Financial Report

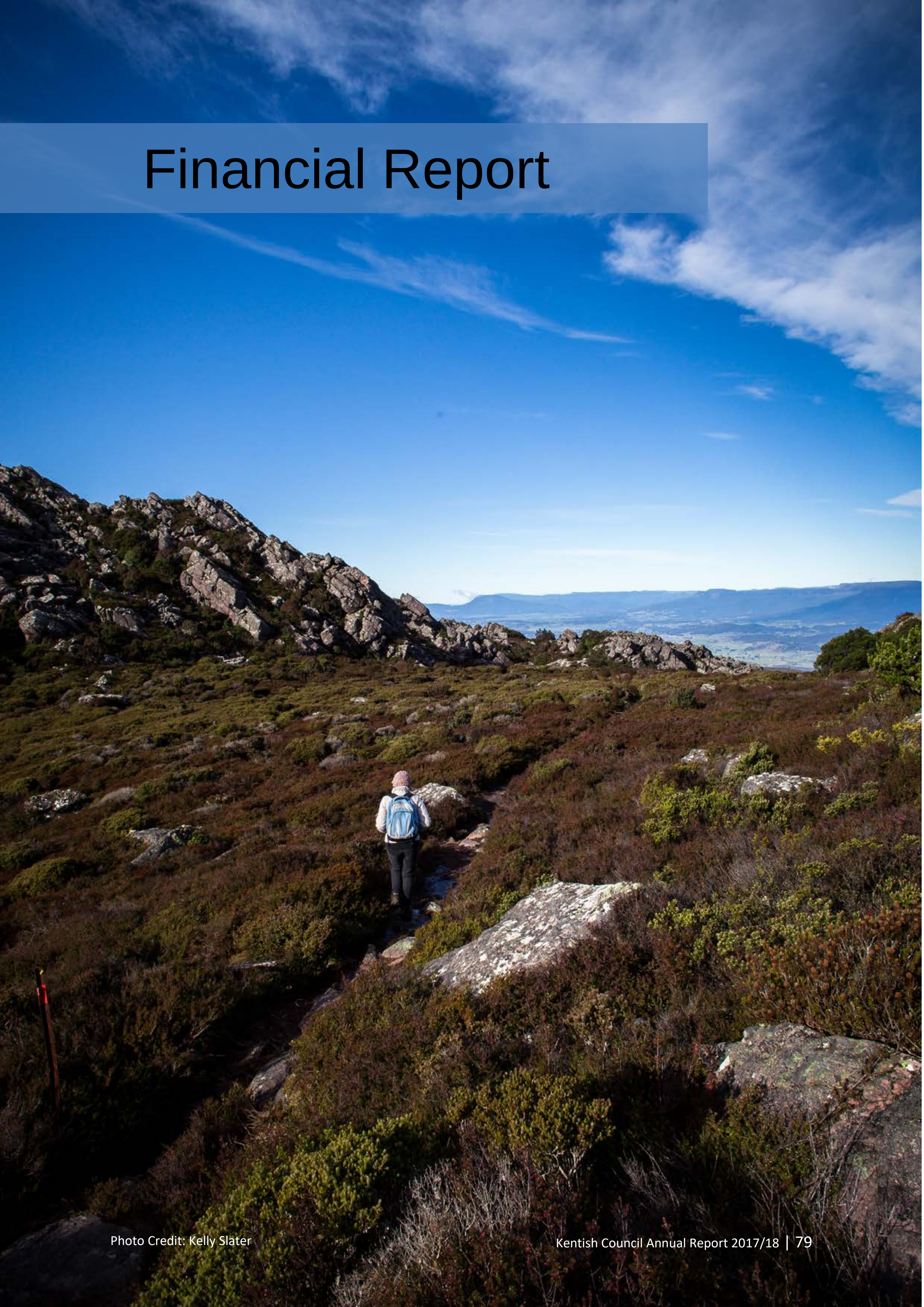

Photo Credit: Kelly Slater

Understanding the Financial Report

Introduction
Each year, individual councils are required to present a set of audited Financial Statements.

The Financial Statements are a public document that is included in council's Annual Report and presented at the Annual General Meeting of council.

What you will find in the Statements
The Financial Statements and notes to the report set out the financial performance, financial position and cash flows of Kentish Council for the financial year ended 30 June 2018.

The format of the Financial Statements complies with both the accounting and reporting requirements of Australian Accounting Standards and the *Local Government Act 1993.*

About the Primary Financial Statements
Statement of Comprehensive Income
A summary of Council's financial performance for the year, listing all income and expenditure.

Other comprehensive income records items such as asset revaluations, the share of profits of associates and the investment in the water corporation.

Statement of Financial Position
A snapshot of council's financial position, including the Assets and Liabilities as at 30 June 2018.

Statement of Changes in Equity
The overall change for the year (in dollars) of council's 'net wealth'.

Statement of Cash Flows
Indicates where council's cash came from and where it was expended.

About the Notes to the Financial Report
The Notes to the Financial Statement provide greater detail and additional information on the Primary Financial Statements.

Statement of Certification
The Statement of Certification must be signed by the General Manager to confirm the financial report presents fairly the financial position of Kentish Council as at 30 June 2018.

About the Auditors Report
Council's Financial Report is required to be audited in accordance with Australian Auditing Standards.

The Auditor provides an independent auditors report which gives an opinion on whether council's Financial Report presents fairly its financial position and performance.

Independent Auditor's Report

To the Councillors of Kentish Council

Report on the Audit of the Financial Report

Opinion

I have audited the financial report of Kentish 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 Acting 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, the asset renewal funding ratio disclosed in note 43, nor the Significant Business Activities disclosed in note 45 to the financial report and accordingly, I express no opinion on them.

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

Responsibilities of the Acting General Manager for the Financial Report

The Acting 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 Acting 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 Acting General Manager.
- Conclude on the appropriateness of the Acting General Manager's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Council's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify my opinion. My conclusion is based on the audit evidence obtained up to the date of my auditor's report.

However, future events or conditions may cause Council to cease to continue as a going concern.

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

I communicate with the Acting 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.

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

Tasmanian Audit Office

26 September 2018
Hobart

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Kentish Council
Statement of Comprehensive Income
For the Year Ended 30 June 2018

	Note	Actual 2018 $'000	Budget 2018 $'000	Actual 2017 $'000
Income				
Rates and charges	5	5,160	5,123	5,021
Statutory fees and fines	6	229	236	196
User fees	7	227	100	217
Operating grants	8	3,037	1,834	9,133
Grants for renewal of assets	8	428	848	654
Reimbursements and contributions	11	528	356	298
Distributions - water corporation	19	132	223	138
Other income		555	788	548
Interest	9	197	150	161
Share of net profits/(losses) of associates	12/18	132	-	200
Capital grants received specifically for new or upgraded assets	8	907	441	187
Total income		11,532	10,099	16,753
Expenses				
Employee costs	13	2,766	2,965	2,810
Materials and services	14	3,310	3,587	5,920
Depreciation and amortisation	15	2,547	2,768	2,571
Finance costs	16	94	86	91
Other expenses	17	508	484	446
Net loss on disposal of property, infrastructure and plant	10	403	-	199
Total expenses		9,628	9,890	12,037
Net Result		1,904	209	4,716
Other comprehensive income				
Items that will not be reclassified to surplus or deficit				
Net asset revaluation increment / (decrement)		1,558	-	2,800
Share of other comprehensive income of associates accounted for by the equity method	18	24	-	(4)
		1,582	-	2,796
Items that may be reclassified subsequently to surplus or deficit				
Water corporation - fair value adjustment - Investment revaluation reserve increment	19	89	-	44
		89	-	44
Total other comprehensive income		1,671	-	2,840
Comprehensive result		3,575	209	7,556

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

Kentish Council
Statement of Financial Position
As at 30 June 2018

	Note	2018 $'000	2017 $'000
Assets			
Current assets			
Cash and cash equivalents	21	10,932	7,884
Trade and other receivables	22	556	1,026
Inventories	23	14	13
Other assets	24	116	1,448
Total current assets		11,618	10,371
Non-current assets			
Investment in water corporation	19	6,903	6,814
Investments in associates	18	1,149	1,076
Other Investments	20	17	18
Property, infrastructure, plant and equipment	25	120,367	118,810
Total non-current assets		128,436	126,718
Total assets		140,054	137,089
Liabilities			
Current liabilities			
Trade and other payables	26	1,010	1,386
Trust funds and deposits	27	315	311
Provisions	28	382	350
Interest-bearing loans and borrowings	29	103	96
Loans - Accelerated Local Government Capital Program	30	133	120
Total current liabilities		1,943	2,263
Non-current liabilities			
Provisions	28	69	124
Interest-bearing loans and borrowings	29	1,117	1,219
Loans - Accelerated Local Government Capital Program	30	47	180
Total non-current liabilities		1,233	1,523
Total liabilities		3,176	3,786
Net Assets		136,878	133,303
Equity			
Accumulated surplus		40,740	38,836
Reserves	31	96,138	94,467
Total Equity		136,878	133,303

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

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

2018	Note	Total 2018 $'000	Accumulated Surplus 2018 $'000	Asset Revaluation Reserve 2018 $'000	Investment Revaluation Reserve 2018 $'000	Other Reserves 2018 $'000
Balance at beginning of the financial year		133,303	38,836	93,825	642	-
Comprehensive Result		3,575	1,904	1,582	89	-
Balance at end of the financial year		136,878	40,740	95,407	731	-

2017	Total 2017 $'000	Accumulated Surplus 2017 $'000	Asset Revaluation Reserve 2017 $'000	Investment Revaluation Reserve 2017 $'000	Other Reserves 2017 $'000
Balance at beginning of the financial year	125,747	34,120	91,029	598	-
Comprehensive Result	7,556	4,716	2,796	44	-
Balance at end of the financial year	133,303	38,836	93,825	642	-

The above statement of changes in equity should be read with the accompanying notes.

