

CITY OF LAUNCESTON

FINANCIAL STATEMENTS

YEAR ENDED 30 June 2019

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STATEMENT OF COMPREHENSIVE INCOME
Year Ended 30 June 2019

		Actual	Budget (Unaudited)	Actual
	Note	2019 \$000	2019 \$000	2018 \$000
REVENUES				
Rates and Charges	3.1	67,939	67,449	65,115
Fees	3.2	25,074	24,739	24,691
Revenue Grants and Contributions				
Financial Assistance Grants	3.3	4,452	4,231	4,274
Other Operating Grants	3.3	5,325	3,078	4,764
Capital Grants and Contributions	3.4	18,139	14,450	16,124
Interest	3.5	2,042	1,970	1,873
Interest - Capital Funds	3.5	4	-	81
Investment Revenue	3.6	3,465	3,174	4,750
Bequests	3.7	157	182	126
Other	3.8	2,962	2,111	3,201
		<u>129,559</u>	<u>121,384</u>	<u>124,999</u>
Infrastructure Adjustments	3.9	477	-	(948)
Total Revenue		<u>130,036</u>	<u>121,384</u>	<u>124,051</u>
EXPENSES				
Maintenance of Facilities and Provision of Services				
Employee Benefits	4.1	40,953	42,053	39,804
Materials and Services	4.2	36,087	36,282	35,210
Impairment of Debts	4.3	30	31	34
Finance Costs				
Interest on Loans	4.4	333	491	436
Provision for Rehabilitation	10.1	25	311	-
Change in Provision for Rehabilitation	10.1	-	-	199
Depreciation and Amortisation	4.5	21,584	20,689	20,090
State Government Fire Service Levy	4.6	7,959	7,959	7,535
Rate Remissions and Abatements	4.7	1,001	940	1,026
		<u>107,972</u>	<u>108,756</u>	<u>104,334</u>
Loss on Disposal of Fixed Assets	4.8	1,758	520	3,880
Write Down of Assets Held For Sale	7.5	-	-	(841)
Total Expenses		<u>109,730</u>	<u>109,276</u>	<u>107,373</u>
SURPLUS (DEFICIT)		<u>20,306</u>	<u>12,108</u>	<u>16,678</u>
Other Comprehensive Income				
Items that will not be reclassified to surplus or deficit				
Investment Revaluation	8.2	34,564	-	3,045
Actuarial Gains (Losses)	10.2	(1,383)	-	2,539
Net Infrastructure Asset Revaluation Increase (Decrease)	8.4	14,159	-	15,941
COMPREHENSIVE RESULT		<u>67,646</u>	<u>12,108</u>	<u>38,203</u>

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

STATEMENT OF FINANCIAL POSITION

	Notes	As at 30-Jun-19 \$000	As at 30-Jun-18 \$000	As at 1-Jul-17 \$000
EQUITY				
Capital Reserves	6.1	213,758	199,659	185,016
Revenue Reserves	6.1	1,023,437	1,018,772	1,014,106
Asset Revaluation Reserves	6.1	652,707	638,548	622,606
Investment Reserves	6.1	19,085	(15,479)	(18,188)
Trusts and Bequests	6.1	2,354	2,194	1,953
TOTAL EQUITY		1,911,341	1,843,694	1,805,493
<i>Represented by:-</i>				
CURRENT ASSETS				
Cash at Bank and on Hand	7.1	2,030	430	2,473
Rate and Sundry Receivables	7.2	6,788	5,850	4,148
Short Term Investments	7.3	69,956	68,205	68,609
Inventories	7.4	718	686	599
Assets Held for Sale	7.5	3,402	4,242	840
		82,894	79,413	76,669
NON-CURRENT ASSETS				
Deferred Receivables	8.1	258	258	258
Investments	8.2	272,195	237,631	234,923
Intangible Assets	8.3	5,631	5,145	4,628
Property, Infrastructure, Plant and Equipment	8.4	1,350,411	1,319,987	1,298,138
Museum Collection	8.5	237,818	237,624	237,491
Superannuation	10.2	-	622	-
		1,866,313	1,801,267	1,775,438
TOTAL ASSETS		1,949,207	1,880,680	1,852,107
CURRENT LIABILITIES				
Deposits and Prepayments	9.1	424	508	544
Employee Provisions	9.2	7,120	6,544	6,657
Interest Bearing Liabilities	9.3	-	769	2,357
Sundry Payables and Accruals	9.5	8,265	10,041	18,541
		15,809	17,862	28,099
NON-CURRENT LIABILITIES				
Employee Provisions	9.2	791	919	989
Rehabilitation Provision	10.1	10,452	9,205	7,296
Interest Bearing Liabilities	9.3	9,000	9,000	9,769
Superannuation Obligation	10.2	1,814	-	461
		22,057	19,124	18,515
TOTAL LIABILITIES		37,866	36,986	46,614
NET ASSETS		1,911,341	1,843,694	1,805,493
Commitments for				
Capital Expenditure	11.1	8,469	10,973	10,306
Contingent Liabilities	11.2	-	-	-

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

STATEMENT OF CHANGES IN EQUITY
Year Ended 30 June 2019

	Notes	2019 \$000	2018 \$000
TOTAL EQUITY			
Balance 1 July		1,843,694	1,805,493
Surplus / (Deficit)		20,307	16,676
Comprehensive Income		(1,383)	2,539
Asset Revaluations			
Infrastructure Assets		14,159	15,941
Investments		34,564	3,045
Balance 30 June		<u>1,911,341</u>	<u>1,843,694</u>
CAPITAL RESERVES			
Balance 1 July	6.1	199,659	185,016
Surplus / (Deficit)	6.1	14,099	14,643
Comprehensive Income	6.1	-	-
Transfers	6.1	-	-
Balance 30 June		<u>213,758</u>	<u>199,659</u>
REVENUE RESERVES			
Balance 1 July	6.1	1,018,772	1,014,106
Surplus / (Deficit)	6.1	6,048	1,967
Comprehensive Income	6.1	(1,383)	2,539
Transfers	6.1	-	160
Balance 30 June		<u>1,023,437</u>	<u>1,018,772</u>
ASSET REVALUATION RESERVES			
Balance 1 July	6.1	638,548	622,607
Asset Revaluations	6.1	14,159	15,941
Transfers	6.1	-	-
Balance 30 June		<u>652,707</u>	<u>638,548</u>
INVESTMENTS			
Balance 1 July	6.1	(15,479)	(18,188)
Asset Revaluations	6.1	34,564	3,045
Transfers	6.1	-	(336)
Balance 30 June		<u>19,085</u>	<u>(15,479)</u>
TRUSTS AND BEQUESTS			
Balance 1 July	6.1	2,194	1,952
Surplus / (Deficit)	6.1	160	66
Transfers	6.1	-	176
Balance 30 June		<u>2,354</u>	<u>2,194</u>
		<u>1,911,341</u>	<u>1,843,694</u>

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

STATEMENT OF CASH FLOWS
Year Ended 30 June 2019

	Notes	2019 \$000	2018 \$000
		Inflows (Outflows)	Inflows (Outflows)
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments			
Provision of Goods and Services (including GST)		(84,728)	(88,664)
Interest Paid		(333)	(436)
State Government Fire Service Levy		(7,959)	(7,535)
Receipts			
Rates		66,864	64,206
Fees and Charges		26,436	25,316
Grants and Contributions – Revenue		9,776	9,010
Interest Received		2,046	1,808
Other (including GST)		7,376	7,556
Net Cash from Operating Activities	12.1	19,478	11,261
CASH FLOWS USED IN INVESTING ACTIVITIES			
Payments			
Capital Works		(34,629)	(32,975)
Transfers to Investments		(1,406)	-
Receipts			
Sale of Assets		1,332	724
Grants and Contributions – Capital		14,473	16,152
Investment Revenue		3,465	4,750
Transfers from Investments		-	4,076
Net Cash Used In Investing Activities		(16,765)	(7,273)
CASH FLOWS USED IN FINANCING ACTIVITIES			
Payments			
Loan Repayments	9.3	(769)	(2,357)
Receipts			
Loan Proceeds	9.3	-	-
Net Cash From in Financing Activities		(769)	(2,357)
Net Increase (Decrease) in Cash Held		1,944	1,631
Cash and Cash Equivalents at 1 July		8,386	6,755
Cash and Cash Equivalents at 30 June	12.1	10,330	8,386

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

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Year Ended 30 June 2019

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Notes to the Financial Statements

Note 1.1 - 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 14.3) 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 8.2, 8.3, 8.4, 8.5). 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 9 Financial Instruments

Council has applied this standard from 1 July 2018 using a retrospective approach with cumulative catch-up. This does not require Council to restate comparative figures.

The standard sets new requirements for:

Classification and measurement of financial assets and liabilities

AASB 9 reduced the number of categories for financial assets and simplified the measurement choices. The adoption of the standard had no financial impact on the amounts disclosed but it did result in changes to terminologies and classifications as follows:

Trade and other receivables - classified as 'Loans and receivables' as at 30 June 2018, these are held to collect contractual cash flows and give rise to cash flows representing solely payments of principal and interest. These are classified and measured as Financial assets at 'Amortised cost' beginning 1 July 2018.

Investment in water corporation - classified as an 'Available-For-Sale' financial asset as at 30 June 2018. As Council does not hold this equity investment for trading purposes, it has made an irrevocable election for this equity instrument to present any subsequent changes in fair value in Other comprehensive income. Under this approach only dividends are recognised in profit or loss. Council's Investment in water corporation is classified and measured as an 'Equity instrument at fair value through other comprehensive income' beginning 1 July 2018.

Short Term Investments - classified as 'Held to Maturity' as at 30 June 2018. These are classified as 'Amortised cost' beginning 1 July 2018 as it is Council's intent to hold the assets until maturity.

There are no changes in the classification and measurement for Council's financial liabilities.

