

# **Derwent Valley Council**

**Financial Report  
30 June 2009**



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## **INDEPENDENT AUDIT REPORT To the Councillors**

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### **DERWENT VALLEY COUNCIL**

#### **Financial Report for the Year Ended 30 June 2009**

#### **Report on the Financial Report**

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

#### *The Responsibility of the General Manager for the Financial Report*

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

#### *Auditor's Responsibility*

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to Council's preparation and fair presentation of the financial statements 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 statements.

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/estimate information in Council's financial report.

### **Independence**

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

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

### **Auditor's Opinion**

In my opinion the financial report of Derwent Valley Council:

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

### **TASMANIAN AUDIT OFFICE**



Andrew Barron

**DIRECTOR FINANCIAL AUDIT SERVICES**

**Delegate of the Auditor-General**

HOBART

25 November 2009

**DERWENT VALLEY COUNCIL**  
**COUNCIL STATEMENT**  
**For the Year Ended 30 June, 2009**

The financial report set out on pages 1 to 38 are a true and correct copy of the Annual Financial Statements of the Derwent Valley Council for the year ended 30 June, 2009.

In my opinion:

- a) the Financial Statements of the Derwent Valley Council have been prepared in accordance with applicable Australian Accounting Standards including Australian Interpretations;
- b) the Income Statement and Statement of Cash Flows are drawn up so as to give a true and fair view of the results and cash flows of the Council for the financial year ended 30 June, 2009;
- c) the Balance Sheet together with notes thereto, and the Statement of Changes in Equity are drawn up so as to give a true and fair view of the state of affairs of the Council as at 30 June, 2009;
- d) at the date of this statement, there are reasonable grounds to believe that the Council will be able to pay its debts as and when they fall due.

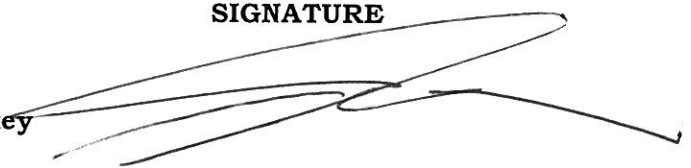
**POSITION**

**NAME**

**SIGNATURE**

**General Manager**

**Stephen Mackey**



Date

29 September 2009

**DERWENT VALLEY COUNCIL**  
**INCOME STATEMENT**  
**For the Year Ended 30 June, 2009**

		<b>BUDGET 2009</b>	<b>ACTUAL 2009</b>	<b>ACTUAL 2008</b>
	<b>Note</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>REVENUE</b>				
Rate Revenue		6,985	7,002	6,649
Grants		2,160	3,520	2,396
User Charges		977	1,058	1,148
Profit/ (Loss) on Sale of Assets	4	-	(27)	(29)
Interest Received		135	207	305
Share of Profit in Associate		150	90	155
Reimbursements		55	251	56
Capital Contributions - Public Space		-	1	4
Other		108	209	345
<b>TOTAL REVENUE</b>		<b>10,570</b>	<b>12,311</b>	<b>11,029</b>
<b>EXPENDITURE</b>				
Employee Costs		2,918	2,874	2,496
Materials & Contractors		3,913	4,043	3,911
Depreciation	5	-	2,338	2,508
Bulk Water Purchases		1,000	870	977
Borrowing Costs		110	111	134
Plant & Vehicle Running		496	370	352
State Taxes		198	198	193
Other	6	351	326	326
<b>TOTAL EXPENDITURE</b>		<b>8,986</b>	<b>11,129</b>	<b>10,897</b>
<b>SURPLUS</b>		<b>1,584</b>	<b>1,182</b>	<b>132</b>

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

**DERWENT VALLEY COUNCIL****BALANCE SHEET****As at 30 June, 2009**

Page 2

	Note	ACTUAL 2009 \$'000	ACTUAL 2008 \$'000
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash Assets	7	3,137	2,625
Other	9	71	151
Receivables	10	528	810
Inventory		-	10
<b>TOTAL CURRENT ASSETS</b>		<b><u>3,736</u></b>	<b><u>3,596</u></b>
<b>NON-CURRENT ASSETS</b>			
Investments	8	9,254	9,156
Receivables	10	15	12
Property, Plant, Equipment and Infrastructure	15	76,347	73,633
<b>TOTAL NON-CURRENT ASSETS</b>		<b><u>85,616</u></b>	<b><u>82,801</u></b>
<b>TOTAL ASSETS</b>		<b><u>89,352</u></b>	<b><u>86,397</u></b>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Payables	11	43	1,209
Interest Bearing Liabilities	12	107	377
Other	13	138	115
Provisions	14	1,413	1,216
<b>TOTAL CURRENT LIABILITIES</b>		<b><u>1,701</u></b>	<b><u>2,917</u></b>
<b>NON-CURRENT LIABILITIES</b>			
Interest Bearing Liabilities	12	1,952	1,560
Provisions	14	86	102
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b><u>2,038</u></b>	<b><u>1,662</u></b>
<b>TOTAL LIABILITIES</b>		<b><u>3,739</u></b>	<b><u>4,579</u></b>
<b>NET ASSETS</b>		<b><u>85,613</u></b>	<b><u>81,818</u></b>
<b>RATEPAYER EQUITY</b>			
Accumulated Surplus		24,991	24,006
Reserves	16	60,622	57,812
<b>TOTAL RATEPAYER EQUITY</b>		<b><u>85,613</u></b>	<b><u>81,818</u></b>

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, 2009**

	Accumulated Surplus/Deficit		Public Open Space Reserve		Asset Replacement Reserves		Asset Revaluation Reserves		Other Reserves		Total	
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Ratepayer Equity at beginning of Year</b>	24,006	23,873	144	140	248	319	55,659	48,611	1,760	1,692	81,818	74,637
Revaluation Increments	-	-	-	-	-	-	2,615	7,049	-	-	2,615	7,049
<b>Surplus (Deficit) On Operations</b>	1,182	132	-	-	-	-	-	-	-	-	1,182	132
Loan Extinguish.	-	-	-	-	-	-	-	-	-	-	-	-
Transfers to Reserves	(322)	(917)	1	4	61	189	-	-	260	724	-	-
Transfers from Reserves	126	919	(7)	-	(47)	(260)	-	-	(74)	(659)	-	-
<b>Ratepayer Equity at end of Year</b>	<b>24,991</b>	<b>24,006</b>	<b>138</b>	<b>144</b>	<b>262</b>	<b>248</b>	<b>58,273</b>	<b>55,659</b>	<b>1,949</b>	<b>1,760</b>	<b>81,818</b>	<b>81,818</b>

