ANNUAL REPORT 2016-2017

KING ISLAND COUNCIL

OPPORTUNITY
LIFESTYLE
BEAUTY

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Contents

King Island 2

Mayor's Message 3

General Manager's Report 6

Achievements 2016 – 2017 8

Our Vision 9

Councillors 10

Senior Council Staff 12

Statutory Reporting Requirements 13

- Meeting Attendance - Section 72(1) (cc) 13
- Elected Members Section 72 (1) (cb) 13
- Grants and Benefits 14
- Schedule of Tenders and Contracts 15
- Local Government Act 1993 Section 72A 18
- Local Government Act 1993, Sections 72(1) (cd), 72(4) and 72(5) 18
- Public Interest Disclosure Act 2002, Section 86 19
- Miscellaneous 19
- Financial Information 19

Appendix 1 – Annual Plan Fourth Progress Report

Appendix 2 – Annual Financial Report

King Island

At the western entrance to Bass Strait lies an idyllic place known as King Island. An island rich in history, with shipwrecks, lighthouses and jagged reefs, bountiful with long stretching sandy beaches and lush green pasture. Midway between Victoria and mainland Tasmania, 120 kilometres or forty-five minutes flying in either direction, the island has become an ideal destination for a weekend escape.

The Island, which is 64 kilometres north to south, and 27 kilometres east to west, has a population of approximately 1,600 permanent residents, of which 800 reside in the township of Currie which is situated on the west coast. There are two other towns, Naracoopa on the east coast, and Grassy to the south east.

From our little paradise, some of Australia's finest natural foods are produced. We are probably best known for the production of fine beef, superior dairy produce, magnificent seafood and premium rain water products. King Island Dairies, with its award-winning cheeses, the abundant seafood and King Island Beef have all helped to establish King Island's reputation for fine foods.

Tourism is thriving with the two new internationally recognised golf courses at Ocean Dunes and Cape Wickham.

The Kelp Industry is a major part of the Island economy with tourism becoming the growth industry over recent times.

The Island offers a great number of attractions and activities which include visits to the museum, lighthouses, Sealers' Wall, Calcified Forest, pheasant shooting and mutton bird seasons, horse racing, the King Island Imperial 20 - a 32 kilometre coast to coast foot race, the Festival of King Island, the King Island Long Table Festival, recreational fishing, diving, bushwalking, beachcombing and much more.

Tourists appreciate the Island's natural attractiveness, exquisite cuisine, the surfing, fishing, challenging golf course, maritime history and the relaxed way of life.

King Island has an interesting history, commencing with its discovery in 1798. Its geographic location in Bass Strait has resulted in a rich maritime history associated often with shipwrecks and tragedies that are well documented.

Mayor's Message

I am pleased to present an introduction to this year's Annual Report. These reports form part of our commitment to our community to effectively consult, plan, implement and then report back on how as an organisation we performed. Our Annual Plan and Budget represents the aspirations and commitments made – by us, to you. This Annual Report then provides feedback on what was achieved, but it also provides a summary of just how this was achieved within the budget allocated.

Contrary to some of the social and print media commentary we have seen significant economic growth, and an exceptionally high level of commitment to ensure that our community has the capacity to manage as we move forward. Our challenge, as always, has been to ensure that all growth is both sustainable and compatible with the needs of our community. **King Island is a place of opportunity, lifestyle, and beauty**, and it is important we hold these values close to our hearts as we move forward.

Looking back, the following highlights are particularly relevant:

Secured funding for Town Master Plans

Most people on the island would agree that each of our townships have been looking very tired. Many people would just like council to fix it. However, this takes time, money and consultation – and a plan of action. As a first step we were successful in obtaining $50,000 to consult and design. This is underway at the time of writing and concepts will be shared with the community once we have received them. The next challenge will be how we fund the concepts and bring them to fruition, but the work is well underway.

Worked with the State Government on maintaining a Shipping Service

Although a very challenging process, council worked alongside a number of government agencies and offices to help secure the shipping service we have today. Certainly, all involved acknowledge that it is far from a perfect solution - it is temporary. Ongoing work to secure a more permanent, and a more suitable vessel continues – but an outcome looks to be imminent. The target has been to get a vessel on the run that can handle services to and from Victoria so that we can see a return of the triangulated service arrangement previously in place. The challenges have been to ensure that as a community we don't simply accept a dedicated service arrangement that is simply unaffordable and ineffective.

Leadership Program with King Island District High School – Nextgen Challenge 2017

In my variety of roles, the need for people to have 21st century skills continues to be highlighted. We need our students, and our community, to have the ability to work together, be creative, solve problems, think critically and effectively communicate with respect. King Island District High School secondary students participated in the Nextgen Challenge 2017, funded and organised by the King Island Council. This was an intensive week where students utilised and further developed 21st century skills to create their own enterprise. There is no question that this learning experience was highly valuable.

Town Hall Centenary Town Hall roof replacement & painting

After a great deal of maintenance and improvement over the past few years, the Town Hall has almost reached completion for now. This important community space has had the majority of its roof replaced (some further work on the roof is planned in the current financial year), an updated audio/visual system installed, much of the exterior painted, and the cenotaph has been maintained, with lights installed to showcase this memorial.
In this last year we also celebrated the 100th birthday of this delightful community asset.

Implementation of the IT Strategy

Continuing on with the "under the hood" improvements - this year has seen the roll out of an operation-wide upgrade to Council's Information Technology system. And while we are still fine tuning its capacity, we are seeing efficiency improvements in many areas, with lots more to come as various platforms become operational. One of the many areas of functional improvement we see is also being able to log issues from the community (customer request processes), and streamline and manage these so that they can be monitored. Closing the loop on providing feedback to community members who log concerns/requests will be a feature of this program.

But, of greater significance is having an integrated finance management system that is both contemporary and functional. Council's previous system was an extremely old (and not maintained) software program that posed significant risk to our data security/surety.

The "new" platform "Magiq" will enable greater functionality, and will also become a base for areas such as electronic document management, asset management, improved communications, and into the future opportunities for linkages to tablet technology implementation.

Recycling

For a variety of reasons, waste on King Island is hard - and expensive. Albeit a small step, we have purchased and commissioned a glass crusher which can reduce glass containers down to a fine sand/pebble consistency. This end product is ideal for use in things like roadmaking, and more particularly concrete – turning a waste product into a useful end commodity, but also substantially reducing what has become a substantial volume of materials into a very small and compact base.

Despite some of the rhetoric surrounding this equipment, it is efficient and effective. Bottles (and jars) can be fed in unwashed and with lids/labels intact. The glass end product is discharged in one area, with the lids/labels discharged separately for disposal. The unit does not require significant staff resources – one staff member operates this machine, in conjunction with other duties, and the volume of materials crushed is substantial.

Further plans for the next stage of recycling/waste reduction are well advanced and will be rolled out in the near future.

Communication

At times, Council has been criticised for its lack of communication - I often find myself challenging this assertion because I do know how much effort is directed to this task. However, without doubt, we can improve - and we are. As an example, we have created a dedicated Communications, Tourism and Events Coordinator role within staff, and this position carries responsibility for building the linkages necessary for better communication links with (and from) our community. In the past 12 months we have seen the introduction of both a dedicated Facebook page and a regular newsletter that goes out to all residents on a quarterly basis. Things like our very active Annual Plan and Budget also form the basis of the quarterly report that comes before Council (yes this too is a public document and can be accessed by everyone); and indeed, this is also the basis of the very document we are now using – The Annual Report. All of these tools are in addition to regular contributions to newspapers and radio and the occasional television interviews. We also commenced a review of our whole web presence (the look, and feel, and functionality of our web-site), and it is fair to say that this portal provides a significant link to Council related activity/report/plans, and general news.

A "new" approach has also been the introduction of our "Community Needs Analysis"; and this document emerged out of a series of broad community consultation forums, kitchen table chats, one-on-one discussions, and on-line feedback avenues. This initial document captured a broad range of views and opinions from a broad cross section of our community – and whilst some areas fall outside the direct role of local government (to undertake and/or control), this "first cut" is a great start.

The challenge for some members of our community is to actually engage with us directly, either in writing or in person, rather than simply reacting to rumour, innuendo, or supposition. Social media is a powerful (and very immediate) tool, but sometimes it can create more problems than it cures.

Not everyone will be happy with either the actions of your Council, or with the answers provided to a question, but good, effective, and respectful communication (which is two-way) is a great start to better mutual understanding.

Car Park at Disappointment Bay

Continuing with Council's awareness of coastal access, we worked with Parks and Wildlife Service on the construction of a car park at Disappointment Bay. I would certainly encourage anyone who has not been there to explore this beautiful part of our island.

Playground equipment at Lighthouse Street Park

We all know King Island is a harsh environment for anything left outside. Consequently, Council continues to upgrade play equipment facilities on the island. Having had the Memorial park playground equipment upgrade recently, the updated Lighthouse Street playground was enjoyed by the grade 1/2s at its official opening earlier in 2017, and we recognise the generous contributions towards this project from both the Tasmanian Community Fund, and from a local Taswater Contactor (Stornoway). At time of writing, the consultation phase of the Grassy playground has been completed and installation of that facility is imminent.

Footpaths

As with playgrounds, our footpaths require constant maintenance and improvements. To ensure safe travel to and from school (and in consultation with both the school and Tasmania Police – thank you to both bodies), a new footpath was established on Main Street to provide safe passage for students from the Camp Creek area up to Shaw Street.

There was also significant work undertaken on repair and realignment of the footpath at the corner of George and Meech Streets, Currie. This job was highly technical and complex, and Council was extremely fortunate to have support from one of our contractors Jimmy Scott, and Council worker Matt Cohen. Both of these individuals demonstrated an exceptional level of professionalism, and we need to take some time to recognise that skill set in our community. We do also need to recognise some of the exceptional work that regularly comes forward from our workforce generally, and I take this opportunity to do this now. Well done.

Roads

Always a topical issue in Local Government, it is worth noting that King Island does not fail to attract its fair share of commentary about roads. In this last year there was a significant level of activity on these assets, although it is disappointing to record that inclement weather overcame all of Council's best efforts to undertake a sealing program (that work has been carried forward). However, there was significant work carried out on road widening and preparation that will form the backbone of that future works schedule. One area worth noting was that of a major safety upgrade with improvements to the T intersection on Old Grassy Road.

Acknowledgements

This introduction to the Annual Report would not be complete without a recognition that the accomplishments of Council's outcomes does not occur in isolation. I want to especially recognise the work of all Councillors, the General Manager, staff and contractors in making this Plan "come to life". Thank You.

Duncan McFie
MAYOR

General Manager's Report

It is my privilege to present this introduction to the Annual Report for 2016-2017.

2016-2017 was a year of significant progress for the organisation with the adoption and implementation of the King Island Strategic Plan 2016-2020. This included the creation of several new technical roles within Council, along with a refocusing of goals for the existing workforce. The new technical specialist roles have allowed Council to move forward with many of the legislative compliance requirements placed on Local Government.

We also saw the integration of the Strategic Plan, with both our Budget, and with Key Results areas, ensuring that there was then a link between both our strategic intent, and the performance criteria agreed on with Council.

We commenced an upgrade of the town hall and council office both internally and externally along with a substantial upgrading of IT systems and hardware to allow our organisation to improve functionality.

One of the highlights for the year has been that of ongoing recognition and commendation by Council's external Audit Panel. This body brings a high level strategic review of both the performance and the compliance structures the Council has in place. Their oversight, and scrutiny, has been welcomed, as has been the recommendations coming forward on areas for further improvement.

Our approach to communication and engagement began well, however stumbled slightly as we lost the staff member responsible for delivery of that element of our strategy. Finding the skill set necessary has also challenged the organisation (but resolution is imminent). However, the initial work undertaken did result in an excellent start to whole process. There was a general improvement in our web information, and a significant increase in information dispersal through various media sources. We saw the introduction of a regular newsletter out to our community, a range of community engagement strategies put in place, and the development of a social media presence for Council. One of the more significant developments was to conduct the first in an anticipated series of "Community Needs Assessment" forums. This process will head up and guide the future development of a "Community Strategic Plan" that can inform and support many of the priority actions by both local and government agencies here on the Island.

Works on our roads fell victim to inclement weather which curtailed the sealing program until next year, however we did see a significant amount of work carried out on road widening, culvert replacement, safety improvements, and sealing preparation, as well as some major works on footpath installation and remediation. Some of this "down time" allowed a capacity to explore "partnerships" with other providers to ensure both equipment preparation, and training for next year's sealing program.

There was also a significant body of work undertaken in this last year to ensure good governance and good operational practice. Training on governance for elected members, as well as planning requirements was delivered. Staff training had more of a focus on areas such as project management, and some of the practical skills needed to operate in compliance with legislation and standards. We also undertook the preparation of arrangements for a significant body of work to take all permanent staff through an accredited process improvement training regime (LEAN).

The financial report provides information which demonstrates a continuing strong outcome for the year. This is the second consecutive year of exceptional achievement, and demonstrates good strategic planning and financial management practices, and a sound business base upon which services can be delivered.

I commend the report to you, and encourage further discussion on any of the topics covered.

David Laugher
General Manager

Achievements 2016 – 2017

- Secured funding for Town Master Plans
- Worked with the State Government on maintaining a Shipping Service
- Leadership Program with King Island District High School – Nextgen Challenge 2017
- Town Hall Centenary
- Implementation of the IT Strategy
- Purchased glass crusher
- Community Needs Survey
- Town Hall roof replacement & painting
- Car Park at Disappointment Bay
- Playground equipment at Lighthouse Street Park
- Footpath Main Road to Shaw Street
- Introduction of the King Island Council Facebook page & monthly newsletter
- Widening of the T Intersection South Road

Our Vision

King Island – 'A place of opportunity, lifestyle and beauty'.

Our Guiding Principles

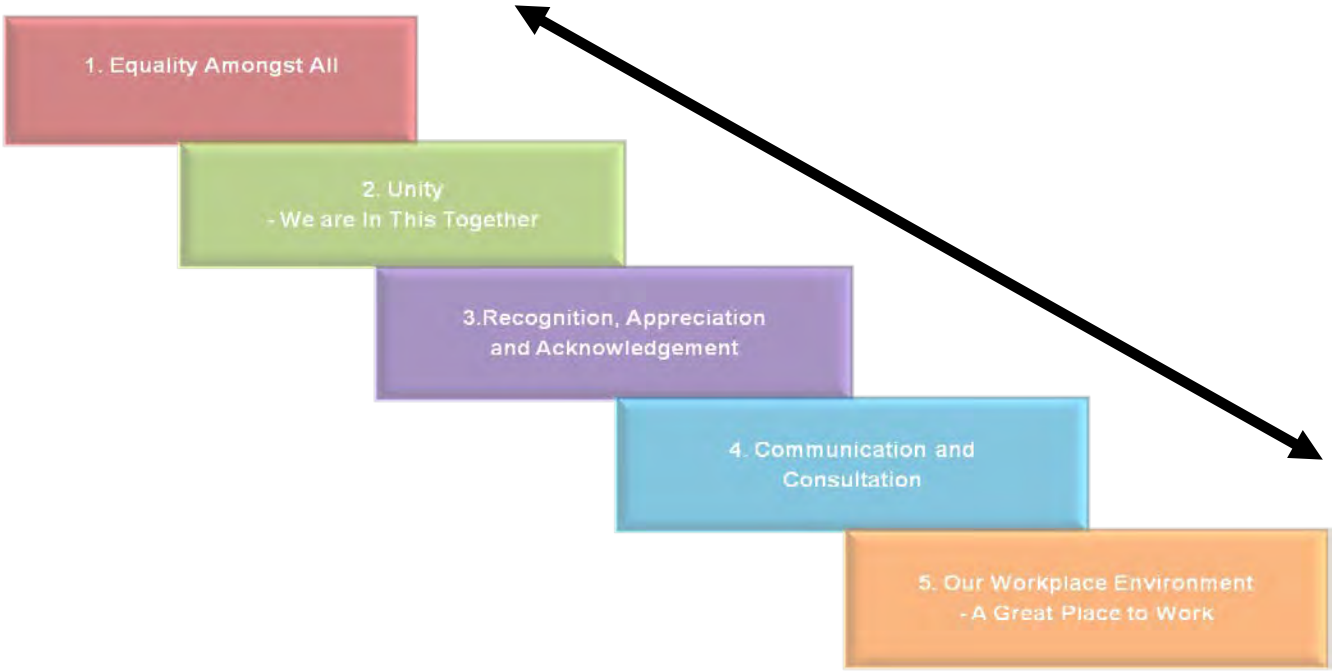
The King Island Council will be known for its **Visionary Thinking** and **Strategic Leadership**.

We are a Council with a shared vision who work with and for the local community. We work by the following principles:

1. **Cohesive decision making** – with the strength to review decisions
2. **Valuing our independent views** – and recognising that healthy respectful debate can lead to better decisions
3. **Being agile, flexible and professional** in responding to emerging issues
4. **Driving decisions through informed input and engagement** with stakeholders
5. **Communicating decisions** in an open and transparent way
6. **Being 'one team'** and standing by group decisions

Values

These are the values that will guide our choice and behaviour as we seek to implement our vision for the area:



Councillors

Committee memberships are as at 30 June 2017

Mayor Duncan McFie
Member since October 2005
Committee Membership
Cradle Coast Authority
KI Airport Advisory Committee
KI Recreation Complex Committee
Local Government Association of Tasmania
KI Scheelite – Consultative Committee

Deputy Mayor Jim Cooper
Member since October 2014
Committee Membership
King Island Airport Advisory Committee
Cradle Coast Authority (from 18 October 2016)
King Island Shipping Group

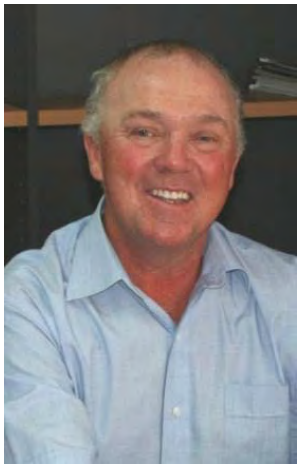
Councillor Jim Benn
Member since October 2014
Committee Membership
King Island Historical Society
King Island Tourism Incorporated
Cradle Coast Authority (from 15 September 2016)
King Island Cultural Centre Advisory Committee (from 18 October 2016)

Councillor David Bowling
Member since October 2014
Committee Membership
King Island Scheelite Consultative Committee
King Island Tourism Incorporated
King Island Natural Resource Management Group (from 15 November 2016)

Councillor Doug Collins
Member since October 2014
Resigned on 19 May 2017
Committee Membership
King Island Shipping Group

Councillor Royce Conley
Member since March 1999
Committee Membership
Local Government Association of Tasmania (proxy)
TasWater

Councillor Sally Haneveer
Member since October 2011
Committee Membership



Councillor David Munday
Member since October 2014
Committee Membership
Brand King Island Management Group
King Island Historical Society
King Island Recreation Complex Committee

Councillor Kirsty Russell
Member since October 2014
Committee Membership
King Island Sporting Management Committee
Naracoopa Sand Mine – Consultative Committee
King Island Natural Resource Management Group (proxy)

Councillor Megan Chivers
Sworn in on 20 June 2017
Committee Membership

Senior Council Staff

David Laugher
General Manager

Zoe Behrendt
Director Corporate & Community Services

Tony Melis
Director Infrastructure & Services

Directorate Responsibilities:

Community Engagement
Tourism
Business Development
Economic Development
Development Services

Corporate Services
Human Resources
Community Development
Governance
Financial Management

Airport
Environmental Compliance
Council Assets
Transport
Quarries
Ranger Services

Statutory Reporting Requirements

Meeting Attendance - Section 72(1) (cc)

	Ordinary meeting (possible 12)	**Closed Council** (possible 4)	**Council Workshop** (possible 26)	**Special meeting** (possible 5)	**Annual General Meeting** (possible 1)	**Total possible attendance** (possible 48)
Councillors July 2016 – June 2017						
Benn Jim	9	4	19	5	1	38
Bowling David	10	4	16	3	1	34
Collins Doug	8	3	12 (*possible 22)	4	1	28
Conley Royce	12	4	21	4	1	42
Cooper Jim	12	3	24	3	0	42
Haneveer Sally	9	4	20	5	1	39
McFie Duncan	11	4	23	5	1	44
Munday David	12	4	22	4	0	42
Russell Kirsty	11	4	16	5	1	37
Chivers Megan	1	N/A	N/A	1	N/A	2

Note: Cr Doug Collins resigned on 19 May 2017 and Cr Megan Chivers was sworn in on 20 June 2017.