Kentish Council
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		5,188	5,147
Statutory fees and fines		229	196
User charges and other fines		398	313
Grants		4,393	7,564
Reimbursements		938	272
Distributions from water corporation		132	138
Interest		195	165
Other receipts		(278)	1,676
Payments to suppliers		(3,005)	(6,945)
Payments to employees		(2,780)	(2,837)
Finance costs		(95)	(91)
Other payments		(508)	(446)
Net cash provided by operating activities	33	4,807	5,152
Cash flows from investing activities			
Grants received specifically for new or upgraded assets		907	187
Grants for renewal of assets		428	654
Dividend received from associate (Dulverton Waste Management Authority)		83	45
Payments for property, infrastructure, plant and equipment		(2,991)	(6,104)
Payments for Investment in Kentish Financial Services Ltd		-	(18)
Loans and advances to community organisations (repayments)		5	12
Proceeds from sale of property, infrastructure, plant and equipment		19	29
Net cash used in investing activities		(1,549)	(5,195)
Cash flows from financing activities			
Proceeds - Accelerated Local Government Capital Program loans		(120)	300
Repayment of interest bearing loans and borrowings		(94)	(91)
Increase (decrease) in bonds and deposits (net)		4	153
Net cash used in financing activities	34 (b)	(210)	362
Net increase (decrease) in cash and cash equivalents		3,047	319
Cash and cash equivalents at the beginning of the financial year		7,884	7,565
Cash and cash equivalents at the end of the financial year	21	10,931	7,884
Financing arrangements	35		

The above statement of cash flows should be read with the accompanying notes.

Note 1 Reporting Entity

The Kentish Council was established in 1907 and is a body corporate with perpetual succession and a common seal. The Council's main office is located at 69 High Street Sheffield Tasmania.

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.

This financial report is a general purpose financial report that consists of the Statements of Comprehensive Income, Financial Position, Changes in Equity, Cash Flows, and notes accompanying these financial statements. The general purpose financial report complies with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board (AASB), and the Local Government Act 1993 (LGA1993) (as amended).

Note 2 Basis of accounting

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

This financial report has been prepared under the historic cost convention, except where specifically stated in notes 18, 19, and 25.

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

All entities controlled by Council that have material assets or liabilities, such as Special Committees of Management, have been included in this financial report. All transactions between these entities and Council have been eliminated in full.

Note 3 Use of Judgements and estimates

In the application of AASB standards management is required to make judgments, 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 judgments. 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 estimates are 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:

Fair Value of Property Plant & Equipment

Various assumptions and judgements are utilised in determining the fair value of Council’s property, plant and equipment. These assumptions are discussed in note 25.

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 36.

Employee entitlements

Various assumptions are utilised in the determination of Council’s employee entitlement provisions. These assumptions are discussed in note 28.

Investment in water corporation

Assumptions utilised in the determination of Council's Valuation of its investment in TasWater are discussed in note 19.

Note 4 Functions/Activities of the Council

Revenue, expenditure and assets attributable to each function as categorised below:

	Grants $'000	Rates $'000	Other $'000	Total Revenue $'000	Total Expenditure $'000	Surplus/ (Deficit) $'000	Assets $'000
Community & Youth Services							
2017-2018	329	-	543	872	(1,087)	(215)	-
2016-2017	42	-	497	539	(1,015)	(476)	-
Corporate							
2017-2018	1,540	4,355	434	6,329	(1,138)	5,191	19,844
2016-2017	2,231	4,245	363	6,839	(1,094)	5,745	18,312
Governance							
2017-2018	-	-	1	1	(451)	(450)	-
2016-2017	-	-	(11)	(11)	(447)	(458)	-
Regulatory							
2017-2018	-	-	283	283	(358)	(75)	-
2016-2017	-	-	227	227	(400)	(173)	-
Waste Management							
2017-2018	-	607	209	816	(579)	237	239
2016-2017	-	589	315	904	(605)	299	446
Roads, Streets, Bridges & Assets							
2017-2018	2,485	-	499	2,984	(5,355)	(2,371)	119,971
2016-2017	7,621	-	339	7,960	(7,726)	234	118,331
Environment & Health							
2017-2018	-	-	27	27	(88)	(61)	-
2016-2017	-	-	24	24	(108)	(84)	-
Recreation & Reserves							
2017-2018	20	-	2	22	(374)	(352)	-
2016-2017	80	-	4	84	(455)	(371)	-
Other not attributable							
2017-2018	-	198	-	198	(198)	-	-
2016-2017	-	187	-	187	(187)	-	-
Total							
2017-2018	4,374	5,160	1,998	11,532	(9,628)	1,904	140,054
2016-2017	9,974	5,021	1,758	16,753	(12,037)	4,716	137,089

Note 4 (cont.) Functions/Activities of the Council

Reconciliation of Assets from note 4 with Statement of Financial Position at 30 June:

	2018	2017
	$'000	$'000
Current assets	11,618	10,371
Non-current assets	128,436	126,718
	140,054	137,089

Community & Youth Services

Tourism and area promotion, economic development, community activities, community development, SES unit and youth services.

Corporate

Administrative staff, financial services, office costs, council chambers, general rates, information technology and contributions to Local Government Association of Tasmania and Cradle Coast Authority.

Governance

Elected members and executive support.

Regulatory Services

Animal control, By-law control, building control, land use planning.

Waste Management

Household garbage collection, waste transfer stations, household recycling and cost of deposit into Dulverton landfill.

Roads, streets, bridges and assets

Roads, streets, other paving assets, town sites, works depot and associated costs, bridges, stormwater, streetscape development and asset management.

Environment & Health

Environmental health, nuisances, public health, immunisations, places of assembly, food premises and weed management.

Recreation & Reserves

Recreation grounds, halls and other amenities.

Other not attributable

Fire Service Levy, items not fairly allocated to a particular function.

	2018	2017
	$'000	$'000

Note 5 Rates and charges

Council uses Assessed Annual Value (AAV) as the basis of valuation of all properties within the municipal district. The AAV of a property is its notional annual gross rental as determined by the Valuer-General's Office (VGO).

The AAV used to calculate general rates for 2017/18 was $43.4 million (2016/17 $42.1 million). The 2017/18 general rate in the AAV dollar was 5.615 cents (2016/17, 5.860 cents).

	2018 $'000	2017 $'000
General rates	4,153	4,052
Garbage charge	607	589
Fire levy	198	187
Prepaid Rates	202	193
Total rates and charges	5,160	5,021

The date of the latest general revaluation of land for rating purposes within the municipal district was 1 July 2014, and the valuation was first applied in the rating year commencing 1 July 2015.

Rates received in advance in 2017/18 total $202,445 and have been included as revenue for 2017/18. The amount of rates received in advance in 2016/17 was $193,000 and was also included as revenue in 2016/17.

Accounting policy

Rate income is recognised as revenue when Council obtains control over the assets comprising the receipt.

Control over assets acquired from rates is obtained at the commencement of the rating year as it is an enforceable debt linked to the rateable property or, where earlier, upon receipt of the rates.

Note 6 Statutory fees

	2018 $'000	2017 $'000
Building fees	86	69
Town planning fees	68	53
Animal control	59	55
Health	16	19
Total statutory fees and fines	229	196

Accounting policy

Fees and fines are recognised as revenue when the service has been provided, the payment is received, or when the penalty has been applied, whichever first occurs.