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 2009**

	Note	ACTUAL 2009 \$'000	ACTUAL 2008 \$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts			
- Rate Revenue		6,898	6,679
- User Charges		1,192	1,063
- Interest		319	238
- Dividends		541	206
- Other		899	332
- Reimbursements		276	61
- Capital Contributions - Public Open Space		1	4
		<b>10,126</b>	<b>8,583</b>
Payments			
- Employee Costs		2,693	2,488
- Materials & Contractors		5,901	3,605
- Bulk Water Purchases		870	977
- Interest		115	126
- Plant & Vehicle Running		370	352
- State Taxes		198	193
- Other		(94)	304
		<b>10,053</b>	<b>8,045</b>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	22 (b)	<b>73</b>	<b>538</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Payments for Property, Plant, Equipment and Infrastructure			
		(3,259)	(2,881)
Proceeds from Sale of Fixed Assets			
		167	154
(Increase) / Decrease in Investments			
		(400)	150
<b>NET CASH (USED) IN INVESTING ACTIVITIES</b>		<b>(3,492)</b>	<b>(2,577)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from Loans			
		500	450
Repayment of Borrowings			
		(377)	(626)
<b>NET CASH (USED) IN FINANCING ACTIVITIES</b>		<b>123</b>	<b>(176)</b>
<b>CASH FLOWS FROM GOVERNMENT GRANTS</b>		3,520	2,396
<b>NET CASH PROVIDED BY GOVERNMENT GRANTS</b>		<b>3,520</b>	<b>2,396</b>
<b>NET INCREASE (DECREASE) IN CASH HELD</b>		224	181
<b>CASH AT THE BEGINNING OF THE YEAR</b>		389	208
<b>CASH AT THE END OF THE YEAR</b>	22 (a)	<b>613</b>	<b>389</b>

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

**1. THE LOCAL GOVERNMENT REPORTING ENTITY**

All funds and other entities through which the Council controls resources to carry on its functions have been consolidated in these financial statements.

The Council maintains a separate and distinct Trust Fund to account for all monies and property held in Trust for any charitable or public purpose. These monies are not controlled by Council. These funds therefore do not form part of the Balance Sheet of Council, nor do inflows or outflows from these funds form part of the Income Statement.

Amounts received as tender deposits and retention amounts controlled by Council are included in the amounts disclosed as Accounts Payable within Current Liabilities.

**2. SIGNIFICANT ACCOUNTING POLICIES**

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

**(a) STATEMENT OF COMPLIANCE**

This general purpose financial report of the Derwent Valley Council (the Council) has been prepared in accordance with Australian Accounting Standards, including Australian Interpretations, and the Local Government Act 1993 (as amended).

Australian Accounting Standards include Australian equivalents to International Financial Reporting Standards (AIFRSs). Some AIFRSs contain requirements specific to not-for-profit entities that are inconsistent with IFRS requirements.

The Council is required to comply with AAS 27 "Financial Reporting by Local Government" and where AAS 27 conflicts with AIFRS, the requirements of AAS 27 have been applied. Where AAS 27 makes reference to another Australian accounting standard, the new AIFRS have been applied.

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

**(b) BASIS OF PREPARATION**

This financial statement has been prepared on an accrual and a going concern basis.

This report has been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, financial assets and liabilities at fair value through profit or loss, certain classes of property, plant and equipment and investment property.

**(b) BASIS OF PREPARATION (Continued)**

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

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

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

**(c) RATES**

The rating period and reporting period for the Council coincide and accordingly all rates levied for the year are recognised as revenue. Uncollected rates as at balance date are recognised as receivables (see Note 10). The collectability of debts is assessed at period end and specific provision is made for any doubtful accounts.

**(d) GRANTS AND DONATIONS**

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

**(e) LOAN FUNDS**

Loan funds received during the year are not included in the Income Statement as income, but are included in the Cash Flow Statement as inflows from financing activities and reflected by an increase in loan liabilities at balance date. Loans recognised in the Financial Report are initially recorded at fair value net of transaction costs. Subsequent to initial recognition, borrowings are recorded at amortised cost. Council does not intend to repay these loans outside the existing terms for such repayments.

**(f) NET FAIR VALUES**

Except for loan borrowings the carrying amounts of financial assets and liabilities recorded in the financial statements represent their respective fair values, determined in accordance with the accounting policies disclosed in Note 12 to the accounts.

**DERWENT VALLEY COUNCIL**  
**NOTES TO AND FORMING PART OF THE**  
**FINANCIAL STATEMENTS**  
**For the Year Ended 30 June 2009**

**(g) INVENTORIES**

Inventories held in respect of business and non-business undertakings have been valued at the lower of cost or net replacement value. Costs have been assigned to particular inventory items by the weighted average cost method.

**(h) EMPLOYEE ENTITLEMENTS**

Employee entitlements are measured at the present value of the estimated future cash flows. In contrast, the sick leave provision is based on what the Council believes will be payable in the forthcoming 12 months. This figure was derived from a review of the sick leave history taken by employees over the previous three years. These accruals are calculated in accordance with accounting standard AASB119 "Employee Benefits". The accrued long service leave entitlement has been apportioned between Current and Non - Current Liabilities, and Current Assets in relation to reimbursements for long service leave entitlements receivable from other Councils. The current liability represents that portion which is expected to be paid in the next 12 months. Liability for time-in-lieu represents funds owed to employees in lieu of overtime.

**(i) PROPERTY, PLANT, EQUIPMENT & INFRASTRUCTURE**

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

All revaluation increments are credited directly to the asset revaluation reserve account. Any decrease in the current cost of a class of assets that marks a permanent impairment of its operating capability is recognised as an expense in the operating statement.

Except if this decrement reverses a revaluation increment previously credited to and still included in the balance sheet in the asset revaluation reserve in respect of the class of assets to which that asset belongs, the revaluation decrement is debited directly to the asset revaluation reserve.

The basis of valuation of assets for major classes of Assets as at 30 June 2009 is:

Land	At Fair Value
Buildings	At Fair Value
Sewerage	At Fair Value
Water	At Fair Value
Roads	At Fair Value
Storm Water	At Fair Value
Bridges	At Fair Value
Reserves	At Fair Value
Waste Assets	At Cost
Light Vehicles	At Cost
Major Plant	At Cost
Minor Plant	At Cost
Trucks	At Cost
Office Furniture and Equip.	At Cost

**DERWENT VALLEY COUNCIL**  
**NOTES TO AND FORMING PART OF THE**  
**FINANCIAL STATEMENTS**  
**For the Year Ended 30 June 2009**

**(I) PROPERTY, PLANT, EQUIPMENT & INFRASTRUCTURE (Continued)**

The Asset Accounting Policies adopted by Council are as follows:-

1. Council has adopted all applicable accounting standards and generally accepted accounting principals for the preparation of its general-purpose financial report for each financial year ending 30 June.
2. All material items were considered and an assessment made to determine if such items are assets.
3. All assets that have a cost or other value that can be reliably measured are recorded in the Balance Sheet at the end of the reporting period. The capitalisation threshold is \$750. If expenditure on an asset improved its service potential or future economic benefits (ie the useful life is extended) then this expenditure was capitalised (added to the value of the asset). If not, the expenditure was charged to the Income Statement as repairs/ maintenance.
4. Asset classes and sub-classes of the Council are specified in the asset matrix.
5. Asset classes are consolidated into the following broad categories of nature or type and disclosed in the Balance Sheet:

Land	Buildings
Sewer System	Storm Water
Water system	Roads
Bridges	Reserves
Waste	Plant and Equipment
6. Where a number of like items exist with individual values below recognition threshold for future transactions, then these items are recognised as a group, provided their total value is in excess of the group threshold for that class.
7. All non-current assets that have a limited useful life are systematically depreciated over their useful life in a manner that reflects the consumption of the service or future economic benefits of those assets. Land is not a depreciable asset.
8. Non-current assets are those that provide a benefit to the Council extending beyond twelve (12) months.
9. All non-current assets are revalued to their current cost less accumulated depreciation in accordance with the asset matrix with the exception of Waste and Plant and Equipment. Revaluations are conducted at least once every five years.
10. All revaluation increments are credited directly to the asset revaluation reserve account. Net revaluation decrements are debited to any previous revaluation increments for that class of assets, with any deficiency being charged to the Income Statement.

