

# SOUTHERN MIDLANDS COUNCIL



## COMPLETE SET OF FINANCIAL STATEMENTS 2010/2011 FINANCIAL YEAR

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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 30/06/2011

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

1. the financial report set out on pages 1 to 45 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 11<sup>th</sup> day of August 2011.



## INDEPENDENT AUDITOR'S REPORT

To the Councillors of Southern Midlands Council

Financial Report for the Year Ended 30 June 2011

I have audited the accompanying financial report of Southern Midlands Council (Council), which comprises the statement of financial position as at 30 June 2011 and the statements of comprehensive income, changes in equity and cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the General Manager's statement.

### Auditor's Opinion

In my opinion Council's financial report:

- (a) presents fairly, in all material respects, its financial position as at 30 June 2011 and financial performance, cash flows and changes in equity for the year then ended; and
- (b) is in accordance with the *Local Government Act 1993* and Australian Accounting Standards.

### *The Responsibility 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 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 report that is 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 report 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 report is free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the General Manager's preparation and fair presentation of the financial report 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 report.

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 report.

### **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.

### **TASMANIAN AUDIT OFFICE**



J J Tongs

**TECHNICAL AND QUALITY DIRECTOR**  
**Delegate of the Auditor-General**

HOBART  
30 September 2011

**STATEMENT OF COMPREHENSIVE INCOME**  
For the Year Ended 30 June 2011

	Notes	2011 Budget \$'000	2011 Actual \$'000	2010 Actual \$'000
<b>Revenue and Other Income From Transactions</b>				
General rates		3,556	3,617	3,422
User charges	3	1,070	711	641
Interest		185	352	260
Government subsidies		28	20	19
Contract Income		0	516	0
Other		40	43	13
		<u>4,879</u>	<u>5,259</u>	<u>4,355</u>
Grants - Operating	4	2,689	3,035	2,857
<b>Total Revenue and Other Income From Transactions</b>	2 (a)	<u>7,568</u>	<u>8,294</u>	<u>7,212</u>
<b>Expenses From Transactions</b>				
Employee benefits	5	3,084	2,908	2,613
Materials and contracts	6	2,766	2,652	2,040
Depreciation and amortisation	7	3,078	3,185	3,075
Borrowing costs	8	63	69	55
Loss on disposal/retirement of non current-assets	9	0	28	7
Contributions		153	153	145
Other	10	204	178	196
		<u>9,348</u>	<u>9,173</u>	<u>8,131</u>
<b>Total Expenses From Transactions</b>	2 (a)	<u>9,348</u>	<u>9,173</u>	<u>8,131</u>
<b>Surplus (Deficit) for the year before:</b>		<u>(1,780)</u>	<u>(879)</u>	<u>(919)</u>
Grants – Capital	4	1,468	1,784	1,734
Donations		3	4	0
	2 (a)	<u>1,471</u>	<u>1,788</u>	<u>1,734</u>
<b>Surplus (Deficit) for the year before:</b>	2 (a)	<u>(309)</u>	<u>909</u>	<u>815</u>
Fair value initial adjustment on Final Treasurer's Allocation Order		0	2,747	(321)
Fair value adjustment on Available for Sale Assets		0	80	0
Fair value revaluation of non-current assets		0	1,403	391
		<u>0</u>	<u>4,230</u>	<u>(321)</u>
<b>Comprehensive result</b>		<u>(309)</u>	<u>5,139</u>	<u>885</u>

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

**STATEMENT OF FINANCIAL POSITION**

As at 30 June 2011

	Notes	2011 \$'000	2010 \$'000
<b>CURRENT ASSETS</b>			
Cash & cash equivalents	11	8,281	8,457
Receivables	12	750	579
Stores and materials		246	97
<b>Total Current Assets</b>		<u>9,277</u>	<u>9,133</u>
<b>NON-CURRENT ASSETS</b>			
Land	13	4,038	4,136
Buildings	14	9,411	5,386
Plant, machinery & equipment	15	1,913	2,101
Minor plant	16	40	28
Office furniture & equipment	17	120	124
Infrastructure assets	18	60,849	60,966
Heritage assets	19	80	80
Work in progress	20	797	2,195
Intangibles – software & valuation fees	21	135	133
Investment in Southern Water	22	13,817	10,990
<b>Total Non-Current Assets</b>		<u>91,200</u>	<u>86,139</u>
<b>TOTAL ASSETS</b>	2(a)	<u>100,477</u>	<u>95,272</u>
<b>CURRENT LIABILITIES</b>			
Payables	23	568	532
Interest bearing liabilities	24	102	95
Employee benefits	25	1,009	914
<b>Total Current Liabilities</b>		<u>1,679</u>	<u>1,541</u>
<b>NON-CURRENT LIABILITIES</b>			
Interest bearing liabilities	26	804	905
Employee benefits	25	130	100
<b>Total Non-Current Liabilities</b>		<u>934</u>	<u>1,005</u>
<b>TOTAL LIABILITIES</b>		<u>2,613</u>	<u>2,546</u>
<b>NET ASSETS</b>		<u>97,864</u>	<u>92,726</u>
<b>EQUITY</b>			
Accumulated surplus		41,769	37,941
Reserves	27	56,095	54,785
<b>TOTAL EQUITY</b>		<u>97,864</u>	<u>92,726</u>

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



**STATEMENT OF CHANGES IN EQUITY**  
For the Year Ended 30 June 2011

2011	Accumulated Surplus \$'000	Assets Revaluation Reserve (Note 27) \$'000	Fair Value Reserve (Note 27) \$'000	Bridge Maintenance Reserve (Note 27) \$'000	Other Reserves (Note 27) \$'000	Total Equity \$'000
Balance at beginning of financial year	37,941	50,962	0	1,666	2,157	92,726
Comprehensive result	3,656	1,402	80	0	0	5,138
Transfers to reserves	0	0	0	0	0	0
Transfers from reserves	172	0	0	0	(172)	0
Balance at end of financial year	41,769	52,364	80	1,666	1,985	97,864

  

2010	Accumulated Surplus \$'000	Assets Revaluation Reserve (Note 27) \$'000	Fair Value Reserve (Note 27) \$'000	Bridge Maintenance Reserve (Note 27) \$'000	Other Reserves (Note 27) \$'000	Total Equity \$'000
Balance at beginning of financial year	37,448	50,571	0	1,666	2,157	91,842
Comprehensive result	493	391	0	0	0	884
Transfers to reserves	0	0	0	0	0	0
Transfers from reserves	0	0	0	0	0	0
Balance at end of financial year	37,941	50,962	0	1,666	2,157	92,726

