

Muswellbrook Shire Council
**General Purpose
Financial Statements**

for year ended 30 June 2014



**muswellbrook
shire council**

Muswellbrook Shire Council

General Purpose Financial Statements for the financial year ended 30 June 2014

Contents	Page
1. Understanding Council's Financial Statements	2
2. Statement by Councillors and 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
4. Notes to the Financial Statements	12-113
5. Independent Auditor's Reports:	
- On the Financial Statements (Sect 417 [2])	114-115
- On the Conduct of the Audit (Sect 417 [3])	116-122

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 and 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 31 October 2014. Council has the power to amend and reissue these financial statements.

Muswellbrook Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Understanding Council's Financial Statements

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

In New South Wales 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 2013/14 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 and is being carried out with the aim of achieving profit. 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. Note 21 (Financial Result and Financial Position by Fund) is interesting in that it provides an insight into the 2013/14 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 high level of 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 2013/14 and position as at 30 June 2014.

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 minor 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 New South Wales 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 2014

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:

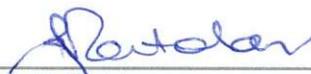
- present fairly the Council's operating result and financial position for the year, and
- accords with Council's accounting and other records.

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

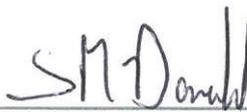
Signed in accordance with a resolution of Council made on 13 October 2014.



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 2014

Budget ¹ 2014	\$ '000	Notes	Actual 2014	Actual 2013
Income from Continuing Operations				
Revenue:				
16,941	Rates and Annual Charges	3a	17,120	16,111
10,426	User Charges and Fees	3b	11,888	10,374
2,622	Interest and Investment Revenue	3c	2,909	2,857
1,001	Other Revenues	3d	1,213	1,482
5,654	Grants and Contributions provided for Operating Purpose:	3e,f	4,547 ²	6,326
11,830	Grants and Contributions provided for Capital Purposes	3e,f	12,884	15,931
Other Income:				
	Net gains from the disposal of assets	5	-	2,394
	Net Share of interests in Joint Ventures and Associated Entities using the equity method	19	12	7
<u>48,474</u>	Total Income from Continuing Operations		<u>50,573</u>	<u>55,482</u>
Expenses from Continuing Operations				
12,625	Employee Benefits and On-Costs	4a	12,788	12,792
999	Borrowing Costs	4b	886	809
9,480	Materials and Contracts	4c	8,804	7,633
12,147	Depreciation & Amortisation	4d	10,642	10,924
	Impairment	4d	-	-
4,802	Other Expenses	4e	5,182	4,388
	Interest and Investment Losses	3c	-	-
	Net Losses from the Disposal of Assets	5	6	-
	Net Share of interests in Joint Ventures and Associated Entities using the equity method	19	-	-
<u>40,053</u>	Total Expenses from Continuing Operations		<u>38,308</u>	<u>36,546</u>
<u>8,421</u>	Operating Result from Continuing Operations		<u>12,265</u>	<u>18,936</u>
Discontinued Operations				
	Net Profit/(Loss) from Discontinued Operations	24	-	-
<u>8,421</u>	Net Operating Result for the Year		<u>12,265</u>	<u>18,936</u>
8,421	Net Operating Result attributable to Council		12,265	18,936
	Net Operating Result attributable to Non-controlling Interests		-	-
Net Operating Result for the year before Grants and Contributions provided for Capital Purposes				
<u>(3,409)</u>			<u>(619)</u>	<u>3,005</u>

¹ Original Budget as approved by Council - refer Note 16

² Financial Assistance Grants for 13/14 are lower, reflecting a timing difference due to a change in how the grant is paid - refer Note 3 (e)

