Part 4

Glenorchy City Council

Financial Report

PEOPLE · PROSPERITY · PROGRESS

15/16

Contents
2016 General Purpose Financial Report

Statement of Profit or Loss and Other Comprehensive Income
for the Year Ended 30 June 2016

	Note	2016 Budget $'000	2016 Actual $'000	2015 Actual $'000
Income				
Recurrent income				
Rates	4	32,623	32,727	31,153
User charges and licences	5	11,563	11,114	10,942
Interest		697	604	1,119
Grants	7	3,109	1,988	4,408
Contributions – cash	8 (a)	245	345	233
Investment income from TasWater	9	3,258	3,295	3,256
Other income	10	472	595	821
		51,967	50,668	51,932
Capital income				
Contributions – non-monetary assets[1]	8 (b)	-	17,255	4,519
Net gain/(loss) on disposal of property, infrastructure, plant and equipment	6	(128)	(83)	(1,993)
Capital grants received specifically for new or upgraded assets	7	1,115	1,759	1,640
Fair value recognition of land under roads[1]	30	-	134,892	-
		987	153,823	4,166
Total income		52,954	204,491	56,098
Expenses				
Employee benefits	11	18,970	19,728	21,884
Materials and services	12	15,711	14,190	15,975
Depreciation and amortisation	13 (a)	14,444	12,882	15,250
State Fire Commission contribution	4	4,687	4,719	4,428
Finance costs	16	411	484	556
Assets written off	13 (b)	235	6,252	2,017
Bad and doubtful debts	14	2	43	1
Impairment expense	20	-	-	152
Other expenses	15	165	702	727
Total expenses		54,625	59,000	60,990
Surplus/(deficit)		(1,671)	145,491	(4,892)
Other comprehensive income				
Items that will not be reclassified to surplus or deficit				
Net gain/(loss) on revaluation of property, plant and equipment	40	-	45,914	5,088
		-	45,914	5,088
Items that may be reclassified subsequently to surplus or deficit				
Financial assets available for sale reserve				
– Fair value adjustment on available for sale assets	40	-	2,744	1,284
		-	2,744	1,284
Total other comprehensive income		-	48,658	6,372
Total comprehensive result		(1,671)	194,149	1,480

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

[1] The recognition of non-monetary asset contributions and Land under roads acquired prior to 30 June 2008 has had a significant impact on the surplus/(deficit) in 2015-16. The formation component of car parks was recognised in 2015-16 which led to a significant increase in the non-monetary contributions for Transport assets. Refer to note 8(b) for further information. Land under roads acquired prior to 30 June 2008 has been recognised for the first time, consistent with the Report to Parliament by the Auditor-General No. 5 of 2013-2014 Infrastructure Financial Accounting in Local Government. Refer to note 30 for further information.

Statement of Financial Position
As at 30 June 2016

	Note	2016 $'000	2015 $'000
Assets			
Current assets			
Cash and cash equivalents	17	14,374	22,692
Trade and other receivables	18	1,529	3,709
Inventories	19	142	158
Non-current assets classified as held for sale	20	1,157	1,461
Other current assets	21	446	255
Total current assets		17,648	28,275
Non-current assets			
Investment in TasWater	26	163,928	161,184
Property, infrastructure, plant and equipment	27	683,624	489,022
Investment properties	36	9,325	7,975
Other non-current assets	35	21,184	16,556
Total non-current assets		878,061	674,737
Total assets		895,709	703,012
Liabilities			
Current liabilities			
Trade and other payables	22	4,115	4,157
Provisions	23 (d)	3,623	4,160
Borrowings	24	852	779
Other current liabilities	25	2,285	2,580
Total current liabilities		10,875	11,676
Non-current liabilities			
Provisions	23 (d)	5,533	5,316
Borrowings	24	5,168	6,036
Total non-current liabilities		10,701	11,352
Total liabilities		21,576	23,028
Net assets		874,133	679,984
Equity			
Accumulated surpluses		531,471	378,479
Reserves	40	342,662	301,505
Total equity		874,133	679,984

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

Statement of Cash Flows
for the Year Ended 30 June 2016

	Note	2016 $'000	2015 $'000
Cash flows from operating activities			
Rates		32,686	31,124
Operational government grants (inclusive of GST)		1,995	4,421
Contributions - cash		345	43
Interest		604	1,119
User charges and licences (inclusive of GST)		13,752	9,629
Other income (inclusive of GST)		1,756	1,941
Investment income from TasWater		3,295	3,256
Employee benefits		(20,212)	(22,203)
Materials and services (inclusive of GST)		(16,295)	(17,267)
Finance costs		(340)	(419)
Levies paid to State Government		(4,719)	(4,428)
Other payments (inclusive of GST)		(717)	(633)
Net cash provided by/(used in) operating activities	38	12,150	6,583
Cash flows from investing activities			
Capital government grants		1,759	1,640
Payments for property, plant and equipment		(21,987)	(17,933)
Proceeds from sale of non-current assets		555	2,291
Interest paid for capital works		-	-
Net cash flows provided by/(used in) investing activities		(19,673)	(14,002)
Cash flows from financing activities			
Repayment of interest bearing loans and borrowings		(795)	(1,356)
Net cash flows provided by/(used in) financing activities		(795)	(1,356)
Net increase/(decrease) in cash and cash equivalents		(8,318)	(8,775)
Cash and cash equivalents at the beginning of the financial year		22,692	31,467
Cash and cash equivalents at the end of the financial year	17	14,374	22,692
Financing arrangements	41		
Restrictions on cash assets	17		

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

Statement of Changes in Equity
for the Year Ended 30 June 2016

2016	Note	Total equity $'000	Accumulated surpluses $'000	Asset revaluation reserve $'000	Fair value reserve $'000	Other revenue reserves $'000
Balance at the beginning of the financial year		679,984	378,479	315,379	(35,720)	21,846
Comprehensive result		194,149	145,491	45,914	2,744	-
Transfers to reserves	40	-	(1,178)	-	-	1,178
Transfers from reserves	40	-	8,679	-	-	(8,679)
Balance at the end of the financial year		874,133	531,471	361,293	(32,976)	14,345
2015						
Balance at the beginning of the financial year		678,504	382,322	310,291	(37,004)	22,895
Comprehensive result		1,480	(4,892)	5,088	1,284	-
Transfers to reserves	40	-	(2,782)	-	-	2,782
Transfers from reserves	40	-	3,831	-	-	(3,831)
Balance at the end of the financial year		679,984	378,479	315,379	(35,720)	21,846

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

Notes to and forming part of the financial report
for the Year Ended 30 June 2016

1 Reporting Entity

Glenorchy City Council ("Council") was established on 24 October 1964 and is a body corporate with perpetual succession and a common seal.

Council's main office is located at 374 Main Road, Glenorchy.

2 Basis of accounting

This financial report is a general purpose financial report that consists of a Statement of Profit or Loss and Other Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Statement of Cash Flows, and notes accompanying these financial statements. The 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).

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

Dollar amounts shown in the general purpose financial report are rounded to the nearest thousand.

This financial report has been prepared under the historical cost convention, except where specifically stated in notes 27, 17, 36, 20, 26, 23 and 24.

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. Details of entities not included in this financial report based on their materiality are detailed in note 46.

3 Uses of judgements and estimates

Judgements and assumptions

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

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

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

Employee entitlements

Assumptions are utilised in the determination of Council's employee entitlement provisions. These assumptions are discussed in note 23.

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 47.

Fair value of property, plant & equipment

Assumptions and judgements are utilised in determining the fair value of Council's property, plant and equipment including useful lives and depreciation rates. These assumptions are discussed in note 27.

Investment in TasWater

Assumptions utilised in the determination of Council's valuation of its investment in TasWater are discussed in note 26.

Landfill Rehabilitation

Assumptions and judgements are utilised in determining Council's landfill close-down and restoration costs. These are discussed in note 23.

		Note	2016 $'000	2015 $'000
4	**Rates**			
	Council uses Assessed Annual Value (AAV) as the basis of valuation of all properties within the municipality. The AAV of a property is its base amount used to calculate the annual rates. The AAV is multiplied against the rate in the dollar to give the annual rates amount.			
	The valuation base used to calculate general rates for 2016 was $355,463,980 (2015: $344,076,287). The 2016 rate in the dollar was $0.071270 (2015: $0.075713). The increase in the AAV from 2015 to 2016 was due to adjustment factors being applied by the Valuer General.			
	Rates charge		29,439	28,136
	Interest charge		50	63
	Penalty charge		172	201
	Recovery of legal expenses		63	43
	State Government charges and levies			
	State Fire Commission contribution		4,719	4,428
	Less Government subsidies		(1,716)	(1,718)
			32,727	31,153

The date of the latest general revaluation of land for rating purposes within the municipality was 1 January 2011, and the valuation was first applied in the rating year commencing 1 July 2011.

Accounting policy

Rates income

Rates income is recognised as rate revenue when Council obtains control over the assets comprising the receipt. Rate revenue obtained during the reporting period which relates to future rating periods is recognised as a liability and disclosed in note 25.

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. A provision for impairment on rates has not been established as unpaid rates represent a charge against the rateable property that will be recovered when the property is next sold.

		Note	2016 $'000	2015 $'000
5	**User charges and licences**			
	Childcare		579	605
	Registration and licences		492	458
	Derwent Entertainment Centre		1,627	1,345
	Derwent Park Reuse sales		240	141
	Development and building		969	1,065
	Garbage and recycling		6,066	6,010
	General fines and infringements		371	442
	Rental revenue		547	675
	Other fees and charges		223	201
			11,114	10,942

Ageing analysis of contractual receivables

Please refer to notes 18 and 42 for the ageing analysis of trade and other receivables.

Accounting policy

User charges and licences income

User fees and charges (including fines) are recognised as revenue when the service has been provided, the payment is received, or when the penalty has been applied, whichever first occurs. A provision for impairment is recognised when collection in full is no longer probable.

		Note	2016 $'000	2015 $'000
5	**User charges and licences (continued)**			

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

Operating leases as lessor

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

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

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

Where leases are commercial agreements, and properties leased are predominantly used for leasing to third parties, Council records lease revenue on an accruals basis and records the associated properties as investment property in accordance with AASB 140. These properties are recognised at fair value. These leases may include incentives which have not been recognised in the Statement of Financial Position, on the basis the amounts are unlikely to be material and could not be reliably measured at balance date.

		Note	2016 $'000	2015 $'000
6	**Net gain/(loss) on disposal of property, infrastructure, plant and equipment**			
	Proceeds from disposal of property, infrastructure, plant and equipment		555	2,292
	Less carrying amount of property, infrastructure, plant and equipment		(638)	(4,285)
	Net gain/(loss) on disposal of property, infrastructure, plant and equipment		(83)	(1,993)

During 2014–15 the sale of one property at 404–408 Main Road Glenorchy resulted in a net loss of $998,754.

