



FINANCIAL REPORTING

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CERTIFICATION BY GENERAL MANAGER

Glenorchy City Council
Financial Report

Certification of the 2019 General Purpose Financial Report

This financial report presents fairly the financial position of the Glenorchy City Council as at 30 June 2019, and the results of its operations and cash flows for the year then ended, 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.



Tony McMullen

General Manager

Date: 15th October 2019



FINANCIAL STATEMENTS

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2019

	Note	2019 Budget \$'000	2019 Actual \$'000	2018 Actual \$'000
Income				
Recurrent Income				
Rates	2.1	39,874	39,940	35,531
User charges and licences	2.2	12,262	12,166	11,455
Interest	2.3	375	497	378
Grants	2.4	4,126	3,611	3,267
Contributions - cash	2.5(a)	118	143	297
Investment income from TasWater	2.6	2,172	2,024	3,268
Other income	2.7	649	849	1,038
		59,576	59,230	55,234
Capital Income				
Contributions - non-monetary assets	2.5(b)	-	3,284	4,723
Net gain/(loss) on disposal of property, infrastructure, plant and equipment	2.9	(70)	(1,479)	74
Capital grants received specifically for new or upgraded assets	2.4	429	833	1,125
		358	2,639	5,922
Total Income		59,934	61,869	61,156
Expenses				
Employment costs	3.1	22,473	21,603	21,238
Materials and services	3.2	16,699	16,916	15,373
Depreciation and amortisation	3.3	13,818	12,655	12,822
State Fire Commission contribution	3.4	5,642	5,642	5,332
Finance costs	3.5	72	169	363
Assets written off	3.3	170	30	15,895
Bad and doubtful debts	3.6	2	11	7
Other expenses	3.7	650	639	570
Total Expenses		59,526	57,665	71,600
Surplus/(deficit)		408	4,204	(10,444)
Other comprehensive income				
Items that will not be reclassified to surplus or deficit				
Net gain/(loss) on revaluation of property, plant and equipment	6.1	-	15,015	11,477
		-	15,015	11,477
Items that may be reclassified subsequently to surplus or deficit				
Fair value adjustment of TasWater Corporation	6.1	-	24,173	2,142
		-	24,173	2,142
Total other comprehensive income		-	39,188	13,619
Total comprehensive result		408	43,392	3,175

STATEMENT OF FINANCIAL POSITION

FOR THE YEAR ENDED 30 JUNE 2019

	Note	2019 \$'000	2018 \$'000
Assets			
Current assets			
Cash and cash equivalents	4.1	16,776	14,144
Trade and other receivables	4.2	1,905	1,919
Inventories	4.3	116	109
Assets held for sale	4.9	741	-
Other current assets	4.4	378	528
Total current assets		19,915	16,700
Non-current assets			
Investment in TasWater	4.5	191,317	167,145
Property, infrastructure, plant and equipment	4.6	700,261	675,797
Other non-current assets	4.7	4,993	16,102
Total non-current assets		896,571	859,044
Total Assets		916,486	875,744
Liabilities			
Current liabilities			
Trade and other payables	5.1	3,893	4,004
Provisions	5.2	4,534	4,944
Borrowings	5.3	963	952
Other current liabilities	5.4	2,783	2,839
Total current liabilities		12,173	12,739
Non-current liabilities			
Provisions	5.2	3,952	4,888
Borrowings	5.3	2,159	3,307
Total non-current liabilities		6,111	8,195
Total Liabilities		18,284	20,934
Net Assets		898,202	854,810
Equity			
Accumulated surpluses		532,889	525,385
Reserves		365,313	329,425
Total Equity		898,202	854,810

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2019

2019	Note	Total equity \$'000	Accumulated surpluses \$'000	Asset revaluation reserve \$'000	Fair value reserve \$'000	Other revenue reserves \$'000
Balance at the beginning of the financial year		854,810	525,385	349,870	(29,759)	9,314
Comprehensive result		43,392	4,204	15,015	24,173	-
Transfers to reserves	6.1	-	(306)	-	-	306
Transfers from reserves	6.1	-	3,607	(3,607)	-	-
Balance at the end of the financial year		898,202	532,889	361,279	(5,586)	9,620

2018	Note	Total equity \$'000	Accumulated surpluses \$'000	Asset revaluation reserve \$'000	Fair value reserve \$'000	Other revenue reserves \$'000
Unadjusted balance at the beginning of the financial year		849,418	532,882	336,176	(31,901)	12,261
Prior period error adjustment	4.8	2,217	-	2,217	-	-
Adjusted balance at the beginning of the financial year		851,635	532,882	338,393	(31,901)	12,261
Comprehensive result		3,175	(10,444)	11,477	2,142	-
Transfers to reserves	6.1	-	(725)	-	-	725
Transfers from reserves	6.1	-	3,672	-	-	(3,672)
Unadjusted balance at the end of the financial year		854,810	525,385	349,870	(29,759)	9,314

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2019

	Note	2019 '000	2018 \$'000
Cash Flows from operating activities			
Rates		39,824	35,569
Operational government grants		3,611	3,267
Contributions - cash		143	297
Interest		497	378
User charges and licences		12,440	10,980
Other income		818	2,369
Investment income from TasWater		2,024	3,268
GST receipts		3,275	3,129
Employee costs		(22,026)	(21,049)
Materials and services		(17,348)	(13,591)
Finance costs		(169)	(363)
Levies paid to State Government		(5,642)	(5,332)
Other payments		(408)	(1,635)
GST Payments		(3,269)	(3,129)
Net cash provided by/(used in) operating activities	6.2	13,770	14,158
Cash Flows from investing activities			
Capital government grants		833	1,125
Payments for property, plant and equipment		(11,072)	(12,076)
Proceeds from sale of non-current assets		238	254
Net cash provided by/(used in) investing activities		(10,000)	(10,697)
Cash Flows from financing activities			
Repayment of interest bearing loans and borrowings		(1,138)	(909)
Net cash provided by/(used in) financing activities		(1,138)	(909)
Net increase/(decrease) in cash and cash equivalents		2,632	2,552
Cash and cash equivalents at the beginning of the financial year		14,144	11,591
Cash and cash equivalents at the end of the financial year	4.1	16,776	14,144

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2019

NOTE 1 OVERVIEW

1.1 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.

1.2 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 4.5, 4.6, and 5.2.

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 7.2.

1.3 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 6.5.

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 5.2.

Landfill Rehabilitation

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

1.4 FUNCTIONS AND ACTIVITIES OF THE COUNCIL

(A) REVENUE, EXPENDITURE AND ASSETS ATTRIBUTABLE TO EACH FUNCTION AS CATEGORISED IN (C) BELOW:

		Income \$'000	Expenses \$'000	Assets \$'000
Legislative, financial, executive and fiscal	2018-19	45,634	19,829	211,175
	2017-18	42,128	19,572	184,601
Public order, fire and safety	2018-19	846	1,021	638
	2017-18	841	940	640
Community and public health	2018-19	285	713	609
	2017-18	168	506	613
Welfare	2018-19	1,563	2,060	1,031
	2017-18	1,341	2,307	1,021
Housing	2018-19	5	330	609
	2017-18	8	286	613
Community amenities	2018-19	-	-	-
	2017-18	-	-	-
Household garbage/protection of the environment	2018-19	6,596	4,702	-
	2017-18	6,590	3,862	-
Other protection of the environment/biodiversity	2018-19	102	5,408	147,589
	2017-18	246	4,343	145,926
Community and regional development	2018-19	1,253	2,865	609
	2017-18	1,325	2,707	613
Recreation facilities and services	2018-19	2,159	6,474	258,431
	2017-18	1,653	23,746	250,521
Cultural facilities and services	2018-19	632	1,864	609
	2017-18	536	1,589	613
Road, bridge and street infrastructure	2018-19	83	12,243	294,736
	2017-18	36	11,594	290,148
Road, plant, parking and other road transport	2018-19	-	-	451
	2017-18	-	-	435
Other economic affairs	2018-19	-	-	-
	2017-18	-	-	-
Other purpose	2018-19	72	157	-
	2017-18	360	149	-
Total	2018-19	59,230	57,665	916,486
	2017-18	55,234	71,600	875,744

(B) RECONCILIATION OF TOTAL ASSETS WITH THE STATEMENT OF FINANCIAL POSITION AT 30 JUNE:

	2019 \$'000	2018 \$'000
Current assets	19,915	16,700
Non-current assets	896,571	859,044
	916,486	875,744

1.4 FUNCTIONS AND ACTIVITIES OF THE COUNCIL *(continued)*

C) 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

Un-allocatable private works and other.

NOTE 2 REVENUE

2.1 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 2019 was \$391,596,982 (2018: \$388,511,238). The 2019 rate in the dollar was \$0.089370 (2018: \$0.079440).

Rates	2019 \$'000	2018 \$'000
Rates charge	35,694	31,654
Interest charge	57	49
Penalty charge	196	160
Recovery of legal expenses	58	61
State Government charges and levies		
State Fire Commission contribution	5,684	5,346
Less Government subsidies	(1,749)	(1,738)
Total Rates	39,940	35,531

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.

