



Glamorgan Spring Bay Council
Annual Report 2018/2019 – Part B

Annual Financial Report
Local Government Model

For the Year Ended 30 June 2019

**Glamorgan Spring Bay
Financial Report
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Statement of Comprehensive Income For the Year Ended 30 June 2019

	Note	Budget 2019 \$'000	Actual 2019 \$'000	Actual 2018 \$'000
Income from continuing operations				
Recurrent income				
Rates and charges	2.1	7,749	7,838	7,453
Statutory fees and fines	2.2	526	545	530
User fees	2.3	1,130	822	1,031
Grants	2.4	768	1,379	1,428
Contributions - cash	2.5	100	41	83
Interest	2.6	46	53	45
Other income	2.7	1,665	1,856	1,761
Investment revenue from water corporation	2.9, 4.1	621	414	621
		12,605	12,948	12,952
Capital income				
Capital grants received specifically for new or upgraded assets	2.4	3,150	2,679	2,590
Contributions - non-monetary assets	2.5	-	-	-
Net gain/(loss) on disposal of property, infrastructure, plant and equipment	2.8	91	100	(47)
		3,241	2,779	2,543
Total income from continuing operations		15,846	15,727	15,495
Expenses from continuing operations				
Employee benefits	3.1	(4,550)	(4,348)	(4,323)
Materials and services	3.2	(5,351)	(5,713)	(5,448)
Depreciation and amortisation	3.3	(2,225)	(2,243)	(2,158)
Finance costs	3.4	(220)	(151)	(125)
Other expenses	3.5	(190)	(219)	(177)
Total expenses from continuing operations		(12,536)	(12,674)	(12,231)
Result from continuing operations		3,310	3,053	3,264
Result from discontinued operations		-	-	-
Net result for the year		3,310	3,053	3,264
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)	9.1	-	7,733	7,448
		-	7,733	7,448
Items that may be reclassified subsequently to surplus or deficit				
Financial assets available for sale reserve				
— Fair Value adjustment on equity investment assets	9.1	-	4,676	409
		-	4,676	409
Total Other Comprehensive Income		-	12,409	7,857
Total Comprehensive result		3,310	15,462	11,121

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

**Statement of Financial Position
As at 30 June 2019**

	Note	2019 \$'000	2018 \$'000
Assets			
Current assets			
Cash and cash equivalents	5.1	3,807	1,405
Trade and other receivables	5.2	545	453
Inventories	5.3	27	27
Other assets	5.4	102	250
Total current assets		4,481	2,135
Non-current assets			
Trade and other receivables	5.2	15	21
Investment in water corporation	4.1	36,627	31,951
Property, plant and equipment and infrastructure	6.1	120,781	108,214
Total non-current assets		157,423	140,186
Total assets		161,904	142,321
Liabilities			
Current liabilities			
Trade and other payables	7.1	1,594	864
Trust funds and deposits	7.2	169	58
Provisions	7.3	751	715
Interest-bearing loans and borrowings	8.1	1,403	1,221
Total current liabilities		3,917	2,858
Non-current liabilities			
Provisions	7.3	114	136
Interest-bearing loans and borrowings	8.1	5,636	2,551
Total non-current liabilities		5,750	2,687
Total liabilities		9,667	5,545
Net Assets		152,237	136,775
Equity			
Accumulated surplus		86,965	83,912
Reserves	9.1	65,272	52,863
Total Equity		152,237	136,775

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

Statement of Cash Flows For the Year Ended 30 June 2019

	Note	2019 Inflows/ (Outflows) \$'000	2018 Inflows/ (Outflows) \$'000
Cash flows from operating activities			
Rates		7,804	7,345
Statutory fees and fines		545	530
User charges and other fines (inclusive of GST)		920	1,067
Grants (inclusive of GST)		1,382	1,437
Developer contributions (inclusive of GST)		41	83
Interest		53	45
Investment revenue from water corporation		414	621
Other receipts (inclusive of GST)		1,862	1,622
Net GST refund/payment		576	269
Payments to suppliers (inclusive of GST)		(5,625)	(6,359)
Payments to employees (including redundancies)		(4,334)	(4,295)
Finance costs		(151)	(125)
Other payments		(219)	(177)
Net cash provided by (used in) operating activities	9.2	3,268	2,063
Cash flows from investing activities			
Payments for property, infrastructure, plant and equipment		(7,129)	(5,309)
Proceeds from sale of property, infrastructure, plant and equipment		152	63
Capital grants (inclusive of GST)		2,733	2,780
Net cash provided by (used in) investing activities		(4,244)	(2,466)
Cash flows from financing activities			
Trust funds and deposits		111	2
Proceeds from interest bearing loans and borrowings		4,560	1,000
Repayment of interest bearing loans and borrowings		(1,293)	(713)
Net cash provided by (used in) financing activities	9.3	3,378	289
Net increase (decrease) in cash and cash equivalents		2,402	(114)
Cash and cash equivalents at the beginning of the financial year		1,405	1,519
Cash and cash equivalents at the end of the financial year	9.4	3,807	1,405
Restrictions on cash assets	5.1		
Financing arrangements	9.5		
Non-cash financing and investing activities	9.6		

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

Statement of Changes in Equity For the Year Ended 30 June 2019

	Note	Total 2019 \$'000	Accumulated Surplus 2019 \$'000	Asset Revaluation Reserve 2019 \$'000	Fair Value Reserve 2019 \$'000	Other Reserves 2019 \$'000
Balance at beginning of the financial year		136,775	83,912	57,452	(5,597)	1,008
Adjustment due to compliance with revised accounting standard		-	-	-	-	-
Adjustment on change in accounting policy		-	-	-	-	-
Surplus / (deficit) for the year		3,053	3,053	-	-	-
Other Comprehensive Income:						
Fair value adjustments for financial assets at fair value		-	-	-	-	-
Fair Value adjustment on equity investment assets	4.1	4,676	-	-	4,676	-
Net asset revaluation increment/(decrement)	9.1	7,733	-	7,733	-	-
Actuarial gain/loss on defined benefits plans		-	-	-	-	-
Share of other comprehensive income of associates & joint ventures accounted for by the equity method		-	-	-	-	-
Transfers between reserves		-	-	-	-	-
Balance at end of the financial year		152,237	86,965	65,185	(921)	1,008

	Total 2018 \$'000	Accumulated Surplus 2018 \$'000	Asset Revaluation Reserve 2018 \$'000	Fair Value Reserve 2018 \$'000	Other Reserves 2018 \$'000
Balance at beginning of the financial year	125,654	80,648	50,004	(6,006)	1,008
Adjustment due to compliance with revised accounting standard	-	-	-	-	-
Adjustment on change in accounting policy	-	-	-	-	-
Surplus / (deficit) for the year	3,264	3,264	-	-	-
Other Comprehensive Income:					
Fair value adjustments for financial assets at fair value	-	-	-	-	-
Fair Value adjustment on Available for Sale Assets	4.1	409	-	409	-
Net asset revaluation increment/(decrement)	9.1	7,448	-	7,448	-
Actuarial gain/loss on defined benefits plans		-	-	-	-
Share of other comprehensive income of associates & joint ventures accounted for by the equity method		-	-	-	-
Transfers between reserves	-	-	-	-	-
Balance at end of the financial year	136,775	83,912	57,452	(5,597)	1,008

The above statement should be read with the accompanying notes.

Note 1 Overview

1.1 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.

1.2 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, 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 4.1, 6.1, 7.3, 8.1 and 10.3(d).

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 10.

1.3 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 7.

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 6.1.

Investment in water corporation

Assumptions utilised in the determination of Council's valuation of its investment in TasWater are discussed in note 4.1.

