

5 October 2018

Ald Van Zetten
Mayor, and
Launceston City Council
PO Box 396
LAUNCESTON TAS 7250

Issued by email only

Dear Ald Van Zetten

Launceston City Council – Final Management Letter - Audit of Financial Report for the Year Ended 30 June 2018

The audit of the financial report for Launceston City Council (Council) has been completed in accordance with the agreed client strategy. I have issued my audit report on the financial report, a copy of which is enclosed.

Audit Findings

Certain matters that came to my attention during the audit will be outlined in our management report which will be forwarded to you in due course. The management report will include management's response to our audit findings, as well as a follow-up of matters raised in previous audits.

You will appreciate that my normal audit procedures are designed primarily to enable me to form an opinion on the financial report as a whole and therefore do not necessarily bring to light at each audit all the weaknesses in internal control or accounting practice which a special investigation might do.

I have prepared this letter solely for the use of Council. As you know, this report forms part of a continuing dialogue between Council and the Auditor-General and, therefore, it is not intended to include every matter, whether large or small, that has come to my attention. For this reason I believe that it would be inappropriate for this letter to be made available to third parties and, if such a third party were to obtain a copy without my prior written consent, I would not accept any responsibility for any reliance that they might place on it.

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Auditor-General's Report

Draft commentary for inclusion in the Auditor-General's Report to Parliament scheduled for completion and tabling in late-November 2018, will be prepared in due course and then forwarded to you for formal comment.

Review of the Annual Report

Please will you forward to me a copy of the final draft of Council's annual report for review by my staff prior to its publication. This review will be conducted in accordance with Auditing Standard ASA 720 *The Auditor's Responsibilities Relating to Other Information in Documents Containing Audited Financial Report* to identify any material inconsistencies between the financial report and other information disclosed in the annual report.

Appreciation is expressed for the assistance and co-operation provided to my staff during the course of the audit.

Please note that a copy of this letter together with the audit report will be provided to the Minister for Planning and Local Government, The Hon P C Gutwein MP in accordance with section 19(2) of the *Audit Act 2008*.

If you have any queries regarding the audit or any other matters, please contact me on 6173 0900.

Yours sincerely



Ric De Santi
Deputy Auditor-General

Encl.

Copy for:
Mr M Stretton, General Manager
Mark Scanlon, Chair, Finance and Audit Committee
Louise Foster, Director of Corporate Services
Paul Gimpl, Chief Financial Officer

Independent Auditor's Report

To the Aldermen of Launceston City Council

Report on the Audit of the Financial Report

Opinion

I have audited the financial report of Launceston City Council (Council), which comprises the statement of financial position as at 30 June 2018 and statements of comprehensive income, changes in equity and cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, other explanatory notes and the statement of certification by the Acting General Manager.

In my opinion the accompanying financial report:

- (a) presents fairly, in all material respects, Council's financial position as at 30 June 2018 and its financial performance and its cash flows for the year then ended
- (b) is in accordance with the *Local Government Act 1993* and Australian Accounting Standards.

Basis for Opinion

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

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

My audit responsibility does not extend to the budget figures included in the financial report, the asset renewal funding ratio disclosed in note 20, nor the Significant Business Activities disclosed in note 46 to the financial report and accordingly, I express no opinion on them.

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

Responsibilities of the General Manager for the Financial Report

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

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

Auditor's Responsibilities for the Audit of the Financial Report

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

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

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

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

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



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

Tasmanian Audit Office

5 October 2018
Hobart

CITY OF LAUNCESTON

FINANCIAL STATEMENTS

YEAR ENDED 30 June 2018

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STATEMENT OF COMPREHENSIVE INCOME

Year Ended 30 June 2018

		Actual	Budget (Unaudited)	Actual
		2018	2018	2017
	Note	\$000	\$000	\$000
REVENUES				
Rates and Charges	3	65,115	65,020	63,568
Fees	4	24,691	22,963	22,452
Revenue Grants and Contributions				
Financial Assistance Grants	5	4,274	4,148	6,191
Other Operating Grants	5	4,764	3,184	4,543
Capital Grants and Contributions	6	16,124	12,582	7,785
Interest	7	1,873	1,898	2,033
Interest - Capital Funds	7	81	41	113
Investment Revenue	8	4,750	4,490	4,563
Bequests	9	126	179	159
Other	10	3,202	2,139	2,905
		125,000	116,644	114,312
Infrastructure Take Up Adjustments	11	(948)	-	124,326
Total Revenue		124,052	116,644	238,638
EXPENSES				
Maintenance of Facilities and Provision of Services				
Employee Benefits	12	39,806	39,166	38,446
Materials and Services	13	35,211	33,697	35,810
Impairment of Debts	14	34	31	53
Finance Costs				
Interest on Loans	15	436	137	354
Provision for Rehabilitation	15	-	305	27
Change in Provision for Rehabilitation	36	199	-	382
Depreciation and Amortisation	16	20,090	20,436	20,007
State Government Fire Service Levy	17	7,535	7,535	7,144
Rate Remissions and Abatements	18	1,026	992	882
		104,337	102,299	103,105
Loss on Disposal of Fixed Assets	19	3,880	-	1,312
Write Down of Assets Held For Sale	26	(841)		3,036
Total Expenses		107,376	102,299	107,453
SURPLUS (DEFICIT)		16,676	14,345	131,185
Other Comprehensive Income				
Items that will not be reclassified to surplus or deficit				
Investment Revaluation	28	3,045		1,440
Actuarial Gains (Losses)	31	2,539		1,390
Net Infrastructure Asset Revaluation	29	40,560		16,472
Increase (Decrease)				
COMPREHENSIVE RESULT		62,820	14,345	150,487

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

STATEMENT OF FINANCIAL POSITION

		As at 30-Jun-18 \$000	As at 30-Jun-17 \$000
	Notes		
EQUITY			
Capital Reserves	21	199,659	185,016
Revenue Reserves	21	1,017,402	1,012,737
Asset Revaluation Reserves	21	663,166	622,606
Investment Reserves	21	(15,479)	(18,188)
Trusts and Bequests	21	2,195	1,953
TOTAL EQUITY		1,866,943	1,804,124
<i>Represented by:-</i>			
CURRENT ASSETS			
Cash at Bank and on Hand	22	430	2,473
Rate and Sundry Receivables	23	5,850	4,148
Short Term Investments	24	68,205	68,609
Inventories	25	685	599
Assets Held for Sale	26	4,242	840
		79,412	76,669
NON-CURRENT ASSETS			
Deferred Receivables	27	258	258
Investments	28	237,631	234,923
Intangible Assets	29	5,059	4,628
Property, Infrastructure, Plant and Equipment	29	1,341,855	1,295,301
Museum Collection	30	237,624	237,491
Superannuation	31	622	-
		1,823,049	1,772,601
TOTAL ASSETS		1,902,461	1,849,270
CURRENT LIABILITIES			
Deposits and Prepayments	24	508	544
Employee Provisions	32	6,544	6,657
Interest Bearing Liabilities	33	769	2,357
Sundry Payables and Accruals	35	10,040	18,541
		17,861	28,099
NON-CURRENT LIABILITIES			
Employee Provisions	32	919	989
Superannuation Obligation	31	-	461
Interest Bearing Liabilities	33	9,000	9,769
Rehabilitation Provision	36	7,738	5,828
		17,657	17,047
TOTAL LIABILITIES		35,518	45,146
NET ASSETS		1,866,943	1,804,124
Commitments for			
Capital Expenditure	37	10,973	10,306
Contingent Liabilities	38	-	-

