Financial Report
30 June 2016

Derwent Valley Council

DERWENT VALLEY COUNCIL

Tasmanian Audit Office

Independent Auditor's Report

To the Councillors of Derwent Valley Council

Financial Report for the Year Ended 30 June 2016

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 2016 and the statements of profit or loss and other 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 2016 and financial performance, cash flows and changes in equity for the year then ended

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

The Responsibility of the General Manager for the Financial Report

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

Auditor's Responsibility

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

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

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

My audit responsibility does not extend to the budget figures included in the statement of comprehensive income and the budget disclosures in note 41, the asset renewal funding ratio disclosed in note 39, nor the Significant Business Activities disclosed in note 38 to the financial report and accordingly, I express no opinion on them.

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* promotes the independence of the Auditor-General. The Auditor-General is the auditor of all Tasmanian public sector entities and can only be removed by Parliament. The Auditor-General may conduct an audit in any way considered appropriate and is not subject to direction by any person about the way in which audit powers are to be exercised. The Auditor-General has for the purposes of conducting an audit, access to all documents and property and can report to Parliament matters which in the Auditor-General's opinion are significant.

Tasmanian Audit Office

Jara K Dean
Assistant Auditor-General Financial Audit
Delegate of the Auditor-General

Hobart
16 September 2016

DERWENT VALLEY COUNCIL
ANNUAL FINANCIAL REPORT
For the Year Ended 30 June, 2016

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DERWENT VALLEY COUNCIL

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the Year Ended 30 June, 2016

	Note	Budget 2016 $'000	Actual 2016 $'000	Actual 2015 $'000
Income from continuing operations				
Recurrent Income				
Rates and charges	5	6,253	6,389	5,944
Statutory fees and fines	6	226	252	208
User fees	7	1,404	1,492	1,152
Grants	8	3,672	3,204	4,654
Contributions	9	-	3	9
Interest	10	100	67	90
Reimbursements	11	189	158	201
Investment revenue from TasWater	12	408	408	405
Other income	13	182	149	173
		12,434	**12,122**	**12,836**
Capital Income				
Net gain/(loss) disposal plant and equip.	14	-	(26)	19
		0	**(26)**	**19**
Total income from continuing operations		**12,434**	**12,096**	**12,855**
Expenses from continuing operations				
Employee benefits	15	3,808	4,200	3,786
Materials and services	16	4,364	4,571	3,589
TasWater contribution		-	-	523
Depreciation and amortisation	17	2,316	2,500	2,327
Finance costs		166	169	164
Plant and vehicle running		577	363	400
Fire Levies		263	264	253
Other expenses	18	427	422	454
Total expenses from continuing operations		**11,921**	**12,489**	**11,496**
Result from continuing operations		**513**	**(393)**	**1,359**
Net result for the year		**513**	**(393)**	**1,359**
Other Comprehensive income				
Items that will not be reclassified to surplus or deficit				
Net asset revaluation increment		-	3,486	2,155
Items that may be reclassified subsequently to surplus or deficit				
Change in fair value: Investment in TasWater	22	-	343	161
Total Comprehensive result		**513**	**3,436**	**3,674**

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, 2016

	Note	ACTUAL 2016 $'000	ACTUAL 2015 $'000
Assets			
Current assets			
Cash and cash equivalents	19	298	1,341
Investments	19	1,500	-
Other assets	20	44	50
Trade and other receivables	21	936	820
Total current assets		**2,778**	**2,211**
Non-current assets			
Investment in TasWater	22	20,471	20,129
Property, infrastructure, plant and equipment	23	82,810	80,030
Total non-current assets		**103,281**	**100,159**
Total assets		**106,059**	**102,370**
Liabilities			
Current liabilities			
Payables	24	689	711
Interest bearing loans/borrowings	25	269	229
Other liabilities	26	250	147
Provisions	27	1,646	1,744
Total current liabilities		**2,854**	**2,831**
Non-current liabilities			
Interest bearing loans/borrowings	25	2,944	2,714
Provisions	27	82	82
Total non-current liabilities		**3,026**	**2,796**
Total liabilities		**5,880**	**5,627**
Net assets		**100,179**	**96,743**
Equity			
Accumulated surplus		42,793	42,226
Reserves	28	57,386	54,517
Total equity		**100,179**	**96,743**

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, 2016

	Accumulated Surplus/Deficit		Public Open Space Reserve		Asset Replacement Reserves		Asset Revaluation Reserves		Fair Value Reserve		Other Reserves		Total Equity	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Equity at beginning of Year	42,226	40,871	143	145	1,690	786	56,575	54,420	(4,600)	(4,760)	706	1,606	96,743	93,068
Comprehensive result	(393)	1,359	-	-	-	-	3,486	2,155	343	160	-	-	3,436	3,674
Transfers to Reserves	(2,522)	(3,273)	3	9	413	1,208	-	-	-	-	2,106	2,057	-	-
Transfers from Reserves	3,481	3,271	-	(11)	(1,107)	(304)	-	-	-	-	(2,374)	(2,957)	-	-
Equity at end of Year	**42,793**	**42,226**	**146**	**143**	**996**	**1,690**	**60,061**	**56,575**	**(4,257)**	**(4,600)**	**438**	**706**	**100,179**	**96,743**

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

DERWENT VALLEY COUNCIL

STATEMENT OF CASH FLOWS
For the Year Ended 30 June 2016

	Note	ACTUAL 2016 $'000	ACTUAL 2015 $'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts			
- Rates		6,398	5,979
- Grants		3,204	4,654
- Statutory & User Charges (inclusive of GST)		1,781	1,602
- Interest		67	102
- Other Receipts (inclusive of GST)		174	171
- Reimbursements (inclusive of GST)		174	221
- Investment revenue from TasWater		408	405
		12,206	**13,134**
Payments			
- Payments to Employees		(4,298)	(3,637)
- Payments to Suppliers (inclusive of GST)		(4,787)	(3,569)
- TasWater Contribution		-	(523)
- Interest		(167)	(166)
- Plant & Vehicle Running		(363)	(400)
- State Taxes		(264)	(253)
- Other Payments		(321)	(415)
		(10,200)	**(8,963)**
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	29 (b)	**2,006**	**4,171**
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for Property, Infrastructure, Plant and Equipment		(1,929)	(4,539)
Grants			
Proceeds from sale of Property, Infrastructure, Plant and Equipment		109	132
NET CASH PROVIDED BY (USED IN) INVESTING ACT		**(1,820)**	**(4,407)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Total (Increase) / Decrease in Investments for Year		(1,500)	800
Proceeds from Interest Bearing Loans and Borrowings		500	400
Repayment of Interest Bearing Loans and Borrowings		(229)	(196)
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES		**(1,229)**	**1,004**
NET INCREASE (DECREASE) IN CASH HELD		(1,043)	768
CASH AT THE BEGINNING OF THE YEAR		1,341	573
CASH AT THE END OF THE YEAR	29 (a)	**298**	**1,341**

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

Note 1 Reporting entity

(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). Council has determined that it does not have profit generation as a prime objective. Consequently, where appropriate, Council has elected to apply options and exemptions within accounting standards that are applicable to not-for-profit enitities.