Notes to the Financial Statements

Note 1.1 - Statement of Accounting Policies (Cont)

Impairment of financial assets

In terms of accounting for impairment losses, AASB 9 replaced AASB 139's incurred loss approach, with a forward-looking expected credit loss (ECL) approach. AASB 9 requires Council to recognise an allowance for ECLs for all financial assets not held at fair value through profit or loss. No change was made to Council's underlying methodology in 2018-19.

General hedge accounting.

Council does not engage in hedge accounting.

e) 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 13.3.

f) 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.

g) 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

h) Private Sector Contributions of Property Infrastructure and Plant and Equipment

Donations and contributions of assets are recognised as Capital Grants and Contributions.

Notes to the Financial Statements

Note 1.1 - Statement of Accounting Policies (Cont)

i) 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.

j) 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.

k) 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.

l) Change in Accounting Policies

There were no material changes in accounting policies during the reporting period.

In the reporting year ended 30 June 2019 the Council made adjustments to the 30 June 2018 comparative balances to correct two prior period errors.

Note 1.2 Prior Period Adjustments

Prior Period Errors

Clay Quarry

Council operates a clay quarry to supply materials for capital works at the Waste Centre resulting in a responsibility to rehabilitate this quarry at the end of its useful life.

The liability for rehabilitation and the corresponding asset has not been recognised in financial statements prior to 30 June 2019.

Council has recognised the liability and asset in the financial statement for period ending 30 June 2019 and adjusted the 30 June 2018 balance sheet to reflect the correct financial position.

The 2017/18 Statement of Comprehensive Income has not been adjusted due to the immaterial impact on profit and loss.

Building Assets

In the reporting year to 30 June 2018 Council revalued its Building Assets.

In this process there was an error in the accumulated depreciation calculation resulting in an understatement of Accumulated Depreciation on Revaluations of \$24,619,755.

The movements from amounts disclosed in the 30 June 2018 published statements to the comparative information disclosed in these statements are detailed in the following table.

Notes to the Financial Statements

Note 1.2 Prior Period Adjustments (Cont)

	As Previously Reported	Adjustment		Restated
		Building Revaluation	Transfer of Intangible WIP	
	\$'000	\$'000	\$'000	\$'000
Statement of Comprehensive Income				
Net infrastructure asset revaluation	40,560	(24,619)	-	15,941
Comprehensive result	62,820	(24,619)	-	38,201
Statement of Financial Position				
Equity				
Asset revaluation reserves	663,166	(24,619)	-	638,547
Revenue reserves	1,017,402	-	1,369	1,018,771
Total equity	1,866,943	(24,619)	-	1,843,693
Non-current assets				
Property, infrastructure, plant & equipment	1,341,855	(24,619)	(86)	1,319,987
Intangible assets	5,059	-	86	5,145
Total non-current assets	1,823,049	(24,619)	-	1,801,267
Non-current liabilities				
Rehabilitation provision	7,737	-	1,468	9,205
Total non-current liabilities	17,657	-	1,468	19,124
Statement of Changes in Equity				
Total equity				
Balance 1 July	1,804,124	-	-	1,805,493
Surplus/(Deficit)	16,675	-	-	16,675
Comprehensive Income	2,539	-	-	2,539
Asset Revaluations - investments	3,045	-	-	3,045
Asset Revaluations - infrastructure assets	40,560	(24,619)	-	15,941
Balance 30 June	1,866,943	(24,619)	-	1,843,693

Notes to the Financial Statements

Note 2.1 - 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 2.1 - Functions and Activities of the Council (Cont)

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

	GENERAL PUBLIC SERVICES \$000	PUBLIC ORDER & SAFETY \$000	HEALTH \$000	WELFARE \$000	HOUSING & RECREATION COMMUNITY & CULTURE AMENITIES \$000	ROADS & TRAFFIC \$000	OTHER \$000	TOTAL 2019 \$000	BUDGET \$000
REVENUES									
Rates and Charges	55,761	8,037	-	-	3,626	-	515	67,939	67,449
Fees	992	259	227	140	9,300	6,804	683	25,074	24,739
Financial Assistance Grants	1,415	-	-	-	-	3,037	-	4,452	4,231
Other Grants	467	100	-	16	681	161	2,400	5,325	3,078
Interest	1,977	11	-	-	49	-	-	2,042	1,970
Interest - Capital Funds	-	-	-	-	-	4	-	4	-
Investment Revenue	3,465	-	-	-	-	-	-	3,465	3,174
Other (including Bequests)	135	5	-	2	214	607	53	3,119	2,293
	64,212	8,412	227	158	13,826	10,613	3,651	111,420	106,934
EXPENSES									
Employee Costs (net of capitalised)	12,549	386	977	927	6,183	4,714	2,340	40,953	42,053
Materials and Services	2,358	595	57	429	13,558	3,826	2,755	36,087	36,282
Impairment of Debts	(4)	20	6	-	3	4	1	30	31
Interest on Loans	333	-	-	-	-	-	-	333	491
Provision for Rehabilitation	-	-	-	-	25	-	-	25	311
Change in Rehabilitation Provision	-	-	-	-	-	-	-	-	-
Depreciation and Amortisation	2,606	12	-	-	3,164	9,977	4	21,584	20,689
State Government Fire Service Levy	-	7,959	-	-	-	-	-	7,959	7,959
Rate Remissions and Abatements	998	2	-	-	1	-	-	1,001	940
Loss on Fixed Assets	17	8	-	-	167	871	-	1,758	520
	18,857	8,982	1,040	1,356	23,101	19,388	5,100	109,730	109,276
Full Cost Attribution	(2,119)	83	146	71	(228)	717	255	-	-
Competitive Neutrality	(546)	-	-	-	75	145	-	-	-
	16,192	9,065	1,186	1,427	22,948	20,250	5,355	109,730	109,276
Surplus (Deficit) from Operations	48,020	(653)	(959)	(1,269)	(9,122)	(9,637)	(1,704)	1,690	(2,342)
Capital Grants and Infrastructure Adjustments									
Capital Grants and Contributions	7,816	-	-	-	3,835	2,703	-	18,139	14,450
Infrastructure Adjustments	(3,577)	-	-	-	970	2,512	-	477	-
Write Down of Assets Held For Sale	-	-	-	-	-	-	-	-	-
Surplus (Deficit) Before Other Comprehensive Income	52,259	(653)	(959)	(1,269)	(4,317)	(4,422)	(1,704)	20,306	12,108
Infrastructure Assets	40,301	1,148	-	1,144	273,607	728,779	-	1,325,533	-
Work in Progress	435	-	-	-	17,346	3,453	-	30,506	-
Other Assets	355,350	-	-	-	-	-	-	593,168	-
Total Assets	396,086	1,148	-	1,144	290,953	732,232	-	1,949,207	-

Notes to the Financial Statements

Note 2.1 - FUNCTIONS AND ACTIVITIES OF COUNCIL (Cont)

(c) Comparative figures for prior year (2018)

	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	-	-	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	(1,994)	81	143	70	(307)	1,054	703	250	-	-
Competitive Neutrality	(536)	-	-	-	74	320	142	-	-	-
	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 Adjustments	(1,580)	-	-	-	506	95	31	-	(948)	-
Write Down of Assets Held For Sale	841	-	-	-	-	-	-	-	841	-
Net 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	24,672	1,155	-	1,499	271,063	281,519	701,027	-	1,280,935	-
Work in Progress	23	6	-	-	17,841	7,501	18,828	-	44,199	-
Other Assets	317,922	-	-	-	-	237,624	-	-	555,546	-
Total Assets	342,617	1,161	-	1,499	288,904	526,644	719,855	-	1,880,680	-

Notes to the Financial Statements

Note 3.1 - Rates

	2019 \$000	2018 \$000
Valuation and Rating		
Gross Assessed Annual Value of the City	637,659	631,801
Rates		
	Cents/\$AAV	Cents/\$AAV
General Rate - Residential	7.4383	7.2042
General Rate - Commercial	7.7017	7.4919
General Rate - CBD Variation	9.2035	8.9528
General Rate - Industrial	7.8436	7.6300
General Rate - Public Purpose	7.7086	7.4986
General Rate - Primary Production	7.7017	7.6124
General Rate - Sporting and Recreation	7.3562	7.1558
General Rate - Quarrying and Mining	5.1139	4.9746
General Rate - Vacant Land	6.8146	6.6290
Service Rates		
Fire Protection - Urban	1.4580	1.3847
Fire Protection - Rural	0.3677	0.3317
Fire Protection - Lilydale District	0.3951	0.3758
	\$	\$
General Charge (Fixed Amount)	282.70	275.00
Minimum Rates apply:-		
Fire Levy	40.00	39.00
SERVICE CHARGES		
	\$ Range	\$ Range
Waste Management - on bin size	105 - 221	102 - 215

The Assessed Annual Value of the City is as determined by the Valuer-General for the year ended 30 June, 2019.

Rates were levied based on valuations effective from 1 July 2016 and applied from 1 July 2017.

