

# Financial Report



# Understanding the Financial Report

## Introduction

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

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

## What you will find in the Statements

The Financial Statements and notes to the report set out the financial performance, financial position and cash flows of Kentish Council for the financial year ended 30 June 2019.

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

## About the Primary Financial Statements

### Statement of Comprehensive Income

A summary of Council's financial performance for the year, listing all income and expenditure.

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

### Statement of Financial Position

A snapshot of council's financial position, including the Assets and Liabilities as at 30 June 2019.

### Statement of Changes in Equity

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

### Statement of Cash Flows

Indicates where council's cash came from and where it was expended.

## About the Notes to the Financial Report

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

## Statement of Certification

The Statement of Certification must be signed by the General Manager to confirm the financial report presents fairly the financial position of Kentish Council as at 30 June 2019.



## **Independent Auditor's Report**

### **To the Councillors of Kentish Council**

### **Report on the Audit of the Financial Report**

#### **Opinion**

I have audited the financial report of Kentish Council (Council), which comprises the statement of financial position as at 30 June 2019 and statements of comprehensive income, changes in equity and cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, other explanatory notes and the statement of certification by the General Manager.

In my opinion the accompanying financial report:

- (a) presents fairly, in all material respects, Council's financial position as at 30 June 2019 and its financial performance and its cash flows for the year then ended
- (b) is in accordance with the *Local Government Act 1993* and Australian Accounting Standards.

#### **Basis for Opinion**

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

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

My audit responsibility does not extend to the budget figures included in the financial report, the asset renewal funding ratio disclosed in Note 10.5, nor the Significant Business Activities disclosed in Note 10.4 to the financial report and accordingly, I express no opinion on them.

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

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## Key Audit Matters

Key audit matters are those matters that, in my professional judgement, were of most significance in my audit of the financial report of the current period. These matters were addressed in the context of my audit of the financial report as a whole, and in forming my opinion thereon, and I do not provide a separate opinion on these matters.

| Why this matter is considered to be one of the most significant matters in the audit   | Audit procedures to address the matter included  |
|--|--|
| <b>Valuation of property and infrastructure</b><br><i>Refer to notes 3.3, 6.2 and 9.10</i>   |  |
| <p>At 30 June 2019 Council's assets included land, land under roads, buildings, roads, bridges and footpaths and drainage infrastructure valued at fair value totalling \$117.42m. The fair values of these assets are based on market values and current replacement cost. Council undertakes formal revaluations on a regular basis to ensure valuations represent fair value.</p> | <ul style="list-style-type: none"><li>• Evaluating the appropriateness of Management's consideration of balance date fair values.</li><li>• Evaluating management's assessment of the useful lives.</li><li>• Performing substantive analytical procedures on depreciation expenses.</li><li>• Testing on a sample basis, significant expenditure on maintenance and capital works to corroborate appropriate treatment.</li><li>• Testing on a sample basis, capital work-in-progress to ensure that active projects will result in usable assets and that assets commissioned are transferred in a timely manner.</li><li>• Evaluating the adequacy of disclosures made in the financial report, including those regarding key assumptions used.</li></ul> |
| <p>Between valuations Council reviews fair values to ensure the carrying amount does not differ materially. In performing this review Council exercises significant judgement, with the valuation being highly dependent on a range of assumptions and estimates. No fair value adjustments were made to any of these asset classes in 2018-19.</p>                                  |  |
| <p>The calculation of depreciation requires estimation of asset useful lives and residual values, which involves a high degree of subjectivity. Changes in assumptions and depreciation policies can significantly impact the depreciation charged.</p>  |  |
| <p>Capital payments in 2018-19 totalled \$4.39m on a number of significant programs to upgrade and maintain assets. Capital projects can contain a combination of enhancement and maintenance activity which are not distinct and therefore the allocation of costs between capital and operating expenditure is inherently judgemental.</p>   |  |

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### **Responsibilities of the General Manager for the Financial Report**

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

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

### **Auditor's Responsibilities for the Audit of the Financial Report**

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

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

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

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

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

From the matters communicated with the General Manager, I determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. I describe these matters in my auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, I determine that a matter should not be communicated in my report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.



Leigh Franklin  
**Assistant Auditor-General, Financial Audit Services**  
**Tasmanian Audit Office**

17 June 2020  
Hobart

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**KENTISH COUNCIL**  
**Financial Report**  
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**Statement of Comprehensive Income  
For the Year Ended 30 June 2019**

|   | Note     | Budget<br>2019<br>\$'000 | Actual<br>2019<br>\$'000 | Actual<br>2018<br>\$'000 |
|---|----------|--------------------------|--------------------------|--------------------------|
| <b>Income from continuing operations</b>  |          |                          |                          |                          |
| <b>Recurrent income</b>   |          |                          |                          |                          |
| Rates and charges   | 2.1      | 5,286                    | 5,335                    | 5,159                    |
| Statutory fees and fines  | 2.2      | 277                      | 304                      | 261                      |
| User fees   | 2.3      | 101                      | 164                      | 182                      |
| Grants  | 2.4      | 2,798                    | 2,715                    | 3,037                    |
| Interest  | 2.5      | 190                      | 259                      | 197                      |
| Other income  | 2.6      | 1,129                    | 1,330                    | 1,099                    |
| Investment revenue from water corporation   | 2.8, 4.2 | 86                       | 88                       | 126                      |
| Share of net profits/(losses) of associates and joint ventures accounted for by the equity method       | 4.1      | 80                       | 235                      | 132                      |
|   |          | <b>9,947</b>             | <b>10,430</b>            | <b>10,193</b>            |
| <b>Capital income</b>   |          |                          |                          |                          |
| Capital grants received specifically for new or upgraded assets   | 2.4      | 489                      | 318                      | 907                      |
| Capital grants received specifically for renewal of assets  | 2.4      | 588                      | 489                      | 428                      |
|   |          | <b>1,077</b>             | <b>807</b>               | <b>1,335</b>             |
| <b>Total income from continuing operations</b>  |          | <b>11,024</b>            | <b>11,237</b>            | <b>11,528</b>            |
| <b>Expenses from continuing operations</b>  |          |                          |                          |                          |
| Employee costs  | 3.1      | (3,244)                  | (3,253)                  | (2,655)                  |
| Materials and services  | 3.2      | (3,233)                  | (3,146)                  | (3,134)                  |
| Depreciation and amortisation   | 3.3      | (2,836)                  | (2,543)                  | (2,547)                  |
| Finance costs   | 3.4      | (79)                     | (80)                     | (94)                     |
| Net gain/(loss) on disposal of property, infrastructure, plant and equipment                            | 2.7      | -                        | (68)                     | (404)                    |
| Other expenses  | 3.5      | (724)                    | (678)                    | (790)                    |
| <b>Total expenses from continuing operations</b>  |          | <b>(10,116)</b>          | <b>(9,768)</b>           | <b>(9,624)</b>           |
| <b>Result from continuing operations</b>  |          | <b>908</b>               | <b>1,469</b>             | <b>1,904</b>             |
| <b>Net result for the year</b>  |          | <b>908</b>               | <b>1,469</b>             | <b>1,904</b>             |
| <b>Other comprehensive income</b>   |          |                          |                          |                          |
| <b>Items that will not be reclassified to surplus or deficit</b>  |          |                          |                          |                          |
| Fair value adjustments on equity investment assets  | 9.1      | -                        | 1,091                    | -                        |
| Net asset revaluation increment/(decrement)   | 9.1      | -                        | -                        | 1,559                    |
| Share of other comprehensive income of associates and joint ventures accounted for by the equity method | 9.1      | -                        | 4                        | 24                       |
|   |          | <b>-</b>                 | <b>1,095</b>             | <b>1,583</b>             |
| <b>Items that may be reclassified subsequently to surplus or deficit</b>                                |          |                          |                          |                          |
| Financial assets available for sale   |          |                          |                          |                          |
| — Fair Value adjustment on equity investment assets   | 9.1      | -                        | -                        | 88                       |
|   |          | <b>-</b>                 | <b>-</b>                 | <b>88</b>                |
| <b>Total Other Comprehensive Income</b>   |          | <b>-</b>                 | <b>1,095</b>             | <b>1,671</b>             |
| <b>Total Comprehensive result</b>   |          | <b>908</b>               | <b>2,564</b>             | <b>3,575</b>             |

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



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

|   | Note | 2019<br>\$'000 | 2018<br>\$'000 |
|---|------|----------------|----------------|
| <b>Assets</b>   |      |                |                |
| <b>Current assets</b>   |      |                |                |
| Cash and cash equivalents                                       | 5.1  | 10,369         | 10,933         |
| Trade and other receivables                                     | 5.2  | 540            | 446            |
| Inventories   | 5.4  | 28             | 14             |
| Other assets  | 6.1  | 154            | 116            |
| <b>Total current assets</b>                                     |      | <b>11,091</b>  | <b>11,509</b>  |
| <b>Non-current assets</b>                                       |      |                |                |
| Trade and other receivables                                     | 5.2  | 24             | 27             |
| Financial assets  | 5.3  | 18             | 18             |
| Investments in associates accounted for using the equity method | 4.1  | 1,388          | 1,149          |
| Investment in water corporation                                 | 4.2  | 7,995          | 6,904          |
| Property, infrastructure, plant and equipment                   | 6.2  | 122,135        | 120,363        |
| <b>Total non-current assets</b>                                 |      | <b>131,560</b> | <b>128,461</b> |
| <b>Total assets</b>   |      | <b>142,651</b> | <b>139,970</b> |
| <b>Liabilities</b>  |      |                |                |
| <b>Current liabilities</b>                                      |      |                |                |
| Trade and other payables  | 7.1  | 1,367          | 1,166          |
| Trust funds and deposits  | 7.2  | 68             | 75             |
| Provisions  | 7.3  | 598            | 382            |
| Interest-bearing loans and borrowings                           | 8.1  | 157            | 236            |
| <b>Total current liabilities</b>                                |      | <b>2,190</b>   | <b>1,859</b>   |
| <b>Non-current liabilities</b>                                  |      |                |                |
| Provisions  | 7.3  | 12             | 69             |
| Interest-bearing loans and borrowings                           | 8.1  | 1,007          | 1,164          |
| <b>Total non-current liabilities</b>                            |      | <b>1,019</b>   | <b>1,233</b>   |
| <b>Total liabilities</b>  |      | <b>3,209</b>   | <b>3,092</b>   |
| <b>Net Assets</b>   |      | <b>139,442</b> | <b>136,878</b> |
| <b>Equity</b>   |      |                |                |
| Accumulated surplus   |      | 42,209         | 40,740         |
| Reserves  | 9.1  | 97,233         | 96,138         |
| <b>Total Equity</b>   |      | <b>139,442</b> | <b>136,878</b> |

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

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

|   | Note | Accumulated   | Asset         | Fair Value   | Total          |
|---|------|---------------|---------------|--------------|----------------|
|   |      | Surplus       | Revaluation   | Reserve      | Equity         |
| 2019  |      | 2019          | 2019          | 2019         | 2019           |
|   |      | \$'000        | \$'000        | \$'000       | \$'000         |
| <b>Balance at beginning of the financial year</b>         |      | 40,740        | 95,408        | 730          | 136,878        |
| Surplus / (deficit) for the year                          |      | 1,469         | -             | -            | 1,469          |
| Other Comprehensive Income:                               |      |               |               |              |                |
| Fair value adjustments for financial assets at fair value |      |               |               |              |                |
| Fair Value adjustment on equity investment assets         | 4.2  | -             | -             | 1,091        | 1,091          |
| Net asset revaluation increment/(decrement)               | 9.1  | -             | 4             | -            | 4              |
| <b>Balance at end of the financial year</b>               |      | <b>42,209</b> | <b>95,412</b> | <b>1,821</b> | <b>139,442</b> |

|   | Note | Accumulated   | Asset         | Fair Value | Total          |
|---|------|---------------|---------------|------------|----------------|
|   |      | Surplus       | Revaluation   | Reserve    | Equity         |
| 2018  |      | 2018          | 2018          | 2018       | 2018           |
|   |      | \$'000        | \$'000        | \$'000     | \$'000         |
| Balance at beginning of the financial year        |      | 38,836        | 93,825        | 642        | 133,303        |
| Surplus / (deficit) for the year                  |      | 1,904         | -             | -          | 1,904          |
| Other Comprehensive Income:                       |      |               |               |            |                |
| Fair Value adjustment on available for sale asset | 4.2  | -             | -             | 88         | 88             |
| Net asset revaluation increment/(decrement)       | 9.1  | -             | 1,583         | -          | 1,583          |
| <b>Balance at end of the financial year</b>       |      | <b>40,740</b> | <b>95,408</b> | <b>730</b> | <b>136,878</b> |

The above statement should be read with the accompanying notes.

**Statement of Cash Flows**  
**For the Year Ended 30 June 2019**

|   | Note | 2019<br>Inflows/<br>(Outflows)<br>\$'000 | 2018<br><br>(Outflows)<br>\$'000 |
|---|------|--|----------------------------------|
| <b>Cash flows from operating activities</b>                         |      |  |                                  |
| Rates   |      | 5,308                                    | 5,188                            |
| Statutory fees and fines  |      | 304                                      | 229                              |
| User charges and other fines  |      | 347                                      | 398                              |
| Grants  |      | 2,715                                    | 4,393                            |
| Interest  |      | 165                                      | 195                              |
| Investment revenue from water corporation                           | 2.8  | 88                                       | 132                              |
| Other receipts  |      | 242                                      | 938                              |
| Payments to suppliers   |      | (2,227)                                  | (3,005)                          |
| Payments to employees   |      | (2,996)                                  | (2,779)                          |
| Finance costs   |      | (80)                                     | (95)                             |
| Other payments  |      | (678)                                    | (786)                            |
| <b>Net cash provided by (used in) operating activities</b>          | 9.2  | <b>3,188</b>                             | <b>4,808</b>                     |
| <b>Cash flows from investing activities</b>                         |      |  |                                  |
| Payments for property, infrastructure, plant and equipment          |      | (4,390)                                  | (2,991)                          |
| Proceeds from sale of property, infrastructure, plant and equipment |      | 7  | 19                               |
| Capital grants  |      | 807                                      | 1,335                            |
| Dividends received from associate                                   |      | 65                                       | 83                               |
| Loans and advances to community organisations                       |      | 3  | 5                                |
| <b>Net cash provided by (used in) investing activities</b>          |      | <b>(3,508)</b>                           | <b>(1,549)</b>                   |
| <b>Cash flows from financing activities</b>                         |      |  |                                  |
| Trust funds and deposits  | 9.3  | (7)                                      | 4                                |
| Repayment of interest bearing loans and borrowings                  | 9.3  | (237)                                    | (214)                            |
| <b>Net cash provided by (used in) financing activities</b>          |      | <b>(244)</b>                             | <b>(210)</b>                     |
| Net increase (decrease) in cash and cash equivalents                |      | (564)                                    | 3,049                            |
| Cash and cash equivalents at the beginning of the financial year    |      | 10,933                                   | 7,884                            |
| <b>Cash and cash equivalents at the end of the financial year</b>   | 9.4  | <b>10,369</b>                            | <b>10,933</b>                    |
| Restrictions on cash assets   | 5.1  |  |                                  |
| Financing arrangements  | 9.5  |  |                                  |

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

## Note 1 Overview

### 1.1 Reporting entity

- (a) The Kentish Council was established in 1907 and is a body corporate with perpetual succession and a common seal. Council's main office is located at 69 High Street Sheffield Tasmania.
- (b) The purpose of the Council is to:
- provide for health, safety and welfare of the community;
  - to represent and promote the interests of the community;
  - provide for the peace, order and good government in the municipality.

