



SECTION 4 FINANCIAL STATEMENTS

Statement of Comprehensive Income Year Ended 30 June 2014

	NOTE	ACTUAL 2014 \$000	BUDGET (UNAUDITED) 2014 \$000	ACTUAL 2013 \$000
REVENUES				
Rates and Charges	4	57,829	57,189	55,802
Fees	4	18,838	18,332	17,407
Revenue Grants and Contributions	4			
Financial Assistance Grants	4	2,122	1,945	3,617
Other Grants	4	2,655	2,366	2,734
Capital Grants	4	3,422	3,186	3,620
Interest	4	2,616	2,620	2,948
Interest - Capital Funds	4	36	70	209
Investment Revenue	4	3,945	3,166	2,787
Bequests	8	290	-	52
Other	4	3,077	3,369	3,161
Infrastructure Take Up Adjustments	5	22,573	-	3,603
		<u>117,403</u>	<u>92,243</u>	<u>95,940</u>
EXPENSES				
Maintenance of Facilities and Provision of Services				
Employee Benefits	4	36,238	36,847	32,317
Materials and Services	4	34,269	30,194	31,533
Impairment of Debts	4	46	83	48
Finance Costs				
Interest on Loans	4	624	720	757
Provision for Rehabilitation	20	46	334	326
Change in Provision for Rehabilitation	20	-	-	-
Depreciation and Amortisation	7	18,213	18,013	18,528
State Government Fire Service Levy		6,072	6,072	5,836
Rate Remissions and Abatements		691	678	654
Write Down of Assets Held For Sale	31	1,474	-	-
Total Expenses		<u>97,674</u>	<u>92,941</u>	<u>89,999</u>
SURPLUS (DEFICIT)		19,729	(698)	5,939
Other Comprehensive Income				
Items that will not be reclassified to surplus or deficit				
Investment Revaluation	23	(34,971)		4,915
Actuarial Gains (Losses)	14	1,640		6,260
Net Infrastructure Asset Revaluation Increase (Decrease)	21e	33,009		(21,741)
Museum Collection Revaluation Increase (Decrease)	30/21e	2,770		-
COMPREHENSIVE RESULT		<u>22,177</u>	<u>(698)</u>	<u>(4,627)</u>

The accompanying notes form an integral part of these financial statements.

Statement of Financial Position Year Ended 30 June 2014

	NOTE	2014 \$'000	2013 \$'000
EQUITY			
Capital Reserves	8	157,031	153,662
Revenue Reserves	8	881,406	863,726
Asset Revaluation Reserves	8	426,370	425,563
Trusts and Bequests	8	1,996	1,675
TOTAL EQUITY		1,466,803	1,444,626
Represented by:-			
CURRENT ASSETS			
Cash at Bank and on Hand	9	726	2,296
Rate and Sundry Receivables	10	4,209	4,252
Short Term Investments	11	58,924	55,003
Inventories		661	652
Assets Held for Sale	31	180	-
		64,700	62,203
NON-CURRENT ASSETS			
Deferred Receivables	19	258	258
Investment (TasWater)	11/23	227,332	262,303
Intangible Assets	21	4,411	4,674
Infrastructure and Other Assets	21	977,359	930,062
Museum Collection	30	235,709	232,238
		1,445,069	1,429,535
TOTAL ASSETS		1,509,769	1,491,738
CURRENT LIABILITIES			
Deposits and Prepayments	11	663	693
Employee Provisions	13	5,741	5,799
Interest Bearing Liabilities	15	2,592	2,707
Sundry Payables and Accruals	18	18,444	14,617
		27,440	23,816
NON-CURRENT LIABILITIES			
Employee Provisions	13	1,183	837
Superannuation Obligation	14	1,850	2,550
Interest Bearing Liabilities	15	7,499	10,091
Other Provisions	20	4,994	9,818
		15,526	23,296
TOTAL LIABILITIES		42,966	47,112
NET ASSETS		1,466,803	1,444,626
Commitments for			
Capital Expenditure	17	6,630	5,306
Contingent Liabilities	29	-	-

The accompanying notes form an integral part of these financial statements.

Statement of Changes in Equity Year Ended 30 June 2014

	2014 \$000	2013 \$000
TOTAL EQUITY		
Balance 1 July	1,444,626	1,449,252
Net Surplus	19,729	5,939
Comprehensive Income	1,641	6,262
Asset Revaluations		
Infrastructure Assets	35,779	(21,741)
Water Corporation	(34,972)	4,915
Balance 30 June	<u>1,466,803</u>	<u>1,444,626</u>
CAPITAL RESERVES		
Balance 1 July	153,662	150,070
Net Surplus	3,369	3,592
Balance 30 June	<u>157,031</u>	<u>153,662</u>
REVENUE RESERVES		
Balance 1 July	863,726	855,203
Net Surplus	16,330	2,315
Comprehensive Income	1,640	6,260
Transfers	(290)	(52)
Balance 30 June	<u>881,406</u>	<u>863,726</u>
ASSET REVALUATION RESERVES		
Balance 1 July	425,563	442,389
Asset Revaluations		
Infrastructure Assets	35,779	(21,741)
TasWater (Water Corporation)	(34,972)	4,915
Balance 30 June	<u>426,370</u>	<u>425,563</u>
TRUSTS AND BEQUESTS		
Balance 1 July	1,675	1,590
Net Surplus	31	33
Transfers	290	52
Balance 30 June	<u>1,996</u>	<u>1,675</u>
	<u>1,466,803</u>	<u>1,444,626</u>

Notes – 1) For further information regarding changes in reserves refer note 8

The accompanying notes form an integral part of these financial statements.

Statement of Cashflows Year Ended 30 June 2014

	NOTES	2014 \$000	2013 \$000
		INFLOWS (OUTFLOWS)	INFLOWS (OUTFLOWS)
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments			
Provision of Goods and Services (including GST)		(66,557)	(68,534)
Interest Paid		(630)	(764)
State Government Fire Service Levy		(6,072)	(5,836)
Receipts			
Rates		57,370	55,682
Fees and Charges		18,423	17,287
Grants and Contributions – Revenue		4,777	6,352
Interest Received		2,651	2,795
Other (including GST)		6,056	5,559
Net Cash from Operating Activities	22	<u>16,018</u>	<u>12,541</u>
CASH FLOWS USED IN INVESTING ACTIVITIES			
Payments			
Capital Works		(19,047)	(21,882)
Receipts			
Sale of Assets		719	262
Grants and Contributions – Capital		3,422	3,620
Distributions from Investments		3,945	2,787
Net Cash Used In Investing Activities		<u>(10,961)</u>	<u>(15,213)</u>
CASH FLOWS USED IN FINANCING ACTIVITIES			
Payments			
Loan Repayments		(2,707)	(2,573)
Receipts			
Loan Proceeds		-	-
Net Cash From in Financing Activities		<u>(2,707)</u>	<u>(2,573)</u>
Net Increase (Decrease) in Cash Held		2,350	(5,245)
Cash and Cash Equivalents at 1 July		57,299	62,544
Cash and cash equivalents at 30 June	22	<u>59,649</u>	<u>57,299</u>

The accompanying notes form an integral part of these financial statements.



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Notes to Financial Statements

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Note 1 - Statement of Accounting Policies

a) Reporting Entity

This report is a general purpose financial report. All entities through which the Launceston City Council controls resources to carry out its functions (including the Special Committees detailed in Note 26) have been included in these financial statements. Inter-entity balances and transactions have been eliminated.

b) Statement of Compliance

This financial report has been prepared to comply with Australian Accounting Standards, other pronouncements of the Australian Accounting Standards Board (AASB) and the *Local Government Act 1993* (as amended). It has been prepared on an accrual and going concern basis under the convention of historical cost accounting, with the exception that certain non-current assets (other than deferred debtors), are included at valuation (refer Notes 1(g), 21, 23 and 24). Except as disclosed below the accounting policies adopted are consistent with those of the previous year.

b.i) Presentation of Financial Statements

b.i) Presentation of Financial Statements
AASB 101 Presentation of Financial Statements requires entities to group items presented in Other Comprehensive Income (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). These amendments do not remove the option to present profit or loss and other comprehensive income in two statements.

Paragraph 8 of AASB 101 permits:

Although this Standard uses the terms 'other comprehensive income', 'profit or loss' and 'total comprehensive income', an entity may use other terms to describe the totals as long as the meaning is clear. For example, an entity may use the term 'net income' to describe profit or loss.

As the Council is by definition a 'not for profit' entity the use of this term to describe its revenues, expenditures and net effects of same would be fundamentally misleading to users of the financial statements. For clarity and continuity the Council will continue to use the term 'Statement of

Comprehensive Income' to describe the change in equity as a result of its operations.

c) Adoption of New and Revised Accounting Standards

In the current year the Council has adopted the following new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that are relevant to its operations and effective for the current annual reporting period. The adoption of these new and revised standards has had no material effect on the Council's accounting policies.

AASB 13 Fair Value Measurement

The Council has applied AASB 13 for the first time in the current year. AASB 13 establishes a single source of guidance for fair value measurements. The fair value measurement requirements of AASB 13 apply to both financial instrument items and non-financial instrument items for which other AASBs require or permit fair value measurements and disclosures about fair value measurements, except for leasing transactions that are within the scope of AASB 17 Leases, and measurements that have some similarities to fair value but not fair value (e.g. net realisable value for the purposes of measuring inventories or value in use for impairment assessment purposes).

AASB 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under AASB 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, AASB 13 includes extensive disclosure requirements.

AASB 13 required application from 1 January 2013. In addition, specific transitional provisions were given to entities such that they need not apply the disclosure requirements set out in the Standard in comparative information provided for periods before the initial application of the Standard. In accordance with these transitional provisions, the Council has not made any new

Note 1 - Statement of Accounting Policies *continued*

disclosures required by AASB 13 for the 2013 comparative period (refer Note 32), except for financial instruments, of which the fair value disclosures are required under AASB 7: Financial Instruments, Disclosures.

AASB 117 Leases

AASB 117 - Leases as amended, is applicable for reporting periods commencing after 1 July 2013. While the Council has no material leases the standard requires 'a general description of the leasee's material leasing arrangements...' for both finance and operating leases.

Note 1(s) contains a narrative on the Council's lease arrangements. Note 16 has details of any material leases.

AASB 119 Employee Benefits

In the current year, the Council has applied AASB 119 Employee Benefits (as revised) and the related consequential amendments for the first time. AASB 119 changes the definition of short-term employee benefits. Short-term employee benefits are now defined as benefits expected to be settled wholly before twelve-months after the end of the reporting period in which the employees render the related service.

In particular this could apply to the Council's annual leave liabilities. The standard now requires these liabilities to be discounted over the time they are expected to be paid. The Council's practice has been to discount these liabilities over two years.

Standards Available for Early Adoption and not Adopted

At the reporting date a number of standards were available for early adoption and relevant to the Council's operations but were not applied by the Council. These are listed at Note 33.

d) Accounting Estimates

In the application of Australian Accounting Standards, the Council is required to make judgements, estimates and assumptions about carrying values of some assets and liabilities. Judgements made by the Council that have significant effects on the Financial Statements are disclosed in the relevant notes.

An estimate may need revision if changes occur in the

circumstances on which the estimate was based. The effect of any changes in estimates are brought to account in the reporting period the changes are made.

At the reporting date there were no material changes in the accounting estimates used in the preparation of the report.

e) Financial Instruments**Rate Debtors**

All rates levied during the reporting period are recognised as revenues. Uncollected rates are recognised as receivables (refer Notes 2 and 10).

Other Debtors

Receivables are carried at nominal amounts due less any allowance for impaired debts. The Council provides in respect of any amount for which collection is considered doubtful.

Sundry Creditors

Sundry Creditors represent liabilities for goods and services provided prior to the end of the financial year and which are unpaid. The amounts are unsecured and are paid within normal credit terms.

Deposits

The Council holds deposits lodged by other organisations and security deposits lodged by individuals and entities performing work which may adversely affect Council assets. The deposits are repayable on demand or where certain conditions have been met. They are recorded at nominal value.

f) Grants and Donations

All grants and donations are recognised as revenue when received or when the Council obtains control over the assets comprising the contributions. Grants held where the Council has not gained full control of the funds are held as deposits (refer Notes 11 and 12).

g) Investments

Investments in managed funds (if held) are valued at the redemption price at balance date as advised by the investment managers and are based on the market value of the underlying investments. Movements in redemption values are recognised as revenue or expense in the period to which they relate. Net income for the year is included as

Note 1 - Statement of Accounting Policies *continued*

“Interest Income”.

TasWater

AASB 127 Separate Financial Statements, requires a reporting entity to prepare consolidated financial reports to include the assets and liabilities of subsidiaries under their control.

At the reporting date the Council owned 14.8% of Tasmanian Water and Sewerage Corporation Pty Ltd, trading as TasWater. However, under the provisions of the *Water and Sewer Corporations Act 2012*, the Council does not have the power to govern the financial and operating policies of TasWater.

The investment in TasWater is recorded at the fair value of the Council's share of the underlying assets (refer Note 23).

The Council will receive returns from this investment in the form of distributions (dividends, guarantee fees, income tax equivalents). All returns will be taken up as income in the year in which received.

h) Inventories

Stores and materials are valued at average cost or net realisable value whichever is the lower. Stores issues are at average cost.

i) Recognition of Non-Current Assets

In accordance with AASB 1051 Land Under Roads, the Council elected not to recognise as an asset, land under roads acquired before 1 July 2008. Land under roads, from roads acquired since 1 July 2008 as a result of subdivision works has not been recognised due to immateriality and the lack of a consistent method of valuing this land. While the process of infrastructure asset recognition is largely complete in the major asset classes, the Council does find it necessary on occasion to take up assets as they are identified. The Parks and Recreation assets were reassessed in the 2013-14 year (culverts, street lighting, retaining walls). Any adjustment arising from this process is treated as an “infrastructure take-up adjustment” (Note 5).

