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# Mansfield Shire Council

ANNUAL FINANCIAL REPORT  
for the year ended 30 June 2022

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Mansfield Shire

## Annual Financial Report

for the year ended 30 June 2022

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## Annual Financial Report

for the year ended 30 June 2022

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### Certification of the Financial Statements

In my opinion, the accompanying financial statements have been prepared in accordance with the *Local Government Act 2020*, the *Local Government (Planning and Reporting) Regulations 2020*, the Australian Accounting Standards and other mandatory professional reporting requirements.

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Tony Cooper

**Principal Accounting Officer**

20 September 2022

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 2022 and the financial position of the Council as at that date.

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 2020* to certify the financial statements in their final form.

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James Tehan

**Mayor**

20 September 2022

33 Highett Street, Mansfield Vic 3722

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Mark Holcombe

**Councillor**

20 September 2022

33 Highett Street, Mansfield Vic 3722

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Kirsten Alexander

**Chief Executive Officer**

20 September 2022

33 Highett Street, Mansfield Vic 3722

Annual Financial Report  
for the year ended 30 June 2022

Victorian Auditor-General's Office Report

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Annual Financial Report  
for the year ended 30 June 2022

Victorian Auditor-General's Office Report (continued)

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## Comprehensive Income Statement

for the year ended 30 June 2022

	Notes	2022 \$ '000	2021 \$ '000
<b>Income</b>			
Rates and charges	3.1	15,132	14,869
Statutory fees and fines	3.2	479	411
User fees	3.3	1,295	944
Grants - operating	3.4	7,758	6,772
Grants - capital	3.4	1,609	4,273
Contributions - monetary	3.5	102	424
Contributions - non monetary	3.5	3,124	2,878
Other income	3.7	370	380
<b>Total income</b>		<b>29,869</b>	<b>30,951</b>
<b>Expenses</b>			
Employee costs	4.1	10,934	10,979
Materials and services	4.2	9,467	8,738
Depreciation	4.3	4,041	3,844
Amortisation - Right of use assets	4.4	54	-
Borrowing costs	4.5	100	106
Net loss on disposal of property, infrastructure, plant and equipment	3.6	400	380
Other expenses	4.6	331	280
<b>Total expenses</b>		<b>25,327</b>	<b>24,327</b>
<b>Surplus/(deficit) for the year</b>		<b>4,542</b>	<b>6,624</b>
<b>Other comprehensive income:</b>			
<b>Items that will not be reclassified to surplus or deficit in future periods</b>			
Net asset revaluation increment	6.1	15,409	12,082
<b>Total items which will not be reclassified subsequently to the operating result</b>		<b>15,409</b>	<b>12,082</b>
<b>Total other comprehensive income</b>		<b>15,409</b>	<b>12,082</b>
<b>Total comprehensive result</b>		<b>19,951</b>	<b>18,706</b>

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

## Balance Sheet

as at 30 June 2022

	Notes	2022 \$ '000	2021 \$ '000
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	5.1	8,637	6,032
Trade and other receivables	5.1	3,005	2,226
Other financial assets	5.1	7,317	10,308
Inventories	5.2	25	18
Other assets	5.2	130	2,566
<b>Total current assets</b>		<b>19,114</b>	<b>21,150</b>
<b>Non-current assets</b>			
Trade and other receivables	5.1	9	25
Property, infrastructure, plant and equipment	6.1	231,316	209,508
Right-of-use assets	5.8	3,265	–
<b>Total non-current assets</b>		<b>234,590</b>	<b>209,533</b>
<b>Total assets</b>		<b>253,704</b>	<b>230,683</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	5.3	1,663	1,987
Trust funds and deposits	5.3	1,419	1,361
Unearned income/revenue	5.3	2,128	1,588
Provisions	5.5	1,937	2,002
Interest-bearing liabilities	5.4	416	193
<b>Total current liabilities</b>		<b>7,563</b>	<b>7,131</b>
<b>Non-current liabilities</b>			
Provisions	5.5	1,006	584
Interest-bearing liabilities	5.4	3,953	1,737
<b>Total non-current liabilities</b>		<b>4,959</b>	<b>2,321</b>
<b>Total liabilities</b>		<b>12,522</b>	<b>9,452</b>
<b>Net assets</b>		<b>241,182</b>	<b>221,231</b>
<b>Equity</b>			
Accumulated surplus		81,445	76,634
Reserves	9.1	159,737	144,597
<b>Total Equity</b>		<b>241,182</b>	<b>221,231</b>

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



## Statement of Changes in Equity

for the year ended 30 June 2022

	Note	Total \$ '000	Accumulated Surplus \$ '000	Revaluation Reserves \$ '000	Other Reserves \$ '000
<b>2022</b>					
<b>Balance at beginning of the financial year</b>		221,231	76,634	144,329	268
<b>Surplus/(deficit) for the year</b>		4,542	4,542	–	–
<b>Other comprehensive income</b>					
- Net asset revaluation increment	6.1	15,409	–	15,409	–
<b>Other comprehensive income</b>		15,409	–	15,409	–
<b>Total comprehensive income</b>		19,951	4,542	15,409	–
Transfers to other reserves	9.1(b)	–	332	–	(332)
Transfers from other reserves	9.1(b)	–	(63)	–	63
<b>Balance at end of the financial year</b>		241,182	81,445	159,738	(1)
<b>2021</b>					
<b>Balance at beginning of the financial year</b>		202,525	70,322	132,247	(44)
<b>Surplus/(deficit) for the year</b>		6,624	6,624	–	–
<b>Other comprehensive income</b>					
- Net asset revaluation increment	6.1	12,082	–	12,082	–
<b>Other comprehensive income</b>		12,082	–	12,082	–
<b>Total comprehensive income</b>		18,706	6,624	12,082	–
Transfers to other reserves	9.1(b)	–	(408)	–	408
Transfers from other reserves	9.1(b)	–	96	–	(96)
<b>Balance at end of the financial year</b>		221,231	76,634	144,329	268

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 2022

	2022	2021
	Inflows/ (Outflows)	Inflows/ (Outflows)
Notes	\$ '000	\$ '000
<b>Cash flows from operating activities</b>		
Statutory fees and fines	479	411
Other receipts	393	499
Rates and charges	15,029	14,806
User fees	1,295	284
Grants - operating	8,103	7,092
Grants - capital	1,804	3,477
Contributions - monetary	102	426
Interest received	65	92
Trust funds and deposits taken	58	277
Net GST refund/(payment)	-	1,105
Employee costs	(11,002)	(11,004)
Materials and services	(9,784)	(9,324)
Short-term, low value and variable lease payments	(8)	(7)
Other payments	98	(24)
<b>Net cash provided by/(used in) operating activities</b>	<b>6,632</b>	<b>8,110</b>
	9.2	
<b>Cash flows from investing activities</b>		
Payments for property, infrastructure, plant and equipment	(7,876)	(5,963)
Proceeds from sale of property, infrastructure, plant and equipment	160	84
Payments for investments	-	(1,009)
Proceeds from sale of investments	2,991	-
<b>Net cash provided by/(used in) investing activities</b>	<b>(4,725)</b>	<b>(6,888)</b>
	6.1	
<b>Cash flows from financing activities</b>		
Finance costs	(100)	(106)
Proceeds from borrowings	2,439	-
Repayment of borrowings	-	(183)
Repayment of lease liabilities	(1,641)	-
<b>Net cash flow provided by/(used in) financing activities</b>	<b>698</b>	<b>(289)</b>
<b>Net Increase (decrease) in cash and cash equivalents</b>	<b>2,605</b>	<b>933</b>
Cash and cash equivalents at the beginning of the financial year	6,032	5,099
<b>Cash and cash equivalents at the end of the financial year</b>	<b>8,637</b>	<b>6,032</b>