2.2 USER CHARGES AND LICENCES

User charges and licences	2019 \$'000	2018 \$'000
Childcare	485	551
Registration and licences	660	534
Derwent Entertainment Centre	1,760	1,357
Derwent Park Reuse sales	-	191
Development and building	1,427	1,276
Garbage and recycling	6,397	6,453
General fines and Infringements	440	458
Rental revenue	900	551
Other fees and charges	97	84
Total User charges and licences	12,166	11,455

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.

2.2 USER CHARGES AND LICENCES *(continued)*

Operating leases as lessor

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

Where leases are non-commercial agreements, these are generally with not-for-profit 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.

2.3 INTEREST

Interest	2019 \$'000	2018 \$'000
Bank and Investment Interest	497	378
Total Interest	497	378

2.4 GRANTS

Grants	2019 \$'000	2018 \$'000
Summary of grants		
Commonwealth funded grants	3,932	4,004
State funded grants	487	373
Others	25	14
Total Grants	4,444	4,392
a) Grants - recurrent		
Commonwealth Government Financial Assistance Grants - General Purpose	986	949
Commonwealth Government Financial Assistance Grants - Roads	1,439	1,415
Childcare Services	1,030	736
Moonah Taste of the World	19	15
Community Development	24	63
Other	113	89
Total recurrent grants	3,611	3,267
b) Capital grants received specifically for new or upgraded assets		
Blackspot	-	159
Department of Transport	429	866
Eady Street Recreation Ground Improvements	77	-
Other	327	100
Total capital grants	833	1,125
Total Grants	4,444	4,392

The Australian Commonwealth Government provides Financial Assistance Grants to Council for general purpose use and the provision of local roads. In accordance with AASB1004 Contributions, Council recognises these grants as revenue when it receives the funds and obtained control. In the financial years ended 30 June 2018 and 30 June 2019 the Australian Government has made early payment of the first two quarterly instalments for the following financial year. The early receipt of instalments resulted in Australian Government Financial Assistance Grants being a minor variation to that originally budgeted in 2018-19.

2.4 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:

	2019 \$'000	2018 \$'000
Unexpended at the close of the previous reporting period	854	959
Less: expended during the current period from revenues recognised in previous reporting periods		
Community and Multicultural Centre Master Plan	-	(8)
Glenorchy Skate Park	-	(29)
Eady Street Recreation Grounds Improvements	-	(7)
Wave Action Neighbourhood Day	(1)	-
Sports Ground Improvements - Lighting	-	(160)
Liveable Communities	(3)	-
Moonah Moves - DPAC/Arts Tasmania	(33)	-
26TEN Community Project	(15)	-
Full Gear Motor Cycle Safety	(8)	-
Local Drug Action Team	(3)	-
Relocation of Backing Nets at POW Bay	(100)	-
CBD Revitalisation	(433)	(67)
	(596)	(271)
Add: received during the current period and not expended during the period		
Glenorchy Mountain Bike Park	100	-
26TEN Community Project	45	-
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 POW Bay	-	100
	145	166
Unexpended at the close of this reporting period	403	854
Net increase (decrease) in non-reciprocal grant revenues for the year:	(451)	(105)

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 are valued at their fair value at the date of transfer.

Where grants or contributions recognised as revenues during the financial year were obtained on the condition that they be expended in a particular manner or used over a particular period, and those conditions were undischarged 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

2.5 CONTRIBUTIONS

Contributions	2019 \$'000	2018 \$'000
a) Cash		
Recreational, leisure and community facilities	80	55
Parks, open space and streetscapes	8	171
Recharge work contributions	55	55
Other	-	16
	143	297
(b) Non-monetary assets		
Buildings	210	533
Land	514	495
Stormwater	1,065	1,519
Transport	1,495	2,176
	3,284	4,723
Total Contributions	3,427	5,020

During 2018-19 there was a significant amount in non-monetary contributions for Stormwater and Transport assets primarily from land subdivisions in Brent Street Glenorchy and Tavistock Road / Alexa Drive Austins Ferry. During 2017-18 the Stormwater asset contributions primarily included stormwater pits and drains identified through field work investigations. Similarly, the 2017-18 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. Unreceived contributions over which Council has control are recognised as receivables.

2.5 CONTRIBUTIONS (continued)

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.

2.6 INVESTMENT INCOME FROM TASWATER

Investment income from TasWater	2019 \$'000	2018 \$'000
Dividend income	1,139	2,009
Guarantee fee	145	298
Tax equivalent	740	961
Total Investment income from TasWater	2,024	3,268

ACCOUNTING POLICY

Investment income

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

2.7 OTHER INCOME

Other income	2019 \$'000	2018 \$'000
Fuel Tax Credits	79	92
State Fire Commission contribution	226	213
Refund	28	325
Insurance refunds	177	2
Other	339	406
Total Other income	849	1,038

ACCOUNTING POLICY

Other income

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

2.8 NET GAIN/(LOSS) ON DISPOSAL OF PROPERTY, INFRASTRUCTURE, PLANT AND EQUIPMENT

Net gain/(loss) on disposal of property, infrastructure, plant and equipment	2019 \$'000	2018 \$'000
Proceeds from disposal of property, infrastructure, plant and equipment	238	254
Less carrying amount of property, infrastructure, plant and equipment	(\$1,717)	(180)
Net gain/(loss) on disposal of property, infrastructure, plant and equipment	(\$1,479)	74

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.

NOTE 3 EXPENSES

3.1 EMPLOYEE BENEFITS

Employment benefits	2019 \$'000	2018 \$'000
Wages and salaries	18,548	18,256
Redundancies	-	278
Relief/casual staff	843	875
Superannuation	2,675	2,779
Payroll tax	1,291	1,417
Workers compensation	274	307
FBT	54	10
Other	35	25
	23,720	23,947
Less amounts capitalised	(2,117)	(2,709)
Total Employment benefits	21,603	21,238

ACCOUNTING POLICY

Employee benefits

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

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

3.2 MATERIALS AND SERVICES

Materials and services	2019 \$'000	2018 \$'000
Materials and services	5,891	5,324
Board of Inquiry	-	96
Contract payments	8,849	8,140
Plant and equipment maintenance	254	190
Utilities	1,247	1,345
Consultants	675	552
Total Materials and services	16,916	15,647

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.

3.3 DEPRECIATION AND AMORTISATION

Depreciation and amortisation	2019 \$'000	2018 \$'000
Buildings and other land improvements	1,538	2,028
Plant and vehicles	335	294
Equipment and furniture	638	347
Transport	7,856	7,561
Stormwater and drainage	1,966	2,275
Valuation roll	62	57
Restoration costs	260	260
Total Depreciation and amortisation	12,655	12,822

Assets written off	2019 \$'000	2018 \$'000
Buildings and other land improvements	30	2,353
Transport	-	2,072
Stormwater and drainage	-	11,470
Total Assets written off	30	15,895

During 2017-18 Building and other land improvement assets as well as Stormwater and drainage assets written off 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.

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:

Asset Type	Useful life (years)
Buildings and other land improvements	
Freehold buildings	20 to 100
Buildings 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	non depreciable
Kerb	75
Pathway	10 to 75
Road pavement surface	22 to 40
Road pavement base	70 to 80
Road formation	non depreciable
Traffic management device	15 to 75
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 of the municipality	5 to 6

3.4 STATE FIRE COMMISSION CONTRIBUTION

State Fire Commission contribution	2019 \$'000	2018 \$'000
Fire Commission contribution	5,642	5,332
Total State Fire Commission contribution	5,642	5,332

ACCOUNTING POLICY

State Fire Commission contribution

State Fire Commission contributions 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.

3.5 FINANCE COSTS

Finance costs	2019 \$'000	2018 \$'000
Interest	169	207
Unwinding of discounts applied to provisions	-	156
Total Finance costs	169	363

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 (2018: nil).

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

3.6 BAD AND DOUBTFUL DEBTS

Bad and doubtful debts	2019 \$'000	2018 \$'000
Bad debts	11	7
Total Bad and doubtful debts	11	7

ACCOUNTING POLICY

Bad and doubtful debts

Bad and doubtful debts are recognised in the Statement of 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.

3.7 OTHER EXPENSES

Other expenses	2019 \$'000	2018 \$'000
Land Tax	466	465
External auditor's remuneration (Tasmanian Audit Office)	60	30
Grants and specific purpose benefits	22	23
Other	91	52
Total Other expenses	639	570

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.

NOTE 4 ASSETS

4.1 CASH AND CASH EQUIVALENTS

Cash and cash equivalents	2019 \$'000	2018 \$'000
Current investment funds	11,000	6,000
Operating account	5,641	8,007
Glenorchy City Concert Brass account	9	7
Petty cash floats	6	6
Derwent Entertainment Centre operating cash floats	28	53
Derwent Entertainment Centre Automatic Teller Machine	92	71
Total Cash and cash equivalents	16,776	14,144

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:

Internal restrictions	2019 \$'000	2018 \$'000
Statutory reserves	1,117	1,081
Refundable deposits	339	361
Derwent Entertainment Centre Automatic Teller Machine	91	71
	1,547	1,513
External restrictions		
Conditions on grants	403	854
Glenorchy City Concert Brass account	9	7
	412	861
Restricted funds	1,959	2,374
Total unrestricted cash and cash equivalents	14,817	11,770

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.

