895	29,069	-	-	2,782	756	(3,831)	(6,930)	21,846	22,895
	1-Jul-14 \$ '000	1-Jul-13 \$ '000	2015 \$ '000	2014 \$ '000	2015 \$ '000	2014 \$ '000	2015 \$ '000	2014 \$ '000	30-Jun-15 \$ '000	30-Jun-14 \$ '000
Fair value reserve										
Investment in TasWater	(37,004)	1,532	-	-	1,284	-	-	(38,536)	(35,720)	(37,004)
	(37,004)	1,532	-	-	1,284	-	-	(38,536)	(35,720)	(37,004)
	1-Jul-14 \$ '000	1-Jul-13 \$ '000	2015 \$ '000	2014 \$ '000	2015 \$ '000	2014 \$ '000	2015 \$ '000	2014 \$ '000	30-Jun-15 \$ '000	30-Jun-14 \$ '000
Asset revaluation reserves										
Asset revaluation reserve – transport	150,262	146,539	9	-	5,047	4,517	-	(794)	155,318	150,262
Asset revaluation reserve – buildings and other land improvements	18,510	17,572	105	-	-	1,167	(4,190)	(229)	14,425	18,510
Asset revaluation reserve – land	44,690	44,690	-	-	-	-	-	-	44,690	44,690
Asset revaluation reserve – stormwater and drainage	93,140	91,484	(31)	-	4,246	1,656	(15)	-	97,340	93,140
Asset revaluation reserve – plant and vehicles	2,822	2,822	(83)	-	-	-	-	-	2,739	2,822
Asset revaluation reserve – furniture and equipment	867	867	-	-	-	-	-	-	867	867
	310,291	303,974	-	-	9,293	7,340	(4,205)	(1,023)	315,379	310,291
	296,182	334,575	-	-	13,359	8,096	(8,036)	(46,490)	301,505	296,182
Total revenue and asset revaluation reserves										

38 Reserves (continued)

Nature and purpose of reserves:

Revenue reserves

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

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

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

39 Financing arrangements

Bank overdraft limit

Bank overdraft at reporting date

Council does not have an overdraft limit because Council undertakes to cover any overdraft it incurs on a regular basis with cash from Council's short term investments or operating revenues.

The credit limit with the Commonwealth Bank of Australia for the vehicle funding facility as at 30 June:

Council has access to an established line of credit to the value of \$1 million. This line of credit has been approved to purchase Council's fleet of vehicles.

The credit limit with the Commonwealth Bank of Australia for Council's purchasing card facility as at 30 June:

Note	2015 \$'000	2014 \$'000
	Nil	Nil
	Nil	Nil
	2,000	2,000
	280	280

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

Financial instruments	Accounting policy	Terms and conditions
Financial assets		
Cash and cash equivalents	Comprises cash on hand and cash in bank. Investments are held to maximise interest returns on surplus cash. Interest revenues are recognised as they accrue.	On call deposits returned an average interest rate of 2.12% (2014: 2.91%). The interest rate at balance date was 1.50% (2014: 2.40%). The weighted average interest rate received for investments was 2.96% (2014: 3.45%).
Trade and other receivables		
Receivables rates and charges	Rates are carried at nominal amounts due plus interest. Rate debts are a charge attached to the rateable land and are recoverable on sale, therefore, no allowance for doubtful debts is made. Interest rates are reviewed annually.	Rates are payable by 2 instalments during the year. Arrears, including deferred rates, attract interest. The interest rate was 10.02% (2014: 9.35%) at balance date for general rates.
Receivables other	Receivables are carried at nominal amounts due less any allowance for doubtful debts. An allowance for doubtful debts is recognised when collection in full is no longer probable. Collectability of overdue accounts is assessed on an ongoing basis.	General debtors are unsecured.
Financial liabilities		
Deposits	Deposits are lodged by organisations and individuals when performing work that may adversely affect Council assets. The deposits are repayable on demand or where certain conditions have been met. Deposits are recorded at fair value.	
Payables	Liabilities are recognised for amounts to be paid in the future for goods and services provided to Council as at balance date, whether or not invoices have been received.	General creditors are unsecured, not subject to interest charges and are normally settled within specific trading terms or 30 days, whichever is earlier.
Interest-bearing loans and borrowings	Loans are carried at amortised cost. Interest is accrued over the period it becomes due and recognised as part of payables.	All loans are secured against the future rate revenue of Council. The weighted average interest rate on borrowings was 5.12% (2014: 5.19%).