### 1.2 Basis of accounting

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

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

All amounts are presented in Australian dollars and unless stated, have been rounded to the nearest thousand dollars. Due to rounding, numbers presented throughout this document may not add up precisely to the totals provided.

This financial report has been prepared under the historical cost convention, except where specifically stated in notes 4.2, 5.3, 6.2, 7.3 and 8.1.

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.

Council changed to new accounting software from April 2019. Council adopted a new suite of accounting codes which resulted in a change of coding and classification from the prior financial year. Although classifications have changed at the note level in the comparative figures in the current financial statements, there are no material differences to the net result, total comprehensive result, net assets, total equity, net cashflows or changes in equity. An example of a change in classification is where Roads, Bridges and Footpaths have been combined into one reporting line.

Special Committees of Management have been included in this financial report. All transactions for these committees have been incorporated. Details of committees included in this financial report are detailed in note 10.2.

### 1.3 Use of judgements and estimates

#### *Judgements and Assumptions*

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

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

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

#### *Employee entitlements*

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

#### *Defined benefit superannuation fund obligations*

Actuarial assumptions are utilised in the determination of Council's defined benefit superannuation fund obligations. These assumptions are discussed in note 9.6.

#### *Fair value of property, infrastructure, plant & equipment*

Assumptions and judgements are utilised in determining the fair value of Council's property, plant and equipment including useful lives and depreciation rates. These assumptions are discussed in note 6.2.

#### *Investment in water corporation*

Assumptions utilised in the determination of Council's valuation of its investment in TasWater are discussed in note 4.2.

1.4 Functions/Activities of the Council

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

|   | Grants<br>\$'000 | Other<br>\$'000 | Total<br>Revenue<br>\$'000 | Total<br>Expenditure<br>\$'000 | Surplus/<br>(Deficit)<br>\$'000 | Assets<br>\$'000 |
|---|------------------|-----------------|----------------------------|--------------------------------|---------------------------------|------------------|
| Governance and administration                     |                  |                 |                            |                                |                                 |                  |
| 2018 - 2019                                       | 1,545            | 5,691           | 7,236                      | (766)                          | 6,470                           | 19,747           |
| 2017 - 2018                                       | 1,540            | 5,026           | 6,566                      | (1,739)                        | 4,827                           | 18,731           |
| Roads, streets and bridges                        |                  |                 |                            |                                |                                 |                  |
| 2018 - 2019                                       | 1,659            | 204             | 1,863                      | (4,698)                        | (2,835)                         | 97,815           |
| 2017 - 2018                                       | 2,199            | 179             | 2,378                      | (4,347)                        | (1,969)                         | 94,965           |
| Stormwater/ Drainage                              |                  |                 |                            |                                |                                 |                  |
| 2018 - 2019                                       | 20               | -               | 20                         | (59)                           | (39)                            | 2,475            |
| 2017 - 2018                                       | -                | -               | -                          | (8)                            | (8)                             | 2,486            |
| Waste management                                  |                  |                 |                            |                                |                                 |                  |
| 2018 - 2019                                       | -                | 714             | 714                        | (832)                          | (118)                           | 1,391            |
| 2017 - 2018                                       | -                | 856             | 856                        | (597)                          | 259                             | 1,152            |
| Environmental health/ environmental<br>management |                  |                 |                            |                                |                                 |                  |
| 2018 - 2019                                       | -                | 32              | 32                         | (128)                          | (96)                            | -                |
| 2017 - 2018                                       | -                | 27              | 27                         | (88)                           | (61)                            | -                |
| Development and regulatory services               |                  |                 |                            |                                |                                 |                  |
| 2018 - 2019                                       | -                | 330             | 330                        | (594)                          | (264)                           | -                |
| 2017 - 2018                                       | -                | 283             | 283                        | (378)                          | (95)                            | -                |
| Buildings and community amenities                 |                  |                 |                            |                                |                                 |                  |
| 2018 - 2019                                       | 79               | 189             | 268                        | (1,235)                        | (967)                           | 13,607           |
| 2017 - 2018                                       | 286              | 235             | 521                        | (1,136)                        | (615)                           | 16,528           |
| Economic and community development                |                  |                 |                            |                                |                                 |                  |
| 2018 - 2019                                       | 219              | 549             | 768                        | (1,144)                        | (376)                           | 18               |
| 2017 - 2018                                       | 328              | 544             | 872                        | (1,086)                        | (214)                           | 14               |
| Parks and reserves                                |                  |                 |                            |                                |                                 |                  |
| 2018 - 2019                                       | -                | 6               | 6                          | (299)                          | (293)                           | 6,545            |
| 2017 - 2018                                       | 20               | 6               | 26                         | (217)                          | (191)                           | 5,054            |
| Operations  |                  |                 |                            |                                |                                 |                  |
| 2018 - 2019                                       | -                | -               | -                          | (13)                           | (13)                            | 1,053            |
| 2017 - 2018                                       | -                | -               | -                          | (28)                           | (28)                            | 1,040            |
| <b>Total</b>                                      |                  |                 |                            |                                |                                 |                  |
| <b>2018 - 2019</b>                                | <b>3,522</b>     | <b>7,715</b>    | <b>11,237</b>              | <b>(9,768)</b>                 | <b>1,469</b>                    | <b>142,651</b>   |
| <b>2017 - 2018</b>                                | <b>4,373</b>     | <b>7,156</b>    | <b>11,529</b>              | <b>(9,624)</b>                 | <b>1,905</b>                    | <b>139,970</b>   |

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

|                    | 2019           | 2018           |
|--------------------|----------------|----------------|
| Current assets     | 11,091         | 11,509         |
| Non-current assets | 131,560        | 128,461        |
|                    | <b>142,651</b> | <b>139,970</b> |

(c) Governance and administration

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

*Roads, streets and bridges*

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

*Stormwater/ Drainage*

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

*Waste management*

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

*Environmental health/environmental management*

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

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

*Development and regulatory services*

Administration of the town planning scheme, subdivisions and urban and rural renewal programs, building permit authority operations, animal control and other regulatory services

*Building and community amenities*

Operation and maintenance of buildings owned or operated by Council.

*Economic and community development*

Economic development, visitor information, youth services, community engagement, community grants, cultural events and festivals.

*Parks and reserves*

Operation and maintenance of public parks and reserves.

*Operations*

Unallocated operations/ works depot and management costs

|   | 2019<br>\$'000 | 2018<br>\$'000 |
|---|----------------|----------------|
| <b>Note 2 Revenue</b>   |                |                |
| <b>Note 2.1 Rates and charges</b>   |                |                |
| Council uses Assessed Annual Value (AAV) as the basis of valuation of all properties within the municipal district. The AAV of a property is its notional annual gross rental as determined by the Valuer-General's Office (VGO). |                |                |
| The valuation base used to calculate general rates for 2018-19 was \$44.8 million (2017-18 \$43.4million). The 2018-19 rate in the dollar of assessed annual value was 5.727 cents (2017-18, 5.615 cents).                        |                |                |
| Residential   | 792            | 767            |
| Rural residential   | 1,416          | 1,354          |
| Commercial  | 383            | 381            |
| Community services  | 118            | 115            |
| Industrial  | 144            | 141            |
| Mining  | 6              | 6              |
| Recreation  | 15             | 15             |
| Primary production  | 1,181          | 1,152          |
| Vacant  | 208            | 208            |
| Supplementary rates and rate adjustments  | 25             | 21             |
| Fire Levy   | 204            | 198            |
| Garbage charge  | 621            | 607            |
| Rates and charges in advance  | 233            | 202            |
| Add interest on late payments   | 11             | 12             |
| Less discount for early payment   | (22)           | (20)           |
| <b>Total rates and charges</b>  | <b>5,335</b>   | <b>5,159</b>   |

The date of the latest general revaluation of land for rating purposes within the municipal district was 1 July 2014, and the valuation was first applied in the rating year commencing 1 July 2015. Since that time Council has applied adjustment factors provided by the Office of the Valuer General every two years to the 1 July 2014 valuation for rating purposes.

**Accounting policy**

**Rates and charges income**

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

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

**Note 2.2 Statutory fees and fines**

|                                       |            |            |
|---------------------------------------|------------|------------|
| Animal control                        | 48         | 59         |
| Building fees                         | 146        | 86         |
| Health fees and fines                 | 20         | 16         |
| Land information certificates         | 28         | 32         |
| Town planning fees                    | 62         | 68         |
| <b>Total statutory fees and fines</b> | <b>304</b> | <b>261</b> |

**Accounting policy**

**Statutory fee and fine income**

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

**Note 2.3 User fees**

|                                  |            |            |
|----------------------------------|------------|------------|
| Rental/ hire - halls & buildings | 57         | 76         |
| Rent                             | 101        | 99         |
| Other fees and hire charges      | 6          | 7          |
| <b>Total user fees</b>           | <b>164</b> | <b>182</b> |

|  | 2019<br>\$'000 | 2018<br>\$'000 |
|--|----------------|----------------|
| <b>Accounting policy</b>   |                |                |
| <b>User fee income</b>   |                |                |
| Fee income is recognised as revenue when the service has been provided, or the payment is received, whichever first occurs.  |                |                |
| <b>Operating leases as lessor</b>  |                |                |
| Council is a lessor and enters into agreements with a number of lessees. These include commercial and non-commercial agreements.   |                |                |
| Where leases are non-commercial agreements, these are generally with not for profit, such as sporting, organisations. In these cases subsidised or peppercorn rents are charged because Council recognises part of its role is community service and community support. In these situations, Council records lease revenue on an accruals basis and records the associated properties as part of land and buildings within property, plant and equipment. Buildings are recognised at depreciated replacement cost.                                  |                |                |
| Where leases are commercial agreements, but properties leased are part of properties predominantly used by Council for its own purposes, Council records lease revenue on an accruals basis and records the associated properties as part of land and buildings within property, plant and equipment. Buildings are recognised at depreciated replacement cost.  |                |                |
| 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 Investment Properties. 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 be reliably measured at balance date. |                |                |

**Note 2.4 Grants**

Grants were received in respect of the following:

**Summary of grants**

|                         |              |              |
|-------------------------|--------------|--------------|
| Federally funded grants | 3,364        | 3,730        |
| State funded grants     | 158          | 642          |
| <b>Total</b>            | <b>3,522</b> | <b>4,372</b> |

**Grants - recurrent**

|   |              |              |
|---|--------------|--------------|
| Commonwealth Government Financial Assistance Grants - general purpose | 1,545        | 1,540        |
| Commonwealth Government Financial Assistance Grants - roads           | 1,111        | 1,198        |
| Heavy Vehicle Motor Tax   | 59           | 59           |
| National Disaster Recovery Assistance                                 | -            | 238          |
| Economic development  | -            | 2            |
| <b>Total recurrent grants</b>   | <b>2,715</b> | <b>3,037</b> |

The Australian Commonwealth Government provides untied Financial Assistance Grants to Council for general purpose use and the provision of local roads. In accordance with AASB1004: *Contributions*, Council recognised these grants as revenue when it received the funds and obtained control.

In both years the Commonwealth has made early payment of the first two quarterly instalments for the following year. The early receipt of instalments resulted in Commonwealth Government Financial Assistance Grants being above that originally budgeted in 2018-19 by \$1,346,315 (2017-18, \$1,383,859). This has impacted the Statement of Comprehensive Income resulting in the Surplus/(deficit) being higher by the same amount.

**Capital grants received specifically for new or upgraded assets**

|   |            |            |
|---|------------|------------|
| Economic development - Wild Mersey MTB tracks                       | 219        | 326        |
| Stormwater grants   | 20         | -          |
| Road safety   | -          | 295        |
| Sport & recreation facilities                                       | 79         | 286        |
| <b>Total capital grants specifically for new or upgraded assets</b> | <b>318</b> | <b>907</b> |

**Capital grants received specifically renewal of assets**

|  |            |            |
|--|------------|------------|
| Roads to Recovery  | 489        | 428        |
| <b>Total capital grants specifically for renewal of assets</b> | <b>489</b> | <b>428</b> |

**Total capital grants**

|            |              |
|------------|--------------|
| <b>807</b> | <b>1,335</b> |
|------------|--------------|



|  | 2019<br>\$'000 | 2018<br>\$'000 |
|--|----------------|----------------|
| <b>Conditions on grants</b>  |                |                |
| Non-reciprocal grants which were obtained on the condition that they be expended for specified purposes or in a future period, but which are not yet expended in accordance with those conditions, are as follows: |                |                |
| Unexpended at the close of the previous reporting period   | -              | 6              |
| Less: expended during the current period from revenues recognised in previous reporting periods  |                |                |
| Commonwealth Safer Streets Program - Sheffield CCTV  | -              | (6)            |
|  | -              | (6)            |
| <b>Unexpended at the close of this reporting period</b>  | -              | -              |
| Net increase (decrease) in non-reciprocal grant revenues for the year:   | -              | (6)            |

**Accounting policy**

**Grant income - operating and capital**

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

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

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

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

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

**Note 2.5 Interest**

|                                       |            |            |
|---------------------------------------|------------|------------|
| Interest on cash and cash equivalents | 259        | 197        |
| <b>Total</b>                          | <b>259</b> | <b>197</b> |

**Accounting policy**

**Interest income**

Interest is recognised progressively as it is earned.

