

# Financials



## CONTENTS

<b>54</b>	<b>Certification of the 2018 Financial Report</b>	<b>64</b>	Note 11. Employee costs	<b>84</b>	Note 29. Financing arrangements
<b>55</b>	<b>Statement of Comprehensive Income</b>	<b>65</b>	Note 12. Materials and services	<b>84</b>	Note 30. Grants, donations and bursaries
<b>56</b>	<b>Statement of Financial Position</b>	<b>65</b>	Note 13. Depreciation and amortisation	<b>85</b>	Note 31. Commitments of expenditure
<b>57</b>	<b>Statement of Changes in Equity</b>	<b>67</b>	Note 14. Finance costs	<b>85</b>	Note 32. Contingent liabilities
<b>58</b>	<b>Statement of Cash Flows</b>	<b>67</b>	Note 15. Bad and doubtful debts	<b>86</b>	Note 33. Financial instruments
<b>59</b>	<b>Notes to and Forming Part of the Financial Statements</b>	<b>68</b>	Note 16. Other expenses	<b>90</b>	Note 34. Events occurring after balance date
<b>59</b>	Note 1. Reporting entity	<b>68</b>	Note 17. Cash and cash equivalents	<b>90</b>	Note 35. Related party transactions
<b>59</b>	Note 2. Basis of accounting	<b>69</b>	Note 18. Trade and other receivables	<b>93</b>	Note 36. Special committees
<b>59</b>	Note 3. Uses of judgements and estimates	<b>70</b>	Note 19. Inventories	<b>94</b>	Note 37. Superannuation
<b>60</b>	Note 4. Rates	<b>70</b>	Note 20. Other current assets	<b>96</b>	Note 38. Significant business activities
<b>60</b>	Note 5. User charges and licences	<b>70</b>	Note 21. Investment in TasWater	<b>97</b>	Note 39. Functions and activities of the Council
<b>61</b>	Note 6. Grants	<b>71</b>	Note 22. Property, Infrastructure, plant and equipment	<b>99</b>	Note 40. Management indicators
<b>63</b>	Note 7. Contributions	<b>75</b>	Note 23. Trade and other payables	<b>101</b>	Note 41. Fair value measurements
<b>63</b>	Note 8. Investment income from TasWater	<b>76</b>	Note 24. Provisions	<b>105</b>	Note 42. Other significant accounting policies and pending accounting standards
<b>64</b>	Note 9. Other income	<b>80</b>	Note 25. Borrowings		
<b>64</b>	Note 10. Net gain/(loss) on disposal of property, infrastructure, plant and equipment	<b>80</b>	Note 26. Other current liabilities		
		<b>81</b>	Note 27. Reserves		
		<b>83</b>	Note 28. Reconciliation of net surplus/(deficit) for the period to net cash flows from operating activities		

# Certification of the 2018 Financial Report

## Glenorchy City Council Financial Report

### Certification of the 2018 General Purpose Financial Report

This financial report presents fairly the financial position of the Glenorchy City Council as at 30 June 2018, 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.



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Tony McMullen

General Manager

Date: 28 September 2018

# Statement of Comprehensive Income

FOR THE YEAR ENDED 30 JUNE 2018

	Note	2018 Budget \$'000	2018 Actual \$'000	2017 Actual \$'000
<b>Income</b>				
<b>Recurrent income</b>				
Rates	4	35,654	35,531	34,541
User charges and licences	5	12,117	11,455	11,402
Interest		395	378	412
Grants	6	1,696	3,267	4,322
Contributions – cash	7a	280	297	382
Investment income from TasWater	8	3,258	3,268	3,339
Other income	9	552	1,038	685
		<b>53,952</b>	<b>55,234</b>	<b>55,083</b>
<b>Capital income</b>				
Contributions – non-monetary assets	7b	-	4,723	1,184
Net gain/(loss) on disposal of property, infrastructure, plant and equipment	10	10	74	91
Capital grants received specifically for new or upgraded assets	6	865	1,125	2,022
Fair value recognition of land under roads	27q	-	-	-
		<b>875</b>	<b>5,922</b>	<b>3,297</b>
<b>Total income</b>		<b>54,827</b>	<b>61,156</b>	<b>58,380</b>
<b>Expenses</b>				
Employment costs	11	21,487	21,238	20,561
Materials and services	12	13,887	15,373	15,780
Depreciation and amortisation	13a	14,369	12,822	12,494
State Fire Commission contribution		5,332	5,332	5,056
Finance costs	14	146	363	451
Assets written off	13b	170	15,895	4,005
Bad and doubtful debts	15	2	7	17
Other expenses	16	639	570	691
<b>Total expenses</b>		<b>56,032</b>	<b>71,600</b>	<b>59,055</b>
<b>Surplus/(deficit)</b>		<b>(1,205)</b>	<b>(10,444)</b>	<b>(675)</b>
<b>Other comprehensive income</b>				
<b>Items that will not be reclassified to surplus or deficit</b>				
Net gain/(loss) on revaluation of property, plant and equipment	27	-	11,477	(25,117)
		-	<b>11,477</b>	<b>(25,117)</b>
<b>Items that may be reclassified subsequently to surplus or deficit</b>				
Financial assets available for sale reserve				
- Fair value adjustment on available for sale assets	27	-	2,142	1,075
		-	<b>2,142</b>	<b>1,075</b>
<b>Total other comprehensive income</b>		-	<b>13,619</b>	<b>(24,042)</b>
<b>Total comprehensive result</b>		<b>(1,205)</b>	<b>3,175</b>	<b>(24,717)</b>

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

# Statement of Financial Position

AS AT 30 JUNE 2018

	Note	2018 \$'000	2017 \$'000
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	17	14,144	11,591
Trade and other receivables	18	1,919	1,543
Inventories	19	109	111
Non-current assets classified as held for sale	20	-	-
Other current assets	20	528	584
<b>Total current assets</b>		<b>16,700</b>	<b>13,829</b>
<b>Non-current assets</b>			
Investment in TasWater	21	167,145	165,003
Property, infrastructure, plant and equipment	22	673,580	669,662
Other non-current assets	22	16,102	20,633
<b>Total non-current assets</b>		<b>856,827</b>	<b>855,298</b>
<b>Total assets</b>		<b>873,527</b>	<b>869,127</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	23	4,004	2,439
Provisions	24	4,944	3,802
Borrowings	25	952	852
Other current liabilities	26	2,839	2,543
<b>Total current liabilities</b>		<b>12,739</b>	<b>9,636</b>
<b>Non-current liabilities</b>			
Provisions	24	4,888	5,756
Borrowings	25	3,307	4,317
<b>Total non-current liabilities</b>		<b>8,195</b>	<b>10,073</b>
<b>Total liabilities</b>		<b>20,934</b>	<b>19,709</b>
<b>Net assets</b>		<b>852,593</b>	<b>849,418</b>
<b>Equity</b>			
Accumulated surpluses		525,385	532,882
Reserves	27	327,208	316,536
<b>Total equity</b>		<b>852,593</b>	<b>849,418</b>

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

# Statement of Changes in Equity

FOR THE YEAR ENDED 30 JUNE 2018

		<b>Total equity</b>	<b>Accumulated</b>	<b>Asset</b>	<b>Fair value</b>	<b>Other revenue</b>
	<b>Note</b>	<b>\$'000</b>	<b>surpluses</b>	<b>revaluation</b>	<b>reserve</b>	<b>reserves</b>
		<b>\$'000</b>	<b>\$'000</b>	<b>reserve</b>	<b>\$'000</b>	<b>\$'000</b>
		<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>2018</b>						
Balance at the beginning of the financial year		<b>849,418</b>	<b>532,882</b>	<b>336,176</b>	<b>(31,901)</b>	<b>12,261</b>
Comprehensive result		3,175	(10,444)	11,477	2,142	-
Transfers to reserves	27	-	(725)	-	-	725
Transfers from reserves	27	-	3,672	-	-	(3,672)
Balance at the end of the financial year		<b>852,593</b>	<b>525,385</b>	<b>347,653</b>	<b>(29,759)</b>	<b>9,314</b>
<b>2017</b>						
Balance at the beginning of the financial year		<b>874,134</b>	<b>531,474</b>	<b>361,293</b>	<b>(32,976)</b>	<b>14,343</b>
Comprehensive result		(24,716)	(675)	(25,117)	1,075	-
Transfers to reserves	27	-	(1,180)	-	-	1,180
Transfers from reserves	27	-	3,262	-	-	(3,262)
Balance at the end of the financial year		<b>849,418</b>	<b>532,882</b>	<b>336,176</b>	<b>(31,901)</b>	<b>12,261</b>

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

# Statement of Cash Flows

FOR THE YEAR ENDED 30 JUNE 2018

	Note	2018 \$'000	2017 \$'000
<b>Cash flows from operating activities</b>			
Rates		35,569	34,602
Operational government grants (inclusive of GST)		3,267	4,335
Contributions – cash		297	382
Interest		378	412
User charges and licences (inclusive of GST)		10,980	11,777
Other income (inclusive of GST)		2,369	1,374
Investment income from TasWater		3,268	3,339
Employee costs		(21,049)	(20,255)
Materials and services (inclusive of GST)		(13,591)	(18,447)
Finance costs		(363)	(301)
Levies paid to State Government		(5,332)	(5,056)
Other payments (inclusive of GST)		(1,634)	(700)
<b>Net cash provided by/(used in) operating activities</b>	28	<b>14,159</b>	<b>11,462</b>
<b>Cash flows from investing activities</b>			
Capital government grants		1,125	2,022
Payments for property, plant and equipment		(12,076)	(15,628)
Proceeds from sale of non-current assets		254	214
<b>Net cash flows provided by/(used in) investing activities</b>		<b>(10,697)</b>	<b>(13,392)</b>
<b>Cash flows from financing activities</b>			
Repayment of interest bearing loans and borrowings		(909)	(852)
<b>Net cash flows provided by/(used in) financing activities</b>		<b>(909)</b>	<b>(852)</b>
Net increase/(decrease) in cash and cash equivalents		2,553	(2,783)
Cash and cash equivalents at the beginning of the financial year		11,591	14,374
<b>Cash and cash equivalents at the end of the financial year</b>	17	<b>14,144</b>	<b>11,591</b>

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

# Notes to and Forming Part of the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2018

## 1. Reporting Entity

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.

## 2. Basis of accounting

These financial statements are a general purpose financial report that consists of a Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Statement of Cash Flows, and notes accompanying these financial statements.

The general purpose financial report complies with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board (AASB), and the *Local Government Act 1993 (LGA1993)* (as amended). Council has elected to apply options and exemptions within accounting standards that are applicable to not-for-profit entities.

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

All amounts are presented in Australian dollars and unless stated, have been rounded to the nearest thousand dollars.

This financial report has been prepared under the historical cost convention, except where specifically stated in notes 21, 22, and 24.

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

All entities controlled by Council that have material assets or liabilities, such as Special Committees of Management, and material subsidiaries or joint ventures, have been included in this financial report. All transactions between these entities and Council have been eliminated in full. Details of entities not included in this financial report based on their materiality are detailed in note 36.

## 3. Uses of judgements and estimates

### *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 24.

### *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 37.

### *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 note 22.

### *Investment in TasWater*

Assumptions utilised in the determination of Council's valuation of its investment in TasWater are discussed in note 21.

### *Landfill Rehabilitation*

Assumptions and judgements are utilised in determining Council's landfill close-down and restoration costs. These are discussed in note 23.

#### 4. Rates

Council uses Assessed Annual Value (AAV) as the basis of valuation of all properties within the municipality. The AAV of a property is defined by the Valuer-General as the gross annual rental value of a property excluding GST, municipal rates and land tax. 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 2018 was \$388,511,238 (2017: \$355,387,322). The 2018 rate in the dollar was \$0.079440 (2017: \$0.080600).

<b>Rates</b>	<b>2018 \$'000</b>	<b>2017 \$'000</b>
Rates charge	31,653	30,802
Interest charge	49	51
Penalty charge	160	191
Recovery of legal expenses	61	84
<b>State Government charges and levies</b>		
State Fire Commission contribution	5,346	5,140
Less Government subsidies	(1,738)	(1,727)
	<b>35,531</b>	<b>34,541</b>

The date of the latest general revaluation of land for rating purposes within the municipality was 1 July 2016, and the valuation was first applied in the rating year commencing 1 July 2017.

#### Accounting policy

##### *Rates and charges income*

Rate income is recognised as revenue when Council obtains control over the assets comprising the receipt. 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.

#### 5. User charges and licences

<b>User charges and licences</b>	<b>2018 \$'000</b>	<b>2017 \$'000</b>
Childcare	551	512
Registration and licences	534	498
Derwent Entertainment Centre	1,357	1,338
Derwent Park Reuse sales	191	230
Development and building	1,276	1,208
Garbage and recycling	6,453	6,420
General fines and infringements	458	451
Rental revenue	551	638
Other fees and charges	84	106
	<b>11,455</b>	<b>11,402</b>

#### Accounting policy

##### *User charges and licences income*

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.

