

SOUTHERN MIDLANDS COUNCIL



COMPLETE SET OF FINANCIAL STATEMENTS

2009/2010 FINANCIAL YEAR

Prepared in pursuance of the provisions of the Local Government Act 1993 (as amended), the Statements of Accounting Concepts and applicable Accounting Standards, including the accrual basis of accounting.

SOUTHERN MIDLANDS COUNCIL

COMPLETE SET OF FINANCIAL STATEMENTS

For the reporting period ended 30/06/2010

I, Timothy Francis Kirkwood, certify that in my opinion: -

1. the financial report set out on pages 1 to 51 fairly represents:
 - (a) the financial position of the council;
 - (b) the results of the council's operations; and
 - (c) the cash flow of the council.

2. the financial report has been prepared in accordance with the requirements of the Local Government Act 1993 (as amended), and Australian Accounting Standards, including Australian Interpretations.



T F Kirkwood
General Manager

Dated at Oatlands this 20th day of September 2010.



INDEPENDENT AUDIT REPORT

To the Councillors of Southern Midlands Council

Financial Statements for the Year Ended 30 June 2010

Report on the Financial Statements

I have audited the accompanying financial statements of Southern Midlands Council (Council), which comprises the statement of financial position as at 30 June 2010, the comprehensive income statement, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the General Manager's statement.

The Responsibility of the General Manager for the Financial Statements

The General Manager is responsible for the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards (including Australian Accounting Interpretations) and Section 84 of the *Local Government Act 1993*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

My responsibility is to express an opinion on the financial statements based upon my audit. My audit was conducted in accordance with Australian Auditing Standards. These Auditing Standards require that I comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to Council's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate to the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Council's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the General

Manager, as well as evaluating the overall presentation of the financial statements.

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

My audit is not designed to provide assurance on the accuracy and appropriateness of the budget information in Council's financial statements.

Independence

In conducting this audit, I have complied with the independence requirements of Australian Auditing Standards and other relevant ethical requirements. The *Audit Act 2008* further promotes independence by:

- providing that only Parliament, and not the executive government, can remove an Auditor-General, and
- mandating the Auditor-General as auditor of State Entities but precluding the provision of non-audit services, thus ensuring the Auditor-General and the Tasmanian Audit Office are not compromised in their role by the possibility of losing clients or income.

Auditor's Opinion

In my opinion the financial statements of Southern Midlands Council:

- (a) present fairly, in all material respects, the financial position of Council as at 30 June 2010, and of its financial performance, cash flows and changes in equity for the year then ended; and
- (b) are in accordance with the *Local Government Act 1993* and Australian Accounting Standards (including Australian Accounting Interpretations).

TASMANIAN AUDIT OFFICE


A V Barron
DIRECTOR - FINANCIAL AUDIT
Delegate of the Auditor-General

HOBART
27 September 2010

STATEMENT OF COMPREHENSIVE INCOME

For the Year Ended 30 June 2010

	Notes	2010 Budget \$'000	2010 Actual \$'000	2009 Actual \$'000
Revenue				
General rates		3,335	3,422	3,724
User charges		414	641	929
Interest		180	260	315
Government subsidies		30	19	19
Other		0	13	205
		<u>3,959</u>	<u>4,355</u>	<u>5,192</u>
Grants - Operating		2,389	2,839	3,494
Total Revenue	2 (a)	<u>6,348</u>	<u>7,194</u>	<u>8,686</u>
Expenses				
Employee costs		2,854	2,613	2,873
Materials and contracts	6	2,134	2,040	2,597
Depreciation and amortisation	3	2,874	3,075	3,305
Borrowing costs	4	67	55	78
Loss on disposal/retirement of non current-assets	8	5	7	17
Contributions		145	145	139
Other	5	153	196	173
		<u>8,232</u>	<u>8,131</u>	<u>9,182</u>
Total Expenses	2 (a)	<u>8,232</u>	<u>8,131</u>	<u>9,182</u>
Surplus (Deficit) for the year before:		<u>(1,884)</u>	<u>(937)</u>	<u>(496)</u>
Grants – Capital		1,013	1,752	1,198
Donations		2	0	26
	2 (a)	<u>1,015</u>	<u>1,752</u>	<u>1,224</u>
Surplus (Deficit) for the year before:	2 (a)	<u>(869)</u>	<u>815</u>	<u>728</u>
Change in fair value - investment in Southern/(Hobart) Water	7	0	(322)	247
Fair value revaluation of non-current assets		0	392	4,175
		<u>0</u>	<u>392</u>	<u>4,175</u>
Comprehensive result		<u>(869)</u>	<u>885</u>	<u>5,150</u>

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

STATEMENT OF FINANCIAL POSITION

As at 30 June 2010

	Notes	2010 \$'000	2009 \$'000
CURRENT ASSETS			
Cash and cash equivalents	9	8,457	7,026
Receivables	10	579	807
Stores and materials		97	136
Total Current Assets		9,133	7,969
NON-CURRENT ASSETS			
Land	11	4,136	4,664
Buildings	12	5,386	6,364
Plant, machinery and equipment	13	2,101	2,098
Minor plant	14	28	25
Office furniture & equipment	15	124	126
Infrastructure assets	16	60,967	69,089
Heritage assets	17	80	80
Work in progress	18	2,195	1,352
Intangibles – Software & Valuation Fees	19	133	163
Investment in Southern (Hobart) Water	7	10,989	2,692
Total Non-Current Assets		86,139	86,653
TOTAL ASSETS	2(a)	95,272	94,622
CURRENT LIABILITIES			
Payables	20	531	415
Interest bearing liabilities	21	96	179
Provisions	22	914	810
Total Current Liabilities		1,541	1,404
NON-CURRENT LIABILITIES			
Interest bearing liabilities	23	905	1,274
Provisions	24	100	103
Total Non-Current Liabilities		1,005	1,377
TOTAL LIABILITIES		2,546	2,781
NET ASSETS		92,726	91,841
EQUITY			
Accumulated surplus		37,941	37,448
Reserves	25	54,785	54,393
TOTAL EQUITY		92,726	91,841

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



STATEMENT OF CHANGES IN EQUITY
For the Year Ended 30 June 2010

STATEMENT OF CHANGES IN EQUITY

	Accumulated Surplus		Asset Revaluation Reserve (Note 25)		Bridge Maintenance Reserve (Note 25)	
	2010	2009	2010	2009	2010	2009
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at the beginning of the financial year	37,448	36,722	50,570	46,395	1,666	1,496
Comprehensive result	493	975	392	4,175	0	0
Transfers to reserves	0	(249)	0	0	0	170
Transfers from reserves	0	0	0	0	0	0
Balance at the end of the financial year	<u>37,941</u>	<u>37,448</u>	<u>50,962</u>	<u>50,570</u>	<u>1,666</u>	<u>1,666</u>

	Other Reserves (Note 25)		Total Equity	
	2010	2009	2010	2009
	\$'000	\$'000	\$'000	\$'000
Balance at the beginning of the financial year	2,157	2,078	91,841	86,691
Comprehensive result	0	0	885	5,150
Transfers to reserves	0	79	0	0
Transfers from reserves	0	0	0	0
Balance at the end of the financial year	<u>2,157</u>	<u>2,157</u>	<u>92,726</u>	<u>91,841</u>

