SOUTHERN MIDLANDS COUNCIL

COMPLETE SET OF FINANCIAL STATEMENTS

2013/2014 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 30/06/2014

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

1. the financial report 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.

Kirkwood

T F Kirkwood
General Manager

Dated at Oatlands this 14th day of August 2014.

Tasmanian
Audit Office

Independent Auditor's Report

To the Councillors of Southern Midlands Council

Consolidated Financial Report for the Year Ended 30 June 2014

Report on the Consolidated Financial Report

I have audited the accompanying consolidated financial report (the financial report) of Southern Midlands Council (Council), which comprises the statement of financial position as at 30 June 2014 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 on the consolidated entity comprising the Council and the entities it controlled at the year's end or from time to time during the financial year.

Auditor's Opinion

In my opinion Council's consolidated financial report:

(a) presents fairly, in all material respects, its own and the consolidated entity's financial position as at 30 June 2014 and financial performance, cash flows and changes in equity for the year then ended

(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 consolidated 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 consolidated 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 consolidated 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 my judgement, including the assessment of risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, I considered internal control relevant to the General Manager's preparation and fair presentation of the consolidated 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 consolidated 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 or the asset renewal funding ratio in Council's consolidated 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
- 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

Jara K Dean
Assistant Auditor-General Financial Audit
Delegate of the Auditor-General

Hobart
26 September 2014

SOUTHERN MIDLANDS COUNCIL

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the Year Ended 30 June 2014

	Notes	2014 Budget $'000	2014 Actual $'000	2013 Actual $'000
Income				
Recurrent income				
General rates		4,192	4,245	4,029
User fees	3	699	814	886
Interest	4	260	244	265
Grants - Operating	5	3,571	2,319	3,219
Government subsidies		32	16	20
Contract Income		0	614	333
Donations		4	0	0
Other		235	210	42
		8,993	8,462	8,794
Capital income				
Grants – Capital	5	606	480	605
Net gain/(loss) on disposal of non-current assets	11	0	(180)	79
		606	300	684
Total income	2 (a)	9,599	8,762	9,478
Expenses				
Employee benefits	6	3,703	3,686	3,358
Materials and contracts	7	3,046	3,190	2,785
Depreciation and amortisation	8	3,120	2,746	2,655
Finance costs	9	58	58	57
Contributions		170	169	163
Other	10	240	209	284
Total expenses	2 (a)	10,337	10,058	9,302
Surplus / (Deficit)	2 (a)	(738)	(1,296)	176
Other comprehensive income				
Item that will not be reclassified to surplus or deficit				
Fair value revaluation of non-current assets		0	1,370	2,661
Items that may be reclassified subsequently to surplus or deficit				
Fair value adjustment on Available for Sale Assets	22	0	(2,171)	(3)
Comprehensive result		(738)	(2,097)	2,834

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

SOUTHERN MIDLANDS COUNCIL

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2014

	Notes	2014 $'000	2013 $'000
CURRENT ASSETS			
Cash & cash equivalents	12	8,183	8,782
Receivables	13	758	641
Stores and materials		142	180
Subsidiary work in progress		25	100
Total Current Assets		9,108	9,703
NON-CURRENT ASSETS			
Receivables	13	0	28
Land	14	4,033	4,028
Buildings	15	10,888	10,084
Plant, machinery & equipment	16	2,423	2,139
Minor plant	17	66	56
Office furniture & equipment	18	184	197
Infrastructure assets	19	63,117	63,412
Work in progress	20	427	405
Intangibles – software & valuation fees	21	107	136
Investment in Water Corporation	22	11,674	13,844
Total Non-Current Assets		92,919	94,329
TOTAL ASSETS	2(a)	102,027	104,032
CURRENT LIABILITIES			
Payables	23	669	618
Interest bearing liabilities	24	98	93
Employee benefits	25	1,186	1,122
Total Current Liabilities		1,953	1,833
NON-CURRENT LIABILITIES			
Interest bearing liabilities	26	797	895
Employee benefits	25	181	111
Total Non-Current Liabilities		978	1,006
TOTAL LIABILITIES		2,931	2,839
NET ASSETS		99,096	101,193
EQUITY			
Accumulated surplus		40,592	41,888
Reserves	27	58,504	59,305
TOTAL EQUITY		99,096	101,193

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

SOUTHERN MIDLANDS COUNCIL

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the Year Ended 30 June 2014

2014	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
Balance at beginning of financial year	41,888	55,547	107	1,666	1,985	101,193
Comprehensive result	(1,296)	1,370	(2,171)	0	0	(2,097)
Transfers to / from reserves	0	0	0	0	0	0
Balance at end of financial year	40,592	56,917	(2,064)	1,666	1,985	99,096

2013	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
Balance at beginning of financial year	41,712	52,886	110	1,666	1,985	98,359
Comprehensive result	176	2,661	(3)	0	0	2,834
Transfers to / from reserves	0	0	0	0	0	0
Balance at end of financial year	41,888	55,547	107	1,666	1,985	101,193

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

SOUTHERN MIDLANDS COUNCIL

CONSOLIDATED STATEMENT OF CASH FLOWS
For the Year Ended 30 June 2014

	NOTES	INFLOWS (OUTFLOWS) 2014 $'000	INFLOWS (OUTFLOWS) 2013 $'000
Cash flows from operating activities			
Receipts			
Rates		4,148	3,924
User charges		816	965
Interest received		244	265
Subsidies		16	20
Other revenue grants		2,319	3,219
GST refunds from ATO		420	389
Other		824	523
Dividends		0	0
		8,787	9,305
Payments			
Employee costs		(3,565)	(3,203)
Materials & contracts		(3,455)	(3,262)
Interest		(58)	(57)
Other		(378)	(448)
		(7,456)	(6,970)
Net cash provided by (used in) operating activities	31	1,331	2,335
Cash flows from investing activities			
Payments for property, plant & equipment		(2,484)	(2,505)
Proceeds from sale of property, plant & equipment		167	231
Capital grants		480	605
Net cash provided by (used in) investing activities		(1,837)	(1,669)
Cash flows from financing activities			
Repayment of borrowings		(93)	(115)
Proceeds from borrowings		0	150
Net cash provided by (used in) financing activities		(93)	35
Net increase/(decrease) in cash and cash equivalents		(599)	701
Cash and cash equivalents at beginning of reporting year		8,782	8,081
Cash and cash equivalents at the end of the financial year	12	8,183	8,782

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

NOTES TO AND FORMING PART OF THE ACCOUNTS
30 June 2014

CONTENTS

INTRODUCTION

This consolidated financial report is a general purpose financial report that consists of the Consolidated Statements of Comprehensive Income, Financial Position, Changes in Equity, Cash Flows, and notes accompanying these consolidated financial statements. The general purpose consolidated 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. As a result this financial report does not comply with International Financial Reporting Standards.

1. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Accounting

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

This consolidated financial report has been prepared under the historical cost convention, except where specifically stated.

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

All entities controlled by Council that have material assets or liabilities, such as Special Committees of Management, and material subsidiaries, have been included in this consolidated financial report. All transactions between these entities and Council have been eliminated in full.

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

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

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

Employee entitlements
Assumptions are utilised in the determination of Council's employee entitlement provisions. These assumptions are discussed in note 1 (k).

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.

Fair value of property plant and 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 14 to 21 and in note 1(d).

Investment in water corporation
Assumptions utilised in the determination of Council's valuation of its investment in TasWater are discussed in note 1(i) and in note 22.

(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.