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

STATEMENT OF CHANGES IN EQUITY
Year Ended 30 June 2018

	Notes	2018 \$000	2017 \$000
TOTAL EQUITY			
Balance 1 July		1,804,124	1,653,638
Surplus / (Deficit)		16,675	131,185
Comprehensive Income		2,539	1,390
Asset Revaluations			
Infrastructure Assets		40,560	16,472
Investments		3,045	1,439
Balance 30 June		<u>1,866,943</u>	<u>1,804,124</u>
CAPITAL RESERVES			
Balance 1 July	21	185,016	177,231
Surplus / (Deficit)	21	14,643	7,785
Comprehensive Income	21	-	-
Transfers	21	-	-
Balance 30 June		<u>199,659</u>	<u>185,016</u>
REVENUE RESERVES			
Balance 1 July	21	1,012,737	887,698
Surplus / (Deficit)	21	1,966	123,463
Comprehensive Income	21	2,539	1,390
Transfers	21	160	186
Balance 30 June		<u>1,017,402</u>	<u>1,012,737</u>
ASSET REVALUATION RESERVES			
Balance 1 July	21	622,606	606,134
Asset Revaluations	21	40,560	16,472
Transfers	21	-	-
Balance 30 June		<u>663,166</u>	<u>622,606</u>
INVESTMENTS			
Balance 1 July	21	(18,188)	(19,627)
Asset Revaluations	21	3,045	1,439
Transfers	21	(336)	-
Balance 30 June		<u>(15,479)</u>	<u>(18,188)</u>
TRUSTS AND BEQUESTS			
Balance 1 July	21	1,953	2,202
Surplus / (Deficit)	21	66	(63)
Transfers	21	176	(186)
Balance 30 June		<u>2,195</u>	<u>1,953</u>
		<u>1,866,943</u>	<u>1,804,124</u>

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

STATEMENT OF CASH FLOWS

Year Ended 30 June 2018

	Notes	2018 \$000	2017 \$000
		Inflows (Outflows)	Inflows (Outflows)
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments			
Provision of Goods and Services (including GST)		(88,664)	(77,563)
Interest Paid		(436)	(354)
State Government Fire Service Levy		(7,535)	(7,144)
Receipts			
Rates		64,206	63,367
Fees and Charges		25,316	23,210
Grants and Contributions – Revenue		9,010	10,734
Interest Received		1,808	1,850
Other (including GST)		7,556	6,282
Net Cash from Operating Activities	39	11,261	20,382
CASH FLOWS USED IN INVESTING ACTIVITIES			
Payments			
Capital Works		(32,975)	(31,547)
Receipts			
Sale of Assets		724	627
Grants and Contributions – Capital		16,152	4,548
Investment Revenue		4,750	4,563
Net Cash Used In Investing Activities		(11,349)	(21,809)
CASH FLOWS USED IN FINANCING ACTIVITIES			
Payments			
Loan Repayments		(2,357)	(2,241)
Receipts			
Loan Proceeds		-	9,000
Net Cash From in Financing Activities		(2,357)	6,759
Net Increase (Decrease) in Cash Held		(2,445)	5,332
Cash and Cash Equivalents at 1 July		71,080	65,748
Cash and Cash Equivalents at 30 June	39	68,635	71,080

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

NOTES TO FINANCIAL STATEMENTS
Year Ended 30 June 2018

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Statement by the General Manager

Note 1 - 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 2016 - 2 AMENDMENTS TO AASB 107

This Standard amends AASB 107 Statement of Cash Flows (August 2015) to require entities preparing financial statements in accordance with Tier 1 reporting requirements to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

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.

Note 1 - 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.

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 2018 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 2018 \$000	BUDGET \$000
REVENUES										
Rates and Charges	53,576	7,556	-	-	3,480	-	-	503	65,115	65,020
Fees	931	412	229	-	8,793	6,305	7,178	843	24,691	22,963
Financial Assistance Grants	1,371	-	-	-	-	-	2,903	-	4,274	4,148
Other Grants	291	-	-	55	575	1,832	992	1,020	4,765	3,184
Interest	1,807	10	-	-	9	46	-	-	1,872	1,898
Interest - Capital Funds	-	-	-	-	46	-	35	-	81	41
Investment Revenue	4,749	-	-	-	-	-	-	-	4,749	4,490
Other (including Bequests)	108	2	-	2	875	2,273	16	50	3,326	2,318
	62,833	7,980	229	57	13,778	10,456	11,124	2,416	108,873	104,062
EXPENSES										
Employee Costs (net of capitalised)	12,784	408	893	669	5,578	12,353	4,794	2,326	39,805	39,166
Materials and Services	2,703	275	69	435	12,620	12,204	4,027	2,877	35,210	33,697
Impairment of Debts	4	22	7	-	1	2	-	-	36	31
Interest on Loans	436	-	-	-	-	-	-	-	436	137
Provision for Rehabilitation	-	-	-	-	-	-	-	-	-	305
Change in Rehabilitation Provision	-	-	-	-	199	-	-	-	199	-
Depreciation and Amortisation	2,515	13	-	-	2,948	4,945	9,661	6	20,088	20,436
State Government Fire Service Levy	-	7,535	-	-	-	-	-	-	7,535	7,535
Rate Remissions and Abatements	915	109	-	-	-	-	-	-	1,024	992
Loss on Fixed Assets	21	1	-	-	18	1,179	2,655	5	3,879	-
	19,378	8,363	969	1,104	21,364	30,683	21,137	5,214	108,212	102,299
Full Cost Attribution	(1,995)	81	143	70	(307)	1,054	703	250	(1)	-
Competitive Neutrality	(535)	-	-	-	74	320	142	-	1	-
	16,848	8,444	1,112	1,174	21,131	32,057	21,982	5,464	108,212	102,299
Surplus (Deficit) from Operations	45,985	(464)	(883)	(1,117)	(7,353)	(21,601)	(10,858)	(3,048)	661	1,763
Capital Grants and Infrastructure Adjustments										
Capital Grants and Contributions	4,032	-	-	-	3,639	5,744	2,709	-	16,124	12,582
Infrastructure Take Up Adjustments	(1,580)	-	-	-	506	95	31	-	(948)	-
Write Down of Assets Held For Sale	841	-	-	-	-	-	-	-	841	-
Surplus (Deficit) Before Other Comprehensive Income	49,278	(464)	(883)	(1,117)	(3,208)	(15,762)	(8,118)	(3,048)	16,678	14,345
Infrastructure Assets	48,215	1,155	-	1,499	270,903	279,917	701,027	-	1,302,716	
Work in Progress	23	6	-	-	17,840	7,501	18,828	-	44,198	
Other Assets	317,923	-	-	-	-	237,624	-	-	555,547	
Total Assets	366,161	1,161	-	1,499	288,743	525,042	719,855	-	1,902,461	

Notes to the Financial Statements

Note 2 - FUNCTIONS AND ACTIVITIES OF COUNCIL (Cont)

(c) Comparative figures for prior year (2017)

	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
REVENUES										
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
	62,224	7,575	207	19	13,511	9,856	11,696	1,440	106,528	103,609
EXPENSES										
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	-
	18,125	7,855	921	880	21,052	31,004	20,620	3,959	104,416	101,909
Full Cost Attribution	(2,041)	80	141	69	(202)	1,039	668	247	1	-
Competitive Neutrality	(527)	-	-	-	72	315	140	-	-	-
	15,557	7,935	1,062	949	20,922	32,358	21,428	4,206	104,417	101,909
Surplus (Deficit) from Operations	46,667	(360)	(855)	(930)	(7,411)	(22,502)	(9,732)	(2,766)	2,111	1,700
Capital Grants and Infrastructure Adjustments										
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)	-
Net Surplus (Deficit) Before Other Comprehensive Income	43,998	(360)	(855)	(930)	(5,421)	(21,717)	119,234	(2,766)	131,183	6,209
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	
Total Assets	351,872	1,262	-	1,283	272,493	520,123	702,237	-	1,849,270	

Notes to the Financial Statements

Note 3 - Rates

	2018 \$000	2017 \$000
Valuation and Rating		
Gross Assessed Annual Value of the City	631,801	598,963
Rates	Cents/\$AAV	Cents/\$AAV
General Rate	7.2042	7.4750
General Rate - Commercial	7.4919	8.0000
General Rate - CBD Variation	8.9528	9.5920
General Rate - Industrial	7.6300	8.0000
General Rate - Public Purpose	7.4986	8.0000
General Rate - Primary Production	7.6124	8.0000
General Rate - Sporting and Recreation	7.1558	8.0000
General Rate - Quarrying and Mining	4.9746	8.0000
General Rate - Vacant Land	6.6290	6.7000
Service Rates		
Fire Protection - Urban	1.3847	1.3730
Fire Protection - Rural	0.3317	0.3466
Fire Protection - Lilydale District	0.3758	0.4041
	\$	\$
General Charge (Fixed Amount)	275	250
Minimum Rates apply:-		
Fire Levy	39	38
SERVICE CHARGES	\$ Range	\$ Range
Waste Management - on bin size	102 - 215	102 - 215

The Assessed Annual Value of the City is as determined by the Valuer-General for the year ended 30 June, 2018.