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


STATEMENT OF CASH FLOWS
 For the Year Ended 30 June 2010

	NOTES	INFLOWS (OUTFLOWS) 2010 \$'000	INFLOWS (OUTFLOWS) 2009 \$'000
Cash flows from operating activities			
Payments			
Employee costs		(2,474)	(2,689)
Materials and contracts		(2,476)	(3,037)
Interest		(55)	(78)
Other		(375)	(314)
		<u>(5,380)</u>	<u>(6,118)</u>
Receipts			
Rates		3,334	3,701
User charges		1,154	1,003
Interest received		259	315
Subsidies		19	19
Other revenue grants		2,839	3,494
GST Refunds from ATO		301	382
Other		14	209
		<u>7,920</u>	<u>10,352</u>
Net cash from operating activities	30	<u>2,540</u>	<u>3,005</u>
Cash flows from investing activities			
Payments for property, plant & equipment		(3,324)	(3,816)
Payment to Southern Water		(37)	0
Proceeds from sale of property, plant & equipment		326	389
Proceeds from Capital grants		1,860	1,229
Proceeds from Investments		0	1,000
Payment for Investments		0	0
Net cash used in investing activities		<u>(1,175)</u>	<u>(1,198)</u>
Cash flows from financing activities			
Repayment of borrowings		(84)	(153)
Proceeds from borrowings		150	380
Net cash from (used in) financing activities		<u>66</u>	<u>227</u>
Net increase/(decrease) in cash held		1,431	2,034
Cash at beginning of reporting year		7,026	4,992
Cash at end of reporting year	9(a)	<u>8,457</u>	<u>7,026</u>

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

**NOTES TO AND FORMING PART OF THE ACCOUNTS**30 June 2010

CONTENTS

	Note Number
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES	1
FUNCTIONS/ACTIVITIES OF THE COUNCIL	2
DEPRECIATION AND AMORTISATION EXPENSE	3
BORROWING COSTS	4
OTHER EXPENSES	5
MATERIALS AND CONTRACTS	6
CHANGE IN FAIR VALUE – INVESTMENT IN SOUTHERN (HOBART) WATER	7
LOSS ON DISPOSAL OF NON-CURRENT ASSETS	8
CURRENT ASSETS	
Cash & Investments	9
Receivables	10
NON-CURRENT ASSETS	
Land	11
Buildings	12
Plant, Machinery and Equipment	13
Minor Plant	14
Office Furniture and Equipment	15
Infrastructure Assets	16
Heritage Assets	17
Work in Progress	18
Intangibles – Software & Valuation Fees	19
CURRENT LIABILITIES	
Payables	20
Interest Bearing Liabilities	21
Provisions	22
NON-CURRENT LIABILITIES	
Interest Bearing Liabilities	23
Provisions	24
RESERVES	25
COMMITMENTS FOR EXPENDITURE	26
COMMITTEES	27
SUPERANNUATION	28
RECONCILIATION OF NET CASH FROM OPERATING ACTIVITIES TO SURPLUS (DEFICIT) FROM OPERATIONS	29
RELATED PARTY TRANSACTIONS	30
FINANCIAL INSTRUMENTS	31
SIGNIFICANT BUSINESS ACTIVITIES	32

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



NOTES TO AND FORMING PART OF THE ACCOUNTS

30 June 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Basis of Accounting

This general purpose financial report has been prepared on an accruals basis in accordance with the Framework for the Preparation and Presentation of Financial Statements, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board (AASB). It is presented in Australian dollars.

Except for certain assets, including infrastructure assets, which are valued at fair value in accordance with AASB 116 as disclosed in the relevant notes, the report has been prepared in accordance with the historical cost convention.

Australian Accounting Standards include Australian equivalents to International Financial Reporting Standards (AIFRSs). Some AIFRSs contain requirements specific to not-for-profit entities that are inconsistent with IFRS requirements. Except to the extent that these special provisions require, this financial report complies with AIFRSs.

In the application of accounting standards and other authoritative pronouncements of the AASB, management 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.

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

NOTES TO AND FORMING PART OF THE ACCOUNTS

30 June 2010

b) The Local Government Reporting Entity

All funds through which the Council controls resources to carry on its functions have been included in the Financial Statements forming part of this Financial Report.

In the process of reporting on the Council as a single unit, all transactions and balances between those funds (for example, loans and transfers between funds) have been eliminated in full.

Amounts, if any, received as tender deposits and retention amounts controlled by Council are included in the amount disclosed as "other payables" within current liabilities.

c) Acquisitions of Assets

The cost method of accounting is used for the initial recording of all acquisitions of assets. Cost is determined as the fair value of the assets given up at the date of acquisition plus costs incidental to the acquisition. Architects' fees and engineering design fees are included in the costs of assets acquired.

Fair value means the amount for which an asset could be exchanged between a knowledgeable, willing buyer and a knowledgeable, willing seller in an arm's length transaction.

d) Valuations of Non-Current Assets

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

Land – Fair value
Buildings – Fair value
Plant, machinery & equipment – Cost
Minor plant – Cost
Office furniture & equipment – Cost
Water, sewerage and stormwater – Fair value
Bridges – Fair value
Roads – Fair value
Waste management – Cost
Heritage – Cost
Intangibles – Cost

Asset classes, excluding land, are measured on the fair value basis and are revalued to their "current cost" less accumulated depreciation. Acquisitions and capital works during the year are treated as being recorded at their fair value.

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

**NOTES TO AND FORMING PART OF THE ACCOUNTS**
30 June 2010

e) Impairment of Assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. An impairment loss is recognised equal to the amount by which an asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For non-cash generating assets such as roads and public buildings value in use is represented by the deprival value of the asset approximated by its written down replacement cost.

f) Depreciation of Non-Current Assets

All non-current assets having a limited useful life are systematically depreciated over their useful lives in a manner that reflects the consumption of the service potential embodied in those assets. Land is not a depreciable asset.

Heritage assets have not been depreciated. This is based on advice given to Council that provided adequate care and attention is regularly given to these assets, the value of the assets remains constant.

Depreciation is recognised on a straight-line basis, using rates, which are reviewed each reporting period. Assets acquired since valuation are depreciated at rates based on their estimated useful lives commencing from the beginning of the month after which the asset first became available for use.

Main depreciation periods are:

Buildings	10 to 50 years
Plant, machinery & equipment	4 to 15 years
Motor vehicles	0 to 2 years
Office furniture & equipment	5 to 25 years
Computers	5 years
Infrastructure	33 to 60 years
Furniture	5 to 100 years
Water systems	25 to 100 years
Sewerage systems	20 to 60 years
Stormwater/drainage systems	40 to 60 years
Roads	10 to 100 years
Bridges & culverts	15 to 100 years

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

NOTES TO AND FORMING PART OF THE ACCOUNTS

30 June 2010

g) Recognition of Purchased Assets

Items will not be recognised as assets but treated as expenses if their purchase or construction cost does not reach certain limits. These limits vary according to the asset classification as follows:

	\$
Land	Nil
Plant, machinery & equipment	1,000
Furniture & fittings	500
Office equipment	250
Buildings	5,000
Roads	Nil
Water	3,000
Bridges	5,000
Sewerage	3,000
Stormwater/drainage	3,000
Recreation Facilities/community amenities	2,000
Heritage Assets	Nil

h) Stores and materials

Stores and materials are carried at the lower of cost and net replacement value. Assets are taken into stores at cost and issued at weighted average cost assuming items first purchased are first consumed.

i) Employee Entitlements

The bases of measurement of liabilities for each type of employee entitlement are as follows:

Wages and Salaries and Annual Leave

Liabilities for employee entitlements to wages and salaries, annual leave and other current employee entitlements are accrued at nominal amounts calculated on the basis of expected wage and salary rates at the time of payment.

Sick Leave

Council's Enterprise Bargaining Agreement provides for employees who resign from their position with Council to be paid a percentage of their sick leave balance based on completed years of service, plus a gratuity amount.



NOTES TO AND FORMING PART OF THE ACCOUNTS
30 June 2010

Long Service Leave

Liabilities for employee entitlements, which are not expected to be settled within 12 months of balance date, are accrued as the present value of expected future payments to be made in respect of services provided by employees up to balance date. Consideration is given, when assessing future payments, to expected future wage and salary levels, experience of employee departures and periods of service. Related oncosts (superannuation, workers compensation and payroll tax) are included in the calculation of the provision for long service leave. Expected future payments are discounted using the appropriate indicative rates on selected Commonwealth Government Securities.

The current liability represents the amount due to employees with at least nine completed years of service. The remainder is shown as a non-current liability.