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.

40 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	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
Financial assets												
<i>Variable interest rate</i>												
Cash and cash equivalent assets	2.96%	3.45%	22,589	31,418							22,589	31,418
<i>Non-interest bearing</i>												
Cash and cash equivalent assets			103	49							103	49
Trade and other receivables			2,886	800							2,886	800
Investment in TasWater							161,184	159,900			161,184	159,900
<i>Fixed interest rate</i>												
Trade and other receivables (rates and charges)	10.02%	9.35%	564	592							564	592
Total			26,142	32,859	-	-	161,184	159,900	-	-	187,326	192,759
Financial liabilities												
<i>Non-interest bearing</i>												
Trade and other payables			4,157	3,968							4,157	3,968
Other current liabilities			2,580	2,625							2,580	2,625
<i>Fixed interest rate</i>												
Borrowings:												
- Not later than one year	-	3.49%	-	330							-	330
- Later than one year and not later than five years												
- Later than five years	5.12%	5.26%						6,815	7,841		6,815	7,841
Total			6,737	6,923	-	-	-	6,815	7,841	-	13,552	14,764
Net financial assets/(liabilities)												
											173,774	177,995

40 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	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
(1) Financial Assets				
Cash and cash equivalents	22,692	31,467	22,692	31,467
Investment in TasWater	161,184	159,900	161,184	159,900
Trade and other receivables	3,709	1,927	3,709	1,927
Total Financial Assets	187,585	193,294	187,585	193,294
(2) Financial Liabilities				
Trade and other payables	4,157	3,968	4,157	3,968
Interest bearing loans and borrowings	6,815	8,171	7,135	8,451
Other liabilities	2,580	2,625	2,580	2,625
Total Financial Liabilities	13,552	14,764	13,872	15,044

(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 Panel. 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 borrows 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. Council's exposure to market risk is 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 uses. Non-derivative interest bearing assets are predominantly short term liquid assets. The interest rate liability risk arises primarily from long term borrowings at fixed rates which exposes Council to fair value interest rate risk.

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

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

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

- minimises its costs of borrowings;
- minimises its liquidity risk;
- matches the characteristics of debt with those of the assets being funded, where possible;
- operates its borrowing activities within 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
- operates its investment activities within 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 invests 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
- sets 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 1.50%.

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.

40 Financial instruments (continued)
2015

	Interest Rate Risk				
	Carrying amount subject to interest	-0.25% (25 basis points)		0.25% (25 basis points)	
		Profit	Equity	Profit	Equity
Market Risk Exposure	\$'000	\$'000	\$'000	\$'000	\$'000
Financial Assets:					
Cash and cash equivalents	22,589	(56)	(56)	56	56
Trade and other receivables	564	(1)	(1)	1	1

2014

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

(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 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.