**(I) PROPERTY, PLANT, EQUIPMENT & INFRASTRUCTURE (Continued)**

- 11.** The cost method of accounting is used for the initial recording or all assets acquired after a revaluation. Cost is determined as the fair value of the asset given as considered plus costs incidental to the acquisition (eg architects fees, engineering design fees, administration charges, direct and indirect salary costs, overheads and all other costs incurred in getting the asset ready for use).

**(j) REVALUATION OF NON-CURRENT ASSETS**

The Council has adopted the following policies in relation to the revaluation of non-current assets:-

Land revaluations are based on the Valuer Generals indexation effective 1 July 2007,

Buildings revaluations are based on Australian Bureau of Statistics, Producer Prices Indexes, Output of the General Construction Industry, Index Numbers and Percentage effective 30 June 2008,

Infrastructure assets, other than land, buildings and bridges were valued by Pitt and Sherry, an engineering firm during 2005/2006. Bridge valuations were undertaken by Aus Span during 2008/2009. All infrastructure assets, other than land, buildings and bridges are revalued annually to written down current cost by applying an appropriate cost increase index to the gross carrying value and re-assessing the useful life of each class of assets. The resulting carrying values are regularly reviewed to ensure appropriateness after taking into account obsolescence, technological advancement and other relevant factors;

**DERWENT VALLEY COUNCIL**  
**NOTES TO AND FORMING PART OF THE**  
**FINANCIAL STATEMENTS**  
**For the Year Ended 30 June 2009**

**(k) DEPRECIATION OF NON-CURRENT ASSETS**

All non-current assets having a limited useful life are systematically depreciated over their useful lives in a manner which reflects the consumption of the service potential in those assets. Depreciation is provided for on a standard straight-line basis using a range of rates applicable for Local Government, which are reviewed annually. Major depreciation periods relating to Council are:-

<b>Category</b>	<b>Years</b>	<b>%</b>
<b>Buildings</b>	50	2
<b>Sewer System</b>		
Mains	100	1
Man Holes	100	1
Pipes Asbestos Cement	100	1
Pipes Concrete	120	1
Pipes Polyethylene	80	1
Pipes Steel	100	1
Pipes uPVC	50	2
Pumps	15	7
Treatment Plant (civil)	30	3
Treatment Plant (mechanical)	15	7
<b>Water System</b>		
Pipes Asbestos Cement	60	2
Pipes Cast Iron	100	1
Pipes Polyethylene	60	2
Pipes Copper	60	2
Pipes uPVC	80	1
Hydrants	50	2
Valves	50	2
Pumps	15	7
Reservoirs	50	2
Chlorinators	15	7
<b>Storm Water</b>		
Pipes Concrete	120	1
Pipes uPVC	100	1
Pipes Earthenware	100	1
Pipes Cast Iron	120	1
Manholes	100	1
Pits	100	1
Head Wall	100	1
Pumps	15	7
Reservoirs	50	2
Chlorinators	15	7
<b>Roads</b>		
Earthworks	200	1
Asphaltic	35	3
Chip Seal	30	3
Reinforced concrete	50	2
Kerb and Guttering	50	2
Base Sealed	50	2
Base Un-Sealed	70	1
Gravel	6	17



**DERWENT VALLEY COUNCIL**  
**NOTES TO AND FORMING PART OF THE**  
**FINANCIAL STATEMENTS**  
**For the Year Ended 30 June 2009**

**(k) DEPRECIATION OF NON-CURRENT ASSETS (Continued)**

<b>Category</b>	<b>Years</b>	<b>%</b>
<b>Bridges</b>		
Concrete deck	80	1.25
Timber deck	20	5
<b>Reserves structures</b>	50	2
<b>Waste structures &amp; rehabilitation</b>	20	5
<b>Light Vehicles</b>		
(rate approx loss of trade in value after 40,000 km or 2 years)	2	12.5
<b>Plant &amp; Equipment</b>		
Plant and vehicles	7	15
Office Equipment, Furniture and Information Technology	5	20

**(l) GOODS AND SERVICES TAX**

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

Receivables and payables are stated with the amount of GST included. The net amount to GST recoverable or payable to the ATO is included as a current asset or current liability in the Balance Sheet.

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

**(m) IMPAIRMENT OF ASSETS**

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

For non-cash generating assets of Council such as roads, 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.

**(n) RECEIVABLES**

This category includes trade receivables, loans and other receivables. These assets are recorded at amortised cost less impairment. They arise when the Council provides money, goods or services directly to a debtor with no intention of selling the receivable. They are included in current assets, except for those with maturities greater than 12 months after the reporting date, which are classified as non-current. Loans and receivables are receivables in the Balance Sheet.

**(o) PAYABLES**

**Significant terms and conditions**

Trade creditors are generally settled within specified trading terms or 30 days whichever is the earlier.

**Net fair value**

Council considers the carrying amount of trade and other creditors approximate their fair value.

**(p) SIGNIFICANT BUSINESS ACTIVITIES**

Amendments to the Local Government Act 1993 as at 30 June 1999 under Section 84(2)(da) require the reporting of the opportunity cost of operating capital and competitive neutrality costs in respect of each significant business activity undertaken by Council. The Council's disclosure is recorded in Note 27.

The Council has determined, in accordance with government policy and materiality, that Water, Sewerage and Transport services are classified as significant business activities.

The opportunity cost of capital is an estimate of the return or dividend that would be required by private investors were the net assets of the activity provided from that source.

Competitive neutrality costs are those costs which would be payable by an entity other than local government performing the same activities. Local government is currently exempt from such costs. Competitive neutrality costs include notional costs such as income tax equivalents, rates, land tax and loan guarantee fees.

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

The notional opportunity cost of capital was calculated by applying an interest rate of 7.00% which the Council has applied, on government advice, as the appropriate interest rate adjusted for a risk margin.

Taxation equivalents were calculated by an applicable taxation rate of 30% applied to the activities' notional accounting profit before abnormal items. Prior year deficits have not been treated as deductible for the purpose of calculating business income tax. Notional Council rates have been calculated using actual rates and charges set by the Council for the current financial period.

Loan guarantee fees were calculated on the average loans outstanding for each activity multiplied by the loan guarantee fee rate of 0.45% which is determined by the Department of Treasury and Finance.

The impact of fringe benefits tax credits and stamp duty were determined to be immaterial and have not been included.

**(q) INCOME STATEMENT - BUDGET AMOUNTS**

The Budget amounts which appear in the Income Statement are taken from the Annual Estimates and are not subject to Audit.

