

Muswellbrook Shire Council
**General Purpose
Financial Statements**

for year ended 30 June 2013



**muswellbrook
shire council**

Muswellbrook Shire Council

General Purpose Financial Statements for the financial year ended 30 June 2013

Contents	Page
1. Understanding Council's Financial Statements	2
2. Statement by Councillors & Management	5
3. Primary Financial Statements:	
- Income Statement	6
- Statement of Comprehensive Income	7
- Statement of Financial Position	8
- Statement of Changes in Equity	9
- Statement of Cash Flows	10-11
4. Notes to the Financial Statements	12-108
5. Independent Auditor's Reports:	
- On the Financial Statements (Sect 417 [2])	109-110
- On the Conduct of the Audit (Sect 417 [3])	111-117

Overview

- (i) These financial statements are General Purpose Financial Statements and cover the consolidated operations for Muswellbrook Shire Council.
- (ii) Muswellbrook Shire Council is a body politic of NSW, Australia - being constituted as a Local Government area by proclamation and is duly empowered by the Local Government Act (LGA) 1993 of NSW.

Council's Statutory Charter is detailed in Paragraph 8 of the LGA and includes giving Council;

- the ability to provide goods, services & facilities, and to carry out activities appropriate to the current & future needs of the local community and of the wider public,
- the responsibility for administering regulatory requirements under the LGA and
- a role in the management, improvement and development of the resources in the area.

A description of the nature of Council's operations and its principal activities are provided in Note 2(b).

- (iii) All figures presented in these financial statements are presented in Australian Currency.
- (iv) These financial statements were authorised for issue by the Council on 23 October 2013. Council has the power to amend and reissue these financial statements.
-

As a designated reporting entity, Muswellbrook Shire Council is required to make public its Annual Financial Statements.

In NSW, local government entities like Muswellbrook Shire Council present their statements in three parts.

The first are the General Purpose Financial Reports which are prepared using the accounting principles of accrual accounting and the consolidation of the operations of the separate "funds" that operate as part of Council. These statements are designed to provide an overall of the Council's financial performance during and current financial position as the end of the 2012/13 Financial Year.

The second part is the Special Purpose Financial Reports. These reports outline the financial performance and current position of the "minor funds". These are funds which Council is either required or has chosen to separate from the general operations of Council. At Muswellbrook Shire Council, these consist of the Water and Sewer Funds, which Council is required to treat as separate entities for purpose of these reports and the Commercial Buildings fund, which Council has resolved to separate from the general operations of Council as this is considered a "non-core" activity of Council. The aim of preparing these Special Purpose Reports is to demonstrate that these operations are being operated without being subsidised using Council's General Revenues.

The final part of these reports are the Special Schedules. These schedules provide a range of additional information to the figures provided

in the General and Special Purpose Financial Statements. It is important to note that the figures provided in these schedules are not audited as the other reports are and, as such care should be taken before reaching decisions about Council's Financial position based on the figures presented therein. The Schedules exist only to provide additional information to the figures presented in the reports.

General Purpose Financial Reports

Like all General Purpose Financial Reports, Council's include an Income Statement (Profit and Loss), Balance Sheet and Statements of Changes in Equity and Cashflow. These are referred to as the "Primary Financial Statements". These reports will be familiar to all users of Financial Reports. In addition to these standard reports, a series of "Notes" that provide further details of the figures provided in the Primary Financial Statements have been prepared and are presented in the Statements.

For further information concerning the figures presented in the Income Statement, refer to Note 3 (Income from Continuing Operations), Note 4 (Expenses from Continuing Operations) and Note 5 (Gains and Losses from the Disposal of Assets).

Further details concerning the Balance Sheet are found in Note 6 (Cash and Cash Equivalent Assets), Note 7 (Receivables), Note 8 (Inventories and Other Assets), Note 9 (Property, Plant and Equipment), Note 10 (Payables, Borrowings and Provisions) and Note 14 (Investment Properties).

Additional Information concerning the Statement of Changes in Equity can be found in Note 20 (Equity – Retained Earnings and Revaluation Reserves) while Note 11 (Statement of Cash Flows – Additional Information) will “flesh out” the figures provided in the Statement of Cash Flows.

The remainder of the Notes do not refer to the Primary Statements but still provide important information for readers. Note 1 (Summary of Significant Accounting Policies) outlines the methodologies that have been used in preparing the reports. Note 2 (Council Functions/Activities – Financial Information) allocates the incomes, expenses and assets of Council to the individual functions of Council, allowing readers to evaluate the financial performance of each of these functions. Note 12 (Commitments for Expenditure) outlines the amounts that Council is committed to spending in future years, either through contracts or other agreements or through other resolutions of Council. Note 13 (Statement of Performance Measures – Indicators) provides information concerning a number of key accounting and asset management measures. For 2012/13, this note has been expanded to include a number of new ratios that have been determined by the NSW Treasury as being important indicators of Council's Financial Sustainability. Note 21 (Financial Result and Financial Position by Fund) is interesting in that it provides an insight into the 2012/13 results for each of the individual funds. The consolidation that occurs in the preparation of the reports can lead readers to believe that because the overall financial position of Council is sound that each of the individual

funds must also be in a sound condition. While this is generally true, the strength of Council's minor funds (especially water and sewer) can, to some degree, hide some of the weaknesses of the General Fund. As such, a review of this note is vital in ensuring a more accurate understanding of Council's Financial Position and Performance.

Examination of the Primary Financial Statements, along with the Notes outlined above, should provide readers with a solid understanding of Council's financial performance for 2012/13 and position as at 30 June 2013.

The remaining notes not specifically mentioned above have been provided as a means of providing very specific additional information. At Muswellbrook Shire Council, most of these remaining notes are either not pertinent or provide details of relatively minors aspects of Council's financial situation.

Special Purpose Financial Reports

These reports are prepared to show the financial performance and position of the individual Business Activities that are included in the Consolidated Reports. Council is required to have separate funds for the Water and Sewer Business Activities under the Local Government Act 1993 which requires that revenues raised relating to provision of water and sewerage services may only be applied to the provision of those services. This prevents General Fund rates and other revenues being used to subsidise the provision of these services and vice versa. These reports are prepared as if these water and sewer funds were entirely separate entities from Council

and Income Statements and Balance Sheets are prepared for each fund.

Special Schedules

The Special Schedules are mostly prepared in order to provide additional information to other government departments. For example, Special Schedules 3 to 6 relate to water and sewer operations and present that information in a slightly different format to that used in the Special Purpose Reports. These schedules are produced for the NSW Office of Water.

Special Schedule 1, like Note 2, provides details of individual activities conducted by Council. Special Schedule 2 provides additional detail concerning the level and nature of Council's debt. Special Schedule 7 discloses an estimate of the current condition of Council's infrastructure and has been used in recent times by outside parties as an

indicator of Council's financial sustainability. This Special Schedule is not audited and guidelines for its completion not clear. As such, care needs to be taken when analysing this schedule and making comparisons with other Local Government areas.

Auditor's Reports

Both the General and Special Purpose reports are required to be independently audited. Council has appointed Hill Rogers Spencer Steer as its auditor. This firm is well respected within the Local Government industry. Audits are conducted both in regard to these reports and in regard to the financial controls and processes in place to prepare them.

A copy of the signed auditors report, outlining the conduct of the audit and commenting on the results in the accounts are provided with the reports.

Muswellbrook Shire Council

General Purpose Financial Statements

for the financial year ended 30 June 2013

Statement by Councillors and Management

made pursuant to Section 413(2)(c) of the Local Government Act 1993 (as amended)

The attached General Purpose Financial Statements have been prepared in accordance with:

- The Local Government Act 1993 (as amended) and the Regulations made thereunder,
- The Australian Accounting Standards and professional pronouncements, and
- The Local Government Code of Accounting Practice and Financial Reporting.

To the best of our knowledge and belief, these Financial Statements:

- present fairly the Council's operating result and financial position for the year, and
- accords with Council's accounting and other records.

We are not aware of any matter that would render the Reports false or misleading in any way.

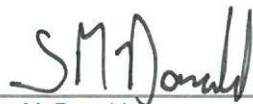
Signed in accordance with a resolution of Council made on 14 October 2013.



Cr. M. Rush
MAYOR



Cr. K. Portolan
COUNCILLOR



Steve McDonald
GENERAL MANAGER



Grant O'Leary
RESPONSIBLE ACCOUNTING OFFICER

Muswellbrook Shire Council

Income Statement

for the financial year ended 30 June 2013

Budget ⁽¹⁾ 2013 \$ '000		Notes	Actual 2013	Actual 2012
Income from Continuing Operations				
Revenue:				
15,947	Rates & Annual Charges	3a	16,111	15,289
9,049	User Charges & Fees	3b	10,374	8,474
2,397	Interest & Investment Revenue	3c	2,857	2,432
1,235	Other Revenues	3d	1,482	1,092
6,005	Grants & Contributions provided for Operating Purposes	3e,f	6,326	6,372
5,584	Grants & Contributions provided for Capital Purposes	3e,f	15,931	9,737
Other Income:				
	Net gains from the disposal of assets	5	2,394	676
	Net Share of interests in Joint Ventures & Associated Entities using the equity method	19	7	10
40,217	Total Income from Continuing Operations		55,482	44,082
Expenses from Continuing Operations				
12,063	Employee Benefits & On-Costs	4a	12,792	11,493
807	Borrowing Costs	4b	809	823
9,380	Materials & Contracts	4c	7,633	7,749
11,450	Depreciation & Amortisation	4d	10,924	11,270
	Impairment	4d	-	-
4,225	Other Expenses	4e	4,388	4,118
	Interest & Investment Losses	3c	-	-
	Net Losses from the Disposal of Assets	5	-	-
	Net Share of interests in Joint Ventures & Associated Entities using the equity method	19	-	-
37,925	Total Expenses from Continuing Operations		36,546	35,453
2,292	Operating Result from Continuing Operations		18,936	8,629
Discontinued Operations				
	Net Profit/(Loss) from Discontinued Operations	24	-	-
2,292	Net Operating Result for the Year		18,936	8,629
2,292	Net Operating Result attributable to Council		18,936	8,629
	Net Operating Result attributable to Non-controlling Interests		-	-
(3,292)	Net Operating Result for the year before Grants and Contributions provided for Capital Purposes		3,005	(1,108)

(1) Original Budget as approved by Council - refer Note 16

Muswellbrook Shire Council

Statement of Comprehensive Income
for the financial year ended 30 June 2013

\$ '000	Notes	Actual 2013	Actual 2012
Net Operating Result for the year (as per Income statement)		18,936	8,629
Other Comprehensive Income:			
<i>Amounts which will not be reclassified subsequently to the Operating Result</i>			
Gain (loss) on revaluation of I,PP&E	20b (ii)	(1,063)	8,775
Adjustment to correct prior period errors			-
Impairment (loss) reversal relating to I,PP&E	20b (ii)	-	-
Other Movements in reserves (enter details here)	20b (ii)		-
Other Movements (enter details here)			-
Total Items which will not be reclassified subsequently to the Operating Result		(1,063)	8,775
<i>Amounts which will be reclassified subsequently to the Operating Result when specific conditions are met</i>			
Realised (gain) loss on available-for-sale investments recognised in P&L	20b (ii)	-	-
Gain (loss) on revaluation of available-for-sale investments	20b (ii)	-	-
Realised (gain) loss from other reserves recognised in P&L	20b (ii)	-	-
Gain (loss) on revaluation of other reserves	20b (ii)	-	-
Other Movements in reserves (enter details here)	20b (ii)	-	-
Other Movements (enter details here)			-
Total Items which will be reclassified subsequently to the Operating Result when specific conditions are met		-	-
Total Other Comprehensive Income for the year		(1,063)	8,775
Total Comprehensive Income for the Year		17,873	17,404
Total Comprehensive Income attributable to Council		17,873	17,404
Total Comprehensive Income attributable to Non-controlling Interests		-	-

Muswellbrook Shire Council

Statement of Financial Position

as at 30 June 2013

\$ '000	Notes	Actual 2013	Actual 2012
ASSETS			
Current Assets			
Cash & Cash Equivalents	6a	7,857	4,026
Investments	6b	7,281	13,040
Receivables	7	5,025	3,965
Inventories	8	2,050	1,195
Other	8	216	175
Non-current assets classified as "held for sale"	22	-	-
Total Current Assets		22,429	22,401
Non-Current Assets			
Investments	6b	35,868	26,898
Receivables	7	-	-
Inventories	8	-	-
Infrastructure, Property, Plant & Equipment	9	426,840	418,903
Investments accounted for using the equity method	19	47	40
Investment Property	14	5,828	5,406
Intangible Assets	25	-	-
Non-current assets classified as "held for sale"	22	-	-
Other	8	-	-
Total Non-Current Assets		468,583	451,247
TOTAL ASSETS		491,012	473,648
LIABILITIES			
Current Liabilities			
Payables	10	2,555	3,174
Borrowings	10	549	520
Provisions	10	2,983	2,404
Liabilities associated with assets classified as "held for sale"	22	-	-
Total Current Liabilities		6,087	6,098
Non-Current Liabilities			
Payables	10	-	-
Borrowings	10	7,227	7,770
Provisions	10	4,403	4,358
Investments accounted for using the equity method	19	-	-
Liabilities associated with assets classified as "held for sale"	22	-	-
Total Non-Current Liabilities		11,630	12,128
TOTAL LIABILITIES		17,717	18,226
Net Assets		473,295	455,422
EQUITY			
Retained Earnings	20	259,207	240,271
Revaluation Reserves	20	214,088	215,151
Council Equity Interest		473,295	455,422
Non-controlling Interests		-	-
Total Equity		473,295	455,422

Muswellbrook Shire Council

Statement of Changes in Equity
for the financial year ended 30 June 2013

\$ '000	Notes	Retained Earnings	Reserves (Refer 20b)	Council Interest	Non-controlling Interest	Total Equity
2013						
Opening Balance (as per Last Year's Audited Accounts)		240,271	215,151	455,422	-	455,422
a. Correction of Prior Period Errors	20 (c)	-	-	-	-	-
b. Changes in Accounting Policies (prior year effects)	20 (d)	-	-	-	-	-
Revised Opening Balance (as at 1/7/12)		240,271	215,151	455,422	-	455,422
c. Net Operating Result for the Year		18,936	-	18,936	-	18,936
d. Other Comprehensive Income						
- Revaluations : IPP&E Asset Revaluation Rsve	20b (ii)	-	(1,063)	(1,063)	-	(1,063)
- Revaluations: Other Reserves	20b (ii)	-	-	-	-	-
- Transfers to Income Statement	20b (ii)	-	-	-	-	-
- Impairment (loss) reversal relating to I,PP&E	20b (ii)	-	-	-	-	-
- Other Movements (enter details here)	20b (ii)	-	-	-	-	-
Other Comprehensive Income		-	(1,063)	(1,063)	-	(1,063)
Total Comprehensive Income (c&d)		18,936	(1,063)	17,873	-	17,873
e. Distributions to/(Contributions from) Non-controlling Interests		-	-	-	-	-
f. Transfers between Equity		-	-	-	-	-
Equity - Balance at end of the reporting period		259,207	214,088	473,295	-	473,295

\$ '000	Notes	Retained Earnings	Reserves (Refer 20b)	Council Interest	Non-controlling Interest	Total Equity
2012						
Opening Balance (as per Last Year's Audited Accounts)		231,642	206,376	438,018	-	438,018
a. Correction of Prior Period Errors	20 (c)	-	-	-	-	-
b. Changes in Accounting Policies (prior year effects)	20 (d)	-	-	-	-	-
Revised Opening Balance (as at 1/7/11)		231,642	206,376	438,018	-	438,018
c. Net Operating Result for the Year		8,629	-	8,629	-	8,629
d. Other Comprehensive Income						
- Revaluations : IPP&E Asset Revaluation Rsve	20b (ii)	-	8,775	8,775	-	8,775
- Revaluations: Other Reserves	20b (ii)	-	-	-	-	-
- Transfers to Income Statement	20b (ii)	-	-	-	-	-
- Impairment (loss) reversal relating to I,PP&E	20b (ii)	-	-	-	-	-
- Other Movements (enter details here)	20b (ii)	-	-	-	-	-
Other Comprehensive Income		-	8,775	8,775	-	8,775
Total Comprehensive Income (c&d)		8,629	8,775	17,404	-	17,404
e. Distributions to/(Contributions from) Non-controlling Interests		-	-	-	-	-
f. Transfers between Equity		-	-	-	-	-
Equity - Balance at end of the reporting period		240,271	215,151	455,422	-	455,422

Muswellbrook Shire Council

Statement of Cash Flows

for the financial year ended 30 June 2013

Budget 2013	\$ '000	Notes	Actual 2013	Actual 2012
Cash Flows from Operating Activities				
Receipts:				
15,947	Rates & Annual Charges		15,190	15,174
9,049	User Charges & Fees		10,866	9,197
2,397	Investment & Interest Revenue Received		2,128	2,547
11,589	Grants & Contributions		15,756	12,023
	Bonds, Deposits & Retention amounts received		309	107
	Other		2,888	2,871
Payments:				
(12,063)	Employee Benefits & On-Costs		(12,473)	(11,089)
(9,380)	Materials & Contracts		(8,949)	(8,465)
(807)	Borrowing Costs		(497)	(522)
	Bonds, Deposits & Retention amounts refunded		(88)	(117)
(4,225)	Other		(4,869)	(6,164)
	Net Cash from Boundary Adjustments		-	-
12,507	Net Cash provided (or used in) Operating Activities	11b	20,261	15,562
Cash Flows from Investing Activities				
Receipts:				
	Sale of Investment Securities		17,442	13,447
	Sale of Investment Property		-	-
	Sale of Real Estate Assets		2,582	1,212
	Sale of Infrastructure, Property, Plant & Equipment		602	443
	Sale of Shares in Companies		-	-
	Sale of Interests in Joint Ventures & Associates		-	-
	Sale of Disposal Groups		-	-
	Deferred Debtors Receipts		-	-
	Distributions Received from Joint Ventures & Associates		-	-
	Other Investing Activity Receipts		-	-
Payments:				
	Purchase of Investment Securities		(20,327)	(12,478)
	Purchase of Investment Property		(113)	(1,358)
(18,285)	Purchase of Infrastructure, Property, Plant & Equipment		(14,194)	(15,732)
	Purchase of Real Estate Assets		(1,831)	(74)
	Purchase of Shares in Companies		-	-
	Purchase of Interests in Joint Ventures & Associates		-	-
	Deferred Debtors & Advances Made		-	-
	Contributions Paid to Joint Ventures & Associates		-	-
	Other Investing Activity Payments		-	-
(18,285)	Net Cash provided (or used in) Investing Activities		(15,839)	(14,540)

Cash Flows from Financing Activities**Receipts:**

1,029	Proceeds from Borrowings & Advances	-	-
	Proceeds from Finance Leases	-	-
	Other Financing Activity Receipts		-

Payments:

(613)	Repayment of Borrowings & Advances	(591)	(564)
	Repayment of Finance Lease Liabilities	-	-
	Distributions to Non-controlling Interests	-	-
	Other Financing Activity Payments		-

416	Net Cash Flow provided (used in) Financing Activities	(591)	(564)
-----	--	--------------	--------------

(5,362)	Net Increase/(Decrease) in Cash & Cash Equivalents	3,831	458
---------	---	--------------	------------

	plus: Cash & Cash Equivalents - beginning of year	11a	4,026	3,568
--	--	-----	-------	-------

(5,362)	Cash & Cash Equivalents - end of the year	11a	7,857	4,026
----------------	--	-----	--------------	--------------

Additional Information:

plus: Investments on hand - end of year	6b	43,149	39,938
--	----	--------	--------

Total Cash, Cash Equivalents & Investments		51,006	43,964
---	--	---------------	---------------

Please refer to Note 11 for information on the following:

- Non Cash Financing & Investing Activities.
- Financing Arrangements.
- Net cash flow disclosures relating to any Discontinued Operations

Muswellbrook Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Contents of the Notes accompanying the Financial Statements

Note	Details	Page
1	Summary of Significant Accounting Policies	13-31
2(a)	Council Functions / Activities - Financial Information	32
2(b)	Council Functions / Activities - Component Descriptions	33
3	Income from Continuing Operations	34-42
4	Expenses from Continuing Operations	43-47
5	Gains or Losses from the Disposal of Assets	48
6(a)	Cash & Cash Equivalent Assets	49
6(b)	Investments	50-51
6(c)	Restricted Cash, Cash Equivalents & Investments - Details	52-53
7	Receivables	54-55
8	Inventories & Other Assets	56-57
9(a)	Infrastructure, Property, Plant & Equipment	58
9(b)	Externally Restricted Infrastructure, Property, Plant & Equipment	59
9(c)	Infrastructure, Property, Plant & Equipment - Current Year Impairments	60
10(a)	Payables, Borrowings & Provisions	61-63
10(b)	Description of (and movements in) Provisions	63
11	Statement of Cash Flows - Additional Information	64-65
12	Commitments for Expenditure	66-68
13	Statement of Performance Measures:	
13a (i)	Local Government Industry Indicators (Consolidated)	69-70
13a (ii)	Local Government Industry Graphs (Consolidated)	n/a
13b	Local Government Industry Indicators (by Fund)	71
14	Investment Properties	72-73
15	Financial Risk Management	74-79
16	Material Budget Variations	80-83
17	Statement of Developer Contributions	84-85
18	Contingencies and Other Liabilities/Assets not recognised	86-87
19	Controlled Entities, Associated Entities & Interests in Joint Ventures	88-95
20	Equity - Retained Earnings and Revaluation Reserves	96-99
21	Financial Result & Financial Position by Fund	100-101
22	"Held for Sale" Non Current Assets & Disposal Groups	102
23	Events occurring after the Reporting Period	103
24	Discontinued Operations	104
25	Intangible Assets	105
26	Reinstatement, Rehabilitation & Restoration Liabilities	106
Additional Council Disclosures		
27	Financial Review & Commentary	107
28	Council Information & Contact Details	108

n/a - not applicable

Muswellbrook Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2013

Note 1. Summary of Significant Accounting Policies

The principal accounting policies adopted by Council in the preparation of these consolidated financial statements are set out below in order to assist in the general understanding of these statements.

Under Australian Accounting Standards (AASBs), accounting policies are defined as those specific principles, bases, conventions, rules and practices applied by a reporting entity (in this case Council) in preparing and presenting its financial statements.

(a) Basis of preparation

(i) Background

These financial statements are general purpose financial statements which have been prepared in accordance with;

- Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board,
- the Local Government Act (1993) and Regulations, and
- the Local Government Code of Accounting Practice and Financial Reporting.

For the purpose of preparing these financial statements, Council has been deemed to be a not-for-profit entity.

(ii) Compliance with International Financial Reporting Standards (IFRSs)

Because AASBs are sector neutral, some standards either:

- (a) have local Australian content and prescription that is specific to the Not-For-Profit sector (including Local Government) which are not in compliance with IFRS's, or
- (b) specifically exclude application by Not for Profit entities.

Accordingly, in preparing these financial statements and accompanying notes, Council has been unable to comply fully with International Accounting Standards, but has complied fully with Australian Accounting Standards.

Under the Local Government Act (LGA), Regulations and Local Government Code of Accounting Practice and Financial Reporting, it should be noted that Councils in NSW only have a requirement to comply with AASBs.

(iii) New and amended standards adopted by Council

None of the new standards and amendments to standards that are mandatory for the first time for the financial year beginning 1 July 2013 affected any of the amounts recognised in the current period or any prior period and are not likely to affect future periods.

(iv) Early adoption of Accounting Standards

Council has not elected to apply any pronouncements before their operative date in the annual reporting period beginning 1 July 2013.

Refer further to paragraph (ab) relating to a summary of the effects of Standards with future operative dates.

(v) Basis of Accounting

These financial statements have been prepared under the **historical cost convention** except for:

- (i) financial assets and liabilities at fair value through profit or loss, available-for-sale financial assets and investment properties which are all valued at fair value,
- (ii) the write down of any Asset on the basis of Impairment (if warranted) and
- (iii) certain classes of Infrastructure, property, plant and equipment that are accounted for at fair valuation.

The accrual basis of accounting has also been applied in their preparation.

(vi) Changes in Accounting Policies

Council's accounting policies have been consistently applied to all the years presented, unless otherwise stated.

Muswellbrook Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2013

Note 1. Summary of Significant Accounting Policies

There have also been no changes in accounting policies when compared with previous financial statements unless otherwise stated [refer Note 20(d)].

(vii) Critical Accounting Estimates

The preparation of financial statements requires the use of certain critical accounting estimates (in conformity with AASBs).

