

ANNEX

B

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General Manager's Declaration

The financial report presents fairly the financial position of the George Town Council as at 30 June 2019 and the results of its operations and cash flows for the year then ended, in accordance with the Local Government Act 1993 (as amended), Australian Accounting Standards and other authoritative pronouncements issued by the Australian Accounting Standards Board.



Shane Power
General Manager

Dated: 6 September 2019

Statement of Profit or Loss and Other Comprehensive Income

for the year ended 30 June 2019

(Amounts shown in \$)	Note	Budget 2019	Actual 2019	Actual 2018
Income from continuing operations				
Recurrent Income				
Rates and charges	2.2a	8,231,143	8,232,086	7,976,126
Statutory fees and fines	2.2b	265,851	392,035	273,825
User fees	2.2c	382,711	289,142	159,679
Grants - Recurrent	2.2d	1,827,692	1,925,721	1,783,339
Interest	2.2e	90,000	110,249	91,342
Other income	2.2f	127,709	236,027	189,756
Investment revenue from water corporation	2.2g	214,491	226,000	339,000
		11,139,597	11,411,260	10,813,067
Net Capital Income				
Grants - capital	2.2h	3,637,000	5,262,292	2,406,936
Contributions	2.2i	-	21,861	13,263
Net gain/(loss) on disposal of property, plant, equipment and infrastructure	2.2j	-	10,002	(5,485)
		3,637,000	5,294,155	2,414,714
Total income from continuing operations		14,776,597	16,705,415	13,227,781
Expenses from continuing operations				
Employee benefits	2.3a	(3,365,655)	(3,340,700)	(3,612,317)
Materials and services	2.3b	(3,048,065)	(3,045,631)	(2,926,285)
Impairment of receivables	2.3c	(5,000)	(27,094)	18,754
Depreciation and amortisation	2.3d	(2,803,000)	(2,841,435)	(2,726,217)
Finance costs	2.3e	(108,967)	(111,813)	(111,563)
Other expenses	2.3f	(1,543,686)	(1,525,309)	(1,517,169)
Total expenses from continuing operations		(10,874,373)	(10,891,982)	(10,874,797)
Result from continuing operations		3,902,224	5,813,433	2,352,984
Other comprehensive income				
Items that will not be reclassified to surplus or deficit				
Fair value adjustments on equity investment asset	3.5	-	2,933,858	-
Net asset revaluation increment/(decrement)	3.6	-	(114,316)	5,115,133
Items that may be reclassified subsequently to surplus or deficit				
Financial assets available for sale reserve				
- Fair value adjustment on available for sale asset	3.5	-	-	254,987
Total Other Comprehensive Income		-	2,819,542	5,370,120
Total Comprehensive Result		3,902,224	8,632,975	7,723,104

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

Statement of Financial Position

as at 30 June 2019

(Amounts shown in \$)	Note	Actual 2019	Actual 2018
Assets			
Current assets			
Cash and cash equivalents	3.1	6,822,419	5,056,456
Trade and other receivables	3.2	629,735	1,930,145
Assets held for sale	3.3	330,000	380,000
Other assets	3.4	74,643	45,211
Total current assets		7,856,797	7,411,812
Non-current assets			
Investment in water corporation	3.5	22,682,923	19,749,065
Property, plant, equipment and infrastructure	3.6	106,986,490	101,529,439
Total non-current assets		129,669,413	121,278,504
Total assets		137,526,210	128,690,316
Liabilities			
Current liabilities			
Trade and other payables	3.7	809,542	608,392
Trust funds and deposits	3.8	138,681	145,010
Employee provisions	4.1	613,874	503,126
Interest-bearing loans and borrowings	5.1	145,521	140,354
Total current liabilities		1,707,618	1,396,882
Non-current liabilities			
Employee provisions	4.1	214,231	176,544
Interest-bearing loans and borrowings	5.1	2,443,699	2,589,203
Total non-current liabilities		2,657,930	2,765,747
Total liabilities		4,365,548	4,162,629
Net Assets		133,160,662	124,527,687
Equity			
Accumulated Surplus		66,441,359	60,616,326
Reserves	6.1	66,719,303	63,911,361
Total Equity		133,160,662	124,527,687

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

Statement of Changes in Equity

for the year ended 30 June 2019

(Amounts shown in \$)	Note	Total	Accumulated	Asset	Fair Value	Other
		Surplus	Surplus	Revaluation	Reserve	Reserves
				Reserve		
Balance as at 30 June 2017		116,804,583	58,452,776	59,276,412	(1,473,324)	548,719
Result from continuing operations		2,352,984	2,352,984	-	-	-
Fair value adjustment on available for sale asset	3.5	254,987	-	-	254,987	-
Net asset revaluation increment/(decrement)	3.6	5,115,133	-	5,115,133	-	-
Transfers between reserves		-	(189,434)	-	-	189,434
Balance as at 30 June 2018		124,527,687	60,616,326	64,391,545	(1,218,337)	738,153
Result from continuing operations		5,813,433	5,813,433	-	-	-
Fair value adjustment on equity investment asset	3.5	2,933,858	-	-	2,933,858	-
Net revaluation reserve increment/(decrement)	3.6	(114,316)	-	(114,316)	-	-
Transfers between reserves		-	11,600	-	-	(11,600)
Balance as at 30 June 2019		133,160,662	66,441,359	64,277,229	1,715,521	726,553

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

Statement of Cash Flows

for the year ended 30 June 2019

(Amounts shown in \$)	Note	Actual 2019	Actual 2018
Cash flows from operating activities			
Rates		7,958,902	7,888,697
Statutory fees and charges		367,035	273,825
User charges and other fines (inclusive of GST)		296,142	203,866
Grant		1,925,721	1,783,339
Interest		110,249	91,342
Investment revenue from water corporation		226,000	339,000
Other receipts (inclusive of GST)		262,027	212,756
Net GST refund/payment		441,284	580,631
Payments to suppliers (inclusive of GST)		(5,462,725)	(4,994,888)
Payments to employees		(3,192,265)	(3,912,458)
Finance costs		(111,813)	(111,563)
Net cash from (used in) operating activities	2.4	2,820,557	2,354,547
Cash flows from investing activities			
Payments for property, plant, equipment and infrastructure		(8,466,402)	(3,052,986)
Proceeds from sale of property, plant, equipment and infrastructure		113,602	50,950
Developer contributions for capital works		21,861	13,263
Capital grants (inclusive of GST)		7,423,011	806,436
Net cash from (used in) investing activities		(907,928)	(2,182,337)
Cash flows from financing activities			
Trust funds and deposits		(6,329)	33,917
Proceeds from interest bearing loans and borrowings		-	-
Repayment of interest bearing loans and borrowings		(140,337)	(136,787)
Net cash from (used in) financing activities	2.5	(146,666)	(102,870)
Net increase (decrease) in cash and cash equivalents		1,765,963	69,340
Cash and cash equivalents at the beginning of the financial year		5,056,456	4,987,116
Cash and cash equivalents at the end of the financial year	3.1	6,822,419	5,056,456

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

Notes to the Financial Report

for the year ended 30 June 2019

1 About the financial statements

This section outlines the basis on which the Council's financial statements have been prepared including key judgements and estimates and any events which occurred subsequent to balance date that required reporting.

1.1 Reporting entity

- (a) George Town Council is a body corporate with perpetual succession and a common seal. Council's main office is located at Anne Street, George Town.
- (b) The purpose of the Council is to:
 - provide for health, safety and welfare of the community;
 - to improve the overall quality of life of people in the local community;
 - promote appropriate business and employment opportunities

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).

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 dollar.

This financial report has been prepared under the historical cost convention, except where specifically stated.

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.

The financial report includes transactions for all special Committees of Council. Council does not control any subsidiary or participate in any joint venture.

Notes to the Financial Report

for the year ended 30 June 2019

1.3 Use of judgements and estimates

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 4.1.

Defined benefit superannuation fund obligations

Actuarial assumptions are utilised in the determination of Council's defined benefit superannuation fund obligations. These assumptions are discussed in note 4.3.

Fair value of property, plant, equipment and infrastructure

Assumptions and judgements are utilised in determining the fair value of Council's property, plant, equipment and infrastructure including useful lives and depreciation rates. These assumptions are discussed in note 3.6.

Investment in water corporation

Assumptions utilised in the determination of Council's valuation of its investment in TasWater are discussed in note 3.5.

Landfill / Tip Rehabilitation

Council's landfill site is licensed to receive inert waste for many years to come and part of the site is utilised as a waste transfer station, therefore no rehabilitation provision has been allowed for at this stage. Capping of the site is in the process of being approved by the Environmental Protection Authority which will be finalised within the next reporting period. (Refer to note 6.4)

1.4 Events occurring after balance date

No significant events occurred after balance date that require reporting.

Notes to the Financial Report

for the year ended 30 June 2019

2 Financial performance

This section outlines the financial performance of Council including its functions/activities. Details of operating income, expenses, cash flow information, management indicators compared with benchmarks and significant business activities are disclosed in the notes.

2.1 Functions/Activities of the Council

2.1a Revenue, expenses and assets attributable to each function as categorised in Note 2.1c below:

(Amounts shown in \$)	Income from continuing operations		Expenses from continuing operations		Result from continuing operations		Assets	
	2019	2018	2019	2018	2019	2018	2019	2018
Roads, streets and bridges	5,665,044	3,204,326	3,131,558	3,341,336	2,533,486	(137,010)	74,016,201	68,804,953
Drainage	-	-	256,352	213,877	(256,352)	(213,877)	9,718,155	9,794,711
Waste management	1,380,025	998,145	1,136,726	1,096,158	243,299	(98,013)	2,233,845	2,257,926
Community amenities	271,135	49,856	1,284,122	1,380,044	(1,012,987)	(1,330,188)	9,917,010	10,280,908
Environmental health	16,543	13,450	95,507	64,308	(78,964)	(50,858)	-	-
Planning services	100,366	78,777	294,865	302,690	(194,499)	(223,913)	-	-
Building control	183,729	118,933	892,142	855,777	(708,413)	(736,844)	-	-
Economic development	30,266	33,010	248,583	254,035	(218,317)	(221,025)	-	-
Community services	22,593	-	106,847	84,458	(84,254)	(84,458)	-	-
Recreation facilities	144,451	50,298	374,851	394,226	(230,400)	(343,928)	2,665,611	1,980,220
Governance and administration	8,526,635	8,346,948	2,062,270	2,144,885	6,464,365	6,202,063	38,121,747	34,687,161
Other - non attributable	364,628	334,038	1,008,159	743,003	(643,531)	(408,965)	853,641	884,437
	16,705,415	13,227,781	10,891,982	10,874,797	5,813,433	2,352,984	137,526,210	128,690,316

Grants included in Income from continuing operations:

	2019	2018
Roads, streets and bridges	5,583,447	3,166,754
Drainage	-	-
Waste management	210,000	38,082
Community amenities	-	1,373
Environmental health	-	-
Planning services	-	-
Building control	-	-
Economic development	-	-
Community services	24,136	-
Recreation facilities	304,030	2,000
Governance and administration	1,066,400	982,066
Other - non attributable	-	-
	7,188,013	4,190,275

2.1b Reconciliation of Assets with the Statement of Financial Position at 30 June:

	2019	2018
Current assets	7,856,797	7,411,812
Non- current assets	129,669,413	121,278,504
	137,526,210	128,690,316

Notes to the Financial Report

for the year ended 30 June 2019

2.1 Functions/Activities of the Council (continued)

2.1c Nature and objective of functions/activities

Roads, streets and bridges

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

Drainage

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

Waste Management

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

Community amenities

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

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.