**(r) ACCOUNTING FOR INVESTMENTS IN ASSOCIATES**

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

Council has determined that its' investments in Hobart Water is an investment in associates. Refer to Note 8 for further details.

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**3. FUNCTIONS OF THE COUNCIL**

- (a) Revenues, expenses and assets have been attributed to the following functions. A detailed explanation of each Function is outlined in Note 3 (b).

	<b>REVENUE GRANTS</b>	<b>REVENUE OTHER</b>	<b>EXPENSES</b>	<b>SURPLUS (DEFICIT)</b>	<b>ASSETS</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>ACTUAL 30 JUNE 2009</b>					
Council & Community Relations	-	155	155	-	-
Roads & Communications	1,407	899	2,277	29	34,978
Water, Sewerage & Drainage	509	3,074	2,733	850	37,968
Solid Waste Management	103	644	746	1	385
Natural & Cultural Resource Mgm.	-	628	623	5	234
Dynamic Local Economy	13	322	548	(213)	2,726
Community, Health & Other Serv.	731	351	999	83	821
Recreation, Leisure & Open Space	218	922	1,056	84	6,329
Management of Council Resources	538	1,796	1,992	342	2,611
Other not Attributed	-	-	-	-	3,300
<b>TOTAL</b>	<b>3,519</b>	<b>8,791</b>	<b>11,129</b>	<b>1,182</b>	<b>89,352</b>
<b>ACTUAL 30 JUNE 2008</b>					
Council & Community Relations	-	149	149	-	-
Roads & Communications	1,039	897	2,266	(330)	33,941
Water, Sewerage & Drainage	373	2,844	2,714	503	36,347
Solid Waste Management	76	575	664	(13)	371
Natural & Cultural Resource Mgm.	45	588	622	11	232
Dynamic Local Economy	16	443	433	26	2,566
Community, Health & Other Serv.	632	297	807	122	791
Recreation, Leisure & Open Space	123	961	1,049	35	6,036
Management of Council Resources	92	1,879	2,193	(222)	2,505
Other not Attributed	-	-	-	-	3,608
<b>TOTAL</b>	<b>2,396</b>	<b>8,633</b>	<b>10,897</b>	<b>132</b>	<b>86,397</b>

**3. FUNCTIONS OF THE COUNCIL (Continued)**

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

**1 Council and Community Relations**

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

**2 Roads and Communications**

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

**3 Water, Sewerage and Drainage**

This program covers water, sewerage and drainage infrastructure provided by Council. It includes the cost of bulk water, water treatment and reticulation, sewerage reticulation and treatment and storm water drainage. Council administers two water schemes (New Norfolk and Maydena) with many water districts contained therein and three sewerage schemes (New Norfolk, Maydena and Karanja). Water and Sewerage are significant business activities of Council.

**4 Solid Waste Management**

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

**5 Natural and Cultural Resource Management**

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

**6 Dynamic Local Economy**

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

**3. FUNCTIONS OF THE COUNCIL (Continued)**

**7 Community, Health and Other Services**

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

**8 Recreation, Leisure and Open Space**

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

**9 Management of Council Resources**

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

**10 Other not Attributed**

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

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	<b>ACTUAL 2009</b>	<b>ACTUAL 2008</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>4. PROFIT (LOSS) ON SALE OF ASSETS</b>		
Proceeds from the disposal of Assets	167	154
less		
Written down value of Assets sold	(194)	(183)
<b>PROFIT (LOSS) ON SALE OF ASSETS</b>	<b>(27)</b>	<b>(29)</b>
<b>5. DEPRECIATION</b>		
Depreciation expenses for the year are as follows:		
Buildings	103	93
Sewerage	148	141
Water	220	207
Roads & Streets	1,213	1,433
Storm Water	96	94
Bridges	168	148
Reserves & Recreations	72	67
Waste	42	42
Plant & Equipment	276	283
	<b>2,338</b>	<b>2,508</b>
<b>6. OTHER EXPENSES</b>		
Other expenses for the year are as follows:-		
Auditors remuneration		
- Audit services this year	16	23
Election expenses	4	26
Payments to elected members		
- Councillor allowances	112	99
- Other fees & allowances	4	6
Subscription Local Government Association Tas	30	29
General insurance	119	125
Community Grants and Donations	41	18
	<b>326</b>	<b>326</b>
<b>7. CASH ASSETS</b>		
<b>CURRENT</b>		
Cash on Hand	1	1
Cash at Bank		
- Trading Account	611	380
- Agency Payments Account	1	8
Commercial Bills	2,524	2,236
	<b>3,137</b>	<b>2,625</b>

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**ACTUAL 2009**      **ACTUAL 2008**  
**\$'000**              **\$'000**

**8. INVESTMENTS IN ASSOCIATES**

Investments in Associates accounted by the equity method are:

	<b>2009</b>	<b>2008</b>
	\$'000	\$'000
<b>NON - CURRENT</b>		
Hobart Water	9,254	9,156
	<b>9,254</b>	<b>9,156</b>

During the 1996/97 financial year, the resources and operations of Hobart Water were passed, by legislative process, from being a State Government Business Enterprise, to become a Local Government Joint Authority. Hobart Water is autonomous, but jointly owned by the constituent Councils to which it currently supplies water.

Hobart Water has net assets with a current value of \$245.654m (2008;\$233.323m) of which Council's interest is \$9.254m (2008;\$9.156m)

Hobart Water's profit before tax	3,517	4,742
Council's share of profit before tax	132	186
Hobart Water's tax expense	1,101	1,463
Council's share of tax expense	41	57
Council's share of profit after tax	91	129
Share of dividends paid by Hobart Water	(542)	(206)
Actual dividends received by Council	542	206
Council's share of profit after tax	<b>91</b>	<b>129</b>
Dividends received by Council	542	206
Increase/(Decrease) in investment by Hobart Water	(451)	(77)
	<b>91</b>	<b>129</b>

Council's ownership interest	3.770%	3.924%
------------------------------	--------	--------

**Movement in Carrying Value of Investment**

Carrying value of investment at start of year	9,156	9,391
Share of profit after tax for year	91	129
Share of asset revaluation	890	449
Share of actuarial loss on Defined Benefit Plan	4	(3)
Movement in percentage ownership	(345)	(603)
Distributions received by Council	(542)	(206)
<b>Carrying value of investment at end of year</b>	<b>9,254</b>	<b>9,156</b>



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	<b>ACTUAL 2009</b>	<b>ACTUAL 2008</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>9. OTHER ASSETS</b>		
<b>CURRENT</b>		
Prepayments	71	228
Investments in Associates	-	(77)
	<u>71</u>	<u>151</u>
<b>10. RECEIVABLES</b>		
<b>CURRENT</b>		
Rate Receivables	497	396
	<u>497</u>	<u>396</u>
Water Debtors	-	10
Less: Provision for Doubtful Debts	-	(1)
	<u>0</u>	<u>9</u>
Sundry Debtors	22	50
Less: Provision for Doubtful Debts	(1)	(1)
Long Service Leave payable by other Councils	2	1
Other Debtors	8	355
	<u>31</u>	<u>405</u>
	<u>528</u>	<u>810</u>
<b>NON - CURRENT</b>		
Rate Receivables	15	12
	<u>15</u>	<u>12</u>
<b>11. PAYABLES</b>		
<b>CURRENT</b>		
Trade Creditors	43	1,209
	<u>43</u>	<u>1,209</u>