Accordingly, this requires management to exercise its judgement in the process of applying the Council's accounting policies.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

Critical accounting estimates and assumptions

Council makes estimates and assumptions concerning the future.

The resulting accounting estimates will, by definition, seldom equal the related actual results.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are set out below.

- (i) Estimated fair values of investment properties
- (ii) Estimated fair values of infrastructure, property, plant and equipment.
- (iii) Estimated waste management facility remediation provisions.

Critical judgements in applying the entity's accounting policies

- (i) Impairment of Receivables - Council has made a significant judgement about the impairment of a number of its receivables in Note 7.
- (ii) Projected Section 94 Commitments - Council has used significant judgement in determining future Section 94 income and expenditure in Note 17.

(b) Revenue recognition

Council recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Council's activities as described below.

Council bases any estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Revenue is measured at the fair value of the consideration received or receivable.

Revenue is measured on major income categories as follows:

Rates, Annual Charges, Grants and Contributions

Rates, annual charges, grants and contributions (including developer contributions) are recognised as revenues when the Council obtains control over the assets comprising these receipts.

Control over assets acquired from rates and annual charges is obtained at the commencement of the rating year as it is an enforceable debt linked to the rateable property or, where earlier, upon receipt of the rates.

A provision for the impairment on rates receivables has not been established as unpaid rates represent a charge against the rateable property that will be recovered when the property is next sold.

Control over granted assets is normally obtained upon their receipt (or acquittal) or upon earlier notification that a grant has been secured, and is valued at their fair value at the date of transfer.

Revenue from Contributions is recognised when the Council either obtains control of the contribution or the right to receive it, (i) it is probable that the economic benefits comprising the contribution will flow to the Council and (ii) the amount of the contribution can be measured reliably.

Where grants or contributions recognised as revenues during the financial year were obtained on

Muswellbrook Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2013

Note 1. Summary of Significant Accounting Policies

condition that they be expended in a particular manner or used over a particular period and those conditions were undischarged at balance date, the unused grant or contribution is disclosed in Note 3(g).

Note 3(g) also discloses the amount of unused grant or contribution from prior years that was expended on Council's operations during the current year.

The Council has obligations to provide facilities from contribution revenues levied on developers under the provisions of S94 of the EPA Act 1979.

Whilst Council generally incorporates these amounts as part of a Development Consents Order, such developer contributions are only recognised as income upon their physical receipt by Council, due to the possibility that individual Development Consents may not be acted upon by the applicant and accordingly would not be payable to Council.

Developer contributions may only be expended for the purposes for which the contributions were required but the Council may apply contributions according to the priorities established in work schedules.

A detailed Note relating to developer contributions can be found at Note 17.

User Charges, Fees and Other Income

User charges, fees and other income (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.

A provision for the impairment of these receivables is recognised when collection in full is no longer probable.

A liability is recognised in respect of revenue that is reciprocal in nature to the extent that the requisite service has not been provided as at balance date.

Sale of Infrastructure, Property, Plant and Equipment

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

Interest and Rents

Rents are recognised as revenue on a proportional basis when the payment is due, the value of the payment is notified, or the payment is received, whichever first occurs.

Interest Income from Cash and Investments is accounted for using the Effective Interest method in accordance with AASB 139.

(c) Principles of Consolidation

These financial statements incorporate:-

- (i) the assets and liabilities of Council and any Entities (or operations) that it **controls** (as at 30 June 2013) and;
- (ii) all the related operating results (for the financial year ended the 30th June 2013).

The financial statements also include Council's share of the assets, liabilities, income and expenses of any **Jointly Controlled Operations** under the appropriate headings.

In the process of reporting on Council's activities as a single unit, all inter-entity year end balances and reporting period transactions have been eliminated in full between Council and its controlled entities.

(i) The Consolidated Fund

In accordance with the provisions of Section 409(1) of the LGA 1993, all money and property received by Council is held in the Council's Consolidated Fund unless it is required to be held in the Council's Trust Fund.

The Consolidated Fund and other entities through which the Council controls resources to carry on its functions have been included in the financial statements forming part of this report.

The following entities have been included as part of the Consolidated Fund:

- General Purpose Operations
- Water Supply
- Sewerage Service
- Commercial Buildings

Muswellbrook Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 1. Summary of Significant Accounting Policies

(ii) The Trust Fund

In accordance with the provisions of Section 411 of the Local Government Act 1993 (as amended), a separate and distinct Trust Fund is maintained to account for all money and property received by the Council in trust which must be applied only for the purposes of or in accordance with the trusts relating to those monies.

Trust monies and property subject to Council's control have been included in these statements.

Trust monies and property held by Council but not subject to the control of Council, have been excluded from these statements.

A separate statement of monies held in the Trust Fund is available for inspection at the Council office by any person free of charge.

(iii) Joint Ventures

Jointly Controlled Assets and Operations

The proportionate interests in the assets, liabilities and expenses of a Joint Venture Activity have been incorporated throughout the financial statements under the appropriate headings.

Jointly Controlled Entities

All interests in Joint Venture Entities and Partnerships are accounted for using the equity method and are carried at cost.

Under the equity method, the share of the profits or losses of the partnership is recognised in the income statement, and the share of movements in retained earnings and reserves is recognised in the balance sheet.

(iv) Associated Entities

Where Council has the power to participate in the financial and operating decisions (of another entity), i.e. where Council is deemed to have "significant influence" over the other entities operations but neither controls nor jointly controls the entity, then Council accounts for such interests using the equity

method of accounting – in a similar fashion to Joint Venture Entities and Partnerships.

Such entities are usually termed Associates.

(v) County Councils

Council is a member of the following County Councils (which are bodies corporate under the Local Government Act);

▪ Upper Hunter Weeds Authority

This organisation is responsible for the control of noxious plants in an area consisting of the Muswellbrook, Singleton and Upper Hunter Local Government areas.

The governing body of each County Council is responsible for managing its own affairs.

Council is of the opinion that it neither controls nor significantly influences the above County Councils and accordingly these entities have not been consolidated or otherwise included within these financial statements.

(vi) Additional Information

Note 19 provides more information in relation to Joint Venture Entities, Associated Entities and Joint Venture Operations where applicable.

(d) Leases

All Leases entered into by Council are reviewed and classified on inception date as either a Finance Lease or an Operating Lease.

Finance Leases

Leases of property, plant and equipment where the Council has substantially all the risks and rewards of ownership, are classified as finance leases.

Finance leases are capitalised at the lease's inception at the lower of the fair value of the leased property and the present value of the minimum lease payments.

The corresponding rental obligations, net of finance charges, are included in borrowings.

Muswellbrook Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2013

Note 1. Summary of Significant Accounting Policies

Each lease payment is allocated between the liability outstanding and the recognition of a finance charge.

The interest element of the finance charge is costed to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Property, plant and equipment acquired under finance leases are depreciated over the shorter of each leased asset's useful life and the lease term.

Operating Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases.

Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

Lease income from operating leases is recognised in income on a straight-line basis over the lease term.

(e) Cash and Cash Equivalents

Cash and cash equivalents includes;

- cash **on hand**,
- deposits held **at call** with financial institutions,
- other short-term, highly liquid investments **with original maturities of three months or less** that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and
- bank overdrafts.

Bank overdrafts are shown within borrowings in current liabilities on the balance sheet but are incorporated into Cash and Cash Equivalents for presentation of the Statement of Cash Flows..

(f) Investments and Other Financial Assets

Council (in accordance with AASB 139) classifies each of its investments into one of the following categories for measurement purposes:

- **financial assets at fair value through profit or loss**,
- **loans and receivables**,
- **held-to-maturity investments**, and
- **available-for-sale financial assets**.

Each classification depends on the purpose/intention for which the investment was acquired and at the time it was acquired.

Management determines each Investment classification at the time of initial recognition and re-evaluates this designation at each reporting date.

(i) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets that are "held for trading".

A financial asset is classified in the "held for trading" category if it is acquired principally for the purpose of selling in the short term.

Assets in this category are primarily classified as current assets as they are primarily held for trading and/or are expected to be realised within twelve months of the balance sheet date.

(ii) Loans and receivables

Loans and receivables are non derivative financial assets with fixed or determinable payments that are not quoted in an active market.

They arise when the Council provides money, goods or services directly to a debtor with no intention (or in some cases ability) of selling the resulting receivable.

They are included in current assets, except for those with maturities greater than twelve (12) months after the balance sheet date which are classified as non-current assets.

(iii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Council's management

Muswellbrook Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2013

Note 1. Summary of Significant Accounting Policies

has the positive intention and ability to hold to maturity.

In contrast to the "Loans and Receivables" classification, these investments are generally quoted in an active market.

Held-to-maturity financial assets are included in non-current assets, except for those with maturities less than twelve (12) months from the reporting date, which are classified as current assets.

(iv) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories.

Investments must be designated as available-for-sale if they do not have fixed maturities and fixed or determinable payments and management intends to hold them for the medium to long term.

Accordingly, this classification principally comprises marketable equity securities, but can include all types of financial assets that could otherwise be classified in one of the other investment categories.

They are generally included in non-current assets unless management intends to dispose of the investment within twelve months of the balance sheet date or the term to maturity from the reporting date is less than twelve months.

Financial Assets – Reclassification

Council may choose to reclassify a non-derivative trading financial asset out of the held-for-trading category if the financial asset is no longer held for the purpose of selling it in the near term.

Financial assets other than loans and receivables are permitted to be reclassified out of the held-for-trading category only in rare circumstances arising from a single event that is unusual and highly unlikely to recur in the near term.

Council may also choose to reclassify financial assets that would meet the definition of loans and receivables out of the held-for-trading or available-for-sale categories if it has the intention and ability to hold these financial assets for the foreseeable future or until maturity at the date of reclassification.

Reclassifications are made at fair value as of the reclassification date. Fair value becomes the new cost or amortised cost as applicable, and no reversals of fair value gains or losses recorded before reclassification date are subsequently made.

Effective interest rates for financial assets reclassified to loans and receivables and held-to-maturity categories are determined at the reclassification date. Further increases in estimates of cash flows adjust effective interest rates prospectively.

General Accounting and Measurement of Financial Instruments:

(i) Initial Recognition

Investments are initially recognised (and measured) at fair value, plus in the case of investments not at "fair value through profit or loss", directly attributable transactions costs

Purchases and sales of investments are recognised on trade-date - the date on which the Council commits to purchase or sell the asset.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Council has transferred substantially all the risks and rewards of ownership.

(ii) Subsequent Measurement

Available-for-sale financial assets and **financial assets at fair value through profit and loss** are subsequently carried at fair value.

Loans and receivables and **held-to-maturity** investments are carried at amortised cost using the effective interest method.

Realised and unrealised gains and losses arising from changes in the fair value of the financial assets classified as "**fair value through profit or loss**" category are included in the income statement in the period in which they arise.

Unrealised gains and losses arising from changes in the fair value of non monetary securities classified as "**available-for-sale**" are recognised in equity in the available-for-sale investments revaluation reserve.

Muswellbrook Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2013

Note 1. Summary of Significant Accounting Policies

When securities classified as **"available-for-sale"** are sold or impaired, the accumulated fair value adjustments are included in the income statement as gains and losses from investment securities.

Impairment

Council assesses at each balance date whether there is objective evidence that a financial asset or group of financial assets is impaired.

A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

If any such evidence exists for available-for-sale financial assets, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit and loss - is removed from equity and recognised in the income statement.

If there is evidence of impairment for any of Council's financial assets carried at amortised cost (eg. loans and receivables), the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate.

The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

As a practical expedient, the group may measure impairment on the basis of an instrument's fair value using an observable market price.

(iii) Types of Investments

Council has an approved Investment Policy in order to undertake its investment of money in accordance with (and to comply with) Section 625 of the Local Government Act and S212 of the LG (General) Regulation 2005.

Investments are placed and managed in accordance with the Policy and having particular regard to authorised investments prescribed under the Ministerial Local Government Investment Order.

Council maintains its investment Policy in compliance with the Act and ensures that it or its representatives exercise care, diligence and skill that a prudent person would exercise in investing Council funds.

Council amended its policy following revisions to the Ministerial Local Government Investment Order arising from the Cole Inquiry recommendations. Certain investments that Council holds are no longer prescribed (eg. managed funds, CDOs, and equity linked notes), however they have been retained under grandfathering provisions of the Order. These will be disposed of when most financially advantageous to Council.

(g) Fair value estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date.

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques.

Council uses a variety of methods and makes assumptions that are based on market conditions existing at each balance date.

Quoted market prices or dealer quotes for similar instruments are used for long-term debt instruments held.

If the market for a financial asset is not active (and for unlisted securities), the Council establishes fair value by using valuation techniques.

These include reference to the fair values of recent arm's length transactions, involving the same

Muswellbrook Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2013

Note 1. Summary of Significant Accounting Policies

instruments or other instruments that are substantially the same, discounted cash flow analysis, and option pricing models refined to reflect the issuer's specific circumstances.

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values.

The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Council for similar financial instruments.

(h) Receivables

Receivables are initially recognised at fair value and subsequently measured at amortised cost, less any provision for impairment.

Receivables (excluding Rates and Annual Charges) are generally due for settlement no more than 30 days from the date of recognition.

The collectibility of receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off in accordance with Council's policy.

A provision for impairment (ie. an allowance account) relating to receivables is established when there is objective evidence that the Council will not be able to collect all amounts due according to the original terms of each receivable.

The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate.

Impairment losses are recognised in the Income Statement within other expenses.

When a receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account.

Subsequent recoveries of amounts previously written off are credited against other expenses in the income statement.

(i) Inventories

Raw Materials and Stores, Work in Progress and Finished Goods

Raw materials and stores, work in progress and finished goods in respect of business undertakings are all stated at the lower of cost and net realisable value.

Cost comprises direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity.

Costs are assigned to individual items of inventory on the basis of weighted average costs.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Inventories held in respect of non-business undertakings have been valued at cost subject to adjustment for loss of service potential.

Land Held for Resale/Capitalisation of Borrowing Costs

Land held for resale is stated at the lower of cost and net realisable value.

Cost is assigned by specific identification and includes the cost of acquisition, and development and borrowing costs during development.

When development is completed borrowing costs and other holding charges are expensed as incurred.

Borrowing costs included in the cost of land held for resale are those costs that would have been avoided if the expenditure on the acquisition and development of the land had not been made.

Borrowing costs incurred while active development is interrupted for extended periods are recognised as expenses.

Muswellbrook Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2013

Note 1. Summary of Significant Accounting Policies

(j) Infrastructure, Property, Plant and Equipment (IPP and E)

Acquisition of assets

Council's non current assets are continually revalued (over a 5 year period) in accordance with the fair valuation policy as mandated by the Division of Local Government.

At balance date, the following classes of IPP and E were stated at their Fair Value;

- **Investment Properties** – refer Note 1(p),
- **Water and Sewerage Networks**
(Internal Valuation)
- **Operational Land** (External Valuation)
- **Buildings – Specialised/Non Specialised**
(External Valuation)
- **Plant and Equipment**
(as approximated by depreciated historical cost)
- **Roads Assets incl. roads, bridges and footpaths**
(Internal Valuation)
- **Drainage Assets** (Internal Valuation)
- **Bulk Earthworks** (Internal Valuation)
- **Community Land** (External Valuation)
- **Land Improvements**
(as approximated by depreciated historical cost)
- **Other Structures**
(as approximated by depreciated historical cost)
- **Other Assets**
(as approximated by depreciated historical cost)

Initial Recognition

On initial recognition, an asset's value is measured using fair value principles, including all expenditure that is directly attributable to the acquisition.

Where settlement of any part of an asset's cash consideration is deferred, the amounts payable in the future are discounted to their present value as at

the date of recognition (ie. date of exchange) of the asset to arrive at fair value.

The discount rate used is the Council's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Where infrastructure, property, plant and equipment assets are acquired for no cost or for an amount other than cost, the assets are recognised in the financial statements at their fair value at acquisition date - being the amount that the asset could have been exchanged between knowledgeable willing parties in an arm's length transaction.

Subsequent costs

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to Council and the cost of the item can be measured reliably.

All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Asset Revaluations (including Indexation)

In accounting for Asset Revaluations relating to Infrastructure, Property, Plant and Equipment:

- Increases in the combined carrying amounts of asset classes arising on revaluation are credited to the asset revaluation reserve.
- To the extent that a net asset class increase reverses a decrease previously recognised via the profit or loss, then increase is first recognised in profit or loss.
- Net decreases that reverse previous increases of the same asset class are first charged against revaluation reserves directly in equity to the extent of the remaining reserve attributable to the asset, with all other decreases charged to the Income statement.

Water and sewerage network assets are indexed annually between full revaluations in accordance with the latest indices provided in the NSW Office of Water - Rates Reference Manual.

Muswellbrook Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2013

Note 1. Summary of Significant Accounting Policies

For all other assets, Council assesses at each reporting date whether there is any indication that a revalued asset's carrying amount may differ materially from that which would be determined if the asset were revalued at the reporting date.

If any such indication exists, Council determines the asset's fair value and revalues the asset to that amount.

Full revaluations are undertaken for all assets on a 5 year cycle.

Capitalisation Thresholds

Items of infrastructure, property, plant and equipment are not capitalised unless their cost of acquisition exceeds the following;

Land

- council land	100% Capitalised
- open space	100% Capitalised
- land under roads (purchases after 30/0/608)	100% Capitalised

Plant and Equipment

Office Furniture	> \$2,000
Office Equipment	> \$2,000
Other Plant and Equipment	> \$2,000

Buildings and Land Improvements

Park Furniture and Equipment	> \$2,000
------------------------------	-----------

Building

- construction/extensions	100% Capitalised
- renovations	> \$5,000

Other Structures	> \$2,000
------------------	-----------

Water and Sewer Assets

Reticulation extensions	> \$5,000
Other	> \$5,000

Stormwater Assets

Drains and Culverts	> \$5,000
Other	> \$5,000

Transport Assets

Road construction and reconstruction	> \$5,000
Reseal/Re-sheet and major repairs:	> \$5,000
Bridge construction and reconstruction	> \$5,000

Depreciation

Depreciation on Council's infrastructure, property, plant and equipment assets is calculated using the straight line method in order to allocate an assets cost (net of residual values) over its estimated useful life.

Land is not depreciated.

Estimated useful lives for Council's IPP and E include:

Plant and Equipment

- Office Equipment	5 to 20 years
- Office furniture	10 years
- Computer Equipment	4 years
- Vehicles	7 to 10 years
- Heavy Plant/Road Making equip.	7 to 10 years
- Other plant and equipment	7 to 10 years

Other Equipment

- Playground equipment	5 years
- Benches, seats etc	10 years

Buildings

- Buildings	50 to 70 years
-------------	----------------

Stormwater Drainage

- Drains	60 years
- Culverts	50 to 80 years

Transportation Assets

- Sealed Roads : Surface	20 years
- Sealed Roads : Structure	50 years
- Sealed Roads : Other	20 – 40 years
- Unsealed roads	20 years
- Bridge : Concrete	100 years

Water and Sewer Assets

- Dams and reservoirs	80 to 100 years
- Bores	20 to 40 years
- Reticulation pipes	50 years
- Pumps and telemetry	25 to 50 years

Other Infrastructure Assets

- Bulk earthworks	Infinite
-------------------	----------

Muswellbrook Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2013

Note 1. Summary of Significant Accounting Policies

All asset residual values and useful lives are reviewed and adjusted (where appropriate), at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount – refer Note 1(s) on Asset Impairment.

Disposal and De-recognition

An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in Council's Income Statement in the year the asset is derecognised.

(k) Land

Land (other than Land under Roads) is in accordance with Part 2 of Chapter 6 of the Local Government Act (1993) classified as either Operational or Community.

This classification of Land is disclosed in Note 9(a).

(l) Land under roads

Land under roads is land under roadways and road reserves including land under footpaths, nature strips and median strips.

Council has elected not to recognise land under roads acquired before 1 July 2008 in accordance with AASB 1051.

Land under roads acquired after 1 July 2008 is recognised in accordance with AASB 116 – Property, Plant and Equipment.

(m) Intangible Assets

Council has not classified any assets as Intangible.

(n) Crown Reserves

Crown Reserves under Council's care and control are recognised as assets of the Council.

While ownership of the reserves remains with the Crown, Council retains operational control of the reserves and is responsible for their maintenance and use in accordance with the specific purposes to which the reserves are dedicated.

Improvements on Crown Reserves are also recorded as assets, while maintenance costs incurred by Council and revenues relating the reserves are recognised within Council's Income Statement.

(o) Rural Fire Service assets

Under section 119 of the Rural Fires Act 1997, *"all fire fighting equipment purchased or constructed wholly or from money to the credit of the Fund is to be vested in the council of the area for or on behalf of which the fire fighting equipment has been purchased or constructed"*.

At present, the accounting for such fire fighting equipment is not treated in a consistent manner across all Councils.

Until such time as discussions on this matter have concluded and the legislation changed, Council will continue to account for these assets as it has been doing in previous years, which is to incorporate the assets, their values and depreciation charges within these financial statements.

(p) Investment property

Investment property comprises land and/or buildings that are principally held for long-term rental yields, capital gains or both that is not occupied by Council.

Investment property is carried at fair value, representing an open-market value determined annually by external valuers.

Annual changes in the fair value of Investment Properties are recorded in the Income Statement as part of "Other Income".

Full revaluations are carried out every three years with interim reviews being undertaken to determine the likelihood of material changes in value.

Muswellbrook Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2013

Note 1. Summary of Significant Accounting Policies

The last full revaluation for Council's Investment Properties was dated 30 June 2013.

(q) Provisions for close down, restoration and environmental clean up costs – including Waste Management Facilities

Close down, Restoration and Remediation costs include the dismantling and demolition of infrastructure, the removal of residual materials and the remediation of disturbed areas.

Estimated close down and restoration costs are provided for in the accounting period when the obligation arising from the related disturbance occurs, whether this occurs during the development or during the operation phase, based on the net present value of estimated future costs.

Provisions for close down and restoration costs do not include any additional obligations which are expected to arise from future disturbance.

Costs are estimated on the basis of a closure plan.

The cost estimates are calculated annually during the life of the operation to reflect known developments, eg updated cost estimates and revisions to the estimated lives of operations, and are subject to formal review at regular intervals.

Close down, Restoration and Remediation costs are a normal consequence of waste management facility and quarry operations, and the majority of close down and restoration expenditure is incurred at the end of the life of the operations.

Although the ultimate cost to be incurred is uncertain, Council estimates the respective costs based on feasibility and engineering studies using current restoration standards and techniques.

The amortisation or 'unwinding' of the discount applied in establishing the net present value of provisions is charged to the income statement in each accounting period.

This amortisation of the discount is disclosed as a borrowing cost in Note 4(b).

Other movements in the provisions for Close down, Restoration and Remediation costs including those resulting from new disturbance, updated cost estimates, changes to the estimated lives of operations and revisions to discount rates are capitalised within property, plant and equipment.

These costs are then depreciated over the lives of the assets to which they relate.

Where rehabilitation is conducted systematically over the life of the operation, rather than at the time of closure, provision is made for the estimated outstanding continuous rehabilitation work at each balance sheet date and the cost is charged to the income statement.

Provision is made for the estimated present value of the costs of environmental clean up obligations outstanding at the balance sheet date. These costs are charged to the income statement.

Movements in the environmental clean up provisions are presented as an operating cost, except for the unwinding of the discount which is shown as a borrowing cost.

Remediation procedures generally commence soon after the time the damage, remediation process and estimated remediation costs become known, but may continue for many years depending on the nature of the disturbance and the remediation techniques.

As noted above, the ultimate cost of environmental remediation is uncertain and cost estimates can vary in response to many factors including changes to the relevant legal requirements, the emergence of new restoration techniques or experience at other locations.

The expected timing of expenditure can also change, for example in response to changes in quarry reserves or production rates.

As a result there could be significant adjustments to the provision for close down and restoration and environmental clean up, which would affect future financial results.

Specific Information relating to Council's provisions relating to Close down, Restoration and Remediation costs can be found at Note 26.

Muswellbrook Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2013

Note 1. Summary of Significant Accounting Policies

(r) Non-Current Assets (or Disposal Groups) "Held for Sale" and Discontinued Operations

Non-current assets (or disposal groups) are classified as held for sale and stated at the lower of either:-

- (i) their carrying amount and
- (ii) fair value less costs to sell, if their carrying amount will be recovered principally through a sale transaction rather than through continuing use.

The exception to this is plant and motor vehicles which are turned over on a regular basis. Plant and motor vehicles are retained in Non Current Assets under the classification of Infrastructure, Property, Plant and Equipment.

