

Financial Report

30 June 2015



Derwent Valley Council



DERWENT VALLEY COUNCIL
ANNUAL FINANCIAL REPORT
For the Year Ended 30 June, 2015

TABLE OF CONTENTS

| | |
|---|----|
| Table of Contents | i |
| Audit Certificate | iv |
| Certification of the Financial Report | vi |
| Statement of Profit or Loss and Other Comprehensive Income | 1 |
| Statement of Financial Position | 2 |
| Statement of Changes in Equity | 3 |
| Statement of Cash Flows | 4 |
| Notes to the Financial Statements: | |
| Introduction | 5 |
| Note 1. Significant Accounting Policies | 5 |
| (a) Basis of accounting | |
| (b) Adoption of new and amended accounting standards | |
| (c) Pending Accounting Standards | |
| (d) Revenue recognition | |
| (e) Expense recognition | |
| (f) Recognition and measurement of assets | |
| (g) Cash and cash equivalents | |
| (h) Trade and other receivables | |
| (i) Financial assets | |
| (j) Inventories | |
| (k) Investments in TasWater | |
| (l) Investments | |
| (m) Tender deposits | |
| (n) Employee benefits | |
| (o) Interest bearing liabilities | |
| (p) Leases | |
| (q) Allocation between current and non-current | |
| (r) Taxation | |
| (s) Impairment of assets | |
| (t) Rounding | |
| (u) Non-current assets held for sale | |
| (v) Investment property | |
| (w) Financial guarantees | |
| (x) Significant business activities | |
| (y) Contingent assets, contingent liabilities and commitments | |
| (z) Budget | |
| Note 2. Functions/Activities of the Council | 20 |
| Note 3. Rates and charges | 23 |
| Note 4. Statutory fees and fines | 23 |

DERWENT VALLEY COUNCIL
ANNUAL FINANCIAL REPORT
For the Year Ended 30 June, 2015

TABLE OF CONTENTS (Continued)

| | | |
|----------|---|----|
| Note 5. | User fees | 23 |
| Note 6. | Grants | 23 |
| Note 7. | Contributions | 24 |
| Note 8. | Interest | 25 |
| Note 9. | Reimbursements | 25 |
| Note 10. | Investment revenue from TasWater | 25 |
| Note 11. | Other income | 25 |
| Note 12. | Net gain on disposal of plant and equipment | 25 |
| Note 13. | Depreciation and amortisation | 26 |
| Note 14. | Other expenses | 26 |
| Note 15. | Cash and cash equivalents | 26 |
| Note 15. | Investments | 26 |
| Note 16. | Other assets | 27 |
| Note 17. | Trade and other receivables | 27 |
| Note 18. | Investment in TasWater | 27 |
| Note 19. | Payables | 27 |
| Note 20. | Interest bearing loans/borrowings | 28 |
| Note 21. | Other liabilities | 28 |
| Note 22. | Provisions | 28 |
| Note 23. | Property, infrastructure, plant and equipment | 29 |
| Note 24. | Reserves | 34 |
| Note 25. | Commitments for capital expenditure | 36 |
| Note 26. | Commitments under operating leases | 36 |
| Note 27. | Contingent liabilities and contingent assets | 36 |
| Note 28. | Events occurring after balance date | 36 |
| Note 29. | Accounting for financial instruments | 37 |

DERWENT VALLEY COUNCIL
ANNUAL FINANCIAL REPORT
For the Year Ended 30 June, 2015

TABLE OF CONTENTS (Continued)

| | | |
|----------|--|----|
| Note 30. | Statement of cash flows reconciliation | 45 |
| Note 31. | Financing arrangements | 45 |
| Note 32. | Significant business activities | 46 |
| Note 33. | Superannuation | 47 |
| Note 34. | Related party transactions | 49 |
| Note 35. | Management indicators | 50 |
| Note 36. | Fair value measurements | 54 |



Independent Auditor's Report

To the Councillors of Derwent Valley Council

Financial Report for the Year Ended 30 June 2015

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 2015 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 2015 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

...1 of 2

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 or the asset renewal funding ratio 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

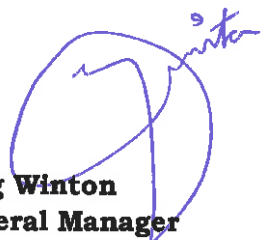
Hobart
15 October 2015

...2 of 2

DERWENT VALLEY COUNCIL
CERTIFICATION OF THE FINANCIAL REPORT
For the Year Ended 30 June, 2015

Page vi

The financial report presents fairly the financial position of the Derwent Valley Council as at 30 June 2015, the results of its operations for the year that ended and the cash flows of the Council, in accordance with the Local Government Act 1993 (as amended), Australian Accounting Standards (including interpretations) and other authoritative pronouncements issued by the Australian Accounting Standards Board.



Greg Winton
General Manager

Date: 14 August 2015

DERWENT VALLEY COUNCIL

Page 1

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the Year Ended 30 June, 2015

| | Note | Budget 2015 \$'000 | Actual 2015 \$'000 | Actual 2014 \$'000 |
|--|-------|-----------------------|-----------------------|-----------------------|
| Income from continuing operations | | | | |
| Recurrent Income | | | | |
| Rates and charges | 3 | 5,907 | 5,944 | 5,715 |
| Statutory fees and fines | 4 | 242 | 208 | 212 |
| User fees | 5 | 1,125 | 1,152 | 1,088 |
| Grants | 6 | 3,526 | 4,654 | 2,758 |
| Contributions - cash | 7 | - | 9 | - |
| Interest | 8 | 105 | 90 | 112 |
| Reimbursements | 9 | 240 | 201 | 189 |
| Investment revenue from TasWater | 10,18 | 394 | 405 | 276 |
| Other Income | 11 | 91 | 173 | 337 |
| | | 11,630 | 12,836 | 10,687 |
| Capital Income | | | | |
| Capital Grants for new or upgraded assets | 6 | 179 | - | 70 |
| Net gain on disposal of plant and equip. | 12 | - | 19 | 535 |
| | | 179 | 19 | 605 |
| Total Income from continuing operations | | 11,809 | 12,855 | 11,292 |
| Expenses from continuing operations | | | | |
| Employee benefits | | 3,813 | 3,786 | 3,483 |
| Materials and services | | 3,671 | 3,589 | 3,867 |
| TasWater contribution | 10 | - | 523 | - |
| Depreciation and amortisation | 13 | 2,249 | 2,327 | 2,183 |
| Finance costs | | 198 | 164 | 170 |
| Plant and vehicle running | | 583 | 400 | 343 |
| State taxes | | 253 | 253 | 234 |
| Other expenses | 14 | 416 | 454 | 419 |
| Total expenses from continuing operations | | 11,183 | 11,496 | 10,699 |
| Operating result from continuing operations | | 626 | 1,359 | 593 |
| Net operating result for the year | | 626 | 1,359 | 593 |
| Other Comprehensive income | | | | |
| Items that will not be reclassified to surplus or deficit | | | | |
| Net asset revaluation increment | | - | 2,155 | 326 |
| Items that may be reclassified subsequently to surplus or deficit | | | | |
| Change in fair value: Investment in TasWater | 18 | - | 160 | (4,952) |
| Total Comprehensive result | | 626 | 3,674 | (4,033) |

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, 2015

| | Note | ACTUAL 2015 \$'000 | ACTUAL 2014 \$'000 |
|--|------|-----------------------|-----------------------|
| Assets | | | |
| Current assets | | | |
| Cash and cash equivalents | 15 | 1,341 | 573 |
| Investments | 15 | - | 800 |
| Other assets | 16 | 50 | 35 |
| Trade and other receivables | 17 | 799 | 930 |
| Total current assets | | <u>2,190</u> | <u>2,338</u> |
| Non-current assets | | | |
| Trade and other receivables | 17 | 21 | 22 |
| Investment in TasWater | 18 | 20,129 | 19,968 |
| Property, infrastructure, plant and equipment | 23 | 80,030 | 75,775 |
| Total non-current assets | | <u>100,180</u> | <u>95,765</u> |
| Total assets | | <u>102,370</u> | <u>98,103</u> |
| Liabilities | | | |
| Current liabilities | | | |
| Payables | 19 | 711 | 510 |
| Interest bearing loans/borrowings | 20 | 229 | 196 |
| Other liabilities | 21 | 147 | 109 |
| Provisions | 22 | 1,744 | 1,604 |
| Total current liabilities | | <u>2,831</u> | <u>2,419</u> |
| Non-current liabilities | | | |
| Interest bearing loans/borrowings | 20 | 2,714 | 2,543 |
| Provisions | 22 | 82 | 73 |
| Total non-current liabilities | | <u>2,796</u> | <u>2,616</u> |
| Total liabilities | | <u>5,627</u> | <u>5,035</u> |
| Net assets | | <u>96,743</u> | <u>93,068</u> |
| Equity | | | |
| Accumulated surplus | | 42,226 | 40,871 |
| Reserves | 24 | 54,517 | 52,197 |
| Total equity | | <u>96,743</u> | <u>93,068</u> |

