



Glamorgan Spring Bay Council Annual Report 2016/2017 – Part B

Annual Financial Report Local Government Model

For the Year Ended 30 June 2017

FINANCIAL STATEMENTS 2016-2017

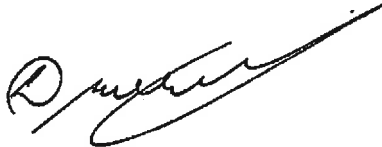


NOTES TO THE FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2017

14th August 2017

Certification of the Financial Report

The financial report presents fairly the financial position of the Glamorgan Spring Bay Council as at 30 June 2017, the results of its operations for the year then ended and the cash flows of the Council, in accordance with the *Local Government Act 1993* (as amended), Australian Accounting Standards (including interpretations) and other authoritative pronouncements issued by the Australian Accounting Standards Board.



David Metcalf
General Manager

FINANCIAL STATEMENTS 2016-2017

NOTES TO THE FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2017

Budget Variations

Council's original budget was adopted by the Council on 26th July 2016. 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 are explained on the variance listed below.

Revenue:

1. Grants

- Grants were 56% above budget due to the extra \$628,921 Financial Assistance Grants funding received in advance for 2017/2018. This was announced during the financial year, with \$700,000 for Wielangta Road upgrades.

2. Contributions

- Contributions were 21.4% above budget or \$15,150. This was solely related to the number of subdivisions being above projections.

3. Interest

- Interest was \$12,312 below budget or 20%. This was due entirely to the low interest rates on offer and the scarcity of available cash.

4. Contributions-non monetary

- Non-monetary contributions were above budget by \$3,196,488 due to the contribution of Wielangta Road from the State Government.

5. Net gain or loss on assets

- Net gain or loss on assets was \$70,820 above budget due to land being sold faster than expected.

Expenses:

1. Other Expenses

- Other Expenses were \$41,000 over budget or 27.2%. This related to Councillor Expenses and audit costs being higher than expected.

2. Normal Operating Revenue

- Overall normal operating revenue was \$12,495,000 against a budget of \$12,393,000, a variance of 0.8%.

3. Normal Operating Expenditure

- Overall normal operating expenditure was \$12,179,000 against a budget of \$11,617,000, a variance of 4.8%.

4. Employee Costs

- Employee costs amounted to \$4,210,000 against a budget of \$4,151,000, a variance of 1.4%



GLAMORGAN SPRING BAY COUNCIL
LOCAL GOVERNMENT MODEL
ANNUAL FINANCIAL REPORT
For the Year Ended 30 June 2017

Glamorgan Spring Bay Council

Financial Report

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Statement of Comprehensive Income For the Year Ended 30 June 2017

	Note	Budget 2017 \$'000	Actual 2017 \$'000	Actual 2016 \$'000
Income from continuing operations				
Recurrent Income				
Rates and charges	5	7,107	7,136	7,003
Statutory fees and fines	6	415	419	397
User fees	7	998	1,023	911
Grants	8	1,535	2,144	1,156
Contributions - cash	9	70	85	68
Interest	10	60	48	49
Other income	11	1,587	1,648	1,715
Investment revenue from water corporation	13, 20	621	621	621
		12,393	13,124	11,920
Capital Income				
Capital grants received specifically for new or upgraded assets	8	954	1,749	933
Contributions - non-monetary assets	9	-	3,196	-
Net gain/(loss) on disposal of property, infrastructure, plant and equipment	12	-	71	(95)
Initial recognition at fair value of Property, Infrastructure, Plant & Equipment		-	-	-
		954	5,016	838
Total income from continuing operations		13,347	18,140	12,758
Expenses from continuing operations				
Employee benefits	14	(4,151)	(4,210)	(3,869)
Materials and services	15	(5,152)	(5,621)	(6,013)
Impairment of debts	16	(1)	(1)	(67)
Depreciation and amortisation	17	(2,019)	(2,009)	(2,014)
Finance costs	18	(143)	(146)	(96)
Other expenses	19	(151)	(192)	(214)
Total expenses from continuing operations		(11,617)	(12,179)	(12,273)
Result from continuing operations		1,730	5,960	485
Result from discontinued operations		-	-	-
Net result for the year		1,730	5,960	485
Other comprehensive income				
Items that will not be reclassified to surplus or deficit				
Fair value adjustments for financial assets at fair value				
Net asset revaluation increment(decrement) reversals	30	-	1,429	-
		-	1,429	-
Items that may be reclassified subsequently to surplus or deficit				
Financial assets available for sale reserve				
— Fair Value adjustment on Available for Sale Assets	30	-	206	531
		-	206	531
Total Other Comprehensive Income		-	1,635	531
Total Comprehensive result		1,730	7,595	1,016

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

**Statement of Financial Position
As at 30 June 2017**

	Note	2017 \$'000	2016 \$'000
Assets			
Current assets			
Cash and cash equivalents	21	1,518	1,509
Trade and other receivables	22	416	400
Inventories	23	30	38
Other assets	24	141	84
Total current assets		2,105	2,031
Non-current assets			
Trade and other receivables	22	26	31
Investment in water corporation	20	31,542	31,337
Property, infrastructure, plant and equipment	25	97,722	90,053
Total non-current assets		129,290	121,421
Total assets		131,395	123,452
Liabilities			
Current liabilities			
Trade and other payables	26	1,372	1,312
Trust funds and deposits	27	56	55
Deferred Income	27	5	8
Provisions	28	788	595
Interest-bearing loans and borrowings	29	713	210
Total current liabilities		2,934	2,180
Non-current liabilities			
Provisions	28	35	229
Interest-bearing loans and borrowings	29	2,772	2,985
Total non-current liabilities		2,807	3,214
Total liabilities		5,741	5,394
Net Assets		125,654	118,058
Equity			
Accumulated surplus		80,648	74,687
Reserves	30	45,006	43,371
Total Equity		125,654	118,058

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

Statement of Changes in Equity For the Year Ended 30 June 2017

	Note	Total 2017 \$'000	Accumulated Surplus 2017 \$'000	Asset Revaluation Reserve 2017 \$'000	Fair Value Reserve 2017 \$'000	Other Reserves 2017 \$'000
2017						
Balance at beginning of the financial year		118,058	74,687	48,575	(6,212)	1,008
Surplus / (deficit) for the year		5,960	5,960	-	-	-
Other Comprehensive Income:						
- Fair Value adjustment on Available for Sale Assets	20	206	-	-	206	-
Net asset revaluation increment(decrement) reversals	30	1,429	-	1,429	-	-
Transfer between reserves		-	-	-	-	-
Balance at end of the financial year		125,654	80,648	50,004	(6,006)	1,008
		Total 2016 \$'000	Accumulated Surplus 2016 \$'000	Asset Revaluation Reserve 2016 \$'000	Fair Value Reserve 2016 \$'000	Other Reserves 2016 \$'000
2016						
Balance at beginning of the financial year		117,042	74,202	48,575	(6,743)	1,008
Surplus / (deficit) for the year		485	485	-	-	-
Other Comprehensive Income:						
- Fair Value adjustment on Available for Sale Assets	20	531	-	-	531	-
Net asset revaluation increment(decrement) reversals	30	-	-	-	-	-
Transfer between reserves		-	-	-	-	-
Balance at end of the financial year		118,058	74,687	48,575	(6,212)	1,008

The above statement should be read with the accompanying notes.

Statement of Cash Flows
For the Year Ended 30 June 2017

	Note	2017 Inflows/ (Outflows) \$'000	2016 Inflows/ (Outflows) \$'000
Cash flows from operating activities			
Rates		7,172	6,892
Statutory fees and fines		419	400
User charges and other fines (inclusive of GST)		1,170	883
Grants (inclusive of GST)		2,173	1,153
Developer contributions (inclusive of GST)		85	68
Interest		48	60
Investment revenue from water corporation		621	621
Other receipts (inclusive of GST)		1,602	1,813
Net GST refund/payment		390	228
Payments to suppliers (inclusive of GST)		(6,282)	(6,384)
Payments to employees (including redundancies)		(4,211)	(3,284)
Finance costs		(146)	(99)
Other payments		(193)	(1,074)
Net cash provided by (used in) operating activities	31	2,848	1,277
Cash flows from investing activities			
Payments for property, infrastructure, plant and equipment		(5,141)	(3,554)
Proceeds from sale of property, infrastructure, plant and equipment		161	316
Capital grants (inclusive of GST)		1,850	933
Net cash provided by (used in) investing activities		(3,130)	(2,305)
Cash flows from financing activities			
Trust funds and deposits		1	-
Proceeds from interest bearing loans and borrowings		500	500
Repayment of interest bearing loans and borrowings		(210)	(145)
Net cash provided by (used in) financing activities		291	355
Net increase (decrease) in cash and cash equivalents		9	(673)
Cash and cash equivalents at the beginning of the financial year		1,509	2,182
Cash and cash equivalents at the end of the financial year	32	1,518	1,509
Financing arrangements	33		
Restrictions on cash assets	21		

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

Note 1 Reporting Entity

- (a) The Glamorgan Spring Bay Council was established on 7th July 1860 and is a body corporate with perpetual succession and a common seal.
Council's main office is located at 9 Melbourne Street, Triabunna
- (b) The purpose of the Council is to:
- provide for health, safety and welfare of the community;
 - to represent and promote the interests of the community;
 - provide for the peace, order and good government in the municipality.

Note 2 Basis of Accounting

These financial statements are a general purpose financial report that consists of a Statement of Profit and Loss and Other 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, and the Local Government Act 1993 (LGA1993) (as amended). Council has determined that it does not have profit generation as a prime objective. Consequently, where appropriate, Council has elected to apply options and exemptions within accounting standards that are applicable to not-for-profit entities.

This financial report has been 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 20,25,28,29 and 47.

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 43.

Note 3 Use 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 28.

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 25.

Investment in water corporation

Assumptions utilised in the determination of Council's valuation of its investment in TasWater are discussed in Note 20.