For any assets or disposal groups classified as Non-Current Assets "held for sale", an impairment loss is recognised at any time when the assets carrying value is greater than its fair value less costs to sell.

Non-current assets "held for sale" are not depreciated or amortised while they are classified as "held for sale".

Non-current assets classified as "held for sale" are presented separately from the other assets in the balance sheet.

A Discontinued Operation is a component of the entity that has been disposed of or is classified as "held for sale" and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale.

The results of discontinued operations are presented separately on the face of the income statement.

(s) Impairment of assets

All Council's IPP and E is subject to an annual assessment of impairment.

Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

Where an asset is not held principally for cash generating purposes (for example Infrastructure Assets) and would be replaced if the Council was deprived of it then depreciated replacement cost is used as value in use, otherwise value in use is estimated by using a discounted cash flow model.

Non-financial assets (other than goodwill) that suffered a prior period impairment are reviewed for possible reversal of the impairment at each reporting date.

Goodwill and other Intangible Assets that have an indefinite useful life and are not subject to amortisation are tested annually for impairment.

(t) Payables

These amounts represent liabilities and include goods and services provided to the Council prior to the end of financial year which are unpaid.

The amounts for goods and services are unsecured and are usually paid within 30 days of recognition.

(u) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred.

Borrowings may subsequently be measured at amortised cost.

Amortisation results in any difference between the proceeds (net of transaction costs) and the redemption amount being recognised in the Income Statement over the period of the borrowings using the effective interest method.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired.

Muswellbrook Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2013

Note 1. Summary of Significant Accounting Policies

Borrowings are classified as current liabilities unless the Council has an unconditional right to defer settlement of the liability for at least twelve months after the balance sheet date.

(v) Borrowing costs

Borrowing costs are expensed.

(w) Provisions

Provisions for legal claims, service warranties and other like liabilities are recognised when:

- Council has a present legal or constructive obligation as a result of past events;
- it is more likely than not that an outflow of resources will be required to settle the obligation; and
- the amount has been reliably estimated.

Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole.

A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date.

The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability.

The increase in the provision due to the passage of time is recognised as interest expense.

(x) Employee benefits

(i) Short Term Obligations

Short term employee benefit obligations include liabilities for wages and salaries (including non-monetary benefits), annual leave and vesting sick leave expected to be settled within the twelve months after the reporting period.

Leave liabilities are recognised in the provision for employee benefits in respect of employees' services up to the reporting date with other short term employee benefit obligations disclosed under payables.

These provisions are measured at the amounts expected to be paid when the liabilities are settled.

Liabilities for non vesting sick leave are recognised at the time when the leave is taken and measured at the rates paid or payable, and accordingly no Liability has been recognised in these reports.

Wages and salaries, annual leave and vesting sick leave are all classified as Current Liabilities.

(ii) Other Long Term Obligations

The liability for all long service and annual leave in respect of services provided by employees up to the reporting date (which is not expected to be settled within the twelve months after the reporting period) are recognised in the provision for employee benefits.

These liabilities are measured at the present value of the expected future payments to be made using the projected unit credit method.

Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service.

Expected future payments are then discounted using market yields at the reporting date based on national government bonds with terms to maturity and currency that match as closely as possible the estimated future cash outflows.

Due to the nature of when and how Long Service Leave can be taken, all Long Service Leave for employees with four or more years of service has been classified as Current, as it has been deemed

Muswellbrook Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2013

Note 1. Summary of Significant Accounting Policies

that Council does not have the unconditional right to defer settlement beyond twelve months – even though it is not anticipated that all employees with more than four years service (as at reporting date) will apply for and take their leave entitlements in the next twelve months.

(iii) Retirement benefit obligations

All employees of the Council are entitled to benefits on retirement, disability or death.

Council contributes to various defined benefit plans and defined contribution plans on behalf of its employees.

Defined Benefit Plans

A liability or asset in respect of defined benefit superannuation plans would ordinarily be recognised in the balance sheet, and measured as the present value of the defined benefit obligation at the reporting date plus unrecognised actuarial gains (less unrecognised actuarial losses) less the fair value of the superannuation fund's assets at that date and any unrecognised past service cost.

The present value of the defined benefit obligation is based on expected future payments which arise from membership of the fund to the reporting date, calculated annually by independent actuaries using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service.

However, when this information is not reliably available, Council can account for its obligations to defined benefit plans on the same basis as its obligations to defined contribution plans – i.e. as an expense when they become payable.

Council is party to an Industry Defined Benefit Plan under the Local Government Superannuation Scheme, named the "Local Government Superannuation Scheme – Pool B"

This Scheme has been deemed to be a "multi employer fund" for the purposes of AASB 119.

Sufficient information is not available to account for the Scheme as a defined benefit plan (in accordance with AASB 119) because the assets to the scheme are pooled together for all Councils.

The last valuation of the Scheme was performed by Mr Martin Stevenson (BSc, FIA, FIAA) on 20 February 2013 and covers the period ended 30 June 2013.

However the position is monitored annually and the Actuary has estimated that as at 30 June 2013 the prior period deficit still exists.

Effective from 1 July 2009, employers are required to contribute additional contributions to assist in extinguishing this deficit.

The amount of employer contributions to the defined benefit section of the Local Government Superannuation Scheme and recognised as an expense and disclosed as part of Superannuation Expenses at Note 4(a) for the year ending 30 June 2013 was \$280,805.

The share of this deficit that can be broadly attributed to Council is estimated to be in the order of \$567,900 as at 30 June 2013.

Council's share of that deficiency cannot be accurately calculated as the Scheme is a mutual arrangement where assets and liabilities are pooled together for all member councils.

For this reason, no liability for the deficiency has been recognised in these financial statements.

Council has, however, disclosed a contingent liability in Note 18 to reflect the possible obligation that may arise should the Scheme require immediate payment to correct the deficiency.

Defined Contribution Plans

Contributions to Defined Contribution Plans are recognised as an expense as they become payable. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(iv) Employee Benefit On-Costs

Council has recognised at year end the aggregate on-cost liabilities arising from employee benefits, and in particular those on-cost liabilities that will arise when payment of current employee benefits is made in future periods.

Muswellbrook Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2013

Note 1. Summary of Significant Accounting Policies

These amounts include Superannuation and Workers Compensation expenses which will be payable upon the future payment of certain Leave Liabilities accrued as at 30 June 2013.

(y) Self insurance

Council has determined to self-insure for various risks including public liability and professional indemnity.

A provision for self-insurance has been made to recognise outstanding claims the amount of which is detailed in Note 10.

(z) Allocation between current and non-current assets and liabilities

In the determination of whether an asset or liability is classified as current or non-current, consideration is given to the time when each asset or liability is expected to be settled.

The asset or liability is classified as current if it is expected to be settled within the next twelve months, being the Council's operational cycle.

Exceptions

In the case of liabilities where Council does not have the unconditional right to defer settlement beyond twelve months (such as vested long service leave), the liability is classified as current even if not expected to be settled within the next twelve months.

In the case of inventories that are "held for trading", these are also classified as current even if not expected to be realised in the next twelve months.

(aa) Taxes

The Council is exempt from both Commonwealth Income Tax and Capital Gains Tax.

Council does however have to comply with both Fringe Benefits Tax (FBT) and Goods and Services Tax (GST).

Goods and Services Tax (GST)

Income, expenses and assets are all recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office (ATO).

In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of the revenue / expense.

Receivables and payables within the Balance Sheet are stated inclusive of any applicable GST.

The net amount of GST recoverable from or payable to the ATO is included as a current asset or current liability in the Balance Sheet.

Operating cash flows within the Cash Flow Statement are on a gross basis, ie. they are inclusive of GST where applicable.

Investing and Financing cash flows are treated on a net basis (where recoverable from the ATO), ie. they are exclusive of GST. Instead, the GST component of investing and financing activity cash flows which are recoverable from or payable to the ATO are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from (or payable to) the ATO.

(ab) New accounting standards and UIG interpretations

Certain new (or amended) accounting standards and interpretations have been published that are not mandatory for reporting periods ending 30 June 2013.

Council has not adopted any of these standards early.

Council's assessment of the impact of these new standards and interpretations is set out below.

Applicable to Local Government with implications:

AASB 9 Financial Instruments, associated standards, AASB 2010-7 Amendments to

Muswellbrook Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2013

Note 1. Summary of Significant Accounting Policies

Australian Accounting Standards arising from AASB 9 and AASB 2012-6 Amendments to Australian Accounting Standards – Mandatory Effective Date of AASB 9 and transitional disclosures (effective from 1 January 2015)

AASB 9 Financial Instruments addresses the classification, measurement and de-recognition of financial assets and financial liabilities.

The standard is not applicable until 1 January 2015 but is available for early adoption.

When adopted, the standard will affect in particular Council's accounting for its available-for-sale financial assets, since AASB 9 only permits the recognition of fair value gains and losses in other comprehensive income if they relate to equity investments that are not held for trading.

Fair value gains and losses on available-for-sale debt investments, for example, will therefore have to be recognised directly in profit or loss although there is currently a proposal by the IASB to introduce a Fair value through Other Comprehensive Income category for debt instruments.

There will be no impact on Council's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and Council does not have any such liabilities.

The de-recognition rules have been transferred from AASB 139 Financial Instruments: Recognition and Measurement and have not been changed.

AASB 13 Fair Value Measurement and AASB 2011-8 Amendments to Australian Accounting Standards arising from AASB 13 (effective 1 January 2013)

AASB 13 explains how to measure fair value and aims to enhance fair value disclosures.

Council has yet to determine which, if any, of its current measurement techniques will have to change as a result of the new guidance.

It is therefore not possible to state the impact, if any, of the new rules on any of the amounts recognised in the financial statements.

However, application of the new standard will impact the type of information disclosed in the notes to the financial statements.

Council does not intend to adopt the new standard before its operative date, which means that it would be first applied in the annual reporting period ending 30 June 2014.

Applicable to Local Government but no implications for Council;

AASB 2012-2 Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities [AASB 132 and AASB 7] (effective 1 January 2013)

This Standard amends the required disclosures in AASB 7 to include information that will enable users of an entity's financial statements to evaluate the effect or potential effect of netting arrangements, including rights of set-off associated with the entity's recognised financial assets and recognised financial liabilities, on the entity's financial position.

This Standard also amends AASB 132 to refer to the additional disclosures added to AASB 7 by this Standard.

The adoption of this standard will not change the reported financial position and performance of the entity, there are no impact on disclosures as there are no offsetting arrangements currently in place.

AASB 2012-3 Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities [AASB 132] (effective 1 January 2014).

This Standard adds application guidance to AASB 132 to address inconsistencies identified in applying some of the offsetting criteria of AASB 132, including clarifying the meaning of "currently has a legally enforceable right of set-off" and that some gross settlement systems may be considered equivalent to net settlement.

The adoption of this standard will not change the reported financial position and performance of the entity, there are no impact on disclosures as there are no offsetting arrangements currently in place.

Muswellbrook Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2013

Note 1. Summary of Significant Accounting Policies

Applicable to Local Government but not relevant to Council at this stage;

AASB 10 Consolidated Financial Statements, AASB 11 Joint Arrangements, AASB 12 Disclosure of Interests in Other Entities, revised AASB 127 Separate Financial Statements and AASB 128 Investments in Associates and Joint Ventures and AASB 2011-7 Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards (effective 1 January 2013)

This suite of five new and amended standards address the accounting for joint arrangements, consolidated financial statements and associated disclosures.

AASB 10 replaces all of the guidance on control and consolidation in AASB 127 Consolidated and Separate Financial Statements, and Interpretation 12 Consolidation – Special Purpose Entities.

The core principle that a consolidated entity presents a parent and its subsidiaries as if they are a single economic entity remains unchanged, as do the mechanics of consolidation. However, the standard introduces a single definition of control that applies to all entities.

It focuses on the need to have both power and rights or exposure to variable returns.

Power is the current ability to direct the activities that significantly influence returns. Returns must vary and can be positive, negative or both.

Control exists when the investor can use its power to affect the amount of its returns.

There is also new guidance on participating and protective rights and on agent/principal relationships. Council does not expect the new standard to have a significant impact on its composition.

AASB 11 introduces a principles based approach to accounting for joint arrangements.

The focus is no longer on the legal structure of joint arrangements, but rather on how rights and obligations are shared by the parties to the joint arrangement.

Based on the assessment of rights and obligations, a joint arrangement will be classified as either a joint operation or a joint venture.

Joint ventures are accounted for using the equity method, and the choice to proportionately consolidate will no longer be permitted.

Parties to a joint operation will account their share of revenues, expenses, assets and liabilities in much the same way as under the previous standard.

AASB 11 also provides guidance for parties that participate in joint arrangements but do not share joint control.

Council's investment in the joint venture partnership will be classified as a joint venture under the new rules.

As Council already applies the equity method in accounting for this investment, AASB 11 will not have any impact on the amounts recognised in its financial statements.

AASB 12 sets out the required disclosures for entities reporting under the two new standards, AASB 10 and AASB 11, and replaces the disclosure requirements currently found in AASB 127 and AASB 128.

Application of this standard by Council will not affect any of the amounts recognised in the financial statements, but will impact the type of information disclosed in relation to Council's investments.

Amendments to AASB 128 provide clarification that an entity continues to apply the equity method and does not remeasure its retained interest as part of ownership changes where a joint venture becomes an associate, and vice versa.

The amendments also introduce a "partial disposal" concept.

Council is still assessing the impact of these amendments.

Council does not expect to adopt the new standards before their operative date.

They would therefore be first applied in the financial statements for the annual reporting period ending 30 June 2014.

Muswellbrook Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2013

Note 1. Summary of Significant Accounting Policies

Revised AASB 119 Employee Benefits, AASB 2011-10 Amendments to Australian Accounting Standards arising from AASB 119 (September 2011) and AASB 2011-11 Amendments to AASB 119 (September 2011) arising from Reduced Disclosure Requirements (effective 1 January 2013)

This revised standard on accounting for employee benefits requires the recognition of all re-measurements of defined benefit liabilities/assets immediately in other comprehensive income (removal of the so-called 'corridor' method) and the calculation of a net interest expense or income by applying the discount rate to the net defined benefit liability or asset.

This replaces the expected return on plan assets that is currently included in profit or loss.

The standard also introduces a number of additional disclosures for defined benefit liabilities/assets and could affect the timing of the recognition of termination benefits.

The amendments will have to be implemented retrospectively.

Council does not recognise defined benefit assets and liabilities for the reasons set out in paragraph (x) (iii) and so these changes will not have an impact on its reported results.

Not applicable to Local Government per se;

AASB 2012-5 Amendments to Australian Accounting Standards arising from Annual Improvements 2009–2011 Cycle (effective 1 January 2013)

AASB 1 - this standard clarifies that an entity can apply AASB 1 more than once. An entity can elect to apply AASB 123 from the transition date or an earlier date.

AASB 101 - clarifies that a third statement of financial position is required when the opening statement of financial position is materially affected by any adjustments.

AASB 116 - clarifies the classification of servicing equipment.

AASB 132 and Interpretation 2 - clarifies that income tax relating to distributions to holders of an equity instrument and to transaction costs of an equity transaction shall be accounted for in accordance with AASB 112 Income Taxes

AASB 134 - provides clarification about segment reporting.

The amendments arising from this standard are not expected to change the reported financial position or performance of the Council.

There are no other standards that are not yet effective and that are expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

(ac) Rounding of amounts

Unless otherwise indicated, amounts in the financial statements have been rounded off to the nearest thousand dollars.

(ad) Comparative Figures

To ensure comparability with the current reporting period's figures, some comparative period line items and amounts may have been reclassified or individually reported for the first time within these financial statements and/or the notes.

(ae) Disclaimer

Nothing contained within these statements may be taken to be an admission of any liability to any person under any circumstance.

Muswellbrook Shire Council

Notes to the Financial Statements
for the financial year ended 30 June 2013

Note 2(a). Council Functions / Activities - Financial Information

Functions/Activities	Income, Expenses and Assets have been directly attributed to the following Functions / Activities. Details of these Functions/Activities are provided in Note 2(b).												
	Income from Continuing Operations			Expenses from Continuing Operations			Operating Result from Continuing Operations			Grants included in Income from Continuing Operations		Total Assets held (Current & Non-current)	
	Original Budget 2013	Actual 2013	Actual 2012	Original Budget 2013	Actual 2013	Actual 2012	Original Budget 2013	Actual 2013	Actual 2012	Actual 2013	Actual 2012		
Governance	-	-	-	663	635	385	(663)	(635)	(385)	36	-	-	-
Administration	516	592	-	3,783	4,138	1,469	(3,267)	(3,546)	(1,469)	27	49	45,848	58,302
Public Order & Safety	677	851	683	1,203	1,028	902	(526)	(177)	(219)	225	566	4,362	3,418
Health		-	273		-	773	-	-	(500)		-	228	177
Environment	4,857	5,457	6,689	4,822	4,625	4,270	35	832	2,419	468	-	574	426
Community Services & Education	147	332	275	394	335	325	(247)	(3)	(50)	328	61	3,712	3,500
Housing & Community Amenities	777	903	125	2,783	2,595	2,496	(2,006)	(1,692)	(2,371)	179	138	6,151	6,285
Water Supplies	5,336	7,299	6,226	4,377	4,791	3,890	959	2,508	2,336	32	33	60,516	47,774
Sewerage Services	3,596	8,460	6,319	2,735	3,168	2,998	861	5,292	3,321	32	763	53,447	44,372
Recreation & Culture	1,024	1,990	977	4,391	3,992	3,534	(3,367)	(2,002)	(2,557)	1,102	89	45,005	44,022
Fuel & Energy		-	-		-	-	-	-	-		-		-
Agriculture		-	-		-	-	-	-	-		-		-
Mining, Manufacturing & Construction		-	-		-	-	-	-	-		-		-
Transport & Communication	8,466	10,977	7,261	10,570	10,343	13,127	(2,104)	634	(5,866)	476	1,245	262,219	257,828
Economic Affairs	1,105	3,942	1,020	2,204	896	1,284	(1,099)	3,046	(264)	72	9	8,903	7,504
Total Functions & Activities	26,501	40,803	29,848	37,925	36,546	35,453	(11,424)	4,257	(5,605)	2,977	2,953	490,965	473,608
Share of gains/(losses) in Associates & Joint Ventures (using the Equity Method)		7	10		-	-	-	7	10			47	40
General Purpose Income ¹	13,716	14,672	14,224			-	13,716	14,672	14,224	3,349	4,242		-
Operating Result from Continuing Operations	40,217	55,482	44,082	37,925	36,546	35,453	2,292	18,936	8,629	6,326	7,195	491,012	473,648

1. Includes: Rates & Annual Charges (incl. Ex-Gratia), United General Purpose Grants & Unrestricted Interest & Investment Income.

Muswellbrook Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2013

Note 2(b). Council Functions / Activities - Component Descriptions

Details relating to the Council's functions / activities as reported in Note 2(a) are as follows:

GOVERNANCE

Costs relating to the Council's role as a component of democratic government, including elections, members' fees and expenses, subscriptions to local authority associations, meetings of council and policy making committees, area representation and public disclosure and compliance.

ADMINISTRATION

Corporate Support and Other Support Services (not otherwise attributed to the listed functions / activities).

PUBLIC ORDER & SAFETY

Fire protection, animal control, beach control, enforcement of local government regulations, emergency services, other.

HEALTH

Inspection, immunisations, food control, health centres, other, administration.

ENVIRONMENT

Noxious plants and insect/vermin control, other environmental protection, solid waste management, street cleaning, drainage, stormwater management.

COMMUNITY SERVICES & EDUCATION

Administration, family day care, child care, youth services, other family and children, aged and disabled, migrant services, Aboriginal services, other community services, education.

HOUSING & COMMUNITY AMENITIES

Housing, town planning, street lighting, other sanitation and garbage, public cemeteries, public conveniences, other community amenities.

WATER SUPPLIES

SEWERAGE SERVICES

RECREATION & CULTURE

Public libraries, museums, art galleries, community centres, public halls, other cultural services, swimming pools, sporting grounds, parks and gardens (lakes), other sport and recreation.

FUEL & ENERGY - Gas Supplies

MINING, MANUFACTURING & CONSTRUCTION

Building control, abattoirs, quarries & pits, other.

TRANSPORT & COMMUNICATION

Urban roads, sealed rural roads, unsealed rural roads, bridges, footpaths, aerodromes, parking areas, bus shelters and services, water transport, RTA works, other.

ECONOMIC AFFAIRS

Camping areas, caravan parks, tourism and area promotion, industrial development promotion, saleyards and markets, real estate development, commercial nurseries, other business undertakings.

Muswellbrook Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2013

Note 3. Income from Continuing Operations

\$ '000	Notes	Actual 2013	Actual 2012
(a) Rates & Annual Charges			
Ordinary Rates			
Residential		4,165	3,895
Farmland		1,194	1,161
Mining		3,633	3,176
Business		1,068	1,022
Other		-	-
Total Ordinary Rates		10,060	9,254
Special Rates			
Water Supplies		-	-
Sewerage Services		-	-
Environmental		-	-
Infrastructure		-	-
Drainage		-	-
Town Improvement		-	-
Parking		-	-
Main Street		-	-
Tourism		-	-
Other		-	-
Total Special Rates		-	-
Annual Charges (pursuant to s.496, s.496A, s.496B, s.501 & s.611)			
Domestic Waste Management Services		1,621	1,418
Stormwater Management Services		145	140
Water Supply Services		1,288	1,319
Sewerage Services		2,879	3,051
Drainage		-	-
Waste Management Services (non-domestic)		118	107
Environmental		-	-
Coastal Protection		-	-
Section 611 Charges		-	-
Waste Levy		-	-
Other		-	-
Total Annual Charges		6,051	6,035
TOTAL RATES & ANNUAL CHARGES		16,111	15,289

Council has used 2009 year valuations provided by the NSW Valuer General in calculating its rates.