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

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.

Notes to the Financial Statements

Note 3 - Rates (Cont)

	2018 \$000	2017 \$000
Rating Revenue		
General Rates		
General Charge	9,819	8,878
General Rate - Residential	26,859	27,295
General Rate - Commercial	9,310	8,999
General Rate - CBD Variation	503	501
General Rate - Industrial	2,931	2,835
General Rate - Public Purpose	3,046	2,757
General Rate - Primary Production	885	945
General Rate - Quarrying and Mining	5	4
General Rate - Sporting and Recreation	226	227
General Rate - Vacant Land	495	496
Total General Rates	54,079	52,937
Fire Protection	7,556	7,197
Waste Management	3,480	3,434
Total Rates	65,115	63,568

Note 4 - Fees and Charges

	2018 \$000	2017 \$000
Trading Fees	14,753	13,822
Regulatory Fees	2,706	2,198
Fines	1,727	1,360
Sales	4,037	4,011
Services	1,445	1,042
Venue Hire	23	19
	24,691	22,452

Note 5 - Revenue Grants and Contributions

	2018 \$000	2017 \$000
Commonwealth Funded Financial Assistance Grants		
Grant Funds Received for Reporting Year	4,204	4,087
Grant Received in Prior Year	(2,104)	-
Grant Received for Next Year	2,174	2,104
	4,274	6,191
Commonwealth Funded Operating Grants		
Ongoing Grant Funding		
Roads to Recovery	748	-
Tamar River Recovery	-	1,000
Training Subsidies	-	18
Diesel Rebate	135	134
	883	1,152
Other Grants	872	21
Total Commonwealth Funded Operating Grants	1,755	1,173

Notes to the Financial Statements

Note 5 - Revenue Grants and Contributions (Cont)

	2018 \$000	2017 \$000
State Funded Operating Grants		
Ongoing Grant Funding		
Queen Victoria Museum and Art Gallery	1,416	1,383
Launceston Flood Authority	511	496
Launceston Visitor and Information Centre	120	120
Motor Tax	157	157
Disaster Recovery	525	1,049
	2,729	3,205
Other Grants	280	162
Total State Funded Grants	3,009	3,367
Private Sector Contributions	-	3
Total Other Operating Grants	4,764	4,543

Note 6 - Capital Grants and Contributions

	2018 \$000	2017 \$000
State Funded Capital Grants		
Flood Mitigation	3,000	-
Museum	-	97
Parks and Recreation	369	83
Sports Grounds	197	40
Roads	785	365
Stormwater	-	1,000
Other	9	537
	4,360	2,122
Commonwealth Funded Capital Grants		
Flood Mitigation	250	-
Parks and Recreation	3,400	18
Sports Grounds	3,550	-
Roads	2,878	2,011
Other	50	209
	10,128	2,238

Notes to the Financial Statements

Note 6 - Capital Grants and Contributions (Cont)

	2018 \$000	2017 \$000
Private Sector Funded Contributions		
Flood Mitigation	-	-
Museum	14	210
Parks and Recreation	126	14
Sports Grounds	74	52
Roads	946	3,137
Stormwater	328	-
Other	148	12
	1,636	3,425
Total Capital Grants and Contributions	16,124	7,785

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

	2018 \$000	2017 \$000
Interest		
Interest Untied Funds	1,601	1,737
Interest Rate Debts	272	296
	1,873	2,033
Interest Tied Funds (Capital Grants)	81	113
	1,954	2,146

Note 8 - Investment Revenue

	2018 \$000	2017 \$000
Investment Revenue		
TasWater		
Dividends	2,520	2,650
Tax Equivalents	1,206	1,231
Guarantee Fees	360	205
	4,086	4,086
Australia Pacific Airports (Launceston) Pty Ltd	664	477
	4,750	4,563

Notes to the Financial Statements

Note 9 - Bequests

	2018 \$000	2017 \$000
Initial Bequests	-	-
Bequests Revenue	126	159
	126	159

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

	2018 \$000	2017 \$000
Rent	1,044	1,122
Sponsorship	532	554
Donations	151	200
Asset Disposal	76	68
Recycling	135	66
Other	1,264	895
	3,202	2,905

Note 11 - Infrastructure Take Up Adjustments

	2018 \$000	2017 \$000
Adjustments to Infrastructure Assets		
Assets Recognised (Derecognised):		
Gross Value	(772)	124,326
Accumulated Depreciation	176	-
	(948)	124,326

In the reporting year Council recognised two rehabilitation assets at \$1,719,000 and derecognised assets to be transferred by \$772,000

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

Notes to the Financial Statements

Note 12 - Employee Benefits

	2018 \$000	2017 \$000
Labour Costs		
Wages and Salaries	27,775	26,853
Superannuation and Retiring Allowance	6,124	6,112
Employee Leave Entitlements	4,228	3,963
Payroll Tax	2,197	2,099
Workers Compensation Insurance	238	205
Other Costs	905	831
	41,467	40,063
Less Amounts Capitalised	(1,661)	(1,617)
	39,806	38,446

Note 13 - Materials and Services

	2018 \$000	2017 \$000
Energy		
Street Lighting	1,080	1,511
Utilities - Gas	756	749
Utilities - Electricity	1,052	1,142
Garbage Collection	3,459	3,272
Goods and Services	17,885	19,041
Combined Service Charge (TasWater)	1,478	1,458
Property Expenses		
Water Fixed Charges	569	605
Water Volumetric Charges	360	318
Rent External	128	95
Land Tax	357	376
Contributions		
LGAT	64	63
CBD Promotion	504	500
Regional Cooperation	512	441
Flood Authority (Internal)	178	175
Community Assistance Grants	272	65
Events Funding	531	419
Provision of Services	582	515
Administrative		
Administration	904	651
Advertising and Promotion	200	195
Computers and Communication	400	358
Election Expenses	28	27
Expert Advice	1,030	1,297
Insurance (exc. Workers Compensation)	794	614
Maintenance	186	177

Notes to the Financial Statements

Note 13 - Materials and Services (Cont)

	2018 \$000	2017 \$000
Payment and Debt Collection	502	390
Postage Printing and Stationery	358	357
Aldermanic and Mayoral Allowances	534	518
External Auditor's Remuneration:		
Auditing Financial Statements	54	50
Other Audit Services	5	5
Internal Auditor's Remuneration	47	28
Motor Vehicle Expense	402	398
	35,211	35,810

Note 14 - Impairment of Debts

	2018 \$000	2017 \$000
Sundry Debtors	34	53
	34	53

Note 15 - Finance Costs

	2018 \$000	2017 \$000
Interest on Borrowings	436	354
Unwinding of Discount on Provision for Rehabilitation of Waste Centre	-	27
	436	381

Note 16 - Depreciation

	2018 \$000	2017 \$000
Buildings	3,227	3,434
Plant and Equipment	2,751	2,329
Infrastructure	13,532	13,711
Data Systems	580	533
Total Depreciation	20,090	20,007

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.

	<u>BASIS OF DEPRECIATION</u>	
Freehold Land	Not Depreciated	Unlimited
Leased Land	Not Depreciated	Lease term
Freehold Buildings	Straight Line	30 - 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 - 30 years
Minor Plant	Straight Line	3 - 20 years
Computer Equipment	Straight Line	3 - 10 years
IT Software (Intangible)	Straight Line	3 - 10 years
Furniture and Equipment	Straight Line	4 - 50 years
Stormwater and Drainage - Pump Stations	Straight Line	10 - 50 years
Infrastructure		
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	60 - 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

	2018 \$000	2017 \$000
Levy paid to State Fire Service	7,535	7,144

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

	2018 \$000	2017 \$000
Remissions	1,026	882

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	2018 \$000	2017 \$000
Proceeds from Disposal		724	627
Less Carrying Amounts		(4,528)	(1,871)
Gain (Loss)		(3,804)	(1,244)
Gains on Disposal	10	76	68
Scheduled Loss on Disposal		(694)	(754)
Unscheduled Loss on Disposal		(3,186)	(558)
		(3,880)	(1,312)
		(3,804)	(1,244)

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.