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.

##### *Operating leases as lessor*

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



## 5. User charges and licences (continued)

Where leases are non-commercial agreements, these are generally with not-for-profit organisations, such as sporting clubs. 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 *Investment Property*. 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.

## 6. Grants

	<b>2018</b>	<b>2017</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Summary of grants</b>		
Commonwealth funded grants	4,004	6,001
State funded grants	373	270
Others	14	73
	<b>4,392</b>	<b>6,344</b>
<b>Grants – recurrent</b>		
Commonwealth Government Financial Assistance Grants – General Purpose	949	1,378
Commonwealth Government Financial Assistance Grants – Roads	1,415	2,072
Childcare Services	736	690
Moonah Taste of the World	15	15
Community Development	63	115
Other	89	53
Total recurrent grants	<b>3,267</b>	<b>4,322</b>
<b>Capital grants received specifically for new or upgraded assets</b>		
Blackspot	159	843
Department of Transport	866	999
Sport Ground Improvements (Lighting)	-	160
King George V Community Park	-	20
Prince of Wales Bay Sporting Nets	100	-
Total capital grants	<b>1,125</b>	<b>2,022</b>
Total grants	<b>4,392</b>	<b>6,344</b>

The Australian Commonwealth Government provides Financial Assistance Grants to Council for general purpose use and the provision of local roads. In 2017-18, the Commonwealth made early payment of the first two quarterly instalments for the following year. In accordance with AASB1004 Contributions, Council recognises these grants as revenue when it receives the funds and obtains control. The early receipt of instalments resulted in Commonwealth Government Financial Assistance Grants being above that originally budgeted in 2017-18 by \$1,189,224. This has impacted the Statement of Comprehensive Income resulting in the Surplus/(deficit) being higher in 2017-18 by the same amount.

## 6. Grants (continued)

Non-reciprocal grants which were obtained on the condition that they be expended for specific purposes or in a future period, but which are not yet expended in accordance with those conditions, are as follows:

	<b>2018</b>	<b>2017</b>
	<b>\$'000</b>	<b>\$'000</b>
Unexpended at the close of the previous reporting period	959	898
Less: expended during the current period from revenues recognised in previous reporting periods		
Community & Multicultural Centre Master Plan	(8)	(37)
Glenorchy Skate Park	(29)	-
Eady Street Recreation Grounds Improvements	(7)	(73)
Safer Roads	-	(9)
Sports Ground Improvements (Lighting)	(160)	-
CBD Revitalisation	(67)	-
	<b>(271)</b>	<b>(119)</b>
Plus: amounts recognised as revenues in this reporting period but not yet expended in accordance with the conditions		
Sports Ground Improvements (Lighting)	-	160
King George V Community Park	-	20
Full Gear Motor Cycle Safety	8	-
AEDC Action Reflection Project	6	-
Liveable Communities	3	-
Moonah Moves-DPAC/Arts Tasmania	38	-
Local Drug Action team	10	-
Wave Action Neighbourhood Day	1	-
Relocation of Backing Nets at Prince of Wales Bay	100	-
	<b>166</b>	<b>180</b>
	<b>854</b>	<b>959</b>
<b>Unexpended at the close of this reporting period</b>	<b>854</b>	<b>959</b>
Net increase (decrease) in non-reciprocal grant revenues for the year:	<b>(105)</b>	<b>61</b>

### Accounting policy

#### *Grant income – operating and capital*

Grant income is recognised as revenue when Council obtains control over the assets comprising the receipt.

Control over granted assets is normally obtained upon their receipt (or acquittal) or upon earlier notification that a grant has been secured and is valued at its fair value at the date of transfer.

Where grants or contributions recognised as revenues during the financial year were obtained on the condition that they be expended in a particular manner or used over a particular period, and those conditions were undischarged at balance date, the unused grant is also disclosed. 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.

## 7. Contributions

	2018 \$'000	2017 \$'000
<b>a) Cash</b>		
Recreational, leisure and community facilities	55	64
Parks, open space and streetscapes	171	186
Recharge work contributions	55	27
Other	16	105
	<b>297</b>	<b>382</b>
<b>b) Non-monetary assets</b>		
Buildings	533	-
Land	495	116
Stormwater	1,519	448
Transport	2,176	619
	<b>4,723</b>	<b>1,184</b>
Total contributions	<b>5,020</b>	<b>1,566</b>

There was a significant increase in non-monetary contributions for Stormwater and Transport assets in 2017-18. The majority of the Stormwater increase includes stormwater pits and drains identified through field work investigations. The increase in transport asset contributions was also due to field work investigations that identified carpark assets at the Derwent Entertainment Centre as well as a number of property subdivisions within the municipality.

### Accounting policy

#### Contribution income

Contributions are recognised as revenue when Council obtains control over the assets comprising the receipt.

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.

Non-monetary contributions (including developer contributions) with a value in excess of the recognition thresholds are recognised as revenue and as non-current assets. Where contributions recognised as revenues during the financial year were obtained on condition that they be expended in a particular manner or used over a particular period and those conditions were undischarged at balance date, the unused contribution is also disclosed. The note also discloses that amount of unused contribution from prior years that was expended on Council's operations during the current year.

## 8. Investment income from TasWater

	2018 \$'000	2017 \$'000
<b>Investment income from TasWater</b>		
Dividend income	2,009	2,114
Guarantee fee	298	280
Tax equivalent	962	946
	<b>3,268</b>	<b>3,340</b>

### Accounting policy

#### Investment income

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.

## 9. Other income

	2018 \$'000	2017 \$'000
<b>Other income</b>		
Fuel Tax Credits	92	98
State Fire Commission contribution	213	202
Refund	325	26
Other	407	359
	<b>1,038</b>	<b>685</b>

### Accounting policy

#### Other income

Other income is recognised when the service has been provided or the payment is received.

## 10. Net gain/(loss) on disposal of property, infrastructure, plant and equipment

	2018 \$'000	2017 \$'000
<b>Net gain/(loss) on disposal of property, infrastructure, plant and equipment</b>		
Proceeds from disposal of property, infrastructure, plant and equipment	254	214
Less carrying amount of property, infrastructure, plant and equipment	(180)	(122)
Net gain/(loss) on disposal of property, infrastructure, plant and equipment	<b>74</b>	<b>91</b>

### Accounting policy

#### 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.

## 11. Employee costs

	2018 \$'000	2017 \$'000
<b>Employee costs</b>		
Wages and salaries	22,797	22,406
Redundancies	274	-
Relief/casual staff	841	878
Fringe Benefits Tax	10	4
Other	25	13
	<b>23,947</b>	<b>23,300</b>
Less amounts capitalised	(2,709)	(2,739)
	<b>21,238</b>	<b>20,561</b>

### Accounting policy

#### Employee costs

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

Employee costs include, where applicable, entitlements to wages and salaries, annual leave, personal leave, long service leave, superannuation, any other post-employment benefits as well as workers compensation expense and payroll tax expense.

## 12. Materials and services

	<b>2018</b>	<b>2017</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Materials and services</b>		
Materials and services	5,325	4,885
Board of Inquiry	96	791
Contract payments	7,857	7,469
Plant and equipment maintenance	190	240
Utilities	1,345	1,304
Consultants	560	1,091
	<b>15,373</b>	<b>15,780</b>

### Accounting policy

#### *Materials and services expense*

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

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.

## 13. Depreciation and amortisation

	<b>2018</b>	<b>2017</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>a) Depreciation and amortisation</b>		
Buildings and other land improvements	2,028	1,959
Plant and vehicles	294	307
Equipment and furniture	347	198
Transport	7,561	7,498
Stormwater and drainage	2,275	2,211
Valuation roll	57	62
Restoration costs	260	260
	<b>12,822</b>	<b>12,494</b>
<b>b) Assets written off</b>		
Buildings and other land improvements	2,353	133
Transport	2,072	2,767
Stormwater and drainage	11,471	1,049
Land	-	55
	<b>15,895</b>	<b>4,005</b>
	<b>28,716</b>	<b>16,499</b>

Building and other land improvement assets as well as Stormwater and drainage assets written off in 2017-18 included a number of assets primarily associated with the Derwent Park Stormwater Reuse Scheme with Council approving the closure of the Scheme on 28 May 2018. Assets associated with the Derwent Park Stormwater Reuse Scheme written off or down in 2017-18 include Buildings and other land improvements \$2.02 million, and Stormwater & Drainage assets \$11.0 million. These assets include sheds, electrical items, power supply fittings, switchboards, instrumentation controls, valves and fittings, bores and wells and storage structures.

Transport assets written off in 2017-18 included a number of pathways and traffic management devices that were found to not exist following detailed in field condition assessments and investigations.

Other assets written off include assets renewed and upgraded during the year including picnic shelters, footpaths, roads, roundabouts and access ramps.

### 13. Depreciation and amortisation (continued)

#### Accounting policy

##### *Depreciation and amortisation expense*

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

Buildings, land improvements, plant and equipment, infrastructure and other assets having limited useful lives are systematically depreciated over their useful lives to 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. Major depreciation periods used are listed below and are consistent with the prior year unless otherwise stated:

<b>Asset type</b>	<b>Useful life (years)</b>
Buildings and other land improvements	
Freehold buildings	20 to 100
Building fixed equipment and furniture	5 to 100
Equipment and furniture	
Furniture, fittings and office equipment	3 to 20
Computer systems and technical equipment	3 to 10
Other infrastructure	
Artwork (depreciating)	25
Electrical	20 to 30
Outdoor equipment and furniture	5 to 80
Instrumentation	20 to 30
Lighting	50
Play and sports equipment	20 to 75
Signs	15
Plant and vehicles	
Infrastructure	5 to 75
Fleet	3 to 5
Mobile plant	5 to 20
Minor plant	3 to 5
Transport	
Bridge	20 to 80
Car park surface	22 to 40
Car park base	80
Car park formation	Unlimited
Kerb	75
Pathway	10 to 75
Road pavement surface	22 to 40
Road pavement base	70 to 80
Road formation	Unlimited
Traffic management device	15 to 75

### 13. Depreciation and amortisation (continued)

	Useful life (years)
Stormwater and drainage	
Bore & Well	80
Irrigation	10 to 20
Lagoon	120
Storage structure	50 to 80
Stormwater drain	40 to 135
Stormwater pit	40 to 120
Water main	100 to 120
Water node	80
Water plant and equipment	10 to 135
Water pump	20
Valuation rolls	
Valuation rolls of the municipality	5 to 6

### 14. Finance costs

	2018 \$'000	2017 \$'000
<b>Finance costs</b>		
Interest	207	294
Unwinding of discounts applied to provisions	156	156
	<b>363</b>	<b>451</b>

#### Accounting policy

##### *Finance costs*

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

Finance costs are recognised as an expense in the period in which they are incurred, except where they are capitalised as part of a qualifying asset constructed by Council. Where specific borrowings are obtained for the purpose of specific asset acquisition, the weighted average interest rate applicable to borrowings at balance date, excluding borrowings associated with superannuation, is used to determine the borrowing costs to be capitalised. No borrowing costs were capitalised during the period (2017: nil).

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

### 15. Bad and doubtful debts

	2018 \$'000	2017 \$'000
<b>Bad and doubtful debts</b>		
Bad debts	7	17
Total bad and doubtful debts	<b>7</b>	<b>17</b>

#### Accounting policy

##### *Bad and doubtful debts*

Bad and doubtful debts are recognised in the Statement Comprehensive Income when a decrease in future economic benefit's related to a decrease in an asset or an increase in a liability has arisen that can be measured reliably.

## 16. Other expenses

	<b>2018</b>	<b>2017</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Other expenses</b>		
Land tax	465	462
External auditor's remuneration (Tasmanian Audit Office)	30	54
Grants and specific purpose benefits	23	117
Other	52	59
	<b>570</b>	<b>691</b>

### Accounting policy

#### Other expenses

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

## 17. Cash and cash equivalents

	<b>2018</b>	<b>2017</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Cash and cash equivalents</b>		
Current investment funds	6,000	8,545
Operating account	8,007	2,952
Glenorchy City Concert Brass account	7	9
Petty cash floats	6	6
Derwent Entertainment Centre operating cash floats	53	28
Derwent Entertainment Centre Automatic Teller Machine	71	51
	<b>14,144</b>	<b>11,591</b>

Council's cash and cash equivalents are subject to a number of internal and external restrictions that limit amounts available for discretionary or future use. These include:

	<b>2018</b>	<b>2017</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Internal restrictions</b>		
Statutory reserves	1,081	4,448
Derwent Entertainment Centre Automatic Teller Machine	71	51
	<b>1,152</b>	<b>4,499</b>
<b>External restrictions</b>		
Conditions on grants	854	709
Glenorchy City Concert Brass account	7	9
	<b>861</b>	<b>718</b>
Restricted funds	<b>2,013</b>	<b>5,217</b>
Total unrestricted cash and cash equivalents	<b>12,131</b>	<b>6,373</b>

### Accounting policy

#### 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.



## 18. Trade and other receivables

	<b>2018</b>	<b>2017</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Trade and other receivables</b>		
Employees and advanced salaries	7	7
Rates and charges	507	545
Debtors	2,684	2,210
Provision for impairment – liquidated damages claim	(1,597)	(1,597)
Provision for impairment – other debtors	(25)	(52)
	<b>1,576</b>	<b>1,113</b>
Goods and Services Tax on purchases	389	463
Goods and Services Tax on sales	(46)	(33)
Goods and Services Tax receivable	<b>343</b>	<b>430</b>
Total trade and other receivables	<b>1,919</b>	<b>1,543</b>

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% (2017: 10%) fourteen days after instalments are due. Interest of 8.72% (2017: 8.40%) is charged after the instalments are due and is calculated fortnightly (2017: fortnightly) on the outstanding balance.