1.4 Functions/Activities of the Council

(a) 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						
2018 - 2019	285	7,111	7,396	2,843	4,553	1,194
2017 - 2018	242	7,114	7,356	2,768	4,588	1,916
Roads, streets and bridges						
2018 - 2019	1,645	134	1,779	2,157	(378)	78,797
2017 - 2018	1,362	40	1,402	2,003	(601)	72,324
Drainage						
2018 - 2019	-	-	-	150	(150)	3,715
2017 - 2018	-	-	-	125	(125)	2,675
Waste management						
2018 - 2019	-	1,248	1,248	942	306	6
2017 - 2018	-	1,233	1,233	965	268	7
Environmental health						
2018 - 2019	74	85	159	510	(351)	40
2017 - 2018	82	66	148	560	(412)	19
Planning services						
2018 - 2019	-	330	330	491	(161)	90
2017 - 2018	-	306	306	543	(237)	29
Building control						
2018 - 2019	-	298	298	226	72	-
2017 - 2018	-	283	283	257	26	-
Community amenities						
2018 - 2019		131	131	1,598	(1,467)	14,325
2017 - 2018	235	9	244	1,320	(1,076)	14,546
Community services						
2018 - 2019	3	1,406	1,409	1,797	(388)	2,430
2017 - 2018	44	1,474	1,518	1,696	(178)	2,899
Recreation facilities						
2018 - 2019	423	6	429	602	(173)	6,742
2017 - 2018	1,484	23	1,507	486	1,021	6,817
Economic development						
2018 - 2019	85	714	799	1,169	(370)	4,711
2017 - 2018	510	929	1,439	1,369	70	4,814
Other - not attributable						
2018 - 2019	1,543	206	1,749	189	1,560	49,854
2017 - 2018	59	-	59	139	(80)	36,275
Total						
2018 - 2019	4,058	11,669	15,727	12,674	3,053	161,904
2017 - 2018	4,018	11,477	15,495	12,231	3,264	142,321

(b) Reconciliation of Assets above with the Statement of Financial Position at 30 June:

	2019	2018
Current assets	4,481	2,135
Non-current assets	157,423	140,186
	161,904	142,321

(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 and bridges.

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 buildings including Council halls & offices, street lighting and town maintenance. Council's involvement in local emergency management.

Community services

Administration and operation of dog registration, operation of pounds and control of straying stock. Operation of the medical centres, 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. Operation and maintenance of housing for aged persons and persons of limited means

Recreation facilities

Operation and maintenance of sporting facilities (active and passive recreation and recreation centres), parks, gardens, boat ramps and jetties.

Economic development

Maintenance and marketing of tourist facilities, property development, commercial wharf and marina.

Other - not attributable

Rates and charges and work not attributed elsewhere.

	2019 \$'000	2018 \$'000
Note 2.1 Revenue		
Note 2.1 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 2018-19 was \$82.56 million (2017-18 \$81.44 million). The 2018-19 rate in the AAV dollar was \$7.274579 (2017-18, \$7.030292).		
Residential	4,131	3,938
Commercial	912	860
Industrial	85	81
Farm/Rural	615	602
Supplementary rates and rate adjustments	18	(2)
Fire Levy	352	330
Waste management charges	1,178	1,130
Special rates and charges (Medical Levy)	317	307
Special rates and charges (Caravan Fees)	88	85
Rates and charges in advance	142	122
Total rates and charges	<u>7,838</u>	<u>7,453</u>

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 2.2 Statutory fees and fines

Infringements and costs	6	14
Town planning fees	137	123
Land information certificates	90	92
Permits	312	301
Total statutory fees and fines	<u>545</u>	<u>530</u>

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 2.3 User fees

Visitor centre turnover	305	568
Registration fees	18	9
Waste transfer station fees	71	104
Marina and wharf fees	352	304
Other fees and charges	76	46
Total user fees	<u>822</u>	<u>1,031</u>

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.

Note 2.4 Grants

Grants were received in respect of the following:

Summary of grants

Federally funded grants	3,495	2,029
State funded grants	563	1,989
Total	<u>4,058</u>	<u>4,018</u>

	2019 \$'000	2018 \$'000
Note 2.4 Grants (cont.)		
Grants - Recurrent		
Commonwealth Government Financial Assistance Grants - General Purpose	263	276
Commonwealth Government Financial Assistance Grants - Roads	1,016	964
State Grants	25	84
Rural Primary Health Services	-	21
Transport	1	1
Natural Resource Management	74	82
Total recurrent grants	1,379	1,428

The Australian Commonwealth Government provides Financial Assistance Grants to Council for general purpose use and the provision of local roads. In 2018-19 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 2018-19 \$650,716, (2017-18 by \$637,397). This has impacted the Statement of Comprehensive Income resulting in the Surplus/(deficit) being higher/lower in 2018-19 by \$650,716 (2017-18 by \$637,397).

Capital grants received specifically for new or upgraded assets

Commonwealth Government - roads to recovery	629	157
Commonwealth Government - marine	85	510
Commonwealth Government - prosser plains rural water system	1,427	18
State Government	538	1,905
Total capital grants	2,679	2,590

Conditions on grants

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

Unexpended at the close of the previous reporting period	-	-
Less: expended during the current period from revenues recognised in previous reporting periods	-	-
Plus: amounts recognised as revenues in this reporting period but not yet expended in accordance with the conditions		
NRM	64	-
Unexpended at the close of this reporting period	64	-
Net increase (decrease) in non-reciprocal grant revenues for the year:	64	-

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. Council did not have any unused grant or contribution from prior years.

Note 2.5 Contributions

(a) Cash

Roads	29	22
Drainage	10	-
Parks, open space and streetscapes	2	61
Total	41	83

(b) Non-monetary assets

Land under roads	-	-
Roads	-	-
Bridges	-	-
Total	-	-

Total contributions	41	83
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2019
\$'000

2018
\$'000

Accounting policy

Contribution income

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

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

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

Note 2.6 Interest

Interest on rates	21	14
Interest on cash and cash equivalents	32	31
Total	53	45

Accounting policy

Interest income

Interest is recognised progressively as it is earned.

Note 2.7 Other income

Rental income	62	140
Medical Income Received	910	884
Pension Remissions	256	242
Reimbursements	99	174
Other	529	321
Total other income	1,856	1,761

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

Proceeds of sale	152	63
Write down value of assets disposed	(52)	(110)
Total	100	(47)

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.

Note 2.9 Investment revenue from water corporation

Dividend revenue received	217	403
Tax equivalent received	141	187
Guarantee fee received	56	31
Total investment revenue from water corporation	414	621

Accounting policy

Investment revenue

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

	2019 \$'000	2018 \$'000
Note 3 Expenses		
Note 3.1 Employee benefits		
Wages and salaries	2,934	2,933
Workers compensation	82	74
Annual leave and long service leave	302	395
Superannuation	520	520
Fringe benefits tax	75	57
Sick Leave	167	82
Payroll Tax	206	200
Other Leave - Compassionate, Maternity etc	15	46
Staff Training	58	45
Public Holiday Cost	137	126
Uniforms & Personal Protection Equipment	18	20
Miscellaneous Costs	7	8
	<u>4,521</u>	<u>4,506</u>
Less amounts capitalised	(173)	(183)
Total employee benefits	<u>4,348</u>	<u>4,323</u>

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 3.2 Materials and services		
Consultants & Contractors	2,082	1,638
Building maintenance	227	163
Materials & Plant Costs	895	518
Utilities	252	261
State Fire Levy	335	315
State Pensioner Remission	247	241
Rates Discount	80	75
Rent	83	107
Legal Costs	98	142
Insurance	119	124
Rural Primary Health Services	-	21
Postage & Printing	56	72
Valuation Fees	68	51
Medical Subsidies	33	91
Visitor Information Centre - Booking & Stock	146	388
Other	992	1,241
Total materials and services	<u>5,713</u>	<u>5,448</u>

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.

