DERWENT VALLEY COUNCIL

Derwent Valley Council

FINANCIAL REPORT: 2013 - 2014

DERWENT VALLEY COUNCIL
ANNUAL FINANCIAL REPORT
For the Year Ended 30 June, 2014

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Tasmanian Audit Office

Independent Auditor's Report

To the Councillors of Derwent Valley Council

Financial Report for the Year Ended 30 June 2014

Report on the Financial Report

I have audited the accompanying financial report of Derwent Valley Council (Council), which comprises the statement of financial position as at 30 June 2014 and the statements of comprehensive income, changes in equity and cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the General Manager's statement.

Auditor's Opinion

In my opinion Council's financial report:

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

(b) is in accordance with the *Local Government Act 1993* and Australian Accounting Standards.

The Responsibility of the General Manager for the Financial Report

The General Manager is responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards and Section 84 of the *Local Government Act 1993*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the 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 my judgement, including the assessment of risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, I considered internal control relevant to the General Manager's preparation and fair presentation of the 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
Assistant Auditor-General Financial Audit
Delegate of the Auditor-General

Hobart
26 September 2014

DERWENT VALLEY COUNCIL
COUNCIL STATEMENT
For the Year Ended 30 June, 2014

The financial report set out on pages 1 to 56 are a true and correct copy of the Annual Financial Statements of the Derwent Valley Council for the year ended 30 June, 2014.

In my opinion:

a) the Financial Statements of the Derwent Valley Council have been prepared in accordance with applicable Australian Accounting Standards including Australian Interpretations;

b) the Statement of Comprehensive Income and Statement of Cash Flows are drawn up so as to give a true and fair view of the results and cash flows of the Council for the financial year ended 30 June, 2014;

c) the Statement of Financial Position together with notes thereto, and the Statement of Changes in Equity are drawn up so as to give a true and fair view of the state of affairs of the Council as at 30 June, 2014;

d) at the date of this statement, there are reasonable grounds to believe that the Council will be able to pay its debts as and when they fall due.

POSITION	**NAME**	**SIGNATURE**
General Manager	**Stephen Mackey**	

Date

DERWENT VALLEY COUNCIL
STATEMENT OF COMPREHENSIVE INCOME
For the Year Ended 30 June, 2014

	Note	BUDGET 2014 $'000	ACTUAL 2014 $'000	ACTUAL 2013 $'000
INCOME				
RECURRENT INCOME				
Rates and Charges	3	5,732	5,715	5,605
Statutory Fees and Fines	4	242	212	253
User Fees	5	1,086	1,088	992
Grants	6	3,252	2,758	3,325
Interest Received	7	105	112	127
Reimbursements	8	98	189	52
Investment Revenue from TasWater	9,17	271	276	-
Other Income	10	102	337	168
		10,888	**10,687**	**10,522**
CAPITAL INCOME				
Grants	6	-	70	179
Profit/ Loss on Sale of Assets	11	-	535	22
TOTAL INCOME		**10,888**	**11,292**	**10,723**
EXPENDITURE				
Employee Benefits		3,595	3,483	3,392
Materials and Services		3,609	3,867	3,721
Depreciation and Amortisation	12	-	2,183	2,156
Finance Costs		204	170	154
Plant and Vehicle Running		533	343	311
State Taxes		245	234	235
Other Expenses	13	420	419	417
TOTAL EXPENDITURE		**8,606**	**10,699**	**10,386**
SURPLUS/(DEFICIT)		**2,282**	**593**	**337**
OTHER COMPREHENSIVE INCOME				
Items that will not be reclassified to surplus or deficit				
Net asset revaluation increment		-	326	4,470
Items that may be reclassified subsequently to surplus or deficit				
Change in fair value: Investment in TasWater	17	-	(4,952)	(5)
COMPREHENSIVE RESULT		**2,282**	**(4,033)**	**4,802**

This statement should be read in conjunction with the accompanying Notes to the Financial Statements

DERWENT VALLEY COUNCIL
STATEMENT OF FINANCIAL POSITION
As at 30 June, 2014

	Note	ACTUAL 2014 $'000	ACTUAL 2013 $'000
ASSETS			
CURRENT ASSETS			
Cash and Cash Equivalents	14	573	370
Investments	14	800	2,300
Other	15	35	60
Receivables	16	930	818
TOTAL CURRENT ASSETS		**2,338**	**3,548**
NON-CURRENT ASSETS			
Receivables	16	22	21
Investment in Water Corporation	17	19,968	24,920
Property, Infrastructure, Plant and Equipment	22	75,775	74,326
TOTAL NON-CURRENT ASSETS		**95,765**	**99,267**
TOTAL ASSETS		**98,103**	**102,815**
LIABILITIES			
CURRENT LIABILITIES			
Payables	18	510	852
Interest Bearing Loans/Borrowings	19	196	176
Other Liabilities	20	109	384
Provisions	21	1,604	1,648
TOTAL CURRENT LIABILITIES		**2,419**	**3,060**
NON-CURRENT LIABILITIES			
Interest Bearing Loans/Borrowings	19	2,543	2,539
Provisions	21	73	115
TOTAL NON-CURRENT LIABILITIES		**2,616**	**2,654**
TOTAL LIABILITIES		**5,035**	**5,714**
NET ASSETS		**93,068**	**97,101**
EQUITY			
Accumulated Surplus		40,871	40,660
Reserves	23	52,197	56,441
TOTAL EQUITY		**93,068**	**97,101**

This statement should be read in conjunction with the accompanying Notes to the Financial Statements

DERWENT VALLEY COUNCIL
STATEMENT OF CHANGES IN EQUITY
For the Year Ended 30 June, 2014

	Accumulated Surplus/Deficit		Public Open Space Reserve		Asset Replacement Reserves		Asset Revaluation Reserves		Fair Value Reserve		Other Reserves		Total Equity	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000	2014 $'000	2013 $'000	2014 $'000	2013 $'000	2014 $'000	2013 $'000	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Equity at beginning of Year	40,660	40,283	148	152	675	552	54,286	49,816	192	197	1,140	1,298	97,101	92,298
Comprehensive result	593	337	-	-	-	-	326	4,470	(4,952)	(5)	-	-	(4,033)	4,802
Transfers to Reserves	(2,027)	(1,216)	-	-	381	457	-	-	-	-	1,646	759	-	-
Transfers from Reserves	1,645	1,256	(3)	(4)	(270)	(334)	-	-	-	-	(1,374)	(917)	-	-
Equity at end of Year	**40,871**	**40,660**	**145**	**148**	**786**	**675**	**54,612**	**54,286**	**(4,760)**	**192**	**1,412**	**1,140**	**93,068**	**97,101**

This statement should be read in conjunction with the accompanying Notes to the Financial Statements

DERWENT VALLEY COUNCIL

STATEMENT OF CASH FLOWS
For the Year Ended 30 June 2014

	Note	ACTUAL 2014 $'000	ACTUAL 2013 $'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts			
- Rates		5,689	5,642
- Grants		2,758	3,325
- Statutory & User Charges (inclusive of GST)		1,335	1,419
- Interest		107	125
- Other Receipts (inclusive of GST)		404	199
- Reimbursements (inclusive of GST)		208	57
- Investment revenue from TasWater		276	-
		10,777	**10,767**
Payments			
- Payments to Employees		(3,569)	(3,507)
- Payments to Suppliers (inclusive of GST)		(4,387)	(3,403)
- Interest		(167)	(152)
- Plant & Vehicle Running		(343)	(312)
- State Taxes		(234)	(235)
- Other Payments		(698)	(318)
		(9,398)	**(7,927)**
NET CASH PROVIDED BY OPERATING ACTIVITIES	29 (b)	**1,379**	**2,840**
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for Property, Infrastructure, Plant and Equipment		(3,714)	(3,126)
Grants		70	179
Proceeds from sale of Property, Infrastructure, Plant and Equipment		944	268
NET CASH (USED) IN INVESTING ACTIVITIES		**(2,700)**	**(2,679)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Total (Increase) / Decrease in Investments for Year		1,500	(150)
Proceeds from Interest Bearing Loans and Borrowings		200	500
Repayment of Interest Bearing Loans and Borrowings		(176)	(143)
NET CASH PROVIDED BY FINANCING ACTIVITIES		**1,524**	**207**
NET INCREASE (DECREASE) IN CASH HELD		203	368
CASH AT THE BEGINNING OF THE YEAR		370	2
CASH AT THE END OF THE YEAR	29 (a)	**573**	**370**

This statement should be read in conjunction with the accompanying Notes to the Financial Statements

INTRODUCTION

(a) The Derwent Valley Council (formerly New Norfolk Council) was established in 1863 and is a body corporate with perpetual succession and a common seal. Council's main office is located at Circle Street, New Norfolk.