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, 2015

| | Accumulated Surplus/Deficit | | Public Open Space Reserve | | Asset Replacement Reserves | | Asset Revaluation Reserves | | Fair Value Reserve | | Other Reserves | | Total Equity | |
|------------------------------------|-----------------------------|---------------|---------------------------|------------|----------------------------|------------|----------------------------|---------------|--------------------|----------------|----------------|--------------|---------------|---------------|
| | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 |
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Equity at beginning of Year | 40,871 | 40,660 | 145 | 148 | 786 | 675 | 54,420 | 54,094 | (4,760) | 192 | 1,606 | 1,332 | 93,068 | 97,101 |
| Comprehensive result | 1,359 | 593 | - | - | - | - | 2,155 | 326 | 160 | (4,952) | - | - | 3,674 | (4,033) |
| Transfers to Reserves | (3,273) | (2,027) | 9 | - | 1,208 | 381 | - | - | - | - | 2,057 | 1,646 | - | - |
| Transfers from Reserves | 3,271 | 1,645 | (11) | (3) | (304) | (270) | - | - | - | - | (2,957) | (1,374) | - | - |
| Equity at end of Year | 42,226 | 40,871 | 143 | 145 | 1,690 | 786 | 56,575 | 54,420 | (4,600) | (4,760) | 706 | 1,604 | 96,743 | 93,068 |

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

DERWENT VALLEY COUNCIL

Page 4

**STATEMENT OF CASH FLOWS
For the Year Ended 30 June 2015**

| | Note | ACTUAL 2015 \$'000 | ACTUAL 2014 \$'000 |
|---|--------|-----------------------|-----------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Receipts | | | |
| - Rates | | 5,979 | 5,689 |
| - Grants | | 4,654 | 2,758 |
| - Statutory & User Charges (inclusive of GST) | | 1,602 | 1,335 |
| - Interest | | 102 | 107 |
| - Other Receipts (inclusive of GST) | | 171 | 404 |
| - Reimbursements (inclusive of GST) | | 221 | 208 |
| - Investment revenue from TasWater | | 405 | 276 |
| | | 13,134 | 10,777 |
| Payments | | | |
| - Payments to Employees | | (3,637) | (3,569) |
| - Payments to Suppliers (inclusive of GST) | | (3,569) | (4,387) |
| - TasWater Contribution | | (523) | - |
| - Interest | | (166) | (167) |
| - Plant & Vehicle Running | | (400) | (343) |
| - State Taxes | | (253) | (234) |
| - Other Payments | | (415) | (698) |
| | | (8,963) | (9,398) |
| NET CASH PROVIDED BY OPERATING ACTIVITIES | 30 (b) | 4,171 | 1,379 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Payments for Property, Infrastructure, Plant and Equipment | | (4,539) | (3,714) |
| Grants | | | 70 |
| Proceeds from sale of Property, Infrastructure, Plant and Equipment | | 132 | 944 |
| NET CASH (USED) IN INVESTING ACTIVITIES | | (4,407) | (2,700) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Total (Increase) / Decrease in Investments for Year | | 800 | 1,500 |
| Proceeds from Interest Bearing Loans and Borrowings | | 400 | 200 |
| Repayment of Interest Bearing Loans and Borrowings | | (196) | (176) |
| NET CASH PROVIDED BY FINANCING ACTIVITIES | | 1,004 | 1,524 |
| NET INCREASE (DECREASE) IN CASH HELD | | 768 | 203 |
| CASH AT THE BEGINNING OF THE YEAR | | 573 | 370 |
| CASH AT THE END OF THE YEAR | 30 (a) | 1,341 | 573 |

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

DERWENT VALLEY COUNCIL
NOTES TO AND FORMING PART OF THE
FINANCIAL STATEMENTS
For the Year Ended 30 June 2015

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.

These financial statements are a general purpose financial report that consists of a Statement of Profit and Loss and Other Comprehensive Income, Financial Position, Statement of 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, and the *Local Government Act 1993 (LGA1993)* (as amended).

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.

DERWENT VALLEY COUNCIL
NOTES TO AND FORMING PART OF THE
FINANCIAL STATEMENTS
For the Year Ended 30 June 2015

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 33.

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 23.

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 18.

(b) Adoption of new and amended accounting standards

(i) 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.

(ii) 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.

DERWENT VALLEY COUNCIL
NOTES TO AND FORMING PART OF THE
FINANCIAL STATEMENTS
For the Year Ended 30 June 2015

- (iii)** 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 Part B of this standard deletes references to AASB 1031 Materiality in various other 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.

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.

- (iv)** Interpretation 21 Levies

This Interpretation provides clarity that a liability to pay government imposed levies, other than income taxes, is deferred until thresholds are exceeded.

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

(c) Pending Accounting Standards

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2015 reporting periods. Council's assessment of the impact of the relevant new standards and interpretations is set out below.

- (i)** AASB 9 *Financial Instruments* and the relevant amending standards (effective from 1 January 2018)

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 .

DERWENT VALLEY COUNCIL
NOTES TO AND FORMING PART OF THE
FINANCIAL STATEMENTS
For the Year Ended 30 June 2015

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.

However, investments in equity instruments can be designated as 'fair value through other comprehensive income' assets. This designation is irrevocable. Council is likely to designate its investment in TasWater as 'fair value through other comprehensive income' and therefore the adoption of this standard will not impact the way movements in the fair value are accounted for.

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 2014-3 Amendments to Australian Accounting Standards - Accounting for Acquisitions of Interests in Joint Operations (effective from 1 January 2016)

Under AASB 2014-3 business combination accounting is required to be applied to acquisitions of interests in a joint operation that meets the definition of a 'business' under AASB 3 *Business Combinations*.

(iii) AASB 2014-4 Amendments to Australian Accounting Standards - Clarification of Acceptable Methods of Depreciation and Amortisation (effective from 1 January 2016)

This amendment introduces a rebuttable presumption that the use of revenue-based amortisation methods for intangible assets is inappropriate. In addition to this, there is limited opportunity for presumption to be overcome and clarifies that revenue-based depreciation for property, plant and equipment cannot be used.

(iv) AASB 2015-2 Amendments to Australian Accounting Standards - Disclosure Initiative: Amendments to AASB 101 (effective from 1 January 2016)

The amendments to AASB 101 do not require any significant change to current practice, but should facilitate improved reporting, including emphasis on only including material disclosures, clarity on the aggregation and disaggregation of line items, the presentation of subtotals, the ordering of notes and the identification of significant accounting policies.

(v) AASB 2015-6 Amendments to Australian Accounting Standards - Extending Related Party Disclosures to Not-for-Profit Public Sector Entities (effective from 1 January 2016)

The amendments extend the scope to AASB 124 *Related Party Disclosures* to include not-for-profit public sector entities.

DERWENT VALLEY COUNCIL
NOTES TO AND FORMING PART OF THE
FINANCIAL STATEMENTS
For the Year Ended 30 June 2015

- (vi) AASB 15 *Revenue from Contracts with Customers*, and AASB 2014-5 *Amendments to Australian Accounting Standards arising from AASB 15* (effective from 1 January 2017)

Under the new standard, a single model that applies to contracts with customers and two approaches to recognising revenue, at a point in time or over time is proposed. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognised.

The new standard will apply to contracts of not-for-profit entities that are exchange contracts. AASB 1004 *Contributions* will continue to apply to non-exchange transactions until the Income from Transactions of Not-for-Profit Entities project is completed.

(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.

Unreceived contributions over which Council has control are recognised as receivables.

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.

DERWENT VALLEY COUNCIL
NOTES TO AND FORMING PART OF THE
FINANCIAL STATEMENTS
For the Year Ended 30 June 2015

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.

Operating leases as lessor

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

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

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

Where leases are commercial agreements, and properties leased are predominantly used for leasing to third parties, Council records lease revenue on an accruals basis and records the associated properties as investment property in accordance with AASB 140. These properties are recognised at fair value. These leases may include incentives which have not been recognised in the statement of financial position, on the basis the amounts are unlikely to be material and could be reliably measured at balance date.

(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.

DERWENT VALLEY COUNCIL
NOTES TO AND FORMING PART OF THE
FINANCIAL STATEMENTS
For the Year Ended 30 June 2015

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 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.

Land, heritage, artworks and road earthworks are not depreciated on the basis that they are assessed as not having a limited useful life.

Straight line depreciation is charged based on the 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 |
| Plant and Equipment | |
| light vehicles | |
| (rate approx. loss of trade in value | |
| after 40,000km or 2 years) | 2 years |
| plant, machinery and equipment | 7 years |
| fixtures, fittings and furniture | 5 years |
| computers and telecommunications | 5 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 |
| based un-sealed | 70 years |
| gravel | 6 years |
| Bridges | |
| concrete deck | 80 years |
| timber deck | 20 years |
| Stormwater | |
| pipes concrete | 120 years |
| pipes Upvc | 100 years |
| pipes earthenware | 100 years |
| pipes cast iron | 120 years |

DERWENT VALLEY COUNCIL
NOTES TO AND FORMING PART OF THE
FINANCIAL STATEMENTS
For the Year Ended 30 June 2015

| | |
|-----------------------------------|-----------|
| manholes | 100 years |
| pits | 100 years |
| headwall | 100 years |
| pumps | 15 years |
| reservoirs | 50 years |
| chlorinators | 15 years |
| Reserve structures | 50 years |
| Waste structures & rehabilitation | 20 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 23. 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:

DERWENT VALLEY COUNCIL
NOTES TO AND FORMING PART OF THE
FINANCIAL STATEMENTS
For the Year Ended 30 June 2015

| | Threshold \$'000 |
|--|-----------------------------|
| Land improvements | 10 |
| Buildings | |
| buildings | 10 |
| building improvements | 10 |
| Leasehold improvements | |
| leasehold building improvements | 10 |
| Plant and Equipment | |
| light vehicles | |
| (rate approx. loss of trade in value after 40,000km or 2 years) | 5 |
| plant, machinery and equipment | 5 |
| fixtures, fittings and furniture | 5 |
| computers and telecommunications | 5 |
| Roads | 10 |
| earthworks | 10 |
| asphaltic | 10 |
| chip seal | 10 |
| reinforced concrete | 10 |
| kerb and guttering | 10 |
| base sealed | 10 |
| based un-sealed | 10 |
| gravel | 10 |
| Bridges | |
| concrete deck | 10 |
| timber deck | 10 |
| Stormwater | |
| pipes concrete | 10 |
| pipes Upvc | 10 |
| pipes earthenware | 10 |
| pipes cast iron | 10 |
| manholes | 10 |
| pits | 10 |
| headwall | 10 |
| pumps | 10 |
| reservoirs | 10 |
| chlorinators | 10 |
| Reserve structures | 10 |
| Waste structures & rehabilitation | 10 |

Revaluation

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

| | |
|--|------------|
| Land | fair value |
| Plant and machinery | cost |
| Furniture, fittings and office | cost |
| Stormwater and drainage infrastructure | fair value |
| Roads and streets infrastructure | fair value |
| Bridges | fair value |
| Buildings | fair value |
| Intangibles | cost |

DERWENT VALLEY COUNCIL
NOTES TO AND FORMING PART OF THE
FINANCIAL STATEMENTS
For the Year Ended 30 June 2015

| | |
|--|------------|
| Parks, recreation facilities and community amenities | cost |
| Heritage | cost |
| Investment in water corporation | fair value |

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.

