

**CITY OF LAUNCESTON**

**FINANCIAL STATEMENTS**

**YEAR ENDED 30 June 2017**

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# STATEMENT OF COMPREHENSIVE INCOME

Year Ended 30 June 2017

		Actual	Budget	Actual
		2017	(Unaudited)	2016
	Note	\$000	\$000	\$000
<b>REVENUES</b>				
Rates and Charges	3	63,568	63,500	62,324
Fees	4	22,452	22,753	21,912
Revenue Grants and Contributions				
Financial Assistance Grants	5	6,191	4,149	2,040
Other Operating Grants	5	4,543	4,637	3,579
Capital Grants and Contributions	6	7,785	4,509	15,954
Interest	7	2,033	2,040	2,164
Interest - Capital Funds	7	113	-	24
Investment Revenue	8	4,563	4,450	4,571
Bequests	9	159	176	149
Other	10	2,905	1,904	2,994
		<u>114,312</u>	<u>108,118</u>	<u>115,711</u>
Infrastructure Take Up Adjustments	11	124,326	-	11,948
<b>Total Revenue</b>		<b>238,638</b>	<b>108,118</b>	<b>127,659</b>
<b>EXPENSES</b>				
Maintenance of Facilities and Provision of Services				
Employee Benefits	12	38,446	38,435	38,121
Materials and Services	13	35,810	35,095	31,967
Impairment of Debts	14	53	95	109
Finance Costs				
Interest on Loans	15	354	253	357
Provision for Rehabilitation	15	27	27	146
Change in Provision for Rehabilitation	36	382	273	804
Depreciation and Amortisation	16	20,007	19,781	19,440
State Government Fire Service Levy	17	7,144	7,144	6,702
Rate Remissions and Abatements	18	882	806	912
		<u>103,105</u>	<u>101,909</u>	<u>98,558</u>
Loss on Disposal of Fixed Assets	19	1,312	-	1,119
Write Down of Assets Held For Sale	26	3,036	-	-
<b>Total Expenses</b>		<b>107,453</b>	<b>101,909</b>	<b>99,677</b>
<b>SURPLUS (DEFICIT)</b>		<b>131,185</b>	<b>6,209</b>	<b>27,982</b>
<b>Other Comprehensive Income</b>				
<b>Items that will not be reclassified to surplus or deficit</b>				
Investment Revaluation	28	1,440		3,972
Actuarial Gains (Losses)	35	1,390		1,984
Net Infrastructure Asset Revaluation Increase (Decrease)	29	16,472		(24,863)
<b>COMPREHENSIVE RESULT</b>		<b>150,487</b>	<b>6,209</b>	<b>9,075</b>

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

## STATEMENT OF FINANCIAL POSITION

	Notes	As at 30-Jun-17 \$000	As at 30-Jun-16 \$000	As at 1-Jul-15 \$000
<b>EQUITY</b>				
Capital Reserves	21	185,016	177,231	161,326
Revenue Reserves	21	1,012,752	887,713	873,501
Asset Revaluation Reserves	21	622,606	606,134	630,997
Investment Reserves	21	(18,188)	(19,627)	(23,599)
Trusts and Bequests	21	1,953	2,202	2,353
<b>TOTAL EQUITY</b>		<b>1,804,139</b>	<b>1,653,653</b>	<b>1,644,578</b>
<i>Represented by:-</i>				
<b>CURRENT ASSETS</b>				
Cash at Bank and on Hand	22	2,473	2,190	2,381
Rate and Sundry Receivables	23	4,148	3,137	3,472
Short Term Investments	24	68,609	63,557	58,304
Inventories	25	599	614	705
Assets Held for Sale	26	840	-	415
		<b>76,669</b>	<b>69,498</b>	<b>65,277</b>
<b>NON-CURRENT ASSETS</b>				
Deferred Receivables	27	258	258	258
Investments	28	234,923	233,483	229,511
Intangible Assets	29	4,628	4,750	4,748
Property, Infrastructure, Plant and Equipment	29	1,295,301	1,145,739	1,148,045
Museum Collection	30	237,491	237,112	236,035
		<b>1,772,601</b>	<b>1,621,342</b>	<b>1,618,597</b>
<b>TOTAL ASSETS</b>		<b>1,849,270</b>	<b>1,690,840</b>	<b>1,683,874</b>
<b>CURRENT LIABILITIES</b>				
Deposits and Prepayments	24	544	469	864
Employee Provisions	31	6,657	5,788	6,019
Interest Bearing Liabilities	32	2,357	2,241	2,132
Sundry Payables and Accruals	34	18,526	18,120	18,571
		<b>28,084</b>	<b>26,618</b>	<b>27,586</b>
<b>NON-CURRENT LIABILITIES</b>				
Employee Provisions	31	989	1,777	1,416
Superannuation Obligation	35	461	247	457
Interest Bearing Liabilities	32	9,769	3,126	5,368
Rehabilitation Provision	36	5,828	5,419	4,469
		<b>17,047</b>	<b>10,569</b>	<b>11,710</b>
<b>TOTAL LIABILITIES</b>		<b>45,131</b>	<b>37,187</b>	<b>39,296</b>
<b>NET ASSETS</b>		<b>1,804,139</b>	<b>1,653,653</b>	<b>1,644,578</b>
Commitments for				
Capital Expenditure	37	10,306	6,988	4,856
Contingent Liabilities	38	-	-	-

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

**STATEMENT OF CHANGES IN EQUITY**  
**Year Ended 30 June 2017**

	Notes	2017 \$000	2016 \$000
<b>TOTAL EQUITY</b>			
Balance 1 July		1,653,653	1,644,578
Surplus / (Deficit)		131,185	27,982
Comprehensive Income		1,390	1,984
Asset Revaluations			
Infrastructure Assets		16,472	(24,863)
Investments		1,439	3,972
Balance 30 June		<u>1,804,139</u>	<u>1,653,653</u>
<b>CAPITAL RESERVES</b>			
Balance 1 July	21	177,231	161,326
Surplus / (Deficit)	21	7,785	15,905
Comprehensive Income	21	-	-
Transfers	21	-	-
Balance 30 June		<u>185,016</u>	<u>177,231</u>
<b>REVENUE RESERVES</b>			
Balance 1 July	21	887,713	873,501
Surplus / (Deficit)	21	123,463	12,228
Comprehensive Income	21	1,390	1,984
Transfers	21	186	-
Balance 30 June		<u>1,012,752</u>	<u>887,713</u>
<b>ASSET REVALUATION RESERVES</b>			
Balance 1 July	21	606,134	630,997
Asset Revaluations	21	16,472	(24,863)
Transfers	21	-	-
Balance 30 June		<u>622,606</u>	<u>606,134</u>
<b>INVESTMENTS</b>			
Balance 1 July	21	(19,627)	(23,599)
Asset Revaluations	21	1,439	3,972
Transfers	21	-	-
Balance 30 June		<u>(18,188)</u>	<u>(19,627)</u>
<b>TRUSTS AND BEQUESTS</b>			
Balance 1 July	21	2,202	2,353
Surplus / (Deficit)	21	(63)	(151)
Transfers	21	(186)	-
Balance 30 June		<u>1,953</u>	<u>2,202</u>
		<u>1,804,139</u>	<u>1,653,653</u>

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

**STATEMENT OF CASH FLOWS**  
**Year Ended 30 June 2017**

	Notes	2017 \$000	2016 \$000
		Inflows (Outflows)	Inflows (Outflows)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>Payments</b>			
Provision of Goods and Services (including GST)		(77,563)	(71,063)
Interest Paid		(354)	(357)
State Government Fire Service Levy		(7,144)	(6,702)
<b>Receipts</b>			
Rates		63,367	62,183
Fees and Charges		23,210	20,742
Grants and Contributions – Revenue		10,734	5,616
Interest Received		1,850	1,818
Other (including GST)		6,282	5,582
<b>Net Cash from Operating Activities</b>	39	<u>20,382</u>	<u>17,819</u>
<b>CASH FLOWS USED IN INVESTING ACTIVITIES</b>			
<b>Payments</b>			
Capital Works		(31,547)	(27,301)
<b>Receipts</b>			
Sale of Assets		627	1,441
Grants and Contributions – Capital		4,548	10,667
Investment Revenue		4,563	4,571
<b>Net Cash Used In Investing Activities</b>		<u>(21,809)</u>	<u>(10,622)</u>
<b>CASH FLOWS USED IN FINANCING ACTIVITIES</b>			
<b>Payments</b>			
Loan Repayments		(2,241)	(2,132)
<b>Receipts</b>			
Loan Proceeds		9,000	-
<b>Net Cash From in Financing Activities</b>		<u>6,759</u>	<u>(2,132)</u>
Net Increase (Decrease) in Cash Held		5,332	5,065
Cash and Cash Equivalents at 1 July		65,748	60,683
<b>Cash and Cash Equivalents at 30 June</b>	39	<u><u>71,080</u></u>	<u><u>65,748</u></u>

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

**NOTES TO FINANCIAL STATEMENTS**  
**Year Ended 30 June 2017**

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## Notes to the Financial Statements

### Note 1 A - Statement of Accounting Policies

#### a) Reporting Entity

This report is a general purpose financial report. All entities through which the Council controls resources to carry out its functions (including the Special Committees detailed in Note 47) 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 28, 29 and 30). Except as disclosed below the accounting policies adopted are consistent with those of the previous year.

#### c) 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.

#### d) 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 124 - Related Party Disclosures

For reporting periods beginning on or after 1 July 2016 Local Government is required to implement AASB 124 Related Party Disclosures.

These disclosures and their related accounting policies are disclosed in Note 43.

#### 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. Those that are likely to have a material effect on the future disclosures of Council are listed at Note 42.

#### e) 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.

## Notes to the Financial Statements

### Note 1 A - Statement of Accounting Policies (Cont)

#### f) Revenue Recognition

##### Rates

Rate revenues are recognised on an accrual basis when they are levied.

##### Fees

Fees are recognised when the service is provided or payment is received, whichever occurs first.

##### Grants

Grant revenues are recognised on an accrual basis when the Council controls the funds.

##### Sales

Sales revenue is recognised when goods are sold or the service provided

##### Infringements

Revenue from infringements is recognised on issue of the infringement notice

##### Interest and Investments

Interest revenue is recognised as it is earned and investment revenue when funds are received.

##### Bequests

Bequests are recognised as revenue when funds are received

#### Private Sector Contributions of Property Infrastructure and Plant and Equipment

In previous reporting periods the Council has recognised donations and contributions of assets as Infrastructure Take Up Adjustments

For reporting periods starting 1 July 2016 onwards Council has recognised these contributions as Capital Grants and Contributions. Prior period disclosures have also been adjusted.

#### g) Taxation

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

##### Fringe Benefits and Payroll Tax

Fringe Benefits and Payroll Tax are expensed in the year they are 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.

#### h) 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.

#### i) Prior Period Disclosure

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

#### j) Change in Accounting Policies

##### **Land Under Roads**

In the reporting period ended 30 June 2015 Council recognised land under roads constructed or acquired from 1 July 2008.

For reporting periods starting 1 July 2016 onwards Council is recognising all land under roads. The adjustments for the recognition of these assets is made to the amounts disclosed in this reporting year.



## Notes to the Financial Statements

### Note 1 B Prior Period Adjustments

In the reporting year ended 30 June 2017 the Council made adjustments to the 30 June 2016 comparative balances to recognise Found Assets and to correct a Prior Period Error.

#### Found Assets

Found Assets are assets not reflected in the Asset Register that are identified as a result of improved measurement technology that allows for more accurate measurement or undocumented assets revealed as a result of Council activities. These remeasurements can also identify assets overstated in the Asset Register.

#### Prior Period Error

In 2013 Council entered into a Memorandum of Understanding with the University of Tasmania for the University to acquire the buildings they lease and occupy at the Inveresk Precinct for a nominal amount.

The transfer of these assets from Non Current Assets to Assets Held for Sale and the resulting Asset Impairment Loss was not disclosed in the period ended 30 June 2014 Financial Statements.

The opening balances in the 2015 Statement of Financial Position have been adjusted for a reduction in Property, Plant, Infrastructure and Other Assets of \$19,670,283 being the value of the buildings. Opening Retained Earnings has been reduced by the same amount to reflect the resulting Impairment Loss.

The movements from amounts disclosed in the 30 June 2016 published statements to the comparative information disclosed in these statements are detailed below.

