



FLINDERS
COUNCIL

Financial Report

For year ended 30th June 2013



Certification of the Financial Report

The financial report presents fairly the financial position of the Flinders Council as at **30 June 2013**, the results of its operations for the year then ended and the cash flows of the Council, in accordance with the *Local Government Act 1993* (as amended), Australian Accounting Standards (including interpretations) and other authoritative pronouncements issued by the Australian Accounting Standards Board.



Raoul Harper
General Manager

Date : 15 August 2013

FLINDERS COUNCIL
2012-13 Financial Report
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FLINDERS COUNCIL

**Statement of Comprehensive Income
For the Year Ended 30 June 2013**

	Note	Budget 2013 \$	Actual 2013 \$	Actual 2012 \$
Income				
		56,850		
Recurrent Income				
Rates and Charges	3	1,252,224	1,247,273	1,220,950
Statutory Fees and Fines	4	56,700	33,682	41,640
User Fees	5	56,850	35,937	28,928
Grants	6	978,156	1,669,687	2,552,435
Contributions	7	-	23,227	-
Interest	8	332,000	315,946	388,397
Other Income	9	849,722	831,947	830,289
Investment Revenue from Water Corporation	11	24,500	23,428	32,710
		3,550,152	4,181,127	5,095,349
Capital Income				
Capital Grants received specifically for new or upgraded assets	6	387,853	852,983	269,100
Net Gain on disposal of property, infrastructure, plant and equipment	10	96,097	13,096	-
Total Income		4,034,102	5,047,206	5,364,449
Expenses				
Employee Benefits	12	(1,947,840)	(1,536,040)	(1,496,471)
Materials and Contracts	13	(1,785,158)	(457,127)	(955,066)
Depreciation and Amortisation	14	(1,752,451)	(1,798,096)	(1,446,022)
Other Expenses	15	(10,100)	(1,142,840)	(1,196,659)
Net Loss on disposal of property, infrastructure, plant and equipment	10	-	-	(222,421)
Total Expenses		(5,495,549)	(4,934,103)	(5,316,639)
Surplus / (Deficit)		(1,461,447)	113,103	47,810
Other Comprehensive Income				
Items that will not be reclassified to Surplus or Deficit				
Net Asset Revaluation increment	27	-	2,248,763	35,775,531
		-	2,248,763	35,775,531
Items that may be reclassified subsequently to Surplus or Deficit				
Financial Assets Available for Sale Reserve				
— Fair Value adjustment on Available for Sale Assets	16	-	66,294	20,529
		-	-	-
Total Other Comprehensive Income		-	2,315,057	35,796,060
Comprehensive Result		(1,461,447)	2,428,160	35,843,870

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

FLINDERS COUNCIL

Statement of Financial Position As at 30 June 2013

	Note	2013 \$	2012 \$
Assets			
Current Assets			
Cash and Cash Equivalents	17	3,034,237	3,576,569
Trade and Other Receivables	18	158,542	369,675
Financial Assets	19	5,672,430	4,212,904
Inventories	20	39,500	90,494
Other Assets	21	59,196	57,518
Total Current Assets		8,963,905	8,307,160
Non-Current Assets			
Investment in Water Corporation	16	3,537,804	3,471,510
Property, Infrastructure, Plant and Equipment	22	77,000,450	75,269,470
Intangible Assets - Municipal Revaluation	23	17,280	25,920
Other Assets - Mineral Resources Bonds	21	59,000	59,000
Total Non-Current Assets		80,614,534	78,825,900
Total Assets		89,578,439	87,133,060
Liabilities			
Current Liabilities			
Trade and Other Payables	24	302,773	217,301
Trust Funds and Deposits	25	23,773	23,796
Provisions	26	173,201	267,900
Total Current Liabilities		499,747	508,997
Non-Current Liabilities			
Provisions	26	153,273	161,926
Revenue Received in Advance		77,969	42,846
Total Non-Current Liabilities		231,242	204,772
Total Liabilities		730,989	713,769
Net Assets		88,847,450	86,419,291
Equity			
Accumulated Surplus		39,608,052	39,495,783
Reserves	27	49,239,398	46,923,508
Total Equity		88,847,450	86,419,291

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

FLINDERS COUNCIL
Statement of Cash Flows
For the Year Ended 30 June 2013

	Note	2013 Inflows/ (Outflows) \$	2012 Inflows/ (Outflows) \$
Cash Flows from Operating Activities			
<i>Receipts</i>			
Government Grants		1,669,687	2,267,382
Rates and Charges		1,239,055	1,221,286
Interest		315,946	378,462
Investment Revenue from Water Corporation		23,428	32,710
Other Receipts		1,316,776	1,190,695
<i>Payments</i>			
Employee Costs		(1,604,269)	(1,407,949)
Payments for Materials and Contracts		(323,013)	(1,131,129)
Other Payments		(1,314,798)	(1,377,025)
Net Cash Provided by (Used in) Operating Activities	28	<u>1,322,812</u>	<u>1,174,432</u>
Cash Flows from Investing Activities			
<i>Payments</i>			
Payments for Property, Plant & Equipment		(1,362,096)	(1,527,425)
Payments for Financial Assets		(1,459,526)	-
<i>Receipts</i>			
Proceeds from Financial Assets		-	1,820,899
Proceeds from Sale of Assets		103,518	67,650
Net Cash Provided by (Used in) Investing Activities		<u>(2,718,104)</u>	<u>361,124</u>
Cash Flows from Financing Activities			
Trust Funds and Deposits		(23)	(4,870)
Capital Grants		852,983	269,100
Net Cash Provided by (Used in) Financing Activities		<u>852,960</u>	<u>264,230</u>
Net Increase (Decrease) in Cash and Cash Equivalents		(542,332)	1,799,786
Cash and Cash Equivalents at the Beginning of the Financial Year		3,576,569	1,776,783
Cash and Cash Equivalents at the End of the Financial Year	29	<u>3,034,237</u>	<u>3,576,569</u>

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

FLINDERS COUNCIL

Statement of Changes in Equity For the Year Ended 30 June 2013

	Note	Total 2013 \$	Accumulated Surplus 2013 \$	Asset Revaluation Reserve 2013 \$	Fair Value Reserve 2013 \$	Other Reserves 2013 \$
2013						
Balance at Beginning of the Financial Year		86,419,290	39,495,783	42,478,917	58,212	4,386,378
Surplus / (Deficit) for the Year		113,103	113,103	-	-	-
Other Comprehensive Income:						
Fair Value Adjustments for Financial Assets at Fair Value		-	-	-	-	-
– Fair Value Adjustment on Available for Sale Assets	16	66,294	-	-	66,294	-
Net Asset Revaluation Increment(Decrement) reversals	27	2,248,763	-	2,248,763	-	-
Transfers Between Reserves		-	(834)	-	-	834
Balance at End of the Financial Year		88,847,450	39,608,052	44,727,680	124,506	4,387,212
2012						
Balance at Beginning of the Financial Year		51,175,205	39,022,102	7,730,510	37,684	4,384,909
Surplus / (Deficit) for the Year		47,810	47,810	-	-	-
Other Comprehensive Income:-						
Fair Value Adjustments for Financial Assets at Fair Value		35,775,531	-	35,775,531	-	-
Withdrawal of Equity (Cape Barren Island Roads)		(599,784)	(599,784)	-	-	-
– Fair Value Adjustment on Available for Sale Assets	16	20,528	-	-	20,528	-
Net Asset Revaluation increment (decrement) reversals	27	(1,469)	1,025,655	(1,027,124)	-	-
Transfers Between Reserves		1,469	-	-	-	1,469
Balance at End of the Financial Year		86,419,290	39,495,783	42,478,917	58,212	4,386,378

The above statement should be read with the accompanying notes.

Introduction

- (a) The Flinders Council was established on 26 February 1908 and is a body corporate with perpetual succession and a common seal. Council's main office is located at 4 Davies Street, Whitemark, Tasmania 7255.
- (b) The purpose of the Council is to:-
- provide for health, safety and welfare of the community;
 - to represent and promote the interests of the community;
 - provide for the peace, order and good government in the Municipality.

This financial report is a general purpose financial report that consists of the Statements of Comprehensive Income, Financial Position, Changes in Equity, Cash Flows, and notes accompanying these financial statements. The general purpose financial report complies with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board (AASB), and the *Local Government Act 1993 (LGA1993)* (as amended). Council has determined that it does not have profit generation as a prime objective. Consequently, where appropriate, Council has elected to apply options and exemptions within accounting standards that are applicable to not-for-profit entities. As a result this financial report does not comply with International Financial Reporting Standards.

Note 1 Significant Accounting Policies

(a) Basis of Accounting

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

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 Council, and material subsidiaries or joint ventures, have been included in this financial report. All transactions between these entities and Council have been eliminated in full. Details of entities not included in this financial report based on their materiality are detailed in Note 37.