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 2022

	2022 \$ '000	2021 \$ '000
<b>Property</b>		
Land	1,305	–
<b>Total land</b>	<u>1,305</u>	<u>–</u>
Buildings	495	426
<b>Total buildings</b>	<u>495</u>	<u>426</u>
<b>Total property</b>	<u>1,800</u>	<u>426</u>
<b>Plant and equipment</b>		
Plant, machinery and equipment	503	704
Fixtures, fittings and furniture	–	11
Computers and telecommunications	35	–
Library books	93	45
<b>Total plant and equipment</b>	<u>631</u>	<u>760</u>
<b>Infrastructure</b>		
Roads	4,745	3,310
Bridges	372	–
Footpaths and cycleways	63	161
Drainage	36	71
Recreational, leisure and community facilities	227	666
Parks, open space and streetscapes	–	–
Off street car parks	–	569
<b>Total infrastructure</b>	<u>5,443</u>	<u>4,777</u>
<b>Total capital works expenditure</b>	<u>7,874</u>	<u>5,963</u>
<b>Represented by:</b>		
New asset expenditure	1,327	1,488
Asset renewal expenditure	4,251	3,499
Asset upgrade expenditure	2,296	976
<b>Total capital works expenditure</b>	<u>7,874</u>	<u>5,963</u>

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

## Notes to the Financial Statements

for the year ended 30 June 2022

### Note 1. Overview

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#### 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 2020*, and the *Local Government (Planning and Reporting) Regulations 2020*.

The Council is a not-for-profit entity and therefore applies the additional AUS paragraphs applicable to a not-for-profit entity under the Australian Accounting Standards.

#### Significant accounting policies

##### (a) Basis of accounting

The accrual basis of accounting has been used in the preparation of these financial statements, except for the cash flow information, 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.

The financial statements are based on the historical cost convention unless a different measurement basis is specifically disclosed in the notes to the financial statements.

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.

The financial statements have been prepared on a going concern basis. The financial statements are in Australian dollars. The amounts presented in the financial statements have been rounded to the nearest thousand dollars unless otherwise specified. Minor discrepancies in tables between totals and the sum of components are due to rounding.

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 6.2.)
- the determination of depreciation for buildings, infrastructure, plant and equipment (refer to Note 6.2.).
- 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)
- whether or not *AASB 1059 Service Concession Arrangements: Grantors* is applicable
- 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

## Notes to the Financial Statements

for the year ended 30 June 2022

### Note 1. Overview (continued)

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During 2021-22 the COVID-19 pandemic continued to impact on Council's operations. Council has noted the following significant impacts on its financial operations:

- Additional revenue – council received grant funding from the state government for the COVID related programs of Working for Victoria (employment of staff displaced due to COVID) and activation of outdoor dining spaces.
- Revenue reductions – no material reductions in income resulted from service closures due to COVID.
- Revenue foregone – Council understood that 2021-22 had been financially challenging for many ratepayers, with the ongoing impacts of the 2019-20 bushfires and COVID. The Minister for Local Government set the rate cap at 1.5% under the Fair Go Rates System, Council decided to apply 0%. Revenue forgone was approximately \$189,000.
- Additional costs – costs were incurred by council in relation to the programs listed above of \$160,000.

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## Notes to the Financial Statements

for the year ended 30 June 2022

## Note 2.1. 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 2020* 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 2020* and the *Local Government (Planning and Reporting) Regulations 2020*.

	Budget 2022 \$ '000	Actual 2022 \$ '000	Variance \$ '000	Variance %	Ref
<b>2.1.1 Income and expenditure</b>					
<b>Income</b>					
Rates and charges	15,115	15,132	17	0%	
Statutory fees and fines	355	479	124	35%	
User fees	1,114	1,295	181	16%	
Grants - operating	4,802	7,758	2,956	62%	1
Grants - capital	5,072	1,609	(3,463)	(68)%	2
Contributions - monetary	50	102	52	104%	
Contributions - non monetary	–	3,124	3,124	–	3
Other income	279	370	91	33%	
<b>Total income</b>	<b>26,787</b>	<b>29,869</b>	<b>3,082</b>	<b>12%</b>	
<b>Expenses</b>					
Employee costs	10,199	10,934	(735)	(7)%	
Materials and services	7,437	9,467	(2,030)	(27)%	4
Depreciation	4,262	4,041	221	5%	
Amortisation - right of use assets	–	54	(54)	–	
Borrowing costs	144	100	44	31%	
Net loss on disposal of property, infrastructure, plant and equipment	–	400	(400)	–	5
Other expenses	262	331	(69)	(26)%	
<b>Total expenses</b>	<b>22,304</b>	<b>25,327</b>	<b>(3,023)</b>	<b>(14)%</b>	
<b>Surplus/(deficit) for the year</b>	<b>4,483</b>	<b>4,542</b>	<b>59</b>	<b>1%</b>	

## Notes to the Financial Statements

for the year ended 30 June 2022

## Note 2.1. Performance against budget (continued)

## (i) Explanation of material variations

## Variance Explanation

## Ref

1. Victorian Grants Commission income was paid 75% upfront for the 2022/23 year, whereas in previous years this has typically been 50%. This resulted in \$1.3m of unbudgeted grant income received. As a result of COVID-19 Council also received unbudgeted grant funds for Activating Outdoor and Working for Victoria. During the year Council employed a grants officer which significantly increased the amount of operating grants received.
2. Delays in capital works projects due to COVID-19 pandemic impacts on contractors and suppliers, have resulted in delays in capital grant income. This predominately relates to the Heavy Vehicle Alternative Route and the Heritage Facility.
3. Non monetary contributions were not budgeted. This year Council received assets relating to a new subdivision and it also took over management responsibility of the Bonnie Doon Recreation Reserve.
4. The landfill provision increased by \$496k and the Resource Recovery Centre took greater volumes of waste (due to COVID-19 pandemic lockdowns creating a backlog from the previous financial year) resulting in a \$320k overspend in materials and services. Due to staff turnover in some areas, consultants were used as short term replacements to staff. Various unbudgeted grants were received which resulted in offsetting expenditure in materials and services. A large majority of these grants were received in the previous year.
5. No net loss on disposal of assets is budgeted.

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## Notes to the Financial Statements

for the year ended 30 June 2022

## Note 2.1. Performance against budget (continued)

	Budget 2022 \$ '000	Actual 2022 \$ '000	Variance \$ '000	Variance %	Ref
<b>2.1.2 Capital works</b>					
<b>Property</b>					
Land	–	1,305	1,305	–	1
<b>Total land</b>	<b>–</b>	<b>1,305</b>	<b>1,305</b>	<b>–</b>	
Buildings	2,477	495	(1,982)	(80)%	2
<b>Total buildings</b>	<b>2,477</b>	<b>495</b>	<b>(1,982)</b>	<b>(80)%</b>	
<b>Total property</b>	<b>2,477</b>	<b>1,800</b>	<b>(677)</b>	<b>(27)%</b>	
<b>Plant and equipment</b>					
Plant, machinery and equipment	707	503	(204)	(29)%	3
Fixtures, fittings and furniture	15	–	(15)	(100)%	
Computers and telecommunications	65	35	(30)	(46)%	
Library books	–	93	93	–	
<b>Total plant and equipment</b>	<b>787</b>	<b>631</b>	<b>(156)</b>	<b>(20)%</b>	
<b>Infrastructure</b>					
Roads	7,482	4,745	(2,737)	(37)%	4
Bridges	400	372	(28)	(7)%	
Footpaths and cycleways	125	63	(62)	(50)%	
Drainage	700	36	(664)	(95)%	5
Recreational, leisure and community facilities	310	227	(83)	(27)%	
Waste management	–	–	–	–	
Parks, open space and streetscapes	115	–	(115)	(100)%	
Off street car parks	70	–	(70)	(100)%	
Other infrastructure	–	–	–	–	
<b>Total infrastructure</b>	<b>9,202</b>	<b>5,443</b>	<b>(3,759)</b>	<b>(41)%</b>	
<b>Total capital works expenditure</b>	<b>12,466</b>	<b>7,874</b>	<b>(4,592)</b>	<b>(37)%</b>	
<b>Represented by:</b>					
New asset expenditure	1,858	1,327	(531)	(29)%	
Asset renewal expenditure	5,921	4,251	(1,670)	(28)%	
Asset upgrade expenditure	4,687	2,296	(2,391)	(51)%	
<b>Total capital works expenditure</b>	<b>12,466</b>	<b>7,874</b>	<b>(4,592)</b>	<b>(37)%</b>	



