

Mansfield Shire Council

ANNUAL FINANCIAL REPORT
for the year ended 30 June 2021



Mansfield Shire

Annual Financial Report

for the year ended 30 June 2021

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Content Overview

These financial statements are General Purpose Financial Statements and cover the consolidated operations for Mansfield Shire Council

All figures presented in these financial statements are presented in Australian Currency.

These financial statements were authorised for issue by the Council on 21 September 2021
Council has the power to amend and reissue these financial statements.

Annual Financial Report for the year ended 30 June 2021

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

21 September 2021

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 2021 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.

Mark Holcolombe

Mayor

21 September 2021

33 Highett Street, Mansfield Vic 3722

James Tehan

Councillor

21 September 2021

33 Highett Street, Mansfield Vic 3722

Kaylene Conrick

Chief Executive Officer

21 September 2021

33 Highett Street, Mansfield Vic 3722

Annual Financial Report
for the year ended 30 June 2021

Victorian Auditor-General's Office Report

Insert VAGO Report here

Annual Financial Report
for the year ended 30 June 2021

Victorian Auditor-General's Office Report (continued)

Insert VAGO Report here

Comprehensive Income Statement

for the year ended 30 June 2021

	Notes	2021 \$ '000	2020 \$ '000
Income			
Rates and charges	3.1	14,869	14,269
Statutory fees and fines	3.2	411	349
User fees	3.3	944	1,108
Grants - operating	3.4	6,772	5,127
Grants - capital	3.4	4,273	1,470
Contributions - monetary	3.5	424	195
Contributions - non monetary	3.5	2,878	2,144
Other income	3.7	380	344
Total income		30,951	25,006
Expenses			
Employee costs	4.1	10,979	9,205
Materials and services	4.2	8,738	7,832
Depreciation	4.3	3,844	3,812
Borrowing costs	4.4	106	122
Net loss on disposal of property, infrastructure, plant and equipment	3.6	380	121
Other expenses	4.5	280	296
Total expenses		24,327	21,388
Surplus/(deficit) for the year		6,624	3,618
Other comprehensive income:			
Items that will not be reclassified to surplus or deficit in future periods			
Net asset revaluation increment	6.1	12,082	8,151
Total items which will not be reclassified subsequently to the operating result		12,082	8,151
Total other comprehensive income for the year		12,082	8,151
Total comprehensive result		18,706	11,769

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

Balance Sheet

as at 30 June 2021

	Notes	2021 \$ '000	2020 \$ '000
Assets			
Current assets			
Cash and cash equivalents	5.1	6,032	5,099
Trade and other receivables	5.1	2,226	1,585
Other financial assets	5.1	10,308	9,299
Inventories	5.2	18	9
Other assets	5.2	2,566	1,870
Total current assets		21,150	17,862
Non-current assets			
Trade and other receivables	5.1	25	51
Property, infrastructure, plant and equipment	6.1	209,508	192,893
Total non-current assets		209,533	192,944
Total assets		230,683	210,806
Liabilities			
Current liabilities			
Trade and other payables	5.3	1,987	1,233
Trust funds and deposits	5.3	1,361	1,084
Unearned income	5.3	1,588	1,503
Provisions	5.5	2,002	1,881
Interest-bearing liabilities	5.4	193	183
Total current liabilities		7,131	5,884
Non-current liabilities			
Provisions	5.5	584	466
Interest-bearing liabilities	5.4	1,737	1,930
Total non-current liabilities		2,321	2,396
Total liabilities		9,452	8,280
Net assets		221,231	202,526
Equity			
Accumulated surplus		76,634	70,322
Reserves	9.1	144,597	132,203
Total Equity		221,231	202,525

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

Statement of Changes in Equity

for the year ended 30 June 2021

	Notes	Total \$ '000	Accumulated Surplus \$ '000	Revaluation Reserves \$ '000	Other Reserves \$ '000
2021					
Balance at beginning of the financial year		202,525	70,322	132,247	(44)
Surplus/(deficit) for the year		6,624	6,624	–	–
Other comprehensive income					
- Net asset revaluation increment	6.1	12,082	–	12,082	–
Other comprehensive income		12,082	–	12,082	–
Total comprehensive income		18,706	6,624	12,082	–
Transfers to/ from other reserves	9.1(b)	–	(408)	–	408
Transfers from other reserves	9.1(b)	–	96	–	(96)
Balance at end of the financial year		221,231	76,634	144,329	268
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		(240)	(240)	–	–
Surplus/(deficit) for the year		3,618	3,618	–	–
Other comprehensive income					
- Net asset revaluation increment		8,151	–	8,151	–
Other comprehensive income		8,151	–	8,151	–
Total comprehensive income		11,769	3,618	8,151	–
Transfers to/ from other reserves	9.1(b)	–	142	–	(142)
Transfers from other reserves	9.1(b)	–	307	–	(307)
Balance at end of the financial year		202,525	70,322	132,247	(44)

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

Statement of Cash Flows

for the year ended 30 June 2021

		2021	2020
	Notes	Inflows/ (Outflows) \$ '000	Inflows/ (Outflows) \$ '000
Cash flows from operating activities			
Statutory fees and fines		411	349
Other receipts		499	294
Rates and charges		14,806	13,912
User fees		284	1,240
Grants - operating		7,092	5,157
Grants - capital		3,477	1,470
Contributions - monetary		426	201
Interest received		92	198
Trust funds and deposits taken		277	134
Net GST refund/(payment)		1,105	1,053
Employee costs		(11,004)	(9,016)
Materials and services		(9,324)	(8,818)
Short-term, low value and variable lease payments		(7)	(8)
Other payments		(24)	(771)
Net cash provided by/(used in) operating activities	9.2	8,110	5,395
Cash flows from investing activities			
Payments for property, infrastructure, plant and equipment	6.1	(5,963)	(3,235)
Proceeds from sale of property, infrastructure, plant and equipment		84	77
Payments for investments		(1,009)	(15)
Net cash provided by/(used in) investing activities		(6,888)	(3,173)
Cash flows from financing activities			
Finance costs		(106)	(122)
Repayment of borrowings		(183)	(199)
Net cash flow provided by/(used in) financing activities		(289)	(321)
Net Increase (decrease) in cash and cash equivalents		933	1,901
Cash and cash equivalents at the beginning of the financial year		5,099	3,198
Cash and cash equivalents at the end of the financial year		6,032	5,099
Financing arrangements	5.6	2,330	2,513
Restrictions on cash assets	5.1	1,361	1,084