Accounting policy
Sale of property, plant and equipment, infrastructure

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

		Note	2016 $'000	2015 $'000
7	**Grants**			
	Grants were received in respect of the following:			
	Summary of grants			
	Commonwealth funded grants		3,172	5,180
	State funded grants		545	835
	Others		30	33
			3,747	6,048
	Grants – recurrent			
	Commonwealth Government Financial Assistance Grants – General Purpose		660	1,395
	Commonwealth Government Financial Assistance Grants – Roads		466	2,130
	Childcare Services		761	737
	Arts and Cultural Development		-	100
	Moonah Taste of the World		13	22
	Youth and Safer Communities		40	11
	Other		48	13
	Total recurrent grants		1,988	4,408

		Note	2016 $'000	2015 $'000
7	**Grants (continued)**			
	The Commonwealth Government provides Financial Assistance Grants to Council for general purpose use and the provision of local roads. In 2014-15 the Commonwealth made early payment of the two quarterly instalments for the following year. In accordance with AASB1004 *Contributions*, Council recognised these grants as revenue when it received the funds and obtained control.			
	Capital grants received specifically for new or upgraded assets			
	Blackspot		-	630
	Department of Transport		1,236	433
	Collinsvale Oval Redevelopment		-	69
	Central Business District Revitalisation		250	250
	Eady Street Recreation Ground Improvements		80	-
	Glenorchy Skate Park		-	250
	Safer Roads		166	-
	Stronger Communities – Goodwood Community Centre Kitchen		17	-
	Other		10	8
	Total capital grants		1,759	1,640
	Total grants		3,747	6,048
	Conditions on grants			
	Non-reciprocal grants recognised as revenue during the year that were obtained on condition they be expended in a specified manner that had not occurred at balance date were:			
	Central Business District Revitalisation		250	250
	Collinsvale Oval Redevelopment		-	69
	Community & Multicultural Centre Master Plan Grant		-	100
	Eady Street Recreation Ground Improvements		80	-
	Glenorchy Skate Park		-	250
	Safer Roads		9	-
	Stronger Communities – Goodwood Community Centre Kitchen		17	-
			356	669
	Non-reciprocal grants that were recognised as revenue in prior years and were expended during the current year in the manner specified by the grantor were:			
	Collinsvale Oval Redevelopment		69	-
	Community & Multicultural Centre Master Plan Grant		55	-
	Derwent Park Stormwater Reuse Project		2,281	1,033
	Glenorchy Skate Park		3	-
	Moonah Arts Centre Development		67	2,979
	King George V Redevelopment		5,555	1,572
			8,030	5,584
	Net increase/(decrease) in non-reciprocal grant revenues for the year		(7,674)	(4,915)

		Note	2016 $'000	2015 $'000
7	**Grants (continued)**			

Accounting policy
Grant income – operating and capital

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

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

Where grants or contributions recognised as revenues during the financial year were obtained on the condition that they be expended in a particular manner or used over a particular period, and those conditions were undischarged as at the reporting date, the nature of and amounts pertaining to 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	2016 $'000	2015 $'000
8	**Contributions**			
	(a) Cash			
	Recreational, leisure and community facilities		104	36
	Parks, open space and streetscapes		206	153
	Recharge work contributions		33	43
	Other		2	1
			345	233
	(b) Non-monetary assets			
	Buildings		659	397
	Land		218	760
	Stormwater		996	2,694
	Transport		15,382	668
			17,255	4,519
	Total contributions		17,600	4,752

There was a significant increase in non-monetary contributions for Transport assets in 2015-16. The majority of the increase was due to Council recognising the formation component of car parks which includes the cost of excavation and preparation of land. Previously only the pavement and seal components were recorded for car parks.

Accounting policy
Contribution income

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

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

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

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

		Note	2016 $'000	2015 $'000
9	**Investment income from TasWater**			
	Dividend income		2,208	2,402
	Guarantee fee		265	253
	Tax equivalent		822	601
			3,295	3,256

Accounting policy

Investment income

Investment revenue from TasWater is recognised when Council's right to receive payment is established. Investment revenue from TasWater is received in the form of dividends, tax equivalent payments and guarantee fees.

		Note	2016 $'000	2015 $'000
10	**Other income**			
	Fuel Tax Credits		100	145
	Southern Waste Strategy Authority – Administration and Education program		53	-
	State Fire Commission contribution		189	177
	Refund		23	251
	Other		230	248
			595	821

Accounting policy

Other income

Other income is recognised when the service has been provided or the payment is received.

		Note	2016 $'000	2015 $'000
11	**Employee benefits**			
	Wages and salaries		21,283	21,650
	Redundancies		469	2,028
	Relief/casual staff		648	574
	Fringe Benefits Tax		32	49
	Other		33	21
			22,465	24,322
	Less amounts capitalised		(2,737)	(2,438)
			19,728	21,884

Redundancies

The following table represents payments made as a result of termination of employment due to the restructure.

Former employees – redundancies	2016	2015
\$400,000 – \$499,999	-	2
\$200,000 – \$299,000	-	3
\$100,000 – \$199,000	2	2
\$0 – \$99,000	2	2

These redundancy payments may include:
– current annual leave entitlements;
– current long service leave entitlements;
– time in lieu owing;
– three weeks pay for every completed year of service or part thereof;
– an ex-gratia payment for long service leave (if no current entitlement owing) provided there has been five years of service; and
– payment made for any motor vehicle entitlements.

		Note	2016 $'000	2015 $'000
11	**Employee benefits (continued)**			

Accounting policy

Employee benefits

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

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

		Note	2016 $'000	2015 $'000
12	**Materials and services**			
	Materials and services		4,303	4,950
	Contract payments		7,278	8,953
	Plant and equipment maintenance		277	244
	Utilities		1,244	1,068
	Consultants		1,088	760
			14,190	15,975

Accounting policy

Materials and services expense

Materials and services expenses are recognised in the Statement of Profit or Loss and Other Comprehensive Income when a decrease in future economic benefits related to a decrease in an 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	2016 $'000	2015 $'000
13	**(a) Depreciation and amortisation**			
	Buildings and other land improvements		1,806	2,094
	Plant and vehicles		373	375
	Equipment and furniture		174	234
	Transport		7,284	9,570
	Stormwater and drainage		2,928	2,661
	Valuation roll		57	56
	Restoration costs		260	260
		27	12,882	15,250
	(b) Assets written off			
	Transport		4,990	1,442
	Buildings and other land improvements		429	-
	Other infrastructure		833	-
	Stormwater and drainage		-	575
			6,252	2,017

Transport assets written off in 2015-16 included a number of roundabout assets totalling $2,153,094. Through detailed condition assessments and road measurements it was discovered that road segments leading to and through each roundabout had already been valued within road pavement assets.

13 Depreciation and amortisation (continued)

Accounting policy

Depreciation and amortisation expense

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

Buildings, land improvements, plant and equipment, infrastructure and other assets having limited useful lives are systematically depreciated over their useful lives to the Council in a manner which reflects consumption of the service potential embodied in those assets.

All non-current assets excluding land are depreciated over their useful lives (as determined by Council's officers) on a straight line basis. Major depreciation periods used are listed below and are consistent with the prior year unless otherwise stated:

	Useful life (years)
Buildings and other land improvements	
Freehold buildings	10 to 95
Other land improvements	5 to 50
Equipment and furniture	
Furniture, fittings and office equipment	3 to 20
Computer systems and technical equipment	3 to 10
Other infrastructure	
Signalised or roundabout intersections	15 to 50
Islands	35 to 50
Car parks	20 to 80
Plant and vehicles	
Infrastructure plant	5 to 75
Fleet	3 to 5
Mobile plant	5 to 20
Minor plant	3 to 5
Transport	
Road pavement surface	10 to 30
Road pavement base	70 to 80
Road pavement earthwork	Unlimited
Kerb and channel	5 to 75
Bridges	40 to 80
Stormwater and drainage	
Pipes	60 to 135
Nodes	50 to 120
Natural water course improvements	80
Silt basins	120
Concrete culverts and spoon drains	50 to 120
Valuation rolls	
Valuation roll of the municipality	5 to 6

A review of the useful life for Transport infrastructure assets across the city was undertaken during the year. The review resulted in an extension of the estimated useful lives of these assets, and resulted in a reduction in depreciation expense of $2,065,000 in 2015-16.

		Note	2016 $'000	2015 $'000
14	**Bad and doubtful debts**			
	Other		43	1

Accounting policy
Bad and doubtful debts

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

		Note	2016 $'000	2015 $'000
15	**Other expenses**			
	Land tax		441	469
	External auditor's remuneration (Tasmanian Audit Office)		51	52
	Internal auditor's remuneration (internal audit services – Deloitte)		85	87
	Grants and specific purpose benefits	48	125	119
			702	727

Accounting policy
Other expenses

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

		Note	2016 $'000	2015 $'000
16	**Finance costs**			
	Interest		334	411
	Less capitalised borrowing costs on qualifying assets		-	-
	Unwinding of discounts applied to provisions		150	145
			484	556

Accounting policy
Finance costs

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

Finance costs are recognised as an expense in the period in which they are incurred, except where they are capitalised as part of a qualifying asset constructed by Council. Where specific borrowings are obtained for the purpose of specific asset acquisition, the weighted average interest rate applicable to borrowings at balance date is used to determine the borrowing costs to be capitalised. No borrowing costs were capitalised during the period (2015: nil).

Finance costs include interest on bank overdrafts, interest on borrowings, and unwinding of discounts.

		Note	2016 $'000	2015 $'000
17	**Cash and cash equivalents**			
	Current investment funds		11,442	18,529
	Operating account		2,795	4,042
	Glenorchy City Concert Brass account		24	19
	Petty cash floats		6	6
	Derwent Entertainment Centre operating cash floats		49	49
	Derwent Entertainment Centre Automatic Teller Machine		58	47
			14,374	22,692

		Note	2016 $'000	2015 $'000
17	**Cash and cash equivalents (continued)**			
	The decrease in current investment funds held is due to the expenditure of significant capital grant funds received by Council in prior years.			
	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:			
	Internal restrictions			
	Leave provisions (excluding on-costs)	23 (a)	4,979	5,072
	Statutory reserves	40	6,426	15,071
	Derwent Entertainment Centre Automatic Teller Machine		58	47
			11,463	20,190
	External restrictions			
	Glenorchy City Concert Brass account		24	19
			24	19
	Restricted funds		11,487	20,209
	Total unrestricted cash and cash equivalents		2,887	2,483

Accounting policy

Cash and cash equivalents

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

		Note	2016 $'000	2015 $'000
18	**Trade and other receivables**			
	Employees advanced salaries		34	35
	Rates and charges		525	564
	Debtors		2,092	4,489
	Provision for impairment – liquidated damages claim		(1,597)	(1,597)
	Provision for impairment – other debtors		(36)	(41)
			1,018	3,450
	Goods and Services Tax on purchases		532	536
	Goods and Services Tax on sales		(21)	(277)
	Goods and Services Tax receivable		511	259
	Total trade and other receivables		1,529	3,709

All debtors are due and payable after thirty days from the date of invoice. Council does not charge interest on debtors. Outstanding rate revenue attracts a penalty of 10% (2015: 10%) fourteen days after instalments are due. Interest of 8.46% (2015: 10.02%) is charged after the instalments are due and is calculated weekly on the outstanding balance.

All outstanding trade receivables have been assessed as past due but not impaired.

An allowance has been made for those debts considered doubtful. Council evaluates unsecured debts through its debt collection process and where applicable these debts are transferred into the allowance.

		Note	2016 $'000	2015 $'000
18	**Trade and other receivables (continued)**			
	Credit checks are completed for larger customers and all waste management customers.			
	Ageing of past due – rates and charges			
	30–60 days		-	-
	60–90 days		-	-
	Over 90 days		525	564
			525	564
	Ageing of past due – debtors			
	30–60 days		15	34
	60–90 days		8	26
	Over 90 days		102	75
			125	135
	Movement in the provision for impairment – other debtors			
	Balance at the beginning of the year		1,638	1,646
	Amounts transferred to the provision during the year		-	-
	Amounts recovered during the year		(2)	(6)
	Amounts written off as uncollectable		(3)	(2)
	Balance at the end of the year		1,633	1,638

Accounting policy

Trade and other receivables

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

Other receivables are payable within 30 days of issue of the account. No interest is charged to overdue sundry receivables.