**Note 2.6 Other income**

|   |              |              |
|---|--------------|--------------|
| Commission income   | 336          | 378          |
| Labour hire to Latrobe Council - inside staff               | 414          | 229          |
| Operations labour and plant hire to Latrobe Council         | 185          | 174          |
| Sundry resource sharing reimbursements from Latrobe Council | 13           | 17           |
| Property outgoing reimbursements                            | 37           | 67           |
| Sundry refunds and reimbursements                           | 12           | 26           |
| Collection fees reimbursed                                  | 5            | 14           |
| Retail sales  | 55           | 67           |
| Tax equivalents - Dulverton Waste Management                | 185          | 96           |
| Transfer station - scrap metal sales                        | 15           | -            |
| Sundry income   | 73           | 31           |
| <b>Total other income</b>                                   | <b>1,330</b> | <b>1,099</b> |

**Accounting policy**

**Other income**

Kentish Council and Latrobe Council have a formal resource sharing agreement. Labour hire revenue earned by resource sharing Kentish Council employees to Latrobe Council is shown above as Labour hire to Latrobe Council - inside staff and Operations labour and plant hire to Latrobe Council. Reimbursements of expenses where Kentish Council has recovered a portion of the cost of resource shared expenditure is shown as income above as Sundry resource sharing reimbursements from Latrobe Council.

|   | 2019<br>\$'000 | 2018<br>\$'000 |
|---|----------------|----------------|
| <b>Note 2.7 Net gain/(loss) on disposal of property, infrastructure, plant and equipment.</b> |                |                |
| Proceeds of sale  | 7              | 18             |
| Write down value of assets disposed   | (75)           | (422)          |
| <b>Total</b>  | <b>(68)</b>    | <b>(404)</b>   |

**Accounting policy**

**Gains and losses on asset disposals**

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

|   |           |            |
|---|-----------|------------|
| <b>Note 2.8 Investment revenue from water corporation</b> |           |            |
| Dividend revenue received                                 | 44        | 81         |
| Tax equivalent received                                   | 32        | 39         |
| Guarantee fee received                                    | 12        | 6          |
| <b>Total investment revenue from water corporation</b>    | <b>88</b> | <b>126</b> |

**Accounting policy**

**Investment revenue**

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

**Note 3 Expenses**

**Note 3.1 Employee costs**

|                                     |              |              |
|-------------------------------------|--------------|--------------|
| Wages and salaries                  | 2,206        | 1,789        |
| Annual leave and long service leave | 55           | 102          |
| Superannuation                      | 196          | 175          |
| Fringe benefits tax                 | 39           | 34           |
| Payroll Tax                         | 81           | 56           |
| Training                            | 3            | -            |
| Professional development            | 3            | -            |
| Protective clothing                 | 14           | 13           |
| Workers compensation insurance      | 50           | 39           |
| Contract employee costs             | 800          | 651          |
| Other employment related expenses   | 28           | 32           |
| <b>Total employee costs</b>         | <b>3,475</b> | <b>2,891</b> |
| Less capitalised wages              | 222          | 236          |
| <b>Net wages</b>                    | <b>3,253</b> | <b>2,655</b> |

**Accounting policy**

**Employee costs**

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

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

Kentish Council and Latrobe Council have a formal resource sharing agreement. The labour hire cost of Latrobe employees resource shared with Kentish Council is shown as contract employee costs above.

|  | 2019<br>\$'000 | 2018<br>\$'000 |
|--|----------------|----------------|
| <b>Note 3.2 Materials and services</b>         |                |                |
| General materials                              | 140            | -              |
| Road maintenance materials                     | 244            | -              |
| Infrastructure maintenance materials           | 36             | -              |
| Consumables                                    | 3              | -              |
| Contracts - buildings & facilities maintenance | 119            | -              |
| Contracts - other                              | 77             | -              |
| Fuel   | 103            | 106            |
| Fleet maintenance                              | 92             | 152            |
| Repairs & maintenance                          | 637            | 1,109          |
| Minor equipment purchases                      | 19             | (3)            |
| Property holding costs                         | 5              | -              |
| Property maintenance costs                     | 27             | -              |
| Communications costs                           | 38             | 41             |
| Marketing and Advertising                      | 66             | 69             |
| Legal costs                                    | 29             | 16             |
| Consultants                                    | 163            | 161            |
| General expenses                               | 517            | 697            |
| IT maintenance                                 | 143            | 81             |
| Waste management contracts                     | 498            | 509            |
| Miscellaneous contracts                        | 190            | 196            |
| <b>Total materials and services</b>            | <b>3,146</b>   | <b>3,134</b>   |

#### Accounting policy

##### Materials and services expense

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

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

During 2018/19, Kentish Council implemented a revised chart of accounts and ledger structure on which the financial statements are based. The expense types under materials and services are more extensive than those previously used. In particular, previously there was one account line for repairs and maintenance (2018 \$1,109,000) where as for 2019 these costs are split between road maintenance materials, general materials, infrastructure materials, contracts - buildings & facilities maintenance, contracts other, property holding costs and property maintenance costs.

#### Note 3.3 Depreciation and amortisation

##### Property

|                   |     |     |
|-------------------|-----|-----|
| Land improvements | 46  | -   |
| Buildings         | 261 | 266 |

##### Plant and Equipment

|                                   |     |     |
|-----------------------------------|-----|-----|
| Plant and Equipment               | 150 | 162 |
| Computers, furniture and fittings | 49  | 42  |

##### Infrastructure

|                              |       |       |
|------------------------------|-------|-------|
| Roads, bridges and footpaths | 1,982 | 1,871 |
| Drainage                     | 54    | 54    |
| Other infrastructure         | -     | 152   |

|              |              |              |
|--------------|--------------|--------------|
| <b>Total</b> | <b>2,543</b> | <b>2,547</b> |
|--------------|--------------|--------------|

|  | 2019<br>\$'000 | 2018<br>\$'000 |
|--|----------------|----------------|
| <b>Accounting policy</b>   |                |                |
| <b>Depreciation and amortisation expense</b>   |                |                |
| Expenses are recognised in the Statement of Comprehensive Income when a decrease in future economic benefits related to a decrease in asset or an increase of a liability has arisen that can be measured reliably.  |                |                |
| Buildings, land improvements, plant and equipment, infrastructure and other assets having limited useful lives are systematically depreciated over their useful lives to Council in a manner which reflects consumption of the service potential embodied in those assets. Estimates of remaining useful lives and residual values are made on a regular basis with major asset classes reassessed annually. Depreciation rates and methods are reviewed annually. |                |                |
| Where assets have separate identifiable components that are subject to regular replacement, these components are assigned distinct useful lives and remaining values and a separate depreciation rate is determined for each component.  |                |                |
| Land, heritage, artwork and road earthwork assets are not depreciated on the basis that they are assessed as not having a limited useful life. Straight line depreciation is charged based on the residual useful life as determined each year.  |                |                |
| Major depreciation periods used are listed below and are consistent with the prior year unless otherwise stated:   |                |                |
|  |                | <b>Years</b>   |
| Land improvements  |                | 5-100          |
| Buildings  |                |                |
| buildings  |                | 20-120         |
| building improvements  |                | 20-120         |
| Leasehold improvements   |                |                |
| leasehold building improvements  |                | 20-120         |
| Plant and Equipment  |                |                |
| plant, machinery and equipment   |                | 2-30           |
| fixtures, fittings and furniture   |                | 5-20           |
| computers and telecommunications   |                | 3-5            |
| leased plant and equipment   |                | 2-30           |
| Roads  |                |                |
| road surface - unsealed roads  |                | 4-10           |
| road pavement - sub-base   |                | 200            |
| road pavement - sealed basecourse  |                | 70-110         |
| road surface - sealed roads  |                | 18-25          |
| road kerb and channel  |                | 80             |
| Bridges  |                |                |
| bridges deck   |                | 20-80          |
| Other Infrastructure   |                | 25-50          |
| footpaths and cycleways  |                | 80             |
| drainage   |                | 80             |
| other infrastructure <insert details>  |                | 25-50          |
| Intangible assets  |                |                |
| Software configuration   |                | 10             |

**Note 3.4 Finance costs**

|                       |           |           |
|-----------------------|-----------|-----------|
| Interest - Borrowings | 80        | 94        |
| <b>Total</b>          | <b>80</b> | <b>94</b> |

|   |  |  |
|---|--|--|
| <b>Accounting policy</b>  |  |  |
| <b>Finance expense</b>  |  |  |
| Expenses are recognised in the Statement of Comprehensive Income when a decrease in future economic benefits related to a decrease in asset or an increase of a liability has arisen that can be measured reliably.   |  |  |
| Finance costs are recognised as an expense in the period in which they are incurred, except where they are capitalised as part of a qualifying asset constructed by Council. Where specific borrowings are obtained for the purpose of specific asset acquisition, the weighted average interest rate applicable to borrowings at balance date, excluding borrowings associated with superannuation, is used to determine the borrowing costs to be capitalised. No borrowing costs were capitalised during the period. |  |  |
| Finance costs are expensed as incurred. Borrowing costs include interest on bank overdrafts, interest on borrowings, unwinding of discounts, and finance lease charges.   |  |  |

|  | 2019<br>\$'000 | 2018<br>\$'000 |
|--|----------------|----------------|
| <b>Note 3.5 Other expenses</b>                           |                |                |
| External auditors' remuneration (Tasmanian Audit Office) | 35             | 27             |
| Councillors' allowances                                  | 132            | 129            |
| Councillors' expenses                                    | 13             | 16             |
| Councillors training expenses                            | 20             | 16             |
| Bank Fees  | 20             | 17             |
| Electricity & Gas  | 125            | 160            |
| Insurance  | 142            | 148            |
| Impairment losses - sundry debtors                       | 8              | -              |
| Contributions to community organisations and events      | 65             | 165            |
| Registrations and licenses                               | 3              | -              |
| Subscriptions  | 88             | 86             |
| Land tax   | 27             | 26             |
| <b>Total</b>   | <b>678</b>     | <b>790</b>     |

#### Accounting policy

##### Other expenses

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

#### Note 4 Investments

##### Note 4.1 Investment in associates

Investments in associates accounted for by the equity method are:

|   |              |              |
|---|--------------|--------------|
| - Dulverton Regional Waste Management Authority | 1,388        | 1,149        |
| <b>Total</b>                                    | <b>1,388</b> | <b>1,149</b> |

##### Dulverton Regional Waste Management Authority

###### Background

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

Council's ownership interest in the Authority at 30 June 2019 was 8.48% (2018: 8.48%). The proportion of voting power held in the Authority is 25%.

###### Council's share of accumulated surplus(deficit)

|  |              |            |
|--|--------------|------------|
| Council's share of accumulated surplus(deficit) at start of year | 757          | 669        |
| Reported surplus(deficit) for year                               | 318          | 171        |
| Distributions for the year                                       | (65)         | (83)       |
| Council's share of accumulated surplus(deficit) at end of year   | <b>1,010</b> | <b>757</b> |

###### Council's share of reserves

|  |            |            |
|--|------------|------------|
| Council's share of reserves at start of year | 306        | 292        |
| Transfers (to) from reserves                 | 4          | 14         |
| Council's share of reserves at end of year   | <b>310</b> | <b>306</b> |

###### Movement in carrying value of specific investment

|   |              |              |
|---|--------------|--------------|
| Carrying value of investment at start of year | 1,149        | 1,076        |
| Share of profit/(loss) after tax              | 318          | 171          |
| Share of asset revaluation                    | 4            | 24           |
| Distributions received                        | (65)         | (83)         |
| Prior year adjustments                        | (18)         | (39)         |
| Carrying value of investment at end of year   | <b>1,388</b> | <b>1,149</b> |

|   | 2019<br>\$'000 | 2018<br>\$'000 |
|---|----------------|----------------|
| <i>Council's share of expenditure commitments</i> |                |                |
| Operating commitments                             | 2              | -              |
| Capital commitments                               | 60             | -              |
|   | <u>62</u>      | <u>-</u>       |
| <i>Council's share of contingent liabilities</i>  |                |                |
| Site restoration costs                            | 101            | 162            |

#### Accounting policy

##### Accounting for investments in associates

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

#### Note 4.2 Investment in water corporation

|   |              |              |
|---|--------------|--------------|
| Opening balance                                     | 6,904        | 6,816        |
| Fair Value adjustments on available-for-sale assets | -            | 88           |
| Fair Value adjustments on equity investment assets  | 1,091        | -            |
| <b>Total investment in water corporation</b>        | <u>7,995</u> | <u>6,904</u> |

Council has derived returns from the water corporation as disclosed at note 2.8.

##### Accounting policy under AASB 9 - applicable from 1 July 2018

##### Equity Investment

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

Fair value was determined by using Council's ownership interest against the water corporation's net asset value at balance date. At 30 June 2019, Council continues to hold a 0.43% ownership interest in TasWater which is based on Schedule 2 of the Corporation's Constitution which reflects the Council's voting rights.

##### Accounting policy under AASB 139 - applicable for 2018 comparative

##### Equity Investment

Council's investment in TasWater is valued at its fair value determined by Council's ownership interest against the water corporation's net asset value at balance date. Any unrealised gains and losses are recognised through the Statement of Comprehensive Income to an Available-for-sale Fair value reserve each year (refer note 9.1).

Council has classified this asset as an Available-for-sale financial asset as defined in AASB 139 *Financial Instruments: Recognition and Measurement* and has followed AASB 132 *Financial Instruments: Presentation* and AASB 7 *Financial Instruments: Disclosures* to value and present the asset in the financial report. Council's investment is not traded in an active market and is only sensitive to fluctuations in the value of TasWater's net assets.

#### Note 5 Current Assets

##### Note 5.1 Cash and cash equivalents

|  |               |               |
|--|---------------|---------------|
| Cash on hand                           | 2             | 2             |
| Cash at bank                           | 2,002         | 2,828         |
| Special Committee bank accounts        | 142           | 122           |
| Trust bank accounts                    | 4             | 35            |
| Money market call account              | 410           | 3,457         |
| Term Deposits                          | 7,809         | 4,489         |
| <b>Total cash and cash equivalents</b> | <u>10,369</u> | <u>10,933</u> |

|  | 2019<br>\$'000 | 2018<br>\$'000 |
|--|----------------|----------------|
| Council's cash and cash equivalents are subject to a number of internal and external restrictions that limit amounts available for discretionary or future use. These include: |                |                |
| - Trust funds and deposits (note 7.2)  | 68             | 75             |
| - Unexpended grants (note 2.4)   | -              | 6              |
| <b>Restricted funds</b>  | <b>68</b>      | <b>81</b>      |
| <b>Total unrestricted cash and cash equivalents</b>  | <b>10,301</b>  | <b>10,852</b>  |

**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 six months or less, net of outstanding bank overdrafts.

**Note 5.2 Trade and other receivables**

**Current**

|   |            |            |
|---|------------|------------|
| Rates debtors                           | 131        | 104        |
| Other debtors                           | 417        | 342        |
| Less provision for expected credit loss | (8)        | -          |
| <b>Total</b>                            | <b>540</b> | <b>446</b> |

**Non-current**

|   |            |            |
|---|------------|------------|
| Loans and advances to community organisations | 24         | 27         |
| <b>Total</b>                                  | <b>24</b>  | <b>27</b>  |
| <b>Total trade and other receivables</b>      | <b>564</b> | <b>473</b> |

**Reconciliation of movement in expected credit loss**

**Carrying amount at 30 June 2018 under AASB 139**

Amounts restated through Accumulated Funds

**Carrying amount at 1 July under AASB 9**

|   |          |
|---|----------|
| Amounts written off during the year                           | -        |
| Amounts recovered during the year                             | -        |
| Increase/(decrease) in provision recognised in profit or loss | 8        |
| <b>Carrying amount at 30 June</b>                             | <b>8</b> |

For ageing analysis of the financial assets, refer to note 9.9

**Accounting policy**

**Trade and other receivables**

**Accounting policy under AASB 9 - applicable from 1 July 2018**

Trade receivables that do not contain a significant financing component are measured at amortised cost, which represents their transaction value. Impairment is recognised on an expected credit loss (ECL) basis. When determining whether the credit risk has increased significantly since initial recognition, and when estimating the ECL, Council considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on Council's historical experience, an informed credit assessment and forward-looking information. Council has established a provision matrix to facilitate the impairment assessment.