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

Statement of Capital Works

for the year ended 30 June 2021

	2021	2020
	\$ '000	\$ '000
Property		
Land	–	3
Land improvements	–	–
Total land	<u>–</u>	<u>3</u>
Buildings	426	494
Total buildings	<u>426</u>	<u>494</u>
Total property	<u>426</u>	<u>497</u>
Plant and equipment		
Plant, machinery and equipment	704	445
Fixtures, fittings and furniture	11	24
Computers and telecommunications	–	57
Library books	45	47
Total plant and equipment	<u>760</u>	<u>573</u>
Infrastructure		
Roads	3,310	1,830
Bridges	–	–
Footpaths and cycleways	161	161
Drainage	71	–
Recreational, leisure and community facilities	666	187
Waste management	–	–
Parks, open space and streetscapes	–	–
Off street car parks	569	–
Other infrastructure	–	–
Total infrastructure	<u>4,777</u>	<u>2,178</u>
Total capital works expenditure	<u>5,963</u>	<u>3,248</u>
Represented by:		
New asset expenditure	1,488	843
Asset renewal expenditure	3,499	933
Asset upgrade expenditure	976	1,472
Total capital works expenditure	<u>5,963</u>	<u>3,248</u>

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

Annual Financial Report for the year ended 30 June 2021

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:

- the fair value of land, buildings, infrastructure, plant and equipment (refer to Note 6.1.)
- the determination of depreciation for buildings, infrastructure, plant and equipment (refer to Note 6.1.).
- the determination of employee provisions (refer to Note 5.5.).
- the determination of landfill provisions (refer to Note 5.5.)
- 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)
- 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)
- 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, and disclosure has been made of any material changes to comparatives.

(b) Impact of Covid-19

On 16 March 2020 a state of emergency was declared in Victoria due to the global pandemic COVID-19 virus, known as coronavirus. A state of disaster was subsequently declared on 2 August 2020. While the impacts of the pandemic have abated somewhat through the 2020-21 year, Council has noted the following significant impacts on its financial operations:

- Additional revenue – \$1.9m from the State Government for programs including Working For Victoria (employment of staff displaced due to COVID), community connectivity and support, activation of outdoor dining spaces and information technology support for transition to online services.
- Revenue reductions – No material reductions in income resulted from service closures due to COVID.
- Revenue foregone – Council waived interest charges on overdue rates between 1 July 2020 and 31 January 2021. Council determined to waive fees in the 2020-21 budget for room hire, environmental health registrations, local law and work within road reserve permits and the community shopping bus. The estimated value of revenue foregone is \$0.2m.
- Additional costs – Council expended the \$1.9m of grant funding received from the State on items including wages (\$1.4m), equipment hire for outdoor dining and community grants for events and programs to drive economic recovery.

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Overview (continued)

- Asset valuations – land values in the Mansfield Shire have increased remarkably as an indirect result of COVID. Population growth, partly driven by the ability to work remotely and the desire to relocate from metropolitan areas to regional Victoria have driven a 20% increase in land values, which has been reflected in the financial statements.

Notes to the Financial Statements

for the year ended 30 June 2021

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*.

	Budget 2021 \$ '000	Actual 2021 \$ '000	Variance 2021 \$ '000	Variance 2021 %	Ref
1.1 Income and expenditure					
Income					
Rates and charges	14,719	14,869	150	1%	
Statutory fees and fines	324	411	87	27%	
User fees	953	944	(9)	(1)%	
Grants - operating	7,604	6,772	(832)	(11)%	1
Grants - capital	5,950	4,273	(1,677)	(28)%	2
Contributions - monetary	100	424	324	324%	3
Contributions - non monetary	–	2,878	2,878	∞	4
Other income	276	380	104	38%	
Total income	29,926	30,951	1,025	3%	
Expenses					
Employee costs	11,309	10,979	330	3%	
Materials and services	8,094	8,738	(644)	(8)%	
Depreciation	3,686	3,844	(158)	(4)%	
Borrowing costs	110	106	4	4%	
Net loss on disposal of property, infrastructure, plant and equipment	–	380	(380)	∞	5
Other expenses	298	280	18	6%	
Total expenses	23,497	24,327	(830)	(4)%	
Surplus/(deficit) for the year	6,429	6,624	195	3%	

Notes to the Financial Statements

for the year ended 30 June 2021

Note 1. Performance against budget (continued)

(i) Explanation of material variations

Variance Ref	Explanation
1.	Grants - operating - The impact of AASB1058 has resulted in a decrease to operating grant income of \$999k. This is income that has been received as cash, but not yet recognised as income due to grant performance obligations having not yet been met. These impacts were not budgeted.
2.	Grants - capital - Grant income was budgeted for the Lords oval upgrade (\$3.2m), however Council were unable to secure grant funding for this. This is partly being offset by additional Resheeting grant income received of \$402k and Dual court stadium income received earlier than budgeted of \$702k.
3.	Contributions - monetary - Developer contribution of \$332k received for road safety improvements which was not budgeted.
4.	Contributions - non monetary - Non-monetary gifted assets are not budgeted. Council took on assets as a result of 4 new subdivisions.
5.	Net loss on disposal of property, infrastructure, plant and equipment - No net loss on disposal of property, plant and equipment is budgeted. Due to improved data capture including componentisation, capital works projects (renewal and upgrade) now result in a portion of the original asset being disposed.

Notes to the Financial Statements

for the year ended 30 June 2021

Note 1. Performance against budget (continued)

	Budget 2021 \$ '000	Actual 2021 \$ '000	Variance 2021 \$ '000	Variance 2021 %	Ref
1.2 Capital works					
Property					
Land improvements	75	–	(75)	100%	
Total land	75	–	(75)	100%	
Buildings	603	426	(177)	(29)%	
Total buildings	603	426	(177)	(29)%	
Total property	678	426	(252)	(37)%	
Plant and equipment					
Plant, machinery and equipment	469	704	235	50%	1
Fixtures, fittings and furniture	23	11	(12)	(52)%	
Computers and telecommunications	81	–	(81)	100%	
Library books	–	45	45	∞	
Total plant and equipment	573	760	187	33%	
Infrastructure					
Roads	5,237	3,310	(1,927)	(37)%	2
Bridges	286	–	(286)	100%	3
Footpaths and cycleways	87	161	74	85%	
Drainage	200	71	(129)	(65)%	
Recreational, leisure and community facilities	5,608	666	(4,942)	(88)%	4
Waste management	90	–	(90)	100%	
Parks, open space and streetscapes	779	–	(779)	100%	5
Off street car parks	1,400	569	(831)	(59)%	6
Other infrastructure	100	–	(100)	100%	
Total infrastructure	13,787	4,777	(9,010)	(65)%	
Total capital works expenditure	15,038	5,963	(9,075)	(60)%	
Represented by:					
New asset expenditure	7,146	1,488	(5,658)	(79)%	
Asset renewal expenditure	6,750	3,499	(3,251)	(48)%	
Asset upgrade expenditure	1,142	976	(166)	(15)%	
Total capital works expenditure	15,038	5,963	(9,075)	(60)%	

Notes to the Financial Statements

for the year ended 30 June 2021

Note 1. Performance against budget (continued)