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**ACTUAL 2009**    **ACTUAL 2008**  
**\$'000**            **\$'000**

**12. INTEREST BEARING LIABILITIES**

**CURRENT (SECURED)**

Tasmanian Public Finance Corporation (Tascorp)	107	377
	<b>107</b>	<b>377</b>

**NON - CURRENT (SECURED)**

Tasmanian Public Finance Corporation (Tascorp)	1,952	1,560
<b>Total Borrowings</b>	<b>2,059</b>	<b>1,937</b>

**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	327
450	6.02%	08-Mar-06	08-Mar-21	08-Mar-21	389
450	6.55%	22-Mar-07	22-Mar-22	22-Mar-22	412
450	6.97%	23-Jan-08	23-Jan-23	23-Jan-23	431
500	5.19%	02-Feb-09	02-Feb-24	02-Feb-24	500
<b>2,250</b>					<b>2,059</b>

The Market Value of the loan portfolio is \$2,060,767 (2007/08 \$1,894,566). This estimate is based on present value calculations applied to each loan using interest rates prevailing at balance date.

**13. OTHER LIABILITIES**

**CURRENT**

Accrued Electricity	14	15
Accrued Telephone	4	3
Accrued Payroll	70	50
Accrued Interest	32	36
Security Deposits and Bonds	16	9
Other	2	2
	<b>138</b>	<b>115</b>

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	<b>ACTUAL 2009</b>	<b>ACTUAL 2008</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>14. PROVISIONS AND ACCRUALS</b>		
<b>CURRENT</b>		
Provisions		
- Annual Leave	589	491
- Long Service Leave	627	570
- Sick Leave	172	136
- Time in Lieu	25	19
	<u>1,413</u>	<u>1,216</u>
<b>NON - CURRENT</b>		
Provisions		
- Long Service Leave	86	102
	<u>86</u>	<u>102</u>

Council's number of Full Time Equivalent Employees as at 30 June 2009 totalled 60. (2007/2008 - 60)

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<b>15 a. PROPERTY, PLANT, EQUIPMENT &amp; INFRASTRUCTURE</b>						
	<b>Fair Value or Cost 09 \$'000</b>	<b>Accumulated Depreciation \$'000</b>	<b>Written Down Value 09 \$'000</b>	<b>Fair Value or Cost 08 \$'000</b>	<b>Accumulated Depreciation \$'000</b>	<b>Written Down Value 08 \$'000</b>
<b>Land</b>						
- At Fair Value	5,195	-	5,195	4,981	-	4,981
<b>Buildings</b>						
- At Fair Value	5,126	286	4,840	4,763	174	4,589
<b>Sewerage</b>						
- At Fair Value	13,475	4,623	8,852	12,673	4,359	8,314
<b>Water</b>						
- At Fair Value	19,663	8,164	11,499	18,811	7,726	11,085
<b>Roads</b>						
- At Fair Value	56,102	26,391	29,711	53,193	24,887	28,306
<b>Storm Water</b>						
- At Fair Value	10,937	3,676	7,261	10,645	3,484	7,161
<b>Bridges</b>						
- At Fair Value	7,737	3,517	4,220	7,463	3,032	4,431
<b>Reserves &amp; Recreation</b>						
- At Fair Value	3,658	206	3,452	3,482	128	3,354
<b>Waste Management</b>						
- At Cost	958	628	330	901	585	316
<b>Light Vehicles</b>						
- At Cost	461	88	373	445	99	346
<b>Major Plant</b>						
- At Cost	945	769	176	945	699	246
<b>Minor Plant</b>						
- At Cost	299	189	110	297	169	128
<b>Trucks</b>						
- At Cost	718	472	246	718	365	353
<b>Office Furniture &amp; Equipment</b>						
- At Cost	604	522	82	538	515	23
	<b>125,878</b>	<b>49,531</b>	<b>76,347</b>	<b>119,855</b>	<b>46,222</b>	<b>73,633</b>

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**15 b. RECONCILIATION OF ASSET CLASSES**

	<b>2009</b>	<b>2008</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Land</b>		
- Opening Carrying Value	4,981	4,970
- Additions	106	44
- Disposals	-	(111)
- Asset Revaluation Increment / (Decrement)	108	78
<b>Closing Written Down Value</b>	<b><u>5,195</u></b>	<b><u>4,981</u></b>
<b>Buildings</b>		
- Opening Carrying Value	4,588	4,172
- Additions	151	232
- Asset Revaluation Increment / (Decrement)	204	277
- Depreciation	(103)	(93)
<b>Closing Written Down Value</b>	<b><u>4,840</u></b>	<b><u>4,588</u></b>
<b>Sewerage</b>		
- Opening Carrying Value	8,314	7,261
- Additions	443	458
- Asset Revaluation Increment / (Decrement)	243	736
- Depreciation	(148)	(141)
<b>Closing Written Down Value</b>	<b><u>8,852</u></b>	<b><u>8,314</u></b>
<b>Water</b>		
- Opening Carrying Value	11,085	9,812
- Additions	321	424
- Asset Revaluation Increment / (Decrement)	312	1,056
- Depreciation	(220)	(207)
<b>Closing Written Down Value</b>	<b><u>11,498</u></b>	<b><u>11,085</u></b>
<b>Roads</b>		
- Opening Carrying Value	28,306	24,695
- Additions	1,999	1,352
- Asset Revaluation Increment / (Decrement)	619	3,691
- Depreciation	(1,213)	(1,432)
<b>Closing Written Down Value</b>	<b><u>29,711</u></b>	<b><u>28,306</u></b>

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**15 b. RECONCILIATION OF ASSET CLASSES**

	<b>2009</b>	<b>2008</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Stormwater</b>		
- Opening Carrying Value	7,161	6,503
- Asset Revaluation Increment / (Decrement)	196	752
- Depreciation	(96)	(94)
<b>Closing Written Down Value</b>	<b><u>7,261</u></b>	<b><u>7,161</u></b>
<b>Bridges</b>		
- Opening Carrying Value	4,431	3,997
- Additions	102	191
- Asset Revaluation Increment / (Decrement)	(145)	391
- Depreciation	(168)	(148)
<b>Closing Written Down Value</b>	<b><u>4,220</u></b>	<b><u>4,431</u></b>
<b>Reserves &amp; Recreation</b>		
- Opening Carrying Value	3,354	3,105
- Additions	41	140
- Asset Revaluation Increment / (Decrement)	129	176
- Depreciation	(72)	(67)
<b>Closing Written Down Value</b>	<b><u>3,452</u></b>	<b><u>3,354</u></b>
<b>Waste Management</b>		
- Opening Carrying Value	316	341
- Additions	56	17
- Depreciation	(42)	(42)
<b>Closing Written Down Value</b>	<b><u>330</u></b>	<b><u>316</u></b>
<b>Plant</b>		
- Opening Carrying Value	1,074	1,290
- Additions	293	244
- Disposals	(194)	(183)
- Depreciation	(268)	(277)
<b>Closing Written Down Value</b>	<b><u>905</u></b>	<b><u>1,074</u></b>
<b>Office Furniture &amp; Equipment</b>		
- Opening Carrying Value	23	13
- Additions	67	16
- Depreciation	(7)	(6)
<b>Closing Written Down Value</b>	<b><u>83</u></b>	<b><u>23</u></b>
	<b><u>76,347</u></b>	<b><u>73,633</u></b>