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
30 June 2015				
Available for sale financial assets	-	-	161,184	161,184
Total	-	-	161,184	161,184

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

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

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

(ii) Reconciliation of Level 3 Fair Value Movements	2015 \$'000	2014 \$'000
Opening balance		
Investment on transfer of assets	159,900	198,436
Gain (losses) recognised in other comprehensive income:		
Change in fair value of investment in TasWater	1,284	(38,536)
Closing balance	161,184	159,900

41 Register of interests

Aldermen and position	Interest	Summary of nature of interest	Dates interest existed	Nature of relevant dealings by Council
Ald. Kristie Johnston (Mayor) ***	Yes	Volunteer Director with GASP Incorporated	1 November 2014 to 30 June 2015	Funding provided to GASP Incorporated Glenorchy City Council owns the Glenorchy memorial pool which YMCA operates.
Ald. Harry Quick (Deputy Mayor) ***	No	Spouse is a volunteer board member of YMCA	1 July 2014 to 30 June 2015	
Ald. Christine Lucas *	No			
Ald. David Pearce OAM *	No			
Ald. Jan Dunsby ***	No			
Ald. Jenny Branch-Allen *	No			
Ald. Matt Stevenson *	No			
Ald. Stuart Slade *	No			
Ald. Richard Lowrie **	No			
Ald. Steven King *	No			
Ald. Hayden Nielsen *	No			
Ald. Sharon Carnes **	No			
Ald. Peter Ridler RFD **	No			
Ald. Luke Martin ****	No			

* Re-elected October 2014

** Not re-elected October 2014

*** Elected October 2014

**** Ceased as Alderman

42 Remuneration of Aldermen

	2015	2014
	\$	\$
Total allowances paid to the Mayor, Deputy Mayor and Aldermen	360,778	404,284
Total expenses paid to all Aldermen	27,394	26,938
	<u>388,172</u>	<u>431,222</u>

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

Related party transactions:

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

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

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

43 Remuneration of Key Management Personnel holding senior positions

The number of Key Management Personnel noted below represents the General Manager and the Directors. In accordance with the *Local Government Act 1993* section 72 (1) (cd), the remuneration of these employees falls within the following bands:

Current employees	2015	2014
\$290,000 – \$309,999**	1	-
\$250,000 – \$269,999	-	1
\$140,000 – \$159,999	1	-
\$0 – \$19,999*	2	-

*Employees in this band commenced employment with Council in June 2015.

**The General Manager has entered into a new Contract of Employment with Glenorchy City Council from 2 January 2015.

Former employees#	2015	2014
\$180,000 - \$199,999	-	1
\$160,000 - \$179,999	1	4
\$140,000 - \$159,999	-	-
\$120,000 - \$139,999	4	-

#These payments do not include redundancies made as a result of the restructure. Redundancies are disclosed at note 9.

44 Special committees

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

- City of Glenorchy Australia Day Award;
- Community Precincts;
- Cultural Diversity Advisory Committee;
- General Manager Performance Review Committee;
- Glenorchy Arts and Culture Advisory Committee;
- Glenorchy City Council Access Committee;
- Glenorchy Emergency Management Committee;
- Glenorchy Planning Authority;
- Glenorchy Tourism Taskforce;
- Glenorchy Tracks, Trails and Cycleways Committee;
- Safer Communities Committee;
- Sport and Recreation Advisory Committee; and
- 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 is 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 2014/2015 were as follows:

	Income	Expenditure	Net result	Cash at bank
	2015	2015	2015	2015
	\$'000	\$'000	\$'000	\$'000
Glenorchy Brass Band	22	8	14	19

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

Glenorchy City Council has an Audit Panel established under section 85 of the *Local Government Act 1993*. Under section 85B of the Act, the Audit Panel complies with the requirements under the *Local Government (Audit Panels) Order 2014*. All expenses associated with the Audit Panel has been included in the accounts of Council.

45 Superannuation

Council makes superannuation contributions for the majority 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 2015 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.

Rice Warner Pty Ltd undertook the last actuarial review of the Fund at 30 June 2014. The review disclosed that at that time the net market value of assets available for funding member benefits was \$66,310,000, the value of vested benefits was \$57,475,000, the surplus was \$8,835,000, and the value of total accrued benefits was \$58,093,000. 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	7.0% p.a.
Salary inflation	4.0% p.a.
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 2014.
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 2014.
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 2017.