Muswellbrook Shire Council

Notes to the Financial Statements
for the financial year ended 30 June 2013

Note 3. Income from Continuing Operations (continued)

\$ '000	Notes	Actual 2013	Actual 2012
(b) User Charges & Fees			
Specific User Charges (per s.502 - Specific "actual use" charges)			
Domestic Waste Management Services		-	-
Water Supply Services		2,450	1,914
Sewerage Services		344	386
Drainage Services		-	-
Waste Management Services (non-domestic)		-	-
Other		-	-
Total User Charges		2,794	2,300
Other User Charges & Fees			
(i) Fees & Charges - Statutory & Regulatory Functions (per s.608)			
Building Regulation		93	97
Building Services - Other		-	-
Inspection Services		28	10
Planning & Building Regulation		-	-
Private Works - Section 67		37	201
Regulatory/ Statutory Fees		144	96
Registration Fees		-	-
Regulatory Fees		-	-
Section 149 Certificates (EPA Act)		76	72
Section 603 Certificates		36	38
Tapping Fees		-	-
Town Planning		59	63
Development/Building Control		599	511
Water and sewer Related Sales		692	548
DECCW Levy Recovered		1,122	867
Other		-	-
Total Fees & Charges - Statutory/Regulatory		2,886	2,503

(ii) Fees & Charges - Other (incl. General User Charges) (per s.608)

Aerodrome	-	-
Aged Care	-	-
Caravan Park	-	-
Cemeteries	56	55
Child Care	-	-
Community Centres	31	21
Gravel Pits	-	-
Lease Rentals	-	-
Leaseback Fees - Council Vehicles	55	44
Leisure Centre	36	32
Library & Art Gallery	52	68
Multipurpose Centre	-	-
Park Rents	36	46
Parking Fees	-	-
Quarry Revenues	-	-
Refuse & Effluent Disposal	-	-
Recycling Income (Non Domestic)	-	-
Restoration Charges	-	-
RMS (formerly RTA) Charges (State Roads not controlled by Council)	1,551	991
Saleyards	-	-
Sundry Sales	-	-
Swimming Centres	630	460
Tourism	-	-
Waste Disposal Tipping Fees	2,152	1,820
Water Connection Fees	-	-
NRL Match Tickets	-	41
Other	95	93
Total Fees & Charges - Other	4,694	3,671
<u>TOTAL USER CHARGES & FEES</u>	<u>10,374</u>	<u>8,474</u>

Muswellbrook Shire Council

Notes to the Financial Statements
for the financial year ended 30 June 2013

Note 3. Income from Continuing Operations (continued)

\$ '000	Notes	Actual 2013	Actual 2012
(c) Interest & Investment Revenue (incl. losses)			
Interest & Dividends			
- Interest on Overdue Rates & Annual Charges (incl. Special Purpose Rates)		75	65
- Interest earned on Investments (interest & coupon payment income)		2,456	2,455
- Interest on Deferred Debtors		-	-
- Interest & Dividend Income (Other)		-	-
Fair Value Adjustments			
- Fair Valuation movements in Investments (at FV or Held for Trading)		202	202
- Fair Valuation movements in Investments (other)		-	-
Impairment Losses/Reversals			
- Impairment (Losses)/Reversals - Investments other than AFS		133	(307)
- Impairment (Losses)/Reversals - Available for Sale Investments	20b(ii)	-	-
Available for Sale Revaluation Reserves realised on Investment sale		-	-
Amortisation of Premiums & Discounts			
- Interest Free (& Interest Reduced) Loans provided		-	-
- "Held to Maturity" Investments		(9)	17
Fair Valuation of Financial Liabilities on recognition			
- Interest Free (or favourable) Loans & Advances Received		-	-
Other		-	-
<u>TOTAL INTEREST & INVESTMENT REVENUE</u>		<u>2,857</u>	<u>2,432</u>
Interest Revenue is attributable to:			
Unrestricted Investments/Financial Assets:			
Overdue Rates & Annual Charges (General Fund)		75	65
General Council Cash & Investments		1,188	728
Restricted Investments/Funds - External:			
Development Contributions			
- Section 94		94	157
- Section 64		519	455
Water Fund Operations		688	744
Sewerage Fund Operations		293	283
Domestic Waste Management operations			-
Other Externally Restricted Assets			-
Restricted Investments/Funds - Internal:			
Internally Restricted Assets			-
Total Interest & Investment Revenue Recognised		2,857	2,432

(d) Other Revenues

Fair Value Adjustments - Investment Properties	14	309	-
Rental Income - Investment Properties	14	745	561
Rental Income - Other Council Properties		263	287
Reversal of prior period revaluation decrements (applicable to I,PP&E)	9(a)	-	-
Ex Gratia Rates		-	-
Fines		39	69
Fines - Parking		-	-
Fines - Other		-	-
Legal Fees Recovery - Rates & Charges (Extra Charges)		-	-
Legal Fees Recovery - Other		-	-
Commissions & Agency Fees		-	-
Diesel Rebate		-	-
Insurance Claim Recoveries		30	-
Recycling Income (non domestic)		-	-
Sale of Abandoned Vehicles		-	-
Sale of Land for Overdue Rates		-	-
Sales - General		-	-
Income relating to the Clean Energy Future Scheme		-	-
Insurance Rebates		42	61
GST Refunded		-	82
Other		54	32
<u>TOTAL OTHER REVENUE</u>		<u>1,482</u>	<u>1,092</u>

Muswellbrook Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 3. Income from Continuing Operations (continued)

\$ '000	2013 Operating	2012 Operating	2013 Capital	2012 Capital
(e) Grants				
General Purpose (Untied)				
Financial Assistance	-	-	-	-
Financial Assistance - General Component	2,461	3,129	-	-
Financial Assistance - Local Roads Component	815	1,036	-	-
Pensioners' Rates Subsidies - General Component	73	77	-	-
Other Grants	-	-	-	-
Total General Purpose	3,349	4,242	-	-
Specific Purpose				
Pensioners' Rates Subsidies:				
- Water	32	33	-	-
- Sewerage	32	33	-	-
- Domestic Waste Management	29	29	-	-
- Other	-	-	-	-
Water Supplies	-	-	376	-
Sewerage Services	-	-	402	730
Aged Care	-	-	-	-
Bushfire & Emergency Services	225	330	504	236
Child Care	-	-	-	-
Clean Energy Future	-	-	-	-
Community Care	76	61	-	-
Community Centres	-	-	-	-
Economic Development	28	9	135	-
Employment & Training Programs	11	7	-	-
Environmental Protection	267	-	-	-
Flood Restoration	-	-	-	-
Heritage & Cultural	4	-	-	-
Library	29	12	-	-
Library - per capita	47	47	-	-
Library - special projects	-	-	-	-
Noxious Weeds	-	-	-	-
NSW Rural Fire Services	-	-	-	-
Public Halls	-	-	-	-
Recreation & Culture	10	-	-	30
Street Lighting	57	56	-	-
Traffic Route Subsidy	-	-	-	-
Transport (Roads to Recovery)	-	-	409	409
Transport (Other Roads & Bridges Funding)	291	141	176	639
Planning	48	42	-	-
Waste Management	102	109	-	-
Other	-	-	-	-
Total Specific Purpose	1,288	909	2,002	2,044
Total Grants	4,637	5,151	2,002	2,044

Grant Revenue is attributable to:

- Commonwealth Funding
- State Funding
- Other Funding

3,275	4,165	544	409
1,362	986	1,458	1,635
-	-	-	-
4,637	5,151	2,002	2,044

Muswellbrook Shire Council

Notes to the Financial Statements
for the financial year ended 30 June 2013

Note 3. Income from Continuing Operations (continued)

\$ '000	2013 Operating	2012 Operating	2013 Capital	2012 Capital
(f) Contributions				
Developer Contributions:				
(s93 & s94 - EP&A Act, s64 of the LGA):				
S 93F - Contributions using Planning Agreements	1,281	325	800	1,720
S 94 - Contributions towards amenities/services	-	-	495	515
S 94A - Fixed Development Consent Levies	-	-	114	67
S 64 - Water Supply Contributions	-	-	1,005	537
S 64 - Sewerage Service Contributions	-	-	1,625	934
S 64 - Stormwater Contributions	-	-	56	-
Developer Provided Infrastructure Roads/Drainage	-	-	6,369	2,562
Developer Provided Infrastructure Water	-	-	827	713
Developer Provided Infrastructure Sewer	-	-	2,600	620
Other Developer Contributions	-	-	-	-
Total Developer Contributions	1,281	325	13,891	7,668
Other Contributions:				
Bushfire Services	-	-	-	-
Business Development	-	-	-	-
Community Services	152	210	-	-
Dedications (other than by S94)	-	-	-	-
Drainage	-	-	-	-
Heritage/Cultural	-	-	-	-
Kerb & Gutter	-	-	-	-
Other Councils - Joint Works/Services	-	-	-	-
Paving	-	-	-	-
Recreation & Culture	16	15	25	25
Roads & Bridges	-	-	13	-
RMS Contributions (Regional Roads, Block Grant)	-	171	-	-
Sewerage (excl. Section 64 contributions)	-	-	-	-
Tourism	-	-	-	-
Water Supplies (excl. Section 64 contributions)	-	-	-	-
Indoor Swimming Pool	-	100	-	-
Environmental Officer/Monitoring	97	32	-	-
Library Operations	83	89	-	-
Roads Studies/Renewals	-	216	-	-
Community Grants Officer	33	33	-	-
Other	27	30	-	-
Total Other Contributions	408	896	38	25
Total Contributions	1,689	1,221	13,929	7,693
TOTAL GRANTS & CONTRIBUTIONS	6,326	6,372	15,931	9,737

Muswellbrook Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 3. Income from Continuing Operations (continued)

	Actual 2013	Actual 2012
\$ '000		
(g) Restrictions relating to Grants and Contributions		
Certain grants & contributions are obtained by Council on condition that they be spent in a specified manner:		
Unexpended at the Close of the Previous Reporting Period	13,795	11,907
add: Grants & contributions recognised in the current period but not yet spent:	4,236	4,434
less: Grants & contributions recognised in a previous reporting period now spent:	(194)	(2,546)
Net Increase (Decrease) in Restricted Assets during the Period	4,042	1,888
Unexpended and held as Restricted Assets	17,837	13,795
Comprising:		
- Specific Purpose Unexpended Grants	926	495
- Developer Contributions	16,911	13,300
- Other Contributions	-	-
	17,837	13,795

Muswellbrook Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2013

Note 4. Expenses from Continuing Operations

\$ '000	Notes	Actual 2013	Actual 2012
(a) Employee Benefits & On-Costs			
Salaries and Wages		10,160	9,574
Travelling		352	173
Employee Leave Entitlements (ELE)		1,231	1,088
ELE On-costs		-	-
Superannuation		1,095	1,096
Superannuation - Defined Contribution Plans		-	-
Superannuation - Defined Benefit Plans		-	-
Workers' Compensation Insurance		382	273
Fringe Benefit Tax (FBT)		50	27
Payroll Tax		38	47
Training Costs (other than Salaries & Wages)		247	203
Sick Leave Insurance		1	2
Protective Clothing		27	39
Staff Appreciation		13	13
Total Employee Costs		13,596	12,535
less: Capitalised Costs		(804)	(1,042)
TOTAL EMPLOYEE COSTS EXPENSED		12,792	11,493
Number of "Equivalent Full Time" Employees at year end		170	163
Number of "Equivalent Full Time" Employees at year end (incl. vacancies)		174	171
(b) Borrowing Costs			
(i) Interest Bearing Liability Costs			
Interest on Overdraft		-	-
Interest on Loans		494	522
Interest on Advances		-	-
Charges relating to Finance Leases		-	-
Other Debts		-	-
Total Interest Bearing Liability Costs		494	522
less: Capitalised Costs		-	-
Total Interest Bearing Liability Costs Expensed		494	522
(ii) Other Borrowing Costs			
Fair Value Adjustments on Recognition of Advances & Deferred Debtor		-	-
- Interest Free (or favourable) Loans and Advances made by Council		-	-
Fair Value Adjustment on Loans (to Council)		-	-
Discount adjustments relating to movements in Provisions (other than ELE)		-	-
- Remediation Liabilities	26	238	224
- Other Liabilities		-	-
Interest applicable on Interest Free (& favourable) Loans to Council		77	77
Other Borrowing Costs		-	-
Total Other Borrowing Costs		315	301
TOTAL BORROWING COSTS EXPENSED		809	823

Muswellbrook Shire Council

Notes to the Financial Statements
for the financial year ended 30 June 2013

Note 4. Expenses from Continuing Operations (continued)

\$ '000	Notes	Actual 2013	Actual 2012
(c) Materials & Contracts			
Raw Materials & Consumables		6,572	6,572
Contractor & Consultancy Costs		-	-
Auditors Remuneration ⁽¹⁾		46	43
Infringement Notice Contract Costs (SEINS)		-	-
Legal Expenses:			
- Legal Expenses: Planning & Development		44	64
- Legal Expenses: Debt Recovery		-	-
- Legal Expenses: Other		115	194
Operating Leases:			
- Operating Lease Rentals: Minimum Lease Payments ⁽²⁾		44	68
- Operating Lease Rentals: Contingent Rentals ⁽²⁾		-	-
- Operating Lease Rentals: Sub Lease Payments ⁽²⁾		-	-
Waste Collection		802	798
Venue Manager		10	10
Other		-	-
Total Materials & Contracts		7,633	7,749
less: Capitalised Costs		-	-
TOTAL MATERIALS & CONTRACTS		7,633	7,749

1. Auditor Remuneration

During the year, the following fees were incurred for services provided by the Council's Auditor (& the Auditors of other Consolidated Entities):

(i) Audit and Other Assurance Services

- Audit & review of financial statements: Council's Auditor
- Audit & review of financial statements: Other Consolidated Entity Auditors
- Audit of regulatory returns
- Due diligence services
- Other audit & assurance services (provide details)

Remuneration for audit and other assurance services

46	43
-	-
-	-
-	-
-	-
46	43

(ii) Taxation Services

- Tax compliance services
- Other tax services (provide details)

Remuneration for taxation services

-	-
-	-
-	-

(iii) Other Services

- Remuneration advice
- Benchmarking advice
- Other Services (provide details)

Remuneration for other services

-	-
-	-
-	-
-	-

Total Auditor Remuneration

46	43
-----------	-----------

2. Operating Lease Payments are attributable to:

Buildings		-
Computers	7	68
Motor Vehicles		-
Other	37	-
	<u>44</u>	<u>68</u>

Muswellbrook Shire Council

Notes to the Financial Statements
for the financial year ended 30 June 2013

Note 4. Expenses from Continuing Operations (continued)

\$ '000	Notes	Impairment Costs		Depreciation/Amortisation	
		Actual 2013	Actual 2012	Actual 2013	Actual 2012
(d) Depreciation, Amortisation & Impairment					
Plant and Equipment		-	-	1,235	1,141
Office Equipment		-	-	219	177
Furniture & Fittings		-	-	83	61
Property, Plant & Equipment - Leased		-	-	-	-
Land Improvements (depreciable)		-	-	66	73
Buildings - Non Specialised		-	-	1	26
Buildings - Specialised		-	-	278	834
Other Structures		-	-	206	173
Infrastructure:					
- Roads, Bridges & Footpaths		-	-	5,265	5,677
- Stormwater Drainage		-	-	1,221	829
- Water Supply Network		-	-	1,287	1,242
- Sewerage Network		-	-	948	935
- Other Infrastructure		-	-	-	-
Other Assets					
- Heritage Collections		-	-	-	-
- Library Books		-	-	-	-
- Other		-	-	92	79
Asset Reinstatement Costs	9 & 26	-	-	23	23
Intangible Assets	25	-	-	-	-
Total Depreciation & Impairment Costs		-	-	10,924	11,270
less: Capitalised Costs		-	-	-	-
less: Impairments (to)/from ARR [Equity]	9a	-	-	-	-
TOTAL DEPRECIATION & IMPAIRMENT COSTS EXPENSED		-	-	10,924	11,270

Muswellbrook Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2013

Note 4. Expenses from Continuing Operations (continued)

\$ '000	Notes	Actual 2013	Actual 2012
(e) Other Expenses			
Other Expenses for the year include the following:			
Advertising		83	75
Bad & Doubtful Debts		-	-
Bank Charges		41	41
Carbon Tax Expense		-	-
Cleaning		231	208
Computer Software Charges		-	-
Contributions/Levies to Other Levels of Government		-	-
- Bushfire Fighting Fund		-	-
- Department of Planning Levy		-	-
- Emergency Services Levy		44	31
- NSW Fire Brigade Levy		38	38
- NSW Rural Fire Service Levy		354	219
- Waste Levy		1,235	1,100
- Upper Hunter Weeds Authority		72	69
- Other Contributions/Levies		-	-
Councillor Expenses - Mayoral Fee		22	22
Councillor Expenses - Councillors' Fees		123	120
Councillors' Expenses (incl. Mayor) - Other (excluding fees above)		16	29
Donations, Contributions & Assistance to other organisations (Section 356)		86	57
Election Expenses		-	-
Electricity & Heating		851	653
Fire Control Expenses		-	-
Insurance		583	570
Office Expenses (including computer expenses)		-	-
Postage		28	32
Printing & Stationery		38	61
Revaluation Decrements (Fair Valuation of I,PP&E Assets)	9(a)	-	-
Revaluation Decrements (Fair Valuation of Investment Properties)	14	-	250
Street Lighting		397	350
Subscriptions & Publications		-	-
Telephone & Communications		132	125
Tourism Expenses (excluding employee costs)		-	-
Valuation Fees		14	68
Other		-	-
Total Other Expenses		4,388	4,118
less: Capitalised Costs		-	-
TOTAL OTHER EXPENSES		4,388	4,118

Muswellbrook Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 5. Gains or Losses from the Disposal of Assets

\$ '000	Notes	Actual 2013	Actual 2012
Property (excl. Investment Property)			
Proceeds from Disposal - Property		-	-
less: Carrying Amount of Property Assets Sold / Written Off		(108)	-
Net Gain/(Loss) on Disposal		(108)	-
Plant & Equipment			
Proceeds from Disposal - Plant & Equipment		352	443
less: Carrying Amount of P&E Assets Sold / Written Off		(169)	(186)
Net Gain/(Loss) on Disposal		183	257
Infrastructure			
Proceeds from Disposal - Infrastructure		250	-
less: Carrying Amount of Infrastructure Assets Sold / Written Off		(121)	(340)
Net Gain/(Loss) on Disposal		129	(340)
Real Estate Assets Held For Sale			
Proceeds from Disposal - Real Estate Assets		2,707	1,313
less: Carrying Amount of Real Estate Assets Sold / Written Off		(517)	(554)
Net Gain/(Loss) on Disposal		2,190	759
Investment Properties			
Proceeds from Disposal - Investment Properties		-	-
less: Carrying Amount of Investment Properties Sold / Written Off		-	-
Net Gain/(Loss) on Disposal		-	-
Financial Assets*			
Proceeds from Disposal / Redemptions / Maturities - Financial Assets		17,442	13,447
less: Carrying Amount of Financial Assets Sold / Redeemed / Matured		(17,442)	(13,447)
Net Gain/(Loss) on Disposal		-	-
Non Current Assets Classified as "Held for Sale"			
Proceeds from Disposal - Non Current Assets "Held for Sale"		-	-
less: Carrying Amount of 'Held for Sale' Assets Sold / Written Off		-	-
Net Gain/(Loss) on Disposal		-	-
NET GAIN/(LOSS) ON DISPOSAL OF ASSETS		2,394	676
* Financial Assets disposals / redemptions include:			
- Net Gain/(Loss) from Financial Instruments "At Fair Value through profit & loss"		-	-
- Net Gain/(Loss) from Financial Instruments designated "Held for Trading"		-	-
- Net Gain/(Loss) from Financial Instruments designated "Available for Sale"		-	-
- Net Gain/(Loss) from Financial Instruments designated "Held to Maturity"		-	-
- Net Gain/(Loss) from Financial Instruments designated "Loans and Receivables"		-	-
Net Gain/(Loss) on Disposal of Financial Instruments		-	-

Muswellbrook Shire Council

Notes to the Financial Statements
for the financial year ended 30 June 2013

Note 6a. - Cash Assets and Note 6b. - Investments

\$ '000	Notes	2013 Actual Current	2013 Actual Non Current	2012 Actual Current	2012 Actual Non Current
Cash & Cash Equivalents (Note 6a)					
Cash on Hand and at Bank		1,659	-	922	-
Cash-Equivalent Assets ¹					
- Deposits at Call		3,198	-	3,104	-
- Managed Funds		-	-	-	-
- Short Term Deposits		2,000	-	-	-
- NCD's, FRN's		-	-	-	-
- Other Financial Assets		1,000	-	-	-
Total Cash & Cash Equivalents		7,857	-	4,026	-
Investments (Note 6b)					
- Managed Funds		3,281	-	3,079	-
- Long Term Deposits		2,000	20,253	2,500	13,000
- Government & Semi-Government Bonds		-	-	-	-
- Bills of Exchange		-	-	-	-
- Equity Linked Notes		-	-	-	-
- NCD's, FRN's (with Maturities > 3 months)		-	10,638	5,494	5,481
- CDO's		-	-	-	-
- Mortgage Backed Securities		-	-	-	-
- Listed Equity Securities		-	-	-	-
- Unlisted Equity Securities		-	-	-	-
- Other Long Term Financial Assets		2,000	4,977	1,967	8,417
Total Investments		7,281	35,868	13,040	26,898
TOTAL CASH ASSETS, CASH EQUIVALENTS & INVESTMENTS		15,138	35,868	17,066	26,898

¹ Those Investments where time to maturity (from date of purchase) is < 3 mths.

**Cash, Cash Equivalents & Investments were
classified at year end in accordance with
AASB 139 as follows:**

Cash & Cash Equivalents

a. "At Fair Value through the Profit & Loss"	7,857	-	4,026	-
--	--------------	----------	--------------	----------

Investments

a. "At Fair Value through the Profit & Loss"					
- "Held for Trading"	6(b-i)	3,281		3,079	-
- "Designated at Fair Value on Initial Recognition"	6(b-i)			-	-
b. "Held to Maturity"					
	6(b-ii)	4,000	35,868	9,961	26,898
c. "Loans & Receivables"					
	6(b-iii)			-	-
d. "Available for Sale"					
	6(b-iv)			-	-
Investments		7,281	35,868	13,040	26,898

Muswellbrook Shire Council

Notes to the Financial Statements
for the financial year ended 30 June 2013

Note 6b. Investments (continued)

\$ '000	2013 Actual Current	2013 Actual Non Current	2012 Actual Current	2012 Actual Non Current
Note 6(b-i)				
Reconciliation of Investments classified as "At Fair Value through the Profit & Loss"				
Balance at the Beginning of the Year	3,079	-	6,227	-
Adjustment on adoption of AASB 132/139	-	-	-	-
Revaluations (through the Income Statement)	202	-	202	-
Additions	-	-	-	-
Disposals (sales & redemptions)	-	-	(3,350)	-
Transfers between Current/Non Current	-	-	-	-
Transfers from/(to) "Held to Maturity"	-	-	-	-
Transfers from/(to) "Loans/Receivables"	-	-	-	-
Transfers from/(to) "Available for Sale"	-	-	-	-
Balance at End of Year	3,281	-	3,079	-
Comprising:				
- Managed Funds	3,281	-	3,079	-
- Government & Semi-Government Bonds	-	-	-	-
- Bills of Exchange	-	-	-	-
- Equity Linked Notes	-	-	-	-
- NCD's, FRN's (with Maturities > 3 months)	-	-	-	-
- CDO's	-	-	-	-
- Mortgage Backed Securities	-	-	-	-
- Listed Equity Securities	-	-	-	-
- Unlisted Equity Securities	-	-	-	-
- Other Long Term Financial Assets	-	-	-	-
Total	3,281	-	3,079	-
Note 6(b-ii)				
Reconciliation of Investments classified as "Held to Maturity"				
Balance at the Beginning of the Year	9,961	26,898	7,257	27,511
Adjustment on adoption of AASB 132/139	-	-	-	-
Amortisation of Premiums & Discounts	-	(9)	14	3
Additions	-	20,327	-	12,478
Impairment (loss)/prior loss reversal (via P&L)	-	133	68	(375)
Disposals (sales & redemptions)	(12,961)	(4,481)	(7,257)	(2,840)
Transfers between Current/Non Current	7,000	(7,000)	9,879	(9,879)
Transfers from/(to) "At Fair Value"	-	-	-	-
Transfers from/(to) "Available for Sale"	-	-	-	-
Balance at End of Year	4,000	35,868	9,961	26,898

Comprising:

- Long Term Deposits	3,000	13,253	1,500	13,000
- Government & Semi-Government Bonds			-	-
- Bills of Exchange			-	-
- Equity Linked Notes			-	-
- NCD's, FRN's (with Maturities > 3 months)		6,650	2,494	5,481
- CDO's			-	-
- Mortgage Backed Securities			-	-
- Listed Equity Securities			-	-
- Unlisted Equity Securities			-	-
- Other Long Term Financial Assets	1,000	15,965	5,967	8,417
Total	4,000	35,868	9,961	26,898

Note 6(b-iii)**Reconciliation of Investments
classified as "Loans & Receivables"**

Balance at the Beginning of the Year	-	-	-	-
Adjustment on adoption of AASB 132/139			-	-
Additions	-	-	-	-
Impairment (loss)/prior loss reversal (via P&L)			-	-
Disposals (sales & redemptions)			-	-
Transfers between Current/Non Current			-	-
Transfers from/(to) "Available for Sale"			-	-
Balance at End of Year	-	-	-	-

Comprising:

- Long Term Deposits			-	-
- Other Long Term Financial Assets	-	-	-	-
Total	-	-	-	-

Note 6(b-iv)**Reconciliation of Investments
classified as "Available for Sale"**

Balance at the Beginning of the Year	-	-	-	-
Adjustment on adoption of AASB 132/139			-	-
Revaluation - transfer gain (loss) to ARR in Equity	-		-	-
Additions	-	-	-	-
Disposals (sales & redemptions)			-	-
Transfers between Current/Non Current			-	-
Transfers from/(to) "At Fair Value"			-	-
Transfers from/(to) "Held to Maturity"			-	-
Transfers from/(to) "Loans/Receivables"			-	-
Balance at End of Year	-	-	-	-

Comprising:

- Managed Funds			-	-
- Government & Semi-Government Bonds			-	-
- Bills of Exchange			-	-
- Equity Linked Notes			-	-
- NCD's, FRN's (with Maturities > 3 months)			-	-
- CDO's			-	-
- Mortgage Backed Securities			-	-
- Listed Equity Securities			-	-
- Unlisted Equity Securities			-	-
- Other Long Term Maturity Financial Assets	-	-	-	-
Total	-	-	-	-

Muswellbrook Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 6c. Restricted Cash, Cash Equivalents & Investments - Details

	2013 Actual Current	2013 Actual Non Current	2012 Actual Current	2012 Actual Non Current
\$ '000				
Total Cash, Cash Equivalents and Investments	15,138	35,868	17,066	26,898
attributable to:				
External Restrictions (refer below)	10,889	25,863	9,602	21,808
Internal Restrictions (refer below)	4,207	10,005	6,673	5,090
Unrestricted	42	-	791	-
	15,138	35,868	17,066	26,898