Plant and Equipment assets acquired are recorded at the cost of acquisition.

The Queen Victoria Museum and Art Gallery collection was revalued as at 30 June 2014 (Note 30).

j) Impairment

At each reporting date the Council reviews the carrying amount of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss.

Non-commercial assets are reviewed using the Australian paragraphs to AASB 136 Impairment of Assets, where future economic benefits are measured on future net cash inflows and whether, if deprived of the asset, the Council would replace its future economic benefit. At the reporting date no assets were identified as being materially impaired.

k) Depreciation and Write-off of Non-Current Assets

Depreciation has been charged in recognition of the diminution in value of non-current assets through use. No depreciation is charged in relation to land, nor for non-current assets that are maintained such that their future useful life remains constant (for example sports fields and garden beds).

Museum Collection

The museum collection assets have been assessed to have indefinite lives. These heritage and cultural assets are stored, managed, displayed, repaired and restored in ways that will maintain their cultural or heritage value over time. Where conservation, restoration and preservation activities demonstrate that an asset will be maintained for an indefinite period, these items are considered to have indefinite useful lives and therefore not subject to depreciation. Revaluations will be made with sufficient regularity to maintain the collection at fair value.

Significant additions to the collection are brought to account at curators valuation. Significance is defined at a threshold value of \$10,000. Additions below this amount are not brought to account.

Where depreciation is charged, it is on the straight line basis using rates that recognise the useful life of the asset.

Note 1 - Statement of Accounting Policies *continued*

	BASIS OF DEPRECIATION	USEFUL LIFE
Freehold Land	Not Depreciated	Unlimited
Leased Land	Not Depreciated	Lease term
Freehold Buildings	Straight Line	100 - 250 years
Leasehold Buildings	Straight Line/Lease	100 years
Light Vehicles	Straight Line	5 years
Major Plant	Straight Line	5 - 15 years
Minor Plant	Straight Line	3 - 20 years
Computer Equipment	Straight Line	3 - 5 years
Furniture and Equipment	Straight Line	4 - 50 years
Infrastructure		
Road Pavement	Straight Line	150 years
Road Sealed Surfaces	Straight Line	20 - 35 years
Road Kerb and Channel	Straight Line	100 years
Road Footpaths	Straight Line	30 - 50 years
Bridges	Straight Line	25 - 100 years
Parks and Recreation	Straight Line	10 - 150 years
Stormwater and Drainage	Straight Line	80 - 150 years
Flood Protection	Straight Line	80 - 200 years
Stock Sales Market	Straight Line	10 - 50 years
Waste Centre	Straight Line	30 - 50 years
Future Rehabilitation Costs	Straight Line	3 years

Where buildings are demolished to permit new construction, the written down value of the building at the point of demolition is written-off in the year of demolition. During the financial year useful lives of assets was reviewed. The changes to useful lives were:

	REASSESSED USEFUL LIFE	USEFUL LIFE As at 2013
Major Plant	5 - 15 years	3 - 20 years
Minor Plant	3 - 20 years	2 - 20 years
Road Sealed Surfaces	20 - 35 years	15 - 25 years

l) Provision for Rehabilitation

The Council operates a refuse disposal area (Launceston Waste Centre) which imposes obligations for rehabilitation in the future. Provision is made for rehabilitation costs to be incurred in future years by estimating the future costs based on current legislative requirements. This future cost is discounted back to present value at balance date. At each balance date the discounting is unwound with the movement in the liability charged to the Statement of Comprehensive Income as part of "borrowing costs".

m) Taxation

The Council is exempt from all forms of income taxation. The major taxation expenses for the Council are, Fringe Benefits Tax, Payroll Tax, Land Tax and the Goods and Services Tax.

Fringe Benefits Tax

Fringe Benefits Tax is expensed in the year it is incurred.

Payroll Tax

Payroll Tax expensed is in the year it is incurred. Accrued employee liabilities are recognised inclusive of Payroll Tax.

Goods and Services Tax

Revenue, expenses and assets are recognised net of goods and services tax (GST) except for the case of receivables and payables which are recognised inclusive of GST. Cash flows are included in the Cash Flow Statement on a gross basis. The GST component of cash flows arising from investing and financing activities is classified as operating cash flows.

n) Employee Benefits

Annual and Long Service Leave - Provision is made in respect of the liability for annual leave and long service leave at 30 June 2014. The remuneration rate expected to apply at the time of settlement has been used in

Note 1 - Statement of Accounting Policies *continued*

calculation of the entitlements. In the case of long service leave the provision has been established at balance date having regard to the present value of estimated future cash outflows. Commonwealth bond rates are used for discounting future cash flows.

Personal Leave - No provision is made for personal leave as the entitlement is non-vesting and it is probable that the personal leave expected to be taken in future periods will not exceed the entitlements expected to accrue in those future periods.

Defined Benefit Fund – the Council contributes to defined benefit plans on behalf of its employees. An asset or liability is recognised in respect of the difference between plan assets and the obligations for entitlements as detailed in Note 14. From 11 February 2014 the defined benefit fund was closed to new members.

Employees engaged after this date receive accumulation benefits.

o) Competition Policy Compliance

Section 84(2)(da) of the *Local Government Act 1993* requires the Council's financial statements to contain a statement of the "operating, capital and competitive neutrality costs" in respect of each significant business activity. The Council has chosen to disclose these costs in respect of all functions. This disclosure has been included in Note 2.

The following items have been disclosed:

Full Cost Attribution

Service costs applied to all Council operations in respect of internal services provided (e.g. accounting and computer support).

Competitive Neutrality Costs

Notional charges for expenses not normally incurred by Councils (eg council rates). As these costs are not actually incurred, the Council's "General Public Services" function has been credited with collection of these notional items.

Notional Income Tax

Notional income tax has been applied at the rate of 30% against accounting profit (excluding abnormal asset valuation adjustments) for significant business activities. The amounts are notional only as the entity is exempt from income tax.

Capital Costs

Depreciation has been allocated to functional areas within the operating statement. The notional opportunity cost of capital employed in respect of the function has been noted at the foot of the statement. It has been calculated by applying a rate of 9% to net assets employed.

p) Component Functions or Programs

The Council categorises programs into eight categories for the operating summary in Note 2.

Categories are as follows:

General Public Service

Management of the administrative and financial operation of the Council organisation including elected representatives.

Public Order and Safety

Supervision of various by-laws, animal control and public nuisances. The collection of the fire levy on behalf of the State Fire Commission.

Health

Administration of health legislation on behalf of the State Government including food handling control and public health issues. Provision of immunisation services.

Welfare

Maintenance of properties used for childcare and kindergarten.

Housing and Community Amenities

Provision of building and development approvals services including planning scheme. Solid waste services including garbage collection and disposal. Funding for the provision of street lighting. Maintenance of a range of public buildings and facilities including cemeteries. Maintenance of the stormwater drainage network including flood mitigation works. Provision of street cleaning services.

Recreation and Culture

Maintenance of parks and reserves, sports grounds, playspaces, swimming pools, halls and related recreational facilities. Funding of Queen Victoria Museum and Art Gallery and the Princess Theatre.

Note 1 - Statement of Accounting Policies *continued***Roads and Traffic**

Construction and maintenance of roads, footpaths and bridges. Operation of parking facilities including off-street car parks and on-street metered spaces.

Other

A range of services and facilities including the provision of economic development and promotional services and a livestock sale yard.

q) Rounding

Amounts shown in the financial statements and notes have been rounded to the nearest thousand dollars. This may result in minor variations between schedules and in totals.

r) Prior Period Disclosure

In the preparation of the financial statements it is Council policy to ensure that any prior year figures are compatible with current year figures.

s) Leases**Finance Lease as Lessee**

Leases of assets where substantially all the risks and rewards incidental to ownership of the asset, are transferred to the Council are classified as finance leases. Finance leases are capitalised, recorded as an asset and a liability at the lower of the fair value of the asset and the present value of the minimum lease payments, including any guaranteed residual value. Lease payments are allocated between the reduction of the lease liability and the interest expense. Leased assets are depreciated on a straight line basis over their estimated useful lives to the Council where it is likely that the Council will obtain ownership of the asset or over the term of the lease, whichever is the shorter.

At the reporting date the Council had no Finance Leases.

Operating Leases as Lessee

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Council as lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

The Council leases several parcels of Crown land under lease agreements with the State Government. These leases,

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

Other than Crown Land, the Council had no Operating Leases at the reporting date.

Leasehold Improvement

Leasehold improvements are recognised at cost and are amortised over the unexpired period of the lease or the estimated useful life of the improvement, whichever is the shorter.

At the reporting date the Council had no Non -cancellable Operating Leases.

Operating Leases as Lessor**Not-for-Profit**

The Council owns a range of facilities that are available for lease by not-for-profit sport, recreational and community organisations. Leases to not-for-profit organisations, in general, do not reflect commercial arrangements and have minimal lease payments. Land and buildings which are leased under these arrangements are recognised within Infrastructure Assets in the Statement of Financial Position and associated rental income is recognised in accordance with the Council's Revenue Recognition Policy.

Commercial Arrangements

The Council also owns facilities that are leased in whole or in part to organisations and individuals on a commercial basis, the associated land and buildings are recognised within Infrastructure Assets in the Statement of Financial Position and valued in accordance with the Council's valuation policy and rental income is recognised in accordance with the Council's revenue recognition policy. While the leases are on commercial terms, the dominant purpose of the Council holding these assets is to enhance its operating programs and facilities, not to earn rental income.

Note 2 - Functions / Activities of the Council

	2014 ACTUAL \$000	2014 BUDGET \$000	2013 ACTUAL \$000
TOTAL REVENUES			
Rates and Charges	57,829	57,189	55,802
Fees	18,838	18,332	17,406
Revenue Grants and Contributions			
Financial Assistance Grants	2,122	1,945	3,617
Other Grants	2,655	2,366	2,734
Interest	2,616	2,620	2,949
Interest - Capital Funds	36	70	209
Investment Revenue	3,945	3,166	2,787
Bequests	290	-	52
Other	3,077	3,369	3,159
	<u>91,408</u>	<u>89,057</u>	<u>88,715</u>
EXPENSES			
Provision of Services			
Employee Costs (Gross)	37,052	37,270	33,963
Less Amounts Capitalised	(814)	(423)	(1,647)
Employee Costs	<u>36,238</u>	<u>36,847</u>	<u>32,316</u>
Materials and Services	34,269	30,194	31,534
Impairment of Debts	46	83	48
Finance Costs			
Interest on Loans	624	720	757
Provision for Rehabilitation	46	334	326
Depreciation and Amortisation	18,213	18,013	18,528
State Government Fire Service Levy	6,072	6,072	5,836
Rate Remissions and Abatements	691	678	653
Write Down of Assets Held For Sale	<u>1,474</u>	<u>-</u>	<u>-</u>
	<u>97,673</u>	<u>92,941</u>	<u>89,998</u>
Full Cost Attribution (Note 1q)	-	-	-
Competitive Neutrality (Note 1q)	-	-	-
	<u>97,673</u>	<u>92,941</u>	<u>89,998</u>
Net Surplus (Deficit)	<u>(6,265)</u>	<u>(3,884)</u>	<u>(1,283)</u>
Capital Grants and Infrastructure Adjustments			
Capital Grants and Contributions	3,422	3,186	3,620
Infrastructure Take up Adjustments	<u>22,573</u>	<u>-</u>	<u>3,603</u>
Net Surplus (Deficit) Before Other Comprehensive Income	<u>19,730</u>	<u>(698)</u>	<u>5,940</u>
Infrastructure Assets	967,884		923,267
Work in Progress	13,886		11,469
Other Assets	<u>527,999</u>		<u>557,002</u>
Total Assets	<u>1,509,769</u>		<u>1,491,738</u>

Note 2 - Functions / Activities of the Council *continued*

GENERAL PUBLIC SERVICES	2014 \$000	2013 \$000
REVENUES		
Rates and Charges	47,169	45,516
Fees	740	612
Revenue Grants and Contributions		
Financial Assistance Grants	712	1,193
Other Grants	20	34
Interest	2,601	2,948
Interest - Capital Funds	(135)	(172)
Investment Revenue	3,945	2,787
Other	321	872
	<u>55,373</u>	<u>53,790</u>
EXPENSES		
Provision of Services		
Employee Costs (Gross)	10,168	8,065
Less Amounts Capitalised	(522)	(167)
Employee Costs	<u>9,646</u>	<u>7,898</u>
Materials and Services	3,803	3,747
Impairment of Debts	1	-
Finance Costs		
Interest on Loans	624	757
Depreciation and Amortisation	1,010	1,069
Rate Remissions and Abatements	691	652
Write Down of Assets Held For Sale	1,474	-
	<u>17,249</u>	<u>14,123</u>
Full Cost Attribution (Note 1q)	(1,936)	(1,891)
Competitive Neutrality (Note 1q)	(264)	(257)
	<u>15,049</u>	<u>11,975</u>
Surplus (Deficit)	<u>40,324</u>	<u>41,815</u>
Capital Grants and Infrastructure Adjustments		
Capital Grants and Contributions	50	33
Infrastructure Take up Adjustments	53	160
Net Surplus (Deficit) Before Other Comprehensive Income	<u>40,427</u>	<u>42,008</u>
Infrastructure Assets	41,612	43,979
Work in Progress	142	9
Other Assets	291,274	324,764
Total Assets	<u>333,028</u>	<u>368,752</u>