#### Adjusted Surplus

Surplus as Published in Prior Year  
Found Assets Taken Direct to Revenue Reserve  
Restated Surplus

2016 \$000
30,212
(2,232)
<b>27,980</b>

#### Changes in Property, Infrastructure, Plant and Equipment

Published Closing Property, Infrastructure, Plant and Equipment 30 June 2015  
Add Found Assets to 30 June 2016  
Less Buildings transferred to Assets Held for Sale  
Add Found Assets to 30 June 2017

2015 \$000
1,163,339
2,232
(19,670)
2,144
<b>1,148,045</b>

## Notes to the Financial Statements

### Note 1 B Prior Period Adjustments (Cont)

	As published in prior year	Adjustments			Restated
		Private sector asset contributions reclassified	Retrospective adjustment to equity 1 July 2015 - found assets 2016	Retrospective adjustment to equity 1 July 2015 - found assets 2017	
	\$000	\$000	\$000	\$000	\$000
<b>Statement of Comprehensive Income</b>					
Capital contributions	10,667	5,288			15,955
Infrastructure Take up adjustments	19,468	(5,288)	(2,232)		11,948
Surplus	30,212	-	(2,232)	-	27,980
<b>Statement of Changes in Equity</b>					
Revenue Reserve 1 July 2015	888,795		2,232	(17,526)	873,501
Surplus to Revenue Reserves	19,746	(5,288)	(2,232)		12,226
Comprehensive Income to Revenue Reserves	1,984				1,984
Revenue Reserves 30 June 2016	910,525	(5,288)	-	(17,526)	887,711
<b>Total Equity</b>					
Total Equity 1 July 2015	1,659,872		2,232	(17,526)	1,644,578
Surplus	30,212		(2,232)		27,980
Comprehensive Income	1,984				1,984
Asset Revaluations	(20,891)				(20,891)
Total Equity 30 June 2016	1,671,177	-	-	(17,526)	1,653,651
<b>Statement of Financial Position</b>					
Revenue Reserves 1 July 2015	888,795		2,232	(17,526)	873,501
Revenue Reserves 1 July 2016	910,525	(5,288)		(17,526)	887,711
Property, Infrastructure, Plant and Equipment 2015	1,163,339		2,232	(17,526)	1,148,045
Property, Infrastructure, Plant and Equipment 2016	1,163,264			(17,526)	1,145,738

## Notes to the Financial Statements

### Note 2 - Functions and Activities of the Council

#### a) Functions and Activities of the Council

##### **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 and paid to 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 the maintenance of the planning scheme. Solid waste services including garbage collection and disposal. 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, playgrounds, swimming pools, halls and related recreational facilities. Funding of Queen Victoria Museum and Art Gallery, University of Tasmania Stadium and the Princess Theatre.

##### **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.

##### **Full Cost Attribution**

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 and activities.

## Notes to the Financial Statements

### Note 2 - Functions and Activities of the Council (Cont)

( b ) Revenue and Expenses for the reporting year have been directly attributed to the following functions and activities.

	GENERAL PUBLIC SERVICES \$000	PUBLIC ORDER & SAFETY \$000	HEALTH \$000	WELFARE \$000	HOUSING & COMMUNITY AMENITIES \$000	RECREATION & CULTURE \$000	ROADS & TRAFFIC \$000	OTHER \$000	TOTAL 2017 \$000	BUDGET \$000
<b>REVENUES</b>										
Rates and Charges	52,437	7,197	-	-	3,434	-	-	501	63,569	63,500
Fees	900	366	205	-	8,042	5,782	6,394	763	22,452	22,753
Financial Assistance Grants	2,017	-	-	-	-	-	4,174	-	6,191	4,149
Other Grants	251	-	-	9	1,496	1,590	1,077	120	4,543	4,637
Interest	1,954	12	-	-	12	55	-	-	2,033	2,040
Interest - Capital Funds	-	-	-	-	103	-	11	-	114	-
Investment Revenue	4,562	-	-	-	-	-	-	-	4,562	4,450
Other (including Bequests)	103	-	2	10	424	2,429	40	56	3,064	2,080
	<b>62,224</b>	<b>7,575</b>	<b>207</b>	<b>19</b>	<b>13,511</b>	<b>9,856</b>	<b>11,696</b>	<b>1,440</b>	<b>106,528</b>	<b>103,609</b>
<b>EXPENSES</b>										
Employee Costs (net of capitalised)	12,053	427	856	597	5,259	11,940	5,087	2,228	38,447	38,435
Materials and Services	2,512	166	63	283	12,026	13,478	5,561	1,722	35,811	35,095
Impairment of Debts	(7)	22	2	-	7	30	-	-	54	95
Interest on Loans	354	-	-	-	-	-	-	-	354	253
Provision for Rehabilitation	-	-	-	-	27	-	-	-	27	27
Change in Rehabilitation Provision	-	-	-	-	382	-	-	-	382	273
Depreciation and Amortisation	2,233	13	-	-	3,293	5,034	9,424	8	20,005	19,781
State Government Fire Service Levy	-	7,144	-	-	-	-	-	-	7,144	7,144
Rate Remissions and Abatements	797	83	-	-	-	-	-	-	880	806
Loss on Fixed Assets	183	-	-	-	58	522	548	1	1,312	-
	<b>18,125</b>	<b>7,855</b>	<b>921</b>	<b>880</b>	<b>21,052</b>	<b>31,004</b>	<b>20,620</b>	<b>3,959</b>	<b>104,416</b>	<b>101,909</b>
Full Cost Attribution	(2,041)	80	141	69	(202)	1,039	668	247	1	-
Competitive Neutrality	(527)	-	-	-	72	315	140	-	-	-
	<b>15,557</b>	<b>7,935</b>	<b>1,062</b>	<b>949</b>	<b>20,922</b>	<b>32,358</b>	<b>21,428</b>	<b>4,206</b>	<b>104,417</b>	<b>101,909</b>
<b>Surplus (Deficit) from Operations</b>	<b>46,667</b>	<b>(360)</b>	<b>(855)</b>	<b>(930)</b>	<b>(7,411)</b>	<b>(22,502)</b>	<b>(9,732)</b>	<b>(2,766)</b>	<b>2,111</b>	<b>1,700</b>
<b>Capital Grants and Infrastructure Adjustments</b>										
Capital Grants and Contributions	367	-	-	-	1,990	785	4,640	-	7,782	4,509
Infrastructure Take Up Adjustments	-	-	-	-	-	-	124,326	-	124,326	-
Write Down of Assets Held For Sale	(3,036)	-	-	-	-	-	-	-	(3,036)	-
<b>Surplus (Deficit) Before Other Comprehensive Income</b>	<b>43,998</b>	<b>(360)</b>	<b>(855)</b>	<b>(930)</b>	<b>(5,421)</b>	<b>(21,717)</b>	<b>119,234</b>	<b>(2,766)</b>	<b>131,183</b>	<b>6,209</b>
Infrastructure Assets	39,580	1,262	-	1,283	251,155	279,527	690,414	-	1,263,221	-
Work in Progress	442	-	-	-	21,338	3,105	11,823	-	36,708	-
Other Assets	311,850	-	-	-	-	237,491	-	-	549,341	-
<b>Total Assets</b>	<b>351,872</b>	<b>1,262</b>	<b>-</b>	<b>1,283</b>	<b>272,493</b>	<b>520,123</b>	<b>702,237</b>	<b>-</b>	<b>1,849,270</b>	<b>-</b>

## Notes to the Financial Statements

### Note 2 - FUNCTIONS AND ACTIVITIES OF COUNCIL (Cont)

( c ) Comparative figures for prior year (2016)

	GENERAL PUBLIC SERVICES \$000	PUBLIC ORDER & SAFETY \$000	HEALTH \$000	WELFARE \$000	HOUSING & COMMUNITY AMENITIES \$000	RECREATION & CULTURE \$000	ROADS & TRAFFIC \$000	OTHER \$000	TOTAL 2016 \$000	BUDGET \$000
<b>REVENUES</b>										
Rates and Charges	50,803	6,755	-	-	4,265	-	-	501	62,324	61,775
Fees	824	357	262	-	7,735	5,633	6,220	881	21,912	20,313
Financial Assistance Grants	685	-	-	-	-	-	1,355	-	2,040	4,236
Other Grants	108	-	-	11	1,502	1,416	419	120	3,576	3,552
Interest	2,086	13	-	-	18	47	-	-	2,164	1,759
Interest - Capital Funds	-	-	-	-	20	4	-	-	24	6
Investment Revenue	4,571	-	-	-	-	-	-	-	4,571	4,579
Other (including Bequests)	61	7	-	11	252	2,689	59	64	3,143	2,571
	<b>59,138</b>	<b>7,132</b>	<b>262</b>	<b>22</b>	<b>13,792</b>	<b>9,789</b>	<b>8,053</b>	<b>1,566</b>	<b>99,754</b>	<b>98,791</b>
<b>EXPENSES</b>										
Employee Costs (net of capitalised)	11,921	399	806	506	4,892	12,171	5,233	2,193	38,120	37,349
Materials and Services	2,675	148	105	312	10,769	11,723	4,244	1,991	31,967	33,528
Impairment of Debts	-	17	1	-	76	7	6	1	108	95
Interest on Loans	357	-	-	-	-	-	-	-	357	422
Provision for Rehabilitation	-	-	-	-	146	-	-	-	146	355
Change in Rehabilitation Provision	-	-	-	-	804	-	-	-	804	-
Depreciation and Amortisation	2,028	13	1	-	3,222	5,250	8,920	8	19,442	19,557
State Government Fire Service Levy	-	6,702	-	-	-	-	-	-	6,702	6,702
Rate Remissions and Abatements	823	88	-	-	1	-	-	-	912	727
Loss on Fixed Assets	84	1	-	-	51	475	499	9	1,119	-
	<b>17,888</b>	<b>7,368</b>	<b>913</b>	<b>818</b>	<b>19,961</b>	<b>29,626</b>	<b>18,902</b>	<b>4,202</b>	<b>99,677</b>	<b>98,735</b>
Full Cost Attribution	(1,941)	79	139	67	(202)	1,020	592	246	-	-
Competitive Neutrality	(517)	-	-	-	71	309	137	-	-	-
	<b>15,430</b>	<b>7,447</b>	<b>1,052</b>	<b>885</b>	<b>19,830</b>	<b>30,955</b>	<b>19,631</b>	<b>4,448</b>	<b>99,677</b>	<b>98,735</b>
<b>Surplus (Deficit) from Operations</b>	<b>43,708</b>	<b>(315)</b>	<b>(790)</b>	<b>(863)</b>	<b>(6,038)</b>	<b>(21,166)</b>	<b>(11,578)</b>	<b>(2,882)</b>	<b>77</b>	<b>56</b>
<b>Capital Grants and Infrastructure Adjustments</b>										
Capital Grants and Contributions	1,789	-	-	-	6,795	1,427	5,945	-	15,956	4,787
Infrastructure Take Up Adjustments	(1)	-	-	-	-	-	11,948	-	11,947	-
Write Down of Assets Held For Sale	-	-	-	-	-	-	-	-	-	-
<b>Net Surplus (Deficit) Before Other Comprehensive Income</b>	<b>45,496</b>	<b>(315)</b>	<b>(790)</b>	<b>(863)</b>	<b>757</b>	<b>(19,739)</b>	<b>6,315</b>	<b>(2,882)</b>	<b>27,980</b>	<b>4,843</b>
Infrastructure Assets	36,525	1,241	-	1,270	245,195	278,766	562,256	-	1,125,253	
Work in Progress	296	-	-	-	19,463	1,566	3,811	99	25,235	
Other Assets	303,239	-	-	-	-	237,112	-	-	540,351	
<b>Total Assets</b>	<b>340,060</b>	<b>1,241</b>	<b>-</b>	<b>1,270</b>	<b>264,658</b>	<b>517,444</b>	<b>566,067</b>	<b>99</b>	<b>1,690,840</b>	

## Notes to the Financial Statements

### Note 3 - Rates

	2017 \$000	2016 \$000
<b>Valuation and Rating</b>		
Gross Assessed Annual Value of the City	598,963	593,454
<b>Rates</b>	<b>Cents/\$AAV</b>	<b>Cents/\$AAV</b>
General Rate	7.4750	8.0770
General Rate - Commercial	8.0000	8.0770
General Rate - CBD Variation	9.5920	9.6170
General Rate - Industrial	8.0000	8.0770
General Rate - Public Purpose	8.0000	8.0770
General Rate - Primary Production	8.0000	8.0770
General Rate - Sporting and Recreation	8.0000	8.0770
General Rate - Quarrying and Mining	8.0000	8.0770
General Rate - Vacant Land	6.7000	8.0770
<b>Service Rates</b>		
Fire Protection - Urban	1.3730	1.3186
Fire Protection - Rural	0.3466	0.3145
Fire Protection - Lilydale District	0.4041	0.3750
	<b>\$</b>	<b>\$</b>
General Charge (Fixed Amount)	250	147
<b>Minimum Rates apply:-</b>		
Fire Levy	38	38
<b>SERVICE CHARGES</b>	<b>\$ Range</b>	<b>\$ Range</b>
Waste Management - on bin size	102 - 215	111 - 233
Onsite Disposal System	-	600 - 660

The Assessed Annual Value of the City is as determined by the Valuer-General for the year ended 30 June, 2017.