(i) Explanation of material variations

Variance Ref	Explanation
--------------	-------------

- | | |
|----|---|
| 1. | \$278k budget was carried forward from the 2019/20 year for a water truck which was received in July 2020. |
| 2. | Works not yet fully completed, and will be carried forward to the 2021/22 year including \$488k resheets, \$187k kerb & channel & \$670k View Street. View Street road works project is ongoing, however expected to be under budget by approximately \$700k. |
| 3. | Bridge renewal works of \$185k have not yet been undertaken. Scope has been reduced and \$69k is likely to carry forward to 2021/22. Bridge structural assessment of \$100k was budgeted in capital, however was an operating expense (actual \$30k). |
| 4. | \$3.7m was budgeted for works on the Lords oval however no grant funding has been secured, therefore the project has been put on hold. \$1.7m was budgeted to be paid for the Dual Court Stadium, however work not yet completed. Offset by costs included here which were budgeted in Parks, open space and streetscapes (Botanic park \$517k, Streetscapes \$43k & \$48k Football nets) |
| 5. | Botanic Park, Streetscape & Football nets budgeted here, allocated to Recreation, leisure & community (total actual cost \$608k). |
| 6. | Dual court stadium carpark completed under budget. |

Notes to the Financial Statements

for the year ended 30 June 2021

Note 2. Analysis of Council results by program

2.1 Analysis of Council results by program

Council delivers its functions and activities through the following programs.

Business & Performance

Information technology, and finance functions include accounting and reporting, payroll, accounts payable and receivable, property rating, procurement and depreciation costs.

Community & Economic Development

Economic development, tourism and events, library, arts and culture, community development, sport and recreation, customer service and records management.

Community Health & Wellbeing

Community and home care services, maternal and child health, integrated family services, financial counselling and youth services.

Community Safety

Local laws, animal management, environmental health, domestic wastewater, municipal emergency management.

Executive services

Executive Services includes the Chief Executive Officer and executive management.

Field Services

Maintenance and upkeep of Councils parks and open spaces, roads, pathways and fleet.

Governance and Risk

Corporate governance and risk activities including regulatory compliance, insurance, strategic risk management, Councillors and elections, and corporate reporting.

Operations & Capital Works

Engineering services, infrastructure planning and delivery, building maintenance and asset management.

People & Culture

Human resource management and occupational health and safety.

Planning and environment

Statutory planning, strategic planning, environment and waste management.

2.2 Summary of revenues, expenses, assets and capital expenses by program

Functions/activities	Income \$ '000	Expenses \$ '000	Surplus / (Deficit) \$ '000	Grants included in income \$ '000	Total assets \$ '000
2021					
Business & Performance	14,912	5,313	9,599	2,138	21,215
Community & Economic Development	1,523	2,696	(1,173)	1,387	193
Community Health & Wellbeing	1,662	2,219	(557)	1,335	–
Community Safety	370	925	(555)	121	–
Executive Services	2	989	(987)	–	–
Field Services	1,176	2,849	(1,673)	1,165	104,142
Governance & Risk	26	991	(965)	21	–
Operations & Capital Works	6,978	1,923	5,055	3,505	105,133
People & Culture	1,336	2,139	(803)	1,318	–
Planning & Environment	2,966	4,283	(1,317)	55	–
Total functions and activities	30,951	24,327	6,624	11,045	230,683

2020

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Notes to the Financial Statements

for the year ended 30 June 2021

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

Functions/activities	Income \$ '000	Expenses \$ '000	Surplus / (Deficit) \$ '000	Grants included in income \$ '000	Total assets \$ '000
Business & Performance	14,946	6,248	8,698	2,572	18,021
Community & Economic Development	187	2,115	(1,928)	42	166
Community Health & Wellbeing	1,512	1,871	(359)	1,198	–
Community Safety	640	922	(282)	306	–
Executive Services	–	675	(675)	–	–
Field Services	954	2,732	(1,778)	948	102,303
Governance & Risk	–	837	(837)	–	–
Operations & Capital Works	4,008	1,491	2,517	1,470	90,316
People & Culture	10	655	(645)	–	–
Planning & Environment	2,749	3,842	(1,093)	61	–
Unattributed	–	–	–	–	(1)
Total functions and activities	25,006	21,388	3,618	6,597	210,805

Notes to the Financial Statements

for the year ended 30 June 2021

Note 3. Funding for the delivery of our services

	2021 \$ '000	2020 \$ '000
3.1 Rates and charges		
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. The valuation base used to calculate general rates for 2020/21 was \$4,011 million (2019/20: \$3,738 million).		
General rates	9,878	9,578
Municipal charge	2,506	2,407
Waste management charge	258	306
Service rates and charges	1,978	1,821
Supplementary rates and rate adjustments	187	107
Interest on rates and charges	62	50
Total rates and charges	14,869	14,269
The date of the latest general revaluation of land for rating purposes within the municipal district was 1 January 2021, and the valuation will be first applied in the rating year commencing 1 July 2021.		
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	37	29
Land information certificates	30	22
Permits	344	298
Total statutory fees and fines	411	349
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.		
3.3 User fees		
Aged and health services	327	315
Leisure centre and recreation	64	93
Registration and other permits	84	190
Building services	15	13
Waste management services	338	319
Local laws	91	95
Other fees and charges	25	83
Total user fees	944	1,108
User fees by timing of revenue recognition		
User fees recognised at a point in time	944	1,108
Total user fees	944	1,108

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.

Notes to the Financial Statements

for the year ended 30 June 2021

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

	2021 \$ '000	2020 \$ '000
3.4 Funding from other levels of government		
Grants were received in respect of the following:		
Summary of grants		
Commonwealth funded grants	6,682	5,242
State funded grants	4,363	1,355
Total grants received	11,045	6,597
(a) Operating Grants		
Recurrent - Commonwealth Government		
Financial Assistance Grants	2,926	3,512
General home care	344	332
Adult day care	52	124
Recurrent - State Government		
School crossing supervisors	30	31
Library	131	128
Maternal and child health	257	229
Adult day care	-	7
General home care	111	108
Family and children	318	286
Community support	10	15
Environmental health	11	14
Property and valuations	1	1
Youth Services	25	25
Emergency Management	68	-
Other	-	8
Total recurrent operating grants	4,284	4,820
Non-recurrent - Commonwealth Government		
General home care	9	9
Other	21	-
Non-recurrent - State Government		
Family and children	93	84
Maternal and child health	3	-
Community support	225	-
Waste	10	-
Emergency management	-	95
Environment	34	24
Property and valuations	51	-
Tourism	-	2
Strategic planning	11	37
Economic Development	248	-
Working for Victoria	1,318	-
Information Technology	100	-
Youth Services	70	54
Bushfire Recovery	280	-
Other	15	2
Total non-recurrent operating grants	2,488	307
Total operating grants	6,772	5,127

continued on next page ...

