

**HOBART CITY COUNCIL  
GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2016**

**Table of Contents**

**Statement of Financial Position**

**Statement of Comprehensive Income**

**Statement of Changes in Equity**

**Statement of Cash Flows**

**Notes to and forming part of the Financial Statements**

Summary of Significant Accounting Policies .....	1
Changes in Accounting Policies and Accounting Estimates .....	2
Significant Revenues and Expenses .....	3
Functions / Activities of the Council .....	4
Employee Costs .....	5
Depreciation and Amortisation .....	6
Finance Costs .....	7
Other Expenses .....	8
Underlying Result .....	9
Grants and Donations .....	10
Asset Sales .....	11
Investment in TasWater .....	12
Asset Revaluations .....	13
Rates Received in Advance .....	14
Restricted Assets .....	15
Cash .....	16
Inventories .....	17
Financial Instruments .....	18
Receivables .....	19
Assets Classified as Held for Sale .....	20
Property, Plant and Equipment .....	21
Plant and Equipment .....	22
Land and Buildings .....	23
Land Improvements .....	24
Infrastructure Plant .....	25
Pipes, Drains and Rivulets .....	26
Roads and Bridges .....	27
Other Structures .....	28
Capital Work in Progress .....	29
Other Property Plant and Equipment .....	30
Payables .....	31
Trust, Deposits, Retention .....	32
Employee Benefits .....	33
Unearned Revenue .....	34
Loans .....	35
Provisions .....	36
Reserves .....	37
Reconciliation of Accrual-Based Results with Cash Flows .....	38
Financing Facilities .....	39
Commitments .....	40
Operating Leases .....	41
Contingent Liabilities .....	42
Major Development Assistance Policy Commitments .....	43
Subsequent Events .....	44
Pecuniary Interests .....	45
Management Indicators .....	46
Fair Value Measurements .....	47
Significant Business Activities .....	48

**STATEMENT OF FINANCIAL POSITION  
AS AT 30 JUNE 2016**

	Notes	2016 \$'000	2015 \$'000
<b>Current Assets</b>			
Cash and Cash Equivalents	16	36,305	40,709
Inventories	17	347	342
Receivables	19	5,885	6,750
Assets classified as Held for Sale	20	775	-
Prepayments		144	141
<b>Total Current Assets</b>		<b>43,456</b>	<b>47,942</b>
<b>Non-Current Assets</b>			
Receivables	19	186	196
Investment in TasWater	12	163,612	160,874
Property, Plant and Equipment	21-30	1,434,219	730,673
<b>Total Non-Current Assets</b>		<b>1,598,017</b>	<b>891,743</b>
<b>Total Assets</b>		<b>1,641,473</b>	<b>939,685</b>
<b>Current Liabilities</b>			
Payables	31	9,232	8,559
Trust, Deposits, Retention	32	3,099	2,601
Employee Benefits	33	11,142	10,884
Unearned Revenue	34	502	538
Loans	35	1,405	1,331
<b>Total Current Liabilities</b>		<b>25,380</b>	<b>23,913</b>
<b>Non-Current Liabilities</b>			
Employee Benefits	33	6,273	4,310
Loans	35	11,692	13,097
Provisions	36	5,498	8,802
<b>Total Non-Current Liabilities</b>		<b>23,463</b>	<b>26,209</b>
<b>Total Liabilities</b>		<b>48,843</b>	<b>50,122</b>
<b>Net Assets</b>		<b>1,592,630</b>	<b>889,563</b>
<b>Equity</b>			
Reserves	37	479,883	477,876
Retained earnings		1,112,747	411,687
<b>Total Equity</b>		<b>1,592,630</b>	<b>889,563</b>

This statement should be read in conjunction with the accompanying notes.

# STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2016

	Note	2015/16 ACTUAL \$'000	2015/16 BUDGET \$'000	2014/15 ACTUAL \$'000
<b>Recurrent Expenses</b>				
Employee Costs	5	(51,589)	(51,841)	(51,018)
Materials and Services		(28,978)	(30,043)	(31,671)
Depreciation and Amortisation	6	(18,444)	(18,132)	(17,450)
Finance Costs	7	(990)	(1,082)	(1,077)
State Fire Commission Levies		(9,315)	(9,315)	(8,800)
Other	8	(9,678)	(6,891)	(5,279)
		<b>(118,994)</b>	<b>(117,304)</b>	<b>(115,295)</b>
<b>Capital Expenses</b>				
Net loss on disposal of property, plant and equipment	11	(253)	-	-
		<b>(253)</b>	<b>-</b>	<b>-</b>
<b>Total Expenses</b>		<b>(119,247)</b>	<b>(117,304)</b>	<b>(115,295)</b>
<b>Recurrent Income</b>				
Rates and Charges		75,191	75,222	73,929
Grants and Donations	10(a)	2,994	3,192	4,719
Fines		7,106	6,694	5,704
Rendering of Services		27,636	27,000	26,465
Distributions from TasWater		3,105	3,258	3,468
Interest		1,084	1,044	1,435
Rents		3,229	3,299	3,281
		<b>120,345</b>	<b>119,709</b>	<b>119,001</b>
<b>Capital Income</b>				
Capital grants received specifically for new or upgraded assets	10(b)	4,706	-	3,409
Net gain on disposal of property, plant and equipment	11	-	1,769	1,477
Capital insurance receipts			-	529
Property settlement			-	1,630
Contributed property, plant and equipment		1,345	-	1,092
Contributed land under roads		684,821	-	3,385
		<b>690,872</b>	<b>1,769</b>	<b>11,522</b>
<b>Total Income</b>		<b>811,217</b>	<b>121,478</b>	<b>130,523</b>
<b>Surplus / (Deficit)</b>	9	<b>691,970</b>	<b>4,174</b>	<b>15,228</b>
<b>Other Comprehensive Income</b>				
<i>Items that may be reclassified subsequently to surplus or deficit: -</i>				
Adjustment to fair value of investment in TasWater	12	2,738	-	1,283
<i>Items that will not be reclassified to surplus or deficit: -</i>				
Net PP&E revaluation increments / (decrements)	13	9,972	-	(3,570)
Defined-benefit superannuation plan actuarial gains / (losses)	33	(1,613)	-	1,932
<b>Total other comprehensive income</b>		<b>11,097</b>	<b>-</b>	<b>(355)</b>
<b>Comprehensive Income for the period</b>		<b>703,067</b>	<b>4,174</b>	<b>14,873</b>

## STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2016

	Note	Total		Retained Earnings		Reserves	
		2015/16 \$'000	2014/15 \$'000	2015/16 \$'000	2014/15 \$'000	2015/16 \$'000	2014/15 \$'000
Balance at beginning of period		889,563	874,690	411,687	399,288	477,876	475,402
Net Adjustment Relating to Recognition of Assets		-	-	-	-	-	-
Comprehensive Income for the period		703,067	14,873	690,357	17,160	12,710	(2,287)
Transfers to reserves	37	-	-	(25,023)	(28,711)	25,023	28,711
Transfers from reserves	37	-	-	35,726	23,950	(35,726)	(23,950)
Balance at end of period		<b>1,592,630</b>	889,563	<b>1,112,747</b>	411,687	<b>479,883</b>	477,876

This statement should be read in conjunction with the accompanying notes.

# STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2016

	Note	2015/16 ACTUAL \$'000	2015/16 BUDGET \$'000	2014/15 ACTUAL \$'000
<b>Cash Flows from Operating Activities</b>				
<i>Receipts</i>				
Rates		75,301	75,153	73,904
Rendering of services (inclusive of GST)		31,050	29,252	29,509
Interest		1,352	1,042	1,462
Grants (inclusive of GST)		2,994	3,124	4,743
Rents (inclusive of GST)		3,229	3,626	3,281
Fines		6,628	6,736	5,493
Distributions from TasWater		3,258	3,258	3,258
Net GST refund		3,180	2,957	2,342
Other receipts (inclusive of GST)		166	498	(377)
		<u>127,158</u>	<u>125,646</u>	<u>123,615</u>
<i>Payments</i>				
Employee costs		(50,725)	(50,525)	(50,602)
Payments to suppliers (inclusive of GST)		(36,943)	(37,720)	(34,824)
Interest		(782)	(798)	(1,107)
Other payments (inclusive of GST)		(17,288)	(13,551)	(11,113)
		<u>(105,738)</u>	<u>(102,594)</u>	<u>(97,646)</u>
<b>Net Cash Flow from Operating Activities</b>	38	<b><u>21,420</u></b>	<b><u>23,052</u></b>	<b><u>25,969</u></b>
<b>Cash Flows from Investing Activities</b>				
<i>Proceeds</i>				
Grants		4,706	2,078	3,409
Sales of Property		-	307	5,359
Sales of Plant and Equipment		984	948	380
		<u>5,690</u>	<u>3,333</u>	<u>9,148</u>
<i>Payments</i>				
Infrastructure - Employee Costs		(2,846)	(3,507)	(2,619)
Infrastructure and Facilities - Other		(21,544)	(23,395)	(20,458)
Plant and Equipment		(5,793)	(5,667)	(2,705)
		<u>(30,183)</u>	<u>(32,569)</u>	<u>(25,782)</u>
<b>Net Cash Flow from/(used in) Investing Activities</b>	38	<b><u>(24,493)</u></b>	<b><u>(29,236)</u></b>	<b><u>(16,634)</u></b>
<b>Cash Flows from Financing Activities</b>				
Repayment of Borrowings	35	(1,331)	(1,334)	(1,734)
<b>Net Cash Flow from/(used in) Financing Activities</b>		<b><u>(1,331)</u></b>	<b><u>(1,334)</u></b>	<b><u>(1,734)</u></b>
<b>Net Increase (Decrease) in cash held</b>		<b>(4,404)</b>	<b>(7,518)</b>	<b>7,601</b>
<b>Cash Held at the Beginning of the Year</b>		<b>40,709</b>	<b>40,709</b>	<b>33,108</b>
<b>Cash held at the End of the Year</b>	16	<b><u>36,305</u></b>	<b><u>33,191</u></b>	<b><u>40,709</u></b>

This statement should be read in conjunction with the accompanying notes.

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### a) Local Government Reporting Entity

All funds through which Council controls resources to carry out its functions have been included in the financial statements of the Council. This includes Controlling Authorities which Council has established pursuant to s.29 of the *Local Government Act 1993*, namely The Hobart Aquatic Centre.

The financial report of the Council incorporates only those items over which the Council has control.

Amounts received as tender deposit and retention amounts controlled by the Council are disclosed separately within current liabilities.

### b) Basis of Preparation

This financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board such as Interpretations, and the *Local Government Act 1993*.

Council has determined that it does not have profit generation as a prime objective. Consequently, where appropriate, Council has elected to apply options and exemptions within accounting standards that are applicable to not-for-profit entities. As a result, the financial report does not comply with International Financial Reporting Standards.

The financial report has been prepared on the accrual basis under the convention of historical cost accounting and does not take into account changing money values, except in relation to some non-current assets which are stated at current valuations.

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

Judgements made by management that have significant effects on the financial statements and estimates with a significant risk of material adjustments in the next year are disclosed, where applicable, in the relevant notes to the financial statements. Significant assumptions and judgements were made in determining the values of employee provisions and superannuation liabilities (detailed in note 1(g)) and the fair value of property, plant and equipment, including useful lives and depreciation (detailed in note 1(j)).

Accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported.

Where necessary, comparative information has been reclassified to achieve consistency in disclosure with current financial year amounts and other disclosures.

### c) Revenue Recognition

Revenue is recognised to the extent that it is probable that the economic benefit will flow to Council, and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised: -

#### *Rates, Grants, Donations and Other Contributions*

Rates, grants, donations and other contributions are recognised as revenues when Council obtains control over the assets comprising the contributions. Control over assets acquired from rates is obtained at the commencement of the rating period or, where earlier, upon receipt of the rates. Control over granted assets is normally obtained upon their receipt or upon prior notification that a grant has been secured, and the timing of commencement of control depends upon the arrangements that exist between the grantor and Council.

### *Rendering of Services*

Where a contract has been completed, all related revenue is recognised when Council controls a right to be compensated for the services provided. Where a contract has not been completed, revenue is recognised only to the extent of costs incurred. Contracts generally arise as a result of requests for work to be carried out at a property-owner's expense, or from compulsory works carried out by Council pursuant to legislation.

### *Sale of Assets*

Revenue is recognised when control of the assets has passed to the buyer.

### *Fines*

Revenue is recognised when Council controls a right to receive consideration for the enforcement of legislation and Council by-laws.

### *Rents, Interest and Dividends*

Revenue is recognised when Council has attained control of a right to receive consideration for the provision of, or investment in, assets.

## **d) Cash and cash equivalents (Note 16)**

For the purposes of the Cash Flow Statement, cash includes cash on hand, cash at bank, deposits at call and highly liquid investments with short periods to maturity, net of outstanding bank overdrafts.

## **e) Inventories (Note 17)**

Stock is valued at historical cost using the weighted average cost method. Stock is reviewed annually and an appropriate provision for obsolete stock is made.

## **f) Financial Assets (Notes 12 and 18)**

Investments are recognised and derecognised on trade date where purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, net of transaction costs.

Investments in subsidiaries are measured at cost. Investments in associates are accounted for under the equity method.