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 3.1 - Rates (Cont)

	2019 \$000	2018 \$000
Rating Revenue		
General Rates		
General Charge	10,152	9,819
General Rate - Residential	28,064	26,859
General Rate - Commercial	9,727	9,310
General Rate - CBD Variation	515	503
General Rate - Industrial	3,021	2,931
General Rate - Public Purpose	3,163	3,046
General Rate - Primary Production	893	885
General Rate - Quarrying and Mining	5	5
General Rate - Sporting and Recreation	230	226
General Rate - Vacant Land	506	495
Total General Rates	<u>56,276</u>	<u>54,079</u>
Fire Protection	8,037	7,556
Waste Management	3,626	3,480
Total Rates	<u><u>67,939</u></u>	<u><u>65,115</u></u>

Note 3.2 - Fees and Charges

	2019 \$000	2018 \$000
Trading Fees	14,788	14,753
Regulatory Fees	2,984	2,706
Fines	1,456	1,727
Sales	4,376	4,037
Services	1,465	1,445
Venue Hire	5	23
	<u>25,074</u>	<u>24,691</u>

Note 3.3 - Revenue Grants and Contributions

	2019 \$000	2018 \$000
Commonwealth Funded Financial Assistance Grants		
Grant Funds Received for Reporting Year	4,365	4,204
Grant Received in Prior Year	(2,174)	(2,104)
Grant Received for Next Year	2,261	2,174
	<u>4,452</u>	<u>4,274</u>
Commonwealth Funded Operating Grants		
Ongoing Grant Funding		
Roads to Recovery	-	748
Training Subsidies	5	-
Diesel Rebate	160	135
	<u>165</u>	<u>883</u>
Other Grants	2,118	872
Total Commonwealth Funded Operating Grants	<u>2,283</u>	<u>1,755</u>

Notes to the Financial Statements

Note 3.3 - Revenue Grants and Contributions (Cont)

	2019 \$000	2018 \$000
State Funded Operating Grants		
Ongoing Grant Funding		
Queen Victoria Museum and Art Gallery	1,451	1,416
Launceston Flood Authority	524	511
Launceston Visitor and Information Centre	120	120
Motor Tax	157	157
Disaster Recovery	-	525
	<u>2,252</u>	<u>2,729</u>
Other Grants	617	280
Total State Funded Grants	<u>2,869</u>	<u>3,009</u>
Private Sector Contributions	173	-
Total Other Operating Grants	<u>5,325</u>	<u>4,764</u>

Note 3.4 - Capital Grants and Contributions

	2019 \$000	2018 \$000
State Funded Capital Grants		
Flood Mitigation	-	3,000
Museum	20	-
Parks and Recreation	726	369
Sports Grounds	1,118	197
Roads	241	128
Other	4,101	9
	<u>6,206</u>	<u>3,703</u>
Commonwealth Funded Capital Grants		
Flood Mitigation	-	250
Parks and Recreation	200	4,600
Sports Grounds	-	500
Roads	3,488	5,385
Other	4,048	50
	<u>7,736</u>	<u>10,785</u>

Notes to the Financial Statements

Note 3.4 - Capital Grants and Contributions (Cont)

	2019 \$000	2018 \$000
Private Sector Funded Contributions		
Museum	174	14
Parks and Recreation	45	126
Sports Grounds	277	74
Roads	1,678	946
Stormwater	981	328
Other	1,042	148
	<u>4,197</u>	<u>1,636</u>
Total Capital Grants and Contributions	<u><u>18,139</u></u>	<u><u>16,124</u></u>

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 7.3).

Note 3.5 - Interest Revenue

	2019 \$000	2018 \$000
Interest		
Interest Untied Funds	1,758	1,601
Interest Rate Debts	284	272
	<u>2,042</u>	<u>1,873</u>
Interest Tied Funds (Capital Grants)	4	81
	<u><u>2,046</u></u>	<u><u>1,954</u></u>

Note 3.6 - Investment Revenue

	2019 \$000	2018 \$000
Investment Revenue		
TasWater		
Dividends	1,429	2,520
Tax Equivalents	927	1,206
Guarantee Fees	368	360
	<u>2,724</u>	<u>4,086</u>
Australia Pacific Airports (Launceston) Pty Ltd	741	664
	<u><u>3,465</u></u>	<u><u>4,750</u></u>

Notes to the Financial Statements

Note 3.7 - Bequests

	2019 \$000	2018 \$000
Bequests Revenue	157	126
	<u>157</u>	<u>126</u>

Bequests made to and held by the Council are recognised as Initial Bequests. Bequests held in trust where revenues are distributed to the Council are recognised as Bequests Revenue
For details of bequests held by Council refer Note 6.1.

Note 3.8 - Other Revenue

	2019 \$000	2018 \$000
Rent	1,077	1,044
Sponsorship	565	532
Donations	393	151
Asset Disposal	320	76
Recycling	107	135
Other	500	1,263
	<u>2,962</u>	<u>3,201</u>

Note 3.9 - Infrastructure Adjustments

	2019 \$000	2018 \$000
Adjustments to Infrastructure Assets		
Assets Recognised (Derecognised):		
Gross Value	1,310	(1,124)
Accumulated Depreciation	(833)	176
	<u>477</u>	<u>(948)</u>

Found Assets

During the year the Council identified assets that were not reflected in the Asset Register.

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.

Notes to the Financial Statements

Note 4.1 - Employee Benefits

	2019	2018
	\$000	\$000
Labour Costs		
Wages and Salaries	28,598	27,774
Superannuation and Retiring Allowance	5,830	6,124
Employee Leave Entitlements	4,392	4,228
Payroll Tax	2,227	2,197
Workers Compensation Insurance	499	238
Other Costs	902	904
	<u>42,448</u>	<u>41,465</u>
Less Amounts Capitalised	(1,495)	(1,661)
	<u>40,953</u>	<u>39,804</u>

Note 4.2 - Materials and Services

	2019	2018
	\$000	\$000
Energy		
Street Lighting	1,039	1,080
Utilities - Gas	751	756
Utilities - Electricity	1,042	1,052
Garbage Collection	4,197	3,459
Goods and Services	17,907	17,884
Combined Service Charge (TasWater)	1,500	1,478
Property Expenses		
Water Fixed Charges	647	569
Water Volumetric Charges	346	360
Rent External	62	128
Land Tax	349	357
Contributions		
LGAT	70	64
CBD Promotion	516	504
Regional Cooperation	523	512
Flood Authority (Internal)	182	178
Community Assistance Grants	459	272
Events Funding	596	531
Provision of Services	561	582
Administrative		
Administration	810	904
Advertising and Promotion	190	200
Computers and Communication	366	400
Election Expenses	367	28
Expert Advice	769	1,030
Insurance (exc. Workers Compensation)	824	794

Notes to the Financial Statements

Note 4.2 - Materials and Services (Cont)

	2019 \$000	2018 \$000
Maintenance	190	186
Payment and Debt Collection	450	502
Postage Printing and Stationery	332	358
Councillor and Mayoral Allowances	540	534
External Auditor's Remuneration:		
Auditing Financial Statements	56	54
Other Audit Services	22	5
Internal Auditor's Remuneration	31	47
Motor Vehicle Expense	393	402
	<u>36,087</u>	<u>35,210</u>

Note 4.3 - Impairment of Debts

	2019 \$000	2018 \$000
Sundry Debtors	30	34
	<u>30</u>	<u>34</u>

Refer to Note 7.2 for Council's Impairment Policy

Note 4.4 - Finance Costs

	2019 \$000	2018 \$000
Interest on Borrowings	333	436
Unwinding of Discount on Provision for Rehabilitation of Waste Centre	25	-
	<u>358</u>	<u>436</u>

Note 4.5 - Depreciation

	2019 \$000	2018 \$000
Buildings	3,418	3,227
Plant and Equipment	2,980	2,751
Infrastructure	14,513	13,532
Data Systems	673	580
Total Depreciation	<u>21,584</u>	<u>20,090</u>

Notes to the Financial Statements

Note 4.5 - Depreciation (Cont)

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

Museum Collection

The museum collection is not depreciated - see Note 8.5.

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

BASIS OF DEPRECIATION

Intangible Assets

Data Systems	Straight Line	3 - 10 years
Plans and Strategies	Straight Line	10 - 15 years
Municipal Valuations	Straight Line	6 Years

Property, Infrastructure, Plant and Equipment

Freehold Land	Not Depreciated	Unlimited
Leased Land	Not Depreciated	Unlimited
Freehold Buildings	Straight Line	30 - 250 years
Leasehold Buildings	Straight Line/Lease	30 - 250 years
Structures	Straight Line	30 - 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
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

Notes to the Financial Statements

Note 4.5 - Depreciation (Cont)

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.

Note 4.6 - State Government Fire Service Levy

	2019 \$000	2018 \$000
Levy paid to State Fire Service	7,959	7,535

The Council collects a fire levy on behalf of the State Fire Commission as a rate. The revenue is shown at Note 3.1

Note 4.7 - Remissions and Abatements

	2019 \$000	2018 \$000
Remissions	1,001	1,026

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 4.8 - Disposal of Fixed Assets

	Note	2019 \$000	2018 \$000
Proceeds from Disposal		1,332	724
Less Carrying Amounts		(2,770)	(4,528)
Gain (Loss)		(1,438)	(3,804)
Gains on Disposal	3.8	320	76
Scheduled Loss on Disposal		(1,145)	(695)
Unscheduled Loss on Disposal		(613)	(3,185)
		(1,758)	(3,880)
		(1,438)	(3,804)

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 5.1 - MANAGEMENT INDICATORS

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

	2019 \$'000	2018 \$'000	2017 \$'000	2016 \$'000
a) Underlying Surplus or Deficit				
Recurrent Income less	111,172	108,073	103,100	101,681
Recurrent Expenditure	109,117	104,775	101,853	99,393
Underlying Surplus (Deficit)	2,055	3,298	1,247	2,288
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 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 2018/19 an underlying surplus of \$2,055,588 was achieved.

Reconciliation of Underlying Surplus to Statement of Comprehensive Income

Underlying Surplus (Deficit)	2,055	3,298	1,247	2,288
Add				
Capital Grants	18,139	16,124	7,784	15,955
Bequests	157	126	159	149
Capital Interest	4	81	113	24
Infrastructure Take Up Adjustments	477	(948)	124,326	11,949
Disaster Recovery Income	-	525	1,051	-
Less				
FAG Grant in advance current year	2,261	2,174	2,104	
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	(613)	(3,185)	(558)	-
Disaster Recovery Spending	-	(254)	(2,018)	(285)
Surplus (Deficit)	20,306	16,678	131,172	27,982

Notes to the Financial Statements

Note 5.1 - MANAGEMENT INDICATORS (Cont)

	2019	2018	2017	2016
	\$'000	\$'000	\$'000	\$'000

(b) Underlying Surplus Ratio

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

<u>Underlying Surplus or (Deficit)</u>	2,055	3,298	1,247	2,288
Recurrent Income	111,172	108,073	103,100	101,681

Underlying Surplus Ratio %	2%	3%	1%	2%
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Benchmark	0%	0%	0%	0%
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Note - positive percentage is favourable to benchmark

Comment

Achieving a 2% Underlying Surplus Ratio is in line with Council's Long Term Financial Plan and is consistent with the aim of achieving a small underlying surplus each year.

