

FINANCIAL REPORT

2017/2018



Derwent Valley Council



Independent Auditor's Report**To the Councillors of Derwent Valley Council****Report on the Audit of the Financial Report****Opinion**

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

In my opinion the accompanying financial report:

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

Basis for Opinion

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

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

My audit responsibility does not extend to the budget figures included in the financial report and the asset renewal funding ratio disclosed in note 10.5 to the financial report and accordingly, I express no opinion on them. Furthermore, I express no opinion on the General Manager's

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determination that Council did not have any Significant Business Activities for inclusion in the financial report as required by Section 84(2)(da) of the *Local Government Act 1993*.

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

Responsibilities of the General Manager for the Financial Report

The General Manager is responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards and the *Local Government Act 1993* and for such internal control as determined necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Report

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

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

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

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required to draw attention in my auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify my opinion. My conclusion is based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause Council to cease to continue as a going concern.

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

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



Stephen Morrison
Assistant Auditor-General
Delegate of the Auditor-General

Tasmanian Audit Office

28 September 2018
Hobart

Derwent Valley Council
Financial Report
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Statement of Comprehensive Income For the Year Ended 30 June 2018

	Note	Budget 2018 \$'000	Actual 2018 \$'000	Actual 2017 \$'000
Income from Continuing Operations				
Recurrent Income				
Rates and Charges	2.1	7,016	6,983	6,795
Statutory Fees and Fines	2.2	298	342	308
User Fees	2.3	1,505	1,534	1,434
Grants	2.4	3,681	3,578	4,656
Contributions - Cash	2.5	-	-	25
Interest	2.6	130	155	115
Other Income	2.7	429	168	375
Investment Revenue from Water Corporation	2.9, 4.1	408	408	408
		13,467	13,168	14,116
Capital Income				
Capital grants received specifically for new or upgraded assets	2.4	1,082	476	544
Net gain/(loss) on disposal of property, infrastructure, plant and equipment	2.8	-	(202)	3
Recognition of Land Under Roads Asset	6.2	-	4,446	-
		1,082	4,720	547
Total Income from Continuing Operations		14,549	17,888	14,663
Expenses from Continuing Operations				
Employee Benefits	3.1	(4,869)	(4,311)	(3,849)
Materials and Services	3.2	(5,836)	(5,670)	(4,844)
Depreciation and Amortisation	3.4	(2,457)	(2,518)	(2,523)
Finance Costs	3.5	(173)	(169)	(170)
Other Expenses	3.6	(508)	(473)	(475)
Total Expenses from Continuing Operations		(13,843)	(13,141)	(11,861)
Result from Continuing Operations		706	4,747	2,802
Result from Discontinued Operations		-	-	-
Net Result for the Year		706	4,747	2,802
Other Comprehensive Income				
Items that will not be reclassified to surplus or deficit				
Fair value adjustments for financial assets at fair value		-	-	-
Net asset revaluation increment/(decrement)	9.1	-	18,862	632
Actuarial gain/loss on defined benefits plans		-	-	-
		-	18,862	632
Items that may be reclassified subsequently to surplus or deficit				
Financial assets available for sale reserve				
— Fair Value adjustment on Available for Sale Assets	9.1	-	268	134
		-	268	134
Total Other Comprehensive Income		-	19,130	766
Total Comprehensive Result		706	23,877	3,568

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

**Statement of Financial Position
As at 30 June 2018**

	Note	2018 \$'000	2017 \$'000
ASSETS			
Current Assets			
Cash and Cash Equivalents	5.1	6,316	4,633
Trade and Other Receivables	5.2	1,025	982
Inventories	5.3	-	-
Other Assets	5.3	64	40
Total Current Assets		7,405	5,655
Non-Current Assets			
Investment in Water Corporation	4.1	20,873	20,606
Property, Plant, Equipment and Infrastructure	6.1	106,631	83,248
Total Non-Current Assets		127,504	103,854
Total Assets		134,909	109,509
LIABILITIES			
Current Liabilities			
Trade and Other Payables	7.1	1,566	632
Trust Funds and Deposits	7.2	73	70
Employee Provisions	7.3	1,607	1,528
Interest-Bearing Loans and Borrowings	8.1	487	311
Total Current Liabilities		3,733	2,541
Non-Current Liabilities			
Provisions	7.3	56	87
Interest-Bearing Loans and Borrowings	8.1	3,497	3,134
Total Non-Current Liabilities		3,553	3,221
Total Liabilities		7,286	5,762
Net Assets		127,623	103,747
EQUITY			
Accumulated Surplus		49,794	45,411
Reserves	9.1	77,829	58,336
Total Equity		127,623	103,747

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

Statement of Cash Flows For the Year Ended 30 June 2018

	Note	2018 Inflows/ (Outflows) \$'000	2017 Inflows/ (Outflows) \$'000
Cash Flows from Operating Activities			
Rates		7,109	6,901
User Charges and Statutory Fees (inclusive of GST)		1,960	2,206
Grants (inclusive of GST)		3,578	4,656
Interest		146	115
Investment Revenue from Water Corporation		408	408
Other Receipts which includes Reimbursements (inclusive of GST)		168	444
Net GST Refund/Payment		-	-
Payments to Suppliers (inclusive of GST)		(5,068)	(5,683)
Payments to Employees (including Redundancies)		(4,200)	(3,962)
Finance Costs		(169)	(169)
Other Payments		(472)	(532)
Net Cash Provided by (Used in) Operating Activities	9.2	3,460	4,384
Cash Flows from Investing Activities			
Payments for Property, Infrastructure, Plant and Equipment		(2,796)	(2,451)
Proceeds from Sale of Property, Infrastructure, Plant and Equipment	2.8	-	127
Capital Grants (inclusive of GST)	2.4	476	544
Net Cash Provided by (Used in) Investing Activities		(2,319)	(1,780)
Cash Flows from Financing Activities			
Trust Funds and Deposits	7.2	3	-
Proceeds from Interest Bearing Loans and Borrowings		850	500
Payments for Short Term Deposits		(1,250)	-
Repayment of Interest Bearing Loans and Borrowings		(311)	(269)
Net Cash Provided by (Used in) Financing Activities	9.3	(708)	231
Net Increase (Decrease) in Cash and Cash Equivalents		433	485
Cash and Cash Equivalents at the Beginning of the Financial Year		783	298
Cash and Cash Equivalents at the End of the Financial Year		1,216	783
Restrictions on Cash Assets	5.1	3,865	1,685

** Reimbursements are now included under Other Income

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

Statement of Changes in Equity For the Year Ended 30 June 2018

	Note	Total	Accumulated	Asset	Fair	Asset	Other
		2018	Surplus	Revaluation	Value	Replacement	Reserves
		\$'000	2018	Reserve	Reserve	Reserve	2018
2018		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at beginning of the financial year		103,746	45,411	60,693	(4,123)	882	883
Adjustment due to compliance with revised accounting standard		-	-	-	-	-	-
Adjustment on change in accounting policy		-	-	-	-	-	-
Surplus / (Deficit) for the year		4,747	4,747	-	-	-	-
Other Comprehensive Income:							
Fair value adjustments for financial assets at fair value		-	-	-	-	-	-
Financial assets available for sale reserve							
— Fair Value adjustment on Available for Sale Assets	4.1	268	-	-	268	-	-
Net asset revaluation increment/(decrement)	9.1	18,862	-	18,862	-	-	-
Transfers between Reserves	9.1	-	(364)	-	-	480	(116)
Balance at end of the financial year		127,623	49,794	79,555	(3,855)	1,361	768

		Total	Accumulated	Asset	Fair	Asset	Other
		2017	Surplus	Revaluation	Value	Replacement	Reserves
		\$'000	2017	Reserve	Reserve	Reserve	2017
2017		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at beginning of the financial year		100,179	42,793	60,061	(4,257)	996	585
Adjustment due to compliance with revised accounting standard		-	-	-	-	-	-
Adjustment on change in accounting policy		-	-	-	-	-	-
Surplus / (Deficit) for the year		2,802	2,802	-	-	-	-
Other Comprehensive Income:		-					
Fair value adjustments for financial assets at fair value		-	-	-	-	-	-
Financial assets available for sale reserve							
— Fair Value adjustment on Available for Sale Assets	4.1	134	-	-	134	-	-
Net asset revaluation increment/(decrement)	9.1	632	-	632	-	-	-
Transfers between Reserves	9.1	-	(184)	-	-	(114)	298
Balance at end of the financial year		103,747	45,411	60,693	(4,123)	882	883

The above statement should be read with the accompanying notes.

Note 1 Overview

1.1 Reporting Entity

- (a) The Derwent Valley Council (formerly New Norfolk Council) was established in 1863 and is a body corporate with perpetual succession and a common seal. Council's main office is located at Circle Street, New Norfolk.
- (b) The purpose of the Council is to:
- provide for health, safety and welfare of the community;
 - to represent and promote the interests of the community;
 - provide for the peace, order and good government in the Municipality.

1.2 Basis of Accounting

These financial statements are a general purpose financial report that consists of a Statement of Profit and Loss and Other Comprehensive Income, Financial Position, Statement of Changes in Equity, Statement of Cash Flows, and notes accompanying these financial statements. The general purpose financial report complies with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, and the *Local Government Act 1993 (LGA1993) (as amended)*. Council has determined that it does not have profit generation as a prime objective. Consequently, where appropriate, Council has elected to apply options and exemptions within accounting standards that are applicable to not-for-profit entities.

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

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

This financial report has been prepared under the historical cost convention, except where specifically stated in Notes 4.1, 7.3, 8.1 and 10.3(d).

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

All entities controlled by Council that have material assets or liabilities, such as Special Committees of Council, and material subsidiaries or joint ventures, have been included in this financial report. All transactions between these entities and Council have been eliminated in full. Details of entities not included in this financial report based on their materiality are detailed in Note 10.

1.3 Use of Judgements and Estimates

Judgements and Assumptions

In the application of Australian Accounting Standards, Council is required to make judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Council has made no assumptions concerning the future that may cause a material adjustment to the carrying amounts of assets and liabilities within the next reporting period. Judgements made by Council that have significant effects on the financial report are disclosed in the relevant notes as follows:

Employee Entitlements

Assumptions are utilised in the determination of Council's employee entitlement provisions. These assumptions are discussed in Note 7.3.

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 9.5.

Fair Value of Property, Plant & Equipment

Assumptions and judgements are utilised in determining the fair value of Council's property, plant and equipment including useful lives and depreciation rates. These assumptions are discussed in Note 6.1.