Note 2 - Functions / Activities of the Council *continued*

PUBLIC ORDER AND SAFETY	2014 \$'000	2013 \$'000
REVENUES		
Rates and Charges	6,138	5,961
Fees	304	263
Revenue Grants and Contributions		
Other Grants	3	-
Interest	15	15
Other	1	-
	<u>6,461</u>	<u>6,239</u>
EXPENSES		
Provision of Services		
Employee Costs (Gross)	295	332
Less Amounts Capitalised	-	-
Employee Costs	<u>295</u>	<u>332</u>
Materials and Services	165	133
Impairment of Debts	19	4
Depreciation and Amortisation	13	13
State Government Fire Service Levy	<u>6,072</u>	<u>5,836</u>
	<u>6,564</u>	<u>6,318</u>
Full Cost Attribution (Note 1q)	77	75
Competitive Neutrality (Note 1q)	-	-
	<u>6,641</u>	<u>6,393</u>
Surplus (Deficit)	<u>(180)</u>	<u>(154)</u>
Capital Grants and Infrastructure Adjustments		
Capital Grants and Contributions	-	-
Infrastructure Take up Adjustments	-	-
Net Surplus (Deficit) Before Other Comprehensive Income	<u>(180)</u>	<u>(154)</u>
Infrastructure Assets	1,190	1,001
Work in Progress	-	-
Other Assets	-	-
Total Assets	<u>1,190</u>	<u>1,001</u>

Note 2 - Functions / Activities of the Council *continued*

HEALTH	2014 \$000	2013 \$000
REVENUES		
Fees	250	287
	<u>250</u>	<u>287</u>
EXPENSES		
Provision of Services		
Employee Costs (Gross)	886	752
Less Amounts Capitalised	-	-
Employee Costs	<u>886</u>	<u>752</u>
Materials and Services	70	180
Impairment of Debts	30	(1)
Depreciation and Amortisation	<u>1</u>	<u>1</u>
	960	932
Full Cost Attribution (Note 1q)	136	132
Competitive Neutrality (Note 1q)	-	-
	<u>1,096</u>	<u>1,064</u>
Surplus (Deficit)	<u>(846)</u>	<u>(777)</u>
Capital Grants and Infrastructure Adjustments		
Capital Grants and Contributions	-	-
Infrastructure Take up Adjustments	-	-
Net Surplus (Deficit) Before Other Comprehensive Income	<u>(846)</u>	<u>(777)</u>
Infrastructure Assets	-	-
Work in Progress	-	-
Other Assets	-	-
Total Assets	<u>-</u>	<u>-</u>

Note 2 - Functions / Activities of the Council *continued*

WELFARE	2014 \$000	2013 \$000
REVENUES		
Fees	-	2
Revenue Grants and Contributions		
Other Grants	18	89
Other	-	6
	<u>18</u>	<u>97</u>
EXPENSES		
Provision of Services		
Employee Costs (Gross)	576	505
Less Amounts Capitalised	-	-
Employee Costs	<u>576</u>	<u>505</u>
Materials and Services	<u>260</u>	<u>357</u>
	836	862
Full Cost Attribution (Note 1q)	66	64
Competitive Neutrality (Note 1q)	-	-
	<u>902</u>	<u>926</u>
Surplus (Deficit)	<u>(884)</u>	<u>(829)</u>
Capital Grants and Infrastructure Adjustments		
Capital Grants and Contributions	-	-
Infrastructure Take up Adjustments	-	-
Net Surplus (Deficit) Before Other Comprehensive Income	<u>(884)</u>	<u>(829)</u>
Infrastructure Assets	1,312	1,324
Work in Progress	-	-
Other Assets	-	-
Total Assets	<u>1,132</u>	<u>1,324</u>

Note 2 - Functions / Activities of the Council *continued*

HOUSING COMMUNITY AND AMENITIES	2014 \$'000	2013 \$'000
REVENUES		
Rates and Charges	4,038	3,859
Fees	6,693	5,936
Revenue Grants and Contributions		
Other Grants	547	469
Interest - Capital Funds	87	266
Other	688	493
	12,053	11,023
EXPENSES		
Provision of Services		
Employee Costs (Gross)	5,820	5,407
Less Amounts Capitalised	(259)	(552)
Employee Costs	5,561	4,855
Materials and Services	11,096	9,024
Impairment of Debts	(1)	13
Finance Costs		
Provision for Rehabilitation	46	326
Depreciation and Amortisation	3,460	3,713
	20,162	17,931
Full Cost Attribution (Note 1q)	(274)	(240)
Competitive Neutrality (Note 1q)	56	55
	19,944	17,746
Surplus (Deficit)	(7,891)	(6,723)
Capital Grants and Infrastructure Adjustments		
Capital Grants and Contributions	2,000	-
Infrastructure Take up Adjustments	4,175	(9,269)
Net Surplus (Deficit) Before Other Comprehensive Income	(1,716)	(15,992)
Infrastructure Assets	216,596	198,646
Work in Progress	11,950	9,362
Other Assets	-	-
Total Assets	228,546	208,008

Note 2 - Functions / Activities of the Council *continued*

RECREATION AND CULTURE	2014 \$000	2013 \$000
REVENUES		
Fees	3,935	3,358
Revenue Grants and Contributions		
Other Grants	1,468	1,332
Interest - Capital Funds	84	100
Bequests	290	52
Other	1,600	1,683
	<u>7,377</u>	<u>6,525</u>
EXPENSES		
Provision of Services		
Employee Costs (Gross)	10,908	10,355
Less Amounts Capitalised	(4)	-
Employee Costs	<u>10,904</u>	<u>10,355</u>
Materials and Services	12,016	11,258
Impairment of Debts	2	31
Depreciation and Amortisation	<u>4,482</u>	<u>4,362</u>
	27,404	26,006
Full Cost Attribution (Note 1q)	993	964
Competitive Neutrality (Note 1q)	111	108
	<u>28,508</u>	<u>27,078</u>
Surplus (Deficit)	<u>(21,131)</u>	<u>(20,553)</u>
Capital Grants and Infrastructure Adjustments		
Capital Grants and Contributions	546	2,004
Infrastructure Take up Adjustments	<u>7,985</u>	<u>574</u>
Net Surplus (Deficit) Before Other Comprehensive Income	<u>(12,600)</u>	<u>(17,975)</u>
Infrastructure Assets	294,260	288,436
Work in Progress	699	1,557
Other Assets	<u>235,710</u>	<u>232,238</u>
Total Assets	<u>530,669</u>	<u>522,231</u>

Note 2 - Functions / Activities of the Council *continued*

ROADS AND TRAFFIC	2014 \$000	2013 \$000
REVENUES		
Fees	5,944	5,962
Revenue Grants and Contributions		
Financial Assistance Grants	1,411	2,424
Other Grants	205	222
Other	51	48
	<u>7,611</u>	<u>8,656</u>
EXPENSES		
Provision of Services		
Employee Costs (Gross)	5,172	5,166
Less Amounts Capitalised	(29)	(891)
Employee Costs	<u>5,143</u>	<u>4,275</u>
Materials and Services	5,772	5,908
Impairment of Debts	23	1
Depreciation and Amortisation	<u>8,226</u>	<u>8,218</u>
	19,164	18,402
Full Cost Attribution (Note 1q)	555	532
Competitive Neutrality (Note 1q)	80	78
	<u>19,799</u>	<u>19,012</u>
Surplus (Deficit)	<u>(12,188)</u>	<u>(10,356)</u>
Capital Grants and Infrastructure Adjustments		
Capital Grants and Contributions	826	1,583
Infrastructure Take up Adjustments	<u>10,360</u>	<u>12,138</u>
Net Surplus (Deficit) Before Other Comprehensive Income	<u>(1,002)</u>	<u>3,365</u>
Infrastructure Assets	412,914	388,190
Work in Progress	1,095	540
Other Assets	<u>1,016</u>	<u>-</u>
Total Assets	<u>415,025</u>	<u>388,730</u>

Note 2 - Functions / Activities of the Council *continued*

OTHER	2014 \$000	2013 \$000
REVENUES		
Rates and Charges	484	466
Fees	971	986
Revenue Grants and Contributions		
Other Grants	394	589
Other	417	57
	<u>2,266</u>	<u>2,098</u>
EXPENSES		
Provision of Services		
Employee Costs (Gross)	3,227	3,381
Less Amounts Capitalised	-	(37)
Employee Costs	<u>3,227</u>	<u>3,344</u>
Materials and Services	1,087	927
Depreciation and Amortisation	<u>1,021</u>	<u>1,153</u>
	5,336	5,424
Full Cost Attribution (Note 1q)	383	364
Competitive Neutrality (Note 1q)	17	16
	<u>5,736</u>	<u>5,804</u>
Surplus (Deficit)	<u>(3,470)</u>	<u>3,706</u>
Capital Grants and Infrastructure Adjustments		
Capital Grants and Contributions	-	-
Infrastructure Take up Adjustments	-	-
Net Surplus (Deficit) Before Other Comprehensive Income	<u>(3,470)</u>	<u>3,706</u>
Infrastructure Assets	-	1,691
Work in Progress	-	1
Other Assets	-	-
Total Assets	<u>-</u>	<u>1,692</u>

Note 3 - Valuation and Rating

GENERAL AND FIRE RATES	2014 \$000	2013 \$000
Gross Assessed Annual Value of the City	569,307	560,577
Rates	Cents/\$AAV	Cents/\$AAV
General Rate	7.8800	7.5400
General Rate (CBD Variation)	9.3800	8.9202
Service Rates		
Fire Protection - Urban	1.2540	1.2010
Fire Protection - Rural	0.3100	0.2910
Fire Protection - Lilydale District	0.3700	0.3500
	\$	\$
General Charge (Fixed Amount)	135	125
Minimum Rates apply:-		
Fire Levy	36	36
	2014 \$ RANGE	2013 \$ RANGE
Service Charges		
Waste Management - on bin size	107 - 225	103 - 217
Onsite Disposal System	600 - 660	600 - 660

The Assessed Annual Value of the City is as determined by the Valuer-General and for the year ended 30 June 2014 rates were based on valuations effective from 1 July 2011 (2013 1st July 2011).

The rate to be raised from an individual property is calculated by applying the rate in the \$AAV upon the Assessed Annual Value of the property and adding other applicable charges. The fire rate raised is subject to minimum amounts.

Note 4 - Revenue and Expense Analysis

	2014 \$'000	2013 \$'000
Rating Revenue		
General Rates	42,459	41,171
General Charge	4,710	4,345
General Rates (CBD Variation)	484	466
Fire Protection	6,138	5,961
Waste Management	4,038	3,859
	<u>57,829</u>	<u>55,802</u>
Fees and Charges		
Statutory Fees and Charges	5,641	5,438
Trading Revenue	13,197	11,969
	<u>18,838</u>	<u>17,407</u>
Revenue Grants		
Financial Assistance and Flood Authority Grants		
Grant Funds Received	4,158	3,864
Grant Received in Prior Year	(2,036)	(2,283)
Grant Received for Next Year	-	2,036
	<u>2,122</u>	<u>3,617</u>
Other Grants		
State Grant Queen Victoria Museum	1,321	1,298
Other Grants	1,334	1,436
	<u>2,655</u>	<u>2,734</u>
	<u>4,777</u>	<u>6,351</u>
Capital Grants and Contributions		
Flood Mitigation	2,000	-
Museum	17	4
Parks and Recreation	339	1,000
Sports Grounds	190	1,000
Roads	826	1,583
Other	50	33
	<u>3,422</u>	<u>3,620</u>
Interest		
Interest Untied Funds	2,234	2,586
Interest Rate Debts	382	362
	<u>2,616</u>	<u>2,948</u>
Interest Tied Funds (Capital Grants)	36	209
	<u>2,652</u>	<u>3,157</u>
Investment Revenue		
TasWater (Water Corporation)		
Dividends	2,119	620
Tax Equivalents	1,087	1,719
Guarantee fees	332	126
	<u>3,538</u>	<u>2,465</u>

Note 4 - Revenue and Expense Analysis *continued*

	2014 \$'000	2013 \$'000
Australian Pacific Airports Corporation	407	322
	<u>3,945</u>	<u>2,787</u>
Bequests	<u>290</u>	<u>52</u>
Other Income		
Rent	1,007	997
Sponsorship	534	517
Reimbursements	920	776
Other	616	871
	<u>3,077</u>	<u>3,161</u>
Maintenance of Facilities and Provision of Services		
Labour Costs	36,238	32,317
Materials and Services	34,269	31,533
	<u>70,507</u>	<u>63,850</u>
Labour Costs		
Wages and Salaries	24,788	23,962
Superannuation and Retiring Allowance	4,983	3,207
Employee Leave Entitlements	3,887	3,460
Payroll Tax	1,935	1,926
Workers Compensation Insurance	437	379
Other Costs	1,021	1,029
	<u>37,051</u>	<u>33,963</u>
Less Amounts Capitalised	813	1,646
	<u>36,238</u>	<u>32,317</u>
Materials and Services		
Energy		
Street Lighting	1,652	1,616
Utilities - Gas	652	513
Utilities - Electricity	1,198	1,457
Garbage Collection	2,773	2,732
Goods and Services	18,821	17,190
Property Expenses		
Water Fixed Charges	444	313
Water Volumetric Charges	278	204
Rent External	25	38
Land Tax	376	274
Contributions		
LGAT	43	56
CBD Promotion	482	448
Regional Cooperation	425	407
Flood Authority	162	158
Community Assistance Grants	58	75
Events Funding	343	344

Note 4 - Revenue and Expense Analysis *continued*

	2014 \$000	2013 \$000
Provision of Services	495	177
Administration		
Administration	847	1,423
Advertising and Promotion	257	187
Computers and Communication	430	380
Election Expenses	26	25
Expert Advice	897	944
Insurance (exc. Workers Compensation)	738	434
Maintenance	166	173
Payment and Debt Collection	328	462
Postage Printing and Stationery	347	401
Loss on Disposal of Fixed Assets (Note 6)	1,441	530
Aldermanic and Mayoral Allowances	488	472
External Auditor's Remuneration:		
- Auditing Financial Statements	47	48
Internal Auditor's Remuneration	30	52
	<u>34,269</u>	<u>31,533</u>
Impairment of Debts	<u>46</u>	<u>48</u>
Finance Costs		
Interest on Borrowings	624	757
Unwinding of Discount on Provision for Rehabilitation of Waste Centre (Note 20)	46	326
	<u>670</u>	<u>1,083</u>

Note 5 - Asset Take Up Adjustments

	2014 \$000	2013 \$000
Adjustments to Infrastructure Assets (Note 1j):		
Assets Recognised (Derecognised):		
Gross Value	15,801	4,069
Accumulated Depreciation	6,772	4,066
Completed Works:		
Accumulated Depreciation Adjustment	-	1,644
Expenditure not Capitalised	-	(6,176)
	<u>22,573</u>	<u>3,603</u>

Prior to 1 July 2013 the Council brought constructed assets to account at valuation upon recognition. This resulted in the Expenditure not Capitalised and Accumulated Depreciation Adjustment disclosed in this note.