	2013 Opening Balance	Transfers to Restrictions	Transfers from Restrictions	2013 Closing Balance
\$ '000				

Details of Restrictions

External Restrictions - Included in Liabilities

Specific Purpose Unexpended Loans-General (A)	102		(102)	-
Specific Purpose Unexpended Loans-Water (A)	-	-	-	-
Specific Purpose Unexpended Loans-Sewer (A)	-	-	-	-
RMS (formerly RTA) Advances (B)	-			-
Self Insurance Claims (C)	-			-
Other	-			-
External Restrictions - Included in Liabilities	102	-	(102)	-

External Restrictions - Other

Developer Contributions - General (D)	3,896	2,840	(2,378)	4,358
Developer Contributions - Water Fund (D)	3,750	1,210	-	4,960
Developer Contributions - Sewer Fund (D)	5,654	1,939	-	7,593
RMS (formerly RTA) Contributions (E)	-			-
Specific Purpose Unexpended Grants (F)	465	431	-	896
Specific Purpose Unexpended Grants-Water Fund (F)	30	-	-	30
Specific Purpose Unexpended Grants-Sewer Fund (F)	-	-	-	-
Water Supplies (G)	12,078	670	-	12,748
Water Supplies - other (specify) (G)	-			-
Water Supplies - other (specify) (G)	-			-
Sewerage Services (G)	5,286	738	-	6,024
Sewerage Services - other (specify) (G)	-			-
Sewerage Services - other (specify) (G)	-			-
Domestic Waste Management (G)	149	1,761	(1,767)	143
Stormwater Management (G)	-			-
Coastal Protection (G)	-			-
Other Special Levies (G)	-			-
Other	-			-
External Restrictions - Other	31,308	9,589	(4,145)	36,752
Total External Restrictions	31,410	9,589	(4,247)	36,752

Muswellbrook Shire Council

Notes to the Financial Statements
for the financial year ended 30 June 2013

Note 6c. Restricted Cash, Cash Equivalents & Investments - Details (continued)

2013 \$ '000	Opening Balance	Transfers to Restrictions	Transfers from Restrictions	Closing Balance
Internal Restrictions				
Plant & Vehicle Replacement	951	1,027	(1,265)	713
Infrastructure Replacement	492	2,502	(444)	2,550
Employees Leave Entitlement	1,089	197	(100)	1,186
Carry Over Works 09/10	74	-	(28)	46
Deposits, Retentions & Bonds	395	310	(191)	514
Coal Compensation	59	-	(59)	-
Road Work Contingency	544	394	(413)	525
Land Bank Development	2,123	2,151	(2,852)	1,422
Building Replacement	332	-	-	332
Art Gallery	33	-	-	33
Parks and Facilities	281	-	-	281
Administrative	258	-	(106)	152
Environmental	184	136	(15)	305
Waste Management Centre	1,742	3,662	(3,049)	2,355
Financial Assistance Grant	1,696	1,519	(1,696)	1,519
Stormwater	40	145	(108)	77
Carry Over works 11/12	1,179	-	(1,155)	24
Carry Over Works 10/11	166	-	(109)	57
Infrastructure Works - Muswellbrook	125	-	-	125
Carry Over Works 12/13	-	506	-	506
Mine Affected Roads	-	370	-	370
Recreation	-	70	-	70
Campbells Corner	-	1,050	-	1,050
Other	-	-	-	-
Total Internal Restrictions	11,763	14,039	(11,590)	14,212
TOTAL RESTRICTIONS	43,173	23,628	(15,837)	50,964

- A Loan moneys which must be applied for the purposes for which the loans were raised.
- B Advances by Roads and Maritime Services for works on the State's classified roads.
- C Self Insurance liability resulting from reported claims or incurred claims not yet reported.
- D Development contributions which are not yet expended for the provision of services and amenities in accordance with contributions plans (refer Note 17).
- E RMA Contributions which are not yet expended for the provision of services and amenities in accordance with those contributions.
- F Grants which are not yet expended for the purposes for which the grants were obtained. (refer Note 1)
- G Water, Sewerage, Domestic Waste Management (DWM) & other Special Rates/Levies/Charges are externally restricted assets and must be applied for the purposes for which they were raised.

Muswellbrook Shire Council

Notes to the Financial Statements
for the financial year ended 30 June 2013

Note 7. Receivables

\$ '000	Notes	2013		2012	
		Current	Non Current	Current	Non Current
Purpose					
Rates & Annual Charges		1,498	-	577	-
Interest & Extra Charges		-	-	-	-
User Charges & Fees		1,550	-	1,396	-
Private Works		-	-	-	-
Contributions to Works		-	-	-	-
Capital Debtors (being sale of assets)					
- Sale of Land		226	-	101	-
- Other Asset Sales		-	-	-	-
Accrued Revenues					
- Interest on Investments		714	-	311	-
- Interest on Impaired Investments		-	-	-	-
- Other Income Accruals		-	-	-	-
Government Grants & Subsidies		490	-	179	-
Deferred Debtors		-	-	-	-
Loans to Non Profit Organisations		-	-	-	-
Amounts due from Other Councils		65	-	64	-
Net GST Receivable		136	-	272	-
Waste Depot Charges		293	-	162	-
On Site Management System		10	-	8	-
Community Enhancement		69	-	849	-
Other Debtors		37	-	109	-
Total		5,088	-	4,028	-
less: Provision for Impairment					
Rates & Annual Charges		-	-	-	-
Interest & Extra Charges		-	-	-	-
User Charges & Fees		(52)	-	(52)	-
Other Debtors		(11)	-	(11)	-
Total Provision for Impairment - Receivables		(63)	-	(63)	-
<u>TOTAL NET RECEIVABLES</u>		<u>5,025</u>	<u>-</u>	<u>3,965</u>	<u>-</u>

Externally Restricted Receivables**Water Supply**

- Specific Purpose Grants	-	-	-	-
- Rates & Availability Charges	60	-	52	-
- Other	743	-	558	-

Sewerage Services

- Specific Purpose Grants	-	-	-	-
- Rates & Availability Charges	297	-	279	-
- Other	577	-	105	-

Domestic Waste Management

	92		69	-
--	----	--	----	---

Drainage

			-	-
--	--	--	---	---

Stormwater Management

			-	-
--	--	--	---	---

Other

- Restricted Grants	526		160	-
---------------------	-----	--	-----	---

Total External Restrictions

	2,295	-	1,223	-
--	-------	---	-------	---

Internally Restricted Receivables

Nil			-	-
-----	--	--	---	---

Internally Restricted Receivables

	-	-	-	-
--	---	---	---	---

Unrestricted Receivables

	2,730	-	2,742	-
--	-------	---	-------	---

TOTAL NET RECEIVABLES

	5,025	-	3,965	-
--	-------	---	-------	---

Notes on Debtors above:

- (i) Rates & Annual Charges Outstanding are secured against the property.
- (ii) Doubtful Rates Debtors are provided for where the value of the property is less than the debt outstanding.
An allowance for other doubtful debts is made when there is objective evidence that a receivable is impaired.
- (iii) Interest was charged on overdue rates & charges at 10.00% (2012 11.00%).
Generally all other receivables are non interest bearing.
- (iv) Please refer to Note 15 for issues concerning Credit Risk and Fair Value disclosures.

Muswellbrook Shire Council

Notes to the Financial Statements
for the financial year ended 30 June 2013

Note 8. Inventories & Other Assets

\$ '000	Notes	2013		2012	
		Current	Non Current	Current	Non Current
Inventories					
Real Estate for resale (refer below)		1,862	-	1,018	-
Stores & Materials		136	-	125	-
Trading Stock		-	-	-	-
Loose Tools		-	-	-	-
Other		52	-	52	-
Total Inventories		2,050	-	1,195	-
Other Assets					
Prepayments		216	-	175	-
Shares in Unlisted Companies - StateCover		-	-	-	-
Work In Progress		-	-	-	-
Other (specify if material)		-	-	-	-
Other		-	-	-	-
Total Other Assets		216	-	175	-
TOTAL INVENTORIES / OTHER ASSETS		2,266	-	1,370	-
Externally Restricted Assets					
Water					
Stores & Materials		3	-	3	-
Trading Stock		-	-	-	-
Prepayments		-	-	-	-
Total Water		3	-	3	-
Sewerage					
Stores & Materials		-	-	-	-
Trading Stock		-	-	-	-
Prepayments		-	-	-	-
Total Sewerage		-	-	-	-
Domestic Waste Management					
Stores & Materials		-	-	-	-
Trading Stock		-	-	-	-
Prepayments		-	-	-	-
Total Domestic Waste Management		-	-	-	-
Other					
Stores & Materials		-	-	-	-
Trading Stock		-	-	-	-
Prepayments		-	-	-	-
Total Other		-	-	-	-
Total Externally Restricted Assets		3	-	3	-
Total Internally Restricted Assets		-	-	-	-
Total Unrestricted Assets		2,263	-	1,367	-
TOTAL INVENTORIES & OTHER ASSETS		2,266	-	1,370	-

Muswellbrook Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 8. Inventories & Other Assets (continued)

\$ '000	2013		2012	
	Current	Non Current	Current	Non Current
(i) Other Disclosures				
(a) Details for Real Estate Development				
Residential	203	-	386	-
Industrial/Commercial	1,659	-	571	-
Other Properties	-	-	61	-
Total Real Estate for Resale	1,862	-	1,018	-
(Valued at the lower of cost and net realisable value)				
Represented by:				
Acquisition Costs	1,862	-	1,018	-
Development Costs	-	-	-	-
Borrowing Costs	-	-	-	-
Other Holding Costs	-	-	-	-
Other Properties - Book Value	-	-	-	-
Total Costs	1,862	-	1,018	-
less: Provision for Under Recovery	-	-	-	-
Total Real Estate for Resale	1,862	-	1,018	-
Movements:				
Real Estate assets at beginning of the year	1,018	-	1,440	-
- Purchases and other costs	891	-	74	-
- Transfers in from (out to) Note 9	470	-	58	-
- WDV of Sales (exp)	(517)	-	(554)	-
- Transfer between Current/Non Current	-	-	-	-
- Other	-	-	-	-
Total Real Estate for Resale	1,862	-	1,018	-

(b) Current Assets not anticipated to be settled within the next 12 months

The following Inventories & Other Assets, even though classified as current are not expected to be recovered in the next 12 months;

	2013	2012
Real Estate for Resale	1,389	259
Other	-	-
	1,389	259

(c) Inventories recognised as an expense for the year included:

- Real Estate for Resale	-
- Stores & Materials	-
- Trading Stock	-

(d) Inventory Write Downs

There were no amounts recognised as an expense relating to the write down of Inventory balances held during the year.

Muswellbrook Shire Council
Notes to the Financial Statements
for the financial year ended 30 June 2013

Note 9a. Infrastructure, Property, Plant & Equipment

	as at 30/6/2012					Asset Movements during the Reporting Period						as at 30/6/2013				
	At Cost	At Fair Value	Accumulated		Carrying Value	Asset Additions	WDV of Asset Disposals	Depreciation Expense	WIP Transfers	Tfrs from/(to) Real Estate Assets (Note 8)	Revaluation Increments to Equity (ARR)	At Cost	At Fair Value	Accumulated Dep'n	Impairment	Carrying Value
			Dep'n	Impairment												
Capital Work in Progress Plant & Equipment Office Equipment Furniture & Fittings Plant & Equipment (under Finance Lease) Land: - Operational Land - Community Land - Land under Roads (pre 1/7/08) - Land under Roads (post 30/6/08) Land Improvements - non depreciable Land Improvements - depreciable Buildings - Non Specialised Buildings - Specialised Other Structures Infrastructure: - Roads, Bridges, Footpaths - Bulk Earthworks (non-depreciable) - Stormwater Drainage - Water Supply Network - Sewerage Network - Other Infrastructure Other Assets: - Heritage Collections - Other Reinstatement, Rehabilitation & Restoration Assets (refer Note 26) - Tip Asset - Quarry Asset	5,310	-	-	-	5,310	2,410	(157)	(3,485)				4,235	-	-	-	4,235
	-	12,685	7,610	-	5,075	1,787	(1,235)					-	13,226	7,756	-	5,470
	-	2,154	1,503	-	651	137	(219)	33				-	2,072	1,482	-	590
	-	1,283	344	-	939	12	(83)					-	1,295	427	-	868
	-	-	-	-	-		-					-	-	-	-	-
	-	7,902	-	-	7,902	256				-	(345)	-	7,813	-	-	7,813
	-	9,858	-	-	9,858					(470)		-	9,388	-	-	9,388
	-	-	-	-	-							-	-	-	-	-
	-	-	-	-	-							-	-	-	-	-
	-	-	-	-	-							-	-	-	-	-
-	3,285	1,193	-	2,092	207	(66)					-	3,492	1,259	-	2,233	
-	3,002	569	-	2,433	15	(1)					-	3,017	570	-	2,447	
-	35,963	3,406	-	32,557	478	(108)		-			-	36,315	3,666	-	32,649	
-	6,009	1,392	-	4,617	341	(8)		413			-	6,753	1,596	-	5,157	
-	278,121	105,269	-	172,852	7,291	(113)		3,029				-	288,251	110,457	-	177,794
-	35,550	-	-	35,550	2,475							-	38,025	-	-	38,025
-	73,143	28,391	-	44,752	1,230		(1,221)					-	74,373	29,612	-	44,761
-	77,017	30,400	-	46,617	1,119		(1,287)	8			817	-	79,501	32,227	-	47,274
-	72,397	29,491	-	42,906	2,909		(948)	2			(1,535)	-	72,454	29,120	-	43,334
-	-	-	-	-			-					-	-	-	-	-
-	4,215	-	-	4,215	45		-					-	4,260	-	-	4,260
-	924	694	-	230	80		(92)					-	1,004	786	-	218
-																
-	2,191	-	1,844	-	347		(23)					2,191	-	1,867	-	324
-	-	-	-	-	-							-	-	-	-	-
TOTAL INFRASTRUCTURE, PROPERTY, PLANT & EQUIP.	7,501	623,508	212,106	-	418,903	20,792	(398)	(10,924)	-	(470)	(1,063)	6,426	641,239	220,825	-	426,840

Additions to Depreciable Land Improvements, Buildings, Other Structures & Infrastructure Assets are made up of Asset Renewals (\$7,364 M) and New Assets (\$10,904 M). Renewals are defined as the replacement of existing assets (as opposed to the acquisition of new assets).

Muswellbrook Shire Council

Notes to the Financial Statements
for the financial year ended 30 June 2013

Note 9b. Externally Restricted Infrastructure, Property, Plant & Equipment

\$ '000

\$ '000 Class of Asset	Actual 2013				Actual 2012			
	At Cost	At Fair Value	A/Dep & Impairm't	Carrying Value	At Cost	At Fair Value	A/Dep & Impairm't	Carrying Value
Water Supply								
WIP				-	-	8	-	8
Plant & Equipment		589	277	312	-	573	261	312
Office Equipment		87	87	-	-	87	87	-
Furniture & Fittings		12	12	-	-	12	12	-
Land								
- Operational Land		582		582	-	833	-	833
- Community Land				-	-	-	-	-
- Improvements non-depreciable				-	-	-	-	-
- Improvements - depreciable				-	-	-	-	-
Buildings				-	-	-	-	-
Other Structures				-	-	-	-	-
Infrastructure		79,583	32,227	47,356	-	77,017	30,400	46,617
Other Assets				-	-	-	-	-
Total Water Supply	-	80,853	32,603	48,250	-	78,530	30,760	47,770
Sewerage Services								
WIP				-	-	2	-	2
Plant & Equipment		275	226	49	-	275	208	67
Office Equipment		29	29	-	-	29	29	-
Furniture & Fittings		2	2	-	-	2	2	-
Land								
- Operational Land		644		644	-	1,296	-	1,296
- Community Land		100		100	-	100	-	100
- Improvements non-depreciable				-	-	-	-	-
- Improvements - depreciable				-	-	-	-	-
Buildings				-	-	-	-	-
Other Structures				-	-	-	-	-
Infrastructure		72,883	29,120	43,763	-	72,398	29,491	42,907
Other Assets				-	-	-	-	-
Total Sewerage Services	-	73,933	29,377	44,556	-	74,102	29,730	44,372
Domestic Waste Management								
Nil				-	-	-	-	-
Total DWM	-	-	-	-	-	-	-	-
Other Restricted Assets								
Nil				-	-	-	-	-
Total Other Restrictions	-	-	-	-	-	-	-	-
TOTAL RESTRICTED I,PP&E	-	154,786	61,980	92,806	-	152,632	60,490	92,142

Muswellbrook Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2013

Note 9c. Infrastructure, Property, Plant & Equipment - Current Year Impairments

		Actual	Actual
\$ '000	Notes	2013	2012

Council has recognised no impairment losses during the reporting period nor reversed any prior period losses.

Muswellbrook Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 10a. Payables, Borrowings & Provisions

\$ '000	Notes	2013		2012	
		Current	Non Current	Current	Non Current
Payables					
Goods & Services - operating expenditure		1,511	-	1,131	-
Goods & Services - capital expenditure		374	-	1,589	-
Payments Received In Advance		-	-	-	-
Accrued Expenses:					
- Borrowings		22	-	25	-
- Interest on Bonds & Deposits		-	-	-	-
- Salaries & Wages		-	-	-	-
- Other Expenditure Accruals		-	-	-	-
Advances		-	-	-	-
Security Bonds, Deposits & Retentions		619	-	398	-
ATO - Net GST Payable		-	-	-	-
Other		29	-	31	-
Total Payables		2,555	-	3,174	-
Borrowings					
Bank Overdraft		-	-	-	-
Loans - Secured ¹		549	7,227	520	7,770
Loans - Unsecured		-	-	-	-
Government Advances		-	-	-	-
Ratepayers' Advances		-	-	-	-
Finance Lease Liabilities		-	-	-	-
Deferred Payment Liabilities		-	-	-	-
Other		-	-	-	-
Total Borrowings		549	7,227	520	7,770
Provisions					
Employee Benefits;					
Annual Leave		1,345	-	1,158	-
Sick Leave		-	-	-	-
Long Service Leave		1,560	201	1,173	394
Gratuities		-	-	-	-
Other Leave		78	-	73	-
Other Leave		-	-	-	-
ELE On-Costs		-	-	-	-
Sub Total - Aggregate Employee Benefits		2,983	201	2,404	394
Self Insurance - Workers Compensation		-	-	-	-
Self Insurance - Public Liability		-	-	-	-
Self Insurance - Other		-	-	-	-
Asset Remediation/Restoration (Future Works) ²⁶		-	4,202	-	3,964
Carbon Tax		-	-	-	-
Other		-	-	-	-
Total Provisions		2,983	4,403	2,404	4,358
Total Payables, Borrowings & Provisions		6,087	11,630	6,098	12,128

(i) Liabilities relating to Restricted Assets

	2013		2012	
	Current	Non Current	Current	Non Current
Externally Restricted Assets				
Water	839	2,939	818	3,172
Sewer	344	962	365	1,017
Domestic Waste Management	66		79	-
Self Insurance	-		-	-
Other	-		-	-
Liabilities relating to externally restricted assets	1,249	3,901	1,262	4,189
Internally Restricted Assets				
Other Loan Commercial Buildings	10	570	9	581
Liabilities relating to internally restricted assets	10	570	9	581
Total Liabilities relating to restricted assets	1,259	4,471	1,271	4,770
Total Liabilities relating to Unrestricted Assets	4,828	7,159	4,827	7,358
TOTAL PAYABLES, BORROWINGS & PROVISIONS	6,087	11,630	6,098	12,128

^{1.} Loans are secured over the General Rating Income of Council

Disclosures on Liability Interest Rate Risk Exposures, Fair Value Disclosures & Security can be found in Note 15.

Muswellbrook Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 10a. Payables, Borrowings & Provisions (continued)

	Actual 2013	Actual 2012
\$ '000		

(ii) Current Liabilities not anticipated to be settled within the next 12 months

The following Liabilities, even though classified as current, are not expected to be settled in the next 12 months.

Provisions - Employees Benefits	2,206	1,570
Payables - Security Bonds, Deposits & Retentions	147	125
	2,353	1,695

Note 10b. Description of and movements in Provisions

Class of Provision	2012	2013				Closing Balance as at 30/6/13
	Opening Balance as at 1/7/12	Additional Provisions	Decrease due to Payments	Remeasurement effects due to Discounting	Unused amounts reversed	
Annual Leave	1,158	842	(655)			1,345
Sick Leave	-	-				-
Long Service Leave	1,567	348	(154)			1,761
Gratuities	-	-				-
Other Leave	73	5				78
ELE On-Costs	-	-				-
Self Insurance	-	-				-
Asset Remediation	3,964	-		238		4,202
Carbon Tax	-	-				-
Other	-	-				-
TOTAL	6,762	1,195	(809)	238	-	7,386

- Employees Leave Entitlements & On-Costs represents those benefits accrued and payable and an estimate of those that will become payable in the future as a result of past service.
- Self Insurance Provisions represent both (i) Claims Incurred but Not reported and (ii) Claims Reported & Estimated as a result of Council's being a self insurer up to certain levels of Excess.
- Asset Remediation, Reinstatement & Restoration Provisions represent the Present Value estimate of future costs Council will incur in order to remove, restore & remediate assets &/or activities as a result of past operations.

Muswellbrook Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 11. Statement of Cash Flows - Additional Information

\$ '000	Notes	Actual 2013	Actual 2012
(a) Reconciliation of Cash Assets			
Total Cash & Cash Equivalent Assets	6a	7,857	4,026
Less Bank Overdraft	10	-	-
BALANCE as per the STATEMENT of CASH FLOWS		7,857	4,026
(b) Reconciliation of Net Operating Result to Cash provided from Operating Activities			
Net Operating Result from Income Statement		18,936	8,629
Adjust for non cash items:			
Depreciation & Amortisation		10,924	11,270
Net Losses/(Gains) on Disposal of Assets		(2,394)	(676)
Non Cash Capital Grants and Contributions		(6,873)	(4,132)
Impairment Losses Recognition - I,PP&E		-	-
Impairment (Reversal of previous losses) - I,PP&E		-	-
Impairment Losses / (Prior Period Reversals) - Financial Investments		(133)	307
Investment Income relating to "Available for Sale" Investments sold		-	-
Reversal of prior period I,PP&E revaluation decrements costed DIRECT to the P&L		-	-
Losses/(Gains) recognised on Fair Value Re-measurements through the P&L:			
- Investments classified as "At Fair Value" or "Held for Trading"		(202)	(202)
- Investment Properties		(309)	250
- Favourable Financial Liabilities (ie. Initial Recognition at Fair Value)		-	-
- Fair Valuation Adjustment (re-measurement) of existing Loans to Council		-	-
- Interest Free Advances made by Council (Deferred Debtors)		-	-
- Write Offs relating to the Fair Valuation of I,PP&E		-	-
Amortisation of Premiums, Discounts & Prior Period Fair Valuations			
- "Held to Maturity" Financial Assets		9	(17)
- Interest on all fair value adjusted Interest Free Advances made by Council		-	-
- Interest Exp. on Interest Free Loans received by Council (previously Fair Value)		77	77
Unwinding of Discount Rates on Reinstatement Provisions		238	224
Share of Net (Profits) or Losses of Associates/Joint Ventures		(7)	(10)
Net Loss/(Gain) on Council Restructure/Amalgamations (excl. Cash)		-	-
+/- Movement in Operating Assets and Liabilities & Other Cash Items:			
Decrease/(Increase) in Receivables		(935)	(29)
Increase/(Decrease) in Provision for Doubtful Debts		-	-
Decrease/(Increase) in Inventories		(11)	43
Decrease/(Increase) in Other Assets		(41)	(37)
Increase/(Decrease) in Payables		380	(535)
Increase/(Decrease) in accrued Interest Payable		(3)	-
Increase/(Decrease) in other accrued Expenses Payable		-	(2)
Increase/(Decrease) in Other Liabilities		219	(4)
Increase/(Decrease) in Employee Leave Entitlements		386	406
Increase/(Decrease) in Other Provisions		-	-
NET CASH PROVIDED FROM/(USED IN)		20,261	15,562
OPERATING ACTIVITIES from the STATEMENT of CASH FLOWS		20,261	15,562

Muswellbrook Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 11. Statement of Cash Flows - Additional Information (continued)

\$ '000	Notes	Actual 2013	Actual 2012
(c) Non-Cash Investing & Financing Activities			
Acquisition of Plant & Equipment by means of Finance Lease			-
Subsidised Works (Sewer Scheme)			-
Bushfire Grants		504	236
S94 Contributions "in kind"			-
Other Dedications		6,369	3,896
Other Non Cash Items			-
Other Non Cash Items			-
Total Non-Cash Investing & Financing Activities		6,873	4,132
(d) Financing Arrangements			
(i) Unrestricted access was available at balance date to the following lines of credit:			
Bank Overdraft Facilities ⁽¹⁾		750	750
Credit Cards / Purchase Cards		25	25
Master Lease Facilities			-
Standby Credit Facilities			-
Other			-
Total Financing Arrangements		775	775
Amounts utilised as at Balance Date:			
- Bank Overdraft Facilities			-
- Credit Cards / Purchase Cards			-
- Lease Facilities			-
- Standby Credit Facilities			-
- Other			-
Total Financing Arrangements Utilised		-	-

1. The Bank overdraft facility may be drawn at any time and may be terminated by the bank without notice.
Interest rates on overdrafts are Interest Rates on Loans & Other Payables are disclosed in Note 15.