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

An allowance has been made for those debts considered doubtful. Council evaluates unsecured debts through its debt collection process and where applicable these debts are transferred into the allowance.

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

	<b>2018</b>	<b>2017</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Ageing of past due – rates and charges</b>		
30 – 60 days	-	-
60 – 90 days	-	-
Over 90 days	507	545
	<b>507</b>	<b>545</b>
<b>Ageing of past due – debtors</b>		
30 – 60 days	42	43
60 – 90 days	62	85
Over 90 days	274	74
	<b>378</b>	<b>202</b>
<b>Movement in the provision for impairment – other debtors</b>		
Balance at the beginning of the year	1,649	1,633
Amounts transferred to the provision during the year	9	16
Amounts recovered during the year	(1)	-
Amounts written off as uncollectable	(36)	-
Balance at the end of the year	<b>1,621</b>	<b>1,649</b>

## 18. Trade and other receivables (continued)

### Accounting policy

#### 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 charged to overdue sundry receivables.

## 19. Inventories

	2018 \$'000	2017 \$'000
<b>Inventories</b>		
Stores and materials	109	111
	<b>109</b>	<b>111</b>

### Accounting policy

#### 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.

## 20. Other current assets

	2018 \$'000	2017 \$'000
<b>Other current assets</b>		
Prepayments	242	332
Accrued revenue	286	251
	<b>528</b>	<b>584</b>

### Accounting policy

#### Other current assets

Other current assets are carried at amortised cost using the effective interest rate method.

## 21. Investment in TasWater

	2018 \$'000	2017 \$'000
<b>Investment in TasWater</b>		
Balance at the beginning of the year	165,003	163,927
Fair value adjustments on available-for-sale assets	2,142	1,075
Balance at the end of the financial year	<b>167,145</b>	<b>165,003</b>

Council has derived returns from TasWater as disclosed at note 9.

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

### Accounting policy

#### 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 2018, Council held a 10.41% (2017: 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 Comprehensive Income to a Fair Value Reserve each year (refer note 27).

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's investment is not traded in an active market and is only sensitive to fluctuations in the value of TasWater's net assets.

On 1 May 2018 TasWater and the State Government announced a memorandum of understanding under which the State Government will inject \$20 million per year for the next ten years into TasWater and in return will become a shareholder of TasWater. As a shareholder the State Government will not receive any dividend distributions. The partnership provides for a reduction in forecast price increases, accelerated infrastructure upgrades and a joint focus on major projects. As at the date of these financial statements, the owner councils and the State Government were working together on the nature of the future reforms.

## 22. Property, infrastructure, plant and equipment

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

	Note	Carrying amount 1/07/2017 \$'000	Additions \$'000	Transfer between asset classes \$'000	Assets classified as Investment Property \$'000	Disposals and write-offs \$'000	Net revaluation adjustments \$'000	Depreciation and amortisation \$'000	Fair value recognised in profit or loss \$'000	Carrying amount 30/06/2018 \$'000
Transport	22	276,966	10,208	-	-	2,470	6,587	7,560	-	283,731
Stormwater and drainage	22	143,791	4,024	-	-	11,483	3,224	2,262	-	137,294
Land	22	198,943	495	-	-	-	7,265	-	-	206,703
Buildings and other land improvements	22	45,459	2,212	-	-	2,353	(5,599)	2,289	-	37,430
Plant and vehicles	22	1,674	846	-	-	187	-	294	-	2,039
Equipment and furniture	22	2,521	3,930	-	-	-	-	320	-	6,131
Valuation roll	22	308	-	-	-	-	-	56	-	252
		<b>669,662</b>	<b>21,715</b>	<b>-</b>	<b>-</b>	<b>16,493</b>	<b>11,477</b>	<b>12,781</b>	<b>-</b>	<b>673,580</b>

	Note	Carrying amount 1/07/2016 \$'000	Additions \$'000	Transfer between asset classes \$'000	Assets classified as Investment Property \$'000	Disposals and write-offs \$'000	Net revaluation adjustments \$'000	Depreciation and amortisation \$'000	Fair value recognised in profit or loss \$'000	Carrying amount 30/06/2017 \$'000
Transport	22	264,356	10,139	46	2,043	(2,767)	10,648	(7,498)	-	276,966
Stormwater and drainage	22	179,085	4,428	-	-	(1,049)	(36,462)	(2,211)	-	143,791
Land	22	190,869	116	1,148	6,865	(55)	-	-	-	198,943
Buildings and other land improvements	22	45,377	1,359	(36)	416	(133)	695	(2,219)	-	45,459
Plant and vehicles	22	1,588	514	-	-	(122)	1	(307)	-	1,674
Equipment and furniture	22	2,331	388	-	-	-	-	(198)	-	2,521
Valuation roll	22	19	352	-	-	-	-	(62)	-	308
		<b>683,624</b>	<b>17,296</b>	<b>1,158</b>	<b>9,325</b>	<b>(4,127)</b>	<b>(25,117)</b>	<b>(12,494)</b>	<b>-</b>	<b>669,662</b>

## 22. Property, infrastructure, plant and equipment (continued)

### Accounting policy

#### Recognition and measurement of assets

- a) All material items were considered and an assessment made to determine if such items are assets.
- b) If expenditure on an asset improves its service potential or future economic benefits (i.e. the useful life is extended) then this expenditure will be capitalised (added to the value of the asset). If not, the expenditure will be charged to the Statement of Comprehensive Income as repairs/maintenance.
- c) Asset categories of Council are specified in the asset matrix. Asset categories will be consolidated into the following broad categories of nature or type:
  - Transport;
  - Stormwater and drainage;
  - Land;
  - Buildings and other land improvements;
  - Plant and vehicles;
  - Equipment and furniture;
  - Valuations roll; and
  - Capital works in progress.
- d) 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.
- e) Council adopts depreciated replacement cost or fair value for all property assets.
- f) Assets are recorded by identifying separately their gross carrying value and any accumulated depreciation, other than capital works in progress.
- g) The asset capitalisation threshold adopted by council is \$1,500. Assets valued at less than \$1,500 are charged to the Statement of Comprehensive Income in the year of purchase (other than where they form part of a group of similar items which are material in total).
- h) 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.
- i) 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.
- j) Plant and Vehicles, and Equipment and Furniture other than plant associated with property are recorded at cost.
- k) 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.
- l) 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.
- m) 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.
- n) All net revaluation increments for a class are credited directly to the asset revaluation reserve account. However, the increment is charged to the Statement of Comprehensive Income to the extent that it reverses a net revaluation decrease of the same class of assets previously recognised in the income statement. Net revaluation decrements for a class of assets will be debited to any previous revaluation increments for that class of assets, with any deficiency being charged to the Statement of Comprehensive Income.

## 22. Property, infrastructure, plant and equipment (continued)

- o) 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.
- p) Capital works in progress are recorded at cost.
- q) In the 2016 Financial Report, Land under roads acquired prior to 30 June 2008 was recognised for the first time, consistent with the Report to Parliament by the Auditor-General No. 5 of the 2013-2014 Infrastructure Financial Accounting in Local Government

	<b>2018</b>	<b>2017</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Transport</b>		
At valuation (30 June 2017)	521,317	503,894
Less accumulated depreciation	(237,586)	(226,928)
Roads at fair value	<b>283,731</b>	<b>276,966</b>

	<b>2018</b>	<b>2017</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Stormwater and drainage</b>		
At valuation (1 July 2016)	214,748	213,821
Less accumulated depreciation	(77,416)	(69,979)
Less impairment expense	(38)	(51)
Stormwater and drainage at fair value	<b>137,294</b>	<b>143,791</b>

A provision for impairment has been recognised for \$37,563. The impairment is based on the inspection and evaluation of Stormwater assets that were damaged during their construction.

	<b>2018</b>	<b>2017</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Land</b>		
At valuation (30 June 2018)	66,384	59,119
Land under roads – at valuation (30 June 2017)	140,319	139,825
Land at fair value	<b>206,703</b>	<b>198,943</b>

	<b>2018</b>	<b>2017</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Buildings and other land improvements</b>		
At valuation (30 June 2018)	90,242	95,899
Less accumulated depreciation	(52,812)	(50,440)
Buildings and other land improvements at fair value	<b>37,430</b>	<b>45,459</b>

	<b>2018</b>	<b>2017</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Plant and vehicles</b>		
At cost	3,728	3,305
Less accumulated depreciation	(1,689)	(1,631)
Plant and vehicles at cost	<b>2,039</b>	<b>1,674</b>

## 22. Property, infrastructure, plant and equipment (continued)

	2018 \$'000	2017 \$'000
<b>Equipment and furniture</b>		
At cost	12,399	8,469
Less accumulated depreciation	(6,268)	(5,948)
Equipment and furniture at cost	<b>6,131</b>	<b>2,521</b>
<b>Valuation roll</b>		
At cost	370	370
Less accumulated depreciation	(118)	(62)
Valuation roll at cost	<b>252</b>	<b>308</b>
Total property, infrastructure, plant and equipment	<b>673,580</b>	<b>669,662</b>
<b>Other non-current assets</b>		
Capital works in progress	16,102	20,633
Total other non-current assets	16,102	20,633
<b>Investment properties</b>		
Balance at the beginning of financial year	-	9,326
Transfer in	-	-
Transfer out	-	(9,326)
Balance at the end of financial year	-	-

### Investment Properties

A review of investment properties during the 2017 year established that none of the properties were being held for their ability to earn rental or for their potential capital appreciation. As a consequence of this finding, investment properties have been re-classified back to their underlying asset class components as at 30 June 2017. The re-classification has been made recognising the social service objectives of Council and the primary purpose for the acquisition of the asset which is to provide a service to the community. In doing so, Council has applied *AASB 140 Investment Property* paragraph 9.1 which provides an exemption from the definition of investment property for property held to meet service delivery objectives by not-for-profit entities.

### Accounting policy

#### Investment properties

Investment properties are held to generate long-term rental yields and are 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 properties are carried at fair value. Changes to fair value are recorded in the Statement of Comprehensive Income in the period that they arise. Rental income from the leasing of investment properties is recognised in the Statement of Other Comprehensive Income on a straight line basis over the lease term.

<sup>1</sup> A review of properties held for sale during the 2017 year established that none of the properties were being actively marketed. As a consequence of this finding and in accordance with *AASB 105 Non-current Assets Held for Sale and Discontinued Operations*, properties held for sale have been re-classified back to transport, land and buildings as at 30 June 2017.

<sup>2</sup> A review of investment properties during the 2017 year established that none of the properties were being held for their ability to earn rental or for their potential capital appreciation. As a consequence of this finding, investment properties have been re-classified back to their underlying asset class components of transport, land and buildings as at 30 June 2017.

## 22. Property, infrastructure, plant and equipment (continued)

### a) Impairment losses

Impairment losses are recognised in the Statement of Comprehensive Income under Other expenses. Reversals of impairment losses are recognised in the Statement of Comprehensive Income under Other revenue.

