



Financial Statement 30 June 2009





Image: Sunday Market at Evandale

Provided by: Dan Fellow

Table of Contents

	<i>Page No.</i>		<i>Page No.</i>
<i>Income Statement - for year ended 30 June 2009</i>	2	9. Other Expenses.....	23
<i>Balance Sheet - for year ended 30 June 2009</i>	3	10. Trade & Other Receivables	23
<i>Statement of Changes in Equity - for year ended 30 June 2009</i> ...	4	11. Inventory	23
<i>Statement of Cashflows - for year ended 30 June 2009</i>	5	12. Property, Plant, Equipment & Infrastructure	24
<i>Notes to the Financial Report - for the year ended 30 June 2009.</i>	6	13. Trade & Other Payables	29
1. Significant Accounting Policies	6	14. Provisions.....	29
(a) Statement of Compliance		15. Capital Expenditure Commitments	30
(b) Adoption of New & Revised Accounting Standards		16. Contingent Liabilities	30
(c) Basis of Accounting		17. Auditors Remuneration.....	30
(d) Local Government Reporting Entity		18. Special Committees	30
(e) Revenue Recognition		19. Statement of Cash Flows	31
(f) Property Plant & Infrastructure Assets		20. Related Party Disclosure	31
(g) Employee Benefits		a) Allowances & Reimbursements	
(h) Trust Funds		b) Register of Interests - 2008/2009	
(i) Cash & Cash Equivalents		21. Superannuation	32
(j) Accruals/Prepayments		22. Financial Instruments.....	33
(k) Net Fair Values of Financial Assets & Liabilities		(a) Accounting Policy, Terms & Conditions	
(l) Significant Business Activities		(b) Financing Arrangements	
(m) Goods & Services Tax		(c) Financial Risk Exposure & Mitigation	
(n) Budget Figures		(d) Impairment Losses	
(o) Rounding		(e) Sensitivity Disclosure Analysis	
2. Water and Sewer Infrastructure.....	15	(f) Categories of Financial Assets & Liabilities	
(a) Prior Year Adjustment - Sewerage Infrastructure Asset		(g) Analysis of Financial Assets Past Due But Not Impaired	
(b) Water & Sewerage Reform - future arrangements and after balance day events		23. Significant Business Activities	39
3. Functions/Activities of the Council.....	19	<i>Certification</i>	40
(a) Functions/Activities of the Council		<i>Independent Audit Report</i>	41
(b) Component Functions/Activities			
4. Grant Revenue	20		
5. Gain/(Loss) on Disposal of Assets	22		
6. Employee Benefits	22		
7. Materials & Services.....	23		
8. Depreciation & Amortisation Expense	23		

Income Statement - for year ended 30 June 2009

	Note	2009		2008		2009 Budgeted		
		\$	%	\$	%	\$	%	
REVENUES								
Rate Revenue		8,527,783	48.64	7,899,462	49.02	8,463,775	53.18	
Grants	4	5,685,188	32.42	4,903,694	30.43	4,811,059	30.24	
User Charges		1,987,808	11.34	1,839,578	11.41	1,587,308	9.98	
Interest		372,143	2.12	493,057	3.06	417,990	2.63	
Reimbursements		618,595	3.53	713,139	4.42	607,213	3.82	
Other		342,183	1.95	267,957	1.66	24,470	0.15	
		Total Revenues		17,533,700		16,116,887		15,911,815
EXPENSES								
Employee Benefits	6	4,549,128	25.45	4,394,219	28.44	4,371,224	28.94	
Materials & Services	7	6,468,713	36.19	4,326,177	32.33	4,495,381	29.76	
Depreciation	8	5,298,460	29.64	4,943,068	31.68	5,115,720	33.87	
Government Levies & Charges		644,677	3.61	570,715	3.19	611,510	4.05	
Other	9	913,975	5.11	552,093	4.36	510,573	3.38	
		Total Expenses		17,874,953		14,786,272		15,104,408
		SURPLUS BEFORE		(341,253)		1,330,615		807,407
Net Gain (Loss) on disposal of fixed assets	5	(922,312)		(917,068)		-		
Donated/Contributed Assets	12	3,027,125		120,000		-		
		NET SURPLUS FOR THE YEAR		1,763,560		533,547		807,407

Balance Sheet - for year ended 30 June 2009

	Note	2009		2008	
		\$	%	\$	%
CURRENT ASSETS					
Cash and Cash Equivalents		11,448,405	93.42	5,880,142	89.24
Trade and Other Receivables	10	791,108	6.46	819,629	10.54
Inventory	11	14,277	0.12	24,805	0.22
Total Current Assets		12,253,790		6,724,576	
NON-CURRENT ASSETS					
Trade and Other Receivables	10	-		10,969	0.04
Work in Progress - at cost		781,863	0.36	405,197	1.73
Property, Plant & Infrastructure	12	217,326,995	99.64	203,993,204	98.23
Total Non-Current Assets		218,108,858		204,409,370	
TOTAL ASSETS		230,362,648		211,133,946	
CURRENT LIABILITIES					
Trade and Other Payables	13	1,386,593	59.16	1,017,166	52.55
Provisions	14	957,167	40.84	918,533	47.45
Borrowings		7,500,000	98.81	-	
Total Current Liabilities		9,843,760		1,935,699	
NON-CURRENT LIABILITIES					
Provisions	14	90,335	100.00	107,741	100.00
Total Non-Current Liabilities		90,335		107,741	
TOTAL LIABILITIES		9,934,095		2,043,440	
NET ASSETS		220,428,553		209,090,506	
RATEPAYER EQUITY					
Accumulated Surplus		118,396,158	53.70	116,632,598	55.76
Reserves		102,032,395	46.30	92,457,908	44.24
TOTAL RATEPAYER EQUITY		220,428,553		209,090,506	

Statement of Changes in Equity - for year ended 30 June 2009

	Total		Accumulated Surplus		Asset Revaluation Reserve	
	2009	2008	2009	2008	2009	2008
	\$	\$	\$	\$	\$	\$
Ratepayer Equity at beginning of the year	209,090,506	192,029,092	116,632,598	116,005,014	92,457,908	76,024,078
Retrospective adjustment (Note 2a)	-	88,953		88,953		
Restated Ratepayer Equity at Beginning of Year	209,090,506	192,118,045	116,632,598	116,093,967	92,457,908	76,024,078
Asset Revaluation	9,574,487	16,433,830	-	-	9,574,487	16,433,830
Surplus (Deficit) on Operations	1,763,560	533,547	1,763,560	533,547	-	-
Retrospective adjustment (Note 2a)	-	5,084	-	5,084	-	-
<i>Ratepayer Equity at end of the year</i>	220,428,553	209,090,506	118,396,158	116,632,598	102,032,395	92,457,908

Statement of Cashflows - for year ended 30 June 2009

	Note	2009		2008	
		\$	\$	\$	\$
CASHFLOWS FROM OPERATING ACTIVITIES					
Outflows					
Employee Costs		(4,536,517)		(4,363,948)	
Materials and Services		(7,455,052)		(5,224,210)	
Levies Paid		(644,677)		(570,715)	
Interest & Finance Costs Paid		-		-	
Other		(713,649)		(421,935)	
Inflows					
Receipts from Ratepayers		8,407,056		7,660,979	
Government Grants		5,701,704		4,996,444	
User Charges		1,981,263		1,948,963	
Interest Received		410,735		501,678	
Other		1,038,085		1,006,231	
Receipts from Australian Taxation Office		1,208,932		748,442	
Net Cash Provided by Operating Activities	19		5,397,880		6,281,929
CASHFLOWS FROM INVESTING ACTIVITIES					
Outflows					
Purchase of fixed assets		(1,469,045)		(2,050,561)	
Payment for construction of fixed assets		(6,163,683)		(3,297,805)	
Inflows					
Proceeds from sale of fixed assets		303,111		165,624	
Net Cash Used in Investing Activities			(7,329,617)		(5,182,742)
CASHFLOWS FROM FINANCING ACTIVITIES					
Outflows					
Repayment of borrowings		-		-	
Inflows					
Proceeds from loans		7,500,000		-	
Net Cash Used in Investing Activities			7,500,000		-
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS FOR THE PERIOD			5,568,263		1,099,187
Cash and Cash Equivalents at the Commencement of the Period			5,880,142		4,780,955
NET CASH AND CASH EQUIVALENTS AT THE END OF THE REPORTING PERIOD			11,448,405		5,880,142

Notes to the Financial Report - for the year ended 30 June 2009

1. Significant Accounting Policies

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Statement of Compliance

This general purpose financial report of the Northern Midlands Council has been prepared in accordance with Australian Accounting Standards, including Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the *Local Government Act 1993* (as amended).