4.2 TRADE AND OTHER RECEIVABLES

Trade and other receivables	2019 \$'000	2018 \$'000
Employees and advanced salaries	-	7
Rates and charges	600	507
Sundry Debtors	982	2,684
Provision for impairment - liquidated damages claim	-	(1,597)
Provision for impairment - other debtors	-	(25)
Expected credit loss	(13)	-
	1,569	1,576
Goods and Services Tax	336	343
Goods and Services Tax receivable	336	343
Total Trade and other receivables	1,905	1,919

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% (2018: 10%) fourteen days after instalments are due. Interest of 8.81% (2018: 8.72%) is charged after the instalments are due and is calculated fortnightly (2018: fortnightly) on the outstanding balance.

All outstanding trade receivables have been assessed as past due but not provided for. 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 credit loss 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.

Reconciliation of movement in expected credit loss	2019 \$'000	2018 \$'000
Carrying amount at 30 June 2018 under AASB 139	1,621	-
Amounts restated through Accumulated Funds	-	-
Carrying amount at 1 July under AASB 9	1,621	-
Amounts written off during the year	1,613	-
Amounts recovered during the year	-	-
Increase/(decrease) in provision recognised in profit or loss	5	-
Carrying amount at 30 June	13	-
Reconciliation of movement in provision for impairment of receivables		
Carrying amount at 1 July	-	1,649
Amounts written off during the year	-	36
Amounts recovered during the year	-	1
Increase / (decrease) in provision recognised in profit or loss	-	9
Carrying amount at 30 June	-	1,621

ACCOUNTING POLICY

Trade and other receivables - applicable from 1 July 2018

Trade receivables that do not contain a significant financing component are measured at amortised cost, which represents their transaction value. Impairment is recognised on an expected credit loss (ECL) basis. When determining whether the credit risk has increased significantly since initial recognition, and when estimating the ECL, Council considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on Council's historical experience, an informed credit assessment and forward-looking information. Council has established a provision matrix to facilitate the impairment assessment.

For rate debtors, Council takes the view that unpaid rates represent a charge against the rateable property that will be recovered when the property is next sold. For non-rate debtors, Council uses the presumptions that assets more than 30 days past due have a significant increase in credit risk and those more than 90 days will likely be in default. Council writes off receivables when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery.

Trade and other receivables - applicable for 2018 comparative

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. A provision for impairment on rates has not been established as unpaid rates represents a charge against the rateable property that will be recovered when the property is next sold.

4.3 INVENTORIES

Inventories	2019 \$'000	2018 \$'000
Stores and materials	116	109
Total Inventories	116	109

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. Where inventories are acquired at no cost, or for nominal consideration, the cost shall be the current replacement cost as at the date of acquisition.

4.4 OTHER CURRENT ASSETS

Other current assets	2019 \$'000	2018 \$'000
Prepayments	250	242
Accrued revenue	128	286
Total Other current assets	378	528

ACCOUNTING POLICY

Other current assets

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

4.5 INVESTMENT IN TASWATER

Investment in TasWater	2019 \$'000	2018 \$'000
Balance at the beginning of the year	167,145	165,003
Fair value adjustments on available-for-sale assets	24,172	2,142
Total Investment in TasWater	191,317	167,145

Council has derived returns from TasWater as disclosed at note 2.6.

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

ACCOUNTING POLICY - APPLICABLE FROM 1 JULY 2018

Investment in TasWater

As Council's investment in TasWater is held for long-term strategic purposes, Council has elected under AASB 9: Financial Instruments to irrevocably classify this equity investment as designated as fair value through other comprehensive income. Subsequent changes in fair value on designated investments in equity instruments are recognised in other comprehensive income (for fair value reserve, refer note 9.1) and not reclassified through the profit or loss when derecognised. Dividends associated with the equity investments are recognised in profit and loss when the right of payment has been established and it can be reliably measured.

Fair value was determined by using Council's ownership interest against the water corporation's net asset value at balance date. At 30 June 2019, Council continues to hold a 10.29% ownership interest (2018 10.41%) in TasWater which is based on Schedule 2 of the Corporation's Constitution which reflects the Council's voting rights.

ACCOUNTING POLICY - APPLICABLE FOR 2018 COMPARATIVE

Council's investment in TasWater is valued at its fair value determined by Council's ownership interest against the water corporation's net asset value at balance date. Any unrealised gains and losses are recognised through the Statement of Comprehensive Income to an Available-for-sale Fair value reserve each year (refer note 9.1).

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.

4.6 PROPERTY, INFRASTRUCTURE, PLANT AND EQUIPMENT

	Carrying amount 1/07/2018 \$'000	Additions \$'000	Assets held for sale \$'000 Note 4.8	Other asset adjustments \$'000	Disposals \$'000	Net revaluation adjustments \$'000 Note 6.1	Depreciation, Amortisation and Impairment \$'000 Note 3.3	Fair value recognised in profit or loss \$'000	Carrying amount 30/06/2019 \$'000
2019									
Transport	283,731	8,664	-	-	(993)	8,467	(7,856)	-	292,012
Stormwater and drainage	139,511	2,829	(722)	-	(221)	4,712	(1,966)	-	144,144
Land	206,703	547	-	-	(77)	-	-	-	207,174
Building and other land improvements	37,430	12,297	(19)	(915)	(286)	1,835	(1,798)	-	48,543
Plant and vehicles	2,039	514	-	-	(110)	-	(335)	-	2,109
Equipment and furniture	6,131	627	-	-	(30)	-	(638)	-	6,089
Valuation roll	252	-	-	-	-	-	(62)	-	190
	675,797	25,478	(741)	(915)	(1,717)	15,014	(12,655)	-	700,261
	Carrying amount 1/07/2017 \$'000	Additions \$'000	Assets held for sale \$'000 Note 4.8	Other asset adjustments \$'000	Disposals \$'000	Net revaluation adjustments \$'000 Note 6.1	Depreciation, Amortisation and Impairment \$'000 Note 3.3	Fair value recognised in profit or loss \$'000	Carrying amount 30/06/2018 \$'000
2018									
Transport	276,966	10,208	-	-	(2,470)	6,587	(7,560)	-	283,731
Stormwater and drainage	146,008	4,024	-	-	(11,483)	3,224	(2,262)	-	139,511
Land	198,943	495	-	-	-	7,265	-	-	206,703
Building and other land improvements	45,459	2,212	-	-	(2,353)	(5,599)	(2,289)	-	37,430
Plant and vehicles	1,674	846	-	-	(187)	-	(294)	-	2,039
Equipment and furniture	2,521	3,930	-	-	-	-	(320)	-	6,131
Valuation roll	308	-	-	-	-	-	(56)	-	252
	671,879	21,715	-	-	(16,493)	11,477	(12,781)	-	675,797

4.6 PROPERTY, INFRASTRUCTURE, PLANT AND EQUIPMENT (continued)

Transport	2019 \$'000	2018 \$'000
At fair value	545,084	521,317
Less accumulated depreciation	(253,072)	(237,586)
Transport at fair value	292,012	283,731

Stormwater and drainage	2019 \$'000	2018 \$'000
At fair value	226,468	217,515
Less accumulated depreciation	(82,324)	(77,966)
Less impairment expense	-	(38)
Stormwater and drainage at fair value	144,144	139,511

A provision for impairment was recognised for \$37,563 as at 30 June 2018. The impairment is based on the inspection and evaluation of Stormwater assets that were damaged during their construction. During 2018-19 works were completed to rectify the damaged assets.

Land	2019 \$'000	2018 \$'000
At fair value	66,855	66,384
Land under roads - at valuation (30 June 2011)	140,319	140,319
Land at fair value	207,174	206,703

Buildings and other land improvements	2019 \$'000	2018 \$'000
At fair value	104,502	90,242
Less accumulated depreciation	(55,958)	(52,812)
Buildings and other land improvements at fair value	48,543	37,430

Plant and vehicles	2019 \$'000	2018 \$'000
At cost	3,966	3,728
Less accumulated depreciation	(1,857)	(1,689)
Plant and vehicles at cost	2,109	2,039

Equipment and furniture	2019 \$'000	2018 \$'000
At cost	12,826	12,399
Less accumulated depreciation	(6,737)	(6,268)
Equipment and furniture at cost	6,089	6,131

Valuation roll	2019 \$'000	2018 \$'000
At cost	370	370
Less accumulated depreciation	(180)	(118)
Valuation roll at cost	190	252

Total Property, infrastructure, plant and equipment	2019 \$'000	2018 \$'000
	700,261	675,797

ACCOUNTING POLICY

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.

4.7 OTHER NON-CURRENT ASSETS

Other non-current assets	2019 \$'000	2018 \$'000
Capital works in progress	4,993	16,102
Total Other non-current assets	4,993	16,102

ACCOUNTING POLICY

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.

Recognition and measurement of assets

- All material items were considered and an assessment made to determine if such items are assets.
- 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.
- 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.
- 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.
- Council adopts depreciated replacement cost or fair value for all property assets.
- Assets are recorded by identifying separately their gross carrying value and any accumulated depreciation, other than capital works in progress.
- 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).
- 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.
- 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.
- Plant and Vehicles, and Equipment and Furniture other than plant associated with property are recorded at cost.

4.7 OTHER NON-CURRENT ASSETS (continued)

- 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.
- 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.

4.8 PRIOR PERIOD ADJUSTMENT

Comparative figures have been restated in the Statement of Financial Position and Statement of Changes in Equity. These changes are a result of prior period errors in Accordance with AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors.