		Note	2016 $'000	2015 $'000
19	**Inventories**			
	Stores and materials		142	158

Accounting policy

Inventories

Inventories held for distribution are measured at cost adjusted when applicable for any loss of service potential. Other inventories are measured at the lower of cost and net realisable value. Costs are assigned by the method most appropriate to each particular class of inventory.

		Note	2016 $'000	2015 $'000
20	**Non-current assets classified as held for sale**			
	Property held for sale		1,157	1,613
	Less impairment expense		-	(152)
			1,157	1,461

Accounting policy

Non-current assets classified as held for sale

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

		Note	2016 $'000	2015 $'000
21	**Other current assets**			
	Prepayments		252	5
	Accrued revenue		194	250
			446	255
22	**Trade and other payables**			
	Trade payables		2,338	2,993
	Accrued expenses		1,771	1,151
	Fringe Benefits Tax payable		6	13
			4,115	4,157

Accounting policy

Trade and other payables

All of Council's expenditure, both operating and capital, is brought to account at the time the invoice is processed, after the receipt of the goods and services.

Payables are settled within specific trading terms or 30 days, whichever is earlier.

23 Provisions

2016	Annual leave $ '000	Sick Leave $ '000	On Costs $ '000	Long Service Leave $ '000	Redundancy $ '000	Landfill Restoration $ '000	Total $ '000
Balance at the beginning of the financial year	1,814	886	320	2,372	372	3,712	9,476
Additional provisions	1,397	554	135	247	-	-	2,333
Amounts used	(1,423)	(615)	(140)	(253)	(372)	-	(2,803)
Increase in the discounted amount arising because of the time and the effect of any change in the discount rate	-	-	-	-	-	150	150
Balance at the end of the financial year	1,788	825	315	2,366	-	3,862	9,156
2015							
Balance at the beginning of the financial year	2,127	1,075	367	2,492	-	3,574	9,635
Additional provisions	1,171	364	96	195	372	-	2,198
Amounts used	(1,484)	(553)	(143)	(315)	-	(7)	(2,502)
Increase in the discounted amount arising because of the time and the effect of any change in the discount rate	-	-	-	-	-	145	145
Balance at the end of the financial year	1,814	886	320	2,372	372	3,712	9,476

		Note	2016 $'000	2015 $'000
23	**Provisions (continued)**			
(a)	**Employee entitlements provision**			
	(i) Current			
	Annual leave		1,788	1,814
	Sick leave		825	886
	Long service leave		834	870
	Other provisions			
	Employment on-costs:			
	Payroll tax		176	218
			3,623	3,788
	(ii) Non-current			
	Long service leave		1,532	1,502
	Other provisions			
	Employment on-costs:			
	Payroll tax		139	102
			1,671	1,604
	Aggregate carrying amount of employee entitlements:			
	Current		3,623	3,788
	Non-current		1,671	1,604
			5,294	5,392

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

	2016	2015
Weighted average increase in employee costs	2.00%	3.00%
Weighted average discount rates	2.15%	2.24%
Weighted average settlement period	11	11

	2016 $'000	2015 $'000
(iii) Current		
All annual leave, sick leave and the long service leave entitlements representing 10 or more years		
– short-term employee entitlements, that fall due within 12 months after the end of the period measured at nominal value	2,530	2,488
– other long-term employee entitlements that do not fall due within 12 months after the end of the period	864	1,012
	3,394	3,500
(iv) Non-current		
Long service leave representing less than 10 years of continuous service measured at present value	1,532	1,502

(b) Redundancy provision

During 2014-15 Council undertook an organisational restructure which resulted in redundancies. The 2015 provision was fully utilised as at 30 June 2016.

		Note	2016 $'000	2015 $'000
23	**Provisions (continued)**			

(c) Landfill restoration

Council operates a Landfill at Jackson Street that is deemed to have a further useful life of at least 7 years from 30 June 2016. On closure of the landfill, Council will face close-down and restoration costs. Current estimates of the respective costs are based on management advice and engineering studies using current restoration standards and techniques.

Under legislation Council is obligated to rehabilitate the landfill site to a particular standard. Current projections indicate that the landfill site will cease operation in 2023. Rehabilitation is occurring progressively with major works planned in 2018 and after the landfill closes in 2023. The forecast life of the landfill site is based on current estimates of remaining capacity and the forecast rate of infill. The provision for landfill restoration has been calculated based on the present value of the expected cost of works to be undertaken. The expected cost of works has been estimated based on current understanding of work required to reinstate the site to a suitable standard. Accordingly, the estimation of the provision required is dependent on the accuracy of the forecast timing of the work, work required and related costs.

Council does not expect to receive reimbursement from a third party.

(d) Provision summary

	2016 $'000	2015 $'000
Current		
Employee entitlements	3,623	3,788
Redundancy	-	372
	3,623	4,160
Non-current		
Employee entitlements	1,671	1,604
Landfill restoration	3,862	3,712
	5,533	5,316
Total provisions	9,156	9,476

Accounting policy

Provisions

Provisions are liabilities of uncertain timing and amount and are recognised where there is a present legal, equitable or constructive obligation as a result of a past event and when the outflow of economic benefits is probable and can be measured reliably.

Employee entitlements provision

Employee entitlements are accrued for salaries, annual leave, sick leave and long service leave in respect of services provided by employees up to the reporting date. The sick leave accrual relates to 25.00% of the outstanding balance, which is payable to permanent employees upon termination.

(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 entitlements. All other short-term employee entitlement obligations are presented as payables.

23 Provisions (continued)

(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 entitlements 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 Council does not have an unconditional right to defer settlement for at least twelve months after the reporting date, regardless of when the actual settlement is expected to occur.

(iii) Retirement benefit obligations

All employees of the Council are entitled to benefits on retirement, disability or death. Council contributes to various defined benefit plans and defined contribution plans on behalf of its employees.

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 32(b) of AASB 119 *Employee Benefits*, Council does not use defined benefit accounting for these contributions.

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.

Provisions – Other

Employment on-costs

Payroll tax is not an employee benefit and it is recognised separately as a liability when the employment to which it relates has occurred. Payroll tax is included as part of the Council's 'Employee benefits' in the Statement of Profit or Loss and Other Comprehensive Income. The related liability is included in 'Employment on-costs provision'.

Close-down and restoration costs – Landfill

Close-down and restoration costs include the dismantling and demolition of infrastructure and the removal of residual materials and remediation of disturbed areas. Estimated close-down and restoration costs are provided for in the accounting period when the obligation arising from the related disturbance occurs, whether this is during the development or during the operation phase, based on the net present value of estimated future costs. Provisions for close-down and restoration costs do not include any additional obligations which are expected to arise from future disturbance. The costs are estimated on the basis of a closure plan. The cost estimates are calculated annually during the life of the operation to reflect known developments, e.g. updated cost estimates and revisions to the estimated lives of operation, and are subject to formal review at regular intervals.

Close-down and restoration costs are a normal consequence of landfill operations, and the majority of close-down and restoration expenditure is incurred at the end of the life of the operation. Although the ultimate cost to be incurred is uncertain, Council estimates the respective costs based on feasibility and engineering studies using current restoration standards and techniques.

The amortisation or 'unwinding' of the discount applied in establishing the net present value of provisions is charged to the Statement of Profit or Loss and Other Comprehensive Income in each accounting period where material.
The amortisation of the discount is shown as a finance cost (refer note 16).

		Note	2016 $'000	2015 $'000
24	**Borrowings**			
	Borrowings at the beginning of the year		6,815	8,171
	New borrowings		-	-
	Repayments		(795)	(1,356)
	Borrowings at the end of the year		6,020	6,815
	Current borrowings		852	779
	Non-current borrowings		5,168	6,036
			6,020	6,815

The loan portfolio owed by Council to Tascorp has been reviewed by Tascorp effective 30 June 2016. Following this review it was determined that having regard to the fixed rate of interest applicable for the remaining life of each loan, that the approximate net fair value (which equates to current market value) is $6,342,464 (2015: $7,135,256) compared to the actual value of $6,020,100 (2015: $6,814,357). All loan funds are secured against future Council rate revenue.

The maturity profile for Council's borrowings is:

	2016 $'000	2015 $'000
Not later than one year	-	-
Later than one year and not later than five years	856	-
Later than five years	5,164	6,815
	6,020	6,815

Accounting policy
Borrowings

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

		Note	2016 $'000	2015 $'000
25	**Other current liabilities**			
	Trust monies held (Derwent Entertainment Centre)		17	32
	Vehicle Funding Facility		960	1,062
	Revenue received in advance		985	1,178
	Refundable building deposits		242	243
	Refundable contract deposits		42	26
	Other refundable deposits		39	39
			2,285	2,580

Accounting policy
Other current liabilities

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

		Note	2016 $'000	2015 $'000
26	**Investment in TasWater**			
	Balance at the beginning of the year		161,184	159,900
	Change in fair value of investment		-	-
	Fair value adjustments on available-for-sale assets		2,744	1,284
	Balance at the end of the financial year		163,928	161,184

Council has derived returns from TasWater as disclosed at note 9.

Council does not have significant influence to allow it to use the equity method to account for this interest.

Accounting policy

Investment in TasWater

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 TasWater's net asset value at balance date. At 30 June 2016, Council held a 10.41% (2015: 10.41%) ownership interest in TasWater which is based on schedule 2 of the Corporation Constitution which reflects the Council's voting rights. Any unrealised gains and losses are recognised through the Statement of Profit or Loss and Other Comprehensive Income to a Fair Value Reserve each year (refer note 40).

Council has classified its investment in TasWater 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.

27 Property, infrastructure, plant and equipment

Reconciliation of Property, infrastructure, plant and equipment

2016	Note	Carrying amount 1-Jul-15 $ '000	Additions $ '000	Transfer between asset classes $ '000	Assets classified as Investment Property (note 36) $ '000	Disposals $ '000	Net revaluation adjustments (note 40) $ '000	Depreciation and amortisation (note 13) $ '000	Fair value recognised in profit or loss $ '000	Carrying amount 30-Jun-16 $ '000
Transport	28	210,021	22,538	4	(1,153)	(4,992)	45,222	(7,284)	-	264,356
Stormwater and drainage	29	173,970	8,377	-	-	(335)	-	(2,928)	-	179,084
Land	30	56,491	217	-	(105)	(626)	-	-	134,892	190,869
Buildings and other land improvements	31	44,374	3,394	349	(92)	(1,274)	692	(2,066)	-	45,377
Plant and vehicles	32	1,727	293	-	-	(59)	-	(373)	-	1,588
Equipment and furniture	33	2,383	122	-	-	-	-	(174)	-	2,331
Valuation roll	34	56	20	-	-	-	-	(57)	-	19
		489,022	34,961	353	(1,350)	(7,286)	45,914	(12,882)	134,892	683,624

2015	Note	Carrying amount 1-Jul-14 $ '000	Additions $ '000	Transfer between asset classes $ '000	Assets classified as Investment Property (note 36) $ '000	Disposals $ '000	Net revaluation adjustments (note 40) $ '000	Depreciation and amortisation (note 13) $ '000	Fair value recognised in profit or loss $ '000	Carrying amount 30-Jun-15 $ '000
Transport	28	204,317	8,049	3,610	10	(1,442)	5,047	(9,570)	-	210,021
Stormwater and drainage	29	167,891	6,303	(1,219)	-	(575)	4,231	(2,661)	-	173,970
Land	30	57,708	760	2,470	(1,568)	(2,879)	-	-	-	56,491
Buildings and other land improvements	31	48,709	6,121	(2,427)	(186)	(1,299)	(4,190)	(2,354)	-	44,374
Plant and vehicles	32	1,659	550	-	-	(107)	-	(375)	-	1,727
Equipment and furniture	33	2,243	374	-	-	-	-	(234)	-	2,383
Valuation roll	34	112	-	-	-	-	-	(56)	-	56
		482,639	22,157	2,434	(1,744)	(6,302)	5,088	(15,250)	-	489,022

(a) Impairment losses

Impairment losses are recognised in the Statement of Profit or Loss and Other Comprehensive Income under other expenses. Reversals of impairment losses are recognised in the Statement of Profit or Loss and Other Comprehensive Income under other revenue.

