

FLINDERS COUNCIL ANNUAL REPORT 2018 – 2019





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Strategic Objectives

Our Vision

To retain our lifestyle and unique landscapes through positive leadership that encourages innovation, population growth, asset attraction, partnerships, and improved health and wellbeing for our Community.

Our Mission

To provide leadership, services and support which contribute to the wellbeing and sustainability of the Furneaux Community and its environment.

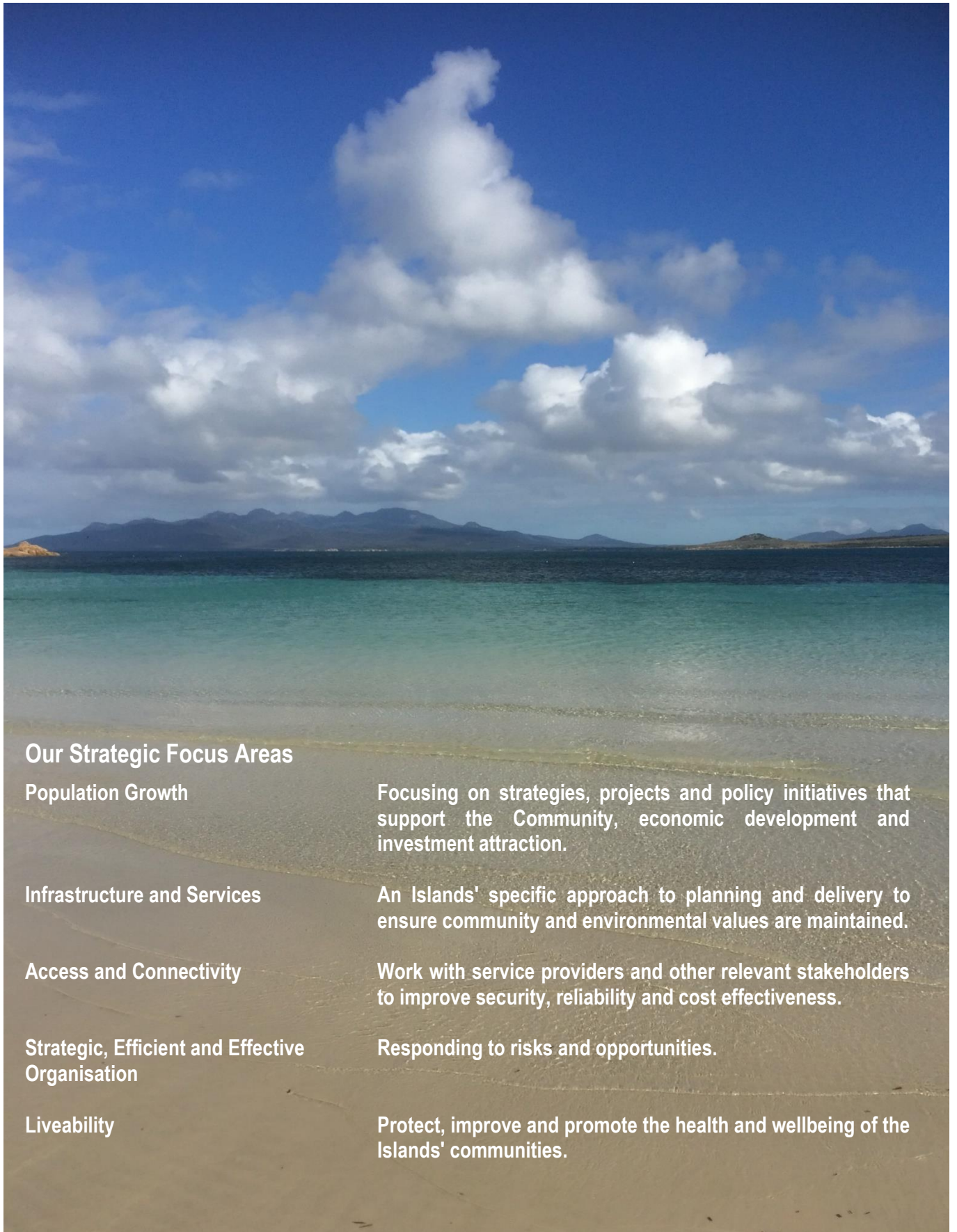
Our Core Values

Flinders Council has designed its strategies by carefully considering the Municipality's characteristics, future ambitions and underlying values. Council has continued to refine its focus to best deliver services and support the needs and ambitions of the Community.

Council remains committed to:

- ~ delivering essential services and legislative obligations;
- ~ providing a framework of plans and policy that assists the Community to progress; and
- ~ problem solving and seeking opportunities that are beneficial to the islands.

Council has defined five Strategic Focus Areas that, in combination, contribute to Flinders' preferred future.



Our Strategic Focus Areas

Population Growth

Focusing on strategies, projects and policy initiatives that support the Community, economic development and investment attraction.

Infrastructure and Services

An Islands' specific approach to planning and delivery to ensure community and environmental values are maintained.

Access and Connectivity

Work with service providers and other relevant stakeholders to improve security, reliability and cost effectiveness.

Strategic, Efficient and Effective Organisation

Responding to risks and opportunities.

Liveability

Protect, improve and promote the health and wellbeing of the Islands' communities.



Council Services

Council Office

4 Davies Street Whitemark TASMANIA 7255

All Correspondence to the General Manager
PO Box 40
Whitemark TASMANIA 7255

Office Hours

Monday to Friday 9.00am - 4.30pm
P: (03) 6359 5001
F: (03) 6359 2211
E: office@flinders.tas.gov.au

Visitor Information Centre

4 Davies Street Whitemark TASMANIA 7255
Monday to Friday 9:00am-4:30pm
P: (03) 6359 5002
F: (03) 6359 2211

After Hours Emergencies

Works & Airport Manager
M: 0427 592 069

Airport

Palana Road, Whitemark TASMANIA 7255
Weekdays 8.00am - 4.30pm
P: (03) 6359 2144
F: (03) 6359 2145
E: airport@flinders.tas.gov.au

Works Depot

21 Patrick Street, Whitemark TASMANIA 7255
Monday to Friday 8.00am - 5.00pm
P: (03) 6359 5020 / 5021
F: (03) 6359 2069



Flinders Municipality





Overview

Flinders Council is elected to represent the Community and its aspirations and needs. The Council is authorised by the *Local Government Act 1993*, as amended, to make a broad range of decisions. The scope of the Council's responsibilities includes:

- ~ allocation of resources and the determination of funding priorities;
- ~ policy determination and the establishment of corporate goals and objectives;
- ~ reviewing and monitoring performance of the Council management structure and team;
- ~ overall performance of the corporate body; and
- ~ reporting to and liaising with the Community.

Councillors

Flinders Council is represented by seven Councillors and is led by the Mayor and the Deputy Mayor. Each elected member also has delegated responsibilities for various Committees and organisations.

On the 1st of November 2018, a new Council was elected for a four year term.



Flinders Council - elected November 2018



Councillors from 1 July 2018 – 31 October 2018



**Cr Carol Cox
Mayor**

Furneaux Community Health Special
Committee
Furneaux Group Aviation Special
Committee
Furneaux Group Shipping Special
Committee
General Manager's Performance Review
Committee
Municipal Emergency Management
Committee
Local Government Association of Tasmania
Northern Tasmania Development
Corporation



**Cr Mark Cobham
Deputy Mayor**

Furneaux (Emita) Hall and Recreation
Ground Special Committee
Furneaux Group Shipping Special
Committee
Local Government Association of
Tasmania



Cr Chris Rhodes

Ideas and Innovations Committee



Cr Peter Rhodes

Furneaux Group Aviation Special
Committee
Furneaux Group Shipping
Special Committee
OTTER Customer Consultative
Committee
Flinders Island District High
School Association
Ideas and Innovations
Committee



Cr Ken Stockton

Furneaux Group Aviation
Special Committee
General Manager's
Performance Review
Committee
Ideas and Innovations
Committee



Cr David Williams

Lady Barron Hall and
Recreational Special
Committee



Cr Gerald Willis

Furneaux Community Health
Special Committee
General Manager's
Performance Review
Committee
Flinders Island Tourism and
Business Incorporated
TasWater Owners
Representative
Ideas and Innovations
Committee



Councillors from 1 November 2018 – 30 June 2019



Cr Annie Revie
Mayor

Furneaux Community Health Special Committee
Furneaux Group Aviation Special Committee
Furneaux Group Shipping Special Committee
General Manager's Performance Review Committee
Local Government Association of Tasmania
Northern Tasmania Development Corporation – Local Government Committee
War on Waste Working Group



Cr David Williams
Deputy Mayor

General Manager's Performance Review Committee
Lady Barron Hall and Recreational Special Committee
Local Government Association of Tasmania (proxy)
Municipal Emergency Management Committee (Chair)



Cr Sharon Blyth

Furneaux Group Aviation Special Committee
Furneaux Community Health Special Committee
Housing Working Party
Flinders Island Business Inc.
Safe Harbour Working Party
War on Waste Working Group



Cr Aaron Burke

Furneaux Group Shipping Special Committee
Natural Resource Management (NRM) North Association



Cr Vanessa Grace

Furneaux Group Shipping Special Committee
Housing Working Party
Natural Resource Management (NRM) North Association
Safe Harbour Working Party
War on Waste Working Group



Cr Peter Rhodes

Furneaux Group Aviation Special Committee
TasWater – Shareholder's Group
Office of the Tasmanian Economic Regulator's Customer Consultative Committee
Safe Harbour Working Party



Cr Rachel Summers

Flinders Island District High School Association
Furneaux (Emita) Hall and Recreation Ground Special Committee
General Manager's Performance Review Committee
Housing Working Party
Whitemark Community Gym Special Committee



Councillor Meeting Participation

Ordinary Meetings of Council were held on the third Thursday of each month at 1.00pm until October 2018. With the election of the new Council, meeting times changed to the third Tuesday of each month, initially at 9.00am, then at 9.30am. A list of Ordinary Meeting dates for the year ahead is available from Council Offices after the November meeting each year. Councillors also regularly attend a range of workshops in which, amongst other things, further explanatory information and training is conducted, a summary of which is recorded in the next Council Meeting Agenda following the workshop. No actual decisions are made at these workshops.

All councillors participate extensively in the performance of their duties. Attendance at council meetings is expected whereas attendance at workshops is not compulsory. The following snapshot of each elected member's participation in meetings and workshops is shown as follows:

Item	Council Meeting 4 held	Workshops 7 held	Special Meetings 1 held	Total 12 held
Mayor Cr Carol Cox	4	6	1	11
Deputy Mayor Cr Mark Cobham	3	5	1	9
Cr Chris Rhodes	4	5	1	10
Cr Peter Rhodes	2	2	1	5
Cr Ken Stockton	4	5	0	9
Cr David Williams	3	5	0	8
Cr Gerald Willis	4	5	1	10

Item	Council Meeting 8 held	Workshops 24 held	Special Meetings 2 held	Annual General Meeting 1 held	Total 35 held
Mayor Cr Annie Revie	8	24	2	1	35
Deputy Mayor Cr David Williams	8	21	2	1	32
Cr Sharon Blyth	8	20	2	1	31
Cr Aaron Burke	7	20	2	0	29
Cr Vanessa Grace	7	21	1	1	30
Cr Peter Rhodes	8	20	2	1	31
Cr Rachel Summers	7	17	1	1	26

Councillor Allowances

In accordance with section 72(1) (cb) of the *Local Government Act 1993*, Council is required to report the total allowances and expenses paid to the mayor, deputy mayor and councillors. The 2018/19 summary is as follows:

Allowances	\$97,125.00
Expenses	\$16,024.78



Management

Council performs a wide variety of functions as outlined in the following snapshot of functional operational areas.

Mayor & Councillors

General Manager

Community Economic Development	Corporate Services	Strategic Planning Development	Governance	Works Services Airport
Business Economic Development Tourism Youth Community Arts Events Community Health	Finance Rates Debtors Creditors Human Resources Customer Service Staff Health & Wellbeing WH&S Halls IT Communications Records Management	Building Planning Environmental Health Special Projects	Governance Support Communications Funerals	Roads Streets Waste Management Parks Reserves Airport Buildings Special Projects Infrastructure
Community Development Officers Casual program delivery staff on as needs basis	Financial Organisational Performance Manager (15.05.2019 – 30.06.2019) Accountant (01.07.2018 – 15.05.2019) Office Team Leader Finance Officers Corporate Services Officers Receptionists	Strategic Planning Manager (01.07.2018 – 21.03.2019) Projects and Assets Officer (EHO role) Regulatory Services Officer	Executive Officer Funeral Director	Works & Airport Manager Projects and Assets Officer Works Supervisor Workshop Coordinator Works Officers Airport Operations Officer Airport Reporting Officers (Part-time & Casual)

Council's functions are performed by a small collection of interactive staff in a range of full and part time roles. In 2018/19 there were a total of 26 full-time equivalent staff members (FTEs). Several Works Officers are also trained as Airport Reporting Officers and assist on an as needs basis. During the year a number of positions and position descriptions were changed.

Overall, all staff operate collegiately with the following Senior Management Team in place to guide Council's operation.

Governance General Manager (01.07.2018 – 31.05.2019) Acting General Manager (03.06.2019 – 30.06.2019)	Bill Boehm Heidi Marshall	Corporate Services Financial Organisational Performance Manager	Heidi Marshall
Works Services Airport Works & Airport Manager	Brian Barnewall	Strategic Planning Development Strategic Planning Manager (01.07.2018 – 21.03.2019)	Robyn Cox



The Year in Review

The following reports have been prepared in accordance with the requirements of the *Local Government Act 1993*. The reports relate to Annual Report Requirements as detailed in section 72 of the Act, Council's Annual and Strategic Plans, and the Financial Report for the year ending 30 June 2019. An overview of Council's operations and achievements during this period is also provided.





Acting Mayor's Report

I welcome you all to read this report on your council's achievements and issues arising in the financial year 2018-2019.

Unfortunately, your elected Mayor, Annie Revie, is presently unwell so this report has been delegated to me. I know that Annie would have preferred to write this herself and I hope my words will meet with her approval. Get well soon Mayor Revie!

During the year we saw a new council elected and, as well as thanking the retiring councillors for their service, I take this opportunity of saying how enthusiastic and focused our new team is. It is a pleasure to work with them. I am sure that, together with our excellent and professional staff, we are going to achieve a great deal in the coming term of office.

It would be remiss of me if I did not take this opportunity to give special thanks to the retiring Mayor, Carol Cox, who served this community so well for 11 years. We are certainly better off for your tremendous commitment, Carol, and will miss your presence at our meetings.

In June 2019 we lost our General Manager, Bill Boehm, but have been well looked after since then by Heidi Marshall in the role as Acting General Manager. Heidi has been a tremendous boon during this difficult time and I would take this opportunity of thanking her for taking up this role at such short notice.



Telstra Tower

The main focuses of the year have been the Telstra project delivering improved connectivity to



our islands (nearing completion as we write) as well as the grants we have received from the State and Federal Governments as a result of applications made for the revamp of our long airport runway (\$1.8m) and the Safe Harbour development (\$4.6m). Whilst the runway work will commence soon, we are working hard to prepare the reports required to progress the Safe Harbour project to "shovel ready" without placing council in financial difficulty with ownership or annual maintenance responsibilities.

We continued to receive excellent services connecting us to Tasmania and the Australian mainland from Furneaux Freight and Sharp Airlines which ensures that our island remains a great place to live as well as invest.

Our community services again produced wonderful results with the Furneaux Islands Festival and school holiday programs, whilst our community gyms in both Whitemark and Lady Barron have seen greater usage than had been envisaged, which is a good indication that we are all taking our health and well-being seriously.



Community Gym



The greatest challenge faced by this Council and the Community as a whole is highlighted in the Study of Economic Business and Social Structure on Tasmania's Flinders Island report we received from FTI Consulting in March 2019. The report indicates our island is likely to reach a 'tipping point' in seven years where we have too few people within the working age group to support the essential public and private island services. I really recommend that you read that report which is available on council's website or through the council office.

It is clear that we need to act quickly to address this issue and your councillors are already looking at ways in which changes can be achieved. It is not all bad news, however. It is pleasing to note that there is already a growing number of younger people developing sound businesses here, which can only be excellent for our future. We will work hard to continue to encourage this population growth.

The FTI report also highlights what we have all known for a long time – that our housing shortage requires urgent attention. We are in discussions with the State Government on this issue and we have already established a Housing Working Party

with a selection of stakeholders to progress matters.

The long outstanding State's Planning Scheme is still not finalised but we are still optimistic that our special island situation with specific issues will be recognised in the final document. Surely this will be finished in the coming twelve months.

Another area of growing concern is our need to ensure that we have long-term veterinary services on the island and again we have brought this critical issue to the attention of the State Government.

There is no doubt that our present financial situation will be a limiting factor in many areas of our operation and it will be a challenge to ensure that our resources are used to maximum benefit of our community.

I look forward to working with all councillors and staff to provide you with the best possible services within our budget restraints in the coming term.

David Williams
Acting Mayor



Mayor Revie opening the Whitemark Playground



Acting General Manager's Report

The past twelve months have been challenging for our Council, however, significant positive changes have marked this year as a milestone for progressive change. There is no doubt that our small local council continues to face the challenges of maintaining its large infrastructure and tackling the socio-economic and environmental issues.

This was the first year to be assessed against the Long-term Financial and Asset Management Strategic Plan, and I am pleased to say that we have made significant steps in delivering essential services whilst maintaining our cash objectives. We have completed the internal restructure, so we look forward to improving our services to the Community. With a new Council onboard, the key focus has been to stabilise the future cash reserves by improving the transparency of reporting and prioritising the Furneaux Islands' essential needs.

Towards the close of the year, we saw the departure of our General Manager Bill Boehm who had been instrumental in delivering many of the positive changes within Council, so I take this opportunity to acknowledge his contribution and efforts.

I would like to recognise the significant efforts of our dedicated Staff, enthusiastic and supportive Councillors, Audit Panel, and External Partners, in their commitment to servicing our community. In particular, I would like to thank our passionate Mayor Annie Revie, for her untiring efforts and genuine care for our community.

The Furneaux Group of islands is a beautiful, unique part of the world. It's oscillating weather swinging from calm sunny days to cold, wet and windy, has shaped a community that is optimistic and resilient – one that celebrates the joys and pulls together in the tough times. Despite the numerous issues we are currently presented with, I remain optimistic and feel proud to be a part of this community, so I thank the people of today and the ancestors of the past for their continued efforts to positively shape our future.

Community Economic Development

With efforts to create a robust yet sustainable economy whilst maintaining the balance of our

unique natural resources and environment, Council supports programs and projects that inspire and assist community groups and individuals to build a strong and resilient municipality.

Throughout the year we delivered:

- Four School Holiday Programs: With a strategic goal of population growth, we provide services and activities for young people that aim to attract and retain young families to the islands. Collaboration with Flinders Island Aboriginal Association Inc. and Flinders Island District High School ensures this hugely successful program continues.



School Holiday Program

- Furneaux Islands Festival: Delivery of an annual event that highlights our history, culture and community spirit, increases local participation and creative expression, provides local economic benefit and stimulates tourism.



Furneaux Islands Festival

- Support for Community Events: Arts and cultural activities are encouraged and supported with events that foster social engagement and emotional wellbeing.



During the year, Council has supported many organisations economically through grants, donations, fee waivers and in-kind support. Below is a summary of support given throughout the year.