Note 4 Functions/Activities of the Council

Revenue, expenditure and assets attributable to each function as categorised in (c) below:

	Grants	Other	Total Revenue	Total Expenditure	Surplus/ (Deficit)	Assets
Government and administration						
2016 - 2017	-	4,302	4,302	2,647	1,655	5,213
2015 - 2016	168	2,397	2,565	2,711	(146)	5,213
Roads, streets and bridges						
2016 - 2017	2,509	596	3,105	2,391	714	57,420
2015 - 2016	1,287	1,323	2,610	2,620	(10)	60,510
Drainage						
2016 - 2017	-	225	225	156	69	2,525
2015 - 2016	-	220	220	129	91	2,771
Waste management						
2016 - 2017	-	1,223	1,223	933	290	963
2015 - 2016	-	1,083	1,083	881	202	991
Environmental health						
2016 - 2017	-	130	130	168	(38)	-
2015 - 2016	107	431	538	449	89	-
Planning services						
2016 - 2017	-	435	435	437	(2)	15
2015 - 2016	-	311	311	377	(66)	18
Building control						
2016 - 2017	-	180	180	198	(18)	-
2015 - 2016	-	168	168	197	(29)	-
Community amenities						
2016 - 2017	-	1,430	1,430	1,490	(60)	1,200
2015 - 2016	-	246	246	231	15	-
Community services						
2016 - 2017	-	269	269	262	7	-
2015 - 2016	20	371	391	288	103	403
Recreation facilities						
2016 - 2017	-	425	425	432	(7)	3,001
2015 - 2016	-	453	453	370	83	3,001
Economic development						
2016 - 2017	-	60	60	34	26	38,666
2015 - 2016	-	65	65	71	(6)	38,666
Other - not attributable						
2016 - 2017	1,384	4,972	6,356	3,031	3,324	22,392
2015 - 2016	507	3,601	4,108	3,949	159	11,879
Total						
2016 - 2017	3,893	14,247	18,140	12,179	5,960	131,395
2015 - 2016	2,089	10,669	12,758	12,273	485	123,452

(b) *Reconciliation of Assets from Note 4(a) with the Statement of Financial Position at 30 June:*

	2017	2016
Current assets	2,105	2,031
Non-current assets	129,290	121,421
	131,395	123,452

(c) *Governance and administration*

Operation and maintenance of council chambers, administration offices, and councillors.

Roads, streets and bridges

Construction, maintenance and cleaning of road, streets, footpaths, bridges, parking facilities and street lighting.

Drainage

Operation and maintenance of open or deep drainage systems in urban areas, including the lining of piping of creeks but excludes drainage associated with road works, flood mitigation and agriculture.

Waste Management

Collection, handling, processing and disposal of all waste materials.

Environmental Health/Environmental Management

Environmental Health includes disease control, food surveillance, public-use building standards, health education and promotion, water quality, workplace safety and cemeteries.

Environmental management includes strategies and programs for the protection of the environment and regulations of activities affecting the environment.

Planning Services

Administration of the town planning scheme, subdivisions and urban and rural renewal programs.

Building control

The development and maintenance of building constructions standards.

Community amenities

Operation and maintenance of housing for aged persons and persons of limited means, Civic Centre, Council halls (excluding indoor sports complexes).

Community services

Administration and operation of dog registration, operation of pounds, control of straying stock, and noxious weeds. Operation of the Child Care Centre, operation and support of the performing arts, museum and the presentation of festivals. Community Development which provides for the implementation of a process by which strategies and plans can be developed so that the Council can fulfil their general responsibility for enhancing the quality of life of the whole community.

Recreation facilities

Operation and maintenance of sporting facilities (includes swimming pools, active and passive recreation and recreation centres).

Economic development

Maintenance and marketing of tourist facilities, property development and operation of caravan parks.

Other - not attributable

Rates and charges and work not attributed elsewhere.

	2017 \$'000	2016 \$'000
Note 5 Rates and charges		
Council uses AAV as the basis of valuation of all properties within the municipality. The AAV of a property is its Assessed Annual value as determined by the valuer general		
The valuation base used to calculate general rates for 2016-2017 was \$74,595,536 (2015-16 \$73,331,469). The 2016-17 rate in the AAV dollar was \$0.07320093 (2015-16, \$0.071551).		
Residential	3,755	3,785
Commercial	761	731
Industrial	80	66
Farm/Rural	601	571
Fire Levy	354	305
Garbage charge	1,094	1,065
Special rates and charges (Medical Levy)	298	284
Special rates and charges (Caravan Fees)	83	85
Rates received in advance	114	111
Total rates and charges	7,136	7,003

The date of the latest general revaluation of land for rating purposes within the municipality was May 2017, 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 or, where earlier, upon receipt of the rates.

Note 6 Statutory fees and fines		
Infringements and costs	11	1
Town planning fees	149	129
Land information certificates	89	81
Permits	170	186
Total statutory fees and fines	419	397

Accounting policy
Statutory fee and fine income
Fees and fines (including parking fees and 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.

Note 7 User fees		
Visitor centre turnover	591	596
Registration fees	17	12
Waste Transfer Station fees	80	80
Marina and wharf fees	216	184
Other fees and charges	119	39
Total user fees	1,023	911

Ageing analysis of contractual receivables

Please refer to note 39(e) for the ageing analysis of contractual receivables.

Accounting policy
User fee income
Fee income is recognised as revenue when the service has been provided, or the payment is received, whichever first occurs.

	2017 \$'000	2016 \$'000
Note 8 Grants		
Grants were received in respect of the following :		
Summary of grants		
Federally funded grants	2,879	1,990
State funded grants	1,014	99
Total	3,893	2,089
Grants - Recurrent		
Commonwealth Government Financial Assistance Grants - General Purpose	523	173
Commonwealth Government Financial Assistance Grants - Roads	1326	452
Rural Primary Health Services	224	398
Transport	1	1
Natural Resource Management	70	107
Other	-	25
Total recurrent grants	2,144	1,156

The Australian Commonwealth Government provides Financial Assistance Grants to Council for general purpose use and the provision of local roads. In 2016-17 the Commonwealth made early payment of the two quarterly instalments for the following year. In accordance with AASB1004 Contributions, Council recognises these grants as revenue when it receives the funds and obtains control. The early receipt of instalments resulted in Commonwealth Government Financial Assistance Grants being above that originally budgeted in 2016-17 by \$628,921 (2015-16 \$638,944). This has impacted the Statement of Comprehensive Income resulting in the Surplus/(deficit) being higher in 2016-17 by \$628,921 (2015-16 \$638,944).

Capital grants received specifically for new or upgraded assets

Commonwealth Government - roads to recovery	480	834
State Government	1014	31
Other	255	68
Total capital grants	1,749	933

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 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 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.

	2017 \$'000	2016 \$'000
Note 9 Contributions		
(a) Cash		
Roads	37	25
Drainage	20	-
Parks, open space and streetscapes	28	43
Total	85	68
(b) Non-monetary assets		
Land under roads	42	-
Bridges	1,274	-
Roads	1,880	-
Total	3,196	-
Total contributions	3,281	68

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.

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 the amount of unused contribution from prior years that was expended on Council's operations during the current year.

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

Non-monetary contributions (including developer contributions) with a value in excess of the recognition thresholds, are recognised as revenue and as non-current assets.

Note 10 Interest

Interest on rates	12	12
Interest on cash and cash equivalents	36	37
Total	48	49

Accounting policy

Interest income

Interest is recognised progressively as it is earned.

Note 11 Other income

Other rent	81	2
Other - Miscellaneous	310	412
Change in committee accounts	6	63
Medical Income Received	865	837
Pension Remissions	242	239
Reimbursements	144	162
Total other income	1,648	1,715

Accounting policy

Rental income

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.

Note 12 Net gain/(loss) on disposal of property, infrastructure, plant and equipment

Proceeds of sale	161	316
Write down value of assets disposed	(90)	(411)
Total	71	(95)

Accounting policy

Gains and losses on asset disposals

The profit or loss on sale of an asset is determined when control of the asset has irrevocably passed to the buyer.

	2017 \$'000	2016 \$'000
Note 13 Investment revenue from water corporation		
Dividend revenue received	403	421
Tax equivalent received	187	150
Guarantee fee received	31	50
Total investment revenue from water corporation	621	621

Accounting policy

Investment revenue

Dividend revenue is recognised when Council's right to receive payment is established.

Note 14 Employee benefits

Wages and salaries	3,037	2,687
Workers compensation	68	69
Annual leave and long service leave	287	289
Superannuation	519	504
Fringe benefits tax	45	11
Sick Leave	73	112
Payroll Tax	160	162
Other Leave - Compassionate, Maternity etc	21	9
Staff Training	39	31
Public Holiday Cost	134	120
Uniforms & Personal Protection Equipment	22	20
Miscellaneous Costs	11	6
Sub-total	4,416	4,020
Less amounts capitalised	(206)	(151)
Total employee benefits	4,210	3,869

Accounting policy

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, sick leave, long service leave, superannuation and any other post-employment benefits.

Note 15 Materials and services

Contract payments	1,842	1,755
Building maintenance	124	111
Plant and equipment maintenance	25	130
Utilities	264	304
Rural Primary Health Service	-	399
Other	3,366	3,314
Total materials and services	5,621	6,013

Accounting policy

Materials and services expense

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.

	2017 \$'000	2016 \$'000
Note 16 Impairment of receivables		
Other debtors	1	67
Total impairment of receivables	1	67
Accounting policy Impairment expense 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.		
Note 17 Depreciation and amortisation		
<i>Property</i>		
Buildings		
Buildings at Valuation	93	93
Buildings at Cost	87	53
Building improvements	26	15
Heritage buildings	31	31
<i>Plant and Equipment</i>		
Plant, machinery and equipment	141	144
Fixtures, fittings and furniture	11	9
Computers and telecommunications	96	72
Medical Equipment	5	5
Motor vehicles (not plant)	131	109
Miscellaneous Equipment	68	84
<i>Infrastructure</i>		
Roads	780	869
Bridges	145	142
Footpaths and cycleways	174	174
Drainage	61	60
Parks, open space and streetscapes	91	85
Marine Infrastructure	69	69
Total depreciation and amortisation	2,009	2,014

2017
\$'000

2016
\$'000

Accounting policy

Depreciation and amortisation expense

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. Estimates of remaining useful lives and residual values are made on a regular basis with major asset classes reassessed annually. Depreciation rates and methods are reviewed annually.

Where assets have separate identifiable components that are subject to regular replacement, these components are assigned distinct useful lives and remaining values and a separate depreciation rate is determined for each component.