Notes to the Financial Statements

for the year ended 30 June 2021

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

	2021 \$ '000	2020 \$ '000
(b) Capital Grants		
Recurrent - Commonwealth Government		
Roads to recovery	593	592
Total recurrent capital grants	593	592
Non-recurrent - Commonwealth Government		
Recreation	1,887	673
Roads, footpaths & bridges	850	-
Non-recurrent - State Government		
Roads, footpaths and bridges	702	137
Waste	-	68
Recreation	241	-
Total non-recurrent capital grants	3,680	878
Total capital grants	4,273	1,470
(c) Unspent grants received on condition that they be spent in a specific manner:		
Operating		
Balance at start of year	1,242	350
Received during the financial year and remained unspent at balance date	553	1,130
Received in prior years and spent during the financial year	(360)	(238)
Balance at year end	1,435	1,242
Capital		
Balance at start of year	661	712
Received during the financial year and remained unspent at balance date	1,279	422
Received in prior years and spent during the financial year	(616)	(473)
Balance at year end	1,324	661

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.

Notes to the Financial Statements

for the year ended 30 June 2021

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

	2021 \$ '000	2020 \$ '000
3.5 Contributions		
Monetary contributions		
Monetary	424	195
Total monetary contributions	424	195
Non-monetary contributions		
Non-monetary	2,878	2,144
Total non-monetary contributions	2,878	2,144
Total contributions	3,302	2,339
<i>Contributions of non monetary assets were received in relation to the following asset classes.</i>		
Land under roads	120	7
Roads	1,324	922
Footpaths and cycleways	261	330
Drainage	1,173	885
Total non-monetary contributions	2,878	2,144

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

3.6 Net gain/(loss) on disposal of property, infrastructure, plant and equipment

Property, infrastructure, plant and equipment

Proceeds of sale	84	77
Written down value of assets disposed	(464)	(198)
Total net gain/(loss) on disposal of property, infrastructure, plant and equipment	(380)	(121)

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	92	198
Other rent	102	51
Other	186	95
Total other income	380	344

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.

Notes to the Financial Statements

for the year ended 30 June 2021

Note 4. The cost of delivering services

	2021 \$ '000	2020 \$ '000
4.1 Employee costs		
(a). Employee costs		
Wages and salaries	8,915	7,463
WorkCover	111	106
Annual leave and long service leave	897	860
Superannuation	859	741
Fringe benefits tax	19	24
Other	178	11
Total employee costs	10,979	9,205
(b). Superannuation		
Council made contributions to the following funds:		
Defined benefit fund		
Employer contributions to Local Authorities Superannuation Fund (Vision Super)	17	17
	<u>17</u>	<u>17</u>
Accumulation funds		
Employer contributions to Local Authorities Superannuation Fund (Vision Super)	276	274
Employer contributions - other funds	566	450
	<u>842</u>	<u>724</u>
Total superannuation costs	859	741

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

Notes to the Financial Statements

for the year ended 30 June 2021

Note 4. The cost of delivering services (continued)

	2021 \$ '000	2020 \$ '000
4.2 Materials and services		
Utilities	377	413
Information technology software and hardware costs	446	307
Insurance	298	276
Consultants	1,002	738
Expenses from leases of low value assets	7	8
Store issues	92	96
Repairs, maintenance and security	192	141
Advertising and promotion	75	59
Legal expenses	256	140
Memberships and subscriptions	71	61
Printing, copying, stationery and postage	127	88
Staff training and professional development	194	191
Waste disposal and contract costs	2,467	2,468
Community contributions	532	143
Fuel	86	101
Cleaning expenses	151	176
Levies	32	33
Contract Payments - Asset management	138	177
Contract Payments - Building services	84	90
Contract Payments - Aged services	116	92
Contract Payments - Pool operations	127	121
Community services	272	292
Development services	275	307
Tourism, events & economic development	266	178
Engineering and works	618	856
Administration and governance	361	194
Other materials and services	76	86
Total materials and services	8,738	7,832

Notes to the Financial Statements

for the year ended 30 June 2021

Note 4. The cost of delivering services (continued)

	2021 \$ '000	2020 \$ '000
4.3 Depreciation		
Property		
Buildings - specialised	534	357
Total depreciation - property	534	357
Plant and equipment		
Plant and equipment	427	420
Fixtures fittings and furniture	27	27
Computers and telecomms	59	100
Library books	38	42
Total depreciation - plant and equipment	551	589
Infrastructure		
Roads	2,017	1,982
Bridges	215	216
Footpaths and cycleways	181	175
Drainage	209	196
Recreational, leisure and community	114	240
Off street car parks	23	57
Total depreciation - infrastructure	2,759	2,866
Total depreciation	3,844	3,812

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

Notes to the Financial Statements

for the year ended 30 June 2021

Note 4. The cost of delivering services (continued)

	2021 \$ '000	2020 \$ '000
4.4 Borrowing costs		
Interest - Borrowings	106	122
Total borrowing costs	106	122

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.

4.5 Other expenses

Auditors' remuneration - VAGO - audit of the financial statements, performance statement and grant acquittals	45	44
Auditors' remuneration - Internal	33	37
Councillors' allowances	148	160
Revaluation expense	-	6
Other	54	49
Total other expenses	280	296

Notes to the Financial Statements

for the year ended 30 June 2021

Note 5. Our financial position

	Notes	2021 \$ '000	2020 \$ '000
5.1 Financial assets			
(a) Cash and cash equivalents			
Current			
Cash on hand		1	1
Cash at bank		6,031	5,098
Total current cash and cash equivalents		6,032	5,099
(b) Other financial assets			
Current			
Term deposits		10,308	9,299
Total current other financial assets		10,308	9,299
Total current financial assets		16,340	14,398
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	1,361	1,084
Total restricted funds		1,361	1,084
Total unrestricted cash and cash equivalents		4,671	4,015
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
Unexpended grants		2,759	1,903
Reserve funds		693	285
Total funds subject to intended allocations		3,452	2,900

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.

Notes to the Financial Statements

for the year ended 30 June 2021

Note 5. Our financial position (continued)

	2021 \$ '000	2020 \$ '000
(c) Trade & Other Receivables		
Current		
<i>Statutory receivables</i>		
Rates debtors	1,128	1,065
Net GST receivables	315	327
<i>Non-statutory receivables</i>		
Other debtors	783	193
Total current trade and other receivables	2,226	1,585
Non-Current		
<i>Statutory receivables</i>		
Special rate scheme	25	51
Total non-current trade and other receivables	25	51
Total trade and other receivables	2,251	1,636

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.

