

Mansfield Shire Council

ANNUAL FINANCIAL REPORT 2020

Mansfield Shire Council

Annual Financial Report for the year ended 30 June 2020

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Overview

- (i) These financial statements are General Purpose Financial Statements for Mansfield Shire Council.
 - (ii) All figures presented in these financial statements are presented in Australian Currency.
 - (ii) These financial statements were authorised for issue by the Council on 15/09/20.
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Mansfield Shire Council

Annual Financial Report for the year ended 30 June 2020

Certification of the Financial Statements

In my opinion, the accompanying financial statements have been prepared in accordance with the *Local Government Act 1989*, the *Local Government (Planning and Reporting) Regulations 2014*, the Australian Accounting Standards and other mandatory professional reporting requirements.

Mandy Kynnersley

Principal Accounting Officer

Date : 15/09/2020

33 Highett Street, Mansfield Vic 3722

In our opinion the accompanying financial statements present fairly the financial transactions of Mansfield Shire Council for the year ended 30 June 2020 and the financial position of the Council as at that date.

As at the date of signing, we are not aware of any circumstances which would render any particulars in the financial statements to be misleading or inaccurate.

We have been authorised by the Council and by the *Local Government (Planning and Reporting) Regulations 2014* to certify the financial statements in their final form.

Cr Marg Attley

Councillor

Date : 15/09/2020

33 Highett Street, Mansfield Vic 3722

Cr Peter Olver

Councillor

Date : 15/09/2020

33 Highett Street, Mansfield Vic 3722

Kaylene Conrick

Chief Executive Officer

Date : 15/09/2020

33 Highett Street, Mansfield Vic 3722

Mansfield Shire Council

Annual Financial Report
for the year ended 30 June 2020

Victorian Auditor-General's Office Report

Insert VAGO Report here

Mansfield Shire Council

Annual Financial Report
for the year ended 30 June 2020

Victorian Auditor-General's Office Report

Insert VAGO Report here

Mansfield Shire Council

Comprehensive Income Statement

for the year ended 30 June 2020

\$ '000	Notes	2020	2019
Income			
Rates and charges	3.1	14,269	13,749
Statutory fees and fines	3.2	349	337
User fees	3.3	1,108	883
Grants - operating	3.4	5,127	4,887
Grants - capital	3.4	1,470	974
Contributions - monetary	3.5	195	85
Contributions - non monetary	3.5	2,144	2,403
Net gain on disposal of property, infrastructure, plant and equipment	3.6	-	360
Other income	3.7	344	561
Total income		25,006	24,239
Expenses			
Employee costs	4.1	9,205	8,343
Materials and services	4.2	7,832	6,909
Depreciation	4.3	3,812	3,336
Bad and doubtful debts	4.4	-	(4)
Borrowing costs	4.5	122	132
Net loss on disposal of property, infrastructure, plant and equipment	3.6	121	-
Other expenses	4.6	296	312
Total expenses		21,388	19,028
Surplus/(deficit) for the year		3,618	5,211
Other comprehensive income:			
Items that will not be reclassified to surplus or deficit in future periods			
Net asset revaluation increment/(decrement)	9.1	8,152	44,407
Total other comprehensive income for the year		8,152	44,407
Total comprehensive result		11,770	49,618

Mansfield Shire Council

Balance Sheet

as at 30 June 2020

\$ '000	Notes	2020	2019
ASSETS			
Current assets			
Cash and cash equivalents	5.1 (a)	5,099	3,198
Trade and other receivables	5.1 (c)	1,585	1,402
Other financial assets	5.1 (b)	9,299	9,284
Inventories	5.2 (a)	9	14
Other assets	5.2 (b)	1,870	227
Total current assets		17,862	14,125
Non-current assets			
Trade and other receivables	5.1 (c)	51	25
Property, infrastructure, plant and equipment	6.1	192,892	183,366
Total non-current assets		192,943	183,391
TOTAL ASSETS		210,805	197,516
LIABILITIES			
Current liabilities			
Trade and other payables	5.3 (a)	2,736	1,003
Trust funds and deposits	5.3 (b)	1,084	950
Provisions	5.5	1,881	1,903
Interest-bearing liabilities	5.4	183	199
Total current liabilities		5,884	4,055
Non-current liabilities			
Provisions	5.5	466	352
Interest-bearing liabilities	5.4	1,930	2,113
Total non-current liabilities		2,396	2,465
TOTAL LIABILITIES		8,280	6,520
Net assets		202,525	190,996
EQUITY			
Accumulated Surplus		70,322	66,495
Reserves	9.1	132,203	124,501
Total equity		202,525	190,996

Mansfield Shire Council

Statement of Changes in Equity
for the year ended 30 June 2020

\$ '000	Notes	Total	Accumulated Surplus	Revaluation Reserve	Other Reserves
2020					
Balance at beginning of the financial year		190,996	66,495	124,096	405
Impact of change in accounting policy - AASB 1058 Income of Not-for-Profit Entities	10	(240)	(240)	-	-
Adjusted Opening balance		190,756	66,255	124,096	405
Surplus/(deficit) for the year		3,618	3,618	-	-
Other comprehensive income					
- Net asset revaluation increment/(decrement)	6.1	8,151	-	8,151	-
Other comprehensive income		8,151	-	8,151	-
Total comprehensive income		11,769	3,618	8,151	-
Transfers to other reserves	9.1	-	142	-	(142)
Transfers from other reserves	9.1	-	307	-	(307)
Balance at end of the financial year		202,525	70,322	132,247	(44)
2019					
Balance at beginning of the financial year		141,378	61,252	79,689	437
Surplus/(deficit) for the year		5,211	5,211	-	-
Other comprehensive income					
- Net asset revaluation increment/(decrement)	9.1	44,407	-	44,407	-
Other comprehensive Income		44,407	-	44,407	-
Total comprehensive income		49,618	5,211	44,407	-
Transfers to/ from other reserves	9.1	-	32	-	(32)
Balance at end of the financial year		190,996	66,495	124,096	405

Mansfield Shire Council

Statement of Cash Flows

for the year ended 30 June 2020

\$ '000	Notes	2020 Inflows/ (Outflows)	2019 Inflows/ (Outflows)
Cash flows from operating activities			
Rates and charges		13,912	13,783
Statutory fees and fines		349	337
User fees		1,240	663
Grants - operating		5,157	4,914
Grants - capital		1,470	974
Contributions - monetary		201	86
Interest received		198	250
Trust funds and deposits taken		134	-
Other receipts		294	281
Net GST refund/payment		1,053	908
Employee costs		(9,016)	(8,347)
Materials and services		(8,818)	(7,842)
Short-term, low value and variable lease payments		(8)	-
Trust funds and deposits repaid		-	(40)
Other payments		(771)	(384)
Net cash provided by/(used in) operating activities	9.2	5,395	5,583
Cash flows from investing activities			
Payments for property, infrastructure, plant and equipment	6.1	(3,235)	(3,514)
Proceeds from sale of property, infrastructure, plant and equipment		77	563
Payments for investments		(15)	(1,027)
Net cash provided by/(used in) investing activities		(3,173)	(3,978)
Cash flows from financing activities			
Finance costs		(122)	(135)
Repayment of borrowings		(199)	(262)
Net cash provided by/(used in) financing activities		(321)	(397)
Net increase (decrease) in cash and cash equivalents		1,901	1,208
Cash and cash equivalents at the beginning of the financial year		3,198	1,990
Cash and cash equivalents at the end of the financial year		5,099	3,198
Financing arrangements	5.6	2,513	2,687
Restrictions on cash assets	5.1	1,084	950

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

Mansfield Shire Council

Statement of Capital Works

for the year ended 30 June 2020

\$ '000	Notes	2020	2019
Property			
Land		3	-
Buildings		494	429
Total property		497	429
Plant and equipment			
Plant, machinery and equipment		445	389
Fixtures, fittings and furniture		24	5
Computers and telecommunications		57	70
Library books		47	55
Total plant and equipment		573	519
Infrastructure			
Roads		1,830	2,072
Bridges		-	255
Footpaths and cycleways		161	176
Recreational, leisure and community facilities		187	60
Total infrastructure		2,178	2,563
Total capital works expenditure		3,248	3,511
Represented by:			
New asset expenditure		843	603
Asset renewal expenditure		933	2,094
Asset upgrade expenditure		1,472	814
Total capital works expenditure		3,248	3,511

Mansfield Shire Council

Notes to the Financial Report

for the year ended 30 June 2020

Overview

Introduction

The Mansfield Shire Council was established by an Order of the Governor in Council on 28 October 2002 and is a body corporate.

The Council's main office is located at 33 Highett Street, Mansfield.

Statement of compliance

These financial statements are a general purpose financial report that consists of a Comprehensive Income Statement, Balance Sheet, Statement of Changes in Equity, Statement of Cash Flows, Statement of Capital Works and Notes accompanying these financial statements. The general purpose financial report complies with Australian Accounting Standards (AAS), other authoritative pronouncements of the Australian Accounting Standards Board, the *Local Government Act 1989*, and the *Local Government (Planning and Reporting) Regulations 2014*.

Significant accounting policies

(a) Basis of accounting

The accrual basis of accounting has been used in the preparation of these financial statements, whereby assets, liabilities, equity, income and expenses are recognised in the reporting period to which they relate, regardless of when cash is received or paid.

Judgements, estimates and assumptions are required to be made about the carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated judgements are based on professional judgement derived from historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

Revisions to accounting estimates are recognised in the period in which the estimate is revised and also in future periods that are affected by the revision. Judgements and assumptions made by management in the application of AAS's that have significant effects on the financial statements and estimates relate to:

- (i) the fair value of land, buildings, infrastructure, plant and equipment (refer to Note 6.1.)
- (ii) the determination of depreciation for buildings, infrastructure, plant and equipment (refer to Note 6.1.)
- (iii) the determination of employee provisions (refer to Note 5.5.)
- (iv) the determination of landfill provisions (refer to Note 5.5.)
- (v) the determination of whether performance obligations are sufficiently specific so as to determine whether an arrangement is within the scope of *AASB 15 Revenue from Contracts with Customers* or *AASB 1058 Income of Not-for-Profit Entities* (refer to Note 3)
- (vi) the determination, in accordance with *AASB 16 Leases*, of the lease term, the estimation of the discount rate when not implicit in the lease and whether an arrangement is in substance short-term or low value (refer to Note 5.8)
- (vii) other areas requiring judgements

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 (except where transitional requirements of *AASB 15 Revenue from Contracts with Customers*, *AASB 16 Leases* and *AASB 1058 Income of Not-for-Profit Entities* do not require restatement of comparatives under the modified retrospective approach adopted by the Council), and disclosure has been made of any material changes to comparatives.

Mansfield Shire Council

Notes to the Financial Report

for the year ended 30 June 2020

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Mansfield Shire Council

Notes to the Financial Report for the year ended 30 June 2020

Note 1. Performance against budget

The performance against budget notes compare Council's financial plan, expressed through its annual budget, with actual performance. The *Local Government (Planning and Reporting) Regulations 2014* requires explanation of any material variances. Council has adopted a materiality threshold of 10% percent and \$200,000 where further explanation is warranted. Explanations have not been provided for variations below the materiality threshold unless the variance is considered to be material because of its nature.