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


**STATEMENT OF CASH FLOW**  
 For the Year Ended 30 June 2011

	NOTES	INFLOWS (OUTFLOWS) 2011 \$'000	INFLOWS (OUTFLOWS) 2010 \$'000
<b>Cash flows from operating activities</b>			
Payments			
Employee costs		(2,756)	(2,474)
Materials & contracts		(3,190)	(2,476)
Interest		(69)	(55)
Other		(363)	(375)
		<u>(6,378)</u>	<u>(5,380)</u>
Receipts			
Rates		3,617	3,334
User charges		755	1,154
Interest received		352	259
Subsidies		20	19
Other revenue grants		3,035	2,893
Capital grants		1,784	1,698
GST Refunds from ATO		375	301
Other		403	14
		<u>10,341</u>	<u>9,780</u>
<b>Net cash provided by (used in) operating activities</b>	31	<u>3,963</u>	<u>4,400</u>
<b>Cash flows from investing activities</b>			
Payments for property, plant & equipment		(4,224)	(3,324)
Payment to Southern Water		0	(37)
Proceeds from sale of property, plant & equipment		179	326
		<u>179</u>	<u>326</u>
<b>Net cash provided by (used in) investing activities</b>		<u>(4,045)</u>	<u>(3,035)</u>
<b>Cash flows from financing activities</b>			
Repayment of borrowings		(94)	(84)
Proceeds from borrowings		0	150
		<u>0</u>	<u>150</u>
<b>Net cash provided by (used in) financing activities</b>		<u>(94)</u>	<u>66</u>
<b>Net increase/(decrease) in cash and cash equivalents</b>		(176)	1,431
Cash and cash equivalents at beginning of reporting year		8,457	7,026
		<u>8,457</u>	<u>7,026</u>
<b>Cash and cash equivalents at the end of the financial year</b>	11(a)	<u>8,281</u>	<u>8,457</u>

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



**NOTES TO AND FORMING PART OF THE ACCOUNTS**

30 June 2011

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

## NOTES TO AND FORMING PART OF THE ACCOUNTS

30 June 2011

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### INTRODUCTION

This financial report is a general purpose financial report that consists of a Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Statement of Cash Flows, and notes accompanying these financial statements. The general purpose financial report complies with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board (AASB), and the *Local Government Act 1993* (as amended). Council has determined that it does not have profit generation as a prime objective. Consequently, where appropriate, Council has elected to apply options and exemptions within accounting standards that are applicable to not-for-profit entities.

#### 1. SIGNIFICANT ACCOUNTING POLICIES

##### (a) Basis of Accounting

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

This financial report has been prepared under the historical cost convention, except where specifically stated in notes 1(h), 1(k), and 1(o)

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.

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.

##### *Judgements and Assumptions*

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:

##### *Fair Value of Property Plant & Equipment*

Assumptions and judgements are utilised in determining the fair value of Council's property, plant and equipment including useful lives and depreciation rates. These assumptions are discussed in notes 13 to 21 and in note 1.

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

## NOTES TO AND FORMING PART OF THE ACCOUNTS

30 June 2011

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### *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 30.

### *Employee entitlements*

Assumptions are utilised in the determination of Council's employee entitlement provisions. These assumptions are discussed in note 1.

## **(b) Revenue recognition**

### *Rates, grants and government subsidies*

Rates, grants and government subsidies are recognised as revenues when Council obtains control over the assets comprising these receipts.

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.

A provision for impairment of 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.

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.

Income 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.

### *User charges*

User charges are recognised as revenue when the service has been provided, the payments is received, or when the penalty has been applied, whichever occurs first.

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

### *Sale of property, plant and equipment*

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

### *Contract income*

As soon as the outcome of construction contracts can be estimated reliably, contract revenue and expenses are recognised in the statement of comprehensive income in proportion to the stage of completion of the contract. The stage of completion is assessed by reference to surveys of work performed. Any expected loss on a contract is recognised immediately in the statement of comprehensive income.

### *Trade and other receivables*

Receivables are carried at amortised cost. A provision for impairment is recognised when there is objective evidence that an impairment loss has occurred.

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

**NOTES TO AND FORMING PART OF THE ACCOUNTS**

30 June 2011

*Interest*

Interest is recognised progressively as it is earned.

**(c) Inventories**

Inventories held for distribution are measured at cost adjusted when applicable for any loss of service potential.

**(d) Work in Progress**

Construction work in progress represents the gross unbilled amount expected to be collected from customers for contract work performed to date. It is measured at cost. Cost includes all expenditure related directly to specific projects and an allocation of fixed and variable overheads incurred in the consolidated entity's contract activities based on normal operating capacity.

**(e) Depreciation and amortisation of property, plant and equipment, infrastructure, intangibles**

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 assets classes reassessed annually. Depreciation rates and methods are reviewed annually.

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.

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.

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:

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 2011

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**(f) Repairs and maintenance**

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 assets is expensed.

**(g) Borrowing costs**

Borrowing costs are recognised as an expense in the period in which they are incurred, except where they are capitalised as part of a qualifying asset constructed by Council. Where specific borrowings are obtained for the purpose of specific asset acquisition, the weighted average interest rate applicable to borrowings at balance date, excluding borrowings associated with superannuation, is used to determine the borrowing costs to be capitalised.

Borrowing costs include interest on bank overdrafts and interest on borrowings.

**(h) Recognition and measurement of assets**

*Acquisition*

The purchase method of accounting is used for all acquisitions of assets, being the fair value of assets provided as consideration at the date of acquisition plus any incidental costs attributable to the acquisition. Fair value is the amount for which the asset could be exchanged between knowledgeable willing parties in an arm's length transaction.

The following classes of assets have been recognised in notes 10-15. 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.

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

*Revaluation*

At balance date, Council reviewed the carrying value of the individual classes of assets measured at fair value to ensure that each asset materially approximated its fair value. Where the carrying value materially differed from the fair value at balance date, the class of asset was revalued by application of an applicable index.

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

## NOTES TO AND FORMING PART OF THE ACCOUNTS

30 June 2011

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At balance date, Council reviewed the carrying value of the individual classes of assets measured at fair value to ensure that each asset 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 with sufficient regularity to ensure the carrying amount reflects fair value. The valuation is performed either by experienced council officers or independent experts.

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 expense. Revaluation decrements are recognised as an expense except where prior increments are included in the asset revaluation reserve for that class of asset in which case the decrement is taken to the extent of the remaining increments. Within the same asset class, revaluation increments and decrements within the year are offset.

### *Land under roads*

Council has not accounted for land under roads from 1 July 2008 due to the balance not being material. Council has elected not to recognise land under roads that it controlled prior to that period in its financial report.

### **(i) Cash and cash equivalents**

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

### **(j) Investment in water corporation**

Investment in Southern Water is valued at fair value at balance date. Fair value was determined by using Council's ownership percentage against the water corporation's net asset value as advised at balance date. Any unrealised gains and losses on holdings at balance date are recognised in the Statement of Comprehensive Income.

### **(k) Investments**

Investments, other than investments in associates and property, are measured at cost.

### **(l) Employee Benefits**

#### *Wages and Salaries*

Liabilities for wages and salaries and rostered days off are recognised and measured as the amount unpaid at balance date and include appropriate oncosts such as workers compensation and payroll costs.

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

**NOTES TO AND FORMING PART OF THE ACCOUNTS**30 June 2011

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*Annual leave*

Annual leave entitlements are accrued on a pro rate basis in respect of services provided by employees up to balance date. Annual leave expected to be paid within 12 months is measured at nominal value based on the amount, including appropriate on costs, expected to be paid when settled.

*Long Service Leave*

Long service leave entitlements payable are assessed at balance date having regard to expected employee remuneration rates on settlement, employee related on costs and other factors including accumulated years of employment, on settlement, and experience of employee departure per year of service.