For rate debtors, Council takes the view that unpaid rates represent a charge against the rateable property that will be recovered when the property is next sold. For non-rate debtors, Council uses the presumptions that assets more than 30 days past due have a significant increase in credit risk and those more than 90 days will likely be in default. Council writes off receivables when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery.

**Accounting policy under AASB 139 - applicable for 2018 comparative**

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

|                                  | 2019<br>\$'000 | 2018<br>\$'000 |
|----------------------------------|----------------|----------------|
| <b>Note 5.3 Financial assets</b> |                |                |
| <i>Non-current</i>               |                |                |
| Investment - Community Bank      | <u>18</u>      | <u>18</u>      |

**Accounting policy**

**Financial assets**

The investment in the local Community Bank is a long-term investment to support the continuing operation of the community bank in Kentish. The shares are intended to be held long term and to potentially return dividends, but are not expected to be sold. The investment is measured at amortised cost. Council does not expect to incur any credit losses and has not recognised any impairment.

**Note 5.4 Inventories**

|                                   |           |           |
|-----------------------------------|-----------|-----------|
| Inventories held for distribution | 10        | -         |
| Inventories held for sale         | 18        | 14        |
| <b>Total inventories</b>          | <u>28</u> | <u>14</u> |

**Accounting policy**

**Inventories**

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

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

**Note 6 Assets**

**Note 6.1 Other assets**

*Current*

|                |            |            |
|----------------|------------|------------|
| Prepayments    | 60         | 62         |
| Accrued income | 94         | 54         |
| <b>Total</b>   | <u>154</u> | <u>116</u> |



| Note 6.2 Property, infrastructure, plant and equipment | 2019<br>\$'000 | 2018<br>\$'000 |
|--|----------------|----------------|
| <b>Summary</b>   |                |                |
| at cost  | 8,256          | 5,737          |
| Less accumulated depreciation                          | (3,537)        | (3,340)        |
|  | <u>4,719</u>   | <u>2,397</u>   |
| at fair value as at 30 June                            | 179,189        | 177,703        |
| Less accumulated depreciation                          | (61,773)       | (59,737)       |
|  | <u>117,416</u> | <u>117,966</u> |
| <b>Total</b>   | <u>122,135</u> | <u>120,363</u> |
| <b>Property</b>  |                |                |
| <b>Land</b>  |                |                |
| at fair value as at 30 June                            | 4,966          | 4,799          |
|  | <u>4,966</u>   | <u>4,799</u>   |
| <b>Land under roads</b>                                |                |                |
| at fair value at 30 June                               | 4,399          | 4,399          |
|  | <u>4,399</u>   | <u>4,399</u>   |
| <b>Land improvements</b>                               |                |                |
| at cost  | 1,893          | 1,477          |
| Less accumulated depreciation                          | (651)          | (605)          |
|  | <u>1,242</u>   | <u>872</u>     |
| <b>Total Land</b>                                      | <u>10,607</u>  | <u>10,070</u>  |
| <b>Buildings</b>                                       |                |                |
| at fair value as at 30 June                            | 23,875         | 22,884         |
| Less accumulated depreciation                          | (10,325)       | (10,139)       |
|  | <u>13,550</u>  | <u>12,745</u>  |
| <b>Total Buildings</b>                                 | <u>13,550</u>  | <u>12,745</u>  |
| <b>Total Property</b>                                  | <u>24,157</u>  | <u>22,815</u>  |
| <b>Plant and Equipment</b>                             |                |                |
| <b>Plant, machinery and equipment</b>                  |                |                |
| at cost  | 2,716          | 2,739          |
| Less accumulated depreciation                          | (1,892)        | (1,790)        |
|  | <u>824</u>     | <u>949</u>     |
| <b>Fixtures, fittings and furniture</b>                |                |                |
| at cost  | 1,154          | 1,125          |
| Less accumulated depreciation                          | (994)          | (945)          |
|  | <u>160</u>     | <u>180</u>     |
| <b>Total Plant and Equipment</b>                       | <u>984</u>     | <u>1,129</u>   |
| <b>Intangibles</b>                                     |                |                |
| at cost  | 443            | -              |
| Less accumulated depreciation                          | -              | -              |
|  | <u>443</u>     | <u>-</u>       |
| <b>Total Intangibles</b>                               | <u>443</u>     | <u>-</u>       |

Note 6.2 Property, infrastructure, plant and equipment (cont.)

**Infrastructure**

**Roads, Bridges and Footpaths**

|                               |               |               |
|-------------------------------|---------------|---------------|
| at fair value as at 30 June   | 141,630       | 141,309       |
| Less accumulated depreciation | (49,568)      | (47,772)      |
|                               | <u>92,062</u> | <u>93,537</u> |

**Drainage**

|                               |              |              |
|-------------------------------|--------------|--------------|
| at fair value as at 30 June   | 4,319        | 4,312        |
| Less accumulated depreciation | (1,880)      | (1,826)      |
|                               | <u>2,439</u> | <u>2,486</u> |

**Total Infrastructure**

|  |               |               |
|--|---------------|---------------|
|  | <u>94,501</u> | <u>96,023</u> |
|--|---------------|---------------|

**Works in progress**

|  |              |            |
|--|--------------|------------|
| Land at cost                             | 110          | -          |
| Land improvements at cost                | 227          | 40         |
| Buildings at cost                        | 48           | 50         |
| Plant and equipment at cost              | 229          | 90         |
| Fixtures, fittings and furniture at cost | 2            | -          |
| Roads, bridges and footpaths at cost     | 1,343        | 104        |
| Drainage at cost                         | 37           | -          |
| Intangibles                              | 25           | -          |
| Other                                    | 29           | 112        |
| <b>Total Works in progress</b>           | <u>2,050</u> | <u>396</u> |

**Total property, infrastructure, plant and equipment**

|  |                |                |
|--|----------------|----------------|
|  | <u>122,135</u> | <u>120,363</u> |
|--|----------------|----------------|

Note 6.2 Property, infrastructure, plant and equipment (cont.)

Reconciliation of property, infrastructure, plant and equipment

| 2019   | Balance at beginning of financial year | Acquisition of assets | Revaluation increments (decrements)<br>(note 9.1) | Depreciation and amortisation<br>(note 3.3) | Written down value of disposals | Impairment losses recognised in profit or loss<br>(a) | Transfers | Balance at end of financial year |
|--|--|-----------------------|---|---|---------------------------------|---|-----------|----------------------------------|
|  | \$'000                                 | \$'000                | \$'000  | \$'000                                      | \$'000                          | \$'000  | \$'000    | \$'000                           |
| <b>Property</b>  |  |                       |   |   |                                 |   |           |                                  |
| Land   | 4,799                                  |                       |   |   |                                 |   | 166       | 4,965                            |
| Land under roads   | 4,399                                  |                       |   |   |                                 |   |           | 4,399                            |
| Land improvements  | 872                                    |                       |   | (46)  |                                 |   | 416       | 1,242                            |
| Total land   | 10,070                                 | -                     | -   | (46)  | -                               | -   | 582       | 10,606                           |
| Total buildings  | 12,745                                 |                       |   | (261)                                       |                                 |   | 1,067     | 13,551                           |
| Total property   | 22,815                                 | -                     | -   | (307)                                       | -                               | -   | 1,649     | 24,157                           |
| <b>Plant and Equipment</b>                                 |  |                       |   |   |                                 |   |           |                                  |
| Plant, machinery and equipment                             | 949                                    |                       |   | (150)                                       |                                 |   | 25        | 824                              |
| Computers, furniture and fittings                          | 180                                    |                       |   | (49)  |                                 |   | 29        | 160                              |
| Total plant and equipment                                  | 1,129                                  | -                     | -   | (199)                                       | -                               | -   | 54        | 984                              |
| <b>Infrastructure</b>                                      |  |                       |   |   |                                 |   |           |                                  |
| Roads, bridges and footpaths                               | 93,537                                 |                       |   | (1,982)                                     | (75)                            |   | 583       | 92,063                           |
| Drainage   | 2,486                                  |                       |   | (54)  |                                 |   | 6         | 2,438                            |
| Other infrastructure                                       | -                                      |                       |   |   |                                 |   |           | -                                |
| Total infrastructure                                       | 96,023                                 | -                     | -   | (2,036)                                     | (75)                            | -   | 589       | 94,501                           |
| <b>Intangibles</b>   |  |                       |   |   |                                 |   |           |                                  |
| Intangibles  | -                                      |                       |   |   |                                 |   | 443       | 443                              |
| Total intangibles  | -                                      | -                     | -   | -   | -                               | -   | 443       | 443                              |
| <b>Works in progress</b>                                   |  |                       |   |   |                                 |   |           |                                  |
| Land at cost   | -                                      | 276                   |   |   |                                 |   | (166)     | 110                              |
| Land improvements at cost                                  | 36                                     | 607                   |   |   |                                 |   | (416)     | 227                              |
| Buildings at cost  | 63                                     | 1,052                 |   |   |                                 |   | (1,067)   | 48                               |
| Plant and equipment at cost                                | 21                                     | 233                   |   |   |                                 |   | (25)      | 229                              |
| Computers, furniture and fittings at cost                  | 7                                      | 24                    |   |   |                                 |   | (29)      | 2                                |
| Roads, bridges and footpaths at cost                       | 166                                    | 1,760                 |   |   |                                 |   | (583)     | 1,343                            |
| Drainage at cost   | 4                                      | 38                    |   |   |                                 |   | (6)       | 36                               |
| Intangibles  | 90                                     | 378                   |   |   |                                 |   | (443)     | 25                               |
| Other  | 9                                      | 20                    |   |   |                                 |   | -         | 29                               |
| Total works in progress                                    | 396                                    | 4,388                 | -   | -   | -                               | -   | (2,735)   | 2,049                            |
| <b>Total property, infrastructure, plant and equipment</b> | <b>120,363</b>                         | <b>4,388</b>          | <b>-</b>  | <b>(2,543)</b>                              | <b>(75)</b>                     | <b>-</b>  | <b>-</b>  | <b>122,134</b>                   |

Due to rounding, numbers presented in the above table do not add up precisely to other totals provided elsewhere in this document.

Note 6.2 Property, infrastructure, plant and equipment (cont.)

Reconciliation of property, infrastructure, plant and equipment

| 2018   | Balance at beginning of financial year | Acquisition of assets | Revaluation increments (decrements)<br>(note 9.1) | Depreciation and amortisation<br>(note 3.3) | Written down value of disposals | Impairment losses recognised in profit or loss<br>(a) | Transfers   | Balance at end of financial year |
|--|--|-----------------------|---|---|---------------------------------|---|-------------|----------------------------------|
|  | \$'000                                 | \$'000                | \$'000  | \$'000                                      | \$'000                          | \$'000  | \$'000      | \$'000                           |
| <b>Property</b>  |  |                       |   |   |                                 |   |             |                                  |
| Land   | 4,799                                  | -                     | -   | -   | -                               | -   | -           | 4,799                            |
| Land under roads   | 4,399                                  | -                     | -   | -   | -                               | -   | -           | 4,399                            |
| Total land   | 9,198                                  | -                     | -   | -   | -                               | -   | -           | 9,198                            |
| Total buildings  | 12,992                                 | 19                    |   | (266)                                       |                                 |   |             | 12,745                           |
| Total property   | 22,190                                 | 19                    | -   | (266)                                       | -                               | -   | -           | 21,943                           |
| <b>Plant and Equipment</b>                                 |  |                       |   |   |                                 |   |             |                                  |
| Plant, machinery and equipment                             | 1,092                                  | 106                   |   | (162)                                       | (90)                            |   | -           | 946                              |
| Fixtures, fittings and furniture                           | 14                                     |                       |   | (4)   |                                 |   | -           | 10                               |
| Computers and telecommunications                           | 109                                    | 98                    |   | (38)  |                                 |   | -           | 169                              |
| Total plant and equipment                                  | 1,215                                  | 204                   | -   | (204)                                       | (90)                            | -   | -           | 1,125                            |
| <b>Infrastructure</b>                                      |  |                       |   |   |                                 |   |             |                                  |
| Roads, bridges & footpaths                                 | 88,641                                 | 2,436                 | 1,558   | (1,871)                                     | (331)                           |   |             | 90,433                           |
| Drainage   | 2,539                                  |                       |   | (54)  |                                 |   |             | 2,485                            |
| Other Infrastructure                                       | 4,191                                  | 12                    | (67)  | (152)                                       | -                               | -   | -           | 3,984                            |
| Total infrastructure                                       | 95,371                                 | 2,448                 | 1,491   | (2,077)                                     | (331)                           | -   | -           | 96,902                           |
| <b>Works in progress</b>                                   |  |                       |   |   |                                 |   |             |                                  |
| Buildings at cost  | 2                                      | 68                    |   |   |                                 |   | (3)         | 67                               |
| Plant and equipment at cost                                | 20                                     | 126                   |   |   |                                 |   | (20)        | 126                              |
| Fixtures, fittings and furniture at cost                   |  |                       |   |   |                                 |   |             | -                                |
| Roads, bridges and footpaths at cost                       | 11                                     | 164                   |   |   |                                 |   | (11)        | 164                              |
| Intangibles  |  |                       |   |   |                                 |   |             | -                                |
| Other  | -                                      | 40                    |   |   |                                 |   |             | 40                               |
| Total works in progress                                    | 33                                     | 398                   | -   | -   | -                               | -   | (34)        | 397                              |
| <b>Total property, infrastructure, plant and equipment</b> | <b>118,809</b>                         | <b>3,069</b>          | <b>1,491</b>                                      | <b>(2,547)</b>                              | <b>(421)</b>                    | <b>-</b>  | <b>(34)</b> | <b>120,367</b>                   |

Due to rounding, numbers presented in the above table do not add up precisely to other totals provided elsewhere in this document.

During 2018/19 Kentish Council implemented a revised chart of accounts and ledger structure on which the financial statements are based. This has resulted in the reallocation of some items between the various classes of assets. As such, the opening balances for classes of assets presented for 2019 may differ to those presented for 2018 above, although the total value of property, infrastructure, plant and equipment did not change.