These notes are prepared to meet the requirements of the Local Government Act 1989 and the Local Government (Planning and Reporting) Regulations 2014.

\$ '000	Budget 2020	Actual 2020	Variance 2020	Variance 2020 %	Ref
1.1. Income and expenditure					
Income					
Rates and charges	14,200	14,269	69	0.49%	
Statutory fees and fines	308	349	41	13.31%	
User fees	750	1,108	358	47.73%	1
Grants - operating	4,806	5,127	321	6.68%	
Grants - capital	5,582	1,470	(4,112)	-73.67%	2
Contributions - monetary	5	195	190	3800.00%	3
Contributions - non monetary	-	2,144	2,144	0.00%	4
Other income	410	344	(66)	-16.10%	5
Total income	26,061	25,006	(1,055)	-4.05%	
Expenses					
Employee costs	9,147	9,205	58	0.63%	
Materials and services	6,961	7,832	871	12.51%	6
Depreciation	3,379	3,812	433	12.81%	7
Borrowing costs	119	122	3	2.52%	
Net loss on disposal of property, infrastructure, plant and equipment	-	121	121	0.00%	8
Other expenses	275	296	21	7.64%	
Total expenses	19,881	21,388	1,507	7.58%	
Surplus/(deficit) for the year	6,180	3,618	(2,562)	-41.46%	

Mansfield Shire Council

Notes to the Financial Report for the year ended 30 June 2020

Note 1. Performance against budget (continued)

\$ '000

1.1. Income and expenditure (continued)

(i) Explanation of material variations

Variance Ref	Explanation
1.	User Fees - \$219k gate fees received from the Resource Recovery Centre which was budgeted to be outsourced. \$62k pool user fees were budgeted in Other Income. Home Care user fees exceeded budget by \$72k, which is offset by additional expenditure.
2.	Grants - Capital - \$1.2m grant was budgeted for the Heavy Vehicle Bypass which was put on hold pending further investigations. Dual Court stadium grant income \$2.98k under budget due to timing of project.
3.	Contributions - monetary - \$71k relates to income from special charge schemes which were budgeted in prior year. \$59k received from GV Water in relation to upgrade works on Withers Lane. Subdivider contributions of \$59k were not budgeted.
4.	Contributions - non monetary - Gifted Assets resulting from subdivisions was not budgeted.
5.	Other income - Pool admission fees of \$62k were budgeted here, but costed to User fees.
6.	Materials and services - The Resource Recovery Centre was budgeted to be outsourced, but Council are now running this. This incurred \$344k of Materials & Services cost which were not budgeted. \$108k was spent on Communications Consultant which was budgeted in salaries. Environmental Health maternity leave position was backfilled with a consultant totalling \$88k. Landfill rehabilitation provision was increased by \$97k. Other increased materials and services costs include legal costs & pool running costs being over budget.
7.	Depreciation - Assets are now being componentised which has resulted in an increase in depreciation.
8.	Net loss on disposal of property, infrastructure, plant and equipment - Loss on disposal of roads due to upgrade work completed has not been budgeted in the past. It is now recognised due to componentisation of assets allowing this to be better captured.

Mansfield Shire Council

Notes to the Financial Report
for the year ended 30 June 2020

Note 1. Performance against budget (continued)

\$ '000	Budget 2020	Actual 2020	Variance 2020	Variance %	Ref
1.2. Capital works					
Property					
Land	-	3	3	0.00%	
Total land	-	3	3	0.00%	
Buildings	1,041	494	(547)	-52.55%	1
Total buildings	1,041	494	(547)	-52.55%	
Total property	1,041	497	(544)	-52.26%	
Plant and equipment					
Plant, machinery and equipment	616	445	(171)	-27.76%	2
Fixtures, fittings and furniture	15	24	9	60.00%	
Computers and telecommunications	70	57	(13)	-18.57%	
Library books	-	47	47	0.00%	
Total plant and equipment	701	573	(128)	-18.26%	
Infrastructure					
Roads	4,020	1,830	(2,190)	-54.48%	3
Footpaths and cycleways	245	161	(84)	-34.29%	4
Drainage	130	-	(130)	-100.00%	5
Recreational, leisure and community facilities	6,427	187	(6,240)	-97.09%	6
Off street car parks	800	-	(800)	-100.00%	7
Other infrastructure	58	-	(58)	-100.00%	8
Total infrastructure	11,680	2,178	(9,502)	-81.35%	
Total capital works expenditure	13,422	3,248	(10,174)	-75.80%	
Represented by:					
New asset expenditure	7,695	843	(6,852)	-89.04%	
Asset renewal expenditure	3,180	933	(2,247)	-70.66%	
Asset upgrade expenditure	2,547	1,472	(1,075)	-42.21%	
Total capital works expenditure	13,422	3,248	(10,174)	-75.80%	

Mansfield Shire Council

Notes to the Financial Report for the year ended 30 June 2020

Note 1. Performance against budget (continued)

\$ '000

1.2. Capital works (continued)

(i) Explanation of material variations

Variance Ref	Explanation
1.	Buildings - Lords Pavilion is only in design stages and therefore was underbudget by \$569k.
2.	Plant, machinery and equipment - A water truck was ordered during June 2020, but not delivered until July 2020. Council are no longer contracting out the operations of the Resource Recovery Centre, and therefore were required to purchase an excavator which was not budgeted (\$62k).
3.	Roads - \$2.5m was budgeted for the Heavy Vehicle Bypass, however this project was put on hold pending further research. \$1.1m was spent on Withers Lane sealing (\$807k of this was funded by a carry forward budget from prior year). Various road projects did not proceed including Reseal Preparation Program \$600k, Malcolm Street Reconstruction \$100k, Alpine Ridge Reconstruction \$100k, & Kerb and Channel Reconstruction program \$80k.
4.	Footpaths and cycleways - Mt Buller Road footpath was commenced but not yet completed in the 2019-20 year.
5.	Drainage - Wetland Rejuvenation program was not completed due to available staffing resources (\$120k).
6.	Recreational, leisure and community facilities - Dual Court Stadium was budgeted for \$5.8m, however \$3.4m of funding was secured, and therefore the Council contribution was reduced. Project is currently underway, with 50% paid. This project is a joint arrangement with the Department of Education, and will result in a lease rather than an capital asset to Council. The \$1.6m is currently in prepayments as the project is not yet complete. The Botanic Park Playground project is only in design stages and therefore is under budget \$459k.
7.	Off street car parks - \$800k was budgeted for the car park at the Dual Court Stadium. This part of the project has not yet commenced.
8.	Other infrastructure - Perimeter fencing for the Additional Playing Field was budgeted here, but costed to Recreational, Leisure and Community Facilities (\$40k). Fall protection barriers at the Resource Recovery Centre were budgeted here, but costed to Buildings.

Mansfield Shire Council

Notes to the Financial Report for the year ended 30 June 2020

Note 2(a). Analysis of Council results by program

Council delivers its functions and activities through the following programs.

Community services

Community Services functions include Community Development, Aged and Disability Services, Family Support, Family Services and Partnerships, Youth Development, Sport and Recreation, Economic Development and Tourism and Events.

Corporate and organisational development

Corporate and Organisational Development functions include Customer Service, Records, Human Resources, Information Technology and Occupational Health and Safety.

Development services

Development Services functions include, Statutory Planning, Strategic Planning, Environmental Health, Local Laws, Environment and Waste Management.

Engineering and works

Engineering and Works functions include Engineering Services, Building Maintenance, Road Network Maintenance, Parks and Gardens and School Crossing Supervision.

Executive services

Executive Services includes the Chief Executive Officer and executive management.

Finance

Finance functions include Accounting, Payroll, Accounts Payable, Revenue Services, Property Rating, Depreciation Costs, Corporate Governance, Risk Management, and Councillors.

Mansfield Shire Council

Notes to the Financial Report
for the year ended 30 June 2020Note 2(b). Summary of revenues, expenses, assets and capital expenses
by program

2020	Income, expenses and assets have been directly attributed to the following functions/activities. Details of these functions/activities are provided in Note 2(a).				
	Income	Expenses	Surplus/ (Deficit)	Grants included in income	Total assets
	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000
Community services	2,012	3,766	(1,754)	1,499	–
Corporate and organisational development	20	1,525	(1,505)	–	81
Development services	3,130	4,611	(1,481)	106	16
Engineering and works	4,901	4,221	680	2,420	192,795
Executive services	–	675	(675)	–	–
Finance	14,943	6,590	8,353	2,572	17,913
Total functions and activities	25,006	21,388	3,618	6,597	210,805

2019	Income, expenses and assets have been directly attributed to the following functions/activities. Details of these functions/activities are provided in Note 2(a).				
	Income	Expenses	Surplus/ (Deficit)	Grants included in income	Total assets
	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000
Community services	2,453	3,456	(1,003)	1,517	–
Corporate and organisational development	110	1,905	(1,795)	59	–
Development services	3,989	3,574	415	50	–
Engineering and works	4,591	3,922	669	2,005	183,366
Executive services	–	754	(754)	–	–
Finance	12,960	5,096	7,864	2,098	14,150
Governance and strategy	136	321	(185)	132	–
Total functions and activities	24,239	19,028	5,211	5,861	197,516

Mansfield Shire Council

Notes to the Financial Report for the year ended 30 June 2020

Note 3. Funding for the delivery of our services

\$ '000	2020	2019
3.1. Rates and charges		
<p>Council uses capital improved value as the basis of valuation of all properties within the municipal district. The capital improved value of a property is its land plus all improvements on that land.</p> <p>The valuation base used to calculate general rates for 2019/20 was \$3,738 million (2018/19: \$3,503 million).</p>		
General rates	9,578	8,223
Municipal charge	2,407	2,074
Waste management charge	306	163
Service rates and charges	1,821	3,059
Supplementary rates and rate adjustments	107	176
Interest on rates and charges	50	54
Total rates and charges	14,269	13,749

The date of the latest general revaluation of land for rating purposes within the municipal district was 1 January 2020, and the valuation will be first applied in the rating year commencing 1 July 2020.

Annual rates and charges are recognised as revenues when Council issues annual rates notices. Supplementary rates are recognised when a valuation and reassessment is completed and a supplementary rates notice issued.

3.2. Statutory fees and fines

Infringements and costs	29	14
Land information certificates	22	40
Permits	298	283
Total statutory fees and fines	349	337

Statutory fees and fines (including parking fees and fines) are recognised as revenue when the service has been provided, the payment is received, or when the penalty has been applied, whichever first occurs.