(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 basis.

This financial report has been prepared under the historical cost convention, except where specifically stated in Notes 1(f), 1(i) , 1(k), 1(o), 1(p), 1(u), 1(v), 1(w) and 1(x) .

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

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

Judgements and Assumptions

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

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

Council has made no assumptions concerning the future that may cause a material adjustment to the carrying amounts of assets and liabilities within the next reporting period. Judgements made by Council that have significant effects on the 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 (o).

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 32.

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(f) and in Note 22.

Investment in water corporation
Assumptions utilised in the determination of Council's valuation of its investment in TasWater are discussed in Note 1(k) and in Note 17.

(b) Change in accounting policy

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

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

AASB 13 requires prospective application from 1 January 2013. In addition, specific transitional provisions were given to entities such that they need not apply the disclosure requirements set out in the Standard in comparative information provided for periods before the initial application of the Standard. In accordance with these transitional provisions, Council has not made any new disclosures required by AASB 13 for the 2013 comparative period, except for financial instruments, of which the fair value disclosures are required under AASB 7: *Financial Instruments, Disclosures.*

Other than the additional disclosures, the application of AASB 13 has not had any material impact on the amounts recognised in the financial statements.

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

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

(c) Pending accounting standards

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2014 reporting periods. Council's assessment of the impact of these new standards and interpretations is set out below:

(i) AASB 9 *Financial Instruments* and the relevant amending standards (effective from 1 January 2017)
AASB 9 is one of a series of amendments that are expected to replace AASB 139 *Financial Instruments: Recognition and Measurement.* The main impact of the standard is to change the requirements for the classification, measurement and disclosures associated with financial assets. Under the new requirements the four categories of financial assets in AASB 139 will be replaced with two measurement categories: fair value and amortised cost.

Amortised cost is to be used for assets with contractual terms giving rise to principal and interest payments.

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

When adopted, the standard will affect, in particular, Council's accounting for its available-for-sale financial assets. Currently, Council recognises changes in the fair value of its available-for-sale assets through other comprehensive income. Under AASB 9 fair value gains and losses on available-for-sale assets will have to be recognised directly in profit or loss.

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 the relevant amending standards (effective from 1 January 2014)

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

AASB 10 replaces all of the guidance on control and consolidation in AASB 127 *Consolidated and Separate Financial Statements*, and Interpretation 12 *Consolidation – Special Purpose Entities*. The core principle that a consolidated entity presents a parent and its subsidiaries as if they are a single economic entity remains unchanged, as do the mechanics of consolidation. However, the standard introduces a single definition of control that applies to all entities. It focuses on the need to have both power and rights or exposure to variable returns. Power is the current ability to direct the activities that significantly influence returns. Returns must vary and can be positive, negative or both. Control exists when the investor can use its power to affect the amount of its returns. There is also new guidance on participating and protective rights and on agent/principal relationships. Council has undertaken an assessment and no material changes to the composition of Council's accounts are anticipated from the application of the new standard.

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

Council's investment in the joint venture partnership will be classified as a joint venture under the new rules. As Council already applies the equity method in accounting for this investment, AASB 11 will not have any impact on the amounts recognised in its financial statements.

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.

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

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

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

(iv) AASB 1031 *Materiality* (effective from 1 January 2014)

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

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

This standard amends the disclosure requirements of AASB 136. The amendments include the requirement to disclose additional information about the fair value measurement when the recoverable amount of impaired assets is based on fair value less costs of disposal. The adoption of this standard will not impact Council's accounting policies but may result in changes to information disclosed in the financial statements.

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

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

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

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

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

(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.

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.

Land is 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
Land improvements	Nil years
Buildings	
Buildings	50 years
Building improvements	50 years
Leasehold improvements	
leasehold building improvements	50 years
Storm Water	
Pipes Concrete	120 years
Pipes uPVC	100 years
Pipes Earthenware	100 years
Pipes Cast Iron	120 years
Manholes	100 years
Pits	100 years
Head Wall	100 years
Pumps	15 years
Reservoirs	50 years
Chlorinators	15 years
Roads	
Earthworks	200 years
Asphaltic	35 years
Chip Seal	30 years
Reinforced concrete	50 years
Kerb and Guttering	50 years
Base Sealed	50 years
Base Un-Sealed	70 years
Gravel	6 years
Bridges	
Concrete deck	80 years
Timber deck	20 years
Reserves structures	50 years
Waste structures & rehabilitation	20 years
Light Vehicles	
(rate approx. loss of trade in value after 40,000 km or 2 years)	2 years
Plant & Equipment	
Plant and vehicles	7 years
Office Equipment, Furniture and Information Technology	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.

Borrowing 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.

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

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

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 26. 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 $'000
Land improvements	10
Buildings	
Buildings	10
Building improvements	10
Leasehold improvements	
leasehold building improvements	10
Storm Water	
Pipes Concrete	10
Pipes uPVC	10
Pipes Earthenware	10
Pipes Cast Iron	10
Manholes	10
Pits	10
Head Wall	10
Pumps	10
Reservoirs	10
Chlorinators	10

	Threshold $'000
Roads	
Earthworks	10
Asphaltic	10
Chip Seal	10
Reinforced concrete	10
Kerb and Guttering	10
Base Sealed	10
Base Un-Sealed	10
Gravel	10
Bridges	
Concrete deck	10
Timber deck	10
Reserves structures	10
Waste structures & rehabilitation	10
Light Vehicles	5
Plant & Equipment	
Plant and vehicles	5
Office Equipment, Furniture and Information Technology	5

Revaluation

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

In addition, Council undertakes a formal revaluation of land, buildings, and infrastructure assets 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.

(g) 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.

(h) 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.

(i) 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.

(j) 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.

(k) Investments in water corporation

Council's investment in TasWater is valued at its fair value at balance date. Fair value was determined by using Council's ownership interest against the water corporation's net asset value at balance date based on Final Treasurer's Allocation Order in 2011. Council has an ownership interest of 1.36% in the corporation. Any unrealised gains and loses on holdings at balance date are recognised through the Statement of Comprehensive Income to a Financial assets available for sale Reserve each year. (refer Note 17)

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.

(l) Investments

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

(m) Accounting for investments in associates

Council's investment in associates is accounted for by the equity method as Council has the ability to influence rather than control the operations of the entities. The investment is initially recorded at the cost of acquisition and adjusted thereafter for post-acquisition changes in Council's share of the net assets of the entities. Council's share of the financial result of the entities is recognised in the Statement of Comprehensive Income.

(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 20).

(o) Employee benefits

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

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

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

(iii) *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.

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

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

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

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

(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) 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.

(r) 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.

(s) 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.

(t) Rounding

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

(u) Non-current assets held for sale

A non-current asset held for sale (including disposal groups) is measured at the lower of its carrying amount and fair value less costs to sell, and are not subject to depreciation. Non-current assets, disposal groups and related liabilities assets are treated as current and classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset's sale (or disposal group sale) is expected to be completed within 12 months from the date of classification.

(v) Investment property

Investment property is held to generate long-term rental yields. Investment property is measured initially at cost, including transaction costs. Costs incurred subsequent to initial acquisition are capitalised when it is probable that future economic benefit in excess of the originally assessed performance of the asset will flow to Council. Subsequent to initial recognition at cost, investment property is carried at fair value, determined annually by independent valuers. Changes to fair value are recorded in the Statement of Comprehensive Income in the period that they arise. Rental income from the leasing of investment properties is recognised in the Statement of Comprehensive Income on a straight line basis over the lease term.

(w) Financial guarantees

Financial guarantee contracts are recognised as a liability at the time the guarantee is issued. The liability is initially measured at fair value, and if there is material increase in the likelihood that the guarantee may have to be exercised, at the higher of the amount determined in accordance with *AASB 137 Provisions, Contingent Liabilities and Contingent Assets* and the amount initially recognised less cumulative amortisation, where appropriate. In the determination of fair value, consideration is given to factors including the probability of default by the guaranteed party and the likely loss to Council in the event of default.

(x) 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. Council's disclosure is reconciled in Note 31. Council has determined, based upon materiality that Transport Infrastructure as defined in Note 31 is considered a significant business activity. 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:

- Income tax equivalent: 30%
- Notional opportunity cost of capital: 7%
- Loan guarantee fees: 0.45%
- Fringe benefits tax credits and stamp duty not included as determined to be immaterial.

(y) 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.

(z) Budget

The estimated revenue and expense amounts in the Statement of Comprehensive Income represent revised budget amounts and are not audited.