Superannuation

The superannuation expense for the reporting period is the amount of the statutory contribution the Council makes to the superannuation plans that provide benefits to its employees. Details of these arrangements are set out in note 28.

j) Leases

The Council currently has no material finance or operating lease arrangements.



NOTES TO AND FORMING PART OF THE ACCOUNTS
30 June 2010

k) Revenue Recognition

Rates, Grants, Donations and Other Contributions

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

Unreceived contributions over which the Council has control are recognised as receivables. In respect of unpaid rates, an allowance for impairment is made for amounts considered uncollectible.

No contributions were received during the reporting period that were obtained on the condition that they be expended in a particular manner or used over a particular period.

User charges and fees

User charges and 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. A provision for impairment is recognised when collection in full is no longer probable.

Sale of plant, property, infrastructure and equipment

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

Interest and rents

Interest and rents are recognised as revenue on a proportional basis when the payment is due, the value of the payment is notified, or the payment is received, whichever first occurs.

Dividend Revenue

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

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

**NOTES TO AND FORMING PART OF THE ACCOUNTS**
30 June 2010

1) Financial Assets and Liabilities**Financial Assets*****Cash and cash equivalents***

Cash and cash equivalents includes cash on hand, deposits at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value. Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

Cash on hand and at bank and term deposits are valued at face value.

Rate debtors

Rates are carried at nominal amounts due plus interest which are assumed to equal their fair values. Rate debts are a charge attached to the property and are recoverable on sale, therefore, no allowance for impairment is made.

Significant Terms and Conditions - Rates are payable by four instalments during the year or alternatively by one payment within thirty days of the date of issue (which provides for a discount of 1.1%). Arrears, including deferred rates, attract interest. The interest rate was 9.5% (9.5% in 2008/2009) at balance date for general rates.

Should amounts remain unpaid outside of approved payment options, Council will instigate collection proceedings.

Other debtors

Receivables are carried at nominal amounts due less any allowance for impairment. An impairment loss is recognised when collection in full is no longer probable.

Collectibility of overdue accounts is assessed on an ongoing basis.

Significant Terms and Conditions - Payment is required within thirty days of issue of the account. No interest is attracted to other debtors. Should amounts remain unpaid outside of approved payment options, Council will instigate collection proceedings.



NOTES TO AND FORMING PART OF THE ACCOUNTS
30 June 2010

Financial liabilities

Trade and other payables

Liabilities are recognised for amounts to be paid in the future for goods and services provided to Council as at balance date. The nominal value less estimated credit adjustments of trade and other payables are assumed to approximate their fair values.

Significant terms and conditions - General creditors are unsecured, not subject to interest charges and are normally settled within specified trading terms or 30 days whichever is the earlier.

Interest bearing loans & liabilities

Loans are carried at their principal amounts, which represent the present value of future cash flows associated with servicing the debt. Interest is accrued.

Significant terms and conditions - The debenture loans of Council are secured by trust deed. In accordance with Section 80 of the Local Government Act 1993, the borrowing capacity of Council is limited to:

- Except with the approval of the Minister, a council may not borrow additional money for any purpose if the annual payments required to service the total borrowings would exceed 30% of its revenue of the preceding financial year.
- Grants made to a council for specific purposes are to be excluded in calculating 30% of revenue of the council.

m) Comparative Information

Where necessary, comparative figures have been adjusted to conform to changes in presentation in the current year.

n) Valuation - Land under Roads

In accordance with AASB 1051, Council has elected not to recognise land under roads acquired prior to 1 July 2008. From 1 July 2008 any land under roads is recognised in accordance with AASB116; that is it is not generally recognised until it satisfies both recognition criteria of providing economic benefits and having a reliably measured cost. As such land is generally acquired for no or nominal consideration. When it is recognised its cost is its fair value.



NOTES TO AND FORMING PART OF THE ACCOUNTS
30 June 2010

o) Investments in Water Corporations

Investments in water corporations are valued at fair value; at balance date. Fair value is determined by using the ownership percentage against the water corporations' net asset value at balance date. Any unrealised gains and losses on holdings at balance date are recognised in the Comprehensive Income Statement.

p) Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except:

- i. where the amount of the GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
- ii. for receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables.

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

q) Statement of Comprehensive Income – Budget Amounts

The Budget amounts which appear in the Comprehensive income statement are taken from the Annual Estimates and are not subject to audit.

NOTES TO AND FORMING PART OF THE ACCOUNTS

30 June 2010

r) New Accounting Standards

The following Australian Accounting Standards have been issued or amended and are applicable to the Council but are not yet effective.

They have not been adopted in preparation of the financial statements at reporting date.

Standard/ Interpretation	Summary	Operative date *	Impact on Local Government financial statements
AASB 2009-5 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project. [AASB 5, 8, 101, 107, 117, 118, 136 & 139]	Some amendments will result in accounting changes for presentation, recognition or measurement purposes, while other amendments will relate to terminology and editorial changes.	1 Jan 2010	Terminology and editorial changes. Impact minor.
AASB 2009-8 Amendments to Australian Accounting Standards – Group Cash-settled Share-based Payment Transactions. [AASB 2]	The amendments clarify the scope of AASB 2.	1 Jan 2010	No impact. AASB 2 does not apply to Local Government; consequently this Standard does not apply.
AASB 2009-9 Amendments to Australian Accounting Standards – Additional Exemptions for First-time Adopters [AASB 1]	Applies to entities adopting Australian Accounting Standards for the first time, to ensure entities will not face undue cost or effort in the transition process in particular situations.	1 Jan 2010	No impact. Relates only to first time adopters of Australian Accounting Standards.
AASB 2009-10 Amendments to Australian Accounting Standards – Classification of Rights Issues [AASB 132]	The Standard makes amendments to AASB 132, stating that rights issues must now be classed as equity rather than derivative liabilities.	1 Feb 2010	No impact. Local Government do not issue rights, warrants and options. Consequently the amendment does not impact on the statements.

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



NOTES TO AND FORMING PART OF THE ACCOUNTS

30 June 2010

AASB 9 Financial Instruments	This standard simplifies requirements for the classification and measurement of financial assets resulting from Phase 1 of the IASB's project to replace IAS 39 Financial Instruments: Recognition and Measurement (AASB 139 Financial Instruments: Recognition and Measurement).	1 Jan 2013	Detail of impact is still being assessed.
AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9 [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 121, 127, 128, 131, 132, 136, 139, 1023 & 1038 and Interpretations 10 & 12]	This gives effect to consequential changes arising from the issuance of AASB 9.	1 Jan 2013	Detail of impact is still being assessed.
AASB 2009-12 Amendments to Australian Accounting Standards [AASBs 5, 8, 108, 110, 112, 119, 133, 137, 139, 1023 & 1031 and Interpretations 2, 4, 16, 1039 & 1052]	This Standard amends AASB 8 to require an entity to exercise judgement in assessing whether a government and entities know to be under the control of that government are considered a single customer for purposes of certain operating segment disclosures. This Standard also makes numerous editorial amendments to other AASs.	1 Jan 2011	ASB 8 does not apply to Local Government therefore no impact is expected. Otherwise, only editorial changes arising from amendments to other standards, no major impact. Impacts of editorial amendments are not expected to be significant.

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

NOTES TO AND FORMING PART OF THE ACCOUNTS

30 June 2010

<p>AASB 2009-13 Amendments to Australian Accounting Standards arising from Interpretation 19. [AASB 1]</p>	<p>Consequential amendment to AASB 1 arising from publication of Interpretation 19</p>	<p>1 Jul 2010</p>	<p>Local Governments do not extinguish financial liabilities with equity instruments, therefore requirements of Interpretation 17 and related amendments have no impact</p>
<p>AASB 2009-14 Amendments to Australian Interpretation – Prepayments of a Minimum Funding Requirement [AASB Interpretation 14]</p>	<p>Amendment to Interpretation 14 arising from the issuance of Prepayments of a Minimum Funding Requirement</p>	<p>1 Jan 2011</p>	<p>Expected to have no significant impact</p>
<p>AAASB 1053 Application of Tiers of Australian Accounting Standards</p>	<p>Establishes a differential reporting framework, which consists of two tiers of reporting requirements.</p>	<p>1 Jul 2013</p>	<p>Expected to have no significant impact</p>

* Annual reporting periods beginning on or after

s) **Rounding**

Unless otherwise stated, amounts in the financial report have been rounded to the nearest thousand dollars.