Long service expected to be paid within 12 months is measured at nominal value based on the amount expected to be paid when settled. Long service leave expected to be paid later than one year has been measured at the present value of the estimated future cash outflows to be made for these accrued entitlements. Commonwealth bond rates are used for discounting future cash flows.

*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.

*Classification of employee benefits*

An employee benefit liability is classified as a current liability if the Council does not have an unconditional right to defer settlement of the liability for at least 12 months after the end of the period. This would include all annual leave and unconditional long service leave entitlements.

*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 30.

**(m) Leases**

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

**(n) 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.

**(o) Taxation**

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

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

## NOTES TO AND FORMING PART OF THE ACCOUNTS

30 June 2011

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

Revenue, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation 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 Statements of Cash Flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

### **(p) Impairment of assets**

Assets that have an indefinite useful life are not subject to depreciation or amortisation and are tested annually for impairment. Assets that are subject to depreciation or amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less cost to sell and value in use.

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.

### **(q) Investments in subsidiaries**

During the 2010-2011 financial year Council acquired a wholly owned company, Heritage Building Solutions Pty Ltd (HBS) and Heritage Education and Skills Centre Pty Ltd (HESC). The financial impact of the subsidiaries is not considered material and Council has determined that it will not apply the consolidation requirements of *AASB 127 Consolidated and Separate Financial Statements*. Consequently balances of the subsidiaries have been incorporated into Councils balances. All inter-company balances and transactions between Council and HBS have been eliminated.

### **(r) 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.

### **(s) Rounding**

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

### **(t) Pending Accounting Standards**

The following Australian Accounting Standards have been issued or amended and are applicable to Council but are not yet effective. They have not been adopted in preparation of the financial report at reporting date.

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



NOTES TO AND FORMING PART OF THE ACCOUNTS

30 June 2011

<i>Standard / Interpretation</i>	<i>Summary</i>	<i>Operative date</i>	<i>Impact on Council financial statements</i>
AASB 9: Financial Instruments, AASB 2009-11 and AASB 2010-7: 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]	<p>These standards are applicable retrospectively and amend the classification and measurement of financial assets. Council has not yet determined the potential impact on the financial statements. Specific changes include:</p> <ul style="list-style-type: none"> <li>* simplifying the classifications of financial assets into those carried at amortised cost and those carried at fair value;</li> <li>* removing the tainting rules associated with held-to-maturity assets;</li> <li>* simplifying the requirements for embedded derivatives;</li> <li>* removing the requirements to separate and fair value embedded derivatives for financial assets carried at amortised cost;</li> <li>* allowing an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument; and</li> <li>* reclassifying financial assets where there is a change in an entity's business model as they are initially classified based on: <ul style="list-style-type: none"> <li>a. the objective of the entity's business model for managing the financial assets; and</li> <li>b. the characteristics of the contractual cash flows.</li> </ul> </li> </ul>	Applicable for annual reporting periods commencing on or after 1 January 2013.	These changes are expected to provide some simplification in the accounting for and disclosure of financial instruments.

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

**NOTES TO AND FORMING PART OF THE ACCOUNTS**  
30 June 2011

<i>Standard / Interpretation</i>	<i>Summary</i>	<i>Applicable for annual reporting periods beginning or ending on</i>	<i>Impact on the Council's financial statements</i>
AASB 124: Related Party Disclosures	This standard removes the requirement for government related entities to disclose details of all transactions with the government and other government related entities and clarifies the definition of a related party to remove inconsistencies and simplify the structure of the standard.	Applicable for annual reporting periods commencing on or after 1 January 2011.	Although this standard does not strictly apply to the Council it is often used as guidance, as such there will be greater clarity on the disclosure of inter government transactions.
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 makes a number of editorial amendments to a range of Australian Accounting Standards and Interpretations, including amendments to reflect changes made to the text of International Financial Reporting Standards by the IASB. The standard also amends AASB 8 to require entities to exercise judgment in assessing whether a government and entities known to be under the control of that government are considered a single customer for the purposes of certain operating segment disclosures.	Applicable for annual reporting periods commencing on or after 1 January 2011.	These amendments are not expected to impact on the Council.
AASB 2009–14: Amendments to Australian Interpretation — Prepayments of a Minimum Funding Requirement [AASB Interpretation 14]	This standard amends Interpretation 14 to address unintended consequences that can arise from the previous accounting requirements when an entity prepays future contributions into a defined benefit pension plan.	Applicable for annual reporting periods commencing on or after 1 January 2011.	These amendments are not expected to impact on the Council.
AASB 2010-2: Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements	Introduces reduced disclosure requirements for certain types of entities.	Applicable for annual reporting periods commencing on or after 1 January 2013.	This standard is not expected to have a financial impact.

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

NOTES TO AND FORMING PART OF THE ACCOUNTS

30 June 2011

<i>Standard / Interpretation</i>	<i>Summary</i>	<i>Applicable for annual reporting periods beginning or ending on</i>	<i>Impact on the Council's financial statements</i>
AASB 2010-5: Amendments to Australian Accounting Standards [AASB 1, 3, 4, 5, 101, 107, 112, 118, 119, 121, 132, 133, 134, 137, 139, 140, 1023 & 1038 and Interpretations 112, 115, 127, 132 & 1042] (October 2010).	This Standard introduces a number of terminology changes as well as minor presentation changes to the Notes to the Financial Report. There is no financial impact resulting from the application of this revised Standard.	Applicable for annual reporting periods commencing on or after 1 January 2011.	These amendments are not expected to impact on the Council.
AASB 2010-6: Amendments to Australian Accounting Standards – Disclosures on Transfers of Financial Assets [AASB 1 & AASB 7].	This Standard makes amendments to Australian Accounting Standards, introducing additional presentation and disclosure requirements for Financial Assets.	Applicable for annual reporting periods commencing on or after 1 July 2010.	These amendments are not expected to impact on the Council.
AASB 1053: Application of Tiers of Australian Accounting Standards	This Standard establishes a differential financial reporting framework consisting of two tiers of reporting requirements for preparing general purpose financial statements. This Standard is not expected to impact Council. However, it may affect disclosures if reduced disclosure requirements apply.	Applicable for annual reporting periods commencing on or after 1 January 2013.	These amendments are not expected to impact Council.
AASB 1054: Australian Additional Disclosures	This Standard sets out the specific disclosures for entities that have adopted Australian Accounting Standards that are additional to the requirements under International Reporting Standards, including disclosures relating to the nature of the financial report, audit fees and the reconciliation of net operating cash flows to net result.	Applicable for annual reporting periods commencing on or after 1 Jan 2011.	This standard is not expected to have a financial impact.