Australian Accounting Standards include Australian equivalents to International Financial Reporting Standards (AIFRSs). Some AIFRSs contain requirements specific to not-for-profit entities that are inconsistent with IFRS requirements. Council has determined that it is a not-for-profit entity.

Except to the extent that these special provisions require, this financial report complies with AIFRSs.

(b) Adoption of New & Revised Accounting Standards

The following standards have been applied for the first time in the 2008/2009 reporting year:

Standard	Title	Impact	Operative date *
AASB 1049	Whole of Government and General Government Sector Financial Reporting	Application has no impact on Councils financial results for financial instrument disclosure. See note 22	1/07/2008
AASB 1051	Land Under roads	The impact of any changes that may be required have been disclosed due to materiality and absence of valuation guidance.	1/07/2008
AASB 1052	Disaggregated Disclosures	As this Standard broadly reproduces the requirements relating to disaggregated disclosures contained in AAS 227, there will be no direct impact on the financial report.	1/07/2008
AASB 1004	Contributions	As this Standard broadly reproduces the requirements relating to disaggregated disclosures contained in AAS 227, there will be no direct impact on the financial report.	1/07/2008
AASB 2007-9 Inventories	Amendments to Australian Accounting Standards arising from Review of AAS 27, 29, 31	As this Standard broadly reproduces the requirements relating to disaggregated disclosures contained in AAS 227, there will be no direct impact on the financial report.	1/07/2008

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

Standard	Title / Standard affected	Outline of amendment and Impact	Application date of standard
AASB 2007-08	Amendments to Australian Accounting Standards arising from AASB 101 Presentation of Financial Statements	Introduces the 'Statement of Comprehensive Income'. It does not change the recognition, measurement or disclosure of transactions or events required by other AASBs. The Council has not yet determined the potential effect of the revised standard on the council's disclosure.	1/01/2009
AASB 123	Borrowing Costs	The revised AASB 123 removes the option to expense borrowing costs directly attributable to a qualifying asset. Initial application is not expected to have an impact on the council's financial results as the transitional provisions of the standard do not require retrospective application.	1/01/2009
AASB 2009-1	Amendments to Australian Accounting Standards - Borrowing Costs of Not-for-Profit Public Sector Entities	Introduces the option for not-for-profit sector entities to expense borrowing costs. The amendment will cause no impact from the revised AASB 123. No direct impact on the financial report is expected.	1/01/2009
AASB 2009-2	Amendments to Australian Accounting Standards - Improvements disclosures about Financial Instruments	Require enhanced disclosures about fair value measurements and liquidity risk which will impact on the level of detail council reports on its financial instruments within the financial report.	1/01/2009

*Annual reporting period beginning on or after

(c) *Basis of Accounting*

This report has been prepared under the historical cost convention, as modified by the revaluation of certain classes of property, plant and equipment.

Management is required to make judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstance, 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.

Judgements made by management that have significant effects on the financial statements and estimates with a significant risk of material adjustments in the next year are disclosed, where applicable, in the relevant notes to the financial reports.

(d) Local Government Reporting Entity

All Funds through which Council controls resources to carry out its functions have been included in the financial reports.

In the process of reporting on the Northern Midlands Council as a single unit, all transactions and balances between those Funds (e.g. loans and transfers) have been eliminated. The recording of transactions and balances for internal borrowings has been eliminated.

(e) Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is measured on major income categories as follows:

i) Rates, grants and contributions

Rates, grants, donations and other contributions (including developer contributions) 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 period or, where earlier, upon receipt of the rates.

Control over granted assets is normally obtained upon their receipt or upon prior notification that a grant has been secured.

Donations and other contributions that are not subject to accompanying conditions that they be expended in a particular manner or for a particular purpose are recognised as revenue in the reporting period when Council obtains control over the assets comprising the contributions and donations.

ii) User charges

User fees and fines are recognised as revenue when the service has been provided, the payment is received, or when the penalty has been applied, whichever first occurs. A provision for impairment of debts is recognised when collection in full is no longer probable.

iii) Sale of property, plant and equipment

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

iv) Interest and rents

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

(f) Property Plant & Infrastructure Assets

- i)** The Council controls and owns assets that are required to provide the services for which it has responsibility. These assets include: land, buildings, fleet, plant and equipment and infrastructure; i.e. roads, sewerage and water networks.
- ii)** Council has elected not to recognise land under roads prior to the 1st of July 2008 as an asset in accordance with AASB 1045 Land under Roads. Council has not accounted for land under roads since the 1st of July 2008 due to materiality and the absence of valuation guidance.

iii) Acquisition of Assets

The cost method of accounting is used for the initial recording of all acquisition of assets.

‘Cost’ represents the fair value of these assets given as consideration plus costs incidental to their acquisition (including architects fees, engineering design fees, and administration charges all other costs incurred) in getting the asset ready for use.

In determining the cost of non-current assets constructed by the Council, ‘Cost’ includes all materials used in the construction, direct labour on the project and an appropriate proportion of variable and fixed overheads. The cost of all materials includes all consulting and engineering fees.

Non-monetary assets received in the form of grants or donations are recognised as assets and revenues at their fair value at the date of receipt.

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

iv) Valuation of Non-Current Assets

Asset revaluations are accounted for in accordance with Australian Accounting Standard AASB 116.

All revaluation increments are credited directly to the asset revaluation reserve account. Any decrease in the fair value of a class of assets that marks a permanent impairment of its operating capability is recognised as an expense in the income statement. Except if this decrement reverses a revaluation increment previously credited to and still included in the balance sheet in the asset revaluation reserve in respect of the class of assets to which that asset belongs, the revaluation decrement is debited directly to the asset revaluation reserve.

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

Asset	Valuation basis
Land	Fair value
Buildings	Fair value
Flood Levee Infrastructure	Cost
Furniture, Fittings & Office Equipment	Cost
Fleet	Cost
Plant & Equipment	Fair value
Roads Infrastructure	Fair value
Bridges	Fair value
Stormwater & Drainage	Fair value
Water & Sewerage Infrastructure	Fair value
Heritage Assets	Cost

v) Impairment of Assets

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

For non-cash generating assets of Council such as roads, bridges, stormwater and drainage and the like, value in use is represented by the deprival value of the asset approximated by its written down replacement cost.

vi) Depreciation of Non-Current Assets

All non-current assets which have a limited useful life are systematically depreciated over their useful life in a manner which reflects the consumption of the service potential of those assets. Land generally is not a depreciable asset. Non-current assets are those which provide a benefit to Council extending beyond twelve (12) months. Depreciation is recognised as per the schedule below. Rates of depreciation reflect the consumption of service potential of these assets.

The current useful lives used for depreciation are:

Asset	Life (Years)
Land	Unlimited
Buildings	100
Flood Levee Infrastructure	- Depreciable Component - Non-Depreciable Component
	100 Unlimited
Furniture, Fittings & Office Equipment	2 - 20
Fleet	2 - 20
Plant & Equipment	10
Roads Infrastructure	- Depreciable Component - Non-Depreciable Component
	10 - 70 Unlimited
Bridges	20 - 100
Stormwater & Drainage	70 - 80
Water & Sewerage Infrastructure	15 - 120

Earthworks carried out during road construction are included in the cost of the asset, and are considered to be a non-depreciable component of the asset.

vii) Inventory Measurement/Valuation

Inventories consists of materials held in store for maintenance and construction requirements and are carried at the lower of cost and net replacement value. Materials are taken into the store at cost price and issued at average price.

viii) Maintenance vs Capitalisation

Officers of the Council will determine at the occurrence of an event whether to capitalize/expense expenditure. The following formula is provided as a guide “maintenance, repair costs and minor renewals are charged as expenses as incurred unless their total value exceeds 10% of the written down current value and increases the economic life by more than 10%”.