Council has classified its ownership interest in TasWater as an "available-for-sale financial asset" recorded at fair value. All other financial assets are classified as "loans and receivables" and are recorded at amortised cost less impairment. The collectibility of debts is assessed at year-end and an allowance is made for impairment.

Penalty and interest are charged on outstanding rates in accordance with s128(c) of the *Local Government Act 1993*.

## **g) Employee Benefits (Note 33)**

### *Wages and salaries, annual leave, long service leave and sick leave*

Provision is made for benefits accruing to employees in respect of wages and salaries, annual leave, long service leave and sick leave when it is probable that settlement will be required and they are capable of being measured reliably. Provision is also made for related superannuation contributions.

Provisions made in respect of employee benefits which fall due wholly within 12 months after the end of the period in which the employees rendered the related service, are measured at their nominal values using remuneration rates expected to apply at the time of settlement. Other provisions are measured at the present value of the estimated future cash outflows to be made in respect of services provided by employees up to the reporting date.

Discount rates used are those attaching to national government guaranteed securities at balance date which most closely match the terms to maturity of the related liabilities.

In determining “pre-conditional” long service leave entitlements, the amount of cash outflows required to be made by Council in the future have been estimated on a group basis after taking into consideration Council’s experience with staff departures.

The liability for employee entitlements to sick leave is equivalent to 17.5% of total accumulated sick leave entitlements at the reporting date because this amount is payable to employees on retirement or resignation.

### *Superannuation*

Council contributes to two superannuation plans in respect of its employees - a defined contribution plan and a defined-benefit plan.

Superannuation expense for the reporting period in respect of the defined contribution plan is the amount paid and payable to members’ accounts in respect of services provided by employees up to the reporting date.

For the defined-benefit plan, the cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at each reporting date. Actuarial gains and losses are recognised in full in the period in which they occur, and are included in ‘other comprehensive income’.

Past service cost is recognised immediately to the extent that the benefits are already vested, and otherwise is amortised on a straight-line basis over the average period until the benefits become vested.

The defined-benefit obligation recognised in the statement of financial position represents the present value of the defined-benefit obligation, adjusted for unrecognised past service cost, net of the fair value of plan assets. Any asset resulting from this calculation is limited to past service cost, plus the present value of available refunds and reductions in future contributions to the plan.

## **h) Provisions (Note 36)**

Provisions are recognised when Council has a present obligation, the future sacrifice of economic benefits is probable, and the amount of the provision can be measured reliably.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that recovery will be received and the amount of the receivable can be measured reliably.

## **i) Non-current assets classified as held for sale (Note 20)**

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell.

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. The sale of the asset (or disposal group) is expected to be completed within one year from the date of classification.



## **j) Property, Plant and Equipment (Notes 21-30)**

### *Acquisition*

Purchases of property, plant and equipment are initially recorded at cost. Cost is defined as the purchase consideration plus any costs incidental to the acquisition.

The cost of property, plant and equipment constructed by Council includes the cost of all materials, direct labour and related labour overheads consumed in the construction.

### *Revaluations*

Plant and equipment, and the valuation roll, are recorded at cost. All other property, plant and equipment is revalued with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the reporting date.

When the carrying amount of a class of assets is increased as a result of a revaluation, the net revaluation increase is recognised in other comprehensive income and accumulated in equity under the heading of asset revaluation reserve. However, the net revaluation increase is recognised in profit or loss to the extent that it reverses a net revaluation decrease of the same class of assets previously recognised in surplus or deficit.

When the carrying amount of a class of assets is decreased as a result of a revaluation, the net revaluation decrease is recognised in profit or loss. However, the net revaluation decrease is recognised in other comprehensive income to the extent of any credit balance existing in the asset revaluation reserve in respect of that same class of assets.

Revaluation increases and decreases relating to individual assets within a class of property, plant and equipment are offset against one another within that class but are not offset in respect of assets in different classes.

Where indexation adjustments have been applied to land values, these have been calculated by reference to 'Land Value Adjustment Factors' published annually by the Tasmanian Department of Treasury and Finance in accordance with the *Valuation of Land Act 2001*.

Where indexation adjustments have been applied to other asset values, these have been calculated by reference to the 'council cost index' published annually by the Local Government Association of Tasmania (LGAT).

Unless otherwise specified, valuations have been carried out by Council officers. Where progressive revaluations have been employed for items of property, plant and equipment, revaluation of the particular asset class is completed within a three-year period. Earthworks are not included in the valuation of road assets.

Current cost in relation to an asset means the lowest cost at which the gross service potential of that asset could be obtained in the normal course of operations.

The carrying amount of each asset whose service potential is related to its ability to generate net cash inflows is reviewed at balance date to determine whether such carrying amount is in excess of its recoverable amount. If the carrying amount of an asset of the type mentioned exceeds recoverable amount, the asset is written-down to the lower amount. In assessing recoverable amounts, the relevant cash flows have not been discounted to their present value.

No provision is made for capital gains tax liability in respect of revalued assets because Council is not subject to this tax.

### *Depreciation*

All items of property, plant and equipment having a limited useful life are systematically depreciated over their useful lives in a manner which reflects the consumption of the service potential embodied in those assets. Land is considered to have an unlimited useful life and therefore is not depreciated. Residual values are assumed to be zero except for some plant and equipment assets.

Assets are depreciated from the date of acquisition or, in respect of internally constructed assets, from the beginning of the first reporting period following completion.

Useful lives are estimated on a time basis and are reviewed periodically. The straight-line method is employed for all assets. Ranges of useful lives for major asset classes are: -

<u>Asset</u>	<u>Years</u>	<u>Asset</u>	<u>Years</u>
Buildings - Halls	50 – 150	Pipes, Drains & Rivulets – Water	25 - 126
Buildings - Car Parks	50 – 150	Pipes, Drains & Rivulets – Irrigation	10 - 120
Buildings - G'stands & Change Rms	50 – 150	Pipes, Drains & Rivulets – Sewer	20 - 80
Buildings - Public Conveniences	50 – 150	Pipes, Drains & Rivulets – Stormwater	10 - 134
Buildings - Depot Buildings	50 – 150	Pipes, Drains & Rivulets – Rivulets	15 - 120
Buildings - Administrative Offices	50 – 500	Plant & Equipment - Mobile Plant & Equip	5 - 65
Buildings - Commercial	50 – 150	Plant & Equipment - Fleet Vehicles	3 - 65
Buildings - Other	10 – 150	Plant & Equipment - Minor Plant	3 - 65
Infrastructure Plant	3 – 100	Plant & Equipment - Furniture & Office Equip	2 - 65
Land Improvements - Landscaping	10 – 65	Roads & Bridges - Sealed Roads	17 - 1000
Land Improvements - External Playing Surfaces	10 – 100	Roads & Bridges – Bridges	25 - 100
Land Improvements - Other	3 – 100	Roads & Bridges - Footpaths, Kerbs & Guttering	10 - 75
Other Structures - Furniture & Signs	1 – 100	Roads & Bridges - Cycleways & Tracks	12 - 85
Other Structures - Drainage Structures	10 – 100	Valuables	1 - 65
Other Structures - Monuments	1 – 200		
Other Structures - Playground Equipment	5 – 50		
Other Structures - Fountains	10 – 80		
Other Structures - Other	1 – 500		

### *Monuments*

Council controls a number of monuments but has elected not to recognise these on the basis that they cannot be reliably measured.

### *Land under Roads*

Land under roads is accounted for in accordance with AASB 116 *Property, Plant and Equipment*.

## **k) Leases (Note 41)**

### *Finance Leases as lessee*

Leases under which Council assumes substantially all the risks and rewards of ownership are classified as finance leases and are capitalised. A lease asset and a liability equal to the present value of the minimum lease payments are recorded at the inception of the lease. Contingent rentals are written off as an expense in the period in which they are incurred. Capitalised lease assets are amortised on a straight-line basis over the term of the relevant lease, or where it is likely that Council will obtain ownership of the asset, the life of the asset. Lease liabilities are reduced by repayments of principal. The interest components of lease payments are charged as an expense of the period.

### *Operating Leases as lessee*

Leases in which a significant portion of the risks and rewards of ownership are not transferred to 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.

Council leases several parcels of Crown land under lease agreements with the State Government. Generally, these leases 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 Council establishes that it has control over the land, and will derive economic benefits from it.

### *Operating Leases as lessor*

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

Furthermore, Council leases some of its land and buildings on commercial terms which may include incentives for the lessee to enter into the agreement, for example a rent-free period or discounted rent. Council does not account for the cost of incentives because the amounts are unlikely to be material and/or cannot be reliably measured. Rental income is recognised in accordance with Council's revenue recognition policy.

Where leasing of a property is incidental to Council's use of it, the associated land and buildings are recognised within property, plant and equipment in the Statement of Financial Position, and valued in accordance with Council's valuation policy.

### **l) Financial Liabilities (Notes 31 and 35)**

Financial liabilities are measured initially at fair value plus any transaction costs that are directly attributable to the issue of the financial liability. After initial recognition, all financial liabilities are measured at amortised cost using the effective interest method.

Liabilities are recognised for amounts to be paid in the future for goods and services received, whether billed or not. The amounts are unsecured and are usually paid within 30 days of recognition.

Council has issued a number of debt instruments which are secured by revenues of the Council. Repayments are made semi-annually in arrears, and interest expense is accrued at the contracted rate and included in payables.

### **m) Heritage Account (Notes 15 and 16)**

On 16 July 1999, the *National Trust Preservation Fund (Winding-up) Act 1999* (the Act) commenced. The purpose of the Act is to provide for the winding-up of the National Trust Preservation Fund (Preservation Fund) and the distribution of the monies held in that fund. The Act requires the Hobart City Council to establish a Heritage Account, into which the Minister is to transfer one-half of the monies contained in the Preservation Fund.

On 15 December 1999, Council established the required Heritage Account with Perpetual Trustees Tasmania Limited, and the Minister transferred an amount of \$1,216,205 to that account.

The Act requires that funds transferred into the Heritage Account be applied for the provision of financial or other assistance in relation to an entry in either the National Trust register kept by the National Trust of Australia (Tasmania), or the Tasmanian Heritage Register.

In order to satisfy its responsibilities under the Act, Council has established a Heritage Account Special Committee as a Special Committee of Council pursuant to section 24 of the *Local Government Act 1993*.

### **n) Goods and Services Tax (GST)**

Revenues, expenses and assets have been recognised net of GST where that GST is recoverable from the Australian Taxation Office (ATO). Where an amount of GST is not recoverable from the ATO, it has been recognised as part of the cost of acquisition of an asset or part of an item of expense to which it relates. Receivables and payables have been stated with the amount of GST included. The net amount of GST recoverable from the ATO has been included as part of receivables.

Cash flows are included in the statement of cash flows on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the ATO is classified as operating cash flows.

**o) Budget**

Estimated revenues and expenses in the Statement of Comprehensive Income, and estimated receipts and payments in the Statement of Cash Flows, represent original budget amounts, and are not audited.

**p) Rounding**

Amounts shown in the financial statements are rounded to the nearest thousand dollars. This may result in minor variations between schedules.

## 2. CHANGES IN ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

### a) New and revised Accounting Standards and Interpretations adopted in the current period

Council has adopted the following new and revised Accounting Standards and Interpretations issued by the Australian Accounting Standards Board which are relevant to its operations and effective for the current reporting period: -

*AASB 2015-3 Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality* (effective 1 July 2015). The completion of AASB project to remove Australian guidance on materiality from Australian Accounting Standards with the issue of the final amending standard to effect the withdrawal AASB 1031 *Materiality*. Guidance on materiality is now located in AASB 101 *Presentation of Financial Statements*.

### b) New and revised Accounting Standards and Interpretations not yet adopted

Council has not yet applied the following Australian Accounting Standards and Interpretations which have been issued and are relevant to its operations, but are not yet effective. These will be applied from their application dates.

AASB 9 *Financial Instruments* and the relevant amending standards (effective from 1 January 2018). The Standard is one of a series of amendments that are expected to replace AASB 139 *Financial Instruments: Recognition and Measurement*. The main impact of the Standard is to change the requirements for the classification, measurement and disclosures associated with financial assets. Under the new requirements the four categories of financial assets in AASB 139 will be replaced with two measurement categories: fair value and amortised cost. Amortised cost is to be used for assets with contractual terms giving rise to principal and interest payments. Fair value is to be used for all other financial assets. Gains or losses on financial assets at fair value are to be recognised in profit and loss unless the asset is part of a hedging relationship or an irrevocable election has been made to present in other comprehensive income changes in the fair value of an equity instrument not held for trading.

When adopted, the standard will affect, in particular, Council's accounting for its available-for-sale financial assets. Currently, Council recognises changes in the fair value of its available-for-sale financial assets through other comprehensive income. Under AASB 9, fair value gains and losses on available-for-sale financial assets will have to be recognised directly in profit or loss. Had this requirement been adopted at 30 June 2016, the fair value gain on Council's investment in TasWater of \$2.738 million would have reduced Council's surplus accordingly.

There will be no impact on Council's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss, and Council has no such liabilities. The derecognition rules have been transferred from AASB 139 *Financial Instruments: Recognition and Measurement* and have not been changed.

*AASB 2014-4 Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation* (effective from 1 January 2016)

This amendment introduces a rebuttable presumption that the use of revenue-based amortisation methods for intangible assets is inappropriate. In addition to this, there is limited opportunity for presumption to be overcome and clarifies that revenue-based depreciation for property, plant and equipment cannot be used. There will be no impact on Council's surplus, financial position or disclosures as Council does not adopt such amortisation methods.