(c) Net Financial Liabilities

Liquid Assets less	78,774	74,485	75,230	68,884
Total Liabilities	37,863	36,984	45,140	37,202
Net Financial Liabilities	40,911	37,501	30,090	31,682

Benchmark	0	0	0	0
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Note - positive balance is favourable to benchmark

Comment

Net Financial Liabilities indicates the extent of what is owed to others less money held, invested or owed to Council.

Council is in a favourable position with regards to being able to cover its financial obligations.

(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>	40,911	37,501	30,090	31,682
Recurrent Income	111,172	108,073	103,100	101,681

Net Financial Liabilities Ratio %	37%	35%	29%	31%
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Benchmark	0% - (50%)	0% - (50%)	0% - (50%)	0% - (50%)
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Comment

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

Notes to the Financial Statements

Note 5.1 - MANAGEMENT INDICATORS (Cont)

(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.

	2019 \$'000	2018 \$'000	2017 \$'000	2016 \$'000
Transport Infrastructure				
<u>Depreciated Replacement Cost</u>	618,318	590,498	578,368	573,769
Current Replacement Cost	938,070	891,976	866,236	848,742
Asset Consumption Ratio %	66%	66%	67%	68%
Benchmark	>60%	>60%	>60%	>60%
Buildings				
<u>Depreciated Replacement Cost</u>	172,657	163,845	184,603	181,256
Current Replacement Cost	273,842	262,647	277,948	272,799
Asset Consumption Ratio %	63%	62%	66%	66%
Benchmark	>60%	>60%	>60%	>60%
Stormwater and Drainage				
<u>Depreciated Replacement Cost</u>	165,686	163,019	160,362	155,481
Current Replacement Cost	237,903	232,177	226,484	219,425
Asset Consumption Ratio %	70%	70%	71%	71%
Benchmark	>60%	>60%	>60%	>60%
Other				
<u>Depreciated Replacement Cost</u>	101,404	92,805	84,266	83,216
Current Replacement Cost	133,901	122,824	111,973	108,778
Asset Consumption Ratio %	76%	76%	75%	77%
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. Council sits above the benchmark in all asset classes. Council is constantly reviewing asset data and ensuring levels of service are in line with the adopted Strategic Asset Management Plan.

Notes to the Financial Statements

Note 5.1 - MANAGEMENT INDICATORS (Cont)

(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.

	2019 \$'000	2018 \$'000	2017 \$'000	2016 \$'000
Transport Infrastructure				
<u>Projected Capital Funding Outlays</u>	68,887	60,641	93,612	62,110
Projected Capital Expenditure Funding	68,887	60,641	93,612	62,110
Asset Renewal Funding Ratio %	100%	100%	100%	100%
Benchmark	90 - 100%	90 - 100%	90 - 100%	90 - 100%
Buildings				
<u>Projected Capital Funding Outlays</u>	12,865	7,257	12,697	3,235
Projected Capital Expenditure Funding	12,865	7,257	12,697	3,235
Asset Renewal Funding Ratio %	100%	100%	100%	100%
Benchmark	90 - 100%	90 - 100%	90 - 100%	90 - 100%
Stormwater and Drainage				
<u>Projected Capital Funding Outlays</u>	4,415	1,935	9,465	7,300
Projected Capital Expenditure Funding	4,415	1,935	9,465	7,300
Asset Renewal Funding Ratio %	100%	100%	100%	100%
Benchmark	90 - 100%	90 - 100%	90 - 100%	90 - 100%
Other				
<u>Projected Capital Funding Outlays</u>	51,893	63,155	54,302	19,133
Projected Capital Expenditure Funding	51,893	63,155	54,302	19,133
Asset Renewal Funding Ratio %	100%	100%	100%	100%
Benchmark	90 - 100%	90 - 100%	90 - 100%	90 - 100%

Comment

The Strategic 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 Financial Plan aligns with the Strategic 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.

Notes to the Financial Statements

Note 5.1 - MANAGEMENT INDICATORS (Cont)

(g) Asset Sustainability Ratio

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

	2019 \$'000	2018 \$'000	2017 \$'000	2016 \$'000
<u>Capex on Replacement/Renewal of Existing Assets</u>	15,375	15,020	13,913	15,604
Annual Depreciation Expense	21,584	20,090	20,007	19,440
Asset Sustainability Ratio %	71%	75%	70%	80%
Benchmark	100%	100%	100%	100%

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

	Capital Renewal Expenditure \$'000	Capital New/ Upgrade Expenditure \$'000	Total Capital Expenditure \$'000
Capex			
Transport Infrastructure	8,872	4,071	12,943
Buildings	1,484	5,649	7,133
Stormwater and Drainage	291	128	419
Land	364	-	364
Plant	1,261	223	1,483
Other	3,104	9,200	12,303
	15,375	19,270	34,644
Annual Depreciation Expense			21,584
Benchmark			100%

Comment

The Strategic Asset Management Plan identifies assets that need renewing and provides guidance in the formulation of the annual Capital Budget. This is reviewed and updated on an annual basis. Several high cost projects were completed during 2018/19, leading to a higher than usual allocation of New/Upgrade expenditure when compared to previous years.

Notes to the Financial Statements

Note 6 - Movements in Equity

	Revised Balance 1 July \$'000	Net Surplus \$'000	Comprehensive Income \$'000	Transfers \$'000	Balance as at 30 June 2019 \$'000
Capital Reserves					
Government Grants	178,452	13,943	-	-	192,395
Other Contributions	21,207	156	-	-	21,363
	199,659	14,099	-	-	213,758
Revenue Reserves					
General	997,921	4,179	-	3,476	1,005,576
CBD	17	(1)	-	-	16
Flood Authority	(114)	-	-	115	1
Investment Water Corporation	-	2,724	-	-	2,724
Public Open Space	319	24	-	-	343
Self Insurance	3,105	192	-	-	3,297
Special Committees	40	(17)	-	-	23
Waste Centre Rehabilitation	13,950	-	-	(3,591)	10,359
Employee Benefits	3,534	(1,053)	(1,383)	-	1,098
	1,018,772	6,048	(1,383)	-	1,023,437
Asset Revaluation Reserves					
General	638,548	-	14,159	-	652,707
Investment Reserves					
TasWater	(15,479)	-	34,564	-	19,085
NTWVG	-	-	-	-	-
	(15,479)	-	34,564	-	19,085
Trusts And Bequests					
Parks	31	-	-	-	31
Museum	2,163	160	-	-	2,323
	2,194	160	-	-	2,354
	1,843,694	20,307	47,340	-	1,911,341

Notes to the Financial Statements

Note 6 - Movements in Equity (Cont)
Comparative figures for prior year
Prior Year

	Revised Balance 1 July \$'000	Net Surplus \$'000	Comprehensive Income \$'000	Transfers \$'000	Balance as at 30 June 2018 \$'000
Capital Reserves					
Government Grants	163,965	14,487	-	-	178,452
Other Contributions	21,051	156	-	-	21,207
	185,016	14,643	-	-	199,659
Revenue Reserves					
General	999,083	(6,619)	-	5,457	997,921
CBD	16	1	-	-	17
Flood Authority	971	124	-	(1,209)	(114)
Investment Water Corporation	-	4,086	-	(4,086)	-
Public Open Space	201	118	-	-	319
Self Insurance	2,919	188	-	(2)	3,105
Special Committees	39	1	-	-	40
Waste Centre	11,338	2,612	-	-	13,950
Employee Benefits	(461)	1,456	2,539	-	3,534
	1,014,106	1,967	2,539	160	1,018,772
Asset Revaluation Reserves					
General	622,607	-	15,941	-	638,548
Investment Reserves					
TasWater	(18,524)	-	3,045	-	(15,479)
NTWMMG	336	-	-	(336)	-
	(18,188)	-	3,045	(336)	(15,479)
Trusts And Bequests					
Parks	31	-	-	-	31
Museum	1,921	66	-	176	2,163
	1,952	66	-	176	2,194
	1,805,493	16,676	21,525	-	1,843,694

Notes to the Financial Statements

Note 7.1 - Cash at Bank and On Hand

	2019 \$000	2018 \$000
Cash on Hand	24	22
Cash at Bank	1,978	375
Special Committees	28	33
	<u>2,030</u>	<u>430</u>

Cash on Hand is comprised of petty cash, cash floats and purchase card balances

Cash at Bank is the main trading account.

Special Committees are the collective balances of the s124 committees, see note 14.3.

Note 7.2 - Rates and Sundry Receivables

	2019 \$000	2018 \$000
(a) Current Receivables		
Rate Debtors	1,358	1,324
Rates Paid in Advance	(1,414)	(1,456)
Accrued Revenue	135	590
Sundry Debtors	6,417	4,896
Prepayments	84	89
Parking Infringement Debtors	1,743	2,000
	<u>8,323</u>	<u>7,443</u>
Provision for Expected Credit Loss (2019) / Provision for Impairment (2018)		
Sundry Debtors	(461)	(441)
Parking Infringement Debtors	(1,074)	(1,152)
	<u>(1,535)</u>	<u>(1,593)</u>
	<u>6,788</u>	<u>5,850</u>
Movement in Impaired Debts	(58)	(136)
(b) Collection Performance – Rate Receivables		
Rate Revenue	67,941	65,115
Interest on Rates	284	272
	<u>68,225</u>	<u>65,387</u>
Percentage Rate Debtors Outstanding	1.99%	2.02%

Notes to the Financial Statements

Note 7.2 - Rates and Sundry Receivables (Cont)

Trade receivables that do not contain a significant financing component are measured at amortised cost, which represents the transaction value.