Judgements and Assumptions

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

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

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

Employee Entitlements

Assumptions are utilised in the determination of Council's employee entitlement provisions. These assumptions are discussed in Note 1(p).

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 & 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 1(g) and in Note 22.

Investment in Water Corporation

Assumptions utilised in the determination of Council's valuation of its investment in Ben Lomond Water are discussed in Note 1(l) and in Note 16.

(b) Change in Accounting Policies

Under Section 86B of the *Local Government Amendment Act (No.2) 2011*, a new requirement for Council to have in place by 31st August 2012, was a Rates and Charges Policy. This was adopted by Council on 26th July 2012 and it reflected within the Financial Report.

(c) Pending Accounting Standards

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2013 reporting periods. Council's assessment of the impact of these new standards and interpretations is set out below:-

- (i) AASB 9 *Financial Instruments*, associated standards, AASB 2010-7 *Amendments to Australian Accounting Standards arising from AASB 9* and AASB 2012-6 *Amendments to Australian Accounting Standards – Mandatory Effective Date of AASB 9* and transitional disclosures (effective from 1 January 2015)

AASB 9 *Financial Instruments* addresses the classification, measurement and derecognition of financial assets and financial liabilities. The standard is not applicable until 1 January 2015 but is available for early adoption. When adopted, the standard will affect in particular Council's accounting for its available-for-sale financial assets, since AASB 9 only permits the recognition of fair value gains and losses in other comprehensive income if they relate to equity investments that are not held for trading. Fair value gains and losses on available-for-sale debt investments, for example, will therefore have to be recognised directly in profit or loss although there is currently a proposal by the IASB to introduce a Fair Value through Other Comprehensive Income category for debt instruments.

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

- (ii) AASB 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 AASB 2011-7 *Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards* (effective 1 January 2013)

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 does not expect the new standard to have a significant impact on its composition.

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.

The standard will not affect Council as it does not have any joint arrangements.

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 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.

Council does not expect to adopt the new standards before their operative date. They would therefore be first applied in the financial statements for the annual reporting period ending 30 June 2014.

- (iii) AASB 13 *Fair Value Measurement* and AASB 2011-8 *Amendments to Australian Accounting Standards arising from AASB 13* (effective 1 January 2013)

AASB 13 sets out a new definition of 'fair value' as well as new principles to be applied when determining the fair value of assets and liabilities. The new requirements will apply to all of Council's assets and liabilities (excluding leases), that are measured and/or disclosed at fair value or another measurement based on fair value.

Council has commenced reviewing its fair value methodologies (including instructions to valuers, data used and assumptions made) for all items of property, plant and equipment measured at fair value to determine whether those methodologies comply with AASB 13. To the extent that the methodologies don't comply, changes will be necessary. While Council is yet to complete this review, no substantial changes are anticipated, based on the fair value methodologies presently used. Therefore, at this stage, no consequential material impacts are expected for Council's property, plant and equipment as from 2013-14.

AASB 13 will require an increased amount of information to be disclosed in relation to fair value measurements for both assets and liabilities. To the extent that any fair value measurement for an asset or liability uses data that is not 'observable' outside Council, the amount of information to be disclosed will be relatively greater.

- (iv) Revised AASB 119 *Employee Benefits*, AASB 2011-10 *Amendments to Australian Accounting Standards arising from AASB 119* (September 2011) and AASB 2011-11 *Amendments to AASB 119* (September 2011) arising from Reduced Disclosure Requirements (effective 1 January 2013)

This revised standard on accounting for employee benefits includes significant revisions to the recognition, remeasurement, presentation and disclosure of defined benefit liabilities/assets. These changes will not affect Council as it does not have any defined benefit plans. Whilst this standard does include revision to multi-employer plans; such as Council's multi-employer sponsored plan the Quadrant Defined Benefit Fund (Refer Note 30); these are generally disclosure related and not expected to have a financial impact.

The standard also clarifies criteria for accounting for "short-term employee benefits" including treatment of terminations. Employee benefits 'expected to be settled' (as opposed to 'due to be settled' under current standard) within 12 months after year end are short-term benefits, and therefore not discounted when calculating leave liabilities. Annual leave and other short-term benefits not expected to be used within 12 months of end of reporting period will in future be discounted when calculating the leave liability. Council has assessed the impact of this as minimal.

(d) **Revenue Recognition**

Rates, Grants and Contributions

Rates, grants and 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 year as it is an enforceable debt linked to the rateable property or, where earlier, upon receipt of the rates. A provision for impairment on rates has not been established as unpaid rates represents a charge against the rateable property that will be recovered when the property is next sold.

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 6. The note also discloses the amount of unused grant or contribution from prior years that was expended on Council's operations during the current year.

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

Non-Monetary Contributions

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

User Fees and Statutory Fees and Fines

Fees and fines (including parking 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 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.

Rent

Rents are recognised as revenue when the payment is due or the payment is received, whichever first occurs. Rental payments received in advance are recognised as a prepayment until they are due.

Interest

Interest is recognised progressively as it is earned.

Dividends

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

(e) **Expense Recognition**

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

Employee Benefits

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 and Intangibles

Buildings, land improvements, plant and equipment, infrastructure and other assets having limited useful lives are systematically depreciated over their useful lives to the Council in a manner which reflects consumption of the service potential embodied in those assets. Estimates of remaining useful lives and residual values are made on a regular basis with major asset classes reassessed annually. Depreciation rates and methods are reviewed annually.

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

Artworks and Land are not depreciated.

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

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

	Period
Property	
Land Improvements	N/A
Buildings	
Buildings	50 years
Plant and Equipment	
Plant, Machinery and Equipment	10-15 years
Fixtures, Fittings and Furniture	4-10 years
Roads	
Road Pavements and Seals	15 years
Road Substructure (Sealed Roads)	50 years
Road Substructure (Gravel Roads)	100 years
Road Formation and Earthworks (All Roads)	100 years
Bridges	
Bridge Deck	40-80 years
Bridge Substructure	40-80 years
Infrastructure	
Footpaths	40 years
Drainage & Culverts	50-100 years
Waste Management	50 years
Other Infrastructure - Flinders Island Airport	10-50 years
Intangible assets	
Intangible Assets	5 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 asset 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 period (\$0).

Finance costs are expensed as incurred using the effective interest method. Borrowing costs include interest on bank overdrafts, interest on borrowings, unwinding of discounts, and finance lease charges.

(f) **Recognition and Measurement of Assets**

Acquisition

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

The asset capitalisation threshold adopted by Council is **\$1,000**. Assets valued at less than **\$1,000** are charged to the Statement of Comprehensive Income in the year of purchase (other than where they form part of a group of similar items which are material in total).

Where assets are constructed by Council, cost includes all materials used in construction, direct labour, borrowing costs incurred during construction, and an appropriate share of directly attributable variable and fixed overheads.

The following classes of assets have been recognised in Note 22. In accordance with Council's policy, the threshold limits detailed below have applied when recognising assets within an applicable asset class and unless otherwise stated are consistent with the prior year:-

	Threshold \$
<i>Land</i>	
Land	N/A
<i>Buildings</i>	
Buildings	1,000
<i>Plant and Equipment</i>	
Plant, Machinery and Equipment	1,000
Fixtures, Fittings and Furniture	1,000
computers and telecommunications	1,000
leased plant and equipment	1,000
<i>Roads</i>	
Road Pavements and Seals	1,000
Road Substructure (Sealed Roads)	1,000
Road Substructure (Gravel Roads)	
Road Formation and Earthworks (All Roads)	1,000
<i>Bridges</i>	
Bridge Deck	1,000
Bridge Substructure	1,000
<i>Other Infrastructure</i>	
Footpaths	1,000
Drainage and Culverts	1,000
Waste Management	1,000
Other Infrastructure - Flinders Island Airport	1,000
<i>Intangible Assets</i>	
Intangible Assets	1,000

(g) **Recognition and Measurement of Assets**

Revaluation

Subsequent to the initial recognition of assets, non-current physical assets, other than plant and equipment; Airport Infrastructure; Furniture and Equipment; Waste Management; and other Fixed Assets, are measured at their Fair Value. Fair Value is represented by the deprival value of the asset approximated by its written down replacement cost. At balance date, Council reviewed the carrying value of the individual classes of assets measured at Fair Value to ensure that each asset class materially approximated its Fair Value. Where the carrying value materially differed from the Fair Value at balance date the class of asset was revalued.

In addition, Council undertakes a formal revaluation of land, buildings, and infrastructure assets on a regular basis to ensure valuations represent Fair Value. The valuation is performed either by experienced Council officers or independent experts.