Muswellbrook Shire Council

Statement of Comprehensive Income
for the financial year ended 30 June 2014

\$ '000	Notes	Actual 2014	Actual 2013
Net Operating Result for the year (as per Income statement)		12,265	18,936
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)	94,922	(1,063)
Adjustment to correct prior period errors		-	-
Impairment (loss) reversal relating to I,PP&E	20b (ii)	-	-
Other Movements		-	-
Total Items which will not be reclassified subsequently to the Operating Result		94,922	(1,063)
<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		-	-
Total Items which will be reclassified subsequently to the Operating Result when specific conditions are met		-	-
Total Other Comprehensive Income for the year		94,922	(1,063)
Total Comprehensive Income for the Year		107,187	17,873
Total Comprehensive Income attributable to Council		107,187	17,873
Total Comprehensive Income attributable to Non-controlling Interests		-	-

Muswellbrook Shire Council
Statement of Financial Position
as at 30 June 2014

\$ '000	Notes	Actual 2014	Actual 2013
ASSETS			
Current Assets			
Cash and Cash Equivalents	6a	3,352	7,857
Investments	6b	4,990	7,281
Receivables	7	8,110	5,025
Inventories	8	2,081	2,050
Other	8	53	216
Non-current assets classified as "held for sale"	22	-	-
Total Current Assets		18,586	22,429
Non-Current Assets			
Investments	6b	38,261	35,868
Receivables	7	-	-
Inventories	8	-	-
Infrastructure, Property, Plant and Equipment	9	541,572	426,840
Investments accounted for using the equity method	19	59	47
Investment Property	14	7,485	5,828
Intangible Assets	25	-	-
Non-current assets classified as "held for sale"	22	-	-
Total Non-Current Assets		587,377	468,583
TOTAL ASSETS		605,963	491,012
LIABILITIES			
Current Liabilities			
Payables	10	5,112	2,555
Borrowings	10	829	549
Provisions	10	2,888	2,983
Liabilities associated with assets classified as "held for sale"	22	-	-
Total Current Liabilities		8,829	6,087
Non-Current Liabilities			
Payables	10	-	-
Borrowings	10	11,973	7,227
Provisions	10	4,679	4,403
Investments accounted for using the equity method	19	-	-
Liabilities associated with assets classified as "held for sale"	22	-	-
Total Non-Current Liabilities		16,652	11,630
TOTAL LIABILITIES		25,481	17,717
Net Assets		580,482	473,295
EQUITY			
Retained Earnings	20	271,472	259,207
Revaluation Reserves	20	309,010	214,088
Council Equity Interest		580,482	473,295
Non-controlling Interests		-	-
Total Equity		580,482	473,295

Muswellbrook Shire Council
Statement of Changes in Equity
for the financial year ended 30 June 2014

\$ '000	Notes	Retained Earnings	Reserves (Refer 20b)	Council Interest	Non- controlling Interest	Total Equity
2014						
Opening Balance (as per Last Year's Audited Accounts)		259,207	214,088	473,295	-	473,295
a. Correction of Prior Period Errors	20 (c)	-	-	-	-	-
b. Changes in Accounting Policies (prior year effects)	20 (d)	-	-	-	-	-
Revised Opening Balance (as at 1/7/13)		259,207	214,088	473,295	-	473,295
c. Net Operating Result for the Year		12,265	-	12,265	-	12,265
d. Other Comprehensive Income						
- Revaluations : IPP&E Asset Revaluation Rsve	20b (ii)	-	94,922	94,922	-	94,922
- Revaluations: Other Reserves	20b (ii)	-	-	-	-	-
- Transfers to Income Statement	20b (ii)	-	-	-	-	-
- Impairment (loss) reversal relating to IPP&E	20b (ii)	-	-	-	-	-
Other Comprehensive Income		-	94,922	94,922	-	94,922
Total Comprehensive Income (c&d)		12,265	94,922	107,187	-	107,187
e. Distributions to/(Contributions from) Non-controlling Interests		-	-	-	-	-
f. Transfers between Equity		-	-	-	-	-
Equity - Balance at end of the reporting period		271,472	309,010	580,482	-	580,482

\$ '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 IPP&E	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