Note 2 Basis of accounting

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

All amounts are presented in Australian dollars and unless stated, have been rounded to the nearest thousand dollars.

This financial report has been prepared under the historical cost convention, except where specifically stated in Notes 12,22,25 and 38.

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.

Note 3 Use of estimates and judgements

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.

Note 3 Use of estimates and judgements (continued)

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 15.

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 31.

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 Note 23.

Investment in water corporation
Assumptions utilised in the determination of Council's valuation of its investment in TasWater are discussed in Note 12 and in Note 22.

Note 4 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 4 (c).

	REVENUE GRANTS	REVENUE OTHER	EXPENSES	SURPLUS (DEFICIT)	ASSETS
	$'000	$'000	$'000	$'000	$'000
ACTUAL 30 JUNE 2016					
Roads, streets and bridges	1,219	1,050	2,951	(682)	61,166
Drainage	193	415	415	193	27,019
Waste Management	52	1,313	1,164	201	1,102
Building control	-	155	155	-	-
Planning services	-	274	274	-	-
Environmental Health/Man.	-	462	362	100	294
Governance and administration	297	1,559	1,826	30	5,053
Economic development	2	559	561	-	238
Community services	1,164	751	2,026	(111)	74
Community amenities	148	184	314	18	-
Recreation facilities	127	1,388	1,388	127	8,335
Other not Attributable	2	782	1,053	(269)	2,778
TOTAL	**3,204**	**8,892**	**12,489**	**(393)**	**106,059**
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**

Note 4 Functions/Activities of the Council (Continued)

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

	2016	2015
Current assets	2,757	2,190
Non-current assets	103,302	100,180
	106,059	**102,370**

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

Governance and Administration

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

Roads, streets and bridges

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

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.

Waste Management

Collection, handling, processing and disposal of waste material.

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.

Planning Services

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

Building Control

The development and maintenance of building construction standards.

Community Amenities

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

Note 4 Functions/Activities of the Council (Continued)

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.

Recreation facilities

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

Economic development

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

Other- not attributable

Rates and charges and work not attributed elsewhere.

NOTE	ACTUAL 2016 $'000	ACTUAL 2015 $'000

5. 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 2015/2016 was $66,446,192 (2014/2015 $65,196,520). The 2015/2016 rate in the AAAV dollar was $0.08336122 (2014/2015 $0.08015294).

	ACTUAL 2016 $'000	ACTUAL 2015 $'000
General	5,492	5,090
Country Fire	108	102
Urban Fire	160	152
Sewerage Removal	116	113
Garbage/Recycling Services	497	471
Business Levy	16	16
Total Rates and charges	**6,389**	**5,944**

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.

Accounting policy

Rates and charges income

Rate income is recognised as revenue when Council obtains control over the assets comprising the receipt.

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.

6. Statutory fees and fines

	ACTUAL 2016 $'000	ACTUAL 2015 $'000
Infringements and Costs	5	2
Planning Fees	74	60
Land Information Certificates	74	59
Permits	99	87
Total Statutory fees and fines	**252**	**208**

Ageing analysis of contractual receivables

Please refer to Note 36 for the ageing analysis of contractual receivables.

Accounting policy

Statutory fee and fine income

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.

NOTE		ACTUAL 2016 $'000	ACTUAL 2015 $'000
7.	**User fees**		
	Child Care/Children's Program fees	395	402
	Home and Community Care Service Fees	11	12
	Registration fees	38	40
	Cemetery Fees	229	250
	Caravan Park Fees	259	220
	Refuse Disposal Fees	519	198
	Other Fees and Charges	41	30
	Total User fees	**1,492**	**1,152**

Accounting policy

User fee income

Fee income is recognised as revenue when the service has been provided, or the payment is received, whichever first occurs. A provision for impairment is recognised when collection in full is no longer probable.

8. Grants

Grants were received in respect of the following:

	ACTUAL 2016 $'000	ACTUAL 2015 $'000
Summary of Grants		
Federally Funded Grants	2,897	4,426
State Funded Grants	307	228
Total Grants	**3,204**	**4,654**

	ACTUAL 2016 $'000	ACTUAL 2015 $'000
Grants - Recurrent		
Financial Assistance Grant	1,042	2,916
Buildings	-	-
Environmental Planning and Management	-	88
Family and Children	1,164	1,155
Home and Community Care	149	134
Parks and Reserves	50	4
Planning	-	20
Regional Development	2	1
Roads and Bridges	795	309
Youth Services	2	27
Total Grants: Recurrent	**3,204**	**4,654**

NOTE	ACTUAL 2016 $'000	ACTUAL 2015 $'000

8. Grants (Continued)

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 2015/2016 Statement of Profit or Loss and Other Comprehensive Income resulting in the Surplus/(deficit). being lower in 2015-16 by $895,000.

Accounting policy

Grant income - operating and capital

Grant income is recognised as revenue when Council obtains control over the assets comprising the receipt.

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 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 is also disclosed. 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.

NOTE		ACTUAL 2016 $'000	ACTUAL 2015 $'000
9.	**Contributions**		
	Cash		
	Recreation, leisure and community facilities	3	9
	Total Contributions	**3**	9

Accounting policy

Contribution income

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

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

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

		ACTUAL 2016 $'000	ACTUAL 2015 $'000
10.	**Interest**		
	Interest on financial assets	28	34
	Interest on rates	39	56
	Total Interest	**67**	**90**

Accounting policy

Interest income

Interest is recognised progressively as it is earned.