Rates were levied based on valuations effective from 1 July, 2016 (1 July 2014).

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.

For rating periods beginning 1 July 2016 Council, by absolute majority, introduced rate variations for land classified as Commercial, Industrial, Public Purpose, Primary Production, Sporting and Recreation, Quarrying and Mining and Vacant Land.

In previous rating years Council has charged a maintenance fee for on site disposal systems. For rating periods beginning 1 July 2016 the maintenance of on site disposal systems is the responsibility of the property owner.

## Notes to the Financial Statements

### Note 3 - Rates (Cont)

	2017 \$000	2016 \$000
<b>Rating Revenue</b>		
General Rates	-	45,619
General Charge	8,878	5,184
General Rate - Residential	27,295	-
General Rate - Commercial	8,999	-
General Rate - CBD Variation	501	501
General Rate - Industrial	2,835	-
General Rate - Public Purpose	2,757	-
General Rate - Primary Production	945	-
General Rate - Quarrying and Mining	4	-
General Rate - Sporting and Recreation	227	-
General Rate - Vacant Land	496	-
<b>Total General Rates</b>	<b>52,937</b>	<b>51,304</b>
Fire Protection	7,197	6,755
Waste Management	3,434	4,265
<b>Total Rates</b>	<b>63,568</b>	<b>62,324</b>

### Note 4 - Fees and Charges

	2017 \$000	2016 \$000
Trading Fees	13,822	13,353
Regulatory Fees	2,198	2,296
Fines	1,360	1,352
Sales	4,011	3,811
Services	1,042	1,068
Venue Hire	19	32
	<b>22,452</b>	<b>21,912</b>

### Note 5 - Revenue Grants and Contributions

	2017 \$000	2016 \$000
<b>Commonwealth Funded Financial Assistance Grants</b>		
Grant Funds Received for Reporting Year	4,087	4,138
Grant Received in Prior Year	-	(2,098)
Grant Received for Next Year	2,104	-
	<b>6,191</b>	<b>2,040</b>
<b>Commonwealth Funded Operating Grants</b>		
<b>Ongoing Grant Funding</b>		
Roads to Recovery	-	180
Tamar River Recovery	1,000	1,000
Training Subsidies	18	5
Diesel Rebate	134	107
	1,152	1,292
<b>Other Grants</b>	21	10
<b>Total Commonwealth Funded Operating Grants</b>	<b>1,173</b>	<b>1,302</b>

## Notes to the Financial Statements

### Note 5 - Revenue Grants and Contributions (Cont)

	2017 \$000	2016 \$000
<b>State Funded Operating Grants</b>		
<b>Ongoing Grant Funding</b>		
Queen Victoria Museum and Art Gallery	1,383	1,366
Launceston Flood Authority	496	488
Launceston Visitor and Information Centre	120	120
Motor Tax	157	194
Disaster Recovery	1,049	-
	<u>3,205</u>	<u>2,168</u>
<b>Other Grants</b>	162	59
<b>Total State Funded Grants</b>	<u>3,367</u>	<u>2,227</u>
<b>Private Sector Contributions</b>	3	50
<b>Total Other Operating Grants</b>	<u>4,543</u>	<u>3,579</u>

### Note 6 - Capital Grants and Contributions

	2017 \$000	2016 \$000
<b>State Funded Capital Grants</b>		
Flood Mitigation	-	5,750
Museum	97	194
Parks and Recreation	83	735
Sports Grounds	40	80
Roads	365	53
Stormwater	1,000	1,000
Other	537	-
	<u>2,122</u>	<u>7,812</u>
<b>Commonwealth Funded Capital Grants</b>		
Museum	-	31
Parks and Recreation	18	-
Sports Grounds	-	8
Roads	2,011	2,305
Other	209	10
	<u>2,238</u>	<u>2,354</u>



## Notes to the Financial Statements

### Note 6 - Capital Grants and Contributions (Cont)

	2017 \$000	2016 \$000
<b>Private Sector Funded Contributions</b>		
Flood Mitigation	-	-
Museum	210	605
Parks and Recreation	14	130
Sports Grounds	52	262
Roads	3,137	3,567
Stormwater	-	1,154
Other	12	70
	<b>3,425</b>	<b>5,788</b>
<b>Total Grants and Contributions</b>	<b>7,785</b>	<b>15,954</b>

Private Sector Contributions includes donations and contributions of assets to the Council at no cost.

All grants, contributions and donations are recognised as revenue when received or when the Council obtains control over the assets comprising the contributions or donation. Grants held where the Council has not gained full control of the funds are held as deposits (refer Note 24).

### Note 7 - Interest Revenue

	2017 \$000	2016 \$000
<b>Interest</b>		
Interest Untied Funds	1,737	1,805
Interest Rate Debts	296	359
	<b>2,033</b>	<b>2,164</b>
Interest Tied Funds (Capital Grants)	113	24
	<b>2,146</b>	<b>2,188</b>

### Note 8 - Investment Revenue

	2017 \$000	2016 \$000
<b>Investment Revenue</b>		
TasWater		
Dividends	2,650	2,769
Tax Equivalents	1,231	986
Guarantee Fees	205	330
	<b>4,086</b>	<b>4,085</b>
Australia Pacific Airports (Launceston) Pty Ltd	477	486
	<b>4,563</b>	<b>4,571</b>

## Notes to the Financial Statements

### Note 9 - Bequests

	2017 \$000	2016 \$000
Initial Bequests	-	-
Bequests Revenue	159	149
	<u>159</u>	<u>149</u>

Bequests made to and held by the Council are recognised as Initial Bequests. Bequests held in trust where revenues are distributed to the Council are recognised as Bequests Revenue

For details of bequests held by Council refer Note 21.

### Note 10 - Other Revenue

	2017 \$000	2016 \$000
Rent	1,122	1,121
Sponsorship	554	576
Donations	200	146
Asset Disposal	68	681
Recycling	66	23
Other	895	447
	<u>2,905</u>	<u>2,994</u>

### Note 11 - Infrastructure Take Up Adjustments

	2017 \$000	2016 \$000
Adjustments to Infrastructure Assets		
Assets Recognised (Derecognised):		
Gross Value	124,326	11,948
Accumulated Depreciation	-	-
	<u>124,326</u>	<u>11,948</u>

In the reporting year ended 30 June 2015 Council recognised land under roads acquired after 30 June 2008. In the reporting year ended 30 June 2017 Council has recognised all land under roads. The \$124,326,127 Asset Take Up adjustment represents the value of the land.

## Notes to the Financial Statements

### Note 12 - Employee Benefits

	2017 \$000	2016 \$000
<b>Labour Costs</b>		
Wages and Salaries	26,853	26,008
Superannuation and Retiring Allowance	6,112	6,076
Employee Leave Entitlements	3,963	3,845
Payroll Tax	2,099	2,018
Workers Compensation Insurance	205	371
Other Costs	831	916
	<u>40,063</u>	<u>39,234</u>
Less Amounts Capitalised	(1,617)	(1,113)
	<u><b>38,446</b></u>	<u><b>38,121</b></u>

### Note 13 - Materials and Services

	2017 \$000	2016 \$000
Energy		
Street Lighting	1,511	1,527
Utilities - Gas	749	721
Utilities - Electricity	1,142	1,060
Garbage Collection	3,272	3,086
Goods and Services	19,046	17,574
Combined Service Charge ( TasWater)	1,458	(102)
Property Expenses		
Water Fixed Charges	605	522
Water Volumetric Charges	318	362
Rent External	95	24
Land Tax	376	380
Contributions		
LGAT	63	54
CBD Promotion	500	492
Regional Cooperation	441	467
Flood Authority ( Internal)	175	174
Community Assistance Grants	65	52
Events Funding	419	376
Provision of Services	515	549
Administrative		
Administration	651	725
Advertising and Promotion	195	195
Computers and Communication	358	360
Election Expenses	27	31
Expert Advice	1,297	753
Insurance (exc. Workers Compensation)	614	626
Maintenance	177	156

## Notes to the Financial Statements

### Note 13 - Materials and Services (Cont)

	2017 \$000	2016 \$000
Payment and Debt Collection	390	442
Postage Printing and Stationery	357	367
Aldermanic and Mayoral Allowances	518	501
External Auditor's Remuneration:		
- Auditing Financial Statements	50	54
Internal Auditor's Remuneration	28	37
Motor Vehicle Expense	398	402
	<b>35,810</b>	<b>31,967</b>

### Note 14 - Impairment of Debts

	2017 \$000	2016 \$000
Sundry Debtors	53	103
Parking Infringement Debtors	-	6
	<b>53</b>	<b>109</b>

### Note 15 - Finance Costs

	2017 \$000	2016 \$000
Interest on Borrowings	354	357
Unwinding of Discount on Provision for Rehabilitation of Waste Centre	27	146
	<b>381</b>	<b>503</b>

### Note 16 - Depreciation

	2017 \$000	2016 \$000
Buildings	3,434	3,567
Plant and Equipment	2,329	2,083
Infrastructure	13,711	13,277
Data Systems	533	513
Total Depreciation	<b>20,007</b>	<b>19,440</b>

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).

## Notes to the Financial Statements

### Note 16 - Depreciation (Cont)

#### Museum Collection

The museum collection is not depreciated - see Note 30

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

	<b><u>BASIS OF DEPRECIATION</u></b>	
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
Structures	Straight Line	60 - 250 years
Buildings - Plant	Straight Line	5 - 40 years
Light Vehicles	Straight Line	4 - 5 years
Major Plant	Straight Line	5 - 15 years
Minor Plant	Straight Line	3 - 20 years
Computer Equipment	Straight Line	3 - 5 years
IT Software ( Intangible)	Straight Line	10 years
Furniture and Equipment	Straight Line	4 - 50 years
Stormwater and Drainage - Pump Stations	Straight Line	10 - 50 years
<b>Infrastructure</b>		
Roads Compacted Sub Grade	Not Depreciated	Unlimited
Road Pavement Sub-Base	Straight Line	300 years
Arterial Road Pavement Base	Straight Line	100 years
Local Road Pavement Base	Straight Line	150 years
Road Sealed Surfaces	Straight Line	20 - 35 years
Road Unsealed Surfaces	Straight Line	10 years
Road Kerb and Channel	Straight Line	100 years
Road Footpaths	Straight Line	30 - 50 years
Roads Infrastructure	Straight Line	30 - 100 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	100 - 200 years
Waste Centre	Straight Line	10 - 30 years
Waste Cell Clay Liner	Straight Line	100 years
Future Rehabilitation Costs	Straight Line	3 - 30 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.

## Notes to the Financial Statements

### Note 17 - State Government Fire Service Levy

	2017 \$000	2016 \$000
Levy paid to State Fire Service	<u>7,144</u>	<u>6,702</u>

The Council collects a fire levy on behalf of the State Fire Commission as a rate. The revenue is shown at Note 3

### Note 18 - Remissions and Abatements

	2017 \$000	2016 \$000
Remissions	<u>882</u>	<u>912</u>

The Council, by absolute majority, may grant a remission of all or part of any rates, penalty or interest paid or payable by a ratepayer or class of ratepayers.

### Note 19 - Disposal of Fixed Assets

	Note	2017 \$000	2016 \$000
Proceeds from Disposal		627	1,441
Less Carrying Amounts		(1,871)	(1,879)
Gain (Loss)		<u>(1,244)</u>	<u>(438)</u>
Gains on Disposal	10	68	681
Scheduled Loss on Disposal		(754)	(1,119)
Unscheduled Loss on Disposal		(558)	-
		<u>(1,312)</u>	<u>(1,119)</u>
		<u><b>(1,244)</b></u>	<u><b>(438)</b></u>

#### Scheduled Losses

Assets that are disposed of on a scheduled basis such as Plant and Equipment or redundant Infrastructure Assets

#### Unscheduled Losses

Assets that are disposed of on an unscheduled basis such as discontinued operations or assets that failed to meet their expected service potential

## Notes to the Financial Statements

### Note 20 - MANAGEMENT INDICATORS

The Local Government (Management Indicators) Order 2014 sets out Management Indicators that the Council must disclose in the Financial Statements.