(d) Ageing of receivables

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

Current (not yet due)	699	142
Past due by up to 30 days	36	21
Past due between 31 and 180 days	39	24
Past due between 181 and 365 days	5	2
Past due by more than 1 year	4	4
Total trade and other receivables	783	193

Notes to the Financial Statements

for the year ended 30 June 2021

Note 5. Our financial position (continued)

	2021	2020
	\$ '000	\$ '000

5.2 Non-financial assets

(a) Inventories**Current**

Inventories held for distribution	18	9
Total current inventories	18	9

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.

(b) Other assets**Current**

Prepayments	1,795	1,834
Accrued income - interest	16	36
Accrued income - other	755	–
Total current other assets	2,566	1,870

5.3 Payables

(a) Trade and other payables**Current**

Trade payables	1,623	953
Accrued expenses	357	265
Employee costs	–	4
Accrued loan interest	7	11
Total current trade and other payables	1,987	1,233

Notes to the Financial Statements

for the year ended 30 June 2021

Note 5. Our financial position (continued)

	2021 \$ '000	2020 \$ '000
(b) Trust funds and deposits		
Current		
Refundable deposits	216	201
Fire services levy	350	332
Retention amounts	466	233
Other refundable deposits	14	10
Cemetery trusts	315	308
Total current trust funds and deposits	1,361	1,084

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**Current****Grants received in advance:**

Grants received in advance - operating	999	873
Grants received in advance - capital	589	630
Total grants received in advance	1,588	1,503
Total unearned income	1,588	1,503

Notes to the Financial Statements

for the year ended 30 June 2021

Note 5. Our financial position (continued)

	2021 \$ '000	2020 \$ '000
5.4 Interest-bearing liabilities		
Current		
Borrowings - secured	193	183
	<u>193</u>	<u>183</u>
Non-current		
Borrowings - secured	1,737	1,930
	<u>1,737</u>	<u>1,930</u>
Total	<u>1,930</u>	<u>2,113</u>

Borrowings are secured by rate income.

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

Not later than one year	193	183
Later than one year and not later than five years	884	838
Later than five years	853	1,092
	<u>1,930</u>	<u>2,113</u>

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.

	Employee provisions \$ '000	Landfill restoration \$ '000	Total \$ '000
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5.5 Provisions**2021**

Balance at the beginning of the financial year	1,972	375	2,347
Additional provisions	927	344	1,271
Amounts used	(940)	(54)	(994)
Change in the discounted amount arising because of time and the effect of any change in the discount rate	(10)	(28)	(38)
Balance at the end of the financial year	<u>1,949</u>	<u>637</u>	<u>2,586</u>

2020

Balance at the 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	<u>1,972</u>	<u>375</u>	<u>2,347</u>

Notes to the Financial Statements

for the year ended 30 June 2021

Note 5. Our financial position (continued)

	2021 \$ '000	2020 \$ '000
(a) Employee provisions		
Current provisions expected to be wholly settled within 12 months		
Annual leave	706	667
Long service leave	127	172
	833	839
Current provisions expected to be wholly settled after 12 months		
Annual leave	54	37
Long service leave	907	922
	961	959
Total current employee provisions	1,794	1,798
Non-Current		
Long service leave	155	174
Total Non-Current Employee Provisions	155	174
Aggregate Carrying Amount of Employee Provisions:		
Current	1,794	1,798
Non-current	155	174
Total Aggregate Carrying Amount of Employee Provisions	1,949	1,972

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:

- discount rate	1.13%	0.66%
- inflation rate	2.95%	2.00%

Notes to the Financial Statements

for the year ended 30 June 2021

Note 5. Our financial position (continued)

	2021 \$ '000	2020 \$ '000
(b) Landfill restoration		
Current		
Current	208	83
Total current	208	83
Non-current		
Non-current	429	292
Total non-current	429	292

Council is obligated to restore the Monkey Gully Road Landfill site (which is now closed) to a particular standard. Council are also obliged to make some initial assessments on 4 other closed landfills across the municipality.

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:

- discount rate	0.78%	0.77%
- inflation rate	1.10%	2.00%

	2021 \$ '000	2020 \$ '000
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5.6 Financing arrangements

The Council has the following funding arrangements in place as at 30 June 2021.

Bank overdraft	300	300
Credit card facilities	100	100
Loan facilities	1,930	2,113
Total Facilities	2,330	2,513
Used facilities	1,930	2,151
Used facilities	1,930	2,151
Unused facilities	400	362

Notes to the Financial Statements

for the year ended 30 June 2021

Note 5. Our financial position (continued)

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.

	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
2021					
Operating					
Recycling	776	611	624	–	2,011
Waste collection	868	885	903	–	2,656
Cleaning contracts for council buildings	64	30	61	–	155
Waste disposal	549	560	571	–	1,680
Building regulation services	100	–	–	–	100
Asset management bureau service	231	165	–	–	396
Strategies & Reviews	173	–	–	–	173
Infrastructure maintenance	67	–	–	–	67
Office Furniture	44	–	–	–	44
Total	2,872	2,251	2,159	–	7,282
Capital					
Dual Court Stadium	1,679	–	–	–	1,679
Roads & Footpaths	1,789	–	–	–	1,789
Recreational facilities	288	–	–	–	288
Bridges	69	–	–	–	69
Total	3,825	–	–	–	3,825
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

Notes to the Financial Statements

for the year ended 30 June 2021

Note 5. Our financial position (continued)

5.8 Leases

At inception of a contract, all entities would assess whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To identify whether a contract conveys the right to control the use of an identified asset, it is necessary to assess whether:

- The contract involves the use of an identified asset;
- The customer has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- The customer has the right to direct the use of the asset.

This policy is applied to contracts entered into, or changed, on or after 1 July 2019. Council have not recognised any lease liabilities as at 30 June 2021 as it has not entered into any new or amended contracts that contain a lease since 1 July 2019.

As a lessee, Council recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost which comprises the initial amount of the lease liability adjusted for:

- any lease payments made at or before the commencement date less any lease incentives received; plus
- any initial direct costs incurred; and
- an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property, plant and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain measurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, an appropriate incremental borrowing rate. Generally, Council uses an appropriate incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- Fixed payments
- Variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- Amounts expected to be payable under a residual value guarantee; and
- The exercise price under a purchase option that Council is reasonably certain to exercise, lease payments in an optional renewal period if Council is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless Council is reasonably certain not to terminate early.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Council has elected to apply the temporary option available under AASB 16 Leases which allows not-for-profit entities to not measure right-of-use assets at initial recognition at fair value in respect of leases that have significantly below-market terms. Council does not currently lease any assets under a peppercorn lease arrangement.

	2021	2020
	\$ '000	\$ '000

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.