Note 7 User fees

	2018 $'000	2017 $'000
Rental	99	91
Other fees and charges	128	126
Total user fees	227	217

Accounting policy

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

Note 8 Grants

	2018 $'000	2017 $'000
Operating grants		
Commonwealth Financial assistance grant - base grant	761	1,476
Commonwealth Financial assistance grant - untied roads grant	593	1,108
Commonwealth Financial assistance grant - advance payment	1,384	1,326
National Disaster Relief and Recovery Funding	238	5,143
Railton Flood Mitigation Study	2	13
Family and children	-	3
National Reconciliation Week	-	5
Other - transport	59	59
Total operating grants	3,037	9,133

The Australian Commonwealth Government provides Financial Assistance Grants (FAG) to Council for general purpose use and the provision of local roads. In June 2018, Council received advance payment of an estimated 50% of its 2018/19 Financial Assistance Grants. In accordance with *AASB 1004 Contributions* , Council recognised these grants as revenue when it received the funds and obtained control. The impact on Council's operating result of the early receipt of these Financial Assistance Grants is summarised below.

	2018	2017
Commonwealth FAGs relating to the financial year	2,680	2,584
Commonwealth FAGs included in operating result for the financial year	2,738	3,910
Increase / (decrease) in operating surplus due to early receipt of FAGs	58	1,326

	2018	2017
Grants received specifically for renewal of assets		
Commonwealth Government - roads to recovery for asset renewals	428	630
Goliath Park Playground	-	24
Total grants received specifically for renewal of assets	428	654
Capital grants received specifically for new or upgraded assets		
Road safety	270	96
Railton Skate Park	-	56
Commonwealth Safer Streets Program - Sheffield CCTV	6	35
Commonwealth Safer Streets Program	20	-
Mountain Trail Bike Path	325	-
Sheffield Recreation Ground upgraded assets	286	-
Total grants received specifically for new or upgraded assets	907	187

Conditions on grants

Grants recognised as revenue during the year that were obtained on the condition that they be expended in a specific manner that had not occurred at balance date were:

	2018	2017
Commonwealth Safer Streets Program - Sheffield CCTV	6	15
	6	15

Grants which were recognised as revenue in prior years and were expended during the current year in the manner specified by the grantor were:

	2018	2017
Mural Park Entrance	-	9
	-	9

Accounting policy

Grant income is recognised as revenue when Council obtains control over the assets comprising the receipt.

Control over granted assets is normally obtained upon their receipt (or acquittal) or upon earlier notification that a grant has been secured, and are valued at their fair value at the date of transfer.

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

A liability is recognised in respect of revenue that is reciprocal in nature to the extent that the requisite service has not been provided at balance date and conditions include a requirement to refund unused contributions. Revenue is then recognised as the various performance obligations under an agreement are fulfilled. Council does not currently have any reciprocal grants.

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

Note 9 Interest

	2018 $'000	2017 $'000
Interest	197	161
Total	197	161

Accounting policy

Interest is recognised progressively as it is earned.

Note 10 Net gain/(loss) on disposal of property, infrastructure, plant and equipment

	2018	2017
Disposal of surplus land		
Proceeds of sale	19	29
Carrying value of land sold	-	-
Total	19	29
Disposal of plant and infractructure		
Proceeds of Sale	-	-
Written down value of plant and infrastructure assets disposed	(422)	(228)
Total	(422)	(228)
Net gain/(loss)	(403)	(199)

Accounting policy

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

Note 11 Reimbursements and Contributions

	2018	2017
Contributions - open space	-	1
Labour hire revenue- Latrobe Council	202	187
Plant hire revenue- Latrobe Council	77	18
General reimbursements of operating costs	249	92
Total reimbursements and contributions	528	298

Accounting policy

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

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

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

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

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

		2018	2017
		$'000	$'000
Note 12	Share of Profit/Loss in Associates		
	Dulverton Regional Waste Management Authority	132	200
	Total Share of Profit/Loss in Associates	132	200
Note 13	Employee costs		
	Wages and salaries	2,015	1,858
	Workers compensation	39	35
	Movement in provisions - annual leave and long service leave	(23)	(27)
	Superannuation	175	173
	Fringe benefits tax & payroll tax	90	98
	Contract employment	651	704
	Other employee related costs	55	25
	Total employee costs	3,002	2,866
	Less capitalised employee costs	(236)	(56)
	Total employee costs expensed	2,766	2,810

Accounting policy

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

		2018	2017
Note 14	Materials and services		
	Contractor payments	703	752
	Building and infrastructure maintenance	1,001	752
	Plant and equipment maintenance	258	306
	Utilities	160	159
	Consultancies & Professional costs	161	190
	Marketing & Advertising	69	54
	Software	81	73
	Agency expenses	566	562
	Insurance expenses	148	159
	Office expenses	73	69
	Flood Repairs	108	2,730
	Other expenses	(18)	114
	Total materials and services	3,310	5,920

Accounting policy

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 15 Depreciation and amortisation

	2018 $'000	2017 $'000
Property		
Buildings	266	288
Plant and Equipment		
Plant, machinery and equipment	162	165
Computers, furniture & fittings	42	43
Infrastructure		
Roads	1,628	1,682
Bridges	243	213
Drainage	54	53
Other	152	127
Total depreciation and amortisation	2,547	2,571

Accounting policy

Buildings, land improvements, plant and equipment, infrastructure and other assets having limited useful lives are systematically depreciated over their useful lives to the Council in a manner which reflects consumption of the service potential embodied in those assets. Estimates of remaining useful lives 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 residual values and a separate depreciation rate is determined for each component.

Land and road earthworks and formation costs 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.

Depreciation is recognised on a straight-line basis and reviewed each reporting period. The rate of depreciation reflects the consumption of the service potential of the asset.

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

Land	Years
land improvements	5 - 100
Buildings	
buildings	20 - 120
Plant and Equipment	
plant, machinery and equipment	2 - 30
fixtures, fittings and furniture	5 - 20
computers and telecommunications	3 - 5
Infrastructure	
Roads	Years
road surface - unsealed roads	4 - 10
road pavement - sub-base	200
road pavement - sealed basecourse	70 - 110
road surface - sealed roads	18 - 25
road kerb, channel	80
footpaths	80
Bridges	20 - 80
Stormwater	80
Other infrastructure	25 - 50

		2018	2017
		$'000	$'000
Note 16	Finance costs		
	Interest - Borrowings	94	91
	Total	94	91

		2018	2017
Note 17	Other expenses		
	Councillors' allowances and expenses	145	143
	Subscriptions	86	84
	Activity expenses	44	53
	Audit Fees	27	37
	Bad Debts Expense	-	(1)
	Impairment loss on rates debtors	-	(8)
	Donations sponsorships & grants	165	88
	Other	41	50
	Total other expenses	508	446

Accounting policy

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.

		2018	2017
Note 18	Investment in associates		
	Investments in associates accounted for by the equity method are:		
	- Dulverton Regional Waste Management Authority	1,149	1,076
	Total	1,149	1,076

Dulverton Regional Waste Management Authority

Council is a partner in the Dulverton Regional Waste Management Authority, a joint Authority established under the Local Government Act 1993. The primary activity of the Authority is to operate regional landfill site at Dulverton. Other partners in this Joint Authority are Devonport City, Central Coast and Latrobe Councils.

Council's ownership interest in the Authority at 30 June 2018 was 8.48% (2017: 8.48%). The proportion of voting power held in the Authority is 25%.

Council's share of equity

	2018	2017
Council's share of accumulated surplus (deficit) at start of year	1,076	925
Share in reported surplus (deficit) after tax for year	171	200
Less dividend received	(83)	(45)
Share in Asset revaluation	24	(4)
Prior year adjustments	(39)	-
Council's share of equity at end of year	1,149	1,076

The Authority's assets, liabilities and revenue for the relevant financial years were:

	2018	2017
Total Assets	23,543	18,459
Total Liabilities	9,960	5,766
Revenue	10,797	10,291

Accounting policy

Council's investment in associates is accounted for by the equity method as Council has the ability to influence rather than control the operations of the entities. The investment is initially recorded at the cost of acquisition and adjusted thereafter for post-acquisition changes in Council's share of the net assets of the entities. Council's share of the financial result of the entities is recognised in the Statement of Comprehensive Income.

Note 19 Investment in water corporation

	2018 $'000	2017 $'000
Opening balance	6,814	6,770
Fair value adjustment on investment	89	44
Total investment in water corporation	6,903	6,814
Distributions from water corporation		
Dividends	81	86
Guarantee fees	12	12
Income tax equivalents	39	40
Total distribution from water corporation	132	138

Accounting policy

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 held a 0.43% (2017: 0.43%) ownership interest in TasWater which is based on Council's equity proportion for voting purposes as set out in schedule 2 of TasWater's constitution. Any unrealised gains and losses are recognised through the Statement of Profit or Loss and Other Comprehensive Income to a Financial assets available for sale Reserve each year (refer note 31).

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.

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 20 Other investments

	2018	2017
Kentish Financial Services Ltd	17	18
Total other investments	17	18

Note 21 Cash and cash equivalents

	2018	2017
Cash at bank and on hand	2,951	216
Term deposits and other investments	7,981	7,668
Total cash and cash equivalents	10,932	7,884

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:

	2018	2017
Restricted by:		
Unexpended grants - specific	6	15
Trust funds and deposits	315	311
Total Restricted Cash and Cash Equivalents	321	326
Total Unrestricted Cash and Cash Equivalents	10,611	7,558

Accounting policy

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 six months or less, net of outstanding bank overdrafts.