Land, heritage, artwork and road earthwork assets are not depreciated on the basis that they are assessed as not having a limited useful life.

Straight line depreciation is charged based on the residual useful life as determined each year.

Major depreciation periods used are listed below and are consistent with the prior year unless otherwise stated:

	Period
Land improvements	50 years
Buildings	
buildings	50 years
building improvements	25-50 years
Leasehold improvements	
leasehold building improvements	
Plant and Equipment	
plant, machinery and equipment	2-12 years
fixtures, fittings and furniture	6-10 years
computers and telecommunications	2-5 years
leased plant and equipment	2-5 years
Roads	
road pavements and seals	10-15 years
road substructure	90 years
road formation and earthworks	100 years
road kerb, channel and minor culverts	70 years
road other <insert details>	
Bridges	
bridges deck	15-80 years
bridges substructure	15-80 years
bridges other <insert details>	
Other Infrastructure	
footpaths and cycleways	70 years
drainage	75 years
recreational, leisure and community facilities	15 years
waste management	10 years
parks, open space and streetscapes	15 years
off street car parks	15 years
other infrastructure <insert details>	
Intangible assets	
intangible assets	2-5 years

	2017 \$'000	2016 \$'000
Note 18 Finance costs		
Interest - Borrowings	146	96
Total	146	96
Rate used to capitalise finance costs	-	-

Accounting policy

Finance expense

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.

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, (\$0).

Finance costs are expensed as incurred using the effective interest method. Borrowing costs include interest on bank overdrafts, interest on borrowings, unwinding of discounts, and finance lease charges.

Note 19 Other expenses

External auditors' remuneration (Tasmanian Audit office)	27	29
Other assurance services	21	33
Councillors' allowances	139	147
Operating lease rentals	5	5
Other	-	-
Total other expenses	192	214

Accounting policy

Other expenses

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.

Note 20 Investment in water corporation

Opening Balance	31,337	30,806
Fair Value adjustments on Available-for-Sale Assets	206	531
Total investment in water corporation	31,542	31,337

Council has derived returns from the water corporation as disclosed at note 13.

Accounting policy

Investment assets

Council's investment in TasWater is valued at its fair value at balance date. Fair value was determined by using Council's ownership interest against the water corporation's net asset value at balance date. At 30 June 2017, Council held a 1.99% (2016: 1.99%) ownership interest in TasWater which is based on Schedule 2 of the Corporation's Constitution which reflects the council's voting rights. Council has an ownership interest of 1.99% in the corporation. Any unrealised gains and losses are recognised through the Statement of Comprehensive Income to a Financial assets available for sale Reserve each year (refer note 30).

Council has classified this asset 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.

On 7 March 2017 the State Government announced its intention to take ownership of Tasmanian Water and Sewerage Corporation Pty Ltd from July 2018. The State Government intends to introduce a suite of legislation in the Spring Session of Parliament that will transfer all of Tasmanian Water and Sewerage Corporation Pty Ltd's assets, rights, obligations and liabilities, including employees under their current terms and conditions, to a newly created government business, which will commence operations by 1 July 2018. As, at the date of these financial statements, there is no indication as to whether the legislation will be passed, no change has been made to the basis on which the investment Tasmanian Water and Sewerage Corporation Pty Ltd has been recognised for the year ended 30 June 2017.

Notes to the Financial Report
For the Year Ended 30 June 2017

	2017 \$'000	2016 \$'000
Note 21 Cash and cash equivalents		
Cash on hand	2	2
Cash at bank	413	443
Money market call account	935	11
Bank bills	168	1,053
Total cash and cash equivalents	1,518	1,509

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:

- Trust funds and deposits (Note 27)	61	63
- Leave provisions (Note 28)	823	824
- Resort and recreation reserve funds (Note 30)	257	257
Restricted funds	1,141	1,144
Total unrestricted cash and cash equivalents	377	365

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.

Note 22 Trade and other receivables

Current

Rates debtors	85	121
Other debtors	116	152
Net GST receivable	215	127
Total	416	400

Non-current

Loans and advances to community organisations	26	31
Total	26	31

Total trade and other receivables

442	431
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Accounting policy

Trade and other receivables

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

Note 23 Inventories

Inventories held for sale	30	38
Total inventories	30	38

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.

Note 24 Other assets

Current

Prepayments	117	47
* Accrued income	24	37
Other	-	-
Total	141	84

* Accrued income only includes items that are reciprocal in nature. This does not include Rates in Advance.

Note 25 Property, infrastructure, plant and equipment

	2017 \$'000	2016 \$'000
Summary		
at cost	30,014	26,276
Less accumulated depreciation	6,393	6,018
	<u>23,621</u>	<u>20,258</u>
at fair value as at 30 June	110,323	102,776
Less accumulated depreciation	36,222	32,982
	<u>74,101</u>	<u>69,794</u>
Total	<u>97,722</u>	<u>90,053</u>
Property		
Land		
at cost	6,670	6,711
	<u>6,670</u>	<u>6,711</u>
Land public open space		
at cost	639	639
	<u>639</u>	<u>639</u>
Total Land	<u>7,309</u>	<u>7,350</u>
Buildings		
at fair value as at 30 June	4,631	4,631
Less accumulated depreciation	1,115	1,022
	<u>3,516</u>	<u>3,609</u>
Buildings		
at cost as at 30 June	4,437	2,639
Less accumulated depreciation	352	265
	<u>4,085</u>	<u>2,373</u>
Building improvements		
at cost	1,233	1,077
Less accumulated depreciation	55	30
	<u>1,178</u>	<u>1,047</u>
Heritage Buildings		
at cost	1,244	1,244
Less accumulated amortisation	209	184
	<u>1,035</u>	<u>1,060</u>
Heritage buildings		
at fair value as at 30 June	310	310
Less accumulated depreciation	84	78
	<u>226</u>	<u>232</u>
Total Buildings	<u>10,040</u>	<u>8,321</u>
Total Property	<u>17,349</u>	<u>15,671</u>

Note 25 Property, infrastructure, plant and equipment (cont.)

	2017 \$'000	2016 \$'000
Plant and Equipment		
Plant, machinery and equipment		
at cost	1,825	2,092
Less accumulated depreciation	1,422	1,556
	<u>403</u>	<u>536</u>
Fixtures, fittings and furniture		
at cost	1,041	1,041
Less accumulated depreciation	1,015	1,004
	<u>26</u>	<u>37</u>
Medical Equipment		
at cost	35	35
Less accumulated depreciation	20	15
	<u>15</u>	<u>20</u>
IT Equipment		
at cost	952	792
Less accumulated amortisation	535	439
	<u>417</u>	<u>353</u>
Motor Vehicles (Not Plant)		
at cost	999	903
Less accumulated depreciation	655	563
	<u>344</u>	<u>340</u>
Misc. Equipment		
at cost	1,409	1,439
Less accumulated depreciation	1,189	1,181
	<u>220</u>	<u>257</u>
Total Plant and Equipment	<u>1,425</u>	<u>1,543</u>
Infrastructure		
Roads		
at fair value as at 30 June	68,647	63,795
Less accumulated depreciation	24,904	22,611
	<u>43,743</u>	<u>41,184</u>
Bridges		
at fair value as at 30 June	9,387	7,463
Less accumulated depreciation	2,682	2,204
	<u>6,705</u>	<u>5,259</u>
Footpaths and cycleways		
at fair value as at 30 June	11,466	11,098
Less accumulated depreciation	4,495	4,244
	<u>6,971</u>	<u>6,855</u>
Drainage		
at fair value as at 30 June	5,467	5,311
Less accumulated depreciation	2,942	2,824
	<u>2,525</u>	<u>2,487</u>
Marine Infrastructure		
at cost	3,371	3,371
Less accumulated depreciation	400	331
	<u>2,971</u>	<u>3,040</u>
Parks, Open Space, Streetscapes		
at cost	2,737	2,522
Less accumulated depreciation	541	450
	<u>2,196</u>	<u>2,072</u>
Land Under Roads		
at fair value as at 30 June	10,415	10,169
	<u>10,415</u>	<u>10,169</u>
Total Infrastructure	<u>75,526</u>	<u>71,066</u>

Works in progress		
Buildings at cost	13	1,297
Building improvements	49	-
Roads at cost	246	18
Drainage	20	-
Other infrastructure (dam)	216	-
Bridges at cost	237	-
Parks, Open Space, Streetscapes at cost	71	135
Marine Infrastructure at cost	2,570	322
Total Works in progress	3,422	1,772
Total property, infrastructure, plant and equipment	97,722	90,053

Note 25 Property, plant and equipment, infrastructure (cont.)

Reconciliation of property, plant and equipment and infrastructure

2017	Balance at beginning of financial year	Acquisition of assets	Revaluation increments (decrements) (note 30)	Depreciation and amortisation (note 17)	Written down value of disposals	Contributions & Newly Recognised Assets (note 9)	Impairment losses recognised in profit or loss (a)	Transfers	Balance at end of financial year
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Property									
Land	6,711	-	-	-	41	-	-	-	6,670
Land public open space	639	-	-	-	-	-	-	-	639
Total Land	7,350	-	-	-	41	-	-	-	7,309
Buildings fair value	3,609	-	-	93	-	-	-	-	3,516
Buildings Cost	2,373	-	-	87	-	-	-	1,799	4,085
Building improvements	1,047	5	-	26	-	-	-	152	1,178
Heritage Buildings at Cost	1,060	-	-	25	-	-	-	-	1,035
Heritage buildings fair value	232	-	-	6	-	-	-	-	226
Total Buildings	8,321	5	-	237	-	-	-	1,951	10,040
Total Property	15,671	5	-	237	41	-	-	1,951	17,349
Plant and Equipment (Cost)									
Plant, machinery and equipment	536	12	-	141	4	-	-	-	403
Fixtures, fittings and furniture	37	-	-	11	-	-	-	-	26
IT Equipment	353	160	-	96	-	-	-	-	417
Medical Equipment	20	-	-	5	-	-	-	-	15
Motor Vehicles (Not Plant)	340	135	-	131	-	-	-	-	344
Miscellaneous Equipment	257	32	-	68	1	-	-	-	220
Total plant and equipment	1,543	339	-	452	5	-	-	-	1,425
Infrastructure									
Roads	41,182	-	900	780	33	1,880	-	594	43,743
Bridges	5,259	-	135	145	8	1,274	-	190	6,705
Footpaths & Cycleways	6,855	-	141	174	3	-	-	152	6,971
Drainage	2,487	-	49	61	-	-	-	50	2,525
Land Under Roads	10,169	-	204	-	-	42	-	-	10,415
Parks, open space and streetscapes	2,072	107	-	91	-	-	-	108	2,196
Marine infrastructure	3,040	-	-	69	-	-	-	-	2,971
Total infrastructure	71,066	107	1,429	1,320	44	3,196	-	1,094	75,526
Works in progress									
Buildings	1,297	515	-	-	-	-	-	(1,799)	13
Building improvements	-	201	-	-	-	-	-	(152)	49
Roads	18	822	-	-	-	-	-	(594)	246
Footpaths & Cycleways	-	152	-	-	-	-	-	(152)	-
Drainage	-	70	-	-	-	-	-	(50)	20
Other infrastructure (dam)	-	216	-	-	-	-	-	-	216
Parks, open space, streetscapes at cost	135	44	-	-	-	-	-	(108)	71
Bridges	-	427	-	-	-	-	-	(190)	237
Marine infrastructure	322	2,248	-	-	-	-	-	-	2,570
Total works in progress	1,772	4,695	-	-	-	-	-	(3,045)	3,422
Total property, plant and equipment, infrastructure	90,053	5,146	1,429	2,009	90	3,196	-	-	97,722