From 1 July 2013 Council brings constructed assets to account at construction cost. Any changes in valuation are recognised as part of the scheduled revaluations of the asset class.

	2014 \$000	2013 \$000
Reconciliation of Assets Recognised		
Roads		
Gross	26,148	18,253
Accumulated Depreciation	(7,081)	(2,212)
Parks		
Gross	984	(2,144)
Accumulated Depreciation	2,313	1,287
Stormwater		
Gross	(705)	(3,328)
Accumulated Depreciation	(233)	273
Museum Collection		
Gross	530	325
Accumulated Depreciation	-	-
Waste Management		
Gross	(6,326)	-
Accumulated Depreciation	6,321	-
Flood Protection		
Gross	(3,556)	(10,278)
Accumulated Depreciation	824	4,693
Rehabilitation Obligation		
Gross	-	-
Accumulated Depreciation	4,649	-
Other		
Gross	(1,274)	1,241
Accumulated Depreciation	(21)	25
	<u>22,573</u>	<u>8,135</u>

Note 6 - Profit/(Loss) on Disposal of Fixed Assets

	2014 \$000	2013 \$000
Proceeds from Disposal	719	262
Less Carrying Amounts	(2,160)	(792)
Profit (Loss)	<u>(1,441)</u>	<u>(530)</u>

Note 7 - Depreciation and Amortisation Expense

	2014 \$000	2013 \$000
Buildings	2,338	2,110
Plant and Equipment	2,521	2,907
Roads and Bridges	7,920	7,852
Drainage Systems	1,291	2,120
Flood Protection Systems	502	438
Recreation Facilities	1,952	1,932
Stock Sales Market	34	31
Refuse Disposal Area	1,201	703
Data Systems	454	435
Total Depreciation	<u>18,213</u>	<u>18,528</u>

Note 8 - Movements in Equity

	2014 \$000	2013 \$000
Total Reserves		
Capital Reserves	157,031	153,662
Revenue Reserves	881,406	863,726
Asset Revaluation Reserves	426,370	425,563
Trusts and Bequests	1,996	1,675
Balance - 30 June	<u>1,466,803</u>	<u>1,444,626</u>

Note 8 - Movements in Equity *continued***Summary of Movements**

	2014 \$000	2013 \$000
Balance - 1 July	1,444,626	1,449,252
Net Surplus (Deficit)	19,730	5,940
Comprehensive Income	2,447	(10,566)
Transfers	-	1
Balance - 30 June	<u>1,466,803</u>	<u>1,444,626</u>

Capital Reserves**Government Grants**

	144,305	143,857
Balance - 1 July	2,811	448
Net Surplus (Deficit)	<u>147,116</u>	<u>144,305</u>

Other Contributions

	9,357	6,213
Balance - 1 July	9,357	6,213
Net Surplus (Deficit)	558	3,144
Balance - 30 June	<u>9,915</u>	<u>9,357</u>

Revenue Reserves**General**

	852,113	850,404
Balance - 1 July	852,113	850,404
Net Surplus (Deficit)	11,753	(3,188)
Comprehensive Income	-	-
Transfers	3,089	4,897
Balance - 30 June	<u>866,955</u>	<u>852,113</u>

CBD

	8	(9)
Balance - 1 July	8	(9)
Net Surplus (Deficit)	(2)	17
Balance - 30 June	<u>6</u>	<u>8</u>

Special Committees

	103	140
Balance - 1 July	103	140
Net Surplus (Deficit)	26	(37)
Balance - 30 June	<u>129</u>	<u>103</u>

Public Open Space

	38	64
Balance - 1 July	38	64
Net Surplus (Deficit)	(54)	(25)
Balance - 30 June	<u>(16)</u>	<u>38</u>

Self Insurance

	2,198	2,198
Balance - 1 July	2,198	2,198
Transfers	159	-
Balance - 30 June	<u>2,357</u>	<u>2,198</u>

Employee Benefits

	(2,551)	(9,560)
Balance - 1 July	(2,551)	(9,560)
Net Surplus (Deficit)	(950)	749
Comprehensive Income	1,640	6,260
Balance - 30 June	<u>(1,861)</u>	<u>(2,551)</u>

Note 8 - Movements in Equity *continued*

	2014 \$000	2013 \$000
Waste Centre Reserve		
Balance - 1 July	10,000	10,541
Net Surplus (Deficit)	1,944	1,943
Transfers	-	(2,484)
Balance - 30 June	11,944	10,000
Special Reserve - Water Corporation		
Balance - 1 July	-	-
Net Surplus (Deficit)	3,538	2,465
Transfers	(3,538)	(2,465)
Balance - 30 June	-	-
Flood Authority Reserve		
Balance - 1 July	1,817	1,426
Net Surplus (Deficit)	75	391
Balance - 30 June	1,892	1,817
Asset Revaluation Reserves		
General		
Balance - 1 July	416,369	438,110
Comprehensive Income	35,779	(21,741)
Balance - 30 June	452,148	416,369
Investment Water Corporation		
Balance - 1 July	9,194	4,279
Comprehensive Income	(34,972)	4,915
Balance - 30 June	(25,778)	9,194
Trusts and Bequests		
Cliff Grounds	5	5
John Hart	20	20
John Hart (Interest)	4	3
Mary Nichols Bequest	2	2
Mary Nichols (Interest)	6	6
Armitage Bequest	344	52
Plomley Foundation - Capital	1,324	1,325
Plomley Foundation - Management	46	27
Museum - Thomas Knowles	3	2
Museum - Bessant Bequest	242	233
Museum - Library	-	-
	1,996	1,675
Summary of Trust and Bequests		
Balance - 1 July	1,675	1,590
Net Surplus (Deficit)	31	33
Transfers	290	52
Balance - 30 June	1,996	1,675

Note 9 - Cash At Bank and On Hand

Cash on Hand
Cash at Bank
Special Committees

2014 \$000	2013 \$000
12	11
585	2,182
129	103
<u>726</u>	<u>2,296</u>

Note 10 - Rate and Sundry Receivables

(a) Current Receivables

Rate Debtors
Accrued Revenue
Sundry Debtors
Prepayments
Parking Infringement Debtors

Impairment of Debtors

Sundry Debtors

Parking Infringement Debtors

Movement in Impaired Debts

(b) Collection Performance – Rate Receivables

Rate Revenue
Interest on Rates

Percentage Rate Debtors Outstanding

2014 \$000	2013 \$000
1,049	1,280
165	312
2,348	1,992
126	113
<u>2,328</u>	<u>2,407</u>
6,016	6,104
(222)	(214)
<u>(1,585)</u>	<u>(1,638)</u>
<u>(1,807)</u>	<u>(1,852)</u>
<u>4,209</u>	<u>4,252</u>
45	(49)
57,829	55,802
382	362
<u>58,211</u>	<u>56,164</u>
1.81%	2.29%

Note 11 - Investments

Current

Bank Guaranteed Bills and Deposits

58,924

55,003

58,924

55,003

Restricted Assets and Deposits

Restricted assets

a) Included in the above and invested on behalf of:-

i) Trusts and Bequests

1,996

1,675

ii) Grants and Contributions (Note 12)

19

26

iii) River Dredging and Flood Protection Contributions

1,892

1,817

b) Provision for Retiring Allowance

192

172

c) Provision for Waste Centre Development and Rehabilitation

11,944

10,000

16,043

13,690

Grant funds brought to account as income but not fully expended and held in specific bank deposits at year end

9,929

10,639

Total Restricted assets

25,972

24,329

Deposits

Other Deposits

663

693

Total Deposits

663

693

Total Restricted Assets and Deposits

26,635

25,022

Committed Funds

Capital Expenditure

6,630

5,306

Net Capital works (carried forward)

11,770

14,382

18,400

19,688

Current Liabilities (Excluding Deposits)

26,778

23,177

45,178

42,865

The ongoing operations of the Council, together with the investments held, will provide sufficient funds for the Council to meet the commitments.

Non-Current

TasWater (Note 23)

227,332

262,303

Note 12 - Conditions Over Contributions

Grants and Contributions

Museum project grants received conditionally and recognised as revenue where that condition has not been met at balance date:

Museum project grants recognised as revenue in previous years and expended during the current year.

Net increase (decrease) in restricted assets.

2014 \$000	2013 \$000
19	26
6	20
<u>13</u>	<u>6</u>

Note 13 - Employee Provisions and Statistics

Full time equivalent employees at year end

2014	2013
427	431
\$000	\$000
114	130
2,502	2,450
3,058	3,156
67	63
<u>5,741</u>	<u>5,799</u>
Non-Current Provisions	
Long Service Leave	727
Retiring Allowance	110
<u>1,183</u>	<u>837</u>

Current Provisions

Accrued Time

Annual Leave

Long Service Leave

Retiring Allowance

Non-Current Provisions

Long Service Leave

Retiring Allowance

Note 14 - Superannuation

During the year the Launceston City 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*.

Accumulation Funds

New employees engaged after 11 February 2014 have accumulation only benefits with a choice of complying superannuation fund. Existing employee members of the Launceston City Council Defined Benefits Fund are able to leave the fund and transfer to a complying accumulation fund of their choice.

The Council has no ongoing responsibility to make good any deficiencies that may occur in these schemes.

Defined Benefit Funds

The Council contributes, in respect of its employees, to two defined benefit superannuation funds. The Launceston City Council Defined Benefit Fund, was established for employees of the Council and now includes some employees transferred to the Water Corporations and the Quadrant Defined Benefits Superannuation Scheme, was established in respect of employees of all local government authorities in the State, some of whom are employees of the Council.

Membership of the Launceston City Council Defined Benefits Fund was compulsory for all employees who were not existing members of the Quadrant Defined Benefits Superannuation Scheme up to 11 February 2014. From 11 February 2014 Council closed the Launceston City Council Defined Benefit Fund to new members.

In accordance with statutory requirements the Council contributes to both funds the amounts determined by the actuaries. As such, assets accumulate in the funds to meet member's benefits as they accrue. If the assets of the funds were insufficient to satisfy benefits payable to its beneficiaries the Council would be required to meet its share of the deficiency.

The details of the two funds' actuarial reviews are:

Quadrant Defined Benefit Superannuation Scheme

The Council makes superannuation contributions for a

number of its employees to the Quadrant Defined Benefits Fund, which is a sub-fund of the Quadrant Superannuation Scheme. The 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, the Council does not use defined benefit accounting for these contributions, and accordingly no asset or liability is recognised in these accounts in respect of the scheme.

For the year ended 30 June 2014 the Council contributed 10.5% 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.

Details of the overall fund status as extracted from the actuarial assessments by Bendzulla Actuarial Pty Ltd as at 30 June 2011 are as follows:-

	\$000
Accrued Benefits	57,330
Net Market Value	57,588
Less Vested Benefits	52,795
Net Market Value less Vested Benefits Surplus/ (Deficit)	4,793

(Note – The Quadrant Superannuation Scheme includes contributions by other organisations and the benefits noted above include benefits due to the employees of those organisations).

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

Net Investment Return	0% p.a. for 2011-12 and 7% p.a. thereafter
Salary Inflation	4%
Price Inflation	n/a

The actuarial review concluded that:

1. The value of assets of the Quadrant Defined Benefit Fund

Note 14 - Superannuation *continued*

was adequate to meet the liabilities of the Fund in respect of vested benefits as at 30 June 2011.

2. 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 2011.

3. 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 2014.

The Actuary recommended that in future the Council contribute 9.5% of salaries in 2012-13, 10.5% of salaries in 2013-14, and 11% of salaries in 2014-15.

The Actuary will continue to undertake a brief review of the financial position of 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 2014 and is expected to be completed late in 2014 or early in 2015.

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

- The 2011 actuarial review used a funding method that sets the level of Council contributions targeting a margin of 10% in the value of Fund assets over the total of members' vested benefits over the medium to longer term.

The funding method used was the same as the method used at the previous actuarial review in 2008. Under the target 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 its financing target.

Contributions

During the reporting period the amount of contributions paid to the scheme was:

During the next reporting period the expected amount of contributions paid to the scheme is:

» In terms of Clause 1.9.2 of the Scheme 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 Clause 1.9.2(b). However in terms of Clause 1.9.2 (d), the only contributions that can be sought from the Employer and its employee Members are any arrears of contributions. This issue can be resolved by the Trustee seeking an Actuarial Certificate in terms of Clause 1.22.2(a) requiring the Employer to make good any shortfall before the cessation of participation is approved.

Clause 1.22.2(b) specifically provides that employers participating in the Fund will not be liable for the obligations of other Employers in other funds within the Scheme.

- The application of Fund assets on the Fund or the Scheme being wound-up is set out in Clause 1.21.3. This Clause provides that expenses, pensions in payment and the Superannuation Guarantee benefits of other members should have first call on the available assets. Additional assets will initially be applied proportionately to providing Member's benefits in respect of completed service. If additional assets are available they are applied to increasing members' benefits.

The Trust Deed does not contemplate the Fund withdrawing from the Scheme. However it is likely that Clause 1.9.2 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.

2014 \$,000	2013 \$,000
11	18
12	11

- As reported, Assets exceeded accrued benefits as at the date of the last actuarial review, 30 June 2011. Favourable investment returns, since that date, make it quite probable that this is still the position. The financial position of the Fund will be fully

Note 14 - Superannuation continued

investigated at the actuarial review as at 30 June 2014.