## 23. Trade and other payables

	2018 \$'000	2017 \$'000
Trade payables	1,782	-
Accrued expenses	2,215	2,431
Fringe Benefits Tax payable	7	8
	<b>4,004</b>	<b>2,439</b>

### Accounting policy

#### *Trade and other 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.

**24. Provisions**

<b>2018</b>	<b>Annual Leave \$ '000</b>	<b>Sick Leave \$ '000</b>	<b>On Costs \$ '000</b>	<b>Long Service Leave \$ '000</b>	<b>Employee Support \$ '000</b>	<b>Landfill Restoration \$ '000</b>	<b>Total \$ '000</b>
Balance at the beginning of the financial year	<b>1,933</b>	<b>874</b>	<b>334</b>	<b>2,431</b>	<b>36</b>	<b>3,949</b>	<b>9,558</b>
Additional provisions	1,766	1,043	158	338	339	-	<b>3,644</b>
Amounts used	(1,681)	(700)	(180)	(563)	-	-	<b>(3,124)</b>
Increase in the discounted amount arising because of the time and the effect of any change in the discount rate	-	-	-	-	-	85	<b>85</b>
Balance at the end of the financial year	<b>2,019</b>	<b>886</b>	<b>312</b>	<b>2,206</b>	<b>375</b>	<b>4,034</b>	<b>9,831</b>

**2017**

	<b>Annual Leave \$ '000</b>	<b>Sick Leave \$ '000</b>	<b>On Costs \$ '000</b>	<b>Long Service Leave \$ '000</b>	<b>Employee Support \$ '000</b>	<b>Landfill Restoration \$ '000</b>	<b>Total \$ '000</b>
Balance at the beginning of the financial year	<b>1,788</b>	<b>825</b>	<b>315</b>	<b>2,366</b>	<b>-</b>	<b>3,862</b>	<b>9,156</b>
Additional provisions	1,970	713	190	381	36	-	<b>3,290</b>
Amounts used	(1,825)	(663)	(171)	(316)	-	-	<b>(2,975)</b>
Increase in the discounted amount arising because of the time and the effect of any change in the discount rate	-	-	-	-	-	87	<b>87</b>
Balance at the end of the financial year	<b>1,933</b>	<b>874</b>	<b>334</b>	<b>2,431</b>	<b>36</b>	<b>3,949</b>	<b>9,558</b>



## 24. Provisions (continued)

	<b>2018</b>	<b>2017</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Employee entitlements provision</b>		
<b>(i) Current</b>		
Annual leave	2,019	1,933
Sick leave	886	874
Long service leave	1,402	775
<i>Other provisions</i>		
Employment on-costs:		
Payroll tax	263	183
	<b>4,569</b>	<b>3,766</b>
<b>(ii) Non-current</b>		
Long service leave	804	1,656
<i>Other provisions</i>		
Employment on-costs:		
Payroll tax	49	151
	<b>853</b>	<b>1,807</b>
Aggregate carrying amount of employee entitlements:		
Current	4,569	3,766
Non-current	853	1,807
	<b>5,422</b>	<b>5,573</b>
<b>(iii) Current</b>	<b>2018</b>	<b>2017</b>
	<b>\$'000</b>	<b>\$'000</b>
All annual leave, personal 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	3,529	2,439
– other long-term employee entitlements that do not fall due within 12 months after the end of the period	776	1,098
	<b>4,305</b>	<b>3,537</b>
<b>(iv) Non-current</b>		
Long service leave representing less than 10 years of continuous service measured at present value	<b>804</b>	<b>1,656</b>

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

	<b>2018</b>	<b>2017</b>
Weighted average increase in employee costs	2.50%	2.00%
Weighted average discount rates	2.30%	2.18%
Weighted average settlement period	11	11

The 2016 Enterprise Agreement provided for LSL entitlements for employees with greater than 10 years' service to be treated as immediately available and therefore current. The prior year treatment leave entitlement was incorrect in that it reflected the earlier position of employees having to wait until a second or third completion of ten years of service before being able to access and treat as current.

## 24. Provisions (continued)

### a) Landfill restoration

Council operates a Landfill at Jackson Street, Glenorchy that is deemed to have a further useful life of at least 6 years from 30 June 2017. 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.

### b) Provision summary

	<b>2018</b>	<b>2017</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Current</b>		
Employee entitlements	4,569	3,766
Employee Support	375	36
	<b>4,944</b>	<b>3,802</b>
<b>Non-current</b>		
Employee entitlements	853	1,807
Landfill restoration	4,034	3,949
	<b>4,888</b>	<b>5,756</b>
Total provisions	<b>9,831</b>	<b>9,558</b>

### Accounting policy

#### 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.

#### Employee entitlements provision

Employee entitlements are accrued for salaries, annual leave, personal leave and long service leave in respect of services provided by employees up to the reporting date. The personal leave accrual relates to 25.00% of the outstanding balance, which is payable to permanent employees upon termination. The 2016 Enterprise Agreement provided for LSL entitlements for employees with greater than 10 years' service to be treated as immediately available and therefore current. The prior year treatment was incorrect in that it reflected the earlier position of employees having to wait until a second or third completion of ten years of service before being able to access, and treat as current, the leave entitlement.

##### (i) Short term obligations

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating personal 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 entitlements. All other short-term employee entitlement 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 entitlements 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.

## 24. Provisions (continued)

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 Council 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 the 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 costs' in the Statement of Comprehensive Income. The related liability is included in 'Employment on-costs provision'.

##### *Close-down and restoration costs – Landfill*

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

Close-down and restoration costs are a normal consequence of landfill operations, and the majority of close-down and restoration expenditure is incurred at the end of the life of the operation.

Although the ultimate cost to be incurred is uncertain, Council estimates the respective costs based on feasibility and engineering studies using current restoration standards and techniques.

The amortisation or 'unwinding' of the discount applied in establishing the net present value of provisions is charged to the Statement of Comprehensive Income in each accounting period where material. The amortisation of the discount is shown as a finance cost (refer note 16).

##### *Employee support*

Employee support is not a direct employee entitlement and is recognised separately as a liability with the transfer of unused Personal Leave from terminating employees and may be used by sick employees where their Leave entitlements have been extinguished. Employee support, established as part of the 2016 Enterprise Agreement, is included as part of the Council's 'Employee costs' in the Statement of Comprehensive Income. The related liability is included in 'Employee support provision'.

## 25. Borrowings

	2018 \$'000	2017 \$'000
Borrowings at the beginning of the year	5,168	6,020
New borrowings	-	-
Repayments	(909)	(852)
Borrowings at the end of the year	<b>4,259</b>	<b>5,168</b>
Current borrowings	952	851
Non-current borrowings	3,307	4,317
	<b>4,259</b>	<b>5,168</b>

The loan portfolio owed by Council to Tascorp has been reviewed by Tascorp effective 30 June 2018. 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 \$4,367,832 (2017: \$5,341,202) compared to the actual value of \$4,259,000 (2017: \$5,168,000). All loan funds are secured against future council rate revenue.

	2018 \$'000	2017 \$'000
The maturity profile for Council's borrowings is:		
Not later than one year	-	-
Later than one year and not later than five years	3,429	4,237
Later than five years	830	931
	<b>4,259</b>	<b>5,168</b>

## Accounting policy

### Borrowings

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

## 26. Other current liabilities

	2018 \$'000	2017 \$'000
<b>Other current liabilities</b>		
Trust monies held (Derwent Entertainment Centre)	3	6
Trust monies held (Local Government Officers Group)	-	4
Vehicle Funding Facility	1,417	1,011
Revenue received in advance	1,058	1,060
Refundable building deposits	323	426
Refundable contract deposits	-	-
Other refundable deposits	38	37
	<b>2,839</b>	<b>2,543</b>

## Accounting policy

### Other current liabilities

Amounts received as deposits and retention amounts controlled by Council are recognised as Trust funds until they are returned or forfeited.

## 27. Reserves

	Balance at beginning of year		Transfers between reserves		Transfers to reserves		Transfers from reserves		Balance at end of year	
	1-Jul-17 \$'000	1-Jul-16 \$'000	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000	30-Jun-18 \$'000	30-Jun-17 \$'000
<b>Revenue reserves</b>										
Statutory reserves	435	424	-	-	10	10	-	-	445	435
Car parking	581	567	-	-	55	14	-	-	636	581
Public open space	3,431	5,433	-	-	-	-	(3,431)	(2,002)	-	3,431
Incomplete works	4,446	6,424	-	-	65	24	(3,431)	(2,002)	1,081	4,446
<b>Other reserves</b>										
Irregular operating expenses	101	50	-	-	51	51	(101)	-	51	101
Landfill future close out costs	2,340	2,030	-	-	313	310	-	-	2,653	2,340
Landfill plant and equipment	2	2	-	-	-	-	-	-	2	2
Property, plant and equipment	166	162	-	-	4	4	-	-	171	166
City revaluation	123	432	-	-	53	61	-	(370)	176	123
Asset sales	4,988	4,758	-	-	113	241	-	(10)	5,101	4,988
Community based programs	(177)	(134)	-	-	44	83	(140)	(126)	(273)	(177)
Strategic Asset Management	271	618	-	-	82	406	-	(753)	353	271
Group Capital	7,815	7,919	-	-	660	1,155	(241)	(1,259)	8,233	7,815
	12,261	14,343	-	-	725	1,180	(3,672)	(3,262)	9,314	12,261

	Balance at beginning of year		Transfers between reserves		Revaluation Increments		Revaluation Decrements		Balance at end of year	
	1-Jul-17 \$'000	1-Jul-16 \$'000	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000	30-Jun-18 \$'000	30-Jun-17 \$'000
<b>Fair value reserve</b>										
Investment in TasWater	(31,901)	(32,976)	-	-	2,142	1,075	-	-	(29,759)	(31,901)
	(31,901)	(32,976)	-	-	2,142	1,075	-	-	(29,759)	(31,901)

**27. Reserves (continued)**

	Balance at beginning of year		Transfers between reserves		Revaluation increments		Revaluation decrements		Balance at end of year	
	1-Jul-17 \$'000	1-Jul-16 \$'000	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000	30-Jun-18 \$'000	30-Jun-17 \$'000
<b>Asset revaluation reserves</b>										
Asset revaluation reserve - transport	211,189	200,540	-	-	6,587	10,648	-	-	217,776	211,189
Asset revaluation reserve - buildings and other land improvements	15,813	15,118	-	-	-	695	(5,599)	-	10,214	15,813
Asset revaluation reserve - land	44,689	44,689	-	-	7,265	-	-	-	51,954	44,689
Asset revaluation reserve - stormwater and drainage	60,878	97,340	-	-	3,224	-	-	(36,462)	64,103	60,878
Asset revaluation reserve - plant and vehicles	2,740	2,739	-	-	-	1	-	-	2,740	2,740
Asset revaluation reserve - furniture and equipment	867	867	-	-	-	-	-	-	867	867
	336,176	361,293	-	-	17,077	11,344	(5,599)	(36,462)	347,653	336,176
<b>Total revenue and asset revaluation reserves</b>	316,536	342,660	-	-	19,943	13,600	(9,271)	(39,723)	327,208	316,536

## 27. Reserves (continued)

### *Nature and purpose of reserves:*

#### **Revenue reserves**

Revenue reserves for car parking, public open space and community-based programs reflect the statutory or third-party compulsory contributions that are required to be expended for specific purposes 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 27).

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.

## 28. Reconciliation of net surplus/(deficit) for the period to net cash flows from operating activities

	<b>2018</b>	<b>2017</b>
	<b>\$'000</b>	<b>\$'000</b>
Net surplus/(deficit)	(10,444)	(675)
<b>Items not involving cash</b>		
Carrying value of assets sold or retired	180	122
Sale of property, plant and equipment	(254)	(214)
Capital government grants and external contributions	(1,125)	(2,022)
Contribution – non-monetary assets	(4,723)	(1,184)
Depreciation expense	12,822	12,494
Assets written off	15,895	4,005
Unwinding of discounts applied to provisions	156	156
Impairment expense	-	-
Unwinding of discounts applied to provisions		
<b>Changes in operating assets and liabilities</b>		
(Increase)/decrease in trade and other receivables	(376)	(14)
(Increase)/decrease in other current assets	56	(138)
(Increase)/decrease in inventories	2	31
Increase/(decrease) in trade and other payables	1,486	(1,676)
Increase/(decrease) in other current liabilities	296	261
Increase/(decrease) in employee entitlement provisions	188	316
<b>Net cash from operating activities</b>	<b>14,159</b>	<b>11,462</b>

## 28. Reconciliation of net surplus/(deficit) for the period to net cash flows from operating activities (continued)

### Reconciliation of liabilities arising from financing activities

Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the Statement of Cash Flows as cash flows from financing activities.

	2018 \$'000	2017 \$'000
<b>Interest bearing loans and borrowings</b>		
<b>Balance as at 1 July 2017</b>	5,169	6020
Acquisitions / New leases	-	-
Foreign exchange rate movements	-	-
Changes in fair value	-	-
Other movements	-	-
Transfers to / (from) other Government entity	-	-
Changes from financing cash flows:		
Cash Received	-	-
Cash Repayments	-	-
<b>Balance as at 30 June 2018</b>	(910)	(852)
	<b>4,259</b>	<b>5,168</b>

## 29. Financing arrangements

	2018 \$'000	2017 \$'000
The credit limit with the Commonwealth Bank of Australia for the vehicle funding facility as at 30 June:	2,000	2,000
Council has access to an established line of credit to the value of \$2 million. This line of credit has been approved to purchase Council's fleet of vehicles.		
The credit limit with the Commonwealth Bank of Australia for Council's purchasing card facility as at 30 June:	60	60

## 30. Grants, donations and bursaries

	2018 \$'000	2017 \$'000
<b>Cash Donations</b>		
Glenorchy Art and Sculpture Park	95	95
Claremont College Bursaries	1	2
Glenorchy City Concert Brass Band Donation	8	8
Moonah Art Festival	2	-
Eric Reece Scholarship	3	3
Various minor contributions to community organisations	10	9
	<b>119</b>	<b>117</b>



### 31. Commitments of 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):

	2018 \$'000	2017 \$'000
Not later than one year	982	520
Later than one year and not later than five years	1,915	1,237
Later than five years	1,699	816
	4,597	2,573

The Council leases vehicles and mobile plant and equipment under operating leases, expiring from 1 - 4 years. Leases generally provide the entity with a right of renewal at which time all terms are renegotiated.