Note 6.2 Property, infrastructure, plant and equipment (cont.)

| <b>Accounting policy</b>   |                             |
|--|-----------------------------|
| <b>Recognition and measurement of assets</b>   |                             |
| Acquisitions of assets are initially recorded at cost. Cost is determined as the fair value of the assets given as consideration plus costs incidental to the acquisition.   |                             |
| Property, plant and equipment and infrastructure received in the form of contributions, are recognised as assets and revenues at fair value by Council valuation where that value exceeds the recognition thresholds for the respective asset class. Fair value is the price that would be received to sell the asset in an orderly transaction between market participants at the measurement date. |                             |
| Where assets are constructed by Council, cost includes all materials used in construction, direct labour, borrowing costs incurred during construction, and an appropriate share of directly attributable variable and fixed overheads.  |                             |
| The following classes of assets have been recognised. In accordance with Council's policy, the threshold limits detailed below have applied when recognising assets within an applicable asset class and unless otherwise stated are consistent with the prior year:   |                             |
|  | <b>Threshold<br/>\$'000</b> |
| Land   |                             |
| Land   | 10                          |
| Land under roads   | 10                          |
| Land improvements  | 10                          |
| Buildings  |                             |
| Buildings  | 10                          |
| Building improvements  | 10                          |
| Leasehold building improvements  | 10                          |
| Heritage buildings   | 10                          |
| Plant and Equipment  |                             |
| Plant, machinery and equipment   | 5                           |
| Fixtures, fittings and furniture   | 5                           |
| Computers and telecommunications   | 5                           |
| Leased plant and equipment   | 5                           |
| Roads  |                             |
| Road pavements and seals   | 10                          |
| Road substructure  | 10                          |
| Road formation and earthworks  | 10                          |
| Road kerb, channel and minor culverts  | 10                          |
| Road other   | 10                          |
| Bridges  |                             |
| Bridges deck   | 10                          |
| Bridges substructure   | 10                          |
| Bridges other  | 10                          |
| Other Infrastructure   |                             |
| Footpaths and cycleways  | 10                          |
| Drainage   | 10                          |
| Recreational, leisure and community facilities   | 10                          |
| Waste management   | 10                          |
| Parks, open space and streetscapes   | 10                          |
| Off street car parks   | 10                          |
| Other infrastructure   | 10                          |
| Intangible assets  |                             |
| Intangible assets  | 5                           |

Note 6.2 Property, infrastructure, plant and equipment (cont.)

**Revaluation**

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

|  |            |
|--|------------|
| Land                                     | fair value |
| Land improvements                        | cost       |
| Plant and machinery                      | cost       |
| Furniture, fittings and office equipment | cost       |
| Stormwater and drainage infrastructure   | fair value |
| Roads and streets infrastructure         | fair value |
| Bridges                                  | fair value |
| Buildings                                | fair value |
| Intangibles                              | cost       |
| Investment in water corporation          | fair value |

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

In addition, Council undertakes a formal revaluation of land, buildings, and infrastructure assets on a regular basis to ensure valuations represent fair value. Fair value valuations are determined in accordance with a valuation hierarchy. Changes to the valuation hierarchy will only occur if an external change in the restrictions or limitations of use on an asset result in changes to the permissible or practical highest and best use of the asset.

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

**Impairment of assets**

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

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

**Land under roads**

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

|  | 2019<br>\$'000 | 2018<br>\$'000 |
|--|----------------|----------------|
| <b>Note 7 Current liabilities</b>        |                |                |
| <b>Note 7.1 Trade and other payables</b> |                |                |
| Trade payables                           | 335            | 938            |
| Accrued expenses                         | 879            | 194            |
| Payments received in advance             | 138            | 117            |
| Net GST payable / (receivable)           | 15             | (83)           |
| <b>Total trade and other payables</b>    | <u>1,367</u>   | <u>1,166</u>   |

**Accounting policy**

**Trade and other payables**

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 60 days of invoice receipt.

For ageing analysis of trade and other payables, refer to note 9.9

**Note 7.2 Trust funds and deposits**

|                                       |           |           |
|---------------------------------------|-----------|-----------|
| Refundable bonds and deposits         | 68        | 75        |
| <b>Total trust funds and deposits</b> | <u>68</u> | <u>75</u> |

Bonds are lodged by developers pending satisfactory hand-over of public infrastructure constructed by the developer at which time they are repaid to the developer or retained to fund costs to remedy any defects.

**Note 7.3 Provisions**

|  | Annual leave<br>\$ '000 | Long service<br>leave<br>\$ '000 | Other<br>\$ '000 | Total<br>\$ '000 |
|--|-------------------------|----------------------------------|------------------|------------------|
| <b>2019</b>                                |                         |                                  |                  |                  |
| Balance at beginning of the financial year | 200                     | 221                              | 30               | 451              |
| Additional provisions                      | 135                     | 148                              | 28               | 311              |
| Amounts used                               | (43)                    | (96)                             | (13)             | (152)            |
| Balance at the end of the financial year   | <u>292</u>              | <u>273</u>                       | <u>45</u>        | <u>610</u>       |
| <b>2018</b>                                |                         |                                  |                  |                  |
| Balance at beginning of the financial year | 185                     | 159                              | 23               | 367              |
| Additional provisions                      | 164                     | 62                               | 7                | 233              |
| Amounts used                               | (149)                   | -                                | -                | (149)            |
| Balance at the end of the financial year   | <u>200</u>              | <u>221</u>                       | <u>30</u>        | <u>451</u>       |

|   | 2019<br>\$'000 | 2018<br>\$'000 |
|---|----------------|----------------|
| <b>(a) Employee benefits</b>                    |                |                |
| <b>(i) Current</b>                              |                |                |
| Annual leave                                    | 263            | 181            |
| Long service leave                              | 238            | 144            |
| Superannuation                                  | 52             | 34             |
| Other   | 45             | 23             |
|   | <u>598</u>     | <u>382</u>     |
| <b>(ii) Non-current</b>                         |                |                |
| Long service leave                              | 9              | 56             |
| Superannuation                                  | 3              | 6              |
| Other   | -              | 7              |
|   | <u>12</u>      | <u>69</u>      |
| Aggregate carrying amount of employee benefits: |                |                |
| Current   | 598            | 382            |
| Non-current                                     | 12             | 69             |
|   | <u>610</u>     | <u>451</u>     |

|                        | 2019   | 2018   |
|------------------------|--------|--------|
|                        | \$'000 | \$'000 |
| (iii) Employee Numbers | 31     | 29     |

**Accounting policy**

**Employee benefits**

*i) Short term obligations*

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

*ii) Other long term employee benefit obligations*

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

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

*iii) Sick leave*

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

*iv) Defined benefit plans*

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

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

*v) Defined contribution plans*

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



|   | 2019<br>\$'000 | 2018<br>\$'000 |
|---|----------------|----------------|
| <b>Note 8 Non-current</b>                         |                |                |
| <b>Note 8.1 Loans and borrowings</b>              |                |                |
| <i>Current</i>                                    |                |                |
| Accelerated Local Government Capital Program      | 47             | 133            |
| Commonwealth Bank                                 | 110            | 103            |
|   | <u>157</u>     | <u>236</u>     |
| <i>Non-current</i>                                |                |                |
| Accelerated Local Government Capital Program      | -              | 47             |
| Commonwealth Bank                                 | 1,007          | 1,117          |
|   | <u>1,007</u>   | <u>1,164</u>   |
| <b>Total</b>                                      | <u>1,164</u>   | <u>1,400</u>   |
| <b>Borrowings</b>                                 |                |                |
| The maturity profile for Council's borrowings is: |                |                |
| Not later than one year                           | 157            | 236            |
| Later than one year and not later than five years | 519            | 400            |
| Later than five years                             | 488            | 764            |
| <b>Total</b>                                      | <u>1,164</u>   | <u>1,400</u>   |

#### Accounting policy

##### Interest bearing liabilities

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

Interest is expensed as it accrues and no interest has been capitalised during the current or comparative reporting period. There have been no defaults or breaches of the loan agreement during the period. Borrowings are secured by way of a charge over the general rates of the Council.

| Note | Other financial information                                 | Balance at beginning of reporting year | Increment    | Balance at end of reporting year |
|------|---|--|--------------|----------------------------------|
| Note | 9.1 Reserves  | \$'000                                 | \$'000       | \$'000                           |
|      | <b>(a) Asset revaluation reserve</b>                        |  |              |                                  |
|      | <b>2019</b>   |  |              |                                  |
|      | Associate - Dulverton Waste Management Authority (note 4.1) | 306                                    | 4            | 310                              |
|      | Infrastructure, land and buildings                          | 95,102                                 | -            | 95,102                           |
|      | <b>Total asset revaluation reserve</b>                      | <b>95,408</b>                          | <b>4</b>     | <b>95,412</b>                    |
|      | <b>2018</b>   |  |              |                                  |
|      | Associate - Dulverton Waste Management Authority (note 4.1) | 282                                    | 24           | 306                              |
|      | Infrastructure, land and buildings                          | 93,543                                 | 1,559        | 95,102                           |
|      | <b>Total asset revaluation reserve</b>                      | <b>93,825</b>                          | <b>1,583</b> | <b>95,408</b>                    |

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

**(b) Fair value reserve**

**2019**

**Equity Investment assets**

|                                 |            |              |              |
|---------------------------------|------------|--------------|--------------|
| Investment in water corporation | 730        | 1,091        | 1,821        |
| <b>Total fair value reserve</b> | <b>730</b> | <b>1,091</b> | <b>1,821</b> |

**2018**

**Available-for-sale assets**

|                                 |            |           |            |
|---------------------------------|------------|-----------|------------|
| Investment in water corporation | 642        | 88        | 730        |
| <b>Total fair value reserve</b> | <b>642</b> | <b>88</b> | <b>730</b> |

Council has to designate its investment in Taswater as an equity investment at fair value through other comprehensive income. Subsequent changes in fair value are reflected in the reserve and will not be reclassified through the profit or loss when derecognised. Equity Investment assets within the Fair value reserve were previously classified as 'Available-for-sale assets'.

|                       | 2019<br>\$'000 | 2018<br>\$'000 |
|-----------------------|----------------|----------------|
| <b>Total Reserves</b> | <b>97,233</b>  | <b>96,138</b>  |

**Note 9.2 Reconciliation of cash flows from operating activities to surplus (deficit)**

|  |              |              |
|--|--------------|--------------|
| Result from continuing operations  | 1,469        | 1,904        |
| Depreciation/amortisation  | 2,543        | 2,547        |
| (Profit)/loss on disposal of property, infrastructure, plant and equipment | 68           | 404          |
| Capital grants received specifically for new or upgraded assets            | (807)        | (1,335)      |
| Share of Associates Profit/ Loss   | (300)        | (132)        |
| <i>Change in assets and liabilities:</i>                                   |              |              |
| Decrease/(increase) in trade and other receivables                         | (99)         | 465          |
| Decrease/(increase) in other assets  | (38)         | 1,332        |
| Increase/(decrease) in trade and other payables                            | 201          | (354)        |
| Increase/(decrease) in provisions  | 151          | (23)         |
| <b>Net cash provided by/(used in) operating activities</b>                 | <b>3,188</b> | <b>4,808</b> |

**Note 9.3 Reconciliation of liabilities arising from financing activities**

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

|                            | Interest-bearing loans<br>and borrowings |
|----------------------------|--|
|                            | \$'000                                   |
| Balance as at 1 July 2018  | 1,400                                    |
| Cash repayments            | <u>(237)</u>                             |
| Balance as at 30 June 2019 | <u>1,163</u>                             |

|                            |              |
|----------------------------|--------------|
| Balance as at 1 July 2017  | 1,614        |
| Cash repayments            | <u>(214)</u> |
| Balance as at 30 June 2018 | <u>1,400</u> |

|   | 2019<br>\$'000 | 2018<br>\$'000 |
|---|----------------|----------------|
| <b>Note 9.4 Reconciliation of cash and cash equivalents</b> |                |                |
| Cash and cash equivalents (see note 5.1)                    | <u>10,369</u>  | <u>10,933</u>  |
| <b>Total reconciliation of cash and cash equivalents</b>    | <u>10,369</u>  | <u>10,933</u>  |

**Note 9.5 Financing arrangements**

|                          |           |           |
|--------------------------|-----------|-----------|
| Bank overdraft           | <u>25</u> | <u>25</u> |
| <b>Unused facilities</b> | <u>25</u> | <u>25</u> |

## Note 9.6 Superannuation

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

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

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

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

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

The actuarial review concluded that:

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

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

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

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

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

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

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

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

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

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

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

- The Fund is a defined benefit Fund.
- The Quadrant Defined Benefits Fund has been classified as a multi-employer sponsored plan. As the Fund's assets and liabilities are pooled and are not allocated by employer, the Actuary is unable to allocate benefit liabilities, assets and costs between employers. Thus the Fund is not able to prepare standard AASB119 defined benefit reporting.
- During the reporting period the amount of contributions paid to defined benefits schemes was \$0 (2017-18, \$4,000), and the amount paid to accumulation schemes was \$196,321 (2017-18, \$171,000).
- During the next reporting period the expected amount of contributions to be paid to defined benefits schemes is \$0, and the amount to be paid to accumulation schemes is \$201,200.

- As reported above, Assets exceeded accrued benefits as at the date of the last actuarial review, 30 June 2017. Moderate investment returns, since that date, make it quite probable that this is still the position. The financial position of the Fund will be fully investigated at the actuarial review as at 30 June 2020.
- An analysis of the assets and vested benefits of sub-funds participating in the Scheme, prepared by Rice Warner Pty Ltd as at 30 June 2018, showed that the Fund had assets of \$57.48 million and members' Vested Benefits were \$48.39 million. These amounts represented 0.7% and 0.6% respectively of the corresponding total amounts for Tasplan.
- As at 30 June 2018 the fund had 119 members and the total employer contributions and member contributions for the year ending 30 June 2018 were \$1,515,272 and \$266,000 respectively.

| Fund                          | 2019<br>\$'000 | 2018<br>\$'000 |
|-------------------------------|----------------|----------------|
| <b>Defined benefits fund</b>  |                |                |
| Employer contributions        | -              | 4              |
|                               | -              | 4              |
| <br><b>Accumulation funds</b> |                |                |
| Employer contributions        | 196            | 171            |
|                               | 196            | 171            |

**Note 9.7 Commitments**

**Capital Expenditure Commitments**

|  |              |              |
|--|--------------|--------------|
| Buildings                                    | 229          | 770          |
| Plant and equipment                          | 245          | 268          |
| Roads  | 2,673        | 943          |
| Drainage                                     | 105          | -            |
| Parks & Reserves                             | 401          | 523          |
| <b>Total Capital expenditure commitments</b> | <b>3,653</b> | <b>2,504</b> |

**Operating commitments estimated for the next 12 months**

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

|  |            |            |
|--|------------|------------|
| Garbage collection, disposal and recycling | 532        | -          |
| Information systems and Technology         | 124        | 368        |
| <b>Total contractual commitments</b>       | <b>656</b> | <b>368</b> |

**Note 9.8 Contingent liabilities and contingent assets**

**Contingent liabilities**

The Council presently has no significant contingent liabilities.

**Guarantees for loans to other entities**

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

**Contingent assets**

The Council does not have any significant contingent assets.