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16. RESERVES	Opening Balance		Transfers to Reserves		Asset Revaluation		Transfers from Reserves		Closing Balance	
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Public Open Space Reserve</b>	144	140	1	4	-	-	(7)	-	138	144
	<b>144</b>	<b>140</b>	<b>1</b>	<b>4</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>138</b>	<b>144</b>
<b>Asset Replacement Reserves</b>										
- Plant Replacement	127	159	79	58	-	-	(125)	(90)	81	127
- Cemetery Replacement	121	85	138	131	-	-	(78)	(95)	181	121
- NN Sewerage Replacement	-	75	-	-	-	-	-	(75)	-	-
	<b>248</b>	<b>319</b>	<b>217</b>	<b>189</b>	<b>-</b>	<b>-</b>	<b>(203)</b>	<b>(260)</b>	<b>262</b>	<b>248</b>

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16. RESERVES (Continued)	Opening Balance		Transfers to Reserves		Asset Revaluation		Transfers from Reserves		Closing Balance	
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Asset Revaluation Reserves</b>										
- <b>Investments</b>										
- Hobart Water	4,632	4,867	-	-	550	(235)	-	-	5,182	4,632
- <b>Infrastructure</b>										
- Land	2,600	2,589	-	-	214	11	-	-	2,814	2,600
- Buildings	1,767	1,490	-	-	203	277	-	-	1,970	1,767
- Sewerage	5,589	4,853	-	-	233	736	-	-	5,822	5,589
- Water	6,076	4,826	-	-	613	1,250	-	-	6,689	6,076
- Roads	24,646	20,954	-	-	619	3,692	-	-	25,265	24,646
- Storm Water	6,484	5,732	-	-	197	752	-	-	6,681	6,484
- Bridges	2,553	2,163	-	-	(144)	390	-	-	2,409	2,553
- Recreation	1,312	1,136	-	-	129	176	-	-	1,441	1,312
	<b>55,659</b>	<b>48,610</b>	-	-	<b>2,614</b>	<b>7,049</b>	-	-	<b>58,273</b>	<b>55,659</b>
<b>Other Reserves</b>										
- Autumn Festival	4	8	34	29	-	-	(33)	(33)	5	4
- Bicentennial 2008	14	7	5	19	-	-	(14)	(12)	5	14
- CBD Levy	1	2	35	34	-	-	(22)	(35)	14	1
- Children's Services	253	134	901	119	-	-	(823)	-	331	253
- Community & Bus. Directory	2	2	1	2	-	-	(3)	(2)	-	2
- Computer	263	144	63	179	-	-	(121)	(60)	205	263
- Derwent Valley Election	18	29	15	15	-	-	(3)	(26)	30	18
- Derwent Valley Revaluation	61	31	31	30	-	-	-	-	92	61
- HACC	2	(1)	120	115	-	-	(114)	(112)	8	2
- Historical Info. Centre	14	19	7	14	-	-	(7)	(19)	14	14
- Local Issues Support	10	10	-	-	-	-	-	-	10	10
- RDH Site Development	1,118	1,310	384	168	-	-	(266)	(360)	1,236	1,118
	<b>1,760</b>	<b>1,695</b>	<b>1,596</b>	<b>724</b>	-	-	<b>(1,406)</b>	<b>(659)</b>	<b>1,949</b>	<b>1,760</b>
<b>Total Reserves</b>	<b>57,812</b>	<b>50,764</b>	<b>1,814</b>	<b>917</b>	<b>2,614</b>	<b>7,049</b>	<b>(1,609)</b>	<b>(919)</b>	<b>60,622</b>	<b>57,812</b>



**17. COMMITMENTS FOR CAPITAL EXPENDITURE**

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

**18. COMMITMENTS UNDER OPERATING LEASES**

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

**19. CONTINGENT LIABILITIES**

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

**Insurance Claims**

**Public Liability**

The Council has identified one potential public liability claim. The claim relates to property damage. The claim has been referred to Council's insurers subject to an excess applicable as at the date of claim of \$5,000.

**Professional Indemnity**

The Council has identified two potential professional indemnity claims. The claims have been referred to Council's insurers. As at the date of reporting, Council's liability in respect of these claims approximates the excesses on the insurance policy in the amount of \$10,000.

**20. 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 the Notes to and Forming part of the Financial Statements that would warrant disclosure.

## **21. ACCOUNTING FOR FINANCIAL INSTRUMENTS**

### **(a) Financial Risk Management and Risk Exposures**

#### **Risk Management policies and processes**

The Council has exposure to the following risks from its use of financial instruments:

- . credit risk;
- . liquidity risk; and
- . market risk.

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

The Council's Liability Insurer, Civic Mutual Plus, undertook a progress review audit in February 2009 and the Council achieved an overall score of 75%.

The report confirmed that the Council has continued to develop its risk management framework within the organisation and demonstrated that it has embedded risk management across the organisation as a whole.

#### **Credit Risk**

Credit risk is the risk of financial loss to the Council if a customer or counter-party to a financial instrument fails to meet its contractual obligations, and arises principally from trade and other receivables and cash and investments.

The carrying amount of financial assets recorded in the financial statements, net of any allowances for impairment losses, represents the Council's maximum exposure to credit risk without taking account of any collateral or other security.

Council's policy in relation to receivables is summarised below.

Debtors of the Council are required to settle their accounts within specified terms including:

#### **Rate Debtors**

Rates and charges are required to be paid in full by 28 August. Ratepayers may apply to the Council to pay rates and charges by instalments, subject to approved terms and conditions. Should amounts remain unpaid outside of approved payment options, the Council will instigate collection proceedings.

There are no significant concentrations of credit risk within Council and financial instruments are spread amongst a number of financial institutions to minimise the risk of default of counter parties.

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**21. ACCOUNTING FOR FINANCIAL INSTRUMENTS (Continued)**

**Impairment Losses**

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

	<b>30-Jun-09</b>	<b>30-Jun-08</b>
	<b>'000</b>	<b>'000</b>
<b>Trade Receivables</b>		
Not past due	18	392
Past due 0-30 days	10	6
Past due 31-60 days	1	-
Past due 61days plus	2	16
Total trade receivables	<b>31</b>	<b>414</b>
Rates receivable	512	408
<b>Total Receivables</b>	<b>543</b>	<b>822</b>

A provision for impairment loss is recognised when there is objective evidence that an individual receivable is impaired.

All rates receivable are in excess of 90 days. No allowance for impairment loss is recognised as unpaid rates represent a charge against the rateable property that will be recovered when the property is next sold.