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

NOTES TO AND FORMING PART OF THE ACCOUNTS
30 June 2010

2. FUNCTIONS/ACTIVITIES OF THE COUNCIL

- a) Revenues, expenses and assets have been attributed to the following functions/activities. Details of those functions/activities are set out in note 2c).
Continued next page.

	Roads/ Bridges		Water		Sewerage		Storm- Water		Waste Manage.		Waste Manage.		Environmental Management	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Expenses	4,358	4,055	11	1,017	15	300	52	71	487	455	276	226		
Revenue:														
Grants	192	672	0	0	0	0	0	0	0	0	5	38		
Other	19	25	16	1,017	3	258	1	0	469	414	46	41		
Total	211	697	16	1,017	3	258	1	0	469	414	51	79		
Surplus/ (deficit)	(4,147)	(3,358)	5	0	(12)	(42)	(51)	(71)	(18)	(41)	(225)	(147)		
Assets	61,790	62,779	10,989	9,515	0	2,547	901	916	297	331	0	0		

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

NOTES TO AND FORMING PART OF THE ACCOUNTS
30 June 2010

2. FUNCTIONS/ACTIVITIES OF THE COUNCIL (CONTINUED)

a) Revenues, expenses and assets have been attributed to the following functions/activities. Details of those functions/activities are set out in note 2c).

	Employment & Economic Development	Employment & Economic Development	Development Services	Development Services	Community Services	Community Services	Recreational Services	Recreational Services	Council/ Corporate	Council/ Corporate	Unclass.	Unclass.	Total	Total
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Expenses	464	444	821	797	367	540	527	533	607	574	146	170	8,131	9,182
Revenue:														
Grants	1,495	201	0	0	130	147	120	327	5	75	2,644	3,232	4,591	4,692
Other	31	39	207	154	30	68	75	68	99	78	3,359	3,056	4,355	5,218
Total	1,526	239	207	154	160	216	195	395	104	153	6,003	6,288	8,946	9,910
Surplus/ (deficit)	1,062	(205)	(614)	(643)	(207)	(324)	(332)	(138)	(503)	(421)	5,857	6,118	815	728
Assets	3,087	1,875	578	375	1,247	1,170	5,251	5,124	1,855	1,907	9,277	8,083	95,272	94,622

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

**NOTES TO AND FORMING PART OF THE ACCOUNTS**
30 June 2010**2. FUNCTIONS/ACTIVITIES OF THE COUNCIL (CONTINUED)**

b) The written down value of Assets shown in Note 2(a) are reconciled with the amount shown for assets in the Balance Sheet as follows:

	2010	2009
	\$'000	\$'000
Current Assets	9,133	7,969
Non-Current Assets	86,139	86,653
	<u>95,272</u>	<u>94,622</u>

c) The activities of the municipality are categorised into the following broad functions:

Roads and Bridges

Management, maintenance and cleaning of roads, bridges, footpaths, kerbs and guttering; provision of street lighting.

Water

Maintenance of water reticulation systems, including the purchase and supply of bulk water.

Sewerage

Maintenance of sewerage reticulation systems; treatment and disposal of sewerage.

Stormwater

Maintenance and provision of stormwater reticulation systems.

Waste Management

Collection, handling, processing and disposal of waste materials, operations of refuse disposal sites, waste transfer stations and recycling facilities.

Environmental Management

Protection and enhancement of the environment, maintenance of amenity through control of statutory nuisances, environmental health, and the control of animal nuisances.

Employment and Economic Development

Facilitation and development of local employment and economic initiatives, including streetscape improvements. Development and promotion of tourism and economic services within the municipal area.



NOTES TO AND FORMING PART OF THE ACCOUNTS

30 June 2010

2. FUNCTIONS/ACTIVITIES OF THE COUNCIL (CONTINUED)

Development Services

Development services cover all planning and development control, building control and related regulatory and statutory matters.

Community Services

Operation of the Midlands Multi-Purpose Health Centre, the Home and Community Care Program, the provision of other aged care services; operation of youth employment and development programs; Library services; emergency services including the municipal Ambulance Service.

Recreational Services

Provision and maintenance of recreation and sport facilities, including public halls and swimming pool. Included in this activity are parks and reserves, town beautification and associated facilities.

Council/Corporate

Administrative support for the Council and operational branches, including secretarial, computer, financial, personnel and general administrative services.

Unclassified

All revenues and expenditure that cannot be attributed directly to one of the other listed functions. Includes carrying amount of non-current assets sold, State Government levies and contributions and Councillors emoluments.

**NOTES TO AND FORMING PART OF THE ACCOUNTS**
30 June 2010**3. DEPRECIATION AND AMORTISATION EXPENSE**

Depreciation and amortisation expense was charged in respect of:

	2010	2009
	\$'000	\$'000
Depreciation		
Buildings	174	203
Plant, Machinery & Equipment	263	252
Office Furniture & Equipment	30	31
Minor Plant	8	7
Roads	2,152	2,152
Water Assets	0	161
Sewerage Assets	0	66
Waste Management Assets	18	16
Stormwater Assets	23	22
Bridges	360	370
	<u>3,028</u>	<u>3,280</u>
Amortisation		
Valuation Fees	26	0
Software	21	25
Total Depreciation & Amortisation	<u>3,075</u>	<u>3,305</u>

4. BORROWING COSTS

Gross Interest Paid/Payable	<u>55</u>	<u>78</u>
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5. OTHER EXPENSES

Other expenses include:

Auditor's Remuneration		
Audit Services	27	22
Councillors Allowances	109	110
Other	60	41
	<u>196</u>	<u>173</u>



NOTES TO AND FORMING PART OF THE ACCOUNTS
30 June 2010

6. MATERIALS & CONTRACTS

	2010	2009
	\$'000	\$'000
Advertising	34	44
Bank Charges and Commissions	22	18
Chemicals (Water Operations)	0	21
Computer System Operations	108	97
Consultancies	160	189
Donations and Grants	73	79
Household Garbage & Recycling Collection Contract	139	122
Insurance Premiums	56	68
Internal Plant Hire	231	283
Land Tax	42	30
Plant & Machinery Hire (External)	189	160
Power Costs (includes street lighting)	135	164
Subscriptions and Publications	53	50
Telecommunications	43	59
Waste Transfer Station, Waste Transport and Disposal Contracts	169	165
Valuation Fees (Supplementary Valuations)	11	23
Water Purchases	9	346
Other	566	679
Total Materials & Contracts	2,040	2,597

7. INVESTMENT IN SOUTHERN (HOBART) WATER

In February of 2008 State and Local Government reached agreement to establish three, Local Government owned, vertically integrated businesses providing bulk, distribution and retail water and sewerage services, and a common service provider subsidiary company. The *Water and Sewerage Corporations Act 2008* (Corporations Act) was subsequently enacted and received Royal Assent on 13 June 2008.

Full transfer of water and sewerage assets, liabilities and staff to the new corporations took place on 1 July 2009. From that date, responsibility for the provision of water and sewerage services moved from local councils to three new regional water and sewerage corporations (trading as Cradle Mountain Water, Ben Lomond Water and Southern Water). A fourth company provides common services and support to the three regional corporations.

Southern Midlands Council's ownership interest in the Hobart Regional Water Authority, trading as Hobart Water, was transferred to Southern Water from 1 July 2009. The following assets and liabilities relating to water and sewerage were transferred to Southern Water. Council's opening ownership interest in the new corporation is represented by the net assets transferred.