**Note 9.9 Financial Instruments**

**(a) Interest Rate Risk**

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

**2019**

|   |       | Floating<br>interest<br>rate<br>\$'000 | Fixed interest maturing in: |                                |                                | Non-interest<br>bearing<br>\$'000 | Total<br>\$'000 |
|---|-------|--|-----------------------------|--------------------------------|--------------------------------|-----------------------------------|-----------------|
|   |       |  | 1 year or<br>less<br>\$'000 | Over 1 to 5<br>years<br>\$'000 | More than 5<br>years<br>\$'000 |                                   |                 |
| <b>Financial assets</b>                   |       |  |                             |                                |                                |                                   |                 |
| Cash and cash equivalents                 | 1.69% | 2,560                                  | 7,809                       | -                              | -                              | -                                 | 10,369          |
| Financial assets                          | 0.00% | -                                      | -                           | -                              | -                              | 18                                | 18              |
| Trade and other receivables               | 8.81% | -                                      | 131                         | -                              | -                              | 433                               | 564             |
| Investment in water corporation           |       | -                                      | -                           | -                              | -                              | 7,995                             | 7,995           |
| <b>Total financial assets</b>             |       | <b>2,560</b>                           | <b>7,940</b>                | <b>-</b>                       | <b>-</b>                       | <b>8,446</b>                      | <b>18,946</b>   |
| <b>Financial liabilities</b>              |       |  |                             |                                |                                |                                   |                 |
| Trade and other payables                  | 0.00% | -                                      | -                           | -                              | -                              | 1,367                             | 1,367           |
| Trust funds and deposits                  | 0.00% | -                                      | -                           | -                              | -                              | 68                                | 68              |
| Interest-bearing loans and borrowings     | 6.64% | -                                      | 157                         | 1,007                          | -                              | -                                 | 1,164           |
| <b>Total financial liabilities</b>        |       | <b>-</b>                               | <b>157</b>                  | <b>1,007</b>                   | <b>-</b>                       | <b>1,435</b>                      | <b>2,599</b>    |
| <b>Net financial assets (liabilities)</b> |       | <b>2,560</b>                           | <b>7,783</b>                | <b>(1,007)</b>                 | <b>-</b>                       | <b>7,011</b>                      | <b>16,347</b>   |

**2018**

|   |       | Floating<br>interest<br>rate<br>\$'000 | Fixed interest maturing in: |                                |                                | Non-interest<br>bearing<br>\$'000 | Total<br>\$'000 |
|---|-------|--|-----------------------------|--------------------------------|--------------------------------|-----------------------------------|-----------------|
|   |       |  | 1 year or<br>less<br>\$'000 | Over 1 to 5<br>years<br>\$'000 | More than 5<br>years<br>\$'000 |                                   |                 |
| <b>Financial assets</b>                   |       |  |                             |                                |                                |                                   |                 |
| Cash and cash equivalents                 | 2.89% | 6,408                                  | 4,524                       | -                              | -                              | -                                 | 10,932          |
| Other assets                              | 0.00% | -                                      | -                           | -                              | -                              | 18                                | 18              |
| Trade and other receivables               | 8.72% | -                                      | 104                         | -                              | -                              | 369                               | 473             |
| Investment in water corporation           |       | -                                      | -                           | -                              | -                              | 6,903                             | 6,903           |
| <b>Total financial assets</b>             |       | <b>6,408</b>                           | <b>4,628</b>                | <b>-</b>                       | <b>-</b>                       | <b>7,290</b>                      | <b>18,326</b>   |
| <b>Financial liabilities</b>              |       |  |                             |                                |                                |                                   |                 |
| Trade and other payables                  | 0.00% | -                                      | -                           | -                              | -                              | 1,166                             | 1,166           |
| Trust funds and deposits                  | 0.00% | -                                      | -                           | -                              | -                              | 75                                | 75              |
| Interest-bearing loans and borrowings     | 6.64% | -                                      | 236                         | 400                            | 764                            | -                                 | 1,400           |
| <b>Total financial liabilities</b>        |       | <b>-</b>                               | <b>236</b>                  | <b>400</b>                     | <b>764</b>                     | <b>1,241</b>                      | <b>2,641</b>    |
| <b>Net financial assets (liabilities)</b> |       | <b>6,408</b>                           | <b>4,392</b>                | <b>(400)</b>                   | <b>(764)</b>                   | <b>6,049</b>                      | <b>15,685</b>   |

**Note 9.9 Financial Instruments (cont.)**

**(b) Fair Value**

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

| Financial Instruments                 | Total carrying amount as per<br>Statement of Financial<br>Position |                | Aggregate Net Fair Value |                |
|---------------------------------------|--|----------------|--------------------------|----------------|
|                                       | 2019<br>\$'000   | 2018<br>\$'000 | 2019<br>\$'000           | 2018<br>\$'000 |
| <i>Financial assets</i>               |  |                |                          |                |
| Cash and cash equivalents             | 10,369   | 10,933         | 10,369                   | 10,933         |
| Other financial assets                | 18   | 18             | 18                       | 18             |
| Trade and other receivables           | 564  | 473            | 564                      | 473            |
| Investment in water corporation       | 7,995  | 6,904          | 7,995                    | 6,904          |
| <i>Total financial assets</i>         | <u>18,946</u>  | <u>18,328</u>  | <u>18,946</u>            | <u>18,328</u>  |
| <i>Financial liabilities</i>          |  |                |                          |                |
| Trade and other payables              | 1,367  | 1,166          | 1,367                    | 1,166          |
| Trust funds and deposits              | 68   | 75             | 68                       | 75             |
| Interest-bearing loans and borrowings | 1,164  | 1,400          | 1,164                    | 1,400          |
| <i>Total financial liabilities</i>    | <u>2,599</u>   | <u>2,641</u>   | <u>2,599</u>             | <u>2,641</u>   |

**(c) Credit Risk**

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

**(d) Risks and mitigation**

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

**Market risk**

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

**Interest rate risk**

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

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

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

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

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

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

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

**Credit risk**

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

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

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

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

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

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

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

|   | Financial Institutions | Government agencies | Other      | Total         |
|---|------------------------|---------------------|------------|---------------|
| <b>2019</b>                               |                        |                     |            |               |
| Cash and cash equivalents                 | 10,367                 | -                   | 2          | 10,369        |
| Trade and other receivables               | -                      | -                   | 564        | 564           |
| Investments and other financial assets    | -                      | -                   | 18         | 18            |
| <b>Total contractual financial assets</b> | <b>10,367</b>          | <b>-</b>            | <b>584</b> | <b>10,951</b> |
| <b>2018</b>                               |                        |                     |            |               |
| Cash and cash equivalents                 | 10,931                 | -                   | 2          | 10,933        |
| Trade and other receivables               | -                      | -                   | 473        | 473           |
| Investments and other financial assets    | -                      | -                   | 18         | 18            |
| <b>Total contractual financial assets</b> | <b>10,931</b>          | <b>-</b>            | <b>493</b> | <b>11,424</b> |

**Ageing of Trade and Other Receivables**

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

|  | 2019<br>\$'000 | 2018<br>\$'000 |
|--|----------------|----------------|
| Current (not yet due)                      | 159            | 265            |
| Past due by up to 30 days                  | -              | 111            |
| Past due between 31 and 180 days           | 21             | 12             |
| Past due between 181 and 365 days          | 88             | 65             |
| Past due by more than 1 year               | 295            | 20             |
| <b>Total Trade &amp; Other Receivables</b> | <b>564</b>     | <b>473</b>     |



### Ageing of individually impaired Trade and Other Receivables

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

|                                 | 2019<br>\$'000 | 2018<br>\$'000 |
|---------------------------------|----------------|----------------|
| Past due by more than 1 year    | 8              | -              |
| Total Trade & Other Receivables | <u>8</u>       | <u>-</u>       |

### Liquidity risk

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

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

To help reduce these risks we:

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

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

The table below lists the contractual maturities for Financial Liabilities.

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

| 2019                                  | 6 mths<br>or less<br>\$'000 | 6-12<br>months<br>\$'000 | 1-2<br>years<br>\$'000 | 2-5<br>years<br>\$'000 | >5<br>years<br>\$'000 | Contracted<br>Cash Flow<br>\$'000 | Carrying<br>Amount<br>\$'000 |
|---------------------------------------|-----------------------------|--------------------------|------------------------|------------------------|-----------------------|-----------------------------------|------------------------------|
| Trade and other payables              | 1,367                       | -                        | -                      | -                      | -                     | 1,367                             | 1,367                        |
| Trust funds and deposits              | 68                          | -                        | -                      | -                      | -                     | 68                                | 68                           |
| Interest-bearing loans and borrowings | 78                          | 78                       | 130                    | 389                    | 488                   | 1,164                             | 1,164                        |
| Total financial liabilities           | <u>1,513</u>                | <u>78</u>                | <u>130</u>             | <u>389</u>             | <u>488</u>            | <u>2,599</u>                      | <u>2,599</u>                 |

| 2018                                  | 6 mths<br>or less<br>\$'000 | 6-12<br>months<br>\$'000 | 1-2<br>years<br>\$'000 | 2-5<br>years<br>\$'000 | >5<br>years<br>\$'000 | Contracted<br>Cash Flow<br>\$'000 | Carrying<br>Amount<br>\$'000 |
|---------------------------------------|-----------------------------|--------------------------|------------------------|------------------------|-----------------------|-----------------------------------|------------------------------|
| Trade and other payables              | 1,166                       | -                        | -                      | -                      | -                     | 1,166                             | 1,166                        |
| Trust funds and deposits              | 75                          | -                        | -                      | -                      | -                     | 75                                | 75                           |
| Interest-bearing loans and borrowings | 118                         | 118                      | 100                    | 300                    | 764                   | 1,400                             | 1,400                        |
| Total financial liabilities           | <u>1,359</u>                | <u>118</u>               | <u>100</u>             | <u>300</u>             | <u>764</u>            | <u>2,641</u>                      | <u>2,641</u>                 |

(e) Sensitivity disclosure analysis

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

- A parallel shift of + 1% and -1% in market interest rates.

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

|                                       |        | Interest rate risk |                  |                   |                  |
|---------------------------------------|--------|--------------------|------------------|-------------------|------------------|
|                                       |        | -1 %               |                  | +1%               |                  |
|                                       |        | -100 basis points  |                  | +100 basis points |                  |
| 2019                                  | \$'000 | Profit<br>\$'000   | Equity<br>\$'000 | Profit<br>\$'000  | Equity<br>\$'000 |
| <b>Financial assets:</b>              |        |                    |                  |                   |                  |
| Cash and cash equivalents             | 10,369 | (104)              | (104)            | 104               | 104              |
| Trade and other receivables           | 564    | (6)                | (6)              | 6                 | 6                |
| <b>Financial liabilities:</b>         |        |                    |                  |                   |                  |
| Interest-bearing loans and borrowings | 1,164  | (12)               | (12)             | 12                | 12               |

|                                       |        | Interest rate risk |                  |                   |                  |
|---------------------------------------|--------|--------------------|------------------|-------------------|------------------|
|                                       |        | -1 %               |                  | +1%               |                  |
|                                       |        | -100 basis points  |                  | +100 basis points |                  |
| 2018                                  | \$'000 | Profit<br>\$'000   | Equity<br>\$'000 | Profit<br>\$'000  | Equity<br>\$'000 |
| <b>Financial assets:</b>              |        |                    |                  |                   |                  |
| Cash and cash equivalents             | 10,933 | (109)              | (109)            | 109               | 109              |
| Trade and other receivables           | 473    | (5)                | (5)              | 5                 | 5                |
| <b>Financial liabilities:</b>         |        |                    |                  |                   |                  |
| Interest-bearing loans and borrowings | 1,400  | (14)               | (14)             | 14                | 14               |

**Note 9.10 Fair Value Measurements**

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

- Investment in water corporation
- Property, infrastructure plant and equipment
  - Land, land under roads, land improvements
  - Buildings
  - Roads, bridges and footpaths
  - Drainage

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

**(a) Fair Value Hierarchy**

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

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

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

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

**As at 30 June 2019**

|  | Note | Level 1<br>\$'000 | Level 2<br>\$'000 | Level 3<br>\$'000 | Total<br>\$'000 |
|--|------|-------------------|-------------------|-------------------|-----------------|
| <b>Recurring fair value measurements</b> |      |                   |                   |                   |                 |
| Investment in water corporation          | 4.2  | -                 | -                 | 7,995             | 7,995           |
| Land                                     | 6.2  | -                 | 4,966             | -                 | 4,966           |
| Land under roads                         | 6.2  | -                 | -                 | 4,399             | 4,399           |
| Buildings                                | 6.2  | -                 | 463               | 13,087            | 13,550          |
| Roads, bridges, footpaths & cycleways    | 6.2  | -                 | -                 | 92,062            | 92,062          |
| Drainage                                 | 6.2  | -                 | -                 | 2,439             | 2,439           |
|  |      | -                 | 5,429             | 119,982           | 125,411         |

**As at 30 June 2018**

|  | Note | Level 1<br>\$'000 | Level 2<br>\$'000 | Level 3<br>\$'000 | Total<br>\$'000 |
|--|------|-------------------|-------------------|-------------------|-----------------|
| <b>Recurring fair value measurements</b> |      |                   |                   |                   |                 |
| Investment in water corporation          | 4.2  | -                 | -                 | 6,904             | 6,904           |
| Land                                     | 6.2  | -                 | 4,799             | -                 | 4,799           |
| Land under roads                         | 6.2  | -                 | -                 | 4,399             | 4,399           |
| Buildings                                | 6.2  | -                 | 463               | 12,282            | 12,745          |
| Roads, bridges, footpaths & cycleways    | 6.2  | -                 | -                 | 93,537            | 93,537          |
| Drainage                                 | 6.2  | -                 | -                 | 2,486             | 2,486           |
|  |      | -                 | 5,262             | 119,608           | 124,870         |

**Transfers between levels of the hierarchy**

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

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

**(b) Highest and best use**

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

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

**Investment in water corporation**

Refer to Note 4.2 for details of valuation techniques used to derive fair values.

**Land**

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

*Land under roads*

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

### Buildings

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

### Infrastructure assets

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

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

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

The level of accumulated depreciation for infrastructure assets was determined based on the age of the asset and the useful life adopted by Council for the asset type. Estimated useful lives and residual values are disclosed in Note 6.2.

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

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

#### Roads, including footpaths & cycleways

Council categorises its road infrastructure into urban and rural roads and then further sub-categorises these into sealed and unsealed roads. Sealed roads are managed in segments according to changes in key characteristics such as road width or date of sealing. All road segments are then componentised into formation, sub-pavement, pavement and surface. Except for assessment of CRC of formation costs, Council assumes that environmental factors such as soil type, climate and topography are consistent across each segment. Council also assumes each segment is designed and constructed to the same standard and uses a consistent amount of labour and materials.

CRC is based on the road area multiplied by a unit price; the unit price being an estimate of labour and material inputs, services costs, and overhead allocations. Council assumes that pavements are constructed to depths of 300mm (150mm sub-base plus 150mm base-course) for sealed roads and 200mm (100mm sub-base and 100mm wearing surface for unsealed roads. For internal construction estimates, material and services prices are based on existing supplier contract rates or supplier price lists and labour wage rates are based on Council's Enterprise Agreement (EA). Where construction is outsourced, CRC is based on the average of completed similar projects over the last few years. Where similar projects have not been recently undertaken, unit costs of neighbouring Councils is considered where appropriate.