27 Property, infrastructure, plant and equipment (continued)

Accounting policy

Recognition and measurement of assets

(a) All material items were considered and an assessment made to determine if such items are assets.

(b) If expenditure on an asset improves its service potential or future economic benefits (i.e. the useful life is extended) then this expenditure will be capitalised (added to the value of the asset). If not, the expenditure will be charged to the Statement of Profit or Loss and Other Comprehensive Income as repairs/maintenance.

(c) Asset categories of Council are specified in the asset matrix. Asset categories will be consolidated into the following broad categories of nature or type:

Transport;

Stormwater and drainage;

Land;

Buildings and other land improvements;

Plant and vehicles;

Equipment and furniture;

Valuation roll; and

Capital works in progress.

(d) All assets that have a cost or other value that can be reliably measured will be recorded in the Statement of Financial Position at the end of the reporting period. Cost is determined as the fair value of the assets given as consideration plus costs incidental to the acquisition.

(e) Council adopts depreciated replacement cost or fair value for all property assets.

(f) Assets are recorded by identifying separately their gross carrying value and any accumulated depreciation, other than capital works in progress.

(g) The asset capitalisation threshold adopted by council is $1,500. Assets valued at less than $1,500 are charged to the Statement of Profit or Loss and Other Comprehensive Income in the year of purchase (other than where they form part of a group of similar items which are material in total).

(h) Where a number of like items exist with individual values below the recognition threshold for future transactions, then these items will be recognised as a group, provided their total value as a group is in excess of the capitalisation threshold for that category.

(i) 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.

(j) Plant and vehicles, other than plant associated with property are recorded at cost.

(k) 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.

(l) All property, and plant and equipment assets which relate to property assets, are revalued to their depreciated replacement cost in accordance with the asset matrix. Revaluations will be conducted with sufficient regularity, so as to ensure they represent fair value.

(m) If Council believes asset values within a class have materially changed between scheduled revaluations, the asset class value will be indexed by an appropriate inflation factor.

(n) All net revaluation increments for a class are credited directly to the asset revaluation reserve account. However, the increment is charged to the Statement of Profit or Loss and Other Comprehensive Income to the extent that it reverses a net revaluation decrease of the same class of assets previously recognised in the income statement. Net revaluation decrements for a class of assets will be debited to any previous revaluation increments for that class of assets, with any deficiency being charged to the Statement of Profit or Loss and Other Comprehensive Income.

(o) For assets acquired after a revaluation the cost method of accounting is used. Cost is determined as the fair value of the asset given as consideration plus costs incidental to the acquisition (e.g. architects fees, engineering design fees, administration charges, direct and indirect salary costs, overheads and all other costs incurred in getting the asset ready for use), and, if applicable, the initial estimate of the cost of dismantling and removing the asset and restoring the site on which it is located. All property, plant and equipment assets that are replaced or retired are removed from the asset register. This includes the gross replacement cost of the asset and the related accumulated depreciation.

(p) Capital works in progress are recorded at cost.

(q) Land under roads acquired since 30 June 2008 has been recognised in past financial reports as part of Transport assets. Land under roads acquired prior to 30 June 2008, is being recognised for the first time in the 2016 Financial Report, consistent with the Report to Parliament by the Auditor-General No. 5 of the *2013-2014 Infrastructure Financial Accounting in Local Governmen*t. Land under roads is now reported within the land category of non-current assets. Those assets previously recognised have been removed from the Transport asset category.

		Note	2016 $'000	2015 $'000
28	**Transport**			
	At valuation (1 July 2012)		485,587	462,864
	Less accumulated depreciation		(221,232)	(252,843)
	Roads at fair value	27	264,356	210,021

During 2015-16 a review of the useful lives of Transport assets resulted in a partial revaluation of this asset class. The impact of the change in useful lives on accumulated depreciation totalled $40,286,816.

		Note	2016 $'000	2015 $'000
29	**Stormwater and drainage**			
	At valuation (1 July 2009)		353,821	346,126
	Less accumulated depreciation		(174,686)	(172,105)
	Less impairment expense		(51)	(51)
	Stormwater and drainage at fair value	27	179,084	173,970

A provision for an impairment has been recognised for $50,883. The impairment is based on the inspection and evaluation of Stormwater assets that were damaged during their construction.

		Note	2016 $'000	2015 $'000
30	**Land**			
	General land – at valuation (30 June 2011)		51,105	51,306
	Land under roads – at valuation (30 June 2016)		139,764	5,185
	Land at fair value	27	190,869	56,491

The valuation of land has increased significantly due to land under roads acquired prior to 30 June 2008, being recognised for the first time in the 2016 Financial Report. This is consistent with the Report to Parliament by the Auditor-General No. 5 of the *2013-2014 Infrastructure Financial Accounting in Local Government*. The fair value of land under roads has been determined based on unit valuations provided by the Valuer-General.

		Note	2016 $'000	2015 $'000
31	**Buildings and other land improvements**			
	At valuation (30 June 2015)		92,085	88,901
	Less accumulated depreciation		(46,708)	(44,527)
	Buildings and other land improvements at fair value	27	45,377	44,374
32	**Plant and vehicles**			
	At cost		3,223	3,138
	Less accumulated depreciation		(1,635)	(1,411)
	Plant and vehicles at cost	27	1,588	1,727
33	**Equipment and furniture**			
	At cost		8,081	7,959
	Less accumulated depreciation		(5,750)	(5,576)
	Equipment and furniture at cost	27	2,331	2,383
34	**Valuation roll**			
	At cost		19	339
	Less accumulated amortisation		-	(283)
	Valuation roll at cost	27	19	56
	Total property, infrastructure, plant and equipment	27	683,624	489,022
35	**Other non-current assets**			
	Capital works in progress		21,184	16,556

		Note	2016 $'000	2015 $'000
36	**Investment properties**			
	Balance at beginning of financial year		7,975	6,231
	Transfer in		1,350	1,744
	Transfer out		-	-
	Balance at end of financial year		9,325	7,975

Accounting policy

Investment Properties

Investment properties, comprising car parking lots and residential properties, are held to generate long-term rental yields. Investment properties are measured initially at cost, including transaction costs. Costs incurred subsequent to initial acquisition are capitalised when it is probable that future economic benefit in excess of the originally assessed performance of the asset will flow to Council. Subsequent to initial recognition at cost, investment properties are carried at fair value. Changes to fair value are recorded in the Statement of Profit or Loss and Other Comprehensive Income in the period that they arise. Rental income from the leasing of investment properties is recognised in the Statement of Profit or Loss and Other Comprehensive Income on a straight line basis over the lease term.

37 Commitments for expenditure

(a) Operating lease commitments

At the reporting date, Council had the following obligations under non-cancellable operating leases (these obligations are not recognised as liabilities):

	2016 $'000	2015 $'000
Not later than one year	1,017	1,127
Later than one year and not later than five years	1,747	1,252
Later than five years	-	-
	2,764	2,379

The Council leases vehicles and mobile plant and equipment under operating leases, expiring from 1–4 years. Leases generally provide the entity with a right of renewal at which time all terms are renegotiated.

Lease payments are initially established based on expected operating criteria and may adjust depending upon material variations in such operating criteria.

The Council leases office equipment under operating leases, expiring from 1–3 years. Leases generally provide the entity with a right of renewal at which time all terms are renegotiated. Terms of the leases are fixed at the time of the lease start date.

The Council leases office premises under operating leases, expiring within 1 year. Leases generally provide the entity with a right of renewal at which time all terms are renegotiated. Terms of the lease are fixed at the time of the lease start date.

Accounting policy

Operating leases

Leases in which a significant portion of the risks and rewards of ownership are not transferred to Council as lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the Statement of Profit or Loss and Other Comprehensive Income on a straight line basis over the period of the lease. Council leases vehicles and mobile plant and equipment, office equipment and office premises.

		Note	2016 $'000	2015 $'000
37	**Commitments for expenditure (continued)**			

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

Finance leases
Council has no finance lease obligations at 30 June 2016.

(b) Capital commitments

Capital expenditure contracted for at the reporting date but not recognised in the financial statements as liabilities:

	2016 $'000	2015 $'000
Property	3,369	8,114
Transport	1,567	2,708
Stormwater	497	2,938
	5,433	13,760
Not later than one year	5,433	13,760
Later than one year and not later than five years	-	-
Later than five years	-	-
	5,433	13,760

38 Reconciliation of net surplus/(deficit) for the period to net cash flows from operating activities

	Note	2016 $'000	2015 $'000
Net surplus/(deficit)		145,491	(4,892)
Items not involving cash			
Depreciation expense	13 (a)	12,882	15,250
Impairment expense	20	-	152
Contributions – non-monetary assets	8 (b)	(17,255)	(4,519)
Carrying value of assets sold or retired	6	638	4,285
Assets written off	13 (b)	6,252	2,017
Sale of property, plant and equipment	6	(555)	(2,292)
Capital government grants and external contributions	7	(1,759)	(1,640)
Fair value recognition of land under roads	30	(134,892)	-
Unwinding of discounts applied to provisions	16	150	145
Changes in operating assets and liabilities			
(Increase)/decrease in trade and other receivables		2,181	(1,782)
(Increase)/decrease in other current assets		(192)	5
(Increase)/decrease in inventories		16	6
Increase/(decrease) in trade and other payables		(42)	189
Increase/(decrease) in other current liabilities		(295)	(44)
Increase/(decrease) in employee entitlement provisions		(470)	(297)
Net cash from operating activities		12,150	6,583

39 Contingent liabilities

There are no contingent liabilities.