Economic development

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

Community services

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

Recreation facilities

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

Governance and administration

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

Other - not attributable

Rates and charges and work not attributed elsewhere.

Notes to the Financial Report

for the year ended 30 June 2019

2.2 Income from continuing operations

(Amounts shown in \$)	2019	2018
Recurrent income		
2.2a Rates and charges		
General	6,992,891	6,780,712
Fire levy	280,125	263,371
Garbage charge	976,994	903,116
Rates and charges in advance	(17,924)	28,927
<i>Total rates and charges</i>	8,232,086	7,976,126
2.2b Statutory fees and fines		
Animal control and environmental fees	30,156	24,519
Town planning fees	269,687	176,534
Land information certificates	92,192	72,772
<i>Total statutory fees and fines</i>	392,035	273,825
2.2c User fees		
Town planning fees	24,385	17,858
Waste disposal fees	162,264	49,872
Other fees and charges	102,493	91,949
<i>Total user fees</i>	289,142	159,679
2.2d Grants - Recurrent		
Australian Government Financial Assistance Grants - General Purpose	1,066,400	982,476
Australian Government Financial Assistance Grants - Roads	811,971	763,057
Australian Government Financial Assistance Grants - Bridges	23,214	21,216
Tasmanian Government - Bridges	-	15,000
Tasmanian Government - Community Services	22,546	-
Other	1,590	1,590
<i>Total recurrent grants</i>	1,925,721	1,783,339
2.2e Interest		
Interest on cash and cash equivalents	110,249	91,342
<i>Total interest</i>	110,249	91,342
2.2f Other income		
Reimbursements	190,173	139,788
Fuel rebate	15,924	18,678
Sundry	29,930	31,290
<i>Total other income</i>	236,027	189,756
2.2g Investment revenue from water corporation		
Dividend revenue received	118,522	209,040
Tax equivalent received	76,951	100,063
Guarantee fee received	30,527	29,897
<i>Total investment revenue from water corporation</i>	226,000	339,000
Total recurrent income	11,411,260	10,813,067

Notes to the Financial Report

for the year ended 30 June 2019

2.2 Income from continuing operations (continued)

(Amounts shown in \$)	2019	2018
2.2h Net capital income		
Grants - capital		
Australian Government - Roads to Recovery, Hillwood and Leam Roads, Street Lighting	571,262	694,946
Australian Government - Industry and Soldier Settlement Roads	4,177,000	1,603,000
Australian Government - Waste Transfer Station Upgrade	210,000	-
Australian Government - Levelling the Playing Fields	225,000	-
Australian Government - NDRRA 2016 Flood	-	69,535
Australian Government - Netball Courts Resurface	29,030	-
Tasmanian Government - George Town Mountain Bike Trail Feasibility Study	50,000	-
Northern Tasmanian Waste Management Group - Waste Transfer Station	-	38,082
Other	-	1,373
Total grants - capital	5,262,292	2,406,936
2.2i Contributions		
Developer contributions	21,861	13,263
Total contributions	21,861	13,263
2.2j Net gain/(loss) on disposal of property, plant, equipment and infrastructure		
Proceeds of sale	113,602	50,950
Assets held for sale disposed	(50,000)	-
Written down value of non-current assets disposed	(53,600)	(56,435)
Total gain/(loss)	10,002	(5,485)
Total net capital income	5,294,155	2,414,714
Total income from continuing operations	16,705,415	13,227,781

Notes to the Financial Report

for the year ended 30 June 2019

2.2 Income from continuing operations (continued)

(Amounts shown in \$)

2019

2018

2.2.1 Grants received by funding source and conditions attached

Funding source

Australian Government funded grants	7,113,877	4,134,230
Tasmanian Government funded grants	72,546	15,000
Other	1,590	41,045
Total	7,188,013	4,190,275

The Australian Government provides untied Financial Assistance Grants to Council for general purpose use and the provision of local roads. In accordance with AASB 1004 *Contributions*, Council recognised these grants as revenue when it received the funds and obtained control. In both years the Australian Government made early payment of the first two quarterly instalments for the following year. The early receipt of instalments resulted in Australian Government Financial Assistance Grants being above that originally budgeted in 2018-19 by \$964,042 (2017-18 by \$912,737). This has impacted the Statement of Profit or Loss and Other Comprehensive Income resulting in the result from continuing operations being higher by the same amount.

Conditions on grants

The unexpended balances of non-reciprocal grants which were obtained on the condition that they be expended for specified purposes and/or in a future period, are as follows:

Australian Government - Soldier Settlement Road	15,136	1,225,094
Australian Government - The Glen Road	-	36,379
Australian Government - Industry Road	179,665	-
Australian Government - Levelling the Playing Fields	215,478	-
Northern Tasmanian Waste Management Group - Waste Transfer Station	-	17,395
Total	410,279	1,278,868
Net increase (decrease) in unexpended balances of non-reciprocal grants	(868,589)	1,006,531

2.2.m Recognition and measurement

Rates and charges

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. The date of the last general revaluation of land for rating purposes within the municipality was 1 July 2013. Adjusted capital values were provided by the Valuer General in 2017.

Statutory fees and fines

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. A provision for impairment is recognised when collection in full is no longer probable.

14 User fees

Fee income is recognised as revenue when the service has been provided, or the payment is received, whichever first occurs. A provision for impairment is recognised when collection in full is no longer probable.

Notes to the Financial Report

for the year ended 30 June 2019

2.2 Income from continuing operations (continued)

Grants - recurrent and capital

Grant income is recognised as revenue when Council obtains control over the assets comprising the receipt. Control over granted assets is normally obtained upon their receipt (or acquittal) or upon earlier notification that a grant has been secured, and are valued at their fair value at the date of transfer. Where grants recognised as revenues during the financial year were obtained on condition that they be expended in a particular manner or used over a particular period and those conditions were undischarged at balance date, the unused grant is also disclosed. The note also discloses the amount of unused grant or contribution from prior years that was expended on Council's operations during the current year. A liability is recognised in respect of revenue that is reciprocal in nature to the extent that the requisite service has not been provided at balance date and conditions include a requirement to refund unused contributions. Revenue is then recognised as the various performance obligations under an agreement are fulfilled. Council does not currently have any reciprocal grants. Unreceived contributions over which Council has control are recognised as receivables.

Interest

Interest is recognised progressively as it is earned.

Other income

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.

Operating leases as lessor

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

Investment revenue from water corporation

Dividend revenue is recognised when Council's right to receive payment is established and it can be reliably measured.

Contributions

Contributions are recognised as revenue when Council obtains control over the assets comprising the receipt. Revenue is recognised when Council obtains control of the contribution or the right to receive the contribution, it is probable that the economic benefits comprising the contribution will flow to Council and the amount of the contribution can be measured reliably. Control over granted assets is normally obtained upon their receipt (or acquittal) or upon earlier notification that a grant has been secured, and are valued at their fair value at the date of transfer. Where contributions recognised as revenues during the financial year were obtained on condition that they be expended in a particular manner or used over a particular period and those conditions were undischarged at balance date, the unused contribution is also disclosed. The note also discloses the amount of unused contribution from prior years that was expended on Council's operations during the current year. Unreceived contributions over which Council has control are recognised as receivables. Non-monetary contributions (including developer contributions) with a value in excess of the recognition thresholds, are recognised as revenue and as non-current assets. Non-monetary contributions below the thresholds are recorded as revenue.

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

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

Notes to the Financial Report

for the year ended 30 June 2019

2.3 Expenses from continuing operations

(Amounts shown in \$)

	2019	2018
2.3a Employee benefits		
Wages and salaries	2,648,803	3,039,971
Workers compensation	54,014	46,187
Annual leave and long service leave	453,906	119,418
Personal leave	61,859	63,409
Time in lieu	1,363	1,867
Allowances	37,873	36,708
Superannuation	309,067	341,013
Fringe benefits tax	15,466	34,344
Payroll tax	108,111	166,245
Uniforms	21,822	20,258
	3,712,284	3,869,420
Less amounts capitalised	(371,584)	(257,103)
<i>Total employee benefits</i>	3,340,700	3,612,317
2.3b Materials and services		
Building maintenance	148,974	152,500
Information technology	129,798	119,035
Grounds maintenance	148,019	144,415
Office administration	72,941	70,336
Plant operating	272,640	253,515
Private works	2,356	2,137
Professional services	620,854	564,320
Roads and infrastructure maintenance	301,350	299,464
Swimming pool operation	124,967	125,090
Waste management disposal	801,920	778,009
Other materials and contracts	421,812	417,464
<i>Total materials and services</i>	3,045,631	2,926,285
<i>Auditors remuneration</i>		
The base audit fee for the audit of the financial statements for the current year was \$27,130 (2018: \$25,590)		
2.3c Impairment of receivables		
Provision for impairment movement	27,094	(18,754)
Other debtors	-	-
<i>Total impairment of receivables</i>	27,094	(18,754)

Notes to the Financial Report

for the year ended 30 June 2019

2.3 Expenses from continuing operations (continued)

(Amounts shown in \$)	2019	2018
2.3d Depreciation and amortisation		
Property		
Buildings	578,884	560,462
Plant and equipment		
Plant and machinery	252,014	276,264
Furniture and fixtures	41,660	40,872
Domestic waste	19,461	17,728
Infrastructure		
Roads	1,115,909	1,091,977
Kerb and gutter	109,283	108,263
Footpaths and cycleways	86,615	86,174
Light poles	30,796	25,057
Bridges	201,634	197,137
Drainage	190,160	162,613
Parks and reserves	88,307	79,226
Playground equipment	47,655	45,147
Waste transfer station	79,057	35,297
<i>Total depreciation and amortisation</i>	2,841,435	2,726,217
2.3e Finance costs		
Interest - Borrowings	111,813	111,563
<i>Total finance costs</i>	111,813	111,563
2.3f Other expenses		
Advertising	50,598	57,203
Bank fees and charges	12,162	11,791
Government levies	303,037	279,912
Community grants	20,693	21,980
Course seminar & conference registration	28,872	23,620
Elected members allowances	164,117	180,762
Electricity	244,467	253,865
Insurance	128,387	123,165
Land tax	37,610	33,785
Telephone charges	52,598	52,105
Vehicle registration	40,851	41,138
Plant hire costs and recovery	(42,285)	(21,782)
Software licences	114,718	102,137
Sponsorships	18,148	39,355
Subscriptions and memberships	80,995	77,890
TasWater charges	64,277	83,381
Other	206,064	156,862
<i>Total other expenses</i>	1,525,309	1,517,169
Total expenses from continuing operations	10,891,982	10,874,797

Notes to the Financial Report

for the year ended 30 June 2019

2.3 Expenses from continuing operations (continued)

2.3g Recognition and measurement

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. Further details of the nature and method of recognition and measurement of each expense item are set out below.