#### Bridges

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

#### Drainage

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

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

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

#### Other Infrastructure

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

(d) Unobservable inputs and sensitivities

| Asset / liability category*            | Carrying amount (at fair value) | Key unobservable inputs *                                   | Expected range of inputs | Description of how changes in inputs will affect the fair value |
|--|---------------------------------|---|--------------------------|---|
| Roads, including footpaths & cycleways | \$92,062                        | Useful life   | refer note 6             | The higher the useful life the higher the fair value            |
| Roads, including footpaths & cycleways | \$92,062                        | Unit price per sq. metre                                    | refer note 6             | The higher the unit price the higher the fair value             |
| Drainage                               | \$2,439                         | Useful life   | refer note 6             | The higher the useful life the higher the fair value            |
| Drainage                               | \$2,439                         | Unit price per sq. metre                                    | refer note 6             | The higher the unit price the higher the fair value             |
| Investment in Water Corporation        | \$7,995                         | Refer to note 4.2 for a description of the valuation basis. |                          |   |

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

(e) Changes in recurring level 3 fair value measurements

The changes in level 3 assets with recurring fair value measurements are detailed in note 6 (Property, infrastructure, plant and equipment). There have been no transfers between level 1, 2 or 3 measurements during the year.

(f) Valuation processes

Council's current policy for the valuation of property, infrastructure, plant and equipment, investment in water corporation, (recurring fair value measurements) is set out in note 6.2 and 4.2.

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

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

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

The fair value of borrowings disclosed in note 8.1 equates to the carrying amount as the carrying amount approximates fair value (level 2).

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

Note 9.11  
(a)

Events occurring after balance date

Since early in the 2020 calendar year the COVID-19 pandemic has impacted many people and organisations in the local community, more broadly in Tasmania and around the globe. In response to the pandemic, Council has implemented a number of community support initiatives, including constraints on future rate increases. More generally, Council's operations in the latter half of the 2019/20 financial year have been impacted as the level of social, community and commercial activity within our region has been impacted by the State Government's COVID-19 response and containment measures.

Council has determined that these events have not impacted the financial position and results of operations of Council as at and for the year ended 30 June 2019.

Note 10  
Note 10.1

Other matters  
Related party transactions  
Responsible Persons

(i)

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

|                    |  |
|--------------------|--|
| <b>Councillors</b> | Councillor Tim Wilson (Mayor November 2018 to current, Deputy Mayor November 2009 to October 2018)<br>Councillor Don Thwaites (Deputy Mayor November 2018 to current, Mayor November 2007 to October 2018)<br>Councillor Penny Lane (Councillor November 2007 to current)<br>Councillor Rodney Blenkhorn (Councillor November 2014 to current)<br>Councillor Linda Cassidy (Councillor November 2014 to current)<br>Councillor Kate Haberle (Councillor November 2014 to current)<br>Councillor Phillip Richards (Councillor November 2014 to current)<br>Councillor Steve Mawer (Councillor November 2018 to current)<br>Councillor Nicole Meijer (Councillor November 2018 to current)<br>Councillor Annie Willock (Councillor July 2018 to October 2018)<br>Councillor Terrence Hughes (Councillor July 2018 to October 2018) |
|--------------------|--|

**General Manager** Gerald Monson - April 2010 to current

(ii)

Councillor Remuneration  
2019

|              | Short term benefits |                       |                             |                       | Total allowances and expenses section 72 |
|--------------|---------------------|-----------------------|-----------------------------|-----------------------|--|
|              | Allowances          | Vehicles <sup>1</sup> | Total Compensation AASB 124 | Expenses <sup>2</sup> |  |
|              | \$                  | \$                    | \$                          | \$                    |  |
| Mayor        | 30,749              | -                     | 30,749                      | 2,348                 | 33,097                                   |
| Deputy Mayor | 27,571              | -                     | 27,571                      | 2,717                 | 30,288                                   |
| Councillors  | 73,855              | -                     | 73,855                      | 13,032                | 86,887                                   |
| <b>Total</b> | <b>132,175</b>      | <b>-</b>              | <b>132,175</b>              | <b>18,097</b>         | <b>150,272</b>                           |

2018

|              | Short term benefits |                       |                             |                       | Total allowances and expenses section 72 |
|--------------|---------------------|-----------------------|-----------------------------|-----------------------|--|
|              | Allowances          | Vehicles <sup>1</sup> | Total Compensation AASB 124 | Expenses <sup>2</sup> |  |
|              | \$                  | \$                    | \$                          | \$                    |  |
| Mayor        | 36,671              | -                     | 36,671                      | 4,663                 | 41,334                                   |
| Deputy Mayor | 21,113              | -                     | 21,113                      | 1,854                 | 22,967                                   |
| Councillors  | 75,843              | -                     | 75,843                      | 16,551                | 92,394                                   |
| <b>Total</b> | <b>133,627</b>      | <b>-</b>              | <b>133,627</b>              | <b>23,068</b>         | <b>156,695</b>                           |

<sup>1</sup> Includes total cost of providing and maintaining vehicles provided for private use, including registration, insurance, fuel and other consumables, maintenance cost and parking (including notional value of parking provided at premises that are owned or leased and fringe benefits tax).

<sup>2</sup> Section 72(1)(b) of the *Local Government Act 1993* requires the disclosure of expenses paid to Councillors.

(iii)

Key Management Personnel Remuneration

| Remuneration band     | Number of employees <sup>8</sup> | Short term employee benefits |  |                       |  | Post employment benefits     |                                   | Non-monetary Benefits <sup>7</sup> | Total          |
|-----------------------|----------------------------------|------------------------------|--|-----------------------|--|------------------------------|-----------------------------------|------------------------------------|----------------|
|                       |                                  | Salary <sup>1</sup>          | Short-term Incentive Payments <sup>2</sup> | Vehicles <sup>3</sup> | Other Allowances and Benefits <sup>4</sup> | Super-annuation <sup>5</sup> | Termination Benefits <sup>6</sup> |                                    |                |
|                       |                                  | \$                           | \$   | \$                    | \$   | \$                           | \$                                |                                    |                |
| \$130 001 - \$150 000 | 2                                | 224,594                      | -  | 19,700                | -  | 21,160                       | -                                 | 15,632                             | 281,086        |
| <b>Total</b>          |                                  | <b>224,594</b>               | <b>-</b>                                   | <b>19,700</b>         | <b>-</b>                                   | <b>21,160</b>                | <b>-</b>                          | <b>15,632</b>                      | <b>281,086</b> |

|  |                |
|--|----------------|
| Less key management personnel hired to Latrobe Council (est 1.1 FTE)           | (154,957)      |
| Add key management personnel services hired from Latrobe Council (est 1.4 FTE) | 230,501        |
| <b>Net total cost of key management personnel 2019</b>                         | <b>356,630</b> |

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

| 2018<br>Remuneration band   | Number of employees <sup>8</sup> | Short term employee benefits |  |                             |  | Post employment benefits           |   | Non-monetary Benefits <sup>7</sup> | Total           |
|---|----------------------------------|------------------------------|--|-----------------------------|--|------------------------------------|---|------------------------------------|-----------------|
|   |                                  | Salary <sup>1</sup><br>\$    | Short-term Incentive Payments <sup>2</sup><br>\$ | Vehicles <sup>3</sup><br>\$ | Other Allowances and Benefits <sup>4</sup><br>\$ | Super-annuation <sup>5</sup><br>\$ | Termination Benefits <sup>6</sup><br>\$ |                                    |                 |
| <\$100,000  | 1                                | 41,981                       | -  | 29,994                      | -  | 3,988                              | -                                       | (6,905)                            | 69,058          |
| \$120 001 - \$140 000   | 1                                | 92,838                       | -  | 11,180                      | -  | 17,920                             | -                                       | 10,658                             | 132,596         |
| \$140 001 - \$160 000   | 1                                | 116,387                      | -  | 11,782                      | -  | 11,057                             | -                                       | 12,242                             | 151,468         |
| <b>Total</b>  |                                  | <b>251,206</b>               | <b>-</b>   | <b>52,956</b>               | <b>-</b>   | <b>32,965</b>                      | <b>-</b>                                | <b>15,995</b>                      | <b>353,122</b>  |
| <b>Less key management personnel hired to Latrobe Council (est 1.1 FTE)</b>           |                                  |                              |  |                             |  |                                    |   |                                    | <b>(50,808)</b> |
| <b>Add key management personnel services hired from Latrobe Council (est 1.5 FTE)</b> |                                  |                              |  |                             |  |                                    |   |                                    | <b>210,024</b>  |
| <b>Net total cost of key management personnel 2018</b>                                |                                  |                              |  |                             |  |                                    |   |                                    | <b>512,338</b>  |

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

<sup>2</sup> Short term incentive payments are non-recurrent payments which depend on achieving specified performance goals within specified timeframes. These payments are capped at 15% of base salary. [This includes such items as retention bonuses in culmination with termination.]

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

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

<sup>5</sup> Superannuation means the contribution to the superannuation fund of the individual.

<sup>6</sup> Termination benefits include all forms of benefit paid or accrued as a consequence of termination.

<sup>7</sup> Non-monetary benefits include annual and long service leave movements and non-monetary benefits (such as housing, subsidised goods or services etc).

<sup>8</sup> Due to a restructure implemented during the 2018/2019 year the number of employees considered to be key management personnel is now 2 not 3.

(iv) Remuneration Principles

**Councillors**

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

**Executives**

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

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

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

(v) Transactions with subsidiaries, associates and joint ventures

Council's interests in, associates is detailed in note 4.1

**Transactions with associates**

| Nature of the transaction  | Amount of the transactions during the year | Outstanding balances, including commitments at year end | Terms and conditions  | Provisions for doubtful debts related outstanding balances | The expense recognised during the period relating to bad or doubtful debts due from related parties |
|--|--|---|---|--|---|
| Waste disposal services <sup>1</sup>                             | \$414,377                                  | Council owes \$25,261                                   | 30-day terms on invoices  | -  | -   |
| National Taxation Equivalent Regime (NTER) receipts <sup>2</sup> | \$119,825                                  | Council recorded accrued revenue of \$43,693            | As per Section 71 of the Government Business Enterprises Act 1995 | -  | -   |
| Dividends <sup>3</sup>   | \$65,296                                   | -   | As determined by the Board of Dulverton Waste Management          | -  | -   |

<sup>1</sup> Council incurs gate fees for disposal of waste collected as part of its kerbside waste collection services and disposal of waste transferred from its waste transfer stations. Amounts are payable monthly.

<sup>2</sup> As part owner of Dulverton Waste Management Authority, Council receives quarterly income tax equivalent payments from the authority.

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

(iv) **Transactions with related parties**

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

| Note | Nature of the transaction                            | Amount of the transactions during the year | Outstanding balances, including commitments at year end | Terms and conditions            | Provisions for doubtful debts related outstanding balances | The expense recognised during the period relating to bad or doubtful debts due from related parties |
|------|--|--|---|---------------------------------|--|---|
| 1    | Agency Accommodation bookings                        | \$7,960                                    | -   | Payment received on bookings    | -  | -   |
| 2    | Agency Accommodation commissions deducted by Council | \$1,194                                    | -   | Council Approved fees & charged | -  | -   |
| 3    | Agency Accommodation - net payment to Owner          | \$6,766                                    | -   | 30 - day Terms                  | -  | -   |
| 4    | Sheffield General repair and vehicle maintenance     | \$11,189                                   | -   | 7- day Terms                    | -  | -   |
| 5    | Caltex Gas Refill , fuel and oil                     | \$147                                      | -   | 30 - day Terms                  | -  | -   |
| 6    | Wilmot Tourist and Progress Association              | \$2,685                                    | -   | 30 - day Terms                  | -  | -   |

<sup>1</sup> Council received accommodation bookings receipts through the Kentish Visitor information Centre for a property owned by a related party of a Councillor. The terms and conditions of these bookings are the same as generally applied to all accommodation bookings.

<sup>2</sup> Council retained commissions on the above accommodation booking receipts through the Kentish Visitor information Centre on terms and conditions the same as those generally applied to all similar accommodation bookings.

<sup>3</sup> Council paid the net proceeds of the above accommodation bookings (after deducting commission ) on terms and conditions the same as those generally applied to similar accommodation bookings.

<sup>4</sup> Sheffield Mechanical and Tyre is generally used for care service and repairs, towing of abandoned vehicles identified by he council and general repairs to vehicles and trailers and is owned by a Councillor and their spouse.

<sup>5</sup> Caltex Sheffield for the purchase of daily consumables that including gas, fuel and oil and is owned by a Councillor.

<sup>6</sup> Annual Funding of the Wilmot Museum , Grants for a Christmas barbeque in December 2018 and the purchase of trees for the Wilmot Cemetery. The treasurer is a family member of a councillor.

(v) **Loans and guarantees to/from related parties**

The aggregate amount of loans in existence at balance date that have been made, guaranteed or secured by the council to a related party are nil.

(vi) **Commitments to/from related parties**

The aggregate amount of commitments in existence at balance date that have been made, guaranteed or secured by the council to a related party are nil.