Note 22 Trade and other receivables

	2018	2017
Current	$'000	$'000
Rates debtors	104	133
Other debtors	342	752
Loans to Community Organisations	27	31
GST	83	110
Total	556	1,026

Accounting policy

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.

Note 23 Inventories

Inventories	14	13
Total inventories	14	13

Accounting policy

Inventories held for distribution are measured at cost adjusted when applicable for any loss of service potential. Other inventories are measured at the lower of cost and net realisable value.

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

Note 24 Other assets

Current		
Prepayments	62	43
Accrued income	54	1,405
Total	116	1,448

Note 25 *Property, infrastructure, plant and equipment*

	2018	2017
	$'000	$'000
Property		
Land		
at fair value as at 30 June 2014	4,799	4,799
Total Land	4,799	4,799

The valuation of land is at fair value, based on the latest land values issued by the Tasmanian Valuer General as at 30 June 2014.

	2018	2017
Land Under Roads		
at fair value as at 30 June 2015	4,399	4,399
Total Land Under Roads	4,399	4,399

Land under roads was recognised for the first time in 2015. Land under roads is valued at fair value based on Council valuations at 30 June 2015 using average per square metre property value rates supplied by the Valuer-General.

	2018	2017
Buildings		
at fair value as at 1 July 2015	22,884	22,865
Less accumulated depreciation	10,139	9,873
Total Buildings	12,745	12,992
Total Property	21,943	22,190

The majority of buildings owned by Council are special purpose buildings which are valued at fair value, based on management assessment of depreciated replacement cost at 1 July 2014. Non-specialised buildings are at fair value, based on the latest values issued by the Tasmanian Valuer General as at 30 June 2014. The revaluation of Council's buildings was accounted for on a gross basis with current replacement cost and accumulated depreciation to date estimated based upon the proportion of the building's expected useful life that has expired.

	2018	2017
Plant and Equipment		
Plant, machinery and equipment		
at cost	2,737	2,775
Less accumulated depreciation	1,791	1,683
	946	1,092
Computers, furniture & fittings		
at cost	1,126	1,028
Less accumulated depreciation	946	904
	180	124
Total Plant and Equipment	1,126	1,216

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

	2018	2017
Infrastructure	$'000	$'000
Roads		
at fair value as at 1 July 2013	118,788	115,057
Less accumulated depreciation	41,163	38,835
	77,625	76,222

Revalued by Council's engineer, effective from 1 July 2013, at depreciated current replacement cost (representing fair value) based upon independent assessment of asset condition by Molony Asset Management. Depreciated current replacement cost was calculated on a straight-line basis. This value has been adjusted to reflect the movement in the Australian Bureau of Statistics (ABS) Road and Bridge Construction Index from June 2013 to June 2017.

	2018	2017
Bridges		
at fair value as at 30 June 2014	18,133	17,501
Less accumulated depreciation	5,325	5,082
	12,808	12,419

Revalued by Council management, effective from 30 June 2014, at depreciated current replacement cost (representing fair value) based upon independent assessment of current replacement cost and useful lives by TasSpan Pty Ltd. Depreciated current replacement cost was calculated on a straight-line basis.

	2018	2017
Stormwater		
at fair value as at 30 June 2016	4,313	4,313
Less accumulated depreciation	1,828	1,774
	2,485	2,539

Stormwater assets were revalued by Council's engineer, effective from 30 June 2013, at depreciated current replacement cost (representing fair value). Depreciated current replacement cost was calculated on a straight-line basis. This value has been adjusted to reflect the movement in the Australian Bureau of Statistics Road and Bridge Construction Index from June 2013 to June 2016.

	2018	2017
Infrastructure other		
at cost	5,316	5,304
Less accumulated depreciation	1,332	1,113
	3,984	4,191

Infrastructure other includes streetscape, walking tracks and safety guardrails.

	2018	2017
Total Infrastructure	96,902	95,371

	2018	2017
Works in Progress		
Buildings at cost	66	2
Plant & Equipment	126	20

Roads & streets at cost	204	11
	396	33
Total property, infrastructure, plant and equipment	120,367	118,810

Accounting policy

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

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

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

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

	Threshold $'000
Land	10
land	10
plant, machinery and equipment	5
fixtures, fittings and furniture	5
computers and telecommunications	5
leased plant and equipment	
Roads	10
road pavements and seals	10
road substructure	10
road formation and earthworks	10
road kerb, channel and minor culverts	10
road other	
Bridges	10
bridges deck	10
bridges substructure	10
bridges other	
Other Infrastructure	10
footpaths and cycleways	10
drainage	10
recreational, leisure and community facilities	10
waste management	10
parks, open space and streetscapes	10

off street car parks	10
other infrastructure	10
Intangible assets	5

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
Land improvements	cost
Investment in water corporation	fair value

Subsequent to the initial recognition of assets, non-current physical assets, other than plant and equipment, furniture, fittings and office equipment and land improvements, 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 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.

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

2018	*Gross value* Opening Balance	Transfers	Acquisition of assets	Disposals	Revaluation increments (decrements) (note 31)	Closing Balance	*Accumulated Depreciation* Opening Balance	Depreciation expense (note 15)	Disposals	Revaluation increments (decrements)	Closing Balance	Written Down Value
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Property												
Land	4,799	-	-	-	-	4,799	-	-	-	-	-	4,799
Land Under Roads	4,399	-	-	-	-	4,399	-	-	-	-	-	4,399
Buildings	22,865	3	16	-	-	22,884	9,873	266	-	-	10,139	12,745
Plant and Equipment												
Plant, machinery and equip.	2,775	20	86	(144)	-	2,737	1,683	162	(54)	-	1,791	946
Computers, furniture & fittings	1,028	-	98	-	-	1,126	904	42	-	-	946	180
Total plant and equipment	3,803	20	184	(144)	-	3,863	2,587	204	(54)	-	2,737	1,126
Infrastructure												
Roads & streets	115,057	11	1,793	(490)	2,417	118,788	38,835	1,628	(159)	859	41,163	77,625
Bridges	17,501	-	632	-	-	18,133	5,082	243	-	-	5,325	12,808
Stormwater	4,313	-	-	-	-	4,313	1,774	54	-	-	1,828	2,485
Infrastructure other	5,304	-	12	-	-	5,316	1,113	152	-	-	1,332	3,984
Total infrastructure	142,175	11	2,437	(490)	2,417	146,550	46,804	2,077	(159)	859	49,648	96,902
Works in Progress												
Land	-	-	-	-	-	-	-	-	-	-	-	-
Buildings	2	(3)	68	-	-	66	-	-	-	-	-	66
Plant & Equipment	20	(20)	126	-	-	126						126
Roads & streets	11	(11)	164	-	-	164	-	-	-	-	-	164
Infrastructure other	-	-	40	-	-	40	-	-	-	-	-	40
Stormwater	-	-	-	-	-	-	-	-	-	-	-	-
Total infrastructure	33	(35)	398	-	-	396	-	-	-	-	-	396
Total property, plant and equipment, infrastructure	178,074	-	3,034	(634)	2,417	182,891	59,264	2,547	(213)	859	62,524	120,367

(a) Impairment losses

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

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

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

2017	Opening Balance	Transfers	Acquisition of assets	Disposals	Revaluation increments (decrements) (note 31)	Closing Balance	Opening Balance	Depreciation expense (note 15)	Disposals	Revaluation increments (decrements) (a)	Closing Balance	Written Down Value
	Gross value						*Accumulated Depreciation*					
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Property												
Land	4,799	-	-	-	-	4,799	-	-	-	-	-	4,799
Land Under Roads	4,399	-	-	-	-	4,399	-	-	-	-	-	4,399
Buildings	22,683	-	182	-	-	22,865	9,585	288	-	-	9,873	12,992
Plant and Equipment												
Plant, machinery and equip.	2,701	-	74	-	-	2,775	1,518	165	-	-	1,683	1,092
Furniture & fittings	1,011	-	17	-	-	1,028	861	43	-	-	904	124
Total plant and equipment	3,712	-	91	-	-	3,803	2,379	208	-	-	2,587	1,216
Infrastructure												
Roads & streets	110,286	-	1,274	(703)	4,200	115,057	36,228	1,682	(475)	1,400	38,835	76,222
Bridges	13,297	-	4,204	-	-	17,501	4,869	213	-	-	5,082	12,419
Stormwater	4,245	-	68	-	-	4,313	1,721	53	-	-	1,774	2,539
Infrastructure other	5,027	-	277	-	-	5,304	986	127	-	-	1,113	4,191
Total infrastructure	132,855	-	5,823	(703)	4,200	142,175	43,804	2,075	(475)	1,400	46,804	95,371
Works in Progress												
Land	-	-	-	-	-	-	-	-	-	-	-	-
Buildings	5	(5)	2	-	-	2	-	-	-	-	-	2
Plant & Equipment	-	-	20	-	-	20					-	20
Roads & streets	10	(10)	11	-	-	11	-	-	-	-	-	11
Infrastructure other	-	-	-	-	-	-	-	-	-	-	-	-
Stormwater	10	(10)	-	-	-	-	-	-	-	-	-	-
Total infrastructure	25	(25)	33	-	-	33	-	-	-	-	-	33
Total property, plant and equipment, infrastructure	168,473	(25)	6,129	(703)	4,200	178,074	55,768	2,571	(475)	1,400	59,264	118,810