2. FUNCTIONS OF THE COUNCIL

(a) Revenues, expenses and assets have been attributed to the following functions. A detailed explanation of each Function is outlined in Note 2 (b).

	REVENUE GRANTS	REVENUE OTHER	EXPENSES	SURPLUS (DEFICIT)	ASSETS
	$'000	$'000	$'000	$'000	$'000
ACTUAL 30 JUNE 2014					
Council & Community Relations	-	321	321	-	343
Roads & Communications	840	943	2,099	(316)	55,944
Stormwater Drainage	136	211	211	136	26,544
Solid Waste Management	61	1,027	912	176	855
Natural & Cultural Resource Mgm.	-	703	677	26	287
Dynamic Local Economy	312	421	730	3	225
Community, Health & Other Serv.	1,206	458	1,618	46	102
Recreation, Leisure & Open Space	159	1,448	1,363	244	7,406
Management of Council Resources	114	2,932	2,768	278	4,037
Other not Attributed	-	-	-	-	2,360
TOTAL	**2,828**	**8,464**	**10,699**	**593**	**98,103**
ACTUAL 30 JUNE 2013					
Council & Community Relations	-	243	243	-	320
Roads & Communications	1,214	382	2,151	(555)	55,074
Stormwater Drainage	238	228	228	238	31,086
Solid Waste Management	107	956	876	187	934
Natural & Cultural Resource Mgm.	-	676	666	10	394
Dynamic Local Economy	129	607	736	-	838
Community, Health & Other Serv.	1,132	406	1,595	(57)	576
Recreation, Leisure & Open Space	279	1,413	1,300	392	6,829
Management of Council Resources	405	2,308	2,591	122	3,195
Other not Attributed	-	-	-	-	3,569
TOTAL	**3,504**	**7,219**	**10,386**	**337**	**102,815**

2. FUNCTIONS OF THE COUNCIL (Continued)

(b) The Council has adopted the following functional areas by which it manages the Municipality.

1 Council and Community Relations

This program covers the operation of the elected body of Council. It also includes community development and community grants and subsidies.

2 Roads and Communications

This program represents the costs associated with providing a quality road network to the Derwent Valley and surrounding areas. It includes costs for sealed and unsealed road maintenance, bridge maintenance, the upkeep of regulatory signage and street lighting costs. This is a significant business activity of Council which for reporting purposes is described as "Transport Infrastructure".

3 Stormwater Drainage

This program covers stormwater infrastructure provided by Council.

4 Solid Waste Management

This program covers the recycling, re-use and/or disposal of all forms of municipal wastes such as domestic garbage, general street litter, non-toxic commercial and industrial waste and demolition waste. Council manages a refuse disposal site and recycling depot at Peppermint Hill, New Norfolk and a waste transfer station at National Park.

5 Natural and Cultural Resource Management

This program covers Council's statutory control functions including the regulatory, approval and inspectorial services for the protection of the natural and cultural environment as well as public health and safety. Specific services include environmental and public health (including the collection of domestic garbage and recycling), animal control and emergency services.

6 Dynamic Local Economy

This program covers costs associated with supporting a viable economy and employment opportunities in the Derwent Valley together with the encouragement, promotion and development of tourism, local promotions and Council's historical society operations.

2. FUNCTIONS OF THE COUNCIL (Continued)

7 Community, Health and Other Services

This program covers the provision of services that support the health and lifestyle of individuals and groups (including those with special needs), education, health and aged care, children and youth services and other similar community services. It includes services provided to people either at their place of residence such as Family Day Care or in community service facilities such as Home and Community Care.

8 Recreation, Leisure and Open Space

This program covers the provision of open space for parks, gardens or recreation grounds as well as swimming pools, halls, public toilets and other community facilities such as cemeteries.

9 Management of Council Resources

This program covers all staff, finances, assets, equipment, information and other resources Council has to implement the strategic programs. In addition it covers private works, building and plumbing control and development control.

10 Other not Attributed

This program covers items that could not be allocated to any of the above functions.

	ACTUAL 2014 $'000	ACTUAL 2013 $'000

3. RATES AND CHARGES

Council uses Adjusted Assessed Annual Values (AAAV) as the basis of the valuation of all properties within the municipal district. The AAAV of a property is the anticipated annual rental return of the property.

The valuation base used to calculate general rates for 2013/2014 was $63,947,357 (2012/2013 $64,913,412). The 2013/2014 rate in the AAAV dollar was $0.07796985 (2012/2013 $0.075344).

	ACTUAL 2014 $'000	ACTUAL 2013 $'000
General	4,890	4,815
Country Fire	100	95
Urban Fire	150	142
Sewerage Removal	110	108
Garbage/Recycling Services	449	429
Business Levy	16	16
TOTAL RATES AND CHARGES	**5,715**	**5,605**

The date of the latest general revaluation of land for rating purposes within the municipal district was 1 July 2010, and the valuation was first applied in the rating year commencing 1 July 2011.

4. STATUTORY FEES AND FINES

	ACTUAL 2014 $'000	ACTUAL 2013 $'000
Infringements and Costs	3	2
Planning Fees	51	79
Land Information Certificates	54	53
Permits	104	119
TOTAL STATUTORY FEES AND FINES	**212**	**253**

5. USER FEES

	ACTUAL 2014 $'000	ACTUAL 2013 $'000
Child Care/Children's Program fees	381	330
Home and Community Care Service Fees	11	12
Registration fees	39	41
Cemetery Fees	203	213
Caravan Park Fees	199	182
Refuse Disposal Fees	201	187
Other Fees and Charges	54	27
TOTAL USER FEES	**1,088**	**992**

6. GRANTS

Grants were received in respect of the following:

	ACTUAL 2014 $'000	ACTUAL 2013 $'000
Summary of Grants		
Federally Funded Grants	2,090	3,180
State Funded Grants	738	145
TOTAL	**2,828**	**3,325**

6. GRANTS (Continued)

Grants - Recurrent

	ACTUAL 2014 $'000	ACTUAL 2013 $'000
Financial Assistance Grant	988	2,063
Buildings	21	-
Family and Children	1081	964
Home and Community Care	124	167
Regional Development	312	129
Roads	230	-
Youth Services	2	2
TOTAL GRANTS: RECURRENT	**2,758**	**3,325**

GRANTS: CAPITAL

Grants were received in respect of the following:

Summary of Grants: Capital

	ACTUAL 2014 $'000	ACTUAL 2013 $'000
Federally Funded Grants	-	179
State Funded Grants	70	-
TOTAL GRANTS: CAPITAL	**70**	**179**

Summary of Grants

	ACTUAL 2014 $'000	ACTUAL 2013 $'000
Road Works	70	179
TOTAL GRANTS: CAPITAL	**70**	**179**

The Australian Commonwealth Government provides Financial Assistance Grants to Council for general purpose use and the provision of local roads. In 2011-12 and 2012-13 the Commonwealth made early payment of the two quarterly instalments for the following year. In accordance with AASB1004 *Contributions*, Council recognises these grants as revenue when it receives the funds and obtains control. The early receipt of instalments resulted in Commonwealth Government Financial Assistance Grants being above that originally budgeted in 2012-13 by $1,030,000. This has impacted the Statement of Comprehensive Income resulting in the Surplus/(deficit) being higher in 2012-13 by $1,030,000. In the 2014-15 Budget the Commonwealth announced it would discontinue the approach of prepaying instalments. Therefore there was no prepayment in 2013-14 and Council met its budgeted position.