	2017 \$'000	2016 \$'000	2015 \$'000	2014 \$'000
<b>a) Underlying Surplus or Deficit</b>				
Recurrent Income less	103,103	101,681	97,078	92,945
Recurrent Expenditure	101,842	99,393	97,423	94,682
Underlying Surplus (Deficit)	1,261	2,288	(345)	(1,737)
<b>Benchmark</b>	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 and Financial Assistant Grants received in advance.

Recurrent Expenditure excludes loss on disposal of assets

#### Comment

In the reporting year guidance was provided to local government to achieve consistency on the composition of the underlying surplus. The reconciliation below details the items removed from the surplus disclosed in the Statement of Comprehensive Income.

The surplus or deficit for prior years has been restated using the new methodology.

The Council consistently reviews operational expenditure. This has achieved an underlying surplus of \$1.26m in the reporting year.

#### **Reconciliation of Underlying Surplus to Statement of Comprehensive Income**

Underlying Surplus (Deficit)	1,261	2,288	(345)	(1,737)
Add				
Capital Grants	7,783	15,955	4,314	3,422
Bequests	159	149	156	465
Capital Interest	113	24	305	36
Infrastructure Take Up Adjustments	124,326	11,949	5,011	22,573
Add Disaster Recovery Income	1,051	-	-	-
Less				
FAG Grant in advance current year	-	(2,098)	-	(2,036)
FAG Grant in advance prior year	2,104	-	2,098	-
Assets Held for Sale	(3,036)	-	-	(1,473)
Unscheduled Loss on Disposal of Fixed Assets	(558)	-	(2,133)	(1,518)
Disaster Recovery Spending	(2,018)	(285)	-	-
Surplus (Deficit)	<b>131,185</b>	<b>27,982</b>	<b>9,406</b>	<b>19,732</b>

## Notes to the Financial Statements

### Note 20 - MANAGEMENT INDICATORS (Cont)

	2017	2016	2015	2014
	\$'000	\$'000	\$'000	\$'000

#### (b) Underlying Surplus Ratio

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

<u>Underlying Surplus or (Deficit)</u>	1,261	2,288	(345)	(1,737)
Recurrent Income	103,103	101,681	97,078	92,945
Underlying Surplus Ratio %	1%	2%	0%	-2%
<b>Benchmark</b>	0%	0%	0%	0%

Note - positive percentage is favourable to benchmark

#### Comment

The continuing review of operating expenditure has improved the underlying surplus ratio over the reporting period.

#### (c) Net Financial Liabilities

Liquid Assets less	75,230	68,884	64,157	63,859
Total Liabilities	45,131	37,187	39,296	42,966
Net Financial Liabilities	30,099	31,697	24,861	20,893
<b>Benchmark</b>	0	0	0	0

Note - positive balance is favourable to benchmark

#### Comment

The Council continues to hold significant liquid assets to match project commitments and current liabilities.

#### (d) Net Financial Liabilities Ratio

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

<u>Net Financial Liabilities</u>	30,099	31,697	24,861	20,893
Recurrent Income	103,103	101,681	97,078	92,945
Net Financial Liabilities Ratio %	29%	31%	26%	22%
<b>Benchmark</b>	0% - (50%)	0% - (50%)	0% - (50%)	0% - (50%)

#### Comment

The Council is in a strong position to meet ongoing liabilities from operational 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.



## Notes to the Financial Statements

### Note 20 - MANAGEMENT INDICATORS (Cont)

	2017 \$'000	2016 \$'000	2015 \$'000	2014 \$'000
<b><i>Transport Infrastructure</i></b>				
<u>Depreciated Replacement Cost</u>	578,367	573,771	580,838	416,989
Current Replacement Cost	866,239	848,743	832,616	692,728
Asset Consumption Ratio %	67%	68%	70%	60%
<b>Benchmark</b>	>60%	>60%	>60%	>60%
<b><i>Buildings</i></b>				
<u>Depreciated Replacement Cost</u>	184,604	181,256	182,296	177,182
Current Replacement Cost	277,948	272,799	270,476	259,135
Asset Consumption Ratio %	66%	66%	67%	68%
<b>Benchmark</b>	>60%	>60%	>60%	>60%
<b><i>Stormwater and Drainage</i></b>				
<u>Depreciated Replacement Cost</u>	160,363	155,482	159,309	144,489
Current Replacement Cost	226,484	219,425	223,993	202,094
Asset Consumption Ratio %	71%	71%	71%	71%
<b>Benchmark</b>	>60%	>60%	>60%	>60%
<b><i>Other</i></b>				
<u>Depreciated Replacement Cost</u>	84,266	83,216	83,582	93,471
Current Replacement Cost	111,973	108,802	106,458	119,395
Asset Consumption Ratio %	75%	76%	79%	78%
<b>Benchmark</b>	>60%	>60%	>60%	>60%

#### Comment

The asset consumption ratios show that the Council is maintaining the service levels of its asset base and is above the benchmark for all asset classes.

#### **(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. The Projected Funding Outlay is for the next 10 years

<b><i>Transport Infrastructure</i></b>				
<u>Projected Capital Funding Outlays</u>	93,612	62,110	52,110	38,506
Projected Capital Expenditure Funding	93,612	62,110	52,110	38,506
Asset Renewal Funding Ratio %	100%	100%	100%	100%
<b>Benchmark</b>	90 - 100%	90 - 100%	90 - 100%	90 - 100%

## Notes to the Financial Statements

### Note 20 - MANAGEMENT INDICATORS (Cont)

	2017 \$'000	2016 \$'000	2015 \$'000	2014 \$'000
<b>Buildings</b>				
<u>Projected Capital Funding Outlays</u>	12,697	3,235	3,235	7,492
Projected Capital Expenditure Funding	12,697	3,235	3,235	7,492
Asset Renewal Funding Ratio %	100%	100%	100%	100%
<b>Benchmark</b>	90 - 100%	90 - 100%	90 - 100%	90 - 100%
<b>Stormwater and Drainage</b>				
<u>Projected Capital Funding Outlays</u>	9,465	7,300	7,700	7,475
Projected Capital Expenditure Funding	9,465	7,300	7,700	7,475
Asset Renewal Funding Ratio %	100%	100%	100%	100%
<b>Benchmark</b>	90 - 100%	90 - 100%	90 - 100%	90 - 100%
<b>Other</b>				
<u>Projected Capital Funding Outlays</u>	54,302	19,133	19,577	46,771
Projected Capital Expenditure Funding	54,302	19,133	19,577	46,771
Asset Renewal Funding Ratio %	100%	100%	100%	100%
<b>Benchmark</b>	90 - 100%	90 - 100%	90 - 100%	90 - 100%

#### Comment

The Asset Management Plan identifies annual infrastructure renewal spending forecasts for the next 10 years. Detailed assessments of assets earmarked for renewal spending in any given year are necessary to verify whether particular assets in fact do need renewal in the nominated year.

The Council's Long Term Strategic Financial plan aligns with the Asset Management Plan providing for the Council to achieve an ongoing operating surplus after including depreciation.

This outcome ensures that the Council is able to fund the required asset renewal program over time.

#### **(g) Asset Sustainability Ratio**

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

<u>Capex on Replacement/Renewal of Existing Assets</u>				
<u>Annual Depreciation Expense</u>	13,913	15,604	9,745	14,452
Annual Depreciation Expense	20,007	19,440	19,008	18,213
Asset Sustainability Ratio %	70%	80%	51%	79%
<b>Benchmark</b>	100%	100%	100%	100%

## Notes to the Financial Statements

### Note 20 - MANAGEMENT INDICATORS (Cont)

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

	<b>Capital Renewal Expenditure \$'000</b>	<b>Capital New/ Upgrade Expenditure \$'000</b>	<b>Total Capital Expenditure \$'000</b>
<b>Capex</b>			
Transport Infrastructure	6,443	316	6,759
Buildings	528	6,452	6,980
Stormwater and Drainage	909	590	1,499
Land	17	1,668	1,685
Plant	2,252	991	3,243
Other	3,764	6,985	10,749
	<u>13,913</u>	<u>17,002</u>	<u>30,915</u>
Annual Depreciation Expense			20,007
<b>Benchmark</b>			100%

#### Comment

The Asset Management Plan has identified infrastructure that needs renewing and the spending level follows the Asset Management Plan. See comment at note 20(f) for further explanation.

## Notes to the Financial Statements

### Note 21 - Movements in Equity Current Year

#### Capital Reserves

Government Grants  
Other Contributions

#### Revenue Reserves

General  
CBD  
Flood Authority  
Investment Water Corporation  
Public Open Space  
Self Insurance  
Special Committees  
Waste Centre  
Employee Benefits

#### Asset Revaluation Reserves

General

#### Investment Reserves

TasWater  
NTWVG

#### Trusts And Bequests

Cliff Grounds  
John Hart  
John Hart (Interest)  
Mary Nichols Bequest  
Mary Nichols (Interest)  
Museum Ralph Bequest  
Museum - Bessant Bequest  
Plomley Foundation - Capital  
Plomley Foundation - Management  
Museum Armitage Bequest  
Museum - Library  
Museum - Thomas Knowles

	Revised Balance 1 July \$'000	Net Surplus \$'000	Comprehensive Income \$'000	Transfers \$'000	Balance 30 June \$'000
	159,605	4,360	-	-	163,965
	17,626	3,425	-	-	21,051
	<b>177,231</b>	<b>7,785</b>	-	-	<b>185,016</b>
	873,381	117,241	-	7,105	997,727
	15	1	-	-	16
	498	605	-	(132)	971
	-	4,086	-	(4,086)	-
	152	50	-	-	202
	2,731	188	-	-	2,919
	40	-	-	-	40
	11,143	2,896	-	(2,701)	11,338
	(247)	(1,604)	1,390	-	(461)
	<b>887,713</b>	<b>123,463</b>	<b>1,390</b>	<b>186</b>	<b>1,012,752</b>
	<b>606,134</b>	-	<b>16,472</b>	-	<b>622,606</b>
	(20,053)	-	1,529	-	(18,524)
	426	-	(90)	-	336
	<b>(19,627)</b>	-	<b>1,439</b>	-	<b>(18,188)</b>
	5	-	-	-	5
	20	-	-	-	20
	6	1	-	-	7
	2	-	-	-	2
	7	-	-	-	7
	161	(43)	-	(181)	(63)
	259	(39)	-	(5)	215
	1,344	-	-	20	1,364
	30	9	-	(20)	19
	365	9	-	-	374
	-	-	-	-	-
	3	-	-	-	3
	<b>2,202</b>	<b>(63)</b>	-	<b>(186)</b>	<b>1,953</b>
	<b>1,653,653</b>	<b>131,185</b>	<b>19,301</b>	-	<b>1,804,139</b>

## Notes to the Financial Statements

### Note 21 - Movements in Equity (Cont) Comparative figures for prior year

#### Capital Reserves

	Revised Balance 1 July \$'000	Net Surplus \$'000	Comprehensive Income \$'000	Transfers \$'000	Balance 30 June \$'000
Government Grants	149,414	10,191	-	-	159,605
Other Contributions	11,912	5,714	-	-	17,626
	<b>161,326</b>	<b>15,905</b>	-	-	<b>177,231</b>

#### Revenue Reserves

General	858,967	7,921	-	6,493	873,381
CBD	6	9	-	-	15
Flood Authority	241	306	-	(49)	498
Investment Water Corporation	-	4,086	-	(4,086)	-
Public Open Space	102	50	-	-	152
Self Insurance	2,543	188	-	-	2,731
Special Committees	38	2	-	-	40
Waste Centre	12,061	1,440	-	(2,358)	11,143
Employee Benefits	(457)	(1,774)	1,984	-	(247)
	<b>873,501</b>	<b>12,228</b>	<b>1,984</b>	-	<b>887,713</b>

#### Asset Revaluation Reserves

General	<b>630,997</b>	-	<b>(24,863)</b>	-	<b>606,134</b>
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#### Investment Reserves