	2019 \$'000	2018 \$'000
Note 3.3 Depreciation and amortisation		
<i>Property</i>		
Buildings		
Buildings at valuation	184	93
Buildings at cost	-	91
Building improvements	3	29
Heritage buildings	31	31
<i>Plant and Equipment</i>		
Plant, machinery and equipment	171	140
Fixtures, fittings and furniture	8	6
Computers and telecommunications	117	110
Medical equipment	3	3
Motor vehicles (not plant)	189	142
Miscellaneous equipment	39	50
<i>Infrastructure</i>		
Roads	893	826
Bridges	106	178
Footpaths and cycleways	191	180
Drainage	67	62
Parks, open space and streetscapes	96	94
Marine Infrastructure	145	123
Total	2,243	2,158

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	50 years
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
Bridges	
bridges deck	15-80 years
bridges substructure	15-80 years
Other Infrastructure	

	2019 \$'000	2018 \$'000
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

Note 3.4 Finance costs

Interest - Borrowings	151	125
Total	151	125
Less capitalised borrowing costs on qualifying assets	-	-
Total finance costs	151	125

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 3.5 Other expenses

External auditors' remuneration (Tasmanian Audit Office)	49	27
Audit committee	8	12
Councillors' allowances & expenses	155	133
Operating lease rentals	8	5
Total	219	177

Accounting policy

Other expenses

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

Note 4 Investments

Note 4.1 Investment in water corporation

Opening Balance	31,951	31,542
Fair Value adjustments on Available-for-Sale Assets	-	409
Fair Value adjustments on equity investment assets	4,676	-
Total investment in water corporation	36,627	31,951

Council has derived returns from the water corporation as disclosed at note 2.9.

Accounting policy under AASB 9 - applicable from 1 July 2018

Equity Investment

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

	2019 \$'000	2018 \$'000
Fair value was determined by using Council's ownership interest against the water corporation's net asset value at balance date. At 30 June 2019, Council held a 1.91% ownership interest in TasWater which is based on Schedule 2 of the Corporation's Constitution which reflects the council's voting rights.		
Accounting policy under AASB 139 - applicable from 2018 comparative		
Council's investment in TasWater is valued at its fair value determined by Council's ownership interest against the water corporation's net asset value at balance date. At 30 June 2018 Council held a 1.99% ownership interest in TasWater which is based on Schedule 2 of the Corporation's Constitution which reflects the Council's voting rights. Any unrealised gains and losses are recognised through the Statement of Comprehensive Income to an Available-for-sale fair value reserve each year (refer note 9.1).		
Council has classified this asset as an Available-for-sale financial asset as defined in AASB 139 <i>Financial Instruments: Recognition and Measurement</i> and has followed AASB 132 <i>Financial Instruments: Presentation</i> and AASB 7 <i>Financial Instruments: Disclosures</i> to value and present the asset in the financial report. Council's investment is not traded in an active market and is only sensitive to fluctuations in the value of TasWater's net assets.		

Note 5 Current Assets

Note 5.1 Cash and cash equivalents

Cash on hand	2	2
Cash at bank	2,592	1,195
Money market call account	1,200	195
Term Deposits	13	13
Total cash and cash equivalents	3,807	1,405

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 7.2)	169	58
- Conditions on grants (note 2.4)	64	-
- Leave provisions (note 7.3)	865	851
- Restricted reserves (note 9.1)	257	257
Restricted funds	1,355	1,166
Total unrestricted cash and cash equivalents	2,452	239

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 5.2 Trade and other receivables

Current

Rates debtors	226	192
Other debtors	313	178
Net GST receivable	6	83
Total	545	453

Non-current

Loans and advances to community organisations	15	21
Total	15	21
Total trade and other receivables	560	474

	2019 \$'000	2018 \$'000
Accounting policy		
Trade and other receivables		
Accounting policy under AASB 9 - applicable from 1 July 2018		
Trade receivables that do not contain a significant financing component are measured at amortised cost, which represents their transaction value. Impairment is recognised on an expected credit loss (ECL) basis. When determining whether the credit risk has increased significantly since initial recognition, and when estimating the ECL, Council considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on Council's historical experience, an informed credit assessment and forward-looking information. Council has established a provision matrix to facilitate the impairment assessment.		
For rate debtors, Council takes the view that unpaid rates represent a charge against the rateable property that will be recovered when the property is next sold. For non-rate debtors, Council uses the presumptions that assets more than 30 days past due have a significant increase in credit risk and those more than 90 days will likely be in default. Council writes off receivables when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery.		
Accounting policy under AASB 139 - applicable for 2018 comparative		
Receivables are carried at amortised cost using the effective interest rate method. A provision for impairment is recognised when there is objective evidence that an impairment loss has occurred. A provision for impairment on rates has not been established as unpaid rates represents a charge against the rateable property that will be recovered when the property is next sold.		

Note 5.3 Inventories

Inventories held for sale	27	27
Total inventories	27	27

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 5.4 Other assets

Current		
Prepayments	102	122
Accrued income	-	128
Total	102	250

* Accrued income only includes items that are reciprocal in nature.

Note 6 Non Current Assets		
Note 6.1 Property, plant and equipment and infrastructure	2019	2018
	\$'000	\$'000
Summary		
at cost	25,775	21,332
Less accumulated depreciation	<u>(6,841)</u>	<u>(6,559)</u>
	18,934	14,773
at fair value as at 30 June	135,080	131,090
Less accumulated depreciation	<u>(33,233)</u>	<u>(37,649)</u>
	101,847	93,441
Total	120,781	108,214
Property		
Land		
at fair value as at 30 June	<u>7,132</u>	<u>11,541</u>
	7,132	11,541
Land under roads		
at fair value at 30 June	<u>10,415</u>	<u>10,415</u>
	10,415	10,415
Leased land		
at fair value as at 30 June	<u>5,268</u>	<u>-</u>
	5,268	-
Total Land	22,815	21,956
Buildings		
at fair value as at 30 June	8,670	8,646
Less accumulated depreciation	<u>-</u>	<u>-</u>
	8,670	8,646
Building improvements		
at cost	151	170
Less accumulated depreciation	<u>(3)</u>	<u>(1)</u>
	148	169
Heritage buildings		
at cost	1,244	1,244
Less accumulated depreciation	<u>(259)</u>	<u>(234)</u>
	985	1,010
Heritage buildings		
at fair value as at 30 June	315	315
Less accumulated depreciation	<u>-</u>	<u>-</u>
	315	315
Total Buildings	10,118	10,140
Total Property	32,933	32,096
Plant and Equipment		
Plant, machinery and equipment		
at cost	2,191	1,909
Less accumulated depreciation	<u>(1,551)</u>	<u>(1,563)</u>
	640	346
Fixtures, fittings and furniture		
at cost	1,092	1,043
Less accumulated depreciation	<u>(1,030)</u>	<u>(1,022)</u>
	62	21

	2019	2018
Note 6.1 Property, plant and equipment and infrastructure (cont.)	\$'000	\$'000
Medical Equipment		
at cost	41	38
Less accumulated depreciation	(26)	(23)
	<u>15</u>	<u>15</u>
Computers and telecommunications		
at cost	1,020	996
Less accumulated depreciation	(762)	(645)
	<u>258</u>	<u>351</u>
Motor Vehicles (Not Plant)		
at cost	1,196	1,112
Less accumulated depreciation	(639)	(674)
	<u>557</u>	<u>438</u>
Misc. Equipment		
at cost	1,474	1,468
Less accumulated depreciation	(1,277)	(1,239)
	<u>197</u>	<u>229</u>
Total Plant and Equipment	<u>1,729</u>	<u>1,400</u>
Infrastructure		
Roads		
at fair value as at 30 June	72,418	72,404
Less accumulated depreciation	(22,306)	(26,991)
	<u>50,112</u>	<u>45,413</u>
Bridges		
at fair value as at 30 June	11,003	9,906
Less accumulated depreciation	(3,168)	(2,606)
	<u>7,835</u>	<u>7,300</u>
Footpaths and cycleways		
at fair value as at 30 June	12,614	12,039
Less accumulated depreciation	(4,211)	(4,903)
	<u>8,403</u>	<u>7,136</u>
Drainage		
at fair value as at 30 June	7,245	5,824
Less accumulated depreciation	(3,548)	(3,149)
	<u>3,697</u>	<u>2,675</u>
Marine Infrastructure		
at cost as at 30 June	8,815	7,233
Less accumulated depreciation	(563)	(523)
	<u>8,252</u>	<u>6,710</u>
Parks, Open Space, Streetscapes		
at cost as at 30 June	3,640	2,818
Less accumulated depreciation	(731)	(635)
	<u>2,909</u>	<u>2,183</u>
Total Infrastructure	<u>81,208</u>	<u>71,417</u>
Works in progress		
Buildings at cost	231	98
Building Improvements	274	160
Roads at cost	734	899
Footpaths	91	130
Other infrastructure (water/sewage)	3,420	1,851
Drainage	6	14
Parks, Open Space, Streetscapes at cost	155	149
Total Works in progress	<u>4,911</u>	<u>3,301</u>
Total property, plant and equipment and infrastructure	<u>120,781</u>	<u>108,214</u>

Note 6.1 Property, infrastructure, plant and equipment (cont.)