	2018 \$'000	2017 \$'000	2016 \$'000	2015 \$'000
a) Underlying Surplus or Deficit				
Recurrent Income less	108,074	103,103	101,681	97,078
Recurrent Expenditure	104,777	101,842	99,393	97,423
Underlying Surplus (Deficit)	3,297	1,261	2,288	(345)
Benchmark	0	0	0	0

Recurrent Income excludes income received specifically for new or upgraded assets, physical resources received free of charge or other income of a capital nature and Financial Assistant Grants received in advance.

Recurrent Expenditure excludes unscheduled loss on disposal of assets

Comment

The underlying surplus or deficit is a key indicator as to whether the Council is operating sustainably over time. The reconciliation below details items removed from the surplus disclosed in the statement of Comprehensive Income that are not of a recurrent nature in each operating year.

Events during each year can affect the underlying result positively or negatively and the Council constantly reviews operational expenditure to ensure the operating and capital budgets remain sustainable over time.

In 2007/18 an underlying surplus of \$3,297,322 was achieved.

Reconciliation of Underlying Surplus to Statement of Comprehensive Income

Underlying Surplus (Deficit)	3,297	1,261	2,288	(345)
Add				
Capital Grants	16,124	7,783	15,955	4,314
Bequests	126	159	149	156
Capital Interest	81	113	24	305
Infrastructure Take Up Adjustments	(948)	124,326	11,949	5,011
Add Disaster Recovery Income	525	1,051	-	-
Less				
FAG Grant in advance current year	(2,104)	-	(2,098)	-
FAG Grant in advance prior year	2,174	2,104	-	2,098
Assets Held for Sale	841	(3,036)	-	-
Unscheduled Loss on Disposal of Fixed Assets	(3,186)	(558)	-	(2,133)
Disaster Recovery Spending	(254)	(2,018)	(285)	-
Surplus (Deficit)	16,676	131,185	27,982	9,406

Notes to the Financial Statements

Note 20 - MANAGEMENT INDICATORS (Cont)

	2018 \$'000	2017 \$'000	2016 \$'000	2015 \$'000
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(b) Underlying Surplus Ratio

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

<u>Underlying Surplus or (Deficit)</u>	3,297	1,261	2,288	(345)
Recurrent Income	108,074	103,103	101,681	97,078
Underlying Surplus Ratio %	3%	1%	2%	0%
Benchmark	0%	0%	0%	0%

Comment

A positive percentage is favourable to the benchmark.

(c) Net Financial Liabilities

Liquid Assets less	74,485	75,230	68,884	64,157
Total Liabilities	35,518	45,146	37,202	39,296
Net Financial Liabilities	38,967	30,084	31,682	24,861
Benchmark	0	0	0	0

Comment

A positive balance is favourable to benchmark

(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>	38,967	30,084	31,682	24,861
Recurrent Income	108,074	103,103	101,681	97,078
Net Financial Liabilities Ratio %	36%	29%	31%	26%
Benchmark	0% - (50%)	0% - (50%)	0% - (50%)	0% - (50%)

Comment

The Council remains 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)

	2018 \$'000	2017 \$'000	2016 \$'000	2015 \$'000
<i>Transport Infrastructure</i>				
<u>Depreciated Replacement Cost</u>	590,498	578,368	573,771	580,838
Current Replacement Cost	891,976	866,239	848,743	832,616
Asset Consumption Ratio %	66%	67%	68%	70%
Benchmark	>60%	>60%	>60%	>60%
<i>Buildings</i>				
<u>Depreciated Replacement Cost</u>	188,464	184,604	181,256	182,296
Current Replacement Cost	258,646	277,948	272,799	270,476
Asset Consumption Ratio %	73%	66%	66%	67%
Benchmark	>60%	>60%	>60%	>60%
<i>Stormwater and Drainage</i>				
<u>Depreciated Replacement Cost</u>	163,019	160,363	155,482	159,309
Current Replacement Cost	232,177	226,484	219,425	223,993
Asset Consumption Ratio %	70%	71%	71%	71%
Benchmark	>60%	>60%	>60%	>60%
<i>Other</i>				
<u>Depreciated Replacement Cost</u>	89,967	84,266	83,216	83,582
Current Replacement Cost	119,318	111,973	108,802	106,458
Asset Consumption Ratio %	75%	75%	76%	79%
Benchmark	>60%	>60%	>60%	>60%

Comment

The asset consumption ratio shows 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

<i>Transport Infrastructure</i>				
<u>Projected Capital Funding Outlays</u>	60,641	93,612	62,110	52,110
Projected Capital Expenditure Funding	60,641	93,612	62,110	52,110
Asset Renewal Funding Ratio %	100%	100%	100%	100%
Benchmark	90 - 100%	90 - 100%	90 - 100%	90 - 100%

Notes to the Financial Statements

Note 20 - MANAGEMENT INDICATORS (Cont)

	2018 \$'000	2017 \$'000	2016 \$'000	2015 \$'000
<i>Buildings</i>				
<u>Projected Capital Funding Outlays</u>	7,257	12,697	3,235	3,235
Projected Capital Expenditure Funding	7,257	12,697	3,235	3,235
Asset Renewal Funding Ratio %	100%	100%	100%	100%
Benchmark	90 - 100%	90 - 100%	90 - 100%	90 - 100%
<i>Stormwater and Drainage</i>				
<u>Projected Capital Funding Outlays</u>	1,935	9,465	7,300	7,700
Projected Capital Expenditure Funding	1,935	9,465	7,300	7,700
Asset Renewal Funding Ratio %	100%	100%	100%	100%
Benchmark	90 - 100%	90 - 100%	90 - 100%	90 - 100%
<i>Other</i>				
<u>Projected Capital Funding Outlays</u>	63,155	54,302	19,133	19,577
Projected Capital Expenditure Funding	63,155	54,302	19,133	19,577
Asset Renewal Funding Ratio %	100%	100%	100%	100%
Benchmark	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>	15,020	13,913	15,604	9,745
Annual Depreciation Expense	20,090	20,007	19,440	19,008
Asset Sustainability Ratio %	75%	70%	80%	51%
Benchmark	100%	100%	100%	100%

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

Note 20 - MANAGEMENT INDICATORS (Cont)

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	Capital Renewal Expenditure \$'000	Capital New/ Upgrade Expenditure \$'000	Total Capital Expenditure \$'000
Capex			
Transport Infrastructure	10,146	2,403	12,549
Buildings	430	2,709	3,139
Stormwater and Drainage	116	221	337
Land	(565)	199	(366)
Plant	1,289	264	1,553
Other	3,604	10,055	13,659
	<u>15,020</u>	<u>15,851</u>	<u>30,871</u>

Annual Depreciation Expense	20,090
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Benchmark	100%
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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
NTWMG

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
	163,965	14,487	-	-	178,452
	21,051	156	-	-	21,207
	185,016	14,643	-	-	199,659
	997,712	(6,620)	-	5,457	996,549
	16	1	-	-	17
	971	124	-	(1,209)	(114)
	-	4,086	-	(4,086)	-
	202	118	-	-	320
	2,919	188	-	(2)	3,105
	40	1	-	-	41
	11,338	2,612	-	-	13,950
	(461)	1,456	2,539	-	3,534
	1,012,737	1,966	2,539	160	1,017,402
	622,606	-	40,560	-	663,166
	(18,524)	-	3,045	-	(15,479)
	336	-	-	(336)	-
	(18,188)	-	3,045	(336)	(15,479)
	5	-	-	-	5
	20	-	-	-	20
	7	-	-	-	7
	2	-	-	-	2
	7	-	-	-	7
	(63)	72	-	176	185
	215	(11)	-	-	204
	1,364	-	-	-	1,364
	19	4	-	-	23
	374	1	-	-	375
	-	-	-	-	-
	3	-	-	-	3
	1,953	66	-	176	2,195
	1,804,124	16,675	46,144	-	1,866,943