- An analysis of the assets and vested benefits of Funds participating in the Scheme, prepared by Bendzulla Actuarial Pty Ltd as at 30 June 2013, showed that the Fund had assets of \$61.5 million and members' Vested Benefits were \$54.2 million. These amounts represented 9.8% and 8.7% respectively of the corresponding total amounts for the Scheme.

City of Launceston Employees Superannuation Fund

With effect from 1 July 2006, the assets and members of the City of Launceston fund transferred to a sub-fund of the Quadrant Superannuation Scheme on a "successor fund" basis.

	2014 \$,000	2013 \$,000
In accordance with Note 1(p) the Council has taken up a liability of :	1,850	2,550

in respect of the excess of benefit liabilities over assets in the Fund. The Council does not have any immediate requirement to fund the shortfall and continues to fund at the level of contributions assessed by the Scheme's actuary as being required to meet the long term requirements of the Fund.

The calculation of the liability is based on an actuarial review for the purpose of AASB 119 performed by David B Quinn Watson F.I.A.A. on behalf of DeeDeeRa Actuaries Pty Ltd, as at 30 June 2014.

The amount taken up as an employee benefit obligation is made up as follows:

	2014 \$,000	2013 \$,000
Balance Sheet Calculation		
Fair value of plan assets	49,870	47,888
Less present value of defined benefit obligation	(51,720)	(50,438)
Employee benefit asset (obligation)	(1,850)	(2,550)
Defined Benefit Obligation		
Reconciliation of Obligation		
Present value of defined benefit obligation - 1 July	50,438	47,958
Current service cost	3,331	3,232
Interest cost	1,476	1,165
Member contributions and transfers from other funds	2,224	3,677
Actuarial (gains)/losses due to changes in financial assumptions	(13)	(1,617)
Actuarial (gains)/losses due to changes in experience	1,878	-
Benefits and tax paid	(7,614)	(3,977)
Present value of defined benefit obligation - 30 June	51,720	50,438
Assets		
Reconciliation of Assets		
Fair value of plan - 1 July	47,888	38,399
Expected return on plan assets	1,439	2,685
Actuarial (gains)/losses	3,505	4,643
Employer contributions	2,428	2,462
Member contributions and transfers from other funds	2,224	3,677
Benefits and tax paid	(7,614)	(3,977)
Fair value of defined benefit obligation - 30 June	49,870	47,888
Expense recognised in Operating Surplus		
Current service cost	3,331	3,232
Interest cost	1,476	1,165

Note 14 - Superannuation *continued*

	2014 \$'000	2013 \$'000
Expected return on plan assets	(1,439)	(2,685)
Superannuation expense	3,368	1,712
Expense recognised in Other Comprehensive Income		
Actuarial (gains)/losses	1,640	6,260

General plan information

The plan is a sub fund of the “profit for members” superannuation scheme known as the Quadrant Superannuation Scheme (“the Scheme”) and the Trustee of the Scheme is Quadrant Superannuation Pty Ltd. The Scheme and the Plan are subject to the requirements of the Superannuation Industry (Supervision) Act 1992 and related regulations. Under this legislation, the Trustee is required to measure the value of the assets of the Plan against the total members’ vested entitlements and to take action if a shortfall in the value of the assets emerges. Such action could include actuarial management of the Plan, including an increase to the amount of employer contributions.

Members of the Fund are entitled to receive lump sum benefits on leaving service due to retirement, death, total and permanent disablement and resignation.

The most recent actuarial investigation into the Fund in accordance with the Superannuation Industry (Supervision) Act was carried out as at 30 June 2011 by Geoff Morley BSc BComm FIAA FIA of Bendzulla Actuarial Pty Ltd.

The investigation showed the following figures determined in accordance with AAS 25 Financial Reporting by Superannuation Plans:

Present Value of Defined Benefits	39,044
Accumulation Benefits	14,841
Value of Accrued Benefits	53,885
Vested Benefits	37,071

The actuary recommended that the Employer contribute at the rate of 9% of salaries until 31 January 2012 and then 10% of salaries thereafter. The funding method used to make the contribution recommendation was the “entry age normal method”. The economic assumptions used in the investigation were:

Rate of investment return:	7.0%
Rate of inflationary salary increases:	4.0%

Revenue Reserves – Gain recognised

	2014 \$'000	2013 \$'000
Actuarial gains (losses)	1,640	6,250
	1,640	6,260

Note 14 - Superannuation *continued***Asset allocation**

The table below shows the benchmark (target) asset allocation of the Fund assets as at 30 June 2014 together with the actual allocation for the current and prior year.

STRATEGIC ASSET ALLOCATION

	BENCHMARK ALLOCATION 2014 %	AS AT 30 JUNE 2014 %	AS AT 30 JUNE 2013 %
Australian Shares	33.0%	31.5%	30.8%
International Shares	31.0%	32.7%	32.4%
Unlisted Property	9.0%	9.0%	11.6%
Growth Alternatives	0.0%	0.0%	0.0%
Fixed Interest	15.0%	14.8%	12.8%
Defensive Alternatives	0.0%	0.0%	0.0%
Private Equity	1.0%	0.7%	0.8%
Infrastructure	7.0%	7.4%	6.9%
Cash	4.0%	3.9%	4.7%
Total	100%	100%	100%

Method of determining Expected Return on plan assets

The expected return on assets assumption is determined by weighting the expected long-term return for each asset class by the expected long term allocation of assets to each asset class. Returns are net of investment tax and investment fees.

Actual Return on Plan Assets

Present value of defined benefit obligation at end of year
Fair value of plan assets at end of year
(Surplus)/Deficit in plan

Experience adjustments - plan liabilities
Experience adjustments - plan assets
Actual return on Fund assets

Principal Assumptions

Discount Rate p.a. (net of allowance for tax)
Salary Increases

	2014 \$,000	2013 \$,000
Present value of defined benefit obligation at end of year	51,720	50,438
Fair value of plan assets at end of year	(49,870)	(47,888)
(Surplus)/Deficit in plan	<u>1,850</u>	<u>2,550</u>
Experience adjustments - plan liabilities	(1,878)	(2,684)
Experience adjustments - plan assets	3,505	4,643
Actual return on Fund assets	4,943	7,328
Discount Rate p.a. (net of allowance for tax)	3.00%	3.10%
Salary Increases	3.00%	3.00%

Expected Contributions

Based on the data provided to us and the recommended contributions, we calculate that the expected contributions to the Fund for the year ending 30 June 2015 are as follows:

Expected employer contributions (for defined benefits only)
Expected member contributions (incl. deemed member contributions)

	2015 \$,000	2014 \$,000
Expected employer contributions (for defined benefits only)	1,907	2,070
Expected member contributions (incl. deemed member contributions)	1,143	1,241

Note 14 - Superannuation *continued***Sensitivity Analysis**

The table below shows how the net liability on the Statement of Financial Position would have been affected by changes in the key actuarial assumptions.

ASSUMPTION	CHANGE IN ASSUMPTION		MOVEMENT IN NET LIABILITY \$'000	
Discount Rate	Increase by	0.25% p.a.	Decrease by	467
Discount Rate	Decrease by	0.25% p.a.	Increase by	431
Inflation Rate	Increase by	0.25% p.a.	Decrease by	395
Inflation Rate	Decrease by	0.25% p.a.	Increase by	368

Note 15 - Interest Bearing Liabilities (Secured Loans)

(a) Currency of loans

Current
Non-current

(b) Summary Movement in Loans

Balance - 1 July
Repayments
Borrowing
Balance - 30 June

	2014 \$'000	2013 \$'000
Current	2,592	2,707
Non-current	7,499	10,091
	<u>10,091</u>	<u>12,798</u>
Balance - 1 July	12,798	15,370
Repayments	(2,707)	(2,572)
Borrowing	-	-
Balance - 30 June	<u>10,091</u>	<u>12,798</u>

The loans are secured over the future revenue of the Council.

Public Bodies Assistance Act (PBAA) loan balances are net of subsidies due from the State Government.

Gross PBAA loans due
Less subsidy
Year end net balance

	2014 \$000	2013 \$000
Gross PBAA loans due	37	95
Less subsidy	(37)	(95)
Year end net balance	<u>-</u>	<u>-</u>

Note 16 - Lease Commitments

At the reporting date, the Council had no material obligations under leases.

Note 17 - Commitments For Capital Expenditure

	2014 \$000	2013 \$000
At the reporting date,		
Plant and Equipment	759	474
Refuse Infrastructure	1,783	12
Roads Infrastructure	691	352
Parks and Recreation Infrastructure	174	113
Drainage Infrastructure	50	18
Flood Protection Infrastructure	2,544	4,317
Buildings	629	20
	<u>6,630</u>	<u>5,306</u>
These expenditures are due for payment:		
Not later than one year	6,630	5,306

Note 18 - Sundry Payables and Accruals

	2014 \$000	2013 \$000
Accrued Expenses	14,742	13,854
Unearned Income	504	763
Sundry Creditors	3,198	-
	<u>18,444</u>	<u>14,617</u>

Note 19 - Deferred Receivables

	2014 \$000	2013 \$000
Loans - Australia Pacific Airports (Launceston) Pty Ltd	258	258
	<u>258</u>	<u>258</u>

Note 20 - Other Provisions

	2014 \$000	2013 \$000
Provision for Rehabilitation		
Balance at 1 July	(9,818)	(10,541)
Revaluation Adjustment opening balance	4,870	1,049
Unwinding of discount - expensed as borrowing cost (Note 1n)	(46)	(326)
Balance at 30 June	<u>(4,994)</u>	<u>(9,818)</u>
Reconciliation		
Asset Revaluation / Adjustment	4,648	(403)
Rehabilitation Works Carried Out	222	1,452
Total Revaluation of Opening Balance	<u>4,870</u>	<u>1,049</u>

The Council operates a waste centre which is recognised as an asset. Operation of a waste disposal area carries legal obligations for rehabilitation of the area at the conclusion of the site's useful life.

The provision represents the net present value of future obligations already incurred (Note 1l).

The cost of rehabilitation is re assessed each year.

In 2014 \$222,000 (2013 \$1.45m) of rehabilitation works were carried out. The remaining rehabilitation obligations were reassessed at 30 June 2014 resulting in a decrease of \$4,648,000 (2013 increase \$403,000).

Note 21 - Infrastructure Assets

	2014 \$000	2013 \$000
Intangible Assets at Written Down Value	4,411	4,674
Tangible Assets at Written Down Value	963,473	918,593
Work in Progress	13,886	11,469
Written Down Value 30 June	<u>981,770</u>	<u>934,736</u>
(a) Capital Expenditure		
Completed Works	15,882	58,229
Change in Work in Progress	2,417	(38,779)
	<u>18,299</u>	<u>19,450</u>
(b) Movement in Asset Values		
Written Down Value 1 July	934,736	952,664
Capital Expenditure	18,299	19,450
Depreciation and Amortisation	(18,213)	(18,528)
Disposals at Written Down Value	(2,160)	(791)
Asset Recognition Adjustment	22,573	3,603
Less Museum Collection Additions	(172)	(324)
Asset Revaluation Increment (Decrement)	33,009	(21,741)

Note 21 - Infrastructure Assets *continued*

	2014 \$000	2013 \$000
Asset Revaluation Rehabilitation Take Up	(4,648)	403
Transfer of Assets Held for Sale	(1,654)	-
Written Down Value 30 June	<u>981,770</u>	<u>934,736</u>
(c) Total Infrastructure Carrying Amount		
Infrastructure and Other Assets at Cost	51,266	52,463
Infrastructure and Other Assets at Valuation	<u>1,380,614</u>	<u>1,304,620</u>
	1,431,880	1,357,083
Less Accumulated Depreciation	<u>463,996</u>	<u>433,816</u>
	967,884	923,267
Work in Progress at Cost	13,886	11,469
Written Down Value 30 June	<u>981,770</u>	<u>934,736</u>
(d) Infrastructure by Function		
General Public Services		
Freehold Land at Valuation	2,558	2,558
Buildings at Valuation	20,976	20,852
Plant and Equipment at Cost	43,971	45,359
Intangibles at Cost	<u>7,295</u>	<u>7,104</u>
	74,800	75,873
Less Accumulated Depreciation	<u>33,188</u>	<u>31,895</u>
	<u>41,612</u>	<u>43,978</u>
Public Order and Safety		
Freehold Buildings at Valuation	1,473	1,252
Less Accumulated Depreciation	<u>283</u>	<u>251</u>
	<u>1,190</u>	<u>1,001</u>
Roads and Traffic		
Freehold Land at Valuation	14,015	13,915
Freehold Buildings at Valuation	18,345	18,345
Roads Infrastructure at Valuation	<u>643,052</u>	<u>596,804</u>
	675,412	629,064
Less Accumulated Depreciation	<u>262,498</u>	<u>240,875</u>
	<u>412,914</u>	<u>388,189</u>
Housing and Community Amenities		
Freehold Land at Valuation	10,017	11,454
Leasehold Land at Valuation	270	270
Freehold Buildings at Valuation	9,873	9,797
Stormwater Infrastructure at Valuation	197,239	172,221
Flood Protection Infrastructure at Valuation	49,923	48,228
Cemetery & Crematoria Infrastructure at Valuation	6,070	3,098
Refuse Disposal Infrastructure at Valuation	<u>23,032</u>	<u>26,876</u>
	296,424	271,944
Less Accumulated Depreciation	<u>79,828</u>	<u>73,297</u>
	<u>216,596</u>	<u>198,647</u>
Welfare		
Freehold Land at Valuation	435	435
Freehold Buildings at Valuation	1,338	1,338
Leasehold Buildings at Valuation	<u>197</u>	<u>197</u>
	<u>1,970</u>	<u>1,970</u>

Note 21 - Infrastructure Assets *continued*

	2014 \$000	2013 \$000
Less Accumulated Depreciation	658	646
	<u>1,312</u>	<u>1,324</u>
Recreation and Culture		
Freehold Land at Valuation	79,143	79,315
Leasehold Land at Valuation	455	495
Freehold Buildings at Valuation	206,801	191,330
Leasehold Buildings at Valuation	27	-
Parks and Recreation Infrastructure		
- Swim Centres at Valuation	15,530	16,128
- Parks at Valuation	<u>79,845</u>	<u>85,872</u>
	381,801	373,140
Less Accumulated Depreciation	<u>87,541</u>	<u>84,703</u>
	<u>294,260</u>	<u>288,437</u>
Other Economic Affairs		
Freehold Land at Valuation	-	380
Freehold Buildings at Valuation	-	324
Stock Sales Market Infrastructure at Valuation	<u>-</u>	<u>3,137</u>
	-	3,841
Less Accumulated Depreciation	<u>-</u>	<u>2,150</u>
	<u>-</u>	<u>1,691</u>
Summary of Assets at Written Down Value		
General Public Services	41,612	43,978
Public Order and Safety	1,190	1,001
Roads and Traffic	412,914	388,189
Housing and Community Amenities	216,596	198,647
Welfare	1,312	1,324
Recreation and Culture	294,260	288,437
Other Economic Affairs	<u>-</u>	<u>1,691</u>
	<u>967,884</u>	<u>923,267</u>

In accordance with Accounting Standard AASB 116 the Council has adopted either the cost basis or fair value basis for the valuation of property, plant and equipment depending upon asset class. Assets listed as being at cost include some assets disclosed at valuation prior to 30 June, 2001 but deemed to be at cost as at that date.