NOTE	ACTUAL 2016 $'000	ACTUAL 2015 $'000
11. Reimbursements		
Buildings	13	118
Road Maintenance/Works	130	50
Stormwater	-	4
State Levies Commission	11	10
Other Reimbursements	4	19
Total Reimbursements	**158**	**201**
12. Investment Revenue from TasWater		
Dividend Revenue received	277	301
Tax equivalent received	98	75
Guarantee fee received	33	29
Total Investment Revenue from TasWater	**408**	**405**

Accounting policy

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

13. Other Income		
Regional Renewal	55	40
Community & Social Development	24	29
Parks, Reserves & Rec.	14	1
Plant Operations	24	40
Refuse Disposal	15	35
Youth	-	14
Other Income	17	14
Total Other Income	**149**	**173**

NOTE	ACTUAL 2016 $'000	ACTUAL 2015 $'000
14. Net gain/(loss) on disposal of plant and equipment		
Proceeds from the disposal of Assets	109	132
less		
Written down value of Assets sold	(135)	(113)
Total Net gain on disposal of plant and equipment	**(26)**	**19**

Accounting policy

Gains and losses on asset disposals

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

15. Employee Benefits

Wages and salaries	3,386	3,016
Workers compensation	99	96
Annual leave and long service leave	266	280
Superannuation	415	379
Fringe benefits tax	34	15
Total employee benefits	**4,200**	**3,786**

Accounting policy

Employee benefits

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

Employee benefits include, where applicable, entitlements to wages and salaries, annual leave, sick leave, long service leave, superannuation and any other post-employment benefits.

NOTE	ACTUAL 2016 $'000	ACTUAL 2015 $'000
16. Materials and services		
Materials and services	4,571	3,589
Total materials and services	**4,571**	**3,589**

Accounting policy

Materials and services expense

Expenses are recognised in the Statement of Profit or Loss and Other 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.

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.

17. Depreciation and Amortisation

	ACTUAL 2016 $'000	ACTUAL 2015 $'000
Property:		
Buildings	88	65
Plant & Equipment:		
Plant, Machinery & Equipment	201	177
Computers and Telecommunications	63	69
Infrastructure:		
Roads & Streets	1,604	1,518
Bridges	194	187
Storm Water	181	171
Reserves & Recreations	79	71
Waste Management	90	69
Total Depreciation and Amortisation	**2,500**	**2,327**

Accounting policy

Depreciation and amortisation expense

Expenses are recognised in the Statement of Profit or Loss and Other 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.

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.

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

Land, heritage, artwork and road earthwork assets 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:

NOTE		ACTUAL 2016 $'000	ACTUAL 2015 $'000

17. Depreciation and Amortisation (continued)

Accounting policy (continued)

	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
Drainage	
pipes concrete	120 years
pipes Upvc	100 years
pipes earthenware	100 years
pipes cast iron	120 years
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

NOTE	ACTUAL 2016 $'000	ACTUAL 2015 $'000

18. Other expenses

Other expenses for the year are as follows:-

	ACTUAL 2016 $'000	ACTUAL 2015 $'000
Auditor's remuneration		
- Audit services this year	27	30
Election expenses	4	47
Payments to elected members		
- Councillor allowances	135	135
- Other fees and allowances	15	14
Subscription Local Government Association Tas	33	32
General insurance	177	150
Community Grants and Donations	31	46
Total Other Expenses	**422**	**454**

Accounting policy

Other expenses

Expenses are recognised in the Statement of Profit or Loss and Other 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.

19. Cash and cash equivalents

	ACTUAL 2016 $'000	ACTUAL 2015 $'000
Cash on Hand	1	1
Cash at Bank		
- Trading Account	297	1,340
- Children's Services	-	-
	298	**1,341**
Investments		
At Call and Short Term Deposits	1,500	-
	1,500	-

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

	ACTUAL 2016 $'000	ACTUAL 2015 $'000
- Leave provisions (Note 27)	1,728	1,826
- Security Deposits and Bonds (Note 26)	120	72
Restricted funds	**1,848**	**1,898**
Total unrestricted cash, cash equivalents and investments	**(50)**	**(557)**

Accounting policy

Cash and cash

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.

NOTE	ACTUAL 2016 $'000	ACTUAL 2015 $'000
20. Other assets		
Current		
Prepayments	44	50
Accrued Interest	-	-
	44	**50**
21. Trade and other receivables		
Current		
Rate Receivables	531	540
	531	**540**
Sundry Debtors	409	280
Less: Provision for Impairment	(4)	(3)
Long Service Leave payable by other Councils	-	3
	405	**280**
	936	**820**

Accounting policy

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.

NOTE	ACTUAL 2016 $'000	ACTUAL 2015 $'000
22. Investment in TasWater		
Non-current		
Opening Balance	20,129	19,968
Change in fair value of investment		
Fair value adjustments on Available for Sale Assets	343	161
Total investment in TasWater	**20,471**	**20,129**

Accounting policy

Investment assets

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 2016, 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.

DERWENT VALLEY COUNCIL
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the Year Ended 30 June 2016

23. Property, infrastructure, plant and equipment

	2016 $'000	2015 $'000
Summary		
- at cost	6,010	5,922
- less accumulated depreciation	(3,998)	(3,752)
	2,012	**2,170**
- at fair value at 30 June	112,193	108,102
- less accumulated depreciation	(31,395)	(30,242)
	80,798	**77,860**
Total	**82,810**	**80,030**
Property		
Land		
- at fair value at 30 June	6,969	6,629
Total land	**6,969**	**6,629**
Buildings		
- at fair value at 30 June	3,665	3,567
- less accumulated depreciation	(558)	(471)
	3,107	**3,096**
Heritage buildings		
- at fair value at 30 June	559	570
- less accumulated depreciation	(12)	(11)
	547	**559**
Total buildings	**3,654**	**3,655**
Total property	**10,623**	**10,284**

DERWENT VALLEY COUNCIL
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the Year Ended 30 June 2016

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

	2016 $'000	2015 $'000
Plant and equipment		
Plant, machinery and equipment		
- at cost	2,933	2,901
- less accumulated depreciation	(2,071)	(1,977)
	862	924
Fixtures, fittings and furniture		
- at cost	200	200
- less accumulated depreciation	(198)	(197)
	2	3
Computers and telecommunications		
- at cost	838	836
- less accumulated depreciation	(658)	(597)
	180	239
Total plant and equipment	**1,044**	**1,166**
Roads		
- at fair value at 30 June	72,923	70,424
- less accumulated depreciation	(19,083)	(18,385)
	53,840	52,039
Bridges		
- at fair value at 30 June	10,817	10,239
- less accumulated depreciation	(4,596)	(4,647)
	6,221	5,592

DERWENT VALLEY COUNCIL
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the Year Ended 30 June 2016

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

	2016 $'000	2015 $'000
Infrastructure (continued)		
Drainage		
- at fair value at 30 June	13,132	12,728
- less accumulated depreciation	(6,584)	(6,245)
	6,548	6,483
Reserves		
- at fair value at 30 June	4,128	3,945
- less accumulated depreciation	(562)	(483)
	3,566	3,462
Waste		
- at cost	2,039	1,985
- less accumulated depreciation	(1,071)	(981)
	968	1,004
Total infrastructure	**71,143**	**68,580**
Total property, infrastructure, plant and equipment	**82,810**	**80,030**