(ii) Secured Loan Liabilities

Loans are secured by a mortgage over future years Rate Revenue only.

(e) Net Cash Flows Attributable to Discontinued Operations

Please refer to Note 24 for details of Cash Flows that relate to Discontinued Operations

Muswellbrook Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2013

Note 12. Commitments for Expenditure

\$ '000	Notes	Actual 2013	Actual 2012
(a) Capital Commitments (exclusive of GST)			
Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:			
Property, Plant & Equipment			
Buildings		110	41
Plant & Equipment		-	-
Infrastructure		9,441	832
Investment Property			
- Land		-	-
- Buildings		6,645	-
- Other		-	-
Total Commitments		16,196	873
These expenditures are payable as follows:			
Within the next year		13,788	873
Later than one year and not later than 5 years		2,408	-
Later than 5 years		-	-
Total Payable		16,196	873
Sources for Funding of Capital Commitments:			
Unrestricted General Funds		1,361	-
Future Grants & Contributions		11,477	-
Sect 64 & 94 Funds/Reserves		-	246
Unexpended Grants		-	-
Externally Restricted Reserves		203	-
Internally Restricted Reserves		1,366	627
Unexpended Loans		-	-
New Loans (to be raised)		1,789	-
Total Sources of Funding		16,196	873

Muswellbrook Shire Council

Notes to the Financial Statements
for the financial year ended 30 June 2013

Note 12. Commitments for Expenditure (continued)

\$ '000	Notes	Actual 2013	Actual 2012
---------	-------	----------------	----------------

(b) Finance Lease Commitments

(i) Commitments under Finance Leases at the Reporting Date
are payable as follows:

Within the next year			-
Later than one year and not later than 5 years			-
Later than 5 years			-
Total Minimum Lease Payments		-	-
less: Future Finance Charges			-
Amount Recognised as a Liability		-	-

(ii) Finance Lease Liability Recognised represent;

Current Liabilities	-	-
Non-Current Liabilities	-	-
Total Finance Lease Liabilities Disclosed	-	-

(iii) General Details

Council Leases the following Property, Plant & Equipment under Finance Leases:

	Term (Years)	Option to Purchase	Contingent Rent Clauses		
Computers - Carrying Value		Y/N	Y/N		-
Motor Vehicles - Carrying Value		Y/N	Y/N		-
Heavy Plant - Carrying Value		Y/N	Y/N		-
Other Equipment/Assets		Y/N	Y/N	-	-
Total Carrying Value at Year End				-	-

(c) Operating Lease Commitments (Non Cancellable)

a. Commitments under Non Cancellable Operating Leases at the
Reporting date, but not recognised as Liabilities are payable:

Within the next year	29	37
Later than one year and not later than 5 years	69	113
Later than 5 years		-
Total Non Cancellable Operating Lease Commitments	98	150

b. Non Cancellable Operating Leases include the following assets:
N/A

Muswellbrook Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2013

Note 12. Commitments for Expenditure (continued)

\$ '000	Notes	Actual 2013	Actual 2012
---------	-------	----------------	----------------

Conditions relating to Operating Leases:

- All Operating Lease Agreements are secured only against the Leased Asset.
- No Lease Agreements impose any financial restrictions on Council regarding future debt etc.

(d) Investment Property Commitments

Non Capital expenditure on Investment Properties committed for at the reporting date but not recognised in the financial statements as liabilities:

Contractual Obligations - Repairs & Maintenance		-
Contractual Obligations - Other		-
Total Commitments		-

These expenditures are payable as follows:

Within the next year	-	-
Later than one year and not later than 5 years	-	-
Later than 5 years	-	-
Total Payable	-	-

(e) Investment in Associates / Joint Ventures - Commitments

For Capital Commitments and Other Commitments relating to Investments in Associates & Joint Ventures, refer to Note 19 (b)

Muswellbrook Shire Council

Notes to the Financial Statements
for the financial year ended 30 June 2013

Note 13a(i). Statement of Performance Measurement - Indicators (Consolidated)

\$ '000	Amounts 2013	Indicator 2013	Prior Periods 20122011	
Local Government Industry Indicators - Consolidated				
1. Unrestricted Current Ratio				
Current Assets less all External Restrictions ⁽¹⁾	7,853	3.16 : 1	3.6:1	2.37:1
Current Liabilities less Specific Purpose Liabilities ^(2,3)	2,485			
2. Debt Service Ratio				
Debt Service Cost	1,085	2.97%	3.37%	3.04%
Income from Continuing Operations (excl. Capital Items & Specific Purpose Grants/Contributions)	36,574			
3. Rates & Annual Charges Coverage Ratio				
Rates & Annual Charges	16,111	29.04%	34.68%	33.05%
Income from Continuing Operations	55,482			
4. Rates, Annual Charges, Interest & Extra Charges Outstanding Percentage				
Rates, Annual & Extra Charges Outstanding	1,498	8.94%	3.65%	3.15%
Rates, Annual & Extra Charges Collectible	16,763			
5. Building & Infrastructure Renewals Ratio				
Asset Renewals ⁽⁴⁾	7,364	81.82%	76.50%	115.80%
Depreciation, Amortisation & Impairment	9,000			

Notes

(1) Refer Notes 6-8 inclusive.

Also excludes any Real Estate & Land for resale not expected to be sold in the next 12 months

(2) Refer to Note 10(a).

(3) Refer to Note 10(a)(ii) - excludes all payables & provisions not expected to be paid in the next 12 months (incl. ELE).

(4) Asset Renewals represent the replacement &/or refurbishment of existing assets to an equivalent capacity/performance as opposed to the acquisition of new assets (or the refurbishment of old assets) that increases capacity/performance. Asset Renewals include building and infrastructure assets only.

Muswellbrook Shire Council

Notes to the Financial Statements
for the financial year ended 30 June 2013

Note 13a(i). Statement of Performance Measurement - Indicators (Consolidated)

\$ '000	Amounts 2013	Indicator 2013	Prior Periods 20122011	
TCorp Performance Measures - Consolidated				
a. Operating Performance				
Operating Revenue (excl. Capital Grants & Contributions)				
- Operating Expenses	2,494	6.39%	-3.10%	-5.68%
Operating Revenue (excl. Capital Grants & Contributions)	39,040			
b. Own Source Operating Revenue				
Rates & Annual Charges + User Charges & Fees	26,485	48.18%	54.15%	58.66%
Total Operating Revenue (incl. Capital Grants & Contributions)	54,971			
c. Unrestricted Current Ratio				
Current Assets less all External Restrictions	7,853	3.16	3.60	2.37
Current Liabilities less Specific Purpose Liabilities	2,485			
d. Debt Service Cover Ratio				
Operating Result before Interest & Depreciation (EBITDA)	14,227	10.16	7.95	7.88
Principal Repayments (from the Statement of Cash Flows)	1,400			
+ Borrowing Interest Costs (from the Income Statement)				
e. Capital Expenditure Ratio				
Annual Capital Expenditure	20,394	1.87	1.84	1.62
Annual Depreciation	10,924			
f. Infrastructure Backlog Ratio				
Estimated Cost to bring Assets to a Satisfactory Condition	26,961	0.08	0.07	0.07
Total value of Infrastructure, Building, Other Structures & Depreciable Land Improvement Assets	355,649			
g. Asset Maintenance Ratio				
Actual Asset Maintenance	4,621	0.82	0.70	0.70
Required Asset Maintenance	5,655			
h. Building & Infrastructure Renewals Ratio				
Asset Renewals	7,094	0.79	0.76	1.16
Depreciation of Building and Infrastructure Assets	9,000			
i. Cash Expense Cover Ratio				
Current Year's Cash & Cash Equivalents	7,857	3.80	2.07	1.90
(Total Expenses - Depreciation - Interest Costs) x12	2,068			
j. Interest Cover Ratio				
Operating Results before Interest & Depreciation (EBITDA)	14,227	17.59	13.41	13.71
Borrowing Interest Costs (from the income statement)	809			

Muswellbrook Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2013

Note 13b. Statement of Performance Measurement - Indicators (by Fund)

\$ '000	Water 2013	Sewer 2013	General ¹ 2013
Local Government Industry Indicators - by Fund			
1. Unrestricted Current Ratio			
Current Assets less all External Restrictions ⁽¹⁾	5.47 : 1	7.73 : 1	3.16 : 1
Current Liabilities less Specific Purpose Liabilities ^(2,3)			
prior period:	8.23:1	12.68:1	0.61:1
2. Debt Service Ratio			
Debt Service Cost	7.74%	1.66%	2.23%
Income from Continuing Operations			
(excl. Capital Items & Specific Purpose Grants/Contributions)			
prior period:	8.52%	1.77%	2.19%
3. Rates & Annual Charges Coverage Ratio			
Rates & Annual Charges	17.14%	32.81%	30.48%
Income from Continuing Operations			
prior period:	20.14%	42.97%	30.46%
4. Rates, Annual Charges, Interest & Extra Charges Outstanding Percentage			
Rates, Annual & Extra Charges Outstanding	4.59%	10.26%	9.08%
Rates, Annual & Extra Charges Collectible			
prior period:	4.08%	10.20%	2.17%
5. Building & Infrastructure Renewals Ratio			
Asset Renewals (Building & Infrastructure assets)	8.00%	17.62%	104.86%
Depreciation, Amortisation & Impairment			
prior period:	0.00%	0.00%	134.75%

Notes

⁽¹⁾ General Fund refers to all of Council's activities except for its Water & Sewer activities which are listed separately.

Muswellbrook Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2013

Note 14. Investment Properties

\$ '000	Notes	Actual 2013	Actual 2012
(a) Investment Properties at Fair value			
<u>Investment Properties on Hand</u>		5,828	5,406
Reconciliation of Annual Movement:			
Opening Balance		5,406	4,298
- Acquisitions		-	655
- Capitalised Expenditure - this year		113	210
- Acquisitions (Transfers) through Amalgamations		-	-
- Classified as "Held for Sale"		-	-
- Disposals during Year		-	-
- Net Gain/(Loss) from Fair Value Adjustments		309	(250)
- Transfers from/(to) Inventories (Note 8)		-	-
- Transfers from/(to) Owner Occupied (Note 9)		-	493
- Other Movements		-	-
CLOSING BALANCE - INVESTMENT PROPERTIES		5,828	5,406

(b) Valuation Basis

The basis of valuation of Investment Properties is Fair Value, being the amounts for which the properties could be exchanged between willing parties in arms length transaction, based on current prices in an active market for similar properties in the same location and condition and subject to similar leases.

The 2013 revaluations were based on Independent Assessments made by:
John Flood Estate Agents with a desktop market appraisal of each of the properties.

(c) Contractual Obligations at Reporting Date

Refer to Note 12 for disclosures relating to any Capital and Service obligations that have been contracted.

(d) Leasing Arrangements

Details of leased Investment Properties are as follows;

Future Minimum Lease Payments receivable under
non-cancellable Investment Property Operating Leases
not recognised in the Financial Statements are due:

Within 1 year	503	497
Later than 1 year but less than 5 years	720	586
Later than 5 years	745	-
Total Minimum Lease Payments Receivable	1,968	1,083

(e) Investment Property Income & Expenditure - summary**Rental Income from Investment Properties:**

- Minimum Lease Payments	697	561
- Contingent Rentals	48	-
- Other Income		-

Direct Operating Expenses on Investment Properties:

- that generated rental income	(374)	(232)
- that did not generate rental income		-

Net Revenue Contribution from Investment Properties

371	329
-----	-----

plus:

Fair Value Movement for year

309	(250)
-----	-------

Total Income attributable to Investment Properties

680	79
-----	----

Muswellbrook Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 15. Financial Risk Management

\$ '000

Risk Management

Council's activities expose it to a variety of financial risks including **(1)** price risk, **(2)** credit risk, **(3)** liquidity risk and **(4)** interest rate risk.

The Council's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Council.

Council does not engage in transactions expressed in foreign currencies and is therefore not subject to foreign currency risk.

Financial risk management is carried out by Council's Finance Section under policies approved by the Council.

A comparison by category of the carrying amounts and fair values of Council's Financial Assets & Financial Liabilities recognised in the financial statements is presented below.

	Carrying Value		Fair Value	
	2013	2012	2013	2012
Financial Assets				
Cash and Cash Equivalents	7,857	4,026	7,857	4,026
Investments				
- "Held for Trading"	3,281	3,079	3,281	3,079
- "Designated At Fair Value on Initial Recognition"	-	-	-	-
- "Held to Maturity"	39,868	36,859	40,152	36,123
- "Loans & Receivables"	-	-	-	-
- "Available for Sale"	-	-	-	-
Receivables	5,025	3,965	5,025	3,965
Other Financial Assets	-	-	-	-
Total Financial Assets	56,031	47,929	56,315	47,193
Financial Liabilities				
Bank Overdraft	-	-	-	-
Payables	2,555	3,174	2,554	3,174
Loans / Advances	7,776	8,290	7,776	8,290
Lease Liabilities	-	-	-	-
Other Financial Liabilities	-	-	-	-
Total Financial Liabilities	10,331	11,464	10,330	11,464

Fair Value is determined as follows:

- **Cash & Cash Equivalents, Receivables, Payables** - are estimated to be the carrying value which approximates mkt value.
- **Borrowings & Held to Maturity Investments** - are based upon estimated future cash flows discounted by the current market interest rates applicable to assets & liabilities with similar risk profiles, unless quoted market prices are available.
- Financial Assets classified (i) **"at fair value through profit & loss"** or (ii) **Available for Sale** - are based upon quoted market prices (in active markets for identical investments) at the reporting date or independent valuation.

Muswellbrook Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 15. Financial Risk Management (continued)

\$ '000

(a) Fair Value Measurements

The fair value of financial assets and financial liabilities must be estimated in accordance with Accounting Standards for either recognition and measurement requirements or for disclosure purposes.

AASB 7 Financial Instruments: Disclosures, requires the disclosure of how fair valuations have been arrived at for all financial assets and financial liabilities that have been measured at fair value.

Arriving at fair values for financial assets & liabilities can be broken up into 3 distinct measurement hierarchies:

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

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices)

Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs)

The following table presents the financial assets and financial liabilities that have been measured & recognised at fair values:

2013	Level 1	Level 2	Level 3	Total
Financial Assets				
Investments				
- "Held for Trading"	3,281			3,281
- "Designated At Fair Value on Initial Recognition"				-
- "Available for Sale"				-
- Other (enter details here)				-
- Other (enter details here)				-
Total Financial Assets	3,281	-	-	3,281
Financial Liabilities				
- Payables		2,554		2,554
- Loans			7,776	7,776
Total Financial Liabilities	-	2,554	7,776	10,330
2012	Level 1	Level 2	Level 3	Total
Financial Assets				
Investments				
- "Held for Trading"	3,079	-	-	3,079
- "Designated At Fair Value on Initial Recognition"	-	-	-	-
- "Available for Sale"	-	-	-	-
- Other (enter details here)	-	-	-	-
- Other (enter details here)	-	-	-	-
Total Financial Assets	3,079	-	-	3,079
Financial Liabilities				
- Payables	-	3,174	-	3,174
- Loans	-	-	8,290	8,290
Total Financial Liabilities	-	3,174	8,290	11,464

The following table presents the movement in Level 3 financial instruments

	Liabilities 2013	Liabilities 2012	Assets 2013	Assets 2012
Opening Balance (of Level 3 fair values)	8,290	8,777	-	-
Transfer to/(from) Level 3	(514)	(487)		-
Gains/(Losses) recognised in the Income Statement		-		-
Gains/(Losses) recognised in Other Comprehensive Income		-		-
Disposals		-		-
Purchases		-		-
Other (enter details here)		-		-
Closing Balance	7,776	8,290	-	-

Muswellbrook Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 15. Financial Risk Management (continued)

\$ '000

(b) Cash & Cash Equivalents, Financial assets 'at fair value through the profit & Loss' "Available-for-sale" financial assets & "Held-to-maturity" Investments

Council's objective is to maximise its return on cash & investments whilst maintaining an adequate level of liquidity and preserving capital.

Council's Finance area manages the Cash & Investments portfolio with the assistance of independent advisors.

Council has an Investment Policy which complies with the Local Government Act & Minister's Investment Order. This Policy is regularly reviewed by Council and its staff and an Investment Report is tabled before Council on a monthly basis setting out the portfolio breakup and its performance.

The major risk associated with Investments is price risk - the risk that the capital value of Investments may fluctuate due to changes in market prices, whether there changes are caused by factors specific to individual financial instruments or their issuers or are caused by factors affecting similar instruments traded in a market.

Cash & Investments are also subject to interest rate risk - the risk that movements in interest rates could affect returns and income.

A further risk associated with Cash & Investments is credit risk - the risk that the investment counterparty) will not complete their obligations particular to a financial instrument, resulting in a financial loss to Council - be it of a capital or income nature.

Council manages these risks (amongst other measures) by diversifying its portfolio and only purchasing investments with high credit ratings or capital guarantees.

Council also seeks advice from independent advisers before placing any funds in Cash Equivalents & Investments.

The following represents a summary of the sensitivity of Council's Income Statement and Accumulated Surplus (for the reporting period) due to a change in either the price of a financial asset or the interest rates applicable.

It is assumed that the change in interest rates would have been constant throughout the reporting period.

	Increase of Values/Rates		Decrease of Values/Rates	
	Profit	Equity	Profit	Equity
2013				
Possible impact of a 10% movement in Market Values	328	328	(328)	(328)
Possible impact of a 1% movement in Interest Rates	510	510	(510)	(510)
2012				
Possible impact of a 10% movement in Market Values	307	307	(307)	(307)
Possible impact of a 1% movement in Interest Rates	440	440	(440)	(440)

Muswellbrook Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 15. Financial Risk Management (continued)

\$ '000

(c) Receivables

Council's major receivables comprise **(i) Rates & Annual charges** and **(ii) User Charges & Fees**.

The major risk associated with these receivables is credit risk - the risk that debts due and payable to Council may not be repaid in full.

Council manages this risk by monitoring outstanding debt and employing stringent debt recovery procedures. It also encourages ratepayers to pay their rates by the due date through incentives.

Credit risk on rates and annual charges is minimised by the ability of Council to secure a charge over the land relating to the debts - that is, the land can be sold to recover the debt. Council is also able to charge interest on overdue rates & annual charges at higher than market rates which further encourages the payment of debt.

There are no significant concentrations of credit risk, whether through exposure to individual customers, specific industry sectors and/or regions.

The level of outstanding receivables is reported to Council monthly and benchmarks are set and monitored for acceptable collection performance.

Council makes suitable provision for doubtful receivables as required and carries out credit checks on most non-rate debtors.

There are no material receivables that have been subjected to a re-negotiation of repayment terms.

A profile of Council's receivables credit risk at balance date follows:

	2013	2013	2012	2012
	Rates & Annual Charges	Other Receivables	Rates & Annual Charges	Other Receivables
(i) Ageing of Receivables				
Current (not yet overdue)	797	2,566	154	3,358
Past due by up to 30 days	155	448	147	40
Past due between 31 and 180 days	75	20	76	14
Past due between 181 and 365 days	95	76	19	29
Past due by more than 1 year	376	480	181	10
	1,498	3,590	577	3,451
(ii) Movement in Provision for Impairment of Receivables			2013	2012
Balance at the beginning of the year			63	63
+ new provisions recognised during the year				
- amounts already provided for & written off this year				
- amounts provided for but recovered during the year				
- previous impairment losses reversed				
Balance at the end of the year			63	63

Muswellbrook Shire Council

Notes to the Financial Statements
for the financial year ended 30 June 2013

Note 15. Financial Risk Management (continued)

\$ '000

(d) Payables & Borrowings

Payables & Borrowings are both subject to liquidity risk - the risk that insufficient funds may be on hand to meet payment obligations as and when they fall due.

Council manages this risk by monitoring its cash flow requirements and liquidity levels and maintaining an adequate cash buffer.

Payment terms can (in extenuating circumstances) also be extended & overdraft facilities utilised as required.

The contractual undiscounted cash outflows (ie. principal and interest) of Council's Payables & Borrowings are set out in the Liquidity Table below:

\$ '000	Subject to no maturity	≤ 1 Year	1-2 Yrs	payable in:				Total Cash Outflows	Actual Carrying Values
				2-3 Yrs	3-4 Yrs	4-5 Yrs	> 5 Yrs		
2013									
Bank Overdraft	-							-	-
Trade/Other Payables	619	1,935						2,554	2,555
Loans & Advances		1,088	1,088	1,088	954	890	5,547	10,655	7,776
Lease Liabilities								-	-
Total Financial Liabilities	619	3,023	1,088	1,088	954	890	5,547	13,209	10,331
2012									
Bank Overdraft	-	-	-	-	-	-	-	-	-
Trade/Other Payables	398	2,776	-	-	-	-	-	3,174	3,174
Loans & Advances	-	1,088	1,088	1,088	1,088	954	6,216	11,522	8,290
Lease Liabilities	-	-	-	-	-	-	-	-	-
Total Financial Liabilities	398	3,864	1,088	1,088	1,088	954	6,216	14,696	11,464

Borrowings are also subject to interest rate risk - the risk that movements in interest rates could adversely affect funding costs & debt servicing requirements. Council manages this risk through the diversification of borrowing types, maturities & interest rate structures.

The following interest rates were applicable to Council's Borrowings at balance date:

	2013		2012	
	Carrying Value	Average Interest Rate	Carrying Value	Average Interest Rate
Bank Overdraft	-		-	
Trade/Other Payables	2,555	0.0%	3,174	0.0%
Loans & Advances - Fixed Interest Rate	7,776	6.4%	8,290	6.4%
Loans & Advances - Variable Interest Rate				
Lease Liabilities	-		-	
	10,331		11,464	

Muswellbrook Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2013

Note 16. Material Budget Variations

\$ '000

Council's Original Financial Budget for 12/13 was adopted by the Council on 12 June 2012.

While the Income Statement included in this General Purpose Financial Report must disclose the Original Budget adopted by Council, the Local Government Act requires Council to review its Financial Budget on a Quarterly Basis, so that it is able to manage the various variations between actuals versus budget that invariably occur throughout the year.

This Note sets out the details of MATERIAL VARIATIONS between Council's Original Budget and its Actual results for the year as per the Income Statement - even though such variations may have been adjusted for during each Quarterly Budget Review.

Note that for Variations* of Budget to Actual :

Material Variations represent those variances that amount to **10%** or more of the original budgeted figure.

F = Favourable Budget Variation, **U** = Unfavourable Budget Variation

\$ '000	2013 Budget	2013 Actual	2013 Variance* -----		
REVENUES					
Rates & Annual Charges	15,947	16,111	164	1%	F
User Charges & Fees	9,049	10,374	1,325	15%	F
There are a range of revenue streams that have performed better than expected in 2012/13. The major ones include Work Orders from the RTA (\$336K), Waste Tipping Fees (\$444K) Water Fund Private Works (\$127K) and Learn to Swim Activities (\$90K)					
Interest & Investment Revenue	2,397	2,857	460	19%	F
Council's budget for this item is prepared on a conservative basis as both interest rates and the amount of cash available to invest throughout the year can be difficult to predict. For 2012/13 both the level of cash available and the return achieved were higher than expected.					
Other Revenues	1,235	1,482	247	20%	F
The difference relates to the increase in the value of investment properties that was not included in the original budget.					
Operating Grants & Contributions	6,005	6,326	321	5%	F

Capital Grants & Contributions	5,584	15,931	10,347	185%	F
---	--------------	---------------	---------------	-------------	----------

During 2012/13 Council took control of developer provided assets valued at \$9.786M. This capital contribution was not included in the original budget.

Net Gains from Disposal of Assets	-	2,394	2,394	0%	F
--	----------	--------------	--------------	-----------	----------

Due to the uncertain nature of profits able to be derived from asset sales, Council does not include an allocation in the budget. In 2012/13 Council was able to finalise land sales at Highbrook and Glen Munro Road and these sales are primarily responsible for this result.