Where the assets are revalued, the revaluation increments are credited directly to the Asset Revaluation Reserve except to the extent that an increment reverses a prior year decrement for that class of asset that had been recognised as an expense in which case the increment is recognised as revenue up to the amount of the expense. Revaluation decrements are recognised as an expense except where prior increments are included in the asset revaluation surplus for that class of asset in which case the decrement is taken to the reserve to the extent of the remaining increments. Within the same class of assets, revaluation increments and decrements within the year are offset.

Land Under Roads

Land under roads acquired after 30 June 2008 is brought to account at cost and subsequently revalued on a Fair Value basis. Council does not recognise land under roads that it controlled prior to that period.

(h) **Cash and Cash Equivalents**

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

(i) **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.

(j) **Financial Assets**

Managed funds are valued at fair value, being market value, at balance date. Any unrealised gains and losses on holdings at balance date are recognised as either a revenue or expense.

(k) **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.

(l) **Investments in Water Corporation**

Council's investment in Ben Lomond Water 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 Final Treasurer's Allocation Order in 2011. Council has an ownership interest of 0.7% in the Corporation. Any unrealised gains and losses on holdings at balance date are recognised through the Statement of Comprehensive Income to a financial asset which is a "Available For Sale" Reserve each year. (Refer Note 38)

From 1 July 2013, Council's ownership interest in Ben Lomond Water will change to an ownership interest in Tas Water (refer to Note 35).

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 Water Corporation as disclosed at Note 11.

(m) **Investments**

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

(n) **Tender Deposits**

Amounts received as tender deposits and retention amounts controlled by Council are recognised as Trust funds until they are returned or forfeited (refer to Note 25).

(o) **Employee Benefits**

Wages and Salaries

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

Annual Leave

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

Annual leave expected to be paid later than one year has been measured at the present value of the estimated future cash outflows to be made for these accrued entitlements. Commonwealth bond rates are used for discounting future cash flows.

Long Service Leave

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

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

Long service leave expected to be paid later than one year has been measured at the present value of the estimated future cash outflows to be made for these accrued entitlements. Commonwealth bond rates are used for discounting future cash flows.

Sick Leave

No accrual is made for sick leave as Council experience indicates that, on average, sick leave taken in each reporting period is less than the entitlement accruing in that period, and this experience is expected to recur in future reporting periods. Council does not make payment for untaken sick leave.

Classification of Employee Benefits

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

(p) **Interest Bearing Liabilities**

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

- (q) **Leases**
Finance Leases
Leases of assets where substantially all the risks and rewards incidental to ownership of the asset, are transferred to the Council are classified as finance leases. Finance leases are capitalised, recording an asset and a liability at the lower of the fair value of the asset and the present value of the minimum lease payments, including any guaranteed residual value. Lease payments are allocated between the reduction of the lease liability and the interest expense. Leased assets are depreciated on a straight line basis over their estimated useful lives to Council where it is likely that Council will obtain ownership of the asset or over the term of the lease, whichever is the shorter. Council has no finance leases.
- Operating Leases*
Lease payments for operating leases are required by the Australian Accounting Standard to be recognised on a straight line basis, rather than expensed in the years in which they are incurred.
- Leasehold Improvements*
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. Council has no leasehold improvements.
- (r) **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.
- (s) **Taxation**
Council is exempt from all forms of taxation except Fringe Benefits Tax, Payroll Tax and the Goods and Services Tax.
- Goods and Services Tax (GST)*
Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the balance sheet are shown inclusive of GST.
- Cash flows are presented in the Statement of Cash Flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.
- (t) **Impairment of Assets**
At each reporting date, Council reviews the carrying value of its assets to determine whether there is any indication that these assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the assets carrying value. Any excess of the assets carrying value over its recoverable amount is expensed to the Statement of Comprehensive Income, unless the asset is carried at the revalued amount in which case, the impairment loss is recognised directly against the revaluation reserve in respect of the same class of asset to the extent that the impairment loss does not exceed the amount in the revaluation surplus for that same class of asset. For non-cash generating assets of Council such as roads, drains, public buildings and the like, value in use is represented by the deprival value of the asset approximated by its written down replacement cost.
- (u) **Rounding**
Unless otherwise stated, amounts in the financial report have been rounded to the nearest dollar.

- (v) **Significant Business Activities**
Council is required to report the operating capital and competitive neutrality costs in respect of each Significant Business Activity undertaken by the Council. The councils disclosure is reconciled in Note 46. Council has determined, based upon materiality that Flinders Island Airport as defined in Note 46 are considered Significant Business Activities. Competitive neutrality costs include notional costs i.e. income tax equivalent, rates and loan guarantees in preparing the information disclosed in relation to significant business activities, i.e. following assumptions have been applied:-
- Opportunity costs on capital invested in working capital is based on 10%
 - Opportunity costs on capital invested fixed assets is based on 10%
- (w) **Contingent Assets, Contingent Liabilities and Commitments**
Contingent assets and contingent liabilities are not recognised in the Statement of Financial Position, but are disclosed by way of a note and, if quantifiable, are measured at nominal value. Contingent assets and liabilities are presented inclusive of GST receivable or payable respectively.
- Commitments are not recognised in the Statement of Financial Position. Commitments are disclosed at their nominal value inclusive of the GST payable.
- (x) **Budget**
The estimated revenue and expense amounts in the Statement of Comprehensive Income represent revised budget amounts and are not audited.

Note 2

Functions / Activities of the Council

Revenue, expenditure and assets attributable to each function as categorised in (c) below:-

	Grants	Other	Total Revenue	Total Expenditure	Surplus/ (Deficit)	Assets
Governance & Administration						
2012 - 2013	1,392,510	754,713	2,147,223	1,304,778	842,445	17,222,842
2011 - 2012	813,783	1,291,728	2,105,511	1,488,420	617,092	16,419,013
Roads & Bridges						
2012 - 2013	637,165	928,747	1,565,912	1,688,161	(122,249)	66,806,174
2011 - 2012	1,121,636	68,540	1,190,176	1,464,876	(274,700)	65,554,215
Waste Management						
2012 - 2013	-	144,172	144,172	136,133	8,039	145,162
2011 - 2012	-	136,899	136,898	104,084	32,814	148,185
Town Maintenance						
2012 - 2013	224,166	56,420	280,586	225,565	55,021	-
2011 - 2012	225,455	23,609	249,063	181,291	67,772	-
Public Health, Safety & Environment						
2012 - 2013	40,000	46,831	86,831	272,720	(185,889)	-
2011 - 2012	59,759	38,420	98,179	292,719	(194,540)	-
Community & Economic Development						
2012 - 2013	75,884	48,638	124,522	345,370	(220,848)	-
2011 - 2012	275,686	10,170	285,856	416,998	(131,142)	-
Depot & Plant						
2012 - 2013	-	291,774	291,774	538,798	(247,025)	1,333,402
2011 - 2012	226,617	507,904	734,521	667,161	67,360	1,271,317
Airport						
2012 - 2013	152,945	253,241	406,186	422,577	(16,391)	4,070,859
2011 - 2012	98,599	243,223	341,822	478,669	(136,846)	3,740,330
Total						
2012 - 2013	2,522,670	2,524,536	5,047,206	4,934,102	113,103	89,578,439
2011 - 2012	2,821,535	2,320,493	5,142,026	5,094,218	47,810	87,133,060

(b) Reconciliation of Assets from Note 2 with the Statement of Financial Position at 30 June:-

	2013	2012
	\$	\$
Current Assets	8,963,905	8,307,160
Non-Current Assets	80,614,534	78,825,900
	<u>89,578,439</u>	<u>87,133,060</u>

(c) *Governance and Administration*

Operation and maintenance of council chambers, administration offices, and councillors.

Roads and Bridges

Construction, maintenance and repairs to all roads, streets, bridges, drainage, footpaths, cycleways and tracks.

Waste Management

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

Town Maintenance

Operation and maintenance of all recreational and sporting facilities (includes community halls & playgrounds). Operation and maintenance of Council owned buildings, public land and facilities to a standard expected within the local community.

Public Health, Safety and Environment

Public Health includes disease control, food surveillance, public-use building standards, health education and promotion, water quality, workplace safety and cemeteries. Environmental management includes strategies and programs for the protection of the environment and regulations of activities affecting the environment.

Community and Economic Development

Operation and support of health services, performing arts & culture, youth services and the presentation of community events. Economic Development which provides for the implementation of a process and marketing support by which strategies and plans can be developed so that the Council can fulfil their general responsibility for enhancing the quality of life of the whole community.

Depot and Plant

Operation and maintenance of all plant items, equipment, machinery, council workshop and supplies.

Airport

Operation and maintenance of the Flinders Island Airport with all required aviatinal standards and procedures.