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

2016	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	6,629	-	340	-	-	-	6,970
Total land	**6,629**	**-**	**340**	**-**	**-**	**-**	**6,970**
Buildings	3,096	87	-	(76)	-	-	3,107
Heritage buildings	559	-	-	(12)	-	-	547
Total buildings	**3,655**	**87**	**-**	**(88)**	**-**	**-**	**3,654**
Total property	**10,284**	**87**	**340**	**(88)**	**-**	**-**	**10,624**
Plant and equipment							
Plant, machinery and equipment	924	274	-	(201)	(135)	-	862
Fixtures, fittings and furniture	3	-	-	(1)	-	-	2
Computers and telecom.	239	3	-	(62)	-	-	180
Total plant and equipment	**1,166**	**277**	**-**	**(264)**	**(135)**	**-**	**1,044**
Infrastructure							
Roads	52,039	969	2,436	(1,603)	-	-	53,840
Bridges	5,592	243	580	(194)	-	-	6,221
Drainage	6,483	115	130	(181)	-	-	6,548
Reserves	3,462	183	-	(79)	-	-	3,566
Waste	1,004	54	-	(90)	-	-	968
Total infrastructure	**68,580**	**1,564**	**3,146**	**(2,147)**	**-**	**-**	**71,143**
Total property, infrastructure, plant and equipment	**80,030**	**1,928**	**3,486**	**(2,500)**	**(135)**	**-**	**82,809**

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

2015	Balance at beginning of year $'000	Acquisition of assets $'000	Reval. increments (decrements) $'000	Depreciation $'000	WDV of disposals $'000	Transfers $'000	Balance at end of year $'000
Property							
Land	6,555	-	74	-	-	-	6,629
Total land	**6,555**	**-**	**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
Drainage	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**

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

Accounting Policy

Recognition and measurement of assets

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:

	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
furniture, fittings and office equipment	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
Drainage	
pipes concrete	10
pipes Upvc	10

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

Accounting policy (continued)

	Threshold $'000
Drainage (continued)	
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 equipment	cost
Stormwater and drainage infrastructure	fair value
Roads and streets infrastructure	fair value
Bridges	fair value
Buildings	fair value
Intangibles	cost
Parks, recreation facilities and community amenities	cost
Heritage	cost

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 40, Fair value measurements.

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

Accounting policy (continued)

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.

Impairment of assets

Impairment losses are recognised in the statement of comprehensive income under other expenses.
Reversals of impairment losses are recognised in the statement of comprehensive income under other revenue.

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.

NOTE	ACTUAL 2016 $'000	ACTUAL 2015 $'000
24. Payables		
Current		
Trade creditors	689	711
	689	**711**

25. Interest bearing loans/borrowings		
Current (secured)		
Tasmanian Public Finance Corporation (Tascorp)	269	229
Non-current (secured)		
Tasmanian Public Finance Corporation (Tascorp)	2,944	2,714
Total borrowings	**3,213**	**2,944**

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	145
450	6.02%	08-Mar-06	08-Mar-21	08-Mar-21	196
450	6.55%	22-Mar-07	22-Mar-22	22-Mar-22	233
500	7.24%	04-May-10	04-May-20	04-May-25	360
500	6.69%	29-Apr-11	29-Apr-21	29-Apr-26	384
500	6.17%	22-Mar-12	22-Mar-22	22-Mar-27	408
500	5.04%	19-Apr-13	19-Apr-23	19-Apr-28	428
200	4.94%	28-May-14	28-May-24	28-May-29	181
400	3.43%	03-Feb-15	03-Feb-25	03-Feb-30	379
500	3.44%	01-Mar-16	01-Mar-26	01-Mar-31	500
4,400					**3,213**

The Fair Value of the loan portfolio is $3,558,449 (2014/15 $3,223,808). This estimate is based on present value calculations applied to each loan using interest rates prevailing at balance date.

Accounting policy

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 Profit or Loss and Other Comprehensive Income over the period of the liability using the effective interest method.

26. Other liabilities		
Current		
Accrued electricity	33	13
Accrued payroll	45	24
Accrued interest	40	38
Security deposits and bonds	120	72
Other	12	-
	250	**147**

NOTE	ACTUAL 2016 $'000	ACTUAL 2015 $'000
27. Provisions		
Current		
Provisions		
- Annual leave	728	705
- Long service leave	498	571
- Sick leave	307	340
- Time in lieu	113	128
	1,646	**1,744**
Non-current		
Provisions		
- Long service leave	82	82
	82	**82**

Council's number of Full Time Equivalent Employees as at 30 June 2016 totalled 53. (2014/2015 - 51)

Accounting policy

Employee benefits

i) Short term obligations

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be wholly settled within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liability for annual leave is recognised in the provision for employee benefits.

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

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.

28. Reserves	Opening balance		Transfers to reserves		Asset revaluation and fair value movements		Transfers from reserves		Closing balance	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Public open space reserve	143	145	3	9	-	-	-	(11)	146	143
	143	**145**	**3**	**9**	-	-	**-**	**(11)**	**146**	**143**
Asset replacement reserves										
- Plant replacement	140	95	184	164	-	-	(166)	(119)	158	140
- Capital works	758	-	-	758	-	-	(758)	-	0	758
- Cemetery replacement	712	607	229	250	-	-	(129)	(145)	812	712
- NN landfill restoration	80	84	-	35	-	-	(54)	(39)	26	80
	1,690	**786**	**413**	**1,207**	-	-	**(1,107)**	**(303)**	**996**	**1,690**

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
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For the Year Ended 30 June 2016