Community Grants and Donations 2018/19	
Gunn Bequest	\$1,550
Flinders Island Womens Golf Club	\$600
Flinders Island Bowls Club	\$950
Donations	\$455
Flinders Island District High School- Dux Award	\$455
Fee Waivers and Inkind Support	\$10,300
Halls and Showgrounds hire waivers	\$8,530
Photocopying and printing	\$180
Food permit waivers	\$140
AV technician waiver	\$300
Rubbish collection waiver	\$750
Equipment Hire	\$400
Community Grants	\$7,610
Flinders Island Show Society	\$2,000
Flinders Island Sub-Branch of RSL	\$860
Friends of Bass Strait Islands	\$750
Flinders Island Sports and RSL Club	\$500
Geotrail support	\$3,500
Council Events and Programs	\$34,340
Furneaux Islands Festival	\$25,000
School Holiday Programs	\$9,340

Flinders Municipal Disadvantage

In 2018/2019 Council sought independent evaluation on the Flinders Island economic situation, and in February 2019, the report from FTI Consulting (FTI Consulting's Study of Economic Business and Social Structure on Tasmania's Flinders Island) was completed. Its findings have highlighted significant issues facing Island life and adverse future consequences if these issues are not addressed.

The overall messages are clear, and include:

- There is a quantifiable disadvantage associated with living on Flinders Island;
- Flinders Island will need to grow its population urgently if it is to sustain the amenity, quality of life and opportunity it has enjoyed in the past;
- That Flinders Island will likely reach a tipping point in seven years, in which its own population will not be able to maintain essential public and private services, because its resident working population will reduce to fewer than 472 people; and

- The cost of providing services (infrastructure related and social services) will grow and Flinders Island will become increasingly dependent on outside resourcing.

Addressing these issues will require an integrated approach, one that is reliant on a community working together to find solutions.

Priority Projects

The \$10.6 million Flinders and Cape Barren Islands Telecomms Transformation Project was scheduled for completion by the end of June 2019. 95% of the project was completed by the end of this year, with the milestone of building the Cape Barren Island Tower awaiting delivery. We are actively working with our external partners to deliver the final tower.



Telstra Tower

Since September 2017, Council had listed the construction of a Marine Access and Safe Harbour as one of the priority projects and commenced lobbying for grant funding. In February 2019 the Commonwealth Government announced that a \$4.8 million grant had been allocated for this project. This was a significant achievement by the Community and council members who have worked to attain this grant. We are grateful to the Federal Ministers for allowing us such an opportunity and are currently working towards securing the grant.

Council's major focus in the upcoming year will be to reassess and review the Strategic Plan and the Priority Projects, in line with the recommendations from the FTI Consulting Report.



Airport

Flinders Island, as the largest and most inhabited of the Furneaux Group of islands, is highly dependent on its airport. The airport is wholly owned and operated by Flinders Council which has the smallest rate base in Tasmania. The large cost of maintaining the two runways to appropriate standards places an enormous burden on council resources.



Airport terminal

At the end of this year, Council increased the passenger tax and landing fees by 20% which would impact ticket prices by approximately \$3.50 per ticket for the 19/20 financial year. The income aims to reduce 30% of our current airport operation deficit. It is unfortunate that we have had to pass some of our burden onto our operator Sharp Airlines, however, due to the significant costs to resurface the long-runway, and meet our cash obligations, this was a necessary increase. Future strategies in respect of the long-term sustainability of the airport will require the assistance of the State and Federal Governments, as it is too great a burden for Council to endure alone.

In the last four years, the airport long runway has undergone costly repairs and is in much need of an upgrade. The \$3.6 million cost estimate to upgrade the runway presented a challenge for our Council, and in 2017, it was listed as one of our priorities. In February 2019, we were very grateful to receive an Australian Government's Remote Airports Upgrade Programme (RAUP) Grant of \$1.8 million as 50% contribution to the cost, and an interest free loan of \$1.8 million from the Tasmanian State Government to aid the funding of the runway. Works will commence on the runway upgrade in February 2020.

A wallaby-proof fence around airside was completed in July (with the support of a \$50k grant from the Australian Government's Remote Airports Programme) and has been a great success with no evidence of wallabies on the airside of the airport since.



Airport wallaby-proof fence

Council has had the uptake of three private hangar leases with construction due to start in the upcoming financial year.

In conjunction with Flinders Island Business Inc., Council upgraded signage in and around the Airport, providing a welcoming display to new and repeat visitors.

Roads, Streets and Footpaths

Sealing of Palana Road has remained on Council's Priority Projects list for many years, without success of achieving a grant. The only reason that the remaining 29km of Palana Road has not had any sealing in recent years is because it is beyond the scope and feasibility of Flinders Council, due to the high costs (\$550,000 estimate for 3km of road). As it stands, there are effectively no plans to extend any sealed road within the 20-year long-term financial plan. Surely this is an untenable long-term strategy.

On a physical and logistical basis, Council is well placed, with appropriate plant and equipment and close supply of gravel, to begin a program of





sealing some roads. With Government Grants we could be supported to address this issue, so it is necessary in future to find ways to lobby for additional road funding.

In the longer term, and considering other strategic aims such as growth in tourism and population, sealing of roads will become a necessity to reduce high costs of maintaining unsealed roads, as vehicle traffic increases.

\$86k was spent this year on footpaths in Whitemark and Lady Barron to allow wheelchair access.

Council's roads, streets and footpath construction program for the last year included the following:

- ~ 16.2 km gravel road resheeting;
- ~ 2.1 km resealing;
- ~ Work on seven bridge guard rail replacements; and
- ~ Kerb and channel works on James Court.

Buildings & Facilities

Furneaux (Emita) Hall kitchen and septic upgrade works were completed at a cost of \$190k. A Tasmania Community Grant of \$81k was graciously received as contribution to the project.

Township Amenity Parks & Reserves

The Cape Barren Island Toilet and BBQ works were successfully completed this year at a cost of \$79k.

With the support from the Tasmanian Community Fund (\$81k contribution), the Whitemark Playground upgrade, which cost a total of \$145k to remove and install a new playground in Davies St for the local community, was successfully completed.



Whitemark Playground

Waste Management

The regulatory requirements in relation to environmental management and pollution control have become stricter over the last few years. The Council has therefore developed a strategy to comply with the regulations, to avoid heavy fines and adverse consequences of running out of landfill sites. The current waste option solutions are very costly for a small Council and require ongoing investment in expensive machinery.

The War on Waste (WOW) group continues to meet to develop ideas around finding island-specific waste initiatives and enabling those who wish to participate in implementing ideas to limit waste disposal at the tip site.

A new baler/compactor and a bale wrapping machine were purchased at a cost of \$127k and installed at the Whitemark tip to bale all waste prior to being deposited in the landfill cell. Once EPA approval is received, the baler will also be used to crush and bale cans and plastic for recycling off-island.



Baler/Compactor

Planning Scheme

The development of the Flinders Local Provisions Schedule (LPS) has been a lengthy 4 year process where significant work has been undertaken by our Strategic Planning Manager Robyn Cox. I would like to take this opportunity to acknowledge her considerable efforts to complete this body of work.

The final draft LPS was lodged late in the year with the Tasmanian Planning Commission for their evaluation to ensure that the Flinders Provisions align with the State's intended development approach.





The statutory process for adoption has commenced, however it is expected to be a lengthy process that will continue well into next year.

Financial Management

It is Council's responsibility to manage its large portfolio of assets and infrastructure, consider and find solutions to the major issues that face island living, such as an aging population, the shortage of affordable housing, the high access costs by air and sea, the lack of employment opportunities for the youth and the management of our hard waste and waste-water.

Operational costs versus operational income has not been in balance for some time, and basically, we have been spending beyond our means. With an expensive airport and high costs of road and waste management, future cash sustainability will be a challenge.

It is therefore Council's main financial objective to ensure that the communities' finances will be managed to provide sustainable and responsible management of the communities' resources.

Summary

Finally, once again, I would like to thank all staff for their hard work and ongoing support. Without them none of the 2018/2019 achievements would have been possible.

Indoor Team:



Zeer Parry, Jade Boyes, Heidi Marshall, Diane Walsh, Kate Blyth, Megan Boyes, Vicki Warden, Emma Egan, Rowena Nicholls, Samantha Gowthorp.

Absent: Darron Baker (10.05.2019 – 30.06.2019), Bill Boehm (01.07.2018 – 31.05.2019), Kara Hallas, Ryan Lees (13.03.2019 – 30.06.2019), Melissa Mollineaux, Daniel Pitcher (01.07.18 – 01.02.2019), Debbie Steer (07.01.2019 – 30.06.2019), Lauren

Swan, Jacci Viney and Stacey Wheatley (01.07.2018 – 25.06.2019)

Works Team:



Shane Hawkins, Brian Barnewall, Megan Morphett, Jason Robinson, Alan Rhodes, Brett Blyth, Ralph Posch and Shayne Smith.

Absent: Joel Duffy, Glen Goessing and Leigh Michell.

Airport Team:



Brian Barnewall, Donald Withers, Shayne Smith, Sean Caris, Cody Swan.

Management Team:



Heidi Marshall and Brian Barnewall

Absent: Robyn Cox (01.07.2018 – 21.03.2019)

Heid Marshall
Acting General Manager



Other Legislative Requirements

Code of Conduct Complaints

No Code of Conduct complaints were received.

Donation of Land

Council did not resolve to donate any land in accordance with Section 177 of the *Local Government Act 1993* during the 2018/19 year.

Key Management Personnel

In accordance with section 72(1)(cd) of the *Local Government Act 1993* Council is required to report the total annual remuneration, which includes salary, assessed benefits including motor vehicles, and superannuation, as applicable to employees who hold positions designated by Council as senior positions.

The 2018/19 Summary is as follows:

Remuneration Band	No. Employees
\$80,001 - \$100,000	3
\$100,001 - \$120,000	1
\$180,001 - \$200,000	1

Public Health

Council's Environmental Health Officer is responsible for the monitoring and regulation of environmentally relevant activities, whilst working to maintain a healthy community through public health programs, such as the school-based immunisation program.

One of the roles of the Environmental Health Officer is to ensure food prepared and sold within the municipal area is safe for human consumption, meets food standards and complies with the Australian Food Standards Code. This is achieved through the regular inspection of food premises, free food safety seminars and provision of advice.

There were 37 registered food businesses in the municipal area during the 2018/2019 financial year which included permanent food premises (shops) and catering permits. To provide for one-off events, 14 temporary registrations were issued.



The Environmental Health Officer is required to act as the Authorised Officer, or delegate, under the:

- *Public Health Act 1997*;
- *Food Act 2003*; and the
- *Environmental Management & Pollution Control Act 1994*.

These Acts form the head of power for other regulations and guidelines required to be adhered to.

To ensure that each Council is upholding their requirements, annual reporting is also required to be submitted to the State Government. These can be found at:


https://www.dhhs.tas.gov.au/tho/annual_reports

Within the period, Council's Environmental Health Team provided for the:

- School based immunisation program;
- Recreational Water Quality Monitoring;
- Legionella testing (warm water suppliers);
- Notifiable disease investigation;
- Private interment on land other than a cemetery;
- Food safety training; and
- On site waste water management system assessment and inspection.

Public Interest

Flinders Council is committed to the aims and objectives of the *Public Interest Disclosures Act 2002*. It does not tolerate improper conduct by its employees, officers or members, nor the taking of reprisals against those who come forward to disclose such conduct. It also recognises the value of transparency and accountability in its administrative and management practices and supports the making of disclosures that reveal corrupt conduct involving a substantial mismanagement of public resources or



conduct involving a substantial risk to public health and safety or the environment.

Flinders Council's procedures in relation to the *Public Interest Disclosures Act 2002* are available on Council's website at:

www.flinders.tas.gov.au/public-interest-disclosure.

The following is a summary of Council's Public Interest Disclosure activity during 2017/18:

- ~ There were no disclosures made to Council;
- ~ There were no public interest disclosures investigated;
- ~ There were no disclosed matters referred to Council by the Ombudsman;
- ~ There were no disclosed matters referred by Council to the Ombudsman to investigate;
- ~ There were no investigations of disclosed matters taken over by the Ombudsman from Council;
- ~ There were no disclosed matters that Council decided not to investigate; and
- ~ There were no disclosed matters that were substantiated on investigation.

Right to Information

Council received one request for information under the *Right to Information Act 2009* which was accepted for decision and the information provided in full.

Tenders & Contracts

The *Local Government (General) Regulations 2015* requires Council to report any contract for the supply or provision of goods and services valued either at above \$250k and at or above \$100k (excluding GST) during the financial year. The following are applicable:

- R L Wise of Walker St, Whitemark, Flinders Island for the supply and installation of seven kilometres of wildlife proof fencing at Flinders Island Airport, at a cost of \$105,000 (excl. GST) with a contract period of three weeks.
- Waste Initiatives of 48 Magpie St, Singleton, NSW for the supply and delivery of waste management equipment including a waste baler and bale wrapper, at a cost of \$127k (excl. GST) with a contract period of three weeks.





Progress on 2018-2019 Annual Plan Actions





Population Growth

Focusing on strategies projects and policy initiatives that support the community, economic development, innovation and investment attraction.

- The State Government completed a Housing Needs Analysis Report for Flinders Island. Council formed a Housing Working Party with a selection of community stakeholders in order to investigate the Report's recommendations.
- Flinders Council's Draft Local Provisions Schedule for the Flinders Planning Scheme, along with the Supporting Reports, Strategy Tables, Zone Conversion Tables, Maps, overlay lists and photographs and all required submission documentation, was completed and submitted to the Tasmanian Planning Commission for assessment.
- Incentives for new housing were included in the Draft Local Provisions Schedule.
- With funding from the Building Better Regions Program, the Flinders Economic Business and Social Structural Review Project was undertaken by FTI Consulting to investigate the relative disadvantage of living and working in the Flinders region. A report was completed and provided in February 2019 for Council's consideration.
- A submission was made to the State Government's 2019/20 budget process to secure Veterinarian Services for the Furneaux Group. We are still waiting for a response and will continue to lobby for this service.
- Local events and activities that promoted Flinders Island produce were supported through the provision of the Furneaux Islands Festival Market Day and Acoustic Supper.
- Flinders Island Business Inc.'s (FIBI) Destination Action Plan (DAP) Committee projects, including the Flinders Island Marina and Safe Harbour, Cafe in the North, Short Walks, Populate Flinders, Visit Flinders Island Website and Visitor Information Review, were supported through active engagement of council staff and councillors.
- Four School Holiday Programs with over 700 participants were delivered. Activities included roller blading, football clinic, kite making, movies, commando course, chef mentoring, surf school, Discovery Ranger program, Flinders Island Show entries, bush food walk, and a filmmaking workshop.
- A trial roadside Parramatta Grass treatment was conducted on two sections of Lackrana Road, in support of the agricultural sector, and remains in progress.
- A review of Council's development advisory service was conducted to determine ways to improve and streamline processes. A Building Forum was held with local building professionals and tradespeople to gain feedback on how to improve services. The partnership between Flinders and West Tamar Councils to deliver development services was reviewed with changes planned to be implemented in the 2019/20 year.
- State and federally funded development programs for small business on the Island were delivered by Van Diemen Project, e.g. Business Bootcamp and Australian Small Business Advisory Service Digital Solutions programs.



School Holiday Program



Infrastructure and Services

An Islands specific approach to planning and delivery to secure community and environmental values are maintained

- A new public toilet and a BBQ facility (\$79k) were installed on Cape Barren Island.
- Council's Asset Management Plan and Strategy were adopted by Council.
- Work is ongoing in finalising the transfer of land hosting the council offices and childcare facility, from Crown Land to Flinders Council.
- Quotes were received from consultants to develop a Stormwater Management Plan for all townships. The strategy to deal with stormwater management will be addressed in future strategic work in the upcoming year.
- Council continued to explore options for sealing Palana Road, including advocating for State ownership.
- Consultants were engaged to develop a Leachate Waste Management Plan and waste cell design. The final cell design was sent to the Environment Protection Authority (EPA) for approval.
- A new waste baler and a bale wrapping machine were purchased and installed at the Whitemark landfill site, at a cost of \$127k.
- Council partnered with Hydro Tasmania and community members on the War on Waste working group to ascertain the best waste management model for our Municipality.
- The refurbishment of the Furneaux (Emita) Hall kitchen and bar and the upgrade of the on-site waste water system were completed, at a cost of \$190k.
- Consultants were engaged to develop a design to upgrade the waste-water system at the Flinders Arts and Entertainment Centre.
- Council provided the cost of \$3.5k for precast concrete footings for signage for the Geotrail project that explores the local geological heritage of Flinders Island.



Furneaux (Emita) Hall opening



Access and Connectivity

Work Focusing on strategies projects and policy initiatives that support the community, economic development, innovation and investment attraction

- The Telecommunications Upgrade Project on Flinders and Cape Barren Islands, funded through the Commonwealth Government's Building and Better Regions program, was 95% complete with only the Cape Barren Island component remaining. The majority of Flinders Island is now enjoying 4G connectivity with increased mobile coverage and faster internet speed.
- Awarded funding from the Federal Government, under the Remote Airstrips Upgrade Program, of \$1.8 million towards a \$3.6 million foam bitumen reconstruction of the entire north-south runway. The work will be undertaken in the 2019/20 year. The State Government has agreed to provide a \$1.8 million interest free loan to assist Council in financing the upgrade.
- Plans to improve airport sustainability were implemented including adding two leased areas for car rental companies inside the terminal; leasing land for three new private general aviation hangars; and leasing land for an undercover storage facility.
- Council took over the operation of the aviation fuel facility with sales of over 33,000 litres since becoming operational.
- A wallaby-proof fence was installed around the airport. There has been no animal incursion to the airside area of the fence since its completion.
- The Commonwealth Government advised that funding had been allocated, under the Infrastructure Stream of the Building Better Regions Fund, for a \$4.8 million grant toward the construction of the Flinders Island Marine Access and Safe Harbour project. Council agreed to advance the project, subject to various conditions, and commenced discussions with TasPorts, Marine and Safety Tasmania (MAST) and the State Government to determine the best way to progress the project.
- Councillors are actively engaging with the Furneaux Group Shipping Special Committee to address issues with animal welfare. It was identified that the rubber matting used in transporting the cattle was causing the stock to slip and issues were identified in relation to the steepness of the ramp during cattle loading. These issues are at the forefront for future resolution.



North-south runway



Strategic Efficient and Effective Organisation Responding to risks and opportunities

- The 2018 Local Government Election was conducted and a new Flinders Council was elected in November 2018.
- A comprehensive post-election induction program for Councillors was developed and delivered.
- All legislative and regulatory compliance activities related to Council were met.
- The Municipal Emergency Management Plan for the Flinders Municipality was reviewed and updated and submitted to the Minister for approval.
- The Long-term Financial Management Strategies and Plans document was developed.
- Health and Safety Representatives, Fire Wardens and First Aid Officers were elected for the 2019 - 2022 period.
- A review of Council's Accident and Incident Reporting processes was conducted and an Accident and Incident/Safety Issues Register created.
- An insurance representative conducted a compliance audit of Council's Tree Management, Road Asset Management, Reserves and Open Space, Written Agreements and Contracts and provided recommendations for improvement.
- In the past year, Tasmania has faced a significant cost in respect of addressing fires in the Hobart and surrounding region. The fire risk for Flinders Island is considered to be equal to that of the rest of the state, therefore future strategies need to address ways of managing the potential risk of a major fire on the Island.
- Flinders Council's Audit Panel highlighted that one of the areas of risk that many organisations will be facing in the future is cyber security. With numerous programs launched in cloud-based platforms, a review of our systems will need to ensure that these risks are minimised.



Airport Emergency Management Exercise



Liveability

Protect, improve and promote the safety, creativity, health and wellbeing of the island's communities.