NOTES TO AND FORMING PART OF THE ACCOUNTS

30 June 2010

	\$'000
Cash and cash equivalents	36
Inventories	17
Land	501
Buildings	1,701
Water infrastructure	5,040
Sewerage infrastructure	1,792
Plant, machinery and equipment	82
Work in Progress	6
Investment in Hobart Water	2,692
Financial Liabilities	(518)
Employee provisions	(38)
Net assets transferred	<u>11,311</u>

At 30 June 2010, Council has an ownership interest of 1.2% (based on the 2009 Draft Treasurer's Returns Allocation Order) in Southern Water. At the time of preparation of this report the Treasurer was yet to finalise the Order. Council does not have significant influence to allow it to use the equity method to account for this interest.

It has classified this asset as an Available-for-Sale financial asset as defined in AAB 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 statements.

There is no active market for the investment and so it is valued at Council's share of total equity as at each balance date. Changes in the fair value are recognised as revenue or expense in the Comprehensive Income Statement each year. Council's investment is disclosed on the face of the Balance Sheet with the value being determined as disclosed above. Dividends received from Southern Water are brought to account as income is received.

Council's share of the Corporation's net assets at 30 June 2010 is \$10.989 million.

	2010	2009
	\$'000	\$'000
Balance 1 July	2,692	2,445
Net assets transferred 1 July 2009	8,619	-
Change in fair value of investment	(322)	247
Balance 30 June	<u>10,989</u>	<u>2,692</u>

**NOTES TO AND FORMING PART OF THE ACCOUNTS**
30 June 2010**8. LOSS FROM DISPOSAL / RETIREMENT OF NON-CURRENT ASSETS**

	2010	2009
	\$'000	\$'000
Net proceeds from disposal of non-current assets	324	390
Carrying amount of non-current assets retired	331	407
Net profit (loss)	<u>(7)</u>	<u>(17)</u>

9. CURRENT ASSETS**a) Cash and Cash Equivalents**

Cash at bank and on hand	1,407	1,369
Term deposits	<u>7,050</u>	<u>5,657</u>
	<u>8,457</u>	<u>7,026</u>

b) Restricted Cash and Other Financial Assets

Cash and cash equivalents – unrestricted	7,988	6,617
Subject to external restrictions :		
Current long service leave	369	306
Non-current long service leave	<u>100</u>	<u>103</u>
	<u>8,457</u>	<u>7,026</u>

**NOTES TO AND FORMING PART OF THE ACCOUNTS**
30 June 2010**10. CURRENT ASSETS - RECEIVABLES**

	2010	2009
Current Assets	\$'000	\$'000
Rates receivable	324	315
Other debtors	255	492
	<u>579</u>	<u>807</u>

Significant Terms and Conditions

Debtors of Council are required to settle their accounts within specified terms including:

Rate Debtors

Payment is required either by four instalments or alternatively within thirty days (which provides a discount of 1.1%). The discount provided is shown as an expense of the entity in the Income Statement. A penalty of 5% applies to any rate or charge that is not paid on or before the date it falls due and in addition to the penalty, interest under section 128 of the *Local Government Act 1993* will be charged at the rate of 9.5% per annum.

Other Debtors

Current Receivables - Payment is required within thirty days of issue of the account.

Non-Current Receivables – Payment in accordance with financing arrangement.

Should amounts remain unpaid outside the adopted payment options, Council will instigate collection proceedings in accordance with the provisions of the *Local Government Act 1993 (as amended)*.



NOTES TO AND FORMING PART OF THE ACCOUNTS

30 June 2010

11. NON-CURRENT ASSETS - LAND

	2010 \$'000	2009 \$'000
Gross Carrying Amount		
Fair Value as at 1 July	4,664	1,990
Additions	23	57
Disposals	(50)	0
Transfer to Southern Water	(501)	0
Net Adjustment from Revaluation	0	2,617
Net Book Value 30 June – at fair value	4,136	4,664

Valuation of land was based on the Valuer-General's independent valuations as at 1st October 2008.

12. NON-CURRENT ASSETS - BUILDINGS

Gross Carrying Amount		
Fair Value as at 1 July	7,739	4,305
Additions	1,020	132
Disposals	(144)	0
Transfer to Southern Water	(1,978)	0
Net Adjustment from Revaluation	0	3,302
Balance at 30 June	6,637	7,739
Accumulated Depreciation		
Balance at 1 July	1,375	672
Net Adjustment from Revaluation	0	500
Disposals	(21)	0
Transfer to Southern Water	(277)	0
Depreciation expense for the year	174	203
Balance at 30 June	1,251	1,375
Net Book Value 30 June – at fair value	5,386	6,364

Valuation of buildings was based on the Valuer-General's independent valuations as at 1st October 2008.



NOTES TO AND FORMING PART OF THE ACCOUNTS
30 June 2010

13. NON-CURRENT ASSETS - PLANT, MACHINERY AND EQUIPMENT

	2010	2009
	\$'000	\$'000
Gross Carrying Amount		
At cost at 1 July	3,097	2,978
Additions	506	874
Disposals	(273)	(755)
Transfer to Southern Water	(107)	0
Balance at 30 June	<u>3,223</u>	<u>3,097</u>
Accumulated Depreciation		
Balance at 1 July	999	1,095
Disposals	(114)	(348)
Transfer to Southern Water	(25)	0
Depreciation expense for the year	262	252
Balance at 30 June	<u>1,122</u>	<u>999</u>
Net Book Value 30 June	<u>2,101</u>	<u>2,098</u>

14. NON-CURRENT ASSETS - MINOR PLANT

Gross Carrying Amount		
At cost at 1 July	183	180
Additions	11	3
Balance at 30 June	<u>194</u>	<u>183</u>
Accumulated Depreciation		
Balance at 1 July	158	151
Depreciation expense for the year	8	7
Balance at 30 June	<u>166</u>	<u>158</u>
Net Book Value 30 June	<u>28</u>	<u>25</u>

15. NON-CURRENT ASSETS - OFFICE FURNITURE & EQUIPMENT

Gross Carrying Amount		
At cost at 1 July	534	486
Additions	28	48
Disposals	0	0
Balance at 30 June	<u>562</u>	<u>534</u>
Accumulated Depreciation		
Balance at 1 July	408	376
Disposals	0	0
Depreciation expense for the year	30	32
Balance at 30 June	<u>438</u>	<u>408</u>
Net Book Value 30 June	<u>124</u>	<u>126</u>



NOTES TO AND FORMING PART OF THE ACCOUNTS
30 June 2010

16. NON-CURRENT ASSETS - INFRASTRUCTURE ASSETS

	2009 \$'000	2008 \$'000
a) Roads		
Gross Carrying Amount		
Fair Value as at 1 July	95,265	105,885
Additions	767	1,214
Net Adjustment from Revaluation	0	(11,834)
Balance at 30 June	<u>96,032</u>	<u>95,265</u>
Accumulated Depreciation		
Balance at 1 July	46,883	50,123
Net Adjustment from Revaluation	0	(5,392)
Depreciation expense for the year	2,152	2,152
Balance at 30 June	<u>49,035</u>	<u>46,883</u>
Net Book Value 30 June – at fair value	<u>46,997</u>	<u>48,382</u>

Valuations of roads (including earthworks) were determined by an Engineer as at 30 June 2009. These valuations were based on fair value - current replacement value at that time.

b) Bridges

Gross Carrying Amount

At cost at 1 July	20,896	12,717
Additions	88	272
Net Adjustment from Revaluation	110	7,907
Disposals	0	0
Balance at 30 June	<u>21,094</u>	<u>20,896</u>

Accumulated Depreciation

Balance at 1 July	8,061	4,983
Disposals	0	0
Net Adjustment from Revaluation	(281)	2,709
Depreciation expense for the year	360	369
Balance at 30 June	<u>8,140</u>	<u>8,061</u>

Net Book Value 30 June – at fair value

<u>12,954</u>	<u>12,835</u>
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Valuations of bridges (including earthworks) were determined by consulting engineers Tas Span as at 24 May 2010. These valuations were based on fair value - current replacement value at that time.