Notes to the Financial Statements

Note 21 - Movements in Equity (Cont)

Comparative figures for prior year

Capital Reserves

Government Grants	159,605	4,360	-	-	163,965
Other Contributions	17,626	3,425	-	-	21,051
	177,231	7,785	-	-	185,016

Revenue Reserves

General	873,366	117,241	-	7,105	997,712
CBD	15	1	-	-	16
Flood Authority	498	605	-	(132)	971
Investment Water Corporation	-	4,086	-	(4,086)	-
Public Open Space	152	50	-	-	202
Self Insurance	2,731	188	-	-	2,919
Special Committees	40	-	-	-	40
Waste Centre	11,143	2,896	-	(2,701)	11,338
Employee Benefits	(247)	(1,604)	1,390	-	(461)
	887,698	123,463	1,390	186	1,012,737

Asset Revaluation Reserves

General	606,134	-	16,472	-	622,606
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Investment Reserves

TasWater	(20,053)	-	1,529	-	(18,524)
NTWMG	426	-	(90)	-	336
	(19,627)	-	1,439	-	(18,188)

Trusts And Bequests

Cliff Grounds	5	-	-	-	5
John Hart	20	-	-	-	20
John Hart (Interest)	6	1	-	-	7
Mary Nichols Bequest	2	-	-	-	2
Mary Nichols (Interest)	7	-	-	-	7
Museum Ralph Bequest	161	(43)	-	(181)	(63)
Museum - Bessant Bequest	259	(39)	-	(5)	215
Plomley Foundation - Capital	1,344	-	-	20	1,364
Plomley Foundation - Management	30	9	-	(20)	19
Museum Armitage Bequest	365	9	-	-	374
Museum - Library	-	-	-	-	-
Museum - Thomas Knowles	3	-	-	-	3
	2,202	(63)	-	(186)	1,953
	1,653,638	131,185	19,301	-	1,804,124

Notes to the Financial Statements

Note 22 - Cash at Bank and On Hand

	2018 \$000	2017 \$000
Cash on Hand	22	22
Cash at Bank	356	2,410
Special Committees	52	41
	430	2,473

Note 23 - Rates and Sundry Receivables

	2018 \$000	2017 \$000
(a) Current Receivables		
Rate Debtors	1,324	1,257
Rates Paid in Advance	(1,456)	(1,272)
Accrued Revenue	590	1,343
Sundry Debtors	4,896	2,344
Prepayments	89	115
Parking Infringement Debtors	2,000	2,090
	7,443	5,877
Impairment of Debtors		
Sundry Debtors	(441)	(424)
Parking Infringement Debtors	(1,152)	(1,305)
	(1,593)	(1,729)
	5,850	4,148
Movement in Impaired Debts	136	225
(b) Collection Performance – Rate Receivables		
Rate Revenue	65,115	63,568
Interest on Rates	272	296
	65,387	63,864
Percentage Rate Debtors Outstanding	2.02%	1.97%

Note 24 - Current Investments

	2018 \$000	2017 \$000
Current		
Bank Guaranteed Bills and Deposits	68,205	68,609
	68,205	68,609

Notes to the Financial Statements

Note 24 - Current Investments (Cont)

	2018 \$000	2017 \$000
Restricted Assets and Deposits		
Restricted assets		
a) Included in the above and invested on behalf of:-		
i) Trusts and Bequests	2,196	1,953
ii) River Dredging and Flood Protection Contributions	(114)	971
b) Provision for Retiring Allowance	163	231
c) Provision for Waste Centre Development and Rehabilitation	13,950	11,338
	<u>16,195</u>	<u>14,493</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>16,195</u>	<u>20,068</u>
Deposits	508	544
Total Restricted Assets and Deposits	<u>16,703</u>	<u>20,612</u>
Committed Funds		
Capital Expenditure	10,973	10,306
Net Capital Works (carried forward)	16,532	14,314
	<u>27,505</u>	<u>24,620</u>
Current Liabilities (excluding deposits)	17,353	27,540
	<u>44,858</u>	<u>52,160</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

	2018 \$000	2017 \$000
Inventories		
Stores	505	449
Trading Stock	180	150
	<u>685</u>	<u>599</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

	2018 \$000	2017 \$000
Assets Held For Sale		
Carrying Value	5,083	3,876
Less Fair Value Adjustment	(841)	(3,036)
Value Held for Sale	<u>4,242</u>	<u>840</u>

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. 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 2017 reporting year.

Note 27 - Deferred Receivables

	2018 \$000	2017 \$000
Deferred Receivables		
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)

	2018 \$000	2017 \$000
Water Corporation net equity	1,605,615	1,585,043
Year end report used for determining net assets	30-June-2018	30-June-2017
Launceston City Council ownership percentage	14.80%	14.80%
Fair value of the Council's share of TasWater	237,631	234,586
Previously assessed value	234,586	233,057
Net Increase (decrease) in fair value	3,045	1,529

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 was wound up during the reporting year

	2018 \$000	2017 \$000
NTWMG Fund Balance	-	437
Year end report used for determining net assets	30-June-2018	30-June-2017
Launceston City Council ownership percentage	0.00%	77.04%
Fair value of the Council's share of NTWMG	-	337
Previously assessed value	337	427
Net Increase (decrease) in fair value	(337)	(90)
Total Investments	237,631	234,923

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).

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 2018.

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

	2018 \$000	2017 \$000
Intangible Assets at Written Down Value	5,059	4,628
Tangible Assets at Written Down Value	1,297,657	1,258,593
Work in Progress	44,198	36,708
Written Down Value 30 June	1,346,914	1,299,929

Notes to the Financial Statements

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

	2018 \$000	2017 \$000
(a) Capital Expenditure		
Completed Works	23,571	19,887
Change in Work in Progress	7,490	11,473
	31,061	31,360
(b) Movement in Asset Values		
Written Down Value 1 July	1,299,929	1,150,489
Capex	31,061	31,360
Contributions	1,374	3,037
Adjustments	769	124,326
Transfers	(2,561)	(3,876)
Revaluations	40,560	16,472
Disposals	(4,128)	(1,871)
Depreciation	(20,090)	(20,008)
	1,346,914	1,299,929
(c) Total Property, Infrastructure and Plant and Equipment Carrying Amount		
Plant and Equipment at Cost	49,062	46,862
Property and Infrastructure at Valuation	1,745,922	1,716,898
	1,794,984	1,763,760
Less Accumulated Depreciation	(492,268)	(500,539)
	1,302,716	1,263,221
Work in Progress at Cost	44,198	36,708
Written Down Value	1,346,914	1,299,929

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

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

	Land	Buildings	Roads and Bridges	Drainage	Plant and Equipment	Other	TOTAL
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Opening Balance							
At Cost	-	-	-	-	46,862	-	46,862
At Valuation	230,193	277,947	866,408	226,483	-	111,973	1,713,004
Accumulated Depreciation	-	(93,345)	(288,041)	(66,121)	(21,433)	(27,707)	(496,647)
Additions - Capex	82	1,720	9,639	195	5,220	6,717	23,573
Additions - Contributions							
Gross	137	-	911	332	-	-	1,380
Accumulated Depreciation	-	-	(2)	(4)	-	-	(6)
Adjustments							
Gross	-	350	(59)	655	-	-	946
Accumulated Depreciation	-	(117)	90	(150)	-	-	(177)
Transfers							
Gross	1,989	(5,174)	(656)	-	-	(39)	(3,880)
Accumulated Depreciation	-	1,137	153	-	-	29	1,319
Revaluations							
Gross	13,864	(16,163)	20,849	4,512	-	1,001	24,063
Accumulated Depreciation	-	25,350	(7,319)	(1,281)	-	(253)	16,497
Disposals							
Gross	(2,460)	(34)	(5,116)	-	(3,020)	(334)	(10,964)
Accumulated Depreciation	-	20	3,919	-	2,665	232	6,836
Depreciation	-	(3,227)	(10,278)	(1,602)	(3,331)	(1,652)	(20,090)
Balance - 30 June	243,805	188,464	590,498	163,019	26,963	89,967	1,302,716

Note 29 - Infrastructure Assets (Cont)		Land	Buildings	Roads and Bridges	Drainage	Plant and Equipment	Other	TOTAL
(e) Movements in Carrying Amounts		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Comparative Figures for Prior Year								
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		230,194	184,602	578,368	160,361	25,429	84,267	1,263,221

Notes to the Financial Statements

Note 30 - Queen Victoria Museum and Gallery

	2018 \$000	2017 \$000
Museum Collection		
Opening Balance	237,491	237,112
Additions	133	379
Revaluation Increase/(Decrease)	-	-
Collection Carrying Value	237,624	237,491

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.