Investment in Water Corporation

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

1.4 Functions/Activities of the Council

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

	Grants \$'000	Other \$'000	Total Revenue \$'000	Total Expenditure \$'000	Surplus/ (Deficit) \$'000	Assets \$'000
Government and Administration						
2017 - 2018	1,389	6,419	7,808	2,166	5,642	4,814
2016 - 2017	826	1,814	2,640	2,020	620	4,849
Roads, Streets, Bridges & Footpaths						
2017 - 2018	1,194	4,286	5,480	3,280	2,200	85,212
2016 - 2017	544	2,000	2,544	2,940	(396)	62,842
Drainage						
2017 - 2018	-	-	-	622	(622)	27,509
2016 - 2017	1,047	395	1,442	395	1,047	26,978
Waste Management						
2017 - 2018	-	1,311	1,311	1,167	144	1,116
2016 - 2017	248	1,256	1,504	1,106	398	1,165
Environmental Health						
2017 - 2018	-	230	230	318	(88)	317
2016 - 2017	-	461	461	376	85	317
Planning Services						
2017 - 2018	-	103	103	231	(128)	-
2016 - 2017	-	250	250	250	-	-
Building Control						
2017 - 2018	-	61	61	151	(90)	-
2016 - 2017	-	151	151	150	1	-
Community Amenities						
2017 - 2018	71	43	114	329	(215)	-
2016 - 2017	294	124	418	261	157	-
Community Services						
2017 - 2018	1,003	508	1,511	2,001	(490)	66
2016 - 2017	1,086	802	1,888	1,938	(50)	73
Recreation Facilities						
2017 - 2018	35	330	365	1,297	(932)	8,217
2016 - 2017	1,136	1,166	2,302	1,166	1,136	7,395
Economic Development						
2017 - 2018	357	12	369	397	(28)	235
2016 - 2017	7	235	242	242	-	235
Other - Not Attributable						
2017 - 2018	5	531	536	1,182	(646)	7,424
2016 - 2017	12	809	821	1,017	(196)	5,655
TOTAL						
2017 - 2018	4,054	13,834	17,888	13,141	4,747	134,909
2016 - 2017	5,200	9,463	14,663	11,861	2,802	109,509

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

	2018 \$'000	2017 \$'000
Current Assets	7,424	5,655
Non-Current Assets	127,486	103,854
	134,910	109,509

(c) The Council has adopted the following functional area by which it manages the Municipality:

Governance and Administration

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

Roads, Streets and Bridges

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

Drainage

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

Waste Management

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

Environmental Health/Environmental Management

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

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

Planning Services

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

Building Control

The development and maintenance of building constructions standards.

Community Amenities

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

Community Services

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

Recreation Facilities

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

Economic Development

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

Other - Not Attributable

Rates and charges and work not attributed elsewhere.

	2018 \$'000	2017 \$'000
Note 2 Revenue		
Note 2.1 Rates and Charges		
Council uses Assessed Annual Values (AAV) as the basis of valuation of all properties within the Municipality. The AAV of a property is the anticipated annual rental return of the property.		
The valuation base used to calculate general rates for 2017-18 was \$72,908,982 (2016-17 \$66,911,513). The 2017-18 rate in the AAV dollar was \$0.08021178 (2016-17 \$0.08493675).		
General Rate	5,740	5,610
General Land Fire Levy	113	112
Volunteer Brigade Fire Levy	177	167
Garbage/Recycling Services	531	779
Waste Management Charge	296	-
Waste Treatment Services	111	111
Business Levy	15	16
Total Rates and Charges	6,983	6,795

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

Accounting Policy
Rates and Charges Income
Rate income is recognised as revenue when Council obtains control over the assets comprising the receipt.
Control over assets acquired from rates is obtained at the commencement of the rating year as it is an enforceable debt linked to the rateable property or where earlier, upon receipt of the rates.

Note 2.2 Statutory Fees and Fines		
Infringements and Costs	34	40
Planning Control Fees	103	72
Land Information Certificates	98	81
Building Control Fees	107	115
Total Statutory Fees and Fines	342	308

Accounting Policy
Statutory Fee and Fine Income
Fees and fines (including parking fees and fines) are recognised as revenue when the service has been provided, the payment is received, or when the penalty has been applied, whichever first occurs.

Note 2.3 User Fees		
Child Care/Children's Program Fees	361	384
Home and Community Care Service Fees	3	9
Dog Registration Fees	94	75
Cemetery Fees	214	203
Caravan Park Fees	306	200
Refuse Disposal Fees	484	501
*Buildings & Property Rentals	27	-
Other Fees and Charges	45	62
Total User Fees	1,534	1,434

*Building & Property Rentals 2016/17 previously appeared under Note 2.7 Other Income

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

Note 2.4 Grants		
Grants were received in respect of the following:		
Summary of Grants		
Federally Funded Grants	3,766	4,599
State Funded Grants	288	601
Total Grants	4,054	5,200

	2018 \$'000	2017 \$'000
Grants - Recurrent		
Commonwealth Government Financial Assistance Grants - General Purpose	1,389	1,871
Commonwealth Government Financial Assistance Grants - Roads	926	1,248
Buildings	55	43
Family and Children Services	1,002	1,086
Home and Community Care Services	16	139
Parks and Reserves	95	250
Regional Development	57	7
Roads	33	-
Youth Services	5	12
Total Recurrent Grants	3,578	4,656

The Australian Commonwealth Government provides Financial Assistance Grants to Council for general purpose use and the provision of local roads. In 2017-18 the Commonwealth made early payment of the two quarterly instalments for the following year. In accordance with AASB1004 *Contributions*, Council recognises these grants as revenue when it receives the funds and obtains control. The early receipt of instalments resulted in Commonwealth Government Financial Assistance Grants being above that originally budgeted in 2017-18 by \$1,148,165. This has impacted the Statement of Comprehensive Income resulting in the Surplus/(deficit) being higher in 2017-18 by the same amount.

Capital Grants Received Specifically for New or Upgraded Assets

Commonwealth Government - Roads to Recovery	236	382
State Government - Bridges	-	162
Commonwealth Government - River Revitalisation	240	-
Total Capital Grants	476	544

Accounting Policy

Grant Income - Operating and Capital

Grant income is recognised as revenue when Council obtains control over the assets comprising the receipt. Control over granted assets is normally obtained upon their receipt (or acquittal) or upon earlier notification that a grant has been secured and are valued at their fair value at the date of transfer.

Where grants recognised as revenues during the financial year were obtained on condition that they be expended in a particular manner or used over a particular period and those conditions were undischarged at balance date, the unused grant is also disclosed. The note also discloses the amount of unused grant or contribution from prior years that was expended on Council's operations during the current year.

A liability is recognised in respect of revenue that is reciprocal in nature to the extent that the requisite service has not been provided at balance date and conditions include a requirement to refund unused contributions. Revenue is then recognised as the various performance obligations under an agreement are fulfilled. Council had the following three reciprocal grants during 2017-18 for the amounts of \$240,000 (River Revitalisation - Federal Gov), \$31,978 (Boyer Oval) and \$59,575 (River Revitalisation - State Gov).

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

Note 2.5 Contributions

(a) Cash

Recreational, leisure and community facilities	-	25
Other	-	-
Total	-	25
Total Contributions	-	25

Accounting Policy

Contribution Income

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

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

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

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.

	2018 \$'000	2017 \$'000
Note 2.6 Interest		
Interest on Financial Assets	118	64
Interest on Rates	37	51
Total	155	115

Accounting Policy

Interest Income

Interest is recognised progressively as it is earned.

Note 2.7 Other Income		
Regional Renewal	8	15
Community and Social Development	21	21
Plant Operations	29	51
**Buildings & Property Rentals	-	101
Reimbursements	105	172
Other	5	15
Total Other Income	168	375

**Buildings & Property Rentals now appears within Note 2.3 Users Fees (Note 2.3).

Accounting Policy

Rental Income

Rents are recognised as revenue when the payment is due or the payment is received, whichever first occurs. Rental payments received in advance are recognised as a prepayment until they are due.

Operating Leases as Lessor

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

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

Where leases are commercial agreements, but properties leased are part of properties predominantly used by Council for its own purposes, Council records lease revenue on an accruals basis and records the associated properties as part of land and buildings within property, plant and equipment. Buildings are recognised at depreciated replacement cost.

Note 2.8 Net Gain/(Loss) on Disposal of Property, Plant, Equipment and Infrastructure		
Proceeds of Sale	121	127
*Write Down Value of Bridge Disposals	(143)	-
**Write Down Value of Road Assets Disposed	(92)	-
Write Down Value of Plant Assets Disposed	(88)	(124)
Total	(202)	3

*On 11th May 2018, Council experience a severe weather event in which destroyed two bridge assets on Hanson Road and Glen Dhu Road. The written down values of these bridges have now been reflected as at 30th June 2018.

**Council's Road Infrastructure under went a revaluation effective 1 July 2017, resulting in disposals having been taken up.

Accounting Policy

Gains and Losses on Asset Disposals

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

Note 2.9 Investment Revenue from Water Corporation		
Dividend Revenue Received	252	265
Tax Equivalent Received	120	123
Guarantee Fee Received	36	20
Total Investment Revenue from Water Corporation	408	408

Accounting Policy

Investment Revenue

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

	2018 \$'000	2017 \$'000
Note 3 Expenses		
Note 3.1 Employee Benefits		
Wages and Salaries	3,340	3,041
Workers Compensation	108	145
Annual Leave and Long Service Leave	407	297
Superannuation	440	404
Fringe Benefits Tax	25	29
Redundancy	52	-
	4,372	3,916
Less Amounts Capitalised	(61)	(67)
Total Employee Benefits	4,311	3,849

Accounting Policy

Employee Benefits

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

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

Note 3.2 Materials and Services		
Contract Payments	1,482	1,450
Building Maintenance	149	37
Consultants	433	345
Utilities (Telephones, Electricity & Water Charges)	424	356
Plant and Vehicle Running Costs	369	386
State Fire Levies	287	279
Other	2,526	1,991
Total Materials and Services	5,670	4,844

Accounting Policy

Materials and Services Expense

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

Routine maintenance, repair costs, and minor renewal costs are expensed as incurred. Where the repair relates to the replacement of a component of an asset and the cost exceeds the capitalisation threshold the cost is capitalised and depreciated. The carrying value of the replaced asset is expensed.