*AASB 2015-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101*(effective from 1 January 2016)

The amendments to AASB 101 do not require any significant change to current practice, but should facilitate improved reporting, including emphasis on only including material disclosures, clarity on the aggregation and disaggregation of line items, the presentation of subtotals, the ordering of notes and the identification of significant accounting policies.

*AASB 2015-6 Amendments to Australian Accounting Standards – Extending Related Party Disclosures to Not-for-Profit Sector Entities (effective from 1 January 2016)*

The amendments extend the scope of AASB 124 *Related Party Disclosures* to include not-for-profit sector entities. It is expected this will increase Council's disclosures.

*AASB 2015-7 Amendments to Australian Accounting Standards – Fair Value Disclosures for Not-for-Profit Public Sector Entities (effective from 1 January 2016)*

The amendment provides relief to not-for-profit public sector entities from certain disclosures about the fair value measurement of property, plant and equipment held for their current service potential rather than to generate net cash inflows that is categorised within Level 3 of the fair value hierarchy. It is expected this will reduce Council's disclosures.

*AASB 15 Revenue from Contracts with Customers and AASB 2014-5 Amendments to Australian Accounting Standards arising from AASB 15 (effective from 1 January 2017)*

Under the new standard, a single model that applies to contracts with customers and two approaches to recognising revenue at a point in time or over time is proposed. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognised.

The new standard will apply to contracts of not-for-profit entities that are exchange contracts. AASB 1004 *Contributions* will continue to apply to non-exchange transactions until the Income from Transactions of Not-for-Profit Entities project is completed.

*AASB 16 Leases (effective from 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. It is expected Council will recognise lease assets and liabilities associated with its current operating leases.

### **3. SIGNIFICANT REVENUES AND EXPENSES**

In the 2014/15 year, Council recognised land under roads acquired after 30 June 2008 at a value of \$3.385 million. This value was determined on an individual road basis by applying the Valuer-General's rate for the property class surrounding the road.

In 2015/16 Council recognised land under roads acquired prior to 1 July 2008 on the same valuation basis. The value recognised in 2015/16 for land under roads acquired prior to 1 July 2008 is \$684.821 million.

In both years, recognition of the value attributed to land under roads has resulted in an increase in value of the land class of assets with a corresponding increase in capital revenue for the respective period.

#### 4. FUNCTIONS/ACTIVITIES OF THE COUNCIL

		Expenses	R e v e n u e s			Assets
		\$'000	Grants \$'000	Other \$'000	Total \$'000	\$'000
Public Order and Safety	<b>2015/16</b>	<b>9,429</b>	<b>0</b>	<b>8,970</b>	<b>8,970</b>	<b>15</b>
	2014/15	8,903	0	8,469	8,469	0
Health	<b>2015/16</b>	<b>2,054</b>	<b>0</b>	<b>936</b>	<b>936</b>	<b>172</b>
	2014/15	1,664	0	780	780	113
Welfare	<b>2015/16</b>	<b>3,122</b>	<b>148</b>	<b>224</b>	<b>372</b>	<b>3,065</b>
	2014/15	2,963	115	171	286	3,011
Community Amenities	<b>2015/16</b>	<b>18,800</b>	<b>0</b>	<b>13,870</b>	<b>13,870</b>	<b>149,823</b>
	2014/15	24,036	71	14,821	14,892	144,164
Recreation and Culture	<b>2015/16</b>	<b>31,730</b>	<b>0</b>	<b>7,999</b>	<b>7,999</b>	<b>256,377</b>
	2014/15	29,514	8	8,311	8,319	247,120
Parking	<b>2015/16</b>	<b>11,060</b>	<b>0</b>	<b>20,991</b>	<b>20,991</b>	<b>91,469</b>
	2014/15	11,067	0	19,110	19,110	89,975
Transport	<b>2015/16</b>	<b>15,102</b>	<b>774</b>	<b>351</b>	<b>1,125</b>	<b>904,877</b>
	2014/15	14,234	2,530	386	2,916	219,272
Economic Services	<b>2015/16</b>	<b>8,277</b>	<b>160</b>	<b>2,060</b>	<b>2,220</b>	<b>2,628</b>
	2014/15	5,160	151	1,962	2,113	1,588
Other (Not Attributed)*	<b>2015/16</b>	<b>19,420</b>	<b>1,912</b>	<b>61,950</b>	<b>63,862</b>	<b>233,047</b>
	2014/15	17,754	1,844	60,272	62,116	234,442
<b>Total</b>	<b>2015/16</b>	<b>118,994</b>	<b>2,994</b>	<b>117,351</b>	<b>120,345</b>	<b>1,641,473</b>
	2014/15	115,295	4,719	114,282	119,001	939,685

Note - Capital expenses and capital income are not included.

\* Rates and charges for Stormwater, Solid Waste Management and Fire have been attributed to functions, but general rates have not.

The activities relating to Council's functions are classified as follows:-

**PUBLIC ORDER AND SAFETY:-** fire prevention and emergency management.

**HEALTH:-** food control, immunisation services and animal control.

**WELFARE:-** youth services and aged care services.

**COMMUNITY AMENITIES:-** solid waste management, stormwater drainage, public conveniences, street lighting, council-owned properties and administration of planning schemes.

**RECREATION AND CULTURE:-** public halls, the Aquatic Centre, recreation centres, parks and reserves, the nursery, and festivals.

**PARKING:-** car parks and on-street parking.

**TRANSPORT:-** roads, footpaths, bridges, and traffic signs.

**ECONOMIC SERVICES:-** Salamanca Market and tourism promotion.

## 5. EMPLOYEE COSTS

	Note	2015/16 \$'000	2014/15 \$'000
Gross Wages and Salaries		43,361	43,239
<u>Less :</u> Amounts Capitalised		(1,930)	(1,733)
Leave payments		(3,565)	(3,772)
		<u>(5,495)</u>	<u>(5,505)</u>
Wages and Salaries expensed		37,866	37,734
Leave Entitlements		3,450	3,480
Defined-benefit superannuation plan	33	1,567	1,725
Other superannuation		4,018	3,880
Workers Compensation Insurance		1,639	851
Payroll Tax		2,961	3,048
Aldermanic Allowances		512	499
Employee Separation payments		492	687
Labour Overheads Capitalised		(916)	(886)
		<u><b>51,589</b></u>	<u>51,018</u>
Number of Employees (Full-time equivalent)		571	584

## 6. DEPRECIATION AND AMORTISATION

Land Improvements		1,030	996
Buildings		2,302	1,940
Infrastructure Plant		310	361
Plant and Equipment		2,791	2,276
Pipes, Drains and Rivulets		1,636	2,123
Roads and Bridges		7,300	6,823
Other Structures		3,062	2,864
Other		13	67
		<u><b>18,444</b></u>	<u>17,450</u>

## 7. FINANCE COSTS

Interest on Loans		782	851
Landfill Restoration Provision	36	202	188
Defined-benefit superannuation scheme	33	6	38
		<u><b>990</b></u>	<u>1,077</u>



**8. OTHER EXPENSES**

	Note	2015/16 \$'000	2014/15 \$'000
Pensioner Rate Remissions		1,097	1,083
<u>less : Reimbursements from Government</u>	10	<u>(1,065)</u>	<u>(1,055)</u>
		32	28
Other Rate Remissions		15	22
Grants and Specific Purpose Benefits		6,118	1,250
Directors Fees		12	12
Auditor General's Fee - Audit of the Financial Report		49	49
Other Audit Fees		217	162
Bad and Doubtful Debts		299	164
Assets Written-off		2,215	2,596
Obsolete Stock		19	8
Asphalt Plant Rehabilitation Write-off		(392)	-
Fringe Benefits Tax		412	350
Land Tax		682	638
		<b><u>9,678</u></b>	<b><u>5,279</u></b>

## 9. UNDERLYING RESULT

Council's underlying result for the period is calculated by excluding those items included in surplus or deficit which are either capital in nature, non-recurring, or the result of contributions received in advance.

	Note	2015/16 \$'000	2014/15 \$'000
Surplus		<b>691,970</b>	15,228
<i>exclude</i>			
Employee Separation payments	5	492	687
Adjustment to Allowance for Impaired Fines		-	-
Capital Insurance Receipt		-	(529)
Capital Grants	10	(4,706)	(3,409)
(Gain)/ Loss on disposal	11	253	(1,477)
Contributed Property, Plant and Equipment		(1,345)	(1,092)
Contributed Land under Roads		(684,821)	(3,385)
Property settlement		-	(1,630)
<i>adjust Financial Assistance Grants received in advance</i>	10		
2016/17 allocation received in 2015/16		-	-
2015/16 allocation received in 2014/15		1,349	(1,349)
<i>adjust Rates received in advance</i>	14		
2014/15 rates received in 2013/14		-	500
2015/16 rates received in 2014/15		496	(496)
2016/17 rates received in 2015/16		(609)	-
Underlying Surplus		<b>3,079</b>	3,048

## 10. GRANTS AND DONATIONS

	Note	2015/16 \$'000	2014/15 \$'000
<b>a) Operating Grants</b>			
<i>provided by Government</i>			
Commonwealth Financial Assistance Grants		1,292	4,076
Pensioner Rate Remission Grants	8	1,065	1,055
Employment Creation Initiatives		6	18
Fuel Tax Credit Scheme		117	108
Infill Development within Greater Hobart		-	50
South Hobart Community Centre		1,150	73
Still Gardening Program		145	112
Tasmanian Travel and Information Centre		150	150
Miscellaneous		13	33
		<b>3,938</b>	<b>5,675</b>
<i>other</i>			
Provision of Public Open Space		121	99
		121	99
		4,059	5,774
<u>less:</u> Pensioner Rate Remission Grants netted against Remissions	8	(1,065)	(1,055)
		<b>2,994</b>	<b>4,719</b>

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

Since 2009/10 the Commonwealth has been making early payment of the first quarterly instalment for the following year. In 2012 this was increased to early payment of first two instalments for 2012/13, in June 2012. In the 2014/15 Budget however, the Commonwealth announced it would not bring forward any instalments of the 2014/15 grant pool. In the 2015/16 budget the early payment of two instalments of the 2015/16 was once again brought forward and received in June 2015.

The early receipt of Commonwealth Government Financial Assistance Grant instalments resulted in six instalments in 2014/15 and only two instalments in 2015/16. In preparing its annual normal budget, Council assumes that the Commonwealth Government continues its policy of distributing payments in the year to which they relate.

Future payments of Financial Assistance Grants remain at the Commonwealth's discretion.

	2015/16 \$'000	2014/15 \$'000
<b>b) Capital Grants</b>		
<i>provided by Government</i>		
Roads to Recovery Program	1,466	570
Augusta Rd pedestrian and bike facilities	38	-
Blackspot Program	990	35
Centenary of ANZAC walkway	1,818	-
Flame of Remembrance	-	100
Improving Public Spaces	250	250
Maquarie Street Renewal Works	39	55
Brooker Ave - Macquarie St - Liverpool St renewal works	102	-
Maritime Museum Lift Installation	-	120
Safer Roads program	-	48
Soldiers Memorial Avenue Upgrade	-	2,171
	<b>4,703</b>	<b>3,349</b>
<i>other</i>		
Wellesley Park Pavillion	-	52
Miscellaneous	3	8
	<b>3</b>	<b>60</b>
	<b>4,706</b>	<b>3,409</b>
<b>Total Grants and Donations</b>	<b>7,700</b>	<b>8,128</b>

### c) Conditions

Grants and donations which were recognised as revenues during the reporting period and which were obtained on the condition that they be expended in a particular manner, but had yet to be applied in that manner as at the reporting date :

3,806	733
-------	-----

Grants and donations which were recognised as revenues in a previous reporting period and were expended during the current reporting period in the manner specified by the contributor :

(853)	(3,088)
-------	---------

Net increase/(decrease) in assets subject to conditions

2,953	(2,355)
-------	---------

Assets subject to conditions at the beginning of the period

1,275	3,630
-------	-------

**Assets subject to conditions at the end of the period**

15

<b>4,228</b>	<b>1,275</b>
--------------	--------------

With the exception of assets subject to conditions at the end of the period, all funds granted have been expended for the purpose for which they were provided.

## 11. ASSET SALES

	2015/16 \$'000	2014/15 \$'000
<i>Plant &amp; Equipment</i>		
Proceeds from sales	984	380
Less carrying amount of assets sold	(1,237)	(553)
Gain / (Loss) on disposal	<b>(253)</b>	(173)
<i>Land and Buildings</i>		
Proceeds from sales	-	3,800
Less carrying amount of assets sold	-	(2,150)
Gain / (Loss) on disposal	-	1,650
Total Gain / (Loss) on disposal of assets	<b>(253)</b>	<b>1,477</b>

## 12. INVESTMENT IN TASWATER

On 1 July 2013, a new State-wide water and sewerage corporation trading as “TasWater” commenced in accordance with the *Water and Sewerage Corporation Act 2012*. TasWater took over the water and sewerage services and assets previously operated by Ben Lomond Water, Cradle Mountain Water and Southern Water. It also manages the billing, IT and payroll functions previously managed by the industry’s service firm, Onstream. Council holds an equal representation with all other councils.