Mansfield Shire Council

Notes to the Financial Report for the year ended 30 June 2020

Note 3. Funding for the delivery of our services (continued)

\$ '000	Notes	2020	2019
3.3. User fees			
Aged and health services		315	286
Leisure centre and recreation		93	108
Registration and other permits		190	142
Building services		13	5
Waste management services		319	100
Local laws		95	116
Other fees and charges		83	126
Total user fees		1,108	883
User fees recognised at a point in time		1,108	883
<p>User fees are recognised as revenue at a point in time, or over time, when (or as) the performance obligation is satisfied. Recognition is based on the underlying contractual terms.</p>			
3.4. Funding from other levels of government			
Grants were received in respect of the following:			
Summary of grants			
Commonwealth funded grants		5,242	3,844
State funded grants		1,355	2,017
Total grants received		6,597	5,861
(a) Operating Grants			
Recurrent - Commonwealth Government			
Financial Assistance Grants		3,512	2,846
General home care		332	348
Adult day care		124	123
Recurrent - State Government			
School crossing supervisors		31	30
Library		128	125
Maternal and child health		229	202
Adult day care		7	7
General home care		108	108
Family and children		286	312
Community support		40	50
Environmental health		14	16
Property and valuations		1	96
Other		8	7
Total recurrent operating grants		4,820	4,270

Mansfield Shire Council

Notes to the Financial Report
for the year ended 30 June 2020

Note 3. Funding for the delivery of our services (continued)

\$ '000	Notes	2020	2019
3.4. Funding from other levels of government (continued)			
<i>Non-recurrent - Commonwealth Government</i>			
General home care		9	8
<i>Non-recurrent - State Government</i>			
Family and children		84	54
Community support		54	82
Waste - recycling temporary relief fund		-	13
Emergency management		95	129
Environment		24	22
Property and valuations		-	80
Tourism		2	22
Sport and recreation		-	18
Strategic planning		37	130
Other		2	59
Total non-recurrent operating grants		307	617
Total operating grants		5,127	4,887
(b) Capital Grants			
<i>Recurrent - Commonwealth Government</i>			
Roads to recovery		592	501
Total recurrent capital grants		592	501
<i>Non-recurrent - Commonwealth Government</i>			
Recreation		673	18
<i>Non-recurrent - State Government</i>			
Roads, footpaths and bridges		137	407
Waste		68	29
Recreation		-	19
Total non-recurrent capital grants		878	473
Total capital grants		1,470	974

Mansfield Shire Council

Notes to the Financial Report
for the year ended 30 June 2020

Note 3. Funding for the delivery of our services (continued)

\$ '000	Notes	2020	2019
3.4. Funding from other levels of government (continued)			
(c) Unspent grants received on condition that they be spent in a specific manner:			
Operating			
Balance at start of year		350	358
Received during the financial year and remained unspent at balance date		1,130	282
Received in prior years and spent during the financial year		(238)	(290)
Balance at year end		1,242	350
Capital			
Balance at start of year		712	480
Received during the financial year and remained unspent at balance date		422	240
Received in prior years and spent during the financial year		(473)	(8)
Balance at year end		661	712
Operating grant income with sufficiently specific performance obligations is recognised over time, in accordance with AASB 15, as the performance obligations specified in the underlying agreement are met. Where performance obligations are not sufficiently specific operating grant revenue is recognised, in accordance with AASB 1058, on the earlier of receipt or when an unconditional right to receipt has been established.			
Capital grants are recognised over time, in accordance with AASB 1058, when the obligations of the underlying agreement are met. This is normally in line with the stage of completion of the underlying non-financial assets being constructed.			
3.5. Contributions			
Monetary		195	85
Total monetary contributions		195	85
Non-monetary		2,144	2,403
Total non-monetary contributions		2,144	2,403
Total contributions		2,339	2,488
<i>Contributions of non monetary assets were received in relation to the following asset classes:</i>			
Land under roads		7	3
Roads		922	1,232
Footpaths and cycleways		330	318
Drainage		885	850
Total non-monetary contributions		2,144	2,403

Monetary and non monetary contributions are recognised as revenue when Council obtains control over the contributed asset.

Mansfield Shire Council

Notes to the Financial Report for the year ended 30 June 2020

Note 3. Funding for the delivery of our services (continued)

\$ '000	Notes	2020	2019
3.6. Net gain/(loss) on disposal of property, infrastructure, plant and equipment			
Property, infrastructure, plant and equipment			
Proceeds of sale		77	563
Written down value of assets disposed		(198)	(203)
Total net gain/(loss) on disposal of property, infrastructure, plant and equipment		(121)	360

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

3.7. Other income

Interest		198	271
Other rent		51	92
Other		95	198
Total other income		344	561

Interest is recognised as it is earned.

Other income is measured at the fair value of the consideration received or receivable and is recognised when Council gains control over the right to receive the income.

Note 4. The cost of delivering services

4.1. (a). Employee costs

Wages and salaries		7,463	6,730
WorkCover		106	101
Annual leave and long service leave		860	813
Superannuation		741	665
Fringe benefits tax		24	8
Other		11	26
Total employee costs		9,205	8,343

Mansfield Shire Council

Notes to the Financial Report for the year ended 30 June 2020

Note 4. The cost of delivering services (continued)

\$ '000	Notes	2020	2019
4.1. (b). Superannuation			
Council made contributions to the following funds:			
Defined benefit fund			
Employer contributions to Local Authorities Superannuation Fund (Vision Super)		17	17
		17	17
Employer contributions payable at reporting date.		-	-
Accumulation funds			
Employer contributions to Local Authorities Superannuation Fund (Vision Super)		274	272
Employer contributions - other funds		450	324
		724	596
Employer contributions payable at reporting date.		-	52
		741	613
Total superannuation costs			

Refer to Note 9.3. for further information relating to Council's superannuation obligations.

Mansfield Shire Council

Notes to the Financial Report for the year ended 30 June 2020

Note 4. The cost of delivering services (continued)

\$ '000	Notes	2020	2019
4.2. Materials and services			
Utilities		413	379
Information technology software and hardware costs		307	446
Insurance		276	237
Consultants		738	519
Expenses from leases of low value assets		8	-
Store issues		96	74
Repairs, maintenance and security		141	257
Advertising and promotion		59	60
Legal expenses		140	127
Memberships and subscriptions		61	52
Printing, copying, stationery and postage		88	97
Staff training and professional development		191	139
Waste disposal and contract costs		2,468	2,060
Community contributions		143	264
Fuel		101	108
Cleaning expenses		176	154
Levies		33	29
Contract payments			
Asset management		177	242
Building services		90	88
Aged services		92	89
Pool operations		121	115
Other		86	96
Other materials and services			
Community services		292	309
Development services		307	116
Tourism and events		178	111
Engineering and works		856	579
Administration and governance		194	162
Total materials and services		7,832	6,909

Mansfield Shire Council

Notes to the Financial Report
for the year ended 30 June 2020

Note 4. The cost of delivering services (continued)

\$ '000	Notes	2020	2019
4.3. Depreciation			
Buildings - specialised		357	322
Buildings - non specialised		-	32
Total depreciation - property		357	354
Plant and equipment			
Plant and equipment		420	386
Fixtures fittings and furniture		27	28
Computers and telecomms		100	116
Library books		42	39
Total depreciation - plant and equipment		589	569
Infrastructure			
Roads		1,982	1,615
Bridges		216	214
Footpaths and cycleways		175	115
Drainage		196	182
Recreational, leisure and community		240	229
Off street car parks		57	58
Total depreciation - infrastructure		2,866	2,413
Total depreciation		3,812	3,336

Refer to note 6.1 for a more detailed breakdown of depreciation charges.

4.4. Bad and doubtful debts

Other debtors		-	(4)
Total bad and doubtful debts		-	(4)
Movement in provisions for doubtful debts			
Balance at the beginning of the year		-	4
Amounts provided for but recovered during the year		-	(4)
Balance at end of year		-	-

Provision for doubtful debt is recognised based on an expected credit loss model.

This model considers both historic and forward looking information in determining the level of impairment.

Mansfield Shire Council

Notes to the Financial Report for the year ended 30 June 2020

Note 4. The cost of delivering services (continued)

\$ '000	Notes	2020	2019
4.5 Borrowing costs			
Interest - Borrowings		122	132
Total borrowing costs		122	132

Borrowing costs are recognised as an expense in the period in which they are incurred, except where they are capitalised as part of a qualifying asset constructed by Council.

4.6. Other expenses

Auditors' remuneration - VAGO - audit of the financial statements, performance statement and grant acquittals		44	44
Auditors' remuneration - Internal		37	41
Councillors' allowances		160	157
Revaluation expense		6	-
Operating lease rentals		-	26
Other		49	44
Total other expenses		296	312

Note 5. Our financial position

5.1. Financial assets

(a) Cash and cash equivalents

Cash on hand		1	1
Cash at bank		5,098	3,197
Total current cash and cash equivalents		5,099	3,198

(b) Other financial assets

Term deposits		9,299	9,284
Total current other financial assets		9,299	9,284
Total financial assets		14,398	12,482

Mansfield Shire Council

Notes to the Financial Report for the year ended 30 June 2020

Note 5. Our financial position (continued)

\$ '000	Notes	2020	2019
5.1. Financial assets (continued)			
External restrictions			
Councils cash and cash equivalents are subject to external restrictions that limit amounts available for discretionary use. These include:			
Trust funds and deposits	5.3	1,084	950
Total restricted funds		1,084	950
Total unrestricted cash and cash equivalents		4,015	2,248
Intended allocations			
Although not externally restricted the following amounts have been allocated for specific future purposes by Council:			
Cash held to fund carried forward capital works		712	760
Unexpended grants		1,903	1,062
Reserve funds		285	403
Total funds subject to intended allocations		2,900	2,225

Cash and cash equivalents include cash on hand, deposits at call, and other highly liquid investments with original maturities of 90 days or less, net of outstanding bank overdrafts.

Other financial assets are valued at fair value, at balance date. Term deposits are measured at original cost. Any unrealised gains and losses on holdings at balance date are recognised as either a revenue or expense.

Mansfield Shire Council

Notes to the Financial Report
for the year ended 30 June 2020

Note 5. Our financial position (continued)

\$ '000	Notes	2020	2019
5.1. Financial assets (continued)			
(c) Trade and other receivables			
Current			
<i>Statutory receivables</i>			
Rates debtors		1,065	708
Net GST receivables		327	168
<i>Non-statutory receivables</i>			
Other debtors		193	526
Total current trade and other receivables		1,585	1,402
Non-current			
<i>Statutory receivables</i>			
Special rate scheme		51	25
Total non-current trade and other receivables		51	25
Total trade and other receivables		1,636	1,427

Short term receivables are carried at invoice amount. A provision for doubtful debts is recognised when there is objective evidence that an impairment has occurred. Long term receivables are carried at amortised cost using the effective interest rate method.

Rates debtors have increased from prior year due to a temporary payment arrangement program implemented on 16 March 2020, aimed at supporting ratepayers financially impacted by the North East bushfires and COVID-19 pandemic. The program allows for payment arrangements or payment deferral, and a hold on debt recovery proceedings and interest charges until 31 December 2020. Rates remain recoverable as they are a first charge secured over the related property, in accordance with the *Local Government Act*.