Reconciliation of infrastructure, property, plant and equipment

2019	Balance at beginning of financial year	Acquisition of assets	Revaluation increments (decrements) (note 9.1)	Depreciation and amortisation (note 3.3)	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
Property								
land	11,541	-	859	-	-	-	(5,268)	7,132
leased land	-	-	-	-	-	-	5,268	5,268
land under roads	10,415	-	-	-	-	-	-	10,415
Total land	21,956	-	859	-	-	-	-	22,815
buildings fair value	8,646	-	(178)	184	-	-	386	8,670
building improvements	169	-	-	3	-	-	(18)	148
heritage buildings at cost	1,010	-	-	25	-	-	-	985
heritage buildings fair value	315	-	6	6	-	-	-	315
Total buildings	10,140	-	(172)	218	-	-	368	10,118
Total property	32,096	-	687	218	-	-	368	32,933
Plant and Equipment								
plant, machinery and equipment	346	478	-	171	13	-	-	640
fixtures, fittings and furniture	21	49	-	8	-	-	-	62
computers and telecommunications	351	24	-	117	-	-	-	258
medical equipment	15	3	-	3	-	-	-	15
motor vehicle (not plant)	438	326	-	189	18	-	-	557
miscellaneous equipment	229	7	-	39	-	-	-	197
Total plant and equipment	1,400	887	-	527	31	-	-	1,729
Infrastructure								
roads	45,413	-	4,186	893	-	-	1,406	50,112
bridges	7,300	-	647	106	6	-	-	7,835
footpaths and cycleways	7,136	-	1,170	191	16	-	304	8,403
drainage	2,675	-	1,043	67	-	-	46	3,697
parks, open space and streetscapes	2,183	-	-	96	-	-	822	2,909
marine infrastructure	6,710	-	-	145	-	-	1,687	8,252
Total infrastructure	71,417	-	7,046	1,498	22	-	4,265	81,208
Works in progress								
buildings	98	133	-	-	-	-	-	231
building improvements	160	412	-	-	-	-	(298)	274
roads	899	1,241	-	-	-	-	(1,406)	734
footpaths & cycleways	130	265	-	-	-	-	(304)	91
drainage	14	38	-	-	-	-	(46)	6
other infrastructure (water/sewage)	1,851	2,879	-	-	-	-	(1,310)	3,420
parks, open space, streetscapes at cost	149	828	-	-	-	-	(822)	155
marine infrastructure	-	447	-	-	-	-	(447)	-
Total works in progress	3,301	6,243	-	-	-	-	(4,633)	4,911
9.3	108,214	7,130	7,733	2,243	53	-	-	120,781

Note 6.1 Property, infrastructure, plant and equipment (cont.)

Reconciliation of infrastructure, property, plant and equipment

2018	Balance at beginning of financial year	Acquisition of assets	Revaluation increments (decrements) (note 9.1)	Depreciation and amortisation (note 3.3)	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
Property								
land	6,670	-	4,232	-	-	-	639	11,541
land public open space	639	-	-	-	-	-	(639)	-
land under roads	10,415	-	-	-	-	-	-	10,415
Total land	17,724	-	4,232	-	-	-	-	21,956
buildings fair value	3,516	-	79	93	-	-	5,143	8,646
buildings cost	4,085	-	-	91	-	-	(3,994)	-
building improvements	1,178	-	-	29	-	-	(979)	169
heritage buildings at Cost	1,035	-	-	25	-	-	-	1,010
heritage buildings fair value	226	-	95	6	-	-	-	315
Total buildings	10,040	-	174	244	-	-	170	10,140
Total property	27,765	-	4,406	244	-	-	170	32,096
Plant and Equipment								
plant, machinery and equipment	402	84	-	140	-	-	-	346
fixtures, fittings and furniture	26	1	-	6	-	-	-	21
computers and telecommunications	417	44	-	110	-	-	-	351
Medical Equipment	15	3	-	3	-	-	-	15
Motor Vehicles (not plant)	344	253	-	142	18	-	-	438
Miscellaneous Equipment	220	59	-	50	-	-	-	229
Total plant and equipment	1,425	444	-	451	18	-	-	1,400
Infrastructure								
roads	43,743	-	2,115	826	4	-	384	45,413
bridges	6,705	-	502	178	103	-	374	7,300
footpaths and cycleways	6,971	-	335	180	-	-	10	7,136
drainage	2,525	-	90	62	2	-	124	2,675
parks, open space and streetscapes	2,196	3	-	94	-	-	78	2,183
Marine infrastructure	2,971	-	-	123	-	-	3,862	6,710
Total infrastructure	65,113	3	3,042	1,463	109	-	4,832	71,417
Works in progress								
buildings	13	85	-	-	-	-	-	98
building improvements	49	281	-	-	-	-	(170)	160
roads	246	1,037	-	-	-	-	(384)	899
footpaths & cycleways	-	140	-	-	-	-	(10)	130
drainage	20	118	-	-	-	-	(124)	14
other infrastructure (water/sewage)	216	1,635	-	-	-	-	-	1,851
parks, open space, streetscapes at cost	71	156	-	-	-	-	(78)	149
bridges	237	137	-	-	-	-	(374)	-
marine infrastructure	2,570	1,292	-	-	-	-	(3,862)	-
Total works in progress	3,422	4,881	-	-	-	-	(5,002)	3,301
Total property, plant and equipment and infrastructure	97,725	5,328	7,448	2,158	127	-	-	108,214

Note 6.1 Property, infrastructure, plant and equipment (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, plant and equipment and infrastructure 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
leased 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

Note 6.1 Property, infrastructure, plant and equipment (cont.)

Revaluation

Council has adopted the following valuation bases for its non-current assets:

Land	fair value
Leased 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
Building improvements	cost
Intangibles	cost
Parks, recreation facilities and community amenities	cost
Heritage	cost
Investment in water corporation	fair value

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.

	2019 \$'000	2018 \$'000
Note 7 Current liabilities		
Note 7.1 Trade and other payables		
Trade payables	1,398	715
Accrued expenses	196	149
Total trade and other payables	1,594	864
Note 7.2 Trust funds and deposits		
Refundable developer deposits	169	58
Total trust funds and deposits	169	58

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 7.3 Provisions

	Annual leave \$ '000	Long service leave \$ '000	Other \$ '000	Total \$ '000
2019				
Balance at beginning of the financial year	277	387	187	851
Additional provisions	276	127	83	486
Amounts used	(270)	(53)	(72)	(395)
Increase in the discounted amount arising because of time and the effect of any change in the discount rate	-	(63)	(14)	(77)
Balance at the end of the financial year	283	398	184	865
2018				
Balance at beginning of the financial year	309	353	161	823
Additional provisions	276	121	26	423
Amounts used	(308)	(87)	-	(395)
Balance at the end of the financial year	277	387	187	851

	2019 \$'000	2018 \$'000
(a) Employee benefits		
(i) Current		
Annual leave	283	277
Long service leave	348	315
Other	120	123
	751	715
(ii) Non-current		
Long service leave	50	72
Other	64	64
	114	136
Aggregate carrying amount of employee benefits:		
Current	751	715
Non-current	114	136
	865	851

	2019	2018
The following assumptions were adopted in measuring the present value of employee benefits:		
Weighted average increase in employee costs	3.00%	3.00%
Weighted average discount rates	0.70%	2.10%
Weighted average settlement period	12	12

Note 7.3 Provisions (cont.)	2019	2018
(iii) Current	\$'000	\$'000
All annual leave and the long service leave entitlements representing 10 or more years of continuous service		
- Short-term employee benefits, that fall due within 12 months after the end of the period measured at nominal value	612	589
- Other long-term employee benefits that do not fall due within 12 months after the end of the period measured at present value	139	126
	<u>751</u>	<u>715</u>
(iv) Non-current		
Long service leave representing less than 10 years of continuous service measured at present value	<u>114</u>	<u>136</u>
(v) Employee Numbers (full time equivalent)	49	51

Accounting policy
Employee benefits
<i>i) Short term obligations</i>
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.
<i>ii) Other long term employee benefit obligations</i>
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.
<i>iii) Sick leave</i>
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.