There has been no change to the previous investment treatment, with Council receiving a proportional share in the new corporation. Council continues to derive returns in the form of dividends, guarantee fees and tax equivalents, and continues to account for its ownership interest in accordance with AASB 139 *Financial Instruments: Recognition and Measurement*. The investment has been classified as an “available-for-sale financial asset”.

At 30 June 2016, the fair value of the asset was measured by applying Council’s equity voting proportion (10.39%) to TasWater’s net asset value at that date. TasWater advised that this net asset value was \$1,575 million.

The following table summarises the movements in the value of Council’s investment in TasWater: -

	2015/16 \$'000	2014/15 \$'000
Opening Balance	<b>160,874</b>	159,591
Fair value adjustment	<b>2,738</b>	1,283
Closing Balance	<b>163,612</b>	160,874

Fair value adjustments have been recognised in other comprehensive income.

### 13. ASSET REVALUATIONS

	Note	2015/16 \$'000	2014/15 \$'000
<i><u>PP&amp;E Revaluations recognised in other comprehensive income</u></i>			
Land		-	16,836
Buildings		2,513	8,798
Land Improvements		323	444
Infrastructure Plant		(399)	8
Pipes, Drains and Rivulets		1,884	(35,442)
Roads and Bridges		3,141	4,273
Other Structures		2,510	1,422
Other		-	91
Net PP&E Revaluation increments / (decrements)	21,37	<b>9,972</b>	<b>(3,570)</b>

### 14. RATES RECEIVED IN ADVANCE

Rates recognised as revenues during the reporting period which were obtained in respect of future rating periods		609	496
Rates recognised as revenues in a previous reporting period which were obtained in respect of the current reporting period.		(496)	(500)
Net increase (decrease) in prepaid rates		<b>113</b>	<b>(4)</b>

## 15. RESTRICTED ASSETS

	Note	2015/16 \$'000	2014/15 \$'000
<b>a) Grants and Donations subject to Conditions</b>			
Assets derived from grants and donations which were obtained on the condition that they be expended in a particular manner but had yet to be applied in that manner as at the reporting date were in respect of :			
- Accelerated Energy Efficient Street Light Roll Out		-	11
- Contributions in lieu of Parking		135	135
- Contributions in lieu of Public Open Space		495	239
- Roadworks		1,505	585
- South Hobart Community Hub		61	-
- Tasman Highway		1,817	-
- Trails and Bikeways		-	42
- Wellesley Park Pavilion Refurbishment		-	79
- Wellesley Park - Sport & Recreation Facilities		-	67
- Miscellaneous		215	117
	10(c)	4,228	1,275
<b>b) Heritage Account</b>			
Assets acquired as a result of the winding-up of the National Trust Preservation Fund which are required by section 5(3) of the <i>National Trust Preservation Fund (Winding-up) Act 1999</i> to be applied for the provision of financial or other assistance in relation to an entry in either the National Trust Register or the Tasmanian Heritage Register.			
	1(m)	1,428	1,380
<b>Total Restricted Assets</b>	16(b)	<b>5,656</b>	<b>2,655</b>

## 16. CASH

	Note	2015/16 \$'000	2014/15 \$'000
<b>a) Definition of Cash</b>			
For the purpose of the Statement of Cash Flows, the following items comprise the cash balance at the end of the period: -			
Term Deposits		7,300	30,834
At Call		24,690	5,656
		<u>31,990</u>	<u>36,490</u>
Cash Advances		63	63
Cash at Bank		4,252	4,156
		<u><b>36,305</b></u>	<u><b>40,709</b></u>
<b>b) Composition of Cash</b>			
The following restrictions apply to the closing cash balance :			
- Accelerated Energy Efficient Street Light Roll Out		-	11
- Provision of Public Open Space		495	239
- Provision of Parking Facilities		135	135
- Roadworks		1,505	585
- South Hobart Community Hub		61	-
- Tasman Highway		1,817	-
- Trails and Bikeways		-	42
- Wellesley Park Pavilion Refurbishment		-	79
- Wellesley Park - Sport and Recreation Facilities		-	67
- Heritage Funding		1,428	1,380
- Other		215	117
	15	<u>5,656</u>	<u>2,655</u>
The remainder of the Cash balance has been ear-marked for :			
- Asset Replacement		14,865	16,492
- Other Capital Works		231	144
- Provision of Public Open Space		16	16
- Loan Redemption		1,405	1,331
- Bushland Acquisition		339	308
- Public Infrastructure Fund		3,800	9,286
- McRobies Gully Landfill Rehabilitation		3,016	2,568
- Asphalt Plant decommissioning and site rehabilitation		-	761
- Queens Domain Facility upgrades		380	276
- Refundable Deposits		2,317	1,897
- Future Asset Renewal		4,280	4,975
		<u>30,649</u>	<u>38,054</u>
		<u><b>36,305</b></u>	<u><b>40,709</b></u>



## 17. INVENTORIES

	2015/16 \$'000	2014/15 \$'000
The Doone Kennedy Hobart Aquatic Centre	49	48
McRobie's Gully - construction materials	26	42
Tasmanian Travel & Information Centre	39	23
Other	233	229
	<b>347</b>	<b>342</b>

## 18. FINANCIAL INSTRUMENTS

Council's principal financial instruments comprise receivables, payables, loans, cash and short-term deposits. The main risks arising from these financial instruments are credit risk, interest rate risk and liquidity risk.

Council uses a variety of methods to measure and manage the various types of risk to which it is exposed, and these are outlined below.

### a) Credit Risk

Credit risk arises from Council's financial assets, which comprise cash and cash equivalents, and trade and other receivables. Council's exposure to credit risk arises from potential default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments. Exposure at balance date is addressed in each applicable note.

Council does not hold any credit derivatives to offset its credit risk exposure.

Council generally trades with recognised, creditworthy third parties, and as such collateral is generally not requested, nor is it Council's policy to securitise its trade and other receivables.

It is Council's policy that some customers who wish to trade on credit terms are subject to credit verification procedures including an assessment of their credit rating, financial position, past experience and industry reputation. These procedures are currently limited to customers of the McRobies Gully Waste Management Centre. Credit risk limits are set for each individual customer and these limits are regularly monitored.

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

There are no significant concentrations of credit risk and financial instruments are spread amongst a number of financial institutions to minimise the risk of default of counterparties.

In relation to amounts owed to Council in respect of unpaid rates, there is generally no credit risk as section 137 of the *Local Government Act 1993* empowers Councils to sell properties as a means of recovering rates outstanding.

## b) Interest Rate Risk

Exposure to interest rate risk arises predominantly from assets and liabilities bearing variable interest rates, as Council intends to hold fixed rate assets and liabilities to maturity. Council monitors both its level of exposure to interest rate risk, and assessments of market forecasts for future interest rates.

Council's exposure to interest rate risk and the effective weighted average interest rate for each class of financial assets and financial liabilities is set out below.

2015/16	Floating Interest Rate \$'000	Fixed Interest Maturing in :			Non-Interest Bearing \$'000	Total \$'000	Weighted Average Interest Rate
		1 year or less \$'000	Over 1 to 5 years \$'000	More than 5 years \$'000			
<b>Financial Assets</b>							
Cash and cash equivalents	28,942	7,300	-	-	63	36,305	2.11%
Receivables	938	26	-	-	5,107	6,071	0.75%
	29,880	7,326	-	-	5,170	42,376	
Weighted Average Interest Rate	2.22%	2.54%	0.00%	0.00%			
<b>Financial Liabilities</b>							
Payables	-	-	-	-	9,232	9,232	N/A
Loans	-	1,405	6,184	5,508	-	13,097	5.69%
	-	1,405	6,184	5,508	9,232	22,329	
Weighted Average Interest Rate	0.00%	5.41%	5.41%	6.09%			
<b>Net Financial Assets / (Liabilities)</b>	<b>29,880</b>	<b>5,921</b>	<b>(6,184)</b>	<b>(5,508)</b>	<b>(4,062)</b>	<b>20,047</b>	

2014/15	Floating Interest Rate \$'000	Fixed Interest Maturing in :			Non-Interest Bearing \$'000	Total \$'000	Weighted Average Interest Rate
		1 year or less \$'000	Over 1 to 5 years \$'000	More than 5 years \$'000			
<b>Financial Assets</b>							
Cash and cash equivalents	9,812	30,834	-	-	63	40,709	2.85%
Receivables	1,039	26	-	-	5,881	6,946	0.91%
	10,851	30,860	-	-	5,944	47,655	
Weighted Average Interest Rate	3.42%	2.90%	0.00%	0.00%			
<b>Financial Liabilities</b>							
Bank Overdraft	-	-	-	-	-	-	8.88%
Payables	-	-	-	-	8,559	8,559	N/A
Loans	-	1,331	6,095	7,002	-	14,428	5.54%
	-	1,331	6,095	7,002	8,559	22,987	
Weighted Average Interest Rate	0.00%	5.38%	5.40%	5.70%			
<b>Net Financial Assets / (Liabilities)</b>	<b>10,851</b>	<b>29,529</b>	<b>(6,095)</b>	<b>(7,002)</b>	<b>(2,615)</b>	<b>24,668</b>	

Changes in variable rates of 100 basis points at the reporting date would have the following effect on Council's profit or loss and equity: -

	30 June 2016		30 June 2015	
	100 basis points increase \$'000	100 basis points decrease \$'000	100 basis points increase \$'000	100 basis points decrease \$'000
<b><i>Financial Assets</i></b>				
Cash Advances	na	na	na	na
Other Cash and Cash Equivalents	225	(225)	84	(84)
Receivables	9	(9)	10	(10)
	<b>234</b>	<b>(234)</b>	94	(94)
<b><i>Financial Liabilities</i></b>				
Payables	na	na	na	na
Loans	na	na	na	na
	-	-	-	-

This analysis assumes all other variables remain constant. The analysis was performed on the same basis for 30 June 2015.

### c) Liquidity Risk

Liquidity risk is monitored through the development of rolling cash flow forecasts. Council's objective is to maintain a balance between continuity of funding and flexibility through the use of short-term investments, bank overdrafts and loans.

Council monitors rolling forecasts of liquidity reserves on the basis of expected cash flow. Forecast liquidity reserves at the reporting date are as follows: -

<b>2015/16</b>	<b>6 mths or less \$'000</b>	<b>6 - 12 months \$'000</b>	<b>1 - 2 years \$'000</b>	<b>2 - 5 years \$'000</b>	<b>&gt; 5 years \$'000</b>	<b>Total \$'000</b>	<b>Carrying Amount \$'000</b>
Trade and other payables	9,232	-	-	-	-	9,232	9,232
Trust funds and deposits	502	402	666	655	874	3,099	3,099
Interest-bearing loans and borrowings	693	712	1,482	6,020	4,190	13,097	13,097
<b>Total financial liabilities</b>	<b>10,427</b>	<b>1,114</b>	<b>2,148</b>	<b>6,675</b>	<b>5,064</b>	<b>25,428</b>	<b>25,428</b>

<b>2014/15</b>	<b>6 mths or less \$'000</b>	<b>6 - 12 months \$'000</b>	<b>1 - 2 years \$'000</b>	<b>2 - 5 years \$'000</b>	<b>&gt; 5 years \$'000</b>	<b>Total \$'000</b>	<b>Carrying Amount \$'000</b>
Trade and other payables	8,559	-	-	-	-	8,559	8,559
Trust funds and deposits	323	333	530	540	875	2,601	2,601
Interest-bearing loans and borrowings	657	674	1,405	6,184	5,508	14,428	14,428
<b>Total financial liabilities</b>	<b>9,539</b>	<b>1,007</b>	<b>1,935</b>	<b>6,724</b>	<b>6,383</b>	<b>25,588</b>	<b>25,588</b>

#### d) Net Fair Value of Financial Assets and Liabilities

The net fair value of cash and cash equivalents and non-interest bearing monetary financial assets and financial liabilities approximates their carrying value.

The net fair value of other monetary financial assets and financial liabilities is based on market prices where a market exists or by discounting expected future cash flows by the current interest rates for assets and liabilities with similar risk properties.

The carrying amounts and net fair values of financial assets and liabilities at the reporting date are as follows: -

	2015/16		2014/15	
	Carrying Amount \$'000	Net Fair Value \$'000	Carrying Amount \$'000	Net Fair Value \$'000
<b><i>Financial Assets</i></b>				
Cash Advances	63	63	63	63
Cash at Bank and Investments	36,242	36,242	40,646	40,646
Investment in TasWater	163,612	163,612	160,874	160,874
Receivables	6,071	6,071	6,946	6,946
	<b>205,988</b>	<b>205,988</b>	208,529	208,529
<b><i>Financial Liabilities</i></b>				
Payables	9,232	9,232	8,559	8,559
Loans	13,097	15,383	14,428	15,319
	<b>22,329</b>	<b>24,615</b>	22,987	23,878

None of the above assets and liabilities are readily traded on organised markets in standardised form.