Employee benefits

Employee benefits include, where applicable, entitlements to wages and salaries, annual leave, sick leave, long service leave, superannuation and any other post-employment benefits. See also note 4.1.

Materials and services

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.

Impairment of receivables

Expenses are recognised when Council has determined there to be an increase in the credit risk of a financial asset since initial recognition. Council's policy and events giving rise to impairment losses are disclosed in note 3.2.

Depreciation and amortisation

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 and road earthwork assets are not depreciated on the basis that they are assessed as not having a limited useful life. The non-depreciation of road earthwork assets shall be reviewed at least at the end of each reporting period, to ensure that the accounting policy applied to particular earthwork assets reflects the most recent assessment of the useful lives of the assets, having regard to factors such as asset usage, physical deterioration and technical and commercial obsolescence.

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

	Period
Buildings	30 - 75 years
Plant and equipment	
Plant and machinery	3 - 20 years
Furniture and fixtures	5 - 20 years
Domestic waste	3 - 5 years
Roads	
road pavements and seals	10 - 98 years
road formation and earthworks	Unlimited
road kerb and gutter	25 - 90 years
Bridges	
bridges substructure	10 - 80 years
bridges superstructure	10 - 80 years

Notes to the Financial Report

for the year ended 30 June 2019

2.3 Expenses from continuing operations (continued)

Other Infrastructure	
Footpaths and cycleways	30 - 80 years
Drainage	20 - 100 years
Waste transfer station	30 years
Light poles	40 years
Parks and reserves	10 - 50 years
Playground equipment	10 - 20 years
Waste transfer station	30 years

Finance costs

Finance costs represent interest on interest-bearing loans and borrowings. Interest is expensed as it accrues and no interest has been capitalised during the current or comparative reporting period.

Other expenses

Other expenses represent items which individually are not material for separate disclosure on the Statement or Profit or Loss and Other Comprehensive Income.

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

(Amounts shown in \$)	2019	2018
Result from continuing operations	5,813,433	2,352,984
Depreciation and amortisation	2,841,435	2,726,217
Net (gain)/loss on disposal of property, plant, equipment and infrastructure	(10,002)	5,485
Grants - capital	(7,423,011)	(806,436)
Developer contributions	(21,861)	(13,263)
Change in assets and liabilities:		
Decrease/(increase) in trade and other receivables	1,300,410	(1,706,683)
Decrease/(increase) in other assets	(29,432)	12,568
Increase/(decrease) in trade and other payables	201,150	83,816
Increase/(decrease) in employee provisions	148,435	(300,141)
<i>Net cash provided by/(used in) operating activities</i>	2,820,557	2,354,547
Reconciliation of cash and cash equivalents		
Cash and cash equivalents	6,822,419	5,056,456
Total reconciliation of cash and cash equivalents	6,822,419	5,056,456

Notes to the Financial Report

for the year ended 30 June 2019

2.5 Reconciliation of liabilities arising from financing activities

(Amounts shown in \$)	2019	2018
Trust funds and deposits		
Balance at the beginning of the financial year	145,010	111,093
Net movements	(6,329)	33,917
Balance at the end of the financial year	138,681	145,010
Interest-bearing loans and borrowings		
Balance at the beginning of the financial year	2,729,557	2,866,344
Cash repayments	(140,337)	(136,787)
Balance at the end of the financial year	2,589,220	2,729,557

2.6 Management indicators

(Amounts shown in \$)	Benchmark	2019	2018	2017	2016
2.6a Underlying surplus or deficit					
Recurrent income* less		11,290,066	10,773,492	10,634,195	10,158,208
recurrent expenditure		10,891,982	10,874,797	11,747,057	11,217,671
Underlying surplus/deficit **	\$ Nil	398,084	(101,305)	(1,112,862)	(1,059,463)

* Recurrent income excludes income received specifically for new or upgraded assets, physical resources received free of charge or other income of a capital nature as set out below:

Income from continuing operations	16,705,415	13,227,781
Less non-operating income		
Financial Assistance Grant in advance - prior year	912,737	913,846
Financial Assistance Grant in advance - current year	(964,042)	(912,737)
Grants - Capital	(5,262,292)	(2,406,936)
Developer contributions	(21,861)	(13,263)
Proceeds from insurance claims	(79,891)	(35,199)
Recurrent income	11,290,066	10,773,492

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

The underlying surplus in the current year is a significant improvement compared with the results of 2018, 2017 and 2016. This improvement is the result of the outcomes of an organisational review and a financially responsible budget which was achieved with additional surplus.

2.6b Underlying surplus or deficit ratio

Underlying surplus or deficit		398,084	(101,305)	(1,112,862)	(1,059,463)
Recurrent income*		11,290,066	10,773,492	10,634,195	10,158,208
Underlying surplus ratio %	0%	3.5%	-0.9%	-10.5%	-10.4%

This ratio serves as an overall measure of financial operating effectiveness. The reasons for the result in the current year are consistent with the comments at note 2.6a.

Notes to the Financial Report

for the year ended 30 June 2019

2.6 Management indicators (continued)

(Amounts shown in \$)	Benchmark	2019	2018	2017	2016
2.6c Net financial liabilities					
Liquid assets less		7,452,154	6,986,601	5,210,578	4,752,276
total liabilities		4,365,548	4,162,629	4,481,824	4,953,689
Net financial liabilities	0% - (50%)	3,086,606	2,823,972	728,754	(201,413)

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. The primary reason for the strong position at the end of the 2019 year was due to the increase in cash flows from operating activities, due to improved operating performance, and capital works being substantially funded from external grant funding.

2.6d Net financial liabilities ratio

Net financial liabilities		3,086,606	2,823,972	728,754	(201,413)
Recurrent income*		11,290,066	10,773,492	10,634,195	10,158,208
Net financial liabilities ratio %	0% - (50%)	27.3%	26.2%	6.9%	-2.0%

This ratio indicates the net financial obligations of Council compared to its recurrent income. The reason for the improvement in the current year was consistent with the comments in note 2.6c.

2.6e 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.

Transport Infrastructure

Depreciated replacement cost	64,857,989	61,649,894	57,022,830	56,752,194
Current replacement cost	104,710,061	99,988,527	102,121,897	100,094,930
Asset consumption ratio %	61.9%	61.7%	55.8%	56.7%

Buildings

Depreciated replacement cost	9,855,651	10,078,851	10,345,526	10,905,217
Current replacement cost	24,039,558	23,683,873	23,429,145	23,429,145
Asset consumption ratio %	41.0%	42.6%	44.2%	46.5%

Drainage

Depreciated replacement cost	9,718,155	9,779,787	9,846,531	12,888,092
Current replacement cost	16,519,461	16,390,933	16,295,064	18,768,798
Asset consumption ratio %	58.8%	59.7%	60.4%	68.7%

This ratio indicates the level of service potential available in Council's existing asset base. These ratios have been stable in the last two years for Transport Infrastructure and Drainage indicating Council is maintaining the estimated level of service potential in these assets. Buildings have declined marginally but remain in line with Council's current long term strategy.

Notes to the Financial Report

for the year ended 30 June 2019

2.6 Management indicators (continued)

(Amounts shown in \$)

Benchmark 2019 2018 2017 2016

2.6f 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**		18,765,000	24,652,000	17,027,247	11,570,778
Projected capital expenditure funding***		18,675,000	24,652,000	17,027,152	8,523,214
Asset renewal funding ratio %	90-100%	100.5%	100.0%	100.0%	135.8%

Buildings

Projected capital funding outlays**		4,586,000	4,021,000	5,320,005	749,866
Projected capital expenditure funding***		4,450,000	3,501,255	5,320,005	160,000
Asset renewal funding ratio %	90-100%	103.1%	114.8%	100.0%	468.7%

Drainage

Projected capital funding outlays**		952,000	898,000	844,800	240,000
Projected capital expenditure funding***		956,000	898,000	844,800	240,000
Asset renewal funding ratio %	90-100%	99.6%	100.0%	100.0%	100.0%

** Current value of projected capital funding outlays for an asset identified in Council's long-term financial plan.

*** Value of projected capital expenditure funding for an asset identified in Council's long-term strategic asset management plan.

This ratio measures Council's capacity to fund future asset replacement requirements. Council completed asset management plans in 2019 to assess future needs and guide long term financial planning.

Notes to the Financial Report

for the year ended 30 June 2019

2.6 Management indicators (continued)

(Amounts shown in \$)	Benchmark	2019	2018	2017	2016
2.6g Asset sustainability ratio					
Capex on replacement/renewal of existing assets		2,636,032	1,318,235	1,349,734	1,924,376
Annual depreciation expense		2,841,435	2,726,217	2,970,843	2,862,809
Asset sustainability ratio %	100.0%	92.8%	48.4%	45.4%	67.2%

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

(Amounts shown in \$)	Capital renewal expenditure	Capital new /upgrade expenditure	Total Capital Expenditure
2019			
Buildings	164,133	50,853	214,986
Plant and machinery	469,086	48,247	517,333
Furniture and fixtures	-	-	-
Domestic waste	-	74,437	74,437
Roads	1,573,977	5,110,885	6,684,862
Kerb and gutter	-	-	-
Footpaths and cycleways	7,144	-	7,144
Light poles	-	-	-
Bridges	32,683	-	32,683
Drainage	113,604	-	113,604
Parks and reserves	275,404	545,949	821,353
Total	2,636,032	5,830,371	8,466,402
2018			
Buildings	128,778	143,119	271,897
Plant and machinery	11,192	28,907	40,099
Furniture and fixtures	14,999	14,302	29,301
Domestic waste	17,326	506,867	524,193
Roads	948,877	360,988	1,309,865
Kerb and gutter	25,531	-	25,531
Footpaths and cycleways	923	-	923
Light poles	20,842	313,879	334,721
Bridges	121,576	-	121,576
Drainage	8,886	32,275	41,161
Parks and reserves	19,305	334,414	353,719
Total	1,318,235	1,734,751	3,052,986

2.7 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 has determined that it does not have any significant business activities.

Notes to the Financial Report

for the year ended 30 June 2019

3 Asset base

This section outlines the assets held by Council used to generate its financial performance and services for the community and operating liabilities incurred as a result, excluding employee provisions and interest bearing long term debts which are discussed in section 4 *People* and 5 *Debt and Risk Management* respectively.

3.1 Cash and cash equivalents

(Amounts shown in \$)

	2019	2018
Cash on hand	2,306	2,046
Cash at bank	1,075,235	609,178
Money market call account	5,744,878	4,445,232
<i>Total cash and cash equivalents</i>	6,822,419	5,056,456

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. From time to time Council resolves to reserve or restrict cash funds for a particular purpose. The value of the funds is recorded as a reserve until such time as the funds are required for the particular purpose for, at which time the reserve is reduced. These following amounts represent the balance of restricted funds:

- Trust funds and deposits (note 3.8)	138,681	145,010
- Leave provisions (note 4.1)	828,105	679,670
- Conditions on grants (note 2.2)	410,279	1,278,868
- Reserves (note 6.1)	726,553	738,153
Restricted funds	2,103,618	2,841,701
Total unrestricted cash and cash equivalents	4,718,801	2,214,755

Recognition and measurement

For the purposes of the statement of cash flows, cash and cash equivalents include cash on hand, deposits at call, and other liquid investments.