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

Where grants or contributions recognised as revenues during the financial year were obtained on condition that they be expended in a particular manner or used over a particular period and those conditions were undischarged at balance date, the unused grant or contribution is disclosed in note 12.

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

User fees
User fees are recognised as revenue when the service has been provided, the payment 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, infrastructure
The profit or loss on sale of an asset is determined when control of the asset has irrevocably 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 Consolidated 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 Consolidated Statement of Comprehensive Income.

Interest
Interest is recognised progressively as it is earned.

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

(c) Expense recognition

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

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

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 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.

Where assets have separate identifiable components that are subject to regular replacement, these components are assigned distinct useful lives and a separate depreciation rate is determined for each component.

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

Straight line depreciation is charged based on the useful life as determined each year.

Major depreciation periods used are listed below and are consistent with the prior year unless otherwise stated:

Buildings	15 to 250 years
Plant, machinery & equipment	2 to 15 years
Minor Plant	5 to 20 years
Office furniture & equipment	5 to 100 years
Computers	5 years
Infrastructure assets	10 to 150 years

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.

Finance costs
Finance costs are recognised as an expense in the period in which they are incurred, except where they are capitalised as part of a qualifying asset constructed by Council. Where specific borrowings are obtained for the purpose of specific asset acquisition, the weighted average interest rate applicable to borrowings at balance date, excluding borrowings associated with superannuation, is used to determine the borrowing costs to be capitalised. No borrowing costs were capitalised during the year (2013: $nil).

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

(d) Recognition and measurement of assets

Acquisition and Recognition
Acquisitions of assets are initially recorded at cost. Cost is determined as the fair value of the assets given as consideration plus costs incidental to the acquisition.

Property, infrastructure, plant and equipment received in the form of contributions, are recognised as assets and revenues at fair value by Council valuation where that value exceeds the recognition thresholds for the respective asset class. Fair value is the price that would be received to sell the asset in an orderly transaction between market participants at the measurement date.

The following classes of assets have been recognised in notes 14 - 21. 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
Buildings	Nil
Plant, machinery & equipment	1,000
Minor Plant	1,000
Office furniture & equipment	500
Roads	Nil
Bridges	5,000
Waste management assets	3,000
Stormwater	3,000
Intangibles – Software	500

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

In addition, Council undertakes a formal revaluation of land, buildings and infrastructure assets with sufficient regularity to ensure valuations represent 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 elected not to recognise land under roads that it controlled prior to 30 June 2008. Council has decided to defer recognition of its land under roads acquired from 1 July 2008 until a fair value can be measured more reliably. The amount has been deemed immaterial.

(e) Cash and cash equivalents

For the purpose of the Consolidated 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.

(f) Trade and other receivables

Receivables are carried at amortised cost using the effective interest rate method. A provision for impairment is recognised when there is objective evidence that an impairment loss has occurred.

(g) Inventories

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

(h) 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.

(i) Investment in Water Corporation

Council's investment in TasWater is valued at its fair value at balance date. Fair value was determined by using Council's ownership interest against the water corporation's net asset value at balance date based on schedule 2 of the corporation's constitution which reflects the council's percentage voting rights. Council has an ownership interest of 0.76% in the corporation. Any unrealised gains and losses on holdings at balance date are recognised through the Consolidated Statement of Comprehensive Income to a Financial Assets Available For Sale Reserve each year (refer Note 33).

Council has classified this asset as an Available-for-Sale financial asset as defined in AASB 139 Financial Instruments: Recognition and Measurement and has followed AASB 132 Financial Instruments: Presentation and AASB 7 Financial Instruments: Disclosures to value and present the asset in the financial report.

Council has derived returns from the corporation, included as part of Other Income.

(j) Investments

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

(k) Employee Benefits

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

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

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

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.

Retirement benefit obligations
All employees of the Council are entitled to benefits on retirement, disability or death. Council contributes to various defined benefit plans and defined contribution plans on behalf of its employees.

Defined benefit plans
A liability or asset in respect of defined benefit superannuation plans would ordinarily be recognised in the statement of financial position, and measured as the present value of the

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

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

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

(l) Leases

Council currently has no material finance or operating lease arrangements.

Operating leases as lessor

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

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

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

Where leases are commercial agreements, and properties leased are predominately used for leasing to third parties, Council records lease revenue on an accruals basis. These leases may include incentives which have not been recognised in the Statement of Financial Position, on the basis the amounts are unlikely to be material and could not be reliably measured at balance date.

Leasehold improvement

Leasehold improvements are recognised at cost and are amortised over the unexpired period of the lease or the estimated useful life of the improvement, whichever is the shorter. At balance date, leasehold improvements are amortised over a 15 to 250 year period.

Operating leases as lessee

Leases in which a significant portion of the risks and rewards of ownership are not transferred to Council as lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

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

(m) Interest bearing liabilities

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

(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 for Fringe Benefits Tax, Payroll Tax and Goods and Services Tax.

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.

Cash flows are presented in the Consolidated 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

At each reporting date, Council reviews the carrying value of its assets to determine whether there is any indication that these assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the assets carrying value. Any excess of the assets carrying value over its recoverable amount is expensed to the Statement of Comprehensive Income, unless the asset is carried at the revalued amount in which case, the impairment loss is recognised directly against the revaluation reserve in respect of the same class of asset to the extent that the impairment loss does not exceed the amount in the revaluation surplus for that same class of asset.

(q) Investments in subsidiaries

During the 2010-11 financial year Council acquired two wholly owned companies, Heritage Building Solutions Pty Ltd (HBS) and Heritage Education and Skills Centre Pty Ltd (HESC). Balances of the subsidiaries have been incorporated into Councils balances. All inter-company balances and transactions between Council and the subsidiaries have been eliminated.

(r) Budget

The budget amounts which appear in the Consolidated Statement of Comprehensive Income 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) Adoption of new and amended accounting standards

AASB 13 Fair Value Measurement
Council has applied AASB 13 for the first time in the current year. AASB 13 establishes a single source of guidance for fair value measurements. The fair value measurement requirements of AASB 13 apply to both financial instrument items and non-financial instrument items for which other A-IFRS require or permit fair value measurements and disclosures about fair value measurements, except for leasing transactions that are within the scope of AASB 17 Leases, and measurements that have some similarities to fair value but not fair value (e.g. net realisable value for the purposes of measuring inventories or value in use for impairment assessment purposes).

AASB 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under AASB 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, AASB 13 includes extensive disclosure requirements. However, Council's assets recorded at fair value are measured on a depreciated replacement cost (DORC) basis.

AASB 119 Employee benefits
In the current year, Council has applied AASB 119 Employee Benefits (as revised) and the related consequential amendments for the first time. AASB 119 changes the definition of short-term employee benefits. These were previously benefits that were due to be settled within twelve months after the end of the reporting period in which the employees render the related service, however, short-term employee benefits are now defined as benefits expected to be settled wholly before twelve months after the end of the reporting period in which the employees render the related service. As a result, accrued annual leave balances which were previously calculated/measured by Council as short-term benefits no longer meet this definition and are now classified as long-term benefits. This has resulted in a change of measurement for that portion of annual leave provision from an undiscounted to discounted basis.

This change in classification has not materially altered Council's measurement of the annual leave provision.

(u) Pending Accounting Standards

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2014 reporting periods. They have not been adopted in preparation of the financial report at reporting date. Council's assessment of the impact of the relevant new standards and interpretations is set out below.