In the Financial Year ending 30 June 2016 when the Stormwater Assets were revalued, the valuations of Gabions were removed in the system by error. As a result these assets were not revalued during the Financial Year ending 30 June 2017 & 30 June 2018. The error was identified when Council undertook extensive flood repair work on the Gabions during the Financial Year ending 30 June 2019.

As this adjustment reflected characteristics of assets that existed in the prior period, an adjustment to the prior period balances has been made in the 2018/19 Financial Statements. Adjustment were made in the Statement of Financial Position for "Property, infrastructure, plant & equipment" and in Statement of Changes in Equity for "Opening asset revaluation reserve". The prior period adjustments are detailed below:

STATEMENT OF FINANCIAL POSITION

Carrying amount of Property, infrastructure, plant & equipment as at 1 July 2017 was increased by \$2,217K due to the impact of Prior period error adjustment for Gabion assets in Stormwater & Drainage.

STATEMENT OF CHANGES IN EQUITY

Total equity as at 1 July 2017 was increased by \$2,217K due to the impact of Prior period error adjustment in the Asset revaluation reserve for Stormwater & Drainage.

For the Year Ended 30 June 2019 Prior period adjustment	1 July 2017 (Unadjusted) \$'000	1 July 2017 (Adjusted) \$'000	Prior Year Adjustment \$'000
A) Statement of Financial Position			
Property, Infrastructure, Plant & Equipment			
At fair value	1,049,506	1,052,272	2,766
Less accumulated depreciation	(375,927)	(376,476)	(549)
Total Property, infrastructure, plant & equipment	673,580	675,797	2,217
B) Statement of Changes in Equity			
Total equity at the beginning of the financial year	849,418	851,635	2,217
Comprehensive result	3,175	3,175	-
Balance at the end of the financial year	852,593	854,810	2,217

4.9 ASSETS HELD FOR SALE

Assets Held for sale	2019 \$'000	2018 \$'000
Assets held for sale	741	-
Provision for impairment	-	-
Total Non-current assets classified as held for sale	741	-

Council decided on 28 May 2018 to close part of the Derwent Park Stormwater Harvesting and Reuse Scheme and dispose of a number of components that would not continue to be used. As at 30 June 2018 Council was not in a position to determine if those assets would be disposed of within 12 months and were not classified with the accounts as Assets held for sale. Subsequent to that time the assets have been identified, classified as Assets held for sale and a process of disposal is being undertaken.

ACCOUNTING POLICY

Assets held for sale

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

NOTE 5 LIABILITIES

5.1 TRADE AND OTHER PAYABLES

Trade and other payables	2019 \$'000	2018 \$'000
Trade payables	1,086	1,782
Accrued expenses	2,798	2,215
Fringe Benefit Tax payable	9	7
Total trade and other payables	3,893	4,004

ACCOUNTING POLICY

Trade and other payables

Liabilities are recognised for amounts to be paid in the future for goods and services provided to Council as at balance date whether or not invoices have been received. General Creditors are unsecured, not subject to interest charges and are normally settled within specific trading terms or 30 days, whichever is earlier.

For ageing analysis of Trade and other payables, refer to note 6.8.

5.2 PROVISIONS

2019	Annual Leave \$'000	Personal Leave \$'000	Long Service Leave \$'000	On Costs \$'000	Employee Support \$'000	Landfill Restoration \$'000	Total \$'000
Balance at the beginning of the financial year	2,019	886	2,206	312	375	4,034	9,832
Additional provisions	1,694	761	309	169	(272)	-	2,661
Amounts used	(1,726)	(739)	(396)	(175)	(56)	-	(3,092)
Other adjustments	-	-	-	-	-	(915)	(915)
Increase in the discounted amount arising because of the time and the effect of any change in the discount rate	-	-	-	-	-	-	-
Balance at the end of the financial year	1,987	908	2,119	306	47	3,119	8,486

2018	Annual Leave \$'000	Personal Leave \$'000	Long Service Leave \$'000	On Costs \$'000	Employee Support \$'000	Landfill Restoration \$'000	Total \$'000
Balance at the beginning of the financial year	1,933	874	2,431	334	36	3,949	9,557
Additional provisions	1,766	712	338	158	339	-	3,313
Amounts used	(1,680)	(700)	(563)	(180)	-	-	(3,123)
Other adjustments	-	-	-	-	-	-	-
Increase in the discounted amount arising because of the time and the effect of any change in the discount rate	-	-	-	-	-	85	85
Balance at the end of the financial year	2,019	886	2,206	312	375	4,034	9,832

(a) Employment entitlements provision	2019 \$'000	2018 \$'000
(i) Current		
Annual leave	1,987	2,019
Sick Leave	908	886
Long service leave	1,333	1,402
	4,229	4,307
(ii) Non-current		
Long service leave	786	804
	786	804
Aggregate carrying amount of employee entitlements:		
Current	4,229	4,307
Non-current	786	804
	5,014	5,111
(iii) Current		
All annual leave, sick leave and the long service leave entitlements representing 10 or more years		
- short-term employee entitlements, that fall due within 12 months after the end of the period measured at nominal value	4,229	4,305
- other long-term employee entitlements that do not fall due within 12-months after the end of the period	-	-
	4,229	4,305
(iv) Non-current		
- Long-service leave representing less than 10 years of continuous service measured at present value	786	804

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

	2019	2018
Weighted average increase in employee costs	2.50%	2.50%
Weighted average discount rates	1.08%	2.30%
Weighted average settlement period	11	11

5.2 PROVISIONS (continued)

(b) Landfill Restoration

Council operates a Landfill at Jackson Street, Glenorchy. 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. On closure of the landfill, Council will face close-down and rehabilitation costs. Rehabilitation is occurring progressively with major works planned 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 was recalculated as at 30 June 2019 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. The recalculation resulted in a decrease in the value of the Provision of \$915,000.

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

(c) Provision summary	2019 \$'000	2018 \$'000
Current		
Employee entitlements	4,228	4,307
Employment on-costs	259	262
Payroll tax		
Employee Support	47	375
	4,534	4,944
Non-current		
Employee entitlements	786	804
Employment on-costs	47	50
Payroll tax		
Landfill restoration	3,119	4,034
	3,952	4,888
Total Provisions	8,486	9,832

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.

(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 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. 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.

Provisions - Other

Employment on-costs

Payroll tax is not an employee benefit and 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 were calculated during June 2019 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, generally once each year.

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'.

5.3 BORROWINGS

	2019 \$'000	2018 \$'000
Borrowings at the beginning of the year	4,259	5,168
New borrowings	-	-
Repayments	(1,137)	(909)
Borrowings at the end of the year	3,122	4,259
Current borrowings	963	952
Non-current borrowings	2,159	3,307
Total Borrowings	3,122	4,259

The loan portfolio owed by Council to Tascorp has been reviewed by Tascorp effective 30 June 2019. 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 \$3,228,296 (2018: \$4,367,832) compared to the actual value of \$3,121,785 (2018: \$4,259,000). All loan funds are secured against future council rate revenue.

	2019 \$'000	2018 \$'000
The maturity profile of Council's borrowings is:		
Not later than one year	963	952
Later than one year and not later than five years	2,020	3,042
Later than five years	139	264
	3,122	4,259

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.

Interest is expensed as it accrues, and no interest has been capitalised during the current or comparative reporting period. There have been no defaults or breaches of the loan agreement during the period. Borrowings are secured by way of mortgages over the general rates of the Council.

Leases

Leases in which a significant portion of the risks and rewards of ownership are not transferred to Council as lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

5.4 OTHER CURRENT LIABILITIES

	2019 \$'000	2018 \$'000
Other current liabilities		
Trust monies held (Derwent Entertainment Centre)	-	3
Vehicle Funding Facility	1,337	1,417
Revenue received in advance	1,107	1,058
Refundable building deposits	318	323
Refundable contract deposits	-	-
Other refundable deposits	21	38
Total Other current liabilities	2,783	2,839

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.

NOTE 6 OTHER FINANCIAL INFORMATION

6.1 RESERVES

	Balance at beginning of year		Transfers between Reserves		Transfers to Reserves		Transfers from reserves		Balance at end of year	
	1-Jul-18 \$'000	1-Jul-17 \$'000	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000	30-Jun-19 \$'000	30-Jun-18 \$'000
Revenue reserves										
Statutory reserves										
Car parking	445	435	-	-	11	10	-	-	456	445
Public open space	636	581	-	-	25	55	-	-	661	636
Incomplete works	-	3,431	-	-	-	-	-	(3,431)	-	-
Other reserves	1,081	4,446	-	-	36	65	-	(3,431)	1,117	1,081
Irregular operating expenses	51	101	-	-	51	51	-	(101)	103	51
Landfill future close out costs	2,653	2,340	-	-	69	313	-	-	2,722	2,653
Landfill future plant and equipment	2	2	-	-	-	-	-	-	2	2
Property, plant and equipment	171	166	-	-	4	4	-	-	175	171
City revaluation	176	123	-	-	5	53	-	-	180	176
Asset sales	5,101	4,988	-	-	132	113	-	-	5,233	5,101
Community based programs	(273)	(177)	-	-	-	44	-	(140)	(273)	(273)
Strategic Asset Management Group Capital	353	271	-	-	9	82	-	-	362	353
	8,233	7,815	-	-	270	660	-	(241)	8,503	8,233
	9,314	12,261	-	-	306	725	-	(3,672)	9,620	9,314
Fair Value reserve										
Investment in TasWater	(29,759)	(31,901)	-	-	24,173	2,142	-	-	(5,586)	(29,759)
	(29,759)	(31,901)	-	-	24,173	2,142	-	-	(5,586)	(29,759)
Asset revaluation reserves										
Asset revaluation reserve - transport	217,776	211,189	-	-	8,468	6,587	-	-	226,244	217,776
Asset revaluation reserve - buildings and other land	10,214	15,813	-	-	1,835	-	-	(5,599)	12,049	10,214
Asset revaluation reserve - land	51,954	44,689	-	-	-	7,265	-	-	51,954	51,954
Asset revaluation reserve - stormwater and drainage	66,320	63,095	-	-	4,712	3,224	-	-	71,032	66,320
Asset revaluation reserve - plant and vehicles	2,740	2,740	(2,740)	-	-	-	-	-	-	2,740
Asset revaluation reserve - furniture and equipment	867	867	(867)	-	-	-	-	-	-	867
	349,870	338,393	(3,607)	-	15,015	17,077	-	(5,599)	361,279	349,870
Total revenue, fair value and asset revaluation reserves	329,425	318,753	(3,607)	-	39,495	19,943	-	(9,271)	365,313	329,425

6.1 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 six 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.