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

**NOTES TO AND FORMING PART OF THE ACCOUNTS**

30 June 2011

**1. 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 2(c).  
Continued next page.

2011	Roads/ Bridges	Storm- Water	Waste Manage.	Employment & Economic Development	Environmental Management	Development Services	Community Services	Recreational Services	Council/ Corporate	Unclass.	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Expenses	4,267	81	488	906	312	789	361	679	674	616	9,173
Revenue											
Grants	870	0	0	891	0	34	10	0	0	3,014	4,819
Other	22	0	495	269	171	119	64	90	90	3,943	5,263
<b>Total Revenue</b>	<b>892</b>	<b>0</b>	<b>495</b>	<b>1,160</b>	<b>171</b>	<b>153</b>	<b>74</b>	<b>90</b>	<b>90</b>	<b>6,957</b>	<b>10,082</b>
<b>Change in net assets from operations</b>	<b>(3,375)</b>	<b>(81)</b>	<b>7</b>	<b>254</b>	<b>(141)</b>	<b>(636)</b>	<b>(287)</b>	<b>(589)</b>	<b>(584)</b>	<b>6,341</b>	<b>909</b>
<b>Assets</b>	<b>60,818</b>	<b>1,724</b>	<b>281</b>	<b>5,069</b>	<b>0</b>	<b>567</b>	<b>1,403</b>	<b>5,490</b>	<b>1,871</b>	<b>23,254</b>	<b>100,477</b>

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

**NOTES TO AND FORMING PART OF THE ACCOUNTS**

30 June 2011

**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 2(c).

2010	Roads/ Bridges	Storm- Water	Waste Manage.	Employment & Economic Development	Environmental Management	Development Services	Community Services	Recreational Services	Council/ Corporate	Unclass	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Expenses</b>	4,358	52	487	464	276	821	367	527	607	172	<b>8,131</b>
<b>Revenue:</b>											
Grants	192	0	0	1,495	5	0	130	120	5	2,644	<b>4,591</b>
Other	19	1	469	31	46	207	30	75	99	3,378	<b>4,355</b>
<b>Total Revenue</b>	<b>211</b>	<b>1</b>	<b>469</b>	<b>1,526</b>	<b>51</b>	<b>207</b>	<b>160</b>	<b>195</b>	<b>104</b>	<b>6,022</b>	<b>8,946</b>
<b>Change in net assets from operations</b>	<b>(4,147)</b>	<b>(51)</b>	<b>(18)</b>	<b>1,062</b>	<b>(225)</b>	<b>(614)</b>	<b>(207)</b>	<b>(332)</b>	<b>(503)</b>	<b>5,850</b>	<b>815</b>
<b>Assets</b>	<b>61,790</b>	<b>901</b>	<b>297</b>	<b>3,087</b>	<b>0</b>	<b>578</b>	<b>1,247</b>	<b>5,251</b>	<b>1,855</b>	<b>20,266</b>	<b>95,272</b>

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

**NOTES TO AND FORMING PART OF THE ACCOUNTS**  
30 June 2011**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 financial position statement as follows:

	2011	2010
	\$'000	\$'000
Current Assets	9,277	9,133
Non-Current Assets	91,200	86,139
	<u>100,477</u>	<u>95,272</u>

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

**Roads and Bridges**

Construction, management, maintenance and cleaning of roads, bridges, footpaths, kerbs and guttering; provision of street lighting

**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.

**Development Services**

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



## NOTES TO AND FORMING PART OF THE ACCOUNTS

30 June 2011

### 2. FUNCTIONS/ACTIVITIES OF THE COUNCIL (CONTINUED)

#### 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.

### 3. USER FEES

	2011 \$'000	2010 \$'000
Growth tourism	264	29
Growth business	81	134
Landscapes regulatory	118	207
Lifestyle recreation	70	75
Lifestyle animals	35	34
Organisation sustainability	89	84
Organisation finances	12	14
Other	42	64
	711	641

**NOTES TO AND FORMING PART OF THE ACCOUNTS**  
30 June 2011

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**4. GRANTS**

Grants were received in respect of the following:

	2011 \$'000	2010 \$'000
<i>Grants - Operating</i>		
Growth tourism	45	190
Landscapes heritage	13	0
Landscapes natural	126	5
Lifestyle youth	9	9
Lifestyle public health	0	9
Financial assistance grant	2,842	2,644
	<u>3,035</u>	<u>2,857</u>

*Grants - Capital*

Commonwealth Government	870	12
Other road grants	0	232
Infrastructure	108	113
Growth tourism	40	0
Landscapes heritage	685	1,145
Landscapes natural	45	0
Lifestyle public health	5	0
Lifestyle recreation	10	100
Community safety	21	132
	<u>1,784</u>	<u>1,734</u>

**5. EMPLOYEE BENEFITS**

Wages and salaries	2,028	1,743
Other employee costs	880	870
	<u>2,908</u>	<u>2,613</u>





**NOTES TO AND FORMING PART OF THE ACCOUNTS**  
30 June 2011

**6. MATERIALS & CONTRACTS**

	2011 \$'000	2010 \$'000
Advertising	40	34
Bank Charges and Commissions	18	22
Callington Mill	67	1
Computer System Operations	77	108
Consultancies	135	137
Contractor Labour and Services	403	230
Donations and Grants	61	73
Household Garbage & Recycling Collection Contract	160	139
Insurance Premiums	52	56
Council Plant & Machinery	186	231
Land Tax	28	42
Landcare	63	0
Plant & Machinery Hire (External)	197	189
Power Costs (includes street lighting)	159	135
Repairs & Maintenance	200	180
Subscriptions and Publications	38	53
Telecommunications	41	43
Waste Transfer Station, Waste Transport and Disposal Contracts	133	169
Valuation Fees (Supplementary Valuations)	19	11
Water Purchases	7	9
Other	568	178
	2,652	2,040

**7. DEPRECIATION AND AMORTISATION EXPENSE**

Depreciation and amortisation expense was charged in respect of:

<b>Depreciation</b>		
Buildings	226	174
Plant, machinery & equipment	255	263
Office furniture & equipment	33	30
Minor plant	8	8
Roads	2,181	2,152
Waste management assets	19	18
Stormwater assets	45	23
Bridges	358	360
	3,125	3,028
<b>Amortisation</b>		
Valuation fees	27	26
Software	33	21
Total Depreciation & amortisation	3,185	3,075



## NOTES TO AND FORMING PART OF THE ACCOUNTS

30 June 2011

**8. BORROWING COSTS**

	2011 \$'000	2010 \$'000
Gross Interest Paid/payable	<u>69</u>	<u>55</u>

**9. LOSS FROM DISPOSAL / RETIREMENT OF NON-CURRENT ASSETS**

Net proceeds from disposal of non-current assets	179	324
Carrying amount of non-current assets retired / sold	<u>(207)</u>	<u>(331)</u>
Net loss	<u>(28)</u>	<u>(7)</u>

**10. OTHER EXPENSES**

Audit services	26	27
Councillors allowances	130	128
Other	22	41
	<u>178</u>	<u>196</u>

**11. CURRENT ASSETS****Cash & Cash Equivalents**

Cash at bank and on hand	1,381	1,407
Term deposits	6,900	7,050
	<u>8,281</u>	<u>8,457</u>

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

Trust funds and deposits	73	78
Heritage Building Solutions Pty Ltd	128	0
Unexpended grants	312	1,242
Fag grant in advance	720	686
Restricted Funds	<u>1,233</u>	<u>2,006</u>
Total unrestricted cash and cash equivalents	<u>7,048</u>	<u>6,451</u>



**NOTES TO AND FORMING PART OF THE ACCOUNTS**  
30 June 2011

**12. CURRENT ASSETS - RECEIVABLES**

	2011 \$'000	2010 \$'000
Rates receivable	314	324
Other debtors	436	255
	<u>750</u>	<u>579</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 Comprehensive 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*

Payment is required within thirty days of issue of the account.