AASB 9 Financial Instruments and the relevant amending standards (effective from 1 January 2017)

AASB 9 is one of a series of amendments that are expected to replace AASB 139 Financial Instruments: Recognition and Measurement. The main impact of the standard is to change the requirements for the classification, measurement and disclosures associated with financial assets. Under the new requirements the four categories of financial assets in AASB 139 will be replaced with two measurement categories: fair value and amortised cost. Amortised cost is to be used for assets with contractual terms giving rise to principal and interest payments.

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

When adopted, the standard will affect, in particular, Council's accounting for its available-for-sale financial assets. Currently, Council recognises changes in the fair value of its available-for-sale assets through other comprehensive income. Under AASB 9 fair value gains and losses on available-for-sale assets will have to be recognised directly in profit or loss. Had this requirement been adopted at 30 June 2014, the fair value loss on Council's investment in TasWater of $2,170,618 would have increased Council's deficit accordingly.

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

AASB 10 Consolidated Financial Statements, AASB 11 Joint Arrangements, AASB 12 Disclosure of Interests in Other Entities, revised AASB 127 Separate Financial Statements and AASB 128 Investments in Associates and Joint Ventures and the relevant amending standards (effective from 1 January 2014)

This suite of five new and amended standards address the accounting for joint arrangements, consolidated financial statements and associated disclosures.

AASB 10 replaces all of the guidance on control and consolidation in AASB 127 Consolidated and Separate Financial Statements, and Interpretation 12 Consolidation – Special Purpose Entities. The core principle that a consolidated entity presents a parent and its subsidiaries as if they are a single economic entity remains unchanged, as do the mechanics of consolidation. However, the standard introduces a single definition of control that applies to all entities. It

focuses on the need to have both power and rights or exposure to variable returns. Power is the current ability to direct the activities that significantly influence returns. Returns must vary and can be positive, negative or both. Control exists when the investor can use its power to affect the amount of its returns. There is also new guidance on participating and protective rights and on agent/principal relationships. Council has undertaken an assessment and no material changes to the composition of Council's accounts are anticipated from the application of the new standard.

AASB 11 introduces a principles based approach to accounting for joint arrangements. The focus is no longer on the legal structure of joint arrangements, but rather on how rights and obligations are shared by the parties to the joint arrangement. Based on the assessment of rights and obligations, a joint arrangement will be classified as either a joint operation or a joint venture. Joint ventures are accounted for using the equity method, and the choice to proportionately consolidate will no longer be permitted. Parties to a joint operation will account their share of revenues, expenses, assets and liabilities in much the same way as under the previous standard. AASB 11 also provides guidance for parties that participate in joint arrangements but do not share joint control.

AASB 12 sets out the required disclosures for entities reporting under the two new standards, AASB 10 and AASB 11, and replaces the disclosure requirements currently found in AASB 127 and AASB 128. Application of this standard by Council will not affect any of the amounts recognised in the consolidated financial statements, but will impact the type of information disclosed in relation to Council's investments.

Amendments to AASB 128 provide clarification that an entity continues to apply the equity method and does not remeasure its retained interest as part of ownership changes where a joint venture becomes an associate, and vice versa. The amendments also introduce a "partial disposal" concept. Council is still assessing the impact of these amendments.

AASB 2012-3 Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities [AASB 132] (effective 1 January 2014)

This standard adds application guidance to AASB 132 to address inconsistencies identified in applying some of the offsetting criteria of AASB 132, including clarifying the meaning of "currently has a legally enforceable right of set-off" and that some gross settlement systems may be considered equivalent to net settlement.

The adoption of this standard will not change the reported financial position and performance of Council.

AASB 1031 Materiality (effective from 1 January 2014)

The objective of this standard is to make cross-references to other standards and the Framework for the Preparation and Presentation of Financial Statements (as identified in AASB 1048 Interpretation of Standards) that contain guidance on materiality.

AASB 2013-3 Amendments to AASB 136 - Recoverable Amount Disclosures for Non-Financial Assets (effective from 1 January 2014)

This standard amends the disclosure requirements of AASB 136. The amendments include the requirement to disclose additional information about the fair value measurement when the

recoverable amount of impaired assets is based on fair value less costs of disposal. The adoption of this standard will not impact Council's accounting policies but may result in changes to information disclosed in the consolidated financial statements.

AASB 2013-9 Amendments to Australian Accounting Standards - Conceptual Framework, Materiality and Financial Instruments (Part A - Conceptual Framework effective from 20 December 2013; Part B - Materiality effective from 1 January 2014; Part C - Financial Instruments effective from 1 January 2015)

Part A of this standard updates references to the Framework for the Preparation and Presentation of Financial Statements in other standards as a consequence of the issue of AASB CF 2013-1 in December 2013.

Part B of this standard deletes references to AASB 1031 Materiality in various other standards. Once all references to AASB 1031 have been deleted from all Australian Accounting Standards, AASB 1031 will be withdrawn.

Part C of this standard amends AASB 9 Financial Instruments to add Chapter 6 Hedge Accounting and makes consequential amendments to AASB 9 and numerous other standards. Part C also amends the effective date of AASB 9 to annual reporting periods beginning on or after 1 January 2017, instead of 1 January 2015.

The adoption of this standard will not impact Council's accounting policies.

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 2(c). Continued next page.

2014	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	4,281	118	588	1,211	525	1,010	327	766	651	581	**10,058**
Revenue											
Grants	455	0	0	10	664	0	27	0	0	1,643	**2,799**
Other	19	0	574	269	0	164	14	71	140	4,712	**5,963**
Total Revenue	474	0	574	279	664	164	41	71	140	6,355	**8,762**
Change in net assets from operations	(3,807)	(118)	(14)	(932)	139	(846)	(286)	(695)	(511)	5,774	**(1,296)**
Assets	63,163	1,966	272	5,329	144	219	1,550	5,982	2,364	21,038	**102,027**

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).

2013	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	4,028	112	594	1,314	314	822	351	771	537	459	**9,302**
Revenue											
Grants	441	0	0	115	71	0	38	0	0	3,158	**3,823**
Other	21	0	525	425	0	147	18	87	118	4,314	**5,655**
Total Revenue	462	0	525	540	71	147	56	87	118	7,472	**9,478**
Change in net assets from operations	(3,566)	(112)	(69)	(794)	(243)	(675)	(295)	(684)	(419)	7,033	**176**
Assets	63,207	1,697	259	5,518	0	550	1,473	5,554	1,989	23,785	**104,032**

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 consolidated financial position statement as follows:

	2014	2013
	$'000	$'000
Current Assets	9,108	9,703
Non-Current Assets	92,919	94,329
	102,027	104,032

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.

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

	2014	2013
	$'000	$'000
Community safety	7	15
Growth tourism	269	345
Growth business	97	130
Landscapes regulatory	126	96
Landscapes natural	10	10
Lifestyle recreation	58	73
Lifestyle animals	38	41
Organisation sustainability	134	154
Organisation finances	46	9
Other	29	13
	814	886

	2014 $'000	2013 $'000

4. INTEREST

Interest on financial assets	213	248
Interest on cash & cash equivalents	31	17
	244	265

5. GRANTS

Grants were received in respect of the following:

Grants – Recurrent

Commonwealth Government – Financial Assistance Grants	1,643	1,574
Commonwealth Government – Financial Assistance Grants (in advance)	0	1,584
Growth integration	10	0
Landscapes natural	651	38
Lifestyle youth	14	3
Lifestyle recreation	1	20
	2,319	3,219

The Australian Commonwealth Government provides Financial Assistance Grants to Council for general purpose use and the provision of local roads. In 2011-12 and 2012-13 the Commonwealth made early payment of two quarterly instalments for the following year. In accordance with AASB1004 *Contributions,* Council recognises these grants as revenue when it receives the funds and obtains control. The early receipt of instalments resulted in Commonwealth Financial Assistance Grants being above that originally budgeted in 2012-13 by $1,629,000. This has impacted the Consolidated Statement of Comprehensive Income resulting in the Surplus/(deficit) being higher in 2012-13 by $1,629,000. In the 2014-15 Budget the Commonwealth announced it would discontinue the approach of prepaying instalments. Therefore there was no prepayment in 2013-14.