Lease payments are initially established based on expected operating criteria and may adjust depending upon material variations in such operating criteria.

The Council leases office equipment under operating leases, expiring from 1 - 3 years. Leases generally provide the entity with a right of renewal at which time all terms are renegotiated. Terms of the leases are fixed at the time of the lease start date.

The Council leases office premises under operating leases, expiring 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 report as liabilities:

	Note	2018 \$'000	2017 \$'000
Property		1,287	2,832
Transport		1,440	484
Stormwater		138	115
		2,865	3,431
Not later than one year		2,865	3,431
Later than one year and not later than five years		-	-
Later than five years		-	-
		2,865	3,431

#### Accounting policy

##### Operating leases

Leases in which a significant portion of the risks and rewards of ownership are not transferred to Council as lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the Statement of Comprehensive Income on a straight line basis over the period of the lease. Council leases vehicles and mobile plant and equipment, office equipment and office premises.

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.

##### Finance leases

Council has no finance lease obligations at 30 June 2018.

### 32. Contingent liabilities

There are no contingent liabilities.

### 33. Financial instruments

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

Financial instruments	Note	Accounting policy	Terms and conditions
<b>Financial assets</b>			
<b>Cash and cash equivalents</b>	17	Comprises cash on hand and cash in bank.	On call deposits returned an average interest rate of 1.30% (2017: 1.28%). The interest rate at 30 June 2018 was 1.30% (2017: 1.25%).
		Investments are held to maximise interest returns on surplus cash.	The weighted average interest rate received for investments was 2.60% (2017: 2.60%).
		Interest revenues are recognised as they accrue.	
<b>Trade and other receivables</b>			
<b>Receivables rates and charges</b>	18	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 at 30 June 2018 was 8.72% for general rates (2017: 8.40%).
<b>Receivables other</b>	18	Receivables are carried at nominal amounts due less any allowance for doubtful debts. An allowance for doubtful debts is recognised when collection in full is no longer probable.	General debtors are unsecured.
<b>Available for sale financial assets</b>			
<b>Investment in TasWater</b>	21	The investment in TasWater is valued at its fair value at 30 June 2018. Fair value was determined by using Council's ownership interest against the water corporation's net asset value at 30 June 2018.	
<b>Financial liabilities</b>			
<b>Payables</b>	23	Liabilities are recognised for amounts to be paid in the future for goods and services provided to Council as at balance date, whether or not invoices have been received.	General creditors are unsecured, not subject to interest charges and are normally settled within specific trading terms or 30 days, whichever is earlier.
<b>Interest-bearing loans and borrowings</b>	25	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 4.26% (2017: 5.07%).
<b>Deposits</b>	26	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.	

### 33. Financial instruments (continued)

#### Liquidity risk management

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

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

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

	Weighted average interest rate %		Less than 1 year \$'000		1 to 5 years \$'000		More than 5 years \$'000		Non-bearing \$'000		Total \$'000	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
<b>Financial assets</b>												
<i>Variable interest rate</i>												
Cash and cash equivalent assets	2.60%	2.60%	14,014	11,505	-	-	-	-	-	-	14,014	11,505
<i>Non interest bearing</i>												
Cash and cash equivalent assets			129	85	-	-	-	-	-	-	129	85
Trade and other receivables			1,069	568	-	-	-	-	-	-	1,069	568
Investment in TasWater			-	-	-	-	-	-	167,145	165,003	167,145	165,003
<i>Fixed interest rate</i>												
Trade and other receivables (rates and charges)	8.72%	8.40%	507	545	-	-	-	-	-	-	507	545
<b>Total</b>			15,719	12,703	-	-	-	-	167,145	165,003	182,864	177,706
<b>Financial liabilities</b>												
<i>Non interest bearing</i>												
Trade and other payables			4,004	2,439	-	-	-	-	-	-	4,004	2,439
Other current liabilities			2,839	2,543	-	-	-	-	-	-	2,839	2,543
<i>Fixed interest rate</i>												
Borrowings:												
– Not later than one year	-	-	-	-	-	-	-	-	-	-	-	-
– Later than one year and not later than five years	3.73%	4.20%	-	-	3,429	4,237	-	-	-	-	3,429	4,237
– Later than five years	4.26%	5.26%	-	-	-	-	831	931	-	-	831	931
<b>Total</b>			6,843	4,982	3,429	4,237	831	931	-	-	11,103	10,150
<b>Net financial assets/(liabilities)</b>											171,761	167,556

### 33. Financial instruments (continued)

#### c) Fair value

The aggregate net fair values of financial assets and financial liabilities, both recognised and unrecognised, at 30 June are as follows:

Financial Instruments	Total carrying amount		Aggregate Net Fair Value	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
<b>Financial Assets</b>				
Cash and cash equivalents	14,143	11,591	14,143	11,591
Investment in TasWater	167,145	165,003	167,145	165,003
Trade and other receivables	1,919	1,543	1,919	1,543
<b>Total Financial Assets</b>	<b>183,207</b>	<b>178,137</b>	<b>183,207</b>	<b>178,137</b>
<b>Financial Liabilities</b>				
Trade and other payables	4,004	2,439	4,004	2,439
Interest bearing loans and borrowings	4,259	5,168	4,259	6,342
Other liabilities	2,839	2,543	2,839	2,543
<b>Total Financial Liabilities</b>	<b>11,102</b>	<b>10,150</b>	<b>11,102</b>	<b>11,323</b>

#### d) Credit risk

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

#### e) Risks and mitigation

##### *Financial risk management*

Council undertakes a Strategic and Key Operational risk review on an annual basis. The review evaluates Council's exposure to significant business and financial risks with these outcomes reported to Audit Panel and to Council. The council manages its exposure to key financial risks through this process and also through the independent Internal Audit program. The Audit Panel monitors any key risk exposure activities undertaken, and reviews all strategic policy documentation for the Council's management or mitigation of Council's 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 24, cash and cash equivalents disclosed in note 17 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.

### 33. Financial instruments (continued)

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; and
- 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 30 June 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 not have sufficient funds to settle a transaction on the date;
- 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
- limits set on borrowings in accordance with Council's borrowing policy.

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

### 33. Financial instruments (continued)

#### 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 the end of year rate of 1.30% (2017: 1.25%).

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.

#### 2018

	Carrying amount subject to interest \$'000	Interest Rate Risk			
		-0.25% (25 basis points)		+0.25% (25 basis points)	
		Profit \$'000	Equity \$'000	Profit \$'000	Equity \$'000
<b>Market Risk Exposure</b>					
<b>Financial Assets:</b>					
Cash and cash equivalents	14,014	(35)	(35)	35	35
Trade and other receivables	507	(1)	(1)	1	1

#### 2017

	Carrying amount subject to interest \$'000	Interest Rate Risk			
		-0.25% (25 basis points)		+0.25% (25 basis points)	
		Profit \$'000	Equity \$'000	Profit \$'000	Equity \$'000
<b>Market Risk Exposure</b>					
<b>Financial Assets:</b>					
Cash and cash equivalents	11,505	(29)	(29)	29	29
Trade and other receivables	545	(1)	(1)	1	1

### 34. Events occurring after balance date

i) Council is currently in discussions with the Environmental Protection Authority (EPA) on a proposal affecting the closure of the Jackson Street landfill. As at balance date, these discussions are ongoing and the closure date is not believed to materially differ from the current estimate of 2023.

### 35. Related party transactions

#### i) Responsible Persons

Names of persons holding the position of a Responsible Person at the Council at any time during the year are:

#### Aldermen

Kristie Johnston, Mayor	(from 19/01/2018 to 30/06/2018)
Matt Stevenson, Deputy Mayor	(from 19/01/2018 to 30/06/2018)
Peter Bull	(from 19/01/2018 to 30/06/2018)
Melissa Carlton OAM	(from 19/01/2018 to 30/06/2018)
Jan Dunsby	(from 19/01/2018 to 30/06/2018)
Simon Fraser	(from 19/01/2018 to 30/06/2018)
Steven King	(from 19/01/2018 to 30/06/2018)
Gaye Richardson	(from 19/01/2018 to 30/06/2018)
Kelly Sims	(from 19/01/2018 to 30/06/2018)
Rebecca Thomas	(from 19/01/2018 to 30/06/2018)

### 35. Related party transactions (continued)

#### Commissioner

Sue Smith (from 01/07/2017 to 18/01/2018)

#### Key Management Personnel

Peter Brooks, General Manager (01/07/2017 to 14/11/2017)

Tony McMullen,  
Acting General Manager/General Manager (01/07/2017 to 30/06/2018)

Seva Iskandarli, Director, Corporate Governance  
and General Counsel (01/07/2017 to 28/11/2017)

Simon Scott, Acting Director, Corporate Governance (01/07/2017 to 30/06/2018)

Paul Garnsey, Acting Director,  
City Infrastructure and Works (01/07/2017 to 30/06/2018)

David Ronaldson, Acting Director,  
Community Economic Development and Business (01/07/2017 to 30/06/2018)

Ted Ross, Director, Infrastructure and Works (09/04/2018 to 30/06/2018)

Craig French, Acting Chief Financial Officer (01/07/2017 to 04/11/2017)

William Richardson, Acting Chief Financial Officer (08/11/2017 to 30/06/2018)

Mr Tony McMullen filled the General Manager role and Mr Simon Scott filled the Director Corporate Governance role, both in an acting capacity, while the substantive occupants were on a leave of absence.

#### ii) Aldermen Remuneration

	<b>Allowances</b>	<b>Vehicles<sup>1</sup></b>	<b>Total Compensation</b>	<b>Expenses</b>	<b>Total allowances and expenses section 72</b>
<b>2018</b>	<b>\$</b>	<b>\$</b>	<b>AASB 124</b>	<b>\$</b>	<b>\$</b>
Commissioner	131,247	4,177	135,424	-	135,424
Mayor	41,316	4,212	45,528	1,499	47,027
Deputy Mayor	20,007	-	20,007	194	20,201
Aldermen	94,438	-	94,438	1,404	95,842
	<b>287,008</b>	<b>8,389</b>	<b>295,397</b>	<b>3,097</b>	<b>298,494</b>

	<b>Allowances</b>	<b>Vehicles<sup>1</sup></b>	<b>Total Compensation</b>	<b>Expenses</b>	<b>Total allowances and expenses section 72</b>
<b>2017</b>	<b>\$</b>	<b>\$</b>	<b>AASB 124</b>	<b>\$</b>	<b>\$</b>
Commissioner	92,054	-	92,054	-	92,054
Mayor	62,250	8,611	70,862	3,300	74,161
Deputy Mayor	30,145	-	30,145	257	30,402
Aldermen	142,291	-	142,291	8,882	151,173
	<b>326,741</b>	<b>8,611</b>	<b>335,352</b>	<b>12,438</b>	<b>347,790</b>

<sup>1</sup> Includes total cost of providing and maintaining vehicles provided for private use, including registration, insurance, fuel, other consumables and maintenance costs.

### 35. Related party transactions (continued)

#### iii) Key Management Personnel Remuneration

2018	Short term employee benefits				Post employment benefits			Total \$
	Remuneration band	Number of employees	Salary <sup>1</sup> \$	Vehicles <sup>2</sup> \$	Other Allowances and Benefits <sup>3</sup> \$	Super-annuation <sup>4</sup> \$	Other Long-term Benefits <sup>5</sup> \$	
\$40,001 - \$60,000	1	32,692	-	1,346	4,425	-	3,345	41,808
\$60,001 - \$80,000	1	77,008	-	-	7,733	-	(21,693)	63,048
\$140,001 - \$160,000	1	113,593	-	3,487	14,625	-	14,760	146,465
\$160,001 - \$180,000	3	398,222	-	89,000*	61,394	-	(24,789)	523,827
\$180,001 - \$200,000	1	154,649	-	-	20,104	-	19,041	193,794
\$260,001 - \$280,000	1	209,328	-	150	26,651	-	29,384	265,513
\$360,001 - \$380,000	1	216,757	1,637	192,841*	37,076	-	(78,569)	369,742
		1,202,249	1,637	286,824	172,008	-	(58,521)	1,604,197

2017	Short term employee benefits				Post employment benefits			Total \$
	Remuneration band	Number of employees	Salary <sup>1</sup> \$	Vehicles <sup>2</sup> \$	Other Allowances and Benefits <sup>3</sup> \$	Super-annuation <sup>4</sup> \$	Other Long-term Benefits <sup>5</sup> \$	
\$100,001 - \$120,000	1	112,228	-	-	13,435	-	(10,537)	115,126
\$120,001 - \$140,000	1	120,989	-	-	15,729	-	3,282	139,999
\$140,001 - \$160,000	3	379,343	-	-	50,174	-	31,151	460,668
\$180,001 - \$200,000	1	157,892	-	-	20,303	-	7,749	185,943
\$200,001 - \$220,000	1	192,822	-	-	23,661	-	(1,394)	215,088
\$320,001 - \$340,000	1	249,594	24,773	-	36,030	-	29,418	339,816
		1,212,867	24,773	-	159,331	-	59,669	1,456,641

1 Gross Salary includes all forms of consideration paid and payable for services rendered, compensated absences during the period and salary sacrifice amounts.