For Rate Debtors Council takes the view that unpaid rates represent a charge against the property that will be recovered when the property is next sold.

For commercial debtors within Sundry debtors, impairment is done on a debtor by debtor basis.

Parking and other Infringement debtors within Sundry debtors, impairment is recognised on an expected credit loss basis.

Council has established a provision matrix to facilitate the impairment assessment. Debtors are impaired on a percentage basis the increases with the age of the debt.

The above impairment policies have not materially changed from 2018.

Note 7.3 - Current Investments

	2019 \$000	2018 \$000
Current		
Term Deposits With Terms 90 days Plus	61,656	60,249
At Call deposits	8,300	7,956
	69,956	68,205
Restricted Assets and Deposits		
Restricted assets		
a) Included in the above and invested on behalf of:-		
i) Trusts and Bequests	2,357	2,196
ii) River Dredging and Flood Protection Contributions	-	(114)
b) Provision for Retiring Allowance	171	163
c) Provision for Waste Centre Development and Rehabilitation	10,452	13,950
	12,980	16,195
Grant funds brought to account as income but not fully expended and held in specific bank deposits at year end	-	-
Total Restricted Assets	12,980	16,195
Deposits	424	508
Total Restricted Assets and Deposits	13,404	16,703
Committed Funds		
Capital Expenditure	8,469	10,973
Net Capital Works (carried forward)	16,164	16,532
	24,633	27,505
Current Liabilities (excluding deposits)	15,385	17,354
	40,018	44,859

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.

Notes to the Financial Statements

Note 7.4 - Inventories

	2019 \$000	2018 \$000
Inventories		
Stores	513	506
Trading Stock	205	180
Other	-	-
	<u>718</u>	<u>686</u>

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

Note 7.5 - Assets Held for Sale

	2019 \$000	2018 \$000
Assets Held For Sale		
Carrying Value	25,216	26,108
Less Impairment	(21,814)	(21,866)
Value Held for Sale	<u>3,402</u>	<u>4,242</u>

In 2017, Council has entered into a Memorandum of Understanding with the University of Tasmania for an exchange of property, to assist in facilitation the relocation of the northern campus. Under this proposal, the University will acquire land in the Inveresk Precinct and the Willis Street Car Park, including the National Automobile Museum of Tasmania. In exchange, Council will receive land and buildings comprised of a new purpose built National Automobile of Tasmania facility, including land to facilitate car parking on-site. The assets received are expected to be of a higher value than those held for sale.

Transfers out of Assets Held for sale in 2018 - 19 included Nunamarra Hall and a portion of the Cimitero Street car park sold for a hotel development.

Note 8.1 - Deferred Receivables

	2019 \$000	2018 \$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.

Notes to the Financial Statements

Note 8.2 - 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.

	2019 \$000	2018 \$000
Water Corporation net equity	1,859,256	1,605,615
Year end report used for determining net assets	30-June-2019	30-June-2018
Launceston City Council ownership percentage	14.64%	14.80%
Fair value of the Council's share of TasWater	272,195	237,631
Previously assessed value	237,631	234,586
Net Increase (decrease) in fair value	<u>34,564</u>	<u>3,045</u>

Note 8.3 - Intangibles

Intangible assets costing over \$1,000 are capitalised and amortised on a straight line basis over their useful life. At each reporting date the Council reviews the carrying amount of its intangible assets to determine whether there is any indication that those assets have suffered an impairment loss.

Intangible Assets Year End 30 June 2019

	Data Systems	Plans and Strategies	Municipal Valuations	Total
Written Down Value 1 July	3,094	1,539	512	5,145
Less Opening Work in Progress	(86)	-	-	(86)
Additions	867	-	-	867
Disposals	-	-	-	-
Transfers	4	-	-	4
Amortisation	(464)	(107)	(102)	(673)
Written Down Value 30 June	3,415	1,432	410	5,257
At Cost	7,334	2,028	614	9,976
Accumulated Depreciation	(3,919)	(596)	(204)	(4,719)
Work in Progress	222	152	-	374
	<u>3,637</u>	<u>1,584</u>	<u>410</u>	<u>5,631</u>

Notes to the Financial Statements

Note 8.3 - Intangibles (Cont)

Intangible Assets Year End 30 June 2018

	Data Systems	Plans and Strategies	Municipal Valuations	Total
Written Down Value 1 July	3,626	1,442	-	5,068
Less Opening Work in Progress	(358)	(82)	-	(440)
Additions	214	191	614	1,019
Disposals	(8)	-	-	(8)
Transfers	-	-	-	-
Amortisation	(466)	(12)	(102)	(580)
Written Down Value 30 June	3,008	1,539	512	5,059
At Cost	6,429	2,028	614	9,071
Accumulated Depreciation	(3,421)	(489)	(102)	(4,012)
Work in Progress	86	-	-	86
	3,094	1,539	512	5,145

Note 8.4 - Property, Infrastructure and Plant and Equipment

Recognition of Non-Current Assets

Land under roads is recognised 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 8.5).

Assets are initially recorded at cost and then revalued in line with Council's Revaluation Methodology and Framework for those asset classes recorded at fair value.

Impairment

At each reporting date the Council reviews the carrying amount of its 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.

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.

Notes to the Financial Statements

Note 8.4 - Property, Infrastructure and Plant and Equipment (Cont)

Asset Class	Valuation Method	Valuer	Valuation Year
Plant and Equipment	Cost	-	
Intangible Assets	Cost	-	
Land - excluding Land Under Roads	Fair Value	Valuer General	2018/19
Land Under Roads	Fair Value	Launceston Council Infrastructure Services	2014/15
Buildings	Fair Value	LG Valuation Services	2017/18
Roads and Bridges	Fair Value	Launceston Council Infrastructure Services	2015/16 Indexed to 2018/19
Stormwater and Drainage	Fair Value	Launceston Council Infrastructure Services	2018/19
Flood Protection	Fair Value	Launceston Council Infrastructure Services	2014/15
Refuse Disposal	Fair Value	Launceston Council Infrastructure Services	2012/13
Parks and Recreation	Fair Value	Launceston Council Infrastructure Services	2018/19

Notes to the Financial Statements

Note 8.4 - Infrastructure Assets (Cont) Movements in Carrying Amounts

	Land \$'000	Buildings \$'000	Roads and Bridges \$'000	Drainage \$'000	Plant and Equipment \$'000	Other \$'000	TOTAL \$'000
As At 30 June 2019							
Opening Balance	-	-	-	-	39,990	-	39,990
At Cost	243,806	262,647	891,976	232,178	-	122,824	1,753,431
At Valuation	-	(98,802)	(301,478)	(69,158)	(18,087)	(30,019)	(517,544)
Accumulated Depreciation	2,300	12,516	18,004	783	3,978	9,721	47,302
Additions - Capex							
Additions - Contributions	1,006	-	1,681	987	-	-	3,674
Gross	-	-	(3)	(5)	-	-	(8)
Accumulated Depreciation	(157)	-	1,466	(38)	-	-	1,271
Adjustments	-	-	(909)	26	-	-	(883)
Accumulated Depreciation	649	275	285	-	(39)	39	1,209
Transfers	-	(275)	(52)	-	35	(29)	(321)
Gross	(7,786)	-	30,060	4,300	-	1,625	28,199
Accumulated Depreciation	-	-	(10,602)	(1,735)	-	(482)	(12,819)
Disposals	(649)	(1,596)	(5,402)	(307)	(2,375)	(308)	(10,637)
Gross	-	1,310	3,952	284	2,063	258	7,867
Accumulated Depreciation	-	(3,418)	(10,660)	(1,629)	(2,980)	(2,225)	(20,912)
Balance - 30 June	239,169	172,657	618,318	165,686	22,585	101,404	1,319,819
Balance - 30 June							
At Cost	-	-	-	-	41,554	-	41,554
At Valuation	239,169	273,842	938,070	237,903	-	133,901	1,822,885
Accumulated Depreciation	-	(101,185)	(319,752)	(72,217)	(18,969)	(32,497)	(544,620)
Work in Progress	15,085	794	3,453	481	120	10,659	30,592
	254,254	173,451	621,771	166,167	22,705	112,063	1,350,411

Note 8.4 - Infrastructure Assets (Cont) Movements in Carrying Amounts

Comparative Figures for Prior Year

	Land \$'000	Buildings \$'000	Roads and Bridges \$'000	Drainage \$'000	Plant and Equipment \$'000	Other \$'000	TOTAL \$'000
As At 30 June 2018							
Opening Balance							
At Cost	-	-	-	-	37,860	-	37,860
At Valuation	230,193	281,948	866,408	226,483	-	115,479	1,720,511
Accumulated Depreciation	-	(97,346)	(288,041)	(66,121)	(17,059)	(28,375)	(496,942)
Additions - Capex	82	1,720	9,639	195	4,200	6,717	22,553
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	-	731	(7,319)	(1,281)	-	(253)	(8,122)
Disposals							
Gross	(2,460)	(34)	(5,116)	-	(2,070)	(334)	(10,014)
Accumulated Depreciation	-	20	3,919	-	1,723	232	5,894
Depreciation	-	(3,227)	(10,278)	(1,602)	(2,751)	(1,652)	(19,510)
	243,805	163,845	590,498	163,019	21,903	92,805	1,275,875
Balance - 30 June							
At Cost	-	-	-	-	39,990	-	39,990
At Valuation	243,805	262,647	891,976	232,177	-	122,824	1,753,429
Accumulated Depreciation	-	(98,802)	(301,478)	(69,158)	(18,087)	(30,019)	(517,544)
Work in Progress	14,739	324	20,833	925	875	6,416	44,112
	258,544	164,169	611,331	163,944	22,778	99,221	1,319,987

Notes to the Financial Statements

Note 8.5 - Queen Victoria Museum and Art Gallery

	2019 \$000	2018 \$000
Museum Collection		
Opening Balance	237,624	237,491
Additions	194	133
Revaluation Increase/(Decrease)	-	-
Collection Carrying Value	<u>237,818</u>	<u>237,624</u>