	ACTUAL 2014 $'000	ACTUAL 2013 $'000
7. INTEREST RECEIVED		
Interest on financial assets	66	79
Interest on rates	46	48
TOTAL INTEREST RECEIVED	**112**	**127**
8. REIMBURSEMENTS		
Road Maintenance/Works	117	35
Stormwater	15	-
State Levies Commission	10	9
Other Reimbursements	47	8
TOTAL REIMBURSEMENTS	**189**	**52**
9. INVESTMENT REVENUE FROM TASWATER		
Dividend Revenue received	173	-
Tax equivalent received	66	-
Guarantee fee received	37	-
TOTAL INVESTMENT REVENUE FROM TASWATER	**276**	**-**
10. OTHER INCOME		
Regional Renewal	237	113
Community & Social Development	44	23
Parks, Reserves & Rec.	3	2
Plant Operations	14	16
Other Income	39	14
TOTAL OTHER INCOME	**337**	**168**
11. PROFIT (LOSS) ON SALE OF ASSETS		
Proceeds from the disposal of Assets less	944	266
Written down value of Assets sold	(409)	(244)
PROFIT (LOSS) ON SALE OF ASSETS	**535**	**22**

	ACTUAL 2014 $'000	ACTUAL 2013 $'000
12. DEPRECIATION AND AMORTISATION		
Property:		
Buildings	52	67
Plant & Equipment:		
Plant, Machinery & Equipment	167	178
Computers and Telecommunications	52	46
Infrastructure:		
Roads & Streets	1,442	1,414
Bridges	185	185
Storm Water	160	149
Reserves & Recreations	57	51
Waste Management	68	66
TOTAL DEPRECIATION AND AMORTISATION	**2,183**	**2,156**

13. OTHER EXPENSES

Other expenses for the year are as follows:-

	ACTUAL 2014 $'000	ACTUAL 2013 $'000
Auditor's remuneration		
- Audit services this year	22	26
Election expenses	4	4
Payments to elected members		
- Councillor allowances	140	135
- Other fees and allowances	18	18
Subscription Local Government Association Tas	31	32
General insurance	149	155
Community Grants and Donations	55	47
TOTAL OTHER EXPENSES	**419**	**417**

14. CASH AND CASH EQUIVALENTS

	ACTUAL 2014 $'000	ACTUAL 2013 $'000
Cash on Hand	1	1
Cash at Bank		
- Trading Account	572	343
- Childrens Services	-	26
	573	**370**
INVESTMENTS		
At Call and Short Term Deposits	800	2,300
	800	**2,300**

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

	ACTUAL 2014 $'000	ACTUAL 2013 $'000
- Leave provisions (Note 21)	1,677	1,763
- Security Deposits and Bonds (Note 20)	43	319
Restricted funds	**1,720**	**2,082**
Total unrestricted cash, cash equivalents and investments	**(347)**	**588**

	ACTUAL 2014 $'000	ACTUAL 2013 $'000
15. OTHER ASSETS		
CURRENT		
Prepayments	23	53
Accrued Interest	12	7
	35	**60**
16. RECEIVABLES		
CURRENT		
Rate Receivables	553	528
	553	**528**
Sundry Debtors	348	291
Less: Provision for Impairment	(3)	(3)
Long Service Leave payable by other Councils	2	2
Other Debtors	30	-
	377	**290**
	930	**818**
NON - CURRENT		
Rate Receivables	22	21
	22	**21**
17. INVESTMENT IN WATER CORPORATION		
NON - CURRENT		
TasWater		
Opening Balance	24,920	24,925
Change in fair value of investment		
Fair value adjustments on Available for Sale Assets	(4,952)	(5)
TOTAL INVESTMENT IN WATER CORPORATION	**19,968**	**24,920**

At 30 June 2013, Council held a 2.70% ownership interest in Southern Water based on the Final Treasure Allocation Order in 2011. From 1 July 2013 a new State-wide water and sewerage corporation trading as "TasWater", commenced in accordance with the *Water and Sewerage Corporation Act 2012*. TasWater took over the water and sewerage services and assets previously operated by Ben Lomond, Cradle Mountain Water and Southern Water.

At 30 June 2014, Council held a 1.30% ownership interest in TasWater which is based on total assets of the Water Corporation.

Council does not have significant influence to allow it to use the equity method to account for this interest.

	ACTUAL 2014 $'000	ACTUAL 2013 $'000
18. PAYABLES		
CURRENT		
Trade Creditors	510	852
	510	**852**

	ACTUAL 2014 $'000	ACTUAL 2013 $'000
19. INTEREST BEARING LOANS/BORROWINGS		
CURRENT (SECURED)		
Tasmanian Public Finance Corporation (Tascorp)	196	176
NON - CURRENT (SECURED)		
Tasmanian Public Finance Corporation (Tascorp)	2,543	2,539
Total Borrowings	**2,739**	**2,715**

DETAILS OF BORROWINGS

- Tasmanian Public Finance Corporation (Tascorp)

Original Loan	Interest Rate	Start Date	Review Date	Maturity Date	Balance Outstanding
400	6.25%	12-Apr-05	12-Apr-20	12-Apr-20	205
450	6.02%	08-Mar-06	08-Mar-21	08-Mar-21	259
450	6.55%	22-Mar-07	22-Mar-22	22-Mar-22	293
500	7.24%	04-May-10	04-May-20	04-May-25	414
500	6.69%	29-Apr-11	29-Apr-21	29-Apr-26	435
500	6.17%	22-Mar-12	22-Mar-22	22-Mar-27	456
500	5.04%	19-Apr-13	19-Apr-23	19-Apr-28	477
200	4.94%	28-May-14	28-May-24	28-May-29	200
3,500					**2,739**

The Fair Value of the loan portfolio is $3,008,515 (2012/13 $2,924,553). This estimate is based on present value calculations applied to each loan using interest rates prevailing at balance date.

20. OTHER LIABILITIES		
CURRENT		
Accrued Electricity	13	14
Accrued Telephone	-	2
Accrued Payroll	12	-
Accrued Interest	40	37
Security Deposits and Bonds	43	319
Other	1	12
	109	**384**
21. PROVISIONS AND ACCRUALS		
CURRENT		
Provisions		
- Annual Leave	728	732
- Long Service Leave	566	608
- Sick Leave	211	221
- Time in Lieu	99	87
	1,604	**1,648**
NON - CURRENT		
Provisions		
- Long Service Leave	73	115
	73	**115**

Council's number of Full Time Equivalent Employees as at 30 June 2014 totalled 50. (2012/2013 - 51)

DERWENT VALLEY COUNCIL
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the Year Ended 30 June 2014

22. PROPERTY, INFRASTRUCTURE, PLANT AND EQUIPMENT

	2014 $'000	2013 $'000
Summary		
- at Cost	5,413	5,072
- less Accumulated Depreciation	(3,661)	(3,438)
	1,752	**1,634**
- at Fair Value	102,787	98,842
- less Accumulated Depreciation	(28,764)	(26,150)
	74,023	**72,692**
Total	**75,775**	**74,326**
Property		
Land		
- at Fair Value	6,555	7,027
Total Land	**6,555**	**7,027**
Buildings		
- at Fair Value	3,230	3,360
- less Accumulated Depreciation	(417)	(468)
Total Buildings	**2,813**	**2,892**
Total Property	**9,368**	**9,919**

DERWENT VALLEY COUNCIL
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the Year Ended 30 June 2014

22. PROPERTY, INFRASTRUCTURE, PLANT AND EQUIPMENT (Continued)

	2014 $'000	2013 $'000
Plant and Equipment		
Plant, Machinery and Equipment		
- at Cost	2,888	2,731
- less Accumulated Depreciation	(2,024)	(1,921)
	864	810
Fixtures, Fittings and Furniture		
- at Cost	200	200
- less Accumulated Depreciation	(195)	(194)
	5	6
Computers and Telecommunications		
- at Cost	748	594
- less Accumulated Depreciation	(530)	(479)
	218	115
Total Plant and Equipment	**1,087**	**931**
Roads		
- at Fair Value	67,205	63,983
- less Accumulated Depreciation	(17,836)	(15,551)
	49,369	48,432
Bridges		
- at Fair Value	9,979	9,888
- less Accumulated Depreciation	(4,422)	(4,238)
	5,557	5,650

DERWENT VALLEY COUNCIL
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the Year Ended 30 June 2014

22. PROPERTY, INFRASTRUCTURE, PLANT AND EQUIPMENT (Continued)

	2014 $'000	2013 $'000
Infrastructure (Continued)		
Storm Water		
- at Fair Value	12,253	11,705
- less Accumulated Depreciation	(5,677)	(5,539)
	6,576	6,166
Reserves		
- at Fair Value	3,565	2,879
- less Accumulated Depreciation	(412)	(354)
	3,153	2,525
Waste		
- at Cost	1,577	1,547
- less Accumulated Depreciation	(912)	(844)
	665	703
Total Infrastructure	**65,320**	**63,476**
Total Property, Infrastructure, Plant and Equipment	**75,775**	**74,326**

DERWENT VALLEY COUNCIL
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the Year Ended 30 June 2014