Notes to the Financial Statements

for the year ended 30 June 2021

Note 5. Our financial position (continued)

	2021 \$ '000	2020 \$ '000
Expenses relating to:		
Leases of low value assets	7	8
Total	<u>7</u>	<u>8</u>
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	8
Later than one year but not later than five years	18	23
Total lease commitments	<u>26</u>	<u>31</u>

Notes to the Financial Statements

for the year ended 30 June 2021

Note 6. Assets we manage

6.1 Property, infrastructure, plant and equipment

Summary of property, infrastructure, plant and equipment	At Fair Value 30 June 2020 \$ '000	Additions \$ '000	Contributions \$ '000	Revaluation \$ '000	Depreciation \$ '000	Disposal \$ '000	Transfers \$ '000	At Fair Value 30 June 2021 \$ '000
Property	49,710	202	120	9,977	(534)	(22)	–	59,453
Plant and equipment	2,274	760	–	20	(551)	(47)	–	2,456
Infrastructure	140,547	4,117	2,757	2,085	(2,759)	(394)	229	146,582
Work in progress	362	884	–	–	–	–	(229)	1,017
Total	192,893	5,963	2,877	12,082	(3,844)	(463)	–	209,508

Summary of Work in Progress	Opening WIP \$ '000	Additions \$ '000	Transfers \$ '000	Closing WIP \$ '000
Infrastructure	362	884	(229)	1,017
Total	362	884	(229)	1,017

Notes to the Financial Statements

for the year ended 30 June 2021

Note 6. Assets we manage (continued)

	Land specialised \$ '000	Land non specialised \$ '000	Land under roads \$ '000	Total land and land improvements \$ '000	Buildings specialised \$ '000	Total property \$ '000
Property						
At fair value 1 July 2020	13,861	3,741	11,309	28,911	30,119	59,030
Accumulated depreciation at 1 July 2020	–	–	–	–	(9,320)	(9,320)
Carrying value - 1 July 2020	13,861	3,741	11,309	28,911	20,799	49,710
Movements in fair value						
Additions	–	–	–	–	202	202
Contributions	–	–	120	120	–	120
Revaluation	2,772	748	6,457	9,977	–	9,977
Disposal	–	–	–	–	(34)	(34)
Total movements in fair value	2,772	748	6,577	10,097	168	10,265
Movements in accumulated depreciation						
Depreciation and amortisation	–	–	–	–	(534)	(534)
Accumulated depreciation of disposals	–	–	–	–	12	12
Total movements in accumulated depreciation	–	–	–	–	(522)	(522)
At fair value 30 June 2021	16,633	4,489	17,886	39,008	30,287	69,295
Accumulated depreciation at 30 June 2021	–	–	–	–	(9,842)	(9,842)
Carrying value - 30 June 2021	16,633	4,489	17,886	39,008	20,445	59,453

Notes to the Financial Statements

for the year ended 30 June 2021

Note 6. Assets we manage (continued)

	Plant machinery and equipment \$ '000	Fixtures fittings and furniture \$ '000	Computers and telecomms \$ '000	Library books \$ '000	Total plant and equipment \$ '000
Plant and Equipment					
At fair value 1 July 2020	4,531	298	593	415	5,837
Accumulated depreciation at 1 July 2020	(2,613)	(225)	(476)	(249)	(3,563)
Carrying value - 1 July 2020	1,918	73	117	166	2,274
Movements in fair value					
Additions	704	11	–	45	760
Revaluation	–	–	–	111	111
Disposal	(230)	(63)	(118)	(62)	(473)
Total movements in fair value	474	(52)	(118)	94	398
Movements in accumulated depreciation					
Depreciation and amortisation	(427)	(27)	(59)	(38)	(551)
Accumulated depreciation of disposals	182	64	118	62	426
Accumulated depreciation of revaluations	–	–	–	(91)	(91)
Total movements in accumulated depreciation	(245)	37	59	(67)	(216)
At fair value 30 June 2021	5,005	246	475	509	6,235
Accumulated depreciation at 30 June 2021	(2,858)	(188)	(417)	(316)	(3,779)
Carrying value - 30 June 2021	2,147	58	58	193	2,456

Notes to the Financial Statements

for the year ended 30 June 2021

Note 6. Assets we manage (continued)

	Roads \$ '000	Bridges \$ '000	Footpaths and cycleways \$ '000	Drainage \$ '000	Recreational, leisure and community \$ '000	Off street car parks \$ '000	Total Infrastructure (excl. work in progress) \$ '000	Work in progress \$ '000	Total infra- structure \$ '000
Infrastructure									
At fair value 1 July 2020	124,937	26,198	7,862	20,199	4,516	1,140	184,852	362	185,214
Accumulated depreciation at 1 July 2020	(24,561)	(10,897)	(1,379)	(6,116)	(1,200)	(152)	(44,305)	–	(44,305)
Carrying value - 1 July 2020	100,376	15,301	6,483	14,083	3,316	988	140,547	362	140,909
Movements in fair value									
Additions	2,714	–	161	59	614	569	4,117	884	5,001
Contributions	1,324	–	261	1,172	–	–	2,757	–	2,757
Revaluation	–	2,226	–	991	–	–	3,217	–	3,217
Disposal	(1,289)	–	–	–	(5)	–	(1,294)	–	(1,294)
Transfers	11	–	146	–	53	19	229	(229)	–
Total movements in fair value	2,760	2,226	568	2,222	662	588	9,026	655	9,681
Movements in accumulated depreciation									
Depreciation and amortisation	(2,017)	(215)	(181)	(209)	(113)	(24)	(2,759)	–	(2,759)
Accumulated depreciation of disposals	900	–	–	–	–	–	900	–	900
Accumulated depreciation of revaluations	–	(1,149)	–	17	–	–	(1,132)	–	(1,132)
Total movements in accumulated depreciation	(1,117)	(1,364)	(181)	(192)	(113)	(24)	(2,991)	–	(2,991)
At fair value 30 June 2021	127,697	28,424	8,430	22,421	5,178	1,728	193,878	1,017	194,895
Accumulated depreciation at 30 June 2021	(25,678)	(12,261)	(1,560)	(6,308)	(1,314)	(175)	(47,296)	–	(47,296)
Carrying value - 30 June 2021	102,019	16,163	6,870	16,113	3,864	1,553	146,582	1,017	147,599

Notes to the Financial Statements

for the year ended 30 June 2021

Note 6. Assets we manage (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.

Asset recognition thresholds and depreciation periods

	Depreciation Period years	Threshold Limit \$ '000
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		
<i>Roads & Off Street Car Parks</i>		
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
<i>Bridges</i>		
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

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.

Notes to the Financial Statements

for the year ended 30 June 2021

Note 6. Assets we manage (continued)

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.

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.

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.

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

As an indirect result of COVID19, land values have increased dramatically over the past year. Therefore an index based valuation was conducted in the current year, resulting in an increase of 20%. As a result of this unusual movement, Council will conduct a full valuation of land in the 2021/22 year.