	2014 $'000	2013 $'000

5. GRANTS (CONTINUED)

Grants – Capital

	2014	2013
Commonwealth Government - roads	445	441
Infrastructure Waste	9	0
Landscapes heritage	0	115
Landscapes natural	14	33
Lifestyle public health	12	16
	480	605

6. EMPLOYEE BENEFITS

	2014	2013
Wages and salaries	2,670	2,378
Other employee costs	1,192	1,131
	3,862	3,509
Less amounts capitalised	(176)	(151)
	3,686	3,358

7. MATERIALS & CONTRACTS

	2014	2013
Advertising	42	35
Bank Charges and Commissions	20	20
Callington Mill	88	118
Computer System Operations	104	106
Consultancies	177	203
Contractor Labour and Services	598	240
Donations and Grants	57	55
Household Garbage & Recycling Collection Contract	190	186
Insurance Premiums	68	63
Council Plant & Machinery	325	311
Legal Expenses	21	4
Landcare Materials	184	0
Office Expenses	45	104
Plant & Machinery Hire (External)	236	205
Power Costs (includes street lighting)	178	196
Repairs & Maintenance	203	335
Subscriptions and Publications	54	44
Telecommunications	36	37
Waste Transfer, Transport and Disposal Contracts	220	201
Valuation Fees (Supplementary Valuations)	18	9
Water Purchases	13	14
Other	313	299
	3,190	2,785

	2014 $'000	2013 $'000

8. DEPRECIATION AND AMORTISATION

Depreciation and amortisation expense was charged in respect of:

	2014 $'000	2013 $'000
Depreciation		
Buildings	275	297
Plant, machinery & equipment	264	248
Office furniture & equipment	35	29
Minor plant	11	7
Roads	1,747	1,647
Waste management	8	19
Stormwater	55	46
Bridges	320	317
	2,715	2,610
Amortisation		
Valuation fees	26	26
Software	5	19
Total Depreciation & amortisation	2,746	2,655

9. FINANCE COSTS

	2014 $'000	2013 $'000
Gross interest paid/payable	58	57

10. OTHER EXPENSES

	2014 $'000	2013 $'000
Audit services	34	26
Councillors allowances	133	139
Other	42	119
	209	284

11. NET GAIN/(LOSS) ON DISPOSAL OF NON-CURRENT ASSETS

	2014 $'000	2013 $'000
Net proceeds from disposal of non-current assets	167	231
Carrying amount of non-current assets retired / sold	(347)	(152)
	(180)	79

12. CURRENT ASSETS – CASH & CASH EQUIVALENTS

	2014 $'000	2013 $'000
Cash at bank and on hand	806	1,612
Term deposits	7,377	7,170
	8,183	8,782

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:

	2014 $'000	2013 $'000
Trust funds and deposits	146	146
Heritage Building Solutions Pty Ltd	83	47
Unexpended grants	0	23
FAG grant in advance	0	1,583
Restricted Funds	229	1,799
Total unrestricted cash and cash equivalents	7,954	6,983

13. ASSETS - RECEIVABLES

	2014 $'000	2013 $'000
Current Assets		
Rates receivable	548	451
Other debtors	210	190
	758	641
Non-Current Assets		
Other debtors	0	28

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 1.7%). The discount provided is shown as an expense of the entity in the Consolidated 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).

	2014 $'000	2013 $'000

14. NON-CURRENT ASSETS – LAND

	2014 $'000	2013 $'000
Gross Carrying Amount		
Fair Value as at 1 July	4,028	4,013
Disposals	(15)	0
Addition	20	15
Net Book Value 30 June – at fair value	4,033	4,028

15. NON-CURRENT ASSETS - BUILDINGS

	2014 $'000	2013 $'000
Gross Carrying Amount		
Fair Value as at 1 July	12,224	11,636
Additions	496	588
Disposals	(182)	0
Adjustment from Revaluation	6,114	0
Balance at 30 June	18,652	12,224
Accumulated Depreciation		
Balance at 1 July	2,140	1,843
Disposals	(40)	0
Depreciation expense for the year	275	297
Adjustment from Revaluation	5,389	0
Balance at 30 June	7,764	2,140
Net Book Value 30 June – at fair value	10,888	10,084

	2014 $'000	2013 $'000

16. NON-CURRENT ASSETS - PLANT, MACHINERY & EQUIPMENT

	2014 $'000	2013 $'000
Gross Carrying Amount		
At cost at 1 July	3,373	3,383
Additions	737	292
Disposals	(429)	(302)
Balance at 30 June	3,681	3,373
Accumulated Depreciation		
Balance at 1 July	1,234	1,136
Disposals	(240)	(150)
Depreciation expense for the year	264	248
Balance at 30 June	1,258	1,234
Net Book Value 30 June – at cost	2,423	2,139

17. NON-CURRENT ASSETS - MINOR PLANT

	2014 $'000	2013 $'000
Gross Carrying Amount		
At cost at 1 July	245	223
Additions	20	22
Balance at 30 June	265	245
Accumulated Depreciation		
Balance at 1 July	189	182
Depreciation expense for the year	10	7
Balance at 30 June	199	189
Net Book Value 30 June – at cost	66	56

18. NON-CURRENT ASSETS - OFFICE FURNITURE & EQUIPMENT

	2014 $'000	2013 $'000
Gross Carrying Amount		
At cost at 1 July	732	682
Additions	22	50
Balance at 30 June	754	732
Accumulated Depreciation		
Balance at 1 July	535	506
Depreciation expense for the year	35	29
Balance at 30 June	570	535
Net Book Value 30 June – at cost	184	197

	2014 $'000	2013 $'000

19. NON-CURRENT ASSETS - INFRASTRUCTURE ASSETS

	2014 $'000	2013 $'000
a) Roads		
Gross Carrying Amount		
Fair Value as at 1 July	102,477	98,222
Additions	997	1,214
Disposals	0	0
Adjustment from Revaluation	0	3,041
Balance at 30 June	103,474	102,477
Accumulated Depreciation		
Balance at 1 July	56,345	53,014
Disposals	0	0
Adjustment from Revaluation	0	1,685
Depreciation expense for the year	1,747	1,646
Balance at 30 June	58,092	56,345
Net Book Value 30 June – at fair value	45,382	46,132
b) Bridges		
Gross Carrying Amount		
At cost at 1 July	23,882	21,398
Additions	159	999
Disposals	(110)	0
Adjustment from Revaluation	(49)	1,485
Balance at 30 June	23,882	23,882
Accumulated Depreciation		
Balance at 1 July	8,372	7,875
Disposals	(110)	0
Adjustment from Revaluation	(476)	180
Depreciation expense for the year	320	317
Balance at 30 June	8,106	8,372
Net Book Value 30 June – at fair value	15,777	15,510

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

	2014 $'000	2013 $'000
c) Stormwater		
Gross Carrying Amount		
Fair Value as at 1 July	2,769	2,748
Additions	19	21
Adjustment from Revaluation	364	0
Balance at 30 June	3,152	2,769
Accumulated Depreciation		
Balance at 1 July	1,075	1,029
Adjustment from Revaluation	148	0
Depreciation expense for the year	52	46
Balance at 30 June	1,275	1,075
Net Book Value 30 June – at fair value	1,877	1,694
d) Waste Management		
Gross Carrying Amount		
At cost at 1 July	214	200
Additions	13	14
Balance at 30 June	227	214
Accumulated Depreciation		
Balance at 1 July	138	119
Depreciation expense for the year	8	19
Balance at 30 June	146	138
Net Book Value 30 June – at cost	81	76
Total Infrastructure Assets	**63,117**	**63,412**

20. NON-CURRENT ASSETS - WORK IN PROGRESS

	2014 $'000	2013 $'000
Work in progress at cost	427	405

Work in progress represents capital works not completed and not ready for use as at 30 June 2014. Depreciation has not been charged against these amounts.