Fair value valuations are determined in accordance with a valuation hierarchy. Changes to the valuation hierarchy will only occur if an external change in the restrictions or limitations of use on an asset result in changes to the permissible or practical highest and best use of the asset. Further details regarding the fair value hierarchy are disclosed at Note 36, Fair value measurements.

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. All roads acquired after 30 June 2008, have not been brought to account, due to the minimal size of such acquisitions.

(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.

DERWENT VALLEY COUNCIL
NOTES TO AND FORMING PART OF THE
FINANCIAL STATEMENTS
For the Year Ended 30 June 2015

(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.

Where inventories are acquired at no cost, or for nominal consideration, the cost shall be the current replacement cost as at the date of acquisition.

(k) Investments in TasWater

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. At 30 June 2015, Council held a 1.30% (2014: 1.30%) ownership interest in TasWater which is based on schedule 2 of the Corporations Constitution which reflects the council's voting rights. Any unrealised gains and losses are recognised through the Statement of Profit or Loss and other Comprehensive Income to a Financial assets available for sale Reserve each year (refer note 18).

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

Council has derived returns from the Corporation as disclosed at note 10.

(l) Investments

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

(m) 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 15).

(n) Employee benefits

(i) Short term obligations

Liabilities for wages and salaries, including non-monetary benefits and annual 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.

DERWENT VALLEY COUNCIL
NOTES TO AND FORMING PART OF THE
FINANCIAL STATEMENTS
For the Year Ended 30 June 2015

(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) 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 30(a) of AASB 119 *Employee Benefits*, Council does not use defined benefit accounting for these contributions.

(v) 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.

DERWENT VALLEY COUNCIL
NOTES TO AND FORMING PART OF THE
FINANCIAL STATEMENTS
For the Year Ended 30 June 2015

(o) 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.

(p) Leases

Finance leases as lessee

Leases of assets where substantially all the risks and rewards incidental to ownership of the asset, are transferred to the Council are classified as finance leases. Finance leases are capitalised, recording an asset and a liability at the lower of the fair value of the asset and the present value of the minimum lease payments, including any guaranteed residual value. Lease payments are allocated between the reduction of the lease liability and the interest expense. Leased assets are depreciated on a straight line basis over their estimated useful lives to Council where it is likely that Council will obtain ownership of the asset or over the term of the lease, whichever is the shorter.

Operating leases as lessee

Lease income from operating leases where Council is a lessor is recognised in income on a straight-line basis over the lease term.

Leasehold improvements

Leasehold improvements are recognised at cost and are amortised over the unexpired period of the lease or the estimated useful life of the improvement, whichever is the shorter.

(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.

DERWENT VALLEY COUNCIL
NOTES TO AND FORMING PART OF THE
FINANCIAL STATEMENTS
For the Year Ended 30 June 2015

(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 32. Council has determined, based upon materiality that Transport Infrastructure as defined in note 32 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.

(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 Profit or Loss and Other Comprehensive Income represent revised budget amounts and are not audited.

DERWENT VALLEY COUNCIL
NOTES TO AND FORMING PART OF THE
FINANCIAL STATEMENTS
For the Year Ended 30 June 2015

2. Functions/Activities 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 (c).

| | REVENUE GRANTS | REVENUE OTHER | EXPENSES | SURPLUS (DEFICIT) | ASSETS |
|-------------------------------|---------------------------|--------------------------|-----------------|------------------------------|----------------|
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| ACTUAL 30 JUNE 2015 | | | | | |
| Roads,streets and bridges | 2,244 | 1,126 | 2,477 | 893 | 58,663 |
| Drainage | 541 | 293 | 293 | 541 | 26,612 |
| Waste Management | 144 | 877 | 757 | 264 | 1,164 |
| Building control | - | 140 | 140 | - | - |
| Planning services | 20 | 246 | 246 | 20 | - |
| Environmental Health/Man. | - | 493 | 389 | 104 | 279 |
| Governance and administration | 82 | 1,664 | 2,256 | (510) | 5,105 |
| Economic development | 1 | 431 | 431 | 1 | 225 |
| Community services | 1,155 | 749 | 1,958 | (54) | 75 |
| Community amenities | 134 | 114 | 246 | 2 | - |
| Recreation facilities | 217 | 1,202 | 1,202 | 217 | 8,036 |
| Other not Attributable | 116 | 866 | 1,101 | (119) | 2,211 |
| TOTAL | 4,654 | 8,201 | 11,496 | 1,359 | 102,370 |
| ACTUAL 30 JUNE 2014 | | | | | |
| Roads,streets and bridges | 840 | 1,191 | 2,347 | (316) | 55,944 |
| Drainage | 136 | 211 | 211 | 136 | 26,544 |
| Waste Management | 61 | 1,027 | 912 | 176 | 855 |
| Building control | - | 138 | 138 | - | - |
| Planning services | - | 201 | 201 | - | - |
| Environmental Health/Man. | - | 347 | 261 | 86 | 287 |
| Governance and administration | 59 | 1,621 | 1,589 | 91 | 4,380 |
| Economic development | 309 | 273 | 582 | - | 225 |
| Community services | 1,084 | 853 | 1,884 | 53 | 102 |
| Community amenities | 180 | 709 | 244 | 645 | - |
| Recreation facilities | 159 | 1,245 | 1,246 | 158 | 7,406 |
| Other not Attributable | - | 648 | 1,084 | (436) | 2,360 |
| TOTAL | 2,828 | 8,464 | 10,699 | 593 | 98,103 |

2. Functions/Activities of the Council (Continued)

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

| | 2015 | 2014 |
|--------------------|-----------------------|----------------------|
| Current assets | 2,190 | 2,338 |
| Non-current assets | 100,180 | 95,765 |
| | <u>102,370</u> | <u>98,103</u> |

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

1 Governance and Administration

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

2 Roads, streets and bridges

Construction, maintenance and cleaning of road, streets, footpaths, bridges, parking facilities and street lighting.

3 Drainage

Operation and maintenance of open or deep drainage systems in urban areas, including the lining of piping of creeks but excluding drainage associated with road works, flood mitigation and agriculture.

4 Waste Management

Collection, handling, processing and disposal of waste material.

5 Environmental Health/Environmental Management

Environmental Health includes disease control, food surveillance, public-use building standards, health education and promotion, water quality, workplace safety and cemeteries.

Environmental management includes strategies and programs for the protection of the environment and regulations of activities affecting the environment.

6 Planning Services

Administration of the town planning scheme, subdivisions and urban and rural renewal programs.

7 Building Control

The development and maintenance of building construction standards.

8 Community Amenities

Operation and maintenance of housing for aged persons and persons of limited means, Civic Centre, Council halls (excluding indoor sports complexes).

2. Functions/Activities of the Council (Continued)

9 Community Services

Administration and operation of dog registration, operation of pounds, control of straying stock and noxious weeds. Operation of the Child Care Centre, operation and support of the performing arts, museum and the presentation of festivals. Community Development which provides for the implementation of a process by which strategies and plans can be developed so that the Council can fulfil their general responsibility for enhancing the quality of life of the whole community.

10 Recreation facilities

Operation and maintenance of sporting facilities (includes swimming pools, active and passive recreation and recreation centres).

11 Economic development

Maintenance and marketing of tourist facilities, property development and operation of caravan parks.

12 Other- not attributable

Rates and charges and work not attributed elsewhere.