Details of the Council's land and buildings and information about the fair value hierarchy as at 30 June 2021 are as follows:

	Level 1 2021 \$ '000	Level 2 2021 \$ '000	Level 3 2021 \$ '000	Date of valuation
Non-specialised land	–	4,489	–	01/01/20
Specialised land	–	–	16,633	01/01/20
Land under roads	–	–	17,886	30/06/21
Specialised buildings	–	–	20,445	30/06/20
Total	–	4,489	54,964	

Valuation of Infrastructure

Notes to the Financial Statements

for the year ended 30 June 2021

Note 6. Assets we manage (continued)

Valuations of infrastructure assets have been determined in accordance with a valuation undertaken by Assetic Pty Ltd by Ashay Prabhu MIE(Aust) CPEng, NPER: Membership 1102199.

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 2021 are as follows:

Notes to the Financial Statements

for the year ended 30 June 2021

Note 6. Assets we manage (continued)

	Level 1 2021 \$ '000	Level 2 2021 \$ '000	Level 3 2021 \$ '000	Date of valuation
Roads	–	–	102,019	30/06/19
Bridges	–	–	16,163	30/06/21
Footpaths and cycleways	–	–	6,870	30/06/19
Drainage	–	–	16,113	30/06/21
Recreational, leisure & community facilities	–	–	3,864	30/06/20
Off street car parks	–	–	1,553	30/06/20
Total	–	–	146,582	

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 \$1 and \$750 per square metre.

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.

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 assets 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

	2021 \$ '000	2020 \$ '000
Land under roads	17,886	13,861
Land	16,633	11,309
Total specialised land	34,519	25,170

Notes to the Financial Statements

for the year ended 30 June 2021

Note 6. Assets we manage (continued)

	2021 \$ '000	2020 \$ '000
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6.2 Investments in joint arrangements

Investments in joint arrangements

High Country Library Network

High Country Library Network shared services agreement

Mansfield Shire Council entered into a three year joint arrangement for library services with Alpine Shire Council, Wangaratta Rural City Council and Benalla Rural City Council. Mansfield Shire Council's contribution is 14% 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)	52	47
Property, plant and equipment at fair value (library books)	45	47
Total contribution to joint arrangements	97	94

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.

Notes to the Financial Statements

for the year ended 30 June 2021

Note 7. People and relationships

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	Cr Harry Westendorp (Mayor until 12/11/19, Cr until 24/10/20)
	Cr Peter Olver (until 24/10/20)
	Cr Marg Attley (Mayor from 12/11/19, until 24/10/20)
	Cr Paul Volkering (until 24/10/20)
	Cr Paul Sladdin
	Mayor Holcombe (from 24/11/20)
	Cr James Tehan (from 24/11/20)
	Cr Steve Rabie (from 24/11/20)
	Cr Rohan Webb (from 24/11/20)

		No. 2021	No. 2020
Total Number of Councillors		9	5
Chief Executive Officer (interim from 22/7/19 to 24/9/19, appointed from 27/2/20)	K Conrick	1	1
General Manager Infrastructure & Planning	K Alexander	1	–
General Manager Corporate and Community Services (to 13/5/21)	C Snook	1	–
Interim General Manager Corporate and Community Services (from 13/5/21)	M Kynnersley	1	–
Chief Executive Officer (to 19/7/19)	A Green	–	1
Interim Chief Executive Officer (from 25/9/19 to 26/2/20)	P Reeve	–	1
Finance Manager	M Kynnersley	–	1
Infrastructure Manager (10/12/18 to 16/8/19)	M Walker	–	1
Infrastructure Manager (from 17/12/19 to 18/9/20)	A Kompler	–	1
Community Services Manager (to 7/8/20)	M Hotton	–	1

Notes to the Financial Statements

for the year ended 30 June 2021

Note 7. People and relationships (continued)

		No. 2021	No. 2020
Development Services Manager (to 15/1/21)	B McKay	–	1
Corporate and Organisational Development Manager (to 28/8/20)	S Scott	–	1
Total Number of Key Management Personnel		13	14

	2021 Actual	2020 Actual
(c) Remuneration of Key Management Personnel		
Total remuneration of key management personnel was as follows:		
Short-term benefits	657	1,054
Long-term benefits	6	14
Post employment benefits	46	95
Termination benefits	–	204
Total	709	1,367

	No. 2021	No. 2020
The numbers of key management personnel whose total remuneration from Council and any related entities, fall within the following bands:		
\$1 - \$9,999	3	–
\$10,000 - \$19,999	3	–
\$20,000 - \$29,999	3	3
\$40,000 - \$49,999	1	1
\$50,000 - \$59,999	–	1
\$60,000 - \$69,999	–	1
\$80,000 - \$89,999	–	2
\$100,000 - \$109,000	1	–
\$120,000 - \$129,999	–	1
\$140,000 - \$149,999	–	3
\$150,000 - \$159,999	–	1
\$170,000 - \$179,000	1	–
\$250,000 - \$259,999	1	1
	13	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.

Notes to the Financial Statements

for the year ended 30 June 2021

Note 7. People and relationships (continued)

	Notes	2021 \$ '000	2020 \$ '000
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	1	5
Expenses - Printing and Stationery	b	–	12
Expenses - Materials and services	c	4	–
Expenses - Salaries and wages	d	55	–
Income - Home Care Services	e	–	(2)
Total		60	15

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

b. In prior year, printing and embroidery services were procured from Mansfield Printing & Embroidery which was a related party of a key management personnel at the time.

c. Materials and Services relates to staff counselling services provided by a spouse of a Key Management Personnel.

d. Salaries and Wages - a related party of a councillor was employed by Council. The salary is 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.

e. In prior year, home care services were provided to a parent of a key management personnel.

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

(b) Outstanding balances with related parties

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

Notes to the Financial Statements

for the year ended 30 June 2021

Note 8. Managing uncertainties

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 2020-21 year (2019-20 \$NIL). There were no contributions outstanding and no loans issued from or to the above schemes as at 30 June 2021. The expected contributions to be paid to the Defined Benefit category of Vision Super for the year ending 30 June 2022 are \$NIL.

Landfill

Until 30 June 2007 Council operated a landfill at Monkey Gully Road, Mansfield which did not accept putrescible waste. Council are obligated to restore the landfill site to EPA requirements which includes regular environmental audits. Council have received a draft financial assurance calculation report from Meinhart Australia Pty Ltd. which has been used to calculate the provision, however during the project contingencies may arise. The amount of this potential contingency cannot be determined.

As of 1 July 2021, Council are required to report to the EPA on any closed landfills that were not operated under an EPA license in past years. In preparation for the change in legislation, and assessment was undertaken and identified four potential sites upon which remediation works may need to be performed.

A provision has been made as at 30 June 2021 for the cost of the initial assessment of the four identified closed landfills. This amount has been included as a current liability, assuming the assessment work will be carried out in the next 12 months. The cost of any subsequent remediation works are as yet unknown and unable to be quantified.

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.