## e) Fair Value hierarchy

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

The different levels have been defined as follows: -

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

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<b>2015/16</b>				
Available for sale financial assets	-	-	163,612	163,612
Financial assets at fair value through profit or loss	-	284	-	284
	<b>-</b>	<b>284</b>	<b>163,612</b>	<b>163,896</b>
<b>2014/15</b>				
Available for sale financial assets	-	-	160,874	160,874
Financial assets at fair value through profit or loss	-	273	-	273
	<b>-</b>	<b>273</b>	160,874	161,147

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

### Reconciliation of level 3 fair value movements

	<b>2015/16 \$'000</b>	2014/15 \$'000
Opening Balance	160,874	159,591
Gains / (Losses) recognised in profit or loss	-	-
Gains / (Losses) recognised in other comprehensive income	2,738	1,283
Transfers into / (out of) level 3	-	-
Closing Balance	<b>163,612</b>	160,874

## 19. RECEIVABLES

	2015/16 \$'000	2014/15 \$'000
Rates	989	1,099
Parking Fines	7,926	7,448
Trade Receivables	1,423	800
Accrued interest on investments	21	289
Wages and salaries paid in advance	101	112
Tas Water Distributions	57	210
Other Debtors	393	1,802
	<b>10,910</b>	<b>11,760</b>
Less Allowance for Impairment	(4,839)	(4,814)
	<b>6,071</b>	<b>6,946</b>
Current	5,885	6,750
Non-Current	186	196
	<b>6,071</b>	<b>6,946</b>

At 30 June the ageing analysis of receivables is as follows: -

### Trade Receivables

	Total \$'000	0-29 days \$'000	0-29 days \$'000 CI*	30-59 days \$'000 PDNI*	30-59 days \$'000 CI*	60-89 days \$'000 PDNI*	60-89 days \$'000 CI*	90+ days \$'000 PDNI*	90+ days \$'000 CI*
2016	1,423	1,068	-	184	-	26	-	123	22
2015	800	642	-	50	-	11	-	68	29

### Parking Fines

	Total \$'000	<u>Parking Meter and Voucher</u>			<u>Traffic Infringements</u>		
		0-14 days \$'000	14+ days \$'000 PDNI*	14+ days \$'000 CI*	0-28 days \$'000	28+ days \$'000 PDNI*	28+ days \$'000 CI*
2016	7,926	104	2,476	3,604	94	686	962
2015	7,448	95	2,165	3,579	66	583	960

### Rates

	Total \$'000	90+ days \$'000 PDNI*
2016	989	989
2015	1,099	1,099

\* PDNI - past due not impaired

CI - considered impaired

## 20. ASSETS CLASSIFIED AS HELD FOR SALE

The following assets were classified as 'held for sale' at the reporting date: -

	2015/16 \$'000	2014/15 \$'000
Land	775	-
	<u>775</u>	<u>-</u>



## 21. PROPERTY, PLANT AND EQUIPMENT

	Note	Carrying Amount 30/6/2015 \$'000	Additions \$'000	Transfer to Non- current Assets \$'000	Disposals \$'000	Net Revaluation Adjustments \$'000	Depreciation \$'000	Other Movements \$'000	Carrying Amount 30/6/2016 \$'000
Plant and Equipment	22	16,694	5,529	411	(1,378)	-	(2,791)	(2)	18,463
Land	23	179,749	685,271	-	(37)	-	-	(1,265)	863,718
Buildings	23	138,375	26	7,637		2,513	(2,302)	(1)	146,248
Land Improvements	24	19,420	-	240	(99)	323	(1,030)	(182)	18,672
Infrastructure Plant	25	2,757	60	9	(3)	(399)	(310)	2	2,116
Pipes, Drains and Rivulets	26	102,490	433	209	(119)	1,884	(1,636)	470	103,731
Roads and Bridges	27	177,701	439	5,504	(913)	3,141	(7,300)	(298)	178,274
Other Structures	28	64,486	459	2,121	(181)	2,510	(3,062)	(212)	66,121
Capital Work in Progress	29	28,137	23,957	(16,131)		-	-	1	35,964
Other	30	864	63	-		-	(13)	(2)	912
		<b>730,673</b>	<b>716,237</b>	<b>-</b>	<b>(2,730)</b>	<b>9,972</b>	<b>(18,444)</b>	<b>(1,489)</b>	<b>1,434,219</b>

Other Movements predominantly represents the transfer of Land assets to Assets Held for Sale, and replacement of assets associated with the Liverpool Street and Franklin Square refurbishments.

	Note	Carrying Amount 30/6/2014 \$'000	Additions \$'000	Transfer to Non- current Assets \$'000	Disposals \$'000	Net Revaluation Adjustments \$'000	Impairment Losses \$'000	Depreciation \$'000	Other Movements \$'000	Carrying Amount 30/6/2015 \$'000
Plant and Equipment	22	16,272	3,250	25	(576)	-	-	(2,276)	(1)	16,694
Land	23	137,426	3,385	-	-	16,836	-	-	22,102	179,749
Buildings	23	127,918	-	1,204	(544)	8,798	-	(1,940)	2,939	138,375
Land Improvements	24	19,407	-	982	(415)	444	-	(996)	(2)	19,420
Infrastructure Plant	25	3,279	43	121	(333)	8	-	(361)	-	2,757
Pipes, Drains and Rivulets	26	137,625	461	822	(115)	(35,442)	-	(2,123)	1,262	102,490
Roads and Bridges	27	179,284	541	812	(386)	4,273	-	(6,823)	-	177,701
Other Structures	28	64,680	86	1,329	(165)	1,422	-	(2,864)	(2)	64,486
Capital Work in Progress	29	11,515	23,705	(5,295)	(526)	-	-	-	(1,262)	28,137
Other	30	838	-	-	-	91	-	(67)	2	864
		<b>698,244</b>	<b>31,471</b>	<b>-</b>	<b>(3,060)</b>	<b>(3,570)</b>	<b>-</b>	<b>(17,450)</b>	<b>25,038</b>	<b>730,673</b>

## 22. PLANT AND EQUIPMENT

	2015/16 \$'000	2014/15 \$'000
At Cost	34,092	31,174
<u>less : Impairment Losses</u>	(1)	(1)
<u>less : Accumulated Depreciation</u>	(15,628)	(14,479)
	<b>18,463</b>	<b>16,694</b>

## 23. LAND AND BUILDINGS

### Land

At Cost	688,206	3,385
At Valuer-General's valuation of market value - 2015	175,512	176,364
	<b>863,718</b>	<b>179,749</b>

### Buildings

At replacement cost - 2015 indexed to 31 March 2016	9,498	
At replacement cost - 2014 indexed to 31 March 2016	215,371	
At replacement cost - 2015	-	1,836
At replacement cost - 2014 indexed to 31 March 2015	-	211,418
	224,869	213,254
<u>less : Impairment Losses</u>	-	(23)
<u>less : Accumulated Depreciation</u>	(78,621)	(74,856)
	<b>146,248</b>	<b>138,375</b>
	<b>1,009,966</b>	<b>318,124</b>

## 24. LAND IMPROVEMENTS

At replacement cost - 2015 indexed to 31 March 2016	1,221	-
At replacement cost - 2014 indexed to 31 March 2016	42,716	-
At replacement cost - 2015	-	981
At replacement cost - 2014 indexed to 31 March 2015	-	42,652
	43,937	43,633
<u>less : Accumulated Depreciation</u>	(25,265)	(24,213)
	<b>18,672</b>	<b>19,420</b>

## 25. INFRASTRUCTURE PLANT

	2015/16 \$'000	2014/15 \$'000
At replacement cost	5,570	4,702
At replacement cost - 2009 indexed to 31 March	-	580
At replacement cost - 2008 indexed to 31 March	-	508
	5,570	5,790
<u>less : Impairment Losses</u>	(773)	(773)
<u>less : Accumulated Depreciation</u>	(2,681)	(2,260)
	<b>2,116</b>	<b>2,757</b>

## 26. PIPES, DRAINS AND RIVULETS

At replacement cost - 2015 indexed to 31 March 2016	183,386	-
At replacement cost - 2015	-	179,140
	183,386	179,140
<u>less : Accumulated Depreciation</u>	(79,655)	(76,650)
	<b>103,731</b>	<b>102,490</b>

## 27. ROADS AND BRIDGES

At replacement cost - 2014 indexed to 31 March 2016	386,627	-
At replacement cost - 2014 indexed to 31 March 2015	-	377,989
	386,627	377,989
<u>less : Accumulated Depreciation</u>	(208,353)	(200,288)
	<b>178,274</b>	<b>177,701</b>

**28. OTHER STRUCTURES**

	2015/16 \$'000	2014/15 \$'000
At cost	8	-
At replacement cost -2016	130,491	
At replacement cost -2015	-	6,366
At replacement cost - 2013 indexed to 31 March 2015	-	120,027
	<u>130,499</u>	<u>126,393</u>
<u>less : Accumulated Depreciation</u>	<u>(64,378)</u>	<u>(61,907)</u>
	<u><b>66,121</b></u>	<u><b>64,486</b></u>

Council also controls a number of monuments. These assets have not been included in the Statement of Financial Position on the basis that they cannot be reliably measured.

**29. CAPITAL WORK IN PROGRESS**

	2015/16 \$'000	2014/15 \$'000
Road and Bridge works	7,245	5,304
CBD Energy Efficient Lighting Upgrades	1,836	1,715
Footpath, Kerb and Gutter works	3,958	3,283
Traffic Management works	2,485	876
Stormwater Mains	1,079	1,075
Railway Fountain restoration	446	446
Parks and Gardens works	4,767	1,733
Soldiers Memorial Oval Building Reconstruction	-	1,196
Soldiers Memorial Oval Irrigation / Drainage	427	369
George Miller Stand Repair	-	547
New Town Bay Boatshed Construction	-	2,706
Sporting Facility works	2,819	1,028
Town Hall Macquarie Wing - Heating Upgrade	-	462
The Doone Kennedy Hobart Aquatic Centre upgrades	813	1,272
Car Parks - Energy Efficient Lighting	444	537
Cornelian Bay Management Plan	-	102
Huon Road Depot Redevelopment Shed Renewals	-	1,666
Twin Bridges Replacement - MWSS Pipeline Track	203	203
Bushland and Reserves works	468	462
Upgrade of Liverpool and Collins Streets	2,655	359
City Wayfinding System	468	114
McRobies Gully Waste Management Centre	-	340
Collins Court Revitalisation (ICAP)	697	-
Morrison Street Cycleway (ICAP)	909	-
Pedestrian & Cyclist High Level Crossing Over Brooker Ave	166	-
Carnegie Gallery	361	-
Litter Bin Renewal 15/16	182	-
Other	3,536	2,342
	<b>35,964</b>	<b>28,137</b>

### 30. OTHER PROPERTY, PLANT AND EQUIPMENT

	2015/16 \$'000	2014/15 \$'000
<b>Valuation Roll</b>		
At Cost	469	469
<u>less</u> : Accumulated Depreciation	(420)	(407)
	<u>49</u>	<u>62</u>
<b>Valuables</b>		
At Cost	33	-
At independent valuation of market value - 2014	830	802
	<u>863</u>	<u>802</u>
	<b><u>912</u></b>	<b><u>864</u></b>

### 31. PAYABLES

Trade Creditors	1,049	1,384
Accrued plant and equipment purchases	925	779
Accrued capital expenditure	771	1,021
GST payable	-	535
Energy Costs	96	318
Payroll Tax	1,003	1,179
Workers Compensation Insurance	851	413
Fringe Benefits Tax	93	93
Other Accrued Expenses	4,444	2,837
	<b><u>9,232</u></b>	<b><u>8,559</u></b>

### 32. TRUST, DEPOSITS, RETENTION

Refundable Infrastructure Bonds	2,216	1,796
Deposits held for Travel Operators	652	697
Other	231	108
	<b><u>3,099</u></b>	<b><u>2,601</u></b>

### 33. EMPLOYEE BENEFITS

	2015/16 \$'000	2014/15 \$'000
Wages and salaries	1,492	1,311
Annual leave (including loading)	3,255	3,313
Long service leave	5,427	5,447
Sick leave	2,383	2,420
Superannuation contributions	1,318	1,306
Defined-benefit superannuation plan	3,540	1,397
	<b>17,415</b>	<b>15,194</b>
Current	11,142	10,884
Non-Current	6,273	4,310
	<b>17,415</b>	<b>15,194</b>

#### Superannuation

Council makes the following defined-contributions to superannuation: -

- 10.5% of wages and salaries for casual employees,
- 12.5% of wages and salaries for full-time and part-time employees who commenced after 11 March 2003, and
- 4.5% of wages and salaries for full-time and part-time employees who commenced prior to 11 March 2003.

In respect of those full-time and part-time employees who commenced employment with Council prior to 11 March 2003, Council also contributes to a defined-benefit superannuation plan. Based on actuarial advice Council increased its level of contributions from 10.5% of wages and salaries to 13% from 1 July 2010 and made additional annual lump sum contributions to the plan. The final of these payments was \$0.75 million in the 2013/14 financial year. From 1 July 2014, the level of contribution was reduced to 9.5%. Employee contributions are 6% of wages and salaries. Employees are entitled to benefits on resignation, retirement, disability or death. The fund provides a defined-benefit based on years of service and final average salary.