The Actuary recommended that the Council contribute 11.0% of salaries in 2014/15, 9.5% of salaries thereafter.

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 2017 and is expected to be completed late in 2017.

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 2014 actuarial review used the "aggregate" funding method. This is a standard actuarial funding method. The results from this method were tested by projecting future fund assets and liabilities for a range of future assumed investment returns. The funding method used is different from the method used at the previous actuarial review in 2011.

Under the aggregate funding method of financing the benefits, the stability of the Council's 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 Council's contribution rate may need to be adjusted accordingly to ensure the Fund remains on course towards financing member's benefits.

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.

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.

45 Superannuation (continued)

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 the defined benefits scheme was \$208,685 (2014, \$230,924), and the amount paid to accumulation schemes was \$1,991,168 (2014, \$2,000,131).

7. During the next reporting period the expected amount of contributions to be paid to the defined benefits scheme is \$151,953 (2014, \$233,799) and the amount to be paid to accumulation schemes is \$2,102,735 (2014, \$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 2014. 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 2017.

9. An analysis of the assets and vested benefits of funds participating in the Scheme, prepared by Rice Warner Pty Ltd as at 30 June 2014, showed that the Fund had assets of \$66,310,000 and members' Vested Benefits were \$57,475,000. These amounts represented 8.4% and 7.5% respectively of the corresponding total amounts for the Scheme.

46 Grants, donations and bursaries

Details	\$
Cash Donations	
Glenorchy Art and Sculpture Park – Cash	95,000
Claremont College Bursaries – Cash	810
Glenorchy City Concert Brass Band Donation – Cash	7,500
Glenorchy Historical Society – Cash	2,001
The Lions Club of Glenorchy – Cash	5,000
Various minor contributions to community organisations – Cash	10,579
	<u>120,890</u>
In-kind contributions	
<i>Rental Subsidies</i>	
Aardvark Adventures – Rental Subsidy	11,260
Chigwell Community Garden – Rental Subsidy	1,400
Civic Centre – Rental subsidy	10,400
Cycling South – Rental subsidy	670
Glenorchy City Concert Brass Band – Rental Subsidy	3,710
Glenorchy Football Club Grandstand – Rental subsidy	11,200
Glenorchy Historical Society – Rental Subsidy	1,460
Ground hire discount to encourage sports – Licence subsidy	12,800
Lions Club of Glenorchy – Rental Subsidy	3,770
Model Makers & Collectors – Rental subsidy	14,610
Tasmanian Transport Museum – Rental subsidy	28,043
<i>Waiver of Fees</i>	
Waiving of Landfill fees for various community organisations	8,700
Waiving of Planning fees for various community organisations	2,318
Waiving of Building & Plumbing fees for various community organisations	1,213
Waiving of Environment Health fees for various community organisations	2,053
West Moonah Community Garden – Rental Subsidy	700
	<u>114,307</u>

47 Significant business activities

Council has identified that the Derwent Entertainment Centre and the Landfill operations are significant business activities.

48 Functions/activities of the Council

Income, expenses and assets have been attributed to the following functions and activities. The functions and activities are defined on the following page.