	2013	2012
	\$	\$
Note 3		
Rates and Charges		
Council uses Assessed Annual Value as the basis of valuation of all properties within the Municipality. The Assessed Annual Value of a property is its rental capacity value for each given year.		
The valuation base used to calculate general rates for 2012-2013 was \$13,477,164 million (2011-2012 \$12,624,284 million). The 2012-2013 rate in the dollar was 8.530971 cents (2011-2012, 8.070928 cents).		
	1,048,460	1,032,026
General Rate	54,668	53,025
State Fire Levy	144,145	135,899
Waste Management Charge	<u>1,247,273</u>	<u>1,220,950</u>
Total Rates and Charges		
The date of the latest general revaluation of land for rating purposes within the Municipality was 27 January 2011, and the valuation will be first applied in the rating year commencing 1 July 2011.		
Note 4		
Statutory Fees and Fines		
Infringements and Costs	260	-
Town Planning Fees	26,547	35,725
Land Information Certificates	6,875	5,915
Total Statutory Fees and Fines	<u>33,682</u>	<u>41,640</u>
Note 5		
User Fees		
Community Facilities Hire Fees	2,234	773
Dog Registration Fees	7,080	2,383
Food Premises Registrations	2,566	2,770
Building Services Fees	23,384	22,115
Other Fees and Charges	673	887
Total User Fees	<u>35,937</u>	<u>28,928</u>
Ageing Analysis of Contractual Receivables		
Please refer to Note 34 for the Ageing Analysis of Contractual Receivables.		
Note 6		
Grants		
Grants were received in respect of the following :		
Summary of Grants		
Federally Funded Grants	2,061,984 0	2,244,176
State Funded Grants	460,686	577,359
Total	<u>2,522,670</u>	<u>2,821,535</u>
Grants - Operating		
Commonwealth Government Financial Assistance Grants - General Purpose	689,649	813,407
Commonwealth Government Financial Assistance Grants - Roads	702,861	765,487
Federal Government Grants	-	416,496
State Government Grants	2,727	221,831
Transport	161,293	166,269
Community Health	73,157	120,186
Other - Natural Resource Management	40,000	48,759
Total Operating Grants	<u>1,669,687</u>	<u>2,552,435</u>
The Australian Commonwealth Government provides Financial Assistance Grants to Council for general purpose use and the provision of local roads. Since 2009-10 the Commonwealth has been making early payment of the first quarterly instalment for the following year. In 2012 the Government announced in the Commonwealth Budget following the downturn in the economy that, "to assist local councils with planning for the recovery and to ensure local government has maximum certainty to begin planning their 2012-13 works programs", it would bring forward for payment to all councils in June 2012, the first two instalments of the 2012-13 grant pool. In the 2013-14 Budget the Commonwealth announced it would continue this approach and include the first two instalments of the 2013-14 grant pool. In accordance with AASB1004 Contributions, Council recognises these grants as revenue when it receives the funds and obtains control. The effects of the early receipt of instalments each year has resulted in Commonwealth Government Financial Assistance Grants being above that originally budgeted in 2012-13 by \$762,254 and 2011-12 by \$533,894. This has impacted the Statement of Comprehensive Income resulting in the Net surplus/(deficit) from continuing operations being higher in both years by these amounts. With fewer instalments due to be received in 2013-14, the reverse effect may occur, however future payments remain at the Commonwealth's discretion.		
Capital Grants received specifically for New or Upgraded Assets		
Commonwealth Government - Roads to Recovery	475,872	-
Recreation	7,667	30,000
Airport Upgrade	137,944	239,100
Other	231,500	-
Total Capital Grants	<u>852,983</u>	<u>269,100</u>

	2013 \$	2012 \$
Conditions on Grants		
Non-reciprocal grants recognised as revenue during the year that were obtained on condition that they be expended in a specified manner that had not occurred at balance date were:-		
Community Health Nurse & Podiatrist	73,157	120,186
Roads to Recovery	475,872	189,879
Total	549,029	310,065
Note 7	Contributions	
Cash		
Roads	15,000	-
Public Open Space	8,227	-
Total Contributions	23,227	-
Note 8	Interest	
Interest on Financial Assets	296,469	370,900
Interest on Rates	19,477	17,497
Total Interest	315,946	388,397
Note 9	Other Income	
Reimbursements	69,415	82,433
Other Income	762,532	747,856
Total Other Income	831,947	830,289
Note 10	Net Gain/(Loss) on Disposal of Property, Infrastructure, Plant and Equipment	
Proceeds of Sale	103,518	67,650
Transfer of Land & Building to Ben Lomond Water	-	(230,000)
Write Down Value of Assets Disposed	(90,422)	(60,071)
Total	13,096	(222,421)
Note 11	Investment Revenue from Water Corporation	
Dividend Revenue Received	10,920	16,694
Tax Equivalent Received	11,182	14,970
Guarantee Fee Received	1,326	1,046
Total Investment Revenue from Water Corporation	23,428	32,710
Note 12	Employee Benefits	
Wages and Salaries	1,193,823	1,167,271
Annual Leave and Long Service Leave Taken	185,734	150,988
Superannuation	161,713	147,759
Redundancy	-	1,949
Other Employee Related Expenses	71,714	133,871
	1,612,984	1,601,838
Less Amounts Capitalised	(76,944)	(105,367)
Total Employee Benefits	1,536,040	1,496,471

	2013 \$	2012 \$
Note 13		
Materials and Contracts		
Contractor Payments	440,185	798,794
Materials and Supplies	16,942	156,272
Total Materials and Contracts	457,127	955,066
Note 14		
Depreciation and Amortisation		
<i>Property</i>		
Land Improvements	-	-
<i>Buildings</i>		
Building Improvements	77,129	76,771
<i>Plant and Equipment</i>		
Plant, Machinery and Equipment	222,974	193,590
Fixtures, Fittings and Furniture	15,780	20,854
<i>Infrastructure</i>		
Roads	1,278,406	960,510
Bridges	54,972	55,116
Drainage & Culverts	13,979	14,944
Waste Management	3,023	2,953
Other infrastructure - Flinders Island Airport	123,193	112,644
<i>Intangible Assets</i>		
Municipal Valuation Amortisation	8,640	8,640
Total Depreciation and Amortisation	1,798,096	1,446,022
Note 15		
Other Expenses		
External Auditors' Remuneration (Tasmanian Audit Office)	34,454	18,007
Other Auditors' Remuneration	1,021	383
Councillors' Allowances	97,518	92,634
Operating Lease Rentals	15,948	17,541
Advertising	20,631	18,857
Bank Charges	7,651	7,169
Computer Software Leases	24,051	24,051
Donations & Gifts	20,018	21,706
Utilities Costs (Electricity Supply, Gas & Water)	22,566	25,060
Fire Service Levy	49,647	46,884
Freight	23,248	38,009
Internet & Telephone Charges	78,317	73,155
Legal Expenses	4,310	11,712
Land Tax	25,980	25,980
Licence Fees	7,286	11,930
Plant Hire	136,100	139,221
Subscriptions and Publications	29,170	35,864
Travel Expenses	76,778	61,347
All Other Expenses	468,146	527,149
Total Other Expenses	1,142,840	1,196,659
Note 16		
Investment in Water Corporation		
Opening Balance	3,471,510	3,450,981
Fair Value Adjustments on Available-for-Sale Assets	66,294	20,529
Total Investment in Water Corporation	3,537,804	3,471,510

Council has derived returns from the Water Corporation as disclosed at Note 11.

Council has an ownership interest of 0.7% in Ben Lomond Water based on the Final Treasurer's Allocation Order in 2011. Council does not have significant influence to allow it to use the equity method to account for this interest.

From 1 July 2013, Council's ownership interest in Ben Lomond Water will change to an ownership interest in Tas Water. Refer to Note 35.