An actuarial assessment of the fund was carried out by Mr. David Quinn-Watson, FIAA of DeeDeeRa Actuaries Pty Ltd on 29 July 2016 for the purpose of providing figures in accordance with AASB 119 *Employee Benefits*. This assessment revealed the following:

<u>Key assumptions</u>	<u>30 June 2016</u>	<u>30 June 2015</u>
Discount Rate – gross of tax	1.78%	2.6%
Discount Rate – net of tax	n/a	2.2%
Expected rate of salary increase in 2015/16	-	0.9%
Expected rate of salary increase in 2016/17 – 2018/19	2.4%	2.5%
Expected rate of salary increase thereafter	2.5%	2.5%

The amount included in expenses is as follows: -



	2015/16 \$'000	2014/15 \$'000
Employee Costs		
- Current Service Cost	1,567	1,725
Finance Costs		
- Interest Cost	887	1,139
- Expected return on plan assets	(881)	(1,101)
	<u>6</u>	<u>38</u>
	<b><u>1,573</u></b>	<b><u>1,763</u></b>

Actuarial gains and losses recognised in respect of the defined-benefit plan were as follows: -

Actuarial (gains) / losses incurred during the period and recognised in other comprehensive income	1,613	(1,932)
	<u>1,613</u>	<u>(1,932)</u>
Cumulative actuarial (gains) / losses recognised in other comprehensive income	9,538	7,925

The amount included in the Statement of Financial Position arising from Council's obligation in respect of its defined-benefit plan is as follows: -

Present value of defined-benefit obligation	42,272	42,363
Fair value of plan assets	(38,732)	(40,966)
Net liability / (asset) arising from defined-benefit plan	<b><u>3,540</u></b>	<b><u>1,397</u></b>

Movements in the net liability were as follows: -

Opening liability	1,397	2,720
Expense recognised in surplus/(deficit)	1,573	1,763
Actuarial (gains)/losses	1,613	(1,932)
Employer contributions	(1,043)	(1,154)
Closing liability	<b><u>3,540</u></b>	<b><u>1,397</u></b>

Movements in the present value of the defined-benefit obligation were as follows: -

	2015/16 \$'000	2014/15 \$'000
Opening defined-benefit obligation	42,363	43,051
Current Service Cost	1,567	1,725
Interest Cost	887	1,139
Member contributions and transfers from other funds	730	729
Actuarial (gains) / losses	425	(361)
Benefits and tax paid	(3,700)	(3,920)
Closing defined-benefit obligation	<u>42,272</u>	<u>42,363</u>

Movements in the fair value of the plan assets were as follows: -

Opening fair value of plan assets	40,966	40,331
Expected return on plan assets	881	1,101
Actuarial gains / (losses)	(1,188)	1,571
Employer contributions	1,043	1,154
Member contributions and transfers from other funds	730	729
Benefits paid	(3,700)	(3,920)
Closing fair value of plan assets	<u>38,732</u>	<u>40,966</u>

Changes in the key actuarial assumptions at the reporting date would have the following effect on the net liability arising from the defined-benefit plan: -

	<b>0.25% increase \$'000</b>	<b>0.25% decrease \$'000</b>
Discount rate	(750)	773
Inflation rate	711	(693)

	<b>2.50% increase \$'000</b>	<b>2.50% decrease \$'000</b>
Asset value	(968)	968

Plan assets are invested in a “balanced” strategy with about three-quarters in “growth” asset classes (e.g. shares and property) and about one-quarter in “defensive” asset classes (e.g. fixed interest and cash). The table below shows the current benchmark (target) and actual asset allocations of fund assets (as advised by the Scheme administrators):

	Benchmark Allocation %	as at 30 June 2016 %	as at 30 June 2015 %
Australian shares	32.5	29.9	32.5
International shares	31.0	32.7	32.6
Property	8.5	9.2	10.0
Fixed interest	13.6	11.4	13.0
Private Equity	1.0	0.5	0.6
Infrastructure	7.5	5.1	4.8
Absolute Returns	2.4	5.0	0.0
Cash	3.5	6.2	6.5
Total	<u>100</u>	<u>100</u>	<u>100</u>

### 34. UNEARNED REVENUE

	2015/16 \$'000	2014/15 \$'000
Doone Kennedy Hobart Aquatic Centre memberships paid in advance	228	123
Salamanca Market rentals paid in advance	149	109
Animal Licences paid in advance	1	3
Food Premises registration fees paid in advance	-	217
Metered Space Permits	33	-
Other	91	86
	<u>502</u>	<u>538</u>

### 35. LOANS

Loans outstanding at beginning of year	14,428	16,162
Redemptions	(1,331)	(1,734)
Loans outstanding at end of year	<u>13,097</u>	<u>14,428</u>
Current	1,405	1,331
Non-Current	11,692	13,097
	<u>13,097</u>	<u>14,428</u>

All loans are secured by Council revenues. Repayments are made semi-annually in arrears, and interest expense is accrued at the contracted rate and included in payables.

## 36. PROVISIONS

	2015/16 \$'000	2014/15 \$'000
<i><u>Rehabilitation of Landfill site</u></i>		
Balance at beginning of year	8,041	6,610
Additional provisions recognised	(2,326)	2,100
Expenditure incurred	(419)	(857)
Unwinding of discount and effect of changes in the discount rate	202	188
Balance at end of year	<b>5,498</b>	8,041
<i><u>Rehabilitation of Asphalt Plant site</u></i>		
Balance at beginning of year	761	800
Additional provisions recognised	-	-
Expenditure incurred	(370)	(39)
Unwinding of provision no longer required	(391)	-
Balance at end of year	-	761
Total Provisions	<b>5,498</b>	8,802

## 37. RESERVES

	Note	Balance 30/6/15 \$'000	Transfers to Reserves \$'000	Transfers from Reserves \$'000	Balance 30/6/16 \$'000
Asset Replacement		16,494	22,246	(23,875)	14,865
Bushland Fund		308	61	(30)	339
Public Infrastructure Fund		9,286	2,519	(11,805)	-
Contributions in Lieu of Parking		135	-	-	135
Contributions in Lieu of Public Open Space		362	133	-	495
Heritage Account		1,380	64	(16)	1,428
Other Reserves		27,965	25,023	(35,726)	17,262
Fair Value Reserve	12	(35,847)	2,738	-	(33,109)
Asset Revaluation	13	485,758	10,374	(402)	495,730
		<u>477,876</u>	<u>38,135</u>	<u>(36,128)</u>	<u>479,883</u>

### **Asset Replacement Reserve**

Council maintains a reserve for the replacement of its assets. Revenue and loans raised for this purpose are transferred to the reserve, whilst expenditure incurred on replacing existing assets is transferred from the reserve. The balance of the reserve represents expenditure which Council expects to incur in future reporting periods on replacing its assets.

### **Bushland Fund**

Council has established a Bushland Fund and allocated funds from revenue to the reserve. The reserve was established for the purpose of purchasing strategic areas of bushland and open space.

### **Contributions in Lieu of Parking**

Council maintains a reserve to separately account for funds provided to Council for the express purpose of providing parking facilities throughout the city.

### **Contributions in Lieu of Public Open Space**

Council maintains a reserve to separately account for funds provided to Council for the express purpose of providing areas of public open space throughout the city.

### **Heritage Account**

Council has established a Heritage Account as required by the *National Trust Preservation Fund (Winding-up) Act 1999*. Amounts transferred to the account include the initial distribution from the National Trust Preservation Fund, together with interest accruing on the balance of the account.

The Act requires that funds transferred into the Heritage Account be applied for the provision of financial or other assistance in relation to an entry in either the National Trust Register kept by the National Trust of Australia (Tasmania), or the Tasmanian Heritage Register.

### **Fair Value Reserve**

Council maintains a fair value reserve in order to account for gains and losses on available-for-sale financial assets as required by AASB 139 *Financial Instruments: Recognition and Measurement*.

### **Asset Revaluation Reserve**

Council maintains an asset revaluation reserve in order to account for asset revaluation increments and decrements in accordance with AASB 116 *Property, Plant and Equipment*.

### 38. RECONCILIATION OF ACCRUAL-BASED RESULTS WITH CASH FLOWS

	2015/16 (\$'000)			2014/15 (\$'000)		
	Operating Activities	Investing Activities	Total	Operating Activities	Investing Activities	Total
Revenues	811,217			130,523		
Expenses / Expenditure	(119,247)	(30,080)		(115,295)	(27,123)	
<b>Surplus/(Deficit)</b>	<b>691,970</b>			<b>15,228</b>		
<b>Items not involving Cash:</b>						
Depreciation and Amortisation	18,444			17,450		
Carrying Value of Assets Sold	1,237			2,703		
Asset Write-downs	2,215			2,636		
Assets received for no consideration	(686,166)			(4,477)		
<b>Re-classification of Revenues</b>						
Capital Grants	(4,706)	4,706	-	(3,409)	3,409	-
Sales of Assets	(984)	984	-	(5,739)	5,739	-
<b>Changes in Operating Assets &amp; Liabilities:</b>						
(Increase) / Decrease in Receivables	875	-	<b>875</b>	(1,504)	-	(1,504)
(Increase) / Decrease in Stock	(5)	-	<b>(5)</b>	(32)	-	(32)
(Increase) / Decrease in Prepayments	(3)	-	<b>(3)</b>	69	-	69
Increase / (Decrease) in Payables	777	(103)	<b>674</b>	875	1,341	2,216
Increase / (Decrease) in Employee Entitlements	608	-	<b>608</b>	711	-	711
Increase / (Decrease) in Unearned Revenue	(36)	-	<b>(36)</b>	48	-	48
Increase / (Decrease) in Provisions	(3,304)	-	<b>(3,304)</b>	1,392	-	1,392
Increase / (Decrease) in Other Liabilities	498		<b>498</b>	18	-	18
<b>Net Cash Inflow / (Outflow)</b>	<b>21,420</b>	<b>(24,493)</b>		<b>25,969</b>	<b>(16,634)</b>	

### 39. FINANCING FACILITIES

	2015/16 \$'000	2014/15 \$'000
Facility Limit	380	380
Less: Used/committed	59	33
Un-used credit card facilities	<b>321</b>	<b>347</b>

## 40. COMMITMENTS

<i>Capital Expenditure contracted for at the reporting date but not recognised in liabilities:</i>	2015/16 \$'000	2014/15 \$'000
Admin buildings - general compliance works	-	45
Argyle Street carpark - upgrade works	31	-
Carnegie Galley lift installation	58	-
Cleary's Gates fire services upgrade	112	-
Delapidation survey of Sandy Bay Road shopping precinct	14	-
Domain Athletic Centre - replace synthetic track	193	-
Electronic truck warning sign - Brooker Highway	38	-
Energy efficient lighting upgrades	-	188
Fire system upgrade for Mather's House	15	-
Flame of Remembrance	-	122
Hobart Council Centre sanitary drainage	16	-
Hobart Council Centre upgrades	-	146
Inner City Action Plan programs	195	1,418
Kompan Playscape Playground Equipment	37	-
License plate recognition system install	188	-
New Town Bay Rowing Club redevelopment	-	68
Path and lighting upgrade Hobart Rivulet	92	-
Plant and equipment purchases	405	382
Playground Equipment - Aberdeen Street	49	-
Poolpod access hoist	38	-
Public space upgrade	-	544
Queens Domain summit loop	49	-
Road infrastructure works	-	526
Sandy Bay footpath renewal works	47	-
SMO community hub - design services	89	-
Supply and install Queenborough oval netting	23	-
Town Hall - heating upgrade	-	59
Other	543	1,291
	<b>2,232</b>	<b>4,789</b>

Expected timing of these commitments is as follows: -

Not longer than one year	2,232	4,789
Longer than one year and not longer than two years	-	-
Longer than two years and not longer than five years	-	-
Longer than five years	-	-
	<b>2,232</b>	<b>4,789</b>



## 41. OPERATING LEASES

	2015/16 \$'000	2014/15 \$'000
<i>a) Operating Lease commitments at the reporting date not recognised in liabilities:</i>		
Not longer than one year	1,303	1,377
Longer than one year and not longer than two years	1,246	1,346
Longer than two years and not longer than five years	3,638	3,795
Longer than five years	15,326	17,094
	<b>21,513</b>	<b>23,612</b>

Council's operating lease commitments mainly relate to Trafalgar Car Park.

*b) Operating Lease receivables at the reporting date not recognised in assets:*

Not longer than one year	705	829
Longer than one year and not longer than two years	489	495
Longer than two years and not longer than five years	1,164	1,251
Longer than five years	377	391
	<b>2,735</b>	<b>2,966</b>

Council's operating lease receivables mainly result from property leases.

## 42. CONTINGENT LIABILITIES

Council is currently acting as guarantor for the following loans: -

New Town Cricket Club	50	50
Buckingham Bowls Club	50	50
Hockey Tasmania Inc.	1,500	1,500
Southern Tasmanian Netball Association	631	631
Derwent Sailing Squadron	4,100	-
	<b>6,331</b>	<b>2,231</b>

Council currently has a number of legal claims outstanding, but expects that these will all be covered by insurance should Council be deemed liable.

## **43. MAJOR DEVELOPMENT ASSISTANCE POLICY COMMITMENTS**

Council has entered into Development Assistance Deeds for the following Major Development Projects.

### **The Wellington Centre Development**

The development agreement with Sultan Holdings Pty Ltd provides for the following: -

- Council contributed certain land to the development, and the developer also contributed land.
- The developer agreed to construct on the aggregated land amongst other things a car park, supermarket, office accommodation and retail shops.
- The development, on completion, was stratum titled to meet the ownership rights of the parties to the development.
- Council received the stratum title to the car park.
- During the construction period, based on suitable evidence of completion of progress work in relation to the car park, Council made progress payments for the car park.
- On completion and issue of stratum titles, Council received the stratum title for the car park. This occurred in October 2013.