TasWater	(23,953)	-	3,900	-	(20,053)
NTWMG	354	-	72	-	426
	<b>(23,599)</b>	-	<b>3,972</b>	-	<b>(19,627)</b>

#### Trusts And Bequests

Cliff Grounds	5	-	-	-	5
John Hart	20	-	-	-	20
John Hart (Interest)	5	1	-	-	6
Mary Nichols Bequest	2	-	-	-	2
Mary Nichols (Interest)	7	-	-	-	7
Museum Ralph Bequest	315	(154)	-	-	161
Museum - Bessant Bequest	251	8	-	-	259
Plomley Foundation - Capital	1,324	-	-	20	1,344
Plomley Foundation - Management	66	(16)	-	(20)	30
Museum Armitage Bequest	355	10	-	-	365
Museum - Library	-	-	-	-	-
Museum - Thomas Knowles	3	-	-	-	3
	<b>2,353</b>	<b>(151)</b>	-	-	<b>2,202</b>
	<b>1,644,578</b>	<b>27,982</b>	<b>(18,907)</b>	-	<b>1,653,653</b>

## Notes to the Financial Statements

### Note 22 - Cash at Bank and On Hand

	2017 \$000	2016 \$000
Cash on Hand	22	13
Cash at Bank	2,410	2,138
Special Committees	41	39
	<u>2,473</u>	<u>2,190</u>

### Note 23 - Rates and Sundry Receivables

	2017 \$000	2016 \$000
<b>(a) Current Receivables</b>		
Rate Debtors	1,257	1,530
Rates Paid in Advance	(1,272)	(1,161)
Accrued Revenue	1,343	48
Sundry Debtors	2,344	2,195
Prepayments	115	267
Parking Infringement Debtors	2,090	2,212
	<u>5,877</u>	<u>5,091</u>
Impairment of Debtors		
Sundry Debtors	(424)	(525)
Parking Infringement Debtors	(1,305)	(1,429)
	<u>(1,729)</u>	<u>(1,954)</u>
	<u>4,148</u>	<u>3,137</u>
Movement in Impaired Debts	225	(25)
<b>(b) Collection Performance – Rate Receivables</b>		
Rate Revenue	63,568	62,323
Interest on Rates	296	359
	<u>63,864</u>	<u>62,682</u>
Percentage Rate Debtors Outstanding	1.97%	2.44%

### Note 24 - Current Investments

	2017 \$000	2016 \$000
<b>Current</b>		
Bank Guaranteed Bills and Deposits	68,609	63,557
	<u>68,609</u>	<u>63,557</u>

## Notes to the Financial Statements

### Note 24 - Current Investments (Cont)

	2017 \$000	2016 \$000
<b>Restricted Assets and Deposits</b>		
Restricted assets		
a) Included in the above and invested on behalf of:-		
i) Trusts and Bequests	1,953	2,202
ii) River Dredging and Flood Protection Contributions	971	498
b) Provision for Retiring Allowance	231	218
c) Provision for Waste Centre Development and Rehabilitation	11,338	11,143
	<u>14,493</u>	<u>14,061</u>
Grant funds brought to account as income but not fully expended and held in specific bank deposits at year end	5,575	-
Total Restricted Assets	<u><b>20,068</b></u>	<u><b>14,061</b></u>
Deposits	544	469
Total Restricted Assets and Deposits	<u><b>20,612</b></u>	<u><b>14,530</b></u>
<b>Committed Funds</b>		
Capital Expenditure	10,306	6,988
Net Capital Works (carried forward)	14,314	10,186
	<u>24,620</u>	<u>17,174</u>
Current Liabilities (excluding deposits)	27,540	26,153
	<u><b>52,160</b></u>	<u><b>43,327</b></u>

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

### Note 25 - Inventories

	2017 \$000	2016 \$000
<b>Inventories</b>		
Stores	449	482
Trading Stock	150	132
	<u><b>599</b></u>	<u><b>614</b></u>

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

## Notes to the Financial Statements

### Note 26 - Assets Held for Sale

	2017	2016
	\$000	\$000
<b>Assets Held For Sale</b>		
Carrying Value	3,876	-
Less Fair Value Adjustment	(3,036)	-
Value Held for Sale	840	-

The Council has entered into an agreement to sell a portion of the Cimitiere Street car park land facing Tamar Street for a hotel development.

In 2013 the Council entered into a Memorandum of Understanding with the University of Tasmania for the University to acquire the buildings they lease and occupy in the Inveresk Precinct for a token amount. This resulted in an impairment loss of \$19,670,283.42. This amount has been taken to equity as a prior period error.

In 2016 the Council entered into a Memorandum of Understanding with the University of Tasmania for the University to acquire land in the Inveresk Precinct and the Willis Street Car Park. The agreement is for the University to acquire the assets for \$1. This resulted in an impairment loss of \$3,036,200 in the reporting year.

### Note 27 - Deferred Receivables

	2017	2016
	\$000	\$000
<b>Deferred Receivables</b>		
Loans - Australia Pacific Airports (Launceston) Pty Ltd	258	258

Council owns a 10% stake in the Launceston Airport by way of a shareholder loan to Australian Pacific Airports (Launceston) Pty Ltd.

Revenues on this loan are recognised as Investment Revenue.

### Note 28 - Investments

#### Investment TasWater

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

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

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



## Notes to the Financial Statements

### Note 28 - Investments (Cont)

	2017 \$000	2016 \$000
Water Corporation net equity	1,585,043	1,574,712
Year end report used for determining net assets	30-June-2017	30-June-2016
Launceston City Council ownership percentage	14.80%	14.80%
Fair value of the Council's share of TasWater	234,586	233,057
Previously assessed value	233,057	229,157
Net Increase (decrease) in fair value	<u>1,529</u>	<u>3,900</u>

### Investment NTWMG

The Northern Tasmanian Waste Management Group (NTWMG) was formed in 2009 as part of Northern Tasmania Regional Development Board Ltd. (Now Northern Tasmania Development Corporation Ltd.) The Group is comprised of 7 member Northern Tasmanian Councils. Each member Council has one vote. On winding up the fund is to be distributed proportionate to a three year rolling average of each members payments into the fund.

	2017 \$000	2016 \$000
NTWMG Fund Balance	437	547
Year end report used for determining net assets	30-June-2017	30-June-2016
Launceston City Council ownership percentage	77.04%	77.97%
Fair value of the Council's share of NTWMG	337	426
Previously assessed value	426	354
Net Increase (decrease) in fair value	<u>(90)</u>	<u>72</u>
<b>Total Investments</b>	<u><b>234,923</b></u>	<u><b>233,483</b></u>

### Note 29 - Property, Infrastructure and Plant and Equipment

#### Recognition of Non-Current Assets

From the reporting period starting 1 July 2016 the Council has recognised all land under roads by area at the Valuer General's valuation.

Building assets includes fixtures and fittings and are depreciated at the rates for Major and Minor Plant.

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).

## Notes to the Financial Statements

### Note 29 - Property, Infrastructure and Plant and Equipment (Cont)

#### 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 Non Current Assets were identified as being materially impaired.

#### Found Assets

During the year the Council identified assets that were not reflected in the Asset Register as at 30 June 2016.

This is the result of better measurement technologies to allow for more accurate measurement or activities revealing undocumented assets. The remeasurements resulted in increases and decreases in individual asset values.

As identified the restated values are adjusted in the Asset Register.

The opening balances of the prior period have been adjusted by the changes in values of these assets.

#### Valuation

Plant and Equipment and Intangible Assets are valued at cost.

Infrastructure Assets are measured at fair value.

Valuations are done with sufficient regularity to ensure carrying amounts represent Fair Value.

The valuations are performed as per the following table.

Asset Class	Valuation Method	Valuer
Plant and Equipment	Cost	-
Intangible Assets	Cost	-
Land	Fair Value	LG Valuation Services - On behalf of the Valuer General
Buildings	Fair Value	LG Valuation Services
Roads and Bridges	Fair Value	Launceston Council Infrastructure Services
Stormwater and Drainage	Fair Value	Launceston Council Infrastructure Services
Flood Protection	Fair Value	Launceston Council Infrastructure Services
Refuse Disposal	Fair Value	Launceston Council Infrastructure Services
Parks and Recreation	Fair Value	Launceston Council Infrastructure Services

	2017 \$000	2016 \$000
Intangible Assets at Written Down Value	4,628	4,750
Tangible Assets at Written Down Value	1,258,593	1,120,504
Work in Progress	36,708	25,235
Written Down Value 30 June	<b>1,299,929</b>	<b>1,150,489</b>

## Notes to the Financial Statements

### Note 29 - Property, Infrastructure and Plant and Equipment (Cont)

	2017 \$000	2016 \$000
<b>(a) Capital Expenditure</b>		
Completed Works	19,887	18,739
Change in Work in Progress	11,473	8,053
	<b>31,360</b>	<b>26,792</b>
<b>(b) Movement in Asset Values</b>		
Written Down Value 1 July	1,150,489	1,152,794
Capital Expenditure	31,360	26,792
Capital Contributions	3,037	4,723
Depreciation and Amortisation	(20,008)	(19,440)
Disposals at Written Down Value	(1,871)	(1,464)
Asset Recognition Adjustment	124,326	11,948
Asset Revaluation Increment (Decrement)	16,472	(24,864)
Transfer to Assets Held for Sale	(3,876)	-
Written Down Value 30 June	<b>1,299,929</b>	<b>1,150,489</b>
<b>(c) Total Property, Infrastructure and Plant and Equipment Carrying Amount</b>		
Plant and Equipment at Cost	46,862	43,342
Property and Infrastructure at Valuation	1,716,898	1,559,077
	1,763,760	1,602,419
Less Accumulated Depreciation	500,539	477,166
	1,263,221	1,125,253
Work in Progress at Cost	36,708	25,235
Written Down Value	<b>1,299,929</b>	<b>1,150,488</b>

Plant and Equipment includes Data Systems disclosed in the Statement of Financial Position as Intangible Assets.

Notes to the Financial Statements

Note 29 - Infrastructure Assets (Cont)

( d ) Infrastructure by Function  
Current Year

Freehold Land at Valuation	2,598	-	137,850	12,595	435	74,938	228,416
Leasehold Land at Valuation	-	-	-	300	-	1,312	1,612
Freehold Buildings at Valuation	23,348	1,333	19,954	31,875	1,360	203,801	281,671
Leasehold Buildings at Valuation	-	-	-	-	209	127	336
Roads Infrastructure at Valuation	-	277	809,108	-	-	-	809,385
Stormwater and Drainage Infrastructure at Valuation	-	-	-	215,856	-	-	215,856
Plant and Equipment at Cost	37,861	-	-	-	-	-	37,861
Intangibles at Cost	9,001	-	-	-	-	-	9,001
Flood Protection Infrastructure at Valuation	-	-	-	56,137	-	-	56,137
Cemetery & Crematoria Infrastructure at Valuation	-	-	-	7,336	-	-	7,336
Refuse Disposal Infrastructure at Valuation	-	-	-	26,876	-	-	26,876
Parks and Recreation Infrastructure	-	-	-	-	-	-	-
- Swim Centres at Valuation	-	-	-	-	-	1,684	1,684
- Parks at Valuation	-	-	-	-	-	87,589	87,589

Less Accumulated Depreciation

General Public Services \$'000	Public Order and Safety \$'000	Roads and Traffic \$'000	Housing and Community Amenities \$'000	Welfare \$'000	Recreation and Culture \$'000	TOTAL \$'000
72,808	1,610	966,912	350,975	2,004	369,451	1,763,760
(33,228)	(348)	(276,498)	(99,820)	(721)	(89,924)	(500,539)
<b>39,580</b>	<b>1,262</b>	<b>690,414</b>	<b>251,155</b>	<b>1,283</b>	<b>279,527</b>	<b>1,263,221</b>

Note 29 - Infrastructure Assets (Cont)

( d ) Infrastructure by Function  
Comparative Figures for Prior Year

Freehold Land at Valuation	2,558	-	16,631	11,637	435	76,801	108,062
Leasehold Land at Valuation	-	-	-	270	-	455	725
Freehold Buildings at Valuation	22,964	1,290	19,196	30,950	1,316	199,205	274,921
Leasehold Buildings at Valuation	-	-	-	-	203	122	325
Roads Infrastructure at Valuation	-	273	789,719	-	-	-	789,992
Stormwater and Drainage Infrastructure at Valuation	-	-	-	208,996	-	-	208,996
Plant and Equipment at Cost	35,524	-	-	-	-	-	35,524
Intangibles at Cost	8,705	-	-	-	-	-	8,705
Flood Protection Infrastructure at Valuation	-	-	-	55,062	-	-	55,062
Cemetery & Crematoria Infrastructure at Valuation	-	-	-	7,188	-	-	7,188
Refuse Disposal Infrastructure at Valuation	-	-	-	26,652	-	-	26,652
Parks and Recreation Infrastructure	-	-	-	-	-	-	-
- Swim Centres at Valuation	-	-	-	-	-	1,658	1,658
- Parks at Valuation	-	-	-	-	-	84,609	84,609