6.2 RECONCILIATION OF NET SURPLUS/ (DEFICIT) FOR THE PERIOD TO NET CASH FLOWS FROM OPERATING ACTIVITIES

	2019 \$'000	2018 \$'000
Net surplus/(deficit)	4,204	(10,445)
Items not involving cash		
Carrying value of assets sold or retired	1,717	180
Sale of property, plant and equipment	(239)	(254)
Capital government grants and external contributions	(833)	(1,125)
Contribution - non-monetary assets	(3,284)	(4,723)
Depreciation expense	12,655	12,822
Assets written off	30	15,895
Unwinding of discounts applied to provisions	-	156
Bad and Doubtful debts / Impairment Expense	11	7
Unlocated		
Changes in operating assets and liabilities		
(Increase)/decrease in trade and other receivables	14	(376)
(Increase)/decrease in other current assets	150	56
(Increase)/decrease in inventories	(7)	2
Increase/(decrease) in trade and other payables	(111)	1,479
Increase/(decrease) in other current liabilities	(106)	296
Increase/(decrease) in provisions	(431)	188
Net cash from operating activities	13,770	14,158

6.3 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.

Interest bearing loans and borrowings	2019 \$'000	2018 \$'000
Acquisitions / New leases	4,259	5,169
Foreign exchange rates movements		
Changes in fair value		
Other movements	-	-
Transfers to / (from) other Government entity	-	-
Changes from financing cash flows	-	-
Cash received	-	-
Cash Repayments	(1,137)	(910)
Balance at 30 June 2019	3,122	4,259

6.4 FINANCING ARRANGEMENTS

	2019 \$'000	2018 \$'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

6.5 SUPERANNUATION

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 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 2019 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 Tasplan Super's financial statements for Council employees.

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.

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.

6.5 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 \$14,119 (2018, \$130,312), and the amount paid to accumulation schemes was \$2,317,602 (2018, \$2,202,707).
- During the next reporting period the expected amount of contributions to be paid to defined benefits schemes is \$15,000, and the amount to be paid to accumulation schemes is \$2,366,000.
- 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 \$57.48million and members' Vested Benefits were \$48.39 million. These amounts represented 0.7% and 0.6% respectively of the corresponding total amounts for Tasplan.
- As at 30 June 2018 the fund had 119 members and the total employer contributions and member contributions for the year ending 30 June 2018 were \$1,515,272 and \$266,000 respectively.

6.6 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):

	2019 \$'000	2018 \$'000
Not later than one year	832	1,117
Later than one year and not later than five years	827	1,567
Later than five years	-	-
	1,659	2,684

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:

	2019 \$'000	2018 \$'000
Property	-	1,287
Transport	2,588	1,440
Stormwater	739	138
	3,327	2,865
Not later than one year	3,327	2,865
Later than one year and not later than five years	-	-
Later than five years	-	-
	3,327	2,865

(c) Contractual commitments

Contractual commitments at end of financial year but not recognised in the financial report are as follows:

	2019 \$'000	2018 \$'000
Garbage collection and disposal contracts	2,395	1,260
	2,395	1,260

6.6 COMMITMENTS OF EXPENDITURE (continued)

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 2019.

6.7 CONTINGENT LIABILITIES

Council has not identified any matter that would give rise to a contingent liability.

6.8 FINANCIAL INSTRUMENTS

a) Accounting policy, terms and conditions

Financial instruments	Note	Accounting Policy	Terms and Conditions
Financial assets			
Cash and Cash equivalents	4.1	Comprises cash on hand and cash in bank.	On call deposits returned an average interest rate of 1.27% (2018: 1.30%).
		Term deposits and at call accounts are held to maximise interest returns on surplus cash.	The weighted average interest rate received for investments was 2.59% (2018: 2.60%).
		Interest revenues are recognised as they accrue.	
Trade and other receivables			
Receivables rates and charges	4.2	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 2019 was 10.0% for general rates (2018: 8.72%).
Receivables other	4.2	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.
Investment at Fair value through Comprehensive Income			
Investment in TasWater	4.5	The investment in TasWater is valued at its fair value at 30 June 2019. Fair value was determined by using Council's ownership interest against the water corporation's net asset value at 30 June 2019.	
Financial liabilities			
Payables	5.1	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.
Borrowings	5.3	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 4.06% (2018: 4.26%).

6.8 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	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Financial assets												
<i>Variable interest rate</i>												
Cash and cash equivalent assets	2.59%	2.60%	16,650	14,014	-	-	-	-	-	-	16,650	14,014
<i>Non interest bearing</i>												
Cash and cash equivalent assets			125	129	-	-	-	-	-	-	125	129
Trade and other receivables			969	1,069	-	-	-	-	-	-	969	1,069
Investment in TasWater			-	-	-	-	191,317	167,145	-	-	191,317	167,145
<i>Fixed interest rate</i>												
Trade and other receivables (rates and charges)	8.81%	8.72%	623	507	-	-	-	-	-	-	623	507
Total			18,367	15,719	-	-	191,317	167,145	-	-	209,684	182,864
Financial liabilities												
<i>Non interest bearing</i>												
Trade and other payables			3,894	4,004	-	-	-	-	-	-	3,894	4,004
Other current liabilities			2,807	2,839	-	-	-	-	-	-	2,807	2,839
<i>Fixed interest rate</i>												
Borrowings:												
- Not later than one year			963	952	-	-	-	-	-	-	963	952
- Later than one year and not later than five years	3.72%	4.20%	-	-	2,020	3,042	-	-	-	-	2,020	3,042
- Later than five years	4.06%	5.26%	6,701	6,843	2,020	3,042	139	265	139	139	9,823	11,102
Total			6,701	6,843	2,020	3,042	139	265	139	139	9,823	11,102
Net financial assets/(liabilities)											199,861	171,762

6.8 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	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Financial Assets				
Cash and cash equivalents	16,776	14,143	16,776	14,143
Investment in TasWater	191,317	167,145	191,317	167,145
Trade and other receivables	1,928	1,919	1,928	1,919
Total Financial Assets	210,021	183,207	210,021	183,207
Financial Liabilities				
Trade and other payables	3,894	4,004	3,894	4,004
Borrowings	3,122	4,259	3,228	4,368
Other liabilities	2,807	2,839	2,807	2,839
Total Financial Liabilities	9,823	11,102	10,039	11,211

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 5.3, cash and cash equivalents disclosed in note 4.1 and equity including community equity and reserves as disclosed in the Statement of Changes in Equity. Council is not subject to externally imposed capital requirements.

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

Market risk

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

Interest rate risk

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

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

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

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

- minimises its costs of borrowings;
 - minimises its liquidity risk;
 - matches the characteristics of debt with those of the assets being funded, where possible; 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.

6.8 FINANCIAL INSTRUMENTS (continued)

Credit risk

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

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

Credit risk arises from Council's financial assets, which comprise cash and cash equivalents, and trade and other receivables. Council's exposure to credit risk arises from potential default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments. Exposure at balance date is addressed in each applicable policy note. Council generally trades with recognised, creditworthy third parties, and as such collateral is generally not requested, nor is it Council's policy to securitise its trade and other receivables. It is Council's policy that some customers who wish to trade on credit terms are subject to credit verification procedures including an assessment of their credit rating, financial position, past experience and industry reputation. In addition, receivable balances are monitored on an ongoing basis with the result that Council's exposure to bad debts is not significant.

Council may also be subject to credit risk for transactions which are not included in the Statement of Financial Position, such as when Council provides a guarantee for another party. Details of our contingent liabilities are disclosed in note 6.7.