On an ongoing basis: -

- Council has fixed the rates applicable to the development at that which applied on the date of the agreement plus CPI (all groups Hobart) for a 10 year period. The benefit is only applicable to the developer while it owns the particular stratum property.
- The value of this benefit can only be calculated as it occurs and will be disclosed in Council's financial statements as they occur in accordance with the *Local Government Act 1993*.
- The value of the benefit for the current period is \$351,735 (prior year: \$304,822).

### **The Vodafone Development**

Council has negotiated a development assistance deed with Alirenste Pty Ltd that provides for the following: -

- That from when the development land is revalued on completion of construction by the Valuer-General for rating purposes, and while Vodafone meets target employee occupancy numbers for the building, Council on receipt of a suitable certificate will provide a grant to the developer for an amount equal to general rates and stormwater removal service rates that relate to the Vodafone tenancy area for that year. There are pro-rata conditions where partial certification occurs.
- This agreement continues until 30 June 2025 unless an event occurs which gives Council the right to terminate the agreement.
- The value of this benefit can only be calculated as it occurs and will be disclosed in Council's financial statements as they occur in accordance with the *Local Government Act 1993*.
- The value of the benefit for the year is not yet known as the certification required from the developer is provided after the end of the financial year (prior year: Nil)

### **The Myer Development**

With respect to this development there are deeds with both the developer (E. Kalis Properties Pty Ltd) and the major tenant (Myer Pty Ltd).

Council has entered into conditional agreements to provide the following grants and benefits to the developer to assist with the redevelopment of the Myer site, located at 98-110 Liverpool Street and 55 Murray Street, Hobart, namely: -

1. Consistent with Council's Major Development Assistance Policy: -

- a. A cap on rates for a defined period based on the value of the property as at 18 January 2012, limited to CPI increases, and
  - b. The waiving of fees and charges, including tip fees, hoarding fees, parking fees and associated statutory fees.
2. The air rights over the relevant portion of the Hobart Rivulet for a nominal consideration.

The final value of these benefits is not quantifiable until the development is completed and other conditions are determined.

The value of the benefit provided in the current period pursuant to 1.a. above is \$8,519 (prior year: \$1,659) and pursuant to 1.b. \$21,082 (prior year: \$114,987). It is not possible to reliably estimate the value of future assistance.

#### Myer Deed

The deed with Myer Pty Ltd (Myer) provides for the following: -

- The Council will, in exercise of its power under section 77(1A)(b) of the *Local Government Act 1993*, pay to Myer the following amounts at the following times: -
  - \$1.75 million when Myer commences trading to the public from the Myer Store following full occupation by Myer in the Liverpool Street stage of the Development.
  - \$1.75 million in the month of July after full occupation of the Liverpool Street store, unless full occupation occurs between 1 April and 30 June and construction of the Murray Street stage has not substantially commenced, in which case that amount will be paid on 31 July in the calendar year after the occupation of the Liverpool Street Myer Store.
  - \$0.875 million in each of the first four years starting 1 August after occupation of the Liverpool Street Myer Store in which gross sales for that year are less than an agreed threshold. Any amount is to be paid 28 days after receipt of the Auditor's Report for the relevant year.
- Under certain circumstances, if Myer ceases to occupy the development then a proportion of total grants paid will be refundable to Council under an agreed formula taking into account the number of years the development has been occupied.

The first \$1.75 million instalment was paid during the current period to Myer upon commencing trading to the public in November 2015. The second \$1.75 million instalment was paid in July and accrued into the current period.

#### **44. SUBSEQUENT EVENTS**

No other matters or circumstances have arisen since the end of the financial year which require disclosure in the financial report.

#### **45. PECUNIARY INTERESTS**

In accordance with s84(2)(b) of the *Local Government Act 1993*, no interests have been notified to the General Manager in respect of any body or organisation with which the Council has major financial dealings.

## 46. MANAGEMENT INDICATORS

### (a) Underlying surplus or deficit

		Benchmark	2015/16 \$'000	2014/15 \$'000
	Underlying Revenue *		121,581	117,656
<i>less</i>	Recurrent expenses		(118,502)	(114,608)
<i>equals</i>	Underlying Surplus / (Deficit)	> Breakeven	3,079	3,048

\* Underlying revenue excludes all capital income (grants received specifically for new or upgraded assets and physical resources received free of charge) and non-recurring income, and includes adjustments for revenue received in advance.

This indicator measures the extent to which expenses are covered by revenues. The benchmark was comfortably achieved in the current period.

### (b) Underlying surplus ratio

		Benchmark	2015/16 \$'000	2014/15 \$'000
	Underlying Surplus / (Deficit)		3,079	3,048
<i>divided by</i>	Underlying Revenue		121,581	117,656
<i>equals</i>	Underlying Surplus ratio	0% - 2%	2.5%	2.6%

This indicator also measures the extent to which expenses are covered by revenues, by comparing the underlying surplus (or deficit) to total revenue. Again, the benchmark was exceeded in the current period.

### (c) Net financial liabilities

		Benchmark	2015/16 \$'000	2014/15 \$'000
	Cash and Cash Equivalents		36,305	40,709
<i>plus</i>	Current Receivables		5,885	6,750
<i>less</i>	Total Liabilities		(48,843)	(50,122)
<i>equals</i>	Net Financial Liabilities	> (\$120M)	(6,653)	(2,663)

This indicator measures Council's net indebtedness (the extent to which Council's liabilities could be met if all liabilities fell due at once). The above results are well within the benchmark range.

### (d) Net financial liabilities ratio

		Benchmark	2015/16 \$'000	2014/15 \$'000
	Net Financial Liabilities		(6,653)	(2,663)
<i>divided by</i>	Underlying Revenue		121,581	117,656
<i>equals</i>	Underlying Surplus ratio	> -100%	-5.5%	-2.3%

This indicator also measures Council’s net indebtedness by comparing net financial liabilities to total revenue. Again, results are well within the benchmark range.

(e) Asset sustainability ratio

	Benchmark	2015/16 \$'000	2014/15 \$'000
<i>divided by</i> Asset renewal capital expenditure		23,778	23,391
Depreciation expense		18,444	17,450
<i>equals</i> Asset sustainability ratio	100%	128.9%	134.0%

This indicator measures the extent to which assets are being renewed as they wear out. For a relatively young asset portfolio the benchmark may be quite low, whereas for an older asset portfolio the benchmark may be greater than 100%. The above results indicate that Council is sufficiently reinvesting in its assets.

(f) Asset consumption ratio

		Benchmark	2015/16 \$'000	2014/15 \$'000
<i>Plant &amp; Equipment</i>				
	Depreciated Replacement Cost		18,463	16,694
<i>divided by</i>	Current Replacement Cost		34,092	31,174
<i>equals</i>	Asset consumption ratio	40% - 80%	54.2%	53.6%
<i>Buildings</i>				
	Depreciated Replacement Cost		146,248	138,375
<i>divided by</i>	Current Replacement Cost		224,869	213,254
<i>equals</i>	Asset consumption ratio	40% - 80%	65.0%	64.9%
<i>Land Improvements</i>				
	Depreciated Replacement Cost		18,672	19,420
<i>divided by</i>	Current Replacement Cost		43,937	43,633
<i>equals</i>	Asset consumption ratio	40% - 80%	42.5%	44.5%
<i>Infrastructure Plant</i>				
	Depreciated Replacement Cost		2,116	2,757
<i>divided by</i>	Current Replacement Cost		5,570	5,790
<i>equals</i>	Asset consumption ratio	40% - 80%	38.0%	47.6%
<i>Pipes, Drains, &amp; Rivulets</i>				
	Depreciated Replacement Cost		103,731	102,490
<i>divided by</i>	Current Replacement Cost		183,386	179,140
<i>equals</i>	Asset consumption ratio	40% - 80%	56.6%	57.2%
<i>Roads &amp; Bridges</i>				
	Depreciated Replacement Cost		178,274	177,701
<i>divided by</i>	Current Replacement Cost		386,627	377,989
<i>equals</i>	Asset consumption ratio	40% - 80%	46.1%	47.0%
<i>Other Structures</i>				
	Depreciated Replacement Cost		66,121	64,486
<i>divided by</i>	Current Replacement Cost		130,499	126,393
<i>equals</i>	Asset consumption ratio	40% - 80%	50.7%	51.0%

This indicator measures the service potential remaining in Council's existing assets. Results are predominantly within the benchmark range, and are expected to remain around the current level.

(g) Asset renewal funding ratio

	Benchmark	2015/16 \$'000	2014/15 \$'000
Planned capital renewals		574,630	606,800
<i>divided by</i> Required capital renewals		574,630	606,800
<i>equals</i> Asset renewal funding ratio	100%	100.0%	100.0%

This indicator measures Council's capacity to fund asset renewal requirements by comparing planned funding for asset renewal (as per Council's Long Term Financial Management Plan) with required funding for asset renewal (as per Council's Asset Management Plans).

The above results indicate that Council is presently planning to fund all required asset renewal over the next 20 year period.

## 47. FAIR VALUE MEASUREMENTS

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

Investment in TasWater

Investment in Equity Trust Fund

Property and infrastructure

- Land
- Buildings
- Roads, Footpaths and Drainage
- Bridges
- Other infrastructure

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

Council also has assets measured at fair value on a non-recurring basis as a result of being reclassified as assets held for sale. These comprise land as disclosed in note 20. A description of the valuation techniques and the inputs used to determine the fair value of this land is included below under the heading 'Land held for sale'.

### (a) Fair Value Hierarchy

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

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

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

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's infrastructure assets, which are of a specialist nature for which there is no active market for identical or similar assets. These assets are valued using a combination of observable and unobservable inputs.



2015/16					
	Note	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<u>Recurring fair value measurements</u>					
Investment in TasWater	12	-	-	163,612	163,612
Land	23	-	863,718	-	863,718
Buildings	23	-	-	146,248	146,248
Land Improvements	24	-	-	18,672	18,672
Infrastructure Plant	25	-	-	2,116	2,116
Pipes, Drains and Rivulets	26	-	-	103,731	103,731
Roads and Bridges	27	-	-	178,274	178,274
Other Structures	28	-	-	66,121	66,121
Capital Work in Progress	29	-	-	35,964	35,964
Other	30	-	-	830	830
		-	<b>863,718</b>	<b>715,568</b>	<b>1,579,286</b>
<u>Non-recurring fair value measurements</u>					
Assets held for sale	20	-	775	-	775
		-	<b>775</b>	-	<b>775</b>
2014/15					
	Note	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<u>Recurring fair value measurements</u>					
Investment in TasWater	12	-	-	160,874	160,874
Land	23	-	179,749	-	179,749
Buildings	23	-	-	138,375	138,375
Land Improvements	24	-	-	19,420	19,420
Infrastructure Plant	25	-	-	2,757	2,757
Pipes, Drains and Rivulets	26	-	-	102,490	102,490
Roads and Bridges	27	-	-	177,701	177,701
Other Structures	28	-	-	64,486	64,486
Capital Work in Progress	29	-	-	28,137	28,137
Other	30	-	-	802	802
		-	<b>179,749</b>	<b>695,042</b>	<b>874,791</b>
<u>Non-recurring fair value measurements</u>					
Assets held for sale	20	-	-	-	-
		-	-	-	-

### Transfers between levels of the hierarchy

Council's policy is to recognise transfers in and out of the fair value hierarchy levels as at the date of the event or change in circumstances that caused the transfer.

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

(b) Highest and best use

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

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

### **Investment in TasWater**

Refer to note 12 for details of valuation techniques used to derive fair values.

Land under roads has been valued

### **Land**

Fair values for land were determined by the Valuer-General effective 1 July 2014.

Land under roads is valued by individual roads using the Valuer-General's rate for the property class surrounding the road provided to LGAT in July 2014.

### **Land held for sale**

Land classified as held for sale during the reporting period was measured at the lower of its carrying amount and fair value less costs to sell at the time of reclassification. The fair value of the land was determined using the approach described in the preceding paragraph.

### **Buildings**

Council derives fair value for buildings based on advice received from qualified independent valuers in the form of: -

- Unit replacement cost (rate / m<sup>2</sup>) for comparable modern equivalent building types applied to the dimensions of the current asset,
- Where there is a market for selected buildings, market value taking into account any heritage listings, and
- Quantity Surveyor estimates of replacement value of selected buildings which have unique characteristics.

Council has received advice from the following licensed Property Valuers and Quantity Surveyors: -

- Opteon – (Richard Steedman API 40071 and William Reynolds API 40064)
- WT Partnership
- Exsto Management

Based on the values received against the range of buildings and buildings types under Council's control, the lowest value was used in each case to establish fair value.

The level of accumulated depreciation has been established based on the age of the building in relation to the expected useful life of the structure component of each building. Residual values are not applied to buildings.

### **Infrastructure assets**

All infrastructure assets have been valued using written down current replacement cost. This valuation comprises the asset's current replacement cost (CRC) less accumulated depreciation calculated on the basis of such cost to reflect the already consumed or expired future economic benefits of the asset. Council first determined the gross cost of replacing the full service

potential of the asset and then adjusted this amount to take account of the expired service potential of the asset.

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

Council distinguishes significant asset types within its asset register for detailed review and consideration by its Financial Asset Information Review Panel. Significant asset types account for more than 80% of the total value of the asset register, and these are aligned with approximately 60 of the 2,000 asset types identified. The remaining non-significant asset types are either indexed or adjusted separately where evidence is available to support alternative levels of adjustment.