Share of Net Profits - Joint Ventures & Associates	-	7	7	0%	F
---	----------	----------	----------	-----------	----------

Muswellbrook Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 16. Material Budget Variations (continued)

\$ '000	2013 Budget	2013 Actual	2013 Variance*		
EXPENSES					
Employee Benefits & On-Costs	12,063	12,792	(729)	(6%)	U
A range of items and events have contributed to this result, these include unexpected increases in ELE and Workers Compensation costs, the delay in the commencement of a number of capital projects that meant that a higher proportion of these costs had to be expensed as well as the addition of grant funded positions through the year and an unexpected degree and amount of back pay adjustments.					
Borrowing Costs	807	809	(2)	(0%)	U
Differences between actual and budget relate to the calculation of the Waste Facility remediation expense and the write back of the discounted value of an interest free loan liability.					
Materials & Contracts	9,380	7,633	1,747	19%	F
This difference between budget and actual occurred across a range of activities conducted by Council in 2012/13. They occurred for a variety of reasons including non-completion of the activity, using staff instead of contractors or costs being lower than expected. Examples of activities where this occurred include parks and sporting field maintenance, work orders carried out for Roads and Maritime Services and environmental services.					
Depreciation & Amortisation	11,450	10,924	526	5%	F
Impairment Expenses	-	-	-	0%	F
Other Expenses	4,225	4,388	(163)	(4%)	U
Net Losses from Disposal of Assets	-	-	-	0%	F
Share of Net Losses - Joint Ventures & Associates	-	-	-	0%	F
Operating Result from Discontinued Operations	-	-	-	0%	F

Muswellbrook Shire Council

Notes to the Financial Statements
for the financial year ended 30 June 2013

Note 16. Material Budget Variations (continued)

\$ '000	2013 Budget	2013 Actual	2013 ----- Variance* -----	
---------	----------------	----------------	-------------------------------	--

Budget Variations relating to Council's Cash Flow Statement include:

Cash Flows from Operating Activities	12,507	20,261	7,754	62.0%	F
---	---------------	---------------	--------------	-------	----------

The additional cash received has come from a range of sources including significant land sales, an unexpected level of User Fees and Charges being received and the receipt of a range of Grants and Contributions outstanding as at 30 June 2012.

Cash Flows from Investing Activities	(18,285)	(15,839)	2,446	(13.4%)	F
---	-----------------	-----------------	--------------	---------	----------

This has resulted from delays in the completion of a range of capital works, that have been carried over to 2013/14.

Cash Flows from Financing Activities	416	(591)	(1,007)	(242.1%)	U
---	------------	--------------	----------------	----------	----------

This has resulted from Council not undertaking preposed borrowings in 2012/13.

Muswellbrook Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 17. Statement of Developer Contributions

\$ '000

Council recovers contributions, raises levies & enters into planning agreements on development works that are subject to a development consent issued by Council. All contributions must be spent/utilised for the specific purpose they were levied and any interest applicable to unspent funds must be attributed to remaining funds.

The following tables detail the receipt, interest and use of the above contributions & levies and the value of all remaining funds which are "restricted" in their future use.

PURPOSE	Opening Balance	Contributions received during the Year		Interest earned in Year	Expenditure during Year	Internal Borrowing (to)/from	Held as Restricted Asset	Projections			Cumulative Internal Borrowings due/(payable)
		Cash	Non Cash					Future income	Exp still outstanding	Over or (under) Funding	
Drainage	137	56	-	8	(67)	-	134	48	(300)	(118)	-
Roads	567	115	-	29	(263)	-	448	869	(1,647)	(330)	-
Traffic Facilities	-	-	-	-	-	-	-	-	-	-	-
Parking	42	-	-	2	(42)	-	2	2	-	4	-
Open Space	315	113	-	19	(72)	-	375	-	(280)	95	-
Community Facilities	58	-	-	2	-	-	60	1,849	(2,335)	(426)	-
Tourism	59	-	-	3	-	-	62	13	(115)	(40)	-
Bushfire	17	51	-	3	-	-	71	-	-	71	-
Social Infrastructure	115	216	-	14	(109)	-	236	552	(1,000)	(212)	-
Other	-	-	-	-	-	-	-	-	-	-	-
S94 Contributions - under a Plan	1,310	551	-	80	(553)	-	1,388	3,333	(5,677)	(956)	-
S94A Levies - under a Plan	200	114	-	14	(156)	-	172				-
Total S94 Revenue Under Plans	1,510	665	-	94	(709)	-	1,560				-
S94 not under Plans	2,386	2,081	6,369	-	(1,669)	-	2,798	-	-	2,798	-
S93F Planning Agreements	-						-				
S64 Contributions	9,404	2,630	3,427	519			12,553				
Total Contributions	13,300	5,376	9,796	613	(2,378)	-	16,911	3,333	(5,677)	1,842	-

Muswellbrook Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2013

Note 17. Statement of Developer Contributions (continued)

\$ '000

S94 CONTRIBUTIONS - UNDER A PLAN

CONTRIBUTION PLAN	PURPOSE	Opening Balance	Contributions received during the Year		Interest earned in Year	Expenditure during Year	Internal Borrowing (to)/from	Held as Restricted Asset	Projections			Cumulative Internal Borrowings due/(payable)
			Cash	Non Cash					Future income	Exp still outstanding	Over or (under) Funding	
	Drainage	137	56		8	(67)		134	48	(300)	(118)	
	Roads	567	115		29	(263)		448	869	(1,647)	(330)	
	Traffic Facilities	-	-					-			-	
	Parking	42	-		2	(42)		2	2		4	
	Open Space	315	113		19	(72)		375		(280)	95	
	Community Facilities	58	-		2	-		60	1,849	(2,335)	(426)	
	Tourism	59	-		3	-		62	13	(115)	(40)	
	Bushfire	17	51		3	-		71			71	
	Social Infrastructure	115	216		14	(109)		236	552	(1,000)	(212)	
	Other	-						-				
	Total	1,310	551	-	80	(553)	-	1,388	3,333	(5,677)	(956)	-

Muswellbrook Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2013

Note 18. Contingencies and Other Assets/Liabilities Not Recognised

\$ '000

The following assets and liabilities do not qualify for recognition in the Statement of Financial Position, but their knowledge and disclosure is considered relevant to the users of Council's Financial Report.

LIABILITIES NOT RECOGNISED:

1. Guarantees

(i) Defined Benefit Superannuation Contribution Plans

Council participates in an employer sponsored Defined Benefit Superannuation Scheme and makes contributions as determined by the Superannuation Scheme's Trustees.

Member Councils bear responsibility of ensuring there are sufficient funds available to pay out the required benefits as they fall due.

The Schemes most recent full actuarial review indicated that the Net Assets of the Scheme were not sufficient to meet the accrued benefits of the Schemes Defined Benefit member category with member Councils required to make significantly higher contributions in future years.

The Local Government Superannuation Scheme however is unable to provide Council with an accurate estimate of its share of the net deficit and accordingly Council has not recorded any net liability from its Defined Benefit Scheme obligations in accordance with AASB 119.

Future contributions made to the defined benefit scheme to rectify the net deficit position will be recognised as an expense when they become payable - similar to the accounting for Defined Contributions Plans.

(ii) Statewide Limited

Council is a member of Statewide Mutual, a mutual pool scheme providing liability insurance to Local Government.

Membership includes the potential to share in either the net assets or liabilities of the fund depending on its past performance. Council's share of the Net Assets or Liabilities reflects Councils contributions to the pool and the result of insurance claims within each of the Fund Years.

The future realisation and finalisation of claims incurred but not reported to 30 June this year may result in future liabilities or benefits as a result of past events that Council will be required to fund or share in respectively.

(iii) StateCover Limited

Council is a member of StateCover Mutual Limited and holds a partly paid share in the entity.

StateCover is a company providing workers compensation insurance cover to the NSW Local Government Industry and specifically Council.

Council has a contingent liability to contribute further equity in the event of the erosion of the Company's capital base as a result of the company's past performance and/or claims experience or as a result of any increased prudential requirements from APRA.

These future equity contributions would be required to maintain the company's minimum level of Net Assets in accordance with its Licence Requirements.

(iv) Other Guarantees

Council has provided no other Guarantees other than those listed above.

Muswellbrook Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2013

Note 18. Contingencies and Other Assets/Liabilities Not Recognised (continued)

\$ '000

LIABILITIES NOT RECOGNISED (continued):

2. Other Liabilities

(i) Third Party Claims

The Council is involved from time to time in various claims incidental to the ordinary course of business including claims for damages relating to its services.

Council believes that it is appropriately covered for all claims through its Insurance Coverage and does not expect any material liabilities to eventuate.

(ii) S94 Plans

Council levies Section 94/94A Contributions upon various development across the Council area through the required Contributions Plans.

As part of these Plans, Council has received funds for which it will be required to expend the monies in accordance with those Plans.

As well, these Plans indicate proposed future expenditure to be undertaken by Council, which will be funded by making levies and receipting funds in future years or where a shortfall exists by the use of Council's General Funds.

These future expenses do not yet qualify as liabilities as of the Reporting Date, but represent Councils intention to spend funds in the manner and timing set out in those Plans.

(iii) Potential Land Acquisitions due to Planning Restrictions imposed by Council

Council has classified a number of privately owned land parcels as Local Open Space or Bushland.

As a result, where notified in writing by the various owners, Council will be required to purchase these land parcels.

At reporting date, reliable estimates as to the value of any potential liability (and subsequent land asset) from such potential acquisitions has not been possible.

ASSETS NOT RECOGNISED:

(i) Land Under Roads

As permitted under AASB 1051, Council has elected not to bring to account Land Under Roads that it owned or controlled up to and including 30/6/08.

(ii) Infringement Notices/Fines

Fines and Penalty Income, the result of Council issuing Infringement Notices is followed up and collected by the Infringement Processing Bureau.

Councils Revenue Recognition policy for such income is to account for it as revenue on receipt.

Accordingly, at Year End, there is a potential asset due to Council representing issued but unpaid Infringement Notices.

Due to the limited information available on the status, value and duration of outstanding Notices, Council is unable to determine the value of outstanding income.

Muswellbrook Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 19. Controlled Entities, Associated Entities and Interests in Joint Ventures

\$ '000

Council's objectives can and in some cases are best met through the use of separate entities and operations.

These operations and entities range from 100% ownership and control through to lower levels of ownership and control via co-operative arrangements with other Councils, Bodies and other Outside Organisations.

The accounting and reporting for these various entities, operations and arrangements varies in accordance with accounting standards, depending on the level of Councils (i) interest and (ii) control and the type (form) of entity/operation, as follows;

Subsidiaries

Note 19(a)

Operational Arrangements where Councils Control (but not necessarily Interest) exceeds 50%

Associated Entities and Joint Venture Entities

Note 19(b) (i)&(ii)

Arrangements in the form of a Separate Entity that deploys the resources of the operation itself. Under Associated Entities, Council significantly influences the operations (but does not control them, whilst for JV Entities, Council Jointly Controls the Operations with other parties.

Joint Venture Operations

Note 19(c)

Arrangements that do not comprise an actual individual entity which can deploy the resources of the individual participants. Under JV Operations, Council Jointly Controls the operations with the Other Parties involved.

Subsidiaries, Associated Entities and Joint Ventures Not Recognised

Note 19(d)

Accounting Recognition:

(i) Subsidiaries disclosed under Note 19(a), and Joint Venture Operations disclosed at Note 19(c), are accounted for on a Line by Line Consolidation basis within the Income Statement and Statement of Financial Position.

(ii) Associated Entities and Joint Venture Entities as per Notes 19(b)(i) and (ii) are accounted for using the Equity Accounting Method - and are disclosed as a 1 line entry in both the Income Statement and Statement of Financial Position.

	Council's Share of Net Income		Council's Share of Net Assets	
	Actual 2013	Actual 2012	Actual 2013	Actual 2012
Associated Entities	-	-	-	-
Joint Venture Entities	7	10	47	40
Total	7	10	47	40

Muswellbrook Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2013

Note 19. Controlled Entities, Associated Entities and Interests in Joint Ventures

\$ '000

(a) Subsidiaries (ie. Entities and Operations controlled by Council)

Council has no interest in any Subsidiaries.

Muswellbrook Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 19. Controlled Entities, Associated Entities and Interests in Joint Ventures

\$ '000

(b) Associated Entities and Joint Venture Entities

(i) ASSOCIATED ENTITIES

(a) Net Carrying Amounts - Council's Share

Name of Entity	Principal Activity	2013	2012
Hunter Councils	Local Government Services	47	40
			-
			-
			-
Total Carrying Amounts - Associated Entities		47	40

(b) Relevant Interests

Name of Entity	Interest in Outputs		Interest in Ownership		Proportion of Voting Power	
	2013	2012	2013	2012	2013	2012
Hunter Councils	4%	4%	4%	4%	8%	8%

(c) Movement in Carrying Amounts of Council's Equity Interest

	Hunter Councils			
	2013	2012		
Opening Balance	40	30		
Share in Operating Result	7	10		
New Capital Contributions		-		
Distributions Received		-		
Adjustments to Equity		-		
Council's Equity Share in the Associated Entity	47	40		

Muswellbrook Shire Council

Notes to the Financial Statements
for the financial year ended 30 June 2013

Note 19. Controlled Entities, Associated Entities and Interests in Joint Ventures

\$ '000

(b) Associated Entities and Joint Venture Entities (continued)

(d) Summarised Financial Information of Associated Entities - Council's Share

2013	Assets	Liabilities	Net Assets	Revenues	Profit
Hunter Councils	159	112	47	46	7
Totals	159	112	47	46	7
2012	Assets	Liabilities	Net Assets	Revenues	Profit
Hunter Councils	157	117	40	46	10
Totals	157	117	40	46	10

(e) Share of Associated Entities Expenditure Commitments

	2013	2012
Capital Commitments		-
Other Expenditure Commitments		-
Lease Commitments		-
	-	-

(f) Contingent Liabilities of Associates

	2013	2012
Share of Contingent Liabilities incurred jointly with other investors		-
Share of Contingent Liabilities for which Council is severally liable		-

No material losses are anticipated in respect of any of the above contingent liabilities

Muswellbrook Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 19. Controlled Entities, Associated Entities and Interests in Joint Ventures

\$ '000

(b) Associated Entities and Joint Venture Entities (continued)

(ii) JOINT VENTURE ENTITIES

(a) Carrying Amounts

Name of Entity	Principal Activity	2013	2012
Hunter Councils Ltd	Local Government Activities	47	40
Total Carrying Amounts - Joint Venture Entities		47	40

(b) Relevant Interests

Name of Entity	Interest in Outputs		Interest in Ownership		Proportion of Voting Power	
	2013	2012	2013	2012	2013	2012
Hunter Councils Ltd	4%	4%	4%	4%	4%	8%

(c) Movement in Carrying Amounts

	Hunter Councils Ltd			
	2013	2012	2013	2012
Opening Balance	40	30	-	-
Share in Operating Result	7	10	-	-
New Capital Contributions	-	-	-	-
Distributions Received	-	-	-	-
Adjustments to Equity	-	-	-	-
Council's Equity Share in the Joint Venture Entity	47	40	-	-

Muswellbrook Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 19. Controlled Entities, Associated Entities and Interests in Joint Ventures

\$ '000

(b) Associated Entities and Joint Venture Entities (continued)

(d) Share of Joint Ventures Assets and Liabilities

	Assets		Liabilities		Net Assets
	Current	Non Current	Current	Non Current	
2013					
Hunter Councils Ltd	14	145	18	94	47
Totals	14	145	18	94	47
2012					
Hunter Councils Ltd	16	141	17	100	40
Totals	16	141	17	100	40

(e) Share of Joint Ventures Revenues, Expenses and Results

	2013			2012		
	Revenues	Expenses	Result	Revenues	Expenses	Result
Hunter Councils Ltd	46	39	7	46	36	10
Totals	46	39	7	46	36	10

(f) Share of Joint Venture Entities Expenditure Commitments

	2013	2012
Capital Commitments		-
Other Expenditure Commitments		-
Lease Commitments		-

(g) Contingent Liabilities of Joint Venture Entities

	2013	2012
Share of Contingent Liabilities incurred jointly with other Participants		-
Share of Contingent Liabilities for which Council is severally liable		-

No material losses are anticipated in respect of any of the above contingent liabilities

Muswellbrook Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2013

Note 19. Controlled Entities, Associated Entities and Interests in Joint Ventures

\$ '000

(c) Joint Venture Operations

Council has no interest in any Joint Venture Operations.

Muswellbrook Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2013

Note 19. Controlled Entities, Associated Entities and Interests in Joint Ventures

\$ '000

(d) Subsidiaries, Associated Entities and Joint Venture Operations Not Recognised

All Subsidiaries, Associated Entities and Joint Ventures have been recognised in this Financial Report as require

Muswellbrook Shire Council

Notes to the Financial Statements
for the financial year ended 30 June 2013

Note 20. Equity - Retained Earnings and Revaluation Reserves

\$ '000	Notes	Actual 2013	Actual 2012
(a) Retained Earnings			
Movements in Retained Earnings were as follows:			
Balance at beginning of Year (from previous years audited accounts)		240,271	231,642
a. Correction of Prior Period Errors	20 (c)	-	-
b. Changes in Accounting Policies (prior period effects)	20 (d)	-	-
c. Other Comprehensive Income (excl. direct to Reserves transactions)		-	-
d. Net Operating Result for the Year		18,936	8,629
e. Distributions to/(Contributions from) Non-controlling Interests		-	-
f. Transfers between Equity		-	-
g. Other Changes (disclosure required)		-	-
Balance at End of the Reporting Period		259,207	240,271
(b) Reserves			
(i) Reserves are represented by:			
- Infrastructure, Property, Plant and Equipment Revaluation Reserve		214,088	215,151
- "Available for Sale" Financial Investments Revaluation Reserve		-	-
- Other Reserves (Specify)		-	-
Total		214,088	215,151
(ii) Reconciliation of movements in Reserves:			
Infrastructure, Property, Plant and Equipment Revaluation Reserve			
- Opening Balance		215,151	206,376
- Revaluations for the year	9(a)	(1,063)	8,775
- Impairment of revalued assets (incl. impairment reversals)	9(a),(c)	-	-
- Transfer to Retained Earnings for Asset disposals		-	-
- Correction of Prior Period Errors	20(c)	-	-
- Balance at End of Year		214,088	215,151
"Available for Sale" Financial Investments Revaluation Reserve			
- Opening Balance		-	-
- Unrealised Gain (Loss) in value for the year		-	-
- Impairment (reversal) of "Available for Sale" Investments to (from) the P&L		-	-
- Transfer of "Available for Sale" values to the P&L for disposals		-	-
- Correction of Prior Period Errors	20(c)	-	-
- Balance at End of Year		-	-

Other Reserves

- Opening Balance
- Increases/(Decreases) for the year
- Transfers to the P&L
- Transfers to Retained Earnings
- Correction of Prior Period Errors
- **Balance at End of Year**

20(c)

-	-
-	-
-	-
-	-
-	-
-	-
-	-
214,088	215,151

TOTAL VALUE OF RESERVES**(iii) Nature and Purpose of Reserves****Infrastructure, Property, Plant and Equipment Revaluation Reserve**

- The Infrastructure, Property, Plant and Equipment Revaluation Reserve is used to record increments/decrements of Non Current Asset values due to their revaluation.

"Available for Sale" Financial Investments Revaluation Reserve

- The "Available for Sale" Financial Investments Revaluation Reserve is used to account for the Fair Value movements in all financial assets so classified that remain on hand at year end.

Upon sale, amounts in Reserves are recognised in the Income Statement (in full) by way of transfer from the Reserve.

Muswellbrook Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 20. Equity - Retained Earnings and Revaluation Reserves (continued)

		Actual	Actual
\$ '000	Notes	2013	2012

(c) Correction of Error/s relating to a Previous Reporting Period

Council made no correction of errors during the current reporting period.

Muswellbrook Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2013

Note 20. Equity - Retained Earnings and Revaluation Reserves (continued)

		Actual	Actual
\$ '000	Notes	2013	2012

(d) Voluntary Changes in Accounting Policies

Council made no voluntary changes in any accounting policies during the year.

Muswellbrook Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 21. Financial Result and Financial Position by Fund

\$ '000

Income Statement by Fund \$ '000	Actual 2013	Actual 2013	Actual 2013	Actual 2013
<u>Continuing Operations</u>	<u>DWM</u>	<u>Water</u>	<u>Sewer</u>	<u>General¹</u>
Income from Continuing Operations				
Rates and Annual Charges	1,740	1,288	2,879	10,204
User Charges and Fees	8	2,680	344	7,342
Interest and Investment Revenue	7	893	607	1,350
Other Revenues		412	286	784
Grants and Contributions provided for Operating Purposes	29	50	32	6,215
Grants and Contributions provided for Capital Purposes		2,193	4,627	9,111
Other Income				
Net Gains from Disposal of Assets		-	-	2,394
Share of interests in Joint Ventures and Associates using the Equity Method				7
Total Income from Continuing Operations	1,784	7,516	8,775	37,407
Expenses from Continuing Operations				
Employee Benefits and on-costs	54	1,083	954	10,701
Borrowing Costs	1,698	211	69	(1,169)
Materials and Contracts		2,222	943	4,468
Depreciation and Amortisation		1,345	966	8,613
Impairment				-
Other Expenses	2	509	233	3,644
Interest and Investment Losses				-
Net Losses from the Disposal of Assets		14	-	(14)
Share of interests in Joint Ventures and Associates using the Equity Method				-
Total Expenses from Continuing Operations	1,754	5,384	3,165	26,243
Operating Result from Continuing Operations	30	2,132	5,610	11,164
Discontinued Operations				
Net Profit/(Loss) from Discontinued Operations		-	-	-
Net Operating Result for the Year	30	2,132	5,610	11,164
Net Operating Result attributable to each Council Fund	30	2,132	5,610	11,164
Net Operating Result attributable to Non-controlling Interests	-	-	-	-
Net Operating Result for the year before Grants and Contributions provided for Capital Purposes	30	(61)	983	2,053

¹ General Fund refers to all Council's activities other than Water, Sewer and DWM

All amounts disclosed above are Gross - that is, they include internal charges and recoveries made between the Funds.

Muswellbrook Shire Council

Notes to the Financial Statements

as at 30 June 2013

Note 21. Financial Result and Financial Position by Fund (continued)

Statement of Financial Position by Fund \$ '000	Actual 2013	Actual 2013	Actual 2013	Actual 2013
	DWM	Water	Sewer	General ¹
ASSETS				
Current Assets				
Cash and Cash Equivalents		-	-	7,857
Investments	143	5,261	4,037	(2,160)
Receivables	92	808	873	3,252
Inventories		3	-	2,047
Other		-	-	216
Non-current assets classified as 'held for sale'		-	-	-
Total Current Assets	235	6,072	4,910	11,212
Non-Current Assets				
Investments		12,477	9,580	13,811
Receivables		1,666	-	-
Inventories		-	-	-
Infrastructure, Property, Plant and Equipment		48,250	44,556	334,034
Investments Accounted for using the equity method		-	-	47
Investment Property		-	-	5,828
Non-current assets classified as 'held for sale'		-	-	-
Other		-	-	-
Total Non-Current Assets	-	62,393	54,136	353,720
TOTAL ASSETS	235	68,465	59,046	364,932
LIABILITIES				
Current Liabilities				
Payables	66	229	87	2,173
Borrowings		211	52	286
Provisions		399	205	2,379
Liabilities associated with assets classified as 'held for sale'		-	-	-
Total Current Liabilities	66	839	344	4,838
Non-Current Liabilities				
Payables		-	-	-
Borrowings		2,939	962	4,992
Provisions		-	-	4,403
Investments Accounted for using the equity method		-	-	-
Liabilities associated with assets classified as 'held for sale'		-	-	-
Total Non-Current Liabilities	-	2,939	962	9,395
TOTAL LIABILITIES	66	3,778	1,306	14,233
Net Assets	169	64,687	57,740	350,699
EQUITY				
Retained Earnings	169	36,518	38,610	183,910
Revaluation Reserves		28,125	19,130	166,833
Council Equity Interest	169	64,643	57,740	350,743
Non-controlling Interests		-	-	-
Total Equity	169	64,643	57,740	350,743

Muswellbrook Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2013

Note 22. "Held for Sale" Non Current Assets and Disposal Groups

\$ '000

	2013	2013	2012	2012
\$ '000	Current	Non Current	Current	Non Current

Council did not classify any Non Current Assets or Disposal Groups as "Held for Sale".

Muswellbrook Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2013

Note 23. Events occurring after the Reporting Period

\$ '000

Events that occur between the end of the reporting period (ending 30 June 2013) and the date when the financial statements are "authorised for issue" have been taken into account in preparing these statements.