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

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

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

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

	2019 \$000	2018 \$000
Results from Operations		
Revenue		
Fees and Charges	572	393
State Government Operations Grant	1,451	1,416
Other Grants	28	30
Bequests and Donations	207	269
Interest	49	46
Other Income	43	15
	<u>2,350</u>	<u>2,169</u>
Expenses		
Provision of Services	5,786	5,605
Bequest Expenditure	-	34
Depreciation	957	733
Full Cost Attribution	357	350
	<u>7,100</u>	<u>6,722</u>
Operating Surplus / (Deficit)	<u>(4,750)</u>	<u>(4,553)</u>
Add Capital Grants	194	-
Surplus / (Deficit)	<u>(4,556)</u>	<u>(4,553)</u>

Notes to the Financial Statements

Note 9.1 Deposits and Prepayments

	2019	2018
	\$000	\$000
Deposits Held	223	346
Prepayments	132	97
Conditional Museum Funding	69	65
	424	508

Note 9.2 - Employee Provisions and Statistics

	2019	2018
	\$000	\$000
Full Time Equivalent Employees at year end	445	440
Current Provisions		
Accrued Time	90	101
Annual Leave	2,709	2,530
Long Service Leave	4,150	3,833
Retiring Allowance	171	80
	7,120	6,544
Non-Current Provisions		
Long Service Leave	791	836
Retiring Allowance	-	83
	791	919

Annual and Long Service Leave

Provision is made in respect of the liability for annual leave and long service leave at 30 June, 2019. 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.

The Following assumptions were adopted in measuring the present value of employee benefits

	2019	2018
Weighted Average Increase in Employee Costs	2.30%	2.20%
Weighted Average Discount Rates	1.23%	1.88%

Notes to the Financial Statements

Note 9.3 - Interest Bearing Liabilities

	2019	2018
	\$000	\$000
(a) Currency of loans		
Current	-	769
Non-current	9,000	9,000
	<u>9,000</u>	<u>9,769</u>
(b) Summary Movement in Loans		
Balance - 1 July	9,769	12,126
Repayments	(769)	(2,357)
Borrowing	-	-
Balance - 30 June	<u>9,000</u>	<u>9,769</u>

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

Note 9.4 - 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.

Notes to the Financial Statements

Note 9.4 - Lease Commitments (Cont)

Operating Leases as Lessor

Not for Profit

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

Commercial Arrangements

The Council also owns facilities that are leased in whole or in part to organisations and individuals on a commercial basis, the associated land and buildings are recognised within Infrastructure Assets in the Statement of Financial Position and valued in accordance with the Council's valuation policy and rental income is recognised in accordance with the Council's revenue recognition policy.

While the leases are on commercial terms, the dominant purpose of the Council holding these assets is to enhance its operating programs and facilities, not to earn rental income.

Note 9.5 - Sundry Payables and Accruals

	2019 \$000	2018 \$000
Accrued Expenses	6,795	6,268
Unearned Income	318	422
Sundry Creditors	1,152	3,351
	<u>8,265</u>	<u>10,041</u>

Note 10.1 - Rehabilitation Provision

	2019 \$000	2018 \$000
Provision for Rehabilitation		
Balance at Beginning of Year	9,205	5,828
Reassessment Adjustment of Opening Balance	-	199
Favourable Discount Taken to Equity	-	(8)
Unwinding of discount - expensed as borrowing cost	25	-
New Cells Opened	-	1,719
Balance at End of Year	<u>10,452</u>	<u>9,205</u>

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

Notes to the Financial Statements

Note 10.1 - Rehabilitation Provision (Cont)

The Following assumptions were adopted in measuring the present value of the Rehabilitation Liability

	2019	2018
Bond Rates 3 yr	0.96%	2.06%
Bond Rates 4 yr		2.16%
Bond Rates 6 yr	1.09%	
Bond Rates 21 yr		2.63%
Bond Rates 26 yr	1.32%	
Bond Rates 27 yr		2.63%
Bond Rates 30 yr	1.32%	
Inflation Rate	1.60%	1.90%

Note 10.2 - 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 10.2 - Superannuation (Cont)

	2019 \$000	2018 \$000
The Council has taken up an Asset /(Liability) of :	(1,814)	622

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

The calculation of the liability is based on an actuarial review for the purpose of AASB 119 performed by Michael Berg FIAA on behalf of Rice Warner, as at 31 May 2019.

	2019 \$000	2018 \$000
made up as follows:		
Balance Sheet Calculation		
Fair value of plan assets	56,090	53,781
Less present value of defined benefit obligation	57,632	53,159
Employee benefit asset (obligation)	(1,542)	622
Add Allowance for Contributions Tax	(272)	-
Asset / (Liability) Recognised	<u>(1,814)</u>	<u>622</u>

A liability for contributions tax is only recognised when the fund is in deficit.

Defined Benefit Obligation

Reconciliation of Obligation

Present value of defined benefit obligation - 1 July	53,159	55,932
Current service cost	2,476	2,763
Interest cost	1,402	1,293
Member contributions and transfers from other funds	1,254	973
Actuarial (gains)/ losses due to changes	2,577	(235)
Actuarial (gains)/losses due to changes in experience	1,249	(36)
Benefits and tax paid	(4,485)	(7,531)
Present value of defined benefit obligation - 30 June	<u>57,632</u>	<u>53,159</u>

Assets

Reconciliation of Assets

Fair value of plan - 1 July	53,781	55,471
Expected return on plan assets	1,405	1,264
Actuarial gains/ (losses)	1,623	1,315
Employer contributions	1,423	1,307
Member contributions and transfers from other funds	2,344	1,955
Benefits and tax paid	(4,486)	(7,531)
Fair value of defined benefit obligation - 30 June	<u>56,090</u>	<u>53,781</u>

Notes to the Financial Statements

Note 10.2 - Superannuation (Cont)

	2019 \$000	2018 \$000
Expense recognised in Operating Surplus		
Current service cost	2,476	2,763
Interest cost	1,402	1,293
Expected return on plan assets	(1,405)	(1,264)
Superannuation expense	<u>2,473</u>	<u>2,792</u>
Expense recognised in Other Comprehensive Income		
Actuarial gains/(losses)	<u>(1,383)</u>	<u>2,539</u>

General Plan Information

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

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

The most recent actuarial investigation into the Fund in accordance with the Superannuation Industry (Supervision) Act was carried out as at 30 June 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.

	2019 \$000	2018 \$000
Actual Return on Plan Assets		
Present value of defined benefit obligation at end of year	57,632	53,159
Add Allowance for Contributions Tax	(272)	-
Fair value of Plan assets at end of year	56,090	53,781
Surplus/(Deficit) in Plan	<u>1,270</u>	<u>622</u>

Notes to the Financial Statements

Note 10.2 - Superannuation (Cont)

	2019 \$000	2018 \$000
Experience adjustments - Plan liabilities	(1,249)	36
Experience adjustments - Plan assets	1,623	1,315
Actual return on Fund assets	3,028	2,579
Principal Assumptions		
Discount Rate p.a.	1.39%	2.63%
Salary Increases	2.3% - 3.0%	2.2% - 3.0%

Expected Contributions

If the Council follows the recommendations in the actuarial report, the expected contributions to the Fund for the year ending 31 May 2020 are as follows:

	2020 \$000	2019 \$000
Expected member contributions (for defined benefits only)	1,377	1,416
Expected member contributions (incl. deemed member contributions)	751	772

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% p.a.	Decrease by: 2,209
Discount Rate	Decrease by: 1% p.a.	Increase by: 2,765
Salary Growth Rate	Increase by: 1% p.a.	Increase by: 2,497
Salary Growth Rate	Decrease by: 1% p.a.	Decrease by: 2,057

Note 11.1 - Commitments for Capital Expenditure

	2019 \$000	2018 \$000
At the reporting date, the Council had entered into contracts for the following capital expenditures:		
Plant and Equipment	1,804	940
Refuse Infrastructure	132	220
Roads Infrastructure	715	5,846
Parks and Recreation Infrastructure	5,505	2,519
Drainage Infrastructure	78	350
Flood Protection Infrastructure	63	832
Buildings	172	266
	8,469	10,973
These expenditures are due for payment:		
Not later than one year	8,469	10,973

Notes to the Financial Statements

Note 11.2 - 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 2019 the Council had no contingent liabilities that would materially affect any of the amounts or disclosures in these accounts.

Note 12.1 - Cash Flow

	2019 \$000	2018 \$000
(a) Reconciliation of Cash Used in Operating Activities to Surplus (Deficit)		
Surplus (Deficit)	20,306	16,678
Non-Cash Charges		
Depreciation	21,584	20,090
Employee Provisions	1,499	1,265
Provision for Rehabilitation Movements	-	199
Allowance for Impaired Debts	30	136
Loss (Profit) on Sale of Non-current Assets	1,438	3,804
Write Down of Available for Sale Asset	-	(841)
Changes in Assets and Liabilities		
Rate and Sundry Receivables	(938)	(1,519)
Inventories	(33)	(87)
Sundry Creditors	(2,243)	(8,499)
Deposits	(84)	(36)
Non-Cash Income		
Infrastructure Adjustments	(477)	948
Investing Activities		
Investment Revenue	(3,465)	(4,750)
Grants and Contributions Capital	(18,139)	(16,125)
Net Cash from Operating Activities	<u>19,478</u>	<u>11,263</u>

(b) Reconciliation of Liabilities Arising from Financing Activities

	Interest Bearing Loans and Borrowings	Other	Total
Balance as at 1 July 2018	9,769	-	9,769
Changes from Financing Cash Flows			
Cash Received	-	-	-
Cash Repayments	(769)	-	(769)
Balance as at 30 June 2019	<u>9,000</u>	<u>-</u>	<u>9,000</u>

Notes to the Financial Statements

Note 12.1 - Cash Flow (Cont)

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 term deposits with maturity terms of less than 90 days. 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.