Note 8 Non-current

Note 8.1 Interest-bearing loans and borrowings

Current

Borrowings - secured	<u>1,403</u>	<u>1,221</u>
	1,403	1,221

Non-current

Borrowings - secured	<u>5,636</u>	<u>2,551</u>
	5,636	2,551

Total

	<u>7,039</u>	<u>3,772</u>
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Borrowings

Borrowings are secured over Council Assets.

The maturity profile for Council's borrowings is:

Not later than one year	1,403	1,221
Later than one year and not later than five years	2,091	1,135
Later than five years	<u>3,545</u>	<u>1,416</u>
Total	7,039	3,772

Note 8.1 Interest-bearing loans and borrowings (cont.)

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) 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.

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

Lease income from operating leases where Council is a lessor is recognised in income on a straight-line basis over the lease term.

ii) Leasehold improvements

Leasehold improvements are recognised at fair value 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 amortised over a 25 to 50 year period.

Note 9 Other financial information
Note 9.1 Reserves

	Balance at beginning of reporting year	Increment	(Decrement)	Balance at end of reporting year
	\$'000	\$'000	\$'000	\$'000
(a) Asset revaluation reserve				
2019				
Property				
Land	4,492	859	-	5,351
Buildings	5,130	(178)	-	4,952
Heritage buildings	95	6	-	101
	9,717	687	-	10,404
Infrastructure				
Roads	33,403	4,186	-	37,589
Bridges	3,754	647	-	4,401
Footpaths and cycleways	4,441	1,170	-	5,611
Drainage	1,588	1,043	-	2,631
Land under roads	204	-	-	204
Other infrastructure marina/parks	4,345	-	-	4,345
	47,735	7,046	-	54,781
Total asset revaluation reserve	57,452	7,733	-	65,185
2018				
Property				
Land	260	4,232	-	4,492
Buildings	5,051	79	-	5,130
Heritage buildings	-	95	-	95
	5,311	4,406	-	9,717
Infrastructure				
Roads	31,288	2,115	-	33,403
Bridges	3,252	502	-	3,754
Footpaths and cycleways	4,106	335	-	4,441
Drainage	1,498	90	-	1,588
Land under roads	204	-	-	204
Other infrastructure marina/parks	4,345	-	-	4,345
	44,693	3,042	-	47,735
Total asset revaluation reserve	50,004	7,448	-	57,452
The asset revaluation reserve was established to capture the movements in asset valuations upon the periodic revaluation of Council's assets.				
(b) Fair value reserve				
2019				
Equity investment assets				
Investment in water corporation	(5,597)	4,676	-	(921)
Total fair value reserve	(5,597)	4,676	-	(921)
2018				
Available-for-sale assets				
Investment in water corporation	(6,006)	409	-	(5,597)
Total fair value reserve	(6,006)	409	-	(5,597)
The available-for-sale financial asset reserve was established to capture the fair value movements in Council's water corporation investment.				
(c) Other reserves				
2019				
Reserve Investments - Restricted	257	-	-	257
Reserve Investments - Unrestricted	751	-	-	751
Total Other reserves	1,008	-	-	1,008
2018				
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.				

	2019 \$'000	2018 \$'000
Total Reserves	65,272	52,863

	2019 \$'000	2018 \$'000
Note 9.2 Reconciliation of cash flows from operating activities to surplus (deficit)		
Result from continuing operations	3,053	3,264
Depreciation/amortisation	2,243	2,158
(Profit)/loss on disposal of property, plant and equipment, infrastructure	(100)	47
Capital grants received specifically for new or upgraded assets (incl GST)	(2,733)	(2,780)
<i>Change in assets and liabilities:</i>		
Decrease/(increase) in trade and other receivables	(86)	(42)
Decrease/(increase) in other assets	148	(109)
Decrease/(increase) in inventories	-	3
Increase/(decrease) in trade and other payables	730	(506)
Increase/(decrease) in provisions	13	28
Net cash provided by/(used in) operating activities	3,268	2,063
Note 9.3 Reconciliation of liabilities arising from financing activities		
Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the Statement of Cash Flows as cash flows from financing activities.		
2019	Interest-bearing loans and borrowings	
	\$'000	
Balance as at 1 July 2018	3,772	
Changes from financing cash flows:		
Cash Received	4,560	
Cash Repayments	(1,293)	
Balance as at 30 June 2019	7,039	
Balance as at 1 July 2017	3,485	
Changes from financing cash flows:		
Cash Received	1,000	
Cash Repayments	(713)	
Balance as at 30 June 2018	3,772	
Note 9.4 Reconciliation of cash and cash equivalents		
Cash and cash equivalents (see note 5.1)	3,807	1,405
Total reconciliation of cash and cash equivalents	3,807	1,405
Note 9.5 Financing arrangements		
Bank overdraft	50	50
Used facilities	-	-
Unused facilities	50	50
Note 9.6 Superannuation		
Council contributes to Tasplan 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 <i>Superannuation Guarantee (Administration) Act 1992</i> .		
Fund	2019 \$'000	2018 \$'000
Accumulation funds		
Employer contributions to Tasplan	428	457
Employer contributions to Other Funds	164	125
	592	582
Note 9.7 Commitments		
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)	2,222	2,896
Total contractual commitments	2,222	2,896

Note 9.8 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 (2017-18, \$0).

Note 9.9 Financial instruments

(a) 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:

2019

	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	1.06%	3,792	13	-	-	2	3,807
Trade and other receivables	8.81%	226	-	-	-	334	560
Investment in water corporation		-	-	-	-	36,627	36,627
Total financial assets		4,018	13	-	-	36,963	40,994
Financial liabilities							
Trade and other payables		-	-	-	-	1,594	1,594
Trust funds and deposits		-	-	-	-	169	169
Interest-bearing loans and borrowings	3.47%	-	1,403	2,091	3,545	-	7,039
Total financial liabilities		-	1,403	2,091	3,545	1,763	8,802
Net financial assets (liabilities)		4,018	(1,390)	(2,091)	(3,545)	35,200	32,192

2018

	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	1.24%	1,390	13	-	-	2	1,405
Trade and other receivables	8.81%	192	-	-	-	282	474
Investment in water corporation		-	-	-	-	31,951	31,951
Total financial assets		1,582	13	-	-	32,235	33,830
Financial liabilities							
Trade and other payables		-	-	-	-	864	864
Trust funds and deposits		-	-	-	-	58	58
Interest-bearing loans and borrowings	3.62%	-	1,221	1,135	1,416	-	3,772
Total financial liabilities		-	1,221	1,135	1,416	922	4,694
Net financial assets (liabilities)		1,582	(1,208)	(1,135)	(1,416)	31,313	29,136

Note 9.9 Financial instruments

(b) 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 Balance Sheet		Aggregate net fair value	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
<i>Financial assets</i>				
Cash and cash equivalents	3,807	1,405	3,807	1,405
Trade and other receivables	560	458	560	458
Investment in water corporation	36,627	31,951	36,627	31,951
<i>Total financial assets</i>	40,994	33,814	40,994	33,814
<i>Financial liabilities</i>				
Trade and other payables	1,594	865	1,594	865
Trust funds and deposits	169	58	169	58
Interest-bearing loans and borrowings	7,039	3,772	7,039	3,772
<i>Total financial liabilities</i>	8,802	4,695	8,802	4,695

(c) 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.

(d) 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 the Tasmanian Public Finance Corporation. 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,
- diversification by credit rating, financial institution and investment product,
- monitoring of return on investment,
- 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 have 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 9.8.