(a) Impairment losses

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

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

		2018	2017
		$'000	$'000
Note 26	Trade and other payables		
	Trade payables	938	1,272
	Accrued expenses	72	114
	Total trade and other payables	1,010	1,386
Note 27	Trust funds and deposits		
	Trust deposits	35	35
	Unclaimed funds - sale of property for rates	119	119
	Other	161	157
	Total trust funds and deposits	315	311
Note 28	Provisions		
	(a) Employee benefits		
	Current		
	Annual leave	200	185
	Long service leave	159	142
	Oncosts	23	23
		382	350
	Non-current		
	Long service leave	62	117
	Oncosts	7	7
		69	124
	Aggregate carrying amount of employee benefits:		
	Current	359	327
	Non-current	62	117
		421	444

Accounting policy

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.

ii) Sick leave

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

v) Defined benefit plans

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

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

v) Defined contribution plans

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

	2018	2017
	$'000	$'000

Note 29 Interest-bearing loans and borrowings

	2018	2017
Current		
Interest-bearing loans	103	96
	103	96
Non-current		
Interest-bearing loans	1,117	1,219
Total	1,220	1,315

Note 30 Accelerated Local Government Capital Program Loans

	2018	2017
Current		
Accelerated Local Government Capital Program Loans	133	120
	133	120
Non-current		
Accelerated Local Government Capital Program Loans	47	180
Total	180	300

The obligations for Council's borrowings are payable:

	2018	2017
Not later than one year	236	216
Later than one year and not later than five years	400	635
Later than five years	764	764
Total	1,400	1,615

Note 31 Reserves

(a) Asset revaluation	Balance at beginning of reporting period $'000	Increment (decrement) $'000	Transfers from / (to) accumulated surplus $'000	Balance at end of reporting period $'000
2018				
Investment in associates	282	24	-	306
Infrastructure, land and buildings	93,543	1,558	-	95,101
Total asset revaluation	93,825	1,582	-	95,407
2017				
Investment in associates	286	(4)	-	282
Infrastructure, land and buildings	90,743	2,800	-	93,543
Total asset revaluation	91,029	2,796	-	93,825

(b) Investment Revaluation Reserve - water corporation

2018	Balance at beginning of reporting period	Increment (decrement)	Transfers from/ (to) accumulated surplus	Balance at end of reporting period
	$'000	$'000	$'000	$'000
Water corporation	642	89	-	731
Total Investment revaluation reserves	642	89	-	731

2017	Balance at beginning of reporting period	Increment (decrement)	Transfers from/ (to) accumulated surplus	Balance at end of reporting period
	$'000	$'000	$'000	$'000
Water corporation	598	44	-	642
Total Investment revaluation reserves	598	44	-	642

	2018	2017
	$'000	$'000
Total Reserves	96,138	94,467

		2018	2017
		$'000	$'000
Note 32	**Adjustments directly to equity**		
	Movement in fair value valuation - water corporation	89	44
	Revaluation of assets	1,582	2,796
		1,671	2,840
Note 33	**Reconciliation of cash flows from operating activities to surplus (deficit)**		
	Surplus/Deficit	1,904	4,716
	Depreciation/amortisation	2,547	2,571
	Loss on disposal of property, plant and equipment, infrastructure	403	199
	Share of Associates Profit/Loss	(132)	(200)
	Capital grants	(907)	(187)
	Grants for renewal of assets	(428)	(654)
		1,483	1,729
	Change in assets and liabilities:		
	Decrease (Increase) in trade and other receivables	465	(563)
	Decrease (Increase) in other assets	1,332	(925)
	Increase (Decrease) in trade and other payables	(354)	222
	Increase (Decrease) in employee provisions	(23)	(27)
		1,420	(1,293)
	Net cash provided by/(used in) operating activities	4,807	5,152
Note 34	**a) Reconciliation of cash and cash equivalents**		
	Cash and cash equivalents (see note 21)	10,932	7,884

b) Reconciliation of liabilities arising from financing activities

2018	Interest-bearing loans and borrowings	Trust Funds & Deposits
Balance as at 1 July 2017	1,615	311
Acquisitions / New leases	-	-
Changes in fair value	-	-
Other movements		
Transfers to / (from) other Government entity	-	-
Changes from financing cash flows:		
Cash Received		
Cash Repayments	(215)	4
Balance as at 30 June 2018	1,400	315

		2018	2017
Note 35	**Financing arrangements**		
	Bank overdraft	25	25
	Unused facilities	25	25

Council has a corporate credit card with a $50,000 limit. The balance is paid in full on a monthly basis.

Note 36 Superannuation

Council makes superannuation contributions for one 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 Council contributed 9.5% of the relevant employee's gross income to the Fund. Assets accumulate in the fund to meet member benefits as they accrue, and if assets within the fund are insufficient to satisfy benefits payable, Council is required to meet its share of the deficiency.

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

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

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

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

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

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

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 Dependants in such manner as the Trustee considers equitable and appropriate in accordance with the Applicable Requirements (broadly, superannuation and taxation legislative requirements and other requirements as determined by the regulators).

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

The Fund is a defined benefit Fund.

The Quadrant Defined Benefits Fund has been classified as a multi-employer sponsored plan. As the Fund’s assets and liabilities are pooled and are not allocated by employer, the Actuary is unable to allocate benefit liabilities, assets and costs between employers. Thus the Fund is not able to prepare standard AASB119 defined benefit reporting.

During the reporting period the amount of contributions paid to defined benefits schemes was $4,000 (2016-17, $4,000), and the amount paid to accumulation schemes was $171,000 (2016-17, $169,000).

During the next reporting period the expected amount of contributions to be paid to defined benefits schemes is $4,000, and the amount to be paid to accumulation schemes is $189,000.

Council adopted reduced disclosure in relation to the Fund based on an assessment that the impact of non-disclosure is insignificant to users of the accounts. The assessment was based on the number of Council employees that are member of the Fund (one) and Council’s contributions to the Fund (as noted above) in comparison to both the Fund’s total members and contributions and Council’s total employee numbers and superannuation contributions. In addition, the Fund is currently in surplus. If the Fund’s position changes, the need for increased disclosure will be considered.

Note 37 Commitments

The Council had material commitments at 30 June 2018 as summarised below. There were no material commitments as at 30 June 2017.

2018	Not later than 1 year	Later than 1 year and not later than 2 years	Later than 2 years and not later than 5 years	Later than 5 years	Total
	$'000	$'000	$'000	$'000	$'000
Operating					
Information systems & technology (1)	92	92	184	-	368
Total Operating	92	92	184	-	368
Capital					
Roads & Bridges	943	-	-	-	943
Plant & Equipment	134	134	-	-	268
Buildings	770	-	-	-	770
Parks and Reserves	523	-	-	-	523
Total Capital	2,370	134	-	-	2,504
Total commitments	2,462	226	184	-	2,872

(1) Kentish Council has a shared services agreement with Latrobe Council for a systems project supplied by TechnologyOne.

Note 38 Contingent liabilities and contingent assets

Contingent liabilities

The Council presently has no significant contingent liabilities.

Guarantees for loans to other entities

The Council presently does not have any guarantees for loans to other entities.

Note 39
Financial Instruments
(a) Accounting Policy, terms and conditions

Recognised financial instruments	Note	Accounting Policy	Terms and Conditions
Financial			
Cash and cash equivalents	20	Cash on hand and at bank and money market call account are valued at face value.	On call deposits returned an average floating interest rate of 2.09% (2.0% in 2016/17). The weighted average interest rate at balance date was 2.09%.
		Interest is recognised as it accrues.	As at 30 June 2018 funds invested at fixed interest rates returned on average 2.44% (2.57% in 2016/17).
		Investments and bills are valued at cost.	Not applicable.
		Investments are held to maximise interest returns of surplus cash.	
		Interest revenues are recognised as they accrue.	
		Managed funds are measured at market value.	
Trade and other receivables			
Other debtors	21	Receivables are carried at amortised cost using the effective interest method. A provision for doubtful debts is recognised when there is objective evidence that an impairment loss has occurred. Collectability of overdue accounts is assessed on an ongoing basis.	General debtors are unsecured.
Financial Liabilities			
Trade and other payables	25	Liabilities are recognised for amounts to be paid in the future for goods and services provided to Council as at balance date whether or not invoices have been received.	General Creditors are unsecured, not subject to interest charges and are normally settled within 30 days of invoice receipt.
Interest-bearing loans and borrowings	28	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.	Borrowings are secured by way of mortgages over the general rates of the Council. The weighted average interest rate on borrowings is 6.64% (6.64% in 2016/17).
		Finance leases are accounted for at their principal amount with the lease payments discounted to present value using the interest rates implicit in the leases.	As at balance date, the Council had no finance leases.
Bank overdraft	33	Overdrafts are recognised at the principal amount. Interest is charged as an expense as it accrues.	The overdraft is subject to annual review. It is secured by a mortgage over Council's general rates and is repayable on demand.