2 Includes total cost of providing and maintaining vehicles provided for private use, including registration, insurance, fuel, other consumables and maintenance costs.

3 Other benefits include all other forms of employment allowances (excludes reimbursements such as travel, accommodation or meals), payments in lieu of leave, termination payments\* and any other compensation paid and payable.

4 Superannuation means the contribution to the superannuation fund of the individual.

5 Other long-term employee benefits, including long-service leave or sabbatical leave, jubilee or other long-service benefits, long-term disability benefits and, if they are not payable wholly within twelve months after the end of the period, profit-sharing, bonuses and deferred compensation; other non-monetary benefits (such as housing, subsidised goods or services etc).

6 Other non-monetary benefits include annual and long service leave movements.



### 35. Related party transactions (continued)

#### iv) Remuneration Principles

##### Alderman

Alderman are paid allowances and compensation for certain expenses consistent with the *Local Government Act 1993*.

##### Executives

Remuneration of key management personnel is based on an assessment of current market remuneration for similar positions. The employment terms and conditions of senior executives are contained in individual employment contracts and prescribe total remuneration, superannuation, annual and long service leave, vehicle and salary sacrifice provisions.

#### v) Transactions with related parties

A review of Council's records has revealed that there were no significant related party transactions during the 2017-18 financial year.

#### vi) Transactions with related parties that have not been disclosed

Most of the entities and people that are related parties of council live and operate within the municipality. Therefore, on a regular basis ordinary citizen transactions occur between Council and its related parties. Some examples include:

- Payment of rates on a primary residence
- Dog registration
- Use of Council's swimming pool

Council has not included these types of transaction in its disclosure, where they are made on the same terms and conditions available to the general public.

### 36. Special committees

#### a) 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 previously supported by Council, but ceased being supported on 1 August 2016:

- City of Glenorchy Australia Day Award;
- Citizen and Young Citizen of the Year Selection Committee;
- 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 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 financial report.

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 2017-18 were as follows:

	<b>Income 2018 \$'000</b>	<b>Expenditure 2018 \$'000</b>	<b>Net result 2018 \$'000</b>	<b>Cash at bank 2018 \$'000</b>
Glenorchy Brass Band	13	15	(2)	5

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

## 36. Special committees (continued)

### b) Audit Panel

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 Financial Report.

## 37. Superannuation

Council makes superannuation contributions for the vast majority of its employees (around 94%) into various accumulation schemes and for the remaining employees (around 6%), Council makes superannuation contributions to the Quadrant Defined Benefits Fund (the Fund), a sub-fund of the Tasplan Superannuation Fund (Tasplan). 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 2018 Council contributed a minimum of 9.5% of employees' gross income to the Fund. Assets accumulate in the fund to meet member benefits as they accrue, and if assets within the fund are insufficient to satisfy benefits payable, Council is required to meet its share of the deficiency.

Rice Warner Pty Ltd undertook the last actuarial review of the Fund as at 30 June 2017. The review disclosed that at that time the net market value of assets available for funding member benefits was \$58.94 million the value of vested benefits was \$51.17 million, the surplus over vested benefits was \$7.77 million, the value of total accrued benefits was \$50.606 million, and the number of members was 134. 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 Fund was adequate to meet the liabilities of the Fund in respect of vested benefits as at 30 June 2017.
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 2017.
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 in future the Council contribute 9.5% of salaries in 2017/18 and 0% of salaries from 1 July 2018 to 30 June 2021.

The Actuary will continue to undertake a brief review of the financial position of 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 2020 and is expected to be completed late in 2020.

Council also 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:

- The 2017 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 2014. Under the aggregate funding method of financing the benefits, the stability of Councils' contributions over time depends on how closely the Fund's actual experience matches the expected experience. If the actual experience differs from that expected, Councils' contribution rate may need to be adjusted accordingly to ensure the Fund remains on course towards financing members' benefits.

### 37. Superannuation (continued)

- In terms of Rule 27.4 of the Tasplan Trust Deed (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 Rule 27.4 (b) (A). However, there is no provision in the Trust Deed requiring an employer to make contributions other than its regular contributions up to the date of cessation of contributions. This issue can be resolved by the Trustee seeking an Actuarial Certificate in terms of Rule 26.5 identifying a deficit and the Trustee determining in terms of Rule 26.3(c) that the particular employer should make the payment required to make good any shortfall before the cessation of participation is approved.
- The application of Fund assets on Tasplan being wound-up is set out in Rule 41.4. This Rule provides that expenses and taxation liabilities should have first call on the available assets. Additional assets will initially be applied for the benefit of the then remaining members and/or their Dependants in such manner as the Trustee considers equitable and appropriate in accordance with the Applicable Requirements (broadly, superannuation and taxation legislative requirements and other requirements as determined by the regulators). The Trust Deed does not contemplate the Fund withdrawing from Tasplan. However, it is likely that Rule 27.4 would be applied in this case (as detailed above).
- The Fund is a defined benefit Fund.
- 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.
- During the reporting period the amount of contributions paid to defined benefits schemes was \$130,312 (2017, \$124,228), and the amount paid to accumulation schemes was \$2,202,707 (2017, \$2,083,962).
- During the next reporting period the expected amount of contributions to be paid to defined benefits schemes is \$0, and the amount to be paid to accumulation schemes is \$2,209,061.
- As reported on the first page of this note, Assets exceeded accrued benefits as at the date of the last actuarial review, 30 June 2017. Moderate 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 2020.
- An analysis of the assets and vested benefits of sub-funds participating in the Scheme, prepared by Rice Warner Pty Ltd as at 30 June 2017, showed that the Fund had assets of \$58.9 million and members' Vested Benefits were \$51.2 million. These amounts represented 0.7% and 0.6% respectively of the corresponding total amounts for Tasplan.
- As at 30 June 2017 the fund had 134 members and the total employer contributions and member contributions for the year ending 30 June 2017 were \$1,777,084 and \$267,506 respectively.

### 38. Significant business activities

	Derwent Entertainment Centre		Landfill Operations		Childcare Centres	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
<b>Revenue</b>						
Government Grants	-	-	-	-	736	690
User Charges	1,228	1,230	2,807	5,215	551	512
Other Income	55	64	49	111	55	45
<b>Total Revenue</b>	<b>1,283</b>	<b>1,294</b>	<b>2,857</b>	<b>5,326</b>	<b>1,341</b>	<b>1,247</b>
<b>Expenditure</b>						
<i>Direct</i>						
Employee Costs	651	608	1,132	868	1,304	1,211
Materials and Contracts	769	742	1,241	1,222	132	131
Other	16	7	(2,326)	149	1	1
<i>Indirect</i>						
Engineering & Administration	180	170	6	280	180	168
<b>Total Expenses</b>	<b>1,616</b>	<b>1,527</b>	<b>53</b>	<b>2,518</b>	<b>1,617</b>	<b>1,511</b>
	<b>(332)</b>	<b>(233)</b>	<b>2,804</b>	<b>2,807</b>	<b>(276)</b>	<b>(264)</b>
<i>Notional cost of free services received</i>						
<i>Capital Costs</i>						
Depreciation and amortisation	869	860	1	6	30	33
Opportunity cost of capital	403	468	18	19	21	23
<b>Total Capital Costs</b>	<b>1,272</b>	<b>1,328</b>	<b>19</b>	<b>25</b>	<b>51</b>	<b>56</b>
<i>Competitive neutrality adjustments</i>						
Rates and land tax	52	59	11	15	8	11
	52	59	11	15	8	11
<b>Calculated Surplus/(Deficit)</b>	<b>(1,656)</b>	<b>(1,620)</b>	<b>2,773</b>	<b>2,768</b>	<b>(335)</b>	<b>(331)</b>
Tax Equivalent rate	30%	30%	30%	30%	30%	30%
Taxation equivalent			832	830		
<b>Net Surplus/(Deficit)</b>	<b>(1,656)</b>	<b>(1,620)</b>	<b>1,941</b>	<b>1,938</b>	<b>(335)</b>	<b>(331)</b>

### 38. Significant business activities (continued)

#### Accounting policy

##### Significant business activities

Council is required to report the operating, capital and competitive neutrality costs in respect of each significant business activity undertaken by the Council. Council's disclosure is reconciled above. Council has determined, based upon materiality that Derwent Entertainment Centre, Landfill Operations and Childcare Centres as defined above are considered significant business activities. Competitive neutrality costs include notional costs i.e. income tax equivalent, rates and loan guarantees. In preparing the information disclosed in relation to significant business activities, the following assumptions have been applied:

- opportunity cost of capital based upon indicative yield of the Federal Government 10 year bond rate.
- rates and charges based upon council's rate 2016-17 rate calculation.
- engineering and administration costs have been based upon a charge of 12.5% of direct operating costs.

### 39. a) Functions and 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	2017-18	42,128	19,039	185,898
	2016-17	42,332	20,249	179,240
Public order, fire and safety	2017-18	841	915	640
	2016-17	815	921	238
Community and public health	2017-18	168	497	613
	2016-17	165	590	210
Welfare	2017-18	1,341	2,297	1,021
	2016-17	1,293	2,056	545
Housing	2017-18	8	282	613
	2016-17	5	296	210
Community amenities	2017-18	0	0	0
	2016-17	-	-	210
Household garbage/protection of the environment	2017-18	6,590	4,243	0
	2016-17	6,654	3,989	-
Other protection of the environment/biodiversity	2017-18	2,298	15,609	147,402
	2016-17	706	5,406	151,241
Community and regional development	2017-18	1,325	2,683	613
	2016-17	1,180	2,489	210
Recreation facilities and services	2017-18	1,704	9,856	241,840
	2016-17	1,785	7,687	251,824
Cultural facilities and services	2017-18	586	1,585	613
	2016-17	586	1,466	210
Road, bridge and street infrastructure	2017-18	3,236	13,232	294,274
	2016-17	2,594	13,778	284,416
Road, plant, parking and other road transport	2017-18	0	0	-
	2016-17	-	-	572
Other economic affairs	2017-18	0	0	0
	2016-17	-	-	-
Other purpose	2017-18	791	1,665	0
	2016-17	266	128	-
<b>Total</b>	<b>2017-18</b>	<b>61,018</b>	<b>71,903</b>	<b>873,527</b>
	2016-17	58,380	59,055	869,127

### 39. Functions and activities of the Council (continued)

#### b) Reconciliation of Total Assets with the Statement of Financial Position at 30 June:

	2018 \$'000	2017 \$'000
Current assets	16,700	13,829
Non-current assets	856,827	855,298
	873,527	869,127

#### Functions and activities defined

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

Aldermen expenses, election costs, public relations and strategic planning. Also other expenses such as, finance, 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.

##### *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.

#### 40. Management indicators

	Benchmark	2018 \$'000	2017 \$'000	2016 \$'000	2015 \$'000
<b>a) Underlying surplus or deficit</b>					
Recurrent income*		55,276	54,002	51,835	50,765
Less recurrent expenditure#		55,189	53,399	52,239	58,706
Underlying surplus/deficit	> \$0	87	603	(404)	(7,941)

\*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.

	Benchmark	2018 \$'000	2017 \$'000	2016 \$'000	2015 \$'000
<b>b) Underlying surplus ratio</b>					
Underlying surplus or deficit		87	603	(404)	(7,941)
Recurrent income*		55,276	54,002	51,835	50,765
Underlying surplus ratio %	2.5% - 5.0%	0.16%	1.12%	-0.78%	-15.6%

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

Council's underlying surplus/deficit reflects deficits in three of the last four years. The negative ratios indicate that Council did not generate sufficient revenue to fulfil its operating requirements. Council is budgeting for an ongoing sustainable financial position in 2018/19 as a result of the rise in general rate income.

	Benchmark	2018 \$'000	2017 \$'000	2016 \$'000	2015 \$'000
<b>c) Net financial liabilities</b>					
Liquid assets		16,349	13,385	16,097	26,651
Less total liabilities		20,934	19,709	21,576	23,028
Net financial liabilities	> \$0	(4,585)	(6,324)	(5,479)	3,623

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 negative results in three of the last four years, primarily due to the reduction in Council's cash holdings as capital grant funding has been expended on capital works projects. Council adopted a Long Term Financial Management Plan as part of the 2018/19 Budget on 25 June 2018 that plans within three years a surplus of Liquid Assets over Total Liabilities.