22. PROPERTY, INFRASTRUCTURE, PLANT AND EQUIPMENT (Continued)

2014	Balance at beginning of Year $'000	Acquisition of Assets $'000	Reval. Increments (Decrements) $'000	Depreciation $'000	WDV of Disposals $'000	Transfers $'000	Balance at end of Year $'000
Property							
Land	7,027		(247)	-	(225)	-	6,555
Total Land	**7,027**	**0**	**(247)**	**-**	**(225)**	**-**	**6,555**
Buildings	2,892	15	(42)	(52)	-	-	2,813
Total Buildings	**2,892**	**15**	**(42)**	**(52)**	**-**	**-**	**2,813**
Total Property	**9,919**	**15**	**(289)**	**(52)**	**(225)**	**-**	**9,368**
Plant and Equipment							
Plant, Machinery and Equipment	810	405	-	(167)	(184)	-	864
Fixtures, Fittings and Furniture	6	-	-	(1)	-	-	5
Computers and Telecom.	115	153	-	(50)	-	-	218
Total Plant and Equipment	**931**	**558**	**-**	**(218)**	**(184)**	**-**	**1,087**
Infrastructure							
Roads	48,432	2,020	360	(1,442)	-	-	49,369
Bridges	5,650	92	-	(185)	-	-	5,557
Storm Water	6,166	317	254	(161)	-	-	6,576
Reserves	2,525	685		(57)	-	-	3,153
Waste	703	30	-	(68)	-	-	665
Total Infrastructure	**63,476**	**3,144**	**614**	**(1,913)**	**-**	**-**	**65,320**
Total Property, Infrastructure, Plant and Equipment	**74,326**	**3,717**	**325**	**(2,183)**	**(409)**	**-**	**75,775**

DERWENT VALLEY COUNCIL
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the Year Ended 30 June 2014

22. PROPERTY, INFRASTRUCTURE, PLANT AND EQUIPMENT (Continued)

2013	Balance at beginning of Year $'000	Acquisition of Assets $'000	Reval. Increments (Decrements) $'000	Depreciation $'000	WDV of Disposals $'000	Transfers $'000	Balance at end of Year $'000
Property							
Land	7,102	-	-	-	(75)	-	7,027
Total Land	**7,102**	**0**	**-**	**-**	**(75)**	**-**	**7,027**
Buildings	3,034	15	(90)	(67)	-	-	2,892
Total Buildings	**3,034**	**15**	**(90)**	**(67)**	**-**	**-**	**2,892**
Total Property	**10,136**	**15**	**(90)**	**(67)**	**(75)**	**-**	**9,919**
Plant and Equipment							
Plant, Machinery and Equipment	815	341	-	(177)	(169)	-	810
Fixtures, Fittings and Furniture	8	-	-	(2)	-	-	6
Computers and Telecom.	127	34	-	(46)	-	-	115
Total Plant and Equipment	**950**	**375**	**-**	**(225)**	**(169)**	**-**	**931**
Infrastructure							
Roads	43,753	1,698	4,396	(1,414)	-	-	48,432
Bridges	5,257	305	273	(185)	-	-	5,650
Storm Water	5,710	335	270	(149)	-	-	6,166
Reserves	2,608	347	(379)	(51)	-	-	2,525
Waste	717	52	-	(66)	-	-	703
Total Infrastructure	**58,045**	**2,736**	**4,560**	**(1,865)**	**-**	**-**	**63,476**
Total Property, Infrastructure, Plant and Equipment	**69,131**	**3,126**	**4,470**	**(2,156)**	**(244)**	**-**	**74,326**

23. RESERVES

	Opening Balance		Transfers to Reserves		Asset Revaluation and Fair Value Movements		Transfers from Reserves		Closing Balance	
	2014	**2013**	**2014**	**2013**	**2014**	**2013**	**2014**	**2013**	**2014**	**2013**
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Public Open Space Reserve	148	152	-	-	-	-	(3)	(5)	145	148
	148	**152**	-	-	-	-	**(3)**	(5)	**145**	**148**
Asset Replacement Reserves										
- Plant Replacement	79	68	139	194	-	-	(123)	(183)	95	79
- Cemetery Replacement	522	408	203	213	-	-	(118)	(99)	607	522
- NN Landfill Repatriation	74	76	40	50	-	-	(30)	(52)	84	74
	675	**552**	**382**	**457**	-	-	**(271)**	**(334)**	**786**	**675**

DERWENT VALLEY COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2014

23. RESERVES (Continued)

	Opening Balance		Transfers to Reserves		Asset Revaluation and Fair Value Movements		Transfers from Reserves		Closing Balance	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Fair Value Reserve										
- TasWater	193	197	-	-	(4,952)	(5)	-	-	(4,759)	193
Asset Revaluation Reserves										
Infrastructure					-	-				
- Land	4,698	5,077	-	-	133	(379)	-	-	4,831	4,698
- Buildings	131	221	-	-	(42)	(90)	-	-	89	131
- Roads	40,820	36,425	-	-	359	4,395	-	-	41,179	40,820
- Storm Water	5,149	4,879	-	-	253	270	-	-	5,402	5,149
- Bridges	3,429	3,156	-	-	1	273	-	-	3,430	3,428
- Recreation	(132)	(132)	-	-	(379)	-	-	-	(511)	(132)
	54,288	**49,823**	-	-	**(4,627)**	**4,464**	-	-	**49,661**	**54,288**
Other Reserves										
- Autumn Festival	5	6	48	40	-	-	(41)	(40)	12	6
- Bicentennial 2008	12	13	-	-	-	-	-	(1)	12	12
- CBD Levy	12	16	51	34	-	-	(52)	(38)	11	12
- Children's Services	201	298	120	38	-	-	(29)	(135)	293	201
- Regional Renewal	68	37	36	36	-	-	(9)	(5)	95	68
- Computer	240	202	132	132	-	-	(213)	(94)	159	240
- Derwent Valley Election	25	14	15	15	-	-	(4)	(4)	37	25
- Derwent Valley Revaluation	99	68	31	31	-	-	-	-	130	99
- HACC	58	20	135	179	-	-	(138)	(141)	55	58
- Historical Info. Centre	28	21	6	7	-	-	-	-	34	28
- Local Issues Support	10	10	-	-	-	-	-	-	10	10
- Public Relations	13	8	8	8	-	-	(3)	(3)	18	13
- RDH Site Development	559	776	1,064	239	-	-	(881)	(456)	741	559
	1,330	**1,489**	**1,646**	**759**	-	-	**(1,370)**	**(917)**	**1,606**	**1,330**
Total Reserves	**56,441**	**52,016**	**2,028**	**1,216**	**(4,627)**	**4,464**	**(1,644)**	**(1,256)**	**52,197**	**56,441**

24. COMMITMENTS FOR CAPITAL EXPENDITURE

At the reporting date Council had not entered into any contracts for Capital Expenditure.

25. COMMITMENTS UNDER OPERATING LEASES

At the reporting date Council had not entered into any contracts for Operating leases.

26. CONTINGENT ASSETS AND CONTINGENT LIABILITIES

At the reporting date the Council has identified the following contingent assets and liabilities:-

CONTINGENT LIABILITIES

Insurance Claims

Public Liability
The Council has identified one potential public liability claim. The claim relates to property damage. The claim has been referred to Council's insurers subject to an excess applicable as at the date of claim of $10,000.

Professional Indemnity
The Council has identified one potential professional indemnity claim. The claim has been referred to Council's insurers. As at the date of reporting, Council's liability in respect of this claim approximates the excesses on the insurance policy in the amount of $10,000.

TasWater

Transfer of water and sewerage assets, liabilities and staff to Southern Water (now TasWater) took place on 1 July 2009. However, Council has withheld an amount of $523,347. This amount represents loan borrowings obtained by Derwent Valley Council for the provision of a water scheme at Bushy Park. TasWater have not committed to the provision of this service. Until a commitment is made by TasWater to undertake this project, Council will continue to retain these funds.

27. EVENTS OCCURRING AFTER BALANCE DATE

There are no significant events occurring after balance date, up to and including the date of reporting, which has a material bearing on the values incorporated in Council's Financial Statements and the explanation contained in Notes to the Financial Statements that would warrant disclosure.

DERWENT VALLEY COUNCIL
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the Year Ended 30 June 2014

28. ACCOUNTING FOR FINANCIAL INSTRUMENTS

(a) Accounting Policy. Terms and conditions

Recognised financial instruments	Note	Accounting Policy	Terms and Conditions
Financial			
Cash and cash equivalents	13	Cash on hand and at bank and money market call account are valued at face value.	On call deposits returned a floating interest rate of 2.65%. (2.65% in 2012/2013). The interest rate at balance date was 2.75%. (2.75% in 2012/2013).
Investments		Interest is recognised as it accrues.	Funds returned fixed interest rates of between 2.58% (2.80% in 2012/2013), and 3.65% (4.50% in 2012/2013) net of fees.
		Investments and bills are valued at cost.	Managed funds provided returns of 3.15%. (3.52% in 2012/2013) excluding unrealised gains/losses
		Investments are held to maximise interest returns of surplus cash. Interest revenues are recognised as they accrue.	
		Managed funds are measured at market value.	
Trade and other receivables			
Other debtors	15	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.	General debtors are unsecured and arrears attract no interest rates. (Nil % in 2012/2013). Credit terms are based on 30 days. Rating debtors are secured and arrears attract an interest rate of 10.00%. (9.90% in 2012/2013).
Financial Liabilities			
Trade and other payables	17	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.	General Creditors are unsecured, not subject to interest charges and are normally settled within 30 days of invoice receipt.
Interest-bearing loans and borrowings	18	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.	Borrowings are secured by way of mortgages over the general rates of the Council. The weighted average interest rate on borrowings is 6.16%. (6.26% in 2012/2013).
		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.	As at balance date, the Council had no finance leases.