(d) Ageing of Receivables

The ageing of the Council's trade and other receivables (excluding statutory receivables) that are not impaired was:

Current (not yet due)	142	455
Past due by up to 30 days	21	23
Past due between 31 and 180 days	24	45
Past due between 181 and 365 days	2	2
Past due by more than 1 year	4	1
Total trade and other receivables	193	526

Mansfield Shire Council

Notes to the Financial Report
for the year ended 30 June 2020

Note 5. Our financial position (continued)

\$ '000	Notes	2020	2019
5.2. Non-financial assets			
(a) Inventories			
Inventories held for distribution		9	14
Total current inventories		9	14
<p>Inventories held for distribution are measured at cost, adjusted when applicable for any loss of service potential. All other inventories, including land held for sale, are measured at the lower of cost and net realisable value. Where inventories are acquired for no cost or nominal consideration, they are measured at current replacement cost at the date of acquisition.</p>			
(b) Other assets			
Prepayments		1,834	74
Accrued income - interest		36	59
Accrued income - other		-	94
Total current other assets		1,870	227
5.3. Payables			
(a) Trade and other payables			
Trade payables		953	776
Accrued expenses		265	214
Employee costs		4	4
Accrued loan interest		11	9
Unearned Income		1,503	-
Total current trade and other payables		2,736	1,003

Mansfield Shire Council

Notes to the Financial Report for the year ended 30 June 2020

Note 5. Our financial position (continued)

\$ '000	Notes	2020	2019
5.3. Payables (continued)			
(b) Trust funds and deposits			
Refundable deposits		201	77
Fire services levy		332	317
Retention amounts		233	257
Other refundable deposits		10	-
Cemetery trusts		308	299
Total current trust funds and deposits		1,084	950

Amounts received as deposits and retention amounts controlled by Council are recognised as trust funds until they are returned, transferred in accordance with the purpose of the receipt, or forfeited. Trust funds that are forfeited, resulting in council gaining control of the funds, are to be recognised as revenue at the time of forfeit.

Purpose and nature of items

Refundable deposits - Deposits are taken by council as a form of surety in a number of circumstances, including in relation to building works, tender deposits, contract deposits and the use of civic facilities.

Fire Service Levy - Council is the collection agent for fire services levy on behalf of the State Government. Council remits amounts received on a quarterly basis. Amounts disclosed here will be remitted to the state government in line with that process.

Cemetery Trusts - Council is the trustee for the Mansfield, Bonnie Doon, Jamieson and Merton cemeteries.

Retention Amounts - Council has a contractual right to retain certain amounts until a contractor has met certain requirements or a related warrant or defect period has elapsed. Subject to the satisfactory completion of the contractual obligations, or the elapsing of time, these amounts will be paid to the relevant contractor in line with Council's contractual obligations.

(c) Unearned income

Grants received in advance - operating		873	-
Grants received in advance - capital		630	-
Total grants received		1,503	-

Mansfield Shire Council

Notes to the Financial Report
for the year ended 30 June 2020

Note 5. Our financial position (continued)

\$ '000	Notes	2020	2019
5.4. Interest-bearing liabilities			
Current			
Borrowings - secured		183	199
		183	199
Non-current			
Borrowings - secured		1,930	2,113
		1,930	2,113
Total		2,113	2,312

Borrowings are secured by rate income.

(a) The maturity profile for Council's borrowings is:

Not later than one year	183	199
Later than one year and not later than five years	838	794
Later than five years	1,092	1,319
	2,113	2,312

Borrowings are initially measured at fair value, being the cost of the interest bearing liabilities, net of transaction costs. The measurement basis subsequent to initial recognition depends on whether the Council has categorised its interest-bearing liabilities as either financial liabilities designated at fair value through the profit and loss, or financial liabilities at amortised cost. Any difference between the initial recognised amount and the redemption value is recognised in net result over the period of the borrowing using the effective interest method.

The classification depends on the nature and purpose of the interest bearing liabilities. The Council determines the classification of its interest bearing liabilities at initial recognition.

Mansfield Shire Council

Notes to the Financial Report
for the year ended 30 June 2020

Note 5. Our financial position (continued)

\$ '000	Employee Provisions	Landfill restoration	Total
5.5. Provisions			
2020			
Balance at beginning of the financial year	1,898	357	2,255
Additional provisions	823	91	914
Amounts used	(781)	(78)	(859)
Change in the discounted amount arising because of time and the effect of any change in the discount rate	32	5	37
Balance at the end of the financial year	1,972	375	2,347
2019			
Balance at beginning of the financial year	1,841	486	2,327
Additional provisions	828	(38)	790
Amounts used	(791)	(84)	(875)
Change in the discounted amount arising because of time and the effect of any change in the discount rate	20	(7)	13
Balance at the end of the financial year	1,898	357	2,255
\$ '000			
	Notes	2020	2019
(a) Employee provisions			
Current provisions expected to be wholly settled within 12 months			
Annual leave		667	629
Long service leave		172	77
		839	706
Current provisions expected to be wholly settled after 12 months			
Annual leave		37	24
Long service leave		922	1,050
		959	1,074
Total current employee provisions		1,798	1,780
Non-current			
Long service leave		174	118
Total non-current employee provisions		174	118
Aggregate carrying amount of employee provisions:			
Current		1,798	1,780
Non-current		174	118
Total aggregate carrying amount of employee provisions		1,972	1,898

Mansfield Shire Council

Notes to the Financial Report

for the year ended 30 June 2020

Note 5. Our financial position (continued)

\$ '000

5.5. Provisions (continued)

The calculation of employee costs and benefits includes all relevant on-costs and are calculated as follows at reporting date.

Wages and salaries and annual leave

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulated sick leave expected to be wholly settled within 12 months of the reporting date are recognised in the provision for employee benefits in respect of employee services up to the reporting date, classified as current liabilities and measured at their nominal values.

Liabilities that are not expected to be wholly settled within 12 months of the reporting date are recognised in the provision for employee benefits as current liabilities, measured at the present value of the amounts expected to be paid when the liabilities are settled using the remuneration rate expected to apply at the time of settlement.

Long service leave

Liability for long service leave (LSL) is recognised in the provision for employee benefits. LSL is measured at present value. Unconditional LSL is disclosed as a current liability. Conditional LSL that has been accrued, where an employee is yet to reach a qualifying term of employment, is disclosed as a non-current liability.

Key assumptions:	2020	2019
- discount rate	0.66%	1.24%
- inflation rate	2.00%	2.00%
- settlement rate	14 yrs	15 yrs

\$ '000	Notes	2020	2019
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(b) Landfill restoration

Current

Current	83	123
	83	123

Non-current

Non-current	292	234
	292	234

Council is obligated to restore the Monkey Gully Road Landfill site (which is now closed) to a particular standard. The provision for landfill restoration has been calculated based on the present value of the expected cost of works to be undertaken. The expected cost of works has been estimated based on current understanding of work required to reinstate the site to a suitable standard. Accordingly, the estimation of the provision required is dependent on the accuracy of the forecast timing of the work, work required and related costs. Council currently has no operating landfills.

Key assumptions:	2020	2019
- discount rate	0.77%	0.75%
- inflation rate	2.00%	2.00%
- settlement rate	17 yrs	18 yrs

Mansfield Shire Council

Notes to the Financial Report for the year ended 30 June 2020

Note 5. Our financial position (continued)

\$ '000	Notes	2020	2019
5.6. Financing arrangements			
The Council has the following funding arrangements in place as at 30 June 2020			
Bank overdraft		300	300
Credit card facilities		100	75
Loan facilities		2,113	2,312
Total facilities		2,513	2,687
Used facilities		2,151	2,342
Used facilities		2,151	2,342
Unused facilities		362	345

5.7. Commitments

The Council has entered into the following commitments. Commitments are not recognised in the Balance Sheet. Commitments are disclosed at their nominal value and presented inclusive of the GST payable.

\$ '000	Not later than 1 year	Later than 1 year and not later than 2 years	Later than 2 years and not later than 5 years	Later than 5 years	Total
2020					
Operating					
Recycling	552	563	1,161	-	2,276
Waste collection	900	918	1,892	-	3,710
Cleaning contracts for council buildings	56	8	8	-	72
Waste disposal	438	447	920	-	1,805
Building regulation services	60	-	-	-	60
Asset management bureau service	152	231	166	-	549
Strategies & Reviews	329	-	-	-	329
Total	2,487	2,167	4,147	-	8,801
Capital					
Buildings	35	-	-	-	35
Dual Court Stadium	1,679	-	-	-	1,679
Roads & Footpaths	364	-	-	-	364
Plant	306	-	-	-	306
Total	2,384	-	-	-	2,384

Mansfield Shire Council

Notes to the Financial Report
for the year ended 30 June 2020

Note 5. Our financial position (continued)

\$ '000	Not later than 1 year	Later than 1 year and not later than 2 years	Later than 2 years and not later than 5 years	Later than 5 years	Total
5.7. Commitments (continued)					
2019					
Operating					
Recycling	639	651	2,032	-	3,322
Waste collection	876	892	2,786	-	4,554
Cleaning contracts for council buildings	169	34	-	-	203
Waste disposal	628	640	1,999	-	3,267
Building regulation services	98	59	-	-	157
Asset management bureau service	164	152	396	-	712
Total	2,574	2,428	7,213	-	12,215
Capital					
Buildings	73	-	-	-	73
Roads & Footpaths	325	-	-	-	325
Recreational facilities	100	-	-	-	100
Total	498	-	-	-	498

5.8. Leases

Policy applicable before 1 July 2019

As a lessee, council classifies leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to council.

Operating lease payments, including any contingent rentals, were recognised as an expense in the comprehensive income statement on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern of the benefits derived from the use of the leased asset. The leased asset was not recognised in the balance sheet.

Mansfield Shire Council

Notes to the Financial Report for the year ended 30 June 2020

Note 5. Our financial position (continued)

5.8. Leases (continued)

Policy applicable after 1 July 2019

Council has applied *AASB 16 Leases* using a modified retrospective approach with the cumulative effect of initial application recognised as an adjustment to the opening balance of accumulated surplus at 1 July 2019, with no restatement of comparative information. The council applied the approach consistently to all leases in which it is a lessee.

On transition to *AASB 16 Leases*, Council elected to apply the practical expedient to 'grandfather' the assessment of which transactions are leases. The council has applied this practical expedient to all of its contracts and therefore applied *AASB 16 Leases* only to contracts that were previously identified as leases.

In line with *AASB 16 Leases* Council's assessment has resulted in no transition date impact.

Lease Liabilities

Short-term and low value leases

Council has elected not to recognise right-of-use assets and lease liabilities for short-term leases of machinery that have a lease term of 12 months or less and leases of low-value assets (individual assets worth less than existing capitalisation thresholds for a like asset up to a maximum of AUD\$10,000), including IT equipment. Council recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

	2020 \$ '000
Expenses relating to:	
Leases of low value assets	8

Non-cancellable lease commitments - Short-term and low-value leases

Commitments for minimum lease payments for short-term and low-value leases are payable as follows:

Within one year	8
Later than one year but not later than five years	23
Total lease commitments	31

Mansfield Shire Council

Notes to the Financial Report for the year ended 30 June 2020

Note 5. Our financial position (continued)

5.8. Leases (continued)

i. Leases classified as operating leases under AASB 117 Leases

Council used the following practical expedients when applying AASB 16 Leases to leases previously classified as operating leases under AASB 117 Leases .