The unit rates (labour and materials) and quantities applied to determine the CRC of a significant asset type were based on a "Brownfield" assumption meaning that the CRC was determined as the full cost of replacement with a modern equivalent asset type considering typical site conditions, restrictions and extent of works. Residual values are not applied to infrastructure assets.

The level of accumulated depreciation for infrastructure assets is determined based (as the default) on the age of the asset and the standard life aligned with the corresponding asset type. A program to adjust the default expiry date when the assets are listed for renewal on the current works program is gradually being implemented.

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

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

## **Roads & Bridges**

### **Sealed Road, Gravel Roads, Footpaths, Kerb & Gutter**

Council categorises its road infrastructure by an urban hierarchy classification. Roads are managed in segments which generally extend from intersection to intersection. All road segments are then componentised into formation, pavement, sub-pavement and seal, kerb and channel and footpath (where applicable). Council assumes that environmental factors such as soil type, climate and topography are consistent across each segment.

CRC is based on the component dimension multiplied by a unit price; the unit price being an estimate of labour and material inputs, services costs, and overhead allocations etc. Against each road hierarchy a standard cross-section exists for the modern equivalent asset which details pavement depths, typical widths and other relevant component information to enable pricing, such as typical location and extent of works.

Prices are obtained against the modern equivalent asset specification from both internal and external sources (Adrian Grainger and Julian Hickey – Quantity Surveyors) to determine the lowest cost at which the gross future economic benefits of the asset could currently be obtained in the normal course of business.

Council has commenced benchmarking unit prices for significant asset types with like service providers as an additional source of information to establish local market expectations to determine the lowest cost.

### **Bridges**

Council does not have a large number of bridges and does not undertake replacement works frequently enough to provide reliable data for estimating actual costs.

A full valuation of bridge assets was undertaken in 2010 using input from independent consultants (Pitt & Sherry), and unit prices have been indexed since that time.

Each bridge structure is aligned with a modern equivalent asset type which defines the replacement structure and associated bridge components. CRC is calculated as the unit price multiplied by the deck area of each existing bridge.

**Cycleways & Tracks**

Council has one cycleway and some one hundred and fifty kilometres of walking tracks. The cycleway is sufficiently similar to a concrete footpath to be able to determine a CRC on that basis. Sufficient work is carried out internally on the walking tracks to be able to determine a CRC based on recent actual projects and future project estimates.

**Pipes Drains & Rivulets**

Pipes Drains & Rivulets are grouped by stormwater catchment areas and contain all of those pipes, pits, manholes, inlets, outlets and constructed rivulets managing Hobart’s stormwater along with the irrigation systems serving the city parks and the few remaining water and sewer assets relating solely to Council operations.

For stormwater pipes and built rivulets the Current Replacement Cost is based on the asset dimension multiplied by a unit price; the unit price being an estimate of labour and material inputs, services costs, and overhead allocations etc. For each pipe size and for standard rivulet lining a modern equivalent definition exists for which prices are obtained from both internal and external sources to determine the lowest cost at which the gross future economic benefits of the asset could currently be obtained in the normal course of business. For the irrigation systems and the sewer and water mains the Current Replacement Cost is based on the asset dimension multiplied by a unit price; the unit price being an estimate of labour and material inputs, services costs, and overhead allocations etc determined by the Asset Manager.

**Other Infrastructure**

A diverse range of asset types comprise “other infrastructure” including Land Improvements, Infrastructure Plant and Other Structures. Assets are revalued on a cyclic basis with a frequency of between three and five years. Unit rates are reviewed internally with a range of criteria (including recent costs, local knowledge, indexing rates, etc) used as the basis for updating. The CRC for these assets is then calculated as the unit rate multiplied by the asset quantity.

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

(d) Unobservable inputs and sensitivities

Asset / Liability category	Carrying amount (at fair value)	Key unobservable inputs	Input value	Description of how changes in inputs will affect the fair value
Car Parks	\$69.693 million	Useful life	150 years	The higher the useful life, the higher the fair value
Car Parks	\$69.693 million	Unit price per car space	\$28,800	The higher the unit price, the higher the fair value
Concrete kerb and channel	\$49.190 million	Useful life	75 years	The higher the useful life, the higher the fair value
Concrete kerb	\$49.190 million	Unit price per	\$140.54	The higher the unit price,

and channel		metre		the higher the fair value
Aquatic Centre	\$22.558 million	Useful life	50 years	The higher the useful life, the higher the fair value
Aquatic Centre	\$22.558 million	Unit price per square metre	\$4,417.50	The higher the unit price, the higher the fair value
Hotmix footpaths	\$15.596 million	Useful life	35 years	The higher the useful life, the higher the fair value
Hotmix footpaths	\$15.596 million	Unit price per square metre	\$73.80	The higher the unit price, the higher the fair value
300mm road formation	\$15.969 million	Unit price per square metre	\$9.45	The higher the unit price, the higher the fair value
Retaining wall - 2 metres high	\$12.277 million	Useful life	100 years	The higher the useful life, the higher the fair value
Retaining wall - 2 metres high	\$12.277 million	Unit price per square metre	\$1,170.59	The higher the unit price, the higher the fair value
Retaining wall – 1 – less than 2 metres high	\$12.152 million	Useful life	100 years	The higher the useful life, the higher the fair value
Retaining wall – 1 – less than 2 metres high	\$12.152 million	Unit price per square metre	\$1,559.98	The higher the unit price, the higher the fair value
Small grandstands	\$11.988 million	Useful life	120 years	The higher the useful life, the higher the fair value
Small grandstands	\$11.988 million	Unit price per seat	\$2,500.00	The higher the unit price, the higher the fair value
Office buildings	\$10.899 million	Useful life	150 years	The higher the useful life, the higher the fair value
Office buildings	\$10.899 million	Unit price per square metre	\$2,750.00	The higher the unit price, the higher the fair value
Concrete footpaths	\$10.877 million	Useful life	75 years	The higher the useful life, the higher the fair value
Concrete footpaths	\$10.877 million	Unit price per square metre	\$99.18	The higher the unit price, the higher the fair value

Council's investment in TasWater is valued at its fair value at balance date. Fair value was determined by using Council's ownership interest against the water corporation's net asset value at balance date. At 30 June 2016, Council continued to hold a 10.39% ownership interest in TasWater which is based on schedule 2 of the Corporation's Constitution which reflects the Council's voting rights. Any unrealised gains and losses are recognised through the Statement of Other Comprehensive Income to a Fair value reserve each year. (Refer note 11).

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

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

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

The changes in level 3 assets with recurring fair value measurements are detailed in note 21 (Property, Plant and Equipment). There have been no transfers between level 1, 2 or 3 measurements during the year.

(f) Valuation processes

Council's current policy for the valuation of property, plant and equipment, and investment in TasWater (recurring fair value measurements) is set out in notes 1(k) and 12 respectively.

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

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

Council has assets and liabilities which are not measured at fair value, but for which fair values are disclosed in other notes (refer note 18).

Council loans are measured at amortised cost with interest recognised in profit or loss when incurred. The fair value of loans disclosed in note 18 is provided by each lender (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).

## 48. SIGNIFICANT BUSINESS ACTIVITIES

Pursuant to section 84(2)(da) of the *Local Government Act 1993*, Council identified 'Water Supply' and 'Sewerage' as significant business activities. As a result of statewide water and sewerage reforms taking effect on 1 July 2009, Council ceased providing these services on that date.

Council has also identified Off-street Parking, On-street Parking, Doone Kennedy Hobart Aquatic Centre (DKHAC) and the Tasmanian Travel and Information Centre (TTIC) as commercial-like undertakings. Details of each of these are set out below.

Competitive neutrality costs are costs which would have applied to the activity had it not been conducted within the umbrella of government. Therefore, from the local government perspective, such "costs" are notional only and are disclosed for information.

### Off-Street Parking

	<b>2015/16</b>	<b>2015/16</b>	<b>2014/15</b>
	<b>ACTUAL</b>	<b>BUDGET</b>	<b>ACTUAL</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
	<u>          </u>	<u>          </u>	<u>          </u>
<b>REVENUES</b>			
Rates			
User Fees and Charges	8,336	7,890	7,866
Rental Income	445	419	407
	<u><b>8,781</b></u>	<u>8,309</u>	<u>8,273</u>
<b>EXPENSES</b>			
Employee Costs	(1,018)	(1,067)	(946)
Energy Costs	(167)	(187)	(219)
Materials and Contracts	(2,759)	(2,786)	(2,679)
Depreciation	(706)	(674)	(664)
Bad debts	-	-	1
Land Tax	(283)	(295)	(282)
Engineering and Administrative Overheads	(813)	(813)	(813)
	<u><b>(5,746)</b></u>	<u>(5,822)</u>	<u>(5,602)</u>
<b>GAINS / (LOSSES)</b>			
Property Sales	-	-	1,382
	<u>-</u>	<u>-</u>	<u>1,382</u>
<b>OPERATING PROFIT / (LOSS)</b>	<b>3,035</b>	2,487	4,053
<b>COMPETITIVE NEUTRALITY COSTS</b>			
Opportunity Cost of Capital	(4,459)	(4,459)	(4,984)
Income Tax	(1,042)	(840)	(1,352)
Council Rates	(437)	(313)	(455)
	<u><b>(5,938)</b></u>	<u>(5,612)</u>	<u>(6,791)</u>

## On-Street Parking

	<b>2015/16 ACTUAL \$'000</b>	<b>2015/16 BUDGET \$'000</b>	<b>2014/15 ACTUAL \$'000</b>
<b>REVENUES</b>			
Rates			
User Fees and Charges	5,144	5,251	5,166
Fines	7,066	6,694	5,671
	<b>12,210</b>	<b>11,945</b>	<b>10,837</b>
<b>EXPENSES</b>			
Employee Costs	(3,049)	(3,259)	(3,146)
Materials and Contracts	(1,074)	(1,094)	(990)
Depreciation	(187)	(186)	(206)
Bad debts	(301)	(350)	(152)
Engineering and Administrative Overheads	(703)	(720)	(703)
	<b>(5,314)</b>	<b>(5,609)</b>	<b>(5,197)</b>
<b>GAINS / (LOSSES)</b>			
Plant and Equipment sales	5	-	-
	<b>5</b>	<b>-</b>	<b>-</b>
<b>OPERATING PROFIT / (LOSS)</b>	<b>6,901</b>	<b>6,336</b>	<b>5,640</b>
<b>COMPETITIVE NEUTRALITY COSTS</b>			
Opportunity Cost of Capital	(39)	(39)	(53)
Income Tax	(2,070)	(1,901)	(1,692)
	<b>(2,109)</b>	<b>(1,940)</b>	<b>(1,745)</b>



## Doone Kennedy Hobart Aquatic Centre

	<b>2015/16</b>	<b>2015/16</b>	<b>2014/15</b>
	<b>ACTUAL</b>	<b>BUDGET</b>	<b>ACTUAL</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>REVENUES</b>			
User Fees and Charges	4,414	4,896	4,637
Rental Income	7	19	18
Other Income	253	-	265
	<b>4,674</b>	<b>4,915</b>	<b>4,920</b>
<b>EXPENSES</b>			
Employee Costs	(2,983)	(2,831)	(2,825)
Energy Costs	(533)	(536)	(575)
Materials and Contracts	(1,794)	(1,528)	(1,691)
Insurance	(35)	-	(35)
Other	(96)	(15)	(19)
	<b>(5,441)</b>	<b>(4,910)</b>	<b>(5,145)</b>
<b>OPERATING PROFIT / (LOSS) BEFORE DEPRECIATION</b>	<b>(767)</b>	<b>5</b>	<b>(225)</b>
Depreciation	(850)	(802)	(735)
<b>OPERATING PROFIT / (LOSS)</b>	<b>(1,617)</b>	<b>(797)</b>	<b>(960)</b>
<b>COMPETITIVE NEUTRALITY COSTS</b>			
Opportunity Cost of Capital	(1,572)	(1,572)	(1,797)
Council Rates	(72)	(72)	(76)
	<b>(1,644)</b>	<b>(1,644)</b>	<b>(1,873)</b>

## Tasmanian Travel and Information Centre

	<b>2015/16</b>	<b>2015/16</b>	<b>2014/15</b>
	<b>ACTUAL</b>	<b>BUDGET</b>	<b>ACTUAL</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
	<u>          </u>	<u>          </u>	<u>          </u>
<b>REVENUES</b>			
Rates			
User Fees and Charges	844	834	817
Tasmanian Government Grant	150	150	150
Other Income	61	30	35
	<u>1,055</u>	<u>1,014</u>	<u>1,002</u>
<b>EXPENSES</b>			
Employee Costs	(850)	(827)	(745)
Materials and Contracts	(284)	(228)	(252)
Depreciation	(4)	(3)	(1)
	<u>(1,138)</u>	<u>(1,058)</u>	<u>(998)</u>
<b>OPERATING PROFIT / (LOSS)</b>	<b>(83)</b>	(44)	4
<b>COMPETITIVE NEUTRALITY COSTS</b>			
Opportunity Cost of Capital	(6)	(6)	(2)
Council Rates	(7)	(7)	(8)
	<u>(13)</u>	<u>(13)</u>	<u>(10)</u>