Note 25 Property, plant and equipment, infrastructure (cont.)

Reconciliation of property, plant and equipment and infrastructure

2016	Balance at beginning of financial year	Acquisition of assets	Initial recognition at fair value	Revaluation increments (decrements) (note 30)	Depreciation and amortisation (note 17)	Written down value of disposals	Impairment losses recognised in profit or loss (a)	Transfers	Balance at end of financial year
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Property									
land	6,821	-	-	-	-	110	-	-	6,711
land public open space	639	-	-	-	-	-	-	-	639
Total land	7,460	-	-	-	-	110	-	-	7,350
Buildings Fair Value	3,739	-	-	-	93	37	-	-	3,609
Buildings Cost	2,426	-	-	-	53	-	-	-	2,373
Buildings improvements	499	247	-	-	15	-	-	316	1,047
Heritage Buildings at Cost	1,085	-	-	-	25	-	-	-	1,060
Heritage Buildings Fair Value	238	-	-	-	6	-	-	-	232
Total buildings	7,987	247	-	-	192	37	-	316	8,321
Total property	15,447	247	-	-	192	147	-	316	15,671
Plant and Equipment									
Plant, machinery and equipment	614	-	-	-	144	-	-	66	536
Fixtures, fittings and furniture	19	26	-	-	9	-	-	-	37
IT Equipment	365	60	-	-	72	-	-	-	353
Medical Equipment	17	8	-	-	5	-	-	-	20
Motor Vehicles (not plant)	315	236	-	-	109	36	-	(66)	340
Miscellaneous Equipment	296	45	-	-	84	-	-	-	257
Total plant and equipment	1,626	375	-	-	423	36	-	-	1,543
Infrastructure									
Roads	41,358	911	-	-	869	216	-	-	41,184
Bridges	5,369	32	-	-	142	-	-	-	5,259
Footpaths&Cycleways	6,855	174	-	-	174	-	-	-	6,855
Drainage	2,393	166	-	-	60	12	-	-	2,487
Land Under Roads	10,169	-	-	-	-	-	-	-	10,169
Parks, open space and streetscapes	2,075	82	-	-	85	-	-	-	2,072
Marine infrastructure	3,068	27	-	-	69	-	-	14	3,040
Total infrastructure	71,287	1,393	-	-	1,399	228	-	14	71,066
Works in progress									
Buildings	513	1,100	-	-	-	-	-	(316)	1,297
Roads	27	(9)	-	-	-	-	-	-	18
Parks, open space, streetscapes at cost	81	54	-	-	-	-	-	-	135
Bridges	-	-	-	-	-	-	-	-	-
Marine infrastructure	23	313	-	-	-	-	-	(14)	322
Total works in progress	644	1,458	-	-	-	-	-	(330)	1,772
Total property, plant and equipment, infrastructure	89,005	3,473	-	-	2,014	411	-	-	90,053

Note 25 Property, plant and equipment, infrastructure (cont.)

Accounting policy	
Recognition and measurement of assets	
Acquisitions of assets are initially recorded at cost. Cost is determined as the fair value of the assets given as consideration plus costs incidental to the acquisition.	
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.	
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.	
The following classes of assets have been recognised. In accordance with Council's policy, the threshold limits detailed below have applied when recognising assets within an applicable asset class and unless otherwise stated are consistent with the prior year:	
	Threshold \$'000
Land	
land	1
land under roads	1
land improvements	5
Buildings	
buildings	1
building improvements	5
leasehold building improvements	5
heritage buildings	1
Plant and Equipment	
plant, machinery and equipment	1
fixtures, fittings and furniture	1
computers and telecommunications	1
leased plant and equipment	1
Roads	
road pavements and seals	5
road substructure	5
road formation and earthworks	5
road kerb, channel and minor culverts	5
Bridges	
bridges deck	5
bridges substructure	5
Other Infrastructure	
footpaths and cycleways	5
drainage	5
recreational, leisure and community facilities	5
waste management	5
parks, open space and streetscapes	5
off street car parks	5
Intangible assets	
intangible assets	1
Revaluation	
Council has adopted the following valuation bases for its non-current assets:	
Land	fair value
Plant and machinery	cost
Furniture, fittings and office equipment	cost
Stormwater and drainage infrastructure	fair value
Roads and streets infrastructure	fair value
Bridges	fair value
Buildings	fair value
Intangibles	cost
Parks, recreation facilities and community amenities	cost
Heritage	cost
Investment in water corporation	fair value

Note 25 Property, plant and equipment, infrastructure (cont.)

Accounting policy (cont.)

Subsequent to the initial recognition of assets, non-current physical assets, other than plant and equipment, are measured at their fair value in accordance with AASB 116 Property, Plant & Equipment and AASB 13 Fair Value Measurement. At balance date, Council reviewed the carrying value of the individual classes of assets measured at fair value to ensure that each asset class materially approximated its fair value. Where the carrying value materially differed from the fair value at balance date the class of asset was revalued.

In addition, Council undertakes a formal revaluation of land, buildings, and infrastructure assets on a regular basis to ensure valuations represent fair value. The valuation is performed either by experienced Council officers or independent experts.

Fair value valuations are determined in accordance with a valuation hierarchy. Changes to the valuation hierarchy will only occur if an external change in the restrictions or limitations of use on an asset result in changes to the permissible or practical highest and best use of the asset.

Where the assets are revalued, the revaluation increments are credited directly to the asset revaluation reserve except to the extent that an increment reverses a prior year decrement for that class of asset that had been recognised as an expense in which case the increment is recognised as revenue up to the amount of the expense. Revaluation decrements are recognised as an expense except where prior increments are included in the asset revaluation surplus for that class of asset in which case the decrement is taken to the reserve to the extent of the remaining increments. Within the same class of assets, revaluation increments and decrements within the year are offset.

Impairment of assets

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.

Land under roads

Council recognised the value of land under roads it controls at fair value.

Note 26 Trade and other payables

Trade payables	1,165	1,159
Accrued expenses	207	153
Total trade and other payables	1,372	1,312

Note 27 Trust funds and deposits

Refundable contract deposits	56	55
Deferred Income	5	8
Total trust funds and deposits	61	63

Bonds held are funds deposited by developers to cover the cost of works that council may have to carry out.

Accounting policy

Tender deposits

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

Note 28 Provisions

	Annual leave	Long service leave	Other	Total
	\$ '000	\$ '000	\$ '000	\$ '000
2017				
Balance at beginning of the financial year	289	443	92	824
Additional provisions	246	(29)	69	286
Amounts used	(226)	(61)	-	(287)
Balance at the end of the financial year	309	353	161	823

2016				
Balance at beginning of the financial year	347	499	-	846
Additional provisions	152	23	92	267
Amounts used	(210)	(79)	-	(289)
Balance at the end of the financial year	289	443	92	824

(a) Employee benefits

(i) Current

	2017	2016
	\$'000	\$'000
Annual leave	309	289
Long service leave	325	227
Other	154	79
	788	595

(ii) Non-current

	2017	2016
	\$'000	\$'000
Long service leave	28	216
Other	7	13
	35	229

Aggregate carrying amount of employee benefits:

Current	788	595
Non-current	35	229
	823	824

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

Weighted average increase in employee costs	3.00%	4.50%
Weighted average discount rates	1.99%	5.23%
Weighted average settlement period	12	12

(iii) Employee Numbers (Full time equivalent)

	53	60
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Accounting policy

Employee benefits

i) Short term obligations

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

ii) Other long term employee benefit obligations

The liability for long service leave and annual leave which is not expected to be wholly settled within 12 months after the end of the period in which the employees render the related service is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the end of the reporting period on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

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

iii) Sick leave

No accrual is made for sick leave as Council experience indicates that, on average, sick leave taken in each reporting period is less than the entitlement accruing in that period, and this experience is expected to recur in future reporting periods. Council does not make payment for untaken sick leave.

iv) Defined benefit plans

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

Council makes superannuation contributions for a number of its employees to the Quadrant Defined Benefits Fund, which is a sub fund of the Quadrant Superannuation Scheme. The Quadrant Defined Benefits Fund has been classified as a multi-employer sponsored plan. As the Fund's assets and liabilities are pooled and are not allocated by employer, the Actuary is unable to allocate benefit liabilities, assets and costs between employers. As provided under paragraph 30(a) of AASB 119 Employee Benefits, Council does not use defined benefit accounting for these contributions.

v) 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.

	2017 \$'000	2016 \$'000
Note 29 Interest-bearing loans and borrowings		
Current		
Borrowings - secured	713	210
	<u>713</u>	<u>210</u>
Non-current		
Borrowings - secured	2,772	2,985
	<u>2,772</u>	<u>2,985</u>
Total	<u>3,485</u>	<u>3,195</u>
Borrowings are secured over Council Assets		
The maturity profile for Council's borrowings is:		
Not later than one year	713	210
Later than one year and not later than five years	764	798
Later than five years	2,008	2,187
Total	<u>3,485</u>	<u>3,195</u>

Accounting policy

Interest bearing liabilities

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

Leases

i) Leasehold improvements

Leasehold improvements are recognised at cost and are amortised over the unexpired period of the lease or the estimated useful life of the improvement, whichever is the shorter. At balance date, leasehold improvements are not applicable.