		2019 \$000	2018 \$000
Cash	7.1	2,030	430
Short Term Investments	7.3	8,300	7,956
		<u>10,330</u>	<u>8,386</u>

Note 13.1 - 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 7.2).

Other Debtors

Receivables are carried at nominal amounts due less any allowance for provision for expected credit losses. (Refer note 7.2)

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.

Notes to the Financial Statements

Note 13.1 - Financial Instruments (Cont)

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.

	2019 \$000	2018 \$000
CARRYING VALUE		
Financial Assets		
Cash, Cash Equivalents and Term Deposits	71,985	68,635
Investments	272,195	237,631
Current Receivables	6,787	5,850
Deferred Receivables	258	258
Total Financial Assets	351,225	312,374
Financial Liabilities		
At Amortised Cost	17,686	20,318
Total Financial Liabilities	17,686	20,318
NET TOTAL	333,539	292,056
FAIR VALUE		
Financial Assets		
Cash, Cash Equivalents and Term Deposits	71,985	68,635
Investments	272,195	237,631
Current Receivables	6,787	5,850
Deferred Receivables	258	258
Total Financial Assets	351,225	312,374
Financial Liabilities		
At Amortised Cost	18,120	20,421
Total Financial Liabilities	18,120	20,421
NET TOTAL	333,105	291,953

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

At fair value through profit and loss based upon quoted market prices at the reporting date or independent valuation.

Notes to the Financial Statements

Note 13.1 - Financial Instruments (Cont)

(a) Cash and Cash Equivalents, Financial Assets at fair value through the Profit and Loss.

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.

	2019 \$000	2018 \$000
Increase of Values/Rates		
Profit		
Impact of a 10% movement in Market Values	-	-
Impact of a 1% movement in Interest Rates	630	589
Equity		
Impact of a 10% movement in Market Values	-	-
Impact of a 1% movement in Interest Rates	630	589
Decrease of Values/Rates		
Profit		
Impact of a 10% movement in Market Values	-	-
Impact of a 1% movement in Interest Rates	(630)	(589)
Equity		
Impact of a 10% movement in Market Values	-	-
Impact of a 1% movement in Interest Rates	(630)	(589)

(b) Receivables

The Council's major receivables comprise:

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

Notes to the Financial Statements

Note 13.1 - Financial Instruments (Cont)

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.

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

Receivables Credit Risk

(i) Ageing of Receivables

Current

Rate Debtors	(1,403)	(1,440)
Accrued Revenue	135	590
Sundry Debtors	5,405	4,196
Prepayments	84	89
Parking Infringement Debtors	166	49
	4,387	3,484

Overdue

Rate Debtors	1,347	1,308
Accrued Revenue	-	-
Sundry Debtors	708	700
Prepayments	-	-
Parking Infringement Debtors	1,881	1,951
	3,936	3,959

Total Receivables

(ii) Movement in Provision for Impairment of Receivables

Balance at the beginning of the year	(1,593)	(1,729)
Movement in provision	12	82
Amounts already provided for and written back this year	46	54
	(1,535)	(1,593)
Provision for Impairment at 30 June 2019		
Net Receivables	6,788	5,850

Notes to the Financial Statements

Note 13.1 - Financial Instruments (Cont)

(c) Fair Value Hierarchy

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

Level 1

Quoted prices (unadjusted) in active markets for identical assets/liabilities.

Level 2

Inputs other than quoted prices included in Level 1 that are observable for the asset or liability either directly (i.e. prices) or indirectly (i.e. derived from prices).

Level 3

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

	2019 \$000	2018 \$000
Level 3 - Investments	272,195	237,631

(d) Payables and Borrowings

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

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

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

	2019 \$000	2018 \$000
Liquidity Table		
Variable Interest		
Deposits	-	-
Sundry Creditors	-	-
Secured Loans	-	-
	-	-
Fixed Rate Maturity		
<u>Less than 1 Year</u>		
Deposits	-	-
Sundry Creditors	-	-
Secured Loans	-	769
	-	769
<u>1 to 5 Years</u>		
Deposits	-	-
Sundry Creditors	-	-
Secured Loans	9,000	9,000
	9,000	9,000

Notes to the Financial Statements

Note 13.1 - Financial Instruments (Cont)

Liquidity Table	2019 \$000	2018 \$000
Non Interest		
Deposits	424	508
Sundry Creditors	8,265	10,040
Secured Loans	-	-
	8,689	10,548
Total Cash Outflows		
Deposits	424	508
Sundry Creditors	8,261	10,040
Secured Loans	9,000	9,769
	17,685	20,317
Actual Carrying Amount		
Deposits	424	508
Sundry Creditors	8,261	10,040
Secured Loans	9,000	9,769
	17,685	20,317

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

The following interest rates were applicable to the Council's Liabilities at balance date:

	2019 \$000	2018 \$000
Secured Loans		
Carrying Value	9,000	9,769
Average Interest Rate	3.38%	3.59%

Note 13.2 - 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

Land

All developed and undeveloped freehold, including land under roads, and leasehold land owned or controlled by the Council.

Notes to the Financial Statements

Note 13.2 - Fair Value Measurements (Cont)

Buildings

All buildings owned by the Council. This includes Administration, Commercial, Recreational, Cultural, Residential and other buildings.

Category

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 category. Investment in TasWater

a) Fair Value Hierarchy

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

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

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

The fair values of the assets are determined using valuation techniques which maximise the use of observable data, where it is available, and minimise the use of entity specific estimates. If one or more of the significant inputs is not based on observable market data, the asset is included in level 3. This is the case for Council infrastructure assets, 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 2019	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Recurring fair value measurements				
Land	-	239,169	-	239,169
Buildings	-	-	172,657	172,657
Roads and Bridges	-	-	618,318	618,318
Drainage	-	-	165,686	165,686
Other Infrastructure	-	-	101,404	101,404
Investment in TasWater	-	-	272,195	272,195
	-	239,169	1,330,260	1,569,429

Notes to the Financial Statements

Note 13.2 - Fair Value Measurements (Cont)

Non-recurring fair value measurements

Assets held for sale	3,402	-	-	3,402
	3,402	-	-	3,402

As at 30 June 2018

Recurring fair value measurements

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Land	-	243,805	-	243,805
Buildings	-	-	163,845	163,845
Roads and Bridges	-	-	590,498	590,498
Drainage	-	-	163,019	163,019
Other Infrastructure	-	-	92,805	92,805
Investment in TasWater	-	-	237,631	237,631
	-	243,805	1,247,798	1,491,603

Non-recurring fair value measurements

Assets held for sale	4,242	-	-	4,242
	4,242	-	-	4,242

Transfers between levels of the hierarchy

Council policy is to recognise transfers into or between hierarchy levels at the end of the reporting period. The following assets have been subject to a transfer between levels in the hierarchy.

Hierarchy Transfers 2019

Asset	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Land	(649)	649	0	-
Other Transfers	(243)	-	243	-
	(892)	649	243	-

Hierarchy Transfers 2018

Asset	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Land available for sale	1,508	(1,508)	-	-
Other Transfers	1,894	-	(1,894)	-
	3,402	(1,508)	(1,894)	-

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.

Notes to the Financial Statements

Note 13.2 - Fair Value Measurements (Cont)

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 3 Taswater investment is valued at Councils share of the net assets.

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.

Land under roads is measured on a square meter rate provided by the Valuer General.

Level 3 Assets

Buildings

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

Replacement costs are measured at the cost of replacing the existing economic benefits based on an efficient set of modern equivalent assets to achieve the required level of service output.

Roads and Bridges

Roads and Bridges are measured at their depreciated replacement cost.

Replacement costs are measured at the cost of replacing the existing economic benefits based on an efficient set of modern equivalent assets to achieve the required level of service output.

Drainage

Drainage infrastructure is measured at its depreciated replacement cost.

Replacement costs are measured at the cost of replacing the existing economic benefits based on an efficient set of modern equivalent assets to achieve the required level of service output.

Other Infrastructure

Other infrastructure is measured at its depreciated replacement cost.

Replacement costs are measured at the cost of replacing the existing economic benefits based on an efficient set of modern equivalent assets to achieve the required level of service output.

Investments

The investment in TasWater is valued at the Councils share of the net assets of TasWater

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.

Notes to the Financial Statements

Note 13.2 - Fair Value Measurements (Cont)

	2019 \$000	2018 \$000
e) Changes in recurring level 3 fair value measurements		
Balance at beginning of reporting period	1,247,798	1,245,021
Add Prior Period Adjustments	-	-
Additions	43,684	19,508
Gain/loss recognised in Operating Result	(17,387)	(15,990)
Gain/loss recognised in Other Comprehensive Income	57,730	5,122
Disposals	(1,809)	(1,313)
Transfers Into Level 3	243	-
Transfers out of level 3	-	(4,550)
Closing balance	1,330,259	1,247,798

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.

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 No allowance for kerb adaptors or connections to kerbs
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

Notes to the Financial Statements

Note 13.2 - Fair Value Measurements (Cont)

Asset Group	Basis of Valuation
Buildings	- Independent market valuation.
Parks and Recreation	- Improved grounds m ² - 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 m ² - 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 13.1)

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 13.1 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 13.3 - Pending Accounting Standards

At the reporting date the following pending accounting standards 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 standard is applicable for reporting periods beginning on or after 1 January 2019.

AASB 1058 supersedes all the income recognition requirements relating to councils, previously in AASB 1004 Contributions. AASB 1058 applies when Council receives volunteer services or enters into other transactions in which the consideration to acquire an asset is significantly less than the fair value of the asset. For Council, the main impact is the recognition of non monetary and below market value contributions to be recognised as revenue at market value.

AASB 1058 requires the recognition of Volunteer services where they would have been purchased if not donated and the fair value of those services can be reliably measured. While Council has volunteers providing unpaid work across a number of its operations, this work would not be funded by Council should the volunteers withdraw their services.