DERWENT VALLEY COUNCIL
NOTES TO AND FORMING PART OF THE
FINANCIAL STATEMENTS
For the Year Ended 30 June 2015

ACTUAL 2015 **ACTUAL 2014**
\$'000 **\$'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 2014/2015 was \$66,446,192 (2013/2014 \$63,947,357). The 2014/2015 rate in the AAAV dollar was \$0.08015294 (2013/2014 \$0.07796985).

| | | |
|--------------------------------|--------------|--------------|
| General | 5,090 | 4,890 |
| Country Fire | 102 | 100 |
| Urban Fire | 152 | 150 |
| Sewerage Removal | 113 | 110 |
| Garbage/Recycling Services | 471 | 449 |
| Business Levy | 16 | 16 |
| Total Rates and charges | 5,944 | 5,715 |

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

| | | |
|---------------------------------------|------------|------------|
| Infringements and Costs | 2 | 3 |
| Planning Fees | 60 | 51 |
| Land Information Certificates | 59 | 54 |
| Permits | 87 | 104 |
| Total Statutory fees and fines | 208 | 212 |

5. User fees

| | | |
|--------------------------------------|--------------|--------------|
| Child Care/Children's Program fees | 402 | 381 |
| Home and Community Care Service Fees | 12 | 11 |
| Registration fees | 40 | 39 |
| Cemetery Fees | 250 | 203 |
| Caravan Park Fees | 220 | 199 |
| Refuse Disposal Fees | 198 | 201 |
| Other Fees and Charges | 30 | 54 |
| Total User fees | 1,152 | 1,088 |

6. Grants

Grants were received in respect of the following:

Summary of Grants

| | | |
|-------------------------|--------------|--------------|
| Federally Funded Grants | 4,426 | 2,090 |
| State Funded Grants | 228 | 738 |
| Total Grants | 4,654 | 2,828 |

DERWENT VALLEY COUNCIL
NOTES TO AND FORMING PART OF THE
FINANCIAL STATEMENTS
For the Year Ended 30 June 2015

| | ACTUAL 2015 | ACTUAL 2014 |
|---------------------------------------|--------------------|--------------------|
| | \$'000 | \$'000 |
| 6. Grants (Continued) | | |
| Grants - Recurrent | | |
| Financial Assistance Grant | 2,916 | 988 |
| Buildings | - | 21 |
| Environmental Planning and Management | 88 | - |
| Family and Children | 1,155 | 1081 |
| Home and Community Care | 134 | 124 |
| Parks and Reserves | 4 | - |
| Planning | 20 | - |
| Regional Development | 1 | 312 |
| Roads | 309 | 230 |
| Youth Services | 27 | 2 |
| Total Grants: Recurrent | 4,654 | 2,758 |

Grants: Capital

Grants were received in respect of the following:

Summary of Grants: Capital

| | | |
|------------------------------|----------|-----------|
| Federally Funded Grants | - | - |
| State Funded Grants | - | 70 |
| Total Grants: Capital | - | 70 |

Summary of Grants

| | | |
|------------------------------|----------|-----------|
| Road Works | - | 70 |
| Total Grants: Capital | - | 70 |

The Australian Commonwealth Government provides Financial Assistance Grants to Council for general purpose use and the provision of local roads. In 2014-15 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 2014-15 by \$895,000. This has impacted the Statement of Profit or Loss and Other Comprehensive Income resulting in the Surplus/(deficit) being higher in 2014-15 by \$895,000.

7. Contributions

Cash

| | | |
|--|----------|----------|
| Recreation, leisure and community facilities | 9 | - |
| Total Contributions | 9 | - |

DERWENT VALLEY COUNCIL
NOTES TO AND FORMING PART OF THE
FINANCIAL STATEMENTS
For the Year Ended 30 June 2015

| | ACTUAL 2015 | ACTUAL 2014 |
|---|--------------------|--------------------|
| | \$'000 | \$'000 |
| 8. Interest | | |
| Interest on financial assets | 34 | 66 |
| Interest on rates | 56 | 46 |
| Total Interest | 90 | 112 |
| 9. Reimbursements | | |
| Buildings | 118 | - |
| Road Maintenance/Works | 50 | 117 |
| Stormwater | 4 | 15 |
| State Levies Commission | 10 | 10 |
| Other Reimbursements | 19 | 47 |
| Total Reimbursements | 201 | 189 |
| 10. Investment Revenue from TasWater | | |
| Dividend Revenue received | 301 | 173 |
| Tax equivalent received | 75 | 66 |
| Guarantee fee received | 29 | 37 |
| Total Investment Revenue from TasWater | 405 | 276 |
| TasWater contribution | | |
| <p>Transfer of water and sewerage assets, liabilities and staff to Southern Water (now TasWater) took place on 1 July 2009. However, Council withheld an amount of \$523,347. This amount represented loan borrowings obtained by Derwent Valley Council for the provision of a water scheme at Bushy Park. TasWater has now committed to the provision of this service and accordingly, the funds have been forwarded to TasWater.</p> | | |
| 11. Other Income | | |
| Regional Renewal | 40 | 237 |
| Community & Social Development | 29 | 44 |
| Parks, Reserves & Rec. | 1 | 3 |
| Plant Operations | 40 | 14 |
| Refuse Disposal | 35 | - |
| Youth | 14 | - |
| Other Income | 14 | 39 |
| Total Other Income | 173 | 337 |
| 12. Net gain on disposal of plant and equipment | | |
| Proceeds from the disposal of Assets | 132 | 944 |
| less | | |
| Written down value of Assets sold | (113) | (409) |
| Total Net gain on disposal of plant and equipment | 19 | 535 |

DERWENT VALLEY COUNCIL
NOTES TO AND FORMING PART OF THE
FINANCIAL STATEMENTS
For the Year Ended 30 June 2015

| | ACTUAL 2015 | ACTUAL 2014 |
|---|--------------------|--------------------|
| | \$'000 | \$'000 |
| 13. Depreciation and Amortisation | | |
| Property: | | |
| Buildings | 65 | 52 |
| Plant & Equipment: | | |
| Plant, Machinery & Equipment | 177 | 167 |
| Computers and Telecommunications | 69 | 52 |
| Infrastructure: | | |
| Roads & Streets | 1,518 | 1,442 |
| Bridges | 187 | 185 |
| Storm Water | 171 | 160 |
| Reserves & Recreations | 71 | 57 |
| Waste Management | 69 | 68 |
| Total Depreciation and Amortisation | 2,327 | 2,183 |
| 14. Other expenses | | |
| Other expenses for the year are as follows:- | | |
| Auditor's remuneration | | |
| - Audit services this year | 30 | 22 |
| Election expenses | 47 | 4 |
| Payments to elected members | | |
| - Councillor allowances | 135 | 140 |
| - Other fees and allowances | 14 | 18 |
| Subscription Local Government Association Tas | 32 | 31 |
| General insurance | 150 | 149 |
| Community Grants and Donations | 46 | 55 |
| Total Other Expenses | 454 | 419 |
| 15. Cash and cash equivalents | | |
| Cash on Hand | 1 | 1 |
| Cash at Bank | | |
| - Trading Account | 1,340 | 572 |
| - Children's Services | - | - |
| | 1,341 | 573 |
| Investments | | |
| At Call and Short Term Deposits | - | 800 |
| | - | 800 |
| 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: | | |
| - Leave provisions (Note 22) | 1,826 | 1,677 |
| - Security Deposits and Bonds (Note 21) | 72 | 43 |
| Restricted funds | 1,898 | 1,720 |
| Total unrestricted cash, cash equivalents and investments | (557) | (347) |

DERWENT VALLEY COUNCIL
NOTES TO AND FORMING PART OF THE
FINANCIAL STATEMENTS
For the Year Ended 30 June 2015

| | ACTUAL 2015 | ACTUAL 2014 |
|---|--------------------|--------------------|
| | \$'000 | \$'000 |
| 16. Other assets | | |
| Current | | |
| Prepayments | 50 | 23 |
| Accrued Interest | - | 12 |
| | <u>50</u> | <u>35</u> |
| 17. Trade and other receivables | | |
| Current | | |
| Rate Receivables | 519 | 553 |
| | <u>519</u> | <u>553</u> |
| Sundry Debtors | 280 | 348 |
| Less: Provision for Impairment | (3) | (3) |
| Long Service Leave payable by other Councils | 3 | 2 |
| Other Debtors | - | 30 |
| | <u>280</u> | <u>377</u> |
| | <u>799</u> | <u>930</u> |
| Non - Current | | |
| Rate Receivables | 21 | 22 |
| | <u>21</u> | <u>22</u> |
| 18. Investment in TasWater | | |
| Non-current | | |
| Opening Balance | 19,968 | 24,920 |
| Change in fair value of investment | | |
| Fair value adjustments on Available for Sale Assets | 161 | (4,952) |
| Total investment in TasWater | <u>20,129</u> | <u>19,968</u> |

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 2015, 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.

19. Payables

Current

| | | |
|-----------------|------------|------------|
| Trade creditors | 711 | 510 |
| | <u>711</u> | <u>510</u> |

DERWENT VALLEY COUNCIL
NOTES TO AND FORMING PART OF THE
FINANCIAL STATEMENTS
For the Year Ended 30 June 2015

| | ACTUAL 2015 \$'000 | ACTUAL 2014 \$'000 |
|--|-----------------------|-----------------------|
| 20. Interest bearing loans/borrowings | | |
| Current (secured) | | |
| Tasmanian Public Finance Corporation (Tascorp) | 229 | 196 |
| Non-current (secured) | | |
| Tasmanian Public Finance Corporation (Tascorp) | 2,714 | 2,543 |
| Total borrowings | <u>2,943</u> | <u>2,739</u> |

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 | 176 |
| | 450 | 6.02% | 08-Mar-06 | 08-Mar-21 | 08-Mar-21 | 229 |
| | 450 | 6.55% | 22-Mar-07 | 22-Mar-22 | 22-Mar-22 | 263 |
| | 500 | 7.24% | 04-May-10 | 04-May-20 | 04-May-25 | 388 |
| | 500 | 6.69% | 29-Apr-11 | 29-Apr-21 | 29-Apr-26 | 410 |
| | 500 | 6.17% | 22-Mar-12 | 22-Mar-22 | 22-Mar-27 | 433 |
| | 500 | 5.04% | 19-Apr-13 | 19-Apr-23 | 19-Apr-28 | 453 |
| | 200 | 4.94% | 28-May-14 | 28-May-24 | 28-May-29 | 191 |
| | <u>400</u> | 3.43% | 03-Feb-15 | 03-Feb-25 | 03-Feb-30 | 400 |
| | 3,900 | | | | | <u><u>2,943</u></u> |

The Fair Value of the loan portfolio is \$3,223,808 (2013/14 \$3,008,515). This estimate is based on present value calculations applied to each loan using interest rates prevailing at balance date.