- Day-to-day management of the Primary Health Tasmania Service, through the Royal Flying Doctor Service (RFDS), was returned to RFDS as of 1 October 2018. Council and the Multi-purpose Centre remain partners in the service and worked closely with RFDS to address local needs.
- Women Get Active - Fighting Fit and the Lady Barron Let's Get Physical programs were supported through assistance with grant applications and promotion of the programs.
- Community gyms at Whitemark and Lady Barron were maintained and equipment repaired. Usage of both gyms continued to grow steadily.
- The 6th Furneaux Islands Festival was delivered on 17, 18, 19 and 20 January 2019 alongside the Furneaux Museum, Furneaux Community Arts and the Flinders Island Aboriginal Association Inc. A Tasmanian Government Australia Day Great Ideas Program Grant was received to bring Musician Lucky Oceans to the Island for the Festival. The Furneaux Islands Festival Special Committee was formed and planning commenced for the 2020 Furneaux Islands Festival.
- Community groups, businesses and organisations supported to present arts and cultural activities including promotion of Furneaux Community Arts' 'A Little Bit of Blue' puppet show; partnering with Flinders Flicks to deliver a film-making workshop as part of the School Holiday Program; assisting the Country Women's Association with flyer production and event management details for their International Women's Day event; organising Gillian Woods' Musical Afternoon Tea as a thank you from the Community for the generous donation of a LIPP upright piano to the Community; promotion of Anzac Day events on Flinders and Cape Barren Islands; and promotion of the Lions Club Le Tour de Flinders event.
- The 2018 Citizen of the Year Award was presented to Vicki Harper.
- The annual Community Grants and Gunn Bequest programs were awarded for the 2019/2020 financial year.
- Council gave financial and economic support to various community groups through community grants, donations, fee waivers and in-kind support, as detailed in the Acting General Manager's Report.
- The Whitemark Coastal Inundation Study was completed and incorporated into the Draft Local Provisions Schedule for the Finders Planning Scheme. This will be reviewed by Council in the upcoming year.
- Safety has been improved on our footpaths through an investment of \$86k to upgrade footpaths at Whitemark and Lady Barron to include wheelchair access.



Furneaux Islands Festival



Financial Report

For the Year Ended 30 June 2019



Financial Outcomes at a Glance

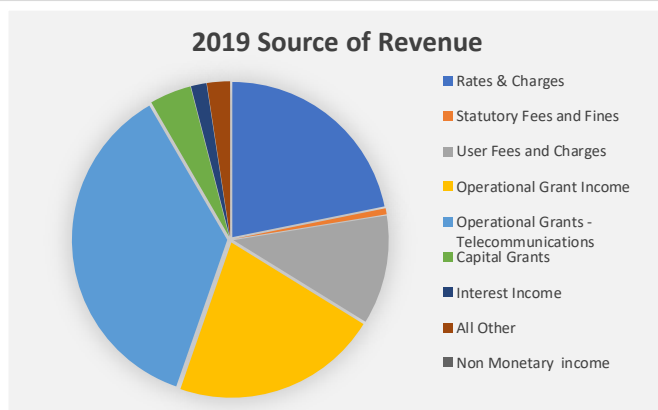
Council's Financial Report details the full suite of financial information that describe Council's operation. This audited report is presented in a format in accordance with the applicable accounting standards and is consistent with other local governments.

Statement of Comprehensive Income and Expenditure																	
Operating result																	
	2019 Budget 000's	2019 Actual 000's	2018 Actual 000's	2017 Actual 000's													
	(2,281)	(3,284)	(1,593)	(1,124)													
<div style="display: flex; justify-content: space-between;"> <div style="width: 45%;"> <p style="text-align: center;">Underlying Surplus Ratio</p> <table border="1"> <caption>Underlying Surplus Ratio Data</caption> <thead> <tr> <th>Year</th> <th>Ratio</th> </tr> </thead> <tbody> <tr> <td>2015</td> <td>-15%</td> </tr> <tr> <td>2016</td> <td>-22%</td> </tr> <tr> <td>2017</td> <td>-26%</td> </tr> <tr> <td>2018</td> <td>-20%</td> </tr> <tr> <td>2019</td> <td>-43%</td> </tr> </tbody> </table> </div> <div style="width: 50%;"> <p>The underlying surplus Ratio compares Council's Operating Income as a percentage of its Operating Expenses. The negative ratio of 43% indicates that Council generated insufficient revenue to fulfill its operating requirements, which include funding the depreciation reserve.</p> <p>The sharp decline to budget in 2019, resulting in a negative 43% is due mainly to the timings of late Income on the Telstra project which are carried into FY 1920.</p> </div> </div>						Year	Ratio	2015	-15%	2016	-22%	2017	-26%	2018	-20%	2019	-43%
Year	Ratio																
2015	-15%																
2016	-22%																
2017	-26%																
2018	-20%																
2019	-43%																
Income & Expenditure by Division - Year End 30 June 2019																	
	2018 Actual Total 000's	2019 Actual Total 000's	2019 Municipal 000's	2019 Airport 000's													
INCOME																	
Income - Operational	7,690	7,607	7,143	464													
Income - Capital Grants	573	351	192	159													
	8,263	7,958	7,335	623													
EXPENDITURE																	
Employee Costs	(2,033)	(2,174)	(1,941)	(233)													
Materials & Services	(1,860)	(1,855)	(1,635)	(220)													
Impairment of Receivables	(36)	(1)	(1)	0													
Depreciation & Amortisation (Non- Monetary)	(1,491)	(1,609)	(1,307)	(302)													
Finance Costs	(85)	(86)	(86)	0													
Other Expenses	(115)	(128)	(128)	0													
Other Expenses - Telstra Project	(3,650)	(5,000)	(5,000)	0													
	(9,270)	(10,853)	(10,098)	(755)													
Net asset adjustments - mainly Revaluations	342	505	642	(137)													
Net result	(665)	(2,390)	(2,121)	(269)													



Income	Budget 2019 000's	2019 Actual 000's	2018 Actual 000's	2017 Actual 000's
Rates and Charges tracked well to budget, with only minor variations.	1,768	1,764	1,614	1,555
Statutory Fees and Fines is 24%/\$10k above budget.	41	51	43	37
User Fees and Charges is mainly derived from Airport fees and charges which accounts for 46% and Private works which accounts for 42% of User fees in 2018/19. Actual 2019 compared to budget is 27% / \$197k above budget due to additional income from the sale of airport aviation fuel, and additional private works on minor works for the Lady Barron State Road.	721	918	931	892
Operational Grant Income is significantly above budget by 54% / \$612k. This was due to an advance payment of the Financial Assistance Grant for FY1920.	1,128	1,740	1,699	2,321
Operational Grants - Telstra Project. The Telstra Grant income was 39% /\$1850k below budget due to the delay in closing the Telstra project. The project remains open as the final milestone to build the Cape Barren Tower has not yet been completed.	4,785	2,935	3,409	0
Contributions - is above budget by \$15k due to land subdivision income for public open space contributions.	0	15	3	0
Interest income exceeded budget by 75% / \$56k.	75	131	157	88
Other Income exceeded budget by 240% / \$101k.	42	143	48	52
Investment Revenue from Water Corporation is below budget by 33% /\$18k. Future dividend income from Taswater is likely to be similar to 2019.	54	36	54	54
Capital Grants are 18% /\$77k below budget due to the Emita hall grant being received in the prior year thus overstating the budget.	428	351	573	743
Contributions - non-monetary assets.	0	0		(193)
Net Gain/(Loss) on disposal of Property, infrastructure, plant & equipment has a total loss of of \$126k write down of assets disposed. These comprise \$125k of Infrastructure-Roads and \$16k of Plant and Equipment.	30	(126)	(268)	(13)
Total Income from Continuing Operations	9,072	7,958	8,263	5,536

Sources of Income Revenue Comparison	Actual 2019	Actual 2018	Actual 2017	Actual 2016	Actual 2015
Rates & Charges	22%	20%	28%	31%	18%
Statutory Fees and Fines	1%	1%	1%	1%	1%
User Fees and Charges	12%	11%	16%	23%	9%
Operational Grant Income	22%	21%	42%	20%	29%
Operational Grants - Telecommunications	37%	41%	0%	0%	0%
Capital Grants	4%	7%	13%	18%	13%
Interest Income	2%	2%	2%	3%	3%
All Other Income	2%	1%	2%	3%	3%
Non-Monetary income	-2%	-3%	-4%	1%	23%

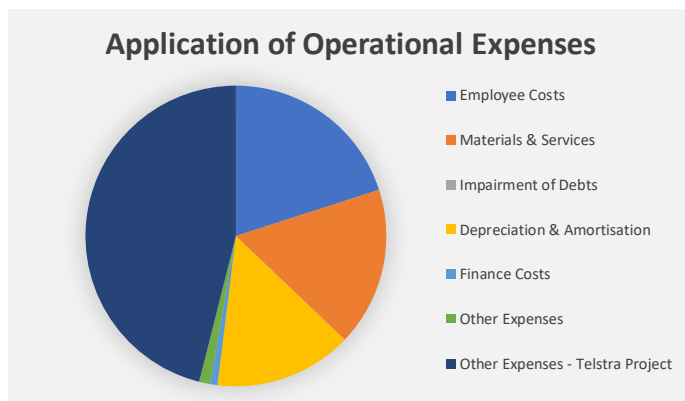


The 2019 Source of Revenue has shown minor shifts as compared to 2018. The majority of the income is still derived from the Operational Grant for the Telstra project. The project has not been completed and is awaiting the final stage of building the Cape Barron Tower.

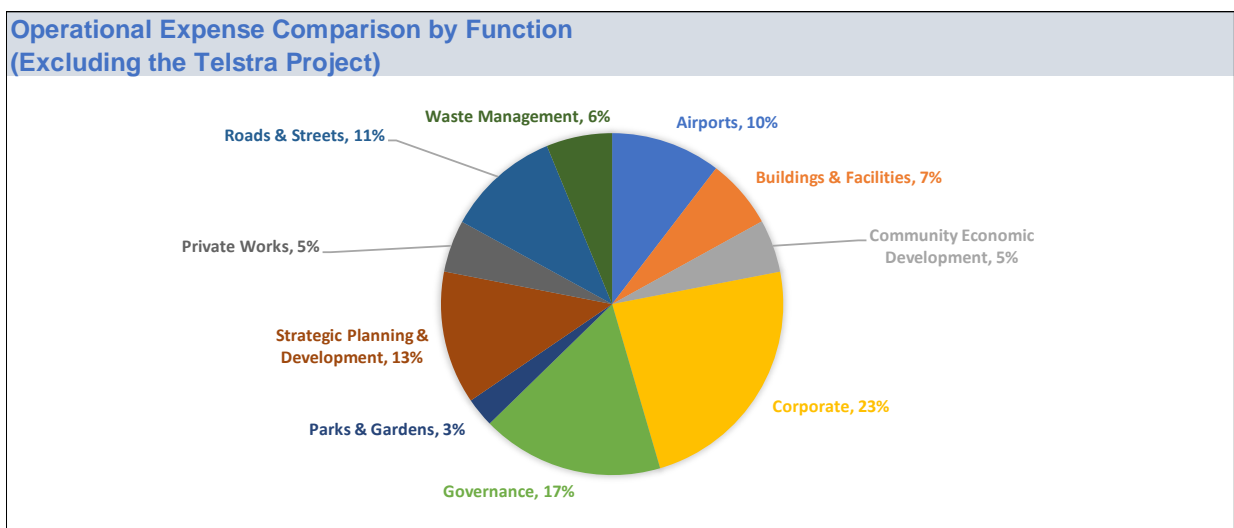


OPERATIONAL EXPENDITURE	Budget 2019 000's	2019 Actual 000's	2018 Actual 000's	2017 Actual 000's
Employee Costs is below budget by 1% /\$14k.	(2,188)	(2,174)	(2,033)	(1,967)
Materials & Services is 6% / \$114k below budget. This is due to gains achieved through plant recharges and quarry recharges for capital works on roads.	(1,969)	(1,855)	(1,860)	(1,819)
Impairment of Receivables	0	(1)	(36)	(1)
Depreciation & Amortisation is in line with budget.	(1,618)	(1,609)	(1,491)	(1,499)
Finance Costs are 15% / \$15k below budget.	(101)	(86)	(85)	(25)
Other Expenses- Auditors remuneration and Councillors' allowances	(127)	(128)	(115)	(131)
Other Expenses - Telstra Project was below budget by 7% / \$350k as the last milestone to build the Cape Barron Tower has not been completed.	(5,350)	(5,000)	(3,650)	0
Total Expenses from Continuing Operations	(11,353)	(10,853)	(9,270)	(5,442)

Application of Expenses Operation Expense Comparison	2,019	2,018	2,017	2,016	2015
Employee Costs	20%	22%	36%	38%	36%
Materials & Services	17%	20%	33%	34%	31%
Impairment of Debts	0%	0%	0%	0%	1%
Depreciation & Amortisation (Non- Monetary)	15%	16%	28%	26%	31%
Finance Costs	1%	1%	0%	0%	0%
Other Expenses	1%	1%	2%	2%	2%
Other Expenses - Telstra Project	46%	39%	0%	0%	0%



The largest proportion of expenditure in 2019 continues to be related to the Telstra project. As the project has not been completed, the Telstra expenditure will distort the ratio's for a further year.





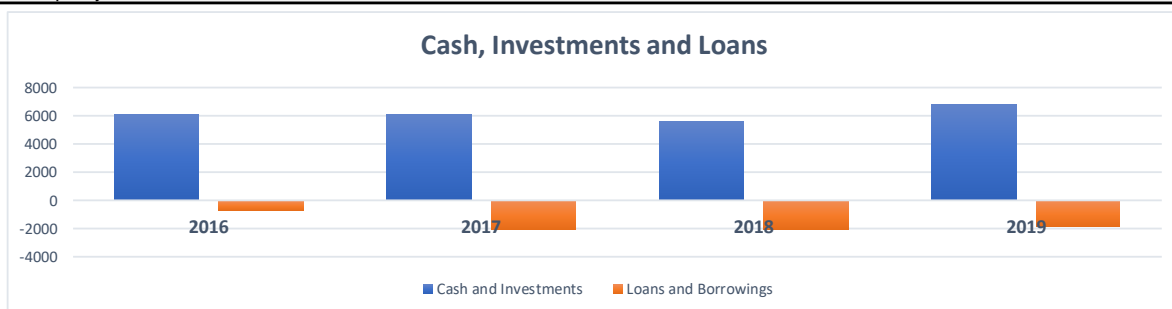
Statement of Financial Position

Statement of Financial Position Summary

		2019 000's	2018 000's	2017 000's
Assets				
Total Current Assets	-Cash, Investments, Debtors Inventories	7510	9643	6658
Total non- current assets	-Property, Infrastructure Plant and Equipment	55105	55280	55856
		62615	64923	62514
Liabilities				
Total Current Liabilities	-Creditors and Provisions	-4319	-3981	-626
Total non- current liabilities	-Loans and Borrowings	-1911	-2106	-2374
		-6230	-6087	-3000
Net Assets		56385	58836	59514
Total Equity		56385	58836	59514

Cash, Investments and Loans at 30 June 2019

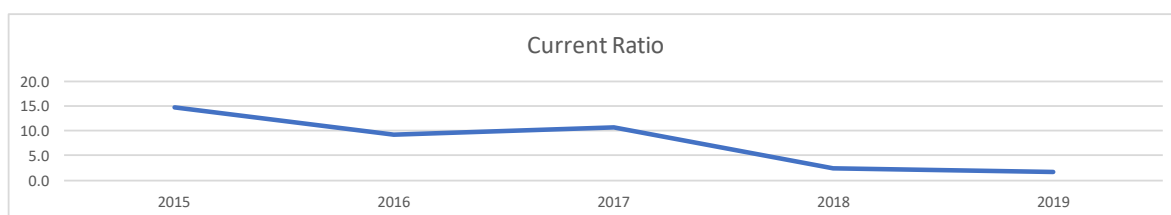
		2019 000's	2018 000's	2017 000's
Cash and cash equivalents	Cash reserves at the end of June 2019 were high due to 50% of the Federal Assistance Grant being prepaid for fiscal year 2019/2020, as well as BBRF Grant payments received for the Telstra Project, at the end of the year, which were not paid over to Telstra until July 2019.	2328	3714	4165
Financial Assets		4468	1890	1911
Cash and Investments		6796	5604	6076
Loans and Borrowings		-1848	-2057	-2094
Net Liquidity		4948	3547	3982



Working Capital

		2019 000's	2018 000's	2017 000's
Total Current Assets		7510	9643	6658
Total Current Liabilities		-4319	-3981	-626
Current Ratio		1.7	2.4	10.6

Current ratio: Current assets/ current liabilities, indicates whether a company has enough short-term assets to cover its short-term debt. A good working capital ratio is considered anything between 1.2 and 2.0. The current trend showing a decline in working capital indicates that future strategies need to ensure sufficient liquid reserves is available to maintain the normal business operations. The major reason for the decline is due to historical conversion of cash into fixed assets /infrastructure over the last four years.





Audited Report



Independent Auditor's Report

To the Councillors of Flinders Council

Report on the Audit of the Financial Report

Opinion

I have audited the financial report of Flinders Council (Council), which comprises the statement of financial position as at 30 June 2019 and statements of comprehensive income, changes in equity and cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, other explanatory notes and the statement of certification by the General Manager.

In my opinion the accompanying financial report:

- (a) presents fairly, in all material respects, Council's financial position as at 30 June 2019 and its financial performance and its cash flows for the year then ended
- (b) is in accordance with the *Local Government Act 1993* and Australian Accounting Standards.

Basis for Opinion

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

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

My audit responsibility does not extend to the budget figures included in the financial report and the asset renewal funding ratio disclosed in note 10.5(f), nor the Significant Business Activities disclosed in note 10.4 to the financial report and accordingly, I express no opinion on them.

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

Key Audit Matters

Key audit matters are those matters that, in my professional judgement, were of most significance in my audit of the financial report of the current period. These matters were addressed in the context of my audit of the financial report as a whole, and in forming my opinion thereon, and I do not provide a separate opinion on these matters.

Why this matter is considered to be one of the most significant matters in the audit	Audit procedures to address the matter included
---	--

Valuation of property and infrastructure assets

Refer to notes 3.4, 6.2 and 9.11

Property and infrastructure at 30 June 2019 includes land, buildings, roads, bridges, drainage and other infrastructure totalling \$46.50m. The fair values of land and buildings are derived from observable market information while the fair values of infrastructure assets are based on current replacement cost. Council undertakes formal revaluations of a regular basis to ensure valuations represent fair value. Between valuations Council reviews fair values to ensure the carrying amount does not differ materially. No revaluations or indexation adjustments were undertaken in 2018-19.

The calculation of depreciation requires estimation of asset useful lives, which involves a high degree of subjectivity. Changes in assumptions and depreciation policies can significantly impact the depreciation charged.

Capital expenditure in 2018-19 totalled \$1.03m on a number of significant programs to upgrade and maintain assets. Capital projects can contain a combination of enhancement and maintenance activity which are not distinct and therefore the allocation of costs between capital and operating expenditure is inherently judgemental.

- Reviewing management's approach to revaluations to ensure that carrying amounts remain fairly presented.
- Evaluating the appropriateness of the most recent valuation methodology applied to determine fair values.
- Evaluating management's assessment of the useful lives.
- Performing substantive analytical procedures on depreciation expenses.
- Testing, on a sample basis, significant expenditure on maintenance and capital works to corroborate appropriate treatment.
- Testing, on a sample basis, capital work-in-progress to ensure that active projects will result in usable assets and that assets commissioned are transferred in a timely manner.
- Evaluating the adequacy of disclosures made in the financial report, including those regarding key assumptions used.

Responsibilities of the General Manager for the Financial Report

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

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

Auditor's Responsibilities for the Audit of the Financial Report

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

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

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

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

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

From the matters communicated with the General Manager, I determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. I describe these matters in my auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, I determine that a matter should not be communicated in my report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.