Elected Members Section 72 (1) (cb)

Total allowances paid to Mayor, Deputy Mayor and Councillors during the 2016-2017 financial year were $111,133.

Under the Local Government Act Section 72 1(ba) & (bb) there were no code of conduct complaints during 2016/17.

Back: Cr D Munay, Cr J Benn, Cr D Collins, Cr D Bowling, Cr K Russell
Front: Cr S Haneveer, Deputy Mayor Jim Cooper, Mayor Duncan McFie, Cr R Conley

Grants and Benefits

In accordance with Section 77 of the *Local Government Act 1993* and its Small Grants Scheme policy, Council made the following grants and benefits during the year:

GRANTS AND BENEFITS				
2012/2013 $20,250	**2013/2014 $10,800**	**2014/2015 $20,098**	**2015/2016 $12,000**	**2016/2017 $12,500**
Organisations Funded in 2016/2017				
Festival of King Island (FOKI)				$2,500
Country Women's Association Pegarah Branch King Island				$2,500
King Island Boat Club				$2,500
King Island Pastoral, Horticultural & Agricultural Society				$2,000
Phoenix House				$2,500

Council's Small Grants Scheme Policy indicates $20,000 will be made available subject to budgetary constraints with a maximum grant of $2,500. Council determines its allocations during its budget deliberations and calls for applications in May each year. An amount of $20,000 was set aside in 2016/2017 and a total of $12,500 was made available by Council to community organisations to help fund their operations and special projects during the year.

2016/2017 Community Small Grants recipient representatives

(photo courtesy of King Island Courier)

Schedule of Tenders and Contracts

Code for Tenders and Contracts – Section 13.2 - As per Regulation 29 of the Local Government (General) Regulations 2015, Council is required to report details of any extension of a contract, whereby Council agreed to extend a contract by an absolute majority and the pre-existing contract did not specify extensions.

COUNCIL RESOLUTION NO	DESCRIPTION OF CONTRACT	PERIOD OF CONTRACT	PERIOD OF OPTIONS FOR CONTRACT EXTENSION	TENDER VALUE EXCLUDING GST $	BUSINESS NAME OF SUCCESSFUL CONTRACTOR	BUSINESS ADDRESS OF SUCCESSFUL CONTRACTOR
156/16	Supply of Diesel Fuel	1 April 2015 - 31 March 2017	31 March 2017 – 30 June 2017	$67,500 approx	Jet Air Pty Ltd	1a Lighthouse Street Currie TAS 7256

Code for Tenders and Contracts – Section 13.3 & 13.4 - As per Regulation 29 of the Local Government (General) Regulations 2015, Council is required to report all instances where non-application of the public tender process has occurred for the supply or provision of goods or services valued at or above the currently legislated prescribed amount of $250,000 in the following circumstances:

- Non-application of the public tender process as a result of an emergency, where in the opinion of the General Manager, there was insufficient time to invite tenders for the goods and services required in that emergency; or
- Non-application of the public tender process because Council agreed by absolute majority, that a satisfactory result would not have been achieved in tenders were invited because of:
    1. Extenuating circumstances;
    2. The remoteness of the locality; or
    3. The unavailability of competitive or reliable tenderers.
- All other instances of non-application of public tender process where a public tender process was not used and reasonably should have been.

There have been no instances of non-application of the public tender process for the period 1 July 2016 – 30 June 2017.

Code for Tenders and Contracts – Section 13.6 - As per Regulation 29 of the Local Government (General) Regulations 2015, Council is required to report details of any contract for the supply or provision of goods or services valued at or exceeding $100,000 but less than $250,000, that is entered into or extended in the current financial year. Additionally, Council will report whether the procurement method used is compliant with the Code, and if not, reasons as to why.

DESCRIPTION OF CONTRACT	PERIOD OF CONTRACT	PERIOD OF OPTIONS FOR CONTRACT EXTENSION	CONTRACT VALUE EXCLUDING GST $	BUSINESS NAME OF SUCCESSFUL CONTRACTOR	BUSINESS ADDRESS OF SUCCESSFUL CONTRACTOR	WAS PROCUREMENT METHOD COMPLIANT? (IF NOT, REASON FOR NON COMPLIANCE)
Insurance	30/6/2016-30/6/2017	No options for extension	$129,063.83	Marsh Pty Ltd	60 Cameron St Launceston TAS 7250	Yes
Software Implementation	1/2/2017-30/6/2017	No options for extension	$114,500.00	Magiq Software Ltd	PO Box 874 Napier New Zealand 4140	Yes
Gravel Production	5/2/2017-7/4/2017	No options for extension	$100,175.00	KI Concrete & Earthmoving	PO Box 127 Currie TAS 7256	Yes-Only supplier on Island.
Electrical Services	4/10/2016-Ongoing	No option for extension	$117,317.72	Bass Strait Electrical	PO Box 122 Currie TAS 7256	Not required – Followed insurance claim procedure.

Code for Tenders and Contracts – Section 17 – In addition to the public reporting requirements as per the Regulations, section 17 of the Code requires the General Manager to report to Council all other purchases of goods and services over the value of $50,000 (exclusive of GST), specifically whether the procurement method used is compliant with the Code, and if not, reasons as to why.

DATE OF PURCHASE OF GOODS/SERVICES	DESCRIPTION OF THE GOODS/SERVICES ACQUIRED	VALUE OF GOODS/SERVICES ACQUIRED EXCLUDING GST $	NAME OF SUPPLIER	PROCESS USED FOR THE ACQUISION OF GOODS/SERVICES	WAS PROCUREMENT METHOD COMPLIANT? (IF NOT, REASON FOR NON COMPLIANCE)
28/09/2016	Jet Patching Equipment	$70,000.00	Venarchie Holdings Pty Ltd	Requested Quotes	Yes
3/11/2016	Glass Pulveriser	$62,869.00	Waste Initiatives Pty Ltd	Requested Quotes	Yes
10/02/17 – 19/05/17	Quarry Water Treatment	$71,665.00	Earth Systems Consulting Pty Ltd	Requested Quotes	Yes

Local Government Act 1993 Section 72A

Council reports no disputes with the Australian Taxation Office during the financial year relating to compliance with GST law.

Local Government Act 1993, Sections 72(1) (cd), 72(4) and 72(5)

Public Health Statement

Section 72(1)(ab) of the *Local Government Act 1993* requires a statement of the Council's goals and objective in relation to public health activities to be included in the Annual Report.

Council currently engages an Environmental Health Officer contractor for 0.06 per week. Council's Public Health and Environmental Health programs address a range of functions under the *Local Government Act 1993, Public Health Act 1997, Food Act 2003.*

Operational statistics reflecting core environmental health activities undertaken include:

Activity	Total	Comments
Public Health Act 1997		
Mass Gatherings	0	
Private water supplies licenses	15	Commercial businesses providing water from tanks, bores, etc.
Drinking Water Cart licenses	1	Drinking water carters
Regulated systems	0	
Registered Health Risk Activity	1	Includes tattooing, acupuncture etc
Recreation waters - natural	0	
Recreation waters – pools and spas	0	
Immunisations	61	No of doses administered
Water complaints investigated	0	Water quality from a private supplier
Food Act 2003		
Registered food businesses	49	Annual licenses
Temporary food businesses	6	Events and one-off occasions
Prosecutions	0	
Infringement Notices	0	
Food complaints investigations	0	

Council provided an online Food Handling training and in the 2016/17 Financial Year provided this training on island.

Council is to include within its Annual Report a statement relating to the total remuneration paid to employees of the Council who hold positions designated by it as being senior positions. Total remuneration includes the salary paid, contributions to superannuation, fringe benefits and any other allowances.

King Island Council had three designated senior management positions for 2016/17.

Note 42 of the Audited Financial Statements for 2016/17 reports total remuneration for Senior Management employees as $478,661. This is calculated in accordance with the Act.

ANNUAL RENUMERATION	NO. OF EMPLOYEES
120,000 – 139,999	2
140,000 – 159,999	0
160,000 – 179,999	0
180,000 – 199,999	0
200,000 – 209,999	1

Public Interest Disclosure Act 2002, Section 86

In accordance with Section 86(a) of the *Public Interest Disclosure Act 2002* Council's Public Interest Disclosure Policy can be found on the Council's website.

For the 2016/17 financial year Council has nothing to report under Section 86(b-i) of the *Public Interest Disclosure Act 2002.*

Miscellaneous

No land was donated by Council pursuant to Section 177 of the *Local Government Act 1993.*

Financial Information

Explanation of appendix 2 Annual Financial Report for the Year Ended 30 June 2017.

Underlying deficit comparison	Value
Underlying deficit 2016/17 (as per audited financial statements (Note 44(a))	-$828,040
Forecasted underlying deficit 2016/17 (as per adopted Budget 2017/18)	-$294,179
Variance	***-$533,861***

Explanation of Major Variance Items (approximate values)	Value
Additional compliance costs at Pearshape Quarry in June 2017 as ordered by EPA (these are additional to compliance costs included in Forecasted deficit due to the timing of the preparation of the budget – verbal advice provided to Council in June & July 2017)	-$70,000
End of financial year accounting adjustments (in accordance with Australian Accounting Standards and/or Tasmanian Audit Office requirements)	
Wages accrual (2017/18 Pay 1 – period ended 2 July 2017 – standard EOFY timing adjustment)	-$130,284
MAGIQ software implementation – reclassification from capital asset to operational expense (budget of $95,000 adopted as capital item)	-$85,000
Reversal of prior year (2015/16) stock-take adjustment due to change in calculation method (adjusted in current year as advised by TAO rather than adjusting 2015/16)	-$200,000
End of year asset review resulting in reduction of depreciation expense (standard EOFY process)	$71,000
Change to calculation method of underlying surplus/deficit to include profit/loss on disposal of assets (new TAO requirement – different to previous years)	-$119,577
Total	***-$533,861***

Statement of Comprehensive Income (page 3)

	Budget 2016/17 $	Forecasted 2016/17* $	Actual 2016/17 $
Rates and charges (Note 5)	2,136,579	2,132,159	2,146,879
The budget and forecast figures do not include pre-paid rates, which are included in the actual result. It is not possible to budget or forecast an amount for pre-paid rates as it varies each year. As at 30 June 2017, approx $15k was pre-paid for 2017/18 rates (issued in July 2017).			
Statutory Fees and Fines (Note 6)	108,450	179,340	183,302
King Island is seeing an increase in economic and tourism growth, as evidenced by the lodgement of several high value development applications lodged during the 2016/17 financial year.			
User Fees (Note 7)	882,512	678,211	608,931
The adopted budget included passenger taxes for the airport which was subsequently repealed impacting the actual result.			

	Budget 2016/17 $	Forecasted 2016/17* $	Actual 2016/17 $
Grants (Note 8)	1,778,825	2,757,401	2,754,635
The variation between budget and actual is due to the pre-payment of the 2017/2018 financial assistance grant in 2016/2017. As part of its budget announcements for 2017/2018, the Commonwealth Government made a prepayment of 2017/2018 Financial Assistance Grant to all local governments in Australia in June 2018. King Island Council received $868,282 which represents 50% of the total allocation for 2017/2018. Due to the advanced notice, Council was able to incorporate this adjustment into the 2017/2018 budget. However, due to accounting requirements the payment has been included in grants income for 2016/2017 which is reported in this current financial report.			
Private Works (Note 9)	924,480	765,491	759,893
The budget for the State Growth Roads contract, which is a large single component of the overall private works budget, included an anticipated reseal project. This has been postponed to 2017/18.			
Interest (Note 10)	110,000	112,082	123,895
Following the adoption of Council's investment policy, interest earnings increased due to the ability to access more competitive interest rates.			
Other Income (Note 11)	501,070	526,930	575,381
The majority of this income is made of the Motor Tax Refund that King Island receives from the State Government in July every year (approx $453k).			
Investment Revenue from Taswater (Note 14)	99,000	99,000	99,000
The investment revenue from Taswater has been frozen at $99k.			
Capital grants received for new or upgraded assets (Note 8)	974,281	509,398	532,898
The variation between budget and actual is due to anticipation of grant funding for the airport for $320k. The grant was applied for in 2015/16 and consequently was included as a project in the 2016/17 budget. Council was notified that its application was unsuccessful in 2016/17 hence the project did not proceed.			
Other contributions (Note 12)	-	157,092	154,092
This item is an insurance settlement for the airport generator shed and contents.			
Net gain/(loss) on disposal of property, plant and equipment and infrastructure (Note 13)	30,000	42,864	(119,577)
Net gain/(loss) on disposal is calculated by proceeds of sale (price the disposed asset is sold for) less the written-down value of the disposed asset (the purchase price Council paid for the asset less the accumulated depreciation throughout the life of the asset). This calculation is shown in Note 13. The majority of asset disposals are plant and equipment. During Council's budget process only the proceeds for sale are estimated and forecasted. The written-down value is not estimated hence the variance of the actual and budget. This practice will be updated following an external review of the plant and equipment register values.			
Employee Benefits (Note 15)	2,250,596	2,068,195	2,198,420
This item came in under budget due to vacancies during 2016/17.			

	Budget 2016/17 $	Forecasted 2016/17* $	Actual 2016/17 $
Materials and services (Note 16)	1,669,377	2,022,031	2,439,708

2016/17 experienced higher than anticipated materials and services costs. This was consistently reported to Council through the monthly financial reports and during the budget process for 2017/18. Factors affecting the increase included:

- use of contract graders in place of Council grader – Council has a single grader in its fleet. The second grader was disposed of due to age and maintenance requirements and was not in the budget to be replaced.
- removal of pine trees from roadside adjacent to Snodgrass Park units – this was an unbudgeted but necessary expense due to safety issues.
- unexpected gravel production required – a local contractor was engaged to produce gravel to finalise Council's capital works program. Gravel stocks were depleted due to a number of large private works projects.
- environmental compliance works at Pearshape Quarry (South Pit). These were significant unavoidable costs to ensure compliance with EPA guidelines.

Additionally, there were several accounting adjustments as part of the financial statement preparation that further affected the final result:

- reclassification of software implementation costs from capital projects to operational expenditure
- prior year adjustment to gravel stores following stocktake

Depreciation and Amortisation (Note 17)	1,676,983	1,676,983	1,606,445

The Valuer General's municipal valuation has resulted in decreased depreciation across several asset classes. Additionally, the end of year plant review resulted in a further decrease.

Finance Costs (Note 18)	53,883	41,429	41,429

The actual expenditure is in line with the forecast. Both figures are less than budget due to the timing of drawing down of approved loans for 2016/17.

Other Expenses (Note 19)	870,078	867,874	809,096

This expenditure item is below budget estimates due to a number of savings made across most departments. There are no individual items of significance to report.

** Forecasted figures as per 2016/17 forecast column in the 2017/18 budget document*

Other variances of note

Cash and Cash Equivalents (Note 21)

- Council's cash position was significantly higher than the prior year due to the FAG pre-payment and the drawing down of all approved loan funds for 2016/2017 in June 2017.

Trade and other receivables (Note 23)

The other debtors figure is comparably higher at 30 June 2017 than the prior year due to the following:

- Sundry debtors – there were several large invoices raised in June 2017 that were due and paid in July 2017. This situation did not occur in June 2016.
- Airport debtors – there has been an increase in aircraft landings (volume) resulting in an increase in monthly billings (approx $25k per month in 2015/16 to approx $40k per month in 2016/17). This increase plus a change in accounting method as recommended by the Auditor General in his 2015/16 report has resulted in approximately 70% increase in airport debtors at the end of the year compared to the prior year. Note: 2015/2016 was a transition year to Avdata billing service.

Interest-bearing loans and borrowings (Note 31)

- All approved new loans for 2016/17 were drawn down in June 2017 in line with the adopted budget, including:
    - Airport - $387k (quarantined for use in 2017/18)
    - Waste management – cell construction - $350k (quarantined for use in 2017/18).
    - Glass Crusher - $85k

Related party transactions (Note 41)

- The accounting method relating to this item changed as at 1 July 2017. As a result, the calculation method for reporting of remuneration for Councillors and Key Management Personnel (Senior Management) changed. As such, the comparative values for 2015/16 were not required to be recalculated and a comparison between the two financial years is not able to be consistently performed.
- Disclosure of related party transactions (other than remuneration) – This was the first year that Councillors and Senior Staff were required to complete a related party declaration. After considering the declarations, there were no transactions with related parties that required disclosure in 2016/17.