		Income \$'000	Expenses \$'000	Assets \$'000
Legislative, financial, executive and fiscal	2014/15	39,202	21,783	188,079
	2013/14	39,338	20,194	193,852
Public order, fire and safety	2014/15	826	887	222
	2013/14	746	944	228
Community and public health	2014/15	157	573	183
	2013/14	190	596	187
Welfare	2014/15	1,497	2,083	529
	2013/14	1,939	2,749	519
Nursing homes/aged care	2014/15	-	-	-
	2013/14	-	2	187
Housing	2014/15	55	304	183
	2013/14	4	288	187
Community amenities	2014/15	-	-	183
	2013/14	-	-	187
Household garbage/protection of the environment	2014/15	6,174	3,595	-
	2013/14	5,762	3,354	-
Other protection of the environment/biodiversity	2014/15	2,735	3,832	180,057
	2013/14	1,090	3,928	173,686
Community and regional development	2014/15	1,231	2,342	183
	2013/14	984	2,080	187
Recreation facilities and services	2014/15	2,630	8,069	116,349
	2013/14	1,673	8,512	118,211
Cultural facilities and services	2014/15	771	1,245	183
	2013/14	512	1,192	187
Road, bridge and street infrastructure	2014/15	1,304	15,541	216,110
	2013/14	1,484	14,189	214,538
Road, plant, parking and other road transport	2014/15	-	-	568
	2013/14	-	-	560
Other economic affairs	2014/15	480	490	183
	2013/14	-	23	187
Other purpose	2014/15	(964)	246	-
	2013/14	209	486	-
Total	2014/15	56,098	60,990	703,012
	2013/14	53,931	58,537	702,903

48 Functions/activities of the Council (continued)**(b) Reconciliation of Assets from Note 48 with the Statement of Financial Position at 30 June:**

	2015	2014
	\$'000	\$'000
Current assets	28,275	37,864
Non-current assets	674,737	665,039
	<u>703,012</u>	<u>702,903</u>

Functions/activities defined**Legislative, financial, executive and fiscal**

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

Public order, fire and safety

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

Community and public health

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

Welfare

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

Nursing homes/aged care

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

Housing

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

Community amenities

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

Household garbage/protection of the environment

Garbage and refuse disposal, garbage collection and recycling.

Other protection of the environment/biodiversity

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

Community and regional development

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

Recreation facilities and services

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

Cultural facilities and services

Art galleries, museums, theatres and libraries.

Road, bridge and street infrastructure

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

Road, plant, parking and other road transport

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

Other economic affairs

Saleyard and markets, development support and incentives, market and promotion - tourism events and Central Business District.

Other purpose

Unallocatable private works and other..

49 Management indicators

	Benchmark	2015 \$'000	2014 \$'000	2013 \$'000	2012 \$'000
(a) Underlying surplus or deficit					
Recurrent income*		50,766	50,762	55,799	53,420
Less recurrent expenditure#		60,690	56,327	58,433	56,930
Underlying surplus/deficit	> \$0	(9,924)	(5,565)	(2,634)	(3,510)

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

#Recurrent expenditure excludes costs associated with the restructure and impairment expenses.

(b) Underlying surplus ratio

Underlying surplus or deficit		(9,924)	(5,565)	(2,634)	(3,510)
Recurrent income*		50,766	50,762	55,799	53,420
Underlying surplus ratio %	2.5% - 5.0%	-20%	-11%	-5%	-7%

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. Council is aiming to breakeven by 2016/17, which is supported by several reviews targeting service levels and service efficiencies.

(c) Net financial liabilities

Liquid assets		26,651	33,585	43,830	54,284
Less total liabilities		23,028	24,399	25,086	26,019
Net financial liabilities	> \$0	3,623	9,186	18,744	28,265

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 ratios indicate a positive liquidity position, with Council able to meet its existing commitments.

(d) Net financial liabilities ratio

Net financial liabilities		3,623	9,186	18,744	28,265
Recurrent income*		50,766	50,762	55,799	53,420
Net financial liabilities ratio %	<(25%)	7%	18%	34%	53%

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.