21. Other liabilities

Current

| | | |
|-----------------------------|------------|------------|
| Accrued electricity | 13 | 13 |
| Accrued payroll | 24 | 12 |
| Accrued interest | 38 | 40 |
| Security deposits and bonds | 72 | 43 |
| Other | - | 1 |
| | <u>147</u> | <u>109</u> |

22. Provisions

Current

| | | |
|----------------------|--------------|--------------|
| Provisions | | |
| - Annual leave | 705 | 728 |
| - Long service leave | 571 | 566 |
| - Sick leave | 340 | 211 |
| - Time in lieu | 128 | 99 |
| | <u>1,744</u> | <u>1,604</u> |

Non-current

| | | |
|----------------------|-----------|-----------|
| Provisions | | |
| - Long service leave | 82 | 73 |
| | <u>82</u> | <u>73</u> |

Council's number of Full Time Equivalent Employees as at 30 June 2015 totalled 51. (2013/2014 - 50)

DERWENT VALLEY COUNCIL
NOTES TO AND FORMING PART OF THE
FINANCIAL STATEMENTS
For the Year Ended 30 June 2015

23. Property, infrastructure, plant and equipment

| | 2015 | 2014 |
|---------------------------------|----------------------|----------------------|
| | \$'000 | \$'000 |
| Summary | | |
| - at cost | 5,922 | 5,413 |
| - less accumulated depreciation | <u>(3,752)</u> | <u>(3,661)</u> |
| | <u>2,170</u> | <u>1,752</u> |
| | | |
| - at fair value at 30 June | 108,102 | 102,787 |
| - less accumulated depreciation | <u>(30,242)</u> | <u>(28,764)</u> |
| | <u>77,860</u> | <u>74,023</u> |
| | | |
| Total | <u>80,030</u> | <u>75,775</u> |
| | | |
| Property | | |
| Land | | |
| - at fair value at 30 June | <u>6,629</u> | <u>6,555</u> |
| Total land | <u>6,629</u> | <u>6,555</u> |
| | | |
| Buildings | | |
| - at fair value at 30 June | 3,567 | 2,660 |
| - less accumulated depreciation | <u>(471)</u> | <u>(417)</u> |
| | <u>3,096</u> | <u>2,243</u> |
| | | |
| Heritage buildings | | |
| - at fair value at 30 June | 570 | 570 |
| - less accumulated depreciation | <u>(11)</u> | <u>-</u> |
| | <u>559</u> | <u>570</u> |
| | | |
| Total buildings | <u>3,655</u> | <u>2,813</u> |
| | | |
| Total property | <u>10,284</u> | <u>9,368</u> |

DERWENT VALLEY COUNCIL
NOTES TO AND FORMING PART OF THE
FINANCIAL STATEMENTS
For the Year Ended 30 June 2015

23. Property, infrastructure, plant and equipment (continued)

| | 2015 | 2014 |
|---|---------------------|---------------------|
| | \$'000 | \$'000 |
| Plant and equipment | | |
| Plant, machinery and equipment | | |
| - at cost | 2,901 | 2,888 |
| - less accumulated depreciation | (1,977) | (2,024) |
| | <u>924</u> | <u>864</u> |
| Fixtures, fittings and furniture | | |
| - at cost | 200 | 200 |
| - less accumulated depreciation | (197) | (195) |
| | <u>3</u> | <u>5</u> |
| Computers and telecommunications | | |
| - at cost | 836 | 748 |
| - less accumulated depreciation | (597) | (530) |
| | <u>239</u> | <u>218</u> |
| Total plant and equipment | <u><u>1,166</u></u> | <u><u>1,087</u></u> |
| | | |
| Roads | | |
| - at fair value at 30 June | 70,424 | 67,205 |
| - less accumulated depreciation | (18,385) | (17,836) |
| | <u>52,039</u> | <u>49,369</u> |
| | | |
| Bridges | | |
| - at fair value at 30 June | 10,239 | 9,979 |
| - less accumulated depreciation | (4,647) | (4,422) |
| | <u>5,592</u> | <u>5,557</u> |

DERWENT VALLEY COUNCIL
NOTES TO AND FORMING PART OF THE
FINANCIAL STATEMENTS
For the Year Ended 30 June 2015

23. Property, infrastructure, plant and equipment (continued)

| | 2015 | 2014 |
|--|----------------------|----------------------|
| | \$'000 | \$'000 |
| Infrastructure (continued) | | |
| Storm water | | |
| - at fair value at 30 June | 12,728 | 12,253 |
| - less accumulated depreciation | (6,245) | (5,677) |
| | <u>6,483</u> | <u>6,576</u> |
| Reserves | | |
| - at fair value at 30 June | 3,945 | 3,565 |
| - less accumulated depreciation | (483) | (412) |
| | <u>3,462</u> | <u>3,153</u> |
| Waste | | |
| - at cost | 1,985 | 1,577 |
| - less accumulated depreciation | (981) | (912) |
| | <u>1,004</u> | <u>665</u> |
| Total infrastructure | <u>68,580</u> | <u>65,320</u> |
| Total property, infrastructure, plant and equipment | <u>80,030</u> | <u>75,775</u> |

DERWENT VALLEY COUNCIL
NOTES TO AND FORMING PART OF THE
FINANCIAL STATEMENTS
For the Year Ended 30 June 2015

23. Property, infrastructure, plant and equipment (continued)

| 2015 | Balance at beginning of year \$'000 | Acquisition of assets \$'000 | Reval. increments (decrements) \$'000 | Depreciation of disposals \$'000 | WDV of disposals \$'000 | Transfers \$'000 | Balance at end of year \$'000 |
|--|--|------------------------------------|--|--|-------------------------------|---------------------|--|
| Property | | | | | | | |
| Land | 6,555 | - | 74 | - | - | - | 6,629 |
| Total land | 6,555 | 0 | 74 | - | - | - | 6,629 |
| Buildings | 2,243 | 907 | - | (54) | - | - | 3,096 |
| Heritage buildings | 570 | - | - | (11) | - | - | 559 |
| Total buildings | 2,813 | 907 | - | (65) | - | - | 3,655 |
| Total property | 9,368 | 907 | 74 | (65) | - | - | 10,284 |
| Plant and equipment | | | | | | | |
| Plant, machinery and equipment | 864 | 348 | - | (175) | (113) | - | 924 |
| Fixtures, fittings and furniture | 5 | - | - | (2) | - | - | 3 |
| Computers and telecom. | 218 | 90 | - | (69) | - | - | 239 |
| Total plant and equipment | 1,087 | 438 | - | (246) | (113) | - | 1,166 |
| Infrastructure | | | | | | | |
| Roads | 49,369 | 2,042 | 2,147 | (1,518) | - | - | 52,039 |
| Bridges | 5,557 | 114 | 108 | (187) | - | - | 5,592 |
| Storm water | 6,576 | 250 | (172) | (171) | - | - | 6,483 |
| Reserves | 3,153 | 380 | - | (71) | - | - | 3,462 |
| Waste | 665 | 408 | - | (69) | - | - | 1,004 |
| Total infrastructure | 65,320 | 3,194 | 2,083 | (2,016) | - | - | 68,580 |
| Total property, infrastructure, plant and equipment | 75,775 | 4,539 | 2,157 | (2,327) | (113) | - | 80,030 |

DERWENT VALLEY COUNCIL
NOTES TO AND FORMING PART OF THE
FINANCIAL STATEMENTS

For the Year Ended 30 June 2015

23. Property, infrastructure, plant and equipment (continued)

| | 2014 | Balance at beginning of year | Acquisition of assets | Reval. increments (decrements) | Depreciation | WDV of disposals | Transfers | Balance at end of year |
|--|------|------------------------------|-----------------------|--------------------------------|----------------|------------------|-----------|------------------------|
| | | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Property | | | | | | | | |
| Land | | 7,027 | - | (247) | - | (225) | - | 6,555 |
| Total land | | 7,027 | 0 | (247) | - | (225) | - | 6,555 |
| Buildings | | | | | | | | |
| Buildings | | 2,322 | 15 | (42) | (52) | - | - | 2,243 |
| Heritage buildings | | 570 | - | - | - | - | - | 570 |
| Total buildings | | 2,892 | 15 | (42) | (52) | - | - | 2,243 |
| Total property | | 9,919 | 15 | (289) | (52) | (225) | - | 8,798 |
| 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 2015

| 24. Reserves | Opening balance | | Transfers to reserves | | Asset revaluation and fair value movements | | Transfers from reserves | | Closing balance | |
|-----------------------------------|-----------------|-------------|-----------------------|-------------|--|-------------|-------------------------|--------------|-----------------|-------------|
| | 2015 \$'000 | 2014 \$'000 | 2015 \$'000 | 2014 \$'000 | 2015 \$'000 | 2014 \$'000 | 2015 \$'000 | 2014 \$'000 | 2015 \$'000 | 2014 \$'000 |
| Public open space reserve | 145 | 148 | 9 | - | - | - | (11) | (3) | 143 | 145 |
| | 145 | 148 | 9 | - | - | - | (11) | (3) | 143 | 145 |
| Asset replacement reserves | | | | | | | | | | |
| - Plant replacement | 95 | 79 | 164 | 139 | - | - | (119) | (123) | 140 | 95 |
| - Capital works | - | - | 758 | - | - | - | - | - | 758 | - |
| - Cemetery replacement | 607 | 522 | 250 | 203 | - | - | (145) | (118) | 712 | 607 |
| - NN landfill restoration | 84 | 74 | 35 | 40 | - | - | (39) | (30) | 80 | 84 |
| | 786 | 675 | 1,207 | 382 | - | - | (303) | (271) | 1,690 | 786 |

NN landfill restoration

Council is obligated to restore the Peppermint Hill landfill site to a particular standard. Current engineering projections indicate that the Peppermint Hill landfill site will cease operations in 2022 and restoration work is expected to commence shortly thereafter. The forecast life of the Peppermint Hill landfill site is based on current estimates of remaining capacity and the forecast rate of infill. Council has established a reserve account for this purpose.