	2014 $'000	2013 $'000

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

	2014 $'000	2013 $'000
Gross Carrying Amount		
At cost at 1 July	421	388
Additions	3	33
Balance at 30 June	424	421
Accumulated Amortisation		
Balance at 1 July	285	240
Amortisation expense for the year	32	45
Balance at 30 June	317	285
Net Book Value 30 June – at cost	107	136

22. INVESTMENT IN WATER CORPORATION

At 30 June 2013, Council held a 1.5% ownership interest in Southern Water based on the Final Treasurer's Allocation Order in 2011. From 1 July 2013, a new State wide water and sewerage corporation trading as "TasWater", commenced in accordance with the *Water and Sewerage Corporation Act 2012.* TasWater took over the water and sewerage services and assets previously operated by Ben Lomond Water, Cradle Mountain Water and Southern Water.

At 30 June 2014, Council held a 0.76% ownership interest in TasWater, based on schedule 2 of the Corporation's constitution, which reflects Council's voting rights.

	2014 $'000	2013 $'000
Opening balance	13,844	13,847
Fair value adjustment on Available for Sale Assets	(2,170)	(3)
Total investment in water corporation	11,674	13,844

	2014 $'000	2013 $'000

23. CURRENT LIABILITIES - PAYABLES

	2014 $'000	2013 $'000
Payables and accruals	599	548
Payroll tax and workers compensation on employee entitlements	70	70
	669	618

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

	2014 $'000	2013 $'000
Borrowings – Bank	98	93

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 (principal and interest) by Council, based on the debenture loan schedules, equate to 1.72% of the total revenue for the preceding year (2013 1.79%).

25. EMPLOYEE BENEFITS

	2014 $'000	2013 $'000
Current		
Annual leave	485	431
Long service leave	476	445
Other leave	225	246
	1,186	1,122
Non Current		
Long service leave	181	111
	181	111

	2014 $'000	2013 $'000

26. NON-CURRENT LIABILITIES – INTEREST BEARING LIABILITIES

	2014 $'000	2013 $'000
Borrowings – Bank	797	895

Security for Borrowings

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

	2014 $'000	2013 $'000
Credit Standby Arrangements		
Bank overdraft limit – online payroll facility	55	55
Direct Debit Facility	20	20
Business credit cards	8	8
Total amount of credit unused	83	83

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

27. RESERVES

a) Composition

	2014 $'000	2013 $'000
Asset Revaluation Reserve	56,917	55,547
Bridge Maintenance Reserve	1,666	1,666
Fair Value Reserve	(2,064)	107
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
	1,985	1,985
	58,504	59,305

The Asset Revaluation Reserve is used to record increments and decrements on the revaluation of Council's property, plant and equipment. The Fair Value Reserve represents the movement in the value of Council's investment in TasWater. The purpose of all other reserves is the replacement and maintenance of the associated assets.

27. RESERVES (CONTINUED)

b) Movements

	2014 $'000	2013 $'000
Asset Revaluation Reserve		
Balance at the beginning of the financial year	55,547	52,886
Revaluation of road assets	0	1,356
Revaluation of bridge assets	427	0
Revaluation of stormwater assets	218	1,305
Revaluation of building assets	725	0
Balance at the end of the financial year	56,917	55,547
Bridge Maintenance Reserve		
Balance at the beginning of the financial year	1,666	1,666
Balance at the end of the financial year	1,666	1,666
Fair Value Reserve		
Balance at the beginning of the financial year	107	110
Fair value adjustment	(2,171)	(3)
Balance at the end of the financial year	(2,064)	107
Other Reserves		
Plant Replacement Reserve		
Balance at the beginning of the financial year	686	686
Balance at the end of the financial year	686	686
Capital Works Reserve		
Balance at the beginning of the financial year	1,239	1,239
Balance at the end of the financial year	1,239	1,239
Quarry Reinstatement Reserve		
Balance at the beginning of the financial year	31	31
Balance at the end of the financial year	31	31
Public Open Space Reserve		
Balance at the beginning of the financial year	29	29
Balance at the end of the financial year	29	29
Total Other Reserves	**1.985**	**1,985**

28. COMMITMENTS

a) Operational Commitments

Council has contractual operating commitments totalling $168,504 per year for the next two years which relates to the household garbage and recycling collection service.

b) Capital Commitments

Council had no contracted capital expenditure at either reporting date.

c) Operating Lease Commitments

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

d) 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 Consolidated Statements include transactions for the following Special Committees:

	2013 $000 Balance	2014 $000 Revenue	2014 $000 Expenses	2014 $'000 Balance
Committee:				
Campania Halls	8	13	8	13
Colebrook Hall	1	0	0	1
Woodsdale Hall	7	5	4	8
Oatlands Community Hall	5	6	4	7
Woodsdale Recreation Ground	0	0	0	0
Colebrook Recreation Ground	3	0	0	3
Parattah Recreation Ground	7	3	3	7
Lake Dulverton Management	3	0	0	3
Parattah Railway	1	0	0	1
	35	27	19	43

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.

30. SUPERANNUATION

Council makes superannuation contributions for a number of its employees to the Quadrant Defined Benefits Fund (the Fund), which is a sub fund of the Quadrant Superannuation Scheme (the 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 34 of AASB 119 Employee Benefits, Council does not use defined benefit accounting for these contributions.

For the year ended 30 June 2014 the Council contributed 10.5% 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 2011. The review disclosed that at that time the net market value of assets available for funding member benefits was $57,588,247, the value of vested benefits was $52,794,839, the surplus over vested benefits was $4,793,408 and the value of total accrued benefits was $57,330,437. 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	0% p.a. for 2011/12 and 7.0% p.a. thereafter
Salary Inflation	4.0% pa
Price Inflation	n/a

The actuarial review concluded that:

1. The value of assets of the Quadrant Defined Benefit Fund was adequate to meet the liabilities of the Fund in respect of vested benefits as at 30 June 2011.
2. The value of assets of the Fund was adequate to meet the value of the liabilities of the Fund in respect of accrued benefits as at 30 June 2011.
3. Based on the assumptions used, and assuming the Employer contributes at the levels described below, the value of the assets is expected to continue to be adequate to meet the value of the liabilities of the Fund in respect of vested benefits at all times during the period up to 30 June 2014.

The Actuary recommended that in future the Council contribute 9.5% of salaries in 2012/13, 10.5% of salaries in 2013/14, and 11% of salaries in 2014/15.