**NOTES TO AND FORMING PART OF THE ACCOUNTS**
30 June 2010**16. NON-CURRENT ASSETS - INFRASTRUCTURE ASSETS
(CONTINUED)**

	2010 \$'000	2009 \$'000
c) Water assets		
Gross Carrying Amount		
Fair Value as at 1 July	10,196	10,131
Additions	0	65
Transfer to Southern Water	(10,196)	0
Balance at 30 June	<u>0</u>	<u>10,196</u>
Accumulated Depreciation		
Balance at 1 July	5,156	4,995
Transfer to Southern Water	(5,156)	0
Depreciation expense for the year	0	161
Balance at 30 June	<u>0</u>	<u>5,156</u>
Net Book Value 30 June – at fair value	<u>0</u>	<u>5,040</u>

Valuation of water assets were determined by Council's Municipal Engineer as at 1st July 2005. These valuations were based on fair value - current replacement value.

Water assets with a written down value of \$5.040 million were transferred to Southern Water on 1 July 2009.



NOTES TO AND FORMING PART OF THE ACCOUNTS
30 June 2010

**16. NON-CURRENT ASSETS - INFRASTRUCTURE ASSETS
(CONTINUED)**

	2010 \$'000	2009 \$'000
d) Sewerage assets		
Gross Carrying Amount		
Fair Value as at 1 July	3,175	3,163
Additions	0	12
Transfer to Southern Water	(3,175)	0
Balance at 30 June	<u>0</u>	<u>3,175</u>
Accumulated Depreciation		
Balance at 1 July	1,383	1,317
Transfer to Southern Water	(1,383)	0
Depreciation expense for the year	0	66
Balance at 30 June	<u>0</u>	<u>1,383</u>
Net Book Value 30 June – at fair value	<u>0</u>	<u>1,792</u>

Valuation of sewerage assets were determined by Council's Municipal Engineer as at 1st July 2005. These valuations were based on fair value - current replacement value.

Sewerage assets with a written down value of \$1.792 million were transferred to Southern Water on 1 July 2009.



NOTES TO AND FORMING PART OF THE ACCOUNTS
30 June 2010

16. NON-CURRENT ASSETS - INFRASTRUCTURE ASSETS
(CONTINUED)

	2010 \$'000	2009 \$'000
e) Stormwater assets		
Gross Carrying Amount		
Fair Value as at 1 July	1,346	1,317
Additions	8	29
Balance at 30 June	<u>1,354</u>	<u>1,346</u>
Accumulated Depreciation		
Balance at 1 July	430	408
Depreciation expense for the year	23	22
Balance at 30 June	<u>453</u>	<u>430</u>
Net Book Value 30 June – at fair value	<u>901</u>	<u>916</u>
Valuation of stormwater assets were determined by Council's Municipal Engineer as at 1st July 2005. These valuations were based on fair value - current replacement value.		
f) Waste Management assets		
Gross Carrying Amount		
At cost at 1 July	188	174
Additions	9	14
Disposals	0	0
Balance at 30 June	<u>197</u>	<u>188</u>
Accumulated Depreciation		
Balance at 1 July	64	48
Depreciation expense for the year	18	16
Balance at 30 June	<u>82</u>	<u>64</u>
Net Book Value 30 June	<u>115</u>	<u>124</u>
Infrastructure Assets - Net Book Value 30 June	<u>60,967</u>	<u>69,089</u>



NOTES TO AND FORMING PART OF THE ACCOUNTS
30 June 2010

17. NON-CURRENT ASSETS - HERITAGE

	2010 \$'000	2009 \$'000
Gross Carrying Amount		
Heritage Assets – Cost as at 1 July	80	80
Net Book Value 30 June	<u>80</u>	<u>80</u>

18. NON-CURRENT ASSETS - WORK IN PROGRESS

Work in progress at cost	<u>2,195</u>	<u>1,352</u>
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Work in progress represents capital works not completed and not ready for use as at 30 June 2010. Therefore, depreciation has not been charged against these amounts

19. NON-CURRENT ASSETS – INTANGIBLES – SOFTWARE & VALUATION FEES

Gross Carrying Amount		
At cost at 1 July	235	110
Additions	16	125
Balance at 30 June	<u>251</u>	<u>235</u>
Accumulated Amortisation		
Balance at 1 July	72	47
Amortisation expense for the year	46	25
Balance at 30 June	<u>118</u>	<u>72</u>
Net Book Value 30 June	<u>133</u>	<u>163</u>

**NOTES TO AND FORMING PART OF THE ACCOUNTS**
30 June 2010**20. CURRENT LIABILITIES - PAYABLES**

	2010 \$'000	2009 \$'000
Current Liabilities		
Payables and accruals	488	375
GST Payable	0	0
Payroll tax and workers compensation on employee entitlements	43	40
	<u>531</u>	<u>415</u>

Significant Terms and Conditions

Payables are generally settled within specified trading terms or thirty days whichever is the earlier.

21. CURRENT LIABILITIES – INTEREST BEARING LIABILITIES

Borrowings – Bank	96	179
	<u>96</u>	<u>179</u>

Significant Terms and Conditions

The loans of Council are secured by trust deed. In accordance with Section 80 of the *Local Government Act 1993*, the borrowing capacity of Council is limited to:

- Except with the approval of the Minister, a council may not borrow additional money for any purpose if the annual payments required to service the total borrowings would exceed 30% of its revenue of the preceding financial year.
- Grants made to a council for specific purposes are to be excluded in calculating 30% of revenue of the council.

The current annual payments of loans by Council, based on the debenture loan schedules, equate to 1.27 % of the revenue for the preceding year.



NOTES TO AND FORMING PART OF THE ACCOUNTS
30 June 2010

22. CURRENT LIABILITIES - PROVISIONS

	2010	2009
	\$'000	\$'000
Employee entitlements:		
Annual leave	330	312
Long service leave	369	306
Other leave	144	128
EBA gratuity payments	71	64
	<u>914</u>	<u>810</u>

23. NON-CURRENT LIABILITIES – INTEREST BEARING LIABILITIES

Borrowings – Bank	<u>905</u>	<u>1,274</u>
	<u>905</u>	<u>1,274</u>

Security for Borrowings

The bank loans are secured over the general rates of the Council.

Credit Standby Arrangements

Bank overdraft limit – Online Payroll Facility	60	60
Funds already accessed	0	0
Business Credit Cards	3	8
Funds already accessed	0	0
Total amount of credit unused	<u>63</u>	<u>68</u>

Refer to Note 21 for disclosure in relation to *Significant Terms and Conditions*.



NOTES TO AND FORMING PART OF THE ACCOUNTS
30 June 2010

24. NON-CURRENT LIABILITIES - PROVISIONS

	2010 \$'000	2009 \$'000
Employee entitlements:		
Long service leave	100	103
	<u>1,014</u>	<u>913</u>
Total Employee Entitlements	<u>1,014</u>	<u>913</u>

Number of Employees

Council had 42 full-time equivalents (FTEs) at 30 June 2010 (2009: 45).