Credit quality of contractual financial assets that are neither past due or impaired

	Financial institutions (AAA credit rating)	Government agencies (BBBB credit rating)	Other (min BBB credit rating)	Total
2019				
Cash and cash equivalents	16,776	-	-	16,776
Trade and other receivables	1,905	-	-	1,905
Investments and other financial assets	-	-	-	-
Total contractual financial assets	18,681	-	-	18,681
2018				
Cash and cash equivalents	14,144	-	-	14,144
Trade and other receivables	1,919	-	-	1,919
Investments and other financial assets	-	-	-	-
Total contractual financial assets	16,063	-	-	16,063

Movement in Provisions for Impairment of Trade and Other Receivables

	2019 \$'000	2018 \$'000
Balance at the beginning of the year	1,621	1,649
New Provisions recognised during the year	5	9
Amounts already provided for and written off as uncollectible	1,613	36
Amounts provided for but recovered during the year	-	1
Balance at end of year	13	1,621

Ageing of Trade and Other Receivables

At balance date other debtors representing financial assets were past due but not impaired. These amounts relate to a number of independent customers for whom there is no recent history of default. The ageing of the Council's Trade and Other Receivables was:

	2019 \$'000	2018 \$'000
Current (not yet due)	993	991
Past due by up to 30 days	75	42
Past due between 31 and 180 days	288	302
Past due between 181 and 365 days	255	232
Past due by more than 1 year	294	352
Total Trade & Other Receivables	1,905	1,919

Ageing of individually impaired Trade and Other Receivables

At balance date, other debtors representing financial assets with a nominal value of \$13,368 (2017-18: \$1,621,449) were impaired. The amount of the provision raised against these debtors was \$5,000 (2017-18: \$9,000). The individually impaired debtors relate to general and sundry debtor and have been impaired as a result of their doubtful collection. Many of the long outstanding past due amounts have been lodged with the Council's debt collectors or are on payment arrangements.

The ageing of Trade and Other Receivables that have been individually determined as impaired at reporting date was:

	2019 \$'000	2018 \$'000
Current (not yet due)	-	-
Past due by up to 30 days	-	-
Past due between 31 and 180 days	-	-
Past due between 181 and 365 days	-	-
Past due by more than 1 year	-	-
Total Trade & Other Receivables	13	1,622

6.8 FINANCIAL INSTRUMENTS (continued)

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
- limit's 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.

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 1.27% (2018: 1.30%).

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.

For the year ended 30 June 2019

2019	Carrying amount subject to interest \$'000	Interest Rate Risk			
		-0.25% (25 basis points)	Equity \$'000	+0.25% (25 basis points)	Equity \$'000
Market Risk Exposure					
Financial Assets:					
Cash and cash equivalents	16,650	(42)	(42)	42	42
Trade and other receivables	623	(2)	(2)	2	2

2018	Carrying amount subject to interest \$'000	Interest Rate Risk			
		-0.25% (25 basis points)	Equity \$'000	+0.25% (25 basis points)	Equity \$'000
Market Risk Exposure					
Financial Assets:					
Cash and cash equivalents	14,014	(35)	(35)	35	35
Trade and other receivables	507	(1)	(1)	1	1

6.9 EVENTS OCCURRING AFTER BALANCE DATE

- i) There are no events that occurred after balance date that will have a material impact on the financial position of the Council.

6.10 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 4.6. A description of the valuation techniques and the inputs used to determine the fair value of this land is included below under the heading 'Land held for sale'.

a) Fair value hierarchy

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

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

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 2019.

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.

6.10 FAIR VALUE MEASUREMENTS (continued)

As at 30 June 2019

Recurring fair value measurements	Note	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Investment properties	4.6	-	-	-	-
Transport	4.6	-	-	545,084	545,084
Stormwater and drainage	4.6	-	-	222,007	222,007
Land	4.6	-	207,174	-	207,174
Buildings and other land improvements	4.6	-	-	104,520	104,520
Valuation roll	4.6	-	-	370	370
		-	207,174	871,981	1,079,155
Non-recurring fair value measurements					
Assets held for sale	4.8	-	737	-	737
		-	737	-	737

As at 30 June 2018

Recurring fair value measurements	Note	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Investment properties	4.6	-	-	-	-
Transport	4.6	-	-	521,317	521,317
Stormwater and drainage	4.6	-	-	216,965	216,965
Land	4.6	-	206,703	-	206,703
Buildings and other land improvements	4.6	-	-	90,242	90,242
Valuation roll	4.6	-	-	370	370
		-	206,703	828,894	1,035,597
Non-recurring fair value measurements					
Assets held for sale	4.8	-	-	-	-
		-	-	-	-

Transfers between levels of the hierarchy

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

b) Highest and best use

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

Transfers between levels of the hierarchy

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

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

Land

Land fair values were determined by the Valuer-General effective 30 June 2018.

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 was 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) and including Parks and recreation infrastructure were determined by a qualified independent Valuer effective 30 June 2018 and indexed at 3.38% for the financial year ended 30 June 2019. 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.

6.10 FAIR VALUE MEASUREMENTS (continued)

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 4.6.

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

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

Transport

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

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

A full revaluation of transport assets was undertaken as at 30 June 2017 and indexed at 2.42% for the financial year ended 30 June 2018 and at 3.38% for the financial year ended 30 June 2019. 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.

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 30 June 2015. Similar to roads, stormwater and drainage assets are managed in segments; pits and pipes being the major components. A full revaluation of Stormwater and drainage assets as at 30 June 2016 and indexed at 1.50% for the financial year ended 30 June 2017, at 2.42% for the financial year ended 30 June 2018, and at 3.38% for the financial year ended 30 June 2019.

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 4.5.

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 4.6).

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 5.3 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).

NOTE 7 OTHER MATTERS

7.1 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
Matt Stevenson, Deputy Mayor
Peter Bull
Melissa Carlton
Jan Dunsby
Simon Fraser
Steven King
Gaye Richardson
Kelly Sims
Rebecca Thomas

Key Management Personnel

Name	Position	Term
Tony McMullen	General Manager	(01/07/2018 to 30/06/2019)
Sam Fox	Director Development and Customer Service	(08/10/2018 to 14/04/2019)
	Director Strategy and Development	(15/04/2019 to 30/06/2019)
Paul Garnsey	Acting Director, City Services and Infrastructure	(01/07/2018 to 08/10/2018)
William Richardson	Acting Chief Financial Officer	(01/07/2018 to 08/10/2018)
David Ronaldson	Acting Director, Community Economic Development and Business	(01/07/2018 to 05/10/2018)
	Director Community and Strategy	(06/10/2018 to 14/04/2019)
	Director Community and Customer Service	(15/04/2019 to 30/06/2019)
Edward Ross	Director, Infrastructure and Works	(01/07/2018 to 30/06/2019)
Simon Scott	Acting Director, Corporate Governance	(01/07/2018 to 08/10/2018)
Jenny Self	Director, Corporate Services	(08/10/2018 to 30/06/2019)

ii) Aldermen Remuneration

2019	Allowances \$	Vehicles ¹ \$	Total Compensation AASB 124 \$	Expenses \$	Total allowances and expenses section 72 \$
Mayor	101,754	9,243	110,997	1,655	112,652
Deputy Mayor	49,275	-	49,275	814	50,089
Alderman	232,589	-	232,589	3,962	236,551
	383,618	9,243	392,861	6,431	399,292

2018	Allowances \$	Vehicles ¹ \$	Total Compensation AASB 124 \$	Expenses \$	Total allowances and expenses section 72 \$
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
Alderman	94,438	-	94,438	339	94,777
	287,008	8,389	295,397	2,032	297,429

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

7.1 RELATED PARTY TRANSACTIONS (continued)

iii) Key Management Personnel Remuneration

2019	Remuneration band	Number of employees	Salary ¹ \$	Vehicles ² \$	Short term employee benefits		Post-employment benefits		Total \$
					Other Allowances and Benefits ³ \$	Super-annuation ⁴ \$	Non-monetary Benefits ⁶ \$		
	\$40,001 - \$60,000	2	87,249	-	-	11,342	6,346	104,937	
	\$60,001 - \$80,000	1	53,265	-	1,060	6,925	4,863	66,113	
	\$160,001 - \$180,000	2	273,308	5,300	-	35,530	15,391	329,529	
	\$200,001 - \$220,000	2	345,375	5,064	-	44,899	12,915	408,253	
	\$260,001 - \$280,000	1	233,654	6,498	-	28,673	(2,559)	266,265	
			992,851	16,862	1,060	127,368	36,954	1,175,096	

2018	Remuneration band	Number of employees	Salary ¹ \$	Vehicles ² \$	Short term employee benefits		Post-employment benefits		Total \$
					Other Allowances and Benefits ³ \$	Super-annuation ⁴ \$	Non-monetary Benefits ⁶ \$		
	\$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	

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.

iv) Remuneration Principles

Aldermen

Aldermen 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 2018-19 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.

In accordance with s84(2)(b) of the *Local Government Act 1993*, no interests have been notified to the General Manager in respect of any body or organisation with which the Council has major financial dealings.

7.2 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.