## Notes to the Financial Statements

for the year ended 30 June 2022

## Note 2.1. Performance against budget (continued)

## (i) Explanation of material variations

## Variance Explanation

## Ref

1. Council purchased a parcel of land for \$1.3m which was not budgeted. This land was purchased to develop a 100 lot car park in the Mansfield township.
2. Library redevelopment has been staged over 2 financial years for design and construction, with only \$59k spent of the \$559k budget in 2021/22. Heritage Facility redevelopment has also been staged over 2 years with only \$19k spent on design work in 2021/22 of a total budget of \$1.5m (grant funded). Unspent amounts will be included as part of a carry forward budget request for the 2022/23 year.
3. No fleet vehicles were purchased in the 2021/22 year due to lower kilometers travelled during pandemic.
4. Reseal projects of \$1.3m have been delayed until the reseal preparation contract is complete and to align with collaborative procurement undertaken with Murrindindi Shire. The Heavy Vehicle Alternative Route project has been delayed due to COVID-19 pandemic impacts on consultants affecting the completion of Stage 2 design work. Unspent amounts of \$2.6m will be included as part of a carry forward request for the 2022/23 year.
5. The budget for drainage works on the corner of Apollo & High Streets was reallocated to the road re-sheeting program. The Apollo and High Street drainage and wetlands drainage projects have been deferred until the 2022/23 year due to COVID-19 pandemic impacts.

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## Notes to the Financial Statements

for the year ended 30 June 2022

### Note 2.2. Analysis of Council results by program

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#### 2.2.1 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.

## Notes to the Financial Statements

for the year ended 30 June 2022

## Note 2.2. Analysis of Council results by program (continued)

## 2.2.2 Summary of income, expenses, assets and capital expenses by program

Functions/activities	Income \$ '000	Expenses \$ '000	Surplus / (Deficit) \$ '000	Grants included in income \$ '000	Total assets \$ '000
<b>2022</b>					
Business & Performance	16,307	5,562	10,745	3,361	18,929
Community & Economic Development	437	2,238	(1,801)	396	239
Community Health & Wellbeing	1,858	2,823	(965)	1,470	–
Community Safety	712	1,244	(532)	263	–
Executive Services	–	1,290	(1,290)	–	–
Field Services	1,121	3,122	(2,001)	1,274	120,374
Governance & Risk	10	794	(784)	–	–
Operations & Capital Works	5,891	2,463	3,428	2,257	114,162
People & Culture	258	869	(611)	214	–
Planning & Environment	3,275	4,920	(1,645)	132	–
<b>Total functions and activities</b>	<b>29,869</b>	<b>25,325</b>	<b>4,544</b>	<b>9,367</b>	<b>253,704</b>
<b>2021</b>					
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	–
<b>Total functions and activities</b>	<b>30,951</b>	<b>24,327</b>	<b>6,624</b>	<b>11,045</b>	<b>230,683</b>

## Notes to the Financial Statements

for the year ended 30 June 2022

## Note 3. Funding for the delivery of our services

	2022 \$ '000	2021 \$ '000
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## 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 2021/22 was \$4,465 million (2020/21: \$4,011 million).

General rates	10,072	9,878
Municipal charge	2,528	2,506
Waste management charge	185	258
Service rates and charges	2,105	1,978
Supplementary rates and rate adjustments	153	187
Interest on rates and charges	89	62
<b>Total rates and charges</b>	<b>15,132</b>	<b>14,869</b>

The date of the latest general revaluation of land for rating purposes within the municipal district was 1 January 2022, and the valuation will be first applied in the rating year commencing 1 July 2022.

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	38	37
Land information certificates	26	30
Permits	415	344
<b>Total statutory fees and fines</b>	<b>479</b>	<b>411</b>

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	388	327
Leisure centre and recreation	18	64
Registration and other permits	204	84
Building services	55	15
Waste management services	419	338
Local laws	138	91
Other fees and charges	73	25
<b>Total user fees</b>	<b>1,295</b>	<b>944</b>

## User fees by timing of revenue recognition

User fees recognised at a point in time	1,295	944
<b>Total user fees</b>	<b>1,295</b>	<b>944</b>

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 2022

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

	2022 \$ '000	2021 \$ '000
<b>3.4 Funding from other levels of government</b>		
Grants were received in respect of the following:		
<b>Summary of grants</b>		
Commonwealth funded grants	6,544	6,682
State funded grants	2,823	4,363
<b>Total grants received</b>	<b>9,367</b>	<b>11,045</b>
<b>(a) Operating Grants</b>		
<b>Recurrent - Commonwealth Government</b>		
Financial Assistance Grants	4,633	2,926
General home care	352	344
Adult day care	82	52
<b>Recurrent - State Government</b>		
School crossing supervisors	31	30
Library	135	131
Maternal and child health	269	257
Adult day care	7	-
General home care	115	111
Family and children	364	318
Community support	11	10
Environmental health	22	11
Property and valuations	1	1
Youth Services	30	25
Emergency Management	13	68
<b>Total recurrent operating grants</b>	<b>6,065</b>	<b>4,284</b>
<b>Non-recurrent - Commonwealth Government</b>		
General home care	9	9
Other	20	21
<b>Non-recurrent - State Government</b>		
Community health	29	-
Family and children	56	93
Maternal and child health	8	3
Community support	109	225
Waste	49	10
Emergency management	101	-
Environment	30	34
Property and valuations	-	51
Tourism	10	-
Strategic planning	53	11
Economic Development	420	248
Building Services	74	-
Working for Victoria	219	1,318
Information Technology	187	100
Youth Services	68	70
Bushfire Recovery	74	280
Integrated Water Management	160	-
Other	17	15

## Notes to the Financial Statements

for the year ended 30 June 2022

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

	2022 \$ '000	2021 \$ '000
<b>Total non-recurrent operating grants</b>	1,693	2,488
<b>Total operating grants</b>	7,758	6,772

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## Notes to the Financial Statements

for the year ended 30 June 2022

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

	2022 \$ '000	2021 \$ '000
<b>(b) Capital Grants</b>		
<b>Recurrent - Commonwealth Government</b>		
Roads to recovery	590	593
<b>Total recurrent capital grants</b>	<b>590</b>	<b>593</b>
<b>Non-recurrent - Commonwealth Government</b>		
Recreation	858	1,887
Roads, footpaths & bridges	–	850
<b>Non-recurrent - State Government</b>		
Buildings	55	–
Roads, footpaths and bridges	48	702
Recreation	58	241
Economic development	–	–
<b>Total non-recurrent capital grants</b>	<b>1,019</b>	<b>3,680</b>
<b>Total capital grants</b>	<b>1,609</b>	<b>4,273</b>
<b>(c) Unspent grants received on condition that they be spent in a specific manner:</b>		
<b>Operating</b>		
Balance at start of year	1,435	1,242
Received during the financial year and remained unspent at balance date	1,303	553
Received in prior years and spent during the financial year	(335)	(360)
<b>Balance at year end</b>	<b>2,403</b>	<b>1,435</b>
<b>Capital</b>		
Balance at start of year	1,324	661
Received during the financial year and remained unspent at balance date	71	1,279
Received in prior years and spent during the financial year	(489)	(616)
<b>Balance at year end</b>	<b>906</b>	<b>1,324</b>

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.