3.2 Trade and other receivables

(Amounts shown in \$)

	2019	2018
Rates debtors	382,773	290,654
Provision for expected credit loss - rate debtors *	(69,418)	-
Provision for impairment - rate debtors	-	(42,969)
Payroll suspense	(2,232)	3,532
Grant receivable - Australian Government	-	1,600,500
Other debtors	110,321	40,196
Provision for expected credit loss - other debtors *	(240)	-
Provision for impairment - other debtors	-	(240)
Net GST receivable	208,531	38,472
<i>Total trade and other receivables</i>	629,735	1,930,145

* Other than re-classification of the provisions for impairment to the provisions for expected credit loss, there was no material impact on the calculation of the estimated impairment of trade and other receivables upon adoption of AASB 9 as at 1 July 2018.

Notes to the Financial Report

for the year ended 30 June 2019

3.2 Trade and other receivables (continued)

Recognition and measurement

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. Uncollected rates are recorded as receivables.

3.3 Assets held for sale

(Amounts shown in \$)

	2019	2018
Land held for resale	330,000	380,000
<i>Total assets held for sale</i>	330,000	380,000

Recognition and measurement

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

Notes to the Financial Report

for the year ended 30 June 2019

3.4 Other assets

(Amounts shown in \$)	2019	2018
Prepayments	67,346	44,033
Accrued income	7,297	1,178
<i>Total other assets</i>	74,643	45,211

Recognition and measurement

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

3.5 Investment in water corporation

(Amounts shown in \$)	2019	2018
Opening Balance	19,749,065	19,494,078
Change in fair value of investment	2,933,858	254,987
<i>Total investment in water corporation</i>	22,682,923	19,749,065

Recognition and measurement

Accounting policy under AASB 9 - applicable from 1 July 2018

As Council's investment in TasWater is held for long-term strategic purposes, Council has elected under AASB 9: Financial Instruments to irrevocably classify this equity investment as designated as fair value through other comprehensive income. Subsequent changes in fair value on designated investments in equity instruments are recognised in other comprehensive income (for fair value reserve, refer note 6.1) and not reclassified through the profit or loss when derecognised. Dividends associated with the equity investments are recognised in profit and loss when the right of payment has been established and it can be reliably measured. Fair value was determined by using Council's ownership interest against TasWater's net asset value at balance date. At 30 June 2019, Council held a 1.22% ownership interest in TasWater (2018: 1.23%) which is based on Schedule 2 of the Corporation's Constitution which reflects the Council's voting rights.

Accounting policy under AASB 139 - applicable for 2018 comparative

Council's investment in TasWater is valued at its fair value at balance date. Fair value was determined by using Council's ownership interest against the water corporation's net asset value at balance date. Any unrealised gains and losses are recognised through the Statement of Profit or Loss and Other Comprehensive Income to a Financial assets available for sale Reserve each year (refer note 6.1). Council has classified this asset as an Available-for-Sale financial asset as defined in AASB 139 Financial Instruments: Recognition and Measurement and has followed AASB 132 Financial Instruments: Presentation and AASB 7 Financial Instruments: Disclosures to value and present the asset in the financial report. Council's investment is not traded in an active market and is only sensitive to fluctuations in the value of TasWater's net assets.

Notes to the Financial Report

for the year ended 30 June 2019

3.6 Property, plant, equipment and infrastructure

(Amounts shown in \$)	Gross book value		Accumulated depreciation		Total	
	2019	2018	2019	2018	2019	2018
Property						
At fair value						
Land	5,794,500	5,794,500	-	-	5,794,500	5,794,500
Land under roads	5,946,759	5,946,759	-	-	5,946,759	5,946,759
Buildings	24,039,558	23,683,873	(14,183,907)	(13,605,022)	9,855,651	10,078,851
Total property	35,780,817	35,425,132	(14,183,907)	(13,605,022)	21,596,910	21,820,110
Plant and equipment						
At fair value						
Plant and machinery	4,413,525	3,958,501	(2,837,861)	(2,486,249)	1,575,664	1,472,252
At cost						
Furniture and fixtures	816,491	816,491	(604,628)	(562,968)	211,863	253,523
Domestic waste	194,455	194,455	(132,501)	(113,040)	61,954	81,415
Total plant and equipment	5,424,471	4,969,447	(3,574,990)	(3,162,257)	1,849,481	1,807,190
Infrastructure						
At fair value						
Roads	78,288,904	73,627,710	(26,819,533)	(25,703,626)	51,469,371	47,924,084
Kerb and gutter	8,547,139	8,547,139	(4,456,809)	(4,347,526)	4,090,330	4,199,613
Footpaths and cycleways	5,565,489	5,552,421	(2,936,161)	(2,849,546)	2,629,328	2,702,875
Light poles	1,187,153	1,187,153	(333,512)	(302,716)	853,641	884,437
Bridges	12,308,529	12,261,257	(5,639,569)	(5,437,935)	6,668,960	6,823,322
Drainage	16,519,461	16,390,933	(6,801,306)	(6,611,146)	9,718,155	9,779,787
Parks and reserves	2,784,422	2,354,206	(1,091,584)	(1,003,279)	1,692,838	1,350,927
Playground equipment	806,328	806,328	(253,019)	(205,364)	553,309	600,964
Waste transfer station	2,370,998	1,058,219	(199,107)	(120,050)	2,171,891	938,169
Total infrastructure	128,378,423	121,785,366	(48,530,600)	(46,581,188)	79,847,823	75,204,178
Work in progress						
Buildings	61,359	202,057	-	-	61,359	202,057
Plant and machinery	-	6,009	-	-	-	6,009
Furniture and fixtures	-	-	-	-	-	-
Domestic waste	-	1,238,342	-	-	-	1,238,342
Roads	3,210,485	1,186,819	-	-	3,210,485	1,186,819
Kerb and gutter	-	-	-	-	-	-
Footpaths and cycleways	968	6,892	-	-	968	6,892
Light poles	-	-	-	-	-	-
Bridges	-	14,589	-	-	-	14,589
Drainage	-	14,924	-	-	-	14,924
Parks and reserves	419,464	28,329	-	-	419,464	28,329
Total work in progress	3,692,276	2,697,961	-	-	3,692,276	2,697,961
Total property, plant, equipment & infrastructure	173,275,987	164,877,906	(66,289,497)	(63,348,467)	106,986,490	101,529,439

Notes to the Financial Report

for the year ended 30 June 2019

3.6 Property, plant, equipment and infrastructure (continued)

(Amounts shown in \$)	Balance at beginning of financial year	Acquisition of assets	Revaluation increase (decrease)	Depreciation and amortisation	Written down value of disposals	Assets transferred to held for sale	Transfers	Balance at end of financial year
2019								
Property								
Land	5,794,500	-	-	-	-	-	-	5,794,500
Land under roads	5,946,759	-	-	-	-	-	-	5,946,759
Buildings	10,078,851	-	-	(578,884)	-	-	355,684	9,855,651
Total property	21,820,110	-	-	(578,884)	-	-	355,684	21,596,910
Plant and equipment								
Plant and machinery	1,472,252	-	(114,316)	(252,014)	(53,600)	-	523,342	1,575,664
Furniture and fixtures	253,523	-	-	(41,660)	-	-	-	211,863
Domestic waste	81,415	-	-	(19,461)	-	-	-	61,954
Total plant and equipment	1,807,190	-	(114,316)	(313,135)	(53,600)	-	523,342	1,849,481
Infrastructure								
Roads	47,924,084	-	-	(1,115,909)	-	-	4,661,196	51,469,371
Kerb and gutter	4,199,613	-	-	(109,283)	-	-	-	4,090,330
Footpaths and cycleways	2,702,875	-	-	(86,615)	-	-	13,068	2,629,328
Light poles	884,437	-	-	(30,796)	-	-	-	853,641
Bridges	6,823,322	-	-	(201,634)	-	-	47,272	6,668,960
Drainage	9,779,787	-	-	(190,160)	-	-	128,528	9,718,155
Parks and reserves	1,350,927	-	-	(88,307)	-	-	430,218	1,692,838
Playground equipment	600,964	-	-	(47,655)	-	-	-	553,309
Waste transfer station	938,169	-	-	(79,057)	-	-	1,312,779	2,171,891
Total infrastructure	75,204,178	-	-	(1,949,416)	-	-	6,593,061	79,847,823
Work in progress								
Buildings	202,057	214,986	-	-	-	-	(355,684)	61,359
Plant and machinery	6,009	517,333	-	-	-	-	(523,342)	-
Furniture and fixtures	-	-	-	-	-	-	-	-
Domestic waste	1,238,342	74,437	-	-	-	-	(1,312,779)	-
Roads	1,186,819	6,684,862	-	-	-	-	(4,661,196)	3,210,485
Kerb and gutter	-	-	-	-	-	-	-	-
Footpaths and cycleways	6,892	7,144	-	-	-	-	(13,068)	968
Light poles	-	-	-	-	-	-	-	-
Bridges	14,589	32,683	-	-	-	-	(47,272)	-
Drainage	14,924	113,604	-	-	-	-	(128,528)	-
Parks and reserves	28,329	821,353	-	-	-	-	(430,218)	419,464
Total work in progress	2,697,961	8,466,402	-	-	-	-	(7,472,087)	3,692,276
Total property, plant, equipment & infrastructure	101,529,439	8,466,402	(114,316)	(2,841,435)	(53,600)	-	-	106,986,490

Notes to the Financial Report

for the year ended 30 June 2019

3.6 Property, plant, equipment and infrastructure (continued)

(Amounts shown in \$)	Balance at beginning of financial year	Acquisition of assets	Revaluation increase (decrease)	Depreciation and amortisation	Written down value of disposals	Assets transferred to held for sale	Transfers	Balance at end of financial year
2018								
Property								
Land	6,174,500	-	-	-	-	(380,000)	-	5,794,500
Land under roads	5,946,759	-	-	-	-	-	-	5,946,759
Buildings	10,345,526	-	-	(560,462)	(7,441)	-	301,228	10,078,851
Total property	22,466,785	-	-	(560,462)	(7,441)	(380,000)	301,228	21,820,110
Plant and equipment								
Plant and machinery	1,636,547	-	-	(276,264)	(48,994)	-	160,963	1,472,252
Furniture and fixtures	143,046	-	-	(40,872)	-	-	151,349	253,523
Domestic waste	73,503	-	-	(17,728)	-	-	25,640	81,415
Total plant and equipment	1,853,096	-	-	(334,864)	(48,994)	-	337,952	1,807,190
Infrastructure								
Roads	43,197,362	-	5,115,133	(1,091,977)	-	-	703,566	47,924,084
Kerb and gutter	4,282,345	-	-	(108,263)	-	-	25,531	4,199,613
Footpaths and cycleways	2,706,001	-	-	(86,174)	-	-	83,048	2,702,875
Light poles	558,863	-	-	(25,057)	-	-	350,631	884,437
Bridges	6,837,122	-	-	(197,137)	-	-	183,337	6,823,322
Drainage	9,846,531	-	-	(162,613)	-	-	95,869	9,779,787
Parks and reserves	932,862	-	-	(79,226)	-	-	497,291	1,350,927
Playground equipment	549,501	-	-	(45,147)	-	-	96,610	600,964
Waste transfer station	973,466	-	-	(35,297)	-	-	-	938,169
Total infrastructure	69,884,053	-	5,115,133	(1,830,891)	-	-	2,035,883	75,204,178
Work in progress								
Buildings	231,388	271,897	-	-	-	-	(301,228)	202,057
Plant and machinery	126,873	40,099	-	-	-	-	(160,963)	6,009
Furniture and fixtures	122,048	29,301	-	-	-	-	(151,349)	-
Domestic waste	739,789	524,193	-	-	-	-	(25,640)	1,238,342
Roads	580,520	1,309,865	-	-	-	-	(703,566)	1,186,819
Kerb and gutter	-	25,531	-	-	-	-	(25,531)	-
Footpaths and cycleways	89,017	923	-	-	-	-	(83,048)	6,892
Light poles	15,910	334,721	-	-	-	-	(350,631)	-
Bridges	76,350	121,576	-	-	-	-	(183,337)	14,589
Drainage	69,632	41,161	-	-	-	-	(95,869)	14,924
Parks and reserves	268,511	353,719	-	-	-	-	(593,901)	28,329
Total work in progress	2,320,038	3,052,986	-	-	-	-	(2,675,063)	2,697,961
Total property, plant, equipment & infrastructure	96,523,972	3,052,986	5,115,133	(2,726,217)	(56,435)	(380,000)	-	101,529,439