Stephen Morrison
Assistant Auditor-General Financial Audit Services
Delegate of the Auditor-General

Tasmanian Audit Office

27 September 2019
Hobart



Flinders Council 2018/2019 Financial Report



Flinders Council
ANNUAL FINANCIAL REPORT
For the Year Ended 30 June 2019

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Financial Report
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Statement of Comprehensive Income For the Year Ended 30 June 2019

	Note	Budget 2019 \$'000	Actual 2019 \$'000	Actual 2018 \$'000
Income from continuing operations				
Recurrent income				
Rates and charges	2.1	1,768	1,764	1,614
Statutory fees and fines	2.2	41	51	43
User fees	2.3	721	918	931
Grants	2.4	5,913	4,675	5,108
Contributions - cash	2.5	-	15	3
Interest	2.6	75	131	157
Other income	2.7	42	143	48
Investment revenue from water corporation	2.9, 4.1	54	36	54
		8,614	7,733	7,958
Capital income				
Capital grants received specifically for new or upgraded assets	2.4	428	351	573
Contributions - non-monetary assets	2.5	-	-	-
Net gain/(loss) on disposal of property, infrastructure, plant and equipment	2.8	30	(126)	(268)
		458	225	305
Total income from continuing operations		9,072	7,958	8,263
Expenses from continuing operations				
Employee benefits	3.1	(2,188)	(2,174)	(2,033)
Materials and services	3.2	(2,096)	(1,855)	(1,860)
Impairment of receivables	3.3	-	(1)	(36)
Depreciation and amortisation	3.4	(1,618)	(1,609)	(1,491)
Finance costs	3.5	(101)	(86)	(85)
Other expenses	3.6	(5,350)	(5,128)	(3,765)
Total expenses from continuing operations		(11,353)	(10,853)	(9,270)
Result from continuing operations		(2,281)	(2,895)	(1,007)
Result from discontinued operations		-	-	-
Net result for the year		(2,281)	(2,895)	(1,007)
Other comprehensive income				
Items that will not be reclassified to surplus or deficit				
Net asset revaluation increment/(decrement)	9.1	-	-	292
		-	-	292
Items that may be reclassified subsequently to surplus or deficit				
Fair value adjustments for financial assets at fair value	9.1	-	(28)	7
Financial assets available for sale reserve				
— Fair Value adjustment on Available for Sale Assets	9.1	-	533	43
		-	505	50
Total Other Comprehensive Income		-	505	342
Total Comprehensive result		(2,281)	(2,390)	(665)

The above statement should be read in conjunction with the accompanying notes.

**Statement of Financial Position
As at 30 June 2019**

	Note	2019 \$'000	2018 \$'000
Assets			
Current assets			
Cash and cash equivalents	5.1	2,328	3,714
Trade and other receivables	5.2	603	3,951
Financial assets	5.3	4,468	1,890
Inventories	5.4	107	70
Other assets	6.1	4	18
Total current assets		7,510	9,643
Non-current assets			
Investment in water corporation	4.1	3,905	3,372
Property, plant and equipment and infrastructure	6.2	51,095	51,801
Intangible assets	6.3	40	43
Other assets	6.1	65	64
Total non-current assets		55,105	55,280
Total assets		62,615	64,923
Liabilities			
Current liabilities			
Trade and other payables	7.1	3,553	3,377
Trust funds and deposits	7.2	139	80
Provisions	7.3	352	315
Interest-bearing loans and borrowings	8.1	275	209
Total current liabilities		4,319	3,981
Non-current liabilities			
Provisions	7.3	338	258
Interest-bearing loans and borrowings	8.1	1,573	1,848
Total non-current liabilities		1,911	2,106
Total liabilities		6,230	6,087
Net Assets		56,385	58,836
Equity			
Accumulated surplus		38,880	41,835
Reserves	9.1	17,505	17,001
Total Equity		56,385	58,836

The above statement should be read in conjunction with the accompanying notes.

**Statement of Changes in Equity
For the Year Ended 30 June 2019**

	Note	Total 2019 \$'000	Accumulated Surplus 2019 \$'000	Asset Revaluation Reserve 2019 \$'000	Fair Value Reserve 2019 \$'000	Other Reserves 2019 \$'000
2019						
Balance at beginning of the financial year		58,836	41,835	13,221	(14)	3,794
Adjustment due to compliance with revised accounting standard		-	-	-	-	-
Adjustment on change in accounting policy		-	-	-	-	-
Surplus / (deficit) for the year		(2,895)	(2,895)	-	-	-
Other Comprehensive Income:						
Fair value adjustments for financial assets at fair value		(28)	-	-	(28)	-
Financial assets available for sale reserve						
— Fair Value adjustment on equity investment assets	4.1	533	-	-	533	-
Net asset revaluation increment/(decrement)	9.1	-	-	-	-	-
Transfers between reserves		(61)	(60)	-	-	(1)
Balance at end of the financial year		56,385	38,880	13,221	491	3,793
2018						
Balance at beginning of the financial year		59,514	42,854	12,929	(64)	3,795
Adjustment due to compliance with revised accounting standard		-	-	-	-	-
Adjustment on change in accounting policy		-	-	-	-	-
Surplus / (deficit) for the year		(1,007)	(1,007)	-	-	-
Other Comprehensive Income:						
Fair value adjustments for financial assets at fair value		7	-	-	7	-
Financial assets available for sale reserve						
— Fair Value adjustment on Available for Sale Assets	4.1	43	-	-	43	-
Net asset revaluation increment/(decrement)	9.1	292	-	292	-	-
Transfers between reserves		(13)	(12)	-	-	(1)
Balance at end of the financial year		58,836	41,835	13,221	(14)	3,794

The above statement should be read with the accompanying notes.

Statement of Cash Flows For the Year Ended 30 June 2019

	Note	2019 Inflows/ (Outflows) \$'000	2018 Inflows/ (Outflows) \$'000
Cash flows from operating activities			
Rates		1,728	1,661
Statutory fees and fines		51	43
User charges and other fines (inclusive of GST)		1,023	1,143
Grants (inclusive of GST)		8,158	1,699
Interest		145	145
Investment revenue from water corporation		36	54
Other receipts (inclusive of GST)		158	51
Net GST refund/payment		532	168
Payments to suppliers (inclusive of GST)		(2,193)	(2,362)
Payments to employees (including redundancies)		(2,006)	(2,028)
Finance costs		(86)	(663)
Other payments		(5,394)	(79)
Net cash provided by (used in) operating activities	9.2	2,152	(168)
Cash flows from investing activities			
Payments for property, infrastructure, plant and equipment		(1,041)	(843)
Proceeds from sale of property, infrastructure, plant and equipment		15	-
Capital grants (inclusive of GST)		364	583
Payments for intangible assets		(7)	(13)
Payments for other financial assets		-	28
Transfer to financial assets		(2,606)	-
Transfers to trust funds and deposits		(54)	-
Proceeds from sale of other financial assets		-	-
Net cash provided by (used in) investing activities		(3,329)	(245)
Cash flows from financing activities			
Proceeds from interest bearing loans and borrowings		-	-
Repayment of interest bearing loans and borrowings		(209)	(37)
Net cash provided by (used in) financing activities	8.1	(209)	(37)
Net increase (decrease) in cash and cash equivalents		(1,386)	(450)
Cash and cash equivalents at the beginning of the financial year		3,714	4,164
Cash and cash equivalents at the end of the financial year	9.4	2,328	3,714
Restrictions on cash assets	5.1	829	653
Financing arrangements	9.5	12	13

The above statement should be read in conjunction with the accompanying notes.

Note 1 Overview

1.1 Reporting entity

- (a) The Flinders Council was established on 26 February 1908 and is a body corporate with perpetual succession and a common seal. Council's main office is located at 4 Davies S, Whitemark, Tasmania.
- (b) The purpose of the Council is to:
- provide for health, safety and welfare of the community;
 - to represent and promote the interests of the community;
 - provide for the peace, order and good government in the municipality.

1.2 Basis of accounting

These financial statements are a general purpose financial report that consists of a Statement of Profit and Loss and Other Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Statement of Cash Flows, and notes accompanying these financial statements. The general purpose financial report complies with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, and the *Local Government Act 1993 (LGA1993) (as amended)*. 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.

This financial report has been prepared on the accrual and going concern basis.

All amounts are presented in Australian dollars and unless stated, have been rounded to the nearest thousand dollars.

This financial report has been prepared under the historical cost convention, except where specifically stated in notes 4.1, 5.3, 6.2, 7.3, 8.1.

Unless otherwise stated, all accounting policies are consistent with those applied in the prior year. Where appropriate, comparative figures have been amended to accord with current presentation, and disclosure has been made of any material changes to comparatives.

All entities controlled by Council that have material assets or liabilities, such as Special Committees of Management, and material subsidiaries or joint ventures, have been included in this financial report. All transactions between these entities and Council have been eliminated in full. Details of entities not included in this financial report based on their materiality are detailed in note 10.

1.3 Use of judgements and estimates

Judgements and Assumptions

In the application of Australian Accounting Standards, Council is required to make judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements. Actual results may differ from these estimates.

The 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.

Council has made no assumptions concerning the future that may cause a material adjustment to the carrying amounts of assets and liabilities within the next reporting period. Judgements made by Council that have significant effects on the financial report are disclosed in the relevant notes as follows:

Employee entitlements

Assumptions are utilised in the determination of Council's employee entitlement provisions. These assumptions are discussed in note 7.3.

Fair value of property, infrastructure, plant & equipment

Assumptions and judgements are utilised in determining the fair value of Council's property, infrastructure, plant and equipment including useful lives and depreciation rates. These assumptions are discussed in note 6.2.

Investment in water corporation

Assumptions utilised in the determination of Council's valuation of its investment in TasWater are discussed in note 4.1.

Quarry Rehabilitation

Assumptions and judgements are utilised in determining the provision are discussed in note 7.3.

Landfill / Tip Rehabilitation

Assumptions and judgements are utilised in determining the provision are discussed in note 7.3.

1.4 Functions/Activities of the Council

(a) Revenue, expenditure and assets attributable to each function as categorised in (c) below:

	Grants	Other	Total Revenue	Total Expenditure	Surplus/ (Deficit)	Assets
Government and administration						
2018-19	671	2,001	2,672	1,749	923	10,779
2017-18	610	1,547	2,157	1,602	555	9,985
Roads, streets and bridges						
2018-19	908	(125)	783	1,373	(590)	34,615
2017-18	1,395	-	1,395	1,362	33	35,007
Waste management						
2018-19	187	-	187	310	(123)	569
2017-18	-	-	-	128	(128)	558
Environmental health, building & planning services						
2018-19	53	101	154	538	(384)	-
2017-18	-	61	61	322	(261)	-
Buildings, facilities, parks & recreation						
2018-19	85	58	143	500	(357)	7,035
2017-18	82	43	125	380	(255)	6,823
Depot & plant						
2018-19	-	5	5	179	(174)	1,606
2017-18	-	(268)	(268)	746	(1,014)	1,676
Airport						
2018-19	159	464	623	745	(122)	4,106
2017-18	44	302	346	669	(323)	4,422
Community & economic development						
2018-19	29	19	48	264	(216)	-
2017-18	110	7	117	445	(328)	-
Other - not attributable						
2018-19	2,934	409	3,343	5,195	(1,852)	3,905
2017-18	3,440	890	4,330	3,616	714	6,452
Total						
2018-19	5,026	2,932	7,958	10,853	(2,895)	62,615
2017-18	5,681	2,582	8,263	9,270	(1,007)	64,923

(b) Reconciliation of Assets above with the Statement of Financial Position at 30 June:

	2019	2018
Current assets	7,510	9,643
Non-current assets	55,105	55,280
	62,615	64,923

(c) Governance and administration

Operation and maintenance of council chambers, administration offices, and councillors.

Roads, streets and bridges

Construction, maintenance and cleaning of road, streets, footpaths, bridges, parking facilities and street lighting.

Waste Management

Collection, handling, processing and disposal of all waste materials.

Environmental health, building & planning services

Environmental health includes disease control food surveillance, public-use building standards, health education and promotion, water quality, workplace safety and cemeteries. Environmental management includes strategies and programs for the protection of the environment and regulations of activities affecting the environment. Building includes the development and maintenance of building construction standards. Planning includes the administration of the town planning scheme, subdivisions and urban and rural renewal programs.

Buildings, facilities, parks & recreation

Operation and maintenance of all recreational and sporting facilities (including community halls & playgrounds). Operation and maintenance of Council owned buildings, public land and facilities to a standard expected within the local community.

Depot & plant

Operation and maintenance of all plant times, equipment, machinery, council workshop and supplies.

Airport

Operation and maintenance of the Flinders Island Airport with all required aviaional standards and procedures.

Community & economic development

Operation and support of health services, performing arts & culture, youth services and the presentation of community events. Economic Development which provides the implementation of a process and marketing support by which strategies and plans can be developed so that the Council can fulfil their general responsibility for enhancing the quality of life of the whole community.

Other - not attributable

Rates and charges and work not attributed elsewhere.

	2019 \$'000	2018 \$'000
Note 2.1 Revenue		
Note 2.1 Rates and charges		

Council uses Capital Value as the basis of valuation for all properties within the municipality.

The valuation base used to calculate general rates for 2018-19 was \$370.98 million (2017-18 \$368.81 million). The Capital Value dollar being \$0.392697 in 2018-19 (2017-18 \$0.35830).

General rates	1,692	1,534
Fire Levy	66	65
Rates and charges in advance	6	15
Total rates and charges	1,764	1,614

The date of the latest general revaluation of land for rating purposes within the municipality was 1 October 2016, and the valuation was first applied in the rating year commencing 1 July 2017.

Accounting policy

Rates and charges income

Rate income is recognised as revenue when Council obtains control over the assets comprising the receipt.

Control over assets acquired from rates is obtained at the commencement of the rating year as it is an enforceable debt linked to the rateable property or, where earlier, upon receipt of the rates.

Note 2.2 Statutory fees and fines

Infringements and costs	1	-
Town planning fees	35	28
Land information certificates	11	12
Permits	4	3
Total statutory fees and fines	51	43

Accounting policy

Statutory fee and fine income

Fees and fines (including parking fees and fines) are recognised as revenue when the service has been provided, the payment is received, or when the penalty has been applied, whichever first occurs.

Note 2.3 User fees

Community facilities hire fees	11	4
Dog registration fees	2	1
Environmental fees	6	5
Building services fees	23	16
Airport fees and charges	452	303
Department of State Growth contract	180	156
Private works	229	416
Cemetery fees	11	24
Other fees and charges	4	1
Dog registration fees received in advance	-	5
Total user fees	918	931

Accounting policy

User fee income

Fee income is recognised as revenue when the service has been provided, or the payment is received, whichever first occurs.

Note 2.4 Grants

Grants were received in respect of the following:

Summary of grants

Federally funded grants	4,276	5,202
State funded grants	750	479
Total	5,026	5,681

	2019 \$'000	2018 \$'000
Grants - Recurrent		
Commonwealth Government Financial Assistance Grants - General Purpose	332	297
Commonwealth Government Financial Assistance Grants - Roads	366	354
Commonwealth Government Financial Assistance Grants - (received in advance)	718	681
Community Health	26	107
Transport	239	257
Telstra Telecommunications Infrastructure Project	2,935	3,409
Other	59	3
Total recurrent grants	4,675	5,108

The Australian Commonwealth Government provides untied Financial Assistance Grants to Council for general purpose use and the provision of local roads. In 2018-19 the Commonwealth made early payment of the two quarterly instalments for the following year. In accordance with AASB1004 *Contributions*, Council recognises these grants as revenue when it receives the funds and obtains control. The early receipt of instalments resulted in Commonwealth Government Financial Assistance Grants being above that originally budgeted in 2018-19 by \$718,552 (2017-18 by \$681,199). This has impacted the Statement of Comprehensive Income resulting in the Surplus/(deficit) being higher in 2018-19 by \$718,552 (2017-18 by \$681,199).

Capital grants received specifically for new or upgraded assets

Commonwealth Government - roads to recovery	209	417
Airport	10	44
Marine safety & access	-	30
Emita Hall	82	-
Other	50	82
Total capital grants	351	573

Conditions on grants

Non-reciprocal grants which were obtained on the condition that they be expended for specified purposes or in a future period, but which are not yet expended in accordance with those conditions, are as follows:

Unexpended at the close of the previous reporting period	88	19
Less: expended during the current period from revenues recognised in previous reporting periods	(88)	(19)
	-	-
Plus: amounts recognised as revenues in this reporting period but not yet expended in accordance with the conditions		
Community health	6	-
Community Facilities	-	88
	6	88
Unexpended at the close of this reporting period	6	88
Net increase (decrease) in non-reciprocal grant revenues for the year:	(82)	69

Accounting policy

Grant income - operating and capital

Grant income is recognised as revenue when Council obtains control over the assets comprising the receipt.

Control over granted assets is normally obtained upon their receipt (or acquittal) or upon earlier notification that a grant has been secured, and are valued at their fair value at the date of transfer.

Where grants recognised as revenues during the financial year were obtained on condition that they be expended in a particular manner or used over a particular period and those conditions were undischarged at balance date, the unused grant is also disclosed. The note also discloses the amount of unused grant or contribution from prior years that was expended on Council's operations during the current year.

A liability is recognised in respect of revenue that is reciprocal in nature to the extent that the requisite service has not been provided at balance date and conditions include a requirement to refund unused contributions. Revenue is then recognised as the various performance obligations under an agreement are fulfilled. Council does not currently have any reciprocal grants.

Unreceived contributions over which Council has control are recognised as receivables.

Note 2.5 Contributions

(a) Cash

Parks, open space and streetscapes	15	3
Total	15	3

(b) Non-monetary assets

Land	-	-
Total	-	-

Total contributions	15	3
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2019
\$'000

2018
\$'000

Accounting policy

Contribution income

Contributions are recognised as revenue when Council obtains control over the assets comprising the receipt.

Revenue is recognised when Council obtains control of the contribution or the right to receive the contribution, it is probable that the economic benefits comprising the contribution will flow to Council and the amount of the contribution can be measured reliably. Control over granted assets is normally obtained upon their receipt (or acquittal) or upon earlier notification that a grant has been secured, and are valued at their fair value at the date of transfer.

Where contributions recognised as revenues during the financial year were obtained on condition that they be expended in a particular manner or used over a particular period and those conditions were undischarged at balance date, the unused contribution is also disclosed. The note also Unreceived contributions over which Council has control are recognised as receivables.

Non-monetary contributions (including developer contributions) with a value in excess of the recognition thresholds, are recognised as revenue and as non-current assets.

Note 2.6 Interest

Interest on financial assets	45	92
Interest on rates	42	25
Interest on cash and cash equivalents	44	40
Total	131	157

Accounting policy

Interest income

Interest is recognised progressively as it is earned.

Note 2.7 Other income

Rental income	36	14
Other	107	34
Total other income	143	48

Accounting policy

Rental income

Rents are recognised as revenue when the payment is due or the payment is received, whichever first occurs. Rental payments received in advance are recognised as a prepayment until they are due.

Other income

Other income is recognised when the payment is due or received, whichever first occurs.

Operating leases as lessor

Council is a lessor and enters into agreements with a number of lessees. These include commercial and non-commercial agreements.

Where leases are non-commercial agreements, these are generally with not for profit, such as sporting organisations. In these cases subsidised or peppercorn rents are charged because Council recognises part of its role is community service and community support. In these situations, Council records lease revenue on an accruals basis and records the associated properties as part of land and buildings within property, plant and equipment. Buildings are recognised at depreciated replacement cost.

Where leases are commercial agreements, but properties leased are part of properties predominantly used by Council for its own purposes, Council records lease revenue on an accruals basis and records the associated properties as part of land and buildings within property, plant and equipment. Buildings are recognised at depreciated replacement cost.

Where leases are commercial agreements, and properties leased are predominantly used for leasing to third parties, Council records lease revenue on an accruals basis and records the associated properties as investment property in accordance with AASB 140. These properties are recognised at fair value. These leases may include incentives which have not been recognised in the statement of financial position, on the basis the amounts are unlikely to be material and could be reliably measured at balance date.

Note 2.8 Net gain/(loss) on disposal of property, plant and equipment and infrastructure

Proceeds of sale	15	-
Write down value of assets disposed	(141)	(268)
Total	(126)	(268)

Accounting policy

Gains and losses on asset disposals

The profit or loss on sale of an asset is determined when control of the asset has irrevocably passed to the buyer.

	2019 \$'000	2018 \$'000
Note 2.9 Investment revenue from water corporation		
Dividend revenue received	19	33
Tax equivalent received	12	16
Guarantee fee received	5	5
Total investment revenue from water corporation	<u>36</u>	<u>54</u>

Accounting policy

Investment revenue

Dividend revenue is recognised when Council's right to receive payment is established and it can be reliably measured.