Note 3.3 Impairment of Receivables		
Other Debtors	4	3
Total Impairment of Receivables	4	3

Accounting Policy

Impairment Expense

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

Note 3.4 Depreciation and Amortisation

Property

Buildings

Buildings	75	59
Heritage Buildings	4	13

Plant and Equipment

Plant, Machinery and Equipment	177	206
Computers and Telecommunications	59	59

Infrastructure

Roads and Streets	1,475	1,604
Bridges	241	254
Footpaths and Cycleways	191	-
Drainage	171	182
Recreational, Leisure and Community Facilities	57	54
Waste Management	68	92

Total	2,518	2,523
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	2018 \$'000	2017 \$'000
Accounting Policy		
Depreciation and Amortisation Expense		
Expenses are recognised in the Statement of Comprehensive Income when a decrease in future economic benefits related to a decrease in asset or an increase of a liability has arisen that can be measured reliably.		
Buildings, plant and equipment, infrastructure and other assets having limited useful lives are systematically depreciated over their useful lives to Council in a manner which reflects consumption of the service potential embodied in those assets. Estimates of remaining useful lives and residual values are made on a regular basis with major asset classes reassessed annually. Depreciation rates and methods are reviewed annually.		
Where assets have separate identifiable components that are subject to regular replacement, these components are assigned distinct useful lives and remaining values and a separate depreciation rate is determined for each component.		
Land, heritage, artwork and road earthwork assets are not depreciated on the basis that they are assessed as not having a limited useful life.		
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.		
Straight line depreciation is charged based on the residual useful life as determined each year.		
Major depreciation periods used are listed below and are consistent with the prior year unless otherwise stated:		
		Period
Buildings		
Buildings		50 years
Heritage Buildings		50 years
Leasehold Improvements		
Leasehold Building Improvements		50 years
Plant and Equipment		
Light Vehicles		5-10 years
Plant, Machinery and Equipment		7 years
Fixtures, Fittings and Furniture		5 years
Computers and Telecommunications		5 years
Roads**		
Road Pavements		
Urban Sealed		80 years
Rural Sealed		80 years
Urban Unsealed		100 years
Rural Unsealed		100 years
Road Surface		
Urban Spray Seal		18 years
Rural Spray Seal		18 years
Urban Asphalt		30 years
Rural Asphalt		30 years
Urban Unsealed Gravel		10 years
Rural Unsealed Gravel		10 years
Road Formation and Earthworks		Nil years
Road Kerb and Channel		75-80 years
Street Furniture		50 years
Bridges		
Bridges Deck - Concrete		80 years
Bridges Deck - Timber		20 years
Bridges Substructure		80 years
Drainage		
Pipes Concrete		80 years
Pipes Upvc		80 years
Pipes Earthenware		80 years
Pipes Cast Iron		80 years
Manholes		80 years
Pits		80 years
Headwalls		80 years
Footpaths and Cycleways**		
Asphalt Footpath		25 years
Brick Paving Footpath		40 years
Concrete Footpath		80 years
Gravel Footpath		18 years
Bituminous Seal Footpath		18 years
Other Infrastructure		
Reserve Structures		50 years
Waste Management Structures		20 years
Intangible assets		5 years

2018
\$'000

2017
\$'000

Useful lives have been reviewed and changed compared to the prior year (2016-17). These changes have had a minimal financial impact on Council's financial position.

**Revaluations of Roads, Streets and Footpath Assets were undertaken in 2017-18 year and the effective date of this revaluation was 1 July 2017.

Note 3.5 Finance Costs

Interest - Borrowings	169	170
Total	169	170
Less Capitalised Borrowing Costs on Qualifying Assets	-	-
Total Finance Costs	169	170

Accounting Policy

Finance Expense

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

Finance costs are recognised as an expense in the period in which they are incurred, except where they are capitalised as part of a qualifying asset constructed by Council. Where specific borrowings are obtained for the purpose of specific asset acquisition, the weighted average interest rate applicable to borrowings at balance date, excluding borrowings associated with superannuation, is used to determine the borrowing costs to be capitalised. No borrowing costs were capitalised during the period, (\$0).

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

Note 3.6 Other Expenses

External Auditors' Remuneration (Tasmanian Audit Office)	29	30
Payments Relating to Elected Members		
Councillors' Allowances	139	138
Other Allowances & Expenses	18	11
Election Costs	5	4
Local Government Association of Tasmania Subscription	33	33
General Insurance Costs	195	170
Community Grants and Donations	54	89
Total	473	475

Accounting Policy

Other Expenses

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

Note 4 Investments

Note 4.1 Investment in Water Corporation

Opening Balance	20,605	20,471
Fair Value Adjustments on Available-for-Sale Assets	268	134
Total investment in Water Corporation	20,873	20,605

Council has derived returns from the Water Corporation as disclosed at Note 2.9.

Accounting Policy

Investment Assets

Council's investment in TasWater is valued at its Fair Value at balance date. Fair Value was determined by using Council's ownership interest against the Water Corporation's net asset value at balance date. At 30 June 2018, Council continues to hold a 1.30% ownership interest in TasWater which is based on Schedule 2 of the Corporation's Constitution which reflects the Council's voting rights. Any unrealised gains and losses are recognised through the Statement of Comprehensive Income to an Available-for-sale Fair Value reserve each year (refer Note 9.12).

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.

	2018	2017
	\$'000	\$'000

Investment Assets Continued

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

Note 5 Current Assets

Note 5.1 Cash and Cash Equivalents

Cash on Hand	1	1
Cash at Bank		
Trading Account	1,215	776
Westpac Account	-	6
At Call and Short Term Deposits	5,100	3,850
Total Cash and Cash Equivalents	6,316	4,633

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

- Security Deposits and Bonds (Note 7.2)	73	70
- Leave Provisions (Note 7.3)	1,663	1,615
- Cashed Backed Reserves (Note 9.1)	2,129	-

Restricted Funds	3,865	1,685
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Total Unrestricted Cash and Cash Equivalents	2,451	2,948
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Accounting Policy

Cash and Cash Equivalents

For the purposes of the Statement of Cash Flows, cash and cash equivalents include cash on hand, deposits at call, and other highly liquid investments with original maturities of three months or less, net of outstanding bank overdrafts.

Note 5.2 Trade and Other Receivables

Current

Rates Debtors	564	624
Sundry Debtors	436	331
Other Debtors	29	30
Provision for Impairment - Sundry Debtors	(4)	(3)
Net GST Receivable	-	-
Total Trade and Other Receivables	1,025	982

Accounting Policy

Trade and Other Receivables

Receivables are carried at amortised cost using the effective interest rate method. A provision for impairment is recognised when there is objective evidence that an impairment loss has occurred. A provision for impairment on rates has not been established as unpaid rates represents a charge against the rateable property that will be recovered when the property is next sold.

Note 5.3 Other Assets

Current

Prepayments	43	40
Accrued Investment Interest	9	-
Accrued Income	12	-
Total Other Assets	64	40

Note 6 Non-Current Assets

Note 6.1 Property, Plant, Equipment and Infrastructure

	2018 \$'000	2017 \$'000
Summary		
At Cost	7,726	6,157
Less Accumulated Depreciation	4,191	4,129
	3,535	2,028
At Fair Value as at 30 June	162,368	116,644
Less Accumulated Depreciation	59,272	35,424
	103,096	81,220
Total	106,631	83,248
Property		
Land		
At Fair Value as at 30 June	7,798	7,785
	7,798	7,785
Land Under Roads		
At Fair Value at 30 June	4,446	-
	4,446	-
Total Land	12,244	7,785
Council recognised the value of land under roads it controls at fair value for the first time at 30 June 2018		
Buildings		
At Fair Value as at 30 June	3,481	3,167
Less Accumulated Depreciation	716	675
	2,765	2,492
Heritage Buildings		
At Fair Value as at 30 June	643	630
Less Accumulated Depreciation	51	13
	592	617
Total Buildings	3,357	3,109
Total Property	15,601	10,894
Plant and Equipment		
Plant, Machinery and Equipment		
At Cost	2,965	2,886
Less Accumulated Depreciation	1,983	2,051
	982	835
Fixtures, Fittings and Furniture		
At Cost	201	201
Less Accumulated Depreciation	201	199
	-	2
Computers and Telecommunications		
At Cost	883	856
Less Accumulated Depreciation	775	716
	108	140
Total Plant and Equipment	1,090	977

Note 6.1 Property, Plant, Equipment and Infrastructure (continued)	2018 \$'000	2017 \$'000
Infrastructure		
Roads		
At Fair Value as at 30 June	105,565	74,228
Less Accumulated Depreciation	39,876	20,694
	65,689	53,534
Bridges		
At Fair Value as at 30 June	14,259	14,892
Less Accumulated Depreciation	6,766	6,684
	7,493	8,208
Footpaths and Cycleways		
At Fair Value as at 30 June	9,497	-
Less Accumulated Depreciation	3,951	-
	5,546	-
Drainage		
At Fair Value as at 30 June	13,782	13,139
Less Accumulated Depreciation	7,262	6,767
	6,520	6,372
Recreational, Leisure and Community Facilities		
At Fair Value as at 30 June	2,897	2,803
Less Accumulated Depreciation	650	591
	2,247	2,212
Waste Management Structures		
At Cost	2,243	2,214
Less Accumulated Depreciation	1,232	1,163
	1,011	1,051
Total Infrastructure	88,506	71,377
Works in Progress		
Roads at Cost	756	-
Bridges at Cost	-	-
Buildings at Cost	-	-
Drainage at Cost	115	-
Reserves at Cost	563	-
Total Works in Progress	1,434	-
Total Property, Plant, Equipment and Infrastructure	106,631	83,248

Notes to the Financial Report
For the Year Ended 30 June 2018

Note 6.1 Property, Plant, Equipment and Infrastructure (continued)