**(d) Recognition of grant income**

Before recognising funding from government grants as revenue the Council assesses whether there is a contract that is enforceable and has sufficiently specific performance obligations in accordance with *AASB 15 Revenue from Contracts with Customers*. When both these conditions are satisfied, the Council:

- identifies each performance obligation relating to revenue under the contract/agreement
- determines the transaction price
- recognises a contract liability for its obligations under the agreement
- recognises revenue as it satisfies its performance obligations, at the time or over time when services are rendered.

## Notes to the Financial Statements

for the year ended 30 June 2022

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

Where the contract is not enforceable and/or does not have sufficiently specific performance obligations, the Council applies *AASB 1058 Income for Not-for-Profit Entities*.

Grant revenue with sufficiently specific performance obligations is recognised over time as the performance obligations specified in the underlying agreement are met. Where performance obligations are not sufficiently specific, grants are recognised on the earlier of receipt or when an unconditional right to receipt has been established. Grants relating to capital projects are generally recognised progressively as the capital project is completed. The following table provides a summary of the accounting framework under which grants are recognised.

**Income recognised under AASB 1058 Income of Not-for-Profit Entities**

General purpose	–	–
Specific purpose grants to acquire non-financial assets	784	589
Other specific purpose grants	1,344	999

**Revenue recognised under AASB 15 Revenue from Contracts with Customers**

Specific purpose grants	–	–
	<b>2,128</b>	<b>1,588</b>

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## Notes to the Financial Statements

for the year ended 30 June 2022

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

	2022 \$ '000	2021 \$ '000
<b>3.5 Contributions</b>		
<b>Monetary contributions</b>		
Monetary	102	424
<b>Total monetary contributions</b>	<b>102</b>	<b>424</b>
<b>Non-monetary contributions</b>		
Non-monetary	3,124	2,878
<b>Total non-monetary contributions</b>	<b>3,124</b>	<b>2,878</b>
<b>Total contributions</b>	<b>3,226</b>	<b>3,302</b>

Contributions of non monetary assets were received in relation to the following asset classes.

Land under roads	4	120
Buildings	1,279	–
Roads	809	1,324
Land	560	–
Footpaths and cycleways	188	261
Drainage	145	1,173
Bridges	36	–
Recreation & Leisure	103	–
<b>Total non-monetary contributions</b>	<b>3,124</b>	<b>2,878</b>

Monetary and non monetary contributions are recognised as revenue at their fair value 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	160	84
Written down value of assets disposed	(560)	(464)
<b>Total net gain/(loss) on disposal of property, infrastructure, plant and equipment</b>	<b>(400)</b>	<b>(380)</b>

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	65	92
Other rent	102	102
Other	203	186
<b>Total other income</b>	<b>370</b>	<b>380</b>

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 2022

## Note 4. The cost of delivering services

	2022 \$ '000	2021 \$ '000
<b>4.1 Employee costs</b>		
<b>(a) Employee costs</b>		
Wages and salaries	9,016	8,915
WorkCover	134	111
Annual leave and long service leave	721	897
Superannuation	981	859
Fringe benefits tax	10	19
Other	72	178
<b>Total employee costs</b>	<b>10,934</b>	<b>10,979</b>
<b>(b) Superannuation</b>		
Council made contributions to the following funds:		
<b>Defined benefit fund</b>		
Employer contributions to Local Authorities Superannuation Fund (Vision Super)	18	17
	<b>18</b>	<b>17</b>
<b>Accumulation funds</b>		
Employer contributions to Local Authorities Superannuation Fund (Vision Super)	318	276
Employer contributions - other funds	607	566
	<b>925</b>	<b>842</b>
<b>Total superannuation costs</b>	<b>943</b>	<b>859</b>

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

Superannuation paid, does not represent superannation expense due to a year end accrual for superannuation.

## Notes to the Financial Statements

for the year ended 30 June 2022

## Note 4. The cost of delivering services (continued)

	2022 \$ '000	2021 \$ '000
<b>4.2 Materials and services</b>		
Utilities	362	377
Information technology software and hardware costs	382	446
Insurance	336	298
Consultants	976	1,002
Expenses from leases of low value assets	8	7
Store issues	79	92
Repairs, maintenance and security	313	192
Advertising and promotion	67	75
Legal expenses	190	256
Memberships and subscriptions	89	71
Printing, copying, stationery and postage	82	127
Staff training and professional development	222	194
Waste disposal and contract costs	3,186	2,467
Community contributions	355	532
Fuel	111	86
Cleaning expenses	190	151
Levies	31	32
Contract Payments - Asset management	210	138
Contract Payments - Building services	101	84
Contract Payments - Aged services	103	116
Contract Payments - Pool operations	177	127
Community services	249	272
Development services	271	275
Tourism, events & economic development	205	266
Engineering and works	773	618
Administration and governance	315	361
Other materials and services	84	76
<b>Total materials and services</b>	<b>9,467</b>	<b>8,738</b>

Expenses are recognised as they are incurred and reported in the financial year to which they relate.

## Notes to the Financial Statements

for the year ended 30 June 2022

## Note 4. The cost of delivering services (continued)

	2022 \$ '000	2021 \$ '000
<b>4.3 Depreciation</b>		
<b>Property</b>		
Buildings - specialised	538	534
<b>Total depreciation - property</b>	<b>538</b>	<b>534</b>
<b>Plant and equipment</b>		
Plant and equipment	434	427
Fixtures fittings and furniture	61	27
Computers and telecomms	–	59
Library books	50	38
<b>Total depreciation - plant and equipment</b>	<b>545</b>	<b>551</b>
<b>Infrastructure</b>		
Roads	2,294	2,017
Bridges	296	215
Footpaths and cycleways	–	181
Drainage	224	209
Recreational, leisure and community	144	114
Off street car parks	–	23
<b>Total depreciation - infrastructure</b>	<b>2,958</b>	<b>2,759</b>
<b>Total depreciation</b>	<b>4,041</b>	<b>3,844</b>

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

## 4.4 Amortisation - Right of use assets

Property	54	–
<b>Total Amortisation - Right of use assets</b>	<b>54</b>	<b>–</b>

## Notes to the Financial Statements

for the year ended 30 June 2022

## Note 4. The cost of delivering services (continued)

	2022 \$ '000	2021 \$ '000
<b>4.5 Borrowing costs</b>		
Interest - Borrowings	100	106
<b>Total borrowing costs</b>	<b>100</b>	<b>106</b>

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

**4.6 Other expenses**

Auditors' remuneration - VAGO - audit of the financial statements, performance statement and grant acquittals	60	45
Auditors' remuneration - Internal Audit	42	33
Councillors' allowances	175	148
Other	54	54
<b>Total other expenses</b>	<b>331</b>	<b>280</b>

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## Notes to the Financial Statements

for the year ended 30 June 2022

## Note 5. Our financial position

	Note	2022 \$ '000	2021 \$ '000
<b>5.1 Financial assets</b>			
<b>(a) Cash and cash equivalents</b>			
<b>Current</b>			
Cash on hand		1	1
Cash at bank		7,636	6,031
Term deposits		1,000	–
<b>Total current cash and cash equivalents</b>		<b>8,637</b>	<b>6,032</b>
<b>(b) Other financial assets</b>			
<b>Current</b>			
Term deposits - current		7,317	10,308
<b>Total current other financial assets</b>		<b>7,317</b>	<b>10,308</b>
<b>(c) Restricted Funds</b>			
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	715	1,361
<b>Total restricted funds</b>		<b>715</b>	<b>1,361</b>
<b>Total unrestricted cash and cash equivalents</b>		<b>7,922</b>	<b>4,671</b>
<b>Intended allocations</b>			
Although not externally restricted the following amounts have been allocated for specific future purposes by Council:			
Unexpended grants		3,309	2,759
Reserve funds		756	693
<b>Total funds subject to intended allocations</b>		<b>4,065</b>	<b>3,452</b>

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 2022

## Note 5. Our financial position (continued)

	2022 \$ '000	2021 \$ '000
<b>(d) Trade &amp; Other Receivables</b>		
<b>Current</b>		
<i>Statutory receivables</i>		
Rates debtors	1,231	1,128
Net GST receivables	178	315
<i>Non-statutory receivables</i>		
Other debtors	1,596	783
<b>Total current trade and other receivables</b>	<b>3,005</b>	<b>2,226</b>
<b>Non-Current</b>		
<i>Statutory receivables</i>		
Special rate scheme	9	25
<b>Total non-current trade and other receivables</b>	<b>9</b>	<b>25</b>
<b>Total trade and other receivables</b>	<b>3,014</b>	<b>2,251</b>

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.