DERWENT VALLEY COUNCIL
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the Year Ended 30 June 2014

28. ACCOUNTING FOR FINANCIAL INSTRUMENTS (Continued)

(b) Interest Rate Risk

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

2014

	Weighted average interest rate	Floating interest rate $'000	Fixed interest maturing in: 1 year or less $'000	Over 1 to 5 years $'000	More than 5 years $'000	Non-interest bearing $'000	Total $'000
Financial assets							
Cash and cash equivalents	2.65%	585	-	-	-	-	585
Investments	3.15%	800	-	-	-	-	800
Trade and other receivables	10.00%	-	553	22	-	377	952
Total financial assets		1,385	553	22	-	377	2,337
Financial liabilities							
Trade and other payables		-	-	-	-	510	510
Trust funds and deposits		-	-	-	-	43	43
Interest-bearing loans and borrowings	6.16%	-	197	918	1,624	-	2,739
Total financial liabilities		-	197	918	1,624	553	3,292
Net financial assets (liabilities)		1,385	356	(896)	(1,624)	(176)	(955)

2013

	Weighted average interest rate	Floating interest rate $'000	Fixed interest maturing in: 1 year or less $'000	Over 1 to 5 years $'000	More than 5 years $'000	Non-interest bearing $'000	Total $'000
Financial assets							
Cash and cash equivalents	2.65%	377	-	-	-	-	377
Investments	3.52%	2,300	-	-	-	-	2,300
Trade and other receivables	9.35%	-	528	21	-	290	839
Total financial assets		2,677	528	21	-	290	3,516
Financial liabilities							
Trade and other payables		-	-	-	-	852	852
Trust funds and deposits		-	-	-	-	319	319
Interest-bearing loans and borrowings	6.26%	-	176	823	1,716	-	2,715
Total financial liabilities		-	176	823	1,716	1,171	3,886
Net financial assets (liabilities)		2,677	352	(802)	(1,716)	(881)	(370)

DERWENT VALLEY COUNCIL
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the Year Ended 30 June 2014

28. ACCOUNTING FOR FINANCIAL INSTRUMENTS (Continued)

(c) Net Fair Values

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

Financial Instruments	Total carrying amount Stat. of Financial		Aggregate net fair value	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Financial assets				
Cash and cash equivalents	1,373	2,670	1,373	2,670
Trade and other receivables	987	899	987	899
Total financial assets	2,360	3,569	2,360	3,569
Financial liabilities				
Trade and other payables	576	917	576	917
Trust funds and deposits	43	319	43	319
Interest-bearing loans and borrowing:	2,739	2,715	3,009	2,925
Total financial liabilities	3,358	3,951	3,628	4,161

(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.

DERWENT VALLEY COUNCIL
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the Year Ended 30 June 2014

28. ACCOUNTING FOR FINANCIAL INSTRUMENTS (Continued)

Our loan borrowings are sourced from Tasmanian Public Finance Corporation (Tascorp) and major Australian banks by a tender process. 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
- 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 has exposure to credit risk on some financial assets included in our Statement of Financial Position. To help manage this risk:
- we have a policy for establishing credit limits for the entities we deal with;
- we may require collateral where appropriate; 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 securitize 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 25. Credit quality of contractual financial assets that are neither past due nor impaired.

DERWENT VALLEY COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2014

28. ACCOUNTING FOR FINANCIAL INSTRUMENTS (Continued)

	Financial Institutions	Government agencies	Other	Total
	(AAA credit rating)	(BBBB credit rating)	(min BBB credit rating)	
2014				
Cash and cash equivalents	573	-	-	573
Receivables	-	-	952	952
Investments and other financial asset	800	12	-	812
Total contractual financial assets	**1,373**	**12**	**952**	**2,338**
2013				
Cash and cash equivalents	370	-	-	370
Receivables	-	-	839	839
Investments and other financial asset	1,607	700	-	2,307
Total contractual financial assets	**1,977**	**700**	**839**	**3,516**

Ageing of 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 Receivables was:

	2014 $'000	2013 $'000
Current (not yet due)	30	1
Past due by up to 30 days	112	36
Past due between 31 and 180 days	235	253
Past due between 181 and 365 days	-	-
Past due by more than 1 year	575	549
Total Trade & Other Receivables	952	839

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
- 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
- have readily accessible standby facilities and other funding arrangements in place;
- have a liquidity portfolio structure that requires surplus funds to be invested within
- 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.

DERWENT VALLEY COUNCIL
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the Year Ended 30 June 2014

28. ACCOUNTING FOR FINANCIAL INSTRUMENTS (Continued)

The table below lists the contractual maturities for Financial Liabilities.

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

2014	6 mths or less $'000	6-12 months $'000	1-2 years $'000	2-5 years $'000	>5 years $'000	Contracted Cash Flow $'000	Carrying Amount $'000
Trade and other payables	576	-	-	-	-	576	576
Trust funds and deposits	43	-	-	-	-	43	43
Interest-bearing loans and borrowings	96	100	209	709	1,625	2,739	2,739
Total financial liabilities	715	100	209	709	1,625	3,358	3,358

2013	6 mths or less $'000	6-12 months $'000	1-2 years $'000	2-5 years $'000	>5 years $'000	Contracted Cash Flow $'000	Carrying Amount $'000
Trade and other payables	917	-	-	-	-	917	917
Trust funds and deposits	319	-	-	-	-	319	319
Interest-bearing loans and borrowings	87	89	187	636	1,716	2,715	2,715
Total financial liabilities	1,323	89	187	636	1,716	3,951	3,951

DERWENT VALLEY COUNCIL
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the Year Ended 30 June 2014

28. ACCOUNTING FOR FINANCIAL INSTRUMENTS (Continued)

(f) Sensitivity disclosure analysis

Taking into account past performance, future expectations, economic forecasts, and
- A parallel shift of + 1% and -2% in market interest rates (AUD) from year-end rates of

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			
		-2 %		+1 %	
		-200 basis points		+100 basis points	
		Profit	Equity	Profit	Equity
2014	$'000	$'000	$'000	$'000	$'000
Financial assets:					
Cash and cash	585	-	-	-	-
Investment	800	(16)	(16)	8	8
Receivables	952	(19)	(19)	10	10
Financial liabilities:					
Interest-bearing loans	2,739	(55)	(55)	27	27

		Interest rate risk			
		-2 %		+1 %	
		-200 basis points		+100 basis points	
		Profit	Equity	Profit	Equity
2013	$'000	$'000	$'000	$'000	$'000
Financial assets:					
Cash and cash	377	-	-	-	-
Investment	2,300	(46)	(46)	23	23
Receivables	839	(17)	(17)	8	8
Financial liabilities:					
Interest-bearing loans	2,715	(54)	(54)	27	27

(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 (i.e. prices) or indirectly (i.e. derived from prices)

Level 3 inputs for the asset or liability that are not based on observable market data.

DERWENT VALLEY COUNCIL
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28. ACCOUNTING FOR FINANCIAL INSTRUMENTS (Continued)

30 June 2014	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Available for sale financial assets	-	-	19,968	19,968

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

30 June 2013	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Available for sale financial assets	-	-	24,920	24,920

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

Reconciliation of Level 3 Fair Value Movements

	2014 $'000	2013 $'000
Opening balance	**24,920**	**24,925**
Change in fair value movement in Southern Water	(4,952)	(5)
Closing balance	**19,968**	**24,920**

29. STATEMENT OF CASH FLOWS RECONCILIATION

(a) For the purposes of the Statement of Cash Flows, cash includes cash on hand and in Banks, net of outstanding bank overdraft. Cash at the end of the financial year as shown in the Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position

	2014 $'000	2013 $'000
Cash at Bank and on hand	573	370
Total	**573**	**370**

(b) **RECONCILIATION OF NET CASH PROVIDED BY OPERATING ACTIVITIES TO OPERATING SURPLUS**

	2014 $'000	2013 $'000
Surplus for the year	593	337
Depreciation	2,183	2,156
(Gain) / Loss on Sale of Fixed Assets	(535)	(22)
Capital Grants provided by Government	(70)	(179)
Movements:-		
- Increase / (Decrease) in Employee Provisions	(86)	(115)
- (Increase) / Decrease in Accounts Receivable	(113)	82
- Increase / (Decrease) in Other Liabilities	(278)	100
- (Increase) / Decrease in Accrued Income	(3)	(2)
- Increase / (Decrease) in Payables	(342)	470
- (Increase) / Decrease in Other Assets	30	13
NET CASH INFLOW/(OUTFLOW) PROVIDED BY OPERATING ACTIVITIES	**1,379**	**2,840**

30. FINANCING ARANGEMENTS

At the reporting date a business card facility of $50,000 (2012/13 $50,000) was available to the Council from its Bankers, the Commonwealth Bank of Australia.