Less Accumulated Depreciation

General Public Services \$'000	Public Order and Safety \$'000	Roads and Traffic \$'000	Housing and Community Amenities \$'000	Welfare \$'000	Recreation and Culture \$'000	TOTAL \$'000
69,751	1,563	825,546	340,755	1,954	362,850	1,602,419
(33,226)	(322)	(263,290)	(95,560)	(684)	(84,084)	(477,166)
<b>36,525</b>	<b>1,241</b>	<b>562,256</b>	<b>245,195</b>	<b>1,270</b>	<b>278,766</b>	<b>1,125,253</b>

**Note 29 - Infrastructure Assets (Cont)**  
**( e ) Movements in Carrying Amounts**  
**Current Year**

	<b>Land</b>	<b>Buildings</b>	<b>Roads and Bridges</b>	<b>Drainage</b>	<b>Plant and Equipment</b>	<b>Other</b>	<b>TOTAL</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Opening Balance							
At Cost	-	-	-	-	43,342	-	43,342
At Valuation	109,332	272,799	848,743	219,425	-	108,778	1,559,077
Accumulated Depreciation		(91,543)	(274,972)	(63,944)	(21,145)	(25,561)	(477,165)
Additions - Capex	-	1,040	5,408	3,798	6,851	2,790	19,887
Additions - Contributions							
Gross	105	-	2,238	772	-	-	3,115
Accumulated Depreciation		-	(74)	(4)	-	-	(78)
Adjustments							
Gross	124,326	-	-	-	-	-	124,326
Accumulated Depreciation		-	-	-	-	-	-
Transfers							
Gross	(3,569)	-	(557)	-	-	-	(4,126)
Accumulated Depreciation		-	250	-	-	-	250
Revaluations							
Gross	-	9,017	12,701	2,697	-	583	24,998
Accumulated Depreciation		(2,855)	(4,681)	(784)	-	(206)	(8,526)
Disposals							
Gross	-	(849)	(2,294)	(208)	(3,331)	(177)	(6,859)
Accumulated Depreciation		427	1,714	153	2,575	119	4,988
Depreciation		(3,434)	(10,108)	(1,544)	(2,863)	(2,059)	(20,008)
Balance - 30 June	<b>230,194</b>	<b>184,602</b>	<b>578,368</b>	<b>160,361</b>	<b>25,429</b>	<b>84,267</b>	<b>1,263,221</b>

**Note 29 - Infrastructure Assets (Cont)**  
**( e ) Movements in Carrying Amounts**  
**Comparative Figures for Prior Year**

	<b>Land</b>	<b>Buildings</b>	<b>Roads and Bridges</b>	<b>Drainage</b>	<b>Plant and Equipment</b>	<b>Other</b>	<b>TOTAL</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Opening Balance							
At Cost	-	-	-	-	40,180	-	40,180
At Valuation	109,339	270,476	832,616	223,993	-	106,458	1,542,882
Accumulated Depreciation	-	(88,180)	(251,778)	(64,684)	(19,932)	(22,876)	(447,450)
Additions - Capex	-	2,628	6,057	2,938	5,006	2,111	18,740
Additions - Contributions							
Gross	-	-	3,619	1,160	-	-	4,779
Accumulated Depreciation	-	-	(51)	(6)	-	-	(57)
Adjustments							
Gross	-	-	11,948	-	-	-	11,948
Accumulated Depreciation	-	-	-	-	-	-	-
Transfers							
Gross	-	-	-	-	-	-	-
Accumulated Depreciation	-	-	-	-	-	-	-
Revaluations							
Gross	-	(3)	(1,021)	(8,567)	-	600	(8,991)
Accumulated Depreciation	-	1	(17,354)	2,232	-	(752)	(15,873)
Disposals							
Gross	(7)	(302)	(4,476)	(99)	(1,844)	(391)	(7,119)
Accumulated Depreciation	-	203	3,767	36	1,382	267	5,655
Depreciation	-	(3,567)	(9,556)	(1,522)	(2,595)	(2,200)	(19,440)
Balance - 30 June	<b>109,332</b>	<b>181,256</b>	<b>573,771</b>	<b>155,481</b>	<b>22,197</b>	<b>83,217</b>	<b>1,125,254</b>

## Notes to the Financial Statements

### Note 30 - Queen Victoria Museum and Gallery

	2017 \$000	2016 \$000
<b>Museum Collection</b>		
Opening Balance	237,112	236,035
Additions	379	1,077
Revaluation Increase/(Decrease)	-	-
Collection Carrying Value	<u>237,491</u>	<u>237,112</u>

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

This amount has been disclosed as a separate asset class in the Statement of Financial Position.

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 between revaluations are brought to account at curators valuation. Significance is defined at a threshold value of \$5,000. Additions below this amount are brought to account on revaluation of the whole collection.

	2017 \$000	2016 \$000
<b>Results from Operations</b>		
<b>Revenue</b>		
Fees and Charges	547	366
State Government Operations Grant	1,383	1,366
Other Grants	48	48
Bequests and Donations	257	274
Interest	55	47
Other Income	2	18
	<u>2,292</u>	<u>2,119</u>
<b>Expenses</b>		
Provision of Services	5,268	5,250
Bequest Expenditure	50	57
Depreciation	693	758
Full Cost Attribution	345	338
	<u>6,356</u>	<u>6,403</u>
<b>Operating Surplus / (Deficit)</b>	<u>(4,064)</u>	<u>(4,284)</u>

## Notes to the Financial Statements

### Note 31 - Employee Provisions and Statistics

	2017	2016
	\$000	\$000
Full Time Equivalent Employees at year end	441	427
<b>Current Provisions</b>		
Accrued Time	155	148
Annual Leave	2,517	2,543
Long Service Leave	3,908	3,023
Retiring Allowance	77	74
	<b>6,657</b>	<b>5,788</b>
<b>Non-Current Provisions</b>		
Long Service Leave	835	1,633
Retiring Allowance	154	144
	<b>989</b>	<b>1,777</b>

#### Annual and Long Service Leave

Provision is made in respect of the liability for annual leave and long service leave at 30 June, 2017. The remuneration rate expected to apply at the time of settlement has been used in 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.

### Note 32 - Interest Bearing Liabilities

	2017	2016
	\$000	\$000
(a) Currency of loans		
Current	2,357	2,241
Non-current	9,769	3,126
	<b>12,126</b>	<b>5,367</b>
(b) Summary Movement in Loans		
Balance - 1 July	5,367	7,500
Repayments	(2,241)	(2,133)
Borrowing	9,000	-
Balance - 30 June	<b>12,126</b>	<b>5,367</b>

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

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

Gross PBAA loans due	-	(2)
Less subsidy	-	2
Year end net balance	-	-



### Note 33 - Lease Commitments

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

## Notes to the Financial Statements

### Note 34 - Sundry Payables and Accruals

	2017	2016
	\$000	\$000
Accrued Expenses	14,644	15,830
Unearned Income	243	245
Sundry Creditors	3,639	2,045
	<b>18,526</b>	<b>18,120</b>

### Note 35 - Superannuation

During the year the 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 are able to join an accumulation fund of their choice. Employees who are members of the defined benefits fund are able to transfer to a complying accumulation fund. The default offering for Council employees is provided by Tasplan Super.

#### Defined Benefit Funds

The Council contributes, in respect of its employees, to two divisions within Tasplan Super that provide defined benefits entitlements. The City of Launceston Defined Benefits Division was established for employees of the Council, it includes a small number of former employees of the Council that transferred to TasWater. The Quadrant Defined Benefits Division was established in respect of local government employees in Tasmania. Both these divisions are closed to new entrants.

In accordance with statutory requirements the Council contributes to both funds the amounts determined by the independent actuaries of Tasplan Super. As such, assets accumulate to meet member's benefits as they accrue. If the assets of a division of the fund 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 actuarial reviews are:

#### Quadrant Defined Benefit Division

The employees who are members of the Quadrant Defined Benefits Division are included in the actuarial report for the City of Launceston Defined Benefits Division.

#### City of Launceston Defined Benefits - Sub Fund of Tasplan

The assets and members of the City of Launceston are a division of Tasplan Super on a "successor fund" basis.

## Notes to the Financial Statements

### Note 35 - Superannuation (Cont)

	2017 \$000	2016 \$000
The Council has taken up a liability of :	461	247

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 Geoff McRae FIAA on behalf of Rice Warner, as at 31 May 2017.

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

	2017 \$000	2016 \$000
<b>Balance Sheet Calculation</b>		
Fair value of plan assets	55,471	53,387
Less present value of defined benefit obligation	55,932	53,634
Employee benefit (asset) obligation	<u>461</u>	<u>247</u>
<b>Defined Benefit Obligation</b>		
<b>Reconciliation of Obligation</b>		
Present value of defined benefit obligation - 1 July	53,634	55,235
Current service cost	3,056	3,299
Interest cost	1,233	1,415
Member contributions and transfers from other funds	922	1,072
Actuarial gains/ (losses) due to changes in financial assumptions	(339)	146
Actuarial (gains)/losses due to changes in experience	3,734	(1,263)
Benefits and tax paid	(6,308)	(6,270)
Past service cost	-	-
Curtailments	-	-
Settlements	-	-
Exchange rate changes	-	-
Present value of defined benefit obligation - 30 June	<u>55,932</u>	<u>53,634</u>
<b>Assets</b>		
<b>Reconciliation of Assets</b>		
Fair value of plan - 1 July	53,387	54,778
Adjustment to 2016 Asset	-	740
Expected return on plan assets	1,169	1,410
Actuarial gains/ (losses)	3,817	(976)
Employer contributions	1,452	1,525
Member contributions and transfers from other funds	1,954	2,180
Benefits and tax paid	(6,308)	(6,270)
Settlements and curtailments	-	-
Business combinations	-	-
Exchange rate changes	-	-
Fair value of defined benefit obligation - 30 June	<u>55,471</u>	<u>53,387</u>

## Notes to the Financial Statements

### Note 35 - Superannuation (Cont)

	2017 \$000	2016 \$000
<b>Expense recognised in Operating Surplus</b>		
Current service cost	3,056	3,299
Interest cost	1,233	1,415
Expected return on plan assets	(1,169)	(1,410)
Superannuation expense	<u>3,120</u>	<u>3,304</u>
<b>Expense recognised in Other Comprehensive Income</b>		
Actuarial gains/(losses)	<u>1,390</u>	<u>1,984</u>

### General Plan Information

The Plan is a division of the "profit for members" superannuation scheme known as Tasplan Super ("the Scheme") and the Trustee of the Scheme is Tasplan 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 2014 by Geoff McRae FIAA of Rice Warner.

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

	2017 \$000	2016 \$000
Present Value of Defined Benefits	34,189	34,189
Accumulation Benefits	17,192	17,192
<b>Value of Accrued Benefits</b>	<u>51,381</u>	<u>51,381</u>
<b>Vested Benefits</b>	<u>48,980</u>	<u>48,980</u>

The actuary recommended that the Employer contribute at the rate of 10% of salaries until 31 July 2015 and then 11% 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%	7%
Rate of inflationary salary increases:	4%	4%

### 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.

## Notes to the Financial Statements

### Note 35 - Superannuation (Cont)

	2017 \$000	2016 \$000
<b>Actual Return on Plan Assets</b>		
Present value of defined benefit obligation at end of year	55,932	53,634
Fair value of Plan assets at end of year	55,471	53,387
(Surplus)/Deficit in Plan	<b>461</b>	<b>247</b>
Experience adjustments - Plan liabilities	(3,734)	1,263
Experience adjustments - Plan assets	3,817	(976)
Actual return on Fund assets	4,985	434
<b>Principal Assumptions</b>		
Discount Rate p.a.	2.37%	2.25%
Salary Increases	2.1% - 2.3%	2.00%

### Expected Contributions

If the Council follows the recommendations in the actuarial report, the expected contributions to the Fund for the year ending 31 May 2018 are as follows:

	2018 \$000	2017 \$000
Expected employer contributions (for defined benefits only)	1,559	1,724
Expected member contributions (incl. deemed member contributions)	850	940

### 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 1.00% p.a.	Decrease by: 1,662
Discount Rate	Decrease by 1.00% p.a.	Increase by: 2,238
Salary Growth Rate	Increase by 1.00% p.a.	Increase by: 2,045
Salary Growth Rate	Decrease by 1.00% p.a.	Decrease by: 1,886

## Notes to the Financial Statements

### Note 36 - Rehabilitation Provision

	2017 \$000	2016 \$000
<b>Provision for Rehabilitation</b>		
Balance at Beginning of Year	5,419	4,469
Reassessment Adjustment of Opening Balance	382	804
Rehabilitation Works Carried Out	-	-
Unwinding of discount - expensed as borrowing cost	27	146
Balance at End of Year	<u>5,828</u>	<u>5,419</u>

The Council operates a refuse disposal area (Launceston Waste Facility) 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 "Finance Costs".