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 2018-19 were as follows:

2019	Income \$'000	Expenditure \$'000	Net result \$'000	Cash at Bank \$'000
Glenorchy Brass Band	25	23	2	8

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

7.3 SIGNIFICANT BUSINESS ACTIVITIES

	Derwent Ent Centre		Landfill Operations		Childcare Centres	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
<i>Revenue</i>						
Government Grants	-	-	-	-	1,030	736
User Charges	1,586	1,228	5,246	2,807	485	551
Other Income	80	55	50	49	32	55
Total Revenue	1,666	1,283	5,296	2,857	1,548	1,341
<i>Expenditure</i>						
<i>Direct</i>						
Employee Costs	722	651	1,093	1,132	1,299	1,304
Material and Contracts	899	769	1,676	1,241	147	132
Other	4	16	19	(2,326)	1	1
<i>Indirect</i>						
Engineering and Administration	203	180	349	6	181	180
Total Expenses	1,828	1,616	3,137	53	1,627	1,617
	(163)	(332)	2,159	2,804	(79)	(276)
<i>Notional cost of free services received</i>						
<i>Capital Costs</i>						
Depreciation and amortisation	194	869	15	1	46	30
Opportunity cost of capital	345	403	32	18	36	21
Total Capital Costs	538	1,272	48	19	82	51
<i>Competitive neutrality adjustments</i>						
Rates and land tax	57	52	16	11	23	8
Calculated Surplus/(Deficit)	(758)	(1,656)	2,096	2,773	(185)	(335)
<i>Taxation</i>						
Tax Equivalent rate	30%	30%	30%	30%	30%	30%
Taxation equivalent	-	-	629	832	-	-
Net Surplus/(Deficit)	(758)	(1,656)	1,467	1,941	(185)	(335)

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.

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.

7.4 MANAGEMENT INDICATORS

	Benchmark	2019 \$'000	2018 \$'000	2017 \$'000	2016 \$'000
a) Underlying surplus or deficit					
Recurrent income*		59,302	55,275	54,002	51,835
Less recurrent expenditure#		59,242	55,188	53,399	52,239
Underlying surplus/deficit	>\$0	60	87	603	(404)

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

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

b) Underlying surplus ratio					
Underlying surplus or deficit		60	87	603	(404)
Recurrent income*		59,302	55,275	54,002	51,835
Underlying surplus ratio %	2.5% - 5.0%	0.10%	0.16%	1%	(1%)

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.

c) Net financial liabilities					
Liquid assets		18,680	16,349	13,385	16,097
Less total liabilities		18,284	20,934	19,709	21,576
Net financial liabilities	>\$0	396	(4,585)	(6,324)	(5,479)

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.

d) Net financial liabilities ratio					
Net financial liabilities		396	(4,585)	(6,324)	(5,479)
Recurrent income*		59,302	55,275	54,002	51,835
Underlying surplus ratio %	0% - (50%)	0.67%	(8.29%)	(12%)	(11%)

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.

7.4 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.

	Benchmark	2019 \$'000	2018 \$'000	2017 \$'000	2016 \$'000
<i>Transport</i>					
Depreciated replacement cost		292,012	283,731	276,966	264,355
Current replacement cost		545,084	521,317	503,894	485,587
Asset consumption ratio %	40-60%	54%	54%	55%	54%
<i>Buildings and other land improvements</i>					
Depreciated replacement cost		48,543	37,430	45,459	45,377
Current replacement cost		104,502	90,242	95,899	92,085
Asset consumption ratio %	40-60%	46%	41%	47%	49%
<i>Stormwater and drainage</i>					
Depreciated replacement cost		144,144	137,294	143,791	179,084
Current replacement cost		226,468	216,965	216,038	356,038
Asset consumption ratio %	40-60%	64%	63%	67%	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.

<i>Transport</i>					
Projected capital funding outlays**		100,345	97,439	82,533	81,000
Projected capital expenditure funding***		100,345	97,439	82,533	81,000
Asset renewal funding ratio %	90-100%	100%	100%	100%	100%
<i>Buildings and other land improvements</i>					
Projected capital funding outlays**		27,127	25,046	21,894	21,700
Projected capital expenditure funding***		27,127	25,046	21,894	21,700
Asset renewal funding ratio %	90-100%	100%	100%	100%	100%
<i>Stormwater and drainage</i>					
Projected capital funding outlays**		15,623	16,561	17,910	19,000
Projected capital expenditure funding***		15,623	16,561	17,910	19,000
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.

g) Asset sustainability ratio

Capital expenditure on replacement/renewal of existing assets		7,819	6,959	11,179	11,481
Annual depreciation expense		12,655	12,822	12,494	12,882
Asset consumption ratio %	100%	62%	54%	89%	89%

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.

7.4 MANAGEMENT INDICATORS (continued)

As at 30 June 2019

Asset Class	Capital renewal expenditure \$'000	Capital new/upgrade expenditure \$'000	Total Capital Expenditure \$'000
Buildings and other land improvements	654	2,018	2,672
Transport	5,568	896	6,465
Stormwater	870	478	1,348
Other	726	445	1,171
Total	7,819	3,837	11,656

As at 30 June 2018

Asset Class	Capital renewal expenditure \$'000	Capital new/upgrade expenditure \$'000	Total Capital Expenditure \$'000
Buildings and other land improvements	515	1,734	2,249
Transport	4,083	1,821	5,904
Stormwater	913	190	1,103
Other	1,448	1,372	2,820
Total	6,959	5,117	12,076

7.5 OTHER SIGNIFICANT ACCOUNTING POLICIES AND PENDING ACCOUNTING STANDARDS

a) Taxation

Council is exempt from all forms of taxation except Fringe Benefits Tax, Payroll Tax, Land 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 non-financial 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.

7.5 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 9 Financial Instruments

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 Council's business model for holding the particular asset and its contractual cash flows. Council has applied this standard from 1 July 2018 using a retrospective approach with cumulative catch-up. This does not require Council to restate comparative figures, but does require the presentation of

both qualitative and quantitative disclosures for affected items, along with a corresponding adjustment to the opening balance of Accumulated surpluses for transitional effects of re-measurement.

There was no impact of adopting AASB 9 as at 1 July 2018.

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 15 Revenue from Contracts with Customers

The standard has been deferred by AASB 2016-7 Deferral of AASB15 for Not-for-Profit Entities, until the 2019-20 reporting period. 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:

- 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).
- 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.

- 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 will continue being recognised as revenue upfront assuming no change to the current grant arrangements.
- For Council there will be a significant effect in the treatment of all grants with sufficiently specific performance obligations where the conditions have yet to be fulfilled at year end. Council currently presents unexpended grant income received in note 7. Council's assessment is that the grant amounts received unexpended for the year, will be deferred as a liability under AASB15 and progressively recorded as income as performance obligations are fulfilled.

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.

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

This standard has been deferred until the 2019-20 reporting period.

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. Council does not anticipate a material impact upon the introduction of the standard.

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. 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 nil, as revenue recognised when received from Rates and charges in advance, is already being recorded as a liability (refer notes 5.4) with revenue deferred until the commencement of the applicable rating period.

7.5 OTHER SIGNIFICANT ACCOUNTING POLICIES AND PENDING ACCOUNTING STANDARDS

(continued)

iii) AASB 16 Leases

This standard is applicable to annual reporting periods beginning on or after 1 January 2019. Council will apply the standard from 1 July 2019. Exemptions allow councils to apply AASB 117 for the 30 June 2019 reporting year. 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 6.6. 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 6.6. 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.

iv) AASB 2017-5 Amendments to Australian Accounting Standards - Effective Date of Amendments to AASB 10 and AASB 128 and Editorial Correction, applicable to annual reporting periods beginning on or after 1 January 2022.

The amendments address an acknowledge 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. Council is yet to determine a likely financial impact but anticipates that will have no material impact.

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

7.6 MATERIAL BUDGET VARIATIONS

Council's original budget was adopted by Council on 25 June 2018. The original projections on which the budget was based have been affected by a number of factors. These include State and Federal Government decisions including new grant programs, changing economic activity, the weather, and decisions made by the Council. Material variations of more than 10% are explained below:

REVENUES

Interest

Interest was up \$124,000 on budget due to higher than budgeted interest rates and slightly higher than expected cash balances due to lower than expected expenditures.

Grants

Grant revenue was down \$515,000 due to a delay in receipt of budgeted income from the State Government being reimbursement for expenditure incurred remediating Council infrastructure arising from the May 2018 flood events, partially offset by increased child care income from increased enrolments.

Contributions - cash

Cash contributions are up \$25,000 primarily due to a higher than budgeted receipt from the DEC ticket seller.

Other income

Other income is up primarily due to the receipt of unbudgeted insurance refunds.

Contributions - non-monetary assets

Council does not budget for Non-monetary Contributions due to the variability of the value of the assets donated. Council received assets with a fair value of \$3,284,000 during the 2018-19 financial year.

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

Net loss on the disposal of assets was up \$1,409,00 over budget primarily due to unforeseen costs associated with the renewal of Council assets.

Capital grants received specifically for new or upgraded assets

Unbudgeted Capital grants were received for the Granton Cycleway, Eady Street sporting facility and a Flood Early Warning Alert System.

EXPENSES

Finance costs

Finance costs are higher than expected due to the discount on the unwinding of the Provision for Landfill Remediation not being processed this year with the Provision being separately calculated and reduced.

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 2019 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 2019 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 financial report, the asset renewal funding ratio disclosed in note 7.4, nor the Significant Business Activities disclosed in note 7.3 to the financial report and accordingly, I express no opinion on them.

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

Key Audit Matters

Key audit matters are those matters that, in my professional judgement, were of most significance in my audit of the financial report of the current period. These matters were addressed in the context of my audit of the financial report as a whole, and in forming my opinion thereon, and I do not provide a separate opinion on these matters.