- Applied the exemption not to recognise right-of-use assets and liabilities for leases of low value assets (individual assets worth less than \$10,000)

Impact on financial statements

On transition to AASB 16 Leases , no right of use asset or lease liabilities were recognised.

	2019 \$ '000
Operating lease commitment at 30 June 2019 as disclosed in Council's financial statements	5
Operating lease liability recognised as at 30 June 2019	5
- Recognition exemption for: leases of low-value assets	5
Lease liabilities recognised as at 1 July 2019	-

Mansfield Shire Council

Notes to the Financial Report
for the year ended 30 June 2020

Note 6. Assets we manage

6.1. Property, infrastructure, plant and equipment

Summary of property, infrastructure, plant and equipment		At Fair Value 30 June 2019	Additions	Contributions	Revaluation	Depreciation	Disposal	Transfers	Revaluation adjustment recognised in operating result	At Fair Value 30 June 2020
\$ '000										
Property		41,426	497	7	8,145	(357)	(8)	-	-	49,710
Plant and equipment		2,416	573	-	(43)	(589)	(77)	-	(6)	2,274
Infrastructure		139,429	1,828	2,137	49	(2,866)	(113)	82	-	140,546
Work in progress		94	350	-	-	-	-	(82)	-	362
Total		183,365	3,248	2,144	8,151	(3,812)	(198)	-	(6)	192,892

Summary of Work in Progress		Opening WIP	Additions	Write-off	Transfers	Closing WIP
\$ '000						
Infrastructure		94	350	-	(82)	362
Total		94	350	-	(82)	362

Mansfield Shire Council

Notes to the Financial Report
for the year ended 30 June 2020

Note 6. Assets we manage (continued)

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

Property	Note	Land - specialised	Land - non specialised	Land under roads	Total Land	Buildings - specialised	Buildings - non specialised	Total Buildings	Total Property
\$ '000									
At fair value 1 July 2019		12,663	3,393	11,307	27,363	25,833	2,548	28,381	55,744
Accumulated depreciation at 1 July 2019		-	-	-	-	(12,861)	(1,457)	(14,318)	(14,318)
Carrying value - 1 July 2019		12,663	3,393	11,307	27,363	12,972	1,091	14,063	41,426
Movements in fair value									
Additions		-	-	3	3	494	-	494	497
Contributions		-	-	7	7	-	-	-	7
Revaluation		1,198	348	-	1,546	1,244	-	1,244	2,790
Disposal		-	-	(8)	(8)	-	-	-	(8)
Transfers		-	-	-	-	2,548	(2,548)	-	-
Total movements in fair value		1,198	348	2	1,548	4,286	(2,548)	1,738	3,286
Movements in accumulated depreciation									
Depreciation		-	-	-	-	(357)	-	(357)	(357)
Accumulated depreciation of revaluations		-	-	-	-	5,355	-	5,355	5,355
Transfers		-	-	-	-	(1,457)	1,457	-	-
Total movements in accumulated depreciation		-	-	-	-	3,541	1,457	4,998	4,998
At fair value 30 June 2020		13,861	3,741	11,309	28,911	30,119	-	30,119	59,030
Accumulated depreciation at 30 June 2020		-	-	-	-	(9,320)	-	(9,320)	(9,320)
Carrying value - 30 June 2020		13,861	3,741	11,309	28,911	20,799	-	20,799	49,710

Mansfield Shire Council

Notes to the Financial Report
for the year ended 30 June 2020

Note 6. Assets we manage (continued)

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

Plant and Equipment		Plant machinery and equipment	Fixtures fittings and furniture	Computers and telecomms	Library books	Total plant and equipment
\$ '000	Note					
At fair value 1 July 2019		4,243	372	1,115	455	6,185
Accumulated depreciation at 1 July 2019		(2,273)	(296)	(955)	(245)	(3,769)
Carrying value - 1 July 2019		1,970	76	160	210	2,416
Movements in fair value						
Additions		445	24	57	47	573
Revaluation		-	-	-	52	52
Disposal		(156)	(98)	(579)	(139)	(972)
Total movements in fair value		289	(74)	(522)	(40)	(347)
Movements in accumulated depreciation						
Depreciation		(420)	(27)	(100)	(42)	(589)
Accumulated depreciation of revaluations		-	-	-	(95)	(95)
Accumulated depreciation of disposals		79	98	579	139	895
Revaluation adjustment recognised in operating result		-	-	-	(6)	(6)
Total movements in accumulated depreciation		(341)	71	479	(4)	205
At fair value 30 June 2020		4,531	298	593	415	5,837
Accumulated depreciation at 30 June 2020		(2,613)	(225)	(476)	(249)	(3,563)
Carrying value - 30 June 2020		1,918	73	117	166	2,274

Mansfield Shire Council

Notes to the Financial Report
for the year ended 30 June 2020

Note 6. Assets we manage (continued)

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

Infrastructure	Note	Roads	Bridges	Footpaths and cycleways	Drainage	Recreational, leisure and community	Off street car parks	Total Infrastructure (excl. work in progress)	Work In Progress	Total Infrastructure
\$ '000										
At fair value 1 July 2019		122,620	26,198	7,516	19,314	4,777	1,145	181,570	94	181,664
Accumulated depreciation at 1 July 2019		(22,926)	(10,681)	(1,204)	(5,920)	(1,046)	(364)	(42,141)	-	(42,141)
Carrying value - 1 July 2019		99,694	15,517	6,312	13,394	3,731	781	139,429	94	139,523
Movements in fair value										
Additions		1,773	-	15	-	40	-	1,828	350	2,178
Contributions		922	-	330	885	-	-	2,137	-	2,137
Revaluation		-	-	-	-	(301)	(5)	(306)	-	(306)
Disposal		(461)	-	-	-	-	-	(461)	-	(461)
Transfers		82	-	-	-	-	-	82	(82)	-
Total movements in fair value		2,316	-	345	885	(261)	(5)	3,280	268	3,548
Movements in accumulated depreciation										
Depreciation		(1,982)	(216)	(175)	(196)	(240)	(57)	(2,866)	-	(2,866)
Accumulated depreciation of revaluations		-	-	-	-	86	269	355	-	355
Accumulated depreciation of disposals		348	-	-	-	-	-	348	-	348
Total movements in accumulated depreciation		(1,634)	(216)	(175)	(196)	(154)	212	(2,163)	-	(2,163)
At fair value 30 June 2020		124,937	26,198	7,862	20,199	4,516	1,140	184,852	362	185,214
Accumulated depreciation at 30 June 2020		(24,561)	(10,897)	(1,380)	(6,116)	(1,200)	(152)	(44,306)	-	(44,306)
Carrying value - 30 June 2020		100,376	15,301	6,482	14,083	3,316	988	140,546	362	140,908

Mansfield Shire Council

Notes to the Financial Report for the year ended 30 June 2020

Note 6. Assets we manage (continued)

\$ '000

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

Acquisition

The purchase method of accounting is used for all acquisitions of assets, being the fair value of assets provided as consideration at the date of acquisition plus any incidental costs attributable to the acquisition. Fair value is the price that would be received to sell an asset (or paid to transfer a liability) 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.

In accordance with Council's policy, the threshold limits have applied when recognising assets within an applicable asset class and unless otherwise stated are consistent with the prior year.

	Depreciation Period years	Threshold Limit \$ '000
<i>Asset recognition thresholds and depreciation periods</i>		
Land		
Land	Not applicable	-
Land under roads	Not applicable	-
Buildings		
Buildings	15-100	5
Plant and Equipment		
Plant, machinery and equipment	5-10	2
Fixtures, fittings and furniture	2-10	2
Computers and telecommunications	2-10	2
Library books	2-12	2
Infrastructure		
Roads & Off Street Car Parks		
Road pavements	30-160	5
Seals and asphalt	20-30	5
Road formation (95% residual) and earthworks	2,000	5
Road kerb, channel and minor culverts	75	5
Bridges		
Bridges deck	130	5
Bridges substructure	130	5
Bridges other	130	5
Footpaths and cycleways	15-80	5
Drainage	100	5
Recreation, Leisure & Community	10-2,000	5

Mansfield Shire Council

Notes to the Financial Report for the year ended 30 June 2020

Note 6. Assets we manage (continued)

\$ '000

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

Land under roads

Council recognises land under roads it controls at fair value.

Depreciation

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

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

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

Depreciation periods used are listed below and are consistent with the prior year unless otherwise stated.

Repairs and maintenance

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.

Valuation of land and buildings

Valuation of land was undertaken by a qualified independent valuer, LG Valuation Services registration no 2013. Valuation of buildings was undertaken by Assetic Pty Ltd, by Ashay Prabhu MIE(Aust) CPEng, NPER: Membership 1102199.

The valuation of land and buildings is at fair value, being market value based on highest and best use permitted by relevant land planning provisions. Where land use is restricted through existing planning provisions the valuation is reduced to reflect this limitation. This adjustment is an unobservable input in the valuation. The adjustment has no impact on the comprehensive income statement.

Specialised land is valued at fair value using site values adjusted for englobo (undeveloped and/or unserviced) characteristics, access rights and private interests of other parties and entitlements of infrastructure assets and services. This adjustment is an unobservable input in the valuation. The adjustment has no impact on the comprehensive income statement.

Any significant movements in the unobservable inputs for land and land under roads will have a significant impact on the fair value of these assets.

Council have assessed the impacts of COVID-19 and have not identified any indicators of a material movement as a result. However, given the lack of recent transactions the full impact of COVID-19 cannot be reliably estimated at balance date.

Mansfield Shire Council

Notes to the Financial Report for the year ended 30 June 2020

Note 6. Assets we manage (continued)

\$ '000

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

The date of the current valuation is detailed in the following table.

Details of the Council's land and buildings and information about the fair value hierarchy as at 30 June 2020 are as follows:

	Level 1	Level 2	Level 3	Date of valuation
Non-specialised land	-	3,741	-	1/01/20
Specialised land	-	-	13,861	1/01/20
Land under roads	-	-	11,309	31/01/18
Specialised buildings	-	-	20,799	30/06/20
Total	-	3,741	45,969	

Valuation of infrastructure

Valuation of Roads, Footpaths and Cycleways, Offstreet car parks and Recreational, leisure and community facilities has been determined in accordance with a valuation undertaken by Assetic Pty Ltd by Ashay Prabhu MIE(Aust) CPEng, NPER: Membership 1102199.

Valuation of Bridges was determined in accordance with an independent valuation undertaken by Maloney Asset Management Systems.

Valuation of Drainage assets was performed by Council Officers.

The date of the current valuation is detailed in the following table.