Where assets are recorded at valuation, the valuation has been performed by the Council's officers with the exception of land and buildings. Land is valued using values supplied by the State Valuer-General as at July 2013 and buildings have been valued by LG Valuations as at 30 June 2012.

Infrastructure assets at valuation are at written down replacement cost. Replacement cost is the current cost of a new asset that could provide the same service as the existing asset. Accumulated depreciation or amortisation recognises the amount of the replacement cost that is pro-rata to the proportion of the asset's useful life that has expired.

Note 21 - Infrastructure Assets *continued*

Infrastructure valuations are based on component replacement values dated as follows:

Buildings	As at 30 June 2012
Roads	As at 30 June 2014
Stormwater	As at 01 January 2013
Land	As at 30 June 2013
Parks	As at 30 June 2014
All others	As at 30 June 2008 but indexed at 30 June 2013.

(e) Infrastructure Movements in Carrying Amounts

	2014 \$000	2013 \$000
Summary		
Opening Balance		
At Cost	52,463	51,351
At Valuation	1,304,619	1,317,783
Accumulated Depreciation	(433,815)	(466,716)
	923,267	902,418
Additions	16,228	52,053
Adjustments		
Gross	15,305	3,745
Accumulated Depreciation	2,088	5,710
Revaluations		
Gross	52,405	(65,995)
Accumulated Depreciation	(19,396)	44,657
Disposals		
Gross	(9,130)	(1,853)
Accumulated Depreciation	5,329	1,062
Depreciation	(18,213)	(18,528)
Balance - 30 June	967,884	923,267
Work in Progress	13,886	11,469
	981,770	934,736
Intangible Assets at Written Down Value	4,411	4,674
Tangible Assets at Written Down Value	963,473	918,593
Work in Progress	13,886	11,469
Total Written Down Value - 30 June	981,770	934,736
Land		
Opening Balance		
At Cost	-	-
At Valuation	108,822	108,519
Accumulated Depreciation	-	-
	108,822	108,519
Additions	23	19,443
Adjustments		
Gross	(1,348)	1,436
Accumulated Depreciation	-	-
Revaluations		
Gross	-	(20,416)
Accumulated Depreciation	-	-
Disposals		
Gross	(225)	(160)
Accumulated Depreciation	-	-

Note 21 - Infrastructure Assets *continued***(e) Infrastructure Movements in Carrying Amounts**

	2014 \$000	2013 \$000
Depreciation	-	-
Balance - 30 June	107,272	108,822
Buildings		
Opening Balance		
At Cost	-	-
At Valuation	243,434	242,098
Accumulated Depreciation	(74,976)	(73,004)
	168,458	169,094
Additions	2,362	1,708
Adjustments		
Gross	-	(195)
Accumulated Depreciation	-	25
Transfers		
Gross	13,587	-
Accumulated Depreciation	(4,620)	-
Disposals		
Gross	(248)	(176)
Accumulated Depreciation	58	112
Depreciation	(2,415)	(2,110)
Balance - 30 June	177,182	168,458
Plant & Equipment		
Opening Balance		
At Cost	52,463	51,351
At Valuation	-	-
Accumulated Depreciation	(21,636)	(18,849)
	30,827	32,502
Additions	1,354	2,064
Adjustments		
Gross	74	-
Accumulated Depreciation	(21)	-
Transfers		
Gross	(124)	-
Accumulated Depreciation	54	-
Disposals		
Gross	(2,501)	(952)
Accumulated Depreciation	1,763	555
Depreciation	(2,945)	(3,342)
Balance - 30 June	28,481	30,827
Data Systems (Intangible Asset - included in Plant and Equipment)		
Opening Balance		
At Cost	7,295	7,104
Accumulated Depreciation	(2,884)	(2,430)
	4,411	4,674
Roads & Bridges		
Opening Balance		
At Cost	-	-
At Valuation	596,804	549,538

Note 21 - Infrastructure Assets *continued***(e) Infrastructure Movements in Carrying Amounts**

	2014 \$000	2013 \$000
Accumulated Depreciation	(236,096)	(222,031)
	360,708	327,507
Additions	4,459	700
Adjustments		
Gross	62,940	18,253
Accumulated Depreciation	(21,663)	(704)
Transfers		
Gross	(22,686)	-
Accumulated Depreciation	8,819	-
Revaluations		
Gross	53,535	28,608
Accumulated Depreciation	(19,483)	(5,705)
Disposals		
Gross	(2,324)	(295)
Accumulated Depreciation	1,331	196
Depreciation	(8,647)	(7,852)
Balance - 30 June	416,989	360,708
Drainage		
Opening Balance		
At Cost	-	-
At Valuation	174,317	258,065
Accumulated Depreciation	(45,942)	(97,684)
	128,375	160,381
Additions	452	1,408
Adjustments		
Gross	252	(3,328)
Accumulated Depreciation	(9)	409
Transfers		
Gross	27,073	3,709
Accumulated Depreciation	(10,270)	(1,165)
Revaluations		
Gross	-	(85,537)
Accumulated Depreciation	-	54,618
Disposals		
Gross	-	-
Accumulated Depreciation	-	-
Depreciation	(1,384)	(2,120)
Balance - 30 June	144,489	128,375
Other		
Opening Balance		
At Cost	-	-
At Valuation	181,242	159,562
Accumulated Depreciation	(55,165)	(55,149)
	126,077	104,413
Additions	7,578	26,731
Adjustments		
Gross	(46,613)	(12,421)
Accumulated Depreciation	23,781	5,979
Transfers		

Note 21 - Infrastructure Assets *continued***(e) Infrastructure Movements in Carrying Amounts**

	2014 \$000	2013 \$000
Gross	(17,850)	(3,709)
Accumulated Depreciation	6,017	1,165
Revaluations		
Gross	(1,130)	11,350
Accumulated Depreciation	87	(4,256)
Disposals		
Gross	(3,832)	(271)
Accumulated Depreciation	2,178	200
Depreciation	(2,822)	(3,104)
Balance - 30 June	<u>93,471</u>	<u>126,077</u>
Overall Total (WDV)	<u>967,884</u>	<u>923,267</u>

Note 22 - Cash Flow

	2014 \$000	2013 \$000
Operating Activities to Net Surplus		
Net Surplus	19,730	5,940
Non-Cash Charges		
Depreciation	18,213	18,528
Employee Provisions	1,230	(966)
Provision for Rehabilitation discount unwound	46	326
Allowance for Impaired Debts	(45)	(48)
Loss (Profit) on Sale of Non-current Assets	1,441	530
Write Down of Available for Sale Asset	1,474	-
Changes in Assets and Liabilities		
Rate and Sundry Receivables	89	1,703
Inventories	(14)	8
Sundry Creditors	3,824	(2,862)
Deposits	(29)	(608)
Non-Cash Income		
Infrastructure Take-up Adjustments	(22,573)	(3,603)
Investing Activities		
Distributions from Investments	(3,945)	(2,787)
Grants and Contributions Capital	(3,422)	(3,620)
Net Cash from Operating Activities	<u>16,019</u>	<u>12,541</u>

Note 22 - Cash Flow *continued***(b) Reconciliation of Cash and Cash Equivalents**

For the purposes of the Statement of Cash Flows, the Council considers cash to include cash on hand and in banks and investments in money market instruments. Cash at the end of the reporting period as shown in the Statement of Cash Flows is reconciled to the related items in the Balance Sheet as follows:-

Cash	726	2,296
Short Term Investments	58,924	55,003
	59,650	57,299

Note 23 - Investment - Taswater (Water Corporation)

At 30 June 2013 Council held a 51.9% ownership interest in Tasmanian Water and Sewerage Corporation (Northern Region) Pty Limited, trading as Ben Lomond Water by a 2011 Allocation Order from the State Treasurer.

On 1 July 2013 all Tasmanian Water Corporations were merged to form the Tasmanian Water Corporation, trading as Tas Water.

Each Council's ownership share of TasWater is calculated on its voting share set down in TasWater's constitution. The Council does not have significant influence to allow the use of the equity method to account for its investment.

	2014 \$000	2013 \$000
Water Corporation net equity	1,536,024	505,401
Year end report used for determining net assets	30 June 2014	30 June 2013
Launceston City Council ownership percentage	14.80%	51.90%
Fair value of the Council's share of Water Corporation	227,332	262,303
Previously assessed value	262,303	257,388
Net Increase (decrease) in fair value	(34,971)	4,915

Note 24 - Financial Instruments

Risk Management

The Council holds cash and cash equivalent assets and liabilities for current and future capital and operational requirements.

These assets are exposed to a variety of financial risks including:

- (i) market risk,
- (ii) credit risk,
- (iii) liquidity risk and
- (iv) interest rate risk.

The Council's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Council.

The Council does not engage in significant transactions expressed in foreign currencies and is therefore not subject to foreign currency risk.

Financial risk management is carried out internally under policies approved by the Council.

A comparison by category of the carrying amounts and fair values of the Council's Financial Assets and Financial Liabilities recognised in the financial statements is presented below.

	2014 \$'000	2013 \$'000
CARRYING VALUE		
Financial Assets		
Cash and Cash Equivalents	59,650	57,299
Available for Sale - Water Corporation	227,332	262,303
Current Receivables	4,209	4,252
Deferred Receivables	258	258
Total Financial Assets	291,449	324,112
Financial Liabilities		
At Amortised Cost	29,198	28,108
Total Financial Liabilities	29,198	28,108
NET TOTAL	262,251	296,004
FAIR VALUE		
Financial Assets		
Cash and Cash Equivalents	59,650	57,299
Available for Sale - Water Corporation	227,332	262,303
Current Receivables	4,209	4,252
Deferred Receivables	258	258
Total Financial Assets	291,449	324,112
Financial Liabilities		
At Amortised Cost	29,550	28,108
Total Financial Liabilities	29,550	28,108
NET TOTAL	261,899	296,004

Note 24 - Financial Instruments *continued*

Fair Value is determined as follows.

Cash and Cash Equivalents, Receivables, Payables:

Estimated to be the carrying value which approximates market value.

Held to Maturity Investments:

Based upon their face value plus any accrued earnings.

Borrowings:

Based upon their current discharge value.

Financial Assets classified:

(i) "at fair value through profit and loss" or

(ii) "Available for Sale"

Based upon quoted market prices at the reporting date or independent valuation.

(a) Cash and Cash Equivalents, Financial Assets "at fair value through the Profit and Loss", "Available-for-sale" financial assets and "Held-to-maturity" Investments

The Council's objective is to optimise its return on cash and investments within the restraints of its investment policy and risk profile, whilst maintaining an adequate level of liquidity and preserving capital.

The Council's Corporate Services Directorate manages its Cash and Investments portfolio.

The Council has an Investment Policy that sets minimum investment ratings and maximum exposure levels to ratings, fund and institution.

This Policy is regularly reviewed by the Council and its staff and an Investment Report is prepared on a monthly basis setting out the portfolio breakup and performance.

The major risk associated with fair value at profit and loss investments is price risk - the risk that the capital value of investments may fluctuate due to changes in market prices, whether these changes are caused by factors specific to individual financial instruments or their issuers or are caused by factors affecting similar instruments traded in a market.

Cash and Investments are also subject to interest rate risk - the risk that movements in interest rates could affect returns and income.

A further risk associated with Cash and Investments is credit risk - the risk that the counterparty (to an investment) will not complete their obligations to a particular financial instrument, resulting in a financial loss to the Council - be it of a capital or income nature.

The Council manages these risks (amongst other measures) by diversifying its portfolio and only using investments with high investment ratings.

The following represents a summary of the sensitivity of the Council's Statement of Comprehensive Income and Accumulated Surplus (during the reporting period) due to a change in either the price of a financial asset or the interest rates applicable. It is assumed that the change in interest rates would have been constant throughout the reporting period.

Note 24 - Financial Instruments *continued*

	2014 \$'000	2013 \$'000
Increase of Values/Rates		
Profit		
Impact of a 10% movement in Market Values	-	-
Impact of a 1% movement in Interest Rates	496	445
Equity		
Impact of a 10% movement in Market Values	-	-
Impact of a 1% movement in Interest Rates	496	445
Decrease of Values/Rates		
Profit		
Impact of a 10% movement in Market Values	-	-
Impact of a 1% movement in Interest Rates	(496)	(445)
Equity		
Impact of a 10% movement in Market Values	-	-
Impact of a 1% movement in Interest Rates	(496)	(445)

(b) Receivables

The Council's major receivables comprise:

- (i) Rates and Annual Charges and
- (ii) User Charges and Fees.