Note 30 Reserves

	Balance at beginning of reporting year	Increment/ (decrement)	Balance at end of reporting year
	\$'000	\$'000	\$'000
(a) Asset revaluation reserve			
2017			
Property			
Land	260	-	260
Buildings	5,051	-	5,051
	<u>5,311</u>	<u>-</u>	<u>5,311</u>
Infrastructure			
Roads	30,388	900	31,288
Bridges	3,117	135	3,252
Footpaths and cycleways	3,965	141	4,106
Drainage	1,449	49	1,498
Land Under Roads	-	204	204
Other infrastructure Marina/Parks	4,345	-	4,345
	<u>43,264</u>	<u>1,429</u>	<u>44,693</u>
Total asset revaluation reserve	<u>48,575</u>	<u>1,429</u>	<u>50,004</u>
2016			
Property			
Land	260	-	260
Buildings	5,051	-	5,051
Heritage buildings	-	-	-
	<u>5,311</u>	<u>-</u>	<u>5,311</u>
Infrastructure			
Roads	30,388	-	30,388
Bridges	3,117	-	3,117
Footpaths and cycleways	3,965	-	3,965
marine infrastructure	1,449	-	1,449
Land Under Roads	-	-	-
Other infrastructure Marina/Parks	4,345	-	4,345
	<u>43,264</u>	<u>-</u>	<u>43,264</u>
Total asset revaluation reserve	<u>48,575</u>	<u>-</u>	<u>48,575</u>

The asset revaluation reserve was established to capture the movements in asset valuations upon the periodic revaluation of Council's assets.

	Balance at beginning of reporting year	Increment	(decrement)	Balance at end of reporting year
	\$'000	\$'000	\$'000	\$'000
(b) Fair value reserve				
2017				
Available-for-sale assets				
Investment in Water Corporation	(6,212)	206	-	(6,006)
Total fair value reserve	<u>(6,212)</u>	<u>206</u>	<u>-</u>	<u>(6,006)</u>
2016				
Available-for-sale assets				
Investment in Water Corporation	(6,743)	531	-	(6,212)
Total fair value reserve	<u>(6,743)</u>	<u>531</u>	<u>-</u>	<u>(6,212)</u>

The available-for-sale financial asset reserve was established to capture the fair value movements in Council's Water Corporation investment. Refer to note 30 for the correction error in the prior year.

Note 30 Reserves (cont)

	Balance at beginning of reporting year	Transfer from accumulated surplus	Transfer to accumulated surplus	Balance at end of reporting year
(c) Other reserves	\$'000	\$'000	\$'000	\$'000
2017				
Reserve Investments - Restricted	257	-	-	257
Reserve Investments - Unrestricted	751	-	-	751
Total Other reserves	1,008	-	-	1,008
2016				
Reserve Investments - Restricted	257	-	-	257
Reserve Investments - Unrestricted	751	-	-	751
Total Other reserves	1,008	-	-	1,008

The resort and recreation reserve was established to control contributions received from developers that will, upon completion of developments be utilised to develop recreation and other facilities for residents in the respective development areas.

	2017 \$'000	2016 \$'000
Total Reserves	45,006	43,371

Note 31 Reconciliation of cash flows from operating activities to surplus (deficit)

Surplus/Deficit	5,960	485
Initial recognition at Fair Value of Property, Infrastructure, Plant & Equipment	-	-
Contributions - non-monetary assets	(3,196)	-
Depreciation/amortisation	2,009	2,014
(Profit)/loss on disposal of property, plant and equipment, infrastructure	(71)	95
Impairment losses	1	67
Capital grants received specifically for new or upgraded assets (incl GST)	(1,850)	(933)
<i>Change in assets and liabilities:</i>		
Decrease/(increase) in trade and other receivables	(16)	(137)
Decrease/(increase) in other assets	(57)	48
Decrease/(increase) in inventories	8	4
Increase/(decrease) in trade and other payables	60	(343)
Increase/(decrease) in provisions	(1)	(20)
Increase/(decrease) in other liabilities	-	(3)
Net cash provided by/(used in) operating activities	2,848	1,277

Note 32 Reconciliation of cash and cash equivalents

Cash and cash equivalents (see note 22)	1,518	1,509
Less bank overdraft	-	-
Total reconciliation of cash and cash equivalents	1,518	1,509

Note 33 Financing arrangements

Bank overdraft	50	50
Used facilities	-	-
Unused facilities	50	50

Note 34 Superannuation

Council also contributes to Tasplan and 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.

	2017 \$'000	2016 \$'000
Fund		
Accumulation funds		
Employer contributions to Tasplan	464	261
Employer contributions to Quadrant	-	77
Employer contributions to Other Funds	119	150
	<u>583</u>	<u>488</u>
Employer contributions payable to Tasplan at reporting date	-	-
Employer contributions payable to Quadrant at reporting date	-	-
Employer contributions payable to Other Funds at reporting date	-	-
	<u>-</u>	<u>-</u>

Note 35

Commitments

Capital Expenditure Commitments

	2017 \$'000	2016 \$'000
Buildings	-	-
Plant and equipment	-	-
Roads	-	-
Drainage	-	-
Investment property	-	-
Marine Infrastructure	-	-
Share of associates and equity accounted jointly controlled entities' capital commitments	-	-
Share of jointly controlled entities' capital commitments	-	-
Total Capital expenditure commitments	<u>-</u>	<u>-</u>

Contractual commitments

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

Garbage collection contract (expires 22 September 2022)	811	793
Total contractual commitments	<u>811</u>	<u>793</u>

	2017 \$'000	2016 \$'000
Note 36 Operating leases		
Operating lease commitments		
Glamorgan Spring Bay Council as lessee		
The only lease Council has is a photocopier operating lease		
At the reporting date, Council had the following obligations under non-cancellable operating leases for the lease of equipment and land and buildings for use within Council's activities (these obligations are not recognised as liabilities):		
Not later than one year	-	6
Later than one year and not later than five years	-	8
Later than five years	-	-
	<u>-</u>	<u>14</u>

j) Operating leases as lessee

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.

Note 37 Contingent liabilities and contingent assets

Contingent liabilities

Council operates no landfill sites.

Guarantees for loans to other entities

Nil

Contingent assets

Developer contributions to be received in respect of estates currently under development total \$0.00 (2015-16, \$0.00).

Note 38 Financial Instruments

(a) Accounting Policy, terms and conditions

Recognised financial instruments	Note	Accounting Policy	Terms and Conditions
Financial assets			
Cash and cash equivalents	21	<p>Cash on hand and at bank and money market call account are valued at face value.</p> <p>Interest is recognised as it accrues.</p> <p>Investments and bills are valued at cost.</p> <p>Investments are held to maximise interest returns of surplus cash.</p> <p>Interest revenues are recognised as they accrue.</p> <p>Managed funds are measured at market value.</p>	<p>On call deposits returned a floating interest rate of 0.59% (0.93% in 2015-16). The interest rate at balance date was 0.59% (0.93%).</p> <p>Funds returned fixed interest rate of between 2.05% (2.60%), and 2.35% (2.70%) net of fees.</p>
Trade and other receivables			
Other debtors	22	<p>Receivables are carried at amortised cost using the effective interest method. A provision for impairment is recognised when there is objective evidence that an impairment loss has occurred. Collectability of overdue accounts is assessed on an ongoing basis.</p>	<p>General debtors are unsecured and arrears attract an interest rate of 0% (0%). Credit terms are based on 30 days.</p>
Available for sale financial assets			
Investment in Water Corporation	20	<p>The investment in TasWater is valued at its fair value at balance date. Fair value was determined by using Council's ownership interest against the water corporation's net asset value at balance date.</p>	<p>Investment in TasWater provided return of 1.94% (1.94%) excluding unrealised gains/losses</p>
Financial Liabilities			
Trade and other payables	26	<p>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.</p>	<p>General Creditors are unsecured, not subject to interest charges and are normally settled within 30 days of invoice receipt.</p>
Interest-bearing loans and borrowings	29	<p>Loans are carried at their principal amounts, which represent the present value of future cash flows associated with servicing the debt. Interest is accrued over the period it becomes due and recognised as part of payables.</p> <p>Finance leases are accounted for at their principal amount with the lease payments discounted to present value using the interest rates implicit in the leases.</p>	<p>Borrowings are secured by way of mortgages over the general rates of the Council.</p> <p>The weighted average interest rate on borrowings is 4.75% (4.56% in 2015-16).</p> <p>As at balance date, the Council had finance leases with an average lease term of 5 years.</p> <p>The weighted average rate implicit in the lease is 0% (0%).</p>
Bank overdraft	21	<p>Overdrafts are recognised at the principal amount. Interest is charged as an expense as it accrues.</p>	<p>The overdraft is subject to annual review.</p> <p>It is secured by a mortgage over Council's general rates and is repayable on demand.</p> <p>Interest rates on utilised overdraft were 9.10% (9.12%)</p> <p>The interest rate as at balance date was 9.10% (9.12%).</p>

Note 38 Financial Instruments (cont.)