The valuation is at fair value based on replacement cost less accumulated depreciation as at the date of valuation.

Details of the Council's infrastructure and information about the fair value hierarchy as at 30 June 2020 are as follows:

	Level 1	Level 2	Level 3	Date of valuation
Roads	-	-	100,376	30/06/19
Bridges	-	-	15,301	30/06/18
Footpaths and cycleways	-	-	6,482	30/06/19
Drainage	-	-	14,083	30/06/18
Recreational, leisure and community facilities	-	-	3,316	30/06/20
Off street car parks	-	-	988	30/06/20
Total	-	-	140,546	

Mansfield Shire Council

Notes to the Financial Report for the year ended 30 June 2020

Note 6. Assets we manage (continued)

\$ '000

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

Description of significant unobservable inputs into level 3 valuations

Specialised land and land under roads is valued using a market based direct comparison technique. Significant unobservable inputs include the extent and impact of restriction of use and the market cost of land per square metre. The extent and impact of restrictions on use varies and results in a reduction to surrounding land values between 25% and 95%. The market value of land varies significantly depending on the location of the land and the current market conditions. Currently land values range between \$14 and \$625 per square metre. Council have assessed the impacts of COVID-19 and have not identified any indicators of a material movement as a result. However, given the lack of recent transactions the full impact of COVID-19 cannot be reliably estimated at balance date.

Specialised buildings are valued using a depreciated replacement cost technique. Significant unobservable inputs include the current replacement cost and remaining useful lives of buildings. Current replacement costs is calculated on a square metre basis and ranges from \$250 to \$4,184 per square metre. The remaining useful lives of buildings are determined on the basis of the current condition of buildings and vary from 15 years to 100 years. Replacement cost is sensitive to changes in market conditions, with any increase or decrease in cost flowing through to the valuation. Useful lives of buildings are sensitive to changes in expectations or requirements that could either shorten or extend the useful lives of buildings.

Council have assessed the impacts of COVID-19 and have not identified any indicators of a material movement as a result. However, given the lack of recent transactions the full impact of COVID-19 cannot be reliably estimated at balance date.

Infrastructure assets are valued based on the depreciated replacement cost. Significant unobservable inputs include the current replacement cost and remaining useful lives of infrastructure. The remaining useful lives of infrastructure asses are determined on the basis of the current condition of the asset and vary from 15 years to 2000 years. Replacement cost is sensitive to changes in market conditions, with any increase or decrease in cost flowing through to the valuation. Useful lives of infrastructure are sensitive to changes in use, expectations or requirements that could either shorten or extend the useful lives of infrastructure assets.

Reconciliation of specialised land

	2020	2019
Land under roads	13,861	11,308
Land	11,309	12,663
Total specialised land	25,170	23,971

Mansfield Shire Council

Notes to the Financial Report for the year ended 30 June 2020

Note 6. Assets we manage (continued)

\$ '000	2020	2019
6.2. Investments in joint arrangements		
Joint arrangements include:		
High Country Library Network shared services agreement		
On 1 August 2016 Mansfield Shire Council entered into a 12 month joint arrangement for library services with Alpine Shire Council, Wangaratta Rural City Council and Benalla Rural City Council. The agreement was subsequently extended to 30 June 2020. Mansfield Shire Council's contribution is 13% of the total cost of the service.		
The amounts recognised in the financial statements relating to the joint arrangement are shown as follows:		
Expenses (materials and services)	47	47
Property, plant and equipment at fair value (library books)	47	55
Total contribution to joint arrangements	94	102

Investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations each investor has, rather than the legal structure of the joint arrangement.

The High Country Library Network shared services agreement is a joint operation. Council recognises contributions to the High Country Library Network as operating expenses where related to the management and operation of the library network, and capital expenditure where related to the purchase of library books on Council's behalf (refer note 6.1).

There are no contingent assets or contingent liabilities in relation to joint arrangements.

A new agreement has been entered into between the parties of the High Country Library Network commencing 1 July 2020 to 30 June 2029 inclusive of two by three-year options to extend (3+3+3).

Mansfield Shire Council

Notes to the Financial Report for the year ended 30 June 2020

Note 7. People and relationships

\$ '000

7.1. Council and key management remuneration

(a) Related Parties

Parent entity

Mansfield Shire Council is the parent entity

Subsidiaries

Mansfield Public Cemetery Trust

By virtue of the fact that the councillors of Mansfield Shire Council form the whole of the Board of Trustees of the Mansfield Public Cemetery Trust, this entity is considered to be a controlled entity under AASB 10: Consolidated Financial Statements. It's operating results, assets and liabilities have not been included in the accounts on the basis that they are not material individually or in aggregate.

Joint arrangements

Interests in joint arrangements are detailed in Note 6.2.

(b) Key Management Personnel

Details of persons holding the position of Councillor or other members of key management personnel at any time during the year are:

Councillors

Councillor Harry Westendorp (Mayor until 12/11/19)
 Councillor Peter Olver
 Councillor Marg Attley (Mayor from 12/11/19)
 Councillor Paul Sladdin
 Councillor Paul Volkering

Mansfield Shire Council

Notes to the Financial Report
for the year ended 30 June 2020

Note 7. People and relationships (continued)

\$ '000		2020	2019
7.1. Council and key management remuneration (continued)			
(b) Key Management Personnel (continued)			
		No.	No.
Total Number of Councillors		5	5
Chief Executive Officer (to 19/7/19)	A Green	1	1
Chief Executive Officer (interim from 22/7/19 to 24/9/19, appointed from 27/2/20)	K Conrick	1	-
Interim Chief Executive Officer (from 25/9/19 to 26/2/20)	P Reeve	1	-
Finance Manager	M Kynnersley	1	1
Infrastructure Manager (to 28/9/18)	N Ogilvie	-	1
Acting Infrastructure Manager (1/10/18 to 9/12/18)	P Valente	-	1
Infrastructure Manager (10/12/18 to 16/8/19)	M Walker	1	1
Infrastructure Manager (from 17/12/19)	A Kompler	1	-
Community Services Manager	M Hotton	1	1
Development Services Manager	B McKay	1	1
Corporate and Organisational Development Manager	S Scott	1	1
Governance Coordinator (to 24/8/18)	D Bray	-	1
Total Number of Key Management Personnel		14	14

Mansfield Shire Council

Notes to the Financial Report for the year ended 30 June 2020

Note 7. People and relationships (continued)

\$ '000	2020	2019
7.1. Council and key management remuneration (continued)		
(c) Remuneration of Key Management Personnel		
Total remuneration of key management personnel was as follows:		
Short-term benefits	1,054	996
Long-term benefits	14	20
Post employment benefits	95	76
Termination benefits	204	62
Total	1,367	1,154

The numbers of key management personnel whose total remuneration from Council and any related entities, fall within the following bands:

	No.	No.
\$20,000 - \$29,999	3	5
\$30,000 - \$39,999	-	1
\$40,000 - \$49,999	1	-
\$50,000 - \$59,999	1	-
\$60,000 - \$69,999	1	1
\$70,000 - \$79,999	-	1
\$80,000 - \$89,999	2	1
\$110,000 - \$119,999	-	1
\$120,000 - \$129,999	1	-
\$130,000 - \$139,999	-	1
\$140,000 - \$149,999	3	2
\$150,000 - \$159,999	1	-
\$220,000 - \$229,999	-	1
\$250,000 - \$259,999	1	-
	14	14

(d) Senior Officer Remuneration

A Senior Officer is an officer of Council, other than Key Management Personnel, who:

- a) has management responsibilities and reports directly to the Chief Executive; or
- b) whose total annual remuneration exceeds \$151,000.

There have been no Senior Officers during the reporting period.

Mansfield Shire Council

Notes to the Financial Report for the year ended 30 June 2020

Note 7. People and relationships (continued)

\$ '000		Notes	2020	2019
7.2. Related party disclosure				
(a) Transactions with related parties				
During the period Council entered into the following transactions with related parties:				
Expenses	Expense reimbursements	a	5	5
Expenses	Printing and Stationery	b	12	6
Income	Home Care Services	c	(2)	-
Total			15	11

a. Expense reimbursements are made to staff and councillors for expenditure incurred in direct connection with their role with Council.

b. Printing and embroidery services are procured from Mansfield Printing & Embroidery which is a related party of a Key Management Personnel

c. Home Care services have been provided to a parent of a Key Management Personnel

All other expense and income transactions are incurred on normal business terms and conditions.

During the prior financial year a related party of a councillor was employed by Council. The salary is not shown for privacy reasons, but is not significant to Council's operation. The salary was paid at commercial and market rates, and the related party was employed on the same terms, including performance requirements, as any other staff member within Council.

(b) Outstanding balances with related parties

There are no outstanding balances or commitments with any related party.

Mansfield Shire Council

Notes to the Financial Report for the year ended 30 June 2020

Note 8. Managing uncertainties

\$ '000

8.1. Contingent assets and liabilities

(a) Contingent assets

There are no contingent assets of which Council is aware at balance date.

(b) Contingent liabilities

Contingent assets and contingent liabilities are not recognised in the Balance Sheet, but are disclosed and if quantifiable, are measured at nominal value. Contingent assets and liabilities are presented inclusive of GST receivable or payable, respectively.

Superannuation

Council has obligations under a defined benefit superannuation scheme that may result in the need to make additional contributions to the scheme, matters relating to this potential obligation are outlined below. As a result of the volatility in financial markets the likelihood of making such contributions in future periods exists.

Future superannuation contributions

In addition to the disclosed contributions, Mansfield Shire has paid unfunded liability payments to Vision Super totalling \$NIL during the 2019-20 year (2018-19 \$NIL). There were no contributions outstanding and no loans issued from or to the above schemes as at 30 June 2020. The expected contributions to be paid to the Defined Benefit category of Vision Super for the year ending 30 June 2021 are \$NIL. Whilst the VBI as at 30 June 2020 is not indicating the need for a call on unfunded liabilities at this point in time, the full impact of COVID-19 remains uncertain.

Landfill

Until 30 June 2007 Council operated a landfill at Monkey Gully Road, Mansfield which did not accept putrescible waste. Council has received a Hydro Geological Assessment Report from Coffey Environments Australia Pty Ltd. Council are obligated to restore the landfill site to EPA requirements as per the report. Council raised a provision for these works however during the project contingencies may arise. The amount of this potential contingency cannot be determined.

Liability Mutual Insurance

Council is a participant of the MAV Liability Mutual Insurance (LMI) Scheme. The LMI scheme provides public liability and professional indemnity insurance cover. The LMI scheme states that each participant will remain liable to make further contributions to the scheme in respect of any insurance year in which it was a participant to the extent of its participant's share of any shortfall in the provision set aside in respect of that insurance year, and such liability will continue whether or not the participant remains a participant in future insurance years.

Mansfield Shire Council

Notes to the Financial Report for the year ended 30 June 2020

Note 8. Managing uncertainties (continued)

\$ '000

8.2. Change in accounting standards

The following new AAS's have been issued that are not mandatory for the 30 June 2020 reporting period. Council has assessed these pending standards and has identified the following potential impacts will flow from the application of these standards in future reporting periods.