Appendix 1

Strategic Plan 2016-2020

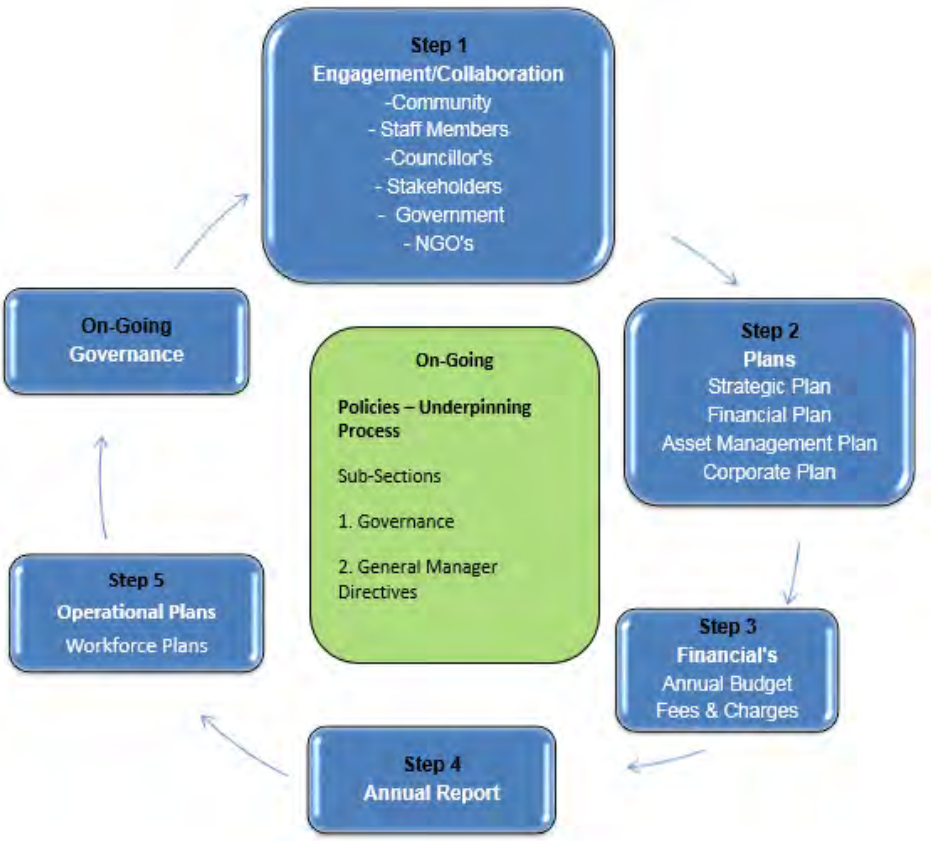
Fourth Quarterly Progress Report

Annual Plan

Council adopted the Strategic Plan 2016-2020 on 9 August 2016.
In accordance with Section 71 of the Local Government Act 1993 this is the fourth quarterly progress report.

Planning Process

Evaluation and Review - ongoing



Flow Chart - Explanation

The planning process flow chart articulates the process of planning and developing a strategic plan. The process involves engaging, collaborating and consultation with key stakeholders, including the community, council staff members, councillors, government and non-government organisations. From this point plans are established alongside the annual budget, fees and charges and the annual report.

The operational plans for the council workforce are developed, which are underpinned by the plans, policies and governance requirements. The whole process is evaluated and reviewed on a continuous basis to ensure we are meeting our key performance indicators/measures.

1. COMMUNITY WELLBEING
Create a sustainable, resilient and adaptable community; through utilising community development strategies.

1.1 OBJECTIVE	**COMMUNITY DEVELOPMENT** To identify, improve and support community development strategies that generate benefits for the community of King Island.
FUNCTIONAL RESPONSIBILITY	Director of Corporate and Community Services

KRA:	NO:	STRATEGY	TIMELINE	PERFORMANCE MEASURE	PROGRESS UPDATE
1a	1.1.1	Investigate competing demands for forecasting and responding to emerging community needs.	1. By April 2017 2. By June 2017 3. By September 2017 4. By January 2018 Links with 1.2.3	1 Community needs assessment 2.Demand/Results ascertained 3.Develop a plan to address demand 4. Implement plan DAP 1.4, 2.1 and 3	Community Needs Assessment report has been completed and received by Council.
1b 1c 1d	1.1.2	Encourage population stability and growth by facilitating opportunities to attract identified residential development and services.	On-going	1. Identify and promote residential and dwelling type demand opportunities 2.Ascertain the labour/trade gaps by undertaking an economic analysis 3. Publicise the opportunities to internal and external stakeholders	1. Accommodation Demand Analysis released in June 2017, largely confirming current understanding of the worker and visitor accommodation situation. 2. Workforce Capability Study identified key skills/trades gaps in the context of expected economic growth. 3. Awaiting meeting with Office of the Coordinator General and Regional Development Authority to compile investment prospectus. Meeting expected September 2017.
1e	1.1.3	Build and support our community's capacity to provide services, programs, and events that are responsive to community need.	1.By June 2017 2.By June 2017	1.Identified need from community (1.1.1) 2. Revision of Council grants, programs, and processes	Dependent on outcomes of 1.1.1.

1.COMMUNITY WELLBEING
Create a sustainable, resilient and adaptable community; through utilising community development strategies.

1.2 OBJECTIVE	**COMMUNITY ENGAGEMENT** To engage with our community through collaborative consultation, information sharing and seeking input that informs our decisions
FUNCTIONAL RESPONSIBILITY	Director of Corporate and Community Services

KRA:	NO:	STRATEGY	TIMELINE	PERFORMANCE MEASURE	PROGRESS UPDATE
5e	1.2.1	Develop and implement a community engagement strategy.	By June 2017	1.Engagement Strategy developed 2. Implemented 3.Reviewed	Community Engagement Plan has been completed and is employed for all applicable projects.
1f 5e	1.2.2	Build a platform for regular two-way communication with and from the community.	By June 2017	1.Develop a Communications Strategy 2.Implement strategy 3. Review – Ongoing – Feedback Loop DAP 1.2, 1.3.3.2	King Island Council has an active Facebook page. The trial version of online Engagement Tool, OurSay, has commenced. Social Media and Communications device policy is being considered within the broader suite of policies in that review.
	1.2.3	Work collaboratively with all levels of Government and Non-Government Organisations (NGO's) agencies to address and advocate the emerging community needs.	By June 2017	1. Based on Community Needs Assessment 2.Facilitation of activities that provide two defined businesses and investment outcomes for King Island per annum 3. Review	Dependent on the outcomes of 1.1.1.
					Accommodation Demand Analysis released by Premier in June 2017.
					Regional Innovations Champions funding was unsuccessful.

	1.2.4	Provide connections within the community for young people to remain engaged through education and employment opportunities.	Annually August each year	1.Build relationship with KIDHS and local businesses 2.Identify apprentices, traineeships and skills gaps from businesses 3. Identify further education opportunities	Illuminate: NextGen Challenge completed in March 2017. All high school students participated in a week-long task, designing a tourism experience to entice new visitors to KI for a unique and special experience. This week-long program extended skills which are being developed in the 21st learning classes at the KIDHS. The group who won the challenge K.S.S.B.E gave a presentation to the Council at Naracoopa in March 2017.

2. INFRASTRUCTURE AND FACILITIES

Support our population and future growth through public infrastructure, services, land use and development strategies that create a connected, sustainable and accessible community.

2.1 OBJECTIVE	**COUNCIL ASSETS** Review and develop plans and processes with relevant stakeholders
FUNCTIONAL RESPONSIBILITY	**General Manager**

KRA:	NO:	STRATEGY	TIMELINE	PERFORMANCE MEASURE	PROGRESS UPDATE
1h	2.1.1	Review the King Island Recreation Plan 2008 and King Island Strategy Plan 2008, prior to making decisions on existing and new community infrastructure, assets and to inform land use planning.	By June 2018	Recreation Plan 2008 1. Review 2. Engage with Community 3. Develop new plan	Review to commence in 2017.
			By June 2017	Strategy Plan 2008 1. Review 2. Engage with Community 3. Develop new plans TDS 3.1 +3.2.2	Land use planning review has commenced.
1i	2.1.2	Revise strategies and activities for waste management including the collection, recycling, and landfill management.	By September 2016 By April 2017	1. Waste management plan developed 2. Implementation 3. Ongoing Review 4. Waste management and community promotion development KIPP 3	A waste management plan has been finalised. Landfill management strategies are being reviewed. Commenced and ongoing.
1j	2.1.3	Develop a business case rationale and policy for fees and charges that reflect a user pays model for equality.	By June 2018	1.Recommendations from the Recreation Plan and review	Commenced

	2.1.4	Maintain Council assets in accordance with relevant planning and policy documents.	1. By January 2017 2. By June 2017 3. By June 2018 4. On-going	1.Review current assets 2. Develop asset management plans 3. Implement asset management plans 4. Review	Recruitment of personnel completed. Timelines have been adjusted accordingly. Asset management plans have commenced.
1g	2.1.5	To source funding to prepare 'Master Plans to guide future growth and development for Currie, Grassy, and Naracoopa.	1. Currie 2. Grassy 3. Naracoopa	1. Funding sourced 2. Community engagement 3. Draft plan 4. Plans adopted 5. Timeline developed for implementation TDS3.1 and 3.2.2	Funding was successful, and consultants engaged and briefed in June. Work expected to be completed by late August 2017.

2. INFRASTRUCTURE AND FACILITIES

Support our population and future growth through public infrastructure, services, land use and development strategies that create a connected, sustainable and accessible community.

2.2 OBJECTIVE	**TRANSPORT** To advocate for fit for purpose freight and transport services (sea and air) for the island's economy and accessibility
FUNCTIONAL RESPONSIBILITY	**General Manager**

KRA:	NO:	STRATEGY	TIMELINE	PERFORMANCE MEASURE	PROGRESS UPDATE
	2.2.1	Our shipping service is reliable, affordable and fit for purpose by continuing to advocate and lobby governments.	By June 2017	1.Participate in the King Island Shipping Group 2. Advocate on behalf of the community TDS 1.3.4 KIPP 1	Renegotiation is occurring in relation to participation in this group.
	2.2.2	Advocate and seek funding for the Grassy port to be upgraded to increase port capacity.	By 2020	1. Seek funding KIPP 1	1.Build the case for the upgrade of Grassy port and advocate with stakeholders to gain funding. 2. Once the case is clear and stakeholder support in place, identify appropriate funding stream and prepare the application.
	2.2.3	Advocate keeping freight, energy, and fuelling costs equitable for economic activity, which includes the freight equalization scheme.	On-going	1. Coordinate and drive responses identified through the demand analysis	1 Pending completion of the demand analysis in item 4.4.1.
	2.2.4	From the demand, analysis coordinate proactive planning and contingencies.	On-going	1. Articulate shifts in demand 2. Drive shifts in demand 3. Contingency plans are in place.	1. Pending completion of the demand analysis in item 4.4.1.

2. INFRASTRUCTURE AND FACILITIES

Support our population and future growth through public infrastructure, services, land use and development strategies that create a connected, sustainable and accessible community.

2.3 OBJECTIVE	**AIRPORT** To implement the Airport Master Plan
FUNCTIONAL RESPONSIBILITY	**Director of Works and Engineering Services**

KRA:	NO:	STRATEGY	TIMELINE	PERFORMANCE MEASURE	PROGRESS UPDATE
2a	2.3.1	Identify current and future needs in the context of vision and strategic priorities.	By June 2017 By June 2019	1. Analyse current/future needs DAP 4.5 and KIPP 2 TDS 1.4.1/2, 1.4.6, 1.5.1 and 3.3	1. Tourism Tasmania is conducting an assessment of future freight and passenger demand at King Island Airport to inform future planning. Considering funding options for a review of the Airport Master Plan following an RFQ conducted in June.
2c	2.3.2	Secure funding for implementation of the four recommendations that require immediate attention.	Immediate to June 2019	1. Runway prepared and sealed 17/35	On hold.
				2.RPT sealed apron parking extensions constructed	Capital works scheduled for FY2017-18.
				3. Sealed freight precinct and buildings have been constructed	Subject to a decision on funding from Building Better Regions Fund.
				4. Aviation fuel depot installed TDS 1.4.3.3 and DAP 3.3	Currently in negotiation with a third-party provider to install and operate a fuel depot from 1 November 2017.
2b	2.3.3	Review the business model for the airport to ensure that it is based on a commercial framework for its operation.	By Sept 2017	1. Review business model Linked to 2.3.1	Review of current operations undertaken, confirmed airport is currently run as a community service obligation, not on a commercial basis. Options for improving the commerciality of the airport have been presented to Council, pending discussion and decision on which options to implement.

2d	2.3.4	Develop opportunities for a business precinct at the airport.	By June 2019	TDS 1.4.4, 1.4.5 1.Coordinate and drive responses identified through the demand analysis Linked to 2.3.1	As per item 2.3.1, considering funding options for a review of the Airport Master Plan following an RFQ conducted in June.
2e	2.3.5	Investigate transition of the airport to a wholly owned corporation/ business unit.	By June 2019	An in-house feasibility study is conducted	The situation will be reviewed upon implementation of the options approved by Council as per item 2.3.3.

2. INFRASTRUCTURE AND FACILITIES

Support our population and future growth through public infrastructure, services, land use and development strategies that create a connected, sustainable and accessible community.

2.4 OBJECTIVE	**TELECOMMUNICATIONS** To support the island's telecommunications and business development in line with the national framework
FUNCTIONAL RESPONSIBILITY	**Director of Corporate and Community Services**

KRA:	NO:	STRATEGY	TIMELINE	PERFORMANCE MEASURE	PROGRESS UPDATE
2f	2.4.1	Continue to advocate with NBN Co as a high priority for urgent rollout and re-examine the best option of NBN technology.	By June 2019	Best option has been re-examined Rollout completed KIPP 5.3	Completed
2g	2.4.2	Pursue improved service access and data speed across the island including the upgrade of the microwave connection to the mainland.	By June 2019	Microwave link upgraded KIPP 5.1	4GX mobile service upgrade occurred in December 2016. Further review of service efficiency being undertaken by Telstra.
2h	2.4.3	Review the continuation of the IT System implementation and upgrade.	On-going	1. Plan upgrade implemented completed 2. System reviews are undertaken to forecast future need	Council IT strategy adopted and implementation of recommendations has commenced. Microwave link upgrade commenced. Implementation of MAGIQ Enterprise software as a replacement of Civica Authority is currently underway with an operational date of 1 July 2017.

3. TOURISM, MARKETING, AND EVENTS

Sustainable promote, develop and support the growth of King Island's tourism

3.1 OBJECTIVE	**TOURISM** To support the growth of Tourism on King Island
FUNCTIONAL RESPONSIBILITY	**Director of Corporate and Community Services**

KRA:	NO:	STRATEGY	TIMELINE	PERFORMANCE MEASURE	PROGRESS UPDATE
	3.1.1	Employ a Tourism, Communications, and Marketing Officer.	1. By October 2016	1.Person employed DAP Priority 1.2 TDS 2.1.3	Completed.
5e	3.1.2	Develop and implement a communications strategy involving both internal and external stakeholders.	1.By February 2017 2. By June 2017	1. Communications Strategy Draft Developed 2. Implement Strategy	The KIC Communication Strategy, Inform & Engage, was approved by the Acting GM in early February and the strategy has been further refined in the Engagement plan. Both documents inform current Council communications.
3d	3.1.3	Support growth of recreational and ecotourism activities through consultation, planning, and advocacy.	On-going	1. Needs analysis and Recreation Plan review findings	Subject to Recreation Plan review being commissioned.
	3.1.4	Support and enhance Council led events.	On-going	1. Build capacity in community to deliver events 2. Support community events	Cultural Centre calendar of events for the remainder of 2017 released in April. Events continue to be supported.

3h	3.1.5	Participate in the implementation of the Destination Action Plan and implement Council actions.	Now – until 2020	DAP	Council's actions added to Action Tracking documentation which has been compiled & distributed prior to the next DAP meeting scheduled for July.
3a 3e	3.1.6	Participate and demonstrate leadership in processes that determine destination governance and destination development for King Island.	Now – until 2020	1.Develop processes Tour Dev Strategy 2015-20 DAP 2.1.1, DAP 2.1.2 and 3.1.1	Ongoing

4. ECONOMIC DEVELOPMENT

Achieve economic viability through facilitating economic development that supports appropriate and sustainable growth

4.1 OBJECTIVE	**BUSINESS DEVELOPMENT** To support existing and new businesses viability, development, and growth
FUNCTIONAL RESPONSIBILITY	**Director of Corporate and Community Services**

KRA:	NO:	STRATEGY	TIMELINE	PERFORMANCE MEASURE	PROGRESS UPDATE
3i	4.1.1	Undertake a demand analysis that articulates current and emergent needs related to business investment, development, and expansion.	On-going until 2020	1.Scope and parameters for the demand analysis set 2. Tools to capture data developed 3. Demand analysis report completed 4. Analysis reviewed for currency	The scope of analysis has been discussed and agreed in principle. An outline report will be prepared in the next three to six months.
3f	4.1.2	Provide information about opportunities for emerging business demand; alongside relevant regulations and potential funding sources.	By June 2018	TDS 3.3.5 DAP 2.5	As per DAP, working with Cradle Coast Authority to prepare a prospectus of potential business opportunities for distribution to residents and interested off-island parties later this year.
3h	4.1.3	Participate in the implementation of the DAP and implement actions that Council has responsibility for.	On-going until 2020	DAP 7.3	Ongoing

4. ECONOMIC DEVELOPMENT
Achieve economic viability through facilitating economic development that supports appropriate and sustainable growth

4.2 OBJECTIVE	**ECONOMIC DEVELOPMENT** Facilitate local economy opportunities for business development and employment opportunities
FUNCTIONAL RESPONSIBILITY	**Director of Corporate and Community Services**

KRA:	NO:	STRATEGY	TIMELINE	PERFORMANCE MEASURE	PROGRESS UPDATE
3b	4.2.1	Seek funding to assist with employment of a Growth Coordinator.	On-going	1. State Government Minister lobbied for funding 2. Grants submitted	Under consideration.
	4.2.2	Employ a Growth Coordinator.	By Dec 2016 By June 2017 By June 2017	1.Person employed 2.Marketing Strategy Developed DAP Priority 1.2 TDS 2.1.3	Subject to funding availability.
3c	4.2.3	Continue to participate in promoting and protecting the King Island Brand.	On-going	1. Participate in promoting/protecting the brand DAP Priority 1.3.3	KIBMG meeting in July to review current terms of reference and identify priorities for the coming months.
3g	4.2.4	Retain young people on King Island through increased post year ten options and increased vocational and on the job training and skills development opportunities.	On-going	TDS 1.3.2, DAP 1.1 Murchison Community Plan	Working with King Island Chamber of Commerce to identify a suitable TasTAFE course for delivery on the island which will address skills gaps identified in the Workforce Capability Study and also meet objectives in DAP. Delivery expected in October / November 2017.