The Actuary will continue to undertake a brief review of the financial position the Fund at the end of each financial year to confirm that the contribution rates remain appropriate. The next full triennial actuarial review of the Fund will have an effective date of 30 June 2014 and is expected to be completed late in 2014 or early in 2015.

30. SUPERANNUATION (CONTINUED)

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

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

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

- The 2011 actuarial review used a funding method that sets the level of Council contributions targeting a margin of 10% in the value of Fund assets over the total of members' vested benefits over the medium to longer term.
- The funding method used was the same as the method used at the previous actuarial review in 2008. Under the target funding method of financing the benefits, the stability of the Councils' contributions over time depends on how closely the Fund's actual experience matches the expected experience. If the actual experience differs from that expected, the Councils' contribution rate may need to be adjusted accordingly to ensure the Fund remains on course towards its financing target.
- In terms of Clause 1.9.2 of the Scheme Trust Deed, there is a risk that employers within the Fund may incur an additional liability when an Employer ceases to participate in the Fund at a time when the assets of the Fund are less than members' vested benefits. Each member of the Fund who is an employee of the Employer who is ceasing to Participate is required to be provided with a benefit at least equal to their vested benefit in terms of Clause 1.9.2(b). However in terms of Clause 1.9.2 (d), the only contributions that can be sought from the Employer and its employee Members are any arrears of contributions. This issue can be resolved by the Trustee seeking an Actuarial Certificate in terms of Clause 1.22.2(a) requiring the Employer to make good any shortfall before the cessation of participation is approved.

  Clause 1.22.2(b) specifically provides that employers participating in the Fund will not be liable for the obligations of other Employers in other funds within the Scheme.
- The application of Fund assets on the Fund or the Scheme being wound-up is set out in Clause 1.21.3. This Clause provides that expenses, pensions in payment and the Superannuation Guarantee benefits of other members should have first call on the available assets. Additional assets will initially be applied proportionately to providing Member's benefits in respect of completed service. If additional assets are available they are applied to increasing members' benefits.

  The Trust Deed does not contemplate the Fund withdrawing from the Scheme. However it is likely that Clause 1.9.2 would be applied in this case (as detailed above).
- The Fund is a defined benefit Fund.
- The Quadrant Defined Benefits Fund has been classified as a multi-employer sponsored plan. As the Fund's assets and liabilities are pooled and are not allocated by employer, the Actuary is unable to allocate benefit liabilities, assets and costs between employers. Thus the Fund is not able to prepare standard AASB119 defined benefit reporting.

30. SUPERANNUATION (CONTINUED)

- During the reporting period the amount of contributions paid to defined benefits schemes was $224,168 (2012-13, $227,800), and the amount paid to accumulation schemes was $117,089 (2012-13, $94,025).
- During the next reporting period the expected amount of contributions to be paid to defined benefits schemes is $229,772, and the amount to be paid to accumulation schemes is $120,016.
- As reported on the first page of this note, Assets exceeded accrued benefits as at the date of the last actuarial review, 30 June 2011. Favourable investment returns, since that date, make it quite probable that this is still the position. The financial position of the Fund will be fully investigated at the actuarial review as at 30 June 2014.
- An analysis of the assets and vested benefits of Funds participating in the Scheme, prepared by Bendzulla Actuarial Pty Ltd as at 30 June 2013, showed that the Fund had assets of $61.5 million and members' Vested Benefits were $54.2 million. These amounts represented 9.8% and 8.7% respectively of the corresponding total amounts for the Scheme.

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

	2014 $'000	2013 $'000
Surplus (Deficit)	(1,296)	176
Depreciation and amortisation	2,746	2,655
Capital grants	(480)	(605)
(Gain) Loss on disposal of non-current assets	180	(79)
Increase (Decrease) in employee provisions	134	155
Increase (Decrease) in payables	51	(39)
(Increase) Decrease in receivables	(117)	22
(Increase) Decrease in work in progress	75	14
(Increase) Decrease in stores and materials	38	36
Net cash from (used in) operating activities	1,331	2,335

32. RELATED PARTY TRANSACTIONS

(a) Allowances and Reimbursements	133	137
(b) Register of Interests – 2013/14		
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

Councillor & Position	
Mayor A E Bisdee OAM	No interest declared.
Deputy Mayor Clr M Jones OAM	No interest declared.
Clr A R Bantick	No interest declared.
Clr C J Beven (deceased February 2014)	No interest declared.
Clr B Campbell	No interest declared.
Clr M Connors	No interest declared.
Clr D F Fish	No interest declared.
Clr A O Green	No interest declared.
Clr J L Jones OAM	No interest declared.

33. FINANCIAL INSTRUMENTS

(a) Accounting Policy, terms and conditions

Recognised financial instruments	Note	Accounting Policy	Terms and Conditions
Financial assets			
Cash and cash equivalents	12	Cash on hand and at bank and money market call account are valued at face value.	On call deposits returned a floating interest rate of 1.10% (1.00% in 2012-13). The interest rate at balance date was 1.10% (1.00% in 2012-13).
		Interest is recognised as it accrues.	Term deposits returned fixed interest rates of between 3.00% (2.50% in 2012-13), and 3.75% (3.75% in 2012-13) net of fees.
		Investments and bills are valued at cost.	
		Investments are held to maximise interest returns of surplus cash.	
		Interest revenues are recognised as they accrue.	
Investment in TasWater	22	Investment is valued at fair value at balance date	Terms and conditions are disclosed in note 22.
Trade and other receivables **Other debtors**	13	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. Collectability of overdue accounts is assessed on an ongoing basis.	Terms and conditions are disclosed in note 13.

33. FINANCIAL INSTRUMENTS (CONTINUED)

Financial liabilities

Trade and other payables	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.
Interest-bearing liabilities	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:

2014	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
Assets							
Cash & cash equivalents	2.81%	806	7,377	0	0	0	8,183
Receivables							
- Rates		0	0	0	0	570	570
- Other		0	0	0	0	188	188
Investment in Water Corporation		0	0	0	0	11,674	11,674
Total Financial Assets		**806**	**7,377**	**0**	**0**	**12,432**	**20,615**
Liabilities							
Interest Bearing Liabilities	6.09%	0	98	427	370	0	895
Payables		0	0	0	0	669	669
Total Financial Liabilities		**0**	**98**	**427**	**370**	**669**	**1,564**
Net Financial Assets/ (Liabilities)		**806**	**7,279**	**(427)**	**(370)**	**11,763**	**19,051**

WAEIR - weighted average effective interest rate.

33. FINANCIAL INSTRUMENTS (CONTINUED)

b) Interest Rate Risk Exposure (Continued)

2013	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
Assets							
Cash & cash equivalents	3.39%	1,612	7,170	0	0	0	8,782
Receivables							
- Rates		0	0	0	0	451	451
- Other		0	0	0	0	218	218
Investment in Water Corporation		0	0	0	0	13,844	13,844
Total Financial Assets		**1,612**	**7,170**	**0**	**0**	**14,513**	**23,295**
Liabilities							
Interest Bearing Liabilities	6.05%	0	93	405	490	0	988
Payables		0	0	0	0	618	618
Total Financial Liabilities		**0**	**93**	**405**	**490**	**618**	**1,606**
Net Financial Assets/ (Liabilities)		**1,612**	**7,077**	**(405)**	**(490)**	**13,895**	**21,689**

WAEIR - weighted average effective interest rate

c) Fair Value

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

Financial Instruments	Total carrying amount		Aggregate net fair value	
	2014	2013	2014	2013
	$'000	$'000	$'000	$'000
Financial Assets				
Cash and cash equivalents	8,183	8,782	8,183	8,782
Receivables	758	669	758	669
Investment in Water Corporation	11,674	13,844	11,674	13,844
Total Financial Assets	**20,615**	**23,295**	**20,615**	**23,295**
Financial Liabilities				
Payables	669	618	669	618
Interest-bearing liabilities	895	988	942	1,034
Total Financial Liabilities	**1,564**	**1,606**	**1,611**	**1,652**

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 Consolidated 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 consolidated 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 quotation process. Overdrafts are arranged with Council's banking service provider.