Note 39 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

	Variable interest rate	Fixed interest maturing in: 1 year or less	Over 1 to 5 years	More than 5 years	Non-interest bearing	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Financial assets						
Cash and cash equivalents	6,408	4,524	-	-	-	10,932
Trade and other receivables	-	104	-	-	452	556
Other assets	-	-	-	-	71	71
Investment in water corporation	-	-	-	-	6,903	6,903
Total financial assets	6,408	4,628	-	-	7,426	18,462
Financial liabilities						
Trade and other payables	-	-	-	-	1,010	1,010
Trust funds and deposits	-	-	-	-	315	315
Interest-bearing loans and borrowings	-	236	400	764	-	1,400
Total financial liabilities	-	236	400	764	1,325	2,725
Net financial assets (liabilities)	6,408	4,392	(400)	(764)	6,101	15,737

2017

	Variable interest rate	Fixed interest maturing in: 1 year or less	Over 1 to 5 years	More than 5 years	Non-interest bearing	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Financial assets						
Cash and cash equivalents	4,453	3,431	-	-	-	7,884
Trade and other receivables	-	133	-	-	893	1,026
Other assets	-	-	-	-	1,423	1,423
Investment in water corporation	-	-	-	-	6,814	6,814
Total financial assets	4,453	3,564	-	-	9,130	17,147
Financial liabilities						
Trade and other payables	-	-	-	-	1,386	1,386
Trust funds and deposits	-	-	-	-	311	311
Interest-bearing loans and borrowings	-	216	635	764	-	1,615
Total financial liabilities	-	216	635	764	1,697	3,312
Net financial assets (liabilities)	4,453	3,348	(635)	(764)	7,433	13,835

Note 39 Financial Instruments (cont.)

(c) Net Fair Values

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		Aggregate net fair value	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
Financial assets				
Cash and cash equivalents	10,932	7,884	10,932	7,884
Trade and other receivables	556	1,026	556	1,026
Other assets	71	1,405	71	1,405
Investment water corporation	6,903	6,814	6,903	6,814
Total financial assets	18,462	17,129	18,462	17,129
Financial liabilities				
Trade and other payables	1,010	1,386	1,010	1,386
Trust funds and deposits	315	311	315	311
Interest-bearing loans and borrowings	1,400	1,615	1,400	1,615
Total financial liabilities	2,725	3,312	2,725	3,312

(d) Credit Risk

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

(e) Risks and mitigation

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

Market risk

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

Interest rate risk

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

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

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

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

Note 39 Financial Instruments (cont.)

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 note.
Council generally trades with recognised, creditworthy third parties, and as such collateral is generally not requested, nor is it Council's policy to securitise its trade and other receivables.
It is Council's policy that some customers who wish to trade on credit terms are subject to credit verification procedures including an assessment of their credit rating, financial position, past experience and industry reputation.
In addition, receivable balances are monitored on an ongoing basis with the result that Council's exposure to bad debts is not significant.

We may also be subject to credit risk for transactions which are not included in the Statement of Financial Position, such as when we provide a guarantee for another party. Details of our contingent liabilities are disclosed in note 36.

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 & Other Receivables was:

	2018	2017
	$'000	$'000
Current (not yet due)	265	723
Past due by up to 30 days	111	130
Past due between 31 and 180 days	95	123
Past due between 181 and 365 days	65	-
Past due by more than 1 year	20	50
Total Trade & Other Receivables	556	1,026

Note 39 Financial Instruments (cont.)

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
- 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 undiscounted gross payments including both principal and interest amounts

2018	6 months	6-12	1-2	2-5	>5	Contracted
	or less	months	years	years	years	Cash Flow
	$'000	$'000	$'000	$'000	$'000	$'000
Trade and other payables	1,010	-	-	-	-	1,010
Trust funds and deposits	315	-	-	-	-	315
Interest-bearing loans and borrowings	91	91	182	546	490	1,400
Total financial liabilities	1,416	91	182	546	490	2,725

2017	6 months	6-12	1-2	2-5	>5	Contracted
	or less	months	years	years	years	Cash Flow
	$'000	$'000	$'000	$'000	$'000	$'000
Trade and other payables	1,386	-	-	-	-	1,386
Trust funds and deposits	311	-	-	-	-	311
Interest-bearing loans and borrowings	91	91	182	546	1,002	1,912
Total financial liabilities	1,788	91	182	546	1,002	3,609

(f) Sensitivity disclosure analysis

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

- A parallel shift of + 1% and -1% in market interest rates (AUD) from year-end rates of 2.0%.

At 30 June 2018, if interest rates had moved, as illustrated in the table below, profit and equity would have been affected as follows:

	Profit or loss		Equity	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
+1% (100 basis points)	64	45	64	45
-1% (100 basis points)	(64)	(45)	(64)	(45)

Note 40 Auditors' remuneration

	2018	2017
	$'000	$'000
Audit fee for audit of financial statements - Tasmanian Audit Office	26	27
Audit fee for all other services - Tasmanian Audit Office	1	10
	27	37

The audit fees above are those recognised on an accruals basis according to the timing of work done and invoices raised which may vary from year to year. The full audit fees relating to the financial statements for 2018 and 2017 irrespective of the timimg of the work completed are as follows:

	2018	2017
Audit fee for audit of financial statements - Tasmanian Audit Office	26	26
Audit fee for all other services - Tasmanian Audit Office	1	10
	27	36

Note 41 Events occurring after balance date

There are no subsequent events after 30 June 2018 that have had a material impact on the accounts.

Note 42 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	Councillor Don Thwaites (Mayor November 2007 to current)
	Councillor Tim Wilson (Deputy Mayor November 2009 to current)
	Councillor Penny Lane (Councillor November 2007 to current)
	Councillor Annie Willock (Councillor November 2007 to current)
	Councillor Rodney Blenkhorn (Councillor November 2014 to current)
	Councillor Linda Cassidy (Councillor November 2014 to current)
	Councillor Kate Haberle (Councillor November 2014 to current)
	Councillor Terrence Hughes (Councillor November 2014 to current)
	Councillor Phillip Richards (Councillor November 2014 to current)
General Manager	Gerald Monson - April 2010 to current

Note 42 Related party transactions (continued)

(ii) Councillor Remuneration

2018	Short term employee benefits		Post employment benefits			
	Allowances	Vehicles	Superannuation	**Total Compensation AASB 124**	**Expenses**	**Total allowances and expenses section 72**
	$	$	$	$	$	$
Mayor	36,671	-	-	36,671	4,663	41,334
Deputy Mayor	21,113	-	-	21,113	1,854	22,967
Councillors	75,843	-	-	75,843	16,551	92,394
Total	133,627	-	-	133,627	23,068	156,695

2017	Short term employee benefits		Post employment benefits			
	Allowances	Vehicles	Superannuation	**Total Compensation AASB 124**	**Expenses**	**Total allowances and expenses section 72**
	$	$	$	$	$	$
Mayor	35,915	-	-	35,915	7,321	43,235
Deputy Mayor	20,682	-	-	20,682	1,482	22,164
Councillors	74,331	-	-	74,331	17,595	91,926
Total	130,927	-	-	130,927	26,398	157,325

(iii) Key Management Personnel Remuneration

2018		Short term employee benefits				Post employment benefits				
Remuneration band	Number of employees	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]	Non-monetary Benefits[8]	**Total**
		$	$	$	$	$	$	$	$	$
< $100 000	1	41,981	-	29,994	-	3,988	-	-	(6,905)	69,058
$120 001 - $140 000	1	92,838	-	11,180	-	17,920	-	-	10,658	132,596
$140 001 - $160 000	1	116,387	-	11,782	-	11,057	-	-	12,242	151,468
Total		251,206	-	52,956	-	32,965	-	-	15,995	353,122

Less key management personnel services hired to Latrobe Council (est 0.5 employees)	(50,808)
Add key management personnel services hired from Latrobe Council (est 1.5 employees)	210,024
Net total cost of key management personnel 2018	512,338

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

2017 Remuneration band	Number of employees	Short term employee benefits: Salary[1] $	Short-term Incentive Payments[2] $	Vehicles[3] $	Other Allowances and Benefits[4] $	Post employment benefits: Super-annuation[5] $	Other Long-term Benefits[6] $	Termination Benefits[7] $	Non-monetary Benefits[8] $	Total $
$100 001 - $120 000	1	99,992	-	13,874	-	9,321	-	-	(5,479)	117,707
$120 001 - $140 000	2	202,698	-	41,883	-	19,197	-	-	(789)	262,989
Total		302,690	-	55,757	-	28,518	-		(6,269)	380,696

Less key management personnel services hired to Latrobe Council (est 0.5 employees)	(85,996)
Add key management personnel services hired from Latrobe Council (est 1.3 employees)	249,585
Net total cost of key management personnel 2017	544,286

[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.