Notes to the Financial Report

for the year ended 30 June 2019

3.6 Property, plant, equipment and infrastructure (continued)

Recognition and measurement

Acquisitions of assets are initially recorded at cost. Cost is determined as the fair value of the assets given as consideration plus costs incidental to the acquisition. Property, infrastructure, plant and equipment received in the form of contributions, are recognised as assets and revenues at fair value by Council valuation where that value exceeds the recognition thresholds for the respective asset class. Fair value is the price that would be received to sell the asset in an orderly transaction between market participants at the measurement date. Where assets are constructed by Council, cost includes all materials used in construction, direct labour, borrowing costs incurred during construction, and an appropriate share of directly attributable variable and fixed overheads.

The following classes of assets have been recognised. In accordance with Council's policy, the threshold limits detailed below have applied when recognising assets within an applicable asset class and unless otherwise stated are consistent with the prior year. Council has adopted the following valuation bases for each asset class.

	Threshold	Valuation Bases
	\$	
Property		
Land	1	Fair value
Land under roads	1	Fair value
Buildings	10,000	Fair value
Plant and equipment		
Plant and machinery	5,000	Fair value
Furniture and fittings	5,000	Cost
Domestic waste	5,000	Cost
Infrastructure		
Roads	10,000	Fair value
Kerb and gutter	10,000	Fair value
Footpaths and cycleways	10,000	Fair value
Light poles	10,000	Fair value
Bridges	10,000	Fair value
Drainage	10,000	Fair value
Parks and reserves	10,000	Fair value
Playground equipment	10,000	Fair value
Community facilities	10,000	Fair value
Waste transfer station	10,000	Fair value

Subsequent to the initial recognition of assets, non-current physical assets, other than those noted above, 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, plant and machinery 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.

Notes to the Financial Report

for the year ended 30 June 2019

3.6 Property, plant, equipment and infrastructure (continued)

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 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.

3.7 Trade and other payables

(Amounts shown in \$)	2019	2018
Trade payables	616,904	445,973
Accrued expenses	200,356	188,257
Net GST payable	-	(25,442)
Other	(7,718)	(396)
Total trade and other payables	809,542	608,392

Recognition and measurement

Liabilities are recognised for amounts to be paid in the future for goods and services provided to Council as at balance date whether or not invoices have been received.

3.8 Trust funds and deposits

(Amounts shown in \$)	2019	2018
MAIB Trust Fund	481	481
Other refundable deposits	138,200	144,529
Total trust funds and deposits	138,681	145,010

Recognition and measurement

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

Notes to the Financial Report

for the year ended 30 June 2019

3.9 Fair value measurements

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

- Investment in water corporation as disclosed at note 3.5
- Property and infrastructure as disclosed at note 3.6

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 land as disclosed in note . A description of the valuation techniques and the inputs used to determine the fair value of this land is included below under the heading 'Assets held for sale'.

(a) Fair Value Hierarchy

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

- Level 1** Unadjusted quoted prices in active markets for identical assets or liabilities that the entity can
- Level 2** Inputs other than quoted prices included within Level 1 that are observable for the asset or liability,
- 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 balance date.

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.

Notes to the Financial Report

for the year ended 30 June 2019

3.9 Fair value measurements (continued)

(Amounts shown in \$)	Level 1		Level 2		Level 3		Total	
	2019	2018	2019	2018	2019	2018	2019	2018
Fair value measurements								
Recurring								
Investment in water corporation	-	-	-	-	22,682,923	19,749,065	22,682,923	19,749,065
Property								
Land	-	-	5,794,500	5,794,500	-	-	5,794,500	5,794,500
Land under roads	-	-	5,946,759	5,946,759	-	-	5,946,759	5,946,759
Buildings	-	-	-	-	9,855,651	10,078,851	9,855,651	10,078,851
Plant and equipment								
Plant and machinery	-	-	1,575,664	1,472,252	-	-	1,575,664	1,472,252
Infrastructure								
Roads	-	-	-	-	51,469,371	47,924,084	51,469,371	47,924,084
Kerb and gutter	-	-	-	-	4,090,330	4,199,613	4,090,330	4,199,613
Footpaths and cycleways	-	-	-	-	2,629,328	2,702,875	2,629,328	2,702,875
Light poles	-	-	-	-	853,641	884,437	853,641	884,437
Bridges	-	-	-	-	6,668,960	6,823,322	6,668,960	6,823,322
Drainage	-	-	-	-	9,718,155	9,779,787	9,718,155	9,779,787
Parks and reserves	-	-	-	-	1,692,838	1,350,927	1,692,838	1,350,927
Playground equipment	-	-	553,309	600,964	-	-	553,309	600,964
Waste transfer station	-	-	-	-	2,171,891	938,169	2,171,891	938,169
Total recurring	-	-	13,870,232	13,814,475	111,833,088	104,431,130	125,703,320	118,245,605
Non-recurring								
Assets held for sale	330,000	380,000	-	-	-	-	330,000	380,000
Total non-recurring	330,000	380,000	-	-	-	-	330,000	380,000

Transfers between levels of the hierarchy

Council's policy is to recognise transfers in and out of the fair value hierarchy levels as at the end of the reporting period. There were no transfers between levels 1 and 2 during the year, nor between levels 2 and 3.

(b) Highest and best use

AASB 13 requires the fair value of non-financial assets to be calculated based on their "highest and best use". Council considers that all assets in this note are being used for their highest and best use.

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

Investment in water corporation

Refer to 3.5 for details of valuation techniques used to derive fair values.

Land

Land fair values were determined by a qualified independent valuer. Level 2 valuation inputs were used to value land in freehold title as well as land used for special purposes, which is restricted in use under current planning provisions. Sales prices of comparable land sites in close proximity are adjusted for differences in key attributes such as property size. The most significant input into this valuation approach is price per square metre.

Notes to the Financial Report

for the year ended 30 June 2019

3.9 Fair value measurements (continued)

Land held for sale

Land classified as held for sale during the reporting period was measured at the lower of its carrying amount and fair value less cost to sell at the time of reclassification. The fair value of the land was determined using the approach described in the preceding paragraph.

Land under roads

Land under roads valuation at balance date is based on an average per square metre property rates supplied by the Tasmanian Valuer General.

Buildings

Council considers that all its buildings are of a specialist nature (eg heritage buildings) and there is no active market for the assets. Fair value has been determined on the basis of replacement with a new asset having similar service potential. The gross current values have been derived from reference to market data for recent projects and costing guides.

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).

Plant and machinery

Plant and machinery fair values were determined by a qualified independent valuer. Level 2 valuation inputs were used. The most significant input into this valuation approach is the recent sales data of comparable items of plant and machinery, adjusted where appropriate for differences in age, location and condition.

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 2.3. The methods for calculating CRC are described under individual asset categories below. The calculation of CRC involves a number of inputs that require judgement and are therefore classed as unobservable. While these judgements are made by qualified and experienced staff, different judgements could result in a different valuation.

Notes to the Financial Report

for the year ended 30 June 2019

3.9 Fair value measurements (continued)

Roads, including kerb and gutter, footpaths and cycleways and light poles

Council categorises its road infrastructure into urban and rural roads and then further sub-categorises these into sealed and unsealed roads. Roads are managed in segments. All road segments are then componentised into formation, pavement and seal (where applicable). Council assumes that environmental factors such as soil type, climate and topography are consistent across each segment.

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. Construction estimates, material and services prices are based on supplier price lists and labour wage rates are deemed to be applicable to industry wide standards. Unit prices were estimated by Moloney Asset Systems.

Bridges

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

Similar to roads, drainage assets are managed in segments; pits and pipes being the major components. Consistent with roads, Council assumes that environmental factors such as soil type, climate and topography are consistent across each segment and that a segment is designed and constructed to the same standard and uses a consistent amount of labour and materials. CRC is based on the unit price for the component type. For pipes, the unit price is multiplied by the asset's length. The unit price for pipes is based on the construction material as well as the depth the pipe is laid.

Other Infrastructure

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

(d) Changes in recurring level 3 fair value measurements

The changes in level 3 property and infrastructure assets with recurring fair value measurements are detailed in note 3.6 (Property, plant, equipment and infrastructure). Investment in water corporation, which is classified as level 3 has been separately disclosed in note 3.5. There have been no transfers between level 1, 2 or 3 measurements during the year.

(e) Valuation processes

At the end of each year Council assess whether the carrying amount of its assets varies significantly from the fair value. This is done by consideration of changes in utilisation, obsolescence, assessment of unit rates, patterns of consumption, residual life, useful life, condition and remaining useful life.

Based on this assessment assets may need to be revalued and/or depreciation rates changed.

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

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

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

Council borrowings are measured at amortised cost with interest recognised in profit or loss when incurred. The fair value of borrowings disclosed in note 5.3 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).

Notes to the Financial Report

for the year ended 30 June 2019

4 People

This section outlines the amounts provided for employee benefits during and post employment and related party transactions.

4.1 Employee provisions

(Amounts shown in \$)

	2019	2018
Current		
Annual leave	338,829	353,777
Long service leave	204,674	82,971
Personal	61,712	61,787
Other	8,659	4,591
Total current	613,874	503,126
Non-current		
Long service leave	208,502	171,882
Personal	5,729	4,662
Total non-current	214,231	176,544
Total employee provisions	828,105	679,670
Description of current and non-current components of employee provisions		
Current		
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.	409,200	420,155
- Other long-term employee benefits that do not fall due within 12 months after the end of the period measured at present value.	204,674	82,971
	613,874	503,126
Non-current		
Long service leave representing less than 10 years of continuous service measured at present value.	208,502	171,882
Other long term employee benefits	5,729	4,662
	214,231	176,544
Number of employees (full time equivalents)	38	37

Notes to the Financial Report

for the year ended 30 June 2019

4.1 Employee Provisions (continued)

Movements in employee provisions during the financial year

(Amounts shown in \$)	Annual leave		Long service leave		Personal & Other		Total	
	2019	2018	2019	2018	2019	2018	2019	2018
Balance at beginning of the year	353,777	444,240	254,853	454,487	71,040	81,084	679,670	979,811
Additional provisions	200,079	248,417	213,558	(139,992)	12,421	(3,008)	426,058	105,417
Amounts used	(215,027)	(338,880)	(55,235)	(59,642)	(7,361)	(7,036)	(277,623)	(405,558)
Balance at end of the year	338,829	353,777	412,674	254,853	76,100	71,040	828,105	679,670

Recognition and measurement

Short term obligations

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

Other long term employee benefit obligations

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

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

Personal leave

An accrual is made for personal leave up to 20% of the balance accrued for an individual as an entitlement exists in circumstances where the employee resigns and has been employed for at least 5 years under the current Enterprise Bargaining Agreement.