Why this matter is considered to be one of the most significant matters in the audit	Audit procedures to address the matter included
Valuation of property and infrastructure	
<i>Refer to notes 3.3, 4.6 and 6.10</i>	
<p>Property and infrastructure at 30 June 2019 includes transport, stormwater and drainage, land, buildings and other land improvements, totalling \$692.61m. The fair values of land is derived from observable market information with the fair values of buildings and other infrastructure assets are based on depreciated replacement cost.</p> <p>Council undertakes formal revaluations on a regular basis to ensure valuations represent fair value. Indexation is applied to fair values between formal valuations where considered necessary.</p> <p>In 2018-19 Council revalued transport assets, stormwater and drainage assets and buildings and other land improvement assets. These assets were revalued by applying appropriate indexation.</p> <p>The calculation of depreciation requires estimation of asset useful lives, which involves a high degree of subjectivity. Changes in assumptions and depreciation policies can significantly impact the depreciation charged</p> <p>Capital payments in 2018-19 totalled \$10.16m on a number of significant programs to upgrade and maintain assets. Capital projects can contain a combination of enhancement and maintenance activity which are not distinct and therefore the allocation of costs between capital and operating expenditure is inherently judgemental</p>	<ul style="list-style-type: none"> • Assessing the scope, expertise and independence of experts involved to assist in the valuations. • Evaluating the appropriateness of the valuation methodology applied to determine fair values. • Critically assessing assumptions and other key inputs in the valuation model, including corroboration of assumptions to external data and application of indexation. • Testing, on a sample basis, the mathematical accuracy of the indexation calculations. • Evaluating management's assessment of the useful lives. • Performing substantive analytical procedures on depreciation expenses. • Testing, on a sample basis, significant expenditure on maintenance and capital works to corroborate appropriate treatment. • Testing, on a sample basis, capital work-in-progress to ensure that active projects will result in usable assets and that assets commissioned are transferred in a timely manner. • Evaluating the adequacy of disclosures made in the financial report, including those regarding key assumptions used.

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.

- 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.

From the matters communicated with the General Manager, I determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. I describe these matters in my auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, I determine that a matter should not be communicated in my report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.



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

Tasmanian Audit Office

5 November 2019
Hobart

AUDIT PANEL REPORT

BACKGROUND / INTRODUCTION

Glenorchy City Council's Audit Panel was formally established by a decision of Council. The operation of the Panel is guided by Council's 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*.

AUDIT PANEL MEMBERSHIP AND MEETINGS

Membership of the Audit Panel comprises two Councillors and three independent members. Following their election to Council in January 2018, Aldermen Matt Stevenson and Peter Bull were appointed to the Audit Panel.

During 2018-19 the independent members of the Panel were Robert Hogan, David Sales and Michael Stevens. Mr Hogan was Chair of the Panel during this whole period.

MEETINGS OF THE PANEL

The Panel met seven times during the financial year ending 30 June 2019. In addition to Panel members, meetings were also attended by a range of Council staff including the General Manager, Director Corporate Services, Chief Finance Officer, Manager Corporate Governance, Manager People and Culture, Executive Officer and Senior Risk and Assurance Advisor (who acts as secretariat for the Panel).

Representatives from Council's Internal Auditors, Deloitte and WLF, as well 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 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.

The main responsibilities of the Audit Panel include reviewing:

- whether the annual financial statements of the Council accurately represent the state of affairs of Council
- whether and how the Part 7 plans (these include the Strategic Plan, Long Term Financial Plan and Strategic Asset Management Plan) are integrated and the processes by which, and assumptions under which, those plans were prepared
- the accounting, internal control, anti-fraud, anti-corruption and risk management policies, systems and controls that the Council has in relation to safeguarding its long-term financial position
- whether the Council is complying with the provisions of the Act and any other relevant legislation, and
- whether the Council has taken any action in relation to previous recommendations provided by the Audit Panel to the Council, and so, what that action was and its effectiveness.

In addition, as the result of a Ministerial Direction issued by the then Minister for Planning and Local Government, the Panel was directed by Council to review and report annually on compliance with a range of matters including Local Government legislation, Council policy, procedures and codes and Council's Statement of Expectations between Aldermen and the General Manager. The Panel's first report was provided to Council in May 2019.

EXTERNAL AND INTERNAL AUDIT

External Audit

As legislated, Council's external audit service is provided by TAO, whose staff attended two Audit Panel meetings during the 2018-19 financial year.

During these meetings, the Audit Panel and TAO officers reviewed and discussed Council's interim and final Financial Report for 2017-18 including the TAO completion report.

The Panel also discussed with TAO staff the 2018-19 Financial Year Audit Strategy and Plan and a review of key audit areas identified for the year. In addition, outstanding audit recommendations from previous external audits were reviewed including findings from the previous 2017-18 audit. There was a total of eight (8) findings that needed to be addressed by Council. The Audit Panel has followed up progress on these matters during 2018-19.

The Panel also responded to a survey from the TAO on materiality. The survey was preparatory to reporting on materiality in the 'future years' financial reports.

Internal Audit

Internal audits support the work of Council and the Audit Panel by reviewing Council's systems and operations in accordance with an agreed internal audit plan. The plan is based on a risk management approach, is reviewed annually and can be altered should specific issues require attention.

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 to adopt improvements are considered by Council's management. The final report reviewed by the Audit Panel and all recommendations are monitored by the Audit Panel at each ordinary meeting, to ensure they are implemented.

To discuss the progress of the internal audits undertaken during the year, senior staff from Deloitte attended three Audit Panel meetings and senior staff from WLF attended two (2) Audit Panel meetings.

The planned internal audit program for 2018-19 included:

- workforce specialisation and licences
- merit based employment
- payroll processes
- a fraud risk assessment, and
- emergency management

As the existing contract for internal audit finished in June 2018, a tender for internal audit and fraud risk assessment services was issued. Audit Panel independent members participated in the tender evaluation process.

The tender process delayed the roll out of the 2018-19 internal audit program. In particular, the proposed fraud risk assessment was deferred to 2019-20 and an audit of emergency management was delayed. The adoption of the three-year internal audit plan was also delayed. The internal audit plan for 2021-22 was endorsed in May 2019 for adoption by Council.

An audit from the 2017-18 internal audit program, Materials Management Handling (non-store items), was reported early 2018-19.

In addition to the audit plan, an audit on Council's management of private information was undertaken in 2018-19. This audit has led to the development of an extensive program across Council to address issues and improvements identified in the audit.

The Audit Panel regularly monitors progress with adopted internal audit recommendations. As at June 2019 there were 32 recommendations outstanding of which 19 related to areas identified as being of high, significant or notable risk. This compares to the situation in July 2018 when there were 48 recommendations still to be finalised including 24 recommendations that related to areas identified as being high, significant or notable risk.

While there is some difficulty in comparing year on year progress, as new audit recommendations are added and completed recommendations are removed, the Audit Panel, as in previous years, remain concerned at the number of outstanding audit recommendations that relate to higher risk rated issues. While the Panel appreciates the progress that has been made in addressing outstanding audit recommendations further progress is essential in 2019-20.

The Panel would like to acknowledge the additional funding that was provided in 2018-19 budget by Council to enable the implementation of internal audit recommendations.

Other Panel Activities during the Reporting Period

During the year under review the Audit Panel:

- monitored progress with, and reporting on, the action plan to address Ministerial Direction 5(b)
- more generally monitored progress with implementation of all the Ministerial Directions
- monitored the roll-out of the legislative compliance process
- finalised the internal audit program both short term for 2018-19 and longer term to 2022
- continued to review and advocate for implementation of outstanding audit recommendations
- reviewed and endorsed the Financial Statements for financial year ending June 2018
- meet with TAO to discuss the 2017-18 audit and any issues that arose and recommendations made
- oversaw the 2018-19 External Audit planning process
- completed the biennial Audit Panel performance self-assessment survey and identified seven items that required action

- provided with an initial brief and ongoing progress reports on Council's Compliance and Delegations project, including reports on the project actions implemented
- monitored progress towards the implementation of the actions arising from the Ministerial Directions issued following the Board of Inquiry Report
- received a brief on Council's Good Governance Framework and the results of the desktop audit of Council's performance in the governance area together with proposed improvement actions
- considered and recommended for adoption a Fraud Prevention and Corruption Control Policy
- received an update on the Records Management compliance audit conducted by the state government's 'Government Information Strategy Unit
- reviewed the Audit Panel Charter and made recommendations for improvements to its Charter, as well as considered and recommended an Audit Panel Code of Conduct to Council
- provided with, and considered a briefing on Council's Information Security Framework and Cyber Security
- reviewed the Long-Term Financial Management Plan (LTFP) financial prediction against the actual 2016-17 results and discussed areas of difference. The Panel also considered the updated 2018-19 - 2027-28 LTFP and the possible introduction of parabolic depreciation for some long-term assets
- considered a draft Business Continuity Policy and Framework and discussed business continuity planning and testing proposed for 2019-20
- regularly reviewed and commented on General Manager's Quarterly Report information and issues raised by this information
- received information about the renewal of Council's insurance for both 2018-19 and 2019-20 including proposed changes in insurance coverage for some items in 2019-20
- signed off on the financial audits of the Roads to Recovery Project
- reviewed credit card expenditure held by Council's General Manager, and
- Received briefings by Council management on key legal, insurance and operational issues.

Audit Panel members also attended Audit Panel workshops conducted by the Local Government Association and two (2) meetings of the Southern Region Council Audit Panel Chairs. In addition, Audit Panel members attended relevant Council workshops over the course of the 2018-19 financial year.

Robert Hogan
Chairman, Audit Panel

August 2019