Note 3 Expenses

Note 3.1 Employee benefits

Wages and salaries (incl. leave)	1,925	1,758
Workers compensation	55	52
Superannuation	211	205
Fringe benefits tax	6	5
Other employee related expenses	55	81
Redundancy	-	30
	<u>2,252</u>	<u>2,131</u>
Less amounts capitalised	(78)	(98)
Total employee benefits	<u>2,174</u>	<u>2,033</u>

Accounting policy

Employee benefits

Expenses are recognised in the Statement of Comprehensive Income when a decrease in future economic benefits related to a decrease in asset or an increase of a liability has arisen that can be measured reliably.

Employee benefits include, where applicable, entitlements to wages and salaries, annual leave, sick leave, long service leave, superannuation and any other post-employment benefits.

Note 3.2 Materials and services

Consultant & contractor payments	733	792
Materials, supplies & services	585	538
Plant and equipment maintenance & operating costs	168	137
Insurance	112	98
Utilities, internet & phone	103	97
Councillors' expenses	16	17
Leases & licences	38	59
Donations & gifts	1	9
Fire service levy	63	60
Land tax	35	34
Settlement discount on rates	1	19
Total materials and services	<u>1,855</u>	<u>1,860</u>

Accounting policy

Materials and services expense

Expenses are recognised in the Statement of Profit or Loss and Other Comprehensive Income when a decrease in future economic benefits related to a decrease in asset or an increase of a liability has arisen that can be measured reliably.

Routine maintenance, repair costs, and minor renewal costs are expensed as incurred. Where the repair relates to the replacement of a component of an asset and the cost exceeds the capitalisation threshold the cost is capitalised and depreciated. The carrying value of the replaced asset is expensed.

Note 3.3 Impairment of receivables

Sundry debtors	1	36
Total impairment of receivables	<u>1</u>	<u>36</u>

	2019 \$'000	2018 \$'000
Accounting policy		
Impairment expense		
Expenses are recognised when Council has determined there to be an increase in the credit risk of a financial asset since initial recognition. Council's policy and events giving rise to impairment losses are disclosed in Note 5.2.		

Note 3.4 Depreciation and amortisation

Property

Buildings

Building improvements	84	75
Leasehold improvements	50	49
Quarries	12	12

Plant and Equipment

Plant, machinery and equipment	260	279
Fixtures, fittings and furniture	9	11

Infrastructure

Roads	777	767
Bridges	88	84
Footpaths and cycleways	33	29
Recreation, leisure and community facilities	11	-
Stormwater	5	5
Waste management	15	15
Airport infrastructure	255	155

Intangible Assets

Municipal valuation amortisation	10	10
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Total	1,609	1,491
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Accounting policy	
Depreciation and amortisation expense	
Expenses are recognised in the Statement of Profit or Loss and Other Comprehensive Income when a decrease in future economic benefits related to a decrease in asset or an increase of a liability has arisen that can be measured reliably.	
Buildings, land improvements, plant and equipment, infrastructure and other assets having limited useful lives are systematically depreciated over their useful lives to Council in a manner which reflects consumption of the service potential embodied in those assets. Estimates of remaining useful lives and residual values are made on a regular basis with major asset classes reassessed annually. Depreciation rates and methods are reviewed annually.	
Where assets have separate identifiable components that are subject to regular replacement, these components are assigned distinct useful lives and remaining values and a separate depreciation rate is determined for each component.	
Land, heritage, artwork and road earthwork assets are not depreciated on the basis that they are assessed as not having a limited useful life.	
The non-depreciation of road earthwork assets shall be reviewed at least at the end of each reporting period, to ensure that the accounting policy applied to particular earthwork assets reflects the most recent assessment of the useful lives of the assets, having regard to factors such as asset usage, physical deterioration and technical and commercial obsolescence.	
Straight line depreciation is charged based on the residual useful life as determined each year.	
Major depreciation periods used are listed below and are consistent with the prior year unless otherwise stated:	
	Period
Buildings	
buildings	50 years
Leasehold improvements	
leasehold building improvements	40-50 years
Land improvements	
quarries	10-50 years
Plant and Equipment	
plant, machinery and equipment	10-15 years
fixtures, fittings and furniture	4-10 years

	2019 \$'000	2018 \$'000
computers and telecommunications		4 years
Roads		
road seals		10-15 years
road pavement		70 years
road substructure		50 years
road formation and earthworks		not depreciated
road kerb, channel and minor culverts		50-80 years
Bridges		
bridges deck		40-80 years
bridges substructure		40-80 years
bridges guards		10 years
Other Infrastructure		
footpaths and cycleways		40 years
drainage		50-100 years
recreational, leisure and community facilities		40 years
waste management		50 years
parks, open space and streetscapes		40 years
airport		10-50 years
Intangible assets		
intangible assets		5 years

Note 3.5 Finance costs

Unwind rehabilitation provision	20	11
Interest - Borrowings	66	74
Total	86	85
Less capitalised borrowing costs on qualifying assets	-	-
Total finance costs	86	85

Accounting policy

Finance expense

Expenses are recognised in the Statement of Profit or Loss and Other Comprehensive Income when a decrease in future economic benefits related to a decrease in asset or an increase of a liability has arisen that can be measured reliably.

Finance costs are recognised as an expense in the period in which they are incurred, except where they are capitalised as part of a qualifying asset constructed by Council. Where specific borrowings are obtained for the purpose of specific asset acquisition, the weighted average interest rate applicable to borrowings at balance date, excluding borrowings associated with superannuation, is used to determine the borrowing costs to be capitalised. No borrowing costs were capitalised during the period.

Finance costs are expensed as incurred using the effective interest method. Borrowing costs include interest on bank overdrafts, interest on borrowings, unwinding of discounts, and finance lease charges.

Note 3.6 Other expenses

External auditors' remuneration (Tasmanian Audit Office)*	31	28
Councillors' allowances	97	87
Telstra Telecommunications Infrastructure Project Payments	5,000	3,650
Total other expenses	5,128	3,765

* Includes base audit fee for 2017-18 audit of \$22,850 (2016-17 \$22,000)

Accounting policy

Other expenses

Expenses are recognised in the Statement of Profit or Loss and Other Comprehensive Income when a decrease in future economic benefits related to a decrease in asset or an increase of a liability has arisen that can be measured reliably.

	2019 \$'000	2018 \$'000
Note 4 Investments		
Note 4.1 Investment in water corporation		
Opening Balance	3,372	3,329
Fair value adjustment on available for sale assets	533	43
Fair value adjustment on equity investment assets	3,905	3,372

Council has derived returns from the water corporation as disclosed at note 2.9.

Accounting policy under AASB 9 - applicable from 1 July 2018

Equity Investment

As Council's investment is held for long-term strategic purposes, Council has elected under AASB 9: *Financial Instruments* to irrevocably classify this equity investment as designated as fair value through comprehensive income. Subsequent changes in fair value on designated investments in equity instruments are recognised in other comprehensive income (for fair value reserve, refer to note 9.1) and not reclassified through the profit and loss when derecognised. Dividends associated with the equity investments are recognised in profit and loss when the right of payment has been established and it can be reliably measured.

Fair value was determined by using Council's ownership interest against the water corporation's net asset value at balance date. At 30 June 2019, Council held a 0.21% ownership interest in TasWater which is based on Schedule 2 of the Corporation's Constitution which reflects the council's voting rights.

Accounting policy under AASB 139 - applicable from 2018 comparative

Council's investment in TasWater is valued at its fair value determined by Council's ownership interest against the water corporation's net asset value at balance date. At 30 June 2018, Council held a 0.21% 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 Comprehensive Income to an Available-for-sale fair value reserve each year (refer note 9.1).

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 in TasWater is note traded in an active market and is only sensitive to fluctuations in the value of TasWater's net assets.

Note 5 Current Assets

Note 5.1 Cash and cash equivalents

Cash on hand	-	-
Cash at bank	2,302	3,190
Money market call account	26	524
Total cash and cash equivalents	2,328	3,714

Council's cash and cash equivalents are subject to a number of internal and external restrictions that limit amounts available for discretionary or future use. These include:

- Trust funds and deposits (note 7.2)	139	80
- Leave provisions (note 7.3)	383	335
- Quarry reinstatement & redevelopment provision (note 7.3)	144	94
- Landfill restoration provision (note 7.3)	163	144
Restricted funds	829	653
Total unrestricted cash and cash equivalents	1,499	3,061

Accounting policy

Cash and cash equivalents

For the purposes of the Statement of Cash Flows, cash and cash equivalents include cash on hand, deposits at call, and other highly liquid investments with original maturities of three months or less, net of outstanding bank overdrafts.

Note 5.2 Trade and other receivables

Current

Rates debtors	120	84
Other debtors*	127	3,530
Provision for impairment - other debtors	(2)	(1)
Net GST receivable	358	338
Total trade and other receivables	603	3,951

*2017/18 includes \$3,408,969 receivable from Building Better Regions Fund for the Telstra Telecommunications Infrastructure Project.

2019
\$'000

2018
\$'000

Accounting policy under AASB9 - applicable from 1 July 2018

Trade receivables that do not contain a significant financial component are measured at amortised cost, which represents their transactional value. Impairment is recognised on an expected credit loss (ECL) basis. When determining whether the credit risk has increased significantly since initial recognition, and when estimating the ECL, Council considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on Council's historic experience, an informed credit assessment and forward-looking information. Council has established a provision matrix to facilitate the impairment assessment.

For rate debtors, Council takes the view that unpaid rates represent a charge against the property that will be recovered when the property is next sold. For non-rate debtors, Council uses the presumption that assets more than 30 days past the due have a significant increase in credit risk and those more than 90 days will likely be in default. Council writes off receivables when there is information indicating that the debtor is in severe difficulty and there is no realistic prospect of recovery.

Accounting policy under AASB139 - applicable for 2018 comparative

Trade and other receivables

Receivables are carried at amortised cost using the effective interest rate method. A provision for impairment is recognised when there is objective evidence that an impairment loss has occurred. A provision for impairment on rates has not been established as unpaid rates represents a charge against the rateable property that will be recovered when the property is next sold.

Note 5.3 Financial assets

Current

Term Deposits	4,468	862
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Non-current

Managed Fund Investment	-	1,021
Fair Value adjustments in managed fund	-	7

Total investment in managed fund	<u>-</u>	<u>1,028</u>
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Total financial assets	<u>4,468</u>	<u>1,890</u>
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Accounting policy under AASB9 - applicable from 1 July 2018

Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of business model. As Council's managed funds are actively managed and their performance is evaluated on a fair value basis, these investments are mandatorily required to be measured at fair value through profit and loss.

Accounting policy under AASB139 - applicable for 2018 comparative

Managed funds are valued at fair value, being market value, at balance date. Any unrealised gains and losses on holdings at balance date are recognised as either a revenue or expense.

Note 5.4 Inventories

Inventories held for distribution	<u>107</u>	<u>70</u>
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Total inventories	<u>107</u>	<u>70</u>
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Accounting policy

Inventories

Inventories held for distribution are measured at cost adjusted when applicable for any loss of service potential. Other inventories are measured at the lower of cost and net realisable value.

Where inventories are acquired at no cost, or for nominal consideration, the cost shall be the current replacement cost as at the date of acquisition.

Note 6 Non-current assets

Note 6.1 Other assets

Current

Accrued income*	4	18
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Total	<u>4</u>	<u>18</u>
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Non-current

Other - Mineral resources bond	65	64
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Total	<u>65</u>	<u>64</u>
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* Accrued income only includes items that are reciprocal in nature.

Note 6 Non-current assets		
Note 6.2 Property, infrastructure, plant and equipment	2019	2018
	\$'000	\$'000
Summary		
at cost	7,420	7,981
Less accumulated depreciation	(2,829)	(2,612)
	<u>4,591</u>	<u>5,369</u>
at fair value as at 30 June	67,575	66,482
Less accumulated depreciation	(21,071)	(20,050)
	<u>46,504</u>	<u>46,432</u>
Total	<u>51,095</u>	<u>51,801</u>
Property		
Land		
at fair value as at 30 June	3,197	3,197
	<u>3,197</u>	<u>3,197</u>
Land under roads		
at fair value at 30 June	1,928	1,928
	<u>1,928</u>	<u>1,928</u>
Total Land	<u>5,125</u>	<u>5,125</u>
Buildings		
at fair value as at 30 June	4,583	3,745
Less accumulated depreciation	(231)	(147)
	<u>4,352</u>	<u>3,598</u>
Land improvements - quarries		
at cost as at 30 June	155	155
Less accumulated depreciation	(24)	(12)
	<u>131</u>	<u>143</u>
Leasehold improvements		
at fair value as at 30 June	403	403
Less accumulated amortisation	(38)	(29)
	<u>365</u>	<u>374</u>
at replacement cost as at 30 June	2,064	1,976
Less accumulated depreciation	(42)	-
	<u>2,022</u>	<u>1,976</u>
Total Leasehold Improvements	<u>2,387</u>	<u>2,350</u>
Total Buildings	<u>6,870</u>	<u>6,091</u>
Total Property	<u>11,995</u>	<u>11,216</u>
Plant and Equipment		
Plant, machinery and equipment		
at cost	4,025	3,926
Less accumulated depreciation	(2,526)	(2,320)
	<u>1,499</u>	<u>1,606</u>
Fixtures, fittings and furniture		
at cost	228	280
Less accumulated depreciation	(154)	(235)
	<u>74</u>	<u>45</u>
Total Plant and Equipment	<u>1,573</u>	<u>1,651</u>

Note 6.2 Property, infrastructure, plant and equipment (cont.)	2019 \$'000	2018 \$'000
Infrastructure		
Roads		
at fair value as at 30 June	40,428	40,376
Less accumulated depreciation	(13,364)	(12,794)
	<u>27,064</u>	<u>27,582</u>
Bridges		
at fair value as at 30 June	6,730	6,551
Less accumulated depreciation	(2,457)	(2,369)
	<u>4,273</u>	<u>4,182</u>
Footpaths and cycleways		
at fair value as at 30 June	1,457	1,278
Less accumulated depreciation	(573)	(551)
	<u>884</u>	<u>727</u>
Recreation, leisure and community facilities		
at cost as at 30 June	307	159
Less accumulated depreciation	(11)	-
	<u>296</u>	<u>159</u>
Drainage		
at fair value as at 30 June	452	452
Less accumulated depreciation	(117)	(113)
	<u>335</u>	<u>339</u>
Waste Management		
at cost	553	553
Less accumulated depreciation	(72)	(57)
	<u>481</u>	<u>496</u>
Airport Infrastructure		
at fair value as at 30 June	8,397	8,397
Less accumulated depreciation	(4,291)	(4,035)
	<u>4,106</u>	<u>4,362</u>
Total Infrastructure	<u>37,439</u>	<u>37,847</u>
Works in progress		
Roads at cost	-	-
Buildings at cost	-	635
Land at cost	-	-
Marine at cost	-	81
Airport at cost	-	60
Bridges at cost	-	135
Footpaths at cost	-	114
Waste management at cost	88	62
Total Works in progress	<u>88</u>	<u>1,087</u>
Total property, infrastructure, plant and equipment	<u>51,095</u>	<u>51,801</u>

Note 6.2 Property, infrastructure, plant and equipment (cont.)

Reconciliation of property, infrastructure, plant and equipment

2019	Balance at beginning of financial year	Acquisition of assets	Revaluation increments (decrements) (note 9.1)	Depreciation and amortisation (note 3.4)	Written down value of disposals	Impairment losses recognised in profit or loss (a)	Transfers	Balance at end of financial year
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Property								
land	3,197	-	-	-	-	-	-	3,197
land under roads	1,928	-	-	-	-	-	-	1,928
Total land	5,125	-	-	-	-	-	-	5,125
buildings	3,598	-	-	(84)	-	-	838	4,352
quarries	143	-	-	(12)	-	-	-	131
leasehold improvements	2,350	-	-	(50)	-	-	87	2,387
Total buildings	6,091	-	-	(146)	-	-	925	6,870
Total property	11,216	-	-	(146)	-	-	925	11,995
Plant and Equipment								
plant, machinery and equipment	1,606	169	-	(260)	(16)	-	-	1,499
fixtures, fittings and furniture	45	38	-	(9)	-	-	-	74
Total plant and equipment	1,651	207	-	(269)	(16)	-	-	1,573
Infrastructure								
roads	27,582	-	-	(777)	(115)	-	374	27,064
bridges	4,182	-	-	(88)	-	-	179	4,273
footpaths and cycleways	727	-	-	(33)	(10)	-	200	884
recreation, leisure and community facilities	159	-	-	(11)	-	-	148	296
stormwater	339	-	-	(5)	-	-	-	334
waste management	496	-	-	(15)	-	-	-	481
airport infrastructure	4,362	-	-	(255)	-	-	-	4,107
Total infrastructure	37,847	-	-	(1,184)	(125)	-	901	37,439
Works in progress								
buildings & leasehold improvements	635	290	-	-	-	-	(925)	-
marine	81	(81)	-	-	-	-	-	-
footpaths & cycleways	114	86	-	-	-	-	(200)	-
land	-	-	-	-	-	-	-	-
recreation, leisure & community facilities	-	148	-	-	-	-	(148)	-
roads	-	374	-	-	-	-	(374)	-
bridges	135	44	-	-	-	-	(179)	-
waste management	62	26	-	-	-	-	-	88
airport infrastructure	60	(60)	-	-	-	-	-	-
Total works in progress	1,087	827	-	-	-	-	(1,826)	88
Total property, infrastructure, plant and equipment	51,801	1,034	-	(1,599)	(141)	-	-	51,095

Note 6.2 Property, infrastructure, plant and equipment (cont.)

Reconciliation of property, infrastructure, plant and equipment

2018	Balance at beginning of financial year	Acquisition of assets	Revaluation increments (decrements) (note 9.1)	Depreciation and amortisation (note 3.4)	Written down value of disposals	Newly recognised assets	Transfers	Balance at end of financial year
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Property								
land	2,797	-	-	-	-	-	400	3,197
land under roads	1,928	-	-	-	-	-	-	1,928
Total land	4,725	-	-	-	-	-	400	5,125
buildings	3,503	-	-	(75)	-	-	20	3,598
quarries	-	-	-	(12)	-	-	155	143
leasehold improvements	2,300	1	-	(49)	-	-	-	2,350
Total buildings	5,803	1	-	(136)	-	-	175	6,090
Total property	10,528	1	-	(136)	-	-	575	11,216
Plant and Equipment								
plant, machinery and equipment	1,983	-	-	(279)	(98)	-	-	1,606
fixtures, fittings and furniture	50	6	-	(11)	-	-	-	45
Total plant and equipment	2,033	6	-	(290)	(98)	-	-	1,651
Infrastructure								
roads	27,935	-	-	(767)	(170)	-	585	27,582
bridges	4,266	-	-	(84)	-	-	-	4,182
footpaths and cycleways	756	-	-	(29)	-	-	-	727
recreation, leisure & community facilities	-	-	-	-	-	-	159	159
stormwater	344	-	-	(5)	-	-	-	339
waste management	498	-	-	(15)	-	-	13	496
airport infrastructure	4,225	-	292	(155)	-	-	-	4,362
Total infrastructure	38,024	-	292	(1,055)	(170)	-	757	37,847
Works in progress								
buildings	813	35	-	-	-	-	(213)	635
marine	-	9	-	-	-	-	72	81
footpaths and cycleways	7	107	-	-	-	-	-	114
land	559	(2)	-	-	-	-	(557)	-
land improvements	-	36	-	-	-	-	(36)	-
roads	20	565	-	-	-	-	(585)	-
bridges	53	82	-	-	-	-	-	135
waste management	32	43	-	-	-	-	(13)	62
airport infrastructure	112	(52)	-	-	-	-	-	60
Total works in progress	1,596	823	-	-	-	-	(1,332)	1,087
Total property, infrastructure, plant and equipment	52,181	830	292	(1,481)	(268)	-	-	51,801

Note 6.2 Property, infrastructure, plant and equipment (cont.)