Notes to the Financial Report

for the year ended 30 June 2019

4.2 Related party transactions

Responsible Persons

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

Councillors	Councillor Archer (Mayor)	1 July 2018	to	5 June 2019
	Councillor Harris (Deputy Mayor)	1 July 2018	to	5 June 2019
	Councillor Harris (Acting Mayor)	5 Jun 2019	to	30 June 2019
	Councillor Ashley	1 July 2018	to	2 November 2018
	Councillor Barwick	1 July 2018	to	30 June 2019
	Councillor Burt	1 July 2018	to	2 November 2018
	Councillor Dawson	1 July 2018	to	30 June 2019
	Councillor Glisson	1 July 2018	to	2 November 2018
	Councillor Parish	1 July 2018	to	2 November 2018
	Councillor Parkes	1 July 2018	to	2 November 2018
	Councillor Barraclough	2 November 2018	to	30 June 2019
	Councillor Brooks	2 November 2018	to	30 June 2019
	Councillor Dawson	2 November 2018	to	30 June 2019
	Councillor Mason	2 November 2018	to	30 June 2019
	Councillor Michieletto	2 November 2018	to	30 June 2019
General Manager	Ms Justine Brooks	1 July 2018	to	24 August 2018
General Manager	Mrs Cheryl Hyde	25 August 2018	to	11 September 2018
Acting General Manager	Mr Harry Galea	12 September 2018	to	20 January 2019
General Manager	Mr Shane Power	21 January 2019	to	30 June 2019
Team Leader Corporate & Finance	Mrs Cheryl Hyde	1 July 2018	to	30 June 2019
Team Leader Community & Development	Mr Rex Cassidy	1 July 2018	to	30 June 2019
Team Leader Infrastructure & Works	Mr David Richardson	10 September 2018	to	30 June 2019

Councillor Remuneration

(Amounts shown in \$)

	Allowances	Compensation AASB 124	Kilometre reimbursements	Expenses	Total Allowances and Expenses section 72
2019					
Councillor Archer (Mayor)	36,631	36,631	3,204	6,977	46,812
Councillor Harris (Deputy Mayor)	27,786	27,786	352	1,544	29,682
Councillor Ashley	4,190	4,190	-	443	4,633
Councillor Barraclough	8,432	8,432	-	896	9,328
Councillor Barwick	12,552	12,552	2,573	1,465	16,590
Councillor Brooks	8,432	8,432	397	896	9,725
Councillor Burt	4,190	4,190	-	443	4,633
Councillor Dawson	12,552	12,552	-	1,332	13,884
Councillor Glisson	4,190	4,190	157	443	4,790
Councillor Kieser	8,432	8,432	-	896	9,328
Councillor Mason	8,432	8,432	-	896	9,328
Councillor Michieletto	8,432	8,432	-	896	9,328
Councillor Parish	4,190	4,190	-	443	4,633
Councillor Parkes	4,190	4,190	-	443	4,633
Total	152,631	152,631	6,683	18,013	177,327

Notes to the Financial Report

for the year ended 30 June 2019

4.2 Related party transactions (continued)

Councillor Remuneration

(Amounts shown in \$)

	Allowances	Compensation AASB 124	Kilometre reimbursements	Expenses	Total Allowances and Expenses section 72
2018					
Councillor Archer (Mayor)	42,952	42,952	5,255	20,527	68,734
Councillor Harris (Deputy Mayor)	24,016	24,016	538	1,300	25,854
Councillor Ashley	12,276	12,276	-	1,300	13,576
Councillor Barwick	12,276	12,276	3,225	1,490	16,991
Councillor Burt	12,276	12,276	-	1,300	13,576
Councillor Dawson	12,276	12,276	343	1,300	13,919
Councillor Glisson	12,276	12,276	535	1,321	14,132
Councillor Parish	12,276	12,276	-	1,300	13,576
Councillor Parkes	12,276	12,276	-	1,300	13,576
Total	152,900	152,900	9,896	31,138	193,934

Allowances - statutory allowances as paid in accordance with the Local Government Act 1993.

Kilometre reimbursements - reimbursement for kilometres travelled while on Council business at a rate per kilometre.

Expenses - reimbursements paid to Councillors for telephone, internet usage, childcare, stationery and computer consumables.

Key Management Personnel Remuneration

(Amounts shown in \$)

		Short term benefits			Post employment benefits			
		Salary	Vehicles	Other benefits	Superannuation	Termination benefits	Other non- monetary benefits	Total
2019								
Remuneration band	Employees							
Less than \$100 001	4 (part year)	229,176	7,546	168	15,802	14,501	(923)	266,270
\$100 001 - \$120 000	1	92,340	8,083	-	12,004	-	6,727	119,154
\$120 001 - \$140 000	1	98,277	11,897	-	12,776	-	10,519	133,469
		419,793	27,526	168	40,582	14,501	16,323	518,893
2018								
Remuneration band	Employees							
Less than \$100 001	6 (part year)	248,115	15,043	11,683	30,768	107,809	(51,679)	361,739
\$100 001 - \$120 000	1 (part year)	50,431	6,323	1,000	6,556	54,634	(12,952)	105,992
\$120 001 - \$140 000	1 (part year)	87,651	13,697	-	11,395	-	9,146	121,889
\$160 001 - \$180 000	1 (part year)	129,530	10,109	1,023	16,839	-	13,100	170,601
		515,727	45,172	13,706	65,558	162,443	(42,385)	760,221

Notes to the Financial Report

for the year ended 30 June 2019

4.2 Related party transactions (continued)

Key Management Personnel Remuneration

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

Vehicles - 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).

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.

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

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

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

Remuneration Principles

Councillors

Councillor allowances are paid in accordance with those set by Regulation 42 (2) of the Local Government General Regulations 2015. Council has further determined by policy that in order to carry out their functions as a Councillor, reimbursements will be paid to Councillors for travelling while on Council related business on a kilometre travelled basis, child care costs, that stationery and consumables will be provided and that a communications allowance will be paid to offset the cost of telephone and internet charges.

Senior management

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. In addition to their salaries, Council also provides non-cash benefits and contributes to post-employment superannuation plans on their behalf.

The performance of each senior manager, including the General Manager, is reviewed annually which includes a review of their remuneration package, which takes account of their performance against key indicators and of salary packages for similar roles in the region. Whilst not automatic, contracts can be extended.

Notes to the Financial Report

for the year ended 30 June 2019

4.2 Related party transactions (continued)

Transactions with related parties

During the period Council entered in transactions with entities that are a related party of key management personnel for contracted works of \$6,336 (2018: \$4,807) and consumables \$1,176 (2018: \$nil). All transactions were at arm's length and were in the normal course of Council operations.

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.

Transactions with related parties that have not been disclosed

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

- Payment of rates on a primary residence
- Dog registration

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.

4.3 Post employment benefits

Recognition and measurement

Defined contribution funds

Council contributes to defined contribution plans on behalf of a number of employees; however the Council has no ongoing responsibility to make good any deficiencies, if any, that may occur in those schemes. Contributions to defined contribution plans are recognised as an expense as they become payable. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

Defined benefit fund

Council makes superannuation contributions for a number of its employees to the Quadrant Defined Benefits Fund (the Fund), a sub-fund of the Tasplan Superannuation Fund (Tasplan). The Quadrant Defined Benefits Fund has been classified as a multi-employer sponsored plan. As the Fund's assets and liabilities are pooled and are not allocated by employer, the Actuary is unable to allocate benefit liabilities, assets and costs between employers. As provided under paragraph 34 of AASB 119 Employee Benefits, Council does not use defined benefit accounting for these contributions.

For the year ended 30 June 2018 the Council contributed 9.5% of employees' gross income to the Fund. Assets accumulate in the fund to meet member benefits as they accrue, and if assets within the fund are insufficient to satisfy benefits payable, the Council is required to meet its share of the deficiency.

Notes to the Financial Report

for the year ended 30 June 2019

4.3 Post employment benefits (continued)

Rice Warner Pty Ltd undertook the last actuarial review of the Fund at 30 June 2017. The review disclosed that at that time the net market value of assets available for funding member benefits was \$58,940,000, the value of vested benefits was \$51,170,000, the surplus over vested benefits was \$7,770,000, the value of total accrued benefits was \$50,606,000, and the number of members was 134. These amounts relate to all members of the fund at the date of valuation and no asset or liability is recorded in the Tasplan Super's financial statements for Council employees.

The financial assumptions used to calculate the Accrued Benefits for the Fund were:

- Net Investment Return 7.0% p.a.
- Salary Inflation 4.0% p.a.
- Price Inflation n/a

The actuarial review concluded that:

- The value of assets of the Fund was adequate to meet the liabilities of the Fund in respect of vested benefits as at 30 June 2017.
- The value of assets of the Fund was adequate to meet the value of the liabilities of the Fund in respect of accrued benefits as at 30 June 2017.
- Based on the assumptions used, and assuming the Employer contributes at the levels described below, the value of the assets is expected to continue to be adequate to meet the value of the liabilities of the Fund in respect of vested benefits at all times during the period up to 30 June 2017.

The Actuary recommended that in future the Council contribute 9.5% of salaries in 2017/18 and 0% from 1 July 2018 to 30 June 2021.

The Actuary will continue to undertake a brief review of the financial position the Fund at the end of each financial year to confirm that the contribution rates remain appropriate. The next full triennial actuarial review of the Fund will have an effective date of 30 June 2020 and is expected to be completed late in 2020.

As required in terms of paragraph 148 of AASB 119 Employee Benefits, Council discloses the following details:

- The 2017 actuarial review used the "aggregate" funding method. This is a standard actuarial funding method. The results from this method were tested by projecting future fund assets and liabilities for a range of future assumed investment returns. The funding method used is consistent with the method used at the previous actuarial review in 2014.

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

- In terms of Rule 27.4 of the Tasplan Trust Deed (Trust Deed), there is a risk that employers within the Fund may incur an additional liability when an Employer ceases to participate in the Fund at a time when the assets of the Fund are less than members' vested benefits. Each member of the Fund who is an employee of the Employer who is ceasing to Participate is required to be provided with a benefit at least equal to their vested benefit in terms of Rule 27.4 (b) (A). However there is no provision in the Trust Deed requiring an employer to make contributions other than its regular contributions up to the date of cessation of contributions. This issue can be resolved by the Trustee seeking an Actuarial Certificate in terms of Rule 26.5 identifying a deficit and the Trustee determining in terms of Rule 26.3(c) that the particular employer should make the payment required to make good any shortfall before the cessation of participation is approved.