Where an asset is leased at a "Peppercorn" rate, Council is required to recognise the leased asset at its fair value, the remaining lease liability and the balance as income. These leased right-of-use assets have not previously been recognised. Council has undertaken an initial review of its peppercorn leases and does not believe the value of these right-of-use assets will have a material effect on Council's financial statements.

AASB 1058 also encompasses non-contractual statutory income such as rates, taxes and fines. Council currently recognises rate income as it is levied, rather than when received. Therefore, there will be no impact as a result of the changes to accounting for prepaid rates under AASB 1058, apart from the prepaid rates being treated as a liability rather than being netted off receivables .

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.

Note 13.3 - Pending 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 contract costs and contracts which contain a financing element.

Accounting policy changes will arise in the timing of revenue recognition, treatment of contract 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.

At the reporting date there is no anticipated impact on the amounts disclosed.

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 9.4.

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 13.3 - Pending 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.

AASB 1059 Service Concession Arrangements: Grantors

Associated Standards

AASB 2018 - 5 Deferral of AASB 1059

This Standard addresses the accounting for a service concession arrangement by a grantor that is a public sector entity by prescribing the accounting for the arrangement from the grantor's perspective.

AASB 2018 - 5 Defers its implementation until reporting year 2021.

No material effects are expected from the adoption of this standard.

AASB 2018-2 Plan Amendment Curtailment or Settlement

The Standard amends AASB 119 to specify how an entity accounts for defined benefit plans when a plan amendment, curtailment or settlement occurs during a reporting period.

No material effects are expected from the implementation of this standard.

AASB 2018-7 Definition of Materiality

The Standard principally amends AASB 101 and AASB 108. The amendments refine the definition of material. No material effects are expected from the implementation of this standard.

Note 13.4 - Related Party Transactions

Accounting Standards Disclosures

AASB 124 Related Party Disclosures

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

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

Related Parties

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

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

Key Management Personnel

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

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

Notes to the Financial Statements

Note 13.4 - Related Party Transactions (Cont)

Local Government Act Disclosures

Councillor's Disclosure

Pecuniary Interests

Councillors 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 Councillors.

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.

Key Management Personnel Compensation

Councillors

Short Term Benefits (Allowances)

Short Term Benefits (Expenses)

Long Term Benefits

	2019 \$000	2018 \$000
	540	534
	26	26
	<u>566</u>	<u>560</u>
	-	-
	<u>566</u>	<u>560</u>

Senior Officers

Remuneration

\$40,001 - \$60,000

\$60,001 - \$80,000

\$120,001 - \$140,000

\$140,001 - \$160,000

\$160,001 - \$180,000

\$200,001 - \$220,000

\$220,001 - \$240,000

\$260,001 - \$280,000

	2019 Number of Employees		2018 Number of Employees	
	Actual	Annualised	Actual	Annualised
	1	-	-	-
	1	-	1	-
	1	-	3	-
	1	-	3	-
	1	2	3	1
	4	5	-	-
	-	-	-	5
	1	1	-	1
	<u>10</u>	<u>8</u>	<u>10</u>	<u>7</u>

Notes to the Financial Statements

Note 13.4 - Related Party Transactions (Cont)

	2019 \$000	2018 \$000
Senior Officers		
Short Term Benefits	1,424	1,343
Long Term Benefits	29	54
Post Employment Benefits	188	195
Termination Benefits	37	392
	1,678	1,984
Related Party Transactions		
Transactions		
Sales of Goods and Services	185	78
Purchase of Goods and Services	6,490	1,931
	6,675	2,009
Loans to Key Management Personnel	-	-
Outstanding Balances owed by Key Management Personnel	-	-

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 \$51,820 (\$77,560) and purchases totalled \$6,437,919 (\$1,852,058). 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 13.5 - Events After Reporting Period

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

Notes to the Financial Statements

Note 14.1 - Authorities

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'".

	2019	2018
	\$000	\$000
Revenue and Expenses		
Revenue		
State Government Grants	524	511
Launceston City Council	182	178
Interest Income	5	9
Other Income	-	5
Total Revenue	711	703
Expenses		
Operations Costs	631	580
Depreciation	586	573
Total Expenses	1,217	1,153
Surplus / (Deficit)	(506)	(450)

Note 14.2 - 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 2.1.

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:

Notes to the Financial Statements

Note 14.2 - Significant Business Activities (Cont)

Labour Costs

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

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

Full Cost Attribution

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

Competitive Neutrality Costs

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

Notional Income Tax

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

Capital Costs

Depreciation has been allocated to functional areas within the operating statement. The notional opportunity cost of capital employed in respect of the function has been noted at the foot of the statement for significant business activities. It has been calculated by applying a rate of 5% to net assets employed.

	2019 Actual \$000	2019 Budget \$000	2018 Actual \$000
OFF STREET PARKING			
Revenue			
Operating Revenue	3,245	3,144	3,046
	3,245	3,144	3,046
Expenses			
Employee Benefits	99	147	157
Material and Services	531	696	489
Depreciation	285	361	276
	915	1,204	922
Full Cost Attribution	32	(1)	32
Competitive Neutrality	145	145	142
	1,092	1,348	1,096
Operating Surplus / (Deficit)	2,153	1,796	1,950
Less Notional Income Tax	646	539	585
Surplus / (Deficit)	1,507	1,257	1,365
Capital Costs			
Asset Disposal Loss/ (Gain)	19	-	2,147
Notional Cost of Capital	1,885	1,885	1,542
	1,904	1,885	3,689
Fully Attributed Surplus / (Deficit)	(397)	(628)	(2,324)

Notes to the Financial Statements

Note 14.2 - Significant Business Activities (Cont)

	2019 Actual \$000	2019 Budget \$000	2018 Actual \$000
LAUNCESTON AQUATIC (Excludes LA Fit)			
Revenue			
Operating Revenue	3,111	3,031	2,947
	3,111	3,031	2,947
Expenses			
Employee Benefits	1,975	1,961	1,831
Material and Services	1,739	2,007	1,588
Depreciation	816	814	763
	4,530	4,782	4,182
Full Cost Attribution	74	74	73
Competitive Neutrality	83	83	82
	4,687	4,939	4,337
Operating Surplus / (Deficit)	(1,576)	(1,908)	(1,390)
Less Notional Income Tax	-	-	-
Surplus / (Deficit)	(1,576)	(1,908)	(1,390)
Capital Costs			
Asset Disposal Loss/ (Gain)	-	-	3
Notional Cost of Capital	1,532	1,532	1,413
	1,532	1,532	1,416
Fully Attributed Surplus / (Deficit)	(3,108)	(3,440)	(2,806)
LAFit			
Revenue			
Operating Revenue	1,139	1,133	1,007
	1,139	1,133	1,007
Expenses			
Employee Benefits	359	337	349
Material and Services	126	135	118
Depreciation	53	43	46
	538	515	513
Full Cost Attribution	76	76	74
Competitive Neutrality	6	6	6
	620	597	593
Operating Surplus / (Deficit)	519	536	414
Less Notional Income Tax	155	161	124
Surplus / (Deficit)	364	375	290
Capital Costs			
Asset Disposal Loss/ (Gain)	-	-	-
Notional Cost of Capital	20	20	8
	20	20	8
Fully Attributed Surplus / (Deficit)	344	355	282

Notes to the Financial Statements

Note 14.2 - Significant Business Activities (Cont)

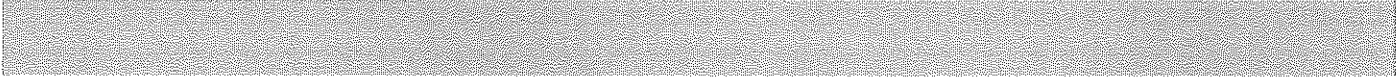
	2019 Actual \$000	2019 Budget \$000	2018 Actual \$000
BUILDING SURVEYING AND CERTIFICATION			
Revenue			
Operating Revenue	214	211	207
	214	211	207
Expenses			
Employee Benefits	172	122	161
Material and Services	10	14	23
Depreciation	3	10	10
	185	146	194
Full Cost Attribution	41	28	27
Competitive Neutrality	-	3	3
	226	177	224
Operating Surplus / (Deficit)	(12)	34	(17)
Less Notional Income Tax	-	10	-
Surplus / (Deficit)	(12)	24	(17)
Capital Costs			
Asset Disposal Loss/ (Gain)	-	-	-
Notional Cost of Capital	2	2	2
	2	2	2
Fully Attributed Surplus / (Deficit)	(14)	22	(19)

Note 14.3 - Special Committees

	2019 \$000	2018 \$000
Committee Name		
Dilston Hall	3	3
Karoola Hall and Recreation Ground	-	5
Lebrina Progress Association	7	7
Lilydale Memorial Hall Committee	10	9
North Esk Memorial Hall and Recreational Ground	8	9
Balance - 30 June	28	33
Summary of Special Committees		
Balance 1 July	34	39
Receipts	6	10
Expenses	12	15
Balance 30 June	28	34

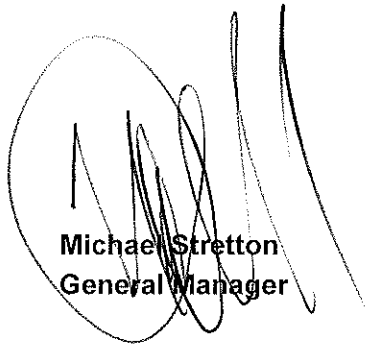
The Karoola Recreation Ground Committee ceased operating during the reporting year

STATEMENT BY THE GENERAL MANAGER



The accompanying financial statements set out on pages 1 to 64 present fairly the financial position of the City of Launceston as at 30 June 2019, 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 27/04/2019



Michael Stretton
General Manager

A handwritten signature in black ink, consisting of several loops and a long vertical stroke, is written over the printed name and title of Michael Stretton. The signature is contained within a faint, hand-drawn oval.