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).

**13. NON-CURRENT ASSETS – LAND**

<b>Gross Carrying Amount</b>		
Fair Value as at 1 July	4,136	4,664
Additions	0	23
Disposals	(18)	(551)
Adjustment from Prior Revaluation	(80)	0
<b>Net Book Value 30 June – at fair value</b>	<u>4,038</u>	<u>4,136</u>

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



**NOTES TO AND FORMING PART OF THE ACCOUNTS**  
30 June 2011

**14. NON-CURRENT ASSETS - BUILDINGS**

	2011 \$'000	2010 \$'000
<b>Gross Carrying Amount</b>		
Fair Value as at 1 July	6,637	7,739
Additions	3,867	1,020
Disposals	(27)	(144)
Transfer to Southern Water	0	(1,978)
Adjustment from Revaluation	512	0
Balance at 30 June	<u>10,989</u>	<u>6,637</u>
<b>Accumulated Depreciation</b>		
Balance at 1 July	1,251	1,375
Adjustment from Revaluation	112	0
Disposals	(11)	(298)
Depreciation expense for the year	226	174
Balance at 30 June	<u>1,578</u>	<u>1,251</u>
<b>Net Book Value 30 June – at fair value</b>	<u><u>9,411</u></u>	<u><u>5,386</u></u>

Valuation of buildings was based on the Valuer General's independent valuations as at 1<sup>st</sup> October 2008 and indexed to the 1<sup>st</sup> October 2010 using the ABS Building Construction Price Index.

**15. NON-CURRENT ASSETS - PLANT, MACHINERY & EQUIPMENT**

<b>Gross Carrying Amount</b>		
At cost at 1 July	3,223	3,097
Additions	240	506
Disposals	(247)	(380)
Balance at 30 June	<u>3,216</u>	<u>3,223</u>
<b>Accumulated Depreciation</b>		
Balance at 1 July	1,122	999
Disposals	(74)	(139)
Depreciation expense for the year	255	262
Balance at 30 June	<u>1,303</u>	<u>1,122</u>
<b>Net Book Value 30 June – at cost</b>	<u><u>1,913</u></u>	<u><u>2,101</u></u>

**NOTES TO AND FORMING PART OF THE ACCOUNTS**  
30 June 2011**16. NON-CURRENT ASSETS - MINOR PLANT**

	2011 \$'000	2010 \$'000
<b>Gross Carrying Amount</b>		
At cost at 1 July	194	183
Additions	20	11
Balance at 30 June	<u>214</u>	<u>194</u>
<b>Accumulated Depreciation</b>		
Balance at 1 July	166	158
Depreciation expense for the year	8	8
Balance at 30 June	<u>174</u>	<u>166</u>
<b>Net Book Value 30 June – at cost</b>	<u>40</u>	<u>28</u>

**17. NON-CURRENT ASSETS - OFFICE FURNITURE & EQUIPMENT**

<b>Gross Carrying Amount</b>		
At cost at 1 July	562	534
Additions	29	28
Disposals	0	0
Balance at 30 June	<u>591</u>	<u>562</u>
<b>Accumulated Depreciation</b>		
Balance at 1 July	438	408
Disposals	0	0
Depreciation expense for the year	33	30
Balance at 30 June	<u>471</u>	<u>438</u>
<b>Net Book Value 30 June – at cost</b>	<u>120</u>	<u>124</u>

**NOTES TO AND FORMING PART OF THE ACCOUNTS**  
30 June 2011

**18. NON-CURRENT ASSETS - INFRASTRUCTURE ASSETS**

	2011 \$'000	2010 \$'000
<b>a) Roads</b>		
<b>Gross Carrying Amount</b>		
Fair Value as at 1 July	96,031	95,265
Additions	1,103	766
Adjustment from Revaluation	652	0
Balance at 30 June	<u>97,786</u>	<u>96,031</u>
<b>Accumulated Depreciation</b>		
Balance at 1 July	49,035	46,883
Adjustment from Revaluation	441	0
Depreciation expense for the year	2,181	2,152
Balance at 30 June	<u>51,657</u>	<u>49,035</u>
<b>Net Book Value 30 June – at fair value</b>	<u>46,129</u>	<u>46,996</u>

Valuations of roads (including earthworks) were determined by Engineer, Mr Heath McPherson of Brighton Council, as at 1 July 2010. These valuations were based on fair value - current replacement value.

<b>b) Bridges</b>		
<b>Gross Carrying Amount</b>		
At cost at 1 July	21,094	20,896
Additions	278	88
Adjustment from Revaluation	(322)	110
Balance at 30 June	<u>21,050</u>	<u>21,094</u>
<b>Accumulated Depreciation</b>		
Balance at 1 July	8,140	8,061
Adjustment from Revaluation	(342)	(281)
Depreciation expense for the year	358	360
Balance at 30 June	<u>8,156</u>	<u>8,140</u>
<b>Net Book Value 30 June – at fair value</b>	<u>12,894</u>	<u>12,954</u>

Valuations of bridges (including earthworks) were determined by consulting engineers AusSpan as at 17 May 2011. These valuations were based on fair value - current replacement value.



**NOTES TO AND FORMING PART OF THE ACCOUNTS**  
30 June 2011

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

	2011	2010
	\$'000	\$'000
<b>e) Stormwater</b>		
<b>Gross Carrying Amount</b>		
Fair Value as at 1 July	1,354	1,346
Additions	20	8
Adjustment from Revaluation	1,337	0
Balance at 30 June	<u>2,711</u>	<u>1,354</u>
<b>Accumulated Depreciation</b>		
Balance at 1 July	453	430
Adjustment from Revaluation	486	0
Depreciation expense for the year	45	23
Balance at 30 June	<u>984</u>	<u>453</u>
<b>Net Book Value 30 June – at fair value</b>	<u>1,727</u>	<u>901</u>

Valuation of stormwater assets were determined by an Engineer as at 1st July 2010. These valuations were based on fair value - current replacement value

<b>f) Waste Management</b>		
<b>Gross Carrying Amount</b>		
At cost at 1 July	197	188
Additions	3	9
Disposals	0	0
Balance at 30 June	<u>200</u>	<u>197</u>
<b>Accumulated Depreciation</b>		
Balance at 1 July	82	64
Depreciation expense for the year	19	18
Balance at 30 June	<u>101</u>	<u>82</u>
<b>Net Book Value 30 June – at cost</b>	<u>99</u>	<u>115</u>
<b>Infrastructure Assets - Net Book Value 30 June</b>	<u>60,849</u>	<u>60,966</u>



**NOTES TO AND FORMING PART OF THE ACCOUNTS**  
30 June 2011

**19. NON-CURRENT ASSETS - HERITAGE**

	2011 \$'000	2010 \$'000
<b>Gross Carrying Amount</b>		
Heritage Assets – Fair Value as at 1 July	80	80
<b>Net Book Value 30 June – at fair value</b>	<u>80</u>	<u>80</u>

Valuations of heritage assets were determined by Webster Auctions as at 1 July, 1996. Valuations were performed in September, 1997. These valuations were based on current replacement value.