(g) Employee Benefits

i) Wages and Salaries

Liability for wages and salaries is recognised and are measured as the amount unpaid at rates of pay expected to apply when the liability is settled, in respect of employees' services up to balance date.

ii) Superannuation

The superannuation expense within a reporting period is the amount of the statutory contribution the Northern Midlands Council makes to the Quadrant Superannuation Scheme administered by the Local Government Association of Tasmania which provides benefits to employees. It also includes amounts paid by Council to TasPlan. Details of those arrangements are set in Note 21.

iii) Annual Leave

A liability for annual leave (including leave loading) is recognised as the expected future payments to be made in respect of services provided by employees up to balance date at current rates of pay, including related oncosts. Amounts expected to be settled beyond twelve months have not been inflated and discounted to their present value in accordance with AASB 119 "Employee Benefits" as the impact has been assessed as immaterial.

iv) Long Service Leave

The liability for employee entitlements to long service leave represents the value of the estimated future cash outflows to be made by Council resulting from employees' services provided up to the balance date. In determining "pre-conditional" entitlements, the amount of cash outflows required to be made by Council in the future have been estimated on a group basis after taking into consideration Council's experience with staff departures.

Long service leave entitlements expected to be settled within twelve months of the reporting date are measured at their nominal amounts based on current wage and salary rates, and including related on-costs.

Other long service leave entitlements are measured at the present value of the estimated future cash outflows to be made. This involves estimating future increases in wage and salary rates, and discounting estimated future cash flows to present value.

Discount rates used are those attaching to national government guaranteed securities at balance date, which most closely match the terms to maturity of the related liabilities.

v) Sick Leave

Council does not recognise a liability for sick leave because such leave is non-vesting and because it is probable that sick leave expected to be taken in future reporting periods will be less than entitlements which are expected to accrue in those periods. Employees receive 10 days sick leave per year and the average sick leave taken by each employee for the 2008/09 financial year was 5.9 days (2007/08 was 8.0 days).

vi) Rostered Days Off

A liability for accrued rostered days off is recognised at the current rates of pay including related oncosts, for expected future payments to be made in respect of accruals by employees of the Council.

vii) Number of Employees

as at 30 June are:

	Total 30/6/09	Full Time Equivalent 30/6/09	Total 30/6/08	Full Time Equivalent 30/6/08	Total 30/6/07	Full Time Equivalent 30/6/07
Permanent	85	71	90	72	89	74
Casual	10	4	5	2	5	1
Total	95	75	95	74	94	75

(h) Trust Funds

The financial reports of the Council incorporate only those items over which the Council has control.

Amounts received as tender deposit and retention amounts controlled by Council are included in the amount disclosed as creditors with current liabilities until they are refunded or forfeited.

(i) Cash & Cash Equivalents

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

(j) Accruals/Prepayments

Accruals and Prepayments are recognised in accordance with generally accepted accounting practices with materiality a major factor in determining their applicability.

(k) Net Fair Values of Financial Assets & Liabilities

Net fair values of financial instruments are determined on the following basis:

- ❖ *Monetary financial assets and liabilities* - carrying amounts of trade debtors, trade creditors and accruals (which approximates net market value).
- ❖ *Interest bearing loans* - are carried at their principal amount, which represents the present value of future cash flows associated servicing the debt. Interest is accrued.

(l) Significant Business Activities

The Local Government Act requires the reporting of operating capital and competitive neutrality in respect of each significant business activity undertaken by Council. Council disclosure is recorded in Note 23.

Council has determined, based upon materiality, that Road Infrastructure, Sewerage Disposal and Water Reticulation are considered Council's significant business activities.

In preparing the information disclosed in relation to significant business activities, the following assumptions have been applied:

- ❖ The notional opportunity cost of capital was calculated by applying an interest rate of 7% which council has determined as an appropriate interest rate adjusted for a risk margin.
- ❖ Taxation equivalents were calculated by an applicable taxation rate of 30% applied to the activities notional accounting profit.
- ❖ Notional council rates have been calculated using actual rates and charges set by Council for the current financial period.
- ❖ Loan guarantee fees were calculated on the average loan outstanding for each activity multiplied by the loan guarantee fee rate of 0.45% that is determined by the Department of Treasury and Finance.
- ❖ The impact of fringe benefits tax credits, stamp duty and debits were determined to be immaterial and have not been included.

(m) Goods & Services Tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Tax Office (ATO). In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense.

Receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable or payable to the ATO is included as a current asset or current liability in the balance sheet.

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recovered from, or paid to, the ATO are classified as operating cash flows.

(n) Budget Figures

The Budget figures which appear in the Income Statement represent amended budget figures and are not subject to audit.

(o) Rounding

Unless otherwise stated amounts in the financial report have been rounded to the nearest dollar.

2. Water and Sewer Infrastructure(a) Prior Year Adjustment - Sewerage Infrastructure Asset

During 2009 it was discovered that a material error had been made in relation to recognition of Waste Water Infrastructure in that the outfall pipeline from the Longford Waste Water Treatment plant to Back Creek constructed in 1981 was identified as not being included in Council's asset balances despite being owned by Council. Prior years figures have been adjusted to reflect recognition of this asset and details of the effect of this change on the balance sheet and income statement are detailed below:

	2008 \$
Balance Sheet	
Net asset as per previous financial statements	209,001,553
Adjustment - Increase in replacement value: Sewerage Infrastructure	228,767
Adjustment - Increase in accumulated depreciation: Sewerage Infrastructure	(139,814)
Restated Net Assets	209,090,506
Income Statement	
Net surplus per previous financial statements	538,631
Adjustment - Increase in depreciation expense: Sewerage Infrastructure	5,084
Restated Net Surplus	533,547

(b) Water & Sewerage Reform - future arrangements and after balance day events

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

Two of the main purposes of the Corporations Act are to:

- ❖ vest the water and sewerage assets, rights and liabilities of councils and bulk water authorities in the Regional Corporations and the Common Services Corporation; and
- ❖ make provision for the transfer of water and sewerage employees of councils and employees of bulk water authorities to the Regional Corporations and the Common Services Corporation.

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

In conjunction with the above Act, the *Water and Sewerage Industry Act 2008* was also proclaimed on 13 June 2008. The Act provides for the establishment of an economic regulatory framework for the water and sewerage industry, including the establishment of a licensing regime and providing for the regulation of prices, customer service standards and performance monitoring of that industry and for related matters.

Full transition to the new water pricing and servicing standards is not expected until January 2012.

i) Income Statement

The income statement impact will predominantly result in the water and sewerage activities as detailed in Note 23 Significant Business Activities transferring to the new corporations. Some other functions/activities may also be impacted.

Council will in future derive returns from the new corporations, mainly in the form of dividends.

However, at the time of preparing the financial statements it is not possible to determine the level of such returns.

ii) Balance Sheet

Disclosure of asset and liability transfers to Ben Lomond Water

Asset / Liability Class	Total Council Balance 30 June 2009 \$	Transfers on 1 July 2009 \$	Net Council Balance at 1 July 2009 \$
<i>CURRENT ASSETS</i>			
Cash and Cash Equivalents	11,448,405	(3,031,594)	8,416,811
Trade and Other Receivables	791,108	-	791,108
Inventory	14,277	-	14,277
<i>Total Current Assets</i>	<i>12,253,790</i>	<i>(3,031,594)</i>	<i>9,222,196</i>
<i>NON-CURRENT ASSETS</i>			
Work in Progress	781,863	(663,049)	118,814
Property, Plant & Equipment*			
Land	12,446,944	(1,162,109)	11,284,835
Buildings	25,299,362	(800,158)	24,499,204
Heritage Assets	607,897	-	607,897
Flood Levee Infrastructure	5,004,013	-	5,004,013
Furniture, Fittings, Office Equipment & Computers	464,378	(9,763)	454,615
Fleet	2,240,038	(156,355)	2,083,683
Plant & Equipment	933,789	(84,246)	849,543
Roads & Streets	92,788,237	-	92,788,237
Bridges	11,753,840	-	11,753,840