Reconciliation of Property, Plant, Equipment and Infrastructure

2018	Balance at beginning of financial year	Acquisition of assets	Revaluation increments (decrements) (Note 9.1)	Recognition of new asset	Depreciation and amortisation (Note 3.4)	Written down value of disposals (Note 2.8)	Impairment losses recognised in profit or loss	Transfers	Balance at end of financial year
	\$'000	\$'000	\$'000		\$'000	\$'000	\$'000	\$'000	\$'000
Property									
Land	7,785	-	13	-	-	-	-	-	7,798
Land Under Roads	-	-		4,446	-	-	-	-	4,446
Total Land	7,785	-	13	4,446	-	-	-	-	12,244
Buildings	2,492	251	96	-	75	-	-	-	2,765
Heritage Buildings	617	-	(21)	-	4	-	-	-	592
Total Buildings	3,109	251	75	-	79	-	-	-	3,357
Total Property	10,894	251	88	4,446	79	-	-	-	15,601
Plant and Equipment									
Plant, Machinery and Equipment	835	411		-	177	88	-	-	982
Fixtures, Fittings and Furniture	2	-	(2)	-	-	-	-	-	-
Computers and Telecommunications	140	27	-	-	59	-	-	-	108
Total Plant and Equipment	977	438	(2)	-	236	88	-	-	1,090
Infrastructure									
Roads	53,534	651	18,808	-	1,475	92	-	(5,737)	65,689
Bridges	8,208	-	(331)	-	241	143	-	-	7,493
Footpaths and Cycleways	-	-	-	-	191	-	-	5,737	5,546
Drainage	6,372	78	240	-	171	-	-	-	6,520
Recreational, Leisure and Community Facilities	2,212	35	58	-	58	-	-	-	2,247
Waste Management Structures	1,051	28	-	-	68	-	-	-	1,011
Total Infrastructure	71,377	792	18,775	-	2,204	235	-	-	88,506
Works in Progress									
Roads	-	756	-	-	-	-	-	-	756
Bridges	-	-	-	-	-	-	-	-	-
Buildings	-	-	-	-	-	-	-	-	-
Drainage	-	115	-	-	-	-	-	-	115
Reserves	-	563	-	-	-	-	-	-	563
Total Works in Progress	-	1,434	-	-	-	-	-	-	1,434
Total Property, Plant, Equipment and Infrastructure	83,248	2,915	18,862	4,446	2,519	323	-	-	106,631

Notes to the Financial Report
For the Year Ended 30 June 2018

Note 6.1 Property, Plant, Equipment and Infrastructure (continued)

Reconciliation of Property, Plant, Equipment and Infrastructure

2017	Balance at beginning of financial year	Acquisition of assets	Revaluation increments (decrements) (Note 9.1)	Recognition of new asset	Depreciation and amortisation (Note 3.4)	Written down value of disposals (Note 2.8)	Impairment losses recognised in profit or loss	Transfers	Balance at end of financial year
	\$'000	\$'000	\$'000		\$'000	\$'000	\$'000	\$'000	\$'000
Property									
Land	6,969	-	816		-	-	-	-	7,785
Land Under Roads	-	-	-		-	-	-	-	-
Total Land	6,969	-	816		-	-	-	-	7,785
Buildings	3,107	210	(766)		59	-	-	-	2,492
Heritage Buildings	547	-	83		13	-	-	-	617
Total Buildings	3,654	210	(683)		72	-	-	-	3,109
Total Property	10,623	210	133		72	-	-	-	10,894
Plant and Equipment									
Plant, Machinery and Equipment	862	303	-		206	124	-	-	835
Fixtures, Fittings and Furniture	2	-	-		-	-	-	-	2
Computers and Telecommunications	180	19	-		59	-	-	-	140
Total Plant and Equipment	1,044	322	-		265	124	-	-	977
Infrastructure									
Roads	53,840	1,305	(7)		1,603	-	-	-	53,535
Bridges	6,221	323	1,918		254	-	-	-	8,208
Footpaths and Cycleways	-	-	-		-	-	-	-	-
Drainage	6,548	7	-		184	-	-	-	6,371
Recreational, Leisure and Community Facilities	3,566	112	(1,412)		54	-	-	-	2,212
Waste Management Structures	968	175	-		92	-	-	-	1,051
Total Infrastructure	71,143	1,922	499		2,187	-	-	-	71,377
Works in Progress									
Buildings at Cost	-	-	-		-	-	-	-	-
Reserves	-	-	-		-	-	-	-	-
Roads at Cost	-	-	-		-	-	-	-	-
Bridges at Cost	-	-	-		-	-	-	-	-
Total Works in Progress	-	-	-		-	-	-	-	-
Total Property, Plant, Equipment and Infrastructure	82,810	2,454	632		2,524	124	-	-	83,248

Note 6.1 Property, Plant, Equipment, Infrastructure (continued)

Accounting Policy

Recognition and Measurement of Assets

Acquisitions of assets are initially recorded at cost. Cost is determined as the fair value of the assets given as consideration plus costs incidental to the acquisition.

Property, plant, equipment and infrastructure received in the form of contributions, are recognised as assets and revenues at fair value by Council valuation where that value exceeds the recognition thresholds for the respective asset class. Fair value is the price that would be received to sell the asset in an orderly transaction between market participants at the measurement date.

Where assets are constructed by Council, cost includes all materials used in construction, direct labour, borrowing costs incurred during construction, and an appropriate share of directly attributable variable and fixed overheads.

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

	Threshold \$'000
Land	
Land Improvements	10
Buildings	
Buildings	10
Building Improvements	10
Heritage Buildings	10
Plant and Equipment	
Light Vehicles (After 40,000kms or 2 years)	5
Plant, Machinery and Equipment	5
Fixtures, Fittings and Furniture	5
Computers and Telecommunications	5
Roads	
Road Pavement - Asphaltic	10
Road Pavement - Chip Seal	10
Road Pavement - Reinforced Concrete	10
Road Formation and Earthworks	10
Road Kerb, Channel and Minor Culverts	10
Road Base Sealed	10
Road Base Unsealed	10
Gravel	10
Bridges	
Concrete Deck	10
Timber Deck	10
Bridge Substructure	10
Drainage	
Pipes Concrete	10
Pipes Upvc	10
Pipes Earthenware	10
Pipes Cast Iron	10
Manholes	10
Pits	10
Headwall	10
Other Infrastructure	
Footpaths and Cycleways	10
Recreational, Leisure and Community Facilities	10
Waste Management Structures	10
Swimming Pool Pumps	10
Swimming Pool Chlorinators	10
Intangible Assets	
Intangible Assets	5

Note 6.1 Property, Plant, Equipment, Infrastructure (continued)

Revaluation

Council has adopted the following valuation bases for its Non-Current Assets:

Land	Fair Value
Plant and Machinery	Cost
Furniture, Fittings and Office Equipment	Cost
Stormwater and Drainage Infrastructure	Fair Value
Roads and Streets Infrastructure	Fair Value
Bridges	Fair Value
Buildings	Fair Value
Intangibles	Cost
Parks, Recreation Facilities and Community Amenities	Cost
Heritage	Cost
Investment in Water Corporation	Fair Value

Accounting Policy

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

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

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

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

Impairment of Assets

Impairment losses are recognised in the statement of comprehensive income under other expenses.

Reversals of impairment losses are recognised in the statement of comprehensive income under other revenue.

Land Under Roads

Land under roads acquired after 30 June 2008 have been brought to account at cost and subsequently revalued on a fair value basis for the 2017-18 financial year. Council does not recognise land under roads that it controlled prior to that period.

	2018 \$'000	2017 \$'000
Note 7 Current Liabilities		
Note 7.1 Trade and Other Payables		
Trade Payables	637	307
Net GST Payable	-	-
Accrued Expenses	601	126
Rates Debtors Paid in Advance	265	199
Accrued Payroll	63	-
Total Trade and Other Payables	1,566	632
Note 7.2 Trust Funds and Deposits		
Security Deposits and Bonds	73	70
Total Trust Funds and Deposits	73	70

Note 7.3 Provisions

Employees

	Annual Leave \$ '000	Long Service Leave \$ '000	Sick Leave Benefit \$ '000	Other \$ '000	Total \$ '000
2018					
Balance at beginning of the financial year	725	427	249	127	1,528
Additional provisions	(17)	111	(9)	(6)	79
Balance at the end of the financial year	708	538	240	121	1,607
2017					
Balance at beginning of the financial year	728	498	306	113	1,645
Additional provisions	(3)	(71)	(57)	14	(117)
Balance at the end of the financial year	725	-	427	127	1,528

(a) Employee Benefits	2018 \$'000	2017 \$'000
(i) Current		
Annual Leave	708	725
Long Service Leave	538	427
Sick Leave	240	249
Other Benefits	121	127
	1,607	1,528
(ii) Non-Current		
Long Service Leave	56	87
	56	87
Aggregate carrying amount of employee benefits:		
Current	1,607	1,528
Non-Current	56	87
	1,663	1,615

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

Weighted average increase in employee costs	2.50%	2.50%
Weighted average settlement period	12	12

(iii) Current

All Annual Leave and the Long Service Leave entitlements representing 7 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.	829	852
- Other long-term employee benefits that do not fall due within 12 months after the end of the period measured at present value.	778	676
	1,607	1,528

(iv) Non-Current

Long service leave representing less than 7 years of continuous service measured at present value.

	56	87
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(v) Employee Numbers

60	57
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Accounting Policy

Employee Benefits

i) Short Term Obligations

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

ii) Other Long Term Employee Benefit Obligations

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

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

iii) Sick Leave

An accrual is made for sick leave in accordance with Council's Enterprise Agreement. Currently, Council pays 65% of sick leave in excess of current entitlements on termination.

iv) Defined Benefit Plans

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

Council makes superannuation contributions for a number of its employees to the Quadrant Defined Benefits Fund (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.

v) Defined Contribution Plans

Contributions to defined contribution plans are recognised as an expense as they become payable. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

Note 8 Non-Current Liabilities

Note 8.1 Interest-Bearing Loans and Borrowings

Current

Borrowings - Secured	487	311
	<u>487</u>	<u>311</u>

Non-Current

Borrowings - Secured	3,497	3,134
	<u>3,497</u>	<u>3,134</u>

Total	<u>3,984</u>	<u>3,445</u>
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Borrowings

The fair value of the loan portfolio is \$4,166,687 (2016-17 \$3,673,011). This estimate is based on present value calculations applied to each loan using interest rates prevailing at balance date.

The maturity profile for Council's borrowings is:

Not later than one year	487	311
Later than one year and not later than five years	1,922	1,279
Later than five years	1,575	1,855
Total	<u>3,984</u>	<u>3,445</u>

Accounting Policy

Interest Bearing Liabilities

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

Note 9 Other Financial Information

Note 9.1 Reserves

	Balance at Beginning of Reporting Year \$'000	Increment \$'000	(Decrement) \$'000	Balance at End of Reporting Year \$'000
(a) Asset Revaluation Reserve				
2018				
Property				
Land	6,060	21	(8)	6,073
Land Under Roads	-	-	-	-
Buildings	(2,006)	131	(3)	(1,878)
	4,054	152	(11)	4,195
Infrastructure				
Roads	45,753	60,133	(41,326)	64,561
Bridges	6,035	-	(332)	5,703
Footpaths and Cycleways	-	-	-	-
Drainage	5,360	566	(324)	5,602
Recreation	(511)	4	-	(507)
	56,637	60,703	(41,982)	75,359
Total Asset Revaluation Reserve	60,691	60,855	(41,993)	79,555
2017				
Property				
Land	5,244	816	-	6,060
Buildings	89	-	(2,095)	(2,006)
Heritage Buildings	-	-	-	-
	5,333	816	(2,095)	4,054
Infrastructure				
Roads	45,762	-	(7)	45,753
Bridges	4,117	1,918	-	6,035
Footpaths and Cycleways	-	-	-	-
Drainage	5,360	-	-	5,360
Recreation	(511)	-	-	(511)
	54,728	1,918	(7)	56,637
Total Asset Revaluation Reserve	60,061	2,734	(2,102)	60,693

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

(b) Fair Value Reserve

2018

Available-For-Sale Assets

Investment in Water Corporation	(4,123)	268	-	(3,855)
Total Fair Value Reserve	(4,123)	268	-	(3,855)

2017

Available-For-Sale Assets

Investment in Water Corporation	(4,257)	134	-	(4,123)
Total Fair Value Reserve	(4,257)	134	-	(4,123)

The available-for-sale financial asset reserve was established to capture the fair value movements in Council's Water Corporation investment.