[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, subsisided 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

Regulation 42(2) of the Local Government (General) Regulations 2015 (the Regulations) specifies the allowances payable to councillors and mayors and deputy mayors following the last review in 2008. The allowances payable from 1 November 2014 are set out in Schedule 4 of the Regulations.

Executives

Remuneration levels for key management personnel are set in accordance with market based salaries relative to the responsibilities and accountability of the position

The employment terms and conditions of senior executives are contained either in Council's Enterprise Agreement or in individual employment contracts and prescribe total remuneration, superannuation, annual and long service leave, vehicle and salary sacrifice provisions. In addition to their salaries, Council also provides non-cash benefits and contributes to post-employment superannuation plans on their behalf.

The performance of each senior executive, including the General Manager, is reviewed annually which includes a review of their remuneration package.

(v) Transactions with associates

Council's interests in associates are detailed in note 18

The following transactions occurred withDulverton Waste Management Authority:

Nature of the transaction	*Amount of the transactions during the year*	*Outstanding balances, including commitments at year end*	*Terms and conditions*	*Provisions for doubtful debts related outstanding balances*	*The expense recognised during the period relating to bad or doubtful debts due from related parties*
Waste disposal services [1]	$275,000	*Council owes $23,000*	*30-day terms on invoices*	-	-
National Taxation Equivalent Regime (NTER) receipts [2]	-$72,000	*Council recorded accrued revenue of $24,000*	*As per Section 71 of the Government Business Enterprises Act 1995*	-	-
Dividends [3]	-$82,000	-	*As determined by the Board of Dulverton Waste Management Authority*	-	-

[1] Council incurrs gate fees for disposal of waste collected as part of its kerbside waste collection services and disposal of waste transferred from its waste transfer stations. Amounts are payable monthly.

[2] As part owner of Dulverton Waste Management Authority, Council receives quarterly income tax equivalent payments from the authority.

[3] As part owner of Dulverton Waste Management Authority, Council receives dividend payments from time to time as declared by the board of the authority.

(vi) Transactions with related parties

During the period Council entered into the following transactions with related parties.

Nature of the transaction	*Amount of the transactions during the year*	*Outstanding balances, including commitments at year end*	*Terms and conditions*	*Provisions for doubtful debts related outstanding balances*	*The expense recognised during the period relating to bad or doubtful debts due from related parties*
Agency accommodation booking receipts [1]	$12,000	-	*Payment received on booking*	-	-
Agency accommodation commissions deducted by Council [2]	$1,000	-	*Counci's approved fees & charges*	-	-
Agency accommodation - net payment to Owner [3]	$11,000	-	*30-day terms*	-	-

[2] Council received accommodation booking receipts through the Kentish Visitor information Centre for a property owned by a related party of a Councillor. The terms and conditions of these bookings are the same as those generally applied to all similar accommodation bookings.

[3] Council retained commissions on the above accommodation booking receipts through the Kentish Visitor information Centre on terms and conditions the same as those generally applied to all similar accommodation bookings.

[4] Council paid the net proceeds of the above accomodation bookings (after deducting commission) on terms and conditions the same as those generally applied to all similar accommodation bookings.

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.

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

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

- Payment of rates on a primary residence
- Dog registration

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

Note 43 Management Indicators

The following management indicators have been prepared to comply with section 84(2A) of the Local Government Act 1993 and Local Government (Management Indicators) Order 2014. Commentary on these management indicators and Council's performance against benchmarks is included in Council's Annual Report. The calculation of the Underlying Result is in accordance with the Tasmanian Audit Office Guidance Paper as revised in June 2017.

Recurrent Income and Recurrent Expenses, two of the inputs to these management indicators, are not calculated in accordance with Australian Accounting Standards. The calculation of recurrent income and its reconciliation to the Statement of Comprehensive Income is as follows:

	2018 $'000	2017 $'000	2016 $'000	2015 $'000
Recurrent Income				
Total Income from Statement of Comprehensive Income	11,532	16,753	9,718	15,702
Less:				
National Disaster Relief grants received	(238)	(5,143)	(439)	(484)
Gain on disposal of surplus land	(19)	(29)	-	-
Grants Specifically for New/Upgraded Assets	(907)	(187)	(93)	(40)
Contributions Specifically for New/Upgraded Assets	-	-	-	(64)
Grants for renewal of assets	(428)	(654)	(898)	(339)
roads	-	-	-	(4,399)
Grants received in advance - current year	(1,384)	(1,326)	-	(1,277)
Rates received in advance - current year	(202)	(193)	(186)	(168)
Add:				
Grants received in advance - prior year	1,326	-	1,277	-
Rates received in advance - prior year	193	186	168	149
Total Recurrent Income	9,873	9,407	9,547	9,080
Recurrent Expenses				
Total Expenses from Statement of Comprehensive Income	9,628	12,037	10,554	9,834
Less:				
Disaster relief and recovery expenditure	(108)	(2,730)	(735)	(653)
Loss on disposal of assets destroyed by flood	-	-	(818)	-
Total Recurrent Expenses	9,520	9,307	9,001	9,181
(a) Underlying surplus or (deficit)				
Recurrent income*	9,873	9,407	9,547	9,080
less recurrent expenditure	(9,520)	(9,307)	(9,001)	(9,181)
Underlying surplus/deficit	353	100	546	(101)
(b) Underlying surplus ratio				
Underlying surplus or (deficit)	353	100	546	(101)
Recurrent Income	9,873	9,407	9,547	9,080
Underlying surplus ratio %	3.6%	1.1%	5.7%	-1.1%

(c) Net financial assets / (liabilities)				
Liquid assets	11,556	10,328	8,549	7,930
less total liabilities	(3,176)	(3,786)	(3,229)	(2,971)
Net financial assets / (liabilities)	8,380	6,542	5,320	4,959
(d) Net financial assets / (liabilities) ratio				
Net financial assets /(liabilities)	8,380	6,542	5,320	4,959
Recurrent Income	9,873	9,407	9,547	9,080
Net financial assets / (liabilities) ratio %	84.9%	69.5%	55.7%	54.6%

(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.

Transport Infrastructure				
Depreciated replacement cost	90,433	88,641	82,486	83,866
Current replacement cost	136,921	132,558	123,583	125,194
Asset consumption ratio %	66.0%	66.9%	66.7%	67.0%
Buildings				
Depreciated replacement cost	12,745	12,992	13,098	13,027
Current replacement cost	22,884	22,865	22,683	22,336
Asset consumption ratio %	55.7%	56.8%	57.7%	58.3%
Stormwater				
Depreciated replacement cost	2,485	2,539	2,524	2,505
Current replacement cost	4,313	4,313	4,245	4,125
Asset consumption ratio %	57.6%	58.9%	59.5%	60.7%

(f) Asset renewal funding ratio

Transport Infrastructure				
Projected capital funding outlays**	18,970	14,224	17,254	17,212
Projected capital expenditure funding***	11,198	12,111	11,702	10,920
Asset renewal funding ratio %	169.4%	117.4%	147.4%	157.6%

	2018	2017	2016	2015
	$'000	$'000	$'000	$'000
Buildings				
Projected capital funding outlays**	17	102	208	146
Projected capital expenditure funding***	17	17	17	92
Asset renewal funding ratio %	100.0%	600.0%	1223.5%	158.7%
Stormwater				
Projected capital funding outlays**	7	7	7	22
Projected capital expenditure funding***	7	7	7	7
Asset renewal funding ratio %	100.0%	100.0%	100.0%	314.3%

** 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

(g) Asset sustainability ratio

	2018	2017	2016	2015
Capex on replacement/renewal of existing assets	1,266	5,611	1,580	2,627
Annual depreciation expense	2,547	2,571	2,700	2,674
Asset sustainability ratio %	49.7%	218.2%	58.5%	98.2%

Capital Expenditure Detail (based on cash flows)
2018

Asset Group	Capital renewal expenditure	Capital new / upgrade expenditure	Total Capital Expenditure
	$'000	$'000	$'000
Roads and Bridges	1,227	1,497	2,724
Stormwater Assets	4	-	4
Buildings	-	19	19
Land Improvements	-	12	12
Office Furniture and Equipment	-	98	98
Plant and Equipment	35	99	134
Total	1,266	1,725	2,991