5. NATURAL ENVIRONMENT

Our island's unique natural and built environment are sustainably respected and cared for

5.1 OBJECTIVE	**ENVIRONMENT** To ensure our Island's natural and built resources are protected in ways that sustain our economic, environmental and social development
FUNCTIONAL RESPONSIBILITY	**Director of Works and Engineering Services**

KRA:	NO:	STRATEGY	TIMELINE	PERFORMANCE MEASURE	PROGRESS UPDATE
4a	5.1.1	To ensure existing and future development is consistent with environmental goals, councils vision and guiding principles, current plans and policies.	On-going	TDS 1.1.3	Ongoing
4b	5.1.2	To plan to safeguard the quality of soil, water, clean air and visual amenities.	On-going	1.Waste Management Plan 2.KI Strategy Plan Report 2008 (Land Use and Development) - Reviewed	Ongoing
4c	5.1.3	To ensure planning and decision making take into account physical, cultural, social and economic impacts; particularly for long-term planning; intergenerational equity principles.	By June 2017	1.Number of actions completed strategic plan 2008 (Land use and dev) DAP 2.2. + 2.3 TDS 1.2 - Six Key Principles TDS 3.3.3	Ongoing

6. GOVERNANCE AND ORGANISATIONAL DEVELOPMENT

Provide high-quality professional governance, advocacy, and leadership together with effective administration of Council resources

6.1 OBJECTIVE	**ADVOCACY AND LEADERSHIP** To improve the economic, social, and environmental wellbeing of the King Island municipality
FUNCTIONAL RESPONSIBILITY	**General Manager**

KRA:	NO:	STRATEGY	TIMELINE	PERFORMANCE MEASURE	PROGRESS UPDATE
5a	6.1.1	Utilise the King Island Key Issues 2016 and Priority Projects 2016 documents to advocate for the Local, State, Regional and Federal Government; to address the urgent issue identified.	On-going	1. Advocate current and future issues 2. Build relationships 3. Communications strategy with all levels of government KIPP and Key Issues	Ongoing
5b	6.1.2	Develop and implement the Emergency Management Plan.	By December 2016	KIPP and Key Issues 1.Emergency Management Plan adopted and endorsed 2. Training and on-going review	Emergency Management Plan was drafted and submitted for approval. Final (approved) plan now in place. Completed. Approved and signed off. Airport Training exercise has been completed. Community emergency exercise plan is in progress.
5c	6.1.3	Support the concept of the Service Centre Development in Currie.	December 2017	KIPP and Key Issues 1.Working Party of key stakeholders established 2. Concept plan developed and projection costing established	Ongoing Key stakeholders (State Government) have not endorsed this concept as a priority.
5d	6.1.4	Advocate for health and emergency services to keep pace with growing demand.	On-going	KIPP and Key Issues 1. Statement of need articulated by key stakeholders	Ongoing Funding and services delivery changes are occurring in this area.

6. GOVERNANCE AND ORGANISATIONAL DEVELOPMENT

Provide high-quality professional governance, advocacy, and leadership together with effective administration of Council resources

6.2 OBJECTIVE	**GOVERNANCE** Provide consistent, accountable, transparent and effective governance of the King Island Council
FUNCTIONAL RESPONSIBILITY	**Director of Corporate and Community Services**

KRA:	NO:	STRATEGY	TIMELINE	PERFORMANCE MEASURE	PROGRESS UPDATE
5m	6.2.1	Review the Council's governance process, in terms of the policy framework which covers Governance, General Manager Directives, and Redundant Policies.	By June 2017 On-going	Existing policies reviewed Redundant Policies Identified New policies developed Document controls implemented	The policy review framework is currently under development. Council has received further feedback regarding the framework from the Audit Panel. The draft framework in progress which discerns from redundant policies and policies requiring legislative updates, alongside a list of suggested policies from LGAT.
5e	6.2.2	Develop a community engagement model to facilitate community participation and consultation in decision-making.	On-going	Quarterly Staff Forums Annual Community Forums Six monthly Councillor Forums	Ongoing
5f	6.2.3	Examine specific service delivery options between Council and other providers.	On-going	Identify a number of service delivery options	Ongoing

5g	6.2.4	Examine opportunities to resource share between other local councils, with the aim to improve efficiency and provide effective service.	On-going	Number and type of resource sharing initiatives undertaken	Development Services (with Waratah-Wynyard and Circular Head). A shared services review is currently being hosted by Cradle Coast Authority on behalf of all N/W Councils.
5h	6.2.5	Communicate Council's decisions, policies, and activities and the reasons behind them, through Council's website and publications.	On-going	Communication tools developed and are utilised	Monthly Council Newsletters are delivered to all KI households. Posters & Media releases distributed on a regular basis, multiple Facebook communications posted each week. Quotations received from web developers responding to design brief for new Council website. A review of the frequency of Council newsletters will be undertaken as the broader communications tools take effect.

6. GOVERNANCE AND ORGANISATIONAL DEVELOPMENT

Provide high-quality professional governance, advocacy, and leadership together with effective administration of Council resources

6.3 OBJECTIVE	**FINANCIAL MANAGEMENT** Provide long-term financial viability planning for the municipality
FUNCTIONAL RESPONSIBILITY	**Director of Corporate and Community Services/Accountant**

KRA:	NO:	STRATEGY	TIMELINE	PERFORMANCE MEASURE	PROGRESS UPDATE
5i	6.3.1	Develop and annually review a financial strategy outlining how Council intends to meet the financial requirements of its Asset Management Plans and other strategic plans.	1. by June 2017 2. by June 2017	1. Budget estimates 2. Long-term financial plan adopted	Budget estimates for 2017/2018 adopted by Council on 20 June 2017.
5j	6.3.2	Examine and review the costs associated with the provision of facilities and where necessary provide cogent information in which Council can make informed decisions about community facilities/service obligations.	On-going	Number of facilities reviewed in 12-month period	Review framework to under development.
5k	6.3.3	Undertake a review of Council's current grants and sponsorship arrangements to ensure fairness and equity.	By June 2018	Recommendations for budget estimates workshop	Review to be undertaken in line with item 1.1.3.
5l	6.3.4	Develop and maintain policies and operational plans that are affordable to the community and sustainable into the future.	On-going	Implementation of review cycle	Ongoing

6. GOVERNANCE AND ORGANISATIONAL DEVELOPMENT

Provide high-quality professional governance, advocacy, and leadership together with effective administration of Council resources

6.4 OBJECTIVE	**EMPLOYEE DEVELOPMENT** To develop skilled, experienced, motivated and accountable staff
FUNCTIONAL RESPONSIBILITY	**General Manager**

KRA:	NO:	STRATEGY	TIMELINE	PERFORMANCE MEASURE	PROGRESS UPDATE
5n	6.4.1	Provide and maintain adequate staff and resources levels to meet changing needs.	By February 2017	1. IT upgrade 2. HRM review for additional HR requirements	It upgrades commenced in line with IT strategy.
5o	6.4.2	Retain an in-house skills base to overcome the issue of succession planning and skill shortage.	By June 2017	Succession plans in place Individual Staff Development Plans in place for all staff	Significant work has been undertaken on the performance review process. This is the backbone for individual staff development/work plans.
5p	6.4.3	Demonstrate commitment to the organisation's values and behaviours document and corresponding Action Plan (developed in Dec 2015).	On-going	Quarterly review of action plan Implementation of actions	Ongoing.
5q	6.4.4	Conduct annual reviews of staff performance in relation to support services and the maintenance of accurate records.	By June 2017	Individual Staff Development Plans were undertaken	Underway

Appendix 2

Annual Financial Report

For the Year Ended 30 June 2017

Independent Auditor's Report

To the Councillors of King Island Council

Report on the Audit of the Financial Report

Opinion

I have audited the financial report of King Island Council (Council), which comprises the statement of financial position as at 30 June 2017 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 General Manager's statement.

In my opinion the accompanying financial report:

(a) presents fairly, in all material respects, Council's financial position as at 30 June 2017 and of 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 statement of comprehensive income, the Significant Business Activities disclosed in note 43, nor the asset renewal funding ratio disclosed in note 44 to the financial report and accordingly, I express no opinion on them.

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

Responsibilities of the General Manager for the Financial Report

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

In preparing the financial report, the General Manager is responsible for assessing Council's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Council is to be dissolved by an Act of Parliament or the 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

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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.

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

Tasmanian Audit Office

27 September 2017
Hobart

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King Island Council

ANNUAL FINANCIAL REPORT

For the Year Ended 30 June 2017

King Island Council
Financial Report
Table of Contents

FINANCIAL REPORT		Page
Financial Statements		
Statement of Comprehensive Income		3
Statement of Financial Position		4
Statement of Cash Flows		5
Statement of Changes in Equity		6
Notes to Financial Statements		
Note 1	Reporting entity	7
Note 2	Basis of accounting	7
Note 3	Use of judgements and estimates	7
Note 4	Functions/Activities of the Council	8
Note 5	Rates and charges	10
Note 6	Statutory fees and fines	10
Note 7	User fees	11
Note 8	Grants	11
Note 9	Private works	13
Note 10	Interest	13
Note 11	Other income	14
Note 12	Contributions	15
Note 13	Net gain/(loss) on disposal of Property, plant and equipment and infrastructure	15
Note 14	Investment revenue from water corporation	15
Note 15	Employee benefits	16
Note 16	Materials and services	16
Note 17	Depreciation and amortisation	17
Note 18	Finance costs	19
Note 19	Other expenses	19
Note 20	Investment in water corporation	20
Note 21	Cash and cash equivalents	20
Note 22	Investments	20
Note 23	Trade and other receivables	21
Note 24	Inventories	21
Note 25	Other assets	21
Note 26	Property, plant and equipment and infrastructure	22
Note 27	Trade and other payables	28
Note 28	Trust funds and deposits	28
Note 29	Other liabilities	28
Note 30	Provisions	28
Note 31	Interest-bearing loans and borrowings	31
Note 32	Reserves	32
Note 33	Reconciliation of cash flows from operating activities to surplus (deficit)	34
Note 34	Reconciliation of cash and cash equivalents	34
Note 35	Financing arrangements	34
Note 36	Superannuation	35
Note 37	Commitments	37
Note 38	Operating leases	38
Note 39	Contingent liabilities and contingent assets	38
Note 40	Financial Instruments	39
Note 41	Related party transactions	47
Note 42	Special committees and other activities	49
Note 43	Significant Business Activities	50
Note 44	Management Indicators	51
Note 45	Fair Value Measurements	54
Note 46	Material Budget Variations	58
Note 47	Other significant accounting policies and new accounting standards	59
Note 48	Events after Balance Date	62
	Certification of the Financial Report	63

King Island Council
Statement of Comprehensive Income
For the Year Ended 30 June 2017

	Note	Budget 2017 $	Actual 2017 $	Actual 2016 $
Income				
Recurrent Income				
Rates and charges	5	2,136,579	2,146,879	2,121,749
Statutory fees and fines	6	108,450	183,302	131,713
User fees	7	882,512	608,931	407,677
Grants	8	1,778,825	2,754,635	1,132,584
Private Works	9	924,480	759,893	683,520
Interest	10	110,000	123,895	128,782
Other income	11	501,070	575,381	533,245
Investment revenue from water corporation	14	99,000	99,000	99,000
		6,540,916	**7,251,918**	**5,238,271**
Capital Income				
Capital grants received for new or upgraded assets	8	974,281	532,898	793,949
Other contributions	12	-	154,092	25,196
Donated assets	12	-	-	164,467
Net gain/(loss) on disposal of Property, plant and equipment and infrastructure	13	30,000	(119,577)	(15,389)
		1,004,281	**567,413**	**968,223**
Total Income		**7,545,197**	**7,819,331**	**6,206,494**
Expenses				
Employee benefits	15	(2,250,596)	(2,198,420)	(1,730,995)
Materials and services	16	(1,669,377)	(2,439,708)	(1,197,186)
Depreciation and amortisation	17	(1,676,983)	(1,606,445)	(1,625,953)
Finance costs	18	(53,883)	(41,429)	(51,601)
Other expenses	19	(870,078)	(809,096)	(763,385)
Total Expenses		**(6,520,917)**	**(7,095,097)**	**(5,369,120)**
Net Operating Result for the Year		**1,024,280**	**724,233**	**837,373**
Other Comprehensive Income				
Items that will not be reclassfied to surplus or deficit				
Net asset revaluation increment(decrement) reversals	32(a)	-	(388,426)	-
		-	**(388,426)**	**-**
Items that may be reclassified subsequently to surplus or deficit				
Financial Assets available for sale reserve	20	-	32,026	81,704
		-	32,026	81,704
Total Other Comprehensive Income		**-**	**(356,401)**	**81,704**
Total Comprehensive Result		**1,024,280**	**367,833**	**919,078**

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

King Island Council
Statement of Financial Position
As at 30 June 2017

	Note	2017	2016
		$	$
Assets			
Current assets			
Cash and cash equivalents	21	2,479,734	784,409
Investments	22	3,847,337	3,621,936
Trade and other receivables	23	366,246	235,410
Inventories	24	772,799	1,183,588
Other assets	25	165,562	59,875
Total current assets		**7,631,679**	**5,885,218**
Non-current assets			
Investment in water corporation	20	4,913,633	4,881,608
Property, plant and equipment and infrastructure	26	63,066,871	63,897,667
Total non-current assets		**67,980,504**	**68,779,275**
Total assets		**75,612,182**	**74,664,494**
Liabilities			
Current liabilities			
Trade and other payables	27	227,102	273,095
Trust funds and deposits	28	201,037	206,989
Other liabilities	29	15,713	15,575
Provisions	30	184,008	173,707
Interest-bearing loans and borrowings	31	220,871	190,140
Total current liabilities		**848,731**	**859,506**
Non-current liabilities			
Other liabilities	29	3,959	4,853
Provisions	30	46,363	55,966
Interest-bearing loans and borrowings	31	1,386,025	784,896
Total non-current liabilities		**1,436,347**	**845,715**
Total liabilities		**2,285,078**	**1,705,221**
Net Assets		**73,327,104**	**72,959,273**
Equity			
Accumulated surplus		27,058,399	27,859,997
Reserves	32	46,268,708	45,099,277
Total Equity		**73,327,104**	**72,959,273**

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

King Island Council
Statement of Cash Flows
For the Year Ended 30 June 2017

	Note	2017 Inflows/ (Outflows) $	2016 Inflows/ (Outflows) $
Cash flows from operating activities			
Rates		2,154,957	2,099,112
Statutory fees and fines		183,302	131,713
User charges and other fines (inclusive of GST)		424,429	572,124
Grants (inclusive of GST)		2,768,813	1,158,158
Grants Repaid (Inclusive of GST)		-	(168)
Private Works (inclusive of GST)		835,883	751,872
Interest received		123,895	128,782
Rents		62,221	52,883
Investment revenue from water corporation		99,000	99,000
Other receipts (inclusive of GST)		513,160	480,363
Net GST refund/payment		5,034	(14,159)
Payments to suppliers (inclusive of GST)		(2,230,726)	(1,405,564)
Payments to employees		(2,197,963)	(1,865,223)
Finance Costs		(41,429)	(51,601)
Other payments		(809,096)	(763,384)
Net cash provided by (used in) operating activities	33	**1,891,479**	**1,373,908**
Cash flows from investing activities			
Payments for Property, plant and equipment and infrastructure		(1,172,423)	(1,907,468)
Proceeds from sale of Property, plant and equipment and infrastructure		42,864	69,034
Capital grants (inclusive of GST)		532,898	793,949
Investments in term deposits		(225,401)	(545,030)
Net cash provided by (used in) investing activities		**(822,062)**	**(1,589,515)**
Cash flows from financing activities			
Trust funds and deposits		(5,952)	(14,469)
Proceeds from interest bearing loans and borrowings		822,000	-
Repayment of interest bearing loans and borrowings		(190,140)	(179,968)
Net cash provided by (used in) financing activities		**625,908**	**(194,437)**
Net increase (decrease) in cash and cash equivalents		1,695,326	(410,044)
Cash and cash equivalents at the beginning of the financial year		784,409	1,194,453
Cash and cash equivalents at the end of the financial year	34	**2,479,735**	**784,409**
Financing arrangements	35		
Restrictions on cash assets	37		

The above statement should be read with the accompanying notes.

King Island Council
Statement of Changes in Equity
For the Year Ended 30 June 2017

2017	Note	Total 2017 $	Accumulated Surplus 2017 $	Asset Revaluation Reserve 2017 $	Fair Value Reserve 2017 $	Other Reserves 2017 $
Balance at beginning of the financial year		72,959,273	27,859,997	42,520,970	333,395	2,244,910
Surplus / (deficit) for the year		724,233	724,233	-	-	-
Other Comprehensive Income:						
Financial assets available for sale reserve						
— Fair Value adjustment on Available for Sale Assets	32	32,025	-	-	32,025	-
Net asset revaluation increment(decrement)	32	(388,426)		(388,426)	-	-
Transfers between reserves		-	(1,525,832)	-	-	1,525,832
Balance at end of the financial year		**73,327,104**	**27,058,399**	**42,132,544**	**365,420**	**3,770,742**

2016	Total 2016 $	Accumulated Surplus 2016 $	Asset Revaluation Reserve 2016 $	Fair Value Reserve 2012 $	Other Reserves 2016 $
Balance at beginning of the financial year	72,040,195	25,620,416	42,520,970	251,691	3,647,118
Surplus / (deficit) for the year	837,373	837,373	-	-	-
Other Comprehensive Income:					
Financial assets available for sale reserve					
— Fair Value adjustment on Available for Sale Assets	81,704	-	-	81,704	-
Net asset revaluation increment(decrement)	-	-	-	-	-
Transfers between reserves	-	1,402,208	-	-	(1,402,208)
Balance at end of the financial year	**72,959,273**	**27,859,997**	**42,520,970**	**333,395**	**2,244,910**

The above statement should be read with the accompanying notes.

King Island Council
Notes to the Financial Report
For the Year Ended 30 June 2017

Note 1 Reporting entity

(a) The King Island Council (Council) was established in 1907 and is a body corporate with perpetual succession and a common seal. Council's main office is located at 10 George Street, Currie.

(b) The purpose of the Council is to provide delivery of local government services and affordable infrastructure to support the community in its endeavours and be an advocate for the Island with Governments and other organisations.

Note 2 Basis of accounting

This financial report is a general purpose financial report that consists of the Statement of Comprehensive Income, Statement of Financial Position, Statement of Cash Flows, Statement of Changes in Equity 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 (AASB), 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 accountanting standards that are applicable to not-for-profit entities.

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

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

This financial report has been prepared under the historical cost convention, except where specifically stated in notes 20, 22, 26, 30, 31 and 37.

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 42.

Note 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 30.