(c) Other Reserves

Asset Replacement Reserves

2018

Plant Replacement	216	-	(16)	200
Capital Works (Collins Cap Rd)	-	200	-	200
Cemetery Replacement	400	-	-	400
Landfill Restoration & Establishment of Transfer Station*	266	296	-	561
	882	496	(16)	1,361

* Council is obligated to restore the Peppermint Hall Landfill site to a particular standard. Council's latest engineering projections indicate that the landfill site will cease operations in 2022 and restoration work is expected to commence shortly thereafter. The forecast life of the landfill site is based on current estimates of remaining capacity and the forecast rate of infill. Council has established a reserve account for this specific purpose and a levy on all ratepayers was introduced during 2016-17. The levy per property for 2017-18 was \$85.00 (2016-17 \$56.65).

2017

Plant Replacement	158	58	-	216
Capital Works	-	-	-	-
Cemetery Replacement	812	-	(412)	400
New Norfolk Landfill Restoration	26	266	(26)	266
	996	324	(438)	882

Community Reserves

2018

Public Open Space	171	-	-	171
Autumn Festival	25	-	-	25
CBD Levy	32	12	-	45
Children Services	74	-	-	74
Derwent Valley Scholarship	5	-	-	5
Regional Renewal	179	-	-	179
Computer	72	-	-	72
Derwent Valley Elections	26	-	-	26
Derwent Valley Revaluation	128	-	(128)	-
Home and Community Care (HACC)	79	-	-	79
Historical Information Centre	51	-	-	51
Visitor Information Centre	3	-	-	3
Public Relations	38	-	-	38
Willow Court	-	-	-	-
Total Other Reserves	883	12	(128)	768

2017

Public Open Space	146	25	-	171
Autumn Festival	25	-	-	25
CBD Levy	19	13	-	32
Children Services	75	-	(1)	74
Derwent Valley Scholarship	5	-	-	5
Regional Renewal	148	31	-	179
Computer	83	-	(11)	72
Derwent Valley Elections	15	11	-	26
Derwent Valley Revaluation	191	-	(63)	128
Home and Community Care (HACC)	75	4	-	79
Historical Information Centre	47	4	-	51
Visitor Information Centre	5	-	(2)	3
Public Relations	32	6	-	38
Willow Court	(281)	281	-	-
Total Other Reserves	585	375	(77)	883

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

	2018 \$'000	2017 \$'000
Total Reserves	77,829	58,336

	2018 \$'000	2017 \$'000
Note 9.2 Reconciliation of Cash Flows From Operating Activities to Surplus (Deficit)		
Result from Continuing Operations	4,747	2,802
Depreciation/Amortisation	2,518	2,523
(Profit)/Loss on Disposal of Property, Plant, Equipment and Infrastructure	202	(3)
Impairment Losses	-	(3)
Capital Grants Received Specifically for New or Upgraded Assets	(476)	(544)
LESS Recognition of Land Under Roads Asset	(4,446)	-
<i>Change in Assets and Liabilities:</i>		
Decrease/(increase) in Trade and Other Receivables	(43)	156
Decrease/(increase) in Other Assets	(24)	3
Decrease/(increase) in Accrued Income	-	(1)
Increase/(Decrease) in Trade and Other Payables	934	(381)
Increase/(Decrease) in Provisions	48	(113)
Increase/(Decrease) in Other Liabilities	-	(55)
Net Cash Provided by/(Used in) Operating Activities	3,460	4,384

Note 9.3 Reconciliation of Liabilities Arising from Financing Activities

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

	Interest-Bearing Loans and Borrowings \$'000
2018	
Balance as at 1 July 2017	3,445
Acquisitions / New Leases	-
Changes in Fair Value	-
Other Movements	-
Transfers to / (from) other Government Entity	-
Changes from Financing Cash Flows:	
Cash Received	850
Cash Repayments	(311)
Balance as at 30 June 2018	3,984

Note 9.4 Reconciliation of Cash and Cash Equivalents	2,018 \$'000	2,017 \$'000
Cash and Cash Equivalents (See Note 5.1)	6,316	4,633
Less Bank Overdraft	-	-
Total Reconciliation of Cash and Cash Equivalents	6,316	4,633

Note 9.5 Superannuation

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 deficit. 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 2014/7
- 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.

Council also contributes to other accumulation schemes on behalf of a number of employees; however the Council has no ongoing responsibility to make good any deficiencies that may occur in those schemes.

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

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

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

- 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 Dependents 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 **\$20,329** (2016-17, \$22,246), and the amount paid to accumulation schemes was **\$41,7029** (2016-17, \$383,770).
- During the next reporting period the expected amount of contributions to be paid to defined benefits schemes is **\$20,000**, and the amount to be paid to accumulation schemes is **\$420,000**.
- As reported on the first page of this note, Assets exceeded accrued benefits as at the date of the last actuarial review, 30 June 2017. Moderate investment returns, since that date, make it quite probable that this is still the position. The financial position of the Fund will be fully investigated at the actuarial review as at 30 June 2020.
- An analysis of the assets and vested benefits of sub-funds participating in the Scheme, prepared by Rice Warner Pty Ltd as at 30 June 2017, showed that the Fund had assets of \$58.9 million and members' Vested Benefits were \$51.2 million. These amounts represented 0.7% and 0.6% respectively of the corresponding total amounts for Tasplan.
- As at 30 June 2017 the fund had 134 members and the total employer contributions and member contributions for the year ending 30 June 2017 were \$1,777,084 and \$267,506 respectively.

Fund	2018 \$'000	2017 \$'000
Defined Benefits Fund		
Employer contributions to TasPlan	20	22
	<u>20</u>	<u>22</u>
Employer contributions payable to TasPlan at reporting date	1	1
	<u>1</u>	<u>1</u>
Accumulation Funds		
Employer contributions to:		
Quadrant Superannuation Scheme	151	157
SGC Generations Personal	-	1
TasPlan	239	218
Vision Super	8	8
Q Super	7	-
First State	11	-
	<u>416</u>	<u>384</u>
Employer contributions payable at reporting date:		
Quadrant Superannuation Scheme	-	3
TasPlan	6	3
First State	1	-
	<u>7</u>	<u>6</u>

Note 9.6 Commitments

Capital Expenditure Commitments

Roads	652	-
Bridges	-	-
Buildings	-	-
Drainage	13	-
Reserves	518	-
Total Capital Expenditure Commitments	<u>1,183</u>	<u>-</u>

Contractual Commitments

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

**Kerbside Garbage Collection Contract (Expired 30 June 2018)	-	-
**Kerbside Recycling Collection Contract (Expired 30 June 2018)	-	-
Total Contractual Commitments	<u>-</u>	<u>-</u>

**Both the Kerbside Garbage and Recycling contracts expired 30 June 2018 with new contracts being entered into effective 1 July 2018.

Note 9.7 Operating Leases

(a) Operating Lease Commitments

Council entered into operating leases during 2017-18 for the use of five Konica Minolta photocopy machines.

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):

	2018 \$'000	2017 \$'000
Not later than one year	16	-
Later than one year and not later than five years	38	-
Later than five years	-	-
	<u>54</u>	<u>-</u>

Note 9.8 Contingent Liabilities and Contingent Assets

Contingent Liabilities

Council is presently involved in several confidential legal matters, which are being conducted through Council's solicitors.

As these matters are yet to be finalised, and the financial outcomes are unable to be reliably estimated, no allowance for these contingencies has been made in the financial report.

Council operates a Landfill Refuse Site at Peppermint Hill . Council will have to carry out site rehabilitation works in the future. At balance date Council is unable to accurately assess the financial implications of such works.

Contingent Assets

Council does not have any expected contingent assets to be received.

Note 9.9 Financial Instruments

(a) Accounting Policy, Terms and Conditions

Recognised financial instruments	Note	Accounting Policy	Terms and Conditions
Financial Assets			
Cash and Cash Equivalents	5.1	<p>Cash on hand and at bank and money market call accounts are valued at face value.</p> <p>Interest is recognised as it accrues.</p> <p>Investments and bills are valued at cost.</p> <p>Investments are held to maximise interest returns of surplus cash.</p> <p>Interest revenues are recognised as they accrue.</p>	<p>On call deposits returned a floating interest rate of 1.50% (1.50% in 2016-17). The interest rate at balance date was 1.50% (1.50% in 2016-17).</p> <p>Funds returned fixed interest rate of between 1.50% (1.50% in 2016-17), and 2.00% (2.55% in 2016-17) net of fees.</p> <p>Managed fund provided return of 2.33% (2.00 % in 2016-17) excluding unrealised gains/losses.</p>
Trade and Other Receivables			
Other Debtors	5.2	<p>Receivables are carried at amortised cost using the effective interest method. A provision for impairment is recognised when there is objective evidence that an impairment loss has occurred.</p> <p>Collectability of overdue accounts is assessed on an ongoing basis.</p>	<p>General debtors are unsecured and arrears attract no interest rate. Credit terms are based on 30 days. Rates Debtors are secured and arrears attract an interest rate of 8.72% (8.40% in 2016-17).</p>
Available for Sale Financial Assets			
Investment in Water Corporation	4.1	<p>The investment in TasWater is valued at its fair value at balance date. Fair value was determined by using Council's ownership interest against the water corporation's net asset value at balance date.</p>	<p>Investment in TasWater provided return of 1.3% excluding unrealised gains/losses.</p>
Financial Liabilities			
Trade and other payables	7.1	<p>Liabilities are recognised for amounts to be paid in the future for goods and services provided to Council as at balance date whether or not invoices have been received.</p>	<p>General Creditors are unsecured, not subject to interest charges and are normally settled within 30 days of invoice receipt.</p>
Interest-bearing loans and borrowings	8.1	<p>Loans are carried at their principal amounts, which represent the present value of future cash flows associated with servicing the debt. Interest is accrued over the period it becomes due and recognised as part of payables.</p>	<p>Borrowings are secured by way of mortgages over the general rates of the Council.</p> <p>The weighted average interest rate on borrowings is 4.78% (5.14% in 2016-17).</p>

Note 9.9 Financial Instruments (cont.)