25. RESERVES

a) Composition

Asset Revaluation Reserve	50,962	50,570
Bridge Maintenance Reserve	1,666	1,666
Other Reserves		
Plant Replacement Reserve	686	686
Capital Works Reserve	1,239	1,239
Quarry Reinstatement Reserve	31	31
Public Open Space Reserve	29	29
Water and Sewerage Capital Reserve	172	172
	<u>54,785</u>	<u>54,393</u>

b) Movements

Asset revaluation reserve		
Balance at the beginning of the financial year	50,570	46,396
Revaluation of land assets	0	2,617
Revaluation of building assets	0	2,801
Revaluation of road assets	0	(6,442)
Revaluation of bridge assets	392	5,198
Revaluation of water assets	0	0
Revaluation of sewerage assets	0	0
Revaluation of stormwater assets	0	0
Balance at the end of the financial year	<u>50,962</u>	<u>50,570</u>
Bridge Maintenance Reserve		
Balance at the beginning of the financial year	1,666	1,496
Amount transferred from accumulated surplus	0	170
Balance at the end of the financial year	<u>1,666</u>	<u>1,666</u>

**NOTES TO AND FORMING PART OF THE ACCOUNTS**
30 June 2010**25. RESERVES (CONTINUED)**

	2010 \$'000	2009 \$'000
Other Reserves		
Plant Replacement Reserve		
Balance at the beginning of the financial year	686	607
Amount transferred to accumulated surplus	0	0
Amount transferred from accumulated surplus	0	79
Balance at the end of the financial year	<u>686</u>	<u>686</u>
Capital works reserve		
Balance at the beginning of the financial year	<u>1,239</u>	<u>1,239</u>
Balance at the end of the financial year	<u>1,239</u>	<u>1,239</u>
Quarry reinstatement reserve		
Balance at the beginning of the financial year	<u>31</u>	<u>31</u>
Balance at the end of the financial year	<u>31</u>	<u>31</u>
Public open space reserve		
Balance at the beginning of the financial year	<u>29</u>	<u>29</u>
Balance at the end of the financial year	<u>29</u>	<u>29</u>
Water & Sewerage capital reserve		
Balance at the beginning of the financial year	<u>172</u>	<u>172</u>
Balance at the end of the financial year	<u>172</u>	<u>172</u>
Total Other Reserves	<u>2,157</u>	<u>2,157</u>

The Asset Revaluation Reserve is used to record increments and decrements on the revaluation of Council's property, plant and equipment. The purpose of all other reserves is the replacement and maintenance of the associated assets.



NOTES TO AND FORMING PART OF THE ACCOUNTS
30 June 2010

26. COMMITMENTS FOR EXPENDITURE

a) Capital Commitments

The Council had contracted but not incurred capital expenditure totalling \$161,500 which will be paid within the 2010-2011 period. It is not recognised in

The Council had no material commitments under operating leases at the reporting date.

c) Finance Lease Commitments

The Council had no commitments under finance leases at the reporting date.

27. COMMITTEES

Pursuant to Section 84(d) of the *Local Government Act 1993*, these Statements include transactions for the following Special Committees:

	2010 \$000 Revenue	2010 \$000 Expenses	2010 \$'000 Balance
Committee:			
Campania Halls Committee	11	5	13
Colebrook Hall Committee	0	0	2
Woodsdale Hall Committee	3	3	5
Oatlands Community Hall Committee	2	3	3
Woodsdale Recreation Ground Committee	0	0	0
Colebrook Recreation Ground Committee	0	0	2
Parattah Recreation Ground Committee	9	4	11
Lake Dulverton Management Committee	1	0	3
Callington Park Committee	0	1	0
Parattah Railway Committee	0	0	1
Oatlands Spring Festival Committee	22	19	9
	<u>48</u>	<u>35</u>	<u>49</u>

These committees raise their own funds and make their own decisions, maintain their own books and records, and operate separate bank accounts. They do not conduct financial transactions with Council. Their transactions and bank balances have been consolidated into these accounts.

**NOTES TO AND FORMING PART OF THE ACCOUNTS**
30 June 2010**28. SUPERANNUATION**

The Southern Midlands 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, Council does not use defined benefit accounting for these contributions.

At the present time Council contributes 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, the Council is required to meet its share of the deficiency.

Bendzulla Actuarial Pty Ltd undertook the last actuarial review of the Fund at 30 June 2008. The review disclosed that at that time the net market value of assets available for funding member benefits was \$84,786,241, the value of vested benefits was \$77,075,401, the surplus was \$7,707,840, and the value of total accrued benefits was \$81,398,000. 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	-17.0% p.a. for 2008/09 and 7.0% p.a. thereafter
Salary Inflation	4.0% pa
Price Inflation	n/a

In the opinion of the Actuary, the Quadrant Defined Benefit Fund was adequately funded in that assets were sufficient to cover the vested benefits of all members at the review date and the actuarial value of accrued past service benefits.

At 30 June 2009, the net market value of assets available for funding member benefits had fallen to \$58,450,000 largely due to the poor investment returns that were experienced during the 2009 financial year. The value of vested benefits at that date was \$64,350,000 resulting in a shortfall of \$5,900,000. When the Fund's assets are below the vested benefits, superannuation law defines this as an "unsatisfactory financial position". As a result of the Fund moving into an unsatisfactory financial position, the Quadrant Trustee prepared a plan to restore the financial position within a reasonable time frame. This plan noted the improved investment returns since 30 June 2009 and confirmed that the 9.5% contribution rate remained appropriate.



NOTES TO AND FORMING PART OF THE ACCOUNTS
30 June 2010

28. SUPERANNUATION (CONTINUED)

The next full triennial review will be undertaken after 31 October 2011 for 30 June 2011.

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*.

During the reporting period the amount of contributions paid to defined benefits schemes was \$218,458 (2008-09 \$233,905), and the amount paid to accumulation schemes was \$49,448 (2008-09, \$45,266).



NOTES TO AND FORMING PART OF THE ACCOUNTS
30 June 2010

**29. RECONCILIATION OF NET CASH FROM OPERATING ACTIVITIES
TO SURPLUS FROM OPERATIONS**

	2010 \$'000	2009 \$'000
Surplus (Deficit) for the period	815	728
Depreciation and amortisation	3,075	3,305
Capital Grants	(1,860)	(1,229)
Payment to Southern Water	37	0
Increase (Decrease) in employee provisions	101	118
Increase (Decrease) in payables	116	97
(Increase) Decrease in debtors and prepayments	227	(62)
(Increase) Decrease in stores and materials	22	31
* (Gain) Loss on disposal of non-current assets	7	17
Net cash from (used in) operating activities	<u>2,540</u>	<u>3,005</u>
* (Gain) Loss on disposal of non-current assets		
Proceeds from Sales	324	390
Less carrying amount of assets sold or retired	(331)	(407)
Gain (Loss) on Sale	<u>7</u>	<u>(17)</u>

30. RELATED PARTY TRANSACTIONS

(a) Allowances and Reimbursements 122 110

(b) Register of Interests – 2009/10
Interests of Councillors notified to the General
Manager in respect of any body or organisation
with which the Council has major financial
dealings.

Councillor & Position

Mayor A E Bisdee OAM	No interest declared.
Deputy Mayor J L Jones OAM	No interest declared.
Clr C J Beven	No interest declared.
Clr B Campbell (October 2009 to date)	No interest declared.
Clr M Connors	No interest declared.
Clr D F Fish	No interest declared.
Clr M Jones OAM	No interest declared.
Clr A O Green	No interest declared.
Clr H M Scott OAM	No interest declared.
Clr D F Thompson (retired October 2009)	No interest declared.



NOTES TO AND FORMING PART OF THE ACCOUNTS
30 June 2010

31. FINANCIAL INSTRUMENTS

a) Risk Exposures 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 a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk, those being currency risk, interest rate risk and other price risk. Council's exposure to or management of these risks has not changed since the previous period.

Components of market risk to which we are exposed are discussed below.

Currency Risk:

This is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Council has established a Foreign Currency Account through the Commonwealth Bank and invested sufficient funds in Great British Pounds to meet the remaining payments under the Contract with Traditional Millwrights Ltd relating to the Callington Mill. There is no market risk of fluctuation as the Contract is also in Great British Pounds.

Interest rate risk

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

We manage interest rate risk on our net debt portfolio by:

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

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

**NOTES TO AND FORMING PART OF THE ACCOUNTS**
30 June 2010

a) Risk Exposures and Mitigation (continued)

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

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

Other Price Risk:

This is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices other than those arising from interest rate risk or currency risk, whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. Council is not aware of having any exposure to this risk.

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 balance sheet. To help manage this risk:

- . we have a policy for establishing credit limits for the entities we deal with;
- . we may require collateral where appropriate; and
- . we only invest surplus funds with financial institutions which have a recognised credit rating.

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

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



NOTES TO AND FORMING PART OF THE ACCOUNTS
30 June 2010

a) Risk Exposures and Mitigation (continued)

Amounts owing in relation to rates are secured by a charge over the land to which the debts relate. Debtors other than rate debtors have not been written off or written down during the reporting period.