The major risk associated with these receivables is credit risk - the risk that debts due and payable to the Council may not be repaid in full. The Council manages this risk by monitoring outstanding debt and employing stringent debt recovery procedures.

Credit risk on rates and annual charges is minimised by the ability of the Council to secure a charge over property relating to the debts (ie, the property can be sold to recover the debt). The Council is also able to charge interest on overdue rates and annual charges which further encourages the payment of debt.

Infringement debtors are determined by the incidence of infringement rather than a Council decision. Since 2009 the Council has given the Monetary Penalties Enforcement Service of the Department of Justice responsibility to collect outstanding infringement debtors. The Council has a policy of booking an extensive impairment provision for loss on infringement debtors.

The level of outstanding receivables is reported monthly and monitored for acceptable collection performance. The Council makes provision for doubtful receivables as required and carries out credit checks on most non-rate debtors excluding infringements.

There are no material receivables that have been subjected to a re-negotiation of repayment terms.

A profile of the Council's receivables credit risk at balance date follows:

Note 24 - Financial Instruments *continued***Receivables Credit Risk****(i) Aging of Receivables****Current**

	2014 \$000	2013 \$000
Rate Debtors	391	814
Accrued Revenue	165	312
Sundry Debtors	2,023	1,717
Prepayments	126	113
Parking Infringement Debtors	76	71
	<u>2,781</u>	<u>3,027</u>

Overdue

Rate Debtors	658	466
Accrued Revenue	-	-
Sundry Debtors	325	275
Prepayments	-	-
Parking Infringement Debtors	2,252	2,336
	<u>3,235</u>	<u>3,077</u>

(ii) Movement in Provision for Impairment of Receivables

	2014 \$000	2013 \$000
Balance at the beginning of the year	(1,852)	(1,900)
Add new provisions recognised during the year	(9)	4
Less amounts already provided for and written back this year	54	44
Balance at the end of the year	<u>(1,807)</u>	<u>(1,852)</u>

(c) Fair Value Hierarchy

The table below analyses financial instruments carried at fair value by valuation method:

Level 1	Quoted prices (unadjusted) in active markets for identical assets/liabilities.
Level 2	Inputs other than quoted prices included in Level 1 that are observable for the asset or liability either directly (ie prices) or indirectly (ie derived from prices).
Level 3	Inputs for the asset or liability that are not based on observable market data.

Level 3 - Investment in Water Authority

2014 \$000	2013 \$000
<u>227,332</u>	<u>262,303</u>

(d) Payables and Borrowings

Payables and borrowings are both subject to liquidity risk – the risk that insufficient funds may be on hand to meet payment obligations as and when they fall due.

The Council manages this risk by cash forecasting to maintain adequate liquidity levels and cash holdings.

The contractual undiscounted cash outflows (ie. principal only) of the Council's payables and borrowings are set out in the Liquidity Table:

Note 24 - Financial Instruments *continued*

	2014 \$000	2013 \$000
Variable Interest		
Deposits	-	-
Sundry Creditors	-	-
Secured Loans	-	-
	-	-
Fixed Rate Maturity		
Less than 1 Year		
Deposits	-	-
Sundry Creditors	-	-
Secured Loans	2,592	2,707
	2,592	2,707
1 to 5 Years		
Deposits	-	-
Sundry Creditors	-	-
Secured Loans	7,499	10,091
	7,499	10,091
Non Interest		
Deposits	663	693
Sundry Creditors	18,444	14,617
Secured Loans	-	-
	19,107	15,310
Total Cash Outflows		
Deposits	663	693
Sundry Creditors	18,444	14,617
Secured Loans	10,091	12,798
	29,198	28,108
Actual Carrying Amount		
Deposits	663	693
Sundry Creditors	18,444	14,617
Sundry Creditors	10,091	12,798
Secured Loans	29,198	28,108

Borrowings are also subject to interest rate risk - the risk that movements in interest rates could adversely affect funding costs and debt servicing requirements. The Council manages this risk by monitoring the lending market and taking opportunities to fix rates at below market in rising markets and taking short term borrowing in high interest markets.

The following interest rates were applicable to the council's liabilities at balance date:

Secured Loans

	2014 \$000	2013 \$000
Carrying Value	10,091	12,798
Average Interest Rate	5.20%	5.19%

Note 25 - Authorities

During the financial year the Council had two authorities set up under section 29 of the Local Government Act 1993. The income and expenditure of these authorities is included in the Council's Financial Statements.

Section 84 of the Local Government Act 1993 requires Controlling Authorities, in this case Launceston City Council, to disclose the revenue and expenditure of Authorities under its control.

York Park and Inveresk Precinct Authority (Controlling Authority)

The principal objective of the Authority is to "Help develop the Inveresk Precinct as an international centre for art, education, tourism and recreation."

Launceston Flood Authority (Single Authority)

This authority was formed by the Council resolution on 1 September 2008 and was established by gazettal on 10 September 2008. The authority was established to "...perform all tasks necessary for the construction and maintenance of flood levees, to initiate and manage effective emergency management procedures and to take all necessary measures, so as to address the flood risk to the 'flood risk area'

York Park and Inveresk Precinct Authority

Revenue

Rental Income	365	371
Operating and Sponsorship	911	817
Other Income	108	114
	1,384	1,302

Expenses

Provision of Services	1,811	1,302
Employee Benefits	622	521
Depreciation	1,158	1,125
Overheads	93	334
Other	220	175

Total Expenses

Surplus / (Deficit)

Launceston Flood Authority

Revenue

State Government	476	464
Launceston City Council	162	158
Interest Income	79	89
Other Income	5	268
	722	979

Total Revenue

Expenses

Operations Costs	418	397
Other Costs	229	190

Total Expenses

Surplus / (Deficit)

	2014 \$000	2013 \$000
York Park and Inveresk Precinct Authority		
Revenue		
Rental Income	365	371
Operating and Sponsorship	911	817
Other Income	108	114
	1,384	1,302
Expenses		
Provision of Services	1,811	1,302
Employee Benefits	622	521
Depreciation	1,158	1,125
Overheads	93	334
Other	220	175
Total Expenses	3,904	3,457
Surplus / (Deficit)	(2,520)	(2,155)
Launceston Flood Authority		
Revenue		
State Government	476	464
Launceston City Council	162	158
Interest Income	79	89
Other Income	5	268
Total Revenue	722	979
Expenses		
Operations Costs	418	397
Other Costs	229	190
Total Expenses	647	587
Surplus / (Deficit)	75	392

Note 26 - Special Committees

Committee Name

Dilston Hall
Karoola Hall and Recreation Ground
Lebrina Progress Association
Lilydale District Swimming Pool
Lilydale Memorial Hall Committee
Lilydale Recreational Ground
Myrtle Park Hall and Recreational Ground
North Esk Memorial Hall and Recreational Ground
Nunamara Hall
Ravenswood Memorial Hall
Balance - 30 June

Summary of Special Committees

Balance 1 July
Receipts
Expenses
Balance 30 June

	2014 \$000	2013 \$000
	2	1
	3	3
	5	6
	22	22
	6	6
	6	5
	74	32
	10	12
	1	1
	-	15
	129	103
	103	138
	62	47
	36	82
	129	103

The Ravenswood Memorial Hall Committee closed during the 2014 Financial Year

Note 27 - Related Party Transactions

The Council has dealings from time to time with its Aldermen in both their private and business capacities. Transactions between the Council and its related parties are on normal commercial terms and conditions no more favourable than those available to other parties.

Aldermen are required to disclose pecuniary interests in matters which come before the Council. In addition, under section 84(2) of the Local Government Act 1993, the Council is required to "specify any interests as notified to the General Manager of any Councillor in respect of any body or organisation with which the Council has major financial dealings."

Relevant matters notified are:

Alderman A M Van Zetten (Mayor)	No relevant disclosures
Alderman J D Ball (Deputy)	No relevant disclosures
Alderman R L Armitage	No relevant disclosures
Alderman J G Cox	No relevant disclosures
Alderman D C Gibson	No relevant disclosures
Alderman R L McKendrick	No relevant disclosures
Alderman D H McKenzie	No relevant disclosures
Alderman I S Norton	No relevant disclosures
Alderman A C Peck	No relevant disclosures
Alderman R J Sands	No relevant disclosures
Alderman R I Soward	No relevant disclosures
Alderman A L Waddle	No relevant disclosures

Note 28 - Annual Remuneration of Senior Officers

Under section 72(1)(cd) of the Local Government Act 1993, the Council is required to report the total annual remuneration paid to employees who hold positions designated by the Council as senior positions. The Council has determined that senior positions comprise Director and General Manager positions. Accordingly, the following information is provided in respect of the year ended 30 June 2014.

Remuneration Band	Number of Employees
\$150,001 - \$170,000	1
\$170,001 - \$190,000	2
\$190,001 - \$210,000	2
\$290,001 - \$310,000	1

Remuneration is defined in the Act as including salary payable, employer contributions to superannuation, the value of the use of any motor vehicle provided to the employee, and the value of any other allowances or benefits paid or payable to, or provided for the benefit of the employee.

So as to represent the normal remuneration which applies to the six senior positions, the amounts have been annualised where necessary.

Note 29 - Contingent Liabilities

At the reporting date of 30 June 2014 the Council had no contingent liabilities that would materially affect any of the amounts or disclosures in these accounts.

In accordance with the Urban Drainage Act 2013 Council is responsible for stormwater drainage within the municipality. A significant portion of stormwater drainage is through a combined stormwater and sewerage system owned by Tas Water. Tas Water is seeking to recover a fee from Council for the use of its system.

While Council accepts that a fee is payable we have been unable to reach agreement with TasWater as to the amount. In accordance with the Act the matter has progressed to arbitration and at the balance date it is not possible to quantify the outcome.

Note 30 - Museum Collection

	2014 \$000	2013 \$000
Opening Balance	232,238	231,913
Additions	701	325
Revaluation Increase/(Decrease)	2,770	-
Collection Carrying Value	<u>235,709</u>	<u>232,238</u>

The independent valuation of the Queen Victoria Museum and Art Gallery by Simon Storey FAVAA of Simon Storey Valuations was completed during the financial year to 30 June 2014.

The collection is valued at \$235,709,148 (2013, \$232,238,000). This amount has been disclosed as a separate asset class in the Statement of Financial Position.

Note 31 - Assets Held For Sale

	2014 \$000	2013 \$000
Stockyards at Carrying Value	1,654	-
Less Fair Value Adjustment	<u>1,474</u>	<u>-</u>
Value Held for Sale	<u>180</u>	<u>-</u>

During the reporting year Council took the decision to sell the stockyards as a going concern. The sale is expected to be completed within the next twelve months.

Note 32 - Fair Value Measurements

The Council measures infrastructure assets at fair value on a recurring basis. All other Council assets and liabilities are measured at their nominal value.

For valuation purposes infrastructure assets are grouped into the following categories:

CATEGORY	INCLUDES
Land	All developed and undeveloped freehold and leasehold land owned or controlled by the Council.
Buildings	All buildings owned by the Council. This includes Administration, Commercial, Recreational, Cultural, Residential and other buildings.
Roads and Bridges	All sealed and unsealed roads and all bridges within the municipality. Roads includes road pavement, sealed surfaces footpaths and kerb and channel.
Drainage	All stormwater and drainage infrastructure in the municipality.
Other	Flood protection, parks infrastructure, refuse disposal and any other assets not included in another categories.

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 held at fair value by the Council. The table presents the Council's assets measured and recognised at fair value at 30 June 2014. Comparative information has not been provided as allowed by the transitional provisions of AASB 13.

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, other than Land, 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.

Land is recorded at the Valuer-General's valuation.

AS AT 30 JUNE 2014

	NOTE	LEVEL 1 \$'000	LEVEL 2 \$'000	LEVEL 3 \$'000	TOTAL \$'000
Land	21	-	107,272	-	107,272
Buildings	21	-	-	177,182	177,182
Roads and Bridges	21	-	-	416,989	416,989
Drainage	21	-	-	144,489	144,489
Other Infrastructure	21	-	-	93,471	93,471
		-	107,272	832,131	939,403

NON-RECURRING FAIR VALUE MEASUREMENTS

Assets held for sale	31	180	-	-	180
		180	-	-	180

Note 32 - Fair Value Measurements *continued***Transfers between levels of the hierarchy**

Council policy is to recognise transfers into or between hierarchy levels at the end of the reporting period.

The following assets have been subject to a transfer between levels in the hierarchy.

ASSET	LEVEL 1 \$'000	LEVEL 2 \$'000	LEVEL 3 \$'000	TOTAL \$'000
Stock Market	180	-	(180)	-
Other Transfers	(250)	-	250	-
	(70)	-	70	-

b) Highest and Best Use

AASB 13 Fair Value Measurement requires the fair value of non-financial assets to be calculated based on their "highest and best use".

At the reporting date all assets at fair value are utilised at their highest and best use as public assets.

c) Valuation Techniques

The Council adopted AASB 13 Fair Value Measurement for the first time this financial year and has reviewed each valuation to ensure compliance with the requirements of the new standard. There have been no changes in valuation techniques as a result of this review.

Level 1 Measurements (recurring and non-recurring)

Level 1 assets are measured at market valuation or contract price.

Level 2 Measurements (recurring and non-recurring)

Level 2 assets are measured at Valuer-General's valuation.

Level 3 Measurements (recurring and non-recurring)

Level 3 assets are measured at their replacement cost. Inputs used are cost of materials, cost of labour and other intangible costs.

Level 1 AssetsAssets held for sale

These assets are measured at market valuation or contract price.

Level 2 AssetsLand

Land is measured at the Valuer-General's Valuation.

Level 3 AssetsBuildings

Building are measured at their depreciated replacement cost.

Replacement costs are measured at 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.