		2013 \$	2012 \$
Note 17	Cash and Cash Equivalents		
	Cash at Bank and on Hand	1,968,115	2,057,114
	Money Market Call Accounts	1,066,122	1,519,455
	Total Cash and Cash Equivalents	3,034,237	3,576,569
	Councils cash and cash equivalents are subject to a number of internal and external restrictions that limit amounts available for discretionary or future use. These include:		
	- Trust Funds and Deposits (Note 25)	23,773	23,796
	- Leave Provisions (Note 26)	227,974	300,293
	- Quarry Reinstatement & Redevelopment Provision (Note 26)	98,500	129,533
	Restricted Funds	350,247	453,622
	Total Unrestricted Cash and Cash Equivalents	2,683,990	3,122,947
Note 18	Trade and Other Receivables		
	Current		
	Rates Debtors	50,944	42,052
	Sundry Debtors	107,598	327,293
	Total Trade and Other Receivables	158,542	369,675
Note 19	Financial Assets		
	Current		
	Managed Funds (Note 1(j))	5,672,430	4,212,904
Note 20	Inventories		
	Inventories Held for Distribution	39,500	90,494
	Total Inventories	39,500	90,494
Note 21	Other Assets		
	Current		
	Prepayments	11,639	12,313
	Accrued Income	47,557	45,205
	Total	59,196	57,518
	Non-Current		
	Other - Mineral Resources Bonds	59,000	59,000
	Total	59,000	59,000

Note 22	<i>Property, Infrastructure, Plant and Equipment</i>	2013	2012
		\$	\$
	Summary		
	At Cost	6,602,138	5,845,340
	Less Accumulated Depreciation	2,967,281	2,706,938
		<u>3,634,857</u>	<u>3,138,402</u>
	At Fair Value as at 30 June	95,029,056	91,787,012
	Less Accumulated Depreciation	21,663,463	19,655,945
		<u>73,365,593</u>	<u>72,131,067</u>
	Total	<u>77,000,450</u>	<u>75,269,469</u>
	Property		
	Land		
	At Fair Value as at 30 June	2,313,500	2,313,500
		<u>2,313,500</u>	<u>2,313,500</u>
	Total Land	<u>2,313,500</u>	<u>2,313,500</u>
	Buildings		
	At Fair Value as at 30 June	4,546,171	4,430,620
	Less Accumulated Depreciation	155,282	76,771
		<u>4,390,889</u>	<u>4,353,849</u>
	Total Buildings	<u>4,390,889</u>	<u>4,353,849</u>
	Total Property	<u>6,704,389</u>	<u>6,667,349</u>

Valuation of land (excluding land under roads) and buildings were valued utilising the municipal valuations undertaken by the Office of the Valuer General as at 30 June 2011. The valuation of buildings is at fair value less accumulated depreciation at the date of valuation. The valuation of land is at Fair Value, being market value based on highest and best use permitted by relevant land planning provisions.

Land under roads acquired after 30 June 2008 is brought to account using the Fair Value basis. At 30 June 2013, Council had not received any new roads requiring recognition. Council does not recognise land under roads that it controlled prior to that period in its financial report.

Note 22	<i>Property, Infrastructure, Plant and Equipment (Cont.)</i>	2013	2012
		\$	\$
	<i>Plant and Equipment</i>		
	Plant, Machinery and Equipment		
	At Cost as at 30 June	2,829,238	2,655,488
	Less Accumulated Depreciation	1,376,659	1,258,313
		<u>1,452,579</u>	<u>1,397,175</u>
	Fixtures, Fittings and Furniture		
	At Cost as at 30 June	359,566	329,432
	Less Accumulated Depreciation	313,940	298,160
		<u>45,626</u>	<u>31,272</u>
		<u>1,498,205</u>	<u>1,428,447</u>
	<i>Total Plant and Equipment</i>		
	<i>Infrastructure</i>		
	Roads		
	At Fair Value as at 30 June	82,226,359	79,604,795
	Less Accumulated Depreciation	19,527,988	17,683,116
		<u>62,698,371</u>	<u>61,921,679</u>
	Bridges		
	At Fair Value as at 30 June	4,750,068	4,321,239
	Less Accumulated Depreciation	1,503,278	1,387,707
		<u>3,246,790</u>	<u>2,933,532</u>
	Drainage and Culverts		
	At Fair Value as at 30 June	1,192,958	1,116,859
	Less Accumulated Depreciation	476,915	508,351
		<u>716,043</u>	<u>608,508</u>
	Waste Management		
	At Cost as at 30 June	151,138	151,138
	Less Accumulated Depreciation	5,976	2,953
		<u>145,162</u>	<u>148,185</u>
	Other Infrastructure - Flinders Island Airport		
	At Cost as at 30 June	3,156,726	2,435,590
	Less Accumulated Depreciation	1,270,706	1,147,512
		<u>1,886,020</u>	<u>1,288,078</u>
		<u>68,692,386</u>	<u>66,899,982</u>
	<i>Total Infrastructure</i>		
		<u>68,692,386</u>	<u>66,899,982</u>
	Valuation of Road infrastructure assets has been determined in accordance with an independent valuation undertaken by Brighton Council engineers at 30 June 2012.		
	Valuation of Bridge & Culvert infrastructure assets has been determined in accordance with an independent valuation undertaken by AusSpan at 30 June 2012.		
	The valuations are at fair value based on replacement cost less accumulated depreciation as at the date of valuation.		
		2013	2012
	Works in Progress	\$	\$
	Roads at Cost	9,815	-
	Bridges at Cost	95,655	-
	Airport Infrastructure at Cost	-	273,692
		<u>105,470</u>	<u>273,692</u>
	Total Works in Progress		
		<u>105,470</u>	<u>273,692</u>
	<i>Total Property, Infrastructure, Plant and Equipment</i>	<u>77,000,450</u>	<u>75,269,470</u>

Note 22 *Property, Plant and Equipment, Infrastructure (Cont.)*

Reconciliation of Property, Plant and Equipment and Infrastructure

2013	Balance at beginning of financial year	Acquisition of assets	Revaluation increments (decrements) (Note 27)	Expensed Depreciation and Amortisation (Note 14)	Written down value of disposals (Note 10)	Impairment losses recognised in profit or loss (a)	Transfers	Balance at End of Financial Year
	\$	\$	\$	\$	\$	\$	\$	
Property								
Land	2,313,500	-	-	-	-	-	-	2,313,500
Total Land	2,313,500	-	-	-	-	-	-	2,313,500
Buildings	4,353,849	35,800	78,369	(77,129)	-	-	-	4,390,889
Building Improvements	-	-	-	-	-	-	-	-
Total Buildings	4,353,849	35,800	78,369	(77,129)	-	-	-	4,390,889
Total Property	6,667,349	35,800	78,369	(77,129)	-	-	-	6,704,389
Plant and Equipment								
Plant, Machinery and Equipment	1,397,175	368,800	-	(222,974)	(90,422)	-	-	1,452,579
Fixtures, Fittings and Furniture	31,272	30,134	-	(15,780)	-	-	-	45,626
Total Plant and Equipment	1,428,447	398,934	-	(238,754)	(90,422)	-	-	1,498,205
Infrastructure								
Roads	61,921,679	143,556	1,911,542	(1,278,406)	-	-	-	62,698,371
Bridges	2,933,532	230,890	137,340	(54,972)	-	-	-	3,246,790
Drainage and Culverts	608,508	-	121,514	(13,979)	-	-	-	716,043
Airport Infrastructure	1,288,078	447,444	-	(123,193)	-	-	273,691	1,886,020
Waste Management	148,185	-	-	(3,023)	-	-	-	145,162
Total Infrastructure	66,899,982	821,890	2,170,396	(1,473,573)	-	-	273,691	68,692,386
Works in Progress								
Roads	-	9,815	-	-	-	-	-	9,815
Bridges	-	95,655	-	-	-	-	-	95,655
Airport Infrastructure	273,691	-	-	-	-	-	(273,691)	-
Total Works in Progress	273,691	105,470	-	-	-	-	(273,691)	105,470
Total Property, Plant and Equipment, Infrastructure	75,269,469	1,362,094	2,248,765	(1,789,456)	(90,422)	-	-	77,000,450

(a) **Impairment Losses**

Impairment losses are recognised in the Statement of Comprehensive Income under other expenses.

Reversals of impairment losses are recognised in the Statement of Comprehensive Income under other revenue.

Note 22 *Property, Plant and Equipment, Infrastructure (Cont.)*

Reconciliation of Property, Plant and Equipment and Infrastructure

2012	Balance at beginning of financial year	Acquisition of assets	Revaluation increments (decrements) (Note 27)	Expensed Depreciation and Amortisation (Note 14)	Written down value of disposals (Note 10)	Impairment losses recognised in profit or loss (a)	Transfers	Balance at end of financial year
	\$	\$	\$	\$	\$	\$	\$	\$
Property								
<i>Land</i>	2,475,500	-	-	-	-	-	(162,000)	2,313,500
Total Land	2,475,500	-	-	-	-	-	(162,000)	2,313,500
<i>Buildings</i>	3,458,642	200,863	-	(76,771)	-	-	771,115	4,353,849
Building Improvements	-	-	-	-	-	-	-	-
Total Buildings	3,458,642	200,863	-	(76,771)	-	-	771,115	4,353,849
Total Property	5,934,142	200,863	-	(76,771)	-	-	609,115	6,667,349
Plant and Equipment								
Plant, Machinery and Equipment	1,230,229	420,607	-	(193,590)	(60,071)	-	-	1,397,175
Fixtures, Fittings and Furniture	42,473	9,653	-	(20,854)	-	-	-	31,272
Total Plant and Equipment	1,272,702	430,260	-	(214,444)	(60,071)	-	-	1,428,447
Infrastructure								
Roads	27,431,380	349,661	35,664,987	(960,510)	-	-	(3,825,088)	61,921,679
Bridges	1,596,298	176,114	1,216,236	(55,116)	-	-	-	2,933,532
Drainage and Culverts	1,765,089	-	(1,105,695)	(14,944)	-	-	(35,942)	608,508
Airport Infrastructure	1,066,935	121,802	-	(112,644)	-	-	211,985	1,288,078
Waste Management	-	6,996	-	(2,953)	-	-	144,142	148,185
Total Infrastructure	31,859,702	654,573	35,775,528	(1,146,167)	-	-	(3,504,903)	66,899,982
Works in Progress								
Buildings	983,293	-	-	-	-	-	(983,293)	-
Airport Infrastructure	211,985	273,691	-	-	-	-	(211,985)	273,691
Total Works in Progress	1,195,278	273,691	-	-	-	-	(1,195,278)	273,691
Total Property, Plant and Equipment, Infrastructure	40,261,824	1,559,387	35,775,528	(1,437,382)	(60,071)	-	(4,091,066)	75,269,469

(a) Impairment Losses

Impairment losses are recognised in the Statement of Comprehensive Income under other expenses.