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
2019				
Cash and cash equivalents	3,807	-	-	3,807
Trade and other receivables	-	-	560	560
Total contractual financial assets	3,807	-	560	4,367
2018				
Cash and cash equivalents	1,405	-	-	1,405
Trade and other receivables	-	-	458	458
Total contractual financial assets	1,405	-	458	1,863

Movement in Provisions for Impairment of Trade and Other Receivables

	2019 \$'000	2018 \$'000
Balance at the beginning of the year	70	70
New Provisions recognised during the year	-	-
Amounts already provided for and written off as uncollectible	-	-
Amounts provided for but recovered during the year	(70)	-
Balance at end of year	-	70

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. Many of the long outstanding past due amounts have been lodged with Council's debt collectors or are on payment arrangements. The ageing of the Council's Trade and Other Receivables was:

	2019 \$'000	2018 \$'000
Current (not yet due)	246	219
Past due by up to 30 days	32	19
Past due between 31 and 180 days	39	12
Past due between 181 and 365 days	198	185
Past due by more than 1 year	45	40
Total Trade & Other Receivables	560	475

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

The table below lists the contractual maturities for Financial Liabilities.

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

2019	6 mths or less \$'000	6-12 months \$'000	1-2 years \$'000	2-5 years \$'000	>5 years \$'000	Contracted Cash Flow \$'000	Carrying Amount \$'000
Trade and other payables	1,594	-	-	-	-	1,594	1,594
Trust funds and deposits			169		-	169	169
Interest-bearing loans and borrowings	211	1,192	397	1,694	3,545	7,039	7,039
Total financial liabilities	1,805	1,192	566	1,694	3,545	8,802	8,802

2018	6 mths or less \$'000	6-12 months \$'000	1-2 years \$'000	2-5 years \$'000	>5 years \$'000	Contracted Cash Flow \$'000	Carrying Amount \$'000
Trade and other payables	864					864	864
Trust funds and deposits	1	45	9	3	-	58	58
Interest-bearing loans and borrowings	1109	112	189	946	1,416	3772	3772
Total financial liabilities	1,974	157	198	949	1,416	4,694	4,694

(e) 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 1%.

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			
		-1 %		+2%	
		-200 basis points		+100 basis points	
		Profit	Equity	Profit	Equity
2019	\$'000	\$'000	\$'000	\$'000	\$'000
Financial assets:					
Cash and cash equivalents	3,792	(38)	(38)	76	76
Trade and other receivables	560	(6)	(6)	11	54
Financial liabilities:					
Interest-bearing loans and borrowings	7,039	70	70	(141)	(141)

		Interest rate risk			
		-1%		+2%	
		-100 basis points		+200 basis points	
		Profit	Equity	Profit	Equity
2018	\$'000	\$'000	\$'000	\$'000	\$'000
Financial assets:					
Cash and cash equivalents	1,390	(14)	(14)	28	28
Trade and other receivables	458	(5)	(5)	9	9
Financial liabilities:					
Interest-bearing loans and borrowings	3,772	38	38	(75)	(75)

Note 9.10 Fair Value Measurements

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

- Investment in water corporation
- Property, infrastructure plant and equipment
 - Land
 - Leased land
 - Buildings
 - Roads, including footpaths & cycleways
 - Bridges
 - Drainage

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 5.3

(a) Fair Value Hierarchy

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

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

The table below shows the assigned level for each asset and liability held at fair value by the Council. The table presents the Council's assets and liabilities measured and recognised at fair value at 30 June 2019.

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

As at 30 June 2019

	Note	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Recurring fair value measurements					
Investment in water corporation	4.1	-	-	36,627	36,627
Land	6.1	-	22,815	-	22,815
Buildings	6.1	-	8,985	-	8,985
Roads, including footpaths & cycleways	6.1	-	-	58,515	58,515
Bridges	6.1	-	-	7,835	7,835
Drainage	6.1	-	-	3,697	3,697
		-	31,800	106,674	138,474

As at 30 June 2018

	Note	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Recurring fair value measurements					
Investment in water corporation	4.1	-	-	31,951	31,951
Land	6.1	-	21,956	-	21,956
Buildings	6.1	-	8,961	-	8,961
Roads, including footpaths & cycleways	6.1	-	-	52,549	52,549
Bridges	6.1	-	-	7,300	7,300
Drainage	6.1	-	-	2,675	2,675
		-	30,917	94,474	125,392

Note 9.10 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 Fair Value Measurement, requires the fair value of non-financial assets to be calculated based on their "highest and best use". All assets valued at fair value in this note are being used for their highest and best use.

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

Investment property and Investment in water corporation

Refer to Note 4.1 for details of valuation techniques used to derive fair values.

Land

Land and leased land was revalued at 30 June 2019 in line with the Municipal Valuation.

Land under roads

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

Buildings

Buildings were revalued at 30 June 2019 in line with the Municipal Valuations

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

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

Infrastructure assets

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

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

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

The level of accumulated depreciation for infrastructure assets was determined based on the age of the asset and the useful life adopted by Council for the asset type. Estimated useful lives and residual values are disclosed in Note 6.1.

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

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

Note 9.10 Fair Value Measurements (cont.)

Roads, including footpaths & cycleways

A full valuation of road assets was undertaken by independent valuers, Brighton Council, effective 30 June 2019.

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 of 1km, while rural roads are managed in segments of similar age and construction type. 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. 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 2019. 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.

Drainage

A full valuation of drainage infrastructure was undertaken by Council's Engineer, effective 30 June 2019. 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.

(d) Unobservable inputs and sensitivities

Asset / liability category*	Carrying amount (at fair value)	Key unobservable inputs *	Expected range of inputs	Description of how changes in inputs will affect the fair value
Investment in Water Corporation	36,627	Refer to note 4.1 for a description of the valuation basis.		

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

Note 9.10 Fair Value Measurements (cont.)

(e) Changes in recurring level 3 fair value measurements

The changes in level 3 property plant and equipment assets with recurring fair value measurements are detailed in note 6.1 (Property, infrastructure, plant and equipment). Investment in water corporation, which is classified as level 3 has been separately disclosed in note 4.1.

There have been no transfers between level 1, 2 or 3 measurements during the year.

(f) 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 notes 4.1, and 6.1 respectively.

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

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

Council borrowings are measured at amortised cost with interest recognised in profit or loss when incurred. The fair value of borrowings disclosed 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 9.11 Events occurring after balance date
(a) The General Manager, David Metcalf, formally retired effective 1 July 2019.

Note 10 Other matters

Note 10.1 Related party transactions

(i) **Responsible Persons**

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

Councillors

Debbie Wisby (Mayor from 07/11/2018, Councillor since 05/11/2014)
Michael Kent (Mayor 5/11/2014 to 07/11/2018, Councillor to December 2018)
Jenny Woods (Deputy Mayor from 07/11/2018, Councillor since November 2009)
Cheryl Arnol (Deputy Mayor from 05/11/2014 to 07/11/2018, Councillor since November 2007)
Jennifer Crawford (Councillor since November 2005)
Keith Breheny (Councillor from 07/11/2018)
Annie Brownie (Councillor from 07/11/2018)
Rob Churchill (Councillor from 07/11/2018)
Keith Pyke (Councillor from 17/01/2019)
Michael Symons (Councillor from 07/11/2018)
Richard Parker (Councillor to 07/11/2018)
Britt Steiner (Councillor to 07/11/2018)
Mick Fama (Councillor to 07/11/2018)

General Manager

David Metcalf (on leave from 31 March 2019 to 30 June 2019)
Acting General Manager, Daniel Smee (1 April to 19 May 2019)
Acting General Manager, Ian Pearce (20 May to 7 July 2019)

(ii) **Councillor Remuneration**

2019	Short term employee benefits		Post employment benefits	Total Compensation AASB 124	Expenses ³	Total allowances and expenses section 72
	Allowances	Vehicles ²	Superannuation ¹			
	\$	\$	\$	\$	\$	\$
Michael Kent	3,923	5,734	-	9,657		9,657
Debbie Wisby	26,087	5,640	-	31,727	3,295	35,022
Cheryl Arnol	14,863	-	-	14,863	2,482	17,345
Jenny Woods	16,547	-	-	16,547	-	16,547
Councillors	42,305	-	-	42,305	14,246	56,551
Total	103,725	11,374	-	115,099	20,023	135,122

2018	Short term employee benefits		Post employment benefits	Total Compensation AASB 124	Expenses ³	Total allowances and expenses section 72
	Allowances	Vehicles ²	Superannuation ¹			
	\$	\$	\$	\$	\$	\$
Michael Kent	36,171	11,374	-	47,545	1,851	49,396
Cheryl Arnol	23,918	-	-	23,918	1,186	25,104
Councillors	62,858	-	-	62,858	9,621	72,479
Total	122,947	11,374	-	134,321	12,658	146,979

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 Section 72(1)(c) of the *Local Government Act 1993* requires the disclosure of expenses paid to Councillors.