**(e) Ageing of receivables**

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

Current (not yet due)	459	699
Past due by up to 30 days	6	36
Past due between 31 and 180 days	1,061	39
Past due between 181 and 365 days	58	5
Past due by more than 1 year	12	4
<b>Total trade and other receivables</b>	<b>1,596</b>	<b>783</b>

a. A debt to the value of \$1.020m is unpaid - debt will be paid once acquittal is provided.

## Notes to the Financial Statements

for the year ended 30 June 2022

## Note 5. Our financial position (continued)

	2022	2021
	\$ '000	Restated \$ '000
<b>5.2 Non-financial assets</b>		
<b>(a) Inventories</b>		
<b>Current</b>		
Inventories held for distribution	25	18
<b>Total current inventories</b>	<b>25</b>	<b>18</b>

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	107	1,795
Accrued income - interest	23	16
Accrued income - other	-	755
<b>Total current other assets</b>	<b>130</b>	<b>2,566</b>

**5.3 Payables, trust funds and deposits and unearned income/revenue****(a) Trade and other payables****Current**

<i>Statutory payables</i>		
Trade payables	1,289	1,623
Accrued expenses	363	357
Employee costs	4	-
Accrued loan interest	7	7
<b>Total current trade and other payables</b>	<b>1,663</b>	<b>1,987</b>



## Notes to the Financial Statements

for the year ended 30 June 2022

## Note 5. Our financial position (continued)

	2022 \$ '000	2021 \$ '000
<b>(b) Trust funds and deposits</b>		
<b>Current</b>		
Refundable deposits	133	216
Fire services levy	365	350
Retention amounts	565	466
Other refundable deposits	16	14
Cemetery trusts	340	315
<b>Total current trust funds and deposits</b>	<b>1,419</b>	<b>1,361</b>

**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.

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.

Unearned income/revenue represents contract liabilities and reflect consideration received in advance from customers in respect of grant revenue with sufficiently specific performance obligations is recognised over time as the performance obligations specified in the underlying agreement are met. Unearned income/revenue are derecognised and recorded as revenue when promised goods and services meet the performance obligations. Refer to Note 3.

**(c) Unearned income/revenue****Current****Grants received in advance:**

Grants received in advance - operating	1,344	999
Grants received in advance - capital	784	589
<b>Total grants received in advance</b>	<b>2,128</b>	<b>1,588</b>
<b>Total unearned income/revenue</b>	<b>2,128</b>	<b>1,588</b>

## Notes to the Financial Statements

for the year ended 30 June 2022

## Note 5. Our financial position (continued)

	2022 \$ '000	2021 \$ '000
<b>5.4 Interest-bearing liabilities</b>		
<b>Current</b>		
Treasury Corporation of Victoria borrowings - secured	212	–
Other borrowings - secured	204	193
	416	193
<b>Non-current</b>		
Treasury Corporation of Victoria borrowings - secured	2,420	–
Other borrowings - secured	1,533	1,737
	3,953	1,737
<b>Total</b>	4,369	1,930

Borrowings are secured by rate income.

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

Not later than one year	416	193
Later than one year and not later than five years	1,885	884
Later than five years	2,068	853
	4,369	1,930

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
<b>2022</b>			
Balance at the beginning of the financial year	1,949	637	2,586
Additional provisions	723	680	1,403
Amounts used	(884)	(72)	(956)
Change in the discounted amount arising because of time and the effect of any change in the discount rate	21	(111)	(90)
<b>Balance at the end of the financial year</b>	1,809	1,134	2,943
<b>2021</b>			
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)

continued on next page ...

## Notes to the Financial Statements

for the year ended 30 June 2022

## Note 5. Our financial position (continued)

	Employee provisions \$ '000	Landfill restoration \$ '000	Total \$ '000
Balance at the end of the financial year	1,949	637	2,586

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## Notes to the Financial Statements

for the year ended 30 June 2022

## Note 5. Our financial position (continued)

	2022 \$ '000	2021 \$ '000
<b>(a) Employee provisions</b>		
<b>Current provisions expected to be wholly settled within 12 months</b>		
Annual leave	664	706
Long service leave	118	127
	782	833
<b>Current provisions expected to be wholly settled after 12 months</b>		
Annual leave	44	54
Long service leave	846	907
	890	961
<b>Total current employee provisions</b>	1,672	1,794
<b>Non-Current</b>		
Long service leave	138	155
<b>Total Non-Current Employee Provisions</b>	138	155
Aggregate Carrying Amount of Employee Provisions:		
Current	1,672	1,794
Non-current	138	155
<b>Total Aggregate Carrying Amount of Employee Provisions</b>	1,810	1,949
The calculation of employee costs and benefits includes all relevant on-costs and are calculated as follows at reporting date.		
<i>Annual leave</i>		
A liability for annual leave is recognised in the provision for employee benefits as a current liability because the Council does not have an unconditional right to defer settlement of the liability. Liabilities for annual leave are measured at:		
- nominal value if the Council expects to wholly settle the liability within 12 months		
- present value if the Council does not expect to wholly settle within 12 months.		
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.		
<i>Long service leave</i>		
Liability for long service leave (LSL) is recognised in the provision for employee benefits. Unconditional LSL is disclosed as a current liability as the Council does not have an unconditional right to defer settlement. Unconditional LSL is measured at nominal value if expected to be settled within 12 months or at present value if not expected to be settled within 12 months. 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 and measured at present value.		
Key assumptions:		
- discount rate	3.69%	1.13%
- wage inflation rate	3.85%	2.95%

## Notes to the Financial Statements

for the year ended 30 June 2022

## Note 5. Our financial position (continued)

	2022 \$ '000	2021 \$ '000
<b>(b) Landfill restoration</b>		
<b>Current</b>		
Current	265	208
<b>Total current</b>	<b>265</b>	<b>208</b>
<b>Non-current</b>		
Non-current	868	429
<b>Total non-current</b>	<b>868</b>	<b>429</b>

Council is obligated to restore the Monkey Gully Road Landfill site (which is now closed) to a particular standard. Council have also made initial assessments on 4 other closed landfills across the municipality and have implemented a monitoring regime.

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	0.66%	0.78%
- inflation rate	1.10%	1.10%

	2022 \$ '000	2021 \$ '000
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## 5.6 Financing arrangements

The Council has the following funding arrangements in place as at 30 June 2022.

Bank overdraft	300	300
Credit card facilities	100	100
Treasury Corporation of Victoria facilities	2,632	–
Loan facilities	1,737	1,930
<b>Total Facilities</b>	<b>4,769</b>	<b>2,330</b>
Used facilities	4,369	1,930
<b>Used facilities</b>	<b>4,369</b>	<b>1,930</b>
<b>Unused facilities</b>	<b>400</b>	<b>400</b>

## Notes to the Financial Statements

for the year ended 30 June 2022

## Note 5. Our financial position (continued)

	Not later than 1 year \$ '000	Later than 1 year and not later than 2 years \$ '000	Later than 2 years and not later than 5 years \$ '000	Later than 5 years \$ '000	Total \$ '000
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## 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.