Council has adopted the date of receipt of the Auditors' Report as the applicable "authorised for issue" date relating to these General Purpose Financial Statements.

Accordingly, the "authorised for issue" date is 23/10/13.

Events that occur after the Reporting Period represent one of two types:

(i) Events that provide evidence of conditions that existed at the Reporting Period

These financial statements (and the figures therein) incorporate all "adjusting events" that provided evidence of conditions that existed at 30 June 2013.

(ii) Events that provide evidence of conditions that arose after the Reporting Period

These financial statements (and figures therein) do not incorporate any "non-adjusting events" that have occurred after 30 June 2013 and which are only indicative of conditions that arose after 30 June 2013.

Council is unaware of any material or significant "non-adjusting events" that should be disclosed.

Muswellbrook Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2013

Note 24. Discontinued Operations

\$ '000

	Actual	Actual
\$ '000	2013	2012

Council has not classified any of its Operations as "Discontinued".

Muswellbrook Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2013

Note 25. Intangible Assets

\$ '000

Intangible Assets represent identifiable non-monetary asset without physical substance.

Council is unaware of any control over Intangible Assets that warrant recognition in the Financial Statements, including either internally generated and developed assets or purchased assets.

Muswellbrook Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2013

Note 26. Reinstatement, Rehabilitation and Restoration Liabilities

\$ '000

Council has legal/public obligations to make restore, rehabilitate and reinstate the following assets/operations:

Asset/Operation	Estimated year of restoration	NPV of Provision	
		2013	2012
The rehabilitation of the Muswellbrook Waste Management Facility	2027	4,202	3,964
Balance at End of the Reporting Period	10(a)	4,202	3,964

Under AASB 116 - Property, Plant and Equipment, where the use of an asset results in the obligation to dismantle or remove the asset and restore the site on which the asset stands, an estimate of such costs is required to be included in the cost of the asset.

An equivalent liability must be recognised under AASB 137 - Provisions, Contingent Liabilities and Contingent Assets.

The provision has been calculated by determining the present value of the future expenditures expected to be incurred. The discount rate used is the risk free borrowing rate applicable to Council.

Specific uncertainties relating to the final costs and the assumptions made in determining the amounts of provisions include:

- the actual rehabilitation date may change if significant changes occur in relation to the amount of waste accepted in any given year. In such a case, Council will again be required to recalculate the annual remediation costs and the value of the liability.

Reconciliation of movement in Provision for year:

Balance at beginning of year	3,964	3,740
Amounts capitalised to new or existing assets:		
Effect of a change in discount rates used in PV calculations		-
Effect of a change in other calculation estimates used		-
Amortisation of discount (expensed to borrowing costs)	238	224
Expenditure incurred attributable to Provisions		-
Total - Reinstatement, rehabilitation and restoration provision	4,202	3,964

Amount of Expected Reimbursements

Of the above Provisions for Reinstatement, Rehabilitation and Restoration works, those applicable to Garbage Services and Waste Management are able to be funded through future charges incorporated within Council's Annual Domestic Waste Management Charge.

Muswellbrook Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 27. Financial Commentary & Review

\$ '000

Key Financial Figures of Council over the past 5 years (consolidated)

Financial Performance Figures	2013	2012	2011	2010	2009
Inflows:					
Rates & Annual Charges Revenue	16,111	15,289	13,961	11,981	11,433
User Charges Revenue	10,374	8,474	10,472	7,879	7,435
Interest & Investment Revenue (Losses)	2,857	2,432	2,776	2,999	1,681
Grants Income - Operating & Capital	6,639	7,195	5,676	6,770	7,346
Total Income from Continuing Operations	55,482	44,082	42,239	38,599	33,180
Sale Proceeds from I,PP&E	3,184	1,655	243	383	1,589
New Loan Borrowings & Advances	-	-	2,280	1,560	
Outflows:					
Employee Benefits & On-cost Expenses	12,792	11,493	10,849	10,495	9,746
Borrowing Costs	809	823	713	648	658
Materials & Contracts Expenses	7,633	7,749	8,141	7,450	7,895
Total Expenses from Continuing Operations	36,546	35,453	34,132	26,960	26,110
Total Cash purchases of I,PP&E	14,194	15,732	11,608	9,702	5,192
Total Loan Repayments (incl. Finance Leases)	591	564	527	374	394
Operating Surplus/(Deficit) (excl. Capital Income)	3,005	(1,108)	(1,390)	1,027	272
Financial Position Figures	2013	2012	2011	2010	2009
Current Assets	22,429	22,401	22,685	23,328	20,664
Current Liabilities	6,087	6,098	5,529	5,493	4,584
Net Current Assets	16,342	16,303	17,156	17,835	16,080
Available Working Capital (Unrestricted Net Current Assets)	2,235	2,726	3,463	1,765	1,063
Cash & Investments - Unrestricted	42	791	2,183	202	768
Cash & Investments - Internal Restrictions	14,212	11,763	11,912	14,502	16,913
Cash & Investments - Total	51,006	43,964	44,563	43,680	43,446
Total Borrowings Outstanding (Loans, Advances & Finance Leases)	7,776	8,290	8,777	7,848	6,261
Total Value of I,PP&E (excl. Land & Earthworks)	592,439	577,699	560,860	533,890	355,671
Total Accumulated Depreciation	220,825	212,106	212,149	201,469	175,099
Indicative Remaining Useful Life (as a % of GBV)	63%	63%	62%	62%	51%

Source: Published audited financial statements of Council (current year & prior year)

Muswellbrook Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2013

Note 28. Council Information & Contact Details

Principal Place of Business:

157 Maitland Street
MUSWELLBROOK NSW 2333

Contact Details**Mailing Address:**

PO Box 122
MUSWELLBROOK NSW 2333

Opening Hours:

9 am to 4.30 pm Monday to Friday

Telephone: 02 6549 3700

Facsimile: 02 6549 3701

Internet: www.muswellbrook.nsw.gov.au

Email: council@muswellbrook.nsw.gov.au

Officers**GENERAL MANAGER**

Steve McDonald

RESPONSIBLE ACCOUNTING OFFICER

Grant O'Leary

PUBLIC OFFICER

Russell Esdaile

AUDITORS

Hill Rogers - Spencer Steer
GPO Box 7066
SYDNEY NSW 2001

Elected Members**MAYOR**

Cr. M. Rush

COUNCILLORS

Cr. M. Ogg
Cr. K. Portolan
Cr. S. Ward
Cr. J. Lecky
Cr. C. Phelps
Cr. J. Risby
Cr. G. Serhan
Cr. B. Woodruff
Cr. G. McNeill
Cr. R. Butchard
Cr. R. Scholes

Other Information

ABN: 86 864 180 944

MUSWELLBROOK SHIRE COUNCIL

GENERAL PURPOSE FINANCIAL STATEMENTS

INDEPENDENT AUDITORS' REPORT

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying *general purpose financial statements* of **Muswellbrook Shire Council**, which comprises the Statement of Financial Position as at 30 June 2013, Income Statement, Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the year ended on that date, a summary of significant accounting policies and other explanatory notes and the Statement by Councillors and Management. The financial statements include the consolidated financial statements of the economic entity and the entities it controlled at year end or from time to time during the year.

Responsibility of Council for the Financial Statements

The Council is responsible for the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Local Government Act 1993. This responsibility includes the maintenance of adequate accounting records and internal controls designed to prevent and detect fraud and error; designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement. Our audit responsibility does not extend to the original budget information disclosed in the Income Statement, Statement of Cash Flows, and Note 2(a) or the budget variation explanations disclosed in Note 16. Nor does our responsibility extend to the infrastructure backlog and asset maintenance ratios disclosed in Note 13, the projected future developer contributions and costs disclosed in Note 17 or the additional disclosures in Note 27. Accordingly, no opinion is expressed on these matters.

Assurance Partners

T. +61 2 9232 5111
F. +61 2 9233 7950

Level 5, 1 Chifley Square
Sydney NSW 2000 Australia

GPO Box 7066
Sydney NSW 2001

www.hr-ss.com.au
info@hr-ss.com.au

Practising as Hill Rogers Spencer
Steer Assurance Partners

ABN 56 435 338 966

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

Our audit did not involve an analysis of the prudence of business decisions made by Council or management.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements.

Auditor's Opinion

In our opinion,

- (a) the Council's accounting records have been kept in accordance with the requirements of the Local Government Act 1993, Chapter 13 part 3 Division 2; and
- (b) the financial statements:
 - (i) have been presented in accordance with the requirements of this Division;
 - (ii) are consistent with the Council's accounting records;
 - (iii) present fairly the Council's financial position, the results of its operations and its cash flows; and
 - (iv) are in accordance with applicable Accounting Standards and other mandatory professional reporting requirements in Australia.
- (c) all information relevant to the conduct of the audit has been obtained; and
- (d) there are no material deficiencies in the accounting records or financial statements that we have become aware of during the course of the audit.

HILL ROGERS SPENCER STEER



BRETT HANGER

Partner

Dated at Sydney this 23rd day of October 2013

23 October 2013

The Mayor
Muswellbrook Shire Council
PO Box 122
MUSWELLBROOK NSW 2333

Mayor,

Audit Report - Year Ended 30 June 2013

We are pleased to advise completion of the audit of Council's books and records for the year ended 30 June 2013 and that all information required by us was readily available. We have signed our reports as required under Section 417(1) of the Local Government Act, 1993 and the Local Government Code of Accounting Practice and Financial Reporting to the General and Special Purpose Financial Statements.

Our audit has been conducted in accordance with Australian Auditing Standards so as to express an opinion on both the General and Special Purpose Financial Statements of the Council. We have ensured that the accounts have been prepared in accordance with Australian equivalents to International Financial Reporting Standards (AIFRS) and the Local Government Code of Accounting Practice and Financial Reporting.

This report on the conduct of the audit is also issued under Section 417(1) and we now offer the following comments on the financial statements and the audit;

I. RESULTS FOR THE YEAR

I.1 Operating Result

The operating result for the year was a surplus of \$18.936 million compared with \$8.629 million previous year.

Assurance Partners

T. +61 2 9232 5111
F. +61 2 9233 7950

Level 5, 1 Chifley Square
Sydney NSW 2000 Australia

GPO Box 7066
Sydney NSW 2001

www.hr-ss.com.au
info@hr-ss.com.au

Practising as Hill Rogers Spencer
Steer Assurance Partners

ABN 56 435 338 966

The following table sets out the results for the year and the extent (%) that each category of revenue and expenses contributed to the total.

	2013 \$000	% of Total	2012 \$000	% of Total	Increase (Decrease) \$000
Revenues before capital items					
Rates & annual charges	16,111	41%	15,289	45%	822
User charges, fees & other revenues	14,257	36%	10,252	30%	4,005
Grants & contributions provided for operating purposes	6,326	16%	6,372	19%	(46)
Interest & investment revenue	2,857	7%	2,432	7%	425
	39,551	100%	34,345	100%	5,206
Expenses					
Employee benefits & costs	12,792	35%	11,493	32%	1,299
Materials, contracts & other expenses	12,021	33%	11,867	33%	154
Depreciation, amortisation & impairment	10,924	30%	11,270	32%	(346)
Borrowing costs	809	2%	823	2%	(14)
	36,546	100%	35,453	100%	1,093
Surplus/(Deficit) before capital items	3,005		(1,108)		4,113
Grants & contributions provided for capital purposes	15,931		9,737		6,194
Net Surplus/(Deficit) for the year	18,936		8,629		10,307

The table above shows an overall increase over the previous year of \$10.307 million and can be mainly attributed to increased developer contributions and the profit on the sale of property. Rates and annual charges increased by \$822,000 and represented 41% of income before capital items.

1.2 Funding Result

The operating result does not take into account all revenues and all expenditures and in reviewing the overall financial performance of Council it is useful to take into account the total source of revenues and where they were spent during the year which is illustrated in the table below.

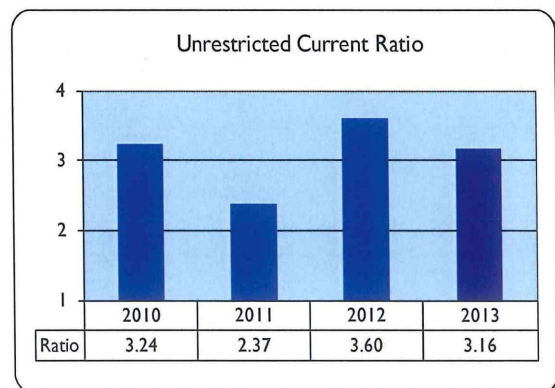
	2013 \$000	2012 \$000
Funds were provided by:-		
Operating Result (as above)	18,936	8,629
Add back non funding items:-		
- Fair value adjustment to interest free loan	77	77
- Depreciation, amortisation & impairment	10,924	11,270
- Book value of non-current assets sold	398	526
- Non cash Contributions of assets acquired	(6,873)	(4,132)
- (Gain)/Loss of fair value to investment properties	(309)	250
- (Surplus)/Deficit in joint ventures	(7)	(10)
	23,146	16,610
Decrease/Redemption in Non-current Investments	0	613
Transfers from externally restricted assets (net)	0	3,449
Transfers from internal reserves (net)	2,466	0
Net Changes in current/non-current assets & liabilities	185	1,356
	25,797	22,028
Funds were applied to:-		
Purchase and construction of assets	(14,032)	(18,032)
Increase/Purchase in Non-current Investments	(8,970)	0
Principal repaid on loans	(591)	(564)
Transfers to externally restricted assets (net)	(2,372)	0
Transfers to internal reserves (net)	0	(4,180)
	(25,965)	(22,776)
Increase/(Decrease) in Available Working Capital	(168)	(748)

2. FINANCIAL POSITION

2.1 Unrestricted Current Ratio

The Unrestricted Current Ratio is a financial indicator specific to local government and represents Council's ability to meet its debts and obligations as they fall due.

After eliminating externally restricted assets and current liabilities not expected to be paid within the next 12 months net current assets amounted to \$5.368 million representing a factor of 3.16 to 1.



Hill Rogers
Spencer Steer

2.2 Available Working Capital

At the close of the year the Available Working Capital of Council stood at \$2.959 million as detailed below;

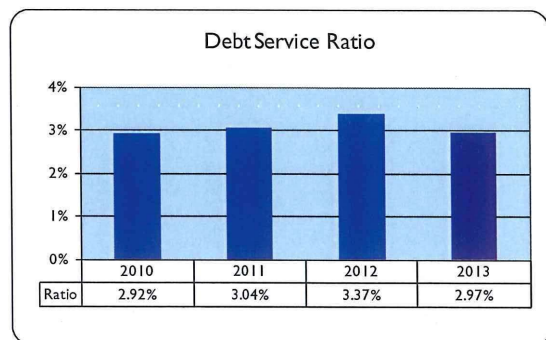
	2013	2012	Change
	\$000	\$000	\$000
Net Current Assets (Working Capital) as per			
Accounts	16,342	16,303	39
Add: Payables, provisions & inventories not expected to be realised in the next 12 months included above	964	1,436	(472)
Adjusted Net Current Assets	17,306	17,739	(433)
Add: Budgeted & expected to pay in the next 12 months			
- Borrowings	549	520	29
- Employees leave entitlements	777	834	(57)
- Deposits & retention moneys	472	273	199
Less: Externally restricted assets	(11,938)	(9,566)	(2,372)
Less: Internally restricted assets	(4,207)	(6,673)	2,466
Available Working Capital as at 30 June	2,959	3,127	(168)

The balance of Available Working Capital should be at a level to manage Council's day to day operations including the financing of hard core debtors and inventories and to provide a buffer against unforeseen and unbudgeted expenditures. Taking into consideration the nature and level of the internally restricted assets (Reserves) set aside we are of the opinion that Available Working Capital as at 30 June 2013 was sound.

2.3 Debt

Operating revenue (excluding special purpose grants & contributions) required to service debt (loan repayments) was 2.97%.

After repaying principal and interest of \$1.085 million, Council's debt as at 30 June 2013 amounted to \$ 7.776 million.



2.4 Summary

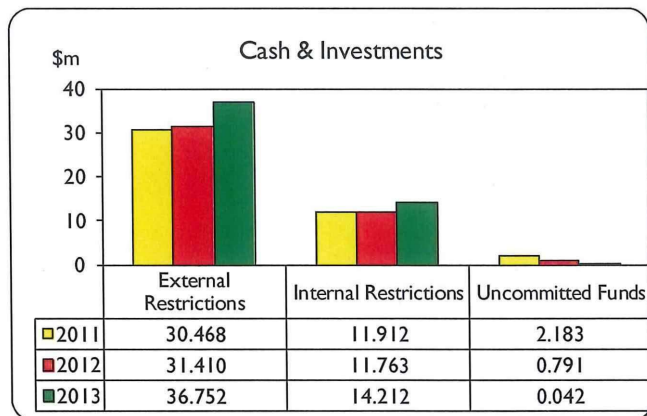
Council's overall financial position, when taking into account the above financial indicators is, in our opinion, sound.

3. CASH ASSETS

3.1 Cash & Investments

Cash and investments held at the close of the year amounted to \$51.006 million as compared with \$43.964 million and \$44.563 million at the close of financial years 2012 and 2011 respectively.

The table alongside summarises the purposes for which cash and investments were held.



Externally restricted cash and investments are restricted in their use by externally imposed requirements and consisted of unexpended developer contributions (\$16.911 million), specific purpose grants (\$926,000), domestic waste management charges (\$143,000) and water and sewerage funds (\$18.772 million).

Internally restricted cash and investments have been restricted in their use by resolution or policy of Council to reflect forward plans, identified programs of works, and are, in fact, Council's "**Reserves**". These Reserves totalled \$14.212 million and their purposes are more fully disclosed in Note 6 of the financial statements.

Unrestricted cash and investments amounted to \$42,000.

3.2 Cash Flows

The Statement of Cash Flows illustrates the flow of cash moving in and out of Council during the year and reveals that cash assets increased by \$3.831 million to \$7.857 million at the close of the year.

In addition to operating activities which contributed net cash of \$20.261 million were the proceeds from the sale investment securities (\$17.442 million) and the sale of assets (\$3.184 million). Cash outflows other than operating activities were used to repay loans (\$591,000), purchase investment securities (\$20.327 million) and to purchase and construct assets (\$16.138 million).

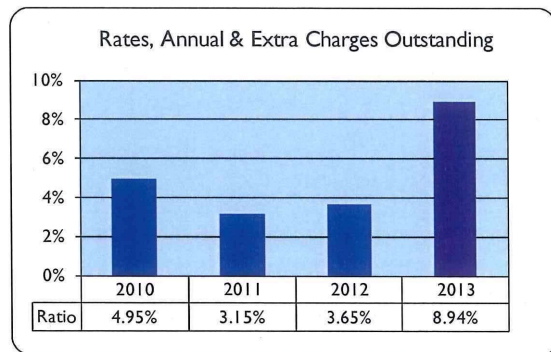
4. RECEIVABLES

4.1 Rates & Annual Charges

Net rates and annual charges levied during the year totalled \$16.111 million and represented 29% of Council's total revenues. Including arrears, the total rates and annual charges collectible was \$16.688 million of which \$15.19 million (91%) was collected.

4.2 Rates, Annual & Extra Charges

Arrears of rates, annual and extra charges stood at \$1.498 million at the end of the year and represented 8.94% of those receivables. The level of rates debtors increased from the prior year by \$921,000 and can be largely attributed to rates to be levied for one mining property assessment.



4.3 Other Receivables

Receivables (other than rates annual & extra charges) totalled \$3.59 million and included amounts due from government departments (\$626,000), user charges and fees (\$1.55 million) and accrued interest on investments (\$714,000). Those considered to be uncertain of collection have been provided for as doubtful debts and this provision amounted to \$63,000.

5. PAYABLES

5.1 Employees Leave Entitlements

Council's provision for its liability toward employees leave entitlements and associated on costs amounted to \$3.184 million. A cash reserve of \$1.186 million was held at year end representing 37% of this liability. This was, in our opinion, more than sufficient to enable Council to meet unbudgeted and unanticipated retirements, particularly considering the funding of provisions relating to water and sewerage operations by externally restricted cash and investments.

5.2 Deposits, Retentions & Bonds

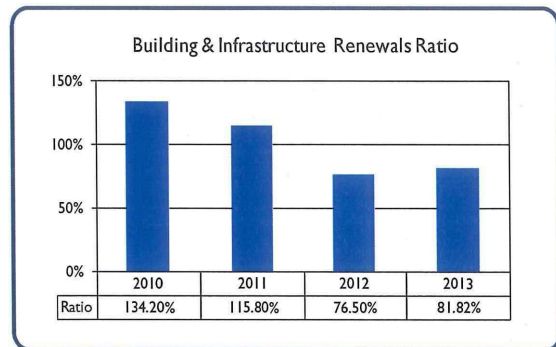
Deposits, retentions and bonds held at year end amounted to \$619,000 and were 83% funded by internally restricted cash and investments.

Hill Rogers
Spencer Steer

6. BUILDING AND INFRASTRUCTURE RENEWALS

The Building and Infrastructure Renewals ratio measures the rate at which these assets are renewed against the rate at which they are depreciating.

The ratio indicates that asset renewals for 2013 represented 82% of the depreciation charges for these assets. An industry benchmark is considered to be 100%, measured annually over the long term.



7. MANAGEMENT LETTER

An audit management letter addressing the findings from our interim audit was issued on 1 July 2013 and included our recommendations on possible ways to strengthen and/or improve procedures.

8. CONCLUSION

We wish to record our appreciation to your General Manager and his staff for their ready co-operation and the courtesies extended to us during the conduct of the audit.

Yours faithfully,
HILL ROGERS SPENCER STEER

BRETT HANGER
Partner

Muswellbrook Shire Council
**Special Purpose
Financial Statements**

for year ended 30 June 2013



**muswellbrook
shire council**

Muswellbrook Shire Council

Special Purpose Financial Statements for the financial year ended 30 June 2013

Contents

Page

1. Statement by Councillors & Management

2

2. Special Purpose Financial Statements:

Income Statement - Water Supply Business Activity

3

Income Statement - Sewerage Business Activity

4

Income Statement - Other Business Activities

5

Statement of Financial Position - Water Supply Business Activity

6

Statement of Financial Position - Sewerage Business Activity

7

Statement of Financial Position - Other Business Activities

8

3. Notes to the Special Purpose Financial Statements

9-17

4. Auditor's Report

18-19

Background

- (i) These Special Purpose Financial Statements have been prepared for the use by both Council and the Division of Local Government in fulfilling their requirements under National Competition Policy.
- (ii) The principle of competitive neutrality is based on the concept of a "level playing field" between persons/entities competing in a market place, particularly between private and public sector competitors.

Essentially, the principle is that government businesses, whether Commonwealth, State or Local, should operate without net competitive advantages over other businesses as a result of their public ownership.

- (iii) For Council, the principle of competitive neutrality & public reporting applies only to declared business activities.

These include **(a)** those activities classified by the Australian Bureau of Statistics as business activities being water supply, sewerage services, abattoirs, gas production and reticulation and **(b)** those activities with a turnover of over \$2 million that Council has formally declared as a Business Activity (defined as Category 1 activities).

- (iv) In preparing these financial statements for Council's self classified Category 1 businesses and ABS defined activities, councils must **(a)** adopt a corporatisation model and **(b)** apply full cost attribution including tax equivalent regime payments & debt guarantee fees (where the business benefits from councils borrowing position by comparison with commercial rates).
-

Muswellbrook Shire Council

Special Purpose Financial Statements

for the financial year ended 30 June 2013

Statement by Councillors and Management

made pursuant to the Local Government Code of Accounting Practice and Financial Reporting

The attached Special Purpose Financial Statements have been prepared in accordance with:

- The NSW Government Policy Statement "Application of National Competition Policy to Local Government".
- The Division of Local Government Guidelines "Pricing & Costing for Council Businesses - A Guide to Competitive Neutrality".
- The Local Government Code of Accounting Practice and Financial Reporting.
- The NSW Office of Water (Department of Environment, Climate Change and Water) Guidelines - "Best Practice Management of Water and Sewerage".

To the best of our knowledge and belief, these Financial Statements:

- Present fairly the Operating Result and Financial Position for each of Council's declared Business Activities for the year, and
- Accord with Council's accounting and other records.

We are not aware of any matter that would render these Statements false or misleading in any way.

Signed in accordance with a resolution of Council made on 14 October 2013.



Cr. M. Rush
MAYOR



Cr. K. Portolan
COUNCILLOR



Steve McDonald
GENERAL MANAGER



Grant O'Leary
RESPONSIBLE ACCOUNTING OFFICER