**Liquidity Risk**

Liquidity risk is the risk that the Council will not be able to meet its financial obligations as they fall due. The Council's approach to managing liquidity is to ensure that it will always have sufficient liquidity to meet its liabilities when they fall due.

The debenture loans of Council are secured by trust deed and the total loan borrowing's are limited to borrowing's approved by Treasury. In accordance with Section 80 of the Local Government Act 1993 (as amended) the borrowing capacity of the Council is limited as follows:

- . Except with the approval of the Minister, a council may not borrow additional money for any purpose if the annual payments required to service the total borrowing's would exceed 30% of its revenue of the preceding financial year; and
- . Grants made to a council for specific purposes are to be excluded in calculating 30% of the revenue of the council.

The current annual payments of loans by Council equate to 1.67% of the revenue of the preceding financial year (2008: 4.42%).

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**21. ACCOUNTING FOR FINANCIAL INSTRUMENTS (Continued)**

**Maturity Analysis for Financial Liabilities**

The following tables detail the undiscounted cash flows payable by the council by remaining contractual maturity for its financial liabilities. It should be noted that as these are undiscounted and include estimated interest payments, totals may not reconcile to the carrying amounts presented in the Balance Sheet:

	<b>Less than 1 year '000</b>	<b>1-5 years '000</b>	<b>More than 5 years '000</b>	<b>Total contractual cash flows '000</b>	<b>Carrying amount '000</b>
<b>30-Jun-09</b>					
Payables	43	-	-	43	-
Other liabilities	138	-	-	138	-
Financial liabilities	107	645	1,308	2,060	-
<b>Total</b>	<b>288</b>	<b>645</b>	<b>1,308</b>	<b>2,241</b>	<b>2,241</b>
<b>30-Jun-08</b>					
Payables	1,209	-	-	1,209	-
Other liabilities	115	-	-	115	-
Financial liabilities	377	480	1,080	1,937	-
<b>Total</b>	<b>1,701</b>	<b>480</b>	<b>1,080</b>	<b>3,261</b>	<b>3,261</b>

The Council has not defaulted on or breached the conditions of any loans payable recognised at balance date.

**Market Risk**

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices, such as foreign exchange rates, interest rates and equity prices. The objective of market risk management is to manage and control market risk within acceptable parameters, while optimising the return to the Council.

The primary market risk that the Council is exposed to is interest rate risk.

Cash and cash equivalents are subject to floating interest rates. Any variations in future cash flows from interest rate movements are expected to have an immaterial effect on the Council's revenue.

The majority of the Council's Interest bearing liabilities are at fixed rates so there is no exposure to interest rate risk. New loan funding, \$500,000 over 15 years, drawn down in February 2009 is not subject to interest rate reviews.

Interest rate risk on deposits is managed by adopting practices that ensures:

- . Conformity with State and Federal regulations and standards,
- . Adequate safety,
- . Appropriate liquidity,
- . Monitoring of return on investment,
- . Staggering maturity dates to provide for interest rate variations,
- . Benchmarking of returns and comparisons with budget.

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**21. ACCOUNTING FOR FINANCIAL INSTRUMENTS (Continued)**

At the reporting date the Council had the following mix of financial assets and liabilities exposed to variable interest rate risk:

	<b>30-Jun-09</b>	<b>30-Jun-08</b>
	<b>'000</b>	<b>'000</b>
<b>Financial Assets</b>		
Cash at bank and on hand	637	525
Investments	2,500	2,100
<b>Total</b>	<b><u>3,137</u></b>	<b><u>2,625</u></b>

**Sensitivity Analysis of Council's Exposure to Possible Changes in Interest Rates**

The following sensitivity analysis is based on the interest rate risk exposures in existence at the reporting date. The analysis assumes all other variables remain constant and was performed on the same basis for 2009.

At 30 June, if interest rates had moved, as illustrated in the table below, profit and equity would have been affected as follows:

	<b>Profit or loss</b>		<b>Equity</b>	
	<b>30-Jun-09</b>	<b>30-Jun-08</b>	<b>30-Jun-09</b>	<b>30-Jun-08</b>
	<b>'000</b>	<b>'000</b>	<b>'000</b>	<b>'000</b>
+ 1% (100 basis points)	31	26	31	26
- 0.5% (50 basis points)	(16)	(13)	(16)	(13)

The movements in profit are due to higher/lower interest costs from variable rate debt and cash balances.

**(b) Net Fair Values and Categories of Financial Assets and Liabilities**

The fair values of financial assets and liabilities, together with the carrying amounts shown in the Balance Sheet, are as follows:

<b>Fair Values</b>	<b>30-Jun-09</b>		<b>30-Jun-08</b>	
	<b>Carrying Amount</b>	<b>Fair Value</b>	<b>Carrying Amount</b>	<b>Fair Value</b>
	<b>'000</b>	<b>'000</b>	<b>'000</b>	<b>'000</b>
<b>Financial Assets</b>				
Cash and Cash Equivalents				
Cash	613	613	389	389
Investments	2,500	2,500	2,100	2,100
Receivables				
Rates and Charges	512	512	408	408
Other assets	31	31	414	414
	<b><u>3,656</u></b>	<b><u>3,656</u></b>	<b><u>3,311</u></b>	<b><u>3,311</u></b>

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**21. ACCOUNTING FOR FINANCIAL INSTRUMENTS (Continued)**

**Financial Liabilities**

Creditors

Mats. & Contractors	43	43	1,209	1,209
Other liabilities	138	138	115	115
Int. Bear. liabilities	2,059	2,059	1,937	1,937
	2,240	2,240	3,261	3,261
<b>Net Financial Assets</b>	1,416	1,416	50	50

Carrying amounts classified as:	<b>30-Jun-09</b>	<b>30-Jun-08</b>
<b>Financial Assets</b>		
Receivables	543	822
Cash and Investments	3,137	2,625
	3,680	3,447

**Financial Liabilities**

Financial Liabilities measured at  
amortised cost

	2,240	3,261
	2,240	3,261
<b>Net Financial Assets/Liabilities</b>	1,440	186

The basis for determining fair values is disclosed in Note 2.

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**22. STATEMENT OF CASH FLOWS**

- (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 Cashflows is reconciled to the related items in the Statement of Financial Position.

	<b>2009</b>	<b>2008</b>
	<b>\$'000</b>	<b>\$'000</b>
Cash at Bank and on hand	613	389
<b>Total</b>	<b>613</b>	<b>389</b>

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

Operating Surplus	1,182	132
Depreciation	2,338	2,508
Movements:-		
- Increase / (Decrease) in Employee Provisions	181	8
- (Increase) / Decrease in Accounts Receivable	279	(153)
- Increase / (Decrease) in Accrued Expenses	22	30
- (Increase) / Decrease in Accrued Income	112	(67)
- Increase / (Decrease) in Accounts Payable	(715)	540
- (Increase) / Decrease in Prepayments	157	(94)
- (Increase) / Decrease in Inventories	10	-
(Gain) / Loss on Sale of Fixed Assets	27	29
Revenue provided by Government Grants	(3,520)	(2,396)
<b>NET CASH INFLOW PROVIDED BY OPERATING ACTIVITIES</b>	<b>73</b>	<b>538</b>

**23. FINANCING FACILITIES**

At the reporting date a bank overdraft facility of \$300,000 (2007/08 \$300,000) was available to the Council from its Bankers the Commonwealth Bank of Australia.