Defined benefit superannuation fund obligations

Actuarial assumptions are utilised in the determination of Council's defined benefit superannuation fund obligations. These assumptions are discussed in note 36.

Fair value of property, infrastructure, plant & equipment

Assumptions and judgements are utilised in determining the fair value of Council's Property, plant and equipment and infrastructure including useful lives and depreciation rates. These assumptions are discussed in note 26.

Investment in water corporation

Assumptions utilised in the determination of Council's valuation of its investment in TasWater are discussed in note 20.

Note 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						
2016 - 2017	1,112,186	226,235	1,338,421	2,047,878	(709,457)	10,098,457
2015 - 2016	363,449	241,154	604,603	1,834,725	(1,230,122)	8,348,661
Roads, streets and bridges						
2016 - 2017	1,967,774	453,305	2,421,079	1,791,394	629,685	42,184,976
2015 - 2016	1,259,017	424,361	1,683,378	1,421,331	262,047	42,348,371
Waste management						
2016 - 2017	-	409,314	409,314	647,380	(238,066)	541,769
2015 - 2016	-	320,673	320,673	442,915	(122,242)	491,102
Building, Planning & Environmental Health						
2016 - 2017	49,000	124,551	173,551	149,164	24,387	-
2015 - 2016	-	62,670	62,670	61,826	844	-
Community amenities						
2016 - 2017	23,500	5,826	29,326	251,811	(222,485)	846,306
2015 - 2016	(152)	169,997	169,845	137,657	32,188	945,560
Community services						
2016 - 2017	133,823	133,617	267,440	458,909	(191,469)	968,918
2015 - 2016	254,219	133,721	387,940	500,076	(112,136)	737,444
Recreation facilities						
2016 - 2017	-	-	-	99,041	(99,041)	1,492,741
2015 - 2016	-	-	-	79,483	(79,483)	1,843,842
Other - not attributable						
2016 - 2017	1,250	3,178,950	3,180,200	1,649,520	1,530,680	19,479,016
2015 - 2016	50,000	2,927,385	2,977,385	891,109	2,086,276	19,949,512
Total						
2016 - 2017	3,287,533	4,531,798	7,819,331	7,095,097	724,234	75,612,182
2015 - 2016	1,926,533	4,279,960	6,206,492	5,369,122	837,372	74,664,492

(b) *Reconciliation of Assets from note 4 with the Statement of Financial Position at 30 June:*

	2017	2016
Current assets	7,631,679	5,885,218
Non-current assets	67,980,504	68,779,275
	75,612,182	**74,664,494**

Note 4 Functions/Activities of the Council (cont)

(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. Operation and maintenance of open or deep drainage systems in urban areas, including the lining of piping of creeks but excludes drainage associated with road works, flood mitigation and agriculture.

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

Building, Planning and Environmental Health
The development and maintenance of building constructions standards. Administration of the town planning scheme, subdivisions and urban and rural renewal programs. 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.

Community amenities
Operation and maintenance of housing for aged persons and persons of limited means, Civic Centre, Council halls (excluding indoor sports complexes).

Community services
Administration and operation of dog registration, operation of pounds, control of straying stock, and noxious weeds. Support of the performing arts, museum and the presentation of festivals. Community Development which provides for the implementation of a process 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.

Recreation facilities
Operation and maintenance of sporting facilities (includes swimming pools, active and passive recreation and recreation centres).

Other - not attributable
Rates and charges and work not attributed elsewhere.

	2017	2016
	$	$

Note 5 Rates and charges

Council uses Adjusted Annual Assessed Value as the basis of valuation of all properties within the municipality. The Adjusted Annual Assessed Value of a property is its adjusted assessed annual rental value.

The valuation base used to calculate general rates for 2016-2017 was $22.184 million (2015-2016 $22.015 million). The 2016-2017 rate in the Adjusted Annual Assessed Value dollar was 8.145 cents (2015-2016, 7.947 cents).

General Rate	1,796,547	1,747,470
Waste Collection Charge	248,719	275,077
Fire Levy	101,614	99,202
Total rates and charges	**2,146,879**	**2,121,749**

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

Accounting policy

Rates and charges income

Rates and charges 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 6 Statutory fees and fines

Building Fees	36,804	64,589
Planning & Development Fees	99,974	27,407
Rates & Land Information Certificates	28,035	23,126
Animal Control Registrations & Fees	9,590	10,224
Licence & Permit Fees	8,899	6,367
Total statutory fees and fines	**183,302**	**131,713**

Accounting policy

Statutory fees and fines income

Statutory 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.

		2017	2016
		$	$
Note 7	**User fees**		
	Airport User Fees	442,414	350,692
	Refuse Disposal Fees	156,900	41,876
	Cemetery	7,810	11,545
	Hall Hire	1,391	1,729
	Other Fees and Charges	416	1,835
	Total user fees	**608,931**	**407,677**

Accounting policy

User fee income

User fees 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 8 Grants

Grants were received in respect of the following :

	Summary of grants		
	Federally Funded Grants	3,191,740	1,893,594
	State Funded Grants	95,792	32,939
	Others	-	-
	Total grants	**3,287,532**	**1,926,533**
	Grants - Recurrent		
	Financial Assistance Grants	2,548,328	860,433
	Fuel Tax Credit	22,234	18,084
	Tasmanian Medicare Local-Rural Primary Health Services	111,780	221,128
	DPAC - Australia Day Grant	-	1,091
	DPAC - National Youth Week	-	2,000
	Department of State Growth - King Island Shipping Business Plan	-	20,000
	Arts Tasmania InterIsland Exchange Art Project	1,250	(152)
	DPIPWE - Multi Species Abattoir Business Plan	22,043	10,000
	Department of State Growth - King Island Township Masterplans	49,000	-
	Total recurrent grants	**2,754,635**	**1,132,584**

	2017	2016
	$	$

Note 8 Grants (cont.)

The Australian Commonwealth Government provides Financial Assestance Grants (FAGs) to Council for general purpose use and the provision of local roads. In June 2017, Council received advance payment of an estimated 50% of its 17/18 FAG. In accordance with *AASB 1004 Contributions,* Council recognised these grants as revenue when it received the funds and obtained control. The impact on Council's operating result of the early receipt of thoses FAGs is summarised below.

	2017	2016
	$	$
Commonwealth FAGs relating to the financial year	1,683,046	1,652,884
Commonwealth FAGs included in operating result for the financial year	2,548,328	860,433
Increase/decrease in the operating surplus due to early receipt of FAGS	**865,282**	**(792,451)**
Capital grants received specifically for new or upgraded assets		
Roads to Recovery	509,398	743,949
RDAF-Airport Terminal Upgrade	-	50,000
Tasmania Community Fund - Jaycee Playground	23,500	-
Total capital grants	**532,898**	**793,949**
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	47,164	110,000
Less: expended during the current period from revenues recognised in previous reporting periods		
DPAC-Election Commitments-Currie Oval Pavilion Upgrade	(43,622)	(66,378)
Department of State Growth - King Island Shipping Business Plan	(3,542)	-
	(47,164)	(66,378)
Plus: amounts recognised as revenues in this reporting period but not yet expended in accordance with the conditions		
Department of State Growth - King Island Shipping Business Plan	-	3,542
Department of State Growth - King Island Township Masterplans	45,000	-
	45,000	3,542
Unexpended at the close of this reporting period	45,000	47,164
Net increase (decrease) in non-reciprocal grant revenues for the year:	**(2,164)**	**(62,836)**
Grants repaid		
Tasmanian Community Fund-Netherby Shipwreck	-	152
Total grants repaid	**-**	**152**

	2017	2016
	$	$

Note 8 Grants (cont.)

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 or 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 grant or contribution is 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 9 Private works

Road Works Performed for State	374,180	332,118
Works Undertaken for Other Entities	385,715	351,402
Total private works	**759,893**	**683,520**

Accounting policy

Private works income

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

Note 10 Interest

Interest on Rates	23,374	23,837
Interest on Cash and Cash Equivalents	100,521	104,945
Total interest	**123,895**	**128,782**

Accounting policy

Interest income

Interest is recognised progressively as it is earned.

		2017	2016
		$	$
Note 11	**Other income**		
	Rental/Lease Income	62,221	52,883
	Commision	9,442	5,398
	Part 5 Agreement - Royalties	6,484	7,344
	Reimbursements	22,983	17,922
	Other	20,945	25,337
	Motor Tax Refund	453,305	424,361
	Total other income	**575,381**	**533,245**

Accounting policy

Rental income

Rents are recognised as revenue when the payment is due or the payment is 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 predominately used for leasing to third parties, Council records lease revenue on an accruals basis and records the associated properties as part of land and buildings under AASB 116 Property, Plant and Equipment and not AASB 140 Investment Properties. Buildings are recognised at depreciated replacement cost. 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 not be reliably measured at balance date.

Commision income

Commision income is recognised when Council's right to receive payment is established.

Royalties income

Roaylties income is recognised when Council's right to receive payment is established.

Reimbursements income

Reimbursements are recognised as revenue when the payment is due or the payment is received, whichever first occurs.

Other income

Reimbursements are recognised as revenue when the payment is due or the payment is received, whichever first occurs.

Motor tax refund income

Motor tax refund income is recognised as revenue when the payment is received.

		2017 $	2016 $
Note 12	**Contributions**		
	Cash		
	Other Contributions	154,092	25,196
	Total cash contributions	**154,092**	**25,196**
	Non-monetary assets		
	Value of Donated Asset	-	164,467
	Total non-monetary asset contributions	**-**	**164,467**
	Total contributions	**154,092**	**189,663**

Accounting policy

Contributions 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.

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

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

Note 13	**Net gain/(loss) on disposal of Property, plant and equipment and infrastructure**		
	Proceeds of Sale	42,864	69,034
	Written-down Value of Assets Disposed	(162,441)	(84,423)
	Total net gain/(loss) on disposal of property, infrastructure, plant and equip.	**(119,577)**	**(15,389)**

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.

Note 14	**Investment revenue from water corporation**		
	Dividend Revenue Received	64,207	67,097
	Tax Equivalent Received	29,818	23,900
	Guarantee Fee Received	4,975	8,003
	Total investment revenue from water corporation	**99,000**	**99,000**

Accounting policy

Investment revenue

Dividend revenue is recognised when Council's right to receive payment is established.

		2017	2016
		$	$
Note 15	**Employee benefits**		
	Wages and salaries	1,751,979	1,430,082
	Workers Compensation	53,291	58,458
	Annual Leave and Long Service Leave	163,483	193,416
	Sick Leave	35,019	(11,256)
	Superannuation	201,570	173,965
	Fringe Benefits Tax	8,877	11,076
	Payroll Tax	58,938	45,291
	Other Employee Costs	21,314	16,893
	Relocation Costs	4,098	-
	Redundancy	-	7,912
		2,298,569	1,925,837
	Less Amounts Capitalised	(100,150)	(194,842)
	Total employee benefits	**2,198,420**	**1,730,995**

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 16	**Materials and services**		
	Consultants	359,691	146,106
	Contractors	1,172,733	899,688
	Freight	40,364	19,561
	Fuel and Oils	169,218	165,234
	Gravel Usage (inc stock movement)	57,010	(464,251)
	Inventory Issued from Store	263,963	191,681
	Materials Purchased	329,462	264,556
	Minor Plant & Equipment Purchases	2,155	1,342
	Plant & Equipment Maintenance	54,702	69,772
	Internal Plant Hire Recovery	(138,123)	(210,915)
	Printing, Postage & Stationery	31,756	24,721
	Utilities	96,776	89,691
	Total materials and services	**2,439,708**	**1,197,186**

		2017	2016
		$	$

Note 16 Materials and services (cont.)

Accounting policy

Materials and services expense

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.

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 17 Depreciation and amortisation

Property		
Buildings		
Buildings	51,228	53,590
Jetties	14,756	14,756
Heritage Buildings	565	565
Plant and Equipment		
Plant, Machinery and Equipment	234,239	260,706
Fixtures, Fittings and Furniture	8,409	9,961
Computers and Telecommunications	17,518	3,438
Infrastructure		
Roads	680,105	680,105
Bridges	131,515	131,515
Aerodrome	415,264	415,264
Drainage	25,472	25,472
Recreational, Leisure and Community Facilities	14,814	18,021
Waste Management	12,560	12,560
Total depreciation and amortisation	**1,606,445**	**1,625,953**

	2017	2016
	$	$

Note 17 Depreciation and amortisation (cont.)

Accounting policy

Depreciation and amortisation expense

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.

Buildings, land improvements, plant and equipment, infrastructure and other assets having limited useful lives are systematically depreciated over their useful lives to the 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 residual values and a separate depreciation rate is determined for each component.

Road earthworks are not depreciated on the basis that they are assessed as not having a limited useful life.

Land is not depreciated.

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
Land	Infinite
Buildings	
Buildings	20-100 years
Building Improvements	20-100 years
Heritage Buildings	50-100 years
Plant and Equipment	
Plant, Machinery and Equipment	5-20 years
Fixtures, Fittings and Furniture	5-20 years
Computers and Telecommunications	3-5 years
Roads	
Road Pavements	60-80 years
Road Seals	60-80 years
Road Formation	80-100 years
Road Footpath, Kerb, Channel and Minor Culverts	50-80 years
Bridges	
Bridges Deck	30-60 years
Bridges Substructure	20-80 years
Other Infrastructure	
Drainage	70-80 years
Recreation and Community Facilities	20-60 years
Waste Management	15-40 years
Aerodrome Infrastructure	10-100 years

		2017	2016
		$	$
Note 18	**Finance costs**		
	Interest - Borrowings	41,429	51,601
	Total finance costs	**41,429**	**51,601**

Accounting policy

Finance expense

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.

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 19	**Other expenses**		
	Advertising	23,536	21,441
	Audit Panel Fees	7,604	6,811
	Bank Fees	7,289	7,950
	Commissions Paid	30,477	7,387
	Community Grants & Sponsorships	36,230	34,698
	Conferences & Training	14,555	14,997
	Council Rates	26,179	28,230
	Councillors' allowances	111,133	110,199
	Election expenses	1,233	637
	External auditors' remuneration (Tasmanian Audit Office)	33,000	27,696
	Fire Service Levy	100,217	95,021
	Insurance & registration	150,209	154,582
	Land Tax	42,937	38,644
	Licences & Permits	34,035	35,736
	Operating lease	8,812	9,768
	Other	25,342	24,347
	Subscriptions & Memberships	52,483	41,833
	TasWater Charges	24,058	25,854
	Telecommunications & Internet Charges	20,507	22,839
	Travel & Accommodation	59,259	54,716
	Total other expenses	**809,096**	**763,385**

Acounting policy

Other expenses

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.

		2017	2016
		$	$
Note 20	**Investment in water corporation**		
	Opening Balance	4,881,608	4,799,904
	Change in Fair Value of Investment		
	Fair Value Adjustments on Available-for-Sale Assets	32,026	81,704
	Total investment in water corporation	**4,913,633**	**4,881,608**

Council has derived returns from the water corporation as disclosed at note 14.

Accounting policy

Investment assets

Council's investment in TasWater is valued at its fair value at balance date. Fair value was determined by usinig Council's ownership interest against the water corporation's net asset value at balance date. At 30 June 2017, Council continues to hold 0.31% 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 32).

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

On 7 March 2017 the State Government announced its intention to take ownership of Tasmanian Water and Sewerage Corporation Pty Ltd from July 2018. The State Government intends to introduce a suite of legislation in the Spring Session of Parliament that will transfer all of Tasmanian Water and Sewerage Corporation Pty Ltd's assets, rights, obligations and liabilities, including employees under their current terms and conditions, to a newly created government business, which will commence operations by 1 July 2018. As, at the date of these financial statements, there is no indication as to whether the legislation will be passed, no change has been made to the basis on which the investment Tasmanian Water and Sewerage Corporation Pty Ltd has been recognised for the year ended 30 June 2017.

Note 21	**Cash and cash equivalents**		
	Cash on Hand	300	300
	Cash at Bank	2,479,433	434,015
	Cash Invested at Call	-	350,094
	Total cash and cash equivalents	**2,479,734**	**784,409**

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 less than three months, net of outstanding bank overdrafts.

Note 22	**Investments**		
	Term Deposits	3,847,337	3,621,936
	Total investments	**3,847,337**	**3,621,936**

Accounting policy

Investments

Investments, other than investments in associates and property, are measured at cost. These represent mainly term deposits.

		2017	2016
		$	$
Note 23	**Trade and other receivables**		
	Current		
	Rates Debtors	65,807	73,884
	Other Debtors	271,291	127,343
	Net GST Receivable	29,149	34,183
	Total trade and other receivables	**366,246**	**235,410**

Accounting policy

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 24	**Inventories**		
	Inventories held for distribution	772,799	1,183,588
	Total inventories	**772,799**	**1,183,588**

Accounting policy

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 25	**Other assets**		
	Current		
	Prepayments	67,686	2,552
	Accrued Income	97,877	57,323
	Total other assets	**165,562**	**59,875**

*Accrued income only includes items that are reciprocal in nature.

Note 26 Property, plant and equipment and infrastructure	2017 $	2016 $
Summary		
at cost	6,465,298	6,614,852
Less accumulated depreciation	(3,135,852)	(3,067,132)
	3,329,446	**3,547,720**
at fair value as at 30 June	103,841,122	103,286,087
Less accumulated depreciation	(44,103,697)	(42,936,140)
	59,737,425	**60,349,947**
Total	**63,066,871**	**63,897,667**
Property		
Land		
at fair value as at 30 June	3,884,000	3,861,090
	3,884,000	**3,861,090**
Buildings		
at fair value as at 30 June	2,954,920	3,316,204
Less accumulated depreciation	(1,075,375)	(1,161,125)
	1,879,545	**2,155,079**
Jetties		
at cost	930,706	930,706
Less accumulated depreciation	(116,333)	(101,577)
	814,373	**829,129**
Heritage buildings		
at fair value as at 30 June	56,500	56,500
Less accumulated depreciation	(30,390)	(29,825)
	26,110	**26,675**
Total Property	**6,604,027**	**6,871,972**
Plant and Equipment		
Plant, machinery and equipment		
at cost	4,485,702	4,641,408
Less accumulated depreciation	(2,612,667)	(2,597,190)
	1,873,035	**2,044,218**
Fixtures, fittings and furniture		
at cost	113,283	113,283
Less accumulated depreciation	(77,868)	(69,459)
	35,415	**43,824**
Computers and telecommunications		
at cost	286,294	272,709
Less accumulated depreciation	(212,861)	(195,342)
	73,433	**77,367**
Total Plant and Equipment	**1,981,884**	**2,165,407**

Note 26 Property, plant and equipment and infrastructure (cont.)	2017 $	2016 $
Infrastructure		
Roads		
at fair value as at 30 June	68,430,547	67,792,633
Less accumulated depreciation	(30,584,030)	(29,903,925)
	37,846,517	**37,888,708**
Bridges		
at fair value as at 30 June	7,627,707	7,627,707
Less accumulated depreciation	(3,959,966)	(3,828,451)
	3,667,740	**3,799,256**
Aerodrome		
at fair value as at 30 June	18,142,976	17,981,605
Less accumulated depreciation	(6,791,484)	(6,376,221)
	11,351,492	**11,605,384**
Drainage		
at fair value as at 30 June	1,961,944	1,961,944
Less accumulated depreciation	(1,355,279)	(1,329,807)
	606,665	**632,137**
Recreation and community facilities		
at fair value as at 30 June	782,529	688,404
Less accumulated depreciation	(307,173)	(306,785)
	475,357	**381,619**
Waste Management		
at cost	475,325	475,325
Less accumulated depreciation	(116,123)	(103,563)
	359,202	**371,762**
Total Infrastructure	**54,306,972**	**54,678,866**
Works in progress		
Buildings at cost	-	58,145
Computers & Telecommunications at cost	31,486	-
Roads at cost	26,924	100
Aerodrome at cost	6,016	24,955
Drainage at cost	37,130	28,171
Recreation and community facilities at cost	56,868	70,051
Waste Management at cost	15,564	
Total Works in progress	**173,987**	**181,422**
Total property, plant and equipment and infrastructure	**63,066,871**	**63,897,667**

Note 26 Property, plant and equipment and infrastructure (cont.)