(b) Interest Rate Risk

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

2018

	Weighted average interest rate	Floating interest rate \$'000	Fixed interest maturing in:			Non-interest bearing \$'000	Total \$'000
			1 year or less \$'000	Over 1 to 5 years \$'000	More than 5 years \$'000		
Financial Assets							
Cash and cash equivalents	1.50%	1,215	-	-	-	-	1,215
Other financial assets	2.33%	5,100	-	-	-	-	5,100
Trade and other receivables	8.72%	-	137	134	293	461	1,025
Investment in water corporation		-	-	-	-	20,873	20,873
Total Financial Assets		6,315	137	134	293	21,334	28,213
Financial Liabilities							
Trade and other payables		-	929	-	-	637	1,566
Trust funds and deposits		-	-	-	-	73	73
Interest-bearing loans and borrowings	4.78%	-	487	1,922	1,575	-	3,984
Total financial liabilities		-	1,416	1,922	1,575	710	5,623
Net financial assets (liabilities)		6,315	(1,279)	(1,788)	(1,282)	20,624	22,590

2017

	Weighted average interest rate	Floating interest rate \$'000	Fixed interest maturing in:			Non-interest bearing \$'000	Total \$'000
			1 year or less \$'000	Over 1 to 5 years \$'000	More than 5 years \$'000		
Financial Assets							
Cash and cash equivalents	1.50%	783	-	-	-	-	783
Investments	2.00%	3,850	-	-	-	-	3,850
Trade and other receivables	8.72%	-	406	19	-	358	783
Investment in water corporation		-	-	-	-	20,606	20,606
Total financial assets		4,633	406	19	-	20,964	26,022
Financial Liabilities							
Trade and other payables		-	-	-	-	307	307
Trust funds and deposits		-	-	-	-	70	70
Interest-bearing loans and borrowings	5.14%	-	311	1,279	1,854	-	3,444
Total financial liabilities		-	311	1,279	1,854	377	3,821
Net financial assets (liabilities)		4,633	95	(1,260)	(1,854)	20,587	22,201

Note 9.9 Financial Instruments (cont.)

(c) Fair Value

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

Financial Instruments	Total carrying amount as per Balance Sheet		Aggregate net fair value	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
<i>Financial Assets</i>				
Cash and Cash Equivalents	6,316	4,633	6,316	4,633
Trade and Other Receivables	1,025	982	1,025	982
Investment in Water Corporation	20,873	20,605	20,873	20,605
Total Financial Assets	28,214	26,220	28,214	26,220
<i>Financial Liabilities</i>				
Trade and Other Payables	1,566	632	1,566	632
Trust Funds and Deposits	73	70	73	70
Interest-Bearing Loans and Borrowings	3,984	3,445	3,984	3,445
Total Financial Liabilities	5,623	4,147	5,623	4,147

(d) Credit Risk

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

(e) Risks and Mitigation

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

Market Risk

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

Interest Rate Risk

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

Our loan borrowings are sourced from Tasmanian Public Finance Corporation (Tascorp) and major Australian banks by a tender process.

We manage interest rate risk on our net debt portfolio by:

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

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

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

- conformity with State and Federal regulations and standards,
- capital protection,
- appropriate liquidity,
- diversification by credit rating, financial institution and investment product,
- monitoring of return on investment,
- benchmarking of returns and comparison with budget.

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

Credit risk

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

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

Credit risk arises from Council's financial assets, which comprise cash and cash equivalents, and trade and other receivables. Council's exposure to credit risk arises from potential default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments. Exposure at balance date is addressed in each applicable policy note. Council generally trades with recognised, creditworthy third parties, and as such collateral is generally not requested, nor is it Council's policy to securitise its trade and other receivables.

It is Council's policy that some customers who wish to trade on credit terms are subject to credit verification procedures including an assessment of their credit rating, financial position, past experience and industry reputation.

In addition, receivable balance are monitored on an ongoing basis with the result that Council's exposure to bad debts is not significant.

Council may also be subject to credit risk for transactions which are not included in the Statement of Financial Position, such as when Council provides a guarantee for another party. Details of our Contingent Liabilities are disclosed in Note 9.8.

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

	Financial Institutions (AAA credit rating)	Government agencies (BBB credit rating)	Other (min BBB credit rating)	Total
2018				
Cash and Cash Equivalents	1,216	-	-	1,216
Trade and Other Receivables	-	-	1,025	1,025
Investments and Other Financial Assets	5,100	-	-	5,100
Total Contractual Financial Assets	6,316	-	1,025	7,341
2017				
Cash and Cash Equivalents	783	-	-	783
Trade and Other Receivables	-	-	783	783
Investments and Other Financial Assets	3,850	-	-	3,850
Total Contractual Financial Assets	4,633	-	783	5,416

Movement in Provisions for Impairment of Trade and Other Receivables	2018 \$'000	2017 \$'000
Balance at the beginning of the year	3	3
New Provisions recognised during the year	1	-
Amounts already provided for and written off as uncollectible	-	-
Amounts provided for but recovered during the year	-	-
Balance at end of year	4	3

Ageing of Trade and Other Receivables

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

	2018 \$'000	2017 \$'000
Current (not yet due)	119	49
Past due by up to 30 days	4	10
Past due between 31 and 180 days	5	8
Past due between 181 and 365 days	594	493
Past due by more than 1 year	303	422
Total Trade & Other Receivables	1,025	982

Liquidity risk

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

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

To help reduce these risks we:

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

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

The table below lists the contractual maturities for Financial Liabilities.

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

2018	6 mths	6-12	1-2	2-5	>5	Contracted	Carrying
	or less	months	years	years	years	Cash Flow	Amount
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Trade and other payables	1,566	-	-	-	-	1,566	1,566
Trust funds and deposits	73	-	-	-	-	73	73
Interest-bearing loans and borrowings	157	330	159	792	2,546	3,984	3,984
Total financial liabilities	1,796	330	159	792	2,546	5,623	5,623

2017	6 mths	6-12	1-2	2-5	>5	Contracted	Carrying
	or less	months	years	years	years	Cash Flow	Amount
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Trade and other payables	632	-	-	-	-	632	632
Trust funds and deposits	70	-	-	-	-	70	70
Interest-bearing loans and borrowings	153	157	328	951	1,855	3,444	3,444
Total financial liabilities	855	157	328	951	1,855	4,146	4,146

(f) Sensitivity Disclosure Analysis

Taking into account past performance, future expectations, economic forecasts, and management's knowledge and experience of the financial market the Council believes the following movements are 'reasonably possible' over the next 12 months (Base rates are sourced from Reserve Bank of Australia):

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

The table below discloses the impact on net operating result and equity for each category of financial instruments held by Council at year-end, if the above movements were to occur.

		Interest rate risk			
		-2%		+1%	
		-200 basis points		+100 basis points	
		Profit	Equity	Profit	Equity
2018	\$'000	\$'000	\$'000	\$'000	\$'000
Financial assets:					
Cash and cash equivalents	1,215	(24)	(24)	12	12
Investments	5,100	(102)	(102)	51	51
Trade and other receivables	1,025	(31)	(31)	15	15
Financial liabilities:					
Interest-bearing loans and	3,984	(80)	(80)	-	-

		Interest rate risk			
		-2 %		+1%	
		-200 basis points		+100 basis points	
		Profit	Equity	Profit	Equity
2017	\$'000	\$'000	\$'000	\$'000	\$'000
Financial assets:					
Cash and cash equivalents	783	-	-	-	-
Investments	3,850	(77)	(77)	39	39
Trade and other receivables	982	(16)	(16)	8	8
Financial liabilities:					
Interest-bearing loans and borrowings	3,444	(69)	(69)	-	-

Note 9.10 Fair Value Measurements

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

- Investment in Water Corporation
- Property, Infrastructure, Plant and Equipment
 - Land
 - Land Under Roads
 - Buildings
 - Roads, including Footpaths and Cycleways
 - Bridges
 - Drainage
 - Other Infrastructure

Council does not measure any liabilities at fair value on a recurring basis.

(a) Fair Value Hierarchy

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

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

The table below shows the assigned level for each asset and liability held at fair value by the Council. The table presents the Council's assets and liabilities measured and recognised at fair value at 30 June 2018.

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

As at 30 June 2018

	Note	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Recurring Fair Value Measurements					
Investment in Water Corporation	4.1	-	-	20,873	20,873
**Land	6.1	-	7,798	4,411	12,209
Buildings	6.1	-	-	3,357	3,357
Roads, including footpaths & cycleways	6.1	-	-	71,235	71,235
Bridges	6.1	-	-	7,493	7,493
Drainage	6.1	-	-	6,520	6,520
Other Infrastructure	6.1	-	-	2,247	2,247
		-	7,798	116,136	123,934

As at 30 June 2017

	Note	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Recurring Fair Value Measurements					
Investment in Water Corporation	4.1	-	-	20,605	20,605
Land	6.1	-	7,785	-	7,785
Buildings	6.1	-	-	3,109	3,109
Roads, including Footpaths & Cycleways	6.1	-	-	53,534	53,534
Bridges	6.1	-	-	8,208	8,208
Drainage	6.1	-	-	6,372	6,372
Other Infrastructure	6.1	-	-	2,212	2,212
		-	7,785	94,040	101,825

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. However, Land Under Roads fair value has now been included into Level 3 for 2017-18.

Note 9.10 Fair Value Measurements (continued)

(b) Highest and Best Use

AASB 13 *Fair Value Measurement*, requires the fair value of non-financial assets to be calculated based on their "highest and best use". All assets valued at fair value in this Note are being used for their "highest and best use".

(c) Valuation Techniques and Significant Inputs Used to Derive Fair Values

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

Level 3 Measurements (recurring and non-recurring) - same as Level 2 above plus, for items other than PPE under AASB116, quantitative information about the significant unobservable inputs used in the fair value.

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

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

Investment Property and Investment in Water Corporation

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

Land

Land fair values were determined by the Valuer-General's Assessment effective 1 July 2017. 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.

Land Under Roads

Land under roads is based on the unit rate given by the Valuer-General as at 2017 - this area has been multiplied by the m2 road data held in Council's Engineer's asset management system.