	2018 \$000	2017 \$000
Results from Operations		
Revenue		
Fees and Charges	393	547
State Government Operations Grant	1,416	1,383
Other Grants	30	48
Bequests and Donations	269	257
Interest	46	55
Other Income	15	2
	2,169	2,292
Expenses		
Provision of Services	5,597	5,268
Bequest Expenditure	34	50
Depreciation	733	693
Full Cost Attribution	350	345
	6,714	6,356
Operating Surplus / (Deficit)	(4,545)	(4,064)

Note 31 - 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 31 - Superannuation (Cont)

	2018 \$000	2017 \$000
The Council has taken up an Asset /(Liability) of :	622	(461)

In the reporting year the fund moved into surplus. This means the assets of the fund are sufficient to meet benefit liabilities. Council will continue 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 asset is based on an actuarial review for the purpose of AASB 119 performed by Michael Berg FIAA on behalf of Rice Warner, as at 31 May 2018.

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

	2018 \$000	2017 \$000
Balance Sheet Calculation		
Fair value of plan assets	53,781	55,471
Less present value of defined benefit obligation	53,159	55,932
Employee benefit (asset) obligation	(622)	461
Defined Benefit Obligation		
Reconciliation of Obligation		
Present value of defined benefit obligation - 1 July	55,932	53,634
Current service cost	2,763	3,056
Interest cost	1,293	1,233
Member contributions and transfers from other funds	973	922
Actuarial gains/ (losses) due to changes in financial assumptions	(235)	(339)
Actuarial (gains)/losses due to changes in experience	(36)	3,734
Benefits and tax paid	(7,531)	(6,308)
Past service cost	-	-
Curtailments	-	-
Settlements	-	-
Exchange rate changes	-	-
Present value of defined benefit obligation - 30 June	53,159	55,932
Assets		
Reconciliation of Assets		
Fair value of plan - 1 July	55,471	53,387
Adjustment to 2016 Asset	-	-
Expected return on plan assets	1,264	1,169
Actuarial gains/ (losses)	1,315	3,817
Employer contributions	1,307	1,452
Member contributions and transfers from other funds	1,955	1,954
Benefits and tax paid	(7,531)	(6,308)
Settlements and curtailments	-	-
Business combinations	-	-
Exchange rate changes	-	-
Fair value of defined benefit obligation - 30 June	53,781	55,471

Notes to the Financial Statements

Note 31 - Superannuation (Cont)

	2018 \$000	2017 \$000
Expense recognised in Operating Surplus		
Current service cost	2,763	3,056
Interest cost	1,293	1,233
Expected return on plan assets	(1,264)	(1,169)
Superannuation expense	2,792	3,120
Expense recognised in Other Comprehensive Income		
Actuarial gains/(losses)	2,539	1,390

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 2017 by Michael Berg FIAA of Rice Warner.

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 31 - Superannuation (Cont)

	2018 \$000	2017 \$000
Actual Return on Plan Assets		
Present value of defined benefit obligation at end of year	53,159	55,932
Fair value of Plan assets at end of year	53,781	55,471
(Surplus)/Deficit in Plan	(622)	461
Experience adjustments - Plan liabilities	36	(3,734)
Experience adjustments - Plan assets	1,315	3,817
Actual return on Fund assets	2,579	4,985
Principal Assumptions		
Discount Rate p.a.	2.63%	2.37%
Salary Increases	2.2% - 3.0%	2.1% - 2.3%

Expected Contributions

If the Council follows the recommendations in the actuarial report, the expected contributions to the Fund for the year ending 31 May 2019 are as follows:

	2019 \$000	2018 \$000
Expected employer contributions (for defined benefits only)	1,416	1,559
Expected member contributions (incl. deemed member contributions)	772	850

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: 1,502,000
Discount Rate	Decrease by 1.00% p.a.	Increase by: 2,078,000
Salary Growth Rate	Increase by 1.00% p.a.	Increase by: 1,900,000
Salary Growth Rate	Decrease by 1.00% p.a.	Decrease by: 1,418,000

Notes to the Financial Statements

Note 32 - Employee Provisions and Statistics

	2018	2017
Full Time Equivalent Employees at year end	440	441
	\$000	\$000
Current Provisions		
Accrued Time	101	155
Annual Leave	2,530	2,517
Long Service Leave	3,833	3,908
Retiring Allowance	80	77
	6,544	6,657
Non-Current Provisions		
Long Service Leave	836	835
Retiring Allowance	83	154
	919	989

Annual and Long Service Leave

Provision is made in respect of the liability for annual leave and long service leave at 30 June, 2018. 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 33 - Interest Bearing Liabilities

	2018	2017
	\$000	\$000
(a) Currency of loans		
Current	769	2,357
Non-current	9,000	9,769
	9,769	12,126
(b) Summary Movement in Loans		
Balance - 1 July	12,126	5,367
Repayments	(2,357)	(2,241)
Borrowing	-	9,000
Balance - 30 June	9,769	12,126

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

Note 34 - 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 35 - Sundry Payables and Accruals

	2018 \$000	2017 \$000
Accrued Expenses	6,269	14,659
Unearned Income	422	243
Sundry Creditors	3,349	3,639
	10,040	18,541

Note 36 - Rehabilitation Provision

	2018 \$000	2017 \$000
Provision for Rehabilitation		
Balance at Beginning of Year	5,828	5,419
Reassessment Adjustment of Opening Balance	199	382
Favourable Discount Taken to Equity	(8)	-
Rehabilitation Works Carried Out	-	-
Unwinding of discount - expensed as borrowing cost	-	27
New Cells Opened	1,719	-
Balance at End of Year	7,738	5,828

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

	2018 \$000	2017 \$000
At the reporting date, the Council had entered into contracts for the following capital expenditures:		
Plant and Equipment	940	1,185
Refuse Infrastructure	220	286
Roads Infrastructure	5,846	7,376
Parks and Recreation Infrastructure	2,519	911
Drainage Infrastructure	350	226
Flood Protection Infrastructure	832	35
Buildings	266	287
	10,973	10,306
These expenditures are due for payment:		
Not later than one year	10,973	10,306

Notes to the Financial Statements

Note 38 - Contingent Assets and Liabilities

Contingent Assets

There are no contingent assets as at the reporting date.

Contingent Liabilities

At the reporting date of 30 June 2018 the Council had no contingent liabilities that would materially affect any of the amounts or disclosures in these accounts.