DERWENT VALLEY COUNCIL
NOTES TO AND FORMING PART OF THE
FINANCIAL STATEMENTS

For the Year Ended 30 June 2015

| | Opening balance | | Transfers to reserves | | Asset revaluation and fair value movements | | Transfers from reserves | | Closing balance | |
|-----------------------------------|-----------------|---------------|-----------------------|--------------|--|----------------|-------------------------|----------------|-----------------|---------------|
| | 2015 \$'000 | 2014 \$'000 | 2015 \$'000 | 2014 \$'000 | 2015 \$'000 | 2014 \$'000 | 2015 \$'000 | 2014 \$'000 | 2015 \$'000 | 2014 \$'000 |
| 24. Reserves (continued) | | | | | | | | | | |
| Fair value reserve | | | | | | | | | | |
| - TasWater | (4,760) | 193 | - | - | 160 | (4,952) | - | - | (4,600) | (4,760) |
| Asset revaluation reserves | | | | | | | | | | |
| Infrastructure | | | | | | | | | | |
| - Land | 4,831 | 4,698 | - | - | 73 | 133 | - | - | 4,904 | 4,831 |
| - Buildings | 89 | 131 | - | - | - | (42) | - | - | 89 | 89 |
| - Roads | 41,179 | 40,820 | - | - | 2,146 | 359 | - | - | 43,325 | 41,179 |
| - Storm water | 5,402 | 5,149 | - | - | (172) | 253 | - | - | 5,230 | 5,402 |
| - Bridges | 3,429 | 3,428 | - | - | 108 | 1 | - | - | 3,537 | 3,429 |
| - Recreation | (511) | (132) | - | - | - | (379) | - | - | (511) | (511) |
| | 49,660 | 54,288 | - | - | 2,315 | (4,627) | - | - | 51,975 | 49,660 |
| Other reserves | | | | | | | | | | |
| - Autumn Festival | 12 | 12 | 43 | 48 | - | - | (33) | (41) | 22 | 12 |
| - Bicentennial 2008 | 12 | 12 | - | - | - | - | - | - | 12 | 12 |
| - CBD Levy | 11 | 12 | 32 | 51 | - | - | (27) | (52) | 16 | 11 |
| - Children's Services | 292 | 201 | 1,556 | 120 | - | - | (1,663) | (29) | 186 | 292 |
| - DV Scholarship | - | - | 12 | - | - | - | (8) | - | 5 | - |
| - Regional Renewal | 95 | 68 | 36 | 36 | - | - | (4) | (9) | 127 | 95 |
| - Computer | 159 | 240 | 132 | 132 | - | - | (160) | (213) | 131 | 159 |
| - Derwent Valley election | 36 | 25 | 15 | 15 | - | - | (47) | (4) | 5 | 36 |
| - Derwent Valley revaluation | 130 | 99 | 31 | 31 | - | - | - | - | 161 | 130 |
| - HACC | 55 | 58 | 146 | 135 | - | - | (144) | (138) | 57 | 55 |
| - Historical Info. Centre | 34 | 28 | 7 | 6 | - | - | - | - | 41 | 34 |
| - Local issues support | 10 | 10 | - | - | - | - | (10) | - | - | 10 |
| - Public Relations | 18 | 13 | 8 | 8 | - | - | (2) | (3) | 24 | 18 |
| - Willow Court | 742 | 559 | 39 | 1,064 | - | - | (859) | (881) | (79) | 742 |
| | 1,606 | 1,336 | 2,057 | 1,646 | - | - | (2,957) | (1,370) | 706 | 1,604 |
| Total reserves | 52,197 | 56,447 | 3,273 | 2,028 | 2,315 | (4,627) | (3,271) | (1,644) | 54,517 | 52,197 |

25. Commitments for capital expenditure

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

26. Commitments under operating leases

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

27. Contingent liabilities and contingent assets

Contingent liabilities

Council is presently involved in several confidential legal matters, which are being conducted through Council's solicitors.

As these matters are yet to be finalised, and the financial outcomes are unable to be reliably estimated, no allowance for these contingencies has been made in the financial report.

Bushy Park and Glenora Water Supply

Council at a meeting held 19 February 2015 agreed to a contribution in the amount of \$500,000 towards the cost of implementing a reticulated water supply for Bushy Park and Glenora. Council is to provide \$250,000 during the 2015/2016 financial year and a further \$250,000 during the 2016/2017 financial year. These funds (\$500,000) are to be provided to TasWater, interest free, subject to repayment within a 20 year period. This agreement shall lapse if 80% support for the provision of a water supply is not given by the residents of Bushy Park and Glenora.

Landfill Site

Council operates a landfill site at Peppermint Hill, New Norfolk. Council will have to carry out site rehabilitation works in the future. At balance date Council is unable to accurately assess the financial implications of such works.

28. 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 2015

29. Accounting for financial instruments

(a) Accounting Policy. Terms and conditions

| Recognised financial instruments | Note | Accounting Policy | Terms and Conditions |
|--|-----------|--|---|
| Financial | | | |
| Cash and cash equivalents | 15 | 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 2.00%. (2.65% in 2013/2014). The interest rate at balance date was 2.00%. (2.75% in 2013/2014). |
| Investments | | Interest is recognised as it accrues. | Funds returned fixed interest rates of between 2.60% (2.58% in 2013/2014), and 3.15% (3.65% in 2013/2014) net of fees. |
| | | Investments and bills are valued at cost. | Managed funds provided returns of 2.00%. (3.15% in 2013/2014) 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 | 17 | 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 2013/2014). Credit terms are based on 30 days. Rating debtors are secured and arrears attract an interest rate of 10.00%. (10.00% in 2013/2014). |
| 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 | 20 | 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 5.78%. (6.16% in 2013/2014). |
| | | 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 2015

29. 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:

2015

| | Weighted average interest rate | Floating interest rate \$'000 | Fixed interest maturing in: | | | Non-interest bearing \$'000 | Total \$'000 |
|---|---|--|-----------------------------|--------------------------------|--------------------------------|-----------------------------------|-----------------|
| | | | 1 year or less \$'000 | Over 1 to 5 years \$'000 | More than 5 years \$'000 | | |
| Financial assets | | | | | | | |
| Cash and cash equivalents | 2.00% | 1,341 | - | - | - | - | 1,341 |
| Investments | 2.00% | - | - | - | - | - | - |
| Trade and other receivables | 10.00% | - | 519 | 21 | - | 280 | 820 |
| Total financial assets | | 1,341 | 519 | 21 | - | 280 | 2,161 |
| Financial liabilities | | | | | | | |
| Trade and other payables | | - | - | - | - | 711 | 711 |
| Trust funds and deposits | | - | - | - | - | 72 | 72 |
| Interest-bearing loans and borrowings | 5.78% | - | 230 | 1,066 | 1,622 | - | 2,918 |
| Total financial liabilities | | - | 230 | 1,066 | 1,622 | 783 | 3,701 |
| Net financial assets (liabilities) | | 1,341 | 289 | (1,045) | (1,622) | (503) | (1,540) |

2014

| | Weighted average interest rate | Floating interest rate \$'000 | Fixed interest maturing in: | | | Non-interest bearing \$'000 | Total \$'000 |
|---|---|--|-----------------------------|--------------------------------|--------------------------------|-----------------------------------|-----------------|
| | | | 1 year or less \$'000 | Over 1 to 5 years \$'000 | More than 5 years \$'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) |

DERWENT VALLEY COUNCIL
NOTES TO AND FORMING PART OF THE
FINANCIAL STATEMENTS
For the Year Ended 30 June 2015

29. 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 | |
|---------------------------------------|---|------------------------|-------------------------------------|------------------------|
| | 2015 \$'000 | 2014 \$'000 | 2015 \$'000 | 2014 \$'000 |
| Financial assets | | | | |
| Cash and cash equivalents | 1,341 | 1,373 | 1,341 | 1,373 |
| Trade and other receivables | 870 | 987 | 870 | 987 |
| Total financial assets | 2,211 | 2,360 | 2,211 | 2,360 |
| Financial liabilities | | | | |
| Trade and other payables | 786 | 576 | 786 | 576 |
| Trust funds and deposits | 72 | 43 | 72 | 43 |
| Interest-bearing loans and borrowings | 2,943 | 2,739 | 3,224 | 3,009 |
| Total financial liabilities | 3,801 | 3,358 | 4,082 | 3,628 |

(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 2015

29. 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 27. 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 2015

29. Accounting for financial instruments (Continued)

| | Financial Institutions | Government agencies | Other | Total |
|---|---------------------------|-------------------------|------------|--------------|
| | (AAA credit rating) | (BBBB credit rating) | | |
| 2015 | | | | |
| Cash and cash equivalents | 1,341 | - | - | 1,341 |
| Receivables | - | - | 849 | 849 |
| Investments and other financial asset | - | - | - | - |
| Total contractual financial assets | 1,341 | - | 849 | 2,190 |
| 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 |

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:

| | 2015 | 2014 |
|--|---------------|---------------|
| | \$'000 | \$'000 |
| Current (not yet due) | 24 | 30 |
| Past due by up to 30 days | 25 | 112 |
| Past due between 31 and 180 days | 231 | 235 |
| Past due between 181 and 365 days | - | - |
| Past due by more than 1 year | 540 | 575 |
| Total Trade & Other Receivables | 820 | 952 |