Muswellbrook Shire Council

Statement of Cash Flows

for the financial year ended 30 June 2014

Budget 2014	\$ '000	Notes	Actual 2014	Actual 2013
Cash Flows from Operating Activities				
Receipts:				
16,941	Rates and Annual Charges		16,575	15,190
11,189	User Charges and Fees		12,836	10,866
2,622	Investment and Interest Revenue Received		2,469	2,128
17,484	Grants and Contributions		14,486	15,756
-	Bonds, Deposits and Retention amounts received		298	309
	Other		1,139	2,888
Payments:				
(12,625)	Employee Benefits and On-Costs		(12,946)	(12,473)
(9,480)	Materials and Contracts		(11,800)	(8,949)
(999)	Borrowing Costs		(535)	(497)
-	Bonds, Deposits and Retention amounts refunded		(251)	(88)
(4,802)	Other		(4,843)	(4,869)
	Net Cash from Boundary Adjustments		-	-
<u>20,330</u>	Net Cash provided (or used in) Operating Activities	11b	<u>17,428</u>	<u>20,261</u>
Cash Flows from Investing Activities				
Receipts:				
	Sale of Investment Securities		13,371	17,442
	Sale of Investment Property		-	-
	Sale of Real Estate Assets		226	2,582
	Sale of Infrastructure, Property, Plant and Equipment		533	602
	Sale of Shares in Companies		-	-
	Sale of Interests in Joint Ventures and Associates		-	-
	Sale of Disposal Groups		-	-
	Deferred Debtors Receipts		-	-
	Distributions Received from Joint Ventures and Associates		-	-
	Other Investing Activity Receipts		-	-
Payments:				
	Purchase of Investment Securities		(13,283)	(20,327)
	Purchase of Investment Property		(2,105)	(113)
(22,747)	Purchase of Infrastructure, Property, Plant and Equipment		(25,571)	(14,194)
	Purchase of Real Estate Assets		(60)	(1,831)
	Purchase of Shares in Companies		-	-
	Purchase of Interests in Joint Ventures and Associates		-	-
	Deferred Debtors and Advances Made		-	-
	Contributions Paid to Joint Ventures and Associates		-	-
	Other Investing Activity Payments		-	-
<u>(22,747)</u>	Net Cash provided (or used in) Investing Activities		<u>(26,889)</u>	<u>(15,839)</u>
Cash Flows from Financing Activities				
Receipts:				
	Proceeds from Borrowings and Advances		5,700	-
	Proceeds from Finance Leases		-	-
	Other Financing Activity Receipts		-	-

	Payments:			
	Repayment of Borrowings and Advances		(744)	(591)
	Repayment of Finance Lease Liabilities		-	-
	Distributions to Non-controlling Interests		-	-
	Other Financing Activity Payments			-
	Net Cash Flow provided (used in) Financing Activities		4,956	(591)
(2,417)	Net Increase/(Decrease) in Cash and Cash Equivalent		(4,505)	3,831
	plus: Cash & Cash Equivalents - beginning of year	11a	7,857	4,026
(2,417)	Cash & Cash Equivalents - end of the year	11a	3,352	7,857
	Additional Information:			
	plus: Investments on hand - end of year	6b	43,251	43,149
	Total Cash, Cash Equivalents and Investments		46,603	51,006

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 2014

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	34-41
4	Expenses from Continuing Operations	42-45
5	Gains or Losses from the Disposal of Assets	46
6(a)	Cash and Cash Equivalent Assets	47
6(b)	Investments	48-49
6(c)	Restricted Cash, Cash Equivalents and Investments - Details	50-51
7	Receivables	52-53
8	Inventories and Other Assets	54-55
9(a)	Infrastructure, Property, Plant and Equipment	56
9(b)	Externally Restricted Infrastructure, Property, Plant and Equipment	57
9(c)	Infrastructure, Property, Plant and Equipment - Current Year Impairments	58
10(a)	Payables, Borrowings and Provisions	59-61
10(b)	Description of (and movements in) Provisions	62
11	Statement of Cash Flows - Additional Information	63
12	Commitments for Expenditure	64-64
13	Statement of Performance Measures:	
	13a (i) Local Government Industry Indicators (Consolidated)	67
	13b Local Government Industry Indicators (by Fund)	68
14	Investment Properties	69-70
15	Financial Risk Management	71-75
16	Material Budget Variations	76-79
17	Statement of Developer Contributions	80-82
18	Contingencies and Other Liabilities/Assets not recognised	83-84
19	Controlled Entities, Associated Entities and Interests in Joint Ventures	85-92
20	Equity - Retained Earnings and Revaluation Reserves	93-95
21	Financial Result and Financial Position by Fund	96-97
22	"Held for Sale" Non Current Assets and Disposal Groups	98
23	Events occurring after the Reporting Date	99
24	Discontinued Operations	100
25	Intangible Assets	101
26	Reinstatement, Rehabilitation and Restoration Liabilities	102
27	Fair Value Measurement	103-108
	Additional Council Disclosures	
28	Financial Review and Commentary	109
29	Council Information and Contact Details	110