28. Reserves (continued)	Opening balance		Transfers to reserves		Asset revaluation and fair value movements		Transfers from reserves		Closing balance	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Fair value reserve										
- TasWater	(4,600)	(4,760)	-	-	343	160	-	-	(4,257)	(4,600)
Asset revaluation reserves										
Infrastructure					-	-				
- Land	4,904	4,831	-	-	340	73	-	-	5,244	4,904
- Buildings	89	89	-	-	-	-	-	-	89	89
- Roads	43,325	41,179	-	-	2,436	2,146	-	-	45,761	43,325
- Drainage	5,230	5,402	-	-	130	(172)	-	-	5,360	5,230
- Bridges	3,537	3,429	-	-	580	108	-	-	4,117	3,537
- Recreation	(511)	(511)	-	-	-	-	-	-	(511)	(511)
	51,975	**49,660**	-	-	**3,829**	**2,315**	-	-	**55,804**	**51,975**
Other reserves										
- Autumn Festival	22	12	37	43	-	-	(34)	(33)	26	22
- Bicentennial 2008	12	12	-	-	-	-	(12)	-	-	12
- CBD Levy	15	11	31	32	-	-	(26)	(27)	20	15
- Children's Services	185	292	1,559	1,556	-	-	(1,669)	(1,663)	75	185
- DV Scholarship	5	-	1	12	-	-	(1)	(8)	5	5
- Regional Renewal	127	95	36	36	-	-	(15)	(4)	147	127
- Computer	131	159	79	132	-	-	(127)	(160)	83	131
- Derwent Valley election	4	36	15	15	-	-	(4)	(47)	16	4
- Derwent Valley revaluation	160	130	31	31	-	-	-	-	191	160
- HACC	57	55	160	146	-	-	(142)	(144)	75	57
- Historical Info. Centre	41	34	6	7	-	-	-	-	47	41
- Visitor Info. Centre	1	-	5	4	-	-	(3)	(3)	3	1
- Local issues support	-	10	-	-	-	-	-	(10)	-	-
- Public Relations	24	18	8	8	-	-	-	(2)	31	24
- Willow Court	(78)	742	139	39	-	-	(342)	(859)	(282)	(78)
	706	**1,606**	**2,107**	**2,061**	-	-	**(2,375)**	**(2,960)**	**438**	**706**
Total reserves	**54,517**	**52,197**	**2,523**	**3,277**	**3,829**	**2,315**	**(3,482)**	**(3,274)**	**57,386**	**54,517**

29. Reconciliation of cash flows from operating activities to surplus or

(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.

	2016 $'000	2015 $'000
Cash at Bank and on hand	298	1,341
Total	**298**	**1,341**

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

	2016	2015
Surplus for the year	(393)	1,359
Depreciation	2,500	2,327
(Gain) / Loss on Sale of Fixed Assets	26	(19)
Capital Grants provided by Government	-	-
Movements:-		
- Increase / (Decrease) in Employee Provisions	(98)	149
- (Increase) / Decrease in Accounts Receivable	(116)	132
- Increase / (Decrease) in Other Liabilities	101	40
- (Increase) / Decrease in Accrued Income	(2)	2
- Increase / (Decrease) in Contributions	3	9
- Increase / (Decrease) in Payables	(21)	199
- (Increase) / Decrease in Other Assets	6	(27)
Net cash inflow/(outflow) provided by operating activities	**2,006**	**4,171**

30. Financing arrangements

At the reporting date a business card facility of $50,000 (2014/15 $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 2016

31. Superannuation

The Derwent Valley Council makes superannuation contributions for a number of its employees to the Quadrant Defined Benefits Fund (the Fund). The Fund was a sub fund of the Quadrant Superannuation Scheme (the Scheme) up to 30 November 2015. At this date the Quadrant Superannuation Scheme merged (via a Successor Fund Transfer) into the Tasplan Super and the Quadrant Defined Benefits Fund became a sub fund of Tasplan Super (Tasplan) from that date. 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 2016 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, 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, ant the number of members was 187. 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.

DERWENT VALLEY COUNCIL
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the Year Ended 30 June 2016

31. Superannuation (Continued)

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.*

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, Councils' contribution rate may need to be adjusted accordingly to ensure the Fund remains on course towards financing members' benefits.

In terms of Rule 27.4 of the Tasplan Trust Deed (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 Rule 27.4(b)(A). However there is no provision in the Trust Deed requiring an employer to make contributions other than its regular contributions up to the date of cessation of contributions. This issue can be resolved by the Trustee seeking an Actuarial Certificate in terms of Rule 26.5 identifying a deficit and the Trustee determining in terms of Rule 26.3 (c) that the particular employer should make the payment required to make good any shortfall before the cessation of participation is approved.

The application of Fund assets on Tasplan being wound-up is set out in Rule 41.4. This Rule provides that expenses and taxation liabilities should have first call on the available assets. Additional assets will initially be applied for the benefit of the then remaining members and/or their Dependants in such manner as the Trustee considers equitable and appropriate in accordance with the Applicable Requirements (broadly, superannuation and taxation legislative requirements and other requirements as determined by the regulators).

The trust deed does not contemplate the Fund withdrawing from Tasplan. However it is likely that Rule 27.4 would be applied in this case (as detailed above).

The Fund is a defined benefit fund.

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

During the reporting period the amount of contributions paid to defined benefits schemes was $32,670 (2014-15, $24,407), and the amount paid to accumulation schemes was $382,366 (2014-15, $355,174).

During the next reporting period the expected amount of contributions to be paid to defined schemes is $33,585 and the amount to be paid to accumulation schemes is $393,072.

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For the Year Ended 30 June 2016

31. 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. Moderate 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 has 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.

As at 30 June 2015 the fund had 164 members and the total employer contributions and member contributions for the year ending 30 June 2015 were $2,083,883 and $325,833 respectively.

		2016 $'000	2015 $'000
Fund			
Defined Benefits Fund			
Employer contributions to:	Quadrant Superannuation Scheme	33	24
		33	24
Employer contributions payable to Quadrant Superannuation Scheme at reporting date		1	-
		1	-
Accumulation Funds			
Employer contributions to:			
	AMP	4	-
	Quadrant Superannuation Scheme	182	181
	SGC Generations Personal	1	-
	Tasplan	176	174
	WA LGSP	14	-
		377	355
Employer contributions payable to:			
	AMP	-	-
	Quadrant Superannuation Scheme	2	-
	SGC Generations Personal	-	-
	Tasplan	2	-
	WA LGSP	1	-
	at reporting date	5	-

32. Commitments for capital expenditure

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

33. Commitments under operating leases

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

34. 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 These funds 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 access the financial implications of such works. However, a waste management levy to recoup $264,607 has been levied during the 2016/2017 rating period.