49 Management indicators (continued)

	Benchmark	2015 \$'000	2014 \$'000	2013 \$'000	2012 \$'000
(e) Asset consumption ratio					
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>Transport</i>					
Depreciated replacement cost		210,021	204,317	206,714	215,161
Current replacement cost		462,864	439,593	429,999	435,986
Asset consumption ratio %	40-60%	45%	46%	48%	49%
<i>Buildings and other land improvements</i>					
Depreciated replacement cost		44,374	48,709	45,778	42,550
Current replacement cost		88,901	107,366	100,355	94,745
Asset consumption ratio %	40-60%	50%	45%	46%	45%
<i>Stormwater and drainage</i>					
Depreciated replacement cost		173,970	167,891	158,243	156,582
Current replacement cost		346,126	333,594	312,516	305,356
Asset consumption ratio %	40-60%	50%	50%	51%	51%

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>Transport</i>					
Projected capital funding outlays**		104,877	102,183	95,706	88,167
Projected capital expenditure funding***		104,877	102,183	95,706	112,970
Asset renewal funding ratio %	90-100%	100%	100%	100%	78%
<i>Buildings and other land improvements</i>					
Projected capital funding outlays**		15,455	20,414	24,441	20,340
Projected capital expenditure funding***		15,455	20,414	24,441	26,062
Asset renewal funding ratio %	90-100%	100%	100%	100%	78%
<i>Stormwater and drainage</i>					
Projected capital funding outlays**		15,290	15,384	35,803	35,469
Projected capital expenditure funding***		15,290	15,384	35,803	45,415
Asset renewal funding ratio %	90-100%	100%	100%	100%	78%

**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 as comprehensive reviews have been 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.

49 Management indicators (continued)

	Benchmark	2015 \$'000	2014 \$'000	2013 \$'000	2012 \$'000
(g) Asset sustainability ratio					
Capital expenditure on replacement/ renewal of existing assets		9,417	9,602	9,084	6,975
Annual depreciation expense		15,250	14,774	15,462	14,747
Asset sustainability ratio %	100%	62%	65%	59%	47%

This ratio indicates whether Council is maintaining operating capacity through renewal of its 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	Total Capital expenditure \$'000
Land	-	-	-
Buildings and other land improvements	906	5,310	6,217
Transport	7,281	449	7,730
Stormwater and drainage	359	1,615	1,974
Other	871	337	1,208
Total	9,417	7,711	17,129

50 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
 - Land
 - Transport
 - 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 2015. 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 2015	Note	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Recurring fair value measurements					
Investment in TasWater	24			161,184	161,184
Investment properties	34		6,760	1,215	7,975
Buildings and other land improvements	29			88,901	88,901
Land	28		51,306		51,306
Transport	26			462,864	462,864
Stormwater and drainage	27			346,126	346,126
Valuation roll	32			339	339
		-	58,066	1,060,629	1,118,695
Non-recurring fair value measurements					
Assets held for sale	18		1,461		1,461
		-	1,461	-	1,461

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 in 2013/14 and has reviewed each valuation to ensure compliance with the requirements of the standard. There have been no changes in valuation techniques as a result of this review.

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.

50 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 30 June 2015. 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.

As part of the revaluation, significant components were separately identified and new useful lives were assigned to each component. As a result depreciation expense is expected to increase in future periods due to shorter useful lives being applied over a number of components.

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(e).

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.

Transport

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.

50 Fair value measurements (continued)

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.

Other Infrastructure

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

(d) Changes in recurring level 3 fair value measurements

The changes in level 3 assets with recurring fair value measurements are detailed in note 25 (Property, infrastructure, plant and equipment). There were no transfers between level 1, 2 or 3 measurements during the year.

(e) 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(f), 1(j) and 1(l) respectively.

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

(f) 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 40).

Council borrowings are measured at amortised cost with interest recognised in profit or loss when incurred. The fair value of borrowings disclosed in note 40 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 2015

Report on the Financial Report

I have audited the accompanying financial report of Glenorchy City Council (Council), which comprises the statements of financial position as at 30 June 2015 and the statements of comprehensive income, changes in equity and cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the General Manager's statement.

Auditor's Opinion

In my opinion Council's financial report:

- (a) presents fairly, in all material respects, its financial position as at 30 June 2015 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
Deputy Auditor-General
Delegate of the Auditor-General

Hobart
9 September 2015

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