Muswellbrook Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

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 its general understanding.

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 Australian Accounting Interpretations issued by the Australian Accounting Standards Board,
- the Local Government Act (1993) and Regulation, 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

During the current year, the following relevant standards became mandatory for Council and have been adopted:

- AASB 13 Fair Value Measurement
- AASB 119 Employee Benefits

AASB 13 Fair Value Measurement has not affected the assets or liabilities which are to be measured at fair value, however it provides detailed guidance on how to measure fair value in accordance with the accounting standards.

It introduces the concept of highest and best use for non-financial assets and has caused the Council to review their valuation methodology.

The level of disclosures regarding fair value have increased significantly and have been included in the financial statements at Note 27.

AASB 119 Employee Benefits introduced revised definitions for short-term employee benefits.

Whilst the Council has reviewed the annual leave liability to determine the level of annual leave which is expected to be paid more than twelve months after the end of the reporting period, there has been no effect on the amounts disclosed as leave liabilities since Council's existing valuation policy was to discount annual leave payable more than twelve months after the end of the reporting period to present values.

(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.

Muswellbrook Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 1. Summary of Significant Accounting Policies

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) certain financial assets and liabilities at fair value through profit or loss and available-for-sale financial assets 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 non current assets (eg. Infrastructure, Property, Plant and Equipment and Investment Property) 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.

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 Council 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 Council'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

Muswellbrook Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 1. Summary of Significant Accounting Policies

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 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

Rental income is accounted for on a straight-line basis over the lease term.

Interest Income from Cash and Investments is accounted for using the effective interest rate at the date that interest is earned.

Dividend Income

Revenue is recognised when the Council's right to receive the payment is established, which is generally when shareholders approve the dividend.

Other Income

Other income is recorded when the payment is due, the value of the payment is notified or the payment is received, whichever occurs first.

(c) Principles of Consolidation

Muswellbrook Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 1. Summary of Significant Accounting Policies

These financial statements incorporate (i) the assets and liabilities of Council and any entities (or operations) that it **controls** (as at 30 June 2014) and (ii) all the related operating results (for the financial year ended the 30th June 2014).

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

(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

Any interests in Joint Venture Entities and Partnerships are accounted for using the equity method and is 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), ie. 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.

Muswellbrook Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 1. Summary of Significant Accounting Policies

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.

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

For Statement of Cash Flows (and Statement of Financial Position) presentation purposes, 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 Cash Flow Statement.

(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.

Muswellbrook Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 1. Summary of Significant Accounting Policies

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 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 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.

Muswellbrook Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 1. Summary of Significant Accounting Policies

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.

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.

Muswellbrook Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 1. Summary of Significant Accounting Policies

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 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.

Muswellbrook Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 1. Summary of Significant Accounting Policies

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.

(j) Infrastructure, Property, Plant and Equipment (I,PP and E)

Acquisition of assets

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

At balance date, the following classes of I,PP 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 assets cost is measured at its fair value, plus 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

Muswellbrook Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 1. Summary of Significant Accounting Policies

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.

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 five 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 30/6/08)	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
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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.

Muswellbrook Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 1. Summary of Significant Accounting Policies

Estimated useful lives for Council's I,PP 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

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.