35. 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 2016

36. Accounting for financial instruments

(a) Accounting Policy. Terms and conditions

Recognised financial instruments	Note	Accounting Policy	Terms and Conditions
Financial			
Cash and cash equivalents	19	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 1.40%. (2.00% in 2014/2015). The interest rate at balance date was 1.40%. (2.00% in 2014/2015).
Investments		Interest is recognised as it accrues.	Funds returned fixed interest rates of between 2.04% (2.60% in 2014/2015), and 2.75% (3.15% in 2014/2015) net of fees.
		Investments and bills are valued at cost.	Managed funds provided returns of 2.18%. (2.00% in 2014/2015) 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	21	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 2014/2015). Credit terms are based on 30 days. Rating debtors are secured and arrears attract an interest rate of 8.45%. (10.00% in 2014/2015).
Financial Liabilities			
Trade and other payables	24	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	25	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 5.41%. (5.78% in 2014/2015).
		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 2016

36. 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:

2016

	Weighted average interest rate	Floating interest rate $'000	Fixed interest maturing in: 1 year or less $'000	Over 1 to 5 years $'000	More than 5 years $'000	Non-interest bearing $'000	Total $'000
Financial assets							
Cash and cash equivalents	1.50%	298	-	-	-	-	298
Investments	1.62%	1,500	-	-	-	-	1,500
Trade and other receivables	8.45%	-	510	21	-	280	811
Total financial assets		1,798	510	21	-	280	2,609
Financial liabilities							
Trade and other payables		-	-	-	-	689	689
Trust funds and deposits		-	-	-	-	120	120
Interest-bearing loans and borrowings	5.41%	-	269	1,202	1,742	-	3,213
Total financial liabilities		-	269	1,202	1,742	809	4,022
Net financial assets (liabilities)		1,798	241	(1,181)	(1,742)	(529)	(1,413)

2015

	Weighted average interest rate	Floating interest rate $'000	Fixed interest maturing in: 1 year or less $'000	Over 1 to 5 years $'000	More than 5 years $'000	Non-interest bearing $'000	Total $'000
Financial assets							
Cash and cash equivalents	2.00%	1,341	-	-	-	-	1,341
Investments		-	-	-	-	-	-
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)

DERWENT VALLEY COUNCIL
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For the Year Ended 30 June 2016

36. 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	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Financial assets				
Cash and cash equivalents	1,798	1,341	1,798	1,341
Trade and other receivables	936	870	936	870
Total financial assets	2,734	2,211	2,734	2,211
Financial liabilities				
Trade and other payables	819	786	819	786
Trust funds and deposits	120	72	120	72
Interest-bearing loans and borrowings	3,213	2,943	3,558	3,224
Total financial liabilities	4,152	3,801	4,497	4,082

(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 2016

36. 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 34. Credit quality of contractual financial assets that are neither past due nor impaired.

DERWENT VALLEY COUNCIL
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36. Accounting for financial instruments (continued)

	Financial Institutions (AAA credit rating)	Government agencies (BBBB credit rating)	Other	Total
2016				
Cash and cash equivalents	298	-	-	298
Receivables	-	-	936	936
Investments and other financial asset	1,500	-	-	1,500
Total contractual financial assets	**1,798**	**-**	**936**	**2,734**
2015				
Cash and cash equivalents	1,341	-	-	1,341
Receivables	-	-	820	820
Investments and other financial asset	-	-	-	-
Total contractual financial assets	**1,341**	**-**	**820**	**2,161**

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:

	2016 $'000	2015 $'000
Current (not yet due)	42	24
Past due by up to 30 days	7	25
Past due between 31 and 180 days	360	231
Past due between 181 and 365 days	-	-
Past due by more than 1 year	527	540
Total Trade & Other Receivables	936	820

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 2016

36. 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

2016	6 mths or less $'000	6-12 months $'000	1-2 years $'000	2-5 years $'000	>5 years $'000	Contracted Cash Flow $'000	Carrying Amount $'000
Trade and other payables	819	-	-	-	-	819	819
Trust funds and deposits	120	-	-	-	-	120	120
Interest-bearing loans and borrowings	133	137	285	917	1,742	3,214	3,214
Total financial liabilities	1,072	137	285	917	1,742	4,153	4,153

2015	6 mths or less $'000	6-12 months $'000	1-2 years $'000	2-5 years $'000	>5 years $'000	Contracted Cash Flow $'000	Carrying Amount $'000
Trade and other payables	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

DERWENT VALLEY COUNCIL
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the Year Ended 30 June 2016

36. 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
2016	$'000	$'000	$'000	$'000	$'000
Financial assets:					
Cash and cash	298	-	-	-	-
Investment	1,500	(30)	(30)	15	15
Receivables	936	(19)	(19)	9	9
Financial liabilities:					
Interest-bearing loans	3,213	(64)	(64)	-	-

		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	-	-	-	-	-
Receivables	820	(16)	(16)	8	8
Financial liabilities:					
Interest-bearing loans	2,944	(59)	(59)	-	-

DERWENT VALLEY COUNCIL
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the Year Ended 30 June 2016

36. Accounting for financial instruments (continued)
(f) Sensitivity disclosure analysis (continued)

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
30 June 2016				
Available for sale financial assets	-	-	20,471	20,471

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

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'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.

Reconciliation of Level 3 Fair Value Movements	**2016 $'000**	**2015 $'000**
Opening balance	**20,129**	**19,968**
Change in fair value movement in TasWater	343	161
Closing balance	**20,471**	**20,129**

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 2016, Council continued to hold a 1.30% ownership interest in TasWater which is based on schedule 2 of the Corporation's 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 an Available-for-sale assets Fair value reserve each year. (Refer notes 22, 28).

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's investment is not traded in an active market and is only sensitive to fluctuations in the value of TasWater's net assets.

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37. 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)
	J.Graham (Councillor 01/11/09 to current)
	BK.Lathey (Councillor 01/11/14 to current)
	F.Pearce (Councillor 01/11/14 to current)
	EJ. Triffett (Councillor 01/11/14 to current)
General Manager	G.Winton (from 01/07/15 to current)

	2016	**2015**
Total Remuneration for the reporting year for Councillors' Emoluments and reimbursements included above amounted to:	139,494	136,863
Total Remuneration for the reporting year for senior management positions amounted to:	376,004	432,219

(ii) An account incurred in the performance of Council functions, was paid by Derwent Valley Council on behalf of a member of Council. The account in the amount of $6,852.73 together with a commercial rate of interest levied, is to be repaid in monthly instalments of $244.99, with the final payment to be received on 31 October 2018. As at 30 June 2016, financial repayments totalling $1,469.94 in accord with the repayment schedule have been received. Council is in receipt of documentation guaranteeing the settlement of this account from a third person.

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.