Asset / Liability Class	Total Council Balance 30 June 2009	Transfers on 1 July 2009	Net Council Balance at 1 July 2009
	\$	\$	\$
Stormwater & Drainage	18,236,674	-	18,236,674
Water Infrastructure	26,883,608	(26,883,608)	-
Sewer Infrastructure	20,668,215	(20,668,215)	-
Investment in Ben Lomond Water	-	45,841,025	45,841,025
Total Non-Current Assets	218,108,858	(4,586,478)	213,522,380
TOTAL ASSETS	230,362,648	(7,618,072)	222,744,576
CURRENT LIABILITIES			
Trade and Other Payables	1,386,593	-	1,386,593
Provisions			
Employee Benefits - Annual Leave	466,580	(52,654)	413,926
Employee Benefits - Long Service Leave	329,422	(20,749)	308,673
Employee Benefits - Oncosts	161,165	(14,935)	146,230
Borrowings	7,500,000	(7,500,000)	-
Total Current Liabilities	9,843,760	(7,588,338)	2,255,422
NON-CURRENT LIABILITIES			
Provisions*			
Employee Benefits - Long Service Leave	75,405	(24,820)	50,585
Employee Benefits - Oncosts	14,930	(4,914)	10,016
Total Non-Current Liabilities	90,335	(29,734)	60,601
TOTAL LIABILITIES	9,934,095	(7,618,072)	2,316,023
NET ASSETS	220,428,553	-	220,428,553
EQUITY			
Accumulated Surplus	118,396,158	11,897,626	130,293,784
Reserves**	102,032,395	(11,897,626)	90,134,769
TOTAL RATEPAYER EQUITY	220,428,553	-	220,428,553

* Disaggregated to note level to show affected asset/liability classes

** Write back of ARR and general reserves relating to water and sewerage.

Reconciliation of net asset transfers to amounts disclosed by completion balance sheet

	2009	
	\$	\$
<i>Total per activity:</i>		
Water	26,883,608	
Sewerage	20,668,215	
Other	172,876,730	
		220,428,553
<i>Less not transferred:</i>		
Water infrastructure	-	
Sewerage infrastructure	-	
Other	174,587,528	174,587,528
<i>TOTAL NET ASSETS TRANSFERRED PER COMPLETION BALANCE SHEET</i>		<u>45,841,025</u>

Council is continuing to negotiate with Ben Lomond Water the transfer of amounts in relation to the provision of trade waste services.

3. Functions/Activities of the Council

(a) Functions/Activities of the Council

Revenues, expenses and assets have been attributed to the following functions/activities:

Details of the functions/activities of each Business Unit are set out in Note 3 (b).

	Governance		Economic & Community Development		Planning & Development		Engineering		Works		Total	
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
Revenues												
Grants	1,886,216	867,788	865,334	432,536	26,471	15,000	2,896,098	3,583,370	11,069	5,000	5,685,188	4,903,694
Other	5,719,139	2,478,860	1,095,140	971,642	486,527	214,361	5,911,357	2,513,935	741,162	4,237,327	13,953,325	10,416,125
Total	7,605,355	3,346,648	1,960,474	1,404,178	512,998	229,361	8,807,455	6,097,305	752,231	4,242,327	19,638,513	15,319,819
Expenditure												
	1,216,101	2,523,891	2,113,884	1,346,539	1,095,650	273,339	6,322,635	6,111,305	7,126,683	4,531,198	17,874,953	14,786,272
Change in Net Assets												
	6,389,254	822,757	(153,410)	57,639	(582,652)	(43,978)	2,484,820	(14,000)	(6,374,452)	(288,871)	1,763,560	533,547
ASSETS	40,562,983	38,542,850	417,777	399,475	334,085	287,005	186,172,484	168,989,032	2,875,319	2,915,584	230,362,648	211,133,946

(b) Component Functions/Activities

The activities relating to the Council's components reported in Note 3 (a) are as follows:

Governance

The provision of elected representation, executive support, strategic planning and public relations.

Economic & Community Development

The provision of the following services to Council:

- ❖ Community Services Management
- ❖ Economic Development
- ❖ Tourism Promotion
- ❖ Recreation Management

Planning & Development

The provision of the following services to Council:

- ❖ Planning
- ❖ Building
- ❖ Health & Environmental Management
- ❖ Natural Resource Management

Engineering

The provision of the following services to Council:

- ❖ Infrastructure Management & Design
- ❖ Waste Management
- ❖ Emergency Management

Works

The provision of maintenance and construction services to Council's infrastructure and facilities.

4. Grant Revenue

Grants were received in respect of the following:

	2009		2008	
	\$	\$	\$	\$
Annual Grants:				
Base Grant	2,297,944		1,371,809	
Road and Bridge Grants	2,042,290		1,872,553	
Other Grants:		4,340,234		3,244,362
Australia Day		250		250
Campbell Town Bridge Connection Project		-		46,250
Community Road Safety Partnership		19,000		2,727
Conara Water Subsidy		12,332		1,783
Cressy Pool Amenities Building		80,000		-
Electronic DA Project		25,000		-
Employee Training Programs		1,500		5,000
Longford Flood Mitigation Project		-		535,154
Longford Historic Motorsport Festival 2010		10,000		9,000
Longford Main Street Makeover		-		64,000
Morven Park Club Room Redevelopment		180,000		-
NRM Regional Strategic Planning		-		15,000
Perth Child Care Service		29,247		36,997
Regional & Local Community Infrastructure Program		312,000		-
Roads Black Spot		207,000		-
Roads to Recovery		188,906		685,071
Rural & Remote Child Care Service		157,400		218,245
Saluting their Service - RSL Canon Refurbishment		3,636		-
Softfall Trial Village Green Longford		2,745		6,405
Solar Heating of Campbell Town Pool		-		22,300
Stronger Councils, Better Services Shared Services		24,000		-
Strung Out		-		1,150
Water & Sewer Reform		80,055		-
Women in Business - CTSBAS		-		2,000
Youth Community Action challenge		10,333		-
Youth - National Youth Week		1,550		8,000
		5,685,188		4,903,694

Government funds received in relation to pensioner rates of \$428,875 (\$362,416 - 2007/2008) have been treated in the Income Statement as rate revenue.

Grants recognised as revenues during the reporting period which have yet to be applied to the purpose for which they were provided as at the reporting date:

	2009	2008
	\$	\$
Annual Grants - Base grant	851,284	-
Community Safety Partnership	19,000	2,727
Cressy Pool Amenities Building	78,720	-
Electronic DA Project	20,894	-
Envirofund Projects	-	40,073
Longford Historic Motorsport Festival 2010	8,432	9,000
Longford Main Street Makeover	-	17,325
Regional & Local Community Infrastructure Program	219,227	-
Roads Black Spot	118,480	-
Roads to Recovery	-	357,040
Rural & Remote Child Care Service	-	17,361
Saluting their Service - RSL Canon Refurbishment	3,636	-
Softfall Trial Village Green Longford	-	6,405
Solar Heating of Ross Pool	-	25,300
Stronger Councils, Better Services Share Services	4,000	-
	1,323,673	475,231

5. Gain/(Loss) on Disposal of Assets

The profit/(loss) on sales of assets for the period was comprised of:

Asset	2009			2008		
	Proceeds from sales / disposals	Written down value of assets sold / disposed	Profit /(loss) on sale	Proceeds from sales / disposals	Written down value of assets sold / disposed	Profit /(loss) on sale
Land	127,092	119,122	7,970	-	-	-
Buildings	-	297,066	(297,066)	-	10,256	(10,256)
Fleet	176,019	239,212	(63,193)	165,624	130,328	35,296
Roads & Streets	-	519,438	(519,438)	-	286,538	(286,538)
Bridges	-	-	-	-	116,226	(116,226)
Stormwater & Drainage	-	21,585	(21,585)	-	496,192	(496,192)
Water Infrastructure	-	16,644	(16,644)	-	43,152	(43,152)
Sewer Infrastructure	-	12,356	(12,356)	-	-	-
TOTAL	303,111	1,225,423	(922,312)	165,624	1,082,692	(917,068)