Muswellbrook Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 1. Summary of Significant Accounting Policies

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.

The last full revaluation for Council's Investment Properties was dated 30 June 2014.

(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.

Muswellbrook Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 1. Summary of Significant Accounting Policies

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 unwind 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.

(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 Council 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 I,PP 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.

Muswellbrook Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 1. Summary of Significant Accounting Policies

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 are subsequently 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.

Borrowings are classified as current liabilities unless the Council has an unconditional right to defer settlement of the liability for at least 12 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.

Muswellbrook Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 1. Summary of Significant Accounting Policies

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

All other short-term employee benefit obligations are presented as payables.

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 wholly 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 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 Richard Boyfield, Representative of Mercer Consulting (Australia) Pty Ltd AFS Licence #4117700 as at 30 June 2014 and covers the period ended 30 June 2014. However the position is monitored annually and the Actuary has estimated that as at 30 June 2014 the prior period deficit still exists.

Muswellbrook Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 1. Summary of Significant Accounting Policies

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 2014 was \$133,025.

The share of this deficit that can be broadly attributed to Council is estimated to be in the order of \$488,584 as at 30 June 2014.

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.

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 2014.

(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).

Muswellbrook Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 1. Summary of Significant Accounting Policies

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 interpretations

Certain new (or amended) accounting standards and interpretations have been published that are not mandatory for reporting periods ending 30 June 2014.

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 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 and AASB 2013-9 Amendments to Australian Accounting Standards – Conceptual

Framework, Materiality and Financial Instruments (effective from 1 January 2017)

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.

The Council has not yet fully assessed the impact on the reporting financial position and performance on adoption of AASB 9.

AASB 2013-3 Amendments to AASB 136 Recoverable Amount Disclosures for Non-Financial Assets (effective for 30 June 2015 Financial Statements)

There are no changes to reported financial position or performance from AASB 2013 – 3, however additional disclosures may be required.

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

Muswellbrook Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 1. Summary of Significant Accounting Policies

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 for 30 June 2015 Financial Statements for not-for-profit entities)

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 2015.

Muswellbrook Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2014

Note 1. Summary of Significant Accounting Policies

Not applicable to Local Government per se;

There are no other standards that are “not yet effective” and expected to have a material impact on Council 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 2014

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	Actual	Actual	Actual	Original Budget	Actual	Actual	Actual	Original Budget	Actual	Actual	Actual	Actual	Actual	Actual	Actual
	2014	2014	2013	2013	2014	2014	2013	2013	2014	2014	2013	2014	2014	2013	2014	2013
Governance	-	-	-	635	718	548	635	(718)	(548)	(635)	1,793	36	95,893	-		
Administration	2,297	2,759	592	4,138	4,556	4,370	4,138	(2,259)	(1,611)	(3,546)	3	27	44,620	45,848		
Public Order and Safety	751	956	851	1,028	1,125	1,038	1,028	(374)	(82)	(177)	341	225	4,585	4,362		
Health	-	-	-	-	-	-	-	-	-	-	-	-	248	228		
Environment	4,279	4,934	5,457	4,625	5,877	6,024	4,625	(1,598)	(1,090)	832	477	468	550	574		
Community Services and Education	194	203	332	335	467	428	335	(273)	(225)	(3)	236	328	9,911	3,712		
Housing and Community Amenities	792	824	903	2,595	2,088	1,964	2,595	(1,296)	(1,140)	(1,692)	117	179	5,408	6,151		
Water Supplies	5,602	6,018	7,299	4,791	6,190	5,071	4,791	(588)	947	2,508	44	32	60,762	60,516		
Sewerage Services	4,241	5,717	8,460	3,168	3,026	2,989	3,168	1,215	2,728	5,292	43	32	57,855	53,447		
Recreation and Culture	2,450	3,133	1,990	3,992	4,823	4,668	3,992	(2,373)	(1,535)	(2,002)	378	1,102	46,477	45,005		
Fuel and Energy	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
Agriculture	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
Mining, Manufacturing & Construction	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
Transport and Communication	10,163	9,336	10,977	10,343	10,374	10,206	10,343	(211)	(870)	634	1,216	476	269,086	262,219		
Economic Affairs	1,070	3,222	3,942	896	809	1,002	896	261	2,220	3,046	12	72	10,509	8,903		
Total Functions & Activities	31,839	37,102	40,803	36,546	40,053	38,308	36,546	(8,214)	(1,206)	4,257	4,660	2,977	605,904	490,965		
Share of gains/(losses) in Associates & Joint Ventures (using the Equity Method)	-	12	7	-	-	-	-	-	12	7	-	-	59	47		
General Purpose Income ¹	16,635	13,459	14,672	-	-	-	-	16,635	13,459	14,672	1,726	3,349	-	-		
Operating Result from Continuing Operations	48,474	50,573	55,482	36,546	40,053	38,308	36,546	8,421	12,265	18,936	6,386	6,326	605,963	491,012		