2017

Asset Group	Capital renewal expenditure	Capital new / upgrade expenditure	Total Capital Expenditure
	$'000	$'000	$'000
Roads and Bridges	5,262	216	5,478
Stormwater Assets	59	-	59
Land	-	-	-
Buildings	129	51	180
Land Improvements	144	132	276
Office Furniture and Equipment	17	-	17
Plant and Equipment	-	94	94
Total	5,611	493	6,104

Note 44 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 & cycleways
- Bridges
- Stormwater assets
- 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	Level 2	Level 3	Total
Recurring fair value measurements		$'000	$'000	$'000	$'000
Investment in water corporation	19	-	-	6,903	6,903
Land	24	-	4,799	-	4,799
Land under roads	24	-	-	4,399	4,399
Buildings	24	-	463	12,282	12,745
Roads, including footpaths & cycleways	24	-	-	77,625	77,625
Bridges	24	-	-	12,808	12,808
Stormwater assets	24	-	-	2,485	2,485
		-	5,262	116,502	121,764

Non-recurring fair value measurements

As at 30 June 2017

	Note	Level 1	Level 2	Level 3	Total
Recurring fair value measurements		$'000	$'000	$'000	$'000
Investment in water corporation	19	-	-	6,814	6,814
Land	24	-	4,799	-	4,799
Land under roads	24	-	-	4,399	4,399
Buildings	24	-	463	12,529	12,992
Roads, including footpaths & cycleways	24	-	-	76,222	76,222
Bridges	24	-	-	12,419	12,419
Stormwater assets	24	-	-	2,539	2,539
		-	5,262	114,922	120,184
Non-recurring fair value measurements		-	-	-	

Transfers between levels of the hierarchy

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

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

(b) Highest and best use

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

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

Investment in water corporation

Refer to Note 19 for details of the valuation technique used to derive fair value.

Land

Land fair values were based on the latest land values issued by the Tasmanian Valuer General as at 30 June 2014.

Land under roads

Land under roads is based on Council valuations at 30 June 2015 using average per square metre property value rates supplied by the Valuer-General.

Buildings

The fair values of Council's special purpose buildings were determined by estimating the depreciated current replacement cost as at 1 July 2014 based on per square meter construction rates published in *Rawlinsons Handbook.* The fair value of non- special purpose buildings were determined by Council management based on the latest capital values issued by the Tasmanian Valuer General as at 1 July 2014.

Fair Value Measurements (cont.)

Infrastructure assets

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

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

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

The level of accumulated depreciation for infrastructure assets was determined based on the age of the asset and the useful life adopted by Council for the asset type. Estimated useful lives and residual values are disclosed in Note 1(e)

The calculation of depreciated replacement cost (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.

<u>Roads, including footpaths & cycleways</u>

Council categorises its road infrastructure into urban and rural roads and then further sub-categorises these into sealed and unsealed roads. Sealed roads are managed in segments according to changes in key characteristics such as road width or date of sealing. All road segments are then componentised into formation, sub-pavement, pavement and surface. Except for assessment of CRC of formation costs, Council assumes that environmental factors such as soil type, climate and topography are consistent across each segment. Council also assumes each 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 300mm (150mm sub-base plus 150mm base-course) for sealed roads and 200mm (100mm sub-base and 100mm wearing surface for unsealed roads. 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 Agreement (EA). Where construction is outsourced, CRC is based on the average of completed similar projects over the last few years. Where similar projects have not been recently undertaken, unit costs of neighbouring Councils is considered where appropriate.

For 2017-2018 the unit rates used to value road asset components were initially revalued using rates determined by Council Engineering staff in September 2017. These were then indexed using the Australian Road and Bridge Construction index as at March 2018. This resulted in units increasing by 2.10% from those determined by Council Engineering staff in September 2017

Bridges

A full valuation of bridges assets was undertaken by Council Management, effective 30 June 2014 at depreciated current replacement cost based upon independent assessment of current replacement cost and useful lives by TasSpan Pty Ltd. Depreciated current replacement cost was calculated on a straight-line basis. . Each bridge is assessed individually and componentised into sub-assets representing the deck and sub-structure. The valuation is based on the material type used for construction and the deck and sub-structure area.

Stormwater Assets

A full valuation of drainage infrastructure was undertaken by Council's Engineer, effective 30 June 2013. Similar to roads, drainage assets are managed in segments; pits and pipes being the major components. This value has been adjusted to reflect the movement in the Australian Bureau of Statistics Road and Bridge Construction Index from June 2013 to June 2016.

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.

Fair Value Measurements (cont.)

(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	$6,903		Refer Note 19	
Roads and Streets	$77,625	Useful life	Refer Note 25	The higher the useful life the higher the fair value
Roads and Streets	$77,625	Unit price per sq. metre		The higher the unit price the higher the fair value
Bridges	$12,808	Useful life	Refer Note 25	The higher the useful life the higher the fair value
Bridges	$12,808	Unit price per sq. metre		The higher the unit price the higher the fair value
Stormwater Assets	$2,485	Useful life	Refer Note 25	The higher the useful life the higher the fair value
Stormwater Assets	$2,485	Unit price per lineal metre		The higher the unit price the higher the fair value

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

(e) Changes in recurring level 3 fair value measurements

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

(f) Valuation processes

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

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 39)

Council borrowings are measured at amortised cost with interest recognised in profit or loss when incurred. The fair value of borrowings disclosed in note 39 equates to the carrying amount as the carrying amount approximates fair value (level 2).

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

Note 45 Significant Business Activities

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

	O'Neills Creek Campground	
	2017/18 $'000	2016/17 $'000
Revenue		
Rates	-	-
Grants	-	-
Other	1	2
Total Revenue	$ 1	$ 2
Expenses		
Direct		
Materials and Contracts	1	2
Borrowing Costs	-	-
Indirect		
Overheads	-	-
Total Expenses	$ 1	$ 2
Capital Costs		
Depreciation	-	-
Opportunity Cost of Capital	-	-
Total Capital Costs	$ -	$ -
Competitive Neutrality Costs	$ -	$ -

The Tasmanian Economic Regulator has deemed that the provision of overnight camping services at O'Neills Creek by Council constitutes a Significant Business Activity.

Note 46 Special Committees of Council

The council has established a number of Special Committees under section 24 of the Local Government Act 1993 to manage Council facilities on behalf of Council. These Special Committees do not have separate legal identity to council and their income, expenditure, assets and liabilities are included in Council's Statement of Comprehensive Income and Statement of Financial Position. In accordance with Section 84(2)(d) of the Local Government Act the following statement shows the revenue and expenditure of these special committees.

Special Committee	Opening Bank Balance	Revenue	Expenditure	Balance Sheet Transfers	Closing Bank Balance
Barrington Hall Committee	20,325	4,180	4,255	1,850	22,100
Beulah Hall Committee	10,889	1,728	3,848	1,850	10,619
Claude Road Hall Committee	18,722	10,452	17,476	1,850	13,548
Kentish Museum	6,416	1,176	6,998	6,600	7,194
Railton Community Facilities Committee	23,097	2,710	12,587	3,700	16,920
Railton Recreation Ground Committee	446	-	-	1,850	2,296
Railton Squash Committee	3,594	1,470	2,286	2,600	5,378
TRAK	5,883	37,853	37,763	1,850	7,823
Wilmot Memorial Hall Committee	20,473	3,783	3,707	1,850	22,399
Wilmot Rec Ground Committee	8,775	-	-	1,850	10,625
Railton Neighbourhood Centre	3,446	8,674	10,692	1,850	3,278
	122,066	72,026	99,612	27,700	122,180

Note 47 Other significant accounting policies and new accounting standards

(a) Taxation

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

Goods and services tax (GST)

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

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

(b) 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 Profit or Loss and 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.

Note 47 Other significant accounting policies and new accounting standards (cont)

(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 Comprehensive Income represent original 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 (effective from 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 not included a reconciliation of liabilities arising from financing activities as there are nil to report..

(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 Measument* , and revises classification, measurment 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 entities buisness 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 bussiness model is achived 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 clasifications, or wher 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.

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 retrospecive 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.

- 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 retrospecive 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.

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

AASB 1058 requires the recognition of Vounteer services where they would have been purchased if not donated and the fair value of those services can be reliably measured. Council has assesed these requirements and determined that they cannot be reliably measured.

Council will apply the standard from 1 July 2019 using a retrospecive 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.

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 retrospecive approach with cumulative catch-up with an adjustment to Accumulated surpluses for the difference in accounting treatment on initial adoption.

There will be no material impact for the Council in future reporting periods.

Certification of the Financial Report

The financial report presents fairly the financial position of the Kentish 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 Australian Accounting Interpretations, and other mandatory professional reporting requirements.

Andrew Cock
Acting General Manager
B.Bus (Accounting); CPA

Date : 12 September 2018