Accounting policy	
Recognition and measurement of assets	
Acquisitions of assets are initially recorded at cost. Cost is determined as the fair value of the assets given as consideration plus costs incidental to the acquisition.	
Property, infrastructure, plant and equipment received in the form of contributions, are recognised as assets and revenues at fair value by Council valuation where that value exceeds the recognition thresholds for the respective asset class. Fair value is the price that would be received to sell the asset in an orderly transaction between market participants at the measurement date.	
Where assets are constructed by Council, cost includes all materials used in construction, direct labour, borrowing costs incurred during construction, and an appropriate share of directly attributable variable and fixed overheads.	
The following classes of assets have been recognised. In accordance with Council's policy, the threshold limits detailed below have applied when recognising assets within an applicable asset class and unless otherwise stated are consistent with the prior year:	
	Threshold \$'000
Land	
land	1
land under roads	1
land improvements	1
Buildings	
buildings	1
building improvements	1
leasehold building improvements	1
Plant and Equipment	
plant, machinery and equipment	1
fixtures, fittings and furniture	1
computers and telecommunications	1
leased plant and equipment	1
Roads	
road pavements and seals	1
road substructure	1
road formation and earthworks	1
road kerb, channel and minor culverts	1
Bridges	
bridges deck	1
bridges substructure	1
bridges guards	1
Other Infrastructure	
footpaths and cycleways	1
drainage	1
recreational, leisure and community facilities	1
waste management	1
parks, open space and streetscapes	1
airport	1
Intangible assets	
intangible assets	1

Note 6.2 Property, infrastructure, plant and equipment (cont.)

Revaluation

Council has adopted the following valuation bases for its non-current assets:

Land	fair value
Plant and machinery	cost
Furniture, fittings and office equipment	cost
Stormwater and drainage infrastructure	fair value
Roads and streets infrastructure	fair value
Bridges	fair value
Buildings	fair value
Intangibles	cost
Parks, recreation facilities and community amenities	cost
Leasehold improvements	fair value
Investment in water corporation	fair value
Airport	replacement cost
Waste Management	cost

Subsequent to the initial recognition of assets, non-current physical assets, other than plant and equipment, furniture, fixtures and fittings, parks, recreation facilities and community amenities are measured at their fair value or replacement cost in accordance with *AASB 116 Property, Plant & Equipment* and *AASB 13 Fair Value Measurement*. At balance date, Council reviewed the carrying value of the individual classes of assets measured at fair value to ensure that each asset class materially approximated its fair value. Where the carrying value materially differed from the fair value at balance date the class of asset was revalued.

In addition, Council undertakes a formal revaluation of land, buildings, and infrastructure assets on a regular basis to ensure valuations represent fair value. Fair value valuations are determined in accordance with a valuation hierarchy. Changes to the valuation hierarchy will only occur if an external change in the restrictions or limitations of use on an asset result in changes to the permissible or practical highest and best use of the asset.

Where the assets are revalued, the revaluation increments are credited directly to the asset revaluation reserve except to the extent that an increment reverses a prior year decrement for that class of asset that had been recognised as an expense in which case the increment is recognised as revenue up to the amount of the expense. Revaluation decrements are recognised as an expense except where prior increments are included in the asset revaluation surplus for that class of asset in which case the decrement is taken to the reserve to the extent of the remaining increments. Within the same class of assets, revaluation increments and decrements within the year are offset.

Impairment of assets

Impairment losses are recognised in the statement of comprehensive income under other expenses.

Reversals of impairment losses are recognised in the statement of comprehensive income under other revenue.

iii) Leasehold improvements

Leasehold improvements are recognised at cost and are amortised over the unexpired period of the lease or the estimated useful life of the improvement, whichever is the shorter. At balance date, leasehold improvements are amortised over a 40 to 50 year period.

Land under roads

Council recognises the value of land under roads it controls at fair value.

	2019 \$'000	2018 \$'000
Note 6.3 Intangible assets		
Municipal revaluation	40	43
Total intangible assets	<u>40</u>	<u>43</u>
Reconciliation of intangible assets	Other	Total
	\$'000	\$'000
Gross carrying amount		
Balance at 1 July 2017	48	43
Balance at 1 July 2018	61	48
Balance at 1 July 2019	<u>68</u>	<u>61</u>
Accumulated amortisation and impairment		
Balance at 1 July 2017	43	43
Amortisation expense	-	-
Balance at 1 July 2018	18	8
Amortisation expense	10	10
Balance at 1 July 2019	<u>28</u>	<u>18</u>
Net book value at 30 June 2018	<u>43</u>	<u>43</u>
Net book value at 30 June 2019	<u>40</u>	

*Final payment of \$7,000 was paid to the Office of the Valuer General during 2018/19 (2017/18 \$13,000) in relation to the 2017 Municipal Revaluation

Accounting policy	
Intangible assets	
Intangible assets with finite lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.	
The estimated useful lives for current and comparative periods are as follows:	
Municipal revaluation	6 years

	2019 \$'000	2018 \$'000
Note 7 Current liabilities		
Note 7.1 Trade and other payables		
Trade payables*	3,499	3,322
Accrued expenses	54	55
Total trade and other payables	<u>3,553</u>	<u>3,377</u>

*Includes \$3,300,000 in 2018/19 (\$3,080,000 in 2017/18) payable to Telstra for the Telecommunication Infrastructure project.

	2019	2018
Note 7.2 Trust funds and deposits		
Refundable building deposits	-	2
Refundable airport terminal deposits	2	2
Retention amounts - prepaid funerals & grave sites	48	50
Public open space	46	5
Whitemark gym	2	-
School gym	25	-
Other refundable deposits	16	21
Total trust funds and deposits	<u>139</u>	<u>80</u>

Accounting policy	
Tender deposits	
Amounts received as tender deposits and retention amounts controlled by Council are recognised as Trust funds until they are returned or forfeited.	

Note 7.3 Provisions

	Annual leave	Long service leave	Quarry restoration	Landfill restoration	Other	Total
	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000
2019						
Balance at beginning of the financial year	114	159	94	144	61	572
Additional provisions	138	82	45	-	56	321
Amounts used	(118)	(26)	(10)	-	(40)	(194)
Increase in the discounted amount arising because of time and the effect of any change in the discount rate	-	(43)	15	19	-	(9)
Balance at the end of the financial year	134	172	144	163	77	690

	Annual leave	Long service leave	Quarry restoration	Landfill restoration	Other	Total
	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000
2018						
Balance at beginning of the financial year	118	164	109	120	60	571
Additional provisions	121	68	22	-	27	238
Amounts used	(125)	(8)	(51)	-	(26)	(210)
Increase in the discounted amount arising because of time and the effect of any change in the discount rate		(65)	14	24	-	(27)
Balance at the end of the financial year	114	159	94	144	61	572

	2019	2018
	\$'000	\$'000
(a) Employee benefits		
(i) Current		
Annual leave	134	114
Long service leave	150	147
Superannuation	37	34
Other	31	20
	352	315
(ii) Non-current		
Long service leave	22	12
Oncosts	9	8
	31	20
Aggregate carrying amount of employee benefits:		
Current	352	315
Non-current	31	20
	383	335

	2019	2018
The following assumptions were adopted in measuring the present value of employee benefits:		
Weighted average increase in employee costs	3.00%	3.00%
Weighted average discount rates	2.16%	2.16%
Weighted average settlement period	12	12

	2019	2018
	\$'000	\$'000
(iii) Current		
All annual leave and the long service leave entitlements representing 10 or more years of continuous service		
- Short-term employee benefits, that fall due within 12 months after the end of the period measured at nominal	298	269
- Other long-term employee benefits that do not fall due within 12 months after the end of the period measured at present value	54	46
	352	315
(iv) Non-current		
Long service leave representing less than 10 years of continuous service measured at present value	31	20
(v) Employee Numbers		
Total number of staff (including fulltime, part-time & casual)	30	28
Full time equivalent	22	23

Note 7.3 Provisions (cont.)

Accounting policy

Employee benefits

i) Short term obligations

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be wholly settled within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liability for annual leave is recognised in the provision for employee benefits. All other short-term employee benefit obligations are presented as payables.

ii) Other long term employee benefit obligations

The liability for long service leave and annual leave which is not expected to be wholly settled within 12 months after the end of the period in which the employees render the related service is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the end of the reporting period on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

The obligations are presented as current liabilities in the statement of financial position if the entity does not have an unconditional right to defer settlement for at least twelve months after the reporting date, regardless of when the actual settlement is expected to occur.

iii) Sick leave

No accrual is made for sick leave as Council experience indicates that, on average, sick leave taken in each reporting period is less than the entitlement accruing in that period, and this experience is expected to recur in future reporting periods. Council does not make payment for untaken sick leave.

(b) Land fill restoration

Under Environmental Management and Pollution Control Act 1994 and Council's Environmental Protection Noticed, issued by the Environmental Protection Authority, Council is obligated to restore the Whitemark landfill site to a particular standard. Current engineering projections indicate that the putrescible cell at Whitemark landfill site will cease operation in 2017/18 and restoration work is expected to commence shortly thereafter, therefore no provision has been made for this work. The forecast life of the putrescible cell is based on current estimates of remaining capacity and the forecast rate of infill. Current projections indicate that the inert cell at Whitemark landfill site will continue operating until 2037 (19 years). The provision for landfill restoration has been calculated based on the present value of the expected cost of works to be undertaken, this has been inflated by the long term construction inflation rate of 3.5% and discounted using the weighted average discount rate over 18 years of 2.72%. The expected cost of works has been estimated based on current understanding of work required to reinstate the site to a suitable standard and independent specialist advice. Accordingly, the estimation of the provision required is dependent on the accuracy of the forecast timing of the work, work required and related costs.

Council does not expect to receive reimbursement from a third party.

(c) Quarry Reinstatement

Mineral Resource Tasmania requires that the initial estimate of the costs of future reinstatements of a site be recognised as part of the cost of the asset. A provision for reinstatement for Flinders Council's Quarries has been recognised and measured in accordance with AASB 137 Provision, Contingent Liabilities and Contingent Assets.

Flinders Council recognises the provision as the best estimate of the expenditure required to settle the present obligation at the reporting date. In doing so, Council has inflated the liability by the long term construction inflation rate of 3.5% and discounted using the weighted average discount rate over 5 years of 2.13% and 10 years of 2.30 %.

	2019 \$'000	2018 \$'000
(c) Other Provisions		
Non-current - quarry pit reinstatement & redevelopment	144	94
Landfill restoration	163	144
Total	<u>307</u>	<u>238</u>

Note	Non-current liabilities	2019	2018
Note 8.1	Interest-bearing loans and borrowings	\$'000	\$'000
	Current		
	Borrowings - secured	275	209
		<u>275</u>	<u>209</u>
	Non-current		
	Borrowings - secured	1,573	1,848
		<u>1,573</u>	<u>1,848</u>
	Total	<u>1,848</u>	<u>2,057</u>

Borrowings

Borrowings are with Tasmanian Public Finance Corporation for a term of 10 years with a balloon payment at the final payment.

The maturity profile for Council's borrowings is:

Not later than one year	275	209
Later than one year and not later than five years	1,220	1,448
Later than five years	353	400
Total	<u>1,848</u>	<u>2,057</u>

Accounting policy

Interest bearing liabilities

The borrowing capacity of Council is limited by the Local Government Act 1993. Interest bearing liabilities are initially recognised at fair value, net of transaction costs incurred. Subsequent to initial recognition these liabilities are measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the Statement of Profit or Loss and Other Comprehensive Income over the period of the liability using the effective interest method.

Interest is expensed as it accrues and no interest has been capitalised during the current or comparative reporting period. There have been no defaults or breaches of any loan agreement during the period. Borrowings are secured by way of mortgages over the general rates of the Council.

Leases

i) Finance leases as lessee

Council does not have any finance leases.

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

Lease income from operating leases where Council is a lessor is recognised in income on a straight-line basis over the lease term.

Note 9 Other financial information
Note 9.1 Reserves

	Balance at beginning of reporting year	Increment	(Decrement)	Balance at end of reporting year
	\$'000	\$'000	\$'000	\$'000
(a) Asset revaluation reserve				
2019				
Property				
Land	558	-	-	558
Land under roads	2	-	-	2
Buildings	1,931	-	-	1,931
	2,491	-	-	2,491
Infrastructure				
Roads	8,230	-	-	8,230
Bridges	2,120	-	-	2,120
Footpaths	68	-	-	68
Drainage	20	-	-	20
Airport	292	-	-	292
	10,730	-	-	10,730
Total asset revaluation reserve	13,221	-	-	13,221
2018				
Property				
Land	558	-	-	558
Land under roads	2	-	-	2
Buildings	1,931	-	-	1,931
	2,491	-	-	2,491
Infrastructure				
Roads	8,230	-	-	8,230
Bridges	2,120	-	-	2,120
Footpaths	68	-	-	68
Drainage	20	-	-	20
Stormwater	-	292	-	292
	10,438	292	-	10,730
Total asset revaluation reserve	12,929	292	-	13,221
The asset revaluation reserve was established to capture the movements in asset valuations upon the periodic revaluation of Council's assets.				
(b) Fair value reserve				
2019				
Equity Investment Assets				
Managed fund investment	28	44	(72)	-
Investment in water corporation	(42)	533	-	491
Total fair value reserve	(14)	577	(72)	491
2018				
Available-for-sale assets				
Managed fund investment	21	7	-	28
Investment in water corporation	(85)	43	-	(42)
Total fair value reserve	(64)	50	-	(14)
The available-for-sale financial asset reserve was established to capture the fair value movements in Council's water corporation investment and managed fund investments.				
(c) Other reserves				
2019				
Asset replacement reserves	3,686	-	-	3,686
Gunn bequest reserve	108	3	(4)	107
Total Other reserves	3,794	3	(4)	3,793
2018				
Asset replacement reserves	3,686	-	-	3,686
Gunn bequest reserve	109	-	(1)	108
Total Other reserves	3,795	-	(1)	3,794
Total Reserves			2019 \$'000	2018 \$'000
			17,505	17,001

	2019 \$'000	2018 \$'000
Note 9.2 Reconciliation of cash flows from operating activities to surplus (deficit)		
Result from continuing operations	(2,895)	(1,007)
Depreciation/amortisation	1,609	1,491
(Profit)/loss on disposal of property, plant and equipment, infrastructure	126	268
Capital grants received specifically for new or upgraded assets	(364)	(583)
<i>Change in assets and liabilities:</i>		
Decrease/(increase) in trade and other receivables	3,348	(3,509)
Decrease/(increase) in inventories	(37)	62
Decrease/(increase) in other assets	13	(15)
Increase/(decrease) in trade and other payables	176	3,110
Increase/(decrease) in employee provisions	117	2
Increase/(decrease) in trust funds	59	13
Net cash provided by/(used in) operating activities	2,152	(168)

Note 9.3 Reconciliation of liabilities arising from financing activities

Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the Statement of Cash Flows as cash flows from financing activities.

2019	Interest-bearing loans and borrowings \$'000	Lease liabilities \$'000
Balance as at 1 July 2018	2,057	-
Acquisitions / New leases	-	-
Changes in fair value	-	-
Other movements	-	-
Transfers to / (from) other Government entity	-	-
Changes from financing cash flows:		
Cash Received	-	-
Cash Repayments	(209)	-
Balance as at 30 June 2019	1,848	-

Note 9.4 Reconciliation of cash and cash equivalents

Cash and cash equivalents (see note 5.1)	2,328	3,714
Less bank overdraft	-	-
Total reconciliation of cash and cash equivalents	2,328	3,714

Note 9.5 Financing arrangements

Credit card limit	14	14
Used facilities	(2)	(1)
Unused facilities	12	13

Note 9.6 Superannuation

Council contributes to TasPlan and other accumulation schemes on behalf of a number of employees; however the Council has no ongoing responsibility to make good any deficiencies that may occur in those schemes.

During the year, Council made the required superannuation contributions for all eligible employees to an appropriate complying superannuation fund as required by the *Superannuation Guarantee (Administration) Act 1992*.

Fund	2019 \$'000	2018 \$'000
Accumulation funds		
Employer contributions to Tasplan	54	54
Employer contributions to other funds	156	156
	210	210
Employer contributions payable to Tasplan at reporting date	9	-
Employer contributions payable to other funds at reporting date	13	-
	22	-

Note 9.7 Commitments	2019 \$'000	2018 \$'000
Contractual commitments		
Contractual commitments at end of financial year but not recognised in the financial report are as follows:		
Telecommunications Infrastructure*	5,350	5,350
Total contractual commitments	5,350	5,350

*Grant funds to be received of \$4,785,000 in 2018/19 in relation to this contract.

Note 9.8 Operating leases

(a) Operating lease commitments

Flinders Council has an equipment lease with Commonwealth Bank of Australia.

At the reporting date, Council had the following obligations under non-cancellable operating leases for the lease of equipment for use within Council's activities (these obligations are not recognised as liabilities):

Not later than one year	3	3
Later than one year and not later than five years	8	11
Later than five years	-	-
	11	14

Note 9.9 Contingent liabilities and contingent assets

Contingent liabilities

The current projection for the putrecible cell at the Whitemark Landfill, is that it will require rehabilitation in the next 1-2 years. The estimated current cost for these works is \$218,196. No provision has been made for these works given that they will occur in the near future. The expected cost of works has been estimated based on current understanding of work required to reinstate the site to a suitable standard and independent specialist advice.

Accordingly, the estimation of the provision required is dependent on the accuracy of the forecast timing of the work, work required and related costs.

Note 9.10 Financial Instruments (cont.)

(a) Interest Rate Risk

The exposure to interest rate risk and the effective interest rates of financial assets and financial liabilities, both recognised and unrecognised, at balance date are as follows:

2019

	Weighted average interest rate	Floating interest rate \$'000	Fixed interest maturing in:			Non-interest bearing \$'000	Total \$'000
			1 year or less \$'000	Over 1 to 5 years \$'000	More than 5 years \$'000		
Financial assets							
Cash and cash equivalents	1.13%	2,328	-	-	-	-	2,328
Other financial assets	2.40%	-	4,468	-	-	-	4,468
Trade and other receivables	8.10%	120	-	-	-	483	603
Investment in water corporation		-	-	-	-	3,905	3,905
Total financial assets		2,448	4,468	-	-	4,388	11,304
Financial liabilities							
Trade and other payables		-	-	-	-	3,553	3,553
Trust funds and deposits		-	-	-	-	139	139
Interest-bearing loans and borrowings	3.90%	-	275	1,220	353	-	1,848
Total financial liabilities		-	275	1,220	353	3,692	5,540
Net financial assets (liabilities)		2,448	4,193	(1,220)	(353)	696	5,764

2018

	Weighted average interest rate	Floating interest rate \$'000	Fixed interest maturing in:			Non-interest bearing \$'000	Total \$'000
			1 year or less \$'000	Over 1 to 5 years \$'000	More than 5 years \$'000		
Financial assets							
Cash and cash equivalents	1.13%	3,714	-	-	-	-	3,714
Other financial assets	2.42%	-	1,890	-	-	-	1,890
Trade and other receivables	8.40%	84	-	-	-	3,867	3,951
Investment in water corporation		-	-	-	-	3,372	3,372
Total financial assets		3,798	1,890	-	-	7,239	12,927
Financial liabilities							
Trade and other payables		-	-	-	-	3,377	3,377
Trust funds and deposits		-	-	-	-	80	80
Interest-bearing loans and borrowings	3.90%	-	209	1,448	400	-	2,057
Total financial liabilities		-	209	1,448	400	3,457	5,514
Net financial assets (liabilities)		3,798	1,681	(1,448)	(400)	3,782	7,413

Note 9.10 Financial Instruments (cont.)