40 Reserves

	Balance at beginning of year		Transfers between asset classes		Transfers to reserves		Transfers from reserves		Balance at end of year	
Revenue reserves	**1-Jul-15 $ '000**	**1-Jul-14 $ '000**	**2016 $ '000**	**2015 $ '000**	**2016 $ '000**	**2015 $ '000**	**2016 $ '000**	**2015 $ '000**	**30-Jun-16 $ '000**	**30-Jun-15 $ '000**
Statutory reserves										
Car parking	413	400	-	-	11	13	-	-	424	413
Public open space	545	528	-	-	23	17	-	-	568	545
Incomplete works	14,113	17,844	-	-	-	-	(8,679)	(3,731)	5,434	14,113
	15,071	18,772	-	-	34	30	(8,679)	(3,731)	6,426	15,071
Other reserves										
Irregular operating expenses	-	100	-	-	50	-	-	(100)	50	-
Landfill future close out costs	1,724	1,419	-	-	307	305	-	-	2,031	1,724
Landfill plant and equipment	1	1	-	-	-	-	-	-	1	1
Property, plant and equipment	118	115	-	-	44	3	-	-	162	118
City revaluation	372	312	-	-	60	60	-	-	432	372
Asset sales	4,278	2,050	-	-	480	2,228	-	-	4,758	4,278
Community based programs	(210)	(291)	-	-	77	81	-	-	(133)	(210)
Strategic Asset Management Group Capital	492	417	-	-	126	75	-	-	618	492
	6,775	4,123	-	-	1,144	2,752	-	(100)	7,919	6,775
	21,846	22,895	-	-	1,178	2,782	(8,679)	(3,831)	14,345	21,846
Fair value reserve										
Investment in TasWater	(35,720)	(37,004)	-	-	2,744	1,284	-	-	(32,976)	(35,720)
	(35,720)	(37,004)	-	-	2,744	1,284	-	-	(32,976)	(35,720)

	Balance at beginning of year		Transfers between asset classes		Revaluation increment		Revaluation decrement		Balance at end of year	
Asset revaluation reserves	**1-Jul-15 $ '000**	**1-Jul-14 $ '000**	**2016 $ '000**	**2015 $ '000**	**2016 $ '000**	**2015 $ '000**	**2016 $ '000**	**2015 $ '000**	**30-Jun-16 $ '000**	**30-Jun-15 $ '000**
Asset revaluation reserve – transport	155,318	150,262	-	9	45,222	5,047	-	-	200,540	155,318
Asset revaluation reserve – buildings and other land improvements	14,425	18,510	-	105	692	-	-	(4,190)	15,117	14,425
Asset revaluation reserve – land	44,690	44,690	-	-	-	-	-	-	44,690	44,690
Asset revaluation reserve – stormwater and drainage	97,340	93,140	-	(31)	-	4,246	-	(15)	97,340	97,340
Asset revaluation reserve – plant and vehicles	2,739	2,822	-	(83)	-	-	-	-	2,739	2,739
Asset revaluation reserve – furniture and equipment	867	867	-	-	-	-	-	-	867	867
	315,379	310,291	-	-	45,914	9,293	-	(4,205)	361,293	315,379
Total revenue and asset revaluation reserves	301,505	296,182	-	-	49,836	13,359	(8,679)	(8,036)	342,662	301,505

40 Reserves (continued)

Nature and purpose of reserves:

Revenue reserves

Revenue reserves for car parking, public open space and community-based programs reflect the statutory or third-party compulsory contributions that are required to be expended for specific purposes in future periods. On that basis, a portion of the operating result must be set aside in these reserves.

The City revaluation reserve represents funds set aside to undertake a city wide revaluation as authorised by the Valuer-General. This revaluation occurs every seven years.

The Landfill future close out costs reserve is maintained for the restoration or rehabilitation of land to meet planning requirements and environmental standards.

The other reserves noted are maintained to provide for recurring, non-annual expenditure (Irregular operating expenses reserve); to provide for future property, plant and equipment requirements (Property, plant and equipment); and specific expenditure not completed in the previous year (Incomplete works). Net proceeds from asset sales are set aside to fund future property purchases.

Fair value reserve

The Fair value reserve includes the net revaluation increments and decrements arising from the revaluation of Council's share of the investment in TasWater.

Asset revaluation reserves

The Asset revaluation reserves include the net revaluation increments and decrements arising from the revaluation of property, plant and equipment assets in accordance with accounting policy (note 27).

Where a revalued asset is sold that portion of the asset revaluation reserve which relates to that asset, and is effectively realised, is transferred directly to Community Equity.

	Note	2016 $'000	2015 $'000
41 Financing arrangements			
The credit limit with the Commonwealth Bank of Australia for the vehicle funding facility as at 30 June 2016:		2,000	2,000
Council has access to an established line of credit to the value of $1 million. This line of credit has been approved to purchase Council's fleet of vehicles.			
The credit limit with the Commonwealth Bank of Australia for Council's purchasing card facility as at 30 June 2016:		60	280

42 Financial instruments

(a) Accounting policy, terms and conditions

Financial instruments	Note	Accounting policy	Terms and conditions
Financial assets			
Cash and cash equivalents	17	Comprises cash on hand and cash in bank.	On call deposits returned an average interest rate of 1.58% (2015: 2.12%). The interest rate at 30 June 2016 was 1.55% (2015: 1.50%).
		Investments are held to maximise interest returns on surplus cash.	The weighted average interest rate received for investments was 2.90% (2015: 2.96%).
		Interest revenues are recognised as they accrue.	
Trade and other receivables			
Receivables rates and charges	18	Rates are carried at nominal amounts due plus interest. Rate debts are a charge attached to the rateable land and are recoverable on sale, therefore, no allowance for doubtful debts is made. Interest rates are reviewed annually.	Rates are payable by 2 instalments during the year. Arrears, including deferred rates, attract interest. The interest rate at 30 June 2016 was 8.46% for general rates (2015: 10.02%).
Receivables other	18	Receivables are carried at nominal amounts due less any allowance for doubtful debts. An allowance for doubtful debts is recognised when collection in full is no longer probable.	General debtors are unsecured.
		Collectability of overdue accounts is assessed on an ongoing basis.	
Available for sale financial assets			
Investment in TasWater	26	The investment in TasWater is valued at its fair value at 30 June 2016. Fair value was determined by using Council's ownership interest against the water corporation's net asset value at 30 June 2016.	
Financial liabilities			
Deposits	25	Deposits are lodged by organisations and individuals when performing work that may adversely affect Council assets. The deposits are repayable on demand or where certain conditions have been met. Deposits are recorded at fair value.	
Payables	22	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 specific trading terms or 30 days, whichever is earlier.
Interest-bearing loans and borrowings	24	Loans are carried at amortised cost. Interest is accrued over the period it becomes due and recognised as part of payables.	All loans are secured against the future rate revenue of Council. The weighted average interest rate on borrowings was 5.09% (2015: 5.12%).

42 Financial instruments (continued)

Liquidity risk management

Council manages liquidity risk by maintaining adequate reserves, banking facilities and borrowing facilities. Council monitors cash flows on a regular basis to further reduce liquidity risks.

(b) Liquidity and interest rate risk table

The following table details the Council's remaining contractual maturity for its financial liabilities and expected maturity for financial assets:

	Weighted average interest rate %		Less than 1 year $'000		1 to 5 years $'000		More than 5 years $'000		Non-bearing $'000		Total $'000	
	2016	**2015**	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**
Financial assets												
Variable interest rate												
Cash and cash equivalent assets	2.90%	2.96%	14,261	22,589	-	-	-	-	-	-	14,261	22,589
Non-interest bearing												
Cash and cash equivalent assets			113	103	-	-	-	-	-	-	113	103
Trade and other receivables			493	2,886	-	-	-	-	-	-	493	2,886
Investment in TasWater			-	-	-	-	-	-	163,928	161,184	163,928	161,184
Fixed interest rate												
Trade and other receivables (rates and charges)	8.46%	10.02%	525	564	-	-	-	-	-	-	525	564
Total			15,392	26,142	-	-	-	-	163,928	161,184	179,320	187,326
Financial liabilities												
Non-interest bearing												
Trade and other payables			4,115	4,157	-	-	-	-	-	-	4,115	4,157
Other current liabilities			2,285	2,580	-	-	-	-	-	-	2,285	2,580
Fixed interest rate												
Borrowings:												
- Not later than one year	-	-	-	-	-	-	-	-	-	-	-	-
- Later than one year and not later than five years	4.84%	-	856	-	-	-	-	-	-	-	856	-
- Later than five years	5.09%	5.12%	-	-	-	-	5,164	6,815	-	-	5,164	6,815
Total			7,256	6,737	-	-	5,164	6,815	-	-	12,420	13,552
Net financial assets/(liabilities)											166,900	173,774

42 Financial instruments (continued)

(c) Fair value

The aggregate net fair values of financial assets and financial liabilities, both recognised and unrecognised, at 30 June are as follows:

Financial Instruments	Total carrying amount		Aggregate Net Fair Value	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Financial Assets				
Cash and cash equivalents	14,374	22,692	14,374	22,692
Investment in TasWater	163,928	161,184	163,928	161,184
Trade and other receivables	1,529	3,709	1,529	3,709
Total Financial Assets	179,831	187,585	179,831	187,585
Financial Liabilities				
Trade and other payables	4,115	4,157	4,115	4,157
Interest bearing loans and borrowings	6,020	6,815	6,342	7,135
Other liabilities	2,285	2,580	2,285	2,580
Total Financial Liabilities	12,420	13,552	12,742	13,872

(d) Credit risk

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

(e) Risks and mitigation

Financial risk management

Council undertakes a Strategic and Key Operational risk review on an annual basis. The review evaluates Council's exposure to significant business and financial risks with these outcomes reported to the Audit Panel and to Council. The Council manages its exposure to key financial risks through this process and also through the independent Internal Audit program. The Audit Panel monitors any key risk exposure activities undertaken, and reviews all strategic policy documentation for the Council's management or mitigation of Council's risk exposure.

The Council does not enter into or trade financial instruments including derivative financial instruments, for speculative purposes.

Capital risk management

Council manages its capital to ensure that Council will be able to continue as a going concern while still being able to meet the needs of the community through the optimisation of debt and equity balance. The capital structure of Council consists of debt, which includes the borrowings disclosed in note 24, cash and cash equivalents disclosed in note 17 and equity including community equity and reserves as disclosed in the Statement of Changes in Equity. Council is not subject to externally imposed capital requirements.

Operating cash flows are used to maintain and expand Council's infrastructure and other assets, as well as to make the routine repayment of maturing debt. Council borrows from Tascorp to meet anticipated funding requirements.

Market risk

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

Council manages the interest rate exposure on the net debt portfolio by appropriate budgeting strategies and obtaining approval for borrowings from Treasury each year.

Council maintains policies to guide management in the undertaking of borrowings and the investment of short term, surplus funds.

42 Financial instruments (continued)

Council's Borrowing Policy establishes a structure to ensure the organisation:

– minimises its costs of borrowings;
– minimises its liquidity risk;
– matches the characteristics of debt with those of the assets being funded, where possible; and
– operates its borrowing activities within legislative and common law responsibilities.

Council's Investment of Short Term Funds Policy establishes a structure to ensure the organisation:

– maximises interest earned on surplus funds within prudent risk limits;
– minimises its liquidity risk; and
– operates its investment activities within legislative and common law responsibilities.

Maturity of investments is staggered to provide for interest rate variations and to minimise interest rate risk.

Credit risk

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

– has a policy for establishing credit limits for the entities it deals with;
– may require collateral where appropriate; and
– only invests surplus funds with financial institutions which have a recognised credit rating of A- or above.

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 30 June is addressed in each applicable policy note. Council generally trades with recognised, creditworthy third parties, and as such collateral is generally not requested, nor is it Council's policy to securitise its trade and other receivables.

Trade and other receivables consist of a number of customers, spread across the consumer, business and government sectors. Ongoing credit evaluation is performed on the financial condition of customers and, where appropriate, an allowance for doubtful debts is raised.

Liquidity risk

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

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

To help reduce these risks Council:

– has a liquidity policy which targets a minimum level of cash and cash equivalents to be maintained;
– monitors budget to actual performance on a regular basis; and
– sets limits on borrowings in accordance with Council's borrowing policy.