6. Employee Benefits

	2009		2008	
	\$	\$	\$	\$
Wages and Salaries	3,563,917		3,394,454	
Superannuation	430,181		363,540	
Annual/Sick/Long Service/Other Leave	585,171		610,217	
Total Employee Benefits Expenses		4,579,269		4,368,211
State Government Payroll Tax	232,157		220,932	
Workers Compensation	52,750		53,283	
Provision for Leave Entitlements	10,667		18,399	
Other Employee Oncost Expenses	19,154		30,031	
Total Other Employee Related Expenses		314,728		322,645
LESS AMOUNTS CAPITALISED:		4,893,997		4,690,856
Non-current assets constructed		(344,869)		(296,637)
TOTAL EMPLOYEE BENEFITS AND RELATED EXPENSES		4,549,128		4,394,219

7. Materials & Services

	2009	2008
Contractor Payments	2,722,209	1,502,132
Materials	1,742,659	1,301,239
Electricity Costs	679,630	543,225
Consultants Fees	864,780	438,985
Insurance	189,682	258,207
Telecommunication Costs	85,975	84,019
Other	183,778	198,370
	\$6,468,713	\$4,326,177

8. Depreciation & Amortisation Expense

Depreciation and amortisation expense for the year is as follows:

	2009	2008
Buildings	360,677	350,655
Plant & Equipment	196,531	162,574
Flood Levee Infrastructure	17,145	10,890
Furniture, Fittings, Office Equipment & Computers	104,978	105,368
Fleet	315,536	310,414
Water Infrastructure	549,673	527,512
Sewer Infrastructure	739,262	681,415
Road Infrastructure	2,510,006	2,418,386
Bridges	229,064	212,147
Stormwater & Drainage	270,783	159,016
Heritage Assets	4,805	4,691
	\$5,298,460	\$4,943,068

9. Other Expenses

Other expenses for the year are as follows:

	2009	2008
Bad & Doubtful Debts	123,531	29,056
Contributions & Donations	168,634	71,243
Councillors' Remuneration	142,689	130,137
Fringe Benefits Tax	29,000	21,682
Rate Remissions & Discounts	112,262	105,375
Special Committee Expenditure	182,483	149,757
Refunds & Reimbursements	57,561	29,780
Opening Work in Progress not capitalised	93,869	2,039
Other Expenses	3,946	13,024
	\$913,975	\$552,093

10. Trade & Other Receivables

	2009		2008	
	\$	\$	\$	\$
CURRENT				
Trade Debtors - Sundry	517,676		521,854	
Rates Outstanding	425,814		417,349	
Less Provision for Impairment of Debts	(163,054)		(168,838)	
Accrued Income	10,672	791,108	49,264	819,629
NON CURRENT				
Debtors - Sewer Reuse Schemes		-		10,969
		791,108		830,598

11. Inventory

	2009	2008
Fuel - held for distribution at average cost	2,743	15,980
Timber - held for distribution at average cost	11,534	8,825
	\$14,277	\$24,805

12. Property, Plant, Equipment & Infrastructure

LAND		2009		2008	
Valuation of land was determined by Mr I Mason the Acting Valuer General as at 1 July 2007. Council Officers have applied a 'Council Cost' indexation factor provided by the Local Government Association of Tasmania to determine a valuation as at 1 July 2008.		\$	\$	\$	\$
Gross Value					
	Opening balance	12,040,319		4,642,065	
	Additions - Purchased	114,767		185,319	
	Additions - Donated or Contributed	68,300		-	
	Disposals	(119,123)		-	
	Revaluation Adjustment	342,681		7,212,935	
	NET AMOUNT AT FAIR VALUE		12,446,944		12,040,319
BUILDINGS		2009		2008	
Valuation of buildings was determined by Mr Murray A Bugg, Dip Val. AAPL, Independent Certified Valuer as at 1 July 2006. Council Officers have applied a 'Council Cost' indexation factor provided by the Local Government Association of Tasmania to determine a valuation as at 1 July 2008.		\$	\$	\$	\$
Gross Value					
	Opening Balance	35,192,572		33,556,421	
	Additions - Purchased/Constructed	467,430		137,551	
	Additions - Donated or Contributed	-		120,000	
	Disposals	(486,977)		(12,916)	
	Revaluation Adjustment	1,244,186		1,391,516	
	Closing Balance		36,417,211		35,192,572
Accumulated Depreciation					
	Opening Balance	10,570,867		10,148,864	
	Depreciation Expense	360,677		350,655	
	Disposals	(189,911)		(2,660)	
	Revaluation Adjustment	376,216		74,008	
	Closing Balance		11,117,849		10,570,867
	NET AMOUNT AT FAIR VALUE		25,299,362		24,621,705
HERITAGE ASSETS		2009		2008	
Gross Value		\$	\$	\$	\$
	Opening Balance	728,397		715,616	
	Additions - Purchased/Constructed	-		12,781	
	Disposals	-		-	
	Closing Balance		728,397		728,397

Accumulated Depreciation		
Opening Balance	115,695	111,004
Depreciation Expense	4,805	4,691
Disposals	-	-
Closing Balance	<u>120,500</u>	<u>115,695</u>
NET AMOUNT AT COST	<u>607,897</u>	<u>612,702</u>

FLOOD LEVEL INFRASTRUCTURE

	2009		2008	
Gross Value	\$	\$	\$	\$
Opening Balance	5,032,048		4,152,810	
Additions - Purchased/Constructed	-		879,238	
Closing Balance		<u>5,032,048</u>		<u>5,032,048</u>
Accumulated Depreciation				
Opening Balance	10,890		-	
Depreciation Expense	17,145		10,890	
Closing Balance		<u>28,035</u>		<u>10,890</u>
NET AMOUNT AT COST		<u>5,004,013</u>		<u>5,021,158</u>

FURNITURE, FITTINGS, OFFICE EQUIPMENT & COMPUTERS

	2009		2008	
Gross Value	\$	\$	\$	\$
Opening Balance	1,388,118		1,325,675	
Additions - Purchased/Constructed	162,500		62,443	
Disposals	-		-	
Closing Balance		<u>1,550,618</u>		<u>1,388,118</u>
Accumulated Depreciation				
Opening Balance	981,262		875,894	
Depreciation Expense	104,978		105,368	
Disposals	-		-	
Closing Balance		<u>1,086,240</u>		<u>981,262</u>
NET AMOUNT AT COST		<u>464,378</u>		<u>406,856</u>

FLEET		2009		2008	
		\$	\$	\$	\$
Gross Value					
	Opening balance	3,691,237		3,478,288	
	Additions - Purchased/Constructed	505,753		592,086	
	Additions - Donated or Contributed	-		-	
	Disposals	(444,872)		(379,137)	
	Closing Balance		3,752,118		3,691,237
Accumulated Depreciation					
	Opening Balance	1,402,205		1,340,600	
	Depreciation Expense	315,536		310,414	
	Disposals	(205,661)		(248,809)	
	Closing Balance		1,512,080		1,402,205
	NET AMOUNT AT COST		2,240,038		2,289,032
PLANT & EQUIPMENT		2009		2008	
<i>Valuation of plant and equipment was determined by Council Officers as at 1 July 2000 Council Officers have applied a 'Council Cost' indexation factor provided by the Local Government Association of Tasmania to determine a valuation as at 1 July 2008.</i>		\$	\$	\$	\$
Gross Value					
	Opening Balance	1,701,698		1,614,601	
	Additions - Purchased/Constructed	218,597		54,949	
	Additions - Donated or Contributed	199,500		-	
	Disposals	-		-	
	Revaluation Adjustment	54,898		32,148	
	Closing Balance		2,174,693		1,701,698
Accumulated Depreciation					
	Opening Balance	1,010,716		831,114	
	Depreciation Expense	196,531		162,574	
	Disposals	-		-	
	Revaluation Adjustment	33,657		17,028	
	Closing Balance		1,240,904		1,010,716
	NET AMOUNT AT FAIR VALUE		933,789		690,982
ROADS & STREETS		2009		2008	
<i>Valuation of Roads and Streets was determined by Moloney Asset Management Systems as at 1 July 2005 Council Officers have applied a 'Council Cost' indexation factor provided by the Local Government Association of Tasmania to determine a valuation as at 1 July 2008.</i>		\$	\$	\$	\$
Gross Value					
	Opening Balance	130,387,894		124,945,951	
	Additions - Purchased/Constructed	2,986,847		2,287,178	
	Disposals	(2,386,202)		(2,030,492)	
	Revaluation Adjustment	4,641,809		5,185,257	
	Closing Balance		135,630,348		130,387,894

Accumulated Depreciation		
Opening Balance	40,748,234	38,477,004
Depreciation Expense	2,510,005	2,418,388
Disposals	(1,866,765)	(1,743,954)
Revaluation Adjustment	1,450,637	1,596,796
Closing Balance	42,842,111	40,748,234
NET AMOUNT AT FAIR VALUE	92,788,237	89,639,660

BRIDGES

Valuation of bridges was determined by Council's Consultant Engineer, Mr H Galea as at 1 July 2005. Council Officers have applied a 'Council Cost' indexation factor provided by the Local Government Association of Tasmania to determine a valuation as at 1 July 2008.