**24. COUNCILLORS' INTERESTS**

The Council is a body corporate with perpetual succession and comprises 9 Councillors, including the Mayor, who are elected by the ratepayers in accordance with the Local Government Act, 1993.

Pursuant to S84 of the Local Government Act 1993, Councillors are required to disclose any related party interest they have with any body or organisation with which the Council has major financial dealings.

All dealings with Councillors were at arms length.

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**25. SIGNIFICANT BUSINESS ACTIVITIES**

	<b>Transport Infrastruct.</b>	<b>Water Reticulation</b>	<b>Sewerage Disposal</b>	<b>Total</b>
<b>Revenue</b>				
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Rates raised	-	1,545,555	1,099,775	2,645,330
General Rates allocated	685,437	-	-	685,437
User Charges	-	16,369	-	16,369
Reimbursements	214,000	55	-	214,055
Other Revenue	-	636,984	-	636,984
Government Grants identified	936,218	-	-	936,218
Government Grants allocated	201,602	318,058	23,763	543,423
<b>Total Revenue</b>	<b>2,037,257</b>	<b>2,517,021</b>	<b>1,123,538</b>	<b>5,677,816</b>
<b>Expenditure</b>				
Direct				
Employee Costs	317,077	52,729	25,181	394,987
Materials and Contracts	346,709	561,427	578,591	1,486,727
Bulk Water Purchases	-	870,161	-	870,161
Interest	75,202	16,788	16,972	108,962
Utilities	-	2,716	740	3,456
	<b>738,988</b>	<b>1,503,822</b>	<b>621,484</b>	<b>2,864,294</b>
Indirect				
Supervision and Indirect Overhead	75,928	15,921	7,695	99,544
Finance and Admin. allocation	-	15,260	10,729	25,989
	<b>75,928</b>	<b>31,181</b>	<b>18,424</b>	<b>125,533</b>
<b>Total Expenditure</b>	<b>814,916</b>	<b>1,535,003</b>	<b>639,908</b>	<b>2,989,827</b>
Capital costs				
Depreciation and Amortisation	<b>1,537,951</b>	<b>219,520</b>	<b>145,674</b>	<b>1,903,145</b>
Opportunity cost of capital	1,070,595	371,194	274,002	1,715,791
Opportunity cost of working capital	1,057	806	358	2,221
	<b>1,071,652</b>	<b>372,000</b>	<b>274,360</b>	<b>1,718,012</b>
Competitive neutrality adjustments				
Rates and Land Tax	15,508	7,576	14,509	37,593
Loan Guarantee fees	5,439	2,256	1,152	8,847
	<b>20,947</b>	<b>9,832</b>	<b>15,661</b>	<b>46,440</b>
Calculated Surplus/(Deficit)	<b>(336,557)</b>	<b>752,666</b>	<b>322,295</b>	<b>738,404</b>
Taxation Equivalent Rate	30.00%	30.00%	30.00%	30.00%
Taxation Equivalent	<b>(100,967)</b>	<b>225,800</b>	<b>96,689</b>	<b>221,521</b>
<b>Total Competitive Neutrality Costs</b>	<b>(80,020)</b>	<b>235,632</b>	<b>112,350</b>	<b>267,961</b>



**26. SUPERANNUATION DISCLOSURE**

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

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

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

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

Net Investment Return	-17.0% p.a. for 2008/2009 and 7.0% p.a. thereafter
Salary Inflation	4.0% p.a.
Price Inflation	n/a

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

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

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

During the reporting period the amount of contributions paid to defined benefits schemes was \$138,510 (2007-2008, \$126,680), and the amount paid to accumulation schemes was \$101,110 (2007-2008, \$86,035).

**27. TASMANIAN WATER AND SEWERAGE REFORM**

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

Two of the main purposes of Corporations Act are to:

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

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

In conjunction with the Act, the Water and Sewerage Industry Act 2008 was also proclaimed on 13 June 2008. The Act provides for the establishment of an economic regulatory framework for the water and sewerage industry, including the establishment of a licensing regime and providing for the regulation of prices, customer service standards and performance monitoring of that industry and for related matters. Full transition to the new water pricing and servicing standards is not expected until January 2012.

**Income Statement**

The income statement impact will predominantly result in the water and sewerage activities as detailed in Note 3 transferring to the new corporations. Some other functions/activities may also be impacted.

Council will in future derive returns from the new corporations, mainly in the form of dividends. At the time of preparing the financial statements it is not possible to determine the level of such returns.

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**27. TASMANIAN WATER AND SEWERAGE REFORM (Continued)**

The transfer of the water and sewerage functions will result in the following completion balance sheet changes on 1 July 2009

	<b>Council Bal.</b>	<b>Transfer</b>	<b>Council Bal.</b>
	<b>30-Jun-09</b>	<b>1-Jul-09</b>	<b>1-Jul-09</b>
<b>Assets</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Current Assets</b>			
Cash Assets	3,137	(513)	2,624
Other	71	-	71
Receivables	528	-	528
<b>Total Current Assets</b>	<b>3,736</b>	<b>(513)</b>	<b>3,223</b>
<b>Non-Current Assets</b>			
Investments	9,254	(9,254)	-
Receivables	15	-	15
Property, Plant, Equipment and Infrastructure	76,347	(20,763)	55,584
Investment in new corporation		31,516	31,516
<b>Total Non-Current Assets</b>	<b>85,616</b>	<b>1,499</b>	<b>87,115</b>
<b>Total Assets</b>	<b>89,352</b>	<b>(986)</b>	<b>88,366</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Payables	43	-	43
Interest Bear. Liabilities	107	(42)	65
Other	138	(13)	125
Provisions	1,413	(41)	1,372
<b>Total Current Liabilities</b>	<b>1,701</b>	<b>(96)</b>	<b>1,605</b>
<b>Non-Current Liabilities</b>			
Interest Bear. Liabilities	1,952	(890)	1,062
Provisions	86	-	86
<b>Total Non-Current Liabilities</b>	<b>2,038</b>	<b>(890)</b>	<b>1,148</b>
<b>Total Liabilities</b>	<b>3,739</b>	<b>(986)</b>	<b>2,753</b>
<b>Net Assets</b>	<b>85,613</b>	<b>-</b>	<b>85,613</b>
<b>Ratepayer Equity</b>			
Accumulated Surplus	24,991	12,511	37,502
Reserves	60,622	(12,511)	48,111
	<b>85,613</b>	<b>-</b>	<b>85,613</b>

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**27. TASMANIAN WATER AND SEWERAGE REFORM (Continued)**

**(b) Reconciliation of assets disclosed in Note 3 (a) of activities affected by transfer to Water and Sewerage Corporation**

	<b>2009</b>
	<b>\$'000</b>
Total assets as per "Water, Sewerage and Drainage activity Note 3 (a)	<u><b>37,968</b></u>
Not transferred                      Drainage	7,438
Assets transferred                  Water and Sewerage	<u><b>30,530</b></u>