31. SIGNIFICANT BUSINESS ACTIVITY

		Transport Infrastruct.
Revenue		**$**
	General Rates allocated	819,047
	Reimbursements	118,819
	Other Revenue	4,918
	Government Grants identified	300,226
	Government Grants allocated	540,022
	Total Revenue	**1,783,032**
Expenditure		
Direct		
	Employee Costs	85,589
	Materials and Contracts	160,191
	Interest	169,907
	Street Lighting	117,746
		533,433
Indirect		
	Supervision and Indirect Overhead	149,812
	Total Expenditure	**683,245**
Capital costs		
	Depreciation and Amortisation	1,683,234
	Opportunity cost of capital	3,253,128
	Opportunity cost of working capital	1,373
		3,254,501
Competitive neutrality adjustments		
	Rates and Land Tax	5,545
	Loan Guarantee fees	12,272
		17,817
Calculated Surplus/(Deficit)		**(601,264)**
	Taxation Equivalent Rate	30.00%
	Taxation Equivalent	**(180,379)**
Total Competitive Neutrality Costs		**(162,562)**

DERWENT VALLEY COUNCIL
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the Year Ended 30 June 2014

32. SUPERANNUATION

The Derwent Valley Council makes superannuation contributions for a number of its employees to the Quadrant Defined Benefits Fund (the Fund), which is a sub fund of the Quadrant Superannuation Scheme (the Scheme). The Quadrant Defined Benefits Fund has been classified as a multi-employer sponsored plan. As the Fund's assets and liabilities are pooled and are not allocated by employer, the Actuary is unable to allocate benefit liabilities, assets and costs between employers. As provided under paragraph 34 of AASB 119 Employee Benefits, Council does not use defined benefit accounting for these contributions.

For the year ended 30 June 2014 the Derwent Valley Council contributed 10.5% of employees' gross income to the Fund. Assets accumulate in the fund to meet member benefits as they accrue, and if assets within the fund are insufficient to satisfy benefits payable, the Council is required to meet its share of the deficiency.

Bendzulla Actuarial Pty Ltd undertook the last actuarial review of the Fund at 30 June 2011. The review disclosed that at that time the net market value of assets available for funding member benefits was $57,588,247, the value of vested benefits was $52,794,839, the surplus over vested benefits was $4,793,408, and the value of total accrued benefits was $57,330,437. These amounts relate to all members of the fund at the date of valuation and no asset or liability is recorded in the Quadrant Superannuation Scheme's financial statements for Council employees.

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

Net Investment Return	0.0% p.a. for 2011/2012 and 7.0% p.a. thereafter
Salary Inflation	4.0% p.a.
Price Inflation	n/a

The actuarial review concluded that:

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

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

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

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NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
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32. SUPERANNUATION (Continued)

As required in terms of paragraph 148 of AASB 119 Employee Benefits, Council discloses the following details:
The 2011 actuarial review used a funding method that sets the level of Council contributions targeting a margin of 10% in the value of Fund assets over the total of members' vested benefits over the medium to longer term.

The funding method used was the same as the method used at the previous actuarial review in 2008. Under he target funding method of financing the benefits, the stability of the Councils' contributions over time depends on how closely the Fund's actual experience matches the expected experience. If the actual experience differs from that expected, the Councils' contribution rate may need to be adjusted accordingly to ensure the Fund remains on course towards its financing target.

In terms of Clause 1.9.2 of the Scheme Trust Deed, there is a risk that employers within the Fund may incur an additional liability when an Employer ceases to participate in the Fund at a time when the assets of the Fund are less than members' vested benefits. Each member of the Fund who is an employee of the Employer who is ceasing to Participate is required to be provided with a benefit at least equal to their vested benefit in terms of Clause 1.9.2(b). However in terms of Clause 1.9.2(d), the only contributions that can be sought from the Employer and its employee Members are any arrears of contributions. This issue can be resolved by the Trustee seeking an Actuarial Certificate in terms of Clause 1.22.2(a) requiring the Employer to make good any shortfall before the cessation of participation is approved.

Clause 1.22.2(b) specifically provides the employers participating in the Fund will not be liable for the obligations of other Employers in other funds within the Scheme.

The application of Fund assets on the Fund or the Scheme being wound-up is set out in Clause 1.21.3. This Clause provides that expenses, pensions in payment and the Superannuation Guarantee benefits of other members should have first call on the available assets. Additional assets will initially be applied proportionately to providing Member's benefits in respect of completed service. If additional assets are available they are applied to increasing members' benefits.

The Trust Deed does not contemplate the Fund withdrawing from the Scheme. However it is likely that Clause 1.9.2 would be applied in this case (as detailed above).

The Fund is a defined benefit fund.

The Quadrant Defined Benefits Fund has been classified as a multi-employer sponsored plan. As the Fund's assets and liabilities are pooled and are not allocated by employer, the Actuary is unable to allocate benefit liabilities, assets and costs between employers. Thus the Fund is not able to prepare standard AASB119 defined benefit reporting.

During the reporting period the amount of contributions paid to defined benefits schemes was $20,810 (2012-2013, $25,026), and the amount paid to accumulation schemes was $318,414 (2012-2013, $283,554).

During the next reporting period expected amount of contributions to be paid to defined benefits schemes is $21,439, and the amount to be paid to accumulation schemes is $355,493.

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For the Year Ended 30 June 2014

32. SUPERANNUATION (Continued)

As reported on the first page of this note, Assets exceeded accrued benefits as at the date of the last actuarial review, 30 June 2011. Favourable investment returns, since that date, make it quite probable that this is still the position. The financial position of the Fund will be fully investigated at the actuarial review as at 30 June 2014.

An analysis of the assets and vested benefits of Funds participating in the Scheme, prepared by Bendzulla Actuarial Pty Ltd as at 30 June 2013, showed that the Fund had assets of $61.5 million and members' Vested Benefits were $54.2 million. These amounts represented 9.8% and 8.7% respectively of the corresponding total amounts for the Scheme.

33. 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	M.Evans (Mayor 01/11/09 to current)
	BK.Lathey (Deputy Mayor 01/11/11 to current)
	D.Bester (Councillor 01/11/09 to current)
	JG.Bromfield (Councillor 08/12/98 to current)
	J.Graham (Councillor 01/11/09 to current)
	C.Lester (Councillor 01/11/11 to current)
	T.Nicholson (Councillor 01/11/11 to current)
	S.Shaw (Councillor 01/11/09 to current)
	W.Shoobridge (Councillor 01/11/11 to current)
General Manager	SS.Mackey (from 26/04/99 to current)

	2014	**2013**
Total Remuneration for the reporting year for Councillors' Emoluments and reimbursements included above amounted to:	141,185	135,545
Total Remuneration for the reporting year for senior management positions amounted to:	448,349	422,348

(ii) In accordance with s84(2)(b) of the *Local Government Act 1993*, no interests have been notified to the General Manager in respect of any body or organisation with which the Council has major financial dealings.

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34. MANAGEMENT INDICATORS

	Benchmark	2014 $'000	2013 $'000	2012 $'000	2011 $'000
(a) Underlying surplus or deficit					
Recurrent income* less		12,255	10,466	10,454	9,767
recurrent expenditure		(10,699)	(10,386)	(10,415)	(9,742)
Underlying surplus/deficit	>0	1,556	80	39	25

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

2013/2014 recurrent income includes the prepayment of untied Federal Assistance Grants recieved in advance of $1,436,353 during the 2012/2013 year applicable for 2013/2014. 2012/2013 recurrent income includes the prepayment of untied Federal Assistance Grants recieved in advance of $1,415,054 during the 2011/2012 year. 2011/2012 recurrent income includes the prepayment of untied Federal Assistance Grants received in advance of $734,069 during 2010/2011 year.

Council's performance in regard to this ratio is considered satisfactory.

(b) Underlying surplus ratio

	Benchmark	2014	2013	2012	2011
Underlying surplus or deficit		1,556	80	39	25
Recurrent income*		12,255	10,466	10,454	9,767
Underlying surplus ratio %	0%	12.70%	0.76%	0.37%	0.26%

This ratio serves as an overall measure of financial operating effectiveness.