Reconciliation of Property, plant and equipment and infrastructure

2017	Balance at beginning of financial year	Acquisition of assets	Revaluation increments (decrements) (note 32)	Depreciation and amortisation (note 17)	Written down value of disposals	Impairment losses recognised in profit or loss	Transfers	Balance at end of financial year
	$	$	$	$	$	$	$	$
Property								
Land	3,861,090	-	22,910	-	-	-	-	3,884,000
Total Land	3,861,090	-	22,910	-	-	-	-	3,884,000
Buildings	2,155,079	104,352	(386,803)	(51,228)	-	-	58,145	1,879,545
Jetties	829,129	-	-	(14,756)	-	-		814,373
Heritage Buildings	26,675	-	-	(565)	-	-	-	26,110
Total Buildings	3,010,883	104,352	(386,803)	(66,549)	-	-	58,145	2,720,028
Total Property	6,871,973	104,352	(363,893)	(66,549)	-	-	58,145	6,604,028
Plant and Equipment								
Plant, Machinery and Equipment	2,044,215	225,498	-	(234,239)	(162,441)		-	1,873,034
Fixtures, Fittings and Furniture	43,824	-	-	(8,409)	-		-	35,414
Computers and Telecommunications	77,366	13,585	-	(17,518)	-	-	-	73,433
Total Plant and Equipment	2,165,406	239,083	-	(260,166)	(162,441)	-	-	1,981,881
Infrastructure								
Roads	37,888,708	637,813	-	(680,105)	-	-	100	37,846,517
Bridges	3,799,256	-	-	(131,515)	-	-	-	3,667,741
Aerodrome	11,605,384	136,416	-	(415,264)	-	-	24,955	11,351,492
Drainage	632,137	-	-	(25,472)	-	-	-	606,665
Recreation and Community Facilities	381,619	66,707	(24,533)	(14,814)	-	-	66,378	475,357
Waste Management	371,762		-	(12,560)	-	-	-	359,202
Total Infrastructure	54,678,865	840,937	(24,533)	(1,279,730)	-	-	91,433	54,306,973
Works in Progress								
Buildings	58,145	-	-	-	-	-	(58,145)	-
Computers and Telecommunications	-	31,486	-	-	-	-	-	31,486
Roads	100	26,924	-	-	-	-	(100)	26,924
Aerodrome	24,955	6,016	-	-	-	-	(24,955)	6,016
Drainage	28,170	8,960	-	-	-	-	-	37,130
Recreation and Community Facilities	70,051	53,195	-	-	-	-	(66,378)	56,868
Waste Management	-	15,564	-	-	-	-	-	15,564
Total Works in Progress	181,421	142,145	-	-	-	-	(149,578)	173,988
Total Property, plant and equipment and infrastructure	63,897,666	1,326,516	(388,426)	(1,606,445)	(162,441)	-	-	63,066,871

Note 26 Property, plant and equipment and infrastructure (cont.)

Reconciliation of property, plant and equipment and infrastructure

2016	Balance at beginning of financial year	Acquisition of assets	Revaluation increments (decrements) (note 32)	Depreciation and amortisation (note 17)	Written down value of disposals	Impairment losses recognised in profit or loss	Transfers	Balance at end of financial year
	$	$	$	$	$	$	$	$
Property								
Land	3,851,090	10,000	-	-	-	-	-	3,861,090
Total Land	3,851,090	10,000	-	-	-	-	-	3,861,090
Buildings	2,048,669	160,000	-	(53,590)	-	-	-	2,155,079
Jetties	473,907	353,771	-	(14,756)	-	-	16,207	829,129
Heritage Buildings	27,240	-	-	(565)	-	-	-	26,675
Total Buildings	2,549,816	513,771	-	(68,911)	-	-	16,207	3,010,883
Total Property	6,400,906	523,771	-	(68,911)	-	-	16,207	6,871,973
Plant and Equipment								
Plant, Machinery and Equipment	2,188,638	196,843	-	(260,706)	(80,559)		-	2,044,215
Fixtures, Fittings and Furniture	57,648	-	-	(9,961)	(3,864)		-	43,824
Computers and Telecommunications	16,372	64,432	-	(3,438)	-	-	-	77,366
Total Plant and Equipment	2,262,659	261,276	-	(274,105)	(84,423)	-	-	2,165,406
Infrastructure								
Roads	37,762,718	806,095	-	(680,105)	-	-	-	37,888,708
Bridges	3,930,771	-	-	(131,515)	-	-	-	3,799,256
Aerodromes	9,995,427	352,737	-	(415,264)	-	-	1,672,484	11,605,384
Drainage	657,609	-	-	(25,472)	-	-	-	632,137
Recreation and Community Facilities	399,640	-	-	(18,021)	-	-	-	381,619
Waste Management	384,322	-	-	(12,560)	-	-	-	371,762
Total Infrastructure	53,130,486	1,158,832	-	(1,282,937)	-	-	1,672,484	54,678,866
Works in Progress								
Buildings	-	58,145	-	-	-	-	-	58,145
Jetties	16,207	-	-	-	-	-	(16,207)	0
Roads	-	100	-	-	-	-	-	100
Aerodrome	1,672,484	24,955	-	-	-	-	(1,672,484)	24,955
Drainage	28,170	-	-	-	-	-	-	28,170
Recreation and Community Facilities	-	70,051	-	-	-	-	-	70,051
Total Works in Progress	1,716,861	153,250		-	-	-	(1,688,690)	181,421
Total Property, plant and equipment and infrastructure	63,510,913	2,097,129	-	(1,625,953)	(84,423)	-	-	63,897,666

Note 26 Property, plant and equipment and infrastructure (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, plant and equipment and infrastructure 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 $
Land	
Land	10,000
Buildings	
Buildings	10,000
Building Improvements	10,000
Heritage Buildings	10,000
Plant and Equipment	
Plant, Machinery and Equipment	2,000
Fixtures, Fittings and Furniture	2,000
Computers and Telecommunications	2,000
Roads	
Road Pavements and Seals	10,000
Road Substructure	10,000
Road Formation and Earthworks	10,000
Road Kerb, Channel and Minor Culverts	10,000
Bridges	
Bridges Deck	10,000
Bridges Substructure	10,000
Other Infrastructure	
Drainage	10,000
Recreation and Community Facilities	10,000
Waste Management	10,000
Aerodrome Infrastructure	10,000

Revaluation

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

Land	fair value
Buildings	fair value
Jetties	cost
Heritage Buildings	fair value
Plant, Machinery and Equipment	cost
Fixtures, Fittings and Furniture	cost
Computers and Telecommunications	cost
Roads	fair value
Bridges	fair value
Aerodrome	fair value
Drainage	fair value
Recreation and Community Facilities	fair value
Waste Management	cost

Note 26 Property, plant and equipment and infrastructure (cont.)

Accounting policy (cont.)

Subsequent to the initial recognition of assets, non-current physical assets, other than plant and equipment, including fixtures, fittings and furniture and computers and telecommunications, are measured at their fair value 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. The valuation is performed either by experienced Council officers or independent experts.

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.
There were no impairment losses in 2016/2017 or 2015/2016.

Land under roads

Council has not taken up the value of land under roads for 2016/2017.

		2017 $	2016 $
Note 27	**Trade and other payables**		
	Trade Payables	126,317	146,394
	Accrued Expenses	100,785	126,701
	Total trade and other payables	**227,102**	**273,095**
Note 28	**Trust funds and deposits**		
	Refundable Building Deposits	-	-
	Refundable Contract Deposits	-	10,000
	Trust Funds for Community Groups	165,422	161,644
	Trust Funds for Bursaries	30,144	30,541
	Other Trust Funds	5,471	4,804
	Total trust funds and deposits	**201,037**	**206,989**

Accounting policy

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

Note 29	**Other liabilities**		
	Current		
	Revenue Received in Advance	-	515
	Other Liabilities	15,713	15,060
		15,713	**15,575**
	Non-current		
	Other Liabilities	3,959	4,852
	Total other liabilities	**19,672**	**20,427**

Note 30 Provisions

	Annual leave	Long service leave	Sick Leave	Total
2017	**$**	**$**	**$**	**$**
Balance at beginning of the financial year	119,300	110,374	-	229,674
Additional provisions made	99,388	(1,311)	-	98,077
Decreases to provisions	(96,392)	(989)	-	(97,382)
Balance at the end of the financial year	**122,296**	**108,074**	**-**	**230,370**
2016				
Balance at beginning of the financial year	134,322	111,598	107,272	353,192
Additional provisions made	34,786	40,199	1	74,986
Decreases to provisions	(49,808)	(41,423)	(107,273)	(198,504)
Balance at the end of the financial year	**119,300**	**110,374**	**-**	**229,674**

Note 30 Provisions (cont.)

	2017 $	2016 $
(a) Employee benefits		
Current (i)		
Annual Leave	122,296	119,300
Long Service Leave	61,711	54,407
	184,008	**173,707**
Non-current (ii)		
Long Service Leave	46,363	55,967
	46,363	**55,967**
Aggregate carrying amount of employee benefits:		
Current	184,008	173,707
Non-current	46,363	55,967
	230,370	**229,674**
The following assumptions were adopted in measuring		
Weighted average increase in employee costs	3.50%	3.00%
Weighted average discount rates	2.18%	1.70%
Weighted average settlement period	12	12
(i) Current		
All annual leave and the long service leave entitlements representing 10 or more		
- Short-term employee benefits, that fall due within 12 months after the end of the period	122,296	119,300
- Other long-term employee benefits that do not fall due within 12 months after the end	61,711	54,407
	184,008	**173,707**
(ii) Non-current		
Long service leave representing less than 10 years of continuous service measured at net present	46,363	55,967
(iii) Employee Numbers (Full time equivalent)		
	29	29

Note 30 Accounting policy
Provisions (cont.)

Employee benefits

i) Short term obligations

Liabilities for wages and salaries, including non-monetary benefits and annual 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

The accrual made for sick leave in accordance with Council's Enterprise Agreement to partially pay out unused sick leave upon ceasing employment with Council ceased part way through the 2015/16 financial year. As at 30 June 2016 no accrual was 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.

iv) Defined benefit plans

A liability or asset in respect of defined benefit superannuation plans would ordinarily be recognised in the statement of financial position, and measured as the present value of the defined benefit obligation at the reporting date plus unrecognised actuarial gains (less unrecognised actuarial losses) less the fair value of the superannuation fund's assets at that date and any unrecognised past service cost. The present value of the defined benefit obligation is based on expected future payments which arise from membership of the fund to the reporting date, calculated annually by independent actuaries using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. However, when this information is not reliably available, Council accounts for its obligations to defined benefit plans on the same basis as its obligations to defined contribution plans i.e as an expense when it becomes payable.

Council makes superannuation contributions for a number of its employees to the Quadrant Defined Benefits Fund, which is a sub fund of the Quadrant Superannuation Scheme. The Quadrant Defined Benefits Fund has been classified as a multi-employer sponsored plan. As the Fund's assets and liabilities are pooled and are not allocated by employer, the Actuary is unable to allocate benefit liabilities, assets and costs between employers. As provided under paragraph 32(b) of AASB 119 Employee Benefits, Council does not use defined benefit accounting for these contributions.

v) Defined contribution plans

Contributions to defined contribution plans are recognised as an expense as they become payable. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

vi) Landfill Restoration

Council has two operating landfill sites, one of which is for inert waste only. Licence conditions require that they be remediated as product is received. No restoration provision exists.

		2017 $	2016 $
Note 31	**Interest-bearing loans and borrowings**		
	Current		
	Borrowings	220,871	190,140
		220,871	**190,140**
	Non-current		
	Borrowings	1,386,025	784,896
	Total interest-bearing loans and borrowings	**1,606,896**	**975,036**
	The maturity profile for Council's borrowings is:		
	Not later than one year	220,871	190,140
	Later than one year and not later than five years	658,284	418,817
	Later than five years	727,741	366,079
	Total interest-bearing loan and borrowings	**1,606,896**	**975,036**

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 Comprehensive Income over the period of the liability using the effective interest method.

Note 32 Reserves

(a) Asset revaluation reserve	Balance at beginning of reporting year	Increment	(Decrement)	Balance at end of reporting year
	$	$	$	$
2017				
Property				
Land	3,187,256	22,910	-	3,210,166
Buildings	437,042	-	(411,336)	25,706
	3,624,297	**22,910**	**(411,336)**	**3,235,871**
Infrastructure				
Roads and Bridges	30,604,369	-	-	30,604,369
Storm Water	414,859	-	-	414,859
Aerodrome	7,877,445	-	-	7,877,445
	38,896,673	**-**	**-**	**38,896,673**
Total asset revaluation reserve	**42,520,970**	**22,910**	**(411,336)**	**42,132,544**
2016				
Property				
Land	3,187,256	-	-	3,187,256
Buildings	437,042	-	-	437,042
	3,624,297	**-**	**-**	**3,624,297**
Infrastructure				
Roads and Bridges	30,604,369	-	-	30,604,369
Stromwater	414,859	-	-	414,859
Aerodrome	7,877,445	-	-	7,877,445
	38,896,673	**-**	**-**	**38,896,673**
Total asset revaluation reserve	**42,520,970**	**-**	**-**	**42,520,970**

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	Balance at beginning of reporting year	Increment	(Decrement)	Balance at end of reporting year
	$	$	$	$
2017				
Available-for-sale assets				
Investment in Water Corporation	333,395	32,025	-	365,420
Total fair value reserve	**333,395**	**32,025**	**-**	**365,420**
2016				
Available-for-sale assets				
Investment in Water Corporation	251,691	81,704	-	333,395
Total fair value reserve	**251,691**	**81,704**	**-**	**333,395**

The available-for-sale financial asset reserve was established to capture the fair value movements in Council's water corporation investment.

Note 32 Reserves (cont)

(c) Other reserves	Balance at beginning of reporting year $	Transfer from accumulated surplus $	Transfer to accumulated surplus $	Balance at end of reporting year $
2017				
Discretionary Reserves				
Lighthouse Reserve	165,814	4,274	(9,193)	160,895
Community Reserve	1,488,609	137,369	(169,164)	1,456,814
Naracoopa Jetty Reserve	80,163	45,066	(4,324)	120,905
Grassy Mine Infrastructure Reserve	56,969	1,468	-	58,437
	1,791,555	**188,177**	**(182,681)**	**1,797,051**
Other reserves				
Employee Entitlements Reserve	249,586	-	(19,216)	230,370
Restricted Funds	203,771	1,666,656	(127,104)	1,743,323
	453,357	**1,666,656**	**(146,320)**	**1,973,693**
Total Other reserves	**2,244,912**	**1,854,833**	**(329,001)**	**3,770,744**
2016				
Discretionary Reserves				
Lighthouse Reserve	164,543	4,439	(3,167)	165,814
Airport Reserve	205,672	5,548	(211,220)	-
Community Reserve	1,418,860	137,274	(67,524)	1,488,609
Naracoopa Jetty Reserve	386,742	53,432	(360,012)	80,163
Grassy Mine Infrastructure Reserve	55,473	1,496	-	56,969
	2,231,290	**202,189**	**(641,923)**	**1,791,555**
Statutory reserves				
Employee Entitlements Reserve	353,191	-	(103,605)	249,586
Restricted Funds	1,062,640	24,915	(883,784)	203,771
	1,415,831	**24,915**	**(987,389)**	**453,357**
Total Other reserves	**3,647,123**	**227,104**	**(1,629,312)**	**2,244,912**

Discretionary reserves are reserves that provide capital for the expansion of Council's infrastructure or capital base.
Statutory reserves are maintained for employee entitlements and restricted funds for unexpended grant revenue.

	2017 $	2016 $
Total Reserves	**46,268,708**	**45,099,277**

		2017 $	2016 $
Note 33	**Reconciliation of cash flows from operating activities to surplus (deficit)**		
	(Surplus)/Deficit	724,233	837,373
	Depreciation/amortisation	1,606,445	1,625,953
	(Profit)/loss on disposal of Property, plant and equipment and infrastructure	119,577	15,389
	Capital grants received specifically for new or upgraded assets	(532,898)	(793,949)
	Other Contributions	(154,092)	(25,196)
	Found Assets/Donated Assets	-	(164,467)
	Change in assets and liabilities:		
	Decrease/(increase) in trade and other receivables	(130,836)	152,255
	Decrease/(increase) in other assets	(105,687)	3,111
	Decrease/(increase) in inventories	410,789	(113,309)
	Increase/(decrease) in trade and other payables	(45,993)	(28,829)
	Increase/(decrease) in other liabilities	(756)	(10,906)
	Increase/(decrease) in provisions	697	(123,517)
	Net cash provided by/(used in) operating activities	**1,891,480**	**1,373,908**
Note 34	**Reconciliation of cash and cash equivalents**		
	Cash and Cash Equivalents	2,479,735	784,409
	Total reconciliation of cash and cash equivalents	**2,479,735**	**784,409**
Note 35	**Financing arrangements**		
	Bank overdraft	220,000	220,000
	Credit Cards	24,000	24,000
	Unused facilities	**244,000**	**244,000**

Note 36 Superannuation

Council makes superannuation contributions for a number of its employees to the Quadrant Defined Benefits Fund (the Fund). The Fund was a sub fund of the Quadrant Superannuation Scheme (the Scheme) up to 30 November 2015. At this date the Quadrant Superannuation Scheme merged (via a Successor Fund Transfer) into the Tasplan Super and the Quadrant Defined Benefits Fund became a sub fund of Tasplan Super (Tasplan) from that date. The Quadrant Defined Benefits Fund has been classified as a multi-employer sponsored plan. As the Fund's assets and liabilities are pooled and are not allocated by employer, the Actuary is unable to allocate benefit liabilities, assets and costs between employers. As provided under paragraph 34 of AASB 119 Employee Benefits, Council does not use defined benefit accounting for these contributions.