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

(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 the Commonwealth Bank of Australia):

A parallel shift of +0.25% and -0.25% in market interest rates (AUD) from year end rates of 1.55% (2015: 1.50%).

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

42 Financial instruments (continued)

	Interest Rate Risk				
	Carrying amount subject to interest	-0.25% (25 basis points)		0.25% (25 basis points)	
		Profit	Equity	Profit	Equity
Market Risk Exposure	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
2016					
Financial Assets:					
Cash and cash equivalents	14,261	(36)	(36)	36	36
Trade and other receivables	525	(1)	(1)	1	1
2015					
Financial Assets:					
Cash and cash equivalents	22,589	(56)	(56)	56	56
Trade and other receivables	564	(1)	(1)	1	1

43 Register of interests

Aldermen and position	Interest	Summary of nature of interest	Dates interest existed	Nature of relevant dealings by Council
Ald. Kristie Johnston (Mayor)	Yes	Spouse is a volunteer board member of YMCA	1 July 2015 to 30 June 2016	Glenorchy City Council owns the Glenorchy memorial pool which YMCA operates.
Ald. Harry Quick (Deputy Mayor)	No			
Ald. Christine Lucas	No			
Ald. David Pearce OAM	No			
Ald. Jan Dunsby	No			
Ald. Jenny Branch-Allen	No			
Ald. Matt Stevenson	No			
Ald. Stuart Slade	No			
Ald. Steven King	No			
Ald. Hayden Nielsen	No			

44 Remuneration of Aldermen

	2016 $	2015 $
Total allowances paid to the Mayor, Deputy Mayor and Aldermen	358,176	360,778
Total expenses paid to all Aldermen	27,052	27,394
	385,228	388,172

Expenses include vehicle, travel, telephone, and other out of pocket expenses.

Related party transactions:

The usual nature of the transactions between Aldermen and Council is:

- to pay rates and other charges;
- to recoup expenses and allowances owing; and
- to meet the costs of attendance at various Council events, seminars or functions.

All of these were normal transactions. Where transactions between Council and the Aldermen are of a commercial nature, they are conducted on a normal arms length basis.

45 Remuneration of Key Management Personnel holding senior positions

The number of Key Management Personnel noted below represents the General Manager and the Directors.
In accordance with the *Local Government Act 1993* section 72 (1) (cd), the remuneration of these employees falls within the following bands:

	2016	2015
Current employees		
$300,000 – $319,999	-	1
$260,000 – $279,999	1	-
$200,000 – $219,999	1	-
$160,000 – $179,999	2	-
$140,000 – $159,999	-	1
$0 – $19,999*	-	2
*Employees in this band commenced employment with Council in June 2015.		
Former employees#		
$160,000 – $179,999	-	1
$120,000 – $139,999	-	4
$60,000 – $79,999	1	-
$40,000 – $59,999	1	-

These payments do not include redundancies made as a result of the restructure. Redundancies are disclosed at note 11.

46 Special committees

Glenorchy City Council recognises a special committee when the committee has been adopted by Council under section 24 of the *Local Government Act 1993*. Below are the committees supported during the reporting period:

- City of Glenorchy Australia Day Award;
- Citizen and Young Citizen of the Year Selection Committee;
- Community Precincts;
- Cultural Diversity Advisory Committee;
- General Manager Performance Review Committee;
- Glenorchy Arts and Culture Advisory Committee;
- Glenorchy City Council Access Committee;
- Glenorchy Emergency Management Committee;
- Glenorchy Tourism Taskforce;
- Glenorchy Tracks, Trails and Cycleways Committee;
- Safer Communities Committee;
- Sport and Recreation Advisory Committee; and
- Youth Task Force.

All expenses associated with these committees have been included in the financial report.

Community precinct committees have been established by Council as special committees and are provided with $50 per annum to cover expenses. These expenses have been included in the financial report.

The Glenorchy Brass Band is a special committee of Council and maintains its own books and records and operates a separate bank account.

The operations of the Glenorchy Brass Band during 2015–16 were as follows:

	Income $'000	Expenditure $'000	Net result $'000	Cash at bank $'000
Glenorchy Brass Band	17	10	7	24

These results have been consolidated into Council's financial report.

Glenorchy City Council has an Audit Panel established under section 85 of the *Local Government Act 1993*. Under section 85B of the Act, the Audit Panel complies with the requirements under the *Local Government (Audit Panels) Order 2014*. All expenses associated with the Audit Panel has been included in the financial report.

47 Superannuation

Council makes superannuation contributions for a number of its employees to the Quadrant Defined Benefits Fund (the Fund). The Fund was a sub fund of the Quadrant Superannuation Scheme (the Scheme) up to 30 November 2015. At this date the Quadrant Superannuation Scheme merged (via a Successor Fund Transfer) into the Tasplan Super and the Quadrant Defined Benefits Fund became a sub fund of Tasplan Super (Tasplan) from that date. 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 and accordingly no asset or liability is recognised in these accounts in respect of the scheme.

For the year ended 30 June 2016 Council contributed 9.5% of employees' gross income to the Fund. Assets accumulate in the fund to meet member benefits as they accrue, and if assets within the Fund are insufficient to satisfy benefits payable, 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 2014. The review disclosed that at that time the net market value of assets available for funding member benefits was $66,310,000, the value of vested benefits was $57,475,000, the surplus over vested benefits was $8,835,000, the value of total accrued benefits was $58,093,000, and the number of members was 187.

The actuarial review concluded that, 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.

47 Superannuation (continued)

Council 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 reporting period the amount of contributions paid to the Fund was $129,486 (2015, $208,685), and the amount paid to accumulation schemes was $2,070,984 (2015, $1,991,168).

During the next reporting period the expected amount of contributions to be paid to the Fund is $124,561 (2015, $151,953) and the amount to be paid to accumulation schemes is $2,121,182 (2015, $2,102,735).

As at 30 June 2015 the Fund had 164 members and the total employer contributions and member contributions for the year ending 30 June 2015 were $2,083,883 and $325,833 respectively.

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 members of the Fund (20) and Council's contributions (as noted above) in comparison to the Fund's total members and contributions. In addition, the Fund is currently in surplus. If the Fund's position changes ncreased disclosure will be considered.

	Note	2016 $'000	2015 $'000
48 Grants, donations and bursaries			
Cash Donations			
Glenorchy Art and Sculpture Park		95	95
Claremont College Bursaries		1	1
Glenorchy City Concert Brass Band Donation		8	8
The Lions Club of Glenorchy		6	5
Eric Reece Scholarship		6	-
Various minor contributions to community organisations		9	10
	15	125	119
In-kind contributions			
Rental Subsidies			
Aardvark Adventures		11	11
Chigwell Community Garden		1	1
Civic Centre		4	10
Cycling South		1	1
Glenorchy City Concert Brass Band		4	4
Glenorchy Football Club Grandstand		11	11
Glenorchy Historical Society		1	1
Ground hire discount to encourage sports		13	13
Lions Club of Glenorchy		4	4
Model Makers & Collectors		15	15
Tasmanian Transport Museum		28	28
West Moonah Community Garden		1	1
Waiver of Fees			
Waiving of Landfill fees for various community organisations		8	9
Waiving of Planning fees for various community organisations		-	2
Waiving of Building & Plumbing fees for various community organisations		1	1
Waiving of Environment Health fees for various community organisations		-	2
		103	114

49 Significant business activities

Council has identified the Derwent Entertainment Centre, Landfill Operations and Childcare Centres as commercial undertakings. Details of the operating capital and competitive neutrality costs of the Council's significant business activities are set out below:

	Derwent Entertainment Centre		Landfill Operations		Childcare Centres	
	2016	**2015**	**2016**	**2015**	**2016**	**2015**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Revenue						
Reimbursements	411	345	-	-	-	-
Government Grants	-	-	-	-	779	737
User Charges	1,137	994	4,861	4,715	579	605
Other Income	57	40	95	158	32	17
Total Revenue	1,605	1,379	4,956	4,873	1,390	1,359
Expenditure						
Direct						
Employee Costs	774	743	824	887	1,171	1,134
Materials and Contacts	331	348	1,377	1,227	84	96
Other	415	331	140	196	63	51
Indirect						
Engineering & Administration	190	178	293	289	165	160
Total Expenses	1,710	1,600	2,634	2,599	1,483	1,441
	(105)	(221)	2,322	2,274	(93)	(82)
Notional cost of free services received						
Capital Costs						
Depreciation and amortisation	775	621	51	52	29	45
Opportunity cost of capital	330	303	15	15	17	17
Total Capital Costs	1,105	924	66	67	46	62
Competitive neutrality adjustments						
Rates and land tax	64	63	10	10	8	8
	64	63	10	10	8	8
Calculated Surplus/(Deficit)	(1,274)	(1,208)	2,246	2,197	(147)	(152)
Tax Equivalent rate	30%	30%	30%	30%	30%	30%
Taxation equivalent	-	-	674	659	-	-
Net Surplus/(Deficit)	(1,274)	(1,208)	1,572	1,538	(147)	(152)

Accounting policy

Significant business activities

Council is required to report the operating, capital and competitive neutrality costs in respect of each significant business activity undertaken by the Council. Council's disclosure is reconciled above. Council has determined, based upon materiality that the Derwent Entertainment Centre, Landfill Operations and Childcare Centres as defined above are considered significant business activities. Competitive neutrality costs include notional costs i.e. income tax equivalent, rates and loan guarantees. In preparing the information disclosed in relation to significant business activities, the following assumptions have been applied:

– opportunity cost of capital based upon indiciative yield of the Federal Government 10 year bond rate.

– rates and charges based upon council's 2015-16 rate calculation.

– engineering and administration costs have been based upon a charge of 12.5% of direct operating costs.

50 (a) Functions and activities of the Council

Income, expenses and assets have been attributed to the following functions and activities. The functions and activities are defined on the following page.

		Income $'000	Expenses $'000	Assets $'000
Legislative, financial, executive and fiscal	**2015–16**	**38,040**	**20,897**	**180,480**
	2014–15	39,202	21,783	188,079
Public order, fire and safety	**2015–16**	**733**	**867**	**215**
	2014–15	826	887	222
Community and public health	**2015–16**	**230**	**619**	**179**
	2014–15	157	573	183
Welfare	**2015–16**	**1,417**	**2,271**	**497**
	2014–15	1,497	2,083	529
Housing	**2015–16**	**5**	**300**	**179**
	2014–15	55	304	183
Community amenities	**2015–16**	-	-	**179**
	2014–15	-	-	183
Household garbage/protection of the environment	**2015–16**	**6,236**	**3,756**	**-**
	2014–15	6,174	3,595	-
Other protection of the environment/biodiversity	**2015–16**	**1,030**	**4,152**	**186,677**
	2014–15	2,735	3,832	180,057
Community and regional development	**2015–16**	**1,214**	**2,243**	**179**
	2014–15	1,231	2,342	183
Recreation facilities and services	**2015–16**	**2,729**	**7,593**	**254,286**
	2014–15	2,630	8,069	116,349
Cultural facilities and services	**2015–16**	**525**	**710**	**179**
	2014–15	771	1,245	183
Road, bridge and street infrastructure	**2015–16**	**151,718**	**14,161**	**271,948**
	2014–15	1,304	15,541	216,110
Road, plant, parking and other road transport	**2015–16**	**-**	**-**	**532**
	2014–15	-	-	568
Other economic affairs	**2015–16**	**240**	**675**	**179**
	2014–15	480	490	183
Other purpose	**2015–16**	**374**	**756**	**-**
	2014–15	(964)	246	-
Total	**2015–16**	**204,491**	**59,000**	**895,709**
	2014–15	56,098	60,990	703,012

50 Functions and activities of the Council (continued)

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

	2016 $'000	2015 $'000
Current assets	17,648	28,275
Non-current assets	878,061	674,737
	895,709	703,012

Functions and activities defined

Legislative, financial, executive and fiscal

Aldermen expenses, election costs, public relations and strategic planning. Also other expenses such as, finance, General Manager's department, information technology and human resources not otherwise allocated.