	2009		2008	
	\$	\$	\$	\$
Gross Value				
Opening balance	16,661,550		15,683,554	
Additions - Purchased/Constructed	525,203		798,834	
Disposals	(176,005)		(454,312)	
Revaluation Adjustment	429,495		633,474	
Closing Balance		17,440,243		16,661,550
Accumulated Depreciation				
Opening Balance	5,439,691		5,344,841	
Depreciation Expense	229,064		212,147	
Disposals	(176,005)		(338,086)	
Revaluation Adjustment	193,653		220,789	
Closing Balance		5,686,403		5,439,691
NET AMOUNT AT FAIR VALUE		11,753,840		11,221,859

STORMWATER & DRAINAGE

Valuation of stormwater & drainage was determined by Consulting Engineers, Pitt & Sherry, as at 1 July 2008.

	2009		2008	
	\$	\$	\$	\$
Gross Value				
Opening Balance	16,398,017		15,257,272	
Additions - Purchased/Constructed	131,799		407,287	
Additions - Donated or Contributed	1,447,543		-	
Disposals	(31,430)		(604,488)	
Revaluation Adjustment	5,301,535		1,377,946	
Closing Balance		23,247,464		16,398,017
Accumulated Depreciation				
Opening Balance	2,980,910		2,783,610	
Depreciation Expense	270,783		159,016	
Disposals	(9,845)		(108,296)	
Revaluation Adjustment	1,768,942		146,580)	
Closing Balance		5,010,790		2,980,910
NET AMOUNT AT FAIR VALUE		18,236,674		13,417,107

WATER INFRASTRUCTURE		2009		2008	
<i>Valuation of water infrastructure was determined by Council's Engineer, Mr H Galea as at 1 July 2003. Council Officers have applied a 'Council Cost' indexation factor provided by the Local Government Association of Tasmania to determine a valuation as at 1 July 2008.</i>	Gross Value	\$	\$	\$	\$
	Opening Balance	38,727,570		35,832,523	
	Additions - Purchased/Constructed	1,675,429		214,403	
	Additions - Donated/Contributed	379,374		-	
	Disposals	(55,880)		(51,408)	
	Revaluation Adjustment	1,179,911		2,732,052	
	Closing Balance		41,906,404		38,727,570
	Accumulated Depreciation				
	Opening Balance	14,038,192		12,482,365	
	Depreciation Expense	549,673		527,512	
	Disposals	(39,236)		(8,256)	
	Revaluation Adjustment	474,167		1,036,571	
	Closing Balance		15,022,796		14,038,192
NET AMOUNT AT FAIR VALUE		26,883,608		24,689,378	

SEWERAGE INFRASTRUCTURE		2009		2008	
<i>Valuation of sewerage infrastructure was determined by Council's Engineer, Mr H Galea as at 1 July 2003. Council Officers have applied a 'Council Cost' indexation factor provided by the Local Government Association of Tasmania to determine a valuation as at 1 July 2008.</i>	Gross Value	\$	\$	\$	\$
	Opening Balance	37,949,508		35,051,901	
	Additions - Purchased/Constructed	467,736		776,587	
	Additions - Donated/Contributed	932,408		-	
	Disposals	(18,622)		-	
	Revaluation Adjustment	1,338,091		2,121,020	
	Closing Balance		40,669,121		37,949,508
	Accumulated Depreciation				
	Opening Balance	18,607,062		16,804,902	
	Depreciation Expense	739,262		681,415	
	Disposals	(6,265)		-	
	Revaluation Adjustment	660,847		1,120,745	
	Closing Balance		20,000,906		18,607,062
NET AMOUNT AT FAIR VALUE		20,668,215		19,342,446	

TOTAL PROPERTY, PLANT, EQUIPMENT & INFRASTRUCTURE		2009		2008	
		\$	\$	\$	\$
Gross Value					
Opening Balance		299,898,928		276,256,677	
Additions - Purchased/Constructed		7,256,061		6,408,656	
Additions - Donated/Contributed		3,027,125		120,000	
Disposals		(3,719,111)		(3,532,753)	
Revaluation Adjustment		14,532,606		20,646,348	
Closing Balance			320,995,609		299,898,928
Accumulated Depreciation					
Opening Balance		95,905,724		89,200,198	
Depreciation Expense		5,298,459		4,943,070	
Disposals		(2,493,688)		(2,450,061)	
Revaluation Adjustment		4,958,119		4,212,517	
Closing Balance			103,668,614		95,905,724
NET AMOUNT			217,326,995		203,993,204

13. Trade & Other Payables

	2009	2008
CURRENT		
Trade Creditor	831,404	560,402
Accrued Wages	105,211	113,828
Money held in trust	449,978	342,936
	\$1,386,593	\$1,017,166

14. Provisions

	2009		2008	
	\$	\$	\$	\$
CURRENT				
Employee Benefits - Annual Leave	466,580		452,311	
Employee Benefits - Long Service Leave	329,422		314,014	
Employee Benefits - Oncosts	161,165	957,167	152,208	918,533
NON-CURRENT				
Employee Benefits - Long Service Leave	75,405		90,654	
Employee Benefits - Oncosts	14,930	90,335	17,087	107,741
AGGREGATE EMPLOYEE BENEFITS		1,047,502		1,026,274

15. Capital Expenditure Commitments

<i>Capital / Contractual Commitments</i>	2009	2008
<i>Estimated expenditure contracted for at balance date but not provided for:</i>		
- payable not later than one year	434,243	352,805
- payable later than one year but no later than two years	252,696	263,369
- payable later than two years	260,277	401,298
	\$947,216	\$1,017,472

16. Contingent Liabilities

Council has not recognised any contingent liabilities.

17. Auditors Remuneration

	2009	2008
Audit fees to conduct external audit - Tasmanian Audit officer	\$16,580	\$15,860

18. Special Committees

Committee Name	Operating Income 2009	Operating Expenditure 2009	Amounts Capitalised 2009	Net Assets 2009
Avoca Community Centre	726	-	-	4,294
Avoca/Royal George Local District	-	-	-	244
Bishopsbourne Community Centre	47,725	30,947	-	55,957
Campbell Town Swimming Pool	22,541	39,580	-	28,708
Campbell Town Recreation Ground	-	682	-	-
Cressy Hall	2,659	1,548	-	12,434
Cressy War Memorial Swimming Pool	34,197	28,078	1,118	45,151
Cressy Recreation Ground	9,919	2,507	3,000	14,468
Epping Hall	-	-	-	134
Evandale Community Centre and War Memorial Hall	24,458	19,137	-	25,566
Liffey Hall	572	284	-	2,030
Longford Community Sports Centre	-	-	-	173
Longford Recreation Ground	7,749	5,000	5,182	11,060
Morven Park Recreation Ground	32,756	25,754	5,996	15,187
Perth Community Centre	7,258	-	-	23,025
Perth Recreation Ground	6,740	5,066	-	4,334
Ross Community Sports Club	42,297	23,900	3,854	42,684
	\$239,597	\$182,483	\$19,150	\$285,449