(b) Fair Value

The aggregate net fair values of financial assets and financial liabilities, both recognised and unrecognised, at balance date are as follows:

Financial Instruments	Total carrying amount as per Balance Sheet		Aggregate net fair value	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
<i>Financial assets</i>				
Cash and cash equivalents	2,328	3,714	2,328	3,714
Other financial assets	4,468	1,890	4,468	1,890
Trade and other receivables	603	3,951	603	3,951
Investment in water corporation	3,905	3,372	3,905	3,372
<i>Total financial assets</i>	<u>11,304</u>	<u>12,927</u>	<u>11,304</u>	<u>12,927</u>
<i>Financial liabilities</i>				
Trade and other payables	3,553	3,377	3,553	3,377
Trust funds and deposits	139	80	139	80
Interest-bearing loans and borrowings	1,848	2,057	1,848	2,057
<i>Total financial liabilities</i>	<u>5,540</u>	<u>5,514</u>	<u>5,540</u>	<u>5,514</u>

(c) Credit Risk

The maximum exposure to credit risk at balance date in relation to each class of recognised financial asset is represented by the carrying amount of those assets as indicated in the Statement of Financial Position.

(d) Risks and mitigation

The risks associated with our main financial instruments and our policies for minimising these risks are detailed below.

Market risk

Market risk is the risk that the fair value or future cash flows of our financial instruments will fluctuate because of changes in market prices. Council's exposures to market risk are primarily through interest rate risk with only insignificant exposure to other price risks and no exposure to foreign currency risk. Components of market risk to which we are exposed are discussed below.

Interest rate risk

Interest rate risk refers to the risk that the value of a financial instrument or cash flows associated with the instrument will fluctuate due to changes in market interest rates. Interest rate risk arises from interest bearing financial assets and liabilities that we use. Non derivative interest bearing assets are predominantly short term liquid assets. Our interest rate liability risk arises primarily from long term loans and borrowings at fixed rates which exposes us to fair value interest rate risk.

Our loan borrowings are sourced from major Australian banks by a tender process. Finance leases are sourced from major Australian financial institutions. Overdrafts are arranged with major Australian banks. We manage interest rate risk on our net debt portfolio by:

- ensuring access to diverse sources of funding;
- reducing risks of refinancing by managing in accordance with target maturity profiles; and
- setting prudential limits on interest repayments as a percentage of rate revenue.

We manage the interest rate exposure on our debt portfolio by appropriate budgeting strategies and obtaining approval for borrowings from the Department of Treasury and Finance each year.

Investment of surplus funds is made with approved financial institutions under the *Local Government Act 1993*. We manage interest rate risk by adopting an investment policy that ensures:

- conformity with State and Federal regulations and standards,
- capital protection,
- appropriate liquidity,
- diversification by credit rating, financial institution and investment product,
- monitoring of return on investment,
- benchmarking of returns and comparison with budget.

Maturity will be staggered to provide for interest rate variations and to minimise interest rate risk.

Note 9.10 Financial Instruments (cont.)

Credit risk

Credit risk is the risk that a contracting entity will not complete its obligations under a financial instrument and cause Council to make a financial loss. Council have exposure to credit risk on some financial assets included in our Statement of Financial Position. To help manage this risk we only invest surplus funds with financial institutions which have a recognised credit rating specified in our Investment policy.

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 policy note. 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.

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

Council may also be subject to credit risk for transactions which are not included in the Statement of Financial Position, such as when Council provides a guarantee for another party. Details of our contingent liabilities are disclosed in note 9.9.

Credit quality of contractual financial assets that are neither past due nor impaired

	Financial Institutions (AAA credit rating)	Government agencies (BBB credit rating)	Other (min BBB credit rating)	Total
2019				
Cash and cash equivalents	2,328	-	-	2,328
Trade and other receivables	-	-	603	603
Investments and other financial assets	4,468	3,905	-	8,373
Total contractual financial assets	6,796	3,905	603	11,304
2018				
Cash and cash equivalents	3,714	-	-	3,714
Trade and other receivables	-	-	3,951	3,951
Investments and other financial assets	1,890	3,372	-	5,262
Total contractual financial assets	5,604	3,372	3,951	12,927

Movement in Provisions for Impairment of Trade and Other Receivables

	2019 \$'000	2018 \$'000
Balance at the beginning of the year	1	1
New Provisions recognised during the year	1	-
Amounts already provided for and written off as uncollectible	-	-
Amounts provided for but recovered during the year	-	-
Balance at end of year	2	1

Ageing of Trade and Other Receivables

At balance date other debtors representing financial assets were past due but not impaired. These amounts relate to a number of independent customers for whom there is no recent history of default. The ageing of the Council's Trade and Other Receivables was:

	2019 \$'000	2018 \$'000
Current (not yet due)	408	3,827
Past due by up to 30 days	42	24
Past due between 31 and 180 days	21	11
Past due between 181 and 365 days	12	5
Past due by more Reconciliation of liabilities arising from financing activities	-	-
Total Trade & Other Receivables	483	3,867

Note 9.10 Financial Instruments (cont.)

Ageing of individually impaired Trade and Other Receivables

At balance date, other debtors representing financial assets with a nominal value of \$1,336 (2016-17 \$1,336) were impaired. The amount of the provision raised against these debtors was \$1,336 (2016-17 \$1,336). The individually impaired debtors relate to general and sundry debtor and have been impaired as a result of their doubtful collection. Many of the long outstanding past due amounts have been lodged with Council's debt collectors or are on payment arrangements.

The ageing of Trade and Other Receivables that have been individually determined as impaired at reporting date was:

	2019 \$'000	2018 \$'000
Current (not yet due)	-	-
Past due by up to 30 days	-	-
Past due between 31 and 180 days	-	-
Past due between 181 and 365 days	-	-
Past due by more than 1 year	2	1
Total Trade & Other Receivables	2	1

Liquidity risk

Liquidity risk includes the risk that, as a result of our operational liquidity requirements:

- we will not have sufficient funds to settle a transaction on the date;
- we will be forced to sell financial assets at a value which is less than what they are worth; or
- we may be unable to settle or recover a financial assets at all.

To help reduce these risks we:

- have readily accessible standby facilities and other funding arrangements in place;
- have a liquidity portfolio structure that requires surplus funds to be invested within various bands of liquid instruments;
- monitor budget to actual performance on a regular basis; and
- set limits on borrowings relating to the percentage of loans to rate revenue and percentage of loan principal repayments to

The Council's exposure to liquidity risk is deemed insignificant based on prior periods' data and current assessment of risk.

The table below lists the contractual maturities for Financial Liabilities.

These amounts represent the discounted cash flow payments (ie principal only).

	2019	6 mths	6-12	1-2	2-5	>5	Contracted	Carrying
		or less	months	years	years	years	Cash Flow	Amount
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Trade and other payables		3,553	-	-	-	-		3,553
Trust funds and deposits		2	16	71	2	48		139
Interest-bearing loans and borrowings		20	255	42	1,177	354		1,848
Total financial liabilities		3,575	271	113	1,179	402	-	5,540

	2018	6 mths	6-12	1-2	2-5	>5	Contracted	Carrying
		or less	months	years	years	years	Cash Flow	Amount
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Trade and other payables		3,377	-	-	-	-	-	3,377
Trust funds and deposits		5	4	2	5	64	-	80
Interest-bearing loans and borrowings		19	190	40	1,408	400	-	2,057
Total financial liabilities		3,401	194	42	1,413	464	-	5,514

Note 9.10 Financial Instruments (cont.)

(e) Sensitivity disclosure analysis

Taking into account past performance, future expectations, economic forecasts, and management's knowledge and experience of the financial markets, the Council believes the following movements are 'reasonably possible' over the next 12 months (Base rates are sourced from Reserve Bank of Australia):

- A parallel shift of + 1% and -1% in market interest rates (AUD) from year-end rates of 2%.

The table below discloses the impact on net operating result and equity for each category of financial instruments held by Council at year-end, if the above movements were to occur.

		Interest rate risk			
		-1 %		+1%	
		-100 basis points		+100 basis points	
		Profit	Equity	Profit	Equity
2019	\$'000	\$'000	\$'000	\$'000	\$'000
Financial assets:					
Cash and cash equivalents	2,328	(23)	(23)	23	23
Term Deposits	4,468	(45)	(45)	45	45
Managed Funds	-	-	-	-	-
Trade and other receivables	603	(6)	(6)	6	6
Financial liabilities:					
Interest-bearing loans and borrowings	1,848	(18)	(18)	18	18

		Interest rate risk			
		-1 %		+1%	
		-100 basis points		+100 basis points	
		Profit	Equity	Profit	Equity
2018	\$'000	\$'000	\$'000	\$'000	\$'000
Financial assets:					
Cash and cash equivalents	3,714	(37)	(37)	37	37
Term Deposits	862	(9)	(9)	9	9
Managed Funds	1,028	(10)	(10)	10	10
Trade and other receivables	3,951	(40)	(40)	40	40
Financial liabilities:					
Interest-bearing loans and borrowings	2,057	(21)	(21)	21	21

Note 9.11 Fair Value Measurements

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

- Investment property
- Investment in water corporation
- Property, infrastructure plant and equipment
 - Land, including land under roads
 - Buildings, including leasehold improvements, quarries
 - Stormwater
 - Roads, including footpaths & cycleways
 - Bridges
 - Airport infrastructure

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

(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 at 30 June 2019.

The fair values of the assets are determined using valuation techniques which maximise the use of observable data, where it is available, and minimise the use of entity specific estimates. If one or more of the significant inputs is not based on observable market data, the asset is included in level 3. This is the case for Council infrastructure assets, which are of a specialist nature for which there is no active market for similar or identical assets. These assets are valued using a combination of observable and unobservable inputs.

As at 30 June 2019

	Note	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Recurring fair value measurements					
Land, including land under roads	6.2	-	3,197	1,928	5,125
Buildings, including leasehold improvements	6.2	-	4,352	365	4,717
Roads, including footpaths & cycleways	6.2	-	-	27,948	27,948
Airport infrastructure	6.2	-	-	4,106	4,106
Bridges	6.2	-	-	4,273	4,273
Stormwater	6.2	-	-	335	335
Investment in Water Corporation	4.1	-	3,905	-	3,905
		-	11,454	38,955	50,409

As at 30 June 2018

	Note	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Recurring fair value measurements					
Land, including land under roads	6.2	-	3,197	1,928	5,125
Buildings, including leasehold improvements	6.2	-	3,598	374	3,972
Roads, including footpaths & cycleways	6.2	-	-	28,309	28,309
Airport infrastructure	6.2	-	-	4,362	4,362
Bridges	6.2	-	-	4,182	4,182
Stormwater	6.2	-	-	339	339
		-	6,795	39,494	46,289

Note 9.11 Fair Value Measurements (cont.)

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 end of the reporting period. 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 property and Investment in water corporation

Refer to Notes 4.1 respectively for details of valuation techniques used to derive fair values.

Land

Land was valued utilising the municipal valuations undertaken by the Office of the Valuer General as at 30 June 2017. The valuations of buildings is at fair value less accumulated depreciation at the date of the valuation. The valuation of land is at Fair Value based on highest and best use permitted by relevant land planning provisions.

Land under roads

Land under roads is based on Council valuations at 30 June 2015 using site values adjusted for englobo (undeveloped and/or unserviced) characteristics, access rights, private interests of other parties and entitlements of infrastructure assets and services. This adjustment is an unobservable input in the valuation.

Buildings

The fair value of buildings were also determined by the Office of the Valuer General as at 30 June 2017. Where there is a market for Council building assets, fair value has been derived from the sales prices of comparable properties after adjusting for differences in key attributes such as property size. The most significant input into this valuation approach was price per square metre.

Infrastructure assets

All Council infrastructure assets, except Waste Management, were fair 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.

The unit rates (labour and materials) and quantities applied to determine the CRC of an asset or asset component were based on a "Greenfield" assumption meaning that the CRC was determined as the full cost of replacement with a new asset including components that may not need to be replaced, such as earthworks.

The level of accumulated depreciation for infrastructure assets was determined based on the age of the asset and the useful life adopted by Council for the asset type. Estimated useful lives and residual values are disclosed in Note 6.2.

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

Roads, including footpaths & cycleways

Council categorises its road infrastructure as rural roads and then further sub-categorises these into sealed and unsealed roads. Rural roads are managed in 2km segments. All road segments are then componentised into formation, pavement, sub-pavement and seal (where applicable). Council assumes that environmental factors such as soil type, climate and topography are consistent across each segment. Council also assumes a segment is designed and constructed to the same standard and uses a consistent amount of labour and materials.

CRC is based on the road area multiplied by a unit price; the unit price being an estimate of labour and material inputs, services costs, and overhead allocations. For internal construction estimates, material and services prices are based on existing supplier contract rates or supplier price lists and labour wage rates are based on Council's Enterprise Agreement (EA). Where construction is outsourced, CRC is based on the average of completed similar projects over the last few years.

Roads were valued at 30/06/2017 by the Council's Engineer - Gavin Boyd (Brighton Council). The combined replacement value of these assets at 30 June 2016 was \$37,296,207. The revaluation process reviewed the currency and accuracy of the Council's road asset register and updated unit rates and useful lives using evidence based techniques in accordance with the relevant Australian Accounting Standards. In line with the AIFMG (Australian Infrastructure Financial Management Guide) and IIMM (International Infrastructure Management Manual) to determine if the reported figures are a true reflection of Council's financial position. The revaluation has resulted in an increase of \$6,783,544 in the replacement value of the road asset class and an increase in depreciation per annum of \$36,597.

Note 9.11 Fair Value Measurements (cont.)

Bridges

A full valuation of bridges assets was undertaken by independent valuers - AusSpan effective 30 June 2014. Each bridge is assessed individually and componentised into sub-assets representing the deck and sub-structure. The valuation is based on the material type used for construction and the deck and sub-structure area.

Stormwater

A full valuation of stormwater infrastructure was undertaken by Council's Technic Consultant - Simon Pullford (Brighton Council), effective 30 June 2014. Similar to roads, stormwater assets are managed in segments; pits and pipes being the major components.

Consistent with roads, Council assumes that environmental factors such as soil type, climate and topography are consistent across each segment and that a segment is designed and constructed to the same standard and uses a consistent amount of labour and materials.

CRC is based on the unit price for the component type. For pipes, the unit price is multiplied by the asset's length. The unit price for pipes is based on the construction material as well as the depth the pipe is laid.

Airport infrastructure

A full valuation of airport infrastructure was undertaken by Council's Engineer Gavin Boyd (Consultant), effective 30 June 2018. Similar to roads, airport assets are managed in segments. The revaluation of these assets resulted in an increase in the WDV of \$137,000, the expected increase in depreciation as a result of this revaluation is \$100,000 in 2018/19.

(d) Changes in recurring level 3 fair value measurements

There has been no changes in fair value of level 3 infrastructure assets during the year. Investment in water corporation, which is classified as level 3 has been separately disclosed in note 4.1.

There have been no transfers between level 1, 2 or 3 measurements during the year.

(e) Valuation processes

Council's current policy for the valuation of property, infrastructure, plant and equipment, investment in water corporation and investment property (recurring fair value measurements) is set out in notes 6.2.

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

(f) 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 6.2)

Council borrowings are measured at amortised cost with interest recognised in profit or loss when incurred. The fair value of borrowings disclosed in note 8.1 is provided by Tascorp (level 2).

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

Note 9.12 Events occurring after balance date

(a) Nil

Note 10 Other matters

Note 10.1 Related party transactions

(i) **Responsible Persons**

Names of persons holding the position of a Responsible Person at the Council at any time during the year are:

Councillors	Councillor Annie Revie (Mayor 01/11/18 to current)
	Councillor David Williams (Councillor 01/11/11 to current, Deputy Mayor 01/11/18 to current)
	Councillor Peter Rhodes (Councillor 01/11/11 to current)
	Councillor Sharon Blyth (Councillor 01/11/18 to current)
	Councillor Rachel Summers (Councillor 01/11/18 to current)
	Councillor Vanessa Grace (Councillor 01/11/18 to current)
	Councillor Aaron Burke (Councillor 01/11/18 to current)
	Councillor Carol Cox (Mayor 01/11/05 to 30/10/18)
	Councillor Mark Cobham (Deputy Mayor 01/11/09 to 30/10/18)
	Councillor Chris Rhodes (Councillor 1/11/14 to 30/10/18)
	Councillor Gerald Willis (Councillor 01/11/11 to 30/10/18)
	Councillor Ken Stockton (Councillor 01/11/14 to 30/10/18)
Acting General Manager	Ms Heidi Marshall (1 June 2019 to current)
General Manager	Mr William Boehm (resigned effective 31 May 2019)

(ii) **Councillor Remuneration**

2019	Allowances	Vehicles ²	Other Benefits ³	Non-monetary Benefits ⁴	Total Compensation on AASB 124	Expenses	Total
	\$	\$	\$	\$	\$	\$	\$
Councillor Annie Revie	19,032	-	-	-	19,032	400	19,432
Councillor David Williams	14,970	-	-	-	14,970	781	15,751
Councillor Carol Cox	13,278	-	-	-	13,278	692	13,970
Councillor Marc Cobham	7,798	-	-	-	7,798	-	7,798
Councillors	42,048	-	-	-	42,048	4,330	46,378
Total	97,126	-	-	-	97,126	6,203	103,329

2018	Allowances	Vehicles ¹	Other Benefits ²	Non-monetary Benefits ³	Total Compensation on AASB 124	Reimbursements	Total
	\$	\$	\$	\$	\$	\$	\$
Councillor Carol Cox	31,649	-	-	-	31,649	2,923	34,572
Councillor Marc Cobham	18,587	-	-	-	18,587	-	18,587
Councillors	44,577	-	-	-	44,577	3,493	48,070
Total	94,813	-	-	-	94,813	6,416	101,229

¹ Includes total cost of providing and maintaining vehicles provided for private use, including registration, insurance, fuel and other consumables, maintenance cost and parking (including notional value of parking provided at premises that are owned or leased and fringe benefits tax).

² Other benefits includes all other forms of allowances (excludes reimbursements such as travel, accommodation or meals) and any other compensation paid and payable.

³ Other non-monetary benefits (such as housing, subsidised goods or services etc)

(iii) **Key Management Personnel Remuneration**

2019	Remuneration band	Number of employees	Short term employee benefits				Post employment benefits			Non-monetary Benefits ⁸	Total
			Salary ¹	Short-term Incentive Payments ²	Vehicles ³	Other Allowances and Benefits ⁴	Super-annuation ⁵	Other Long-term Benefits ⁶	Termination Benefits ⁷		
	\$ 70,001 - \$90 000	1	83,406	-	-	-	7,986	-	-	(11,423)	79,969
	\$110 001 - \$130 000	2	202,456	-	-	-	25,258	-	-	13,495	241,209
	\$190,001 - \$210,000	1	154,249	-	12,281	-	17,047	-	40,722	(15,033)	209,266
Total			440,111	-	12,281	-	50,291	-	40,722	(12,961)	530,444

(iii) Key Management Personnel Remuneration (Cont...)

2018 Remuneration band	Number of employees	Short term employee benefits				Post employment benefits			Non-monetary Benefits ⁸	Total
		Salary ¹	Short-term Incentive Payments ²	Vehicles ³	Other Allowances and Benefits ⁴	Super-annuation ⁵	Other Long-term Benefits ⁶	Termination Benefits ⁷		
		\$	\$	\$	\$	\$	\$	\$	\$	
\$ 0 - \$ 20,000	1	10,087	-	-	-	1,261	-	-	1,028	12,376
\$ 80,001 - \$100 000	2	157,274	-	-	-	19,659	-	-	1,186	178,119
\$100 001 - \$120 000	2	178,847	-	-	-	22,289	-	40,628	(21,343)	220,421
\$180,001 - \$200,000	1	147,280	-	12,281	-	13,992	-	-	7,587	181,140
Total		493,488	-	12,281	-	57,201	-	40,628	(11,542)	592,056

¹ Gross Salary includes all forms of consideration paid and payable for services rendered, compensated absences during the period and salary sacrifice amounts.

² Short term incentive payments are non-recurrent payments which depend on achieving specified performance goals within specified timeframes. These payments are capped at 15% of base salary.

³ Includes total cost of providing and maintaining vehicles provided for private use, including registration, insurance, fuel and other consumables, maintenance cost and parking (including notional value of parking provided at premises that are owned or leased and fringe benefits tax).