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.

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 cause Council to make a financial loss. Council have exposure to credit risk on some financial assets included in our Consolidated Statement of Financial Position. To help manage this risk 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.

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

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

	Financial Institutions	**Other**	**Total**
2014			
Cash and cash equivalents	8,183	0	8,183
Trade and other receivables	0	758	758
Total Contractual Financial Assets	**8,183**	**758**	**8,941**
2013			
Cash and cash equivalents	8,782	0	8,782
Trade and other receivables	0	669	669
Total Contractual Financial Assets	**8,782**	**669**	**9,651**

33. FINANCIAL INSTRUMENTS (CONTINUED)

(e) Risks and mitigation (continued)

Ageing of Trade and Other Receivables

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

	30 June 2014		30 June 2013	
	Gross	**Impairment**	**Gross**	**Impairment**
Receivables	**$'000**	**$'000**	**$'000**	**$'000**
Not past due	106	0	84	0
Past due 0-30 days	17	0	44	0
Past due 31-60 days	2	0	7	0
Past due 61-90 days	1	0	1	0
More than 90 days	84	0	82	0
Total trade receivables	**210**	**0**	**218**	**0**
Rates receivable	548	0	451	0
Total Receivables	**758**	**0**	**669**	**0**

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 2014.

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 that 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.

33. FINANCIAL INSTRUMENTS (CONTINUED)

(e) Risks and mitigation (continued)

Liquidity Risk (continued)

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

The table below lists the contractual maturities for Financial Liabilities. These amounts represent the discounted cash flow payments (ie principal only).

2014	**Less than 1 year $'000**	**1-5 years $'000**	**>5 years $'000**	**Contracted Cash Flow $'000**	**Carrying Amount $'000**
Payables	669	0	0	669	669
Interest bearing liabilities	98	427	370	895	895
Total financial liabilities	**767**	**427**	**370**	**1,564**	**1,564**

2013	**Less than 1 year $'000**	**1-5 years $'000**	**>5 years $'000**	**Contracted Cash Flow $'000**	**Carrying Amount $'000**
Payables	618	0	0	618	618
Interest bearing liabilities	93	405	490	988	988
Total financial liabilities	**711**	**405**	**490**	**1,606**	**1,606**

(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.

- A parallel shift of + 1% and -0.5% in market interest rates.

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.

2014	**Interest rate risk**			
	+1% +100 basis points		**-0.5 % -50 basis points**	
	Profit $'000	**Equity $'000**	**Profit $'000**	**Equity $'000**
Financial assets:				
Cash and cash equivalents	82	82	(41)	(41)
Receivables	8	8	(4)	(4)
Financial liabilities:				
Interest bearing liabilities	(9)	(9)	4	4

2013	**Interest rate risk**			
	+1% +100 basis points		**-0.5 % -50 basis points**	
	Profit $'000	**Equity $'000**	**Profit $'000**	**Equity $'000**
Financial assets:				
Cash and cash equivalents	88	88	(44)	(44)
Receivables	7	7	(4)	(4)
Financial liabilities:				
Interest bearing liabilities	(10)	(10)	5	5

33. FINANCIAL INSTRUMENTS (CONTINUED)

(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.

2014	**Level 1 $'000**	**Level 2 $'000**	**Level 3 $'000**	**Total $'000**
Available for sale financial assets	0	0	11,674	11,674

2013	**Level 1 $'000**	**Level 2 $'000**	**Level 3 $'000**	**Total $'000**
Available for sale financial assets	0	0	13,844	13,844

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

Reconciliation of Level 3 Fair Value Movements	**2014 $'000**	**2013 $'000**
Opening balance	13,844	13,847
Gains (losses) recognised in other comprehensive income:		
Change in fair value of investment in Water Corporation	(2,172)	(3)
Closing balance	11,674	13,844

34. EVENTS OCCURRING AFTER BALANCE DATE

Nil.

35. INVESTMENTS IN SUBSIDIARIES

(a) Heritage Education & Skills Centre Pty Ltd

Heritage Education & Skills Centre Pty Ltd (HESC) is a small proprietary Company and is not a reporting entity. Balances and transactions, as mentioned at note 1(q), have been incorporated into Councils balances. All inter-company balances and transactions between Council and HESC have been eliminated in the consolidated financial statements.

The following transactions, including inter-company balances and transactions, were recorded by HESC for the year ended 30 June 2014. The Company is not reliant on financial support from Council to fund its continuing operations.

	2014 $'000	2013 $'000
Statement of Comprehensive Income		
Revenue	3	19
Expenses	(8)	(24)
Total Comprehensive Income for the Year	(5)	(5)
Statement of Financial Position		
Assets	38	42
Liabilities	(63)	(62)
Total Equity	(25)	(20)

(b) Heritage Building Solutions Pty Ltd

Heritage Building Solutions Pty Ltd (HBS) is a small proprietary Company and is not a reporting entity. Balances and transactions, 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 in the consolidated financial statements.

The following transactions, including inter-company balances and transactions, were recorded by HBS for the year ended 30 June 2014. The Company is not reliant on financial support from Council to fund its continuing operations.

	2014 $'000	2013 $'000
Statement of Comprehensive Income		
Revenue	781	511
Expenses	(782)	(570)
Total Comprehensive Income for the Year	(1)	(59)
Statement of Financial Position		
Assets	286	295
Liabilities	(318)	(326)
Total Equity	(32)	(31)

36. MANAGEMENT INDICATORS

	Benchmark	2014 $'000	2013 $'000	2012 $'000	2011 $'000
(a) Underlying surplus or deficit					
Recurrent income* less		10,045	8,650	8,892	8,264
recurrent expenditure		10,238	9,203	10,207	9,173
Underlying deficit	>0	(193)	(553)	(1,315)	(909)

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

	Benchmark	2014	2013	2012	2011
(b) Underlying surplus ratio					
Underlying surplus or deficit		(193)	(553)	(1,315)	(909)
Recurrent income*		10,045	8,650	8,892	8,264
Underlying surplus ratio %	>0%	(1.92)	(6.39)	(14.79)	(11.00)

	Benchmark	2014	2013	2012	2011
(c) Net financial liabilities					
Liquid assets less		8,941	9,423	8,772	9,031
Total liabilities		2,931	2,839	2,688	2,613
Net financial assets	>0	6,010	6,584	6,084	6,418

	Benchmark	2014	2013	2012	2011
(d) Net financial liabilities ratio					
Net financial assets		6,010	6,584	6,084	6,418
Recurrent income*		10,045	8,650	8,892	8,264
Net financial liabilities ratio	0% - (50%)	59.83%	76.12%	68.42%	77.66%