For the year ended 30 June 2017 Council contributed 9.5% of employees' gross income to the Fund. Assets accumulate in the fund to meet member benefits as they accrue, and if assets within the fund are insufficient to satisfy benefits payable, Council is required to meet its share of the deficiency.

Rice Warner Pty Ltd undertook the last actuarial review of the Fund at 30 June 2014. The review disclosed that at that time the net market value of assets available for funding member benefits was $66,310,000, the value of vested benefits was $57,475,000, the surplus over vested benefits was $8,835,000, the value of total accrued benefits was $58,093,000, and the number of members was 187. These amounts relate to all members of the fund at the date of valuation and no asset or liability is recorded in the Quadrant Superannuation Scheme's financial statements for Council employees.

The financial assumptions used to calculate the Accrued Benefits for the Fund were:

- Net Investment Return 7.0% p.a.
- Salary Inflation 4.0% p.a.
- Price Inflation n/a

The actuarial review concluded that:

- The value of assets of the Fund was adequate to meet the liabilities of the Fund in respect of vested benefits as at 30 June 2014.
- The value of assets of the Fund was adequate to meet the value of the liabilities of the Fund in respect of accrued benefits as at 30 June 2014.
- Based on the assumptions used, and assuming the Employer contributes at the levels described below, the value of the assets is expected to continue to be adequate to meet the value of the liabilities of the Fund in respect of vested benefits at all times during the period up to 30 June 2017

The Actuary recommended that in future the Council contribute 11.0% of salaries in 2014/15 and 9.5% of salaries thereafter.

The Actuary will continue to undertake a brief review of the financial position the Fund at the end of each financial year to confirm that the contribution rates remain appropriate. The next full triennial actuarial review of the Fund will have an effective date of 30 June 2017 and is expected to be completed late in 2017.

Council also contributes to 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.

As required in terms of paragraph 148 of AASB 119 Employee Benefits, Council discloses the following details:

- The 2014 actuarial review used the "aggregate" funding method. This is a standard actuarial funding method. The results from this method were tested by projecting future fund assets and liabilities for a range of future assumed investment returns. The funding method used is different from the method used at the previous actuarial review in 2011.

  Under the aggregate funding method of financing the benefits, the stability of Councils' contributions over time depends on how closely the Fund's actual experience matches the expected experience. If the actual experience differs from that expected, Councils' contribution rate may need to be adjusted accordingly to ensure the Fund remains on course towards financing members' benefits.

Note 36 Superannuation (cont)

- In terms of Rule 27.4 of the Tasplan Trust Deed (Trust Deed), there is a risk that employers within the Fund may incur an additional liability when an Employer ceases to participate in the Fund at a time when the assets of the Fund are less than members' vested benefits. Each member of the Fund who is an employee of the Employer who is ceasing to Participate is required to be provided with a benefit at least equal to their vested benefit in terms of Rule 27.4 (b) (A). However there is no provision in the Trust Deed requiring an employer to make contributions other than its regular contributions up to the date of cessation of contributions. This issue can be resolved by the Trustee seeking an Actuarial Certificate in terms of Rule 26.5 identifying a deficit and the Trustee determining in terms of Rule 26.3(c) that the particular employer should make the payment required to make good any shortfall before the cessation of participation is approved.
- The application of Fund assets on Tasplan being wound-up is set out in Rule 41.4. This Rule provides that expenses and taxation liabilities should have first call on the available assets. Additional assets will initially be applied for the benefit of the then remaining members and/or their Dependants in such manner as the Trustee considers equitable and appropriate in accordance with the Applicable Requirements (broadly, superannuation and taxation legislative requirements and other requirements as determined by the regulators).

  The Trust Deed does not contemplate the Fund withdrawing from Tasplan. However it is likely that Rule 27.4 would be applied in this case (as detailed above).
- The Fund is a defined benefit Fund.
- The Quadrant Defined Benefits Fund has been classified as a multi-employer sponsored plan. As the Fund's assets and liabilities are pooled and are not allocated by employer, the Actuary is unable to allocate benefit liabilities, assets and costs between employers. Thus the Fund is not able to prepare standard AASB119 defined benefit reporting.
- During the reporting period the amount of contributions paid to defined benefits schemes was $6,935 (2015-16, $9,538), and the amount paid to accumulation schemes was $192,760 (2015-16, $176,620).
- During the next reporting period the expected amount of contributions to be paid to defined benefits schemes is $7,000 , and the amount to be paid to accumulation schemes is $200,000.
- As reported on the first page of this note, Assets exceeded accrued benefits as at the date of the last actuarial review, 30 June 2014. Moderate investment returns, since that date, make it quite probable that this is still the position. The financial position of the Fund will be fully investigated at the actuarial review as at 30 June 2017.
- An analysis of the assets and vested benefits of Funds participating in the Scheme, prepared by Rice Warner Pty Ltd as at 30 June 2014, showed that the Fund had assets of $66.3 million and members' Vested Benefits were $57.5 million. These amounts represented 8.4% and 7.5% respectively of the corresponding total amounts for the Scheme.
- As at 30 June 2016 the fund had 151 members and the total employer contributions and member contributions for the year ending 30 June 2016 were $1,956,576 and $284,779 respectively.

	2017	2016
Fund	**$**	**$**
Defined benefits fund		
Employer contributions to Quadrant	6,935	9,538
	6,935	**9,538**
Accumulation funds		
Employer contributions to Quadrant	42,183	52,915
Employer contributions to other	150,578	123,704
	192,760	**176,620**

Note 37 Commitments	2017 $	2016 $
Capital expenditure commitments		
There are no capital expenditure commitments at balance date.		
Contractual commitments		
Contractual commitments at end of financial year but not recognised in the financial report are as		
Cleaning Contract	10,500	73,500
Grassy Town Maintenance Contract	24,200	72,600
Airport Cleaning Contract	78,000	150,000
Total contractual commitments	**112,700**	**296,100**
Unrestricted funds		
Council's cash, cash equivalents and investments are subject to a number of internal and external restrictions that limit amounts available for discretionary or future use. These include:		
Cash, cash equivalents and investments		
Cash and Cash Equivalents (note 22)	2,479,734	784,409
Investments (note 23)	3,847,337	3,621,936
Total cash, cash equivalents and investments	**6,327,071**	**4,406,345**
Restricted funds		
Trust Funds and Deposits (note 29)	201,037	206,989
Leave Provisions (note 31)	230,370	229,674
Reserve Funds Allocated for Specific Future Purposes (note 33)	1,797,051	1,791,555
Restricted Funds (including unexpended grants and capital budgets)(Note 33)	1,743,323	203,771
Total restricted funds	**3,971,780**	**2,431,988**
Total unrestricted cash and cash equivalents	**2,355,290**	**1,974,357**

		2017	2016
		$	$

Note 38 Operating leases

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	10,920	2,442
Later than one year and not later than five years	38,371	-
	49,291	**2,442**

Note 39 Contingent liabilities and contingent assets

Contingent liabilities

Council is unaware of any contingent liabilities. There are no legal matters which have damages claims attached.

Guarantees for loans to other entities

Council does not act as a guarantor for the borrowings of any other entity.

Note 40 Financial Instruments

(a) Accounting Policy, terms and conditions

Recognised financial instruments	Note	Accounting Policy	Terms and Conditions
Financial assets			
Cash and cash equivalents	21	Cash on hand and at bank and money market call account are valued at face value. Interest is recognised as it accrues.	On call deposits returned a floating interest rate of 1.3% (1.27% in 2015/2016).
Investments	22	Investments and bills are valued at cost. Investments are held to maximise interest returns of surplus cash. Interest revenues are recognised as they accrue.	Funds returned fixed interest rate of between 2.12% (2.41% in 2015/2016), and 2.71% (2.95% in 2015/2016) net of fees.
Trade and other receivables			
Other debtors	23	Receivables are carried at amortised cost using the effective interest method. A provision for impairment is recognised when there is objective evidence that an impairment loss has occurred. Collectability of overdue accounts is assessed on an ongoing basis.	General debtors are unsecured. Credit terms are based on 30 days.
Financial Liabilities			
Trade and other payables	27	Liabilities are recognised for amounts to be paid in the future for goods and services provided to Council as at balance date whether or not invoices have been received.	General Creditors are unsecured, not subject to interest charges and are normally settled within 30 days of invoice receipt.
Interest-bearing loans and borrowings	31	Loans are carried at their principal amounts, which represent the present value of future cash flows associated with servicing the debt. Interest is accrued over the period it becomes due and recognised as part of payables.	Borrowings are secured by way of mortgages over the general rates of the Council. The weighted average interest rate on borrowings is 4.09% (4.88% in 2015/2016).
Bank overdraft	35	Overdrafts are recognised at the principal amount. Interest is charged as an expense as it accrues.	The overdraft is subject to annual review. It is secured by a mortgage over Council's general rates and is repayable on demand. The interest rate as at balance date was 8.15% (8.17% in 2015/2016).

Note 40 Financial Instruments (cont.)
(b) 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:

2017

	Weighted average interest rate	Floating interest rate	Fixed interest maturing in: 1 year or less	Over 1 to 5 years	More than 5 years	Non-interest bearing	Total
		$	$	$	$	$	$
Financial assets							
Cash and Cash Equivalents	1.30%	2,479,433	-	-	-	300	2,479,733
Investments	2.49%	-	3,847,337	-	-	-	3,847,337
Trade and Other Receivables	8.40%	65,807	-	-	-	271,290	337,097
Investment in Water Corporation		-	-	-	-	4,913,633	4,913,633
Total financial assets		**2,545,239**	**3,847,337**	**-**	**-**	**5,185,223**	**11,577,799**
Financial liabilities							
Trade and Other Payables		-	-	-	-	227,102	227,102
Trust Funds and Deposits		-	-	-	-	201,037	201,037
Interest-bearing Loans and Borrowings	4.09%	-	220,871	658,284	727,741	-	1,606,896
Total financial liabilities		**-**	**220,871**	**658,284**	**727,741**	**428,139**	**2,035,035**
Net financial assets (liabilities)		**2,545,239**	**3,626,467**	**(658,284)**	**(727,741)**	**4,757,084**	**9,542,764**

2016

	Weighted average interest rate	Floating interest rate	Fixed interest maturing in: 1 year or less	Over 1 to 5 years	More than 5 years	Non-interest bearing	Total
		$	$	$	$	$	$
Financial assets							
Cash and Cash Equivalents	1.27%	784,108	-	-	-	300	784,408
Investments	2.61%	-	3,621,936	-	-	-	3,621,936
Trade and Other Receivables	8.46%	73,884	-	-	-	127,343	201,227
Investment in Water Corporation		-	-	-	-	4,881,608	4,881,608
Total financial assets		**857,992**	**3,621,936**	**-**	**-**	**5,009,251**	**9,489,180**
Financial liabilities							
Trade and Other Payables		-	-	-	-	273,095	273,095
Trust Funds and Deposits		-	-	-	-	206,989	206,989
Interest-bearing Loans and Borrowings	4.88%	-	190,140	418,817	366,079	-	975,036
Total financial liabilities		**-**	**190,140**	**418,817**	**366,079**	**480,084**	**1,455,120**
Net financial assets (liabilities)		**857,992**	**3,431,796**	**(418,817)**	**(366,079)**	**4,529,167**	**8,034,060**

Note 40 Financial Instruments (cont.)

(c) Net Fair Values

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	
	2017	2016	2017	2016
	$	$	$	$
Financial assets				
Cash and Cash Equivalents	2,479,734	784,409	2,479,734	784,409
Investments	3,847,337	3,621,936	3,847,337	3,621,936
Rates	65,807	73,884	65,807	73,884
Trade and Other Receivables	271,290	127,343	271,290	127,343
Available for Sale Financial Assets	4,913,633	4,881,608	4,913,633	4,881,608
Total financial assets	11,577,801	9,489,181	11,577,801	9,489,181
Financial liabilities				
Trade and Other Payables	227,102	273,095	227,102	273,095
Trust Funds and Deposits	201,037	206,989	201,037	206,989
Interest-bearing Loans and Borrowings	1,606,896	975,036	1,606,896	975,036
Total financial liabilities	2,035,035	1,455,120	2,035,035	1,455,120

(d) 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.

Note 40 Financial Instruments (cont.)

(e) 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. Council's interest rate liability risk arises primarily from long term loans and borrowings at fixed rates which exposes it to fair value interest rate risk.

Council's loan borrowings are sourced from TasCorp. Overdrafts are arranged with major Australian banks. Council manages interest rate risk on its 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.

Council manages the interest rate exposure on its 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* . Council manages 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; and
- benchmarking of returns and comparison with budget.

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

Note 40 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 Council:

- have a policy for establishing credit limits for the entities it deals with;
- may require collateral where appropriate; and
- only invests surplus funds with financial institutions which have a recognised credit rating specified in its 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 it provides a guarantee for another party. Details of Council's contingent liabilities are disclosed in note 40.

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

	Financial Institutions (AA- credit rating)	Government agencies (BBB credit rating)	Other (min BBB credit rating)	Total
2017				
Cash and Cash Equivalents	2,479,434	-	-	2,479,434
Investments	3,847,337	-	-	3,847,337
Total contractual financial assets	**6,326,772**	**-**	**-**	**6,326,772**
2016				
Cash and Cash Equivalents	784,109	-	-	784,109
Investments	3,621,936	-	-	3,621,936
Total contractual financial assets	**4,406,046**	**-**	**-**	**4,406,046**

Note 40 Financial Instruments (cont.)

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:

	2017	2016
	$	$
Current (not yet due)	116,131	114,158
Past due by up to 30 days	167,990	13,681
Past due between 31 and 180 days	47,284	82,018
Past due between 181 and 365 days	10,876	5,225
Past due by more than 1 year	23,965	20,327
Total Trade & Other Receivables	**366,245**	**235,410**

Ageing of individually impaired Trade and Other Receivables

At balance date, other debtors representing financial assets with a nominal value of $0.00 (2015/2016: $0.00) were impaired. The amount of the provision raised against these debtors was $0.00 (2015/2016: $0.00). Many of the long outstanding past due amounts have been lodged with Council's debt collectors or are on payment arrangements.

Note 40 Financial Instruments (cont.)

Liquidity risk

Liquidity risk includes the risk that, as a result of Council's operational liquidity requirements:
- it will not have sufficient funds to settle a transaction on the date;
- it will be forced to sell financial assets at a value which is less than what they are worth; or
- it may be unable to settle or recover a financial assets at all.

To help reduce these risks Council:
- has readily accessible standby facilities and other funding arrangements in place; and
- monitors budget to actual performance on a regular basis;

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).

2017	6 mths or less $	6-12 months $	1-2 years $	2-5 year $	>5 year $	Contracted Cash Flow $	Carrying Amount $
Trade and other payables	227,130	-	-	-	-	227,130	227,130
Trust funds and deposits	5,471	-	-	-	195,566	201,037	201,037
Interest-bearing loans and borowings	110,436	110,436	194,207	464,076	727,741	1,606,896	1,606,896
Total financial liabilities	**343,037**	**110,436**	**194,207**	**464,076**	**923,307**	**2,035,063**	**2,035,063**

2016	6 mths or less $	6-12 months $	1-2 years $	2-5 year $	>5 year $	Contracted Cash Flow $	Carrying Amount $
Trade and other payables	273,095	-	-	-	-	273,095	273,095
Trust funds and deposits	4,804	10,000	-	-	192,185	206,989	206,989
Interest-bearing loans and borowings	93,762	96,378	242,307	176,510	366,079	975,036	975,036
Total financial liabilities	**371,661**	**106,378**	**242,307**	**176,510**	**558,264**	**1,455,120**	**1,455,120**

Note 40 Financial Instruments (cont.)

(f) 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 -2% in market interest rates (AUD) from year-end rates of 4.4%.

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
2017	$	$	$	$	$
Financial assets:					
Cash and cash equivalents	2,479,434	(24,794)	(24,794)	24,794	24,794
Investments	3,847,337	(38,473)	(38,473)	38,473	38,473
Trade and other receivables	366,246	(3,662)	(3,662)	3,662	3,662
Financial liabilities:					
Interest-bearing loans and borrowings	1,606,896	(16,069)	(16,069)	16,069	16,069

		Interest rate risk			
		-1 %		+1%	
		-100 basis points		+100 basis points	
		Profit	Equity	Profit	Equity
2016	$	$	$	$	$
Financial assets:					
Cash and cash equivalents	784,109	(7,841)	(7,841)	7,841	7,841
Investments	3,621,936	(36,219)	(36,219)	36,219	36,219
Trade and other receivables	235,410	(2,354)	(2,354)	2,354	2,354
Financial liabilities:					
Interest-bearing loans and borrowings	975,036	(9,750)	(9,750)	9,750	9,750

Note 41 Related party transactions

(a) Responsible Persons

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

Councillors	Mayor Duncan McFie
	Deputy Mayor Jim Cooper
	Councillor Jim Benn
	Councillor David Bowling
	Councillor Doug Collins (01/07/16 to 19/05/17)
	Councillor Royce Conley
	Councillor Sally Haneveer
	Councillor David Munday
	Councillor Kirsty Russell
	Councillor Megan Chivers (20/06/17 to current)
General Manager	David Laugher

(b) Councillor Remuneration

2017	Allowances	Super-annuation	Vehicles	Other Benefits[1]	Reimburse-ments	Total
	$	$	$	$	$	$
Mayor	30,987	-	-	-	-	30,987
Deputy Mayor	18,127	-	-	-	-	18,127
Councillors	61,978	-	-	41	-	62,019
Total	**111,092**	**-**	**-**	**41**	**-**	**111,133**

[1] *Other Benefits - Travel allowance calculated at 0.74 cents per kilometre.*

(c) Key Management Personnel Remuneration

2017		Short term employee benefits				Post employment benefits				
Remuneration band	Number of employees	Salary[1]	Short-term Incentive Payments[2]	Vehicles[3]	Other Benefits[4]	Super-annuation[5]	Other Long-term Benefits[6]	Termination Benefits[7]	Non-monetary Benefits[8]	Total
		$	$	$	$	$	$	$	$	$
$120 001 - $140 000	2	218,754	-	16,627	-	26,521	-	-	12,982	274,884
$200 001 - $220 000	1	143,376	-	7,537	-	17,075			35,790	203,777
Total		**362,130**	**-**	**24,164**	**-**	**43,595**	**-**	**-**	**48,772**	**478,661**

[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. This is not applicable to King Island Council.*

[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, subsisided 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 (including professional memberships, airfares (including FBT payable), housing, professional development stipulated in employment contract etc)*

Note 41 Related party transactions (cont.)