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 2015

29. 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

| 2015 | 6 mths | 6-12 | 1-2 | 2-5 | >5 | Contracted | Carrying |
|---------------------------------------|----------------|---------------|---------------|---------------|---------------|-------------------|-----------------|
| | or less | months | years | years | years | Cash Flow | Amount |
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Trade and other payables | 786 | - | - | - | - | 786 | 786 |
| Trust funds and deposits | 72 | - | - | - | - | 72 | 72 |
| Interest-bearing loans and borrowings | 113 | 116 | 244 | 823 | 1,622 | 2,918 | 2,918 |
| Total financial liabilities | 971 | 116 | 244 | 823 | 1,622 | 3,776 | 3,776 |

| 2014 | 6 mths | 6-12 | 1-2 | 2-5 | >5 | Contracted | Carrying |
|---------------------------------------|----------------|---------------|---------------|---------------|---------------|-------------------|-----------------|
| | or less | months | years | years | years | Cash Flow | Amount |
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'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 |

DERWENT VALLEY COUNCIL
NOTES TO AND FORMING PART OF THE
FINANCIAL STATEMENTS
For the Year Ended 30 June 2015

29. 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 |
| 2015 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Financial assets: | | | | | |
| Cash and cash | 1,341 | - | - | - | - |
| Investment | - | 0 | 0 | 0 | 0 |
| Receivables | 820 | (16) | (16) | 8 | 8 |
| Financial liabilities: | | | | | |
| Interest-bearing loans | 2,943 | (59) | (59) | - | - |

| | | 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 |

(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
NOTES TO AND FORMING PART OF THE
FINANCIAL STATEMENTS
For the Year Ended 30 June 2015

29. Accounting for financial instruments (Continued)

| | Level 1 | Level 2 | Level 3 | Total |
|-------------------------------------|----------------|----------------|----------------|---------------|
| | \$'000 | \$'000 | \$'000 | \$'000 |
| 30 June 2015 | | | | |
| Available for sale financial assets | - | - | 20,129 | 20,129 |

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

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

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

Reconciliation of Level 3 Fair Value Movements

| | 2015 | 2014 |
|---|---------------|---------------|
| | \$'000 | \$'000 |
| Opening balance | 19,968 | 24,920 |
| Change in fair value movement in Southern Water | 160 | (4,952) |
| Closing balance | 20,129 | 19,968 |

DERWENT VALLEY COUNCIL
NOTES TO AND FORMING PART OF THE
FINANCIAL STATEMENTS
For the Year Ended 30 June 2015

30. 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.

| | 2015 | 2014 |
|--------------------------|---------------|---------------|
| | \$'000 | \$'000 |
| Cash at Bank and on hand | 1,341 | 573 |
| Total | 1,341 | 573 |

(b) **Reconciliation of net cash provided by operating activities to operating surplus**

| | | |
|---|--------------|--------------|
| Surplus for the year | 1,359 | 593 |
| Depreciation | 2,327 | 2,183 |
| (Gain) / Loss on Sale of Fixed Assets | (19) | (535) |
| Capital Grants provided by Government | - | (70) |
| Movements:- | | |
| - Increase / (Decrease) in Employee Provisions | 149 | (86) |
| - (Increase) / Decrease in Accounts Receivable | 132 | (113) |
| - Increase / (Decrease) in Other Liabilities | 40 | (278) |
| - (Increase) / Decrease in Accrued Income | 2 | (3) |
| - Increase / (Decrease) in Contributions | 9 | - |
| - Increase / (Decrease) in Payables | 199 | (342) |
| - (Increase) / Decrease in Other Assets | (27) | 30 |
| Net cash inflow/(outflow) provided by operating activities | 4,171 | 1,379 |

31. Financing arrangements

At the reporting date a business card facility of \$50,000 (2013/14 \$50,000) was available to the Council from its Bankers, the Commonwealth Bank of Australia.

DERWENT VALLEY COUNCIL
NOTES TO AND FORMING PART OF THE
FINANCIAL STATEMENTS
For the Year Ended 30 June, 2015

32. Significant Business Activities

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

| | Transport | Infrastruct. |
|---|------------------|---------------------|
| | 2015 | 2014 |
| | \$'000 | \$'000 |
| Revenue | | |
| Rates | 804,517 | 819,047 |
| Reimbursements | 49,654 | 118,819 |
| Other Revenue | - | 4,918 |
| Government Grants identified | 1,493,355 | 300,226 |
| Government Grants allocated | 750,335 | 540,022 |
| Total Revenue | 3,097,860 | 1,783,032 |
| Expenditure | | |
| Direct | | |
| Employee Costs | 109,154 | 85,589 |
| Materials and Contracts | 153,701 | 160,191 |
| Interest | 163,898 | 169,907 |
| Street Lighting | 154,256 | 117,746 |
| | 581,009 | 533,433 |
| Indirect | | |
| Supervision and Indirect Overhead | 132,645 | 149,812 |
| Total Expenses | 713,654 | 683,245 |
| Notional cost of free services received | | |
| Capital costs | | |
| Depreciation and Amortisation | 1,776,755 | 1,683,234 |
| Opportunity cost of capital | 3,259,137 | 3,253,128 |
| Opportunity cost of working capital | 1,342 | 1,373 |
| Total Capital costs | 3,260,479 | 3,254,501 |
| Competitive neutrality adjustments | | |
| Rates and Land Tax | 5,452 | 5,545 |
| Loan Guarantee fees | 12,786 | 12,272 |
| | 18,238 | 17,817 |
| Calculated Surplus/(Deficit) | 589,213 | (601,264) |
| Taxation Equivalent Rate | 30.00% | 30.00% |
| Taxation Equivalent | 176,764 | (180,379) |
| Competitive Neutrality Costs | 195,002 | (162,562) |

DERWENT VALLEY COUNCIL
NOTES TO AND FORMING PART OF THE
FINANCIAL STATEMENTS
For the Year Ended 30 June 2015

33. 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 2015 the Derwent Valley Council contributed 11.0% 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.

Rice Warner Pty Ltd undertook the last actuarial review of the Fund at 30 June 2014. The review disclosed that at that time the net market value of assets available for funding member benefits was \$66,310,000, the value of vested benefits was \$57,475,000, the surplus over vested benefits was \$8,835,000, and the value of total accrued benefits was \$58,093,000. These amounts relate to all members of the fund at the date of valuation and no asset or liability is recorded in the Quadrant Superannuation Scheme's financial statements for Council employees.

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

| | |
|-----------------------|-----------|
| Net Investment Return | 7.0% p.a. |
| 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 2014.
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 2014.
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 2017.

The Actuary recommended that in future the Council contribute 11.0% of salaries in 2014/15, and 9.5% of salaries thereafter.

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 2017 and is expected to be completed late in 2017. 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.

DERWENT VALLEY COUNCIL
NOTES TO AND FORMING PART OF THE
FINANCIAL STATEMENTS
For the Year Ended 30 June 2015

33. Superannuation (Continued)

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

The 2014 actuarial review used the "aggregate" funding method. This is a standard actuarial funding method. The results from this method were tested by projecting future fund assets and liabilities for a range of future assumed investment returns. The funding method used is different from the method used at the previous actuarial review in 2011.

Under the aggregate 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 financing members' benefits.

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 AASB 119 defined benefit reporting.

During the reporting period the amount of contributions paid to defined benefits schemes was \$24,407 (2013-2014, \$20,810), and the amount paid to accumulation schemes was \$355,174(2013-2014, \$318,414).

During the next reporting period expected amount of contributions to be paid to defined benefits schemes is \$23,938, and the amount to be paid to accumulation schemes is \$348,348.

DERWENT VALLEY COUNCIL
NOTES TO AND FORMING PART OF THE
FINANCIAL STATEMENTS
For the Year Ended 30 June 2015

33. 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 2014. 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 2017.

An analysis of the assets and vested benefits of Funds participating in the Scheme, prepared by Rice Warner Pty Ltd as at 30 June 2014, showed that the Fund had assets of \$66.3 million and members' Vested Benefits were \$57.5 million. These amounts represented 8.4% and 7.5% respectively of the corresponding total amounts for the Scheme.

34. 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)
 B.Shaw (Deputy Mayor 01/11/14 to current)
 P.Belcher (Councillor 01/11/14 to current)
 D.Bester (Councillor 01/11/09 to current)
 JG.Bromfield (Councillor 08/12/98 to 31/10/14)
 J.Graham (Councillor 01/11/09 to current)
 BK.Lathey (Deputy Mayor 01/11/11 to 31/10/14)
 BK.Lathey (Councillor 01/11/14 to current)
 C.Lester (Councillor 01/11/11 to 31/10/14)
 T.Nicholson (Councillor 01/11/11 to 31/10/14)
 F.Pearce (Councillor 01/11/14 to current)
 S.Shaw (Councillor 01/11/09 to 31/10/14)
 W.Shoobridge (Councillor 01/11/11 to 31/10/14)
 E.J. Triffett (Councillor 01/11/14 to current)

General Manager

SS.Mackey (from 26/04/99 to 30/06/15)
 G.Winton (from 01/07/15 to current)

| | 2015 | 2014 |
|--|-------------|-------------|
| Total Remuneration for the reporting year for Councillors' Emoluments and reimbursements included above amounted to: | 136,863 | 141,185 |
| Total Remuneration for the reporting year for senior management positions amounted to: | 432,219 | 448,349 |

- (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.