Note 39 - Cash Flow

	2018 \$000	2017 \$000
(a) Reconciliation of Cash Used in Operating Activities to Surplus (Deficit)		
Surplus (Deficit)	16,676	131,185
Non-Cash Charges		
Depreciation	20,090	20,007
Employee Provisions	1,266	1,686
Provision for Rehabilitation Movements	199	409
Allowance for Impaired Debts	136	(225)
Loss (Profit) on Sale of Non-current Assets	3,804	1,244
Write Down of Available for Sale Asset	(841)	3,036
Changes in Assets and Liabilities		
Rate and Sundry Receivables	(1,520)	(785)
Inventories	(86)	15
Sundry Creditors	(8,501)	414
Deposits	(36)	75
Non-Cash Income		
Infrastructure Take-up Adjustments	948	(124,326)
Investing Activities		
Investment Revenue	(4,750)	(4,563)
Grants and Contributions Capital	(16,124)	(7,785)
Net Cash from Operating Activities	11,261	20,387

Notes to the Financial Statements

Note 39 - Cash Flow (Cont)

(b) Reconciliation of Liabilities Arising from Financing Activities

	Interest Bearing Loans and Borrowings	Other	Total
Balance as at 1 July 2017	12,126	-	12,126
Changes from Financing Cash Flows			
Cash Received	-	-	-
Cash Repayments	(2,357)	-	(2,357)
Balance as at 30 June 2018	<u>9,769</u>	<u>-</u>	<u>9,769</u>

(c) 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:-

	2018 \$000	2017 \$000
Cash	430	2,473
Short Term Investments	68,205	68,609
	<u>68,635</u>	<u>71,082</u>

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.

	2018	2017
	\$000	\$000
CARRYING VALUE		
Financial Assets		
Cash and Cash Equivalents	68,635	71,081
Available for Sale - Investments	237,631	234,923
Current Receivables	5,850	4,149
Deferred Receivables	258	258
Total Financial Assets	312,374	310,411
Financial Liabilities		
At Amortised Cost	20,318	31,201
Total Financial Liabilities	20,318	31,201
NET TOTAL	292,056	279,210
FAIR VALUE		
Financial Assets		
Cash and Cash Equivalents	68,635	71,081
Available for Sale - Investments	237,631	234,923
Current Receivables	5,850	4,149
Deferred Receivables	258	258
Total Financial Assets	312,374	310,411
Financial Liabilities		
At Amortised Cost	20,421	31,447
Total Financial Liabilities	20,421	31,447
NET TOTAL	291,953	278,964

Note 40 - Financial Instruments (Cont)

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.

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.

Notes to the Financial Statements

Note 40 - Financial Instruments (Cont)

	2018 \$000	2017 \$000
Increase of Values/Rates		
Profit		
Impact of a 10% movement in Market Values	-	-
Impact of a 1% movement in Interest Rates	589	590
Equity		
Impact of a 10% movement in Market Values	-	-
Impact of a 1% movement in Interest Rates	589	590
Decrease of Values/Rates		
Profit		
Impact of a 10% movement in Market Values	-	-
Impact of a 1% movement in Interest Rates	(589)	(590)
Equity		
Impact of a 10% movement in Market Values	-	-
Impact of a 1% movement in Interest Rates	(589)	(590)

(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.

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.

Notes to the Financial Statements

Note 40 - Financial Instruments (Cont)

	2018 \$000	2017 \$000
A profile of the Council's receivables credit risk at balance date follows:		
Receivables Credit Risk		
(i) Ageing of Receivables		
Current		
Rate Debtors	(1,440)	(1,244)
Accrued Revenue	590	1,343
Sundry Debtors	4,196	1,642
Prepayments	89	115
Parking Infringement Debtors	49	113
	3,484	1,969
Overdue		
Rate Debtors	1,308	1,229
Sundry Debtors	700	702
Parking Infringement Debtors	1,951	1,977
	3,959	3,908
Total Receivables	7,443	5,877
(ii) Movement in Provision for Impairment of Receivables		
Balance at the beginning of the year	(1,729)	(1,954)
Add movement in provision	82	169
Less amounts already provided for and written back this year	54	56
Balance at the end of the year	(1,593)	(1,729)

(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

Level 3

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

	2018 \$000	2017 \$000
Level 3 - Investments	237,631	234,923

Notes to the Financial Statements

Note 40 - Financial Instruments (Cont)

(d) Payables and Borrowings

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.

Liquidity Table:

Liquidity Table	2018 \$000	2017 \$000
Variable Interest		
Deposits	-	-
Sundry Creditors	-	-
Secured Loans	-	-
	-	-
Fixed Rate Maturity		
<u>Less than 1 Year</u>		
Deposits	-	-
Sundry Creditors	-	-
Secured Loans	769	2,357
	769	2,357
<u>1 to 5 Years</u>		
Deposits	-	-
Sundry Creditors	-	-
Secured Loans	9,000	9,769
	9,000	9,769
Non Interest		
Deposits	508	544
Sundry Creditors	10,040	18,531
Secured Loans	-	-
	10,548	19,075
Total Cash Outflows		
Deposits	508	544
Sundry Creditors	10,040	18,531
Secured Loans	9,769	12,126
	20,317	31,201
Actual Carrying Amount		
Deposits	508	544
Sundry Creditors	10,040	18,531
Secured Loans	9,769	12,126
	20,317	31,201

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.

Notes to the Financial Statements

Note 40 - Financial Instruments (Cont)

	2018 \$000	2017 \$000
The following interest rates were applicable to the Council's Liabilities at balance date:		
Secured Loans		
Carrying Value	9,769	12,126
Average Interest Rate	3.59%	3.88%

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.
Category	Includes
Roads and Bridges	All sealed and unsealed roads and all bridges within the municipality. Roads includes road pavement, sealed surfaces footpaths and kerb and channel.
Drainage	All stormwater and drainage infrastructure in the municipality.
Other	Flood protection, parks infrastructure, refuse disposal and any other assets not included in another categories.

a) Fair Value Hierarchy

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

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

Notes to the Financial Statements

Note 41 - Fair Value Measurements (Cont)

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 2018.

The fair values of the assets are determined using valuation techniques which maximise the use of observable data, where it is available, and minimise the use of entity specific estimates. If one or more of the significant inputs is not based on observable market data, the asset is included in level 3. This is the case for Council infrastructure assets, 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 2018

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Recurring fair value measurements				
Land	-	243,805	-	243,805
Buildings	-	-	188,464	188,464
Roads and Bridges	-	-	590,498	590,498
Drainage	-	-	163,019	163,019
Other Infrastructure	-	-	89,967	89,967
	-	243,805	1,031,948	1,275,753
Non-recurring fair value measurements				
Assets held for sale	4,242	-	-	4,242
	4,242	-	-	4,242

As at 30 June 2017

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Recurring fair value measurements				
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
	-	230,193	1,007,598	1,237,791
Non-recurring fair value measurements				
Assets held for sale	840	-	-	840
	840	-	-	840

Transfers between levels of the hierarchy

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

Notes to the Financial Statements

Note 41 - Fair Value Measurements (Cont)

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

Hierarchy Transfers 2018

Asset	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Land	1,508	(1,508)	-	-
Buildings	1,894	-	(1,894)	-
	3,402	(1,508)	(1,894)	-

Hierarchy Transfers 2017

Asset	Level 1	Level 2	Level 3	Total \$'000
Land available for sale	3,569	(3,569)	-	-
Other Transfers	307	-	(307)	-
	3,876	(3,569)	(307)	-

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.

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

Notes to the Financial Statements

Note 41 - Fair Value Measurements (Cont)

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

	2018	2017
	\$000	\$000
Balance at beginning of reporting period	1,007,598	993,725
Additions	19,508	13,036
Gain/loss recognised in Operating Result	(15,990)	(14,213)
Gain/loss recognised in Other Comprehensive Income	26,696	16,472
Disposals	(1,314)	(1,115)
Transfers Into Level 3		
Transfers out of level 3	(4,550)	(307)
Closing balance	1,031,948	1,007,598

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:

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

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

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

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 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.

AASB 9 Financial Instruments

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

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

The amortised cost model is available for debt assets meeting both a business model and cash flow characteristics tests. Amortised cost is to be used for assets with contractual terms giving rise to principal and interest payments. Where the business model is achieved by both collecting the contractual cash flows and from selling the financial asset, it may be classified as fair value through other comprehensive income. Any financial asset not held in either of these classifications, or where designated, will be classified as fair value through profit or loss. Gains or losses on financial assets at fair value are to be recognised in profit and loss unless the asset is part of a hedging relationship or, where the financial asset is an equity instrument not held for trading, and an irrevocable election is made to present all movements in other comprehensive income.