Council generally diversifies its investments and restricts investments to entities with Standard and Poor's long term credit ratings of BBB+ or better, or short term credit ratings of A.1 or better.

There has been no change in Council's exposure to or management of this risk since the previous period.

Ageing of Trade and Other Receivables

The following table provides an ageing of Council's trade and rate receivables at the reporting date:

	30 June 2010		30 June 2009	
	Gross \$'000	Impairment \$'000	Gross \$'000	Impairment \$'000
<i>Trade receivables</i>				
Not past due	18	-	15	-
Past due 0-30 days	37	-	216	-
Past due 31-60 days	8	-	(1)	-
Past due 61-90 days	39	-	2	-
More than 90 days	145	-	171	-
Total trade receivables	247	-	403	-
Water Meter Debtors	7	-	89	-
Rates receivable	325	-	315	-
Total receivables	\$579	\$ -	\$807	\$ -

Ageing of individually impaired Trade and Other Receivables

A provision for impairment loss is recognised when there is objective evidence that an individual receivable is impaired. No allowance for impairment in respect of rate and trade receivables has been recognised at 30 June 2010. Some of the long outstanding past due amounts have been lodged with Council's debt collectors or are on payment arrangements.



NOTES TO AND FORMING PART OF THE ACCOUNTS
30 June 2010

a) Risk Exposures and Mitigation (continued)

Liquidity risk

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

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

To help reduce these risks we:

- . have readily accessible standby facilities and other funding arrangements in place;
- . monitor budget to actual performance on a regular basis; and
- . set limits on borrowings relating to the percentage of loans to rate revenue and percentage of loan principal repayments to rate revenue.

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

A maturity analysis is included in part b) of this note. It's exposure to or management of this risk has not changed since the previous period.



NOTES TO AND FORMING PART OF THE ACCOUNTS
30 June 2010

b) Interest Rate Risk Exposure

The Council's exposure to interest rate risk, repricing maturities and the effective interest rates on financial instruments at balance date is:

2009-2010	WAEIR 2010	Floating interest rate	1 year or less	1 to 5 years	over 5 years	Non interest bearing	Total
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Assets							
Cash	1.00%	1,407					1,407
Investments	4.00%		7,050				7,050
Receivables							
- Rates						324	324
- Other						255	255
Investment in Southern Water						10,989	10,989
Total Financial Assets – 2009		1,407	7,050	0	0	11,568	20,025
Liabilities							
Interest Bearing Liabilities	6.08%		96				96
Interest Bearing Liabilities	6.29%			433			433
Interest Bearing Liabilities	6.47%				472		472
Payables						488	488
Accruals						43	43
Total Financial Liabilities – 2010		0	96	433	472	531	1,532
Net Financial Assets/ (Liabilities) – 2010		1,407	6,954	(433)	(472)	11,037	18,493

WAEIR - weighted average effective interest rate.



NOTES TO AND FORMING PART OF THE ACCOUNTS
30 June 2010

b) Interest Rate Risk Exposure (Continued)

2008-2009	WAEIR 2009	Floating interest rate	1 year or less	1 to 5 years	over 5 years	Non interest bearing	Total
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Assets							
Cash	1.84%	1,369					1,369
Investments	5.30%		5,657				5,657
Receivables							
- Rates						315	315
- Other						492	492
Investment in Hobart Water						2,692	2,692
Total Financial Assets – 2009		1,369	5,657	0	0	3,499	10,525
Liabilities							
Interest Bearing Liabilities	6.32%		179				179
Interest Bearing Liabilities	6.42%			679			679
Interest Bearing Liabilities	6.03%				595		595
Payables						375	375
Accruals						40	40
Total Financial Liabilities – 2009		0	179	679	595	415	1,868
Net Financial Assets/ (Liabilities) – 2009		1,369	5,478	(679)	(595)	3,084	8,657

WAEIR - weighted average effective interest rate.



NOTES TO AND FORMING PART OF THE ACCOUNTS
30 June 2010

c) Net Fair Value

The aggregate net fair value of Council's financial assets and financial liabilities is as follows:

	<i>Actual</i> 2010		<i>Actual</i> 2009	
	<i>Carrying amount</i> \$'000	<i>Aggregate net fair value</i> \$'000	<i>Carrying amount</i> \$'000	<i>Aggregate net fair value</i> \$'000
Financial assets				
Cash and cash equivalents	8,457	8,457	7,026	7,026
Receivables	579	579	807	807
Investment in Southern (Hobart) Water	10,989	10,989	2,692	2,692
Total	20,025	20,025	10,525	10,525
Financial liabilities				
Payables	531	531	415	415
Interest bearing liabilities	1,001	1,084	1,453	1,479
Total	1,532	1,615	1,868	1,894
Net financial assets/liabilities	18,493	18,410	8,657	8,631

Aggregate net fair value is calculated using a discount rate equal to the average of mid rates of Commonwealth Government securities maturing on or near 30 June each year for the next 10 years.

	30 June 2010	30 June 2009
Carrying amounts classified as:	\$'000	\$'000
<i>Financial assets</i>		
Cash and cash equivalents	8,457	7,026
Loans and receivables	579	807
Available for sale financial assets	10,989	2,692
	20,025	10,525
<i>Financial liabilities</i>		
Financial liabilities measured at amortised cost	1,532	1,868
	1,532	1,868
Net financial assets / (liabilities)	18,493	8,657

**NOTES TO AND FORMING PART OF THE ACCOUNTS**
30 June 2010**d) Fair Value Hierarchy**

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

The different levels have been defined as follows:

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

30 June 2010	Level 1	Level 2	Level 3	Total
Available for sale financial assets	-	-	10,989	10,989

There were no transfers between Level 1 and 2 in the period.

Reconciliation of Level 3 Fair Value Movements

	2010
	\$
Opening balance	2,692
Investment on transfer of net assets	8,619
<i>Gains (losses) recognised in other comprehensive income:</i>	
Change in fair value of investment in Southern Water	(322)
Closing balance	10,989



NOTES TO AND FORMING PART OF THE ACCOUNTS
30 June 2010

e) Sensitivity Analysis

At balance date Council had the following mix of financial assets and liabilities exposed to interest rate risk:

	2010 \$'000	2009 \$'000
Financial Assets		
Cash and cash equivalents	8,457	7,026
Financial Liabilities		
Interest bearing liabilities	(1,001)	(1,453)
Net Exposure	7,456	5,573

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:

- A parallel shift of +1% and -0.5% in market interest rates (AUD) from year-end

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.

	2010 \$'000	2009 \$'000
Net result		
+ 1 %	75	56
- 1 %	(75)	(56)
Equity		
+ 1 %	75	56
- 1 %	(75)	(56)

f) Accounting Policies

Accounting policies in respect of financial assets and financial liabilities are disclosed in note 1.

g) Terms and Conditions

There are no terms and conditions associated with financial assets or financial liabilities which may significantly affect the amount, timing or certainty of future cash flows.



NOTES TO AND FORMING PART OF THE ACCOUNTS
30 June 2010

32. SIGNIFICANT BUSINESS ACTIVITIES

	Water 2010	Water 2009	Sewerage 2010	Sewerage 2009
<u>Revenue</u>				
Rates	0	441,599	0	250,898
User Charges	0	386,218	0	0
Government Grants	0	0	0	0
Other	0	24,913	0	6,803
	0	852,730	0	257,701
<u>Expenditure</u>				
Direct				
Employee Costs	0	154,506	0	36,663
Materials & Contracts	0	219,309	0	93,730
Interest	0	22,861	0	13,499
Purchase of Water	0	345,579	0	0
Other	0	5,274	0	4,179
	0	747,529	0	148,071
Indirect				
Engineering & Administration	0	77,461	0	77,461
Capital Costs				
Depreciation	0	192,202	0	74,465
Opportunity Cost of Capital	0	535,600	0	203,762
	0	727,802	0	278,227
Competitive Neutrality Costs	0	9,607	0	6,357