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

Muswellbrook Shire Council
Notes to the Financial Statements
 for the financial year ended 30 June 2014

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 AND 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 AND 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 AND COMMUNITY AMENITIES

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

WATER SUPPLIES

SEWERAGE SERVICES

RECREATION AND 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 AND ENERGY - Gas Supplies

AGRICULTURE

MINING, MANUFACTURING AND CONSTRUCTION

Building control, abattoirs, quarries and pits, other.

TRANSPORT AND COMMUNICATION

Urban roads, sealed rural roads, unsealed rural roads, bridges, footpaths, aerodromes, parking areas, bus shelters and services, water transport, RMS 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 2014

Note 3. Income from Continuing Operations

\$ '000	Notes	Actual 2014	Actual 2013
(a) Rates and Annual Charges			
Ordinary Rates			
Residential		4,450	4,165
Farmland		1,245	1,194
Mining		3,777	3,633
Business		1,159	1,068
Other		-	-
Total Ordinary Rates		10,631	10,060
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		1,682	1,621
Stormwater Management Services		150	145
Water Supply Services		1,404	1,288
Sewerage Services		3,134	2,879
Drainage		-	-
Waste Management Services (non-domestic)		119	118
Environmental		-	-
Coastal Protection		-	-
Section 611 Charges		-	-
Waste Levy		-	-
Other		-	-
Total Annual Charges		6,489	6,051
<u>TOTAL RATES AND ANNUAL CHARGES</u>		<u>17,120</u>	<u>16,111</u>

Council has used 2012 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 2014

Note 3. Income from Continuing Operations (continued)

\$ '000	Notes	Actual 2014	Actual 2013
(b) User Charges and Fees			
Specific User Charges (per s.502 - Specific "actual use" charges)			
Domestic Waste Management Services		-	-
Water Supply Services		3,034	2,450
Sewerage Services		445	344
Drainage Services		-	-
Waste Management Services (non-domestic)		-	-
Other		-	-
Total User Charges		3,479	2,794
Other User Charges and Fees			
(i) Charges and Fees - Statutory and Regulatory Functions (per s.608)			
Building Regulation		91	93
Building Services - Other		-	-
Inspection Services		36	28
Planning and Building Regulation		-	-
Private Works - Section 67		195	37
Regulatory/ Statutory Fees		94	144
Registration Fees		-	-
Regulatory Fees		-	-
Section 149 Certificates (EPA Act)		66	76
Section 603 Certificates		21	36
Tapping Fees		-	-
Town Planning		49	59
Development/Building Control		683	599
Water and Sewer Related Sales		772	692
DECCW Levy Recovered		1,191	1,122
Other		-	-
Total Charges and Fees - Statutory/Regulatory		3,198	2,886

Muswellbrook Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 3. Income from Continuing Operations (continued)