19. Statement of Cash Flows

<i>Reconciliation of Increase in Net Assets Resulting from Operations to net cash inflow from Operating Activities</i>	2009 \$	2008 \$
Increase in net assets resulting from Operations	4,955,571	533,547
Add: Depreciation	5,298,460	4,943,068
Add: Net loss on Disposal of Fixed Assets	922,312	917,068
Less: Recognition of Assets Received at No Cost to Council	(3,027,125)	(120,000)
Changes in Operating Assets & Liabilities		
(Increase)/Decrease in Receivables	(3,191,113)	(66,499)
(Increase)/Decrease in Accrued Revenue	38,592	8,621
(Increase)/Decrease in Prepaid Expense	-	-
(Increase)/Decrease in Inventory	10,528	(2,220)
Increase/(Decrease) in Creditors	369,427	47,151
Increase/(Decrease) in Provisions	21,228	21,193
NET CASH INFLOWS FROM OPERATING ACTIVITIES	5,397,880	6,281,929

20. Related Party Disclosure

a) Allowances & Reimbursements

	2009	2008
Councillors Allowances and Reimbursements	\$142,689	\$130,137

b) Register of Interests - 2008/2009

Interests of Councillors notified to the General Manager in respect of any body or organisation with which the Council has major financial dealings are detailed below:

NO MATERIAL INTEREST DECLARED:

Cr Andrew Calvert
Cr Matthew Brooks
Cr Jeff Carins

Deputy Mayor David Downie
Cr Michael Geeves
Cr Richard Goss

Mayor Kim Polley
Cr Tim Polley

MATERIAL INTEREST DECLARED:

Cr Ian Goninon

Nature: Shareholder/Director

Company: Specialist Collection Services

Period: 1 July 2008 - 30 June 2009

Relevant dealings: Provision of Debt Collection Services

21. Superannuation

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

At the present time Council contributes 9.5% of employees' gross income to the Fund. Assets accumulate in the fund to meet member benefits as they accrue, and if assets within the fund are insufficient to satisfy benefits payable, the Council is required to meet its share of the deficiency.

Bendzulla Actuarial Pty Ltd undertook the last actuarial review of the Fund at 30 June 2008. The review disclosed that at that time the net market value of assets available for funding members benefits was \$84,786,241, the value of vested benefits was \$77,078,401, the surplus was \$7,707,840 and the value of total accrued benefits was \$81,398,000. These amounts relate to all members of the fund at the date of valuation and no asset or liability is recorded in the Quadrant Superannuation Schemes financial statements for Council employees.

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

Net Investment Return	-17.0% per annum for 2008/09 and 7.0% thereafter
Salary Inflation	4.0% per annum
Price Inflation	n/a

In the opinion of the Actuary, the Scheme was adequately funded in that assets were sufficient to cover the vested benefits of all members at the review date and the actuarial value of accrued past service benefits. The next full triennial review will be undertaken after 31 October 2011 for 30 June 2011.

Council also contributes on behalf of a number of employees to accumulation schemes (Quadrant and Tasplan), however Council has no ongoing responsibility to make good any deficiencies that may occur in these schemes.

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

During the reporting period the amount of contributions paid to defined benefits schemes was \$54,143 compared to \$56,128 in the previous reporting period, and the amount paid to accumulation schemes was \$376,028 compared to \$307,412 in the previous reporting period.

22. Financial Instruments

(a) Accounting Policy, Terms & Conditions

Financial Instruments	Note	Accounting Policy	Terms & Conditions
Financial Assets			
Cash & Cash Equivalents		Cash and cash equivalents are valued at face value. Interest is recognised as it accrues. Cash, surplus to requirements is held to maximise interest returns.	
Rate Debtors	10	Rates are carried at nominal amounts due plus interest and penalty. Rate debtors are charges attached to the property and are recoverable on sale, therefore allowance for impairment is only made when it is unlikely the property could be sold for an amount which will cover the costs of the sale.	Rates are payable by three equal instalments during the year, or alternatively by one payment within 30 days of demand, which provides a discount of 3% (any such discount allowed is shown as an expense of Council in its income statement). Overdue rates attract a penalty of 5% (5% 2007/2008), any such penalty imposed is shown as income of Council in its income statement. Arrears attract interest which is applied on a regular basis to the property at a rate of 7.5% p.a. (7.5% p.a. 2007/2008). Furthermore Council instigates collection proceedings in accordance with provisions of the Local Government Act 1993 (as amended), for any amounts which remain unpaid outside of Councils approved payment options.
Trade Debtors	10	Receivables are carried at nominal amounts due less any allowance for impairment. An impairment loss is recognised when collection in full is no longer probable. Ability to collect overdue accounts is assessed on an ongoing basis.	Payment is required within 30 days of the issue of the account. Should amounts remain unpaid beyond 30 days, Council instigates collection proceedings in accordance with provisions of the <i>Local Government Act 1993</i> (as amended).
Financial Liabilities			
Trade and Other Payables	13	Liabilities are recognised for amounts to be paid in the future for goods and services provided to Council as at balance date.	General creditors are unsecured, not subject to interest charges and are normally settled within Councils standard ordering terms of 30 day from date of purchase.

(b) Financing Arrangements

Unrestricted access was available at the reporting date to the following lines of credit:

	2009	2008
Total Corporate Credit Cards Facility Limit	50,000	50,000
Corporate Credit Card Facility Limit Used at Reporting Date	2,363	945
	\$47,637	\$49,055

No other credit standby arrangements and loan facilities are used or available to be used as at 30 June 2009.

(c) Financial Risk Exposure & Mitigation

The General Manager has overall responsibility for the establishment and oversight of the Council's risk management framework. Risk Management policies are established to identify and analyse risks faced by the Council, to set appropriate risk limits and controls, and to monitor risk and adherence to limits.

The risk associated with Council's main financial instruments and our practices for minimising these risks are detailed below.

i) Credit Risk

Credit Risk represents the loss that would be recognised if counterparties fail to perform as contracted, and arises principally from trade and other receivables and cash and investments. The carrying amount of financial assets recorded in the financial statements, net of any allowances for impairment losses, represents the Council's maximum exposure to credit risk without taking account of any collateral or other security. Reference should be made to the Interest Rate Risk table on page 35 for the carrying amount of Council's financial assets at reporting date.

Receivables consist of a large number of customers, with material exposure to only one individual debtor. To help manage credit risk, Council ensures financial institutions maintaining Council cash deposits have sufficient security.

ii) Liquidity Risk

Liquidity risk is the risk that Council will not be able to meet its financial obligations as they fall due. Council's approach to managing liquidity is to ensure that it will always have sufficient liquidity to meet its liabilities as they fall due. Due to significant amounts of readily available cash the exposure to liquidity risk is deemed insignificant. Council falls well within the lending benchmarks set by Treasury.

iii) Market Risk

Market risk is the risk that the fair value or future cash flows of Council's financial instruments will fluctuate because of changes in market prices, such as interest rates. The Council's exposure to market risks is primarily through interest rate risk with only insignificant exposure to other price risks and no direct exposure to foreign currency risk.

Council's liabilities are non-interest bearing or at fixed rates, so there is no ongoing exposure to interest rate risk for existing financial liabilities. Council obtains loans with competitive fixed interest rates to manage its exposure to interest rate risk when loans are taken.

A component of Council's cash is subject to floating interest rates. It is predicted any variations in future cash flows from interest rate movements will not have a material effect on Council's income. Interest rate risk on deposits is managed by adopting practices that ensures:

- ❖ Conformity with State and Federal regulations and standards
- ❖ Adequate safety
- ❖ Appropriate liquidity

- ❖ Monitoring of return on investments
- ❖ Staggering maturity dates to provide for interest rate variations
- ❖ Benchmarking of returns and comparisons with budget.