DERWENT VALLEY COUNCIL
NOTES TO AND FORMING PART OF THE
FINANCIAL STATEMENTS
For the Year Ended 30 June 2015

35. Management indicators

| | Benchmark | 2015 | 2014 | 2013 | 2012 |
|--|------------------|---------------|---------------|---------------|---------------|
| | | \$'000 | \$'000 | \$'000 | \$'000 |
| (a) Underlying surplus or deficit | | | | | |
| Recurrent income* less | | | | | |
| recurrent expenditure | | 11,872 | 11,720 | 10,466 | 10,454 |
| Underlying surplus/deficit | >0 | (11,496) | (10,699) | (10,386) | (10,415) |
| | | 376 | 1,021 | 80 | 39 |

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

2014/2015 recurrent income includes the prepayment of untied Federal Assistance Grants received in advance of \$895,000 during the 2014/2015 year applicable for 2015/2016. 2013/2014 recurrent income includes the prepayment of untied Federal Assistance Grants received 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 received 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

| | | | | | |
|--------------------------------------|----|--------|--------|--------|--------|
| <u>Underlying surplus or deficit</u> | | 376 | 1,021 | 80 | 39 |
| Recurrent income* | | 11,872 | 11,720 | 10,466 | 10,454 |
| Underlying surplus ratio % | 0% | 3.17% | 8.71% | 0.76% | 0.37% |

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

The underlying surplus has been adjusted in 2012, 2013, and 2015 to take into account the prepayment of untied Federal Assistance Grants received in advance of \$895,000 during the 2014/2015 year, \$1,436,353 during the 2012/2013 year and \$1,415,054 during the 2011/2012 year

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

(c) Net financial liabilities

| | | | | | |
|---------------------------|---|---------|---------|---------|---------|
| Liquid assets less | | 2,140 | 2,303 | 3,488 | 3,051 |
| total liabilities | | (5,627) | (5,035) | (5,714) | (4,901) |
| Net financial liabilities | 0 | (3,487) | (2,732) | (2,226) | (1,850) |

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 (\$2.943M 2014/15).

DERWENT VALLEY COUNCIL
NOTES TO AND FORMING PART OF THE
FINANCIAL STATEMENTS
For the Year Ended 30 June 2015

35. Management indicators (Continued)

| | Benchmark | 2015 | 2014 | 2013 | 2012 |
|--|------------------|---------------|---------------|---------------|---------------|
| | | \$'000 | \$'000 | \$'000 | \$'000 |
| (d) Net financial liabilities ratio | | | | | |
| <u>Net financial liabilities</u> | | (3,487) | (2,732) | (2,226) | (1,850) |
| Recurrent income* | | 11,872 | 11,720 | 10,466 | 10,454 |
| Net financial liabilities ratio % | 0% - (50%) | (22.29)% | (22.29)% | (21.27)% | (17.70)% |

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.

Transport Infrastructure

| | | | | |
|-------------------------------------|--------|--------|--------|--------|
| <u>Depreciated replacement cost</u> | 52,039 | 49,369 | 48,432 | 43,753 |
| Current replacement cost | 70,424 | 67,205 | 63,983 | 60,449 |
| Asset consumption ratio % | 73.89% | 73.46% | 75.70% | 72.38% |

Buildings

| | | | | |
|-------------------------------------|--------|--------|--------|--------|
| <u>Depreciated replacement cost</u> | 3,655 | 2,892 | 3,034 | 3,095 |
| Current replacement cost | 4,137 | 3,360 | 3,437 | 3,430 |
| Asset consumption ratio % | 88.35% | 86.07% | 88.27% | 90.23% |

Stormwater

| | | | | |
|-------------------------------------|--------|--------|--------|--------|
| <u>Depreciated replacement cost</u> | 6,483 | 6,166 | 5,710 | 5,432 |
| Current replacement cost | 12,728 | 11,705 | 11,092 | 10,539 |
| Asset consumption ratio % | 50.93% | 52.68% | 51.48% | 51.54% |

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

DERWENT VALLEY COUNCIL
NOTES TO AND FORMING PART OF THE
FINANCIAL STATEMENTS
For the Year Ended 30 June 2015

35. Management indicators (Continued)

| | Benchmark | 2015 | 2014 | 2013 | 2012 |
|--|------------------|---------------|---------------|---------------|---------------|
| | | \$'000 | \$'000 | \$'000 | \$'000 |

(f) Asset renewal funding ratio

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

Transport Infrastructure

| | | | | | |
|--|--|--------------|--------------|--------------|--------------|
| <u>Projected capital funding outlays</u> | | <u>2,156</u> | <u>2,020</u> | <u>1,698</u> | <u>2,463</u> |
| Projected capital expenditure funding | | 2,036 | 1,469 | 1,469 | 1,360 |

Asset renewal funding

| | | | | | |
|---------|---------|---------|---------|---------|---------|
| ratio % | 90-100% | 105.89% | 137.51% | 115.59% | 181.10% |
|---------|---------|---------|---------|---------|---------|

Buildings

| | | | | | |
|--|--|------------|-----------|-----------|----------|
| <u>Projected capital funding outlays</u> | | <u>906</u> | <u>15</u> | <u>15</u> | <u>8</u> |
| Projected capital expenditure funding | | 61 | 59 | 67 | 69 |

Asset renewal funding

| | | | | | |
|---------|---------|----------|--------|--------|--------|
| ratio % | 90-100% | 1485.25% | 25.42% | 22.39% | 11.59% |
|---------|---------|----------|--------|--------|--------|

Council's projected capital funding outlays for 2014/2015 \$906,637 includes Willow Court Reserve funding of \$601,939 for renewal works at the site and \$116,204 for Molesworth Hall construction funded by hall committee. Additional funding for Maydena Primary School \$120,003 and Children's Services \$53,867 were funded from non-council financial resources.

Stormwater

| | | | | | |
|--|--|------------|------------|------------|------------|
| <u>Projected capital funding outlays</u> | | <u>250</u> | <u>317</u> | <u>335</u> | <u>283</u> |
| Projected capital expenditure funding | | 187 | 181 | 149 | 139 |

Asset renewal funding

| | | | | | |
|---------|---------|---------|---------|---------|---------|
| ratio % | 90-100% | 133.69% | 175.14% | 224.83% | 203.60% |
|---------|---------|---------|---------|---------|---------|

This ratio measures Council's capacity to fund future asset replacement requirements.

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

Council's building ratio for 2014/2015 reflects works undertaken at the Willow Court precinct.

(g) Asset sustainability ratio

Capex on
replacement/renewal of
existing assets

| | | | | | |
|-----------------------------|--|--------------|--------------|--------------|--------------|
| Annual depreciation expense | | <u>4,386</u> | <u>3,424</u> | <u>3,126</u> | <u>3,669</u> |
| | | 2,327 | 2,166 | 2,156 | 2,038 |

Asset sustainability

| | | | | | |
|---------|------|---------|---------|---------|---------|
| ratio % | 100% | 188.48% | 158.08% | 144.99% | 180.03% |
|---------|------|---------|---------|---------|---------|

DERWENT VALLEY COUNCIL
NOTES TO AND FORMING PART OF THE
FINANCIAL STATEMENTS
For the Year Ended 30 June 2015

35. Management indicators (Continued)

| | Capital renewal expend. | Capital new/upgrade expend. | Total capital expend. |
|-------------------|-------------------------------|-----------------------------------|--------------------------|
| By asset class | \$'000 | \$'000 | \$'000 |
| Roads | 2,042 | - | 2,042 |
| Bridges | 114 | - | 114 |
| Drainage | 250 | - | 250 |
| Buildings | 791 | 116 | 907 |
| Other structures | 749 | 39 | 788 |
| Plant & equipment | 440 | - | 440 |
| | <u>4,386</u> | <u>155</u> | <u>4,541</u> |

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
NOTES TO AND FORMING PART OF THE
FINANCIAL STATEMENTS
For the Year Ended 30 June 2015

36. 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 2015. Comparative information has not been provided as allowed by the transitional provisions of AASB 13.

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

As at 30 June 2015

| | Note | Level 1 \$'000 | Level 2 \$'000 | Level 3 \$'000 | Total \$'000 |
|--|------|-------------------|-------------------|-------------------|-----------------|
| Recurring fair value measurements | | | | | |
| Investment in TasWater | 18 | - | - | 20,129 | 20,129 |
| Land | 23 | - | 6,629 | - | 6,629 |
| Buildings | 23 | - | - | 3,655 | 3,655 |
| Roads, including footpaths | 23 | - | - | 52,039 | 52,039 |
| Bridges | 23 | - | - | 5,592 | 5,592 |
| Storm Water | 23 | - | - | 6,483 | 6,483 |
| Other Infrastructure | 23 | - | - | 3,462 | 3,462 |
| | | | 6,629 | 91,360 | 97,989 |

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
For the Year Ended 30 June 2015

36. 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 18 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 2017.) Level 2 valuation inputs were used to value land in freehold title as well as land used for special purposes, which is restricted in 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 2017.) 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(f).

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.

DERWENT VALLEY COUNCIL
NOTES TO AND FORMING PART OF THE
FINANCIAL STATEMENTS
For the Year Ended 30 June 2015

36. 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 similar projects over the last few years.

Bridges

A full valuation of bridges assets was undertaken by independent valuers, Aus Span, effective 30 June 2015. 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 2015. 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 | 3,655 | Useful life | Refer Note 1(f) | The higher the useful life the higher the fair value |
| Sealed roads | 39,865 | Residual value | Refer Note 1(f) | The higher the residual value the higher the fair value |
| Unsealed roads | 12,174 | Unit price per sq metre | Refer Note 1(f) | 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.

DERWENT VALLEY COUNCIL
NOTES TO AND FORMING PART OF THE
FINANCIAL STATEMENTS
For the Year Ended 30 June 2015

36. 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 23)

Council borrowings are measured at amortised cost with interest recognised in profit or loss when incurred. The fair value of borrowings disclosed in note 20 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).