(b) Interest Rate Risk

The exposure to interest rate risk and the effective interest rates of financial assets and financial liabilities, both recognised and unrecognised, at balance date are as follows:

2017

	Weighted average interest rate	Floating interest rate \$'000	Fixed interest maturing in:			Non-interest bearing \$'000	Total \$'000
			1 year or less \$'000	Over 1 to 5 years \$'000	More than 5 years \$'000		
Financial assets							
Cash and cash equivalents	1.19%	1,348	168	-	-	2	1,518
Other financial assets	0.00%	-	-	-	-	-	-
Trade and other receivables	0.00%	-	-	-	-	416	416
Investment in water corporation	-	-	-	-	-	31,542	31,542
Total financial assets		1,348	168	-	-	31,960	33,476
Financial liabilities							
Trade and other payables	-	-	-	-	-	1,372	1,372
Trust funds and deposits	-	-	-	-	-	61	61
Interest-bearing loans and borrowings	4.18%	-	210	798	2,187	-	3,485
Total financial liabilities		-	210	798	2,187	1,433	4,918
Net financial assets (liabilities)		1,348	(42)	(798)	(2,187)	30,527	28,558

2016

	Weighted average interest rate	Floating interest rate \$'000	Fixed interest maturing in:			Non-interest bearing \$'000	Total \$'000
			1 year or less \$'000	Over 1 to 5 years \$'000	More than 5 years \$'000		
Financial assets							
Cash and cash equivalents	0.93%	378	1,053	-	-	77	1,509
Other financial assets	2.67%	-	-	-	-	-	-
Trade and other receivables	0.00%	-	-	-	-	400	400
Investment in water corporation	-	-	-	-	-	31,337	31,337
Total financial assets		378	1,053	-	-	31,814	33,246
Financial liabilities							
Trade and other payables	0.00%	-	-	-	-	1,312	1,312
Trust funds and deposits	0.00%	-	-	-	-	63	63
Interest-bearing loans and borrowings	5.14%	-	210	798	2,187	-	3,195
Total financial liabilities		-	210	798	2,187	1,375	4,570
Net financial assets (liabilities)		378	843	(798)	(2,187)	30,439	28,676

Note 38 Financial Instruments (cont.)

(c) Fair Value

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

Financial Instruments	Total carrying amount as per		Aggregate net fair value	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
<i>Financial assets</i>				
Cash and cash equivalents	1,518	1,509	1,518	1,509
Trade and other receivables	416	400	416	400
Investment in water corporation	31,542	31,337	31,542	31,337
<i>Total financial assets</i>	<u>33,476</u>	<u>33,246</u>	<u>33,476</u>	<u>33,246</u>
<i>Financial liabilities</i>				
Trade and other payables	1,372	1,312	1,372	1,312
Trust funds and deposits	61	63	61	63
Interest-bearing loans and borrowings	3,485	3,195	3,485	3,195
<i>Total financial liabilities</i>	<u>4,918</u>	<u>4,570</u>	<u>4,918</u>	<u>4,570</u>

(d) Credit Risk

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

(e) Risks and mitigation

The risks associated with our main financial instruments and our policies for minimising these risks are detailed below.

Market risk

Market risk is the risk that the fair value or future cash flows of our financial instruments will fluctuate because of changes in market prices. Council's exposures to market risk are primarily through interest rate risk with only insignificant exposure to other price risks and no exposure to foreign currency risk. Components of market risk to which we are exposed are discussed 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 we use. Non derivative interest bearing assets are predominantly short term liquid assets. Our interest rate liability risk arises primarily from long term loans and borrowings at fixed rates which exposes us to fair value interest rate risk.

Our loan borrowings are sourced from major Australian banks by a tender process. Finance leases are sourced from major Australian financial institutions. Overdrafts are arranged with major Australian banks. We manage interest rate risk on our net debt portfolio by:

- ensuring access to diverse sources of funding;
- reducing risks of refinancing by managing in accordance with target maturity profiles; and
- setting prudential limits on interest repayments as a percentage of rate revenue.

We manage the interest rate exposure on our debt portfolio by appropriate budgeting strategies and obtaining approval for borrowings from the Department of Treasury and Finance each year.

Investment of surplus funds is made with approved financial institutions under the *Local Government Act 1993*. We manage interest rate risk by adopting an investment policy that ensures:

- conformity with State and Federal regulations and standards,
- capital protection,
- appropriate liquidity, open space, streetscapes at cost
- diversification by credit rating, financial institution and investment product,
- monitoring of infrastructure
- benchmarking of returns and comparison with budget.

Maturity will be staggered to provide for interest rate variations and to minimise interest rate risk.

Credit risk

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

- we have a policy for establishing credit limits for the entities we deal with;
- we may require collateral where appropriate; and
- we only invest surplus funds with financial institutions which have a recognised credit rating specified in our Investment policy.

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 balance 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 38.

Credit quality of contractual financial assets that are neither past due nor impaired

	Financial Institutions (AAA credit rating)	Government agencies (BBB credit rating)	Other (min BBB credit rating)	Total
2017				
Cash and cash equivalents	1,518	-	-	1,518
Trade and other receivables	-	-	416	416
Total contractual financial assets	1,518	-	416	1,934
2016				
Cash and cash equivalents	1,509	-	-	1,509
Trade and other receivables	-	-	400	400
Total contractual financial assets	1,509	-	400	1,909

Movement in Provisions for Impairment of Trade and Other Receivables

	2017 \$'000	2016 \$'000
Balance at the beginning of the year	69	2
New Provisions recognised during the year	-	-
Amounts already provided for and written off as uncollectible	1	67
Amounts provided for but recovered during the year	-	-
Balance at end of year	70	69

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:

	2017 \$'000	2016 \$'000
Current (not yet due)	294	288
Past due by up to 30 days	32	97
Past due between 31 and 180 days	-	1
Past due between 181 and 365 days	5	3
Past due by more than 1 year	85	11
Total Trade & Other Receivables	416	400

Liquidity risk

Liquidity risk includes the risk that, as a result of our operational liquidity requirements:

- we will not have sufficient funds to settle a transaction on the date;
- we will be forced to sell financial assets at a value which is less than what they are worth; or
- we may be unable to settle or recover a financial assets at all.

To help reduce these risks we:

- have a liquidity policy which targets a minimum and average level of cash and cash equivalents to be maintained;
- have readily accessible standby facilities and other funding arrangements in place;
- have a liquidity portfolio structure that requires surplus funds to be invested within various bands of liquid instruments;
- monitor budget to actual performance on a regular basis; and
- set limits on borrowings relating to the percentage of loans to rate revenue and percentage of loan principal repayments to rate revenue.

The Councils exposure to liquidity risk is deemed insignificant based on prior periods' data and current assessment of

The table below lists the contractual maturities for Financial Liabilities

These amounts represent the discounted cash flow payments (ie principal only).

	2017 6 mths	6-12	1-2	2-5	>5	Contracted	Carrying
	or less	months	years	years	years	Cash Flow	Amount
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Trade and other payables	1,372	-	-	-	-	1,372	1,372
Trust funds and deposits	1	43	9	3	-	56	56
Interest-bearing loans and borrowings	606	107	221	543	2,008	3,485	3,485
Total financial liabilities	1,979	150	230	546	2,008	4,913	4,913

	2016 6 mths	6-12	1-2	2-5	>5	Contracted	Carrying
	or less	months	years	years	years	Cash Flow	Amount
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Trade and other payables	1,312	-	-	-	-	1,312	1,312
Trust funds and deposits	-	43	9	3	-	55	55
Interest-bearing loans and borrowings	104	106	434	364	2,187	3,195	3,195
Total financial liabilities	1,416	149	443	367	2,187	4,562	4,562

(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 Reserve Bank of Australia):

- A parallel shift of +1% and -2% in market interest rates (AUD) from year-end rates of 4.4%.

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.

		Interest rate risk			
		-2 % (Note: Use relevant interest rate risk for your council).		+1%	
		-200 basis points Profit Equity		+100 basis points Profit Equity	
2017	\$'000	\$'000	\$'000	\$'000	\$'000
Financial assets:					
Cash and cash equivalents	1,348	(27)	(27)	13	13
Trade and other receivables	442	(9)	(9)	4	4
Financial liabilities:					
Interest-bearing loans	3,485	70	70	(35)	(35)

		Interest rate risk			
		-2 %		+1%	
		(Note: Use relevant interest rate risk for your council).			
		-200 basis points		+100 basis points	
		Profit	Equity	Profit	Equity
2016	\$'000	\$'000	\$'000	\$'000	\$'000
Financial assets:					
Cash and cash equivalents	378	(8)	(8)	4	4
Trade and other receivables	431	(9)	(9)	4	4
Financial liabilities:					
Interest-bearing loans	3,195	64	64	(32)	(32)

Note 39 Fair Value Measurements

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

- Investment property
- Property, infrastructure plant and equipment
 - Land, including land under roads
 - Buildings
 - Roads, including footpaths & cycleways
 - Bridges
 - Other infrastructure

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. These comprise stock for Visitor Information Centres as disclosed in note 23.

(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 2013.

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

As at 30 June 2017

	Note	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Land	25	-	7,309	-	7,309
Buildings	25	-	10,102	-	10,102
Roads, including footpaths & cycleways	25	-	-	61,142	61,142
Bridges	25	-	-	6,942	6,942
Parks, Open Space & streetscapes	25	-	-	2,267	2,267
Drainage	25	-	-	2,545	2,545
Marine Infrastructure	25	-	-	5,541	5,541
		-	17,411	78,437	95,848

As at 30 June 2016

	Note	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Land	25	-	7,350	-	7,350
Buildings	25	-	9,618	-	9,618
Roads, including footpaths & cycleways	25	-	-	58,226	58,226
Bridges	25	-	-	5,259	5,259
Parks, Open Space & streetscapes	25	-	-	2,207	2,208
Drainage	25	-	-	2,487	2,487
Marine Infrastructure	25	-	-	3,362	3,362
		-	16,968	71,541	88,510

Note 39 Fair Value Measurements (cont.)

Transfers between levels of the hierarchy

Council's policy is to recognise transfers in and out of the fair value hierarchy levels as at the end of the reporting period.

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

(b) Highest and best use

AASB 13 requires the fair value of non-financial assets to be calculated based on their "highest and best use". If applicable, provide details of the assets that have a different highest and best use from the current use and why the non-financial asset is being used in a manner that differs from its highest and best use. Otherwise include a sentence that all assets valued at fair value in this note are being used for their highest and best use.

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

Level 2 Measurements (recurring and non-recurring) - describe the valuation techniques and the inputs used in the fair value measurement, if there has been a change in the technique then this change and the reason for making it should be disclosed.

Level 3 Measurements (recurring and non-recurring) - same as Level 2 above

Level 3 measurements (recurring) - a reconciliation of opening and closing balances is also required, which should include gains and losses recognised in profit and loss, gains/loss recognised in other comprehensive income, purchases and disposals, transfers in and out of Level 3. Refer Note (e) below.