The underlying surplus has been adjusted in 2012, 2013 and 2014 to take into account the prepayment of untied Federal Assistance Grants recieved in advance of $1,436,353 during the 2012/2013 year, $1,415,054 during the 2011/2012 year and $734,069 during the 2010/2011 year.

Council's performance in regard to this ratio is considered satisfactory.

(c) Net financial liabilities

	Benchmark	2014	2013	2012	2011
Liquid assets less		2,303	3,488	3,051	3,422
total liabilities		(5,035)	(5,714)	(4,901)	(4,502)
Net financial liabilities	0	(2,732)	(2,226)	(1,850)	(1,080)

This measure shows whether Council's total liabilities can be met by its liquid assets. An excess of total liabilities over liquid assets means that, if all liabilities fell due at once, additional revenue would be needed to fund the shortfall.

This indicator is influenced by the inclusion of Council's long term loan portfolio ($2.739M 2013/14).

DERWENT VALLEY COUNCIL
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the Year Ended 30 June 2014

34. MANAGEMENT INDICATORS (Continued)

	Benchmark	2014 $'000	2013 $'000	2012 $'000	2011 $'000
(d) Net financial liabilities ratio					
Net financial liabilities		(2,732)	(2,226)	(1,850)	(1,080)
Recurrent income*		12,255	10,466	10,454	9,767
Net financial liabilities ratio %	0% - (50%)	(22.29)%	(21.27)%	(17.70)%	(11.06)%

This ratio indicates the net financial obligations of Council compared to its recurrent income.

Council's performance in regard to this ratio is considered satisfactory.

(e) Asset consumption ratio

An asset consumption ratio has been calculated in relation to each asset class required to be included in the long-term strategic asset management plan of Council.

	2014	2013	2012	2011
Transport Infrastructure				
Depreciated replacement cost	49,369	48,432	43,753	40,771
Current replacement cost	67,205	63,983	60,449	57,091
Asset consumption ratio %	73.46%	75.70%	72.38%	71.41%
Buildings				
Depreciated replacement cost	2,813	2,892	3,034	3,095
Current replacement cost	3,230	3,360	3,437	3,430
Asset consumption ratio %	87.09%	86.07%	88.27%	90.23%
Stormwater				
Depreciated replacement cost	6,576	6,166	5,710	5,432
Current replacement cost	12,253	11,705	11,092	10,539
Asset consumption ratio %	53.67%	52.68%	51.48%	51.54%

Council's performance in regard to this ratio is considered satisfactory.

34. MANAGEMENT INDICATORS (Continued)

	Benchmark	2014 $'000	2013 $'000	2012 $'000	2011 $'000
(f) Asset sustainability ratio					
Capex on replacement/renewal of existing assets		3,424	3,126	3,669	2,862
Annual depreciation expense		2,166	2,156	2,038	1,978
Asset sustainability ratio %	100%	158.08%	144.99%	180.03%	144.69%

This ratio calculates the extent to which Council is maintaining operating capacity through renewal of their existing asset base.

Council's performance in regard to this ratio is considered satisfactory.

DERWENT VALLEY COUNCIL
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For the Year Ended 30 June 2014

35. FAIR VALUE MEASUREMENTS

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

Investment in water corporation
Property, infrastructure plant and equipment
- Land
- Buildings
- Roads, including footpaths
- Bridges
- Storm Water
- Other infrastructure

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

(a) Fair Value Hierarchy

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

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

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

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

As at 30 June 2014

Recurring fair value measurements	**Note**	**Level 1** $'000	**Level 2** $'000	**Level 3** $'000	**Total** $'000
Investment in water corporation	17	-	-	19,968	19,968
Land	22	-	6,555	-	6,555
Buildings	22	-	-	2,813	2,813
Roads, including footpaths	22	-	-	49,369	49,369
Bridges	22	-	-	5,557	5,557
Storm Water	22	-	-	6,576	6,576
Other Infrastructure	22	-	-	3,153	3,153
		-	6,555	87,436	93,991

Transfers between levels of the hierarchy

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

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

(b) Highest and best use

AASB 13 requires the fair value of non-financial assets to be calculated based on their "highest and best use".

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

DERWENT VALLEY COUNCIL
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
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35. FAIR VALUE MEASUREMENTS (Continued)

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

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

Investment property and Investment in water corporation
Refer to Note 17 for details of valuation techniques used to derive fair values.

Land
Land fair values were determined by the Valuer General's Assessments effective 30 June 2013. Valuations are reviewed on a bi-annual basis (next review 1 July 2015.) Level 2 valuation inputs were used to value land in freehold title as well as land used for special purposes, which is restricted is use under current planning provisions. Sales prices of comparable land sites in close proximity are adjusted for differences in key attributes such as property size.

Buildings
The fair value of buildings were also determined by the Valuer General's Assessments effective 30 June 2013. Valuations are reviewed on a bi-annual basis (next review 1 July 2015.) Where there is a market for Council building assets, fair value has been derived from the sales prices of comparable properties after adjusting for differences in key attributes such as property size.

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

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

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

The unit rates (labour and materials) and quantities applied to determine the CRC of an asset or asset component were based on a "Greenfield" assumption meaning that the CRC was determined as the full cost of replacement with a new asset including components that may not need to be replaced, such as earthworks.

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

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

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

Roads, including footpaths

Council categorises its road infrastructure into urban and rural roads and then further sub-categorises these into sealed and unsealed roads. Urban roads are managed in segments of 1,000m, while rural roads are managed in 1,000m segments. All road segments are then componentised into formation, pavement, sub-pavement and seal. Council assumes that environmental factors such as soil type, climate and topography are consistent across each segment. Council also assumes a segment is designed and constructed to the same standard and uses a consistent amount of labour and materials.

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For the Year Ended 30 June 2014

35. FAIR VALUE MEASUREMENTS (Continued)

CRC is based on the road area multiplied by a unit price; the unit price being an estimate of labour and material inputs, services costs, and overhead allocations. Council assumes that pavements are constructed to depths of 10cms for high traffic areas and 8cms for lower traffic locations. For internal construction estimates, material and services prices are based on existing supplier contract rates or supplier price lists and labour wage rates are based on Council's Enterprise Bargaining Agreement (EBA). Where construction is outsourced, CRC is based on the average of completed similiar projects over the last few years.

Bridges

A full valuation of bridges assets was undertaken by independent valuers, Aus Span, effective 30 June 2014. Each bridge is assessed individually and componentised into sub-assets representing the deck and sub-structure.The valuation is based on the material type used for construction and the deck and sub-structure area.

Storm Water

A full valuation of drainage infrastructure was undertaken by Council's Engineer,S.Taylor BE, effective 30 June 2014. Similar to roads, drainage assets are managed in segments; pits and pipes being the major components.

Consistent with roads, Council assumes that environmental factors such as soil type, climate and topography are consistent across each segment and that a segment is designed and constructed to the same standard and uses a consistent amount of labour and materials.

CRC is based on the unit price for the component type. For pipes, the unit price is multiplied by the asset's length. The unit price for pipes is based on the construction material as well as the depth the pipe is laid.

Other Infrastructure

Other infrastructure is not deemed to be significant in terms of Council's Statement of Financial Position.

(d) Unobservable inputs and sensitivities

Asset / liability category*	Carrying amount (at fair value) $,000	Key unobservable inputs *	Expected range of inputs	Description of how changes in inputs will affect the fair value
Buildings	2,813	Useful life	Refer Note 1e	The higher the useful life the higher the fair value
Sealed roads	40,976	Residual value	Refer Note 1e	The higher the residual value the higher the fair value
Unsealed roads	8,393	Unit price per sq metre	Refer Note 1e	The higher the unit price the higher the fair value

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

(e) Changes in recurring level 3 fair value measurements

The changes in level 3 assets with recurring fair value measurements are detailed in note 22 (Property, infrastructure, plant and equipment). There have been no transfers between level 1, 2 or 3 measurements during the year.

(f) Valuation processes

Council's current policy for the valuation of property, infrastructure, plant and equipment, investment in water corporation and investment property (recurring fair value measurements) is set out in note 1(f), 1(k) and 1(v) respectively.

Non-recurring fair value measurements are made at the point of reclassification by a registered valuer.

35. FAIR VALUE MEASUREMENTS (Continued)

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

Council has assets and liabilities which are not measured at fair value, but for which fair values are disclosed in other notes. (refer note 22)

Council borrowings are measured at amortised cost with interest recognised in profit or loss when incurred. The fair value of borrowings disclosed in note 19 is provided by Tascorp (Level 2).

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