Buildings

The fair value of buildings were also determined by the Valuer-General's Assessment effective 1 July 2017. Valuations are reviewed on a bi-annual basis (next review 1 July 2019). Where there is a market for Council building assets, fair value has been derived from the sales prices of comparable properties after adjusting for differences in key attributes such as property size. The most significant input into this valuation approach was price per square metre.

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

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

Infrastructure Assets

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

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

Note 9.10 Fair Value Measurements (continued)

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

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

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

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

Roads, Including Footpaths & Cycleways

Council categorises its road infrastructure into urban and rural roads and then further sub-categorises these into sealed and unsealed roads. Urban roads are managed in segments of 1,000m, while rural roads are managed in 1,000m segments. All road segments are then componentised into formation, pavement, sub-pavement and seal (where applicable). Council assumes that environmental factors such as soil type, climate and topography are consistent across each segment. Council also assumes a segment is designed and constructed to the same standard and uses a consistent amount of labour and materials.

CRC is based on the road area multiplied by a unit price; the unit price being an estimate of labour and material inputs, services costs, and overhead allocations. Council assumes that pavements are constructed to depths of 10 cms for high traffic areas and 8 cms for lower traffic locations. For internal construction estimates, material and services prices are based on existing supplier contract rates or supplier price lists and labour wage rates are based on Council's Enterprise Bargaining Agreement (EBA). Where construction is outsourced, CRC is based on the average of completed similar projects over the last few years.

Bridges

A full valuation of bridges assets was undertaken by independent valuers, Aus Span, effective 30 June 2018. 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

It is anticipated that a full valuation of drainage infrastructure will be undertaken by Council's appointed Engineer during next financial year (2018-19). 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) Unobservable Inputs and Sensitivities

Asset / liability category*	Carrying amount (at fair value)	Key unobservable inputs *	Expected range of inputs	Description of how changes in inputs will affect the fair value
Investment in Water Corporation	20,873	Refer to note 4.1 for a description of the valuation basis.		

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

Note 9.10 Fair Value Measurements (continued)

(e) Changes in Recurring Level 3 Fair Value Measurements

The changes in Level 3 property plant and equipment assets with recurring fair value measurements are detailed in Note 6.1 (Property, Infrastructure, Plant and Equipment). Heritage buildings, which are classified as Level 3 are separately disclosed in Note 6.1. Investment in Water Corporation, which is classified as Level 3 has been separately disclosed in Note 4.1

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

Where an asset class comprises both Level 2 and Level 3 assets, the movement in Level 3 assets needs to be separately detailed here if it is not already disclosed in Note 9.9. Example table below

	2018	2017
	\$'000	\$'000
Balance at beginning of reporting period	20,605	20,471
Gain/loss recognised in profit or loss – [insert line item where the gain / loss is recognised] – Realised		
Gain/loss recognised in profit or loss – Unrealised		
Gain/loss recognised in other comprehensive income- [insert line item recognised. E.g. Fair value adjustment on Available For Sale Assets (TasWater)]	268	134
Purchases		
Sales		
Transfers into Level 3	4446	-
Transfers out of Level 3		
Closing balance	25,319	20,605

Where there are transfers into or out of Level 3 of the fair value hierarchy, the reasons for those transfers must be disclosed.

(f) Valuation Processes

Council's current policy for the valuation of Property, Infrastructure, Plant and Equipment, Investment in Water Corporation and Investment Property (recurring fair value measurements) is set out in Notes 4.1 and 6.1 respectively.

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

(g) Assets and Liabilities not measured at fair value but for which Fair Value is disclosed

Council has assets and liabilities which are not measured at fair value, but for which fair values are disclosed in other notes. (Refer Note 9.9)

Council borrowings are measured at amortised cost with interest recognised in profit or loss when incurred. The fair value of borrowings disclosed in Note 9.11 is provided by Tascorp (Level 2).

The carrying amounts of trade receivables and trade payables are assumed to approximate their fair values due to their short-term nature (Level 2).

Note 9.11 Events Occurring After Balance Date

- (a) There were no events occurring after the balance date which effects these financial statements.

Note 10 Other Matters

Note 10.1 Related Party Transactions

(i) Responsible Persons

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

Councillors	Martyn Evans (Mayor 01/11/2009 to current)
	Ben Shaw (Deputy Mayor 01/11/2014 to current)
	Paul Belcher (Councillor 01/11/2014 to current)
	Damien Bester (Councillor 01/11/2009 to 28/02/2018)
	James Graham (Councillor 01/11/2009 to current)
	Barry Lathey (Councillor 01/11/2014 to current)
	Frank Pearce (Councillor 01/11/2014 to current)
	Anne Salt (Councillor 01/04/2018 to current)
	Julie Triffett (Councillor 01/11/2014 to current)

General Manager Greg Winton (01/07/2015 to current)

Executive Managers Mark Eady (14/08/2017 to current)
Richard Blackwell (24/07/2017 to current)

Accountant John Bradley (14/07/2014 to current)

(ii) Councillor Remuneration

2018

	Allowances \$	Vehicles ² \$	Superannuation ¹ \$	Total Compensation AASB 124 \$	Expenses ³ \$	Total allowances and expenses section 72 \$
Mayor	42,953	-	-	42,953	8,791	51,744
Deputy Mayor	24,019	-	-	24,019	358	24,377
Councillors	72,603	-	-	72,603	170	72,773
Total	139,575	-	-	139,575	9,319	148,894

2017

	Allowances \$	Vehicles ² \$	Superannuation ¹ \$	Total Compensation AASB 124 \$	Expenses ³ \$	Total allowances and expenses section 72 \$
Mayor	42,054	-	-	42,054	11,788	53,842
Deputy Mayor	23,516	-	-	23,516	-	23,516
Councillors	72,092	-	-	72,092	-	72,092
Total	137,662	-	-	137,662	11,788	149,450

² 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).

³ Section 72(1)(b) of the *Local Government Act 1993* requires the disclosure of expenses paid to Councillors.

(iii) Key Management Personnel Remuneration

2018	Number of employees	Short term employee benefits				Post employment benefits			Non-monetary Benefits ⁴ \$	Total \$
		Salary ¹ \$	Short-term Incentive Payments ² \$	Vehicles ³ \$	Other Allowances and Benefits ⁴ \$	Super-annuation ⁵ \$	Other Long-term Benefits ⁶ \$	Termination Benefits ⁷ \$		
\$100 001 - \$120 000	1	81,197	-	8,819	-	10,962	-	-	3,630	104,608
\$120 001 - \$140 000	2	232,585	-	-	-	25,315	-	-	11,930	269,830
\$180 001 - \$200 000	1	169,273	-	13,932	-	21,025	-	-	(14,834)	189,396
Total		401,858	-	13,932	-	46,340	-	-	(2,904)	563,834

(iii) Key Management Personnel Remuneration (Continued)

2017	Remuneration band	Number of employees	Short term employee benefits				Post employment benefits			Non-monetary Benefits ⁸	Total
			Salary ¹	Short-term Incentive Payments ²	Vehicles ³	Other Allowances and Benefits ⁴	Super-annuation ⁵	Other Long-term Benefits ⁶	Termination Benefits ⁷		
			\$	\$	\$	\$	\$	\$	\$	\$	\$
	\$100 001 - \$120 000	1	79,912	-	13,249	-	10,788	-	-	4,337	108,286
	\$180 001 - \$200 000	1	165,621	-	14,886	-	20,591	-	-	10,608	211,706
	Total		245,533	-	28,135	-	31,379	-	-	14,945	319,992

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

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

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

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

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

⁶ Other long-term employee benefits, including long-service leave or sabbatical leave, jubilee or other long-service benefits, long-term disability benefits and, if they are not payable wholly within twelve months after the end of the period, profit-sharing, bonuses and deferred compensation; other non-monetary benefits (such as housing, subsidised goods or services etc).

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

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

(iv) Remuneration Principles

Councillors

Councillors allowances and other expenses are paid in accordance with the *Local Government Act 1993* and are indexed annually by the State Government in November each year.

Executives

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.

(v) Transactions with Related Parties

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

(vi) Loans and Guarantees to/from Third Parties

The aggregate amount of loans in existence at balance date that have been made, guaranteed or secured by the council to a third party as follows:

An account incurred in the performance of Council functions, was paid by Derwent Valley Council on behalf of a member of Council. The account in the amount of \$7,538 together with a commercial rate of interest levied at 13.9%, is to be repaid in monthly instalments of \$244.99, with the final payment to be received on 31 October 2018. As at 30 June 2018, financial repayments totalling \$7,349.70 (2016-17 was \$4,409.82) in accordance with the repayment schedule have been received. Council is in receipt of documentation guaranteeing the settlement of this account from a third party.

Note 10.2 Special Committees and Other Activities

The *Local Government Act 1993* provides Councils with the authority to create Committees made up of only Councillors or Special Committees. Derwent Valley Council has established the following Special Committees and Organisations which have revenue and/or expenditure contained within these Financial Statements:

- Derwent Valley Council Scholarship Trust Fund
- Historical Information Centre Committee
- New Norfolk Business Alliance Committee
- Derwent Valley Autumn Festival Committee
- Derwent Valley Visitor Information Centre

Note 10.3 Other Significant Accounting Policies and Pending Accounting Standards

(a) Taxation

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

Goods and Services Tax (GST)

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

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

(b) Impairment of Assets

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

(c) Allocation Between Current and Non-Current

In the determination of whether an asset or liability is current or non-current, consideration is given to the time when each asset or liability is expected to be settled. The asset or liability is classified as current if it is expected to be settled within the next twelve months, being Council's operational cycle, or if Council does not have an unconditional right to defer settlement of a liability for at least 12 months after the reporting date.

(d) Financial Guarantees

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

(e) Contingent Assets, Contingent Liabilities and Commitments

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

Commitments are not recognised in the Statement of Financial Position. Commitments are disclosed at their nominal value inclusive of the GST payable.

(f) Budget

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

(g) Adoption of New and Amended Accounting Standards

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

(i) AASB 2016-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107

This standard is applicable to annual reporting periods beginning on or after 1 January 2017.

Amendments to AASB 107 require additional disclosures to enable the reader to evaluate changes in liabilities arising from financing activities. These disclosures include both cash flows and non-cash changes between the opening and closing balance of the relevant liabilities. Council has included a reconciliation of liabilities arising from financing activities in the Statement of Cash Flows at Note 9.3

Note 10.3 Other Significant Accounting Policies and Pending Accounting Standards (Continued)

(h) Pending Accounting Standards

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

(i) AASB 9 Financial Instruments

This standard is applicable to annual reporting periods beginning on or after 1 January 2018.