### Note 37 - Commitments for Capital Expenditure

	2017 \$000	2016 \$000
At the reporting date, the Council had entered into contracts for the following capital expenditures:		
Plant and Equipment	1,185	2,269
Refuse Infrastructure	286	1,757
Roads Infrastructure	7,376	1,169
Parks and Recreation Infrastructure	911	415
Drainage Infrastructure	226	1,018
Flood Protection Infrastructure	35	215
Buildings	287	145
	<u>10,306</u>	<u>6,988</u>
These expenditures are due for payment:		
Not later than one year	10,306	6,988

### Note 38 - Contingent Assets and Liabilities

#### Contingent Assets

During the reporting year the Council was awarded costs for the arbitrated dispute with TasWater. At the reporting date the amount of the costs payable to Council is yet to be determined.

#### Contingent Liabilities

At the reporting date of 30 June 2017 the Council had no contingent liabilities that would materially affect any of the amounts or disclosures in these accounts.

## Notes to the Financial Statements

### Note 39 - Cash Flow

	2017 \$000	2016 \$000
<b>(a) Reconciliation of Cash Used in Operating Activities to Surplus (Deficit)</b>		
Surplus (Deficit)	131,185	27,982
<b>Non-Cash Charges</b>		
Depreciation	20,007	19,440
Employee Provisions	1,682	1,907
Provision for Rehabilitation Movements	409	950
Allowance for Impaired Debts	(225)	25
Loss (Profit) on Sale of Non-current Assets	1,244	437
Write Down of Available for Sale Asset	3,036	-
<b>Changes in Assets and Liabilities</b>		
Rate and Sundry Receivables	(785)	309
Inventories	15	92
Sundry Creditors	414	(451)
Deposits	75	(395)
<b>Non-Cash Income</b>		
Infrastructure Take-up Adjustments	(124,326)	(11,948)
<b>Investing Activities</b>		
Investment Revenue	(4,563)	(4,572)
Grants and Contributions Capital	(7,785)	(15,954)
Net Cash from Operating Activities	<u><u>20,383</u></u>	<u><u>17,822</u></u>

### 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	2,473	2,190
Short Term Investments	68,609	63,557
	<u><u>71,082</u></u>	<u><u>65,747</u></u>

## Notes to the Financial Statements

### Note 40 - 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.

#### Debtors and Deposits

##### Rate Debtors

All rates levied during the reporting period are recognised as revenues. Uncollected rates are recognised as receivables (refer Note 23).

##### 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 the Council's assets. The deposits are repayable either on demand or when certain conditions have been met depending on the individual conditions of the deposit. They are recorded at nominal value.

	2017 \$000	2016 \$000
<b>CARRYING VALUE</b>		
<b>Financial Assets</b>		
Cash and Cash Equivalents	71,081	65,748
Available for Sale - Investments	234,923	233,483
Current Receivables	4,149	3,138
Deferred Receivables	258	258
<b>Total Financial Assets</b>	<b>310,411</b>	<b>302,627</b>



## Notes to the Financial Statements

### Note 40 - Financial Instruments (Cont)

	2017 \$000	2016 \$000
<b>Financial Liabilities</b>		
At Amortised Cost	31,201	23,956
<b>Total Financial Liabilities</b>	<b>31,201</b>	<b>23,956</b>
<b>NET TOTAL</b>	<b>279,210</b>	<b>278,671</b>
<b>FAIR VALUE</b>		
<b>Financial Assets</b>		
Cash and Cash Equivalents	71,081	65,748
Available for Sale - Investments	234,923	233,483
Current Receivables	4,149	3,138
Deferred Receivables	258	258
<b>Total Financial Assets</b>	<b>310,411</b>	<b>302,627</b>
<b>Financial Liabilities</b>		
At Amortised Cost	31,447	24,164
<b>Total Financial Liabilities</b>	<b>31,447</b>	<b>24,164</b>
<b>NET TOTAL</b>	<b>278,964</b>	<b>278,463</b>

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 and an Investment Report is prepared regularly 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.

## Notes to the Financial Statements

### Note 40 - Financial Instruments (Cont)

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 particular to a 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.

	2017 \$000	2016 \$000
<b>Increase of Values/Rates</b>		
<b>Profit</b>		
Impact of a 10% movement in Market Values	-	-
Impact of a 1% movement in Interest Rates	590	604
<b>Equity</b>		
Impact of a 10% movement in Market Values	-	-
Impact of a 1% movement in Interest Rates	590	604
<b>Decrease of Values/Rates</b>		
<b>Profit</b>		
Impact of a 10% movement in Market Values	-	-
Impact of a 1% movement in Interest Rates	(590)	(604)
<b>Equity</b>		
Impact of a 10% movement in Market Values	-	-
Impact of a 1% movement in Interest Rates	(590)	(604)

#### (b) Receivables

The Council's major receivables comprise:

- (i) Rates and 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.

## Notes to the Financial Statements

### Note 40 - Financial Instruments (Cont)

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 (i.e., 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. 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:

#### Receivables Credit Risk

##### (i) Ageing of Receivables

###### Current

Rate Debtors	(1,244)	(1,150)
Accrued Revenue	1,343	48
Sundry Debtors	1,642	1,703
Prepayments	115	267
Parking Infringement Debtors	113	83
	<b>1,969</b>	<b>951</b>

###### Overdue

Rate Debtors	1,229	1,519
Accrued Revenue	-	-
Sundry Debtors	702	492
Prepayments	-	-
Parking Infringement Debtors	1,977	2,128
	<b>3,908</b>	<b>4,139</b>

###### Total Receivables

	<b>5,877</b>	<b>5,090</b>
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##### (ii) Movement in Provision for Impairment of Receivables

	2017 \$000	2016 \$000
Balance at the beginning of the year	(1,954)	(1,929)
Add movement in provision	169	(94)
Less amounts already provided for and written back this year	56	69
<b>Balance at the end of the year</b>	<b>(1,729)</b>	<b>(1,954)</b>

## Notes to the Financial Statements

### Note 40 - Financial Instruments (Cont)

#### (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 (i.e. prices) or indirectly (i.e. derived from prices).

Level 3

Inputs for the asset or liability that are not based on observable market data.

	2017 \$000	2016 \$000
Level 3 - Investments	<u>234,923</u>	<u>233,483</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 cash outflows (i.e. principal only) of the Council's payables and borrowings are set out in the Liquidity Table:

Liquidity Table	2017 \$000	2016 \$000
<b>Variable Interest</b>		
Deposits	-	-
Sundry Creditors	-	-
Secured Loans	-	-
	<u>-</u>	<u>-</u>
<b>Fixed Rate Maturity</b>		
<u>Less than 1 Year</u>		
Deposits	-	-
Sundry Creditors	-	-
Secured Loans	2,357	2,241
	<u>2,357</u>	<u>2,241</u>
<u>1 to 5 Years</u>		
Deposits	-	-
Sundry Creditors	-	-
Secured Loans	9,769	3,126
	<u>9,769</u>	<u>3,126</u>
<b>Non Interest</b>		
Deposits	544	469
Sundry Creditors	18,531	18,120
Secured Loans	-	-
	<u>19,075</u>	<u>18,589</u>

## Notes to the Financial Statements

### Note 40 - Financial Instruments (Cont)

	2017 \$000	2016 \$000
<b>Total Cash Outflows</b>		
Deposits	544	469
Sundry Creditors	18,531	18,120
Secured Loans	12,126	5,367
	<b>31,201</b>	<b>23,956</b>
<b>Actual Carrying Amount</b>		
Deposits	544	469
Sundry Creditors	18,531	18,120
Secured Loans	12,126	5,367
	<b>31,201</b>	<b>23,956</b>

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:

	2017 \$000	2016 \$000
<b>Secured Loans</b>		
Carrying Value	12,126	5,367
Average Interest Rate	3.88%	5.23%

### Note 41 - Fair Value Measurements

The Council measures infrastructure assets at fair value on a recurring basis.

The museum collection is periodically valued by a suitably qualified valuer.

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.

Note 41 - Fair Value Measurements (Cont)

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 2017.

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 2017

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<b>Recurring fair value measurements</b>				
Land	-	230,193	-	230,193
Buildings	-	-	184,602	184,602
Roads and Bridges	-	-	578,368	578,368
Drainage	-	-	160,361	160,361
Other Infrastructure	-	-	84,267	84,267
	-	<b>230,193</b>	<b>1,007,598</b>	<b>1,237,791</b>

Non-recurring fair value measurements

Assets held for sale	840			840
	<b>840</b>	-	-	<b>840</b>

As at 30 June 2016

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<b>Recurring fair value measurements</b>				
Land	-	109,332	-	109,332
Buildings	-	-	181,256	181,256
Roads and Bridges	-	-	573,771	573,771
Drainage	-	-	155,481	155,481
Other Infrastructure	-	-	83,217	83,217
	-	<b>109,332</b>	<b>993,725</b>	<b>1,103,057</b>

## Notes to the Financial Statements

### Note 41 - Fair Value Measurements (Cont)

#### Non-recurring fair value measurements

Assets held for sale	-	-	-	-
	-	-	-	-

#### 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.

#### Hierarchy Transfers 2017

Asset	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Land	3,569	(3,569)		-
Buildings	307	-	(307)	-
	3,876	(3,569)	(307)	-

#### Hierarchy Transfers 2016

Asset	Level 1	Level 2	Level 3	Total \$'000
Land available for sale	-	-	-	-
Other Transfers	-	-	-	-

#### 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

Valuations are in accordance with AASB 13 *Fair Value Measurement* and reviewed each valuation to ensure compliance with the requirements of the 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 Assets

###### Assets held for sale

These assets are measured at market valuation or contract price.

## Notes to the Financial Statements

### Note 41 - Fair Value Measurements (Cont)

#### Level 2 Assets

##### Land

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

#### Level 3 Assets

##### Buildings

Building are measured at their depreciated replacement cost, as valued by LG Valuation Services

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 sensitivities

##### Replacement 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.

#### e) Changes in recurring level 3 fair value measurements

	2017 \$000	2016 \$000
<b>Balance at beginning of reporting period</b>	993,725	1,006,024
Additions	13,036	13,734
Gain/loss recognised in Operating Result	(14,213)	(175)
Gain/loss recognised in Other Comprehensive Income	16,472	(24,863)
Disposals	(1,115)	(995)
Transfers into level 3	-	-
Transfers out of level 3	(307)	-
<b>Closing balance</b>	<b>1,007,598</b>	<b>993,725</b>



**Note 41 - Fair Value Measurements (Cont)**

**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 the Council's staff. The method of valuation is reviewed annually.