The Council's exposure to interest rate risk, re-pricing maturities and the effective interest rates on financial instruments at balance date, is detailed below:

	Weighted Average Effective Interest Rate 2009	Floating Interest Rate \$	1 Year or Less \$	1 to 5 Years \$	Over 5 Years \$	Non-Interest Bearing \$	Total \$
Assets							
Cash	3.00%	6,283,975					6,283,975
Investments	5.10%	1,164,430	4,000,000				5,164,430
Receivables							
<i>Rates</i>	7.50%		262,760				262,760
<i>Sundry</i>						514,692	514,692
<i>Sewerage Reuse Schemes</i>	6.00%		2,984				2,984
Revenue Accrual						10,672	10,672
Total Financial Assets 2009		7,448,405	4,265,744	-	-	525,364	12,239,513
Liabilities							
Creditors							
<i>Sundry Creditors</i>						936,615	936,615
<i>Borrowings</i>	4.61%			7,500,000			7,500,000
<i>Monies held in Trust</i>						449,978	449,978
Total Financial Liabilities 2009		-	-	7,500,000	-	1,386,593	8,886,593
NET FINANCIAL ASSETS/(LIABILITIES) 2009		7,448,405	4,265,744	(7,500,000)	-	(861,229)	3,352,920

	Weighted Average Effective Interest Rate 2008	Floating Interest Rate \$	1 Year or Less \$	1 to 5 Years \$	Over 5 Years \$	Non- Interest Bearing \$	Total \$
Assets							
Cash	5.40%	715,712					715,712
Investments	7.60%	1,164,430	4,000,000				5,164,430
Receivables							
<i>Rates</i>	7.50%		248,511				248,511
<i>Sundry</i>						496,752	496,752
<i>Sewerage Reuse Schemes</i>						24,133	24,133
<i>Sewerage Reuse Schemes</i>	6.00%		5,969	5,969			11,938
Revenue Accrual						49,264	49,264
Total Financial Assets 2009		1,880,142	4,254,480	5,969	-	570,149	6,710,740
Liabilities							
Creditors							
<i>Sundry Creditors</i>						674,230	674,230
<i>Borrowings</i>						-	-
<i>Monies held in Trust</i>						342,936	342,936
Total Financial Liabilities 2009		-	-	-	-	1,017,166	1,017,166
NET FINANCIAL ASSETS/(LIABILITIES) 2008		1,880,142	4,254,480	5,969	-	(447,017)	5,693,574

Credit Risk - The carrying amount of financial assets represents the Council's maximum exposure to credit risk in relation to these assets.

(d) Impairment Losses

A provision for impairment loss is recognised when there is objective evidence that an individual receivable is impaired. The movement in the allowance for impairment for trade and rate receivables during the year was as follows:

	2009 \$	2008 \$
Balance at 1 July	168,838	144,056
Charge for the year	23,179	28,925
Amounts previously charged no longer impaired	(28,963)	(4,143)
Amounts written off	-	-
BALANCE AT 30 JUNE	163,054	168,838

(e) Sensitivity Disclosure Analysis

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

- ❖ A parallel shift of +2% and -1% in marked interest rates (AUD) from year end rates of 3%.

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

	2009 Interest Rate Risk					2008 Interest Rate Risk				
	Carrying Amount subject to interest \$	2% 200 basis points		-1% 100 basis points		Carrying Amount subject to interest \$	2% 200 basis points		-1% 100 basis points	
		Profit \$	Equity \$	Profit \$	Equity \$		Profit \$	Equity \$	Profit \$	Equity \$
Financial Assets										
Cash & Cash Equivalents	11,448,405	228,968	228,968	(114,484)	(114,484)	5,880,142	117,603	117,603	(58,801)	(58,801)
Receivables	2,984	60	60	(30)	(30)	11,938	239	239	(119)	(119)
		229,028	229,028	(114,514)	(114,514)		117,842	117,842	(58,920)	(58,920)

(f) Categories of Financial Assets & Liabilities

Carrying amounts classified as:

	2009 \$	2008 \$
Financial Assets		
Loans and receivables	791,108	830,598
Cash and cash equivalents	11,448,405	5,880,142
	12,239,513	6,710,740
Financial Liabilities		
Payable	1,386,593	1,017,166
Borrowings	7,500,000	-
	8,886,593	1,017,166
NET FINANCIAL ASSETS / (LIABILITIES)	3,352,920	5,693,574

(g) Analysis of Financial Assets Past Due But Not Impaired

	2009 \$	2008 \$
Rate debtors over 60 days past due	262,760	248,511
Trade Debtors Sundry, not past due	387,860	302,913
Trade Debtors Sundry, less than 30 days past due	32,292	95,140
Trade Debtors Sundry, over 30 days less than 60 days past due	36,840	85,019
Trade Debtors Sundry, over 60 days past due	60,684	49,751
Accrued Income, Current	10,672	49,264
	791,108	830,598

23. Significant Business Activities

	Water Reticulation		Sewerage Disposal		Road Infrastructure	
	2009	2008	2009	2008	2009	2008
	\$	\$	\$	\$	\$	\$
Revenue						
Rates	1,351,771	1,266,670	891,462	807,122	1,615,109	1,511,306
Grants	12,332	1,783	-	-	2,615,277	2,833,972
User Charges	675,261	779,048	56,100	53,625	-	73
Gain on Disposal of Fixed Assets	-	-	-	-	-	-
Interest	-	56,000	-	7,300	-	-
Reimbursements	17,290	15,715	45,054	359,380	9,156	7,795
Other	287,383	9,561	1,128,317	-	5,189	6,004
	2,344,037	2,128,777	2,120,933	1,227,427	4,244,731	4,359,150
Expenditure						
<i>Direct</i>						
Employee Costs	303,719	331,525	391,615	298,898	580,728	489,790
Materials & Services	764,317	778,060	2,335,275	584,388	1,218,132	1,228,166
Levies	10,729	6,488	36,719	23,965	886	823
Interest	-	-	-	-	-	-
Loss on Disposal/ Revaluation of	19,269	48,156	9,730	-	519,438	402,764
Other	22,577	33,030	106,880	13,235	2,977	2,793
	1,120,611	1,197,259	2,880,219	920,486	2,322,161	2,124,336
<i>Indirect</i>						
Administration & Engineering	119,286	17,047	310,902	139,420	195,252	260,756
	119,286	17,047	310,902	139,420	195,252	260,756
<i>Capital Costs</i>						
Depreciation	549,673	527,512	739,262	681,415	2,739,068	2,630,534
Opportunity Cost of Capital	1,713,610	2,245,880	1,371,741	1,687,307	7,269,587	9,056,135
	2,263,283	2,773,392	2,111,003	2,368,722	10,008,655	11,686,669
COMPETITIVE NEUTRALITY COSTS	190,298	78,871	27,393	13,891	-	-

Certification

I, **ADAM WILSON**, certify that in my opinion:-

- 1) the financial report set out on pages one to thirty-nine fairly presents
 - a) the financial position of the Northern Midlands Council as at 30th June 2009, and
 - 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 applicable Australian Accounting Standards and Australian Accounting Interpretations.



Adam Wilson
ACTING GENERAL MANAGER

Dated at Longford this 9th day of March 2010.



INDEPENDENT AUDIT REPORT

To the Councillors of Northern Midlands Council

Financial Statements for the Year Ended 30 June 2009

Report on the Financial Report

I have audited the accompanying financial report of Northern Midlands Council (Council), which comprises the balance sheet as at 30 June 2009, the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the General Manager's statement.

The Responsibility of the General Manager for the Financial Report

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

Auditor's Responsibility

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

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

To provide independent assurance to the Parliament and Community on the performance and accountability of the Tasmanian Public sector.
• Professionalism • Respect • Camaraderie • Continuous Improvement • Customer Focus •

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

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

Independence

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

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

Auditor's Opinion

In my opinion the financial report of Northern Midlands Council:

- (a) presents fairly, in all material respects, the financial position of Council as at 30 June 2009, and of its financial performance, cash flows and changes in equity for the year then ended; and
- (b) is in accordance with the *Local Government Act 1993* and Australian Accounting Standards (including Australian Accounting Interpretations).

TASMANIAN AUDIT OFFICE

H M Blake
AUDITOR-GENERAL

HOBART
11 March 2010

To provide independent assurance to the Parliament and Community on the performance and accountability of the Tasmanian Public sector.
• Professionalism • Respect • Camaraderie • Continuous Improvement • Customer Focus •