	Benchmark	2018 \$'000	2017 \$'000	2016 \$'000	2015 \$'000
<b>d) Net financial liabilities ratio</b>					
Net financial liabilities		(4,585)	(6,324)	(5,479)	3,623
Recurrent income*		55,276	54,002	51,835	50,765
Net financial liabilities ratio %	<(25%)	(8.29%)	(12%)	(11%)	7%

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

As noted in note (c) the declining trend reflects Councils reducing cash balances that has included capital grant funding for projects close to being completed.

#### 40. Management indicators (continued)

##### 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.

	<b>Benchmark</b>	<b>2018 \$'000</b>	<b>2017 \$'000</b>	<b>2016 \$'000</b>	<b>2015 \$'000</b>
<i>Transport</i>					
Depreciated replacement cost		283,731	276,966	264,355	210,021
Current replacement cost		521,317	503,894	485,587	462,864
Asset consumption ratio %	40-60%	54%	55%	54%	45%
<i>Buildings and other land improvements</i>					
Depreciated replacement cost		37,430	45,459	45,377	44,374
Current replacement cost		90,242	95,899	92,085	88,901
Asset consumption ratio %	40-60%	41%	47%	49%	50%
<i>Stormwater and drainage</i>					
Depreciated replacement cost		137,294	143,791	179,084	173,970
Current replacement cost		214,748	213,821	353,821	346,126
Asset consumption ratio %	40-60%	64%	67%	51%	50%

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.

	<b>Benchmark</b>	<b>2018 \$'000</b>	<b>2017 \$'000</b>	<b>2016 \$'000</b>	<b>2015 \$'000</b>
<i>Transport</i>					
Projected capital funding outlays**		97,439	82,533	81,000	104,877
Projected capital expenditure funding***		97,439	82,533	81,000	104,877
Asset renewal funding ratio %	90-100%	100%	100%	100%	100%
<i>Buildings and other land improvements</i>					
Projected capital funding outlays**		25,046	21,894	21,700	15,455
Projected capital expenditure funding***		25,046	21,894	21,700	15,455
Asset renewal funding ratio %	90-100%	100%	100%	100%	100%
<i>Stormwater and drainage</i>					
Projected capital funding outlays**		16,561	17,910	19,000	15,290
Projected capital expenditure funding***		16,561	17,910	19,000	15,290
Asset renewal funding ratio %	90-100%	100%	100%	100%	100%

\*\* 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. The above results indicate that the Council is presently planning to fund all required asset renewal over the next 25 year period.



## 40. Management indicators (continued)

### g) Asset sustainability ratio

	Benchmark	2018 \$'000	2017 \$'000	2016 \$'000	2015 \$'000
Capital expenditure on replacement/ renewal of existing assets		6,959	11,179	11,481	9,417
Annual depreciation expense		12,822	12,494	12,882	15,250
Asset sustainability ratio %	100%	54%	89%	89%	62%

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 Council's assets.

As at 30 June 2018	Capital renewal expenditure \$'000	Capital new/upgrade expenditure \$'000	Total Capital Expenditure \$'000
<b>Asset class</b>			
Buildings and other land improvements	515	1,734	2,249
Transport	4,083	1,821	5,904
Stormwater and drainage	913	190	1,103
Other	1,448	1,372	2,820
<b>Total</b>	<b>6,959</b>	<b>5,117</b>	<b>12,076</b>

As at 30 June 2017	Capital renewal expenditure \$'000	Capital new/upgrade expenditure \$'000	Total Capital Expenditure \$'000
<b>Asset class</b>			
Buildings and other land improvements	974	1,675	2,649
Transport	8,825	1,377	10,202
Stormwater and drainage	852	863	1,715
Other	528	535	1,063
<b>Total</b>	<b>11,179</b>	<b>4,450</b>	<b>15,629</b>

## 41. Fair value measurements

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

- 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 20. 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'.

## 41. Fair value measurements (continued)

### 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.

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 2017.

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 2018

	Note	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<b>Recurring fair value measurements</b>					
Investment properties	22	-	-	-	-
Transport	22	-	-	521,317	521,317
Stormwater and drainage	22	-	-	214,748	214,748
Land	22	-	206,703	-	206,703
Buildings and other land improvements	22	-	-	90,242	90,242
Valuation roll	22	-	-	370	370
		-	206,703	826,677	1,033,380
<b>Non-recurring fair value measurements</b>					
Assets held for sale	22	-	-	-	-
		-	-	-	-

#### As at 30 June 2017

	Note	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<b>Recurring fair value measurements</b>					
Investment properties	22	-	-	-	-
Transport	22	-	-	503,894	503,894
Stormwater and drainage	22	-	-	213,821	213,821
Land	22	-	198,943	-	198,943
Buildings and other land improvements	22	-	-	95,899	95,899
Valuation roll	22	-	-	370	370
		-	198,943	813,984	1,012,927
<b>Non-recurring fair value measurements</b>					
Assets held for sale	22	-	-	-	-
		-	-	-	-

### Transfers between levels of the hierarchy

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

## 41. Fair value measurements (continued)

### 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

#### Land

Land fair values were determined by the Valuer-General effective 30 June 2013.

#### *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 acquired since 30 June 2008 has been recognised in past Financial Reports as part of road assets. Land under roads acquired prior to 30 June 2008 is being recognised for the first time in the 2016 Financial Report, consistent with the Report to Parliament by the Auditor-General No. 5 of 2013-2014 Infrastructure Financial Accounting in Local Government. Because of its materiality, land under roads is now reported within the land category of non-current assets. Those assets previously recognised have been removed from road assets for inclusion in land under roads.

#### *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 2018. 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 (CRC). This valuation comprises the asset's gross replacement cost 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 13.

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.

#### **41. Fair value measurements (continued)**

##### *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.

A review of transport infrastructure useful life was undertaken by Council's Asset Management Coordinator effective 30 June 2016. A comprehensive review including benchmarking, sample testing and collating condition data was undertaken. In addition, a suitably qualified expert was engaged to review and endorse the proposed changes.

##### *Bridges*

A full valuation of bridge assets was undertaken by independent valuers (AusSpan) effective 30 June 2017. 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 1 July 2016. Similar to roads, stormwater and drainage assets are managed in segments; pits and pipes being the major components.

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

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

##### *Other Infrastructure*

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

#### **d) 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 22.

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

#### **e) 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 33).

Council borrowings are measured at amortised cost with interest recognised in the Statement of Comprehensive Income when incurred. The fair value of borrowings disclosed in note 33 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).

## **42. Other significant accounting policies and pending accounting standards**

### **a) 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.

### **b) Impairment of assets**

At each reporting date, Council reviews the carrying value of its assets to determine whether there is any indication that these assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the assets carrying value. Any excess of the assets carrying value over its recoverable amount is expensed to the Statement of Comprehensive Income, unless the asset is carried at the re-valued 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.

### **c) 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.

### **d) 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.

### **e) Budget**

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

### **f) Financial guarantees**

Financial guarantee contracts are recognised as a liability at the time the guarantee is issued. The liability is initially measured at fair value, and if there is material increase in the likelihood that the guarantee may have to be exercised, at the higher of the amount determined in accordance with AASB 137 Provisions, Contingent Liabilities and Contingent Assets and the amount initially recognised less cumulative amortisation, where appropriate. In the determination of fair value, consideration is given to factors including the probability of default by the guaranteed party and the likely loss to Council in the event of default.

### **g) 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.

## 42. Other significant accounting policies and pending accounting standards (continued)

### h) Adoption of new and amended accounting standards

In the current year, Council has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board that are relevant to its operations and effective for the current annual reporting period. These include:

- i) *AASB 2016-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107*  
This standard is applicable to annual reporting periods beginning on or after 1 January 2017. Amendments to AASB 107 require additional disclosures to enable the reader to evaluate changes in liabilities arising from financing activities. These disclosures include both cash flows and non-cash changes between the opening and closing balance of the relevant liabilities. Council has included a reconciliation of liabilities arising from financing activities in the Statement of Cash Flows at note 28.

### i) Pending Accounting Standards

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2018 reporting periods. Council's assessment of the impact of the relevant new standards and interpretations is set out below.

- i) *AASB 9 Financial Instruments*

This standard is applicable to annual reporting periods beginning on or after 1 January 2018. This standard replaces the existing standard, AASB139: *Financial Instruments: Recognition and Measurement*, and revises classification, measurement and disclosure of financial assets and liabilities. It reduces the number of categories for financial assets and simplifies the measurement choices, including the removal of impairment testing of assets measured at fair value. Classification of financial assets is determined by an entities business model for holding the particular asset and its contractual cash flows.

The amortised cost model is available for debt assets meeting both a business model and cash flow characteristics tests. Amortised cost is to be used for assets with contractual terms giving rise to principal and interest payments. Where the business model is achieved by both collecting the contractual cash flows and from selling the financial asset, it may be classified as fair value through other comprehensive income. Any financial asset not held in either of these classifications, or where designated, will be classified as fair value through profit or loss. 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, where the financial asset is an equity instrument not held for trading, and an irrevocable election is made to present all movements in other comprehensive income.

'When adopted, the standard requires Council to reclassify all financial assets. This includes Council's classification and accounting for its significant investment in TasWater which is an available-for-sale financial asset. Council currently recognises changes in the fair value of its available-for-sale assets through other comprehensive income. Under AASB9 Council will make an irrevocable election for its equity 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.

'The standard also introduces a new impairment model that requires impairment provisions to be based on expected credit losses, rather than incurred credit losses. Based on assessments to date, Council does not expect an increase to impairment losses, and the standard is not expected to have a material impact overall. Council has reviewed and assessed other impacts on the classification, measurement and disclosure of financial instruments and determined only small immaterial impacts, if any change at all.

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.

Council will apply the standard from 1 July 2018 using a retrospective approach with cumulative catch-up. This does not require Council to restate comparative figures, but will require a reconciliation of changes in classification of financial assets and financial liabilities.

When adopted, the standard will affect, in particular, Council's accounting for its investment in TasWater which is an available-for-sale financial assets. Currently, Council recognises changes in the fair value of its available-for-sale assets through other comprehensive income. Council is likely to make an irrevocable election for 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.

Another impact of AASB 9 relates to calculating impairment losses for Council's receivables. Assuming no substantial change in the nature of receivables, as they don't include a significant financing component, impairment losses will be determined according to the amount of lifetime expected credit losses. On initial adoption of AASB 9, Council will need to determine the expected credit losses for its receivables by comparing the credit risk at that time to the credit risk that existed when those receivables were initially recognised and also factor in any future changes or events.

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 de-recognition rules have been transferred from AASB 139 *Financial Instruments: Recognition and Measurement* and have not been changed.

## 42. Other significant accounting policies and pending accounting standards (continued)

### ii) *AASB 1058 Income of Not-for-Profit Entities*

This standard is applicable to annual reporting periods beginning on or after 1 January 2019.

AASB 1058 supersedes all the income recognition requirements relating to councils, previously in AASB 1004 Contributions. The timing of income recognition under AASB 1058 depends on whether a transaction gives rise to a liability or other performance obligation, or a contribution by owners, related to an asset (such as cash or another asset) received.

AASB 1058 applies when Council receives volunteer services or enters into other transactions in which the consideration to acquire an asset is significantly less than the fair value of the asset, and where the asset is principally to enable Council to further its objectives. In cases where Council enters into other transactions, Council recognises and measures the asset at fair value in accordance with the applicable Australian Accounting Standard (e.g. AASB 116 Property, Plant and Equipment).

If the transaction is a transfer of a financial asset to enable Council to acquire or construct a recognisable non-financial asset to be controlled by council (i.e. an in-substance acquisition of a non-financial asset), Council recognises a liability for the excess of the fair value of the transfer over any related amounts recognised. Council will recognise income as it satisfies its obligations under the transfer, similarly to income recognition in relation to performance obligations under AASB 15 as discussed above.

Where the asset acquired is leased at a "Peppercorn" rate, Council is required to recognise the leased asset at its fair value, the remaining lease liability and the balance as income. These leased right-of-use assets have not previously been recognised. Council currently has a very small number of Peppercorn leases, which will result in the recognition of an immaterial amount of right-of-use lease assets and a very small remaining lease liability. The balance will be adjusted against Accumulated surpluses.

AASB 1058 also encompasses non-contractual statutory income such as rates, taxes and fines. Council currently recognises income when received. Under AASB 1058, income is recognised when the taxable event has occurred. An impact for Council is that prepaid rates received prior to the beginning of a rating period, will now be recognised as a financial liability until the commencement of that rating period. The impact to Council will be that revenue recognised when received from Rates and charges in advance as disclosed in note 2.1, will now be recorded as a liability, with revenue deferred until the commencement of the applicable rating period.

AASB 1058 requires the recognition of Volunteer services where they would have been purchased if not donated and the fair value of those services can be reliably measured. Council has assessed these requirements and determined that there will be an immaterial amount of recognition.