Roads and Bridges

Roads and Bridges are measured at their depreciated replacement cost.

Replacement costs are measured at 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.

Drainage

Drainage infrastructure is measured at its depreciated replacement cost.

Replacement costs are measured at 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.

Other Infrastructure

Other infrastructure is measured at its depreciated replacement cost.

Replacement costs are measured at 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.

d) Unobservable inputs and sensitivitiesReplacement costs

The replacement costs comprise of materials, labour and other intangible costs.

Price fluctuations in any one or more of these inputs could have a material effect on the fair value of assets measured at replacement cost.

Useful Life

Changes in the useful life will change the amount of accumulated depreciation used to calculate cost which could result in a material change to the fair value.

Note 32 - Fair Value Measurements *continued***e) Changes in recurring level 3 fair value measurements**

	2014 \$'000
Balance at beginning of reporting period	783,618
Additions	14,851
Gain/loss recognised in Operating Result	3,420
Gain/loss recognised in Other Comprehensive Income	33,009
Disposals	(2,837)
Transfers into level 3	250
Transfers out of level 3	(180)
Closing balance	832,131

f) Valuation processes

The asset valuation is based on the asset replacement cost at the end of its useful life. The asset replacement cost is defined as the total project cost of the asset, which includes design, project management and construction costs including supply of all materials.

Valuations have been prepared with consideration of the current cost of delivering infrastructure projects, contractor rates, modern renewal / rehabilitation practice, asset componentisation and benchmarked rates. Except where stated below all valuations are performed utilising Council staff. The method of valuation is reviewed annually.

The basis of valuations for each asset class is provided below:

ASSET GROUP BASIS OF VALUATION

Drainage	<ul style="list-style-type: none"> - Rates per metre for various diameters of pipelines and include house connections and fittings allowance - Rates vary depending on whether beneath private or public land - Manholes identify number and allow for an average size - "Chamber Manholes" identify number and allow for an average size - Gully pits identify number and allow for connections <p>No allowance for kerb adaptors or connections to kerbs</p>
Roads	<ul style="list-style-type: none"> - Pavement (road base) m2 - Kerb and Channel in metres left and right - Road surface m2 - Footpath m2 left and right - Verge (includes guide posts, table drains, bollards as a count and guardrail in lineal metres) - Street Light Poles as a count (LCC's poles – those with only a light, as distinct from Aurora's – those with wires and a light) - Bridge – type includes timber, concrete and steel – for vehicles and or pedestrians in m2 - Culvert – includes box culverts in m2 or RCP in pipe diameter size and location.
Buildings	<ul style="list-style-type: none"> - Independent market valuation.
Parks & Recreation	<ul style="list-style-type: none"> - Improved grounds m2 - Trees are based on a standard unit price - Fencing is valued based on a linear metre on material type - Furniture and fittings are based total number across facilities - Under surface based on m2 - Playgrounds based on components and type of system

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

The Council has assets and liabilities which are not measured at fair value, but for which fair values are disclosed in other notes. (refer Note 24)

The Council's borrowings are measured at amortised cost with interest recognised in profit or loss when incurred. The fair value of borrowings disclosed in Note 24 is provided by Tascorp (Level 2).

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

Note 33 - Early Adoption of Accounting Standards

At the reporting date updates of the following standards were available for early adoption and relevant to the Council's operations but were not applied by the Council.

AASB 2010-7

[AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 120, 121, 127, 128, 131, 132, 136, 137, 139, 1023 & 1038 and Interpretations 2, 5, 10, 12, 19 & 127]

Relates to amendments arising from the issuance of AASB 9 Financial Instruments as issued in December 2010.

AASB 2012-3

Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities [AASB 132]

These amendments arise from the issuance of Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32) by the International Accounting Standards Board in December 2011.

AASB 2013-3

Amendments to AASB 136 – recoverable amount disclosures for non-financial assets

This Standard amends the disclosure requirements in AASB 136 Impairment of Assets. The amendments include the requirement to disclose additional information about the fair value measurement when the recoverable amount of impaired assets is based on fair value less costs of disposal

AASB 2014-1

Part A - Annual Improvements Available for early adoption
[AASB 2, 3, 8, 9, 13, 116, 124, 137, 138, 139, 140]

Part A of this Standard makes various amendments to Australian Accounting Standards arising from the issuance by the International Accounting Standards Board (IASB) of International Financial Reporting Standards (IFRSs) Annual Improvements to IFRSs 2010–2012 Cycle and Annual Improvements to IFRSs 2011–2013 Cycle.

It also makes various editorial corrections to Australian Accounting Standards (including an Interpretation).

Part B - Defined Benefit Plans - Employee Contributions
Available for early adoption

Available for early adoption
[AASB 119]

Part B of this Standard makes amendments to AASB 119 Employee Benefits in relation to the requirements for contributions from employees or third parties that are linked to service which arise from the issuance of International Financial Reporting Standard Defined Benefit Plans–Employee Contributions (Amendments to IAS 19).

Part C - Materiality

Not Available for early adoption

Part D Consequential Amendments to AASB 14 [AASB 14]

Available for early adoption Not applicable to Council

Part E Financial Instruments

Available for early adoption

[AASB 1, 3, 4, 5, 7 9, 101, 102, 108, 112, 118, 120, 121, 132, 136, 137, 139]

Part E of this Standard defers the application date of AASB 9 Financial Instruments (December 2009), AASB 9 Financial Instruments (December 2010) and the related consequential amendments in AASB 2009-11

AASB 2014-4

Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation
[AASB 116, 138]

This Standard makes amendments to AASB 116 Property, Plant and Equipment and AASB 138 Intangible Assets. These amendments arise from the issuance of International Financial Reporting Standard Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 38) by the International Accounting Standards Board in May 2014.

Note 34 - Management Indicators

The Local Government (Management Indicators) Order 2014 sets out Management Indicators that Council's must disclose in their Financial Statements from 30 June 2014. These indicators are set out below.

	2014 \$'000	2013 \$'000	2012 \$'000	2011 \$'000
a) Underlying surplus or deficit				
Recurrent income* less	93,444	88,961	85,837	82,017
recurrent expenditure	96,200	89,999	87,484	82,640
Underlying surplus/(deficit)	(2,756)	(1,038)	(1,647)	(623)
Benchmark	0	0	0	0

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

Comment

The Council is reviewing operations so as to eliminate the underlying operating deficit in the medium term. The operating expenses include \$18.2m for depreciation, a non cash expense. The Statement of Cash Flows shows significant cash flows from operating activities.

Reconciliation of Underlying Surplus to Statement of Comprehensive Income Surplus

Underlying Surplus	(2,756)	(1,038)	(1,647)	(623)
Add				
Capital Grants	22,573	3,603		-
Infrastructure Take	3,422	3,620		
FAG grant in advance			1,251	41
Less				
FAG grant in advance	(2,036)	(247)		
Assets Held for Sale	(1,474)	-		
Surplus	19,729	5,939	(396)	(582)

(b) Underlying surplus ratio

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

Underlying Surplus of Deficit	(2,756)	(1,038)	(1,647)	(623)
Recurrent income*	93,444	88,961	85,837	82,017
Underlying surplus ratio %	-3%	-1%	-2%	-1%
Benchmark	0%	0%	0%	0%

Comment

See narrative above (34 (a)) relating to the underlying result.

Note 34 - Management Indicators continued

(c) Net financial liabilities

	2014 \$'000	2013 \$'000	2012 \$'000	2011 \$'000
Liquid assets less	63,568	61,126	67,191	65,106
Total liabilities	42,966	47,112	61,102	65,729
Net financial liabilities	20,602	14,014	6,089	(623)
Benchmark	0	0	0	0

Note - Positive balance is favourable to benchmark.

Comment

The Council holds significant liquid assets to match major project commitments.

(d) Net financial liabilities ratio

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

	2014 \$'000	2013 \$'000	2012 \$'000	2011 \$'000
Net financial liabilities	20,602	14,014	6,089	(623)
Recurrent income*	93,444	88,961	85,837	82,017
Net financial liabilities ratio %	22%	16%	7%	-1%
Benchmark	0% - (50%)	0% - (50%)	0% - (50%)	0% - (50%)

Comment

Council is in a strong position to meet ongoing liabilities from operating income

(e) Asset consumption ratio

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

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 the Council.

TRANSPORT INFRASTRUCTURE

Depreciated replacement cost	416,989	360,708	327,505	329,234
Current replacement cost	692,728	596,804	549,539	544,525
Asset consumption ratio %	60%	60%	60%	60%
Benchmark	>60%	>60%	>60%	>60%

BUILDINGS

Depreciated replacement cost	177,182	168,458	169,094	125,761
Current replacement cost	259,135	243,435	242,098	199,830
Asset consumption ratio %	68%	69%	70%	63%
Benchmark	>60%	>60%	>60%	>60%

Note 34 - Management Indicators *continued***DRAINAGE**

<u>Depreciated replacement cost</u>	144,489	128,375	160,381	157,568
Current replacement cost	202,094	174,317	258,065	252,382
Asset consumption ratio %	71%	74%	62%	62%

Benchmark	>60%	>60%	>60%	>60%
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OTHER

<u>Depreciated replacement cost</u>	93,471	126,077	104,412	114,233
Current replacement cost	119,395	181,242	159,563	168,477
Asset consumption ratio %	78%	70%	65%	68%

Benchmark	>60%	>60%	>60%	>60%
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Comment

There is some variability in the asset consumption rates that affects the age of the various asset groups. The percentages show a sustainable position for the Council.

(f) Asset renewal funding ratio

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

	2014 \$'000	2013 \$'000	2012 \$'000	2011 \$'000
TRANSPORT INFRASTRUCTURE				
<u>Projected capital funding outlays**</u>	38,506	40,724	42,530	38,457
Projected capital expenditure funding***	38,506	40,724	42,530	38,457
Asset renewal funding ratio %	100%	100%	100%	100%
Benchmark	90 - 100%	90 - 100%	90 - 100%	90 - 100%
BUILDINGS				
<u>Projected capital funding outlays**</u>	7,492	7,292	7,067	6,107
Projected capital expenditure funding***	7,492	7,292	7,067	6,107
Asset renewal funding ratio %	100%	100%	100%	100%
Benchmark	90 - 100%	90 - 100%	90 - 100%	90 - 100%
DRAINAGE				
<u>Projected capital funding outlays**</u>	7,475	6,761	6,088	5,896
Projected capital expenditure funding***	7,475	6,761	6,088	5,896
Asset renewal funding ratio %	100%	100%	100%	100%
Benchmark	90 - 100%	90 - 100%	90 - 100%	90 - 100%
OTHER				
<u>Projected capital funding outlays**</u>	46,771	45,896	29,407	81,240
Projected capital expenditure funding***	46,771	45,896	29,407	81,240
Asset renewal funding ratio %	100%	100%	100%	100%
Benchmark	90 - 100%	90 - 100%	90 - 100%	90 - 100%

Note 34 - Management Indicators *continued*Comment

As part of the Strategic Financial Plan the Council has a strategy to allocate funding equal to the requirement dictated by the asset management plan of the Council over the medium term.

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

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

(g) Asset sustainability ratio

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

	2014 \$'000	2013 \$'000	2012 \$'000	2011 \$'000
<u>Capex on replacement/renewal of existing assets</u>	<u>14,452</u>	<u>14,658</u>	<u>13,512</u>	<u>22,359</u>
Annual depreciation expense	18,213	18,528	19,778	16,254
Asset sustainability ratio %	79%	79%	68%	138%
Benchmark	100%	100%	100%	100%

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

	CAPITAL RENEWAL EXPENDITURE \$'000	CAPITAL NEW/ UPGRADE EXPENDITURE \$'000	TOTAL CAPITAL EXPENDITURE \$'000
Capex			
Transport Infrastructure	4,498	598	5,096
Buildings	889	282	1,171
Drainage	315	90	405
Land	0	155	155
Plant	19	278	297
Other	<u>8,731</u>	<u>2,254</u>	<u>10,985</u>
	14,452	3,657	18,109
Annual Depreciation Expense			18,213
Asset Sustainability ratio %			99%
Benchmark			100%

Comment

The renewal funding ratio and the asset sustainability ratio show the Council to be in a sound position across this set of indicators.

Statement by the General Manager

The accompanying financial statements of the Launceston City Council set out on pages 74 to 137 has been drawn up in accordance with the requirements of the *Local Government Act 1993* and Australian Accounting Standards and to the best of our knowledge and belief fairly represents –

- a) the financial position of the Council; and
- b) the results of the Council's operations; and
- c) the cash flow of the Council.

Date

26/9/14.

Robert Dobrzynski
General Manager

Independent Auditor's Report

To the Aldermen of Launceston City Council

Financial Report for the Year Ended 30 June 2014

I have audited the accompanying financial report of Launceston City Council (Council), which comprises the statement of financial position as at 30 June 2014 and the statements of comprehensive income, changes in equity and cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the General Manager's statement.

Auditor's Opinion

In my opinion Council's financial report:

- (a) presents fairly, in all material respects, its financial position as at 30 June 2014 and financial performance, cash flows and changes in equity for the year then ended.
- (b) is in accordance with the *Local Government Act 1993* and Australian Accounting Standards.

The Responsibility of the General Manager for the Financial Report

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on my judgement, including the assessment of

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

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

My audit is not designed to provide assurance on the accuracy and appropriateness of the budget information or the asset renewal funding ratio in Council's financial report.

Independence

In conducting this audit, I have complied with the independence requirements of Australian Auditing Standards and other relevant ethical requirements. The *Audit Act 2008* further promotes independence by:

- providing that only Parliament, and not the executive government, can remove an Auditor-General
- mandating the Auditor-General as auditor of State Entities but precluding the provision of non-audit services, thus ensuring the Auditor-General and the Tasmanian Audit Office are not compromised in their role by the possibility of losing clients or income.

Tasmanian Audit Office



H M Blake
Auditor-General

HOBART
26 September 2014

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