AASB 1059 Service Concession Arrangements: Grantors (AASB 1059) (applies 2020/21 for LG Sector)

AASB 1059 addresses the accounting for a service concession arrangement by a grantor that is a public sector entity by prescribing the accounting for the arrangement from the grantor's perspective. It requires the grantor to:

- recognise a service concession asset constructed, developed or acquired from a third party by the operator, including an upgrade to an existing asset of the grantor, when the grantor controls the asset;
- reclassify an existing asset (including recognising previously unrecognised identifiable intangible assets and land under roads) as a service concession asset when it meets the criteria for recognition as a service
 - initially measure a service concession asset constructed, developed or acquired by the operator or reclassified by the grantor at current replacement cost in accordance with the cost approach to fair value in *AASB 13 Fair Value Measurement*. Subsequent to the initial recognition or reclassification of the asset, the service concession asset is accounted for in accordance with *AASB 116 Property, Plant and Equipment* or *AASB 138 Intangible Assets*, as appropriate, except as specified AASB 1059;
 - recognise a corresponding liability measured initially at the fair value (current replacement cost) of the service concession asset, adjusted for any other consideration between the grantor and the operator; and
 - disclose sufficient information to enable users of financial statements to understand the nature, amount, timing and uncertainty of assets, liabilities, revenue and cash flows arising from service concession arrangements.

Based on the Council's current assessment, there is expected to be no impact on the transactions and balances recognised in the financial statements as the Council is not a grantor in a service concession arrangement.

AASB 2018-7 Amendments to Australian Accounting Standards - Definition of Material (applies 2020/21 for LG Sector)

The Standard principally amends *AASB 101 Presentation of Financial Statements* and *AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors*. The amendments refine the definition of material in AASB 101. The amendments clarify the definition of material and its application by improving the wording and aligning the definition across AASB Standards and other publications. The impacts on the local government sector are expected to be minimal.

AASB 2019-1 Amendments to Australian Accounting Standards - References to the Conceptual Framework (applies 2020/21 for LG Sector)

This Standard sets out amendments to Australian Accounting Standards, Interpretations and other pronouncements to reflect the issuance of the Conceptual Framework for Financial Reporting (Conceptual Framework) by the AASB. The impacts on the local government sector are expected to be minimal.

Mansfield Shire Council

Notes to the Financial Report for the year ended 30 June 2020

Note 8. Managing uncertainties (continued)

\$ '000

8.3. Financial instruments

(a) Objectives and policies

The Council's principal financial instruments comprise cash assets, term deposits, receivables (excluding statutory receivables), payables (excluding statutory payables) and bank borrowings. Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument is disclosed in Notes of the financial statements. Risk management is carried out by senior management under policies approved by the Council. These policies include identification and analysis of the risk exposure to Council and appropriate procedures, controls and risk minimisation.

(b) Market risk

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

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. Council's interest rate liability risk arises primarily from long term loans and borrowings at fixed rates which exposes Council to fair value interest rate risk. Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Council has minimal exposure to cash flow interest rate risk through its cash and deposits that are at floating rates.

Investment of surplus funds is made with approved financial institutions under the Local Government Act 1989. Council manages interest rate risk by adopting an investment policy that ensures:

- diversification of investment product;
- monitoring of return on investment; and
- benchmarking of returns and comparison with budget.

There has been no significant change in the Council's exposure, or its objectives, policies and processes for managing interest rate risk or the methods used to measure this risk from the previous reporting period.

Interest rate movements have not been sufficiently significant during the year to have an impact on the Council's year end result.

Mansfield Shire Council

Notes to the Financial Report for the year ended 30 June 2020

Note 8. Managing uncertainties (continued)

\$ '000

8.3. Financial instruments (continued)

(c) 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 the balance sheet. Particularly significant areas of credit risk exist in relation to outstanding fees and fines as well as loans and receivables from sporting clubs and associations. To help manage this risk:

- Council has a policy for establishing credit limits for the entities Council deals with;
- Council may require collateral where appropriate; and
- Council only invests surplus funds with financial institutions which have a recognised credit rating specified in Council's investment policy.

Receivables consist of a large number of customers, spread across the ratepayer, business and government sectors. Credit risk associated with the Council's financial assets is minimal because the main debtor is secured by a charge over the rateable property. Similarly, any risk arising from economic impacts of the COVID19 pandemic is considered minimal in relation to financial assets.

There are no material financial assets which are individually determined to be impaired.

Council may also be subject to credit risk for transactions which are not included in the balance sheet, such as when Council provides a guarantee for another party. Details of our contingent liabilities are disclosed in Note 8.1(b).

The maximum exposure to credit risk at the reporting date to recognised financial assets is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the balance sheet and notes to the financial statements. Council does not hold any collateral.

(d) Liquidity risk

Liquidity risk includes the risk that, as a result of Council's operational liquidity requirements it will not have sufficient funds to settle a transaction when required or will be forced to sell a financial asset at below value or may be unable to settle or recover a financial asset.

To help reduce these risks Council:

- have a liquidity policy which targets a minimum and average level of cash and cash equivalents to be maintained;
- have readily accessible standby facilities and other funding arrangements in place;
- have a liquidity portfolio structure that requires surplus funds to be invested within various bands of liquid instruments;
- monitor budget to actual performance on a regular basis; and
- set limits on borrowings relating to the percentage of loans to rate revenue and percentage of loan principal repayments to rate revenue.

The Council's maximum exposure to liquidity risk is the carrying amounts of financial liabilities as disclosed on the face of the balance sheet and is deemed insignificant based on prior periods' data and current assessment of risk.

Mansfield Shire Council

Notes to the Financial Report for the year ended 30 June 2020

Note 8. Managing uncertainties (continued)

\$ '000

8.3. Financial instruments (continued)

(d) Liquidity risk (continued)

There has been no significant change in Council's exposure, or its objectives, policies and processes for managing liquidity risk or the methods used to measure this risk from the previous reporting period.

With the exception of borrowings, all financial liabilities are expected to be settled within normal terms of trade. Details of the maturity profile for borrowings are disclosed at Note 5.4.

Unless otherwise stated, the carrying amounts of financial instruments reflect their fair value.

(e) Sensitivity disclosure analysis

Taking into account past performance, future expectations, economic forecasts, and management's knowledge and experience of the financial markets, Council believes the following movements are 'reasonably possible' over the next 12 months:

- A parallel shift of + 1 % and - 1 % in market interest rates (AUD) from year-end rates of 1.35%.

These movements will not have a material impact on the valuation of Council's financial assets and liabilities, nor will they have a material impact on the results of Council's operations.

8.4. Fair value measurement

Fair value hierarchy

Council's financial assets and liabilities are not valued in accordance with the fair value hierarchy, Council's financial assets and liabilities are measured at amortised cost.

Council measures certain assets and liabilities at fair value where required or permitted by Australian Accounting Standards. AASB 13 Fair value measurement, aims to improve consistency and reduce complexity by providing a definition of fair value and a single source of fair value measurement and disclosure requirements for use across Australian Accounting Standards.

Mansfield Shire Council

Notes to the Financial Report for the year ended 30 June 2020

Note 8. Managing uncertainties (continued)

\$ '000

8.4. Fair value measurement (continued)

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within a fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities

Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and

Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For the purpose of fair value disclosures, Council has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

In addition, Council determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Revaluation

Subsequent to the initial recognition of assets, non-current physical assets, other than plant and equipment, are measured at their fair value, being the price that would be received to sell an asset (or paid to transfer a liability) in an orderly transaction between market participants at the measurement date. At balance date, the Council reviewed the carrying value of the individual classes of assets measured at fair value to ensure that each asset materially approximated its fair value. Where the carrying value materially differed from the fair value at balance date, the class of asset was revalued.

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 of an asset result in changes to the permissible or practical highest and best use of the asset. In addition, Council undertakes a formal revaluation of land, buildings, and infrastructure assets on a regular basis ranging from 2 to 3 years. The valuation is performed either by experienced council officers or independent experts.

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

Mansfield Shire Council

Notes to the Financial Report for the year ended 30 June 2020

Note 8. Managing uncertainties (continued)

\$ '000

8.4. Fair value measurement (continued)

Impairment of assets

At each reporting date, the 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 of disposal 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 comprehensive income statement, unless the asset is carried at the revalued amount in which case, the impairment loss is recognised directly against the revaluation surplus 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.

8.5. Events occurring after balance date

On 6 August 2020 the Premier of Victoria introduced Stage 3 restrictions for regional Victoria in relation to the COVID19 pandemic. The financial impact to Council of the restrictions is minimal, however the following changes to services have been implemented until restrictions have been lifted:

- closure of the customer service centre for face to face visitation only (services still available by phone and email)
- closure of the Mansfield Sporting Complex
- closure of the Youth Centre and cessation of youth projects (staff redeployed within Council)
- L2P program ceased
- closure of the Visitor Information Centre (staff redeployed within Council)
- playgrounds and the Mansfield skatepark closed
- closure of the Mansfield Library for face to face use (click and collect available)
- limited operation of the Resource Recovery Centre to commercial users or residents without a kerbside collection service.

Mansfield Shire Council

Notes to the Financial Report
for the year ended 30 June 2020

Note 9. Other matters

\$ '000	Balance at beginning of reporting period	Increment (decrement)	Balance at end of reporting period
9.1. Reserves			
(a) Asset revaluation reserves			
2020			
Property			
Land	11,325	1,198	12,523
Land - non specialised	-	348	348
Buildings	5,617	6,599	12,216
	16,942	8,145	25,087
Plant and Equipment			
Library books	42	(42)	(0)
	42	(42)	(0)
Infrastructure			
Roads	94,827	-	94,827
Bridges	5,122	-	5,122
Footpaths and cycleways	1,361	-	1,361
Drainage	5,167	-	5,167
Recreational, leisure and community facilities	350	(215)	135
Offstreet car parks	285	264	549
	107,112	49	107,161
Total asset revaluation reserves	124,096	8,152	132,248
2019			
Property			
Land	11,325	-	11,325
Buildings	5,617	-	5,617
	16,942	-	16,942
Plant and equipment			
Library books	-	42	42
	-	42	42
Infrastructure			
Roads	51,806	43,021	94,827
Bridges	5,122	-	5,122
Footpaths and cycleways	17	1,344	1,361
Drainage	5,167	-	5,167
Recreational, leisure and community facilities	350	-	350
Offstreet car parks	285	-	285
	62,747	44,365	107,112
Total asset revaluation reserves	79,689	44,407	124,096

The asset revaluation reserve is used to record the increased (net) value of Council's assets over time.