Note 10.1 Related party transactions (cont.)

(iii) Key Management Personnel Remuneration

2019 Remuneration band	Number of employees	Short term employee benefits				Post employment benefits			Non-monetary Benefits ⁸	Total
		Salary ¹	Short-term Incentive Payments ²	Vehicles ³	Other Allowances and Benefits ⁴	Super-annuation ⁵	Other Long-term Benefits ⁶	Termination Benefits ⁷		
		\$	\$	\$	\$	\$	\$	\$		
\$10 001 - \$20 000	1	10,000	-	-	-	1,600	-	-	-	11,600
\$20 001 - \$30 000	1	27,265	-	-	-	-	-	-	-	27,265
\$90 001 - \$110 000	2	151,240	-	25,625	393	24,055	-	-	3,731	205,044
\$130 001 - \$150 000	1	114,583	-	15,749	-	18,333	-	-	980	149,645
\$190 001 - \$210 000	1	175,306	-	17,150	-	28,049	-	-	(11,228)	209,277
Total		478,394	-	58,524	393	72,037	-	-	(6,517)	602,831

(iii) Key Management Personnel Remuneration (Cont...)

2018 Remuneration band	Number of employees	Short term employee benefits				Post employment benefits			Non-monetary Benefits ⁸	Total
		Salary ¹	Short-term Incentive Payments ²	Vehicles ³	Other Allowances and Benefits ⁴	Super-annuation ⁵	Other Long-term Benefits ⁶	Termination Benefits ⁷		
		\$	\$	\$	\$	\$	\$	\$		
\$80 001 - \$100 000	2	157,090	-	28,240	872	21,851	-	-	(23,387)	184,666
\$100 001 - \$120 000	1	88,074	-	10,844	775	14,092	-	-	(13,084)	100,701
\$120 001 - \$140 000	1	110,748	-	15,749	330	17,720	-	-	(1,489)	143,058
\$160 001 - \$180 000	1	145,837	-	16,232	330	23,334	-	-	5,093	190,826
Total		501,749	-	71,065	2,307	76,997	-	-	(32,867)	619,251

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).

(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.

Note 10.1 Related party transactions (cont.)

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.

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

Most of the entities and people that are related parties of council live and operate within the municipality. Therefore, on a regular basis ordinary citizen transactions occur between Council and its related parties. Some examples include: Payment of rates on primary residence; payment of dog registrations; and payment of marina fees.

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

Note 10.2 Special committees and other activities

Committee	Opening Balance	Movement	Closing Balance
	\$	\$	\$
Bicheno War Memorial	6,417	(2,744)	3,673
Buckland Hall	2,592	412	3,004
Cranbrook Hall	1,375	(427)	948
Coles Bay Hall	4,237	(519)	3,718
Coles Bay Hall - Invest	5,674	-	5,674
Orford Hall	10,611	(2,078)	8,533
Swansea Town Hall	6,046	1,278	7,324
Spring Bay Memorial Trust	519	-	519
Triabunna Hall	5,958	3,370	9,328
Triabunna Recreation Ground	-	83,338	83,338
	<u>43,429</u>	<u>82,630</u>	<u>126,059</u>

Note 10.3 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 non-financial assets

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

(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 9 *Financial Instruments*

This standard replaces the existing standard, AASB 139: *Financial Instruments: Recognition and Measurement* and revises classification, measurement and disclosure of financial assets and liabilities. It reduces the number of categories for financial assets and simplifies the measurement choices, including the removal of impairment testing of assets measured at fair value. Classification of financial assets is determined by Council's business model for holding the particular asset and its contractual cash flows.

Council has applied this standard from 1 July 2018 using a retrospective approach with cumulative catch-up. This does not require Council to restate comparative figures, but does require the presentation of both qualitative and quantitative disclosures for affected items, along with a corresponding adjustment to the opening balance of Accumulated surpluses for transitional effects of re-measurement.

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

(a) *Classification and measurement*

The financial assets of Council have been reclassified into one of the following categories on adoption of AASB 9. The classifications are primarily based on Council's business model in which a financial asset is managed and its contractual cash flow characteristics. The main effects resulting from reclassification are as follows:

- *Trade and other receivables* - classified as 'Loans and receivables' as at 30 June 2018, these are held to collect contractual cash flows and give rise to cash flows representing solely payments of principal and interest. These are classified and measured as Financial assets at 'Amortised cost' beginning 1 July 2018.
- *Investment in water corporation* - classified as an 'Available-For-Sale' financial asset as at 30 June 2018. As Council does not hold this equity investment for trading purposes, it has made an irrevocable election for this equity instrument to present any subsequent changes in fair value in Other comprehensive income. Under this approach only dividends are recognised in profit or loss. Council's Investment in water corporation is classified and measured as an 'Equity instrument at fair value through other comprehensive income' beginning 1 July 2018.
- Council did not designate any financial assets as at fair value through profit or loss.
- Council has not designated any financial liabilities at fair value through profit or loss. There are no changes in the classification and measurement for Council's financial liabilities.

In summary, upon the adoption of AASB 9, Council had the following required (or elected) reclassifications as at 1 July 2018:

AASB 139 Category and carrying amount				AASB 9 Category and carrying amount			
				Amortised Cost \$'000	Fair value through profit or loss \$'000	Fair value through OCI \$'000	Equity instrument at fair value through \$'000
	Note	'000					
Loans and receivables							
Trade and other receivables	5.2	560	560	-	-	-	
Held to maturity							
Financial assets -Term Deposits	5.1	13	-	13	-	-	
Available-for-sale							
Investment in water corporation	4.1	36,627	-	-	-	36,627	
			560	13	-	36,627	

(b) *Impairment of financial assets*

The adoption of AASB 9 has fundamentally changed Council's accounting for impairment losses for financial assets by replacing AASB 139's incurred loss approach, with a forward-looking expected credit loss (ECL) approach. AASB 9 requires Council to recognise an allowance for ECLs for all financial assets not held at fair value through profit or loss.

There was no remeasurement of impairment losses as a result of adopting AASB 9.

(h) **Pending Accounting Standards**

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2019 reporting periods. Council's

(i) *AASB 15 Revenue from Contracts with Customers*

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

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

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

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

- Depending on the respective contractual terms, the new requirements of AASB 15 may result in a change to the timing of revenue from sales of goods and services such that some revenue may need to be deferred as a liability to a later reporting period to the extent that Council has received cash, but has not met its associated performance obligations, (a promise to transfer a good or service).
- Grants received to construct non-financial assets controlled by Council will be recognised as a liability, and subsequently recognised progressively as revenue as Council satisfies its performance obligations under the grant. At present, such grants are recognised as
- Other grants presently recognised as revenue upfront may be eligible to be recognised as revenue progressively as the associated performance obligations are satisfied, but only if the associated performance obligations are enforceable and sufficiently specific.
- Grants that are not enforceable and/or not sufficiently specific, will not qualify for deferral, and continue to be recognised as revenue as soon as they are controlled. Council receives several grants for which there are no sufficiently specific performance obligations, for example the Commonwealth Financial Assistance Grants. These grants are will continue being recognised as revenue upfront assuming no change to the current grant arrangements.

For Council there will be a significant effect in the treatment of all grants with sufficiently specific performance obligations, but where the conditions have yet to be fulfilled at year end. Council currently presents unexpended grant income received in note 2.4.