Notes to the Financial Report

for the year ended 30 June 2019

4.3 Post employment benefits (continued)

- The application of Fund assets on Tasplan being wound-up is set out in Rule 41.4. This Rule provides that expenses and taxation liabilities should have first call on the available assets. Additional assets will initially be applied for the benefit of the then remaining members and/or their Dependants in such manner as the Trustee considers equitable and appropriate in accordance with the Applicable Requirements (broadly, superannuation and taxation legislative requirements and other requirements as determined by the regulators).

The Trust Deed does not contemplate the Fund withdrawing from Tasplan. However it is likely that Rule 27.4 would be applied in this case (as detailed above).

- The Fund is a defined benefit Fund.
- The Quadrant Defined Benefits Fund has been classified as a multi-employer sponsored plan. As the Fund's assets and liabilities are pooled and are not allocated by employer, the Actuary is unable to allocate benefit liabilities, assets and costs between employers. Thus the Fund is not able to prepare standard AASB119 defined benefit reporting.
- During the reporting period the amount of contributions paid to defined benefits schemes was \$nil (2017-18, \$43,809), and the amount paid to accumulation schemes was \$309,067 (2017-18, \$297,904).
- During the next reporting period the expected amount of contributions to be paid to defined benefits schemes is \$nil, and the amount to be paid to accumulation schemes is \$331,000.
- As reported on the first page of this note, Assets exceeded accrued benefits as at the date of the last actuarial review, 30 June 2017. Moderate investment returns, since that date, make it quite probable that this is still the position. The financial position of the Fund will be fully investigated at the actuarial review as at 30 June 2020.
- An analysis of the assets and vested benefits of sub-funds participating in the Scheme, prepared by Rice Warner Pty Ltd as at 30 June 2018, showed that the Fund had assets of \$57.48 million and members' Vested Benefits were \$48.39 million. These amounts represented 0.7% and 0.6% respectively of the corresponding total amounts for Tasplan.
- As at 30 June 2018 the fund had 119 members and the total employer contributions and member contributions for the year ending 30 June 2018 were \$1,515,272 and \$266,000 respectively.

Employer contributions made during the financial year:

(Amounts shown in \$)	2019	2018
<i>Defined benefit fund</i>		
Employer contributions	-	43,109
<i>Defined contribution fund</i>		
Employer contributions	309,067	297,904

During the year Council made the required superannuation contributions for all eligible employees to an appropriate complying superannuation fund as required by the Superannuation Guarantee (Administration) Act 1992.

Notes to the Financial Report

for the year ended 30 June 2019

5 Debt and risk management

This section sets out the interest bearing debts of Council and outlines Council's exposure to financial risks and how these risks are managed.

5.1 Interest-bearing loans and borrowings

(Amounts shown in \$)	2019	2018
Current		
Borrowings - secured	145,521	140,354
Non-current		
Borrowings - secured	2,443,699	2,589,203
Total borrowings	2,589,220	2,729,557

Borrowings are secured over the rate income of Council. There have been no defaults or breaches of the loan agreement during the year.

The maturity profile for Council's borrowings is:

Not later than one year	145,521	140,354
Later than one year and not later than five years	1,305,664	1,238,332
Later than five years	1,138,035	1,350,871
Total	2,589,220	2,729,557

Recognition and measurement

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

5.2 Financing arrangements

(Amounts shown in \$)	2019	2018
Credit card facility	50,000	50,000
Vehicle lease facility	100,000	-
IT equipment leasing facility	470,000	470,000
Used facilities	(47,142)	(23,290)
Unused facilities	572,858	496,710

Notes to the Financial Report

for the year ended 30 June 2019

5.3 Financial Instruments

Accounting policy, terms and conditions

Recognised financial instruments	Accounting policy	Terms and Conditions
<i>Financial assets</i>		
Cash and cash equivalents	See Note 3.1	On call deposits returned a floating interest rate of 1.5% (1.5% in 2018). The interest rate at balance date was 1.3% (1.6% in 2018).
Trade and other receivables	See Note 3.2	General debtors are unsecured and arrears attract an interest rate of 0% (0% in 2018). Credit terms are based on 14 days.
Available for sale financial assets Investment in Water Corporation	See Note 3.5	
<i>Financial Liabilities</i>		
Trade and other payables	See Note 3.7	General Creditors are unsecured, not subject to interest charges and are normally settled within 30 days of invoice receipt.
Interest-bearing loans and borrowings	See Note 5.1	Borrowings are secured by way of mortgages over the general rates of the Council.

Notes to the Financial Report

for the year ended 30 June 2019

5.3 Financial Instruments (continued)

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:

(Amounts shown in \$)	Floating interest rate	Fixed interest maturing in:			Non-interest bearing	Total
		1 year or less	Over 1 year to 5 years	More than 5 years	bearing	
2019						
<i>Financial assets</i>						
Cash and cash equivalents	6,822,419	-	-	-	-	6,822,419
Trade and other receivables	629,735	-	-	-	-	629,735
Investment in water corporation	-	-	-	-	22,682,923	22,682,923
Total financial assets	7,452,154	-	-	-	22,682,923	30,135,077
<i>Financial liabilities</i>						
Trade and other payables	-	-	-	-	809,542	809,542
Trust funds and deposits	-	-	-	-	138,681	138,681
Interest-bearing loans and borrowings	-	145,521	1,305,664	1,138,035	-	2,589,220
Total financial liabilities	-	145,521	1,305,664	1,138,035	948,223	3,537,443
Net financial assets (liabilities)	7,452,154	(145,521)	(1,305,664)	(1,138,035)	21,734,700	26,597,634
2018						
<i>Financial assets</i>						
Cash and cash equivalents	5,056,456	-	-	-	-	5,056,456
Trade and other receivables	1,930,145	-	-	-	-	1,930,145
Investment in water corporation	-	-	-	-	19,749,065	19,749,065
Total financial assets	6,986,601	-	-	-	19,749,065	26,735,666
<i>Financial liabilities</i>						
Trade and other payables	-	-	-	-	608,392	608,392
Trust funds and deposits	-	-	-	-	145,010	145,010
Interest-bearing loans and borrowings	-	140,354	1,238,332	1,350,871	-	2,729,557
Total financial liabilities	-	140,354	1,238,332	1,350,871	753,402	3,482,959
Net financial assets (liabilities)	6,986,601	(140,354)	(1,238,332)	(1,350,871)	18,995,663	23,252,707

Notes to the Financial Report

for the year ended 30 June 2019

5.3 Financial Instruments (continued)

Fair value

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

(Amounts shown in \$)	Total carrying amount		Net fair value	
	2019	2018	2019	2018
<i>Financial assets:</i>				
Cash and cash equivalents	6,822,419	5,056,456	6,822,419	5,056,456
Trade and other receivables	629,735	1,930,145	629,735	1,930,145
Investment in water corporation	22,682,923	19,749,065	22,682,923	19,749,065
Total financial assets	30,135,077	26,735,666	30,135,077	26,735,666
<i>Financial liabilities:</i>				
Trade and other payables	809,542	608,392	809,542	608,392
Trust funds and deposits	138,681	145,010	138,681	145,010
Interest-bearing loans and borrowings	2,589,220	2,729,557	2,922,145	3,041,563
Total financial liabilities	3,537,443	3,482,959	3,870,368	3,794,965

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.

Risks and mitigation

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

Market risk

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

Interest rate risk

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

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

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

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

Notes to the Financial Report

for the year ended 30 June 2019

5.3 Financial Instruments (continued)

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.

Movement in Provisions for Expected Credit Loss of Trade and Other Receivables

(Amounts shown in \$)	2019
Balance at the beginning of the year	42,969
New Provisions recognised during the year	32,675
Amounts already provided for and reversed as uncollectible	-
Amounts provided for but recovered during the year	(5,986)
<i>Balance at the end of the year</i>	<u>69,658</u>

Movement in Provisions for Impairment of Trade and Other Receivables

(Amounts shown in \$)	2018
Balance at the beginning of the year	112,604
New Provisions recognised during the year	6,721
Amounts already provided for and reversed as uncollectible	(47,483)
Amounts provided for but recovered during the year	(28,873)
<i>Balance at the end of the year</i>	<u>42,969</u>

Notes to the Financial Report

for the year ended 30 June 2019

5.3 Financial Instruments (continued)

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. Included in the prior year was a receivable of \$1,600,500 being Australian Government grant funding for Soldier Settlement Road which was received during the current year in accordance with the funding agreement. The ageing of the Council's Trade and Other Receivables (net of impaired amounts) was:

(Amounts shown in \$)	2019	2018
Current (not yet due)	195,733	41,477
Past due by up to 30 days	313,355	1,601,320
Past due between 31 and 180 days	53,493	39,663
Past due between 181 and 365 days	67,154	247,685
Past due by more than 1 year	-	-
<i>Total Trade & Other Receivables</i>	629,735	1,930,145

Ageing of individually impaired Trade and Other Receivables

At balance date, other debtors representing financial assets with a nominal value of \$69,658 (2018: \$42,969) were impaired. The amount of the provision raised against these debtors was \$69,658 (2018: \$42,969). The individually impaired debtors relate to general and sundry debtor and have been impaired as a result of their doubtful collection. Some of the long outstanding past due amounts have been lodged with Council's debt collectors or are on payment arrangements.

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

(Amounts shown in \$)	2019	2018
Current (not yet due)	-	-
Past due by up to 30 days	-	-
Past due between 31 and 180 days	13,738	6,721
Past due between 181 and 365 days	-	-
Past due by more than 1 year	55,920	36,248
<i>Total Trade & Other Receivables</i>	69,658	42,969

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.

Notes to the Financial Report

for the year ended 30 June 2019

5.3 Financial Instruments (continued)

The table below lists the contractual maturities for Financial Liabilities.

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

2019 (Amounts shown in \$)	6 mths or less	6-12 months	1-2 years	2-5 years	>5 years	Contracted cash flow	Carrying amount
Trade and other payables	809,542	-	-	-	-	809,542	809,542
Trust funds and deposits	138,681	-	-	-	-	138,681	138,681
Interest-bearing loans and borrowings	72,050	73,471	151,343	1,154,321	1,138,035	2,589,220	2,589,220
Total financial liabilities	1,020,273	73,471	151,343	1,154,321	1,138,035	3,537,443	3,537,443

2018 (Amounts shown in \$)	6 mths or less	6-12 months	1-2 years	2-5 years	>5 years	Contracted cash flow	Carrying amount
Trade and other payables	608,392	-	-	-	-	608,392	608,392
Trust funds and deposits	145,010	-	-	-	-	145,010	145,010
Interest-bearing loans and borrowings	70,280	70,074	911,205	327,127	1,350,871	2,729,557	2,729,557
Total financial liabilities	823,682	70,074	911,205	327,127	1,350,871	3,482,959	3,482,959

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 -0.5% in market interest rates (AUD) from year-end rates.

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.