Reversals of impairment losses are recognised in the Statement of Comprehensive Income under other revenue.

	2013	2012
	\$	\$
Note 23		
Intangible Assets		
Municipal Valuation	17,280	25,920
Total intangible Assets	<u>17,280</u>	<u>25,920</u>
Reconciliation of Intangible Assets		
	Municipa Valuation	Total
	\$	\$
Gross carrying amount		
Balance at 1 July 2011	43,200	43,200
Additions from internal developments	-	-
Other	-	-
Balance at 1 July 2012	<u>43,200</u>	<u>43,200</u>
Additions from internal developments	-	-
Other	-	-
Balance at 1 July 2013	<u>43,200</u>	<u>43,200</u>
Accumulated Amortisation and Impairment		
Balance at 1 July 2011	-	-
Amortisation expense	(17,280)	(17,280)
Balance at 1 July 2012	<u>(17,280)</u>	<u>(17,280)</u>
Amortisation expense	(8,640)	(8,640)
Balance at 1 July 2013	<u>(25,920)</u>	<u>(25,920)</u>
Net book value at 30 June 2012	<u>25,920</u>	<u>25,920</u>
Net book value at 30 June 2013	<u>17,280</u>	<u>17,280</u>
Note 24		
Trade and Other Payables		
Trade Payables	121,599	18,836
Net GST Payable (Receivable)	(2,890)	5,247
Accrued Expenses	184,064	193,218
Total Trade and Other Payables	<u>302,773</u>	<u>217,301</u>
Note 25		
Trust Funds and Deposits		
Refundable Building Facility Deposits	1,710	1,400
Refundable Key Deposits	20	20
Refundable Airport Terminal Deposits	1,660	1,660
Retention Amounts - Prepaid Funerals & Grave Sites	10,870	11,846
Other Refundable Deposits	9,513	8,870
Total Trust Funds and Deposits	<u>23,773</u>	<u>23,796</u>

Note 26

Provisions

	Annual Leave	Long Service Leave	Sick Leave	Other Leave	Total
	\$	\$	\$	\$	\$
2013					
Balance at beginning of the Financial Year	111,155	131,157	52,395	5,586	300,293
Movement	(44,927)	(595)	(30,745)	3,948	(72,319)
Balance at the End of the Financial Year	<u>66,228</u>	<u>130,562</u>	<u>21,650</u>	<u>9,534</u>	<u>227,974</u>
2012					
Balance at beginning of the Financial Year	65,343	119,516	-	-	184,859
Movement	45,812	11,641	52,395	5,586	115,434
Balance at the End of the Financial Year	<u>111,155</u>	<u>131,157</u>	<u>52,395</u>	<u>5,586</u>	<u>300,293</u>

	2013	2012
	\$	\$
(a) Employee Benefits		
(i) Current		
Annual Leave (including Leave Loading)	66,228	111,155
Long Service Leave (including Oncosts)	75,789	98,764
Sick Leave	21,650	52,395
Other	9,534	5,586
	<u>173,201</u>	<u>267,900</u>
(ii) Non-Current		
Long Service Leave (Including Oncosts)	54,773	32,393
	<u>54,773</u>	<u>32,393</u>
Aggregate Carrying Amount of Employee Benefits:		
Current	173,201	267,900
Non-Current	54,773	32,393
	<u>227,974</u>	<u>300,293</u>

The following assumptions were adopted in measuring the present value of employee benefits:-

Weighted average increase in employee costs	3.00%	8.00%
Weighted average discount rates	0.00%	0.00%
Weighted average settlement period	12	12

(i) Current

All annual leave and the long service leave entitlements representing 10 or more years of continuous service.

- Short-term employee benefits, that fall due within 12 months after the end of the period measured at nominal value.	66,228	111,155
- Other long-term employee benefits that do not fall due within 12 months after the end of the period measured at present value.	75,789	98,764
	<u>142,017</u>	<u>209,919</u>

(ii) Non-Current

Long Service Leave representing less than 10 years of continuous service measured at present value.	<u>54,773</u>	<u>32,393</u>
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(iii) Employee Numbers (FTE)

	23	18
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(b) Land Fill Restoration

Under Council undertaking, Council is obligated to restore Whitemark landfill site to a particular standard. Current engineering projections indicate that the landfill site will cease operation in 2043 and restoration work is expected to commence shortly thereafter. The forecast life of the landfill site is based on current estimates of remaining capacity and the forecast rate of infill. The provision for landfill restoration has been calculated based on the present value of the expected cost of works to be undertaken. The expected cost of works has been estimated based on current understanding of work required to reinstate the site to a suitable standard and budgeted costs for that work based on independent specialist advice. Accordingly, the estimation of the provision required is dependent on the accuracy of the forecast timing of the work, work required and related costs.

Council does not expect to receive reimbursement from a third party.

(c) Other Provisions

	2013	2012
	\$	\$
Non-Current		
Quarry Pit Reinstatement & Redevelopment	98,500	129,533
Total	<u>98,500</u>	<u>129,533</u>

Note 27 Reserves

	Balance at Beginning of Reporting Year	Increment	(Decrement)	Balance at End of Reporting Year
(a) Asset Revaluation Reserve	\$	\$	\$	\$
2013				
Property				
Land	485,500	-	-	485,500
Buildings	1,542,908	78,369		1,621,277
	2,028,408	78,369	-	2,106,777
Infrastructure				
Roads	38,367,872	1,911,542		40,279,414
Bridges, Drainage & Culverts	1,482,844	258,852	-	1,741,696
	40,450,509	2,170,394	-	42,620,903
Total Asset Revaluation Reserve	42,478,917	2,248,763	-	44,727,680

	Balance at Beginning of Reporting Year	Increment	(Decrement)	Balance at End of Reporting Year
2012				
Property				
Land	485,500	-	-	485,500
Buildings	1,542,908	-	-	1,542,908
	2,028,408	-	-	2,028,408
Infrastructure				
Roads	5,356,913	34,637,876	(1,027,124)	38,367,872
Bridges, Drainage & Culverts	345,189	1,137,655	-	1,482,844
	5,702,102	35,775,531	(1,027,124)	40,450,509
Total Asset Revaluation Reserve	7,730,510	35,775,531	(1,027,124)	42,478,917

The asset revaluation reserve was established to capture the movements in asset valuations upon the periodic revaluation of Council's assets.