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

Note 10.3 Other significant accounting policies and pending accounting standards (cont)

(iii) AASB 1058 *Income of Not-for-Profit Entities*

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

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

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

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

Where the asset acquired is leased at a "Peppercorn" rate, Council is required to recognise the leased asset at its fair value, the remaining lease liability and the balance as income. These leased right-of-use assets have previously been recognised. It will have minimal impact in income and lease liabilities

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

AASB 1058 requires the recognition of Volunteer services where they would have been purchased if not donated and the fair value of those services can be reliably measured. Council has identified that volunteer services are engaged by Council, but Council has not yet determined the impact, however Council does not believe that these would be material.

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

(iv) AASB 16 *Leases*

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

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

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

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

Lessor accounting under AASB 16 remains largely unchanged. For finance leases, the lessor recognises a receivable equal to the net investment in the lease. Lease receipts from operating leases are recognised as income either on a straight-line basis or another systematic basis where appropriate.

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

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 10.4 Significant Business Activities

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

	Road Maintenance (non Council)		Marina/Wharf		Information Centres		East Coast Health	
	2019	2018	2019	2018	2019	2018	2019	2018
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<i>Revenue</i>								
Rates	-	-	-	-	-	220	315	307
User Changes	187	196	350	263	308	631	-	-
Grants	-	-	85	510	-	-	3	44
Other	-	-	-	-	54	-	974	944
Total Revenue	187	196	435	773	362	851	1,292	1,295
<i>Expenditure</i>								
<i>Direct</i>								
Employee Costs	96	127	35	37	489	442	539	512
Materials and Contacts	26	74	106	93	190	430	827	744
Interest	-	-	108	130	-	-	1	-
Utilities	-	-	26	21	8	11	27	26
<i>Indirect</i>								
Engineering & Administration	-	-	-	-	-	-	-	-
Total Expenses	122	201	275	281	687	883	1,394	1,282
<i>Notional cost of free services received</i>								
<i>Capital Costs</i>								
Depreciation and amortisation	-	-	102	98	4	4	91	88
Opportunity cost of capital	-	-	141	141	-	-	-	-
Total Capital Costs	-	-	243	239	4	4	91	88
<i>Competitive neutrality adjustments</i>								
Rates and land tax	-	-	-	-	4	4	3	3
	-	-	-	-	4	4	3	3
<i>Calculated Surplus/(Deficit)</i>	65	(5)	58	394	(333)	(40)	(196)	(78)
Tax Equivalent rate	30%	30%	30%	30%	30%	30%	30%	30%
Taxation equivalent	19	-	17	118	-	-	-	-
Competitive neutrality costs	141	201	536	638	695	891	1,488	1,373

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 Road Maintenance, Marina/Wharf, 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 10.5 Management indicators	Benchmark	2019 \$'000	2018 \$'000	2017 \$'000	2016 \$'000
(a) Underlying surplus or deficit					
Net result for the year		3,053	3,264	5,961	485
Less non-operating income					
Recurrent Income		13,048	12,952	12,566	11,186
Add non-operational expenses					
Recurrent Expenditure		12,674	12,278	12,179	12,273
Underlying surplus/deficit	0	374	674	387	(1,087)

The intent of the underlying result is to show the outcome of a council's normal or usual day to day operations.

(b) Underlying surplus ratio					
<u>Underlying surplus or deficit</u>		374	674	387	-1,087
Recurrent income*		13,048	12,952	12,566	11,186
Underlying surplus ratio %	0%	3%	5%	3%	-10%

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

(c) Net financial liabilities					
Liquid assets less		4,352	1,858	1,909	2,441
total liabilities		9,667	5,546	5,394	5,411
Net financial liabilities	0	(5,315)	(3,688)	(3,485)	(2,970)

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.

(d) Net financial liabilities ratio					
<u>Net financial liabilities</u>		(5,315)	(3,688)	(3,807)	(3,485)
Recurrent income*		13,048	12,952	12,566	11,186
Net financial liabilities ratio %	0% - (50%)	-41%	-28%	-30%	-31%

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

(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>		50,112	45,413	43,743	41,375
Current replacement cost		72,418	72,404	68,647	63,611
Asset consumption ratio %	40-60%	69%	63%	64%	65%
<i>Bridges</i>					
<u>Depreciated replacement cost</u>		7,835	7,300	6,705	5,259
Current replacement cost		11,003	9,906	9,387	7,463
Asset consumption ratio %	40-60%	71%	74%	71%	70%
<i>Footpaths & cycleways</i>					
<u>Depreciated replacement cost</u>		8,403	7,136	6,971	6,855
Current replacement cost		12,614	12,039	11,466	11,098
Asset consumption ratio %	40-60%	67%	59%	61%	62%

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

Note 10.5 Management indicators (cont.)	2019 \$'000	2018 \$'000	2017 \$'000	2016 \$'000
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(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.

Transport Infrastructure

Projected capital funding outlays**	1,751	1,680	2,029	2,371
Projected capital expenditure funding***	1,751	1,680	2,029	2,371
Asset renewal funding ratio %	90-100%	100%	100%	100%

Buildings

Projected capital funding outlays**	298	327	138	420
Projected capital expenditure funding***	298	327	138	420
Asset renewal funding ratio %	90-100%	100%	100%	100%

Drainage

Projected capital funding outlays**	276	77	85	227
Projected capital expenditure funding***	276	77	85	227
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	2,358	2,386	1,734	3,090
Annual depreciation expense	2,243	2,158	2,009	2,014
Asset sustainability ratio %	100%	105%	111%	153%

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

Average ratio is 114%, which is above Benchmark

2019	Capital renewal expenditure \$'000	Capital new /upgrade expenditure \$'000	Total Capital Expenditure \$'000
By asset class			
Buildings and other infrastructure	2,358	4,771	7,129
Total	2,358	4,771	7,129

2018	Capital renewal expenditure \$'000	Capital new /upgrade expenditure \$'000	Total Capital Expenditure \$'000
By asset class			
Buildings and other Infrastructure	2,386	2,923	5,309
Total	2,386	2,923	5,309

Note 10.6 Material Budget Variations

Council's original budget was adopted by the Council on 28 August 2018. The original projections on which the budget was based have been affected by a number of factors. These include State and Federal Government decisions including new grant programs, changing economic activity, the weather, and by decisions made by the Council. Material variations are explained below:

Revenues

1 User fees

Revenue from user fees was down \$307,782 on budget (27%), this was mainly due to a decrease in transfer station fees of 32% and the sale of recyclables down 86%. However the main decrease relates to the visitor centre bookings being overbudgeted as council now only recognise the commission received on these bookings, rather than the gross takings for accommodation owners.

2 Grants

The variations for both operating and capital was up \$610,244 on budget (79%) due to the early receipt of Commonwealth funding. The Australian Commonwealth Government provides Financial Assistance Grants to Council for general purpose use and the provision of local roads. Since 2011-12 the Commonwealth has been making 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 effects of the early receipt of instalments each year has resulted in Commonwealth Government Financial Assistance Grants being above that originally budgeted in 2018-19 by \$650,716 and 2017-18 by \$637,397. This has impacted the Statement of Comprehensive Income resulting in the Surplus/(deficit) being higher in both years by these amounts. With fewer instalments due to be received in 2018-19, the reverse effect may occur, however future payments remain at the Commonwealth's discretion.

3 Other income

Other income up \$192,113 on budget (12%) due mainly to a insurance claim reimbursements and contributions from local community groups towards projects.

4 Investment revenue from water corporations

Investment revenue from water corporation was down \$206,999 on budget (33%) due to the ending of the memorandum of understanding between councils and the water corporation. As a result from the end of January 2019, Council no longer receive tax equivalent and guarantee fees. Council continue to receive an interim and final dividend payments from the water corporation, however total investment revenue was unexpectedly lower than previous years.

Certification of the Financial Report

The financial report presents fairly the financial position of the Glamorgan Spring Bay Council as at 30 June 2019, 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.



Chris Shroeder
General Manager

Date : 14/08/2019