## 2022

## Operating

Recycling	974	754	—	—	1,728
Waste collection	1,087	1,107	—	—	2,194
Cleaning contracts for council buildings	326	168	—	—	494
Other	10	—	—	—	10
Waste disposal	747	762	—	—	1,509
Building regulation services	84	—	—	—	84
Asset management bureau service	166	—	—	—	166
Strategies & Reviews	—	—	—	—	—
Infrastructure maintenance	34	—	—	—	34
Office Furniture	—	—	—	—	—
Information Technology	55	—	—	—	55
<b>Total</b>	<b>3,483</b>	<b>2,791</b>	<b>—</b>	<b>—</b>	<b>6,274</b>

## Capital

Buildings	81	—	—	—	81
Roads	2,754	—	—	—	2,754
Drainage	16	—	—	—	16
Dual Court Stadium	—	—	—	—	—
Roads & Footpaths	—	—	—	—	—
Plant	92	—	—	—	92
Recreational facilities	81	—	—	—	81
Bridges	83	—	—	—	83
<b>Total</b>	<b>3,107</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>3,107</b>

## 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
<b>Total</b>	<b>2,872</b>	<b>2,251</b>	<b>2,159</b>	<b>—</b>	<b>7,282</b>

## Capital

Dual Court Stadium	1,679	—	—	—	1,679
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## Notes to the Financial Statements

for the year ended 30 June 2022

## Note 5. Our financial position (continued)

	Not later than 1 year \$ '000	Later than 1 year and not later than 2 years \$ '000	Later than 2 years and not later than 5 years \$ '000	Later than 5 years \$ '000	Total \$ '000
Roads & Footpaths	1,789	–	–	–	1,789
Recreational facilities	288	–	–	–	288
Bridges	69	–	–	–	69
<b>Total</b>	<b>3,825</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>3,825</b>

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## Notes to the Financial Statements

for the year ended 30 June 2022

## 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 2022 as it has no outstanding payments due for leases. Council has entered into a lease arrangement for the Dual Court Stadium, however no lease liability exists as consideration had been made upfront as part of a co-contribution towards the building of the asset.

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.

	Property \$ '000	Total \$ '000
<b>2022</b>		
Right-of-Use Assets	3,265	3,265
<b>Balance at 30 June</b>	<b>3,265</b>	<b>3,265</b>



## Notes to the Financial Statements

for the year ended 30 June 2022

## Note 5. Our financial position (continued)

	2022 \$ '000	2021 \$ '000
<b>Lease Liabilities</b>		
<b>Short-term and low value leases</b>		
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.		
<b>Expenses relating to:</b>		
Leases of low value assets	8	7
<b>Total</b>	<b>8</b>	<b>7</b>
<b>Non-cancellable lease commitments - Short-term and low-value leases</b>		
Commitments for minimum lease payments for short-term and low-value leases are payable as follows:		
Payable:		
Within one year	8	8
Later than one year but not later than five years	3	18
<b>Total lease commitments</b>	<b>11</b>	<b>26</b>

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## Notes to the Financial Statements

for the year ended 30 June 2022

## Note 6. Assets we manage

## 6.1 Property, infrastructure, plant and equipment

Summary of property, infrastructure, plant and equipment	Carrying amount							Carrying amount
	30 June 2021 \$ '000	Additions \$ '000	Contributions \$ '000	Revaluation \$ '000	Depreciation \$ '000	Disposal \$ '000	Transfers \$ '000	30 June 2022 \$ '000
Property	59,453	1,634	1,843	9,938	(538)	(89)	138	72,379
Plant and equipment	2,456	631	–	3	(545)	(29)	–	2,516
Infrastructure	146,582	3,731	1,280	5,468	(2,957)	(441)	651	154,314
Work in progress	1,017	1,878	–	–	–	–	(789)	2,106
<b>Total</b>	<b>209,508</b>	<b>7,874</b>	<b>3,123</b>	<b>15,409</b>	<b>(4,040)</b>	<b>(559)</b>	<b>–</b>	<b>231,315</b>

Summary of Work in Progress	Opening WIP \$ '000	Additions \$ '000	Transfers \$ '000	Closing WIP \$ '000
Property	–	166	86	252
Infrastructure	1,017	1,712	(875)	1,854
<b>Total</b>	<b>1,017</b>	<b>1,878</b>	<b>(789)</b>	<b>2,106</b>

## Notes to the Financial Statements

for the year ended 30 June 2022

## 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	Work in progress \$ '000	Total property \$ '000
<b>Property</b>							
At fair value 1 July 2021	16,633	4,489	17,886	39,008	30,287	–	69,295
Accumulated depreciation at 1 July 2021	–	–	–	–	(9,842)	–	(9,842)
Carrying amount - 1 July 2021	16,633	4,489	17,886	39,008	20,445	–	59,453
<b>Movements in fair value</b>							
Additions	–	1,305	–	1,305	329	166	1,800
Contributions	560	–	4	564	1,279	–	1,843
Revaluation	7,912	2,026	–	9,938	–	–	9,938
Disposal	–	–	–	–	(171)	–	(171)
Transfers	–	–	–	–	138	86	224
Total movements in fair value	8,472	3,331	4	11,807	1,575	252	13,634
<b>Movements in accumulated depreciation</b>							
Depreciation and amortisation	–	–	–	–	(538)	–	(538)
Accumulated depreciation of disposals	–	–	–	–	82	–	82
Total movements in accumulated depreciation	–	–	–	–	(456)	–	(456)
At fair value 30 June 2022	25,105	7,820	17,891	50,816	31,862	252	82,930
Accumulated depreciation at 30 June 2022	–	–	–	–	(10,298)	–	(10,298)
Carrying amount - 30 June 2022	25,105	7,820	17,891	50,816	21,564	252	72,632

## Notes to the Financial Statements

for the year ended 30 June 2022

## 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
<b>Plant and Equipment</b>					
At fair value 1 July 2021	5,005	246	475	509	6,235
Accumulated depreciation at 1 July 2021	(2,858)	(188)	(417)	(316)	(3,779)
Carrying amount - 1 July 2021	2,147	58	58	193	2,456
<b>Movements in fair value</b>					
Additions	503	–	35	93	631
Revaluation	–	–	–	23	23
Disposal	(396)	(14)	(55)	(140)	(605)
Total movements in fair value	107	(14)	(20)	(24)	49
<b>Movements in accumulated depreciation</b>					
Depreciation and amortisation	(434)	(21)	(40)	(50)	(545)
Accumulated depreciation of disposals	367	14	55	140	576
Accumulated depreciation of revaluations	–	–	–	(20)	(20)
Total movements in accumulated depreciation	(67)	(7)	15	70	11
At fair value 30 June 2022	5,112	232	455	485	6,284
Accumulated depreciation at 30 June 2022	(2,925)	(195)	(402)	(246)	(3,768)
Carrying amount - 30 June 2022	2,187	37	53	239	2,516