⁴ Other benefits includes all other forms of employment allowances (excludes reimbursements such as travel, accommodation or meals), payments in lieu of leave, and any other compensation paid and payable.

⁵ Superannuation means the contribution to the superannuation fund of the individual.

⁶ Other long-term employee benefits, including long-service leave or sabbatical leave, jubilee or other long-service benefits, long-term disability benefits and, if they are not payable wholly within twelve months after the end of the period, profit-sharing, bonuses and deferred compensation; other non-monetary benefits (such as housing, subsidised goods or services etc).

⁷ Termination benefits include all forms of benefit paid or accrued as a consequence of termination.

⁸ Other non-monetary benefits include annual and long service leave movements and non-monetary benefits (such as housing, subsidised goods or services etc).

(iv) Remuneration Principles

Councillors

Remuneration for Councillors is set in accordance with the *Local Government Act 1993* as prescribed in Schedule 4 of the *Local Government (General) Regulations 2005*.

Executives

Remuneration levels for key management personnel are set in accordance with industry standards, individual performance, experience and qualifications. For Senior Executives (excluding the General Manager) this is linked to bands within the Flinders Council Enterprise Agreement.

The employment terms and conditions of the General Manager are contained in an individual employment contract that prescribes total remuneration, superannuation, annual and long service leave, vehicle and salary sacrifice provisions. The employment terms and conditions for all other Senior Executives are contained in the Flinders Council Enterprise Agreement.

The performance of each senior executive, including the General Manager, is reviewed annually which includes a review of their remuneration package. The terms of employment of each senior executive, including the General Manager, contain a termination clause that requires the senior executive or Council to provide a minimum notice period of up to 6 months prior to termination of the contract. Whilst not automatic, contracts can be extended.

Short term incentive payments

The Council sets fixed performance targets with goals and indicators aligned to Council's Annual Plan.

No short term incentive payments were awarded during the current year.

Termination benefits

Termination payments during the current year to key management personnel represented payment of residual contract terms.

(v) Transactions with related parties

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

(vii) Transactions with related parties that have not been disclosed

Most of the entities and people that are related parties of council live and operate within the municipality. Therefore, on a regular basis ordinary

- Payment of rates on primary residence
- Payment of dog registrations

Note 10.2 Special committees and other activities

Council have the following Special Committees:
Furneaux Group Shipping Special Committee
Furneaux Group Aviation Special Committee
Lady Barron Hall & Recreation Special Committee
Furneaux (Emita) Hall & Recreation Ground Special Committee
Furneaux Community Health Special Committee
Whitemark Community Gym Special Committee
Audit panel

Note 10.3 Other significant accounting policies and pending accounting standards

(a) Taxation

Council is exempt from all forms of taxation except Fringe Benefits Tax, Payroll Tax and the Goods and Services Tax.

Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the balance sheet are shown inclusive of GST.

Cash flows are presented in the Statement of Cash Flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

(b) Impairment of non financial assets

At each reporting date, Council reviews the carrying value of its assets to determine whether there is any indication that these assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the assets carrying value. Any excess of the assets carrying value over its recoverable amount is expensed to the Statement of Other Comprehensive Income, unless the asset is carried at the revalued amount in which case, the impairment loss is recognised directly against the revaluation reserve in respect of the same class of asset to the extent that the impairment loss does not exceed the amount in the revaluation surplus for that same class of asset. For non-cash generating assets of Council such as roads, drains, public buildings and the like, value in use is represented by the deprival value of the asset approximated by its written down replacement cost.

(c) Allocation between current and non-current

In the determination of whether an asset or liability is current or non-current, consideration is given to the time when each asset or liability is expected to be settled. The asset or liability is classified as current if it is expected to be settled within the next twelve months, being Council's operational cycle, or if Council does not have an unconditional right to defer settlement of a liability for at least 12 months after the reporting date.

(d) Financial guarantees

Financial guarantee contracts are recognised as a liability at the time the guarantee is issued. The liability is initially measured at fair value, and if there is material increase in the likelihood that the guarantee may have to be exercised, at the higher of the amount determined in accordance with AASB 137 *Provisions, Contingent Liabilities and Contingent Assets* and the amount initially recognised less cumulative amortisation, where appropriate. In the determination of fair value, consideration is given to factors including the probability of default by the guaranteed party and the likely loss to Council in the event of default.

(e) Contingent assets, contingent liabilities and commitments

Contingent assets and contingent liabilities are not recognised in the Statement of Financial Position, but are disclosed by way of a note and, if quantifiable, are measured at nominal value. Contingent assets and liabilities are presented inclusive of GST receivable or payable respectively.

Commitments are not recognised in the Statement of Financial Position. Commitments are disclosed at their nominal value inclusive of the GST payable.

(f) Budget

The estimated revenue and expense amounts in the Statement of Other Comprehensive Income represent revised budget amounts and are not audited.

(g) Adoption of new and amended accounting standards

In the current year, Council has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board that are relevant to its operations and effective for the current annual reporting period. These include:

(i) AASB 9 *Financial Instruments*

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

Council has applied this standard from 1 July 2018 using a retrospective approach with cumulative catch-up. This does not require Council to restate comparative figures, but does require the presentation of both qualitative and quantitative disclosures for affected items, along with a corresponding adjustment to the opening balance of Accumulated surpluses for transitional effects of re-measurement.

There was no quantitative effect of adopting AASB 9 as at 1 July 2018 was.

Note 10.3 Other significant accounting policies and pending accounting standards (cont)

(a) Classification and measurement

The financial assets of Council have been reclassified into one of the following categories on adoption of AASB 9. The classifications are primarily based on Council's business model in which a financial asset is managed and its contractual cash flow characteristics. The main effects resulting from reclassification are as follows:

- *Trade and other receivables* - classified as 'Loans and receivables' as at 30 June 2018, these are held to collect contractual cash flows and give rise to cash flows representing solely payments of principal and interest. These are classified and measured as Financial assets at 'Amortised cost' beginning 1 July 2018.
- *Investment in water corporation* - classified as an 'Available-For-Sale' financial asset as at 30 June 2018. As Council does not hold this equity investment for trading purposes, it has made an irrevocable election for this equity instrument to present any subsequent changes in fair value in Other comprehensive income. Under this approach only dividends are recognised in profit or loss. Council's Investment in water corporation is classified and measured as an 'Equity instrument at fair value through other comprehensive income' beginning 1 July 2018.
- *Managed Funds* - As Council's managed funds are actively managed and their performance is evaluated on a fair value basis, these investments are mandatorily required to be measure at fair value through profit and loss.
- Council did not designate any financial assets as at fair value through profit or loss.
- Council has not designated any financial liabilities at fair value through profit or loss. There are no changes in the classification and measurement for Council's financial liabilities.

In summary, upon the adoption of AASB 9, Council had the following required (or elected) reclassifications as at 1 July 2018:

AASB 139 Category and carrying amount			AASB 139 Category and carrying amount			
			Amortised Cost	Fair value through profit or loss	Fair value through OCI	Equity instrument at fair value through OCI
	Note	\$'000	\$'000	\$'000	\$'000	\$'000
Loans and receivables						
Trade and other receivables	5.2	603	603	-	-	-
Held to maturity						
Financial assets -Term Deposits	5.3	4468	-	4,468	-	-
Available-for-sale						
Investment in water corporation	4.1	3905	-	-	-	3,905
			603	4,468	-	3,905

(b) Impairment of financial assets

The adoption of AASB 9 has fundamentally changed Council's accounting for impairment losses for financial assets by replacing AASB 139's incurred loss approach, with a forward-looking expected credit loss (ECL) approach. AASB 9 requires Council to recognise an allowance for ECLs for all financial assets not held at fair value through profit or loss.

There was no remeasurement of impairment losses as a result of adopting AASB 9.

(h) Pending Accounting Standards

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2019 reporting periods. Council's assessment of the impact of the relevant new standards and interpretations is set out below.

(i) AASB 15 Revenue from Contracts with Customers

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

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

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

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

- Depending on the respective contractual terms, the new requirements of AASB 15 may result in a change to the timing of revenue from sales of goods and services such that some revenue may need to be deferred as a liability to a later reporting period to the extent that Council has received cash, but has not met its associated performance obligations, (a promise to transfer a good or service).
- Grants received to construct non-financial assets controlled by Council will be recognised as a liability, and subsequently recognised progressively as revenue as Council satisfies its performance obligations under the grant. At present, such grants are recognised as revenue upfront.

Note 10.3 Other significant accounting policies and pending accounting standards (cont)

- Other grants presently recognised as revenue upfront may be eligible to be recognised as revenue progressively as the associated performance obligations are satisfied, but only if the associated performance obligations are enforceable and sufficiently specific.
- Grants that are not enforceable and/or not sufficiently specific, will not qualify for deferral, and continue to be recognised as revenue as soon as they are controlled. Council receives several grants for which there are no sufficiently specific performance obligations, for example the Commonwealth Financial Assistance Grants. These grants are will continue being recognised as revenue upfront assuming no change to the current grant arrangements.

For Council there will be a significant effect in the treatment of all grants with sufficiently specific performance obligations, but where the conditions have yet to be fulfilled at year end. Council currently presents unexpended grant income received in note 2.4. Council's assessment is that the majority of the amounts received unexpended for the year, \$6k, will be deferred as a liability under AASB15 and progressively recorded as income as performance obligations are fulfilled.

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

(ii) AASB 1058 *Income of Not-for-Profit Entities*

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

AASB 1058 supersedes all the income recognition requirements relating to councils, previously in AASB 1004 *Contributions*. The timing of income recognition under AASB 1058 depends on whether a transaction gives rise to a liability or other performance obligation, or a contribution by owners, related to an asset (such as cash or another asset) received.

AASB 1058 applies when Council receives volunteer services or enters into other transactions in which the consideration to acquire an asset is significantly less than the fair value of the asset, and where the asset is principally to enable Council to further its objectives. In cases where Council enters into other transactions, Council recognises and measures the asset at fair value in accordance with the applicable Australian Accounting Standard (e.g. AASB 116 *Property, Plant and Equipment*).

If the transaction is a transfer of a financial asset to enable Council to acquire or construct a recognisable non-financial asset to be controlled by council (i.e. an in-substance acquisition of a non-financial asset), Council recognises a liability for the excess of the fair value of the transfer over any related amounts recognised. Council will recognise income as it satisfies its obligations under the transfer, similarly to income recognition in relation to performance obligations under AASB 15 as discussed above.

Where the asset acquired is leased at a "Peppercorn" rate, Council is required to recognise the leased asset at its fair value, the remaining lease liability and the balance as income. These leased right-of-use assets have not previously been recognised. This will impact the value of land assets held. It will have minimal impact on income and lease liabilities.

AASB 1058 also encompasses non-contractual statutory income such as rates, taxes and fines. Council currently recognises income when received. Under AASB 1058, income is recognised when the taxable event has occurred. An impact for Council is that prepaid rates received prior to the beginning of a rating period, will now be recognised as a financial liability until the commencement of that rating period. The impact to Council will be that revenue recognised when received from *Rates and charges in advance* as disclosed in note 2.1, will now be recorded as a liability, with revenue deferred until the commencement of the applicable rating period.

AASB 1058 requires the recognition of Volunteer services where they would have been purchased if not donated and the fair value of those services can be reliably measured. Council has assessed these requirements and determined that there is no material impact as it does not engage volunteer services.

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

(iii) AASB 16 *Leases*

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

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

AASB 16 will result in most of Council's operating leases being brought onto the statement of financial position. There are limited exceptions relating to short-term leases and low-value assets which may remain off the balance sheet. Councils existing lease commitments are disclosed in Note 9.7.

The calculation of the lease liability will take into account appropriate discount rates, assumptions about the lease term, and increases in lease payments. A corresponding right to use assets will be recognised, which will be amortised over the term of the lease. Rent expense will no longer be shown. The profit and loss impact of the leases will be through amortisation and interest charges. Council's current operating lease expenditure is shown at Note 3.2. In the Statement of Cash Flows lease payments will be shown as cash flows from financing activities instead of operating activities.

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

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

All other Australian accounting standards and interpretations with future effective dates are either not applicable to Council's activities, or have no material impact.

Note 10.4 Significant Business Activities

The operating capital and competitive neutrality costs of the Council's significant business activities:

	Airport		Private Works	
	2019	2018	2019	2018
	\$'000	\$'000	\$'000	\$'000
<i>Revenue</i>				
Rates	-	-	-	-
User Changes	464	302	408	572
Grants	159	44	-	-
Total Revenue	623	346	408	572
<i>Expenditure</i>				
<i>Direct</i>				
Employee Costs	233	202	71	95
Materials and Contacts	210	291	139	213
Interest	-	-	-	-
Utilities	10	12	-	-
<i>Indirect</i>				
Engineering & Administration		21	-	-
Total Expenses	453	526	210	308
<i>Notional cost of free services received</i>				
<i>Capital Costs</i>				
Depreciation and amortisation	302	194	-	-
Opportunity cost of capital	123	131	-	-
Total Capital Costs	425	325	-	-
<i>Competitive neutrality adjustments</i>				
Rates and land tax	14	10	-	-
Loan guarantee fees	-	-	-	-
	14	10	-	-
<i>Calculated Surplus/(Deficit)</i>				
Tax Equivalent rate	(146)	(384)	198	264
Taxation equivalent	-	-	0.30	0.30
	-	-	59	79
Competitive neutrality costs	892	861	210	308

Accounting policy

Significant business activities

Council is required to report the operating, capital and competitive neutrality costs in respect of each significant business activity undertaken by the Council. Council's disclosure is reconciled above. Council has determined, based upon materiality that the operation of the Flinders Island Airport and Private Works activities as defined above are considered significant business activities. Competitive neutrality costs include notional costs i.e. income tax equivalent, rates and loan guarantees. In preparing the information disclosed in relation to significant business activities, the following assumptions have been applied:

- Opportunity costs based on 3.00%

Note 10.5 Management indicators	Benchmark	2019 \$'000	2018 \$'000	2017 \$'000	2016 \$'000
(a) Underlying surplus or deficit					
Recurrent income* less		7,695	7,945	4,331	4,605
recurrent expenditure		10,979	9,538	5,455	5,609
	-	<u>(3,284)</u>	<u>(1,593)</u>	<u>(1,124)</u>	<u>(1,004)</u>

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

The early receipt of instalments resulted in Commonwealth Government Financial Assistant Grants being above the originally budgeted in 2018-19 by \$718,552 (2017-18 by \$681,199). This has impacted the Statement of Profit or Loss and Other Comprehensive income resulting in the Surplus/(deficit) being higher in 2018-19 by \$718,552 (2017-18 by \$681,199).

(b) Underlying surplus ratio					
<u>Underlying surplus or deficit</u>		(3,284)	(1,593)	(1,124)	(1,004)
Recurrent income*		7,695	7,945	4,331	4,605
Underlying surplus ratio %	0%	-43%	-20%	-26%	-22%

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

Flinders Councils current position is not favourable as it raises the question of sustainability. The ratio has improved from prior years due to the pre payment of the Financial Assistant Grants.

(c) Net financial liabilities					
Liquid assets less		7,510	9,555	6,517	6,445
total liabilities		6,230	6,087	2,999	1,744
Net financial liabilities	0	<u>1,280</u>	<u>3,468</u>	<u>3,518</u>	<u>4,701</u>

This measure shows whether Council's total liabilities can be met by its liquid assets. An excess of total liabilities over liquid assets means that, if all liabilities fell due at once, additional revenue would be needed to fund the shortfall.

Council has sufficient surplus funds to meet total liabilities as they fall due.

(d) Net financial liabilities ratio					
<u>Net financial liabilities</u>		1,280	3,468	3,518	4,701
Recurrent income*		7,695	7,945	4,331	4,605
Net financial liabilities ratio %	0% - (50%)	17%	44%	81%	102%

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

- (e) Asset consumption ratio**
An asset consumption ratio has been calculated in relation to each asset class required to be included in the long-term strategic asset management plan of Council.

<i>Transport Infrastructure</i>					
<u>Depreciated replacement cost</u>		32,517	32,820	33,300	29,366
Current replacement cost		48,615	48,205	48,424	42,060
Asset consumption ratio %		67%	68%	69%	70%
<i>Buildings</i>					
<u>Depreciated replacement cost</u>		6,870	6,090	6,050	5,728
Current replacement cost		7,205	4,148	6,144	6,229
Asset consumption ratio %		95%	147%	98%	92%
<i>Drainage</i>					
<u>Depreciated replacement cost</u>		335	339	340	340
Current replacement cost		452	452	441	441
Asset consumption ratio %		74%	75%	77%	77%

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

The asset consumption ratio highlights that the Council is maintaining, renewing and replacing its assets in accordance with the Asset Management Plan and is in line with the benchmark.

Note 10.5 Management indicators (cont.)

		2019 \$'000	2018 \$'000	2017 \$'000	2016 \$'000
(f) Asset renewal funding ratio					
An asset renewal funding ratio has been calculated in relation to each asset class required to be included in the long-term strategic asset management plan of Council.					
<i>Transport Infrastructure</i>					
	<u>Projected capital funding outlays**</u>	506	666	6,072	6,827
	Projected capital expenditure funding***	506	666	6,072	6,827
Asset renewal funding ratio %	90-100%	100%	100%	100%	100%
<i>Buildings</i>					
	<u>Projected capital funding outlays**</u>	245	204	400	450
	Projected capital expenditure funding***	245	204	400	450
Asset renewal funding ratio %	90-100%	100%	100%	100%	100%
<i>Drainage</i>					
	<u>Projected capital funding outlays**</u>	0	0	80	90
	Projected capital expenditure funding***	0	0	80	90
Asset renewal funding ratio %	90-100%	100%	100%	100%	100%

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

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

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

Council is well positioned to fund future asset replacement requirements.

(g) Asset sustainability ratio

<u>Capex on replacement/renewal of existing assets</u>		648	522	2,208	1,762
Annual depreciation expense		1,609	1,491	1,499	1,431
Asset sustainability ratio %	100%	40%	35%	147%	123%

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

The asset sustainability ratio has increased in 2016-17 due to the extensive emergency repairs carried out at the airport.

	Capital renewal expenditure \$'000	Capital new /upgrade expenditure \$'000	Total Capital Expenditure \$'000
2019			
Bridges	-	44	44
Buildings & leasehold improvements	195	50	245
Fixtures, fittings and furniture	35	-	35
Plant & equipment	40	127	167
Marine	-	(41)	(41)
Recreation	-	145	145
Roads & footpaths	378	84	462
Waste management	-	44	44
Infrastructure	-	(60)	(60)
Total	648	393	1,041
2018			
Bridges	-	82	82
Buildings & leasehold improvements	37	31	68
Fixtures, fittings and furniture	-	6	6
Marine	9	-	9
Recreation	-	35	35
Roads	446	107	553
Waste management	30	-	30
Infrastructure	-	60	60
Total	522	321	843

Note 10.6 Material Budget Variations

Council's original budget was adopted by the Council on **29 August 2018**. The original projections on which the budget was based have been affected by a number of factors. These include State and Federal Government decisions including new grant programs, changing economic activity, the weather, and by decisions made by the Council. Material variations are explained below:

Revenues

1 User fees

User fees were 27% higher than budget due to across the board increases in user fees and charge rates set by Council.

2 Grant

Grant income received was lower than forecast due to the delay in receiving milestone payments for the Telstra infrastructure project, the balance will now be received in 19/20.

3 Interest

Interest was higher than budgeted due to higher than expected earnings on Council's investments and the cashing in of Council managed fund

4 Other income

Other income was \$101,000 higher than budget due to reimbursement from the State Government for interest paid on loan borrowings and for payment on insurance claims.

Certification of the Financial Report

The financial report presents fairly the financial position of the Flinders Council as at 30 June 2019, the results of its operations for the year then ended and the cash flows of the Council, in accordance with the *Local Government Act 1993* (as amended), Australian Accounting Standards (including interpretations) and other authoritative pronouncements issued by the Australian Accounting Standards Board.



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