- narrative description of the sensitivity of the fair value measurement to changes in unobservable inputs if a change in those inputs to a different amount might result in a significantly higher or lower fair value measurement. Interrelationships between inputs to also be disclosed. Refer Note (d) below.

Land

Land will be revalued during the 2018 financial year in line with the Municipal valuation.

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

Council recognised the value of land under roads it controls at fair value as part of Road Infrastructure

Note 39 Fair Value Measurements (cont.)

Buildings

Buildings will be revalued during the 2018 financial year in line with the Municipal Valuation.

Where Council buildings are of a specialist nature (eg heritage buildings) and there is no active market for the assets, fair value has been determined on the basis of replacement with a new asset having similar service potential. The gross current values have been derived from reference to market data for recent projects and costing guides. The average cost of construction used to calculate the gross current value of Council's buildings was \$2,500/sqm for heritage buildings.

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.

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 25

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

Roads, including footpaths & cycleways

Council categorises its road infrastructure into urban and rural roads and then further sub-categorises these into sealed and unsealed roads. Urban roads are managed in segments defined by road intersections and rural roads are managed in 1km segments. 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 are constructed to depths of x cms for high traffic areas and y cms for lower traffic locations. For internal construction estimates, material and services prices are based on existing supplier contract rates or supplier price lists and labour wage rates are based on Council's Enterprise Bargaining Agreement (EBA). Where construction is outsourced, CRC is based on the average of completed similar projects over the last few years.

Bridges

A full valuation of bridges assets was undertaken by independent valuers, Brighton Council and TasSpan, effective 30 June 2013. 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.

Note 39 Fair Value Measurements (cont.)

Drainage

A full valuation of drainage infrastructure was undertaken by Council's Engineer, effective 30 June 2013. Similar to roads, drainage assets are managed in segments; pits and pipes being the major components.

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

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

Other Infrastructure

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

(d) Changes in recurring level 3 fair value measurements

The changes in level 3 assets with recurring fair value measurements are detailed in note 25 (Property, infrastructure, plant and equipment). Heritage buildings, which are classified as level 3 are separately disclosed in note 25. There have been no transfers between level 1, 2 or 3 measurements during the year.

(e) Valuation processes

Council's current policy for the valuation of property, infrastructure, plant and equipment, investment in water corporation and investment property (recurring fair value measurements) is set out in Note 25, 20 and 26 respectively.

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

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

Council has assets and liabilities which are not measured at fair value, but for which fair values are disclosed in other notes. (refer note 38)

Council borrowings are measured at amortised cost with interest recognised in profit or loss when incurred. The fair value of borrowings disclosed in Note 38 is provided by Tascorp (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 40 Events occurring after balance date

(a) Nil

Note 41 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:

Mayor Michael Kent
Deputy Mayor Cheryl Arnol
Councillors Jennifer Crawford
Bertrand Cadart
Britt Steiner
Jenny Woods
Debbie Wisby
Richard Parker

Note: All elected representatives terms expire Oct 2018

General Manager David Metcalf

(ii) Councillor Remuneration

2017	Allowances	Vehicles ¹	Other Benefits ²	Non-monetary Benefits ³	Total Compensation AASB 124	Expenses	Total
	\$	\$	\$	\$	\$	\$	\$
Michael Kent	35,417	-	-	-	35,417	1,147	36,564
Cheryl Arnol	21,112	-	-	-	21,112	746	21,858
Councillors	60,714	-	-	-	60,714	15,320	76,034
Total	117,243	-	-	-	117,243	17,213	134,456

2016	Allowances	Vehicles ¹	Other Benefits ²	Non-monetary Benefits ³	Total Compensation AASB 124	Expenses	Total
	\$	\$	\$	\$	\$	\$	\$
Michael Kent	34,624	-	-	-	34,624	-	34,624
Cheryl Arnol	21,820	-	-	-	21,820	1,866	23,686
Councillors	59,352	-	-	-	59,352	11,179	70,531
Total	115,796	-	-	-	115,796	13,045	128,841

¹ Includes total cost of providing and maintaining vehicles provided for private use, including registration, insurance, fuel and other consumables, maintenance cost and parking (including notional value of parking provided at premises that are owned or leased and fringe benefits tax).

² Other benefits includes all other forms of allowances (excludes reimbursements such as travel, accommodation or meals) and any other compensation paid and payable.

³ Other non-monetary benefits (such as housing, subsidised goods or services etc)

(iii) **Key Management Personnel Remuneration**

Key management personnel remuneration										
2017	Number of employees	Short term employee benefits				Post employment benefits			Total	
Remuneration Band		Salary ¹	Short-term Incentive Payments ²	Vehicles ²	Other Allowances and Benefits ⁴	Super-annuation ⁵	Other Long-term Benefits ⁶	Termination Benefits ⁷		Non-monetary Benefits ⁸
		\$	\$	\$	\$	\$	\$	\$		\$
\$ 80,001 - \$100,000	3	209,271	-	30,000	990	33,483	-	-	(2,814)	270,930
\$120,001 - \$140,000	1	108,541	-	10,000	330	17,367	-	-	(2,602)	133,636
\$160,001 - \$180,000	1	138,806	-	10,000	330	22,209	-	-	5,605	176,950
Total	5	456,618	-	50,000	1,650	73,059	-	-	189	581,516

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

² Short term incentive payments are non-recurrent payments which depend on achieving specified performance goals within specified timeframes. These payments are capped at 15% of base salary.

³ Includes total cost of providing and maintaining vehicles provided for private use, including registration, insurance, fuel and other consumables, maintenance cost and parking (including notional value of parking provided at premises that are owned or leased and fringe benefits tax).

⁴ Other benefits includes all other forms of employment allowances (excludes reimbursements such as travel, accommodation or meals), payments in lieu of leave, and any other compensation paid and payable.

⁵ Superannuation means the contribution to the superannuation fund of the individual.

⁶ 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).

⁷ Termination benefits include all forms of benefit paid or accrued as a consequence of termination.

⁸ Other non-monetary benefits include annual and long service leave movements and non-monetary benefits (such as housing, subsidised goods or services etc)

* All amounts are on cash basis.

(iv) **Remuneration Principles****Councillors**

Paid as per Local Government Regulations Schedule 4

Executives

Remuneration levels for key management personnel are set in accordance with market rates, performance and in line with levels 8 - 11 in the modern award.

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.

The performance of each senior executive, including the General Manager, is reviewed annually which includes a review of their remuneration package. The terms of employment of each senior executive, including the General Manager, contain a termination clause that requires the senior executive or Council to provide a minimum notice period of up to 12 months prior to termination of the contract. Whilst not automatic, contracts can be extended for the General Manager.

Short term incentive payments

Nil

Termination benefits

Nil

(v) **Transactions with related parties**

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.

During the period Council entered into transactions with related parties. These transactions which are not materially significant by their nature, impact or value, were conducted in relation to the Council's normal activities, are included in this note.

The aggregate value of related party transactions and outstanding balances (if any) is as follows:

	2017
	\$'000
Total purchases of goods and services amounted to:	3

(vii) **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 primary residence
- Payment of dog registrations
- Payment of marina fees

Note 42 Special committees and other activities (Not in at balance date considered not material)

Committee	Opening Balance	Revenue	Expenditure	Closing Balance
	\$	\$	\$	\$
Bicheno War	15,341	841	-	16,182
Buckland Hall	3,479	(490)	-	2,989
Cranbrook Hall	1,218	2	-	1,220
Coles Bay Hall	5,478	272	-	5,750
Invest	8,272	83	-	8,355
Orford Hall	9,406	995	-	10,401
Swansea Town Hall	-	2,304	-	2,304
Spring Bay Memorial Trust	-	589	-	589
Triabunna Hall	1,991	1,657	-	3,648
	<u>45,185</u>	<u>6,253</u>	<u>-</u>	<u>51,438</u>

Note 43 Other significant accounting policies and pending accounting standards

(a) Taxation

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

Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the balance sheet are shown inclusive of GST.

Cash flows are presented in the Statement of Cash Flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

(b) Impairment of assets

At each reporting date, Council reviews the carrying value of its assets to determine whether there is any indication that these assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the assets carrying value. Any excess of the assets carrying value over its recoverable amount is expensed to the Statement of Other Comprehensive Income, unless the asset is carried at the revalued amount in which case, the impairment loss is recognised directly against the revaluation reserve in respect of the same class of asset to the extent that the impairment loss does not exceed the amount in the revaluation surplus for that same class of asset. For non-cash generating assets of Council such as roads, drains, public buildings and the like, value in use is represented by the deprival value of the asset approximated by its written down replacement cost.

(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 twelve months, being Council's operational 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) 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.

(e) 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 inclusive of the GST payable.

(f) Budget

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

Note 43 Other significant accounting policies and pending accounting standards (cont)

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

Council has applied AASB 124 *Related Party Disclosures* for the first time. As a result Council has disclosed more information about related parties and transactions with those related parties. The standard further extends that required under the LGA 1993. This information is presented in Note 46

(ii) AASB 2015-7 Amendments to Australian Accounting Standards - Fair Value Disclosures of Not-for-Profit Public Sector Entities (effective from 1 July 2016)

The amendment provides relief to not-for-profit public sector entities from certain disclosures about the fair value measurement of property, plant and equipment held for their current service potential rather than to generate net cash inflows that is categorised within Level 3 of the fair value hierarchy.

The impact of adoption of this standard is less disclosure in Note 45 - Fair Value Measurements regarding the unobservable inputs and sensitivities of level 3 assets not held for investment returns.

(h) Pending Accounting Standards

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2017 reporting periods. Council's assessment of the impact of the relevant new standards and interpretations is set out below. (Note: standards are applicable to reporting periods beginning on or after to effective date referred to below).

(i) AASB 9 Financial Instruments and 2014-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2014) (effective from 1 January 2018)

The main impacts of these standards on Council are that they will change the requirements for the classification, measurement, impairment and disclosures associated with the Council's financial assets. AASB 9 will introduce different criteria for whether financial assets can be measured at amortised cost or fair value. The amortised cost model is available for debt assets meeting both 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.

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

When adopted, the standard will affect, in particular, Council's accounting for its investment in TasWater which is an available-for-sale financial assets. Currently, Council recognises changes in the fair value of its available-for-sale assets through other comprehensive income. Council is likely to make an irrevocable election for its investment in TasWater as 'fair value through other comprehensive income' and therefore the adoption of this standard will not impact the way movements in the fair value are accounted for.