When adopted, the standard requires Council to reclassify all financial assets. This includes Council's classification and accounting for its significant investment in TasWater which is an available-for-sale financial asset. Council currently recognises changes in the fair value of its available-for-sale assets through other comprehensive income. Under AASB9 Council will make an irrevocable election for its equity investment in TasWater as 'fair value through other comprehensive income' and therefore the adoption of this standard will not impact the way movements in the fair value are accounted for.

The standard also introduces a new impairment model that requires impairment provisions to be based on expected credit losses, rather than incurred credit losses. Based on assessments to date, Council expects a small increase to impairment losses, however the standard is not expected to have a material impact overall. Council has reviewed and assessed other impacts on the classification, measurement and disclosure of financial instruments and determined there will be no impact on Council's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and Council does not have any such liabilities. The derecognition rules have been transferred from AASB 139 Financial Instruments: Recognition and Measurement and have not been changed.

Council will apply the standard from 1 July 2018 using a retrospective approach with cumulative catch-up. This does not require Council to restate comparative figures, but will require a reconciliation of changes in classification of financial assets and financial liabilities.

Notes to the Financial Statements

Note 42 - Early Adoption of Accounting Standards (Cont)**AASB 15 Revenue from Contracts with Customers**

The standard is applicable to annual reporting periods beginning on or after 1 January 2019.

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

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

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

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

At the reporting date Council has no significant unspent grant funding relating to unfinished projects.

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

AASB 16 Leases

This standard is applicable to annual reporting periods beginning on or after 1 January 2019.

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

AASB 16 will result in operating leases being brought onto the statement of financial position. There are limited exceptions relating to short-term leases and low-value assets which may remain off the balance sheet. Councils existing lease commitments are disclosed in Note 34.

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

Notes to the Financial Statements

Note 42 - Early Adoption of Accounting Standards (Cont)

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

Council will apply the standard from 1 July 2019 using a retrospective approach with cumulative catch-up with an adjustment to accumulated surpluses for the difference in accounting treatment on initial adoption. At the reporting date Council had no material operating leases.

Note 43 - Related Party Transactions

Accounting Standards Disclosures

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."

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.

Notes to the Financial Statements

Note 43 - Related Party Transactions (Cont)

	2018 \$000	2017 \$000
Key Management Personnel Compensation		
Aldermen		
Short Term Benefits (Allowances)	534	518
Expenses	26	24
	560	542
Long Term Benefits	-	-
	560	542
	Number of Employees	Number of Employees
Senior Officers		
Short Term Benefits (Annual Remuneration)		
\$170,001 - \$190,000	1	2
\$190,001 - \$210,000	4	4
\$210,001 - \$230,000	1	-
\$250,001 - \$270,000	1	-
\$300,001 - \$320,000	-	1
	7	7
	\$000	\$000
Senior Officers		
Short Term Benefits	1,343	1,271
Long Term Benefits	54	57
Post Employment Benefits	195	191
Termination Benefits	392	-
	1,984	1,519
In 2017/18 the General Manager and three Directors retired. This is an extremely rare occurrence in a single financial year and as a result termination benefits are high.		
Related Party Transactions		
Transactions		
Sales of Goods and Services	78	320
Purchase of Goods and Services	1,931	1,910
	2,009	2,230
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 \$77,560 (\$236,018) and purchases totalled \$1,852,058 (\$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

Council operates the Launceston Flood Authority set up under of the Local Government Act 1993. The income and expenditure of this authority 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.

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".

Notes to the Financial Statements

Note 45 - Authorities (Cont)

	2018 \$000	2017 \$000
Revenue and Expenses		
Revenue		
State Government Grants	511	496
Commonwealth Government Grants	-	1,000
Launceston City Council	178	175
Interest Income	9	12
Other Income	5	17
Total Revenue	703	1,700
Expenses		
Operations Costs	580	1,095
Depreciation	573	565
Total Expenses	1,153	1,660
Surplus / (Deficit)	(450)	40

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).

Notes to the Financial Statements

Note 46 - Significant Business Activities (Cont)

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.

	2018 Actual \$000	2018 Budget \$000	2017 Actual \$000
OFF STREET PARKING			
Revenue			
Operating Revenue	3,046	2,978	2,651
	3,046	2,978	2,651
Expenses			
Employee Benefits	157	381	510
Material and Services	489	570	438
Depreciation	276	265	237
	922	1,216	1,185
Full Cost Attribution	32	42	38
Competitive Neutrality	142	142	140
	1,096	1,400	1,363
Operating Surplus / (Deficit)	1,950	1,578	1,288
Less Notional Income Tax	585	474	386
Surplus / (Deficit)	1,365	1,104	902
Capital Costs			
Asset Disposal Loss/ (Gain)	2,147	-	-
Notional Cost of Capital	1,542	1,542	1,485
	3,689	1,542	1,485
Fully Attributed Surplus / (Deficit)	(2,324)	(438)	(583)

Notes to the Financial Statements

Note 46 - Significant Business Activities (Cont)

	2018 Actual \$000	2018 Budget \$000	2017 Actual \$000
LAUNCESTON AQUATIC (Excludes LA Fit)			
Revenue			
Operating Revenue	2,947	2,812	2,924
	2,947	2,812	2,924
Expenses			
Employee Benefits	1,831	1,865	1,874
Material and Services	1,588	1,681	1,778
Depreciation	763	744	714
	4,182	4,290	4,366
Full Cost Attribution	73	73	72
Competitive Neutrality	82	82	81
	4,337	4,445	4,519
Operating Surplus / (Deficit)	(1,390)	(1,633)	(1,595)
Less Notional Income Tax	-	-	-
Surplus / (Deficit)	(1,390)	(1,633)	(1,595)
Capital Costs			
Asset Disposal Loss/ (Gain)	3	-	-
Notional Cost of Capital	1,413	1,413	1,461
	1,416	1,413	1,461
Fully Attributed Surplus / (Deficit)	(2,806)	(3,046)	(3,056)
LAFit			
Revenue			
Operating Revenue	1,007	902	957
	1,007	902	957
Expenses			
Employee Benefits	349	338	371
Material and Services	118	156	135
Depreciation	46	38	55
	513	532	561
Full Cost Attribution	74	74	72
Competitive Neutrality	6	6	6
	593	612	639
Operating Surplus / (Deficit)	414	290	318
Less Notional Income Tax	124	8	92
Surplus / (Deficit)	290	282	226
Capital Costs			
Asset Disposal Loss/ (Gain)	-	-	-
Notional Cost of Capital	8	8	10
	8	8	10
Fully Attributed Surplus / (Deficit)	282	274	216

Notes to the Financial Statements

Note 46 - Significant Business Activities (Cont)

	2018 Actual \$000	2018 Budget \$000	2017 Actual \$000
Building Surveying and Certification Revenue			
Operating Revenue	207	244	150
	207	244	150
Expenses			
Employee Benefits	161	146	111
Material and Services	23	25	14
Depreciation	10	10	8
	194	181	133
Full Cost Attribution	27	27	27
Competitive Neutrality	3	3	3
	224	211	163
Operating Surplus / (Deficit)	(17)	33	(13)
Less Notional Income Tax	-	10	-
Surplus / (Deficit)	(17)	23	(13)
Capital Costs			
Asset Disposal Loss/ (Gain)	-	-	-
Notional Cost of Capital	2	2	2
	2	2	2
Fully Attributed Surplus / (Deficit)	(19)	21	(15)

Note 47 - Special Committees

	2018 \$000	2017 \$000
Committee Name		
Dilston Hall	3	3
Karoola Hall and Recreation Ground	5	5
Lebrina Progress Association	7	7
Lilydale Memorial Hall Committee	9	9
Lilydale Recreational Ground	-	8
North Esk Memorial Hall and Recreational Ground	9	9
Balance - 30 June	33	41
Summary of Special Committees		
Balance 1 July	41	39
Receipts	8	20
Expenses	16	18
Balance 30 June	33	41

The Lilydale Recreation Ground Committee ceased operating 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 2018, the results of its operations for the year then ended and the cash flows of the Council, in accordance with the Local Government Act 1993 (as amended), Australian Accounting Standards (including interpretations) and other authoritative pronouncements issued by the Australian Accounting Standards Board.



Date 28 September 2018 **Leanne Hurst**
Acting General Manager