36. MANAGEMENT INDICATORS (CONTINUED)

	Benchmark	2014 $'000	2013 $'000	2012 $'000	2011 $'000
(e) Asset consumption ratio					
Transport Infrastructure					
Depreciated replacement cost		61,159	61,642	58,731	59,023
Current replacement cost		127,356	126,359	119,620	118,836
Asset consumption ratio %	>60%	48.02%	48.78%	49.10%	49.67%
Buildings					
Depreciated replacement cost		10,888	10,084	9,793	9,411
Current replacement cost		18,652	12,224	11,636	10,989
Asset consumption ratio %	>60%	58.66%	82.49%	84.16%	85.64%
Drainage					
Depreciated replacement cost		2,040	1,694	1,719	1,727
Current replacement cost		3,432	2,769	2,748	2,711
Asset consumption ratio %	>60%	59.44%	61.18%	62.55%	63.70%

36. MANAGEMENT INDICATORS (CONTINUED)

		2014 $'000	2013 $'000	2012 $'000	2011 $'000
(f) Asset renewal funding ratio					
Transport Infrastructure					
Projected capital funding outlays**		23,022	26,940		
Projected capital expenditure funding***		17,813	19,792		
Asset renewal funding ratio %	90-100%	129.24%	136.12%	N/A	N/A
Buildings					
Projected capital funding outlays**		2,502	2,780		
Projected capital expenditure funding***		1,627	1,808		
Asset renewal funding ratio %	90-100%	153.78%	153.76%	N/A	N/A
Drainage					
Projected capital funding outlays**		405	450		
Projected capital expenditure funding***		324	360		
Asset renewal funding ratio %	90-100%	125.00%	125.00%	N/A	N/A

		2014 $'000	2013 $'000	2012 $'000	2011 $'000
(g) Asset sustainability ratio					
Capex on replacement/renewal of existing assets		1,520	1,927	3,050	1,324
Annual depreciation expense		2,746	2,655	3,114	3,185
Asset sustainability ratio %	100%	55.35%	72.58%	97.94%	41.57%

	Capital renewal expenditure	Capital new /upgrade expenditure	Total Capital Expenditure
	$'000	**$'000**	**$'000**
Buildings	197	299	496
Infrastructure	1,147	309	1,456
Other plant and equipment	176	356	530
Total	1,520	964	2,484

37. FAIR VALUE MEASUREMENTS

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

- Land
- Buildings
- Infrastructure assets – roads, bridges and drainage

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

(a) Fair Value Hierarchy

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

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

The table below shows the assigned level for each asset and liability held at fair value by Council. The table presents Council's assets and liabilities measured and recognised at fair value at 30 June 2014. Comparative information has not been provided as allowed by the transitional provisions of AASB 13.

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

As at 30 June 2014

Recurring fair value measurements	Note	Level 1 $'000	Level 2 $'000	Level 3 $'000
Land	14	0	4,033	0
Buildings	15	0	0	10,888
Roads	19	0	0	45,382
Bridges	19	0	0	15,777
Drainage	19	0	0	1,877
		0	4,033	73,924

37. FAIR VALUE MEASUREMENTS (CONT.)

Council's policy is to recognise transfers in and out of the fair value hierarchy levels as at the end of the reporting period.

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

(b) Highest and best use

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

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

Council adopted AASB 13 Fair Value Measurement for the first time this financial year and has reviewed each valuation to ensure compliance with the requirements of the new standard. There have been no changes in valuation techniques as a result of this review.

Land

Land fair values were determined by the Valuer-General effective 1 October 2008. The most significant input into this valuation approach is price per square metre derived from the analysis of sales taking into consideration permitted use and locality.

Buildings

The fair value of buildings have been determined on the basis of replacement with a new asset having similar service potential as at 1 July 2013. The gross current values have been derived from unit rates determined by Council Officers with reference to both internal and market data for recent projects and costing guides.

In determining the level of accumulated depreciation the asset has been disaggregated into significant components which exhibit useful lives. Allowance has been made for the typical asset life cycle and renewal treatments of each component, residual value at the time the asset is considered to be no longer available for use.

While the unit rates based on square metres can be supported by some market evidence (level 2), the use of internal costing data and estimates of useful life that are used to calculate accumulated depreciation comprise unobservable inputs (level 3). Where these other inputs are significant to the valuation the overall valuation has been classified as level 3. The table at (d) below summarises the effect that changes in the most significant unobservable inputs would have on the valuation.

37. FAIR VALUE MEASUREMENTS (CONT.)

Infrastructure assets

All Council infrastructure assets were fair valued using written down current replacement cost. This valuation comprises the asset's current replacement cost (CRC) less accumulated depreciation calculated on the basis of such cost to reflect the already consumed or expired future economic benefits of the asset. Council first determined the gross cost of replacing the full service potential of the asset and then adjusted this amount to take account of the expired service potential of the asset.

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

The unit rates (labour and materials) and quantities applied to determine the CRC of an asset or asset component were based on an assumption that the CRC represents the full cost of replacement with a new asset that represents a modern equivalent asset.

The level of accumulated depreciation for infrastructure assets was determined based on the age of the asset and the useful life adopted by Council for the asset type. Estimated useful lives and residual values are disclosed in note 1c.

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

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

Roads

Council categorises its road infrastructure into sealed and unsealed and then further sub-categorises these based on an assessment of vehicle movements and social and economic importance. All road segments are then componentised into formation, pavement, sub-pavement and seal. Council assumes that environmental factors such as soil type, climate and topography are consistent across each segment. Council also assumes a segment is designed and constructed to the same standard and uses a consistent amount of labour and materials.

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

37. FAIR VALUE MEASUREMENTS (CONT.)

Bridges

A full valuation of bridges assets was undertaken by independent valuers, Auspan, effective December, 2013. Each bridge is assessed individually and componentised into sub-assets representing the deck and sub-structure. The valuation is based on the material type used for construction and the deck and sub-structure area.

Drainage

A full valuation of drainage infrastructure was undertaken by Brighton Municipal Council's Engineer effective 1 July 2013. Similar to roads, drainage assets are managed in segments; pits and pipes being the major components.

Consistent with roads, Council assumes that environmental factors such as soil type, climate and topography are consistent across each segment and that a segment is designed and constructed to the same standard and uses a consistent amount of labour and materials. CRC is based on the unit price for the component type. For pipes, the unit price is multiplied by the asset's length. The unit price for pipes is based on the construction material as well as the depth the pipe is laid.

(d) Unobservable inputs and sensitivities

Asset *	Carrying amount (at fair value) $000	Key unobservable inputs *	Expected range of inputs	Description of how changes in inputs will affect the fair value
Infrastructure Roads Bridges Drainage	 45,382 15,777 1,877	Unit Price		A significant increase or decrease in direct cost per unit would result in a significantly higher or lower fair value.
		Useful life	10 – 150 years	The higher the useful life the higher the fair value.
		Standard material usage	Varies dependant on type of material	A significant increase or decrease in the quantities of standard materials would result in a significantly higher or lower valuation.
Buildings	10,888	Useful Life	15 – 250 years	The longer the useful life the higher the fair value
		Unit Price		A significant increase or decrease in direct cost per unit would result in a significantly higher or lower fair value.

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

37. FAIR VALUE MEASUREMENTS (CONT.)

(e) Changes in recurring level 3 fair value measurements

The changes in level 3 assets with recurring fair value measurements are detailed in notes 19 to 22.

(f) Valuation processes

Council's current policy for the valuation of land, buildings, infrastructure assets and investment in water corporation (recurring fair value measurements) is set out in note 1(d) and 1(i) respectively.

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

Council has assets and liabilities which are not measured at fair value, but for which fair values are disclosed in other notes (refer note 33).

The fair value of borrowings disclosed in note 33 equates to the carrying amount as the carrying amount approximates fair value (level 2).

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