Public order, fire and safety

Fire protection services, State Emergency Service contributions, enforcement of by-laws, animal and nuisance control.

Community and public health

Infant health services, immunisation services, environmental health – inspection and general services.

Welfare

Childcare, family day care, youth services, handicapped assistance programs and services that serve the social security and welfare systems.

Housing

Rental housing for council employees and others, housing information dissemination.

Community amenities

Crematoria and cemeteries, public conveniences, drinking fountains, public clocks, street furniture and lighting.

Household garbage/protection of the environment

Garbage and refuse disposal, garbage collection and recycling.

Other protection of the environment/biodiversity

Flood protection, street cleaning, stormwater drainage and biodiversity/habitat protection.

Community and regional development

Building inspections, statutory planning – town planning and development applications.

Recreation facilities and services

Parks and reserves, playgrounds, swimming pools, indoor and outdoor sports facilities, halls and civic centres.

Cultural facilities and services

Art galleries, museums, theatres and libraries.

Road, bridge and street infrastructure

Road, bridge and street construction and maintenance, road design and research, road and highway extensions and traffic lights.

Road, plant, parking and other road transport

On and off street parking, bikeway maintenance, roadside revegetation and landscaping and footbridges.

Other economic affairs

Saleyard and markets, development support and incentives, market and promotion – tourism events and Central Business District.

Other purpose

Un-allocable private works and other.

51 Management indicators

	Benchmark	2016 $'000	2015 $'000	2014 $'000	2013 $'000
(a) Underlying surplus or deficit					
Recurrent income*		50,668	50,766	50,762	55,799
Less recurrent expenditure#		58,253	60,690	56,327	58,433
Underlying surplus/(deficit)	> $0	(7,585)	(9,924)	(5,565)	(2,634)

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

#Recurrent expenditure excludes costs associated with the restructure and impairment expenses.

(b) Underlying surplus ratio

	Benchmark	2016	2015	2014	2013
Underlying surplus/(deficit)		(7,585)	(9,924)	(5,565)	(2,634)
Recurrent income*		50,668	50,766	50,762	55,799
Underlying surplus ratio %	2.5% - 5.0%	-15%	-20%	-11%	-5%

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

Council's underlying surplus/(deficit) ratios reflect deficits in all four years. The negative ratios indicate that Council did not generate sufficient revenue to fulfil its operating requirements. Council is aiming to break even by 2016-17, which is supported by several reviews targeting service levels and service efficiencies.

(c) Net financial liabilities

	Benchmark	2016	2015	2014	2013
Liquid assets		16,097	26,651	33,585	43,830
Less total liabilities		21,576	23,028	24,399	25,086
Net financial liabilities	> $0	(5,479)	3,623	9,186	18,744

This measure shows whether Council's total liabilities can be met by its liquid assets. An excess of total liabilities over liquid assets means that, if all liabilities fell due at once, additional revenue would be needed to fund the shortfall.

Council recorded a negative result in 2016, primarily due to the reduction in Council's cash holdings. Prior year liquid assets have been inclusive of significant capital grant funding, of which approximately $8 million has been expended in 2015-16. This result is in line with Council's Long Term Finanical Plan.

(d) Net financial liabilities ratio

	Benchmark	2016	2015	2014	2013
Net financial liabilities		(5,479)	3,623	9,186	18,744
Recurrent income*		50,668	50,766	50,762	55,799
Net financial liabilities ratio %	<-25%	-11%	7%	18%	34%

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

As noted in note (c) the declining trend reflects Councils reducing cash balances that has included capital grant funding for projects close to being completed.

51 Management indicators (continued)

	Benchmark	2016 $'000	2015 $'000	2014 $'000	2013 $'000
(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.

	Benchmark	2016 $'000	2015 $'000	2014 $'000	2013 $'000
Transport					
Depreciated replacement cost		264,356	210,021	204,317	206,714
Current replacement cost		485,587	462,864	439,593	429,999
Asset consumption ratio %	40-60%	54%	45%	46%	48%
Buildings and other land improvements					
Depreciated replacement cost		45,377	44,374	48,709	45,778
Current replacement cost		92,085	88,901	107,366	100,355
Asset consumption ratio %	40-60%	49%	50%	45%	46%
Stormwater and drainage					
Depreciated replacement cost		179,084	173,970	167,891	158,243
Current replacement cost		353,821	346,126	333,594	312,516
Asset consumption ratio %	40-60%	51%	50%	50%	51%

This ratio indicates the level of service potential available in Council's existing asset base. All classes reported above are within the target range.

(f) Asset renewal funding ratio

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

	Benchmark	2016 $'000	2015 $'000	2014 $'000	2013 $'000
Transport					
Projected capital funding outlays**		81,000	104,877	102,183	95,706
Projected capital expenditure funding***		81,000	104,877	102,183	95,706
Asset renewal funding ratio %	90-100%	100%	100%	100%	100%
Buildings and other land improvements					
Projected capital funding outlays**		21,700	15,455	20,414	24,441
Projected capital expenditure funding***		21,700	15,455	20,414	24,441
Asset renewal funding ratio %	90-100%	100%	100%	100%	100%
Stormwater and drainage					
Projected capital funding outlays**		19,000	15,290	15,384	35,803
Projected capital expenditure funding***		19,000	15,290	15,384	35,803
Asset renewal funding ratio %	90-100%	100%	100%	100%	100%

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

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

This ratio measures Council's capacity to fund future asset replacement requirements.

The above results indicate that the Council is presently planning to fund all required asset renewal over the next 25 year period.

51 Management indicators (continued)

	Benchmark	2016 $'000	2015 $'000	2014 $'000	2013 $'000
(g) Asset sustainability ratio					
Capital expenditure on replacement/ renewal of existing assets		11,481	9,417	9,602	9,084
Annual depreciation expense		12,882	15,250	14,774	15,462
Asset sustainability ratio %	100%	89%	62%	65%	59%

This ratio indicates whether Council is maintaining operating capacity through renewal of its existing asset base.

The ratio trend over the last four years reflects the current long-term strategy to maintain replacement and renewal capital programs for the long-term sustainability of the Council's assets.

	Capital renewal expenditure $'000	Capital new/ upgrade expenditure $'000	Total Capital expenditure $'000
As at 30 June 2016			
Asset class			
Land	-	-	-
Buildings and other land improvements	713	6,080	6,793
Transport	8,690	805	9,495
Stormwater and drainage	1,043	2,455	3,498
Other	1,035	887	1,922
Total	11,481	10,227	21,708
As at 30 June 2015			
Asset class			
Land	-	-	-
Buildings and other land improvements	906	5,310	6,217
Transport	7,281	449	7,730
Stormwater and drainage	359	1,615	1,974
Other	871	337	1,208
Total	9,417	7,711	17,129

52 Fair value measurements

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

Investment in TasWater

Investment properties

Property, infrastructure plant and equipment

- Buildings and other land improvements
- Land
- Transport
- Stormwater and drainage
- Valuation roll

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

Council also has assets measured at fair value on a non-recurring basis as a result of being reclassified as assets held for sale. This asset category comprises land as disclosed in note 20. A description of the valuation techniques and the inputs used to determine the fair value of this land is included below under the heading 'Land held for sale'.

52 Fair value measurements (continued)

(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 2016.

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 2016	Note	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Recurring fair value measurements					
Investment in TasWater	26			163,928	163,928
Investment properties	36		6,865	3,712	10,577
Buildings and other land improvements	31			92,085	92,085
Land	30		190,869		190,869
Transport	28			485,587	485,587
Stormwater and drainage	29			353,821	353,821
Valuation roll	34			19	19
		-	197,734	1,099,152	1,296,886
Non-recurring fair value measurements					
Assets held for sale	20		1,157		1,157
		-	1,157	-	1,157
As at 30 June 2015					
Recurring fair value measurements					
Investment in TasWater	26			161,184	161,184
Investment properties	36		6,760	1,215	7,975
Buildings and other land improvements	31			88,901	88,901
Land	30		51,306		51,306
Transport	28			462,864	462,864
Stormwater and drainage	29			346,126	346,126
Valuation roll	34			339	339
		-	58,066	1,060,629	1,118,695
Non-recurring fair value measurements					
Assets held for sale	20		1,461		1,461
		-	1,461	-	1,461

52 Fair value measurements (continued)

Transfers between levels of the hierarchy

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 property and Investment in TasWater

The basis of valuation of investment properties is fair value being the amounts that the properties could be exchanged between willing parties in an arm's length transaction, based on current prices in an active market for similar transactions in the same location and condition and subject to similar leases. Council's investment in TasWater is valued at its fair value at 30 June. Fair value is determined by Council's ownership interest against TasWater's net asset value at 30 June.

Land

Land fair values were determined by the Valuer General effective 30 June 2011.

Land held for sale

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

Land under roads

Land under roads acquired since 30 June 2008 has been recognised in past Financial Reports as part of road assets. Land under roads acquired prior to 30 June 2008 is being recognised for the first time in the 2016 Financial Report, consistent with the Report to Parliament by the Auditor-General No. 5 of *2013-2014 Infrastructure Financial Accounting in Local Government*. Because of its materiality, land under roads is now reported within the land category of non-current assets. Those assets previously recognised have been removed from road assets for inclusion in land under roads.

Buildings and other land improvements

The fair value of buildings including buildings of a specialist nature (eg heritage buildings) were determined by a qualified independent valuer effective 30 June 2015. The most significant input into this valuation approach was price per square metre.

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

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

As part of the revaluation, significant components were separately identified and new useful lives were assigned to each component. As a result depreciation expense is expected to increase in future periods due to shorter useful lives being applied over a number of components.

Infrastructure assets

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

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

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

The level of accumulated depreciation for infrastructure assets was determined based on the age of the asset and the useful life adopted by Council for the asset type. Estimated useful lives and residual values are disclosed in note 13.

The calculation of CRC involves a number of inputs that require judgement and are therefore classed as unobservable. While these judgements are made by qualified and experienced staff, different judgements could result in a different valuation. The 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.

52 Fair value measurements (continued)

Transport

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

CRC is based on the road area multiplied by a unit price; the unit price being an estimate of labour and material inputs, services costs, and overhead allocations. Council assumes that pavements for high traffic areas that were constructed after 1984 are constructed to depths of 40cm. All other pavements are constructed to depths of 20cm or less. For internal construction estimates, material and services prices are based on existing supplier contract rates or supplier price lists, and labour rates are based on Council's Enterprise Bargaining Agreement (EBA) with a percentage provision for any other employee on costs.

A review of transport infrastructure useful life was undertaken by Council's Asset Management Coordinator effective 30 June 2016. A comprehensive review including benchmarking, sample testing and collating condition data was undertaken. In addition a suitably qualified expert was engaged to review and endorse the proposed changes.