Council will apply the standard from 1 July 2019 using a retrospective approach with cumulative catch-up with an adjustment to Accumulated surpluses for the difference in accounting treatment on initial adoption.

### iii) *AASB 15 Revenue from Contracts with Customers*

The standard is applicable to annual reporting periods beginning on or after 1 January 2019.

AASB 15 introduces a five-step process for revenue recognition, with the core principle of the new standard being for entities to recognise revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration (that is, payment) to which the entity expects to be entitled in exchange for those goods or services.

Accounting policy changes will arise in the timing of revenue recognition, treatment of contracts costs and contracts which contain a financing element.

Council has analysed the new revenue recognition requirements noting that future impacts include:

- Grants received to construct non-financial assets controlled by Council will be recognised as a liability, and subsequently recognised progressively as revenue as Council satisfies its performance obligations under the grant. At present, such grants are recognised as revenue upfront.
- Other grants presently recognised as revenue upfront may be eligible to be recognised as revenue progressively as the associated performance obligations are satisfied, but only if the associated performance obligations are enforceable and sufficiently specific. At present, such grants are recognised as revenue upfront. When the new standard becomes effective, Council will evaluate all grant agreements in place at that time to determine whether revenue from those grants could be deferred under the new requirements.
- Grants that are not enforceable and/or not sufficiently specific will not qualify for deferral and continue to be recognised as revenue as soon as they are controlled. Council receives several grants for which there are no sufficiently specific performance obligations, for example the Commonwealth Financial Assistance Grants. These grants are expected to continue being recognised as revenue upfront assuming no change to the current grant arrangements.
- Rates received in advance, which are currently required to be recognised as revenue when received will be deferred under the new requirements until the commencement of the rating period to which they relate.

## 42. Other significant accounting policies and pending accounting standards (continued)

- Depending on the respective contractual terms, the new requirements of AASB 15 may result in a change to the timing of revenue from sales of goods and services such that some revenue may need to be deferred as a liability to a later reporting period to the extent that Council has received cash, but has not met its associated performance obligations, (a promise to transfer a good or service).

For Council there will not be a significant effect in the treatment of all grants with sufficiently specific performance obligations, but where the conditions have yet to be fulfilled at year end. Council currently does not present unexpended grant income received. Council's assessment is that the majority of the amounts received unexpended for the year, may be deferred as a liability under AASB15 and progressively recorded as income as performance obligations are fulfilled. Council will apply the standard from 1 July 2019 using a retrospective approach with cumulative catch-up with an adjustment to Accumulated surpluses for the difference in accounting treatment on initial adoption.

- Depending on the respective contractual terms, the new requirements of AASB 15 may potentially result in a change to the timing of revenue from sales of goods and services such that some revenue may need to be deferred to a later reporting period to the extent that Council has received cash, but has not met its associated performance obligations (such amounts would be reported as a liability in the meantime). Council is yet to full complete its analysis of existing arrangements for sale of its goods and services and the impact on revenue recognition has not yet been fully determined.

### (iv) AASB 16 Leases

This standard is applicable to annual reporting periods beginning on or after 1 January 2019. AASB 16 introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligations to make lease payments.

AASB 16 will result in most of Council's operating leases being brought onto the Statement of Financial Position. There are limited exceptions relating to short-term leases and low-value assets which may remain off the balance sheet. Council's existing lease commitments are disclosed in note 31. The calculation of the lease liability will take into account appropriate discount rates, assumptions about the lease term, and increases in lease payments. A corresponding right to use assets will be recognised, which will be amortised over the term of the lease. Rent expense will no longer be shown. The profit and loss impact of the leases will be through amortisation and interest charges. Council's current operating lease expenditure is shown at note 31a. In the Statement of Cash Flows lease payments will be shown as cash flows from financing activities instead of operating activities.

Lessor accounting under AASB 16 remains largely unchanged. For finance leases, the lessor recognises a receivable equal to the net investment in the lease. Lease receipts from operating leases are recognised as income either on a straight-line basis or another systematic basis where appropriate. Council will apply the standard from 1 July 2019 using a retrospective approach with cumulative catch-up with an adjustment to Accumulated surpluses for the difference in accounting treatment on initial adoption.

### v) *AASB 2014-10 Amendments to Australian Accounting Standards - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture, AASB 2015-10 Amendments to Australian Accounting Standards - Effective Date of Amendments to AASB10 and AASB12 and AASB 2017-5 Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128 and Editorial Corrections*

This standard is applicable to annual reporting periods beginning on or after 1 January 2022.

The amendments address an acknowledged inconsistency between the requirements in AASB10, and those in AASB128 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture.

The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary.

AASB 2017-5 defers the effective date of AASB 2014-10 to 1 January 2022.

Council's assessment is that there is likely to be no material impact following the introduction of the pending standard.

All other Australian accounting standards and interpretations with future effective dates are either not applicable to Council's activities or have no material impact.



# Audit Opinion



## Independent Auditor's Report

To the Aldermen of Glenorchy City Council

Report on the Audit of the Financial Report

### Opinion

I have audited the financial report of Glenorchy City Council (Council), which comprises the statement of financial position as at 30 June 2018 and statements of comprehensive income, changes in equity and cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, other explanatory notes and the statement of certification by the General Manager.

In my opinion the accompanying financial report:

- (a) presents fairly, in all material respects, Council's financial position as at 30 June 2018 and its financial performance and its cash flows for the year then ended
- (b) is in accordance with the *Local Government Act 1993* and Australian Accounting Standards.

### Basis for Opinion

I conducted the audit in accordance with Australian Auditing Standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of my report. I am independent of Council in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to my audit of the financial report in Australia. I have also fulfilled my other ethical responsibilities in accordance with the Code.

The *Audit Act 2008* further promotes the independence of the Auditor-General. The Auditor-General is the auditor of all Tasmanian public sector entities and can only be removed by Parliament. The Auditor-General may conduct an audit in any way considered appropriate and is not subject to direction by any person about the way in which audit powers are to be exercised. The Auditor-General has for the purposes of conducting an audit, access to all documents and property and can report to Parliament matters which in the Auditor-General's opinion are significant.

My audit responsibility does not extend to the budget figures included in the statement of comprehensive income, the asset renewal funding ratio disclosed in note 40, nor the Significant Business Activities disclosed in note 38 to the financial report and accordingly, I express no opinion on them.

...1 of 3

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

### **Responsibilities 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 the *Local Government Act 1993* and for such internal control as determined necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the General Manager is responsible for assessing Council's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Council is to be dissolved by an Act of Parliament or the Aldermen intend to cease operations, or have no realistic alternative but to do so.

### **Auditor's Responsibilities for the Audit of the Financial Report**

My objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Council's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the General Manager.
- Conclude on the appropriateness of the General Manager's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Council's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify my opinion. My conclusion is based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause Council to cease to continue as a going concern.

...2 of 3

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- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

I communicate with the General Manager regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.



**Ric De Santi**  
**Deputy Auditor-General**  
**Delegate of the Auditor-General**

**Tasmanian Audit Office**

28 September 2018  
Hobart

...3 of 3

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# Audit Panel Report

## Background

Glenorchy City Council's Audit Panel was formally established by a decision of Council. The operation of the Panel is guided by the Audit Panel Charter, which is based on the requirements of the Local Government (Audit Panels) Order issued by the Minister for Local Government under section 85B(1) of the Local Government Act 1993. The Audit Panel Charter sets out the roles, responsibilities and functions of the Panel, its authority, membership and the tenure of its members, the operation of its meetings, how decisions are made and its reporting responsibilities. A copy of the Charter is available on Council's website.

## Audit Panel Membership and Meetings

Membership of the Audit Panel normally comprises two Councillors and three independent members. However, following the suspension of Glenorchy City Council by the Minister for Planning and Local Government in February 2017 the role of the elected Council was undertaken by a Commissioner. Commissioner Sue Smith was an Audit Panel member during the period July 2017 to January 2018. Consequent upon the formal dismissal of Council, elections for Glenorchy City Council were held in January 2018. Following their election to Council, Aldermen Matt Stevenson and Peter Bull were appointed to the Audit Panel.

During 2017/2018 the independent members of the Panel were Mr Robert Hogan, Mr David Sales and Mr Michael Stevens. Mr Hogan was Chair of the Panel during this whole period.

## Meetings of the Panel

The Panel met six times during the financial year ending 30 June 2018. Representatives of Council's Internal Auditors, Deloitte and representatives from the Tasmanian Audit Office (TAO) also attended Audit Panel meetings.

## Role of the Panel

The role of the Audit Panel is to support the elected Council (or the person acting in the place of the elected Council) by providing independent assurance and advice in relation to Council's financial reporting and controls, risk management framework and practices, internal controls, legislative compliance, long term planning, fraud control and corruption prevention. Its role is complemented by both internal and external auditors.

## Ministerial Directions following Board of Inquiry

On 21 January 2018 the Minister for Planning and Local Government issued a set of Ministerial Directions to Glenorchy City Council.

Direction 5 b) requiring that the Council direct the Audit Panel to review compliance with a range of matters including Local Government legislation; Council policy, procedures and codes and the Statement of Expectations.

Following a meeting with the Director of Local Government, the Audit Panel developed a series of actions to address the specific issues set out in Direction 5 b) of the Ministerial Directions. These proposed actions were reported to and agreed to by Council. The Audit Panel intends to report to Council on progress with these matters late in 2018.

## External and Internal Audit

### External Audit

Council's external audit service is provided by the Tasmanian Audit Office (TAO). Staff from the TAO attended three Audit Panel meetings during the 2017/2018 financial year. During these meetings the Audit Panel and TAO officers reviewed and discussed Council's interim and final Financial Report for 2016/2017 including the TAO completion report.

Outside of the normal audit cycle the TAO reported in October 2017 on an investigation it had conducted into the procurement of goods and services from CT Management Group Pty Ltd by Council.

Action was taken to address the report's recommendations. In addition, a number of related issues were also the subject of an audit on Procurement and Tendering undertaken by Council's internal auditors, Deloitte. Further details of this audit are set out below under *Internal Audit*.

### Internal Audit

Internal audit supports the work of the Audit Panel by reviewing Council's systems and operations in accordance with an agreed internal audit plan which is adopted annually. The adopted program is based on a risk management approach.

These audits aim to identify how well risks are managed, whether the right processes are in place, whether agreed procedures are being followed and whether improvement can be made. Recommendations to address issues or for improvements are made and considered by Council management and the Audit Panel. Adopted recommendations are monitored by the Audit Panel to ensure they are implemented.

Senior staff from Council's internal auditors, Deloitte, attended two Audit Panel meetings during the year to discuss progress with audits scheduled to be conducted during the year as well as to discuss and confirm the proposed audit plan for 2017/2018.

### Other Internal Audit Matters

The Audit Panel regularly monitors progress with adopted internal audit recommendations. As in the previous year, the Audit Panel remains concerned at the number of recommendations that relate to higher risk rated issues still to be finalised. The Audit Panel is pleased to note the decision by Council to include additional funds in the 2018/2019 budget to address outstanding audit recommendations. It is hoped this will lead to a noticeable change in the status of audit recommendations by the end of the 2018/2019 year.

### Other Panel Activities during the Reporting Period

During the 2017/2018 year the Audit Panel also:

- reviewed and endorsed the Financial Statements for financial year ending June 2017.
- reviewed previous internal audit report recommendations that are still to be implemented.
- participated in a strategic risk workshop.
- worked with Council officers in a tender/EOI process to select an internal auditor prior to the expiration of the current contract in 2018.
- reviewed the Panel's Charter to ensure compliance and address issues in relation to members terms of appointment.

- worked with Council staff to develop an agreed legislative compliance program.
- considered and recommended for adoption a Fraud and Corruption Control Policy.
- received a risk identification report on the Derwent Entertainment Centre and the action taken and proposed to deal with the issues raised.
- were advised of the results of a property risk management audit and the recommended actions from this audit.
- received information about the renewal of Council's insurance for both 2017/2018 and 2018/2019.
- were provided with a comprehensive outline of ICT projects and progress with these projects.
- considered the TAO review of Credit Card usage within Councils and comments in relation to Glenorchy policy.
- reviewed expenditure on the credit card held by Council's General Manager.

Robert Hogan  
**Chairman, Audit Panel**

24 August 2018

### SUMMARY OF PANEL MEETINGS AND MEMBER ATTENDANCE JULY 2017 TO JUNE 2018

Meeting Date	Commissioner Sue Smith	Alderman Stevenson	Alderman Bull	Mr Robert Hogan (Chair)	Mr David Sales	Mr Michael Stevens
23 August 2017	✓			✓	✓	✓
19 September 2017	✓			✓	✓	✓
19 October 2017	✓			✓	✓	✓
8 December 2017	✓			✓	✓	✓
15 February 2018		✓	✓	✓	✓	✓
3 May 2018		✓	✓	✓	✓	✓

# GCC



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