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

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

Note 43 Other significant accounting policies and pending accounting standards (cont)

- (ii) AASB 1058 Income of Not-for-Profit Entities, AASB 15 Revenue from Contracts with Customers, and AASB 2016-8 Amendments to Australian Accounting Standards - Australian Implementation Guidance for Not-for-Profit Entities. AASB 2015-8 Amendments to Australian Accounting Standards arising from AASB 15 provides for an effective of application from 1 January 2019.

AASB 15 will replace AASB 118 Revenue, AASB 111 Construction Contracts and a number of Interpretations. AASB 2016-8 provides Australian requirements and guidance for not-for-profit entities in applying AASB 9 and AASB 15, and AASB 1058 will replace AASB 1004 Contributions. Together they contain a comprehensive and robust framework for the recognition, measurement and disclosure of income including revenue from contracts with customers.

Council has commenced analysing the new revenue recognition requirements under these standards and is yet to form conclusions about significant impacts. Potential future impacts identifiable at the date of this report include:

- Grants received to construct non-financial assets controlled by Council will be recognised as a liability, and subsequently recognised progressively as revenue as Council satisfies its performance obligations under the grant. At present, such grants are recognised as revenue upfront.
- Under the new standards, 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. Council is yet to evaluate the existing grant arrangements as to whether revenue from those grants could be deferred under the new requirements. At present, such grants are recognised as revenue upfront. When the new standard becomes effective, Council will evaluate all grant agreements in place at that time to determine whether revenue from those grants could be deferred under the new requirements.
- Grants that are not enforceable and/or not sufficiently specific will not qualify for deferral, and continue to be recognised as revenue as soon as they are controlled. Council receives several grants for which there are no sufficiently specific performance obligations, for example the Commonwealth Financial Assistance Grants. These grants are expected to continue being recognised as revenue upfront assuming no change to the current grant arrangements.
- Rates received in advance, which are currently required to be recognised as revenue when received will be deferred under the new requirements until the commencement of the rating period to which they relate.
- Volunteer services and transactions where the consideration is significantly less than the fair value of that asset acquired, or no consideration is provided (for example below market leases) will be required to be recognised when certain recognition criteria are met. Council has not yet fully determined the impact of these requirements on its financial statements.
- Depending on the respective contractual terms, the new requirements of AASB 15 may potentially result in a change to the timing of revenue from sales of goods and services such that some revenue may need to be deferred to a later reporting period to the extent that Council has received cash, but has not met its associated performance obligations (such amounts would be reported as a liability in the meantime). Council is yet to full complete its analysis of existing arrangements for sale of its goods and services and the impact on revenue recognition has not yet been fully determined.

- (iii) AASB 16 Leases (effective from 1 January 2019)

AASB 16 introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligations to make lease payments.

AASB 16 will result in most of Council's operating leases being brought onto the statement of financial position. There are limited exceptions relating to short-term leases and low-value assets which may remain off the balance sheet. Council's existing lease commitments are disclosed in Note 37.

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 19. In the Statement of Cash Flows lease payments will be shown as cash flows from financing activities instead of operating activities.

Note 43 Other significant accounting policies and new accounting standards (cont)

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.

- (iv) *AASB 2016-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107* (effective from 1 January 2017)

Amendments to AASB 107 will require additional disclosures to enable the reader to evaluate changes in liabilities arising from financing activities. These disclosures will include both cash flows and non-cash changes between the opening and closing balance of the relevant liabilities and be disclosed by way of a reconciliation in the notes to the Statement of Cash Flows.

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

Note 44 Significant Business Activities

The operating capital and competitive neutrality costs of the Council's significant business activities:

	Information Centres		East Coast Health	
	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000
<i>Revenue</i>				
Rates	148	125	282	393
User Charges	590	596	6	5
Grants	-	-	239	408
Other	11	10	903	882
Total Revenue	749	731	1,430	1,688
<i>Expenditure</i>				
<i>Direct</i>				
Employee Costs	335	320	420	454
Materials and Contacts	495	512	938	1165
Utilities	7	6	42	40
Total Expenses	837	838	1,400	1,659
<i>Notional cost of free services received</i>				
<i>Capital Costs</i>				
Depreciation and amortisation	4	4	89	81
Total Capital Costs	4	4	89	81
<i>Competitive neutrality adjustments</i>				
Rates and land tax	2	2	2	-
	2	2	2	0
Calculated Surplus/(Deficit)	(94)	(113)	(61)	(52)

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 Visitor Information Centres and East Coast Health as defined above are considered significant business activities. Competitive neutrality costs include notional costs i.e. income tax equivalent, rates and loan guarantees.

Note	45	Management indicators	Benchmark	2017 \$'000	2016 \$'000	2015 \$'000	2014 \$'000
		(a) Underlying surplus or deficit					
		Recurrent income* less		12,566	11,186	12,489	11,461
		recurrent expenditure		12,179	12,273	11,879	11,243
		Underlying surplus/deficit	0	386	(1,087)	610	218

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

The early receipt of instalments resulted in Commonwealth Government Financial Assistance Grants being higher in 2016/17 by \$628,921. This has impacted the Statement of Comprehensive Income resulting in Recurrent Income and the Surplus being higher by \$628,921.

(b) Underlying surplus ratio							
<u>Underlying surplus or deficit</u>		386	(1,087)	610	218		
Recurrent income*		12,566	11,186	12,489	11,461		
Underlying surplus ratio %	0%	3%	-10%	5%	2%		

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

Benchmark not achieved.

(c) Net financial liabilities							
Liquid assets less		1,934	1,909	2,441	2,214		
total liabilities		5,741	5,394	5,411	3,722		
Net financial liabilities	0	(3,807)	(3,485)	(2,970)	(1,508)		

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.

Refer Note 44(d).

(d) Net financial liabilities ratio	Benchmark						
<u>Net financial liabilities</u>		(3,807)	(3,485)	(2,970)	(1,508)		
Recurrent income*		12,566	11,186	12,489	11,461		
Net financial liabilities ratio %	0% - (50%)	-30%	-31%	-24%	-13%		

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

Within Benchmark.

Note	45	Management indicators (cont.)	2017 \$'000	2016 \$'000	2015 \$'000	2014 \$'000
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(e) Asset consumption ratio						
An asset consumption ratio has been calculated in relation to each asset class required to be included in the long-term strategic asset management plan of Council.						
<i>Roads</i>						
<u>Depreciated replacement cost</u>		43,743	41,184	41,375	41,460	
Current replacement cost		68,647	63,795	63,611	63,046	
Asset consumption ratio %	40% - 60%	64%	65%	65%	66%	
<i>Bridges</i>						
<u>Depreciated replacement cost</u>		6,705	5,259	5,369	4,910	
Current replacement cost		9,387	7,463	7,460	7,187	
Asset consumption ratio %	40% - 60%	71%	70%	72%	68%	
<i>Footpaths & Cycleways</i>						
<u>Depreciated replacement cost</u>		6,971	6,855	6,840	6,845	
Current replacement cost		11,466	11,098	10,909	10,751	
Asset consumption ratio %	40% - 60%	61%	62%	63%	64%	

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

Benchmark achieved.

Note	45	Management indicators (cont.)	2017 \$'000	2016 \$'000	2015 \$'000	2014 \$'000
		(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 Infrastructure</i>				
		Projected capital funding outlays**	2,029	2,371	2,333	2,007
		Projected capital expenditure funding***	2,029	2,371	2,333	2,007
		Asset renewal funding ratio %	90-100%	100%	100%	100%
		<i>Buildings</i>				
		Projected capital funding outlays**	138	420	415	424
		Projected capital expenditure funding***	138	420	415	424
		Asset renewal funding ratio %	90-100%	100%	100%	100%
		<i>Drainage</i>				
		Projected capital funding outlays**	85	227	225	275
		Projected capital expenditure funding***	85	227	225	275
		Asset renewal funding ratio %	90-100%	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.

(g) Asset sustainability ratio				
Capex on replacement/renewal of existing assets	1,734	3,090	4,038	1,625
Annual depreciation expense	2,009	2,014	1,991	1,952
Asset sustainability ratio %	100%	86%	153%	203%

This ratio calculates the extent to which Council is maintaining operating capacity through renewal of their existing asset base.

Average ratio is 131%, which is above Benchmark.

	Capital renewal expenditure	Capital new /upgrade expenditure	Total Capital Expenditure
2017			
By asset class	\$'000	\$'000	\$'000
Land	-	-	-
Buildings and other Infrastructure	1,734	3,407	5,141
Total	1,734	3,407	5,141
2016			
By asset class	\$'000	\$'000	\$'000
Land	-	100	100
Buildings and other Infrastructure	1,931	1,543	3,474
Total	1,931	1,643	3,574

Note 46 Material Budget Variations

Council's original budget was adopted by the Council on **26th July 2016**. 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 by decisions made by the Council. Material variations are explained on the variance listed below.

Revenues

1 Grants (operational and capital)

Grants were 56% above budget due to extra \$628,921 Financial Assistance Grants funding received in advance (for 2017/18) that was announced during the financial year and \$700,000 for Wielangta Road upgrades.

2 Contributions

Contributions were 21.4% above budget or \$15,150. This was solely related to the number of subdivisions being above budget.

3 Interest

Interest was \$12,312 below budget or 20%. This was due entirely to the low interest rates on offer and the scarcity of available cash.

4 Contributions - non monetary

Non-monetary contributions were above budget by \$3,196,488 due to the contribution to council of Wielangta Rd from the State Government.

5 Net Gain or Loss on Assets

Net Gain or Loss on Assets was \$70,820 above budget due to land being sold quicker than expected.

Expenses

1 Other Expenses

Other expenses were \$41,000 over budget or 27.2%. This relates to Councillor expenses and the audit costs being higher than expected.

Certification of the Financial Report

The financial report presents fairly the financial position of the Glamorgan Spring Bay Council as at 30 June 2017, the results of its operations for the year then ended and the cash flows of the Council, in accordance with the *Local Government Act 1993* (as amended), Australian Accounting Standards (including interpretations) and other authoritative pronouncements issued by the Australian Accounting Standards Board..



David Metcalf
General Manager

Date : 14/08/2017