Bridges

A full valuation of bridge assets was undertaken by independent valuers, AusSpan, effective 30 June 2014. 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 and drainage

A review of useful life for drainage infrastructure was undertaken by Council's Engineer and Asset Management Coordinator effective 30 June 2014. Similar to roads, stormwater and drainage assets are managed in segments; pits and pipes being the major components.

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

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

Other Infrastructure

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

(d) Changes in recurring level 3 fair value measurements

The changes in level 3 assets with recurring fair value measurements are detailed in note 27 (Property, infrastructure, plant and equipment). Investment in TasWater, which is classified as level 3 has been separately disclosed in note 26. There were no transfers between level 1, 2 or 3 measurements during the year.

30 June 2016	**Level 1 $'000**	**Level 2 $'000**	**Level 3 $'000**	**Total $'000**
Available for sale financial assets	-	-	163,928	163,928
Total	-	-	163,928	163,928

There were no transfers between Level 1 and Level 2 in the period

30 June 2015				
Available for sale financial assets	-	-	161,184	161,184
Total	-	-	161,184	161,184

There were no transfers between Level 1 and Level 2 in the period

52 Fair value measurements (continued)

Reconciliation of Level 3 Fair Value Movements

	2016 $'000	2015 $'000
Opening balance		
Investment on transfer of assets	161,184	159,900
Gain (losses) recognised in other comprehensive income:		
Change in fair value of investment in TasWater	2,744	1,284
Closing balance	163,928	161,184

(e) Valuation processes

Council uses unit rates based on internal estimating software where available or a contracted rate when the internal information is not available. Where there is no basis to provide a rate from these two sources Rawlinson's Construction Cost Guide is used.

Council's current policy for the valuation of property, infrastructure, plant and equipment, investment properties and investment in TasWater (recurring fair value measurements) is set out in note 27, 36 and 26 respectively.

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

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

Council has assets and liabilities which are not measured at fair value, but for which fair values are disclosed in other notes (refer note 40).

Council borrowings are measured at amortised cost with interest recognised in the Statement of Profit or Loss and Other Comprehensive Income when incurred. The fair value of borrowings disclosed in note 42 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).

53 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

Revenues, expenses and assets are recognised net of the amount of Goods and Services Tax (GST), except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO). In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of the expense. Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from the ATO is included as part of current receivables or payables in the Statement of Financial Position.

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 asset's carrying value. Any excess of the asset's 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 12 months, being Council's operating 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.

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

(d) Comparative information

Where required by Accounting Standards or other requirements, comparative figures are adjusted to conform with changes in presentation for the current financial year.

(e) Budget

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

(f) 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 and inclusive of the GST payable.

(h) Adoption of new and amended accounting standards

(i) AASB 2015-3 *Amendments to Australian Accounting Standards arising from the Withdrawal of* AASB 1031 *Materialit*y (effective from 1 July 2015)

The completion of AASB project to remove Australian guidance on materiality from Australian Accounting Standards with the issue of the final amending standard to effect the withdrawal of AASB 1031 *Materiality*. Guidance on materiality is now located in AASB 101 *Presentation of Financial Statements*. The adoption of this standard will not impact Council's accounting policies.

(ii) AASB 2015-2 *Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments* to AASB 101 (effective from 1 January 2016)

The amendments do not require any significant change to current practice, but should facilitate improved reporting, including an emphasis on only including material disclosures, clarity on the aggregation and disaggregation of line items, the presentation and subtotals, the ordering of notes and the identification of significant accounting policies. The adoption of this standard will not impact Council's accounting policies but will result in changes to information disclosed in the financial report.

(i) Pending Accounting Standards

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2016 reporting periods. Council's assessment of the impact of the relevant new standards and interpretations is set out below.

(i) AASB 2014-4 *Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation* (effective from 1 January 2016)

This amendment introduces a rebuttable presumption that the use of revenue-based amortisation methods for intangible assets is inappropriate. In addition to this, there is limited opportunity for the presumption to be overcome and clarifies that revenue-based depreciation for property, plant and equipment cannot be used. The adoption of this standard will not impact Council's accounting policies.

(ii) AASB 1057 *Application of Australian Accounting Standards*, AASB 2015-9 *Amendments to Australian Accounting Standards – Scope and Application Paragraphs* (effective from 1 January 2016)

The AASB has reissued most of its Standards (and Interpretations) that incorporate IFRSs to make editorial changes. The editorial changes will enable the AASB to issue Australian versions of IFRS more efficiently. As part of the reissuance, the AASB has moved the application paragraphs that identify the reporting entities and general purpose financial statements to which the pronouncements apply to a new Standard, AASB 1057 *Application of Australian Accounting Standards*. However, the technical application requirements have not been amended. The adoption of this standard will not impact Council's accounting policies.

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

The amendment extends the scope of AASB 124 *Related Party Disclosures to include not-for-profit public sector entities*. It is expected this will increase Council's disclosures.

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

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

The amendment provides relief to not-for-profit public sector entities from certain disclosures about the fair value measurement of property, plant and equipment held for their current service potential rather than to generate net cash inflows that is categorised within level 3 of the fair value hierarchy. The adoption of this standard will not impact Council's accounting policies but will result in changes to information disclosed in note 52.

(v) AASB 15 *Revenue from Contracts with Customers*, and AASB 2014-5 *Amendments to Australian Accounting Standards arising from AASB 15* (effective from 1 January 2017). Under the new standard, a single model that applies to contracts with customers and two approaches to recognising revenue, at a point in time or over time is proposed. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognised. The new standard will apply to contracts of not-for-profit entities that are exchange contracts. AASB 1004 *Contributions* will continue to apply to non-exchange transactions until the Income from Transactions of Not-for-Profit Entities project is completed. The adoption of this standard is not anticipated to have a material impact on the financial report.

(vi) AASB 9 *Financial Instruments* and the relevant amending standards (effective from 1 January 2018)

AASB 9 is one of a series of amendments that are expected to replace AASB 139 *Financial Instruments: Recognition and Measurement*. The main impact of the standard is to change the requirements for the classification, measurement and disclosures associated with financial assets. Under the new requirements the four categories of financial assets in AASB 139 will be replaced with two measurement categories: fair value and amortised cost.

Amortised cost is to be used for assets with contractual terms giving rise to principal and interest payments.

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

When adopted, the standard will affect, in particular, Council's accounting for its available-for-sale financial assets. Currently, Council recognises changes in the fair value of its available-for-sale assets through other comprehensive income. Under AASB 9 fair value gains and losses on available-for-sale assets will have to be recognised directly in profit or loss.

However, investments in equity instruments can be designated as 'fair value through other comprehensive income' assets. This designation is irrevocable. Council is likely to designate its investment in TasWater as 'fair value through other comprehensive income' and therefore the adoption of this standard will not impact the way movements in the fair value are accounted for.

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.

(vii) AASB 16 *Leases* (effective from 1 January 2019)

AASB 16 introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligations to make lease payments. The adoption of this standard may have an impact on Council's financial report, however at this stage the extent of the impact is unknown.

Certification of the Financial Report

Glenorchy City Council

Certification of the Financial Report

This financial report presents fairly the financial position of the Glenorchy City Council as at 30 June 2016, the results of its operations for the year then ended and the cash flows of the Council, in accordance with the *Local Government Act 1993* (as amended), Australian Accounting Standards (including interpretations) and other authoritative pronouncements issued by the Australian Accounting Standards Board.

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Peter Brooks
General Manager
Date: 1/9/2016

Tasmanian
Audit Office

Independent Auditor's Report

To the Aldermen of Glenorchy City Council

Financial Report for the Year Ended 30 June 2016

Report on the Financial Report

I have audited the accompanying financial report of Glenorchy City Council (the Council) which comprises the statement of financial position as at 30 June 2016 and the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the General Manager's certification.

Auditor's Opinion

In my opinion Council's financial report:

(a) presents fairly, in all material respects, its financial position as at 30 June 2016 and financial performance, cash flows and changes in equity for the year then ended

(b) is in accordance with the *Local Government Act 1993* and Australian Accounting Standards.

The Responsibility of the General Manager for the Financial Report

The General Manager is responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards and Section 84 of the *Local Government Act 1993*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

My responsibility is to express an opinion on the financial report based upon my audit. My audit was conducted in accordance with Australian Auditing Standards. These Auditing Standards require that I comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance as to whether the financial report is free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on my judgement, including the assessment of risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, I considered internal control relevant to the General Manager's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate to the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Council's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the General Manager, as well as evaluating the overall presentation of the financial report.

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

My audit responsibility does not extend to the budget figures included in the statement of profit or loss and other comprehensive income, the asset renewal funding ratio disclosed in note 51(f), nor the Significant Business Activities disclosed in note 49 to the financial report and accordingly, I express no opinion on them.

Independence

In conducting this audit, I have complied with the independence requirements of Australian Auditing Standards and other relevant ethical requirements.

The *Audit Act 2008* 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.

Tasmanian Audit Office

E R De Santi
Deputy Auditor-General
Delegate of the Auditor-General

Hobart
6 September 2016

Audit Panel Report

The Glenorchy City Council Audit Panel was established in 2015. This report covers the Audit Panel's activities during the 2015-16 financial year.

The Audit Panel helps Council to fulfil its responsibilities by reviewing: financial systems and controls; strategic, financial and asset management plans; and internal control, risk management and compliance systems. These functions are set out in detail in the panel's charter.

Work program

Council's external auditor, the Tasmanian Audit Office (TAO), reviewed Council's internal control environment, audited accounting procedures and transactions, and undertook compliance based audits. TAO also audited Council's Financial Report 2015-16.

The external audit, which drives a significant part of the panel's annual work program, makes observations on internal practices and provides advice on improving business processes. The auditor also monitors Council's progress on implementing recommendations from previous external audits.

Council's internal auditor, Deloitte, conducted a number of audits based on a work program previously agreed by the panel and a special audit requested by management. These audits included reviews of strategic asset management, payroll controls, cash handling, and work health and safety. In general, the observations from the audits of asset management, payroll and cash handling were satisfactory.

However, the panel noted with concern the internal auditor's observations on work health and safety, in particular the slow progress in implementing outstanding actions from a similar audit in 2010-11. Management has since assured the panel that extra resources have been deployed to tackle the various outstanding actions on WHS. The panel will continue to monitor progress in this area.

On risk management, the panel evaluated the effectiveness of relevant processes and controls, including a reassessment of Council's Risk Register. The panel's review of risk management also included a review of the insurance portfolio and related governance policies, and a consideration of emerging risks.

Observations

The panel regularly monitors progress on implementing actions resulting from previous audits, both internal and external. Over the past year, the panel observed good progress in some areas but remains concerned about others, especially policies and procedures relating to WHS and people management. The panel will maintain its focus on these issues.

In the course of reviewing last year's Financial Report (2014-15), the panel noted some concerns about the process that led to the final report. The panel is pleased to report that those concerns have since been addressed and the process improved for preparing the 2015-16 Financial Report.

The panel was included in the process that led to the 2016-17 budget that was approved by Council in June 2016. Panel members questioned whether the budget process could be improved and have since noted a Council resolution on the same topic. In response, the panel has asked the internal auditor to review the process for preparing the annual budget and to recommend improvements.

The Audit Panel commends the auditors, Tasmanian Audit Office and Deloitte, for their efforts over the past year. Thanks also to the management team who support the Audit Panel.

Paul Oxley
Chairman, Audit Panel

22 September 2016

GLENORCHY CITY
Where ideas happen

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