38. Significant Business Activities

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

	Transport 2016	Infrastruct. 2015
	$'000	$'000
Revenue		
Rates	588,761	804,517
Reimbursements	129,654	49,654
Other Revenue	873	-
Government Grants identified	1,219,495	1,493,355
Government Grants allocated	-	750,335
Total Revenue	**1,938,783**	**3,097,860**
Expenditure		
Direct		
Employee Costs	272,195	109,154
Materials and Contracts	295,675	153,701
Interest	169,415	163,898
Street Lighting	190,275	154,256
	927,560	581,009
Indirect		
Supervision and Indirect Overhead	148,355	132,645
Total Expenses	**1,075,915**	**713,654**
Notional cost of free services received		
Capital costs		
Depreciation and Amortisation	1,883,001	1,776,755
Opportunity cost of capital	3,536,350	3,259,137
Opportunity cost of working capital	1,342	1,342
Total Capital costs	**3,537,692**	**3,260,479**
Competitive neutrality adjustments		
Rates and Land Tax	5,542	5,452
Loan Guarantee fees	12,786	12,786
	18,328	**18,238**
Calculated Surplus/(Deficit)	**(1,038,461)**	**589,213**
Taxation Equivalent Rate	30.00%	30.00%
Taxation Equivalent	(311,538)	176,764
Competitive Neutrality Costs	**(293,210)**	**195,002**

38. Significant Business Activities (continued)

Accounting policy

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 above. Council has determined, based upon materiality that transport infrastructure as defined above is considered a significant business activity. Competitive neutrality costs include notional costs i.e. income tax equivalent, rates and loan guarantees.

DERWENT VALLEY COUNCIL
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39. Management indicators

	Benchmark	2016 $'000	2015 $'000	2014 $'000	2013 $'000
(a) Underlying surplus or deficit					
Recurrent income* less		13,086	11,872	11,720	10,466
recurrent expenditure		(12,489)	(11,496)	(10,699)	(10,386)
Underlying surplus/deficit	>0	597	376	1,021	80

* 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.

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

(b) Underlying surplus ratio

	Benchmark	2016	2015	2014	2013
Underlying surplus or deficit		597	376	1,021	80
Recurrent income*		13,086	11,872	11,720	10,466
Underlying surplus ratio %	0%	4.56%	3.17%	8.71%	0.76%

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

The underlying surplus has been adjusted in 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 and $1,436,353 during the 2012/2013 year.

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

(c) Net financial liabilities

	Benchmark	2016	2015	2014	2013
Liquid assets less		2,713	2,140	2,303	3,488
total liabilities		(5,880)	(5,627)	(5,035)	(5,714)
Net financial liabilities	0	(3,167)	(3,487)	(2,732)	(2,226)

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 ($3.213M 2015/16).

DERWENT VALLEY COUNCIL
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the Year Ended 30 June 2016

39. Management indicators (Continued)

	Benchmark	2016 $'000	2015 $'000	2014 $'000	2013 $'000
(d) Net financial liabilities ratio					
Net financial liabilities		(3,167)	(3,487)	(2,732)	(2,226)
Recurrent income*		13,086	11,872	11,720	10,466
Net financial liabilities ratio %	0% - (50%)	(24.20)%	(29.37)%	(23.31)%	(21.27)%

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.

	2016	2015	2014	2013
Transport Infrastructure				
Depreciated replacement cost	53,840	52,039	49,369	48,432
Current replacement cost	72,923	70,424	67,205	63,983
Asset consumption ratio %	73.83%	73.89%	73.46%	75.70%
Buildings				
Depreciated replacement cost	3,654	3,655	2,892	3,034
Current replacement cost	4,224	4,137	3,360	3,437
Asset consumption ratio %	86.51%	88.35%	86.07%	88.27%
Drainage				
Depreciated replacement cost	6,548	6,483	6,166	5,710
Current replacement cost	13,132	12,728	11,705	11,092
Asset consumption ratio %	49.86%	50.93%	52.68%	51.48%

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 2016

39. Management indicators (Continued)

	Benchmark	2016 $'000	2015 $'000	2014 $'000	2013 $'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.

	Benchmark	2016	2015	2014	2013
Transport Infrastructure					
Projected capital funding outlays		1,213	2,156	2,020	1,698
Projected capital expenditure funding		1,910	2,036	1,469	1,469
Asset renewal funding ratio %	90-100%	63.51%	105.89%	137.51%	115.59%

Council elected to reduce it's Capital/Renewal program for 2015/2016, until a comprehensive inventory review of Council's Infrastructure Assets is undertaken. This is expected to be completed during 2016/2017.

	Benchmark	2016	2015	2014	2013
Buildings					
Projected capital funding outlays		86	906	15	15
Projected capital expenditure funding		63	61	59	67
Asset renewal funding ratio %	90-100%	136.51%	1485.25%	25.42%	22.39%

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.

	Benchmark	2016	2015	2014	2013
Drainage					
Projected capital funding outlays		115	250	317	335
Projected capital expenditure funding		192	187	181	149
Asset renewal funding ratio %	90-100%	59.90%	133.69%	175.14%	224.83%

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

Council elected to reduce it's Capital/Renewal program for 2015/2016, until a comprehensive inventory review of Council's Infrastructure Assets is undertaken. This is expected to be completed during 2016/2017.

(g) Asset sustainability ratio

	Benchmark	2016	2015	2014	2013
Capex on replacement/renewal of existing assets		1,913	4,386	3,424	3,126
Annual depreciation expense		2,500	2,327	2,166	2,156
Asset sustainability ratio %	100%	76.52%	188.48%	158.08%	144.99%

DERWENT VALLEY COUNCIL
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the Year Ended 30 June 2016

39. Management indicators (Continued)

2016	Capital renewal expend.	Capital new/upgrade expend.	Total capital expend.
By asset class	$'000	$'000	$'000
Roads	970	-	970
Bridges	243	-	243
Drainage	115	-	115
Buildings	87	-	87
Other structures	221	16	237
Plant & equipment	277	-	277
	1,913	16	1,929

2015	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	907	116	907
Other structures	876		876
Plant & equipment	440		440
	4,629	116	4,629

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 2016

40. 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 2016.

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 2016

	Note	Level 1	Level 2	Level 3	Total
Recurring fair value measurements		$'000	$'000	$'000	$'000
Investment in TasWater	12	-	-	20,471	20,471
Land	23	-	6,969	-	6,969
Buildings	23	-	-	3,654	3,654
Roads, including footpaths	23	-	-	53,840	53,840
Bridges	23	-	-	6,221	6,221
Drainage	23	-	-	6,548	6,548
Other Infrastructure	23	-	-	3,566	3,566
		-	6,969	94,300	101,269

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 2016

40. 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 22 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 is use under current planning provisions. Sales prices of comparable land sites in close proximity are adjusted for differences in key attributes such as property size.

Buildings
The fair value of buildings were also determined by the Valuer General's Assessments effective 30 June 2013. Valuations are reviewed on a bi-annual basis (next review 1 July 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 2016

40. 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 2016. 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.