**20. NON-CURRENT ASSETS - WORK IN PROGRESS**

Work in progress at cost	<u>797</u>	<u>2,195</u>
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Work in progress represents capital works not completed and not ready for use as at 30 June 2011. Depreciation has not been charged against these amounts

**21. NON-CURRENT ASSETS – INTANGIBLES – SOFTWARE & VALUATION FEES**

<b>Gross Carrying Amount</b>		
At cost at 1 July	251	235
Additions	62	16
Balance at 30 June	<u>313</u>	<u>251</u>
<b>Accumulated Amortisation</b>		
Balance at 1 July	118	72
Amortisation expense for the year	60	46
Balance at 30 June	<u>178</u>	<u>118</u>
<b>Net Book Value 30 June – at cost</b>	<u>135</u>	<u>133</u>





**NOTES TO AND FORMING PART OF THE ACCOUNTS**  
30 June 2011

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**22. INVESTMENT IN SOUTHERN 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 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.

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 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 through the Comprehensive Income Statement to a Fair Value Reserve each year.

Council has an ownership interest of 1.5% in Southern Water based on the Final Treasurer's Allocation Order in 2011. Council's initial ownership interest based on the Treasurer's initial draft order was 1.2%. The difference between the draft and final orders has been treated as an adjusting entry on initial transfer. Council does not have significant influence to allow it to use the equity method to account for this interest.

	2011 \$'000	2010 \$'000
Opening balance	10,990	0
Net assets transferred 1 July 2009	0	11,311
Fair value initial adjustment on Final Treasurer's Allocation Order	2,747	(321)
Fair value adjustment on Available for Sale Assets	80	0
<b>Total investment in water corporation</b>	<b>13,817</b>	<b>10,990</b>



**NOTES TO AND FORMING PART OF THE ACCOUNTS**  
30 June 2011

**23. CURRENT LIABILITIES - PAYABLES**

	2011 \$'000	2010 \$'000
Payables and accruals	504	489
GST Payable	9	0
Payroll tax and workers compensation on employee entitlements	55	43
	<u>568</u>	<u>532</u>

**Significant Terms and Conditions**

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

**24. CURRENT LIABILITIES – INTEREST BEARING LIABILITIES**

Borrowings – Bank	<u>102</u>	<u>95</u>
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**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.

**25. EMPLOYEE BENEFITS**

**Current**

Annual leave	393	330
Long service leave	372	369
Other leave	244	215
	<u>1,009</u>	<u>914</u>

**Non Current**

Long service leave	124	100
Other	6	0
Total Employee Entitlements	<u>130</u>	<u>100</u>



**NOTES TO AND FORMING PART OF THE ACCOUNTS**  
30 June 2011

**26. NON-CURRENT LIABILITIES – INTEREST BEARING LIABILITIES**

	2011 \$'000	2010 \$'000
Borrowings - Bank	804	905

**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	5	5
Funds already accessed	0	0
Total amount of credit unused	65	65

Refer to Note 24 for disclosure in relation to *Significant Terms and Conditions*.

**27. RESERVES**

**a) Composition**

Asset Revaluation Reserve	52,364	50,962
Bridge Maintenance Reserve	1,666	1,666
Fair Value Reserve	80	0
<b>Other Reserves</b>		
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	0	172
	1,985	2,157
	56,095	54,785

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 2011

**27. RESERVES (CONTINUED)**

b) Movements	2011 \$'000	2012 \$'000
<b>Asset revaluation Reserve</b>		
Balance at the beginning of the financial year	50,962	50,570
Revaluation of land assets (prior yr adjust)	(80)	0
Revaluation of building assets	400	0
Revaluation of road assets	211	0
Revaluation of bridge assets	20	392
Revaluation of stormwater assets	851	0
Balance at the end of the financial year	<u>52,364</u>	<u>50,962</u>
<b>Bridge Maintenance Reserve</b>		
Balance at the beginning of the financial year	1,666	1,666
Amount transferred from accumulated surplus	0	0
Balance at the end of the financial year	<u>1,666</u>	<u>1,666</u>
<b>Fair Value Reserve</b>		
Balance at the beginning of the financial year	0	0
Amount transferred from accumulated surplus	80	0
Balance at the end of the financial year	<u>80</u>	<u>0</u>
<b>Other Reserves</b>		
<b>Plant Replacement Reserve</b>		
Balance at the beginning of the financial year	686	686
Balance at the end of the financial year	<u>686</u>	<u>686</u>
<b>Capital Works Reserve</b>		
Balance at the beginning of the financial year	1,239	1,239
Balance at the end of the financial year	<u>1,239</u>	<u>1,239</u>
<b>Quarry reinstatement Reserve</b>		
Balance at the beginning of the financial year	31	31
Balance at the end of the financial year	<u>31</u>	<u>31</u>
<b>Public Open Space Reserve</b>		
Balance at the beginning of the financial year	29	29
Balance at the end of the financial year	<u>29</u>	<u>29</u>
<b>Water &amp; Sewerage Reserve</b>		
Balance at the beginning of the financial year	172	172
Amount transferred to accumulated surplus	(172)	0
Balance at the end of the financial year	<u>0</u>	<u>172</u>
Total Other Reserves	<u>1,985</u>	<u>2,157</u>



## NOTES TO AND FORMING PART OF THE ACCOUNTS

30 June 2011

### 28. COMMITMENTS FOR EXPENDITURE

#### a) Capital Commitments

Council had contracted, but not incurred, capital expenditure totalling \$97,307 (2009/10, \$161,500) which will be paid within the 2011-2012 period. It is not recognised in the financial position statement as a liability.

#### b) Operating Lease Commitments

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

#### c) Finance Lease Commitments

Council had no commitments under finance leases at either reporting date.

### 29. COMMITTEES

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

	2011 \$000 Revenue	2011 \$000 Expenses	2011 \$'000 Balance
<b>Committee:</b>			
Campania Halls Committee	11	14	10
Colebrook Hall Committee	1	1	1
Woodsdale Hall Committee	5	5	6
Oatlands Community Hall Committee	4	3	4
Woodsdale Recreation Ground Committee	0	0	0
Colebrook Recreation Ground Committee	0	0	2
Parattah Recreation Ground Committee	4	11	5
Lake Dulverton Management Committee	0	0	3
Callington Park Committee	0	0	0
Parattah Railway Committee	0	0	1
Oatlands Spring Festival Committee	8	11	6
	33	45	38

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 2011

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### 30. SUPERANNUATION

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 \$77,078,401, 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.

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*.



## NOTES TO AND FORMING PART OF THE ACCOUNTS

30 June 2011

## 30. SUPERANNUATION (CONTINUED)

During the reporting period the amount of contributions paid to defined benefits schemes was \$228,110 (2009/10 \$218,458), and the amount paid to accumulation schemes was \$69,902 (2009/10, \$49,448).

## 31. RECONCILIATION OF NET CASH FROM OPERATING ACTIVITIES TO SURPLUS (DEFICIT)

	2011 \$'000	2010 \$'000
Surplus (Deficit)	909	815
Depreciation and amortisation	3,185	3,075
Payment to Southern Water	0	37
Increase (Decrease) in employee provisions	125	116
Increase (Decrease) in payables	36	101
(Increase) Decrease in receivables	(171)	227
(Increase) Decrease in stores and materials	(149)	22
* (Gain) Loss on disposal of non-current assets	28	7
Net cash from (used in) operating activities	3,963	4,400
<b>* (Gain) Loss on disposal of non-current assets</b>		
Proceeds from Sales	179	324
Less carrying amount of assets sold or retired	(207)	(331)
Gain (Loss) on Sale	(28)	7

## 32. RELATED PARTY TRANSACTIONS

(a) Allowances and Reimbursements	130	128
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(b) Register of Interests – 2010/11

Interests of Councillors notified to the General Manager in respect of any body or organisation with which the Council has major financial dealings.	nil	nil
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**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	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.