This standard replaces the existing standard, AASB139: *Financial Instruments: Recognition and Measurement*, and revises classification, measurement and disclosure of financial assets and liabilities. It reduces the number of categories for financial assets and simplifies the measurement choices, including the removal of impairment testing of assets measured at fair value. Classification of financial assets is determined by an entity's business model for holding the particular asset and its contractual cash flows.

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

When adopted, the standard requires Council to reclassify all financial assets. This includes Council's classification and accounting for its significant investment in TasWater which is an available-for-sale financial asset. Council currently recognises changes in the fair value of its available-for-sale assets through other comprehensive income. Under AASB9 Council will make an irrevocable election for its equity investment in TasWater as 'fair value through other comprehensive income' and therefore the adoption of this standard will not impact the way movements in the fair value are accounted for.

The standard also introduces a new impairment model that requires impairment provisions to be based on expected credit losses, rather than incurred credit losses. Based on assessments to date, Council expects a small increase to impairment losses, however the standard is not expected to have a material impact overall. Council will review and assess other impacts on the classification, measurement and disclosure of financial instruments to determine the impact.

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

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

(ii) AASB 15 Revenue from Contracts with Customers

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

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

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

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

- Depending on the respective contractual terms, the new requirements of AASB 15 may result in a change to the timing of revenue from sales of goods and services such that some revenue may need to be deferred as a liability to a later reporting period to the extent that Council has received cash, but has not met its associated performance obligations, (a promise to transfer a good or service).
- Grants received to construct non-financial assets controlled by Council will be recognised as a liability, and subsequently recognised progressively as revenue as Council satisfies its performance obligations under the grant. At present, such grants are recognised as revenue upfront.

Note 10.3 Other Significant Accounting Policies and Pending Accounting Standards (Continued)

- 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.

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

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

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

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

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

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

Where the asset acquired is leased at a "Peppercorn" rate, Council is required to recognise the leased asset at its fair value, the remaining lease liability and the balance as income. These leased right-of-use assets have not previously been recognised. Council is yet to determine the number of Peppercorn leases, which will result in the recognition of a right-of-use Lease Asset and the remaining lease liability. The balance will be adjusted against Accumulated Surplus in next financial year.

AASB 1058 also encompasses non-contractual statutory income such as rates, taxes and fines. Council currently recognises income when received. Under AASB 1058, income is recognised when the taxable event has occurred. An impact for Council is that prepaid rates received prior to the beginning of a rating period, will now be recognised as a financial liability until the commencement of that rating period. The impact to Council will be that revenue recognised when received from *Rates and charges in advance* as disclosed in Note 2.1, will now be recorded as a liability under Note 7.1, with revenue deferred until the commencement of the applicable rating period.

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

(iv) AASB 16 *Leases*

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

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

AASB 16 will result in most of Council's operating leases being brought onto the statement of financial position. There are limited exceptions relating to short-term leases and low-value assets which may remain off the balance sheet. Councils existing lease commitments are disclosed in Note 9.9.

Note 10.3 Other Significant Accounting Policies and Pending Accounting Standards (Continued)

The calculation of the lease liability will take into account appropriate discount rates, assumptions about the lease term, and increases in lease payments. A corresponding right to use assets will be recognised, which will be amortised over the term of the lease. Rent expense will no longer be shown. The profit and loss impact of the leases will be through amortisation and interest charges. Council's current operating lease expenditure is shown at Note 3.6. In the Statement of Cash Flows lease payments will be shown as cash flows from financing activities instead of operating activities.

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

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

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

Note 10.4 Significant Business Activities

Council has accessed and identified no Significant Business Activities.

Accounting Policy

Significant business activities

Council is required to report the operating, capital and competitive neutrality costs in respect of each significant business activity undertaken by the Council. Council's disclosure is reconciled above. Council has determined, based upon materiality that as defined above that no significant business activities need to be considered.

Note	10.5 Management Indicators	Benchmark	2018 \$'000	2017 \$'000	2016 \$'000	2015 \$'000
(a)	Underlying surplus or deficit					
	Net result for the year		12,875	12,954	12,193	11,872
	Recurrent Expenditure		13,141	11,861	12,489	11,496
	Underlying Surplus/(Deficit)	0	(266)	1,093	(296)	376

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

(b)	Underlying Surplus Ratio					
	<u>Underlying surplus or deficit</u>		(266)	1,093	(296)	376
	Recurrent Income*		12,875	12,954	12,193	11,872
	Underlying Surplus Ratio %	0%	-2%	8.44%	-2.43%	3.17%

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

Council's performance in regard to this ratio is considered satisfactory.

(c)	Net Financial Liabilities					
	Liquid Assets Less		7,341	5,615	2,713	2,140
	Total Liabilities		7,286	5,762	5,880	5,627
	Net Financial Liabilities	0	55	(147)	(3,167)	(3,487)

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.

This indicator is influenced by the inclusion of Council's long term loan portfolio (\$3.98m 2017-18)

(d)	Net Financial Liabilities Ratio					
	<u>Net Financial Liabilities</u>		55	(147)	(3,167)	(3,487)
	Recurrent income*		12,875	12,954	12,193	11,872
	Net Financial Liabilities Ratio %	0% - (50%)	0.43%	-1.13%	-25.97%	-29.37%

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

(e) Asset Consumption Ratio

An asset consumption ratio has been calculated in relation to each asset class required to be included in the long-term strategic asset management plan of Council.

<i>Transport Infrastructure</i>						
	<u>Depreciated Replacement Cost</u>		75,681	53,534	53,840	52,039
	Current replacement cost		119,508	74,228	72,923	70,424
	Asset consumption ratio %		63.33%	72.12%	73.83%	73.89%
<i>Buildings</i>						
	<u>Depreciated Replacement Cost</u>		3,357	3,109	3,654	3,655
	Current replacement cost		4,124	3,797	4,224	4,137
	Asset consumption ratio %		81.40%	81.88%	86.51%	88.35%
<i>Drainage</i>						
	<u>Depreciated Replacement Cost</u>		6,520	6,372	6,548	6,483
	Current replacement cost		13,782	13,139	13,132	12,728
	Asset consumption ratio %		47.31%	48.50%	49.86%	50.93%

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

Council's performance in regard to this ratio is considered satisfactory.

Note	10.5 Management Indicators (continued)	2018 \$'000	2017 \$'000	2016 \$'000	2015 \$'000
(f)	Asset Renewal Funding Ratio				
	An asset renewal funding ratio has been calculated in relation to each asset class required to be included in the long-term strategic asset management plan of Council.				
	<i>Transport Infrastructure</i>				
	<u>Projected capital funding outlays**</u>	17,730	17,307	19,500	21,629
	Projected capital expenditure funding***	20,450	13,330	15,193	17,103
	Asset renewal funding ratio %	90-100% 87%	129.83%	128.35%	126.46%
	<i>****Buildings</i>				
	<u>Projected capital funding outlays**</u>	0	84	94	105
	Projected capital expenditure funding***	0	511	576	639
	Asset renewal funding ratio %	90-100% 0%	16.44%	16.32%	16.43%
	<i>*****Drainage</i>				
	<u>Projected capital funding outlays**</u>	0	3,140	3,538	3,924
	Projected capital expenditure funding***	0	1,564	1,762	1,955
	Asset renewal funding ratio %	90-100% 0%	200.77%	200.79%	200.72%

** 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.

****Building Assets will be reviewed, indexed and capitalised accordingly with an aim to produce an Asset Management Plan for this class in the 2019-20 financial year.

*****Drainage Assets will be revalued during the coming 2018-19 financial year, which will provide a long term Asset Management Plan and will then enable accurate projections to be provided for this ratio.

(g)	Asset Sustainability Ratio				
	<u>Capex on replacement/renewal of existing assets</u>	2,506	2,444	1,913	4,386
	Annual depreciation expense	2,518	2,523	2,500	2,327
	Asset sustainability ratio %	100% 100%	96.87%	76.52%	188.48%

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

Council's performance in regard to this ratio is considered satisfactory.

Note 10.6 Material Budget Variations

Council's original budget was adopted by the Council on 6 July 2017. The original projections on which the budget was based have been affected by a number of factors. These include State and Federal Government decisions including new grant programs, changing economic activity, the weather, and by decisions made by the Council. Material variations of more than 10% are explained below:

REVENUES

(i) Grants

The variations for both operating and capital was down by \$708,000 on budget (15%) due to unsuccessful grant applications; final milestone of works not being completed; the operation of the Home & Community Care Program ceasing during the financial year; and the non-receipt of the Roads to Recovery Grant of \$245,956. This has impacted the Statement of Comprehensive Income resulting in the Surplus being lower by these amounts but \$605,956 will be received during 2018/19 financial year instead.

(ii) Other Income

Other income was down \$270,665 on budget (81%) due to budgeted Children Services reserve movements not taken up at end year.

(iii) Other Capital Income

At 30 June 2018 Council has recognised Land Under Roads as per AASB 1051 which come into effect on 1 January 2014. This land was valued at \$4,445,767 as of 1 July 2017 and has had a significant impact Council's Income from Continuing Operations.

EXPENSES

(i) Employee Benefits

The decrease of \$558,492 on budget (12%) was due to budgeted appointments not being filled for the full 12 months; the Home & Community Care Program ceasing; Children Services significantly under budget; and two full time positions not being taken up in the current financial year.

(ii) Plant & Running Costs

The decrease of \$241,423 on budget (40%) was due to major plant/equipment maintenance and running costs being significantly over estimated.

Certification of the Financial Report

The financial report presents fairly the financial position of the **Derwent Valley Council** as at 30 June 2018, the results of its operations for the year then ended and the cash flows of the Council, in accordance with the *Local Government Act 1993* (as amended), Australian Accounting Standards (including interpretations) and other authoritative pronouncements issued by the Australian Accounting Standards Board.



Greg Winton
General Manager

Date : 28-September-2018

Management Certification of the Financial Report

The accompanying financial statements of the **Derwent Valley Council** are in agreement with the relevant accounts and records and have been prepared in compliance with:

- Australian Accounting Standards
- the *Local Government Act 1993*

I believe that, in all material respects, the financial statements present a view which is consistent with my understanding of the **Derwent Valley Council's** financial position as at 30 June 2018, financial performance and its cash flows for the year then ended.

At the date of signing this certification, I am not aware of any circumstances which would render the particulars included in the financial statements misleading or inaccurate.

The completed Financial Statements Preparation and Submission Checklist is enclosed.



Allison Wilton
Acting Chief Financial Officer

Date : 28-September-2018