## Notes to the Financial Statements

for the year ended 30 June 2022

## 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 infrastructure \$ '000
<b>Infrastructure</b>									
At fair value 1 July 2021	127,697	28,424	8,430	22,421	5,178	1,728	193,878	1,017	194,895
Accumulated depreciation at 1 July 2021	(25,678)	(12,261)	(1,560)	(6,308)	(1,314)	(175)	(47,296)	–	(47,296)
Carrying amount - 1 July 2021	102,019	16,163	6,870	16,113	3,864	1,553	146,582	1,017	147,599
<b>Movements in fair value</b>									
Additions	3,052	372	63	17	227	–	3,731	1,712	5,443
Contributions	809	36	188	145	102	–	1,280	–	1,280
Revaluation	4,750	–	(829)	–	–	–	3,921	–	3,921
Disposal	(772)	(148)	(39)	–	(74)	–	(1,033)	–	(1,033)
Transfers	622	–	–	13	16	–	651	(875)	(224)
Total movements in fair value	8,461	260	(617)	175	271	–	8,550	837	9,387
<b>Movements in accumulated depreciation</b>									
Depreciation and amortisation	(2,076)	(296)	(186)	(224)	(144)	(31)	(2,957)	–	(2,957)
Accumulated depreciation of disposals	520	40	12	–	20	–	592	–	592
Accumulated depreciation of revaluations	1,625	–	(78)	–	–	–	1,547	–	1,547
Total movements in accumulated depreciation	69	(256)	(252)	(224)	(124)	(31)	(818)	–	(818)
At fair value 30 June 2022	136,158	28,684	7,813	22,596	5,449	1,728	202,428	1,854	204,282
Accumulated depreciation at 30 June 2022	(25,609)	(12,517)	(1,812)	(6,532)	(1,438)	(206)	(48,114)	–	(48,114)
Carrying amount - 30 June 2022	110,549	16,167	6,001	16,064	4,011	1,522	154,314	1,854	156,168

## Notes to the Financial Statements

for the year ended 30 June 2022

## 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**

	<b>Depreciation Period years</b>	<b>Threshold Limit \$ '000</b>
<b>Land</b>		
Land	Not applicable	–
Land under roads	Not applicable	–
<b>Buildings</b>		
Buildings	15-100	5
<b>Plant and Equipment</b>		
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
<b>Infrastructure</b>		
<i>Roads &amp; 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 2022

## 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.

*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 few years. Council applied an index based valuation at 30 June 2021, and has subsequently had a full revaluation completed as at 30 June 2022.

Details of the Council's land and buildings and information about the fair value hierarchy as at 30 June 2022 are as follows:

	Level 1 2022 \$ '000	Level 2 2022 \$ '000	Level 3 2022 \$ '000	Date of valuation
Non-specialised land	–	7,819	–	30/06/22
Specialised land	–	–	25,105	30/06/22
Land under roads	–	–	17,891	30/06/21
Specialised buildings	–	–	21,565	30/06/20
<b>Total</b>	–	<b>7,819</b>	<b>64,561</b>	

## Notes to the Financial Statements

for the year ended 30 June 2022

## Note 6. Assets we manage (continued)

*Valuation of Infrastructure*

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 current 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 2022 are as follows:

	Level 1 2022 \$ '000	Level 2 2022 \$ '000	Level 3 2022 \$ '000	Date of valuation
Roads	–	–	110,549	30/06/22
Bridges	–	–	16,167	30/06/21
Footpaths and cycleways	–	–	6,002	30/06/22
Drainage	–	–	16,064	30/06/21
Recreational, leisure & community facilities	–	–	4,011	30/06/20
Off street car parks	–	–	1,522	30/06/20
<b>Total</b>	–	–	<b>154,315</b>	

**Definitions of levels contained within the fair value hierarchy are described in Note 8.4 Fair Value Measurement.**

**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 current 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 current 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**

	2022 \$ '000	2021 \$ '000
Land under roads	17,891	17,886
Land	25,105	16,633
<b>Total specialised land</b>	<b>42,996</b>	<b>34,519</b>



## Notes to the Financial Statements

for the year ended 30 June 2022

## Note 6. Assets we manage (continued)

	2022 \$ '000	2021 \$ '000
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## 6.2 Investments in joint arrangements

## (a) 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	52
Property, plant and equipment at fair value (library books)	41	45
<b>Total contribution to joint arrangements</b>	<b>93</b>	<b>97</b>

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 2022

## 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**

Key management personnel (KMP) are those people with the authority and responsibility for planning, directing and controlling the activities of Mansfield Shire Council. The Councillors, Chief Executive Officer and General Managers' are deemed KMP.

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

**Councillors**

Mayor James Tehan (Cr until 15/11/21, Mayor from 16/11/21)  
Cr Mark Holcombe (Mayor until 15/11/21, Cr from 16/11/21)  
Cr Paul Sladdin  
Cr Steve Rabie  
Cr Rohan Webb

		2022 No.	2021 No.
<b>Total Number of Councillors</b>		5	9
Chief Executive Officer	K Conrick	1	1
General Manager Infrastructure & Planning	K Alexander	1	1
General Manager Corporate and Community Services (to 19/7/21)	M Kynnersley	–	1
General Manager Corporate and Community Services (26/7/21 to 25/03/22)	K Heidecker	–	1
General Manager Corporate and Community Services (from 21/3/22)	D Vlekkert	1	–
<b>Total Number of Key Management Personnel</b>		<b>8</b>	<b>13</b>

## Notes to the Financial Statements

for the year ended 30 June 2022

## Note 7. People and relationships (continued)

	2022 \$ '000	2021 \$ '000
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**(c) Remuneration of Key Management Personnel**

Total remuneration of key management personnel was as follows:

Short-term benefits	852	657
Long-term benefits	35	6
Post employment benefits	65	46
<b>Total</b>	<b>952</b>	<b>709</b>

	2022 No.	2021 No.
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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	2	-
\$100,000 - \$109,999	-	1
\$170,000 - \$179,999	-	1
\$200,000 - \$209,999	1	-
\$250,000 - \$259,999	-	1
\$290,999 - \$299,999	1	-
	<b>8</b>	<b>13</b>

**(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 2022

## Note 7. People and relationships (continued)

	Note	2022 \$ '000	2021 \$ '000
<b>7.2 Related party disclosure</b>			
<b>(a) Transactions with related parties</b>			
During the period Council entered into the following transactions with related parties:			
Expenses - Materials and services	a	–	4
Expenses - Salaries and wages	b	54	55
<b>Total</b>		<b>54</b>	<b>59</b>

a. In prior year, Materials and Services related to staff counselling services provided by a spouse of a Key Management Personnel.

b. Salaries and Wages - a related party of both a councillor and a member of the Key Management Personnel were employed by Council. All salaries were paid at commercial and market rates, and the related parties were employed on the same terms, including performance requirements, as any other staff member within Council.

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 2022

### Note 8. Managing uncertainties

#### 8.1 Contingent assets and 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.

##### (a) Contingent assets

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

##### (b) Contingent liabilities

Contingent liabilities are:

- possible obligations that arise from past events, whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Council; or
- present obligations that arise from past events but are not recognised because:
  - it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
  - the amount of the obligation cannot be measured with sufficient reliability.

##### 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.

##### 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 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 now 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 2022 for the cost of the initial assessment and monitoring of the four identified closed landfills. Until completion of the full assessments, 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 2022 reporting period. Council assesses the impact of these new standards. As at 30 June 2022 there were no new accounting standards or interpretations issued by the AASB which are applicable for the year ending 30 June 2023 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 and TCV borrowings. Details of the significant accounting

## Notes to the Financial Statements

for the year ended 30 June 2022

### Note 8. Managing uncertainties (continued)

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 the notes of the financial statements. Risk management is carried out by senior management under policies approved by the Council. These policies include identification and analysis of the risk exposure to Council and appropriate procedures, controls and risk minimisation.

#### (b) Market risk

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

##### *Interest rate risk*

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

Investment of surplus funds is made with approved financial institutions under the *Local Government Act 2020*. 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

## Notes to the Financial Statements

for the year ended 30 June 2022

### Note 8. Managing uncertainties (continued)

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

To help reduce these risks Council:

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

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

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 + 2 % and - 1 % in market interest rates (AUD) from year-end rates of 1.36%.