**NOTES TO AND FORMING PART OF THE ACCOUNTS**  
30 June 2011

**33. FINANCIAL INSTRUMENTS**

**(a) Accounting Policy, terms and conditions**

<b>Recognised financial instruments</b>	<b>Note</b>	<b>Accounting Policy</b>	<b>Terms and Conditions</b>
<b>Financial assets</b>			
<b>Cash and cash equivalents</b>	11	<p>Cash on hand and at bank and money market call account are valued at face value.</p> <p>Interest is recognised as it accrues.</p> <p>Investments and bills are valued at cost.</p> <p>Investments are held to maximise interest returns of surplus cash.</p> <p>Interest revenues are recognised as they accrue.</p>	<p>On call deposits returned a floating interest rate of 1% (1% in 2009/2010). The interest rate at balance date was 1% (1% in 2009/2010).</p> <p>Term deposits returned fixed interest rate of between 4.50% (3.1% in 2009/2010), and 5.45% (5% in 2009/2010) net of fees.</p>
<b>Investment in Southern Water</b>	22	Investment is valued at fair value at balance date	Terms and Conditions are disclosed in Note 22.
<b>Trade and other receivables</b> <b>Other debtors</b>	12	<p>Receivables are carried at amortised cost using the effective interest method. A provision for doubtful debts is recognised when there is objective evidence that an impairment loss has occurred.</p> <p>Collectability of overdue accounts is assessed on an ongoing basis.</p>	Terms and conditions are disclosed in Note 12.





## NOTES TO AND FORMING PART OF THE ACCOUNTS

30 June 2011

## 33. FINANCIAL INSTRUMENTS (CONTINUED)

**Financial liabilities**

<b>Trade and other payables</b>	23	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.	Terms and conditions are disclosed at Note 23.
<b>Interest-bearing loans and borrowings</b>	24	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.	Terms and conditions are disclosed at Note 24.

**(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:

2011	WAEIR	Floating interest rate	1 year or less	1 to 5 years	over 5 years	Non interest bearing	Total
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Assets</b>							
Cash & cash equivalents	4.20%	1,381	6,900	0	0	0	8,281
Receivables							
- Rates		0	0	0	0	314	314
- Other		0	0	0	0	436	436
Investment in Southern Water		0	0	0	0	13,817	13,817
<b>Total Financial Assets</b>		<b>1,381</b>	<b>6,900</b>	<b>0</b>	<b>0</b>	<b>14,567</b>	<b>22,848</b>
<b>Liabilities</b>							
Interest Bearing Liabilities	6.38%	0	102	332	472	0	906
Payables		0	0	0	0	568	568
<b>Total Financial Liabilities</b>		<b>0</b>	<b>102</b>	<b>332</b>	<b>472</b>	<b>568</b>	<b>1,474</b>
<b>Net Financial Assets/ (Liabilities)</b>		<b>1,381</b>	<b>6,798</b>	<b>(332)</b>	<b>(472)</b>	<b>13,999</b>	<b>21,374</b>

WAEIR - weighted average effective interest rate.



**NOTES TO AND FORMING PART OF THE ACCOUNTS**  
30 June 2011

**33. FINANCIAL INSTRUMENTS (CONTINUED)**

**b) Interest Rate Risk Exposure (Continued)**

2010	WAEIR 2010	Floating interest rate \$'000	1 year or less \$'000	1 to 5 years \$'000	over 5 years \$'000	Non interest bearing \$'000	Total \$'000
<b>Assets</b>							
Cash & cash equivalents	3.50%	1,407	7,050	0	0	0	8,457
Receivables							
- Rates		0	0	0	0	324	324
- Other		0	0	0	0	255	255
Investment in Southern Water		0	0	0	0	10,990	10,990
<b>Total Financial Assets</b>		<b>1,407</b>	<b>7,050</b>	<b>0</b>	<b>0</b>	<b>11,569</b>	<b>20,026</b>
<b>Liabilities</b>							
Interest Bearing Liabilities	6.35%	0	96	433	471	0	1,000
Payables		0	0	0	0	532	532
<b>Total Financial Liabilities</b>		<b>0</b>	<b>96</b>	<b>433</b>	<b>471</b>	<b>532</b>	<b>1,532</b>
<b>Net Financial Assets/ (Liabilities)</b>		<b>1,407</b>	<b>6,954</b>	<b>(433)</b>	<b>(471)</b>	<b>11,037</b>	<b>18,494</b>

WAEIR - weighted average effective interest rate

**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	
	2011	2010	2011	2010
	\$'000	\$'000	\$'000	\$'000
<b>Financial Assets</b>				
Cash and cash equivalents	8,281	8,457	8,281	8,457
Trade and other receivables	750	579	750	579
Investment in Southern Water	13,817	10,990	13,817	10,990
<b>Total Financial Assets</b>	<b>22,848</b>	<b>20,026</b>	<b>22,848</b>	<b>20,026</b>
<b>Financial Liabilities</b>				
Trade and other payables	568	532	568	532
Interest-bearing loans and borrowings	906	1,000	906	1,000
<b>Total Financial Liabilities</b>	<b>1,474</b>	<b>1,532</b>	<b>1,474</b>	<b>1,532</b>

**NOTES TO AND FORMING PART OF THE ACCOUNTS**  
30 June 2011

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**33. FINANCIAL INSTRUMENTS (CONTINUED)****(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.

**(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 of future cash flows of our financial statements will fluctuate because of changes in market prices. Council's exposure to market risks are primarily through interest risk with only insignificant exposure to other price risks and no exposure to foreign currency risk. Components of market risk to which we are exposed are discussed below.

*Interest rate risk*

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

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

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

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

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

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



**NOTES TO AND FORMING PART OF THE ACCOUNTS**  
30 June 2011

**33. FINANCIAL INSTRUMENTS (CONTINUED)**

**(e) Risks and mitigation (continued)**

*Credit risk*

Credit risk is the risk that a contracting entity will not complete its obligations under a financial instrument and causes Council to make a financial loss. Council have exposure to credit risk on some financial assets included in our Statement of Financial Position. To help manage this risk:

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

Credit risk arises from Council's financial assets, which comprise cash and cash equivalents, and trade and other receivables. Council's exposure to credit risk arises from potential default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments. Exposure at balance date is addressed in each applicable policy note. Council generally trades with recognised, creditworthy third parties, and as such collateral is generally not requested, nor is it Council's policy to securitise its trade and other receivables.

It is Council's policy that some customers who wish to trade on credit terms are subject to credit verification procedures including an assessment of their credit rating, financial position, past experience and industry reputation.

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

We may also be subject to credit risk for transactions which are not included in the Statement of Financial Position, such as when we provide a guarantee for another party.