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

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

- Payment of rates on
- Dog registration
- Use of Council's swimming pool

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



Note 10.2 Special committees and other activities

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

2019

| Special Committee                      | Opening Bank   |               | Expenditure   | Balance Sheet |           | Closing Bank Balance |
|--|----------------|---------------|---------------|---------------|-----------|----------------------|
|  | Balance        | Revenue       |               | Transfers     | Transfers |                      |
| Barrington Hall Committee              | 22,100         | 3,177         | 2,676         | 1,850         |           | 24,451               |
| Beulah Hall Committee                  | 10,619         | 851           | 2,751         | 1,850         |           | 10,570               |
| Claude Road Hall Committee             | 13,548         | 9,827         | 4,708         | 2,050         |           | 20,717               |
| Kentish Museum                         | 7,194          | 842           | 6,701         | 6,600         |           | 7,935                |
| Railton Community Facilities Committee | 16,920         | 9,273         | 4,918         | -             |           | 21,275               |
| Railton Recreation Ground Committee    | 2,296          | 12            | 1,259         | 1,850         |           | 2,898                |
| Railton Squash Committee               | 5,378          | 1,100         | 2,476         | -             |           | 4,002                |
| TRAK                                   | 7,823          | 33,431        | 33,393        | 1,850         |           | 9,711                |
| Wilmot Memorial Hall Committee         | 22,399         | 2,617         | 2,651         | 1,850         |           | 24,215               |
| Wilmot Recreation Ground Committee     | 10,625         | 1,850         | -             | -             |           | 12,475               |
| Railton Neighbourhood Centre           | 3,278          | 4,862         | 7,191         | 3,850         |           | 4,800                |
|  | <b>122,181</b> | <b>67,842</b> | <b>68,725</b> | <b>21,750</b> |           | <b>143,048</b>       |

2018

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

**Note 10.3 Other significant accounting policies and pending accounting standards**

**(a) Taxation**

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

*Goods and services tax (GST)*

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

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

**(b) Impairment of non-financial assets**

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

**(c) Allocation between current and non-current**

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

**(d) Financial guarantees**

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

**(e) Contingent assets, contingent liabilities and commitments**

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

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

**(f) Budget**

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

**(g) Adoption of new and amended accounting standards**

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

**(i) AASB 9 *Financial Instruments***

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

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

(a) Classification and measurement

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

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

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

| AASB 139 Category and carrying amount |      |        |            | AASB 9 Category and carrying amount |                                   |                        |   |
|---------------------------------------|------|--------|------------|-------------------------------------|-----------------------------------|------------------------|---|
|                                       |      |        |            | Amortised Cost                      | Fair value through profit or loss | Fair value through OCI | Equity instrument at fair value through OCI |
|                                       | Note | \$'000 | \$'000     | \$'000                              | \$'000                            | \$'000                 | \$'000                                      |
| Loans and receivables                 |      |        |            |                                     |                                   |                        |   |
| Trade and other receivables           | 5.2  | 473    | 473        | -                                   | -                                 | -                      | -   |
| Investment - Community Bank           | 5.3  | 18     | 18         | -                                   | -                                 | -                      | -   |
| Available-for-sale                    |      |        |            |                                     |                                   |                        |   |
| Investment in water corporation       | 4.2  | 6,904  | -          | -                                   | -                                 | -                      | 6,904                                       |
|                                       |      |        | <b>491</b> | <b>-</b>                            | <b>-</b>                          | <b>-</b>               | <b>6,904</b>                                |

(b) Impairment of financial assets

The adoption of AASB 9 has fundamentally changed Council's accounting for impairment losses for financial assets by replacing AASB 139's incurred loss approach, with a forward-looking expected credit loss (ECL) approach. AASB 9 requires Council to recognise an allowance for ECLs for all financial assets not held at fair value through profit or loss. Upon adoption of AASB 9, no impact was recognised.

(h) Pending Accounting Standards

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

(i) AASB 15 Revenue from Contracts with Customers

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

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

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

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

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

Council will apply the standard from 1 July 2019 using a retrospective approach with cumulative catch-up with an adjustment to Accumulated surpluses for the difference in accounting treatment on initial adoption however no adjustment is considered necessary as the balance of unexpended grants is nil.

(ii) AASB 1058 Income of Not-for-Profit Entities

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

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

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

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

Where the asset acquired is leased at a "Peppercorn" rate, Council is required to recognise the leased asset at its fair value, the remaining lease liability and the balance as income. These leased right-of-use assets have not previously been recognised. Council has reviewed possible peppercorn leases and determined that any impact would not be material.

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

AASB 1058 requires the recognition of Volunteer services where they would have been purchased if not donated and the fair value of those services can be reliably measured. Council has assessed these requirements and determined that volunteer labour is generally utilised to support Visitor Information Centre operations. It is estimated that approximately 3120 hours of time are utilised which would generally be at the casual rate of \$28.033 per hour. This equates to a value of approximately \$87,000.

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

(iii) AASB 16 Leases

This standard is applicable to annual reporting periods beginning on or after 1 January 2019. Council will apply the standard from 1 July 2019. Exemptions allow councils to apply AASB 117 for the 30 June 2019 reporting year.

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

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

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

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

Council will apply the standard from 1 July 2019 using a retrospective approach with cumulative catch-up with an adjustment to Accumulated surpluses for the difference in accounting treatment on initial adoption, however as Council does not have any leases there will be no impact.

(iv) AASB 2017-5 Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128 and Editorial Correction, applicable to annual reporting periods beginning on or after 1 January 2022.

The amendments address an acknowledge inconsistency between the requirements in AASB10, and those in AASB128 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture.

The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary.

Council does not anticipate the occurrence of a sale or contribution of assets with its associate therefore no Impact is anticipated.

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

**Note 10.4 Significant Business Activities**

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

|  | O'Neills Creek Overnight Camping |       |
|--|----------------------------------|-------|
|  | 2018                             | 2019  |
| <i>Revenue</i>                                 |                                  |       |
| Rates  | -                                | -     |
| User Changes                                   | 1,094                            | 1,711 |
| Grants   | -                                | -     |
| Total Revenue                                  | 1,094                            | 1,711 |
| <i>Expenditure</i>                             |                                  |       |
| <i>Direct</i>                                  |                                  |       |
| Employee Costs                                 | 18                               | 31    |
| Materials and Contacts                         | 1,335                            | 863   |
| Interest                                       | -                                | -     |
| Utilities                                      | -                                | -     |
| <i>Indirect</i>                                |                                  |       |
| Engineering & Administration                   | -                                | -     |
| Total Expenses                                 | 1,353                            | 894   |
| <i>Notional cost of free services received</i> |                                  |       |
| <i>Capital Costs</i>                           |                                  |       |
| Depreciation and amortisation                  | 124                              | 108   |
| Opportunity cost of capital                    | 428                              | 388   |
| Total Capital Costs                            | 552                              | 496   |
| <i>Competitive neutrality adjustments</i>      |                                  |       |
| Rates and land tax                             | 69                               | 69    |
| Loan guarantee fees                            | -                                | -     |
|  | 69                               | 69    |
| <i>Calculated Surplus/(Deficit)</i>            | (452)                            | 817   |
| Tax Equivalent rate                            | 30%                              | 30%   |
| Taxation equivalent                            | -                                | 245   |
| Competitive neutrality costs                   | 69                               | 314   |

**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. The Tasmanian Economic Regulator has deemed that the provision of overnight camping services at O'Neills Creek constitutes a significant business activity. 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, in that 10% of the actual operating costs are determined to be in relation to overnight camping, with the remainder considered to be related to day use only.

| Note | 10.5 Management indicators                     | Benchmark | 2019<br>\$'000 | 2018<br>\$'000 | 2017<br>\$'000 | 2016<br>\$'000 |
|------|--|-----------|----------------|----------------|----------------|----------------|
| (a)  | <b>Underlying surplus or deficit</b>           |           |                |                |                |                |
|      | Net result for the year                        |           | 1,469          | 1,904          | 4,716          | (836)          |
|      | Less non-operating income                      |           |                |                |                |                |
|      | National disaster relief grants received       |           | -              | (238)          | (5,143)        | (439)          |
|      | Gain on disposal of surplus land               |           | -              | (19)           | (29)           | -              |
|      | Grants specifically for new/ upgraded assets   |           | (318)          | (907)          | (187)          | (93)           |
|      | Grants for renewal of assets                   |           | (489)          | (428)          | (654)          | (898)          |
|      | Grants received in advance - current year      |           | (1,346)        | (1,384)        | (1,326)        | -              |
|      | Rates received in advance - current year       |           | (233)          | (202)          | (193)          | (186)          |
|      | Grants received in advance - prior year        |           | 1,384          | 1,326          | -              | 1,277          |
|      | Rates received in advance - prior year         |           | 202            | 193            | 186            | 168            |
|      | Add non-operational expenses                   |           |                |                |                |                |
|      | Disaster relief and recovery expenditure       |           | -              | 108            | 2,730          | 735            |
|      | Loss on disposal of assets destroyed in floods |           | -              | -              | -              | 818            |
|      | Underlying surplus/deficit                     |           | <u>669</u>     | <u>353</u>     | <u>100</u>     | <u>546</u>     |

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

|     |                                 |    |            |            |            |            |
|-----|---------------------------------|----|------------|------------|------------|------------|
| (b) | <b>Underlying surplus ratio</b> |    |            |            |            |            |
|     | Underlying surplus or deficit   |    | <u>669</u> | <u>353</u> | <u>100</u> | <u>546</u> |
|     | Recurrent income*               |    | 10,430     | 10,193     | 9,407      | 9,547      |
|     | Underlying surplus ratio %      | 0% | 6%         | 3%         | 1%         | 6%         |

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

Council's underlying surplus ratio trend is above the benchmark ratio of 0%. This indicates that Council is generating recurrent income in excess of that needed to fund recurrent expenditure.

|     |                                  |   |              |              |              |              |
|-----|----------------------------------|---|--------------|--------------|--------------|--------------|
| (c) | <b>Net financial liabilities</b> |   |              |              |              |              |
|     | Liquid assets less               |   | 11,031       | 11,447       | 10,328       | 8,549        |
|     | total liabilities                |   | (3,209)      | (3,092)      | (3,786)      | (3,229)      |
|     | Net financial liabilities        | 0 | <u>7,822</u> | <u>8,355</u> | <u>6,542</u> | <u>5,320</u> |

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

|     |  |            |              |              |              |              |
|-----|--|------------|--------------|--------------|--------------|--------------|
| (d) | <b>Net financial liabilities ratio</b> |            |              |              |              |              |
|     | Net financial liabilities              |            | <u>7,822</u> | <u>8,355</u> | <u>6,542</u> | <u>5,320</u> |
|     | Recurrent income*                      |            | 10,430       | 10,193       | 9,407        | 9,547        |
|     | Net financial liabilities ratio %      | 0% - (50%) | 75%          | 82%          | 70%          | 56%          |

This ratio indicates the net financial obligations of Council compared to its recurrent income. As the trend of the ratio is higher than the 0% benchmark the ratio indicates that Council is generating more than sufficient funds to meet total liabilities.

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

|  |                                 |  |               |               |               |               |
|--|---------------------------------|--|---------------|---------------|---------------|---------------|
|  | <i>Transport Infrastructure</i> |  |               |               |               |               |
|  | Depreciated replacement cost    |  | <u>92,062</u> | <u>93,537</u> | <u>88,641</u> | <u>82,486</u> |
|  | Current replacement cost        |  | 141,630       | 141,309       | 132,558       | 123,583       |
|  | Asset consumption ratio %       |  | 65%           | 66%           | 67%           | 67%           |

|  |                              |  |               |               |               |               |
|--|------------------------------|--|---------------|---------------|---------------|---------------|
|  | <i>Buildings</i>             |  |               |               |               |               |
|  | Depreciated replacement cost |  | <u>13,550</u> | <u>12,745</u> | <u>12,992</u> | <u>13,098</u> |
|  | Current replacement cost     |  | 23,875        | 22,884        | 22,865        | 22,683        |
|  | Asset consumption ratio %    |  | 57%           | 56%           | 57%           | 58%           |

|  |                              |  |              |              |              |              |
|--|------------------------------|--|--------------|--------------|--------------|--------------|
|  | <i>Drainage</i>              |  |              |              |              |              |
|  | Depreciated replacement cost |  | <u>2,439</u> | <u>2,486</u> | <u>2,539</u> | <u>2,524</u> |
|  | Current replacement cost     |  | 4,319        | 4,312        | 4,313        | 4,245        |
|  | Asset consumption ratio %    |  | 56%          | 58%          | 59%          | 59%          |

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

| Note | 10.5 | Management indicators (cont.)   | 2019<br>\$'000 | 2018<br>\$'000 | 2017<br>\$'000 | 2016<br>\$'000 |       |
|------|------|---|----------------|----------------|----------------|----------------|-------|
| (f)  |      | <b>Asset renewal funding ratio</b>  |                |                |                |                |       |
|      |      | An asset renewal funding ratio has been calculated in relation to each asset class required to be included in the long-term strategic asset management plan of Council. |                |                |                |                |       |
|      |      | <i>Transport Infrastructure</i>   |                |                |                |                |       |
|      |      | <u>Projected capital funding outlays**</u>  | 19,341         | 18,970         | 14,224         | 17,254         |       |
|      |      | Projected capital expenditure funding***  | 10,740         | 11,198         | 12,111         | 11,702         |       |
|      |      | Asset renewal funding ratio %   | 90-100%        | 180%           | 169%           | 117%           | 147%  |
|      |      | <i>Buildings</i>  |                |                |                |                |       |
|      |      | <u>Projected capital funding outlays**</u>  | 17             | 17             | 102            | 208            |       |
|      |      | Projected capital expenditure funding***  | 17             | 17             | 17             | 17             |       |
|      |      | Asset renewal funding ratio %   | 90-100%        | 100%           | 100%           | 600%           | 1224% |
|      |      | <i>Drainage</i>   |                |                |                |                |       |
|      |      | <u>Projected capital funding outlays**</u>  | 7              | 7              | 7              | 7              |       |
|      |      | Projected capital expenditure funding***  | 7              | 7              | 7              | 7              |       |
|      |      | 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.

Where the ratio is above the benchmark of 90-100% it indicates that Council is intending to expend more capital expenditure than is indicated as required within the long term strategic asset plan.

**(g) Asset sustainability ratio**

|  |       |       |       |       |     |
|--|-------|-------|-------|-------|-----|
| <u>Capex on replacement/renewal of existing assets</u> | 1,146 | 1,266 | 5,611 | 1,580 |     |
| Annual depreciation expense                            | 2,543 | 2,547 | 2,571 | 2,700 |     |
| Asset sustainability ratio %                           | 100%  | 45%   | 50%   | 218%  | 59% |

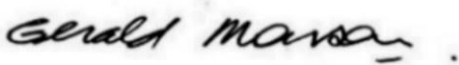
This ratio calculates the extent to which Council is maintaining operating capacity through renewal of their existing asset base. Where the ratio is less than the 100% benchmark it indicates that council is not expending sufficient funds to replace existing assets as measured by the depreciation expense.

|                                | Capital<br>renewal<br>expenditure<br>\$'000 | Capital new<br>/upgrade<br>expenditure<br>\$'000 | Total Capital<br>Expenditure<br>\$'000 |
|--------------------------------|---|--|--|
| <b>2019</b>                    |   |  |  |
| Roads and Bridges              | 899   | 904  | 1,804                                  |
| Stormwater Assets              | 37  | 0  | 37                                     |
| Buildings                      | 15  | 1,050  | 1,065                                  |
| Land                           | 0   | 276  | 276                                    |
| Land Improvements              | 0   | 515  | 515                                    |
| Office Furniture and Equipment | 8   | 2  | 10                                     |
| Plant and Equipment            | 167   | 18   | 185                                    |
| Intangibles                    | 0   | 468  | 468                                    |
| Other                          | 20  | 9  | 29                                     |
| <b>Total</b>                   | <b>1,146</b>                                | <b>3,243</b>                                     | <b>4,389</b>                           |
| <b>2018</b>                    |   |  |  |
| Roads and Bridges              | 1,227                                       | 1,497  | 2,724                                  |
| Stormwater Assets              | 4   | 0  | 4                                      |
| Buildings                      | 0   | 19   | 19                                     |
| Land Improvements              | 0   | 12   | 12                                     |
| Office Furniture and Equipment | 0   | 98   | 98                                     |
| Plant and Equipment            | 35  | 99   | 134                                    |
| <b>Total</b>                   | <b>1,266</b>                                | <b>1,725</b>                                     | <b>2,991</b>                           |



## Certification of the Financial Report

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



Gerald Monson  
**General Manager**  
B.Bus (Public Adm); FLGMA

Date : 5/6/2020