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 2022

### 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 3 yearly basis. 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

No matters have occurred after balance date that require disclosure in the financial report.



## Notes to the Financial Statements

for the year ended 30 June 2022

## Note 9. Other matters

	Balance at beginning of reporting period \$ '000	Increment (decrement) \$ '000	Balance at end of reporting period \$ '000
<b>9.1 Reserves</b>			
<b>(a) Asset revaluation reserves</b>			
<b>2022</b>			
<b>Property</b>			
Land - specialised	15,295	7,912	23,207
Land - non specialised	1,096	2,026	3,122
Land under roads	6,457	–	6,457
Buildings	12,216	–	12,216
	<u>35,064</u>	<u>9,938</u>	<u>45,002</u>
<b>Plant and equipment</b>			
Library books	20	3	23
	<u>20</u>	<u>3</u>	<u>23</u>
<b>Infrastructure</b>			
Roads	94,827	6,375	101,202
Bridges	6,199	–	6,199
Footpaths and cycleways	1,361	(907)	454
Drainage	6,175	–	6,175
Recreational, leisure and community facilities	135	–	135
Offstreet car parks	549	–	549
	<u>109,246</u>	<u>5,468</u>	<u>114,714</u>
<b>Total asset revaluation reserves</b>	<u>144,330</u>	<u>15,409</u>	<u>159,739</u>
<b>2021</b>			
<b>Property</b>			
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>
<b>Plant and equipment</b>			
Library books	–	20	20
	<u>–</u>	<u>20</u>	<u>20</u>
<b>Infrastructure</b>			
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>

## Notes to the Financial Statements

for the year ended 30 June 2022

## Note 9. Other matters (continued)

Total asset revaluation reserves	132,248	12,082	144,330
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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>(b) Other reserves</b>				
<b>2022</b>				
<b>Restricted reserves</b>				
Road construction reserve	336	–	–	336
Footpath construction reserve	5	–	–	5
Open space reserve	352	63	–	415
<b>Total restricted reserves</b>	<b>693</b>	<b>63</b>	<b>–</b>	<b>756</b>
<b>Discretionary reserves</b>				
Waste Management	(425)	–	(332)	(757)
<b>Total discretionary reserves</b>	<b>(425)</b>	<b>–</b>	<b>(332)</b>	<b>(757)</b>
<b>Total Other reserves</b>	<b>268</b>	<b>63</b>	<b>(332)</b>	<b>(1)</b>
<b>2021</b>				
<b>Restricted reserves</b>				
Road construction reserve	4	332	–	336
Footpath construction reserve	5	–	–	5
Open space reserve	276	76	–	352
<b>Total restricted reserves</b>	<b>285</b>	<b>408</b>	<b>–</b>	<b>693</b>
<b>Discretionary reserves</b>				
Waste Management	(329)	–	(96)	(425)
<b>Total discretionary reserves</b>	<b>(329)</b>	<b>–</b>	<b>(96)</b>	<b>(425)</b>
<b>Total Other reserves</b>	<b>(44)</b>	<b>408</b>	<b>(96)</b>	<b>268</b>

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 2022

## Note 9. Other matters (continued)

	2022 \$ '000	2021 \$ '000
<b>9.2 Reconciliation of cash flows from operating activities to surplus/(deficit)</b>		
Surplus/(deficit) for the year	4,542	6,624
Depreciation/amortisation	4,095	3,844
Profit/(loss) on disposal of property, infrastructure, plant and equipment	400	380
Contributions - Non-monetary assets	(3,124)	(2,878)
Amounts disclosed in financing activities	100	106
<b>Change in assets and liabilities:</b>		
(Increase)/decrease in trade and other receivables	(763)	(615)
(Increase)/decrease in inventories	(7)	(9)
(Increase)/decrease in prepayments	10	39
Increase/(decrease) in accrued income	748	(736)
Increase/(decrease) in trade and other payables	(324)	754
Increase/(decrease) in provisions	357	239
(Decrease)/increase in other liabilities	58	277
Increase/(decrease) in Unearned income /revenue	540	85
<b>Net cash provided by/(used in) operating activities</b>	<b>6,632</b>	<b>8,110</b>

## 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 the Comprehensive Income Statement when they are made or due.

**Accumulation**

The Fund's accumulation category, 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 2022, this was 10.0% as required under Superannuation Guarantee (SG) legislation (2021: 9.5%)).

**Defined Benefit**

Council does not use defined benefit accounting for its defined benefit obligations under the 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 [Employer name] 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.

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

The vested benefit index (VBI) of the Defined Benefit category of which Council is a contributing employer was 109.8%. The financial assumptions used to calculate the VBI were:

Net investment returns 4.75% pa

## Notes to the Financial Statements

for the year ended 30 June 2022

## Note 9. Other matters (continued)

Salary information 2.75% pa  
Price inflation (CPI) 2.25% pa.

As at 30 June 2022, an interim actuarial investigation is underway as the Fund provides lifetime pensions in the Defined Benefit category. It is expected to be completed by 31 October 2022.

Vision Super has advised that the VBI at 30 June 2022 was 102.2%. Council was notified of the 30 June 2022 VBI during August 2022 (2021: August 2021). The financial assumptions used to calculate this VBI were:

Net investment returns 5.5% pa  
Salary information 2.5% pa to 30 June 2023, and 3.5% pa thereafter  
Price inflation (CPI) 3.00% pa.

The VBI is used as the primary funding indicator. Because the VBI was above 100%, the 30 June 2021 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****(a) Regular contributions**

On the basis of the results of the 2021 interim 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 2022, this rate was 10.0% of members' salaries (9.5% in 2020/21). 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.

**(b) Funding calls**

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

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

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

Due to the nature of the contractual obligations between the participating employers and the Fund, and that the Fund includes lifetime pensioners and their reversionary beneficiaries, it is unlikely that the Fund will be wound up. If there is a surplus in the Fund, the surplus cannot be returned to the participating employers.

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

**The 2021 interim 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. An interim investigation was conducted as at 30 June 2021 and the last 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:

	<b>2021</b> (Interim)	<b>2020</b> (Triennial)
	<b>\$m</b>	<b>\$m</b>
- A VBI Surplus	214.7	100.0

## Notes to the Financial Statements

for the year ended 30 June 2022

## Note 9. Other matters (continued)

- A total service liability surplus	270.3	200.0
- A discounted accrued benefits surplus	285.2	217.8

The VBI surplus means that the market value of the fund's assets supporting the defined benefit obligations exceed the vested benefits that the defined benefit members would have been entitled to if they had all exited on 30 June 2021.

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 2021.

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 2021.

Council was notified of the 30 June 2021 VBI during August 2021 (2020: August 2020).

**The 2022 interim actuarial investigation**

An interim actuarial investigation is being conducted for the Fund's position as at 30 June 2022 as the Fund provides lifetime pensions in the Defined Benefit category. It is anticipated that this actuarial investigation will be completed by October 2022. Council was notified of the 30 June 2022 VBI during August 2022 (2021: August 2021).

**Superannuation contributions**

Contributions by Council (excluding any unfunded liability payments) to the above superannuation plans for the financial year ended 30 June 2022 are detailed below:

Scheme	Type of scheme	Rate	2022 \$ '000	2021 \$ '000
Vision Super	Defined Benefits	10% (2021:9.5%)	18	17
Vision Super	Accumulation	10% (2021:9.5%)	318	276

In addition to the above contributions, Council has paid unfunded liability payments to Vision Super totalling \$NIL (2020/21 \$NIL). There were no contributions outstanding and no loans issued from or to the above schemes as at 30 June 2022.

The expected contributions to be paid to the Defined Benefit category of Vision Super for the year ending 30 June 2023 is \$20k.

## Note 10. Changes in accounting policies

There have been no changes to accounting policies in the 2021-22 year.