8.2 Change in accounting standards

Certain new Australian Accounting Standards and interpretations have been published that are not mandatory for the 30 June 2021 reporting period. Council assesses the impact of these new standards. As at 30 June 2021 there were no new accounting standards or interpretations issued by the AASB which are applicable for the year ending 30 June 2022 that are expected to impact Council.

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.

Notes to the Financial Statements

for the year ended 30 June 2021

Note 8. Managing uncertainties (continued)

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.

(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.

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:

Notes to the Financial Statements

for the year ended 30 June 2021

Note 8. Managing uncertainties (continued)

- 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.

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 0.43%.

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.

Notes to the Financial Statements

for the year ended 30 June 2021

Note 8. Managing uncertainties (continued)

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.

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.

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

As a result of COVID19, regional Victoria have experienced intermittent lockdowns since balance date. These lockdowns have had no material impact on the operations of Council.

Notes to the Financial Statements

for the year ended 30 June 2021

Note 9. Other matters

	Balance at beginning of reporting period \$ '000	Increment (decrement) \$ '000	Balance at end of reporting period \$ '000
9.1 Reserves			
(a) Asset revaluation reserves			
2021			
Property			
Land - specialised	12,523	2,772	15,295
Land - non specialised	348	748	1,096
Land under roads	–	6,457	6,457
Buildings	12,216	–	12,216
	<u>25,087</u>	<u>9,977</u>	<u>35,064</u>
Plant and equipment			
Library books	–	20	20
	<u>–</u>	<u>20</u>	<u>20</u>
Infrastructure			
Roads	94,827	–	94,827
Bridges	5,122	1,077	6,199
Footpaths and cycleways	1,361	–	1,361
Drainage	5,167	1,008	6,175
Recreational, leisure and community facilities	135	–	135
Offstreet car parks	549	–	549
	<u>107,161</u>	<u>2,085</u>	<u>109,246</u>
Total asset revaluation reserves	<u>132,248</u>	<u>12,082</u>	<u>144,330</u>
2020			
Property			
Land - specialised	11,325	1,198	12,523
Land - non specialised	–	348	348
Buildings	5,617	6,599	12,216
	<u>16,942</u>	<u>8,145</u>	<u>25,087</u>
Plant and equipment			
Library books	42	(42)	–
	<u>42</u>	<u>(42)</u>	<u>–</u>
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
	<u>107,112</u>	<u>49</u>	<u>107,161</u>
Total asset revaluation reserves	<u>124,096</u>	<u>8,152</u>	<u>132,248</u>

Notes to the Financial Statements

for the year ended 30 June 2021

Note 9. Other matters (continued)

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

	Balance at beginning of reporting period \$ '000	Transfer from Accumulated Surplus \$ '000	Transfer to Accumulated Surplus \$ '000	Balance at end of reporting period \$ '000
(b) Other reserves				
2021				
Restricted reserves				
Road construction reserve	4	332	–	336
Footpath construction reserve	5	–	–	5
Open space reserve	276	76	–	352
Total restricted reserves	285	408	–	693
Discretionary reserves				
Waste Management	(329)	–	(96)	(425)
Total discretionary reserves	(329)	–	(96)	(425)
Total Other reserves	(44)	408	(96)	268
2020				
Restricted reserves				
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)

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.

Notes to the Financial Statements

for the year ended 30 June 2021

Note 9. Other matters (continued)

	2021 \$ '000	2020 \$ '000
9.2 Reconciliation of cash flows from operating activities to surplus/(deficit)		
Surplus/(deficit) for the year	6,624	3,618
Depreciation/amortisation	3,844	3,812
Impairment losses	–	6
Profit/(loss) on disposal of property, infrastructure, plant and equipment	380	121
Contributions - Non-monetary assets	(2,878)	(2,144)
Amounts disclosed in financing activities	106	122
Opening equity adjustment on implementation of AASB1058	–	(240)
Change in assets and liabilities:		
(Increase)/decrease in trade and other receivables	(615)	(209)
(Increase)/decrease in inventories	(9)	5
(Increase)/decrease in prepayments	39	(1,760)
Increase/(decrease) in accrued income	(736)	117
Increase/(decrease) in trade and other payables	754	230
Increase/(decrease) in provisions	239	92
(Decrease)/increase in other liabilities	277	123
Increase/(decrease) in Unearned income	85	1,502
Net cash provided by/(used in) operating activities	8,110	5,395

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 2021, 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 for the Defined Benefit category as at 30 June 2020 was conducted and completed by the due date of 31 December 2020.

The vested benefit index (VBI) of the Defined Benefit category of which Council is a contributing employer was 104.6%. The financial assumptions used to calculate the VBI were:

Notes to the Financial Statements

for the year ended 30 June 2021

Note 9. Other matters (continued)

Net investment returns 5.6% pa
 Salary information 2.5% pa for two year and 2.75% pa thereafter
 Price inflation (CPI) 2.0% pa.

As at 30 June 2021, an interim actuarial investigation is underway as the Fund provides lifetime pensions in the Defined Benefit category.

Vision Super has advised that the estimated VBI at June 2021 was 109.7%.

The VBI is used as the primary funding indicator. Because the VBI was above 100%, the 30 June 2020 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.

Employer contributions**Regular contributions**

On the basis of the results of the 2020 triennial 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 2021, this rate was 9.5% of members' salaries (9.5% in 2019/2020). This rate is expected to increase in line with any increases in the SG contribution rate and was 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 Mansfield Shire 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 2020 triennial actuarial investigation surplus amounts

An actuarial investigation is conducted annually for the Defined Benefit category of which Council is a contributing employer. Generally, a full actuarial investigation is conducted every three years and interim actuarial investigations are conducted for each intervening year. A full investigation was conducted as at 30 June 2020.

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

	2020 (Triennial) \$m	2019 (Interim) \$m
- A VBI Surplus	100.0	151.3
- A total service liability surplus	200.0	233.4
- A discounted accrued benefits surplus	217.8	256.7

Notes to the Financial Statements

for the year ended 30 June 2021

Note 9. Other matters (continued)

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 2020.

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 2020.

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 2020.

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

The 2021 interim actuarial investigation

An interim actuarial investigation is being conducted for the Fund's position as at 30 June 2021 as the Fund provides lifetime pensions in the Defined Benefit category. It is anticipated that this actuarial investigation will be completed by October 2021.

Note 10. Changes in accounting policies

i) Impact of adoption of new accounting standards

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

Council has adopted AASB 1059 Service Concession Arrangements: Grantors, from 1 July 2020.

This has resulted in no material changes in accounting policies or adjustments to the amounts recognised in the financial statements.

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

Council has adopted AASB 2018-7 Amendments to Australian Accounting Standards - Definition of Material, from 1 July 2020.

This has resulted in no material change to the financial statements.

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

Council has adopted AASB 2019-1 Amendments to Australian Accounting Standards - References to the Conceptual Framework from 1 July 2020.

This has resulted in no material change to the financial statements.