2019 (Amounts shown in \$)	Balance	Interest rate risk			
		-0.5%		1%	
		-50 basis points Profit	Equity	100 basis points Profit	Equity
<i>Financial assets:</i>					
Cash and cash equivalents	6,822,419	(34,112)	(34,112)	68,224	68,224
Trade and other receivables	629,735	(3,149)	(3,149)	6,297	6,297
<i>Financial liabilities:</i>					
Interest-bearing loans and borrowings (Interest bearing loans partially fixed)	1,704,976	8,525	8,525	(17,050)	(17,050)

Notes to the Financial Report

for the year ended 30 June 2019

5.3 Financial Instruments (continued)

(Amounts shown in \$)	2018 Balance	Interest rate risk			
		-0.5%		1%	
		-50 basis points		100 basis points	
		Profit	Equity	Profit	Equity
<i>Financial assets:</i>					
Cash and cash equivalents	5,056,456	(25,282)	(25,282)	50,565	50,565
Trade and other receivables	1,930,145	(9,651)	(9,651)	19,301	19,301
<i>Financial liabilities:</i>					
Interest-bearing loans and borrowings (Interest bearing loans partially fixed)	1,803,050	9,015	9,015	(18,031)	(18,031)

Notes to the Financial Report

for the year ended 30 June 2019

6 Other information

This section outlines additional financial information not included in other sections but required in accordance with accounting standards. Details of Council's reserves, commitments and contingencies are included in the notes together with other current accounting policies, changes to accounting standards adopted in the financial year and new or amended accounting standards not yet adopted.

6.1 Reserves

(Amounts shown in \$)	Balance as at 30 June 2017	Revaluation increment (decrement)	Other movements	Balance as at 30 June 2018	Revaluation increment (decrement)	Other movements	Balance as at 30 June 2019
Asset revaluation reserve							
<i>Property</i>							
Land	2,902,422	-	-	2,902,422	-	-	2,902,422
Buildings	6,474,621	-	-	6,474,621	-	-	6,474,621
Total property	9,377,043	-	-	9,377,043	-	-	9,377,043
<i>Plant and equipment</i>							
Plant and machinery	293,044	-	-	293,044	(114,316)	-	178,728
Total plant and equipment	293,044	-	-	293,044	(114,316)	-	178,728
<i>Infrastructure</i>							
Roads	34,428,839	5,115,133	-	39,543,972	-	-	39,543,972
Kerb and gutter	4,773,150	-	-	4,773,150	-	-	4,773,150
Footpaths and cycleways	-	-	-	-	-	-	-
Light poles	604,655	-	-	604,655	-	-	604,655
Bridges	3,179,763	-	-	3,179,763	-	-	3,179,763
Drainage	6,353,827	-	-	6,353,827	-	-	6,353,827
Other infrastructure	266,091	-	-	266,091	-	-	266,091
Total infrastructure	49,606,325	5,115,133	-	54,721,458	-	-	54,721,458
Total asset revaluation reserve	59,276,412	5,115,133	-	64,391,545	(114,316)	-	64,277,229
Fair value reserve							
<i>Equity investment asset</i>							
Investment in water corporation	-	-	-	-	-	1,715,521	1,715,521
<i>Available-for-sale asset</i>							
Investment in water corporation	(1,473,324)	-	254,987	(1,218,337)	-	1,218,337	-
Total fair value reserve	(1,473,324)	-	254,987	(1,218,337)	-	2,933,858	1,715,521
Other reserves							
Plant replacement reserve	204,002	-	189,434	393,436	-	163,452	556,888
Public open space reserve	21,753	-	-	21,753	-	-	21,753
Airport maintenance reserve	4,252	-	-	4,252	-	-	4,252
Road development reserve	105,255	-	-	105,255	-	(98,000)	7,255
Working capital reserve	201,029	-	-	201,029	-	(77,052)	123,977
Financial assistance in advance reserve	-	-	-	-	-	-	-
Loan reduction reserve	-	-	-	-	-	-	-
Private works reserve	11,519	-	-	11,519	-	-	11,519
Special projects reserve	-	-	-	-	-	-	-
Waste site rehabilitation	-	-	-	-	-	-	-
Footpaths reserve	909	-	-	909	-	-	909
Total other reserves	548,719	-	189,434	738,153	-	(11,600)	726,553
Total reserves	58,351,807	5,115,133	444,421	63,911,361	(114,316)	2,922,258	66,719,303

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for the year ended 30 June 2019

6.1 Reserves (continued)

Recognition and measurement

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

Council has to designate its investment in Taswater as an equity investment at fair value through other comprehensive income. Subsequent changes in fair value are reflected in the reserve and will not be reclassified through the profit or loss when derecognised. This equity investment asset within the fair value reserve was previously classified as an available for sale asset.

Other reserves have been created at the discretion of Council to capture allocations for specific purposes.

6.2 Commitments

(Amounts shown in \$)

2019

2018

Capital expenditure contractual commitments

Contractual commitments for capital expenditure at end of financial year but not recognised in the financial report are as follows inclusive of GST payable:

Roads, bridges, footpaths and drainage	75,873	2,268,957
Waste transfer station	-	38,771
Recreation facilities	12,704	-
Hall and community centres	24,498	31,683
Total capital expenditure contractual commitments	113,075	2,339,411

Other contractual commitments

Other contractual commitments at end of financial year but not recognised in the financial report are as follows inclusive of GST payable:

Insurance	190,009	150,352
Tourism Northern Tas, Tas Visitor Information Network	12,000	12,000
Northern Tasmanian Development annual contribution	26,215	27,000
Tamar NRM annual contribution	13,740	26,500
Local Government Association of Tasmania annual contribution	35,239	34,000
Annual bridge inspections	6,000	9,000
Environmental health services	65,000	60,000
Human Resources consultancy	-	37,917
Specialist asset services and advice	11,439	11,160
Parks and reserves maintenance	16,433	16,032
Information technology software licences	100,000	94,315
Information technology technical support	43,000	41,280
Project Officer contribution	25,000	25,000
Advertising	6,000	6,000
White Pages listing	2,500	2,500
Waste collections and recycling	565,000	546,000

Notes to the Financial Report

for the year ended 30 June 2019

6.2 Commitments (continued)

(Amounts shown in \$)	2019	2018
After hours answering service	2,200	2,148
Copy charges	33,000	31,836
Vehicle registration fees	41,640	41,640
Cemetery burials and maintenance contract	47,400	40,773
External audit fees	27,130	27,890
Audit panel fees	10,000	9,936
Pool management contract	122,918	122,918
<i>Total other contractual commitments</i>	1,401,863	1,376,197

6.3 Operating leases

(Amounts shown in \$)	2019	2018
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Operating lease commitments

At the reporting date, Council had the following obligations under non-cancellable operating leases for the lease of equipment and land and buildings for use within Council's activities (these obligations are not recognised as liabilities):

Not later than one year	26,604	4,928
Later than one year and not later than five years	27,836	11,089
<i>Total operating lease commitments</i>	54,440	16,017

Operating lease receivables

Council has operating leases in place for the lease of Council owned buildings or part thereof. These include lease income received for parts of Memorial Hall, residential property in Anne Street utilised to accommodate trainee medical staff and the George Town Airport.

Future minimum rentals receivable under non-cancellable operating leases are as follows:

Not later than one year	10,630	10,630
Later than one year and not later than five years	42,520	42,520
Later than five years	42,520	53,150
<i>Total operating lease receivables</i>	95,670	106,300

Notes to the Financial Report

for the year ended 30 June 2019

6.4 Contingent liabilities and contingent assets

Contingent liabilities

Council operates two transfer stations. One at George Town and one at Pipers River. Part of the George Town site used for a waste transfer station and a further section is licensed to take inert waste with this expected to continue for a number of years. Council has carried out significant site rehabilitation works with minor future works including replanting in the future. Capping of the site is in the process of being approved by the Environmental Protection Authority which will be finalised within the next reporting period. At balance date Council anticipates that the annual financial implications of such works will be minor.

Recognition and measurement

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

6.5 Other significant accounting policies and new 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) 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.

(c) Budget

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

Notes to the Financial Report

for the year ended 30 June 2019

6.5 Other significant accounting policies and new accounting standards (continued)

(d) 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:

- AASB 9 Financial Instruments (effective from 1 January 2018)

This standard replaces the existing standard, AASB139: Financial Instruments: Recognition and Measurement and revises classification, measurement and disclosure of financial assets and liabilities. It reduces the number of categories for financial assets and simplifies the measurement choices, including the removal of impairment testing of assets measured at fair value. Classification of financial assets is determined by 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.

The effect of adopting AASB 9 as at 1 July 2018 was as follows:

(a) Classification and measurement

The following financial asset of Council has been reclassified on adoption of AASB 9. The classification is primarily based on Council's business model in which a financial asset is managed and its contractual cash flow characteristics. The effects resulting from reclassification is as follows:

- 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 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) reclassification as at 1 July 2018:

(Amounts shown in \$)

AASB 139 Category and carrying amount			AASB 9 Category and carrying amount			
			Amortised Cost	Fair value through profit or loss	Fair value through OCI	Equity instrument at fair value through OCI
Note						
Investment in water corporation	3.5	19,749,065	-	-	-	19,749,065
			-	-	-	19,749,065

(b) Impairment of financial assets

The adoption of AASB 9 has 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.

Notes to the Financial Report

for the year ended 30 June 2019

6.5 Other significant accounting policies and new accounting standards (continued)

However, other than re-classification of the provisions for impairment to the provisions for expected credit loss, there was no material impact on the calculation of the estimated impairment of trade and other receivables upon adoption of AASB 9 as at 1 July 2018.

(e) Pending Accounting Standards

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2019 reporting periods. Council's assessment of the impact of the relevant new standards and interpretations is set out below.

■ AASB 15 Revenue from Contracts with Customers

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

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

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

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

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

For Council there will be a significant effect in the treatment of all grants with sufficiently specific performance obligations where the conditions have yet to be fulfilled at year end. Council currently presents unexpended grant income received in note 2.21. Council's assessment is that \$410,279 will be deferred as a liability under AASB 15 and progressively recorded as income as performance obligations are fulfilled.

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

Notes to the Financial Report

for the year ended 30 June 2019

6.5 Other significant accounting policies and new accounting standards (continued)

- AASB 1058 Income of Not-for-Profit Entities

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

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

AASB 1058 applies when Council receives volunteer services or enters into other transactions in which the consideration to acquire an asset is significantly less than the fair value of the asset, and where the asset is principally to enable Council to further its objectives. 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, being a nominal or low value lease cost per annum, Council is required to recognise the leased asset at its fair value, the remaining lease liability and the balance as income. These leased right-of-use assets have not previously been recognised. Council currently has 30 Peppercorn leases and will assess the value of right-of-use lease assets and remaining lease liabilities during the next 12 months. Any balance will be adjusted against accumulated surplus.

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 2.2a, will now be recorded as a liability, with revenue deferred until the commencement of the applicable rating period.

AASB 1058 requires the recognition of Volunteer services where they would have been purchased if not donated and the fair value of those services can be reliably measured. Council has assessed these requirements and determined that approximately \$306,000 would have been recognised as Volunteer services income and expense in the current year.

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.

Notes to the Financial Report

for the year ended 30 June 2019

6.5 Other significant accounting policies and new accounting standards (continued)

■ AASB 16 Leases

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

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

AASB 16 will result in most of Council's operating leases being brought onto the statement of financial position. There are limited exceptions relating to short-term leases and low-value assets which may remain off the balance sheet. Council's existing lease commitments are disclosed in note 6.3.

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 approximately \$25,000 in the current financial year. 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.