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

<b>Asset Group</b>	<b>Basis of Valuation</b>
<b>Drainage</b>	<ul style="list-style-type: none"> <li>- Rates per metre for various diameters of pipelines and include house connections and fittings allowance</li> <li>- Rates vary depending on whether beneath private or public land.</li> <li>- Manholes. identify number and allow for an average size</li> <li>- "Chamber Manholes". identify number and allow for an average size</li> <li>- Gully pits. identify number and allow for connections</li> </ul> <p>No allowance for kerb adaptors or connections to kerbs</p>
<b>Roads</b>	<ul style="list-style-type: none"> <li>- Pavement (road sub base and base) m<sup>2</sup></li> <li>- Kerb and Channel in metres left and right</li> <li>- Road surface m<sup>2</sup></li> <li>- Footpath m<sup>2</sup> left and right</li> <li>- Verge (includes guide posts, table drains, bollards as a count and guardrails in linear metres).</li> <li>- 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).</li> <li>- Bridge – type includes timber, concrete and steel – for vehicles and or pedestrians in m<sup>2</sup>.</li> <li>- Culvert – includes box culverts in m<sup>2</sup> or reinforced concrete pipe in diameter size</li> </ul>
<b>Buildings</b>	<ul style="list-style-type: none"> <li>- Independent market valuation.</li> </ul>
<b>Parks and Recreation</b>	<ul style="list-style-type: none"> <li>- Improved grounds m<sup>2</sup></li> <li>- Trees are based on a standard unit price</li> <li>- Fencing is valued based on a linear metre on material type</li> <li>- Furniture and fittings are based total number across facilities</li> <li>- Under surface based on m<sup>2</sup></li> <li>- Playgrounds based on components and type of system</li> </ul>

**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 40)

The Council's borrowings are measured at amortised cost with interest recognised in comprehensive income when incurred. The fair value of borrowings disclosed in Note 40 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).

## Notes to the Financial Statements

### Note 42 - Early Adoption of Accounting Standards

At the reporting date, updates of the following standards that are relevant to the Council, available for early adoption and could have a material effect on the disclosures of the Council, but were not adopted.

#### **AASB 2014-5**

Amendments as a consequence of issuance of AASB 15 Revenue from contracts with Customers

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

The standard provides for greater scope in matching contributions revenue with its expenditure.

For the Council this could allow large capital contributions, currently recognised as revenue when the Council has control over the funds, to be recognised as revenue over a number of reporting periods matching the expenditure of the funding.

#### **AASB 1058 Income of Not for Profit Entities**

This is a new Standard relating to income recognition for Not For Profit Entities.

This standard is applicable for reporting periods beginning on or after 1 January 2019

Early application is permitted provided AASB 15 is also adopted.

For the Council the major impact is the recognition of non monetary and below market value contributions to be recognised as revenue at market value.

This may have a material effect on the revenue recognised by Council.

### Note 43 - Related Party Transactions

#### **Accounting Standards Disclosures**

##### **AASB 124 Related Party Disclosures**

For reporting periods beginning on or after 1 July 2016 Local Government is required to adopt AASB 124 Related Party Disclosures.

The standard requires the disclosure of related party relationships, transactions and outstanding balances, including commitments.

##### **Related Parties**

The Council's Related Parties are those that it controls or can exert significant influence over.

For the reporting year Council has no Related Parties that it controls or can exert significant influence over.

##### **Key Management Personnel**

Key Management Personnel are those who, directly or indirectly, have authority for planning, directing and controlling the activities of the Council.

The Council has interpreted the definition of Key Management Personnel to include the Mayor, Deputy Mayor, Aldermen, General Manager and the Directors.

#### **Local Government Act Disclosures**

##### **Aldermen's Disclosure**

##### **Pecuniary Interests**

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."

## Notes to the Financial Statements

### Note 43 - Related Party Transactions (Cont)

#### Allowances

Section 72(cb) of the Local Government Act 1993 requires a statement of the total allowances and expenses paid to the Mayor, Deputy Mayor and Alderman.

#### Remuneration of Senior Officers

Section 72(1)(cd) of the Local Government Act 1993, requires the Council 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.

	<b>2017</b>
	<b>\$000</b>
<b>Key Management Personnel Compensation</b>	
<b>Aldermen</b>	
Short Term Benefits (Allowances)	518
Short Term Benefits (Expenses)	24
	<b>542</b>
Long Term Benefits	-
	<b>542</b>
	<b>Number of Employees</b>
<b>Senior Officers</b>	
<b>Short Term Benefits ( Annual Remuneration)</b>	
\$170,001 - \$190,000	2
\$190,001 - \$210,000	4
\$300,001 - \$320,000	1
	<b>7</b>
	<b>\$000</b>
<b>Senior Officers</b>	
Short Term Benefits	1,271
Long Term Benefits	57
Post Employment Benefits	191
	<b>1,526</b>
<b>Related Party Transactions</b>	
<b>Transactions</b>	
Sales of Goods and Services	320
Purchase of Goods and Services	1,910
	<b>2,230</b>
Loans to Key Management Personnel	-
Outstanding Balances owed by Key Management Personnel	-

## Notes to the Financial Statements

### Note 43 - Related Party Transactions (Cont)

#### **Sales of Goods and Services**

The Council sold goods or services to five organisations that Key Management Personnel have control or significant influence over.

These sales were at arms length and on normal commercial terms.

#### **Purchase of Goods and Services**

The Council purchased goods and services from, or made contributions to ten organisations that Key Management Personnel or their close associates have a significant influence over.

Contributions totalled \$236,018 and purchases totalled \$1,673,755. These transactions were at arms length and on normal commercial terms or through open tender.

#### **Ordinary Citizen Transactions**

The City of Launceston enters into transactions with Key Management Personnel and their Related Parties within a normal customer relationship i.e. payments of rates, dog registration and the use of facilities such as car parks. These transactions are at arms length on terms and conditions no more favourable than those available to the broader community.

These transaction are not included in these disclosures.

### Note 44 - Events After Reporting Period

There were no material events or transactions after the reporting date relating to the reporting period.

### Note 45 - Authorities

During the financial year the Council had two authorities set up under 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 Council to disclose the revenue and expenditure of Authorities under it's control.

#### **York Park and Inveresk Precinct Authority**

This is a Controlling Authority set up under section 29 of the Local Government Act 1993.

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

On 13 February 2017 the Council by absolute majority voted to wind up the York Park and Inveresk Precinct Authority with effect 17 March 2017.

The activities previously performed by the authority are now performed as part of the Council's normal operations.

The following revenues and expenses are for the period 1 July 2016 to 17 March 2017.

## Notes to the Financial Statements

### Note 45 - Authorities (Cont)

Revenue and Expenses	2017 \$000	2016 \$000
<b>Revenue</b>		
Rental Income	281	415
Operating and Sponsorship	1,024	1,919
Capital Grants	-	50
Other Income	35	15
<b>Total Revenue</b>	<b>1,340</b>	<b>2,399</b>
<b>Expenses</b>		
Provision of Services	2,013	2,929
Employee Benefits	524	713
Depreciation	760	1,432
Overheads	114	152
Other	-	63
<b>Total Expenses</b>	<b>3,411</b>	<b>5,289</b>
<b>Surplus / (Deficit)</b>	<b>(2,071)</b>	<b>(2,890)</b>

### Launceston Flood Authority

This is a Single Authority set up under section 30 of the Local Government Act 1993.

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".

Revenue and Expenses	2017 \$000	2016 \$000
<b>Revenue</b>		
State Government Grants	496	488
Commonwealth Government Grants	1,000	1,000
Launceston City Council	175	174
Interest Income	12	18
Other Income	17	13
<b>Total Revenue</b>	<b>1,700</b>	<b>1,693</b>
<b>Expenses</b>		
Operations Costs	1,095	1,387
Depreciation	565	564
<b>Total Expenses</b>	<b>1,660</b>	<b>1,951</b>
<b>Surplus / (Deficit)</b>	<b>40</b>	<b>(258)</b>

### Note 46 - Significant Business Activities

#### 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 Act also requires specific disclosure of 'significant business activities'.

The Tasmanian Government guidelines for Significant Business identifies a Business Activity as one that operates in a competitive market.

Determining factors on whether the Council activity is significant include, but are not limited to:

- The relevant market

- The size of the local government activity compared to the whole market

- The competitive impact of the Council's activity in the market

#### Significant Business Activities

The Council conducted a review during the year to identify any significant business activities.

The activities disclosed below have been identified as Significant Business Activities.

The following items have been disclosed:

#### Labour Costs

Labour costs have been discounted by a factor of 1.25 for the variance between private and public sector average weekly ordinary time earnings.

Superannuation costs have been adjusted to the 9.5% Superannuation Guarantee Levy

#### Full Cost Attribution

Service costs applied to all the Council's 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 (e.g. 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 for significant business activities. It has been calculated by applying a rate of 5% to net assets employed.

## Notes to the Financial Statements

### Note 46 - Significant Business Activities

	2017 Actual \$000	2017 Budget \$000	2016 Actual \$000
<b>OFF STREET PARKING</b>			
<b>Revenue</b>			
Operating Revenue	2,651	2,650	2,589
	<b>2,651</b>	<b>2,650</b>	<b>2,589</b>
<b>Expenses</b>			
Employee Benefits	510	535	563
Material and Services	438	464	418
Depreciation	237	257	234
	<b>1,185</b>	<b>1,256</b>	<b>1,215</b>
Full Cost Attribution	38	38	38
Competitive Neutrality	140	140	140
	<b>1,363</b>	<b>1,434</b>	<b>1,393</b>
<b>Operating Surplus / (Deficit)</b>	1,288	1,216	1,196
Less Notional Income Tax	386	365	359
<b>Surplus / (Deficit)</b>	<b>902</b>	<b>851</b>	<b>837</b>
<b>Capital Costs</b>			
Notional Cost of Capital	1,485	1,485	1,394
<b>Fully Attributed Surplus / (Deficit)</b>	<b>(583)</b>	<b>(634)</b>	<b>(557)</b>
<b>LAUNCESTON AQUATIC (Excludes LA Fit)</b>			
<b>Revenue</b>			
Operating Revenue	2,924	2,889	2,871
	<b>2,924</b>	<b>2,889</b>	<b>2,871</b>
<b>Expenses</b>			
Employee Benefits	1,874	1,894	1,907
Material and Services	1,778	1,844	1,606
Depreciation	714	721	708
	<b>4,366</b>	<b>4,459</b>	<b>4,221</b>
Full Cost Attribution	72	72	73
Competitive Neutrality	81	81	79
	<b>4,519</b>	<b>4,612</b>	<b>4,373</b>
<b>Operating Surplus / (Deficit)</b>	(1,595)	(1,723)	(1,502)
Less Notional Income Tax	-	-	-
<b>Surplus / (Deficit)</b>	<b>(1,595)</b>	<b>(1,723)</b>	<b>(1,502)</b>
<b>Capital Costs</b>			
Notional Cost of Capital	1,461	1,461	1,479
<b>Fully Attributed Surplus / (Deficit)</b>	<b>(3,056)</b>	<b>(3,184)</b>	<b>(2,981)</b>

## Notes to the Financial Statements

### Note 46 - Significant Business Activities (Cont)

	2017 Actual \$000	2017 Budget \$000	2016 Actual \$000
<b>LAFit</b>			
<b>Revenue</b>			
Operating Revenue	957	912	844
	<b>957</b>	<b>912</b>	<b>844</b>
<b>Expenses</b>			
Employee Benefits	371	366	398
Material and Services	135	168	143
Depreciation	55	48	54
	<b>561</b>	<b>582</b>	<b>595</b>
Full Cost Attribution	72	72	70
Competitive Neutrality	6	6	12
	<b>639</b>	<b>660</b>	<b>677</b>
<b>Operating Surplus / (Deficit)</b>	318	252	167
Less Notional Income Tax	92	72	50
<b>Surplus / (Deficit)</b>	<b>226</b>	<b>180</b>	<b>117</b>
<b>Capital Costs</b>			
Notional Cost of Capital	10	10	9
<b>Fully Attributed Surplus / (Deficit)</b>	<b>216</b>	<b>170</b>	<b>108</b>

### Note 47 - Special Committees


	2017 \$000	2016 \$000
<b>Committee Name</b>		
Dilston Hall	3	3
Karoola Hall and Recreation Ground	5	5
Lebrina Progress Association	7	8
Lilydale Memorial Hall Committee	9	7
Lilydale Recreational Ground	8	6
North Esk Memorial Hall and Recreational Ground	9	10
Nunamara Hall	-	-
Balance - 30 June	<b>41</b>	<b>39</b>
<b>Summary of Special Committees</b>		
Balance 1 July	39	38
Receipts	19	8
Expenses	17	7
Balance 30 June	<b>41</b>	<b>39</b>

The Nunamara Hall was put up for sale by tender during the reporting year



## STATEMENT BY THE GENERAL MANAGER

The accompanying financial statements set out on pages 1 to 63, present fairly the financial position of the City of Launceston as at 30 June 2017, the results of its operations for the year then ended and the cash flows of the Council, in accordance with the Local Government Act 1993 (as amended), Australian Accounting Standards (including interpretations) and other authoritative pronouncements issued by the Australian Accounting Standards Board.

Date *13/4/2017*   
Michael Tidey  
Acting General Manager