Drainage

A full valuation of drainage infrastructure was undertaken by Council's Engineer, effective 30 June 2016. 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) Changes in recurring level 3 fair value measurements

The changes in level 3 assets with recurring fair value measurements are detailed in Note 23 (Property, infrastructure, plant and equipment). There have been no transfers between level 1, 2 or 3 measurements during the year.

(e) 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 Notes 12 and 22 respectively.

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

(f) 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 25 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).

DERWENT VALLEY COUNCIL
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the Year Ended 30 June 2016

41. Material Budget Variations

Council's original budget was adopted by the Council on 25 June 2015. The original projections on which the budget was based have been affected by a number of factors. These include State and Federal Government decisions including new grant programs, changing economic activity, the weather, and by decisions made by the Council. Material variations of more than 10% are explained below:

Revenues

1 **Interest**
The decrease of $33,000 on budget (33.00%) was due to lower investments and lower prevailing interest rates.

2 **Reimbursements**
The decrease of $31,000 on budget (16.40%) was due to non receipt of expected contributions to roadworks. As a result of this, these roadworks did not proceed.

3 **Grants**
The variation for operating was down $468,000 on budget (12.75%) due to the early receipt of Commonwealth funding during 2014-15. The Australian Commonwealth Government provides Financial Assistance Grants to Council for general purpose use and the provision of local roads. Since 2011-12 the Commonwealth has been making 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 effects of the early receipt of instalments during 2014-15, has resulted in Commonwealth Government Financial Assistance Grants being above that originally budgeted by $963,000. This has impacted the Statement of Comprehensive Income resulting in the Surplus being higher by this amount. With fewer instalments received in 2015-16, the reverse effect has occurred, however future payments remain at the Commonwealth's discretion.

Expenses

1 **Employee benefits**
The increase of $392,000 on budget (10.92%) was due to an Enterprise Bargaining Agreement salary increment for all staff, the termination of two long term employees and the engagement of additional employees.

2 **Plant and vehicle running**
The decrease of $214,000 on budget (37.09%) was due to a reduction in plant utilisation undertaken during 2015-16 as a result of less operational/capital projects.

42. Other significant accounting policies and new accounting standards

(a) 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.

(b) 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.

(c) 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.

(d) 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.

42. Other significant accounting policies and new accounting standards (continued)

(e) 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.

(f) Adoption of new and amended accounting standards

(i) AASB 2015-3 *Amendments to Australian Accounting Standards arising from the Withdrawal of* AASB 1031 *Materiality* (effective from 1 July 2015)

The completion of AASB project to remove Australian guidance on materiality from Australian Accounting Standards with the issue of the final amending standard to effect the withdrawal of AASB 1031 *Materiality*. Guidance on materiality is now located in AASB 101 *Presentation of Financial Statements.*

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

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

(g) 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. (Note: standards are applicable to reporting periods beginning on or after to effective date referred to below).

(i) 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.*

42. Other significant accounting policies and new accounting standards (continued)

(ii) 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.

(iii) AASB 2014-9 *Amendments to Australian Accounting Standards - Equity method in Separate Financial Statements* (effective from 1 January 2016)

Under this amendment, the use of the equity method in separate financial statements in accounting for associates, joint ventures and subsidiaries is allowed.

(iv) AASB 2015-1 *Amendments to Australian Accounting Standards - Annual Improvements to Australian Accounting Standards 2012-2014 Cycle* (effective from 1 January 2016)

Amendments to existing accounting standards, particularly in relation to:
IFRS 5 - guidance on changes in method of disposal;
IFRS 7 - clarifies 'continuing involvement for service contracts and also clarifies offsetting disclosures are not specifically required in interim financial statements, but may be included under general requirements of IAS 34;
IAS 19 - clarifies that discount rates used should be in the same currency as the benefits are to be paid; and
IAS 34 - clarifies that disclosures may be incorporated in the interim financial statements by cross-reference to another part of the interim financial report.

(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.

AASB 2015-7 *Amendments to Australian Accounting Standards - Fair Value Disclosures of Not-for-Profit Public Sector Entities* (effective from 1 July 2016)

The amendment provides relief to not-for-profit public sector entities from certain disclosures about the fair value measurement of property, plant and equipment held for their current service potential rather than to generate net cash inflows that is categorised within Level 3 of the fair value hierarchy.

AASB 1057 *Application of Australian Accounting Standards,* AASB 2015-9 *Amendments to Australian Accounting Standards - Scope and Application Paragraphs* (effective from 1 January 2016)

The AASB has reissued most of its Standards (and Interpretations) that incorporate IFRSs to make editorial changes. The editorial changes will enable the AASB to issue Australian versions of IFRS more efficiently. As part of the reissuance, the AASB has moved the application paragraphs that identify the reporting entities and general purpose financial statements to which the pronouncements apply to a new Standard, AASB 1057 *Application of Australian Accounting Standards.* However, the technical application requirements have not been amended.

42. Other significant accounting policies and new accounting standards (continued)

(viii) 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 .

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.

(ix) AASB 15 *Revenue from Contracts with Customers, and* AASB 2014-5 *Amendments to Australian Accounting Standards arising from AASB 15* (effective from 1 January 2018)

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.

42. Other significant accounting policies and new accounting standards (continued)

(x) AASB 2014-10 *Amendments to Australian Accounting Standards - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture,* AASB 2015-9 *Amendments to Australian Accounting Standards - Effective Date of Amendments to AASB10 and AASB 128* (effective 1 January 2018)

AASB 2014-10 amendments require the full gain or loss to be recognised when the assets transferred meet the definition of a 'business' under AASB 3 *Business Combinations* (whether housed in a subsidiary or not).

AASB 2015-10: the IASB postponed the effective date of this amendment indefinitely pending the outcome of its research project on the equity method of accounting. Deferring the effective date indefinitely in the Australian jurisdiction may have unintended legal consequences given AASBs are legislative instruments. Accordingly, the AASB has deferred the effective date of the amendments to 1 January 2018.

(xi) AASB 16 *Leases* (effective from 1 January 2019)

AASB 16 introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligations to make lease payments.

(xii) *Disclosure Initiative - Amendments to AASB 107* (effective from 1 January 2017)

Amendments to AASB 107 will see the introduction of additional disclosures to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as effects of changes in foreign exchange rates and changes in fair values).

DERWENT VALLEY COUNCIL
CERTIFICATION OF THE FINANCIAL REPORT
For the Year Ended 30 June, 2016

The financial report presents fairly the financial position of the Derwent Valley Council as at 30 June 2016, 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: **15 August 2016**