Mansfield Shire Council

Notes to the Financial Report
for the year ended 30 June 2020

Note 9. Other matters (continued)

\$ '000	Balance at beginning of reporting period	Transfer from accumulated surplus	Transfer to accumulated surplus	Balance at end of reporting period
9.1. Reserves (continued)				
(b) Other reserves				
2020				
Road construction reserve	126	-	(122)	4
Footpath construction reserve	25	-	(20)	5
Open space reserve	254	22	-	276
Total restricted reserves	405	22	(142)	285
Discretionary reserves				
Waste Management	-	(329)	-	(329)
Total discretionary reserves	-	(329)	-	(329)
Total Other reserves	405	(307)	(142)	(44)
2019				
Road construction reserve	160	-	(34)	126
Footpath construction reserve	30	-	(5)	25
Car parking reserve	8	-	(8)	-
Open space reserve	241	13	-	254
Total restricted reserves	439	13	(47)	405
Total Other reserves	439	13	(47)	405

Restricted reserves are used to record developer contributions received for a specific purpose which Council has not yet fulfilled.

The discretionary waste management reserve denotes the cumulative surplus/(deficit) from waste service charges collected from ratepayers and actual waste costs incurred by Council over time.

\$ '000	Notes	2020	2019
9.2. Reconciliation of cash flows from operating activities to surplus/(deficit)			
Surplus/(deficit) for the year		3,618	5,211
Depreciation/amortisation		3,812	3,336
Impairment losses		6	-
Profit/(loss) on disposal of property, infrastructure, plant and equipment		121	(360)
Contributions - Non-monetary assets		(2,144)	(2,403)
Operating amounts disclosed in financing activities		122	132
Change in assets and liabilities:			
(Increase)/decrease in trade and other receivables		(209)	(193)
(Increase)/decrease in inventories		5	2
(Increase)/decrease in prepayments		(1,760)	20
Increase/(decrease) in accrued income		117	6
Increase/(decrease) in trade and other payables		1,732	(59)
Increase/(decrease) in provisions		92	(71)
(Decrease)/increase in other liabilities		123	(38)
Net cash provided by/(used in) operating activities		5,395	5,583

Mansfield Shire Council

Notes to the Financial Report for the year ended 30 June 2020

Note 9. Other matters (continued)

\$ '000

9.3. Superannuation

Council makes the majority of its employer superannuation contributions in respect of its employees to the Local Authorities Superannuation Fund (the Fund). This Fund has two categories of membership, accumulation and defined benefit, each of which is funded differently. Obligations for contributions to the Fund are recognised as an expense in Comprehensive Operating Statement when they are made or due.

Accumulation

The Fund's accumulation categories, Vision MySuper/Vision Super Saver, receives both employer and employee contributions on a progressive basis. Employer contributions are normally based on a fixed percentage of employee earnings (for the year ended 30 June 2020, this was 9.5% as required under Superannuation Guarantee (SG) legislation).

Defined Benefit

Council does not use defined benefit accounting for its defined benefit obligations under Fund's Defined Benefit category. This is because the Fund's Defined Benefit category is a pooled multi-employer sponsored plan.

There is no proportional split of the defined benefit liabilities, assets or costs between the participating employers as the defined benefit obligation is a floating obligation between the participating employers and the only time that the aggregate obligation is allocated to specific employers is when a call is made. As a result, the level of participation of Council in the Fund cannot be measured as a percentage compared with other participating employers. Therefore, the Fund Actuary is unable to allocate benefit liabilities, assets and costs between employers for the purposes of AASB 119.

Funding Arrangements

Council makes employer contributions to the Defined Benefit category of the Fund at rates determined by the Trustee on the advice of the Fund Actuary.

A triennial actuarial review is currently underway for the Defined Benefit category as at 30 June 2020 and is expected to be completed by 31 December 2020.

As at 30 June 2019, an interim actuarial investigation was held as the Fund provides lifetime pensions in the Defined Benefit category. The vested benefit index (VBI) of the Defined Benefit category of which Council is a contributing employer was 107.1%. The financial assumptions used to calculate the VBIs were:

- Net investment returns 6.0% pa
- Salary information 3.5% pa
- Price inflation (CPI) 2.0% pa.

Vision Super has advised that the estimated VBI at June 2020 was 104.6%

The VBI is used as the primary funding indicator. Because the VBI was above 100%, the 30 June 2019 actuarial investigation determined the Defined Benefit category was in a satisfactory financial position and that no change was necessary to the Defined Benefit category's funding arrangements from prior years.

Mansfield Shire Council

Notes to the Financial Report for the year ended 30 June 2020

Note 9. Other matters (continued)

\$ '000

9.3. Superannuation (continued)

Employer contributions

Regular contributions

On the basis of the results of the 2017 full actuarial investigation conducted by the Fund Actuary, Council makes employer contributions to the Fund's Defined Benefit category at rates determined by the Fund's Trustee. For the year ended 30 June 2020, this rate was 9.5% of members' salaries (9.5% in 2018/2019). This rate is expected to increase in line with any increases in the SG contribution rate and reviewed as part of the 30 June 2020 triennial valuation.

In addition, Council reimburses the Fund to cover the excess of the benefits paid as a consequence of retrenchment above the funded resignation or retirement benefit.

Funding calls

If the Defined Benefit category is in an unsatisfactory financial position at an actuarial investigation or the Defined Benefit category's VBI is below its shortfall limit at any time other than the date of the actuarial investigation, the Defined Benefit category has a shortfall for the purposes of SPS 160 and the Fund is required to put a plan in place so that the shortfall is fully funded within three years of the shortfall occurring. The Fund monitors its VBI on a quarterly basis and the Fund has set its shortfall limit at 97%.

In the event that the Fund Actuary determines that there is a shortfall based on the above requirement, the Fund's participating employers (including Council) are required to make an employer contribution to cover the shortfall.

Using the agreed methodology, the shortfall amount is apportioned between the participating employers based on the pre-1 July 1993 and post-30 June 1993 service liabilities of the Fund's Defined Benefit category, together with the employer's payroll at 30 June 1993 and at the date the shortfall has been calculated.

Due to the nature of the contractual obligations between the participating employers and the Fund, and that the Fund includes lifetime pensioners and their reversionary beneficiaries, it is unlikely that the Fund will be wound up.

If there is a surplus in the Fund, the surplus cannot be returned to the participating employers.

In the event that a participating employer is wound-up, the defined benefit obligations of that employer will be transferred to that employer's successor.

The 2019 interim actuarial investigation surplus amounts

An actuarial investigation is conducted annually for the Defined Benefit category of which Mansfield Shire Council is a contributing employer. Generally, a full actuarial investigation conducted every three years and interim actuarial investigations are conducted for each intervening year. An interim investigation was conducted as at 30 June 2019 and a full actuarial investigation was conducted as at 30 June 2017.

Mansfield Shire Council

Notes to the Financial Report for the year ended 30 June 2020

Note 9. Other matters (continued)

\$ '000

9.3. Superannuation (continued)

The Fund's actuarial investigations identified the following for the Defined Benefit category of which Council is a contributing employer:

	2019 \$m	2017 \$m
- A VBI Surplus	151.3	69.8
- A total service liability surplus	233.4	193.5
- A discounted accrued benefits surplus	256.7	228.8

The VBI surplus means that the market value of the fund's assets supporting the defined benefit obligations exceed the vested benefits that the defined benefit members would have been entitled to if they had all exited on 30 June 2019.

The total service liability surplus means that the current value of the assets in the Fund's Defined Benefit category plus expected future contributions exceeds the value of expected future benefits and expenses as at 30 June 2019.

The discounted accrued benefit surplus means that the current value of the assets in the Fund's Defined Benefit category exceeds the value of benefits payable in the future but accrued in respect of service to 30 June 2019.

Council was notified of the 30 June 2020 VBI during August 2020 (2019: August 2019).

The 2020 interim actuarial investigation

A triennial actuarial investigation is being conducted for the Fund's position as at 30 June 2020. It is anticipated that this actuarial investigation will be completed by 31 December 2020. The financial assumptions for the purposes of this investigation are:

	2020 Triennial investigation	2017 Triennial investigation
Net investment return	5.6% pa	6.5% pa
Salary inflation	2.5% pa for the first two years and 2.75% pa thereafter	3.5% pa
Price inflation	2.0% pa	2.5% pa

Mansfield Shire Council

Notes to the Financial Report for the year ended 30 June 2020

Note 10. Changes in accounting policies

(a) Changes in accounting policies due to adoption of new accounting standards

Council has adopted *AASB 15 Revenue from Contracts with Customers*, *AASB 16 Leases* and *AASB 1058 Income of Not-for-Profit Entities*, from 1 July 2019. This has resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements.

Due to the transition methods chosen by Council in applying these standards, comparative information throughout these financial statements has not been restated to reflect the requirements of the new standards except in relation to contracts that were not complete at 1 July 2019. The transition impact of these are detailed below.

i) Impact of adoption of new accounting standards

AASB 15 Revenue from Contracts with Customers

AASB 15 Revenue from Contracts with Customers applies to revenue transactions where Council provides services or goods under contractual arrangements.

Council adopted *AASB 15 Revenue from Contracts with Customers* using the modified (cumulative catch up) method. Revenue for 2019 as reported under *AASB 118 Revenue* is not adjusted, because the new standard is only applied from the date of initial application.

AASB 15 Revenue from Contracts with Customers requires revenue from contracts with customers to be recognised as Council satisfies the performance obligations under the contract.

AASB 16 Leases

AASB 16 Leases requires right of use assets and related liabilities for all lease agreements to be recognised on the balance sheet. The Statement of Comprehensive Income is to separately recognise the amortisation of the right of use asset, and the finance costs relating to the lease. Council has elected to adopt the modified (cumulative catch up) method under the standard and as such has not adjusted 2019 disclosures. No adjustments were required as a result of this.

AASB 1058 Income of Not-for-Profit Entities

AASB 1058 Income of Not-for-Profit Entities applies to income received where no contract is in place. This includes statutory charges (such as rates) as well as most grant agreements.

Council adopted *AASB 1058 Income of Not-for-Profit Entities* using the modified (cumulative catch up) method. Income for 2019 is not adjusted, because the new standard is only applied from the date of initial application.

AASB 1058 Income of Not-for-Profit Entities requires income to be recognised on the earlier of receipt or when an unconditional right to receipt has been established, with the exception of capital grant revenue received to fund the acquisition or construction of a non-financial asset to be controlled by Council. Capital grant revenue received to fund the acquisition or construction of a non-financial asset to be controlled by Council is recognised when the obligations of the underlying agreement are met. This is normally in line with the stage of completion of the underlying non-financial assets being constructed.

Mansfield Shire Council

Notes to the Financial Report for the year ended 30 June 2020

Note 10. Changes in accounting policies (continued)

(a) Changes in accounting policies due to adoption of new accounting standards (continued)

ii) Transition impacts

The following table summarises the impact of transition to the new standards on retained earnings at 1 July 2019.

	2019 \$ '000
Retained earnings at 30 June 2019	66,495
Income Adjustment - impact of <i>AASB 1058 Income of Not-for-Profit Entities</i>	<u>(240)</u>
Retained earnings at 1 July 2019	<u>66,255</u>

Council adopted the practical expedient of deeming the lease asset to be equal in value to the lease liability at 1 July 2019. As such there was no impact on retained earnings on the adoption of AASB 16 Leases.