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

2011	Financial Institutions  (min BBB+ credit rating)	Other  (min BBB+ credit rating)	Total
Cash and cash equivalents	8,281	0	8,281
Trade and other receivables	0	750	750
<b>Total Contractual Financial Assets</b>	<b>8,281</b>	<b>750</b>	<b>9,031</b>
2010			
Cash and cash equivalents	8,457	0	8,457
Trade and other receivables	0	579	579
<b>Total Contractual Financial Assets</b>	<b>8,457</b>	<b>579</b>	<b>9,036</b>



**NOTES TO AND FORMING PART OF THE ACCOUNTS**  
30 June 2011

**33. FINANCIAL INSTRUMENTS (CONTINUED)**

**(e) Risks and mitigation (continued)**

*Ageing of Trade and Other Receivables*

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

Receivables	30 June 2011		30 June 2010	
	Gross \$'000	Impairment \$'000	Gross \$'000	Impairment \$'000
Not past due	20	0	26	0
Past due 0-30 days	231	0	37	0
Past due 31-60 days	24	0	8	0
Past due 61-90 days	4	0	39	0
More than 90 days	157	0	145	0
<b>Total trade receivables</b>	<b>436</b>	<b>0</b>	<b>255</b>	<b>0</b>
Rates receivable	314	0	324	0
<b>Total Receivables</b>	<b>750</b>	<b>0</b>	<b>578</b>	<b>0</b>

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 receivables has been recognised at 30 June 2011.

*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 a liquidity policy which targets a minimum and average level of cash and cash equivalents to be maintained;
- Have readily accessible standby facilities and other funding arrangements in place;
- Monitor budget to actual performance on a regular basis; and
- Set limits on borrowing relating to the percentage of loans to rate revenue and percentage of loan principal repayments to rate revenue.



**NOTES TO AND FORMING PART OF THE ACCOUNTS**  
30 June 2011

**33. FINANCIAL INSTRUMENTS (CONTINUED)**

**(e) Risks and mitigation (continued)**

*Liquidity Risk (continued)*

The Councils 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 undiscounted gross payments including both principal and interest amounts

<b>2011</b>	<b>Less than 1 year S'000</b>	<b>1-5 years S'000</b>	<b>&gt;5 years S'000</b>	<b>Contracted Cash Flow S'000</b>	<b>Carrying Amount S'000</b>
Trade and other payables	568	0	0	568	568
Trust funds and deposits	73	0	0	73	73
Interest bearing loans and liabilities	102	332	472	906	906
<b>Total financial liabilities</b>	<b>743</b>	<b>332</b>	<b>472</b>	<b>1,547</b>	<b>1,547</b>
<b>2010</b>	<b>Less than 1 year S'000</b>	<b>1-5 years S'000</b>	<b>&gt;5 years S'000</b>	<b>Contracted Cash Flow S'000</b>	<b>Carrying Amount S'000</b>
Trade and other payables	532	0	0	568	532
Trust funds and deposits	78	0	0	73	78
Interest bearing loans and liabilities	96	433	471	906	1,000
<b>Total financial liabilities</b>	<b>706</b>	<b>433</b>	<b>471</b>	<b>1,547</b>	<b>1,610</b>

**(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 -0.5% in market interest rates (AUD) from year-end rates of 4.4%.



## NOTES TO AND FORMING PART OF THE ACCOUNTS

30 June 2011

## 33. FINANCIAL INSTRUMENTS (CONTINUED)

## (f) Sensitivity disclosure analysis (continued)

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.

2011	Interest rate risk			
	+1% +100 basis points		-0.5 % -50 basis points	
	Profit \$'000	Equity \$'000	Profit \$'000	Equity \$'000
<b>Financial assets:</b>				
Cash and cash equivalents	83	83	(42)	(42)
Trade and other receivables	8	8	(4)	(4)
<b>Financial liabilities:</b>				
Interest bearing loans and liabilities	91	91	(5)	(5)

## (g) 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 (ie prices) or indirectly (ie derived from prices)
Level 3	inputs for the asset or liability that are not based on observable market data.

2011	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Available for sale financial assets	0	0	13,817	13,817
2010	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Available for sale financial assets	0	0	10,990	10,990

Reconciliation of Level 3 Fair Value Movements	2011 \$'000	2010 \$'000
Opening balance	10,990	0
Transfer of net assets	0	11,312
Gains (losses) recognised in other comprehensive income:	80	0
Change in fair value of investment in Water Corporation	2,747	(322)
<b>Closing balance</b>	<b>13,817</b>	<b>10,990</b>



**NOTES TO AND FORMING PART OF THE ACCOUNTS**  
30 June 2011

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**34. EVENTS OCCURRING AFTER BALANCE DATE**

No matters have occurred after balance date that warrant disclosure in this report.

**35. INVESTMENTS IN SUBSIDIARIES**

**(a) Heritage Education & Skills Centre Pty Ltd**

Heritage Education & Skills Centre Pty Ltd (the Company) is a small proprietary Company and is not a reporting entity.

There were no transactions for the Company for the year ended 30 June 2011.

**(b) Heritage Building Solutions Pty Ltd**

Heritage Building Solutions Pty Ltd (the Company) is a small proprietary Company and is not a reporting entity.

The following transactions were recorded for the year ended 30 June 2011. The balances disclosed, as mentioned at note 1(q), have been incorporated into Councils balances. All inter-company balances and transactions between Council and HBS have been eliminated.

**STATEMENT OF COMPREHENSIVE INCOME**

	Notes	2011 \$'000
Revenue		938
Cost of sales		(672)
<b>Gross Profit</b>		<u>266</u>
Accountancy & advertising expenses		(2)
Depreciation expense		(1)
Employee benefits expense		(56)
Finance costs		(6)
Other expenses		(120)
<b>Profit Before Income Tax</b>		<u>81</u>
Income tax expense		(22)
<b>Total Comprehensive Income for the Year</b>		<u>59</u>



**NOTES TO AND FORMING PART OF THE ACCOUNTS**  
30 June 2011**35. INVESTMENTS IN SUBSIDIARIES (CONTINUED)****(a) Heritage Building Solutions Pty Ltd (continued)****STATEMENT OF FINANCIAL POSITION**

	Notes	2011 \$'000
<b>CURRENT ASSETS</b>		
Cash & cash equivalents		128
Trade & other receivables		293
Inventories		50
Other		1
<b>TOTAL CURRENT ASSETS</b>		<u>472</u>
<b>NON CURRENT ASSETS</b>		
Plant & equipment		1
<b>TOTAL CURRENT ASSETS</b>		<u>1</u>
<b>TOTAL ASSETS</b>		<u>473</u>
<b>CURRENT LIABILITIES</b>		
Trade & other payables		165
Employee provisions		26
Current tax liabilities		16
<b>TOTAL CURRENT LIABILITIES</b>		<u>207</u>
<b>NON CURRENT LIABILITIES</b>		
Borrowings		200
Deferred tax liabilities		7
<b>TOTAL NON CURRENT LIABILITIES</b>		<u>207</u>
<b>TOTAL LIABILITIES</b>		<u>414</u>
<b>NET ASSETS</b>		<u>59</u>
<b>EQUITY</b>		
Issued capital		1
Retained earnings		58
<b>TOTAL EQUITY</b>		<u>59</u>