	Balance at Beginning of Reporting Year	Increment	(Decrement)	Balance at End of Reporting Year
(b) Fair Value Reserve	\$	\$	\$	\$
2013				
Available-for-Sale Assets				
Investment in Water Corporation	58,212	66,294	-	124,506
Total Fair Value Reserve	58,212	66,294	-	124,506

2012

Available-for-Sale Assets				
Investment in Water Corporation	37,684	20,528	-	58,212
Total Fair Value Reserve	37,684	20,528	-	58,212

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

	Balance at beginning of reporting year	Transfer from accumulated surplus	Transfer to accumulated surplus	Balance at end of reporting year
(c) Other Reserves	\$	\$	\$	\$
2013				
Asset Replacement Reserve	4,279,560	-	-	4,279,560
Gunn Bequest Reserve	106,818	1,103	(269)	107,652
Total Other Reserves	4,386,378	1,103	(269)	4,387,212
2012				
Asset Replacement Reserve	4,279,560	-	-	4,279,560
Gunn Bequest Reserve	105,349	1,469	-	106,818
Total Other Reserves	4,384,909	1,469	-	4,386,378
			2013	2012
			\$	\$
Total Reserves			49,239,398	46,923,507
Note 28	Reconciliation of Cash Flows from Operating Activities to Surplus (Deficit)		2013	2012
			\$	\$
	<i>Surplus/(Deficit)</i>		113,103	47,810
	Depreciation/Amortisation		1,798,096	1,446,022
	Removal of Assets not Controlled		-	230,000
	(Profit)/loss on disposal of property, plant and equipment, infrastructure		(13,096)	(7,579)
	Capital grants received specifically for new or upgraded assets		(852,983)	(269,100)
	<i>Change in assets and liabilities:</i>			
	Decrease/(increase) in Trade Receivables		211,133	(254,881)
	Decrease/(Increase) in Accrued Revenue		(1,678)	7,562
	Decrease/(Increase) in Inventories		50,994	(1,662)
	Increase/(Decrease) in Trade Creditors		94,626	(11,962)
	Increase/(Decrease) in Revenue Received in Advance		35,123	(92,726)
	Increase/(Decrease) in Provisions		(103,352)	54,837
	Increase/(Decrease) in Accrued Expenses		(9,154)	26,111
	Net Cash Provided by/(Used in) Operating Activities		1,322,812	1,174,432
Note 29	Reconciliation of Cash and Cash Equivalents			
	Cash and cash equivalents (see Note 17)		3,034,237	3,576,569
	Total Reconciliation of Cash and Cash Equivalents		3,034,237	3,576,569

Note 30 Superannuation

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

For the year ended 30 June 2013 the Council contributed 12.5% 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 12.5% of salaries in 2012/13, 12.5% of salaries in 2013/14, and 12.5% 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.

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

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

During the reporting period the amount of contributions paid to all superannuation schemes was \$150,421 (2011-12: \$150,762).

	2013	2012
	\$	\$
Fund		
Defined Benefits Fund		
Employer Contributions to Quadrant Defined Benefits Fund	7,806	9,060
	<u>7,806</u>	<u>9,060</u>
Accumulation Funds		
Employer Contributions to Quadrant Superannuation Scheme	78,102	69,643
Employer Contributions to Tasplan	8,950	5,123
Employer Contributions to Other Funds	55,563	66,936
	<u>142,615</u>	<u>141,702</u>

Note 31	Commitments	2013 \$	2012 \$
	Capital Expenditure Commitments		
	Airport - Regional Aviation Access Program (RAAP)	-	160,500
	Total Capital Expenditure Commitments	-	160,500
		2013 \$	2012 \$
Note 32	Operating Leases		
	(a) Operating Lease Commitments		
	At the reporting date, Council had the following obligations under non-cancellable operating leases for the lease of equipment and land and buildings for use within Council's activities (these obligations are not recognised as liabilities):		
	Not later than one year	3,205	3,205
	Later than one year and not later than five years	14,957	18,162
	Later than five years	-	-
		18,162	21,367
Note 33	Contingent Liabilities and Contingent Assets		
	Contingent Liabilities		
	Council is presently involved in several confidential legal matters, which are being conducted through Council's solicitors.		
	As these matters are yet to be finalised, and the financial outcomes are unable to be reliably estimated, no allowance for these contingencies has been made in the financial report.		
	Contingent Assets		
	Council has no Contingent Assets.		

Note 34

Financial Instruments
(a) Accounting Policy, Terms and Conditions

Recognised Financial Instruments	Note	Accounting Policy	Terms and Conditions
Cash and Cash Equivalents	18	<p>Cash on Hand and at bank and money market call account are valued at face value.</p> <p>Interest is recognised as it accrues.</p> <p>Investments and bills are valued at cost.</p> <p>Investments are held to maximise interest returns of surplus cash.</p> <p>Interest revenues are recognised as they accrue.</p> <p>Managed funds are measured at market value.</p>	<p>On call deposits returned a floating average interest rate of 2.75% (3.5% in 2011-2012). The interest rate at balance date was 2.75% (3.5%).</p> <p>Funds returned fixed interest rate of are accrued on a monthly basis.</p> <p>Managed fund provided return of 4.18% (5.44 % in 2011-12) excluding unrealised gains/losses</p> <p>Funds returned fixed interest rate of are accrued on a monthly basis.</p>

Trade and Other Receivables

Sundry & Rates Debtors	19	<p>Receivables are carried at amortised cost using the effective interest method. A provision for impairment is recognised when there is objective evidence that an impairment loss has occurred. Collectability of overdue accounts is assessed on an ongoing basis.</p>	<p>Sundry debtors are unsecured and credit terms are based on 30 days. Rates Debtors attract a penalty interest rate of 10% in 2012-13 (10% in 2011-12) on all outstanding rate instalments.</p>
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Financial Liabilities

Trade and Other Payables	26	<p>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.</p>	<p>General Creditors are unsecured, not subject to interest charges and are normally settled within 30 days of invoice receipt.</p>
Interest-Bearing Loans and Borrowings	N/A	<p>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.</p> <p>Finance leases are accounted for at their principal amount with the lease payments discounted to present value using the interest rates implicit in the leases.</p>	
Bank Overdraft	N/A	<p>Overdrafts are recognised at the principal amount. Interest is charged as an expense as it accrues.</p>	

Note 34 Financial Instruments (Cont.)

(b) Interest Rate Risk

The exposure to interest rate risk and the effective interest rates of financial assets and financial liabilities, both recognised and unrecognised, at balance date are as follows:

2013

	Weighted average interest rate	Floating interest rate \$	Fixed Interest Maturing in:			Non-interest bearing \$	Total \$
			1 year or less \$	Over 1 to 5 years \$	More than 5 years \$		
Financial assets							
Cash and Cash Equivalents	3.50%	3,034,237	-	-	-	-	3,034,237
Other Financial Assets	4.18%	-	5,672,430	-	-	-	5,672,430
Trade and Other Receivables	10.00%	50,944	-	-	-	107,598	158,542
Investment in Water Corporation	-	-	-	-	-	3,537,804	3,537,804
Total Financial Assets		3,085,181	5,672,430	-	-	3,645,402	12,403,013
Financial Liabilities							
Trade and Other Payables	-	-	-	-	-	302,773	302,773
Trust Funds and Deposits	-	-	-	-	-	23,773	23,773
Total Financial Liabilities		-	-	-	-	326,546	326,546
Net Financial Assets (Liabilities)		3,085,181	5,672,430	-	-	3,318,856	12,076,467

2012

	Weighted average interest rate	Floating interest rate \$	Fixed Interest Maturing in:			Non-interest bearing \$	Total \$
			1 year or less \$	Over 1 to 5 years \$	More than 5 years \$		
Financial Assets							
Cash and Cash Equivalents	3.50%	2,531,971	-	-	-	1,044,598	3,576,569
Other Financial Assets	5.44%	-	4,212,904	-	-	-	4,212,904
Trade and Other Receivables	10.00%	42,052	-	-	-	327,623	369,675
Investment in Water Corporation	-	-	-	-	-	3,471,510	3,471,510
Total Financial Assets		2,574,023	4,212,904	-	-	4,843,731	11,630,658
Financial Liabilities							
Trade and Other Payables	-	-	-	-	-	217,301	217,301
Trust Funds and Deposits	-	-	-	-	-	23,796	23,796
Total Financial Liabilities		-	-	-	-	241,097	241,097
Net Financial Assets (Liabilities)		2,574,023	4,212,904	-	-	4,602,634	11,389,561

Note 34 Financial Instruments (Cont.)

Financial Instruments	Note	Total Carrying Amount as per Balance Sheet		Aggregate Net Fair Value	
		2013 \$	2012 \$	2013 \$	2012 \$
Financial Assets					
Cash and Cash Equivalents	18	3,034,237	3,576,569	3,034,237	3,576,569
Other Financial Assets	20	5,672,430	4,212,904	5,672,430	4,212,904
Trade and Other Receivables	19	158,542	369,675	158,542	369,675
Investment in Water Corporation	17	3,537,804	3,471,510	3,537,804	3,471,510
Total Financial Assets		12,403,013	11,630,658	12,403,013	11,630,658
Financial Liabilities					
Trade and Other Payables	26	302,773	217,301	302,773	217,301
Trust Funds and Deposits	27	23,773	23,796	23,773	23,796
Total Financial Liabilities		326,546	241,097	326,546	241,097

(d) Credit Risk

The maximum exposure to credit risk at balance date in relation to each class of recognised financial asset is represented by the carrying amount of those assets as indicated in the Statement of Financial Position.

(e) Risks and Mitigation

The risks associated with our main financial instruments and our policies for minimising these risks are detailed below.

Market Risk

Market risk is the risk that the fair value or future cash flows of our financial instruments will fluctuate because of changes in market prices. Council's exposures to market risk are primarily through interest rate risk with only insignificant exposure to other price risks and no exposure to foreign currency risk. Components of market risk to which we are exposed are discussed below.