(d) Remuneration Principles

Executives

The employment terms and conditions of senior executives are contained in individual employment contracts and prescribe total remuneration, superannuation, annual and long service leave, vehicle and salary sacrifice provisions. In addition to their salaries, Council also provides non-cash benefits and contributes to post-employment superannuation plans on their behalf.

(e) Transactions with subsidiaries, associates and joint ventures

Council does not hold any interests in subsidiaries, associates or joint ventures.

(f) Transactions with related parties

There were no transactions between Council and related parties during the year.

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

(g) Loans and guarantees to/from related parties

There were no loans in existence at balance date made, guaranteed or secured by the council to a related party.

(h) Commitments to/from related parties

There were no commitments in existence at balance date made, guaranteed or secured by the council to a related party.

(i) 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 citizen transactions occur between Council and its related parties. Some examples include:

- Payment of rates on a primary residence
- Dog registration

Council has not included these types of transaction in its disclosure, where they are made on the same terms and conditions available to the general public.

Note 42	Special committees and other activities	2017	2016
		$	$
	King Island Youth Centre Management Committee		
	Opening Balance	1,512	1,227
	Cash Receipts	1	2,412
	Cash Payments	-	(2,127)
	Closing Balance	**1,513**	**1,512**
	King Island Recreation Complex Committee		
	Opening Balance	3,084	3,082
	Cash Receipts	1	2
	Cash Payments	(3,085)	-
	Closing Balance	**-**	**3,084**
	The King Island Recreation Complex Committee ceased as a Council committee during 2016/2017		
	King Island Historical Society		
	Opening Balance	26,772	27,002
	Cash Receipts	25,032	23,177
	Cash Payments	(25,412)	(23,408)
	Closing Balance	**26,392**	**26,772**

Special committees are seen to be immaterial and therefore not included in Council's financials.

Note 43 Significant Business Activities

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

	Roads Streets and Bridges		Aerodrome	
	2017	2016	2017	2016
	$	$	$	$
Revenue				
Rates	-	-	-	-
Reimbursements	-	683,521	11,559	4,949
User Charges	-	-	442,521	352,090
Grants	1,991,274	1,259,017	-	50,000
Other	465,180	424,361	32,887	26,513
Total Revenue	2,456,454	2,366,898	486,967	433,552
Expenditure				
Direct				
Employee Costs	790,281	282,279	113,966	83,052
Materials and Contacts	1,398,571	664,173	200,948	259,350
Interest	-	-	-	-
Other	104,952	784	86,016	70,406
Indirect				
Engineering & Administration	10,701	240,897	35,223	35,223
Total Expenses	2,304,505	1,188,133	436,153	448,031
Notional cost of free services received				
Capital Costs				
Depreciation and Amortisation	957,779	811,620	415,264	415,146
Opportunity Cost of Capital	2,413,427	2,418,092	655,419	708,632
Total Capital Costs	3,371,206	3,229,712	1,070,683	1,123,778
Competitive neutrality adjustments				
Rates and Land Tax	-	-	-	-
Loan Guarantee Fees	-	-	-	-
	-	-	-	-
Calculated Surplus/(Deficit)	151,949	1,178,766	50,814	(14,480)
Tax Equivalent Rate	30%	30%	30%	30%
Taxation Equivalent	45,585	353,630	15,244	(4,344)
Competitive Neutrality Costs	45,585	353,630	15,244	(4,344)

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 in note 44. Council has determined, based upon materiality that King Island Aerodrome and its Road Making Unit as defined in note 44 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.

Note 44 Management indicators

	Benchmark	2017 $	2016 $	2015 $	2013 $
(a) Underlying surplus or deficit					
Recurrent income* less		6,386,634	6,030,720	6,343,058	6,076,164
recurrent expenditure		7,214,674	5,384,509	6,519,374	6,275,179
Underlying surplus/deficit	>0	-828,040	646,211	-176,316	-199,015

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

	Benchmark	2017	2016	2015	2013
(b) Underlying surplus ratio					
Underlying surplus or deficit		-828,040	646,211	-176,316	-199,015
Recurrent income*		6,386,634	6,030,720	6,343,058	6,076,164
Underlying surplus ratio %	>0%	-12.97%	10.72%	-2.78%	-3.28%

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

	Benchmark	2017	2016	2015	2013
(c) Net financial liabilities					
Liquid assets less		6,791,194	4,699,077	4,659,023	4,953,233
total liabilities		2,285,078	1,705,222	2,062,909	2,203,225
Net financial liabilities	>0	4,506,116	2,993,855	2,596,114	2,750,008

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's total liabilities can be quite sufficiently met by its liquid assets.

	Benchmark	2017	2016	2015	2013
(d) Net financial liabilities ratio					
Net financial liabilities		4,506,116	2,993,855	2,596,114	2,750,008
Recurrent income*		6,386,634	6,030,720	6,343,058	6,076,164
Net financial liabilities ratio %	0% - (50%)	70.6%	49.6%	40.9%	45.3%

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

Council's net financial liabilities ratios were positive indicating its liquidity is strong and it has the capacity to borrow should the need arise.

Note 44 Management indicators (cont.)

		2017 $	2016 $	2015 $	2013 $
(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.					
Property					
Depreciated replacement cost		2,720,027	3,010,882	2,549,816	2,553,340
Current replacement cost		3,942,126	4,303,410	3,773,432	3,709,952
Asset consumption ratio %	40%-60%	69%	70%	68%	69%
Plant & Equipment					
Depreciated replacement cost		1,981,883	2,165,407	2,262,658	2,308,222
Current replacement cost		4,885,279	5,027,400	5,495,483	5,423,468
Asset consumption ratio %	40%-60%	41%	43%	41%	43%
Roads					
Depreciated replacement cost		37,846,517	37,888,708	37,762,718	36,112,909
Current replacement cost		68,430,547	67,792,633	66,986,538	65,397,230
Asset consumption ratio %	>60%	55%	56%	56%	55%
Bridges					
Depreciated replacement cost		3,667,740	3,799,256	3,930,771	4,061,040
Current replacement cost		7,627,706	7,627,706	7,627,706	7,627,706
Asset consumption ratio %	40%-60%	48%	50%	52%	53%
Aerodrome					
Depreciated replacement cost		11,351,492	11,605,384	9,995,427	10,350,317
Current replacement cost		18,142,976	17,981,605	15,956,384	15,897,483
Asset consumption ratio %	40%-60%	63%	65%	63%	65%
Drainage					
Depreciated replacement cost		606,665	632,137	657,609	683,080
Current replacement cost		1,961,944	1,961,944	1,961,944	1,961,944
Asset consumption ratio %	40%-60%	31%	32%	34%	35%
Recreation and Community Facilities					
Depreciated replacement cost		475,357	381,619	399,640	511,865
Current replacement cost		782,529	688,404	688,404	851,926
Asset consumption ratio %	40%-60%	61%	55%	58%	60%
Waste Management					
Depreciated replacement cost		359,202	371,762	384,322	396,882
Current replacement cost		475,325	475,325	475,325	475,325
Asset consumption ratio %	40%-60%	76%	78%	81%	83%

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

Council is within benchmarking range for the majority of the classes of assets which indicates that Councl's assets have sufficient capacity to continue to provide services to its ratepayers.

Note 44 Management indicators (cont.)

	2017	2016	2015	2013
	$	$	$	$

(f) Asset renewal funding ratio

Asset renewal funding ratios are unable to be calculated as Council is yet to adopt a long term asset management plan. This is currently under development.

(g) Asset sustainability ratio

Capex on replacement/renewal of existing assets		937,702	1,804,263	2,485,341	2,014,889
Annual depreciation expense		1,606,445	1,625,953	1,627,530	1,814,331
Asset sustainability ratio %	100%	58%	111%	153%	111%

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

Note 45 Fair Value Measurements

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

Property, infrastructure plant and equipment
- Land
- Buildings, including heritage buildings
- Roads
- Bridges
- Aerodrome
- Other infrastructure

Council does not measure any liabilities at fair value on a recurring basis and does not hold any assets classified as assets held for sale.

(a) Fair Value Hierarchy

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

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

The table below shows the assigned level for each asset and liability held at fair value by the Council. The table presents the Council's assets and liabilities measured and recognised at fair value at 30 June 2017.

The fair values of the assets are determined using valuation techniques which maximise the use of observable data, where it is available, and minimise the use of entity specific estimates. If one or more of the significant inputs is not based on observable market data, the asset is included in level 3. This is the case for Council infrastructure assets, 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 2017

Recurring fair value measurements	Note	Level 1 $	Level 2 $	Level 3 $	Total $
Land	27	-	3,884,000	-	3,884,000
Buildings including heritage buildings	27	-	1,879,545	26,110	1,905,655
Roads	27	-	-	37,846,517	37,846,517
Bridges	27	-	-	3,667,740	3,667,740
Drainage	27	-	-	606,665	606,665
Aerodrome	27	-	-	11,351,492	11,351,492
Other infrastructure	27	-	-	475,357	475,357
		-	5,763,544	53,973,882	59,737,426

Note 45 Fair Value Measurements (Cont.)

As at 30 June 2016

Recurring fair value measurements	Note	Level 1 $	Level 2 $	Level 3 $	Total $
Land	27	-	3,861,090	-	3,861,090
Buildings including heritage buildings	27		2,155,079	26,675	2,181,754
Roads	27	-	-	37,888,708	37,888,708
Bridges	27	-	-	3,799,256	3,799,256
Drainage	27	-	-	632,137	632,137
Aerodrome	27	-	-	11,605,384	11,605,384
Other infrastructure	27	-	-	381,619	381,619
		-	6,016,169	54,333,779	60,349,948

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

Council reviewed each valuation to ensure compliance with the requirements of the standard.

Land

Valuation of land (excluding land under roads) were undertaken by the Valuer General as at 1 July 2016. The valuation of land is at fair value, being market value based on highest and best use permitted by relevant land planning provisions.

Buildings

Valuation of buildings were undertaken by the Valuer General as at 1 July 2016. The valuation of buildings is at fair value based on gross replacement cost less accumulated depreciation at the date of valuation.

Note 45 Fair Value Measurements (Cont.)

Infrastructure assets

All Council infrastructure assets were fair valued using written down current replacement cost (CRC). This valuation comprises the asset's gross replacement cost 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 26.

The calculation of DRC involves a number of inputs that require judgement and are therefore classed as unobservable. While these judgements are made by qualified and experienced staff, different judgements could result in a different valuation.

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

Roads

Roads have been valued by Johnstone,McGee & Gandy Pty Ltd for the year ended 30 June 2012. Council categorises its road infrastructure into urban and rural roads and then further sub-categorises these into sealed and unsealed roads. 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 Bargaining Agreement (EBA). Where construction is outsourced, CRC is based on the average of completed similar projects over the last few years.

Bridges

Bridges have been valued by AusSpan for the year ended 30 June 2015. 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.

Drainage

A full valuation of drainage infrastructure was undertaken by Council's Technical Officer for effective 30 June 2014. Similar to roads, drainage 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.

Aerodrome

Valuation of the Aerodrome was undertaken by Moloney Field Services in June 2011. The valuation is at fair value based on replacement cost less accumulated depreciation as at the date of the valuation.

Note 45 Fair Value Measurements (Cont.)

Other Infrastructure

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

(d) Unobservable inputs and sensitivities

Replacement Costs

The replacement costs comprise of materials, labour and other intangible costs. Price fluctuations in any one or more of these inputs could have a material effect on the fair value of assets measured at replacement cost.

Useful Life

Changes in the useful life will change the amount of accumulated depreciation used to calculate cost which could result in a material change to the fair value.

(e) Changes in recurring level 3 fair value measurements

The changes in level 3 assets with recurring fair value measurements are detailed in note 26 (Property, plant and equipment and infrastructure). Infrastructure assets, which are classified as level 3 are separately disclosed in note 26. There have been no transfers between level 1, 2 or 3 measurements during the year.

(f) Valuation processes

Council's current policy for the valuation of Property, plant and equipment and infrastructure, investment in water corporation and investment property (recurring fair value measurements) is set out in note 26.

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

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

Council has assets and liabilities which are not measured at fair value, but for which fair values are disclosed in other notes. Council borrowings are measured at amortised cost with interest recognised in profit or loss when incurred. The fair value of borrowings disclosed in note 31 equates to the carrying amount as the carrying amount approximates fair value (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 46 Material Budget Variations

Council's original budget was adopted by the Council on 9 August 2016. 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 of more than 10% are explained below:

Revenues

Statutory fees and fines

King Island is seeing an increase in economic and tourism growth, as evidenced by the lodgement of several high value Development Applications lodged during the year under review.

User Fees

The adopted budget included a repeal of passenger landing taxes which adversly affected this comparison.

Grants

The variation to the grant budget is due the pre payment of the 2017/2018 Financial Assistance Grant in 2016/2017.

Capital grant received for new or upgraded a

This variation is due to the unsuccesful application for a capital grant.

Expenses

Materials and services

2016/17 experienced a higher than anticipated quarry and associated gravel costs and the reclassification of new information technology cost to materials and services.

Note 47 Other significant accounting policies and new 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 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 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) 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 and inclusive of the GST payable.

(e) Budget

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

Note 47 Other significant accounting policies and new accounting standards (cont)

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

Council has applied AASB 124 Related Party Disclosures for the first time. As a result Council has disclosed more information about related parties and transactions with those related parties. The standard further extends that required under the LGA 1993. This information is presented in Note 41.

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

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

The adoption of this Accountaing Standard will not have any financial effect on Council.

(g) Pending accounting standards

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2017 reporting periods. Council's assessment of the impact of these new standards and interpretations is set out below.

(i) *AASB 9 Financial Instruments and 2014-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2014)* (effective from 1 January 2018)

The main impacts of these standards on Council are that they will change the requirements for the classification, measurement, impairment and disclosures associated with the Council's financial assets. AASB 9 will introduce different criteria for whether financial assets can be measured at amortised cost or fair value. The amortised cost model is available for debt assets meeting both business model and cash flow characteristics tests. Amortised cost is to be used for assets with contractual terms giving rise to principal and interest payments.

Fair value is to be used for all other financial assets. Gains or losses on financial assets at fair value are to be recognised in profit and loss unless the asset is part of a hedging relationship or an irrevocable election has been made to present in other comprehensive income changes in the fair value of an equity instrument not held for trading .

When adopted, the standard will affect, in particular, Council's accounting for its investment in TasWater which is an available-for-sale financial assets. Currently, Council recognises changes in the fair value of its available-for-sale assets through other comprehensive income. Council is likely to make an irrevocable election for its investment in TasWater as 'fair value through other comprehensive income' and therefore the adoption of this standard will not impact the way movements in the fair value are accounted for.

Another impact of AASB 9 relates to calculating impairment losses for Council's receivables. Assuming no substantial change in the nature of receivables, as they don't include a significant financing component, impairment losses will be determined according to the amount of lifetime expected credit losses. On initial adoption of AASB 9, Council will need to determine the expected credit losses for its receivables by comparing the credit risk at that time to the credit risk that existed when those receivables were initially recognised and also factor in any future changes or events.

Note 47 Other significant accounting policies and new accounting standards (cont)

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

(ii) AASB 1058 Income of Not-for-Profit Entities, AASB 15 Revenue from Contracts with Customers, and AASB 2016-8 Amendments to Australian Accounting Standards - Australian Implementation Guidance for Not-for-Profit Entities. AASB 2015-8 Amendments to Australian Accounting Standards arising from AASB 15 provides for an effective of application from 1 January 2019.

AASB 15 will replace AASB 118 Revenue, AASB 111 Construction Contracts and a number of Interpretations. AASB 2016-8 provides Australian requirements and guidance for not-for-profit entities in applying AASB 9 and AASB 15, and AASB 1058 will replace AASB 1004 Contributions. Together they contain a comprehensive and robust framework for the recognition, measurement and disclosure of income including revenue from contracts with customers.

Council has commenced analysing the new revenue recognition requirements under these standards and is yet to form conclusions about significant impacts. Potential future impacts identifiable at the date of this report include:

- 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.

- Under the new standards, 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. At present, such grants are recognised as revenue upfront. When the new standard becomes effective, Council will evaluate all grant agreements in place at that time to determine whether revenue from those grants could be deferred under the new requirements..

- 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 expected to continue being recognised as revenue upfront assuming no change to the current grant arrangements.

- Rates received in advance, which are currently required to be recognised as revenue when received will be deferred under the new requirements until the commencement of the rating period to which they relate.

- Volunteer services and transactions where consideration is significantly less than the fair value of that asset acquired, or no consideration is provided (for example below market leases) will be required to be recognised when certain recognition criteria are met. Council has not yet fully determined the impact of these requirements on its financial statements.

- Depending on the respective contractual terms, the new requirements of AASB 15 may potentially result in a change to the timing of revenue from sales of goods and services such that some revenue may need to be deferred to a later reporting period to the extent that Council has received cash, but has not met its associated performance obligations (such amounts would be reported as a liability in the meantime). Council is yet to full complete its analysis of existing arrangements for sale of its goods and services and the impact on revenue recognition has not yet been fully determined.

Note 47 Other significant accounting policies and new accounting standards (cont)

(iii) *AASB 16 Leases* (effective from 1 January 2019)

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

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. Council's existing lease commitments are disclosed in Note 38.
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 19. In the Statement of Cash Flows lease payments will be shown as cash flows from finanacing 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.

(iv) *AASB 2016-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107* (effective from 1 January 2017)

Amendments to AASB 107 will require additional disclosures to enable the reader to evaluate changes in liabilities arising from financing activities. These disclosures will include both cash flows and non-cash changes between the opening and closing balance of the relevant liabilities and be disclosed by way of a reconciliation in the notes to the Statement of Cash Flows.

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 48 Events after Balance Date

No events have occurred subsequent to the reporting date that would require adjustment to, or disclosure in, the financial report

Certification of the Financial Report

The financial report presents fairly the financial position of the King Island Council as at 30 June 2017, the results of its operations for the year then ended and the cash flows of the Council, in accordance with the *Local Government Act 1993* (as amended), Australian Accounting Standards (including interpretations) and other authoritative pronouncements issued by the Australian Accounting Standards Board.

David Laugher
General Manager

Date : 26/09/2017