Interest Rate Risk

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

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

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

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

Investment of surplus funds is made with approved financial institutions under the *Local Government Act 1993*. We manage interest rate risk

- 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.

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

Credit Risk

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

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

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

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

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

We may also be subject to credit risk for transactions which are not included in the Statement of Financial Position, such as when we provide a guarantee for another party. Details of our contingent liabilities are disclosed in Note 37.

Credit Quality of Contractual Financial Assets That are Neither Past Due Nor Impaired

	Financial Institutions	Government Agencies	Other	Total
2013				\$
Cash and Cash Equivalents	3,034,237	-	-	3,034,237
Trade and Other Receivables	-	-	-	-
Investments and Other Financial Assets	5,672,430	-	-	-
Total Contractual Financial Assets	8,706,667	-	-	3,034,237
2012				
Cash and Cash Equivalents	3,576,569	-	-	3,576,569
Trade and Other Receivables	-	-	-	-
Investments and Other Financial Assets	4,212,904	-	-	-
Total Contractual Financial Assets	7,789,473	-	-	3,576,569

Ageing of Trade and Other Receivables

At balance date other debtors representing financial assets were past due but not impaired. These amounts relate to a number of independent customers for whom there is no recent history of default. The ageing of the Council's Trade and Other Receivables was:-

	2013	2012
	\$	\$
Current (not yet due)	2,890	-
Past due by up to 30 days	102,878	319,501
Past due between 31 and 180 days	52,774	50,174
Total Trade & Other Receivables	158,542	369,675

Ageing of individually impaired Trade and Other Receivables

At balance date, other debtors representing financial assets with a nominal value of \$0 (2011-2012: \$0) were impaired. The amount of the provision raised against these debtors was \$0 (2011-2012: \$0). The individually impaired debtors relate to general and sundry debtor and have been impaired as a result of their doubtful collection. Many of the long outstanding past due amounts have been lodged with Council's debt collectors or are on payment arrangements.

Liquidity Risk

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

- we will not have sufficient funds to settle a transaction on the date;
- we will be forced to sell financial assets at a value which is less than what they are worth; or
- we may be unable to settle or recover a financial assets 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;
- have a liquidity portfolio structure that requires surplus funds to be invested within various bands of liquid instruments;
- monitor budget to actual performance on a regular basis; and
- set limits on borrowings relating to the percentage of loans to rate revenue and percentage of loan principal repayments to rate revenue.

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

The table below lists the contractual maturities for Financial Liabilities

These amounts represent undiscounted gross payments including both principal and interest amounts

2013	6 mths or less	6-12 months	1-2 years	2-5 years	>5 years	Contracted Cash Flow
	\$	\$	\$	\$	\$	\$
Trade and Other Payables	302,773	-	-	-	-	-
Trust Funds and Deposits	23,796	-	-	-	-	-
Total Financial Liabilities	326,569	-	-	-	-	-

2012	6 mths or less	6-12 months	1-2 years	2-5 years	>5 years	Contracted Cash Flow
	\$	\$	\$	\$	\$	\$
Trade and Other Payables	217,301	-	-	-	-	-
Trust Funds and Deposits	23,773	-	-	-	-	-
Total Financial Liabilities	241,074	-	-	-	-	-

(f) Sensitivity Disclosure Analysis

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

- A parallel shift of + 1% and -2% in market interest rates (AUD) from year-end rates of 4.4%.

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

		Interest Rate Risk			
		-1 % (Note: Use relevant interest rate risk for your council).		+1	
		-100 basis points		+100 basis points	
		Profit	Equity	Profit	Equity
2013	\$	\$	\$	\$	\$
Financial Assets:					
Cash and Cash Equivalents	3,034,237	(65,882)	(65,882)	65,882	65,882
Other Financial Assets	5,672,430				
Trade and Other Receivables	158,542	-	-	-	-

		Interest Rate Risk			
		-1 % (Note: Use relevant interest rate risk for your council).		+1	
		-100 basis points		+100 basis points	
		Profit	Equity	Profit	Equity
2012	\$	\$	\$	\$	\$
Financial Assets:					
Cash and Cash Equivalents	3,576,569	(51,353)	(51,353)	51,353	51,353
Other Financial Assets	4,212,904				
Trade and Other Receivables	369,675	-	-	-	-

(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.

	Level 1	Level 2	Level 3	Total
30 June 2013				
Available for sale financial assets	-	-	3,537,804	3,537,804

	Level 1	Level 2	Level 3	Total
30 June 2012				
Available for sale financial assets	-	-	3,471,510	3,471,510

Reconciliation of Level 3 Fair Value Movements

	2013	2012
	\$	\$
Opening Balance	3,471,510	-
Investment on transfer of assets	-	3,450,981
Change in fair value movement in Ben Lomond Water	66,294	20,529
Closing Balance	3,537,804	3,471,510

Note 35 **Events Occurring After Balance Date**

New Water Corporation

From 1 July 2013 a new State-wide water and sewerage corporation trading as "Tas Water", commenced in accordance with the *Water and Sewerage Corporation Act 2012*. TasWater will take over the water and sewerage services and assets currently operated by Ben Lomond Water, Cradle Mountain Water and Southern Water. It will also manage the billing, IT and payroll functions currently managed by the industry's service firm, Onstream.

Council holds an equal representation with all other councils. No change is expected to current investment treatment, with Council receiving a proportional share in the new corporation. Council will continue to derive returns in the form of dividends, guarantee fees and tax equivalents. Any changes to Council's investment in "Tas Water" will be treated as a non-adjusting event and accounted for in the next financial year.

Note 36 **Related Party Transactions**

(i) **Responsible Persons**

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

Councillors	Councillor Carol Cox - (Mayor 01/11/05 to current)
	Councillor David Williams (Deputy Mayor 01/11/11 to current)
	Councillor Marc Cobham (Councillor 01/11/09 to current)
	Councillor Peter Rhodes (Councillor 01/11/11 to current)
	Councillor Mary-Ann Roberts (Councillor 01/11/09 to current)
	Councillor Gerald Willis (Councillor 01/11/11 to current)
	Councillor Ronald Wise (Councillor 23/2/11 to current)

General Manager Mr Raoul Harper

2013	2012
\$	\$

(ii)	Total Remuneration for the reporting year for Councillors' Emoluments and reimbursements included above amounted to:-	97,517	92,634
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	Total Remuneration for the reporting year for Senior Management Positions included above amounted to:-	313,569	290,373
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(iii) In accordance with s84(2)(b) of the *Local Government Act 1993*, the following interests have been notified to the General Manager in respect of any body or organisation with which the Council has major financial dealings:-

Councillor and Position	Date	Declared Interest
Councillor Ronald Wise	19/10/2012	Notice of Motion - Sponsorship of "Ratstars" Concert to King Island
Councillor David Williams	16/05/2013	Notice of Motion - Support for "200kms for a Cure"

Note 37 **Special Committees and Other Activities**

Council do have Special Committees for the operation of both Lady Barron & Furneaux Hall and Recreation Ground.

Note 38 Significant Business Activities

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

		Flinders Island Airport	
		2013	2012
Revenue			
	User Changes	285,752	242,905
	Grants	120,444	98,600
	Total Revenue	406,196	341,505
Expenditure			
<i>Direct</i>			
	Employee Costs	193,656	176,681
	Materials and Contacts	334,074	189,343
<i>Indirect</i>			
	Engineering & Administration	-	-
	Total Expenses	527,730	366,024
<i>Notional cost of free services received</i>			
Capital Costs			
	Depreciation and Amortisation	123,193	112,644
	Opportunity Cost of Capital	333,808	377,764
	Total Capital Costs	457,001	490,408
Competitive Neutrality Adjustments			
	Rates and Land tax	-	-
	Loan Guarantee Fees	-	-
		-	-
	Calculated Surplus/(Deficit)	(599,958)	(535,330)
	Tax Equivalent Rate	-	-
	Taxation Equivalent	-	-
Competitive Neutrality Costs		21,423	20,403



Tasmanian Audit Office

Independent Auditor's Report

To the Councillors of Flinders Council

Financial Report for the Year Ended 30 June 2013

Report on the Financial Report

I have audited the accompanying financial report of Flinders Council (Council), which comprises the statement of financial position as at 30 June 2013 and the statements of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the General Manager's statement.

Auditor's Opinion

In my opinion Council's financial report:

- (a) presents fairly, in all material respects, its financial position as at 30 June 2013 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 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

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fraud or error. In making those risk assessments, the auditor considers internal control relevant to the General Manager's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate to the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Council's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the General Manager, as well as evaluating the overall presentation of the financial report.

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

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

Independence

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

- providing that only Parliament, and not the executive government, can remove an Auditor-General
- 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
General Manager Financial Audit Services
Delegate of the Auditor-General

Hobart
7 October 2013

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