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

Aerodrome	-	-
Aged Care	-	-
Caravan Park	-	-
Cemeteries	60	56
Child Care	-	-
Community Centres	35	31
Gravel Pits	-	-
Lease Rentals	-	-
Leaseback Fees - Council Vehicles	58	55
Leisure Centre	39	36
Library and Art Gallery	44	52
Multipurpose Centre	-	-
Park Rents	39	36
Parking Fees	-	-
Quarry Revenues	-	-
Refuse and Effluent Disposal	-	-
Recycling Income (Non Domestic)	-	-
Restoration Charges	-	-
RMS (formerly RTA) Charges (State Roads not controlled by Council)	1,888	1,551
Saleyards	-	-
Sundry Sales	-	-
Swimming Centres	564	630
Tourism	-	-
Waste Disposal Tipping Fees	2,419	2,152
Water Connection Fees	-	-
Gym Centre	7	-
Other	-	-
Total Charges and Fees - Other	5,211	4,694
TOTAL USER CHARGES AND FEES	11,888	10,374

Muswellbrook Shire Council

Notes to the Financial Statements
for the financial year ended 30 June 2014

Note 3. Income from Continuing Operations (continued)

\$ '000	Notes	Actual 2014	Actual 2013
(c) Interest and Investment Revenue (incl. losses)			
Interest and Dividends			
- Interest on Overdue Rates and Annual Charges (incl. Special Purpose Rate)		96	75
- Interest earned on Investments (interest and coupon payment income)		2,623	2,456
- Interest on Deferred Debtors		-	-
- Interest and Dividend Income (Other)		-	-
Fair Value Adjustments			
- Fair Valuation movements in Investments (at FV or Held for Trading)		90	202
- Fair Valuation movements in Investments (Other)		-	-
Impairment Losses/Reversals			
- Impairment (Losses)/Reversals - Investments other than AFS		171	133
- Impairment (Losses)/Reversals - Available for Sale Investments	20b(ii)	-	-
Available for Sale Revaluation Reserves realised on Investment sale		-	-
Amortisation of Premiums and Discounts			
- Interest Free (and Interest Reduced) Loans provided		-	-
- "Held to Maturity" Investments		(71)	(9)
Fair Valuation of Financial Liabilities on recognition			
- Interest Free (or favourable) Loans and Advances Received		-	-
Other		-	-
<u>TOTAL INTEREST AND INVESTMENT REVENUE</u>		<u>2,909</u>	<u>2,857</u>
Interest Revenue is attributable to:			
Unrestricted Investments/Financial Assets:			
Overdue Rates and Annual Charges (General Fund)		96	75
General Council Cash and Investments		1,006	1,188
Restricted Investments/Funds - External:			
Development Contributions			
- Section 94		101	94
- Section 64		770	519
Water Fund Operations		655	688
Sewerage Fund Operations		281	293
Domestic Waste Management operations		-	-
Other Externally Restricted Assets		-	-
Restricted Investments/Funds - Internal:			
Internally Restricted Assets		-	-
Total Interest and Investment Revenue Recognised		<u>2,909</u>	<u>2,857</u>

Muswellbrook Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 3. Income from Continuing Operations (continued)

(d) Other Revenues

Fair Value Adjustments - Investment Properties	14	-	309
Rental Income - Investment Properties	14	773	745
Rental Income - Other Council Properties		253	263
Reversal of prior period revaluation decrements (applicable to I,PP&E)	9(a)	-	-
Ex Gratia Rates		-	-
Fines		110	39
Fines - Parking		-	-
Fines - Other		-	-
Legal Fees Recovery - Rates and Charges (Extra Charges)		26	-
Legal Fees Recovery - Other		-	-
Commissions and Agency Fees		-	-
Computer Bureau Income		-	-
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		51	42
GST Refunded		-	-
Other		-	54
<u>TOTAL OTHER REVENUE</u>		<u>1,213</u>	<u>1,482</u>

Muswellbrook Shire Council
Notes to the Financial Statements
for the financial year ended 30 June 2014

Note 3. Income from Continuing Operations (continued)

\$ '000	2014 Operating	2013 Operating	2014 Capital	2013 Capital
(e) Grants				
General Purpose (Untied)				
Financial Assistance	-	-	-	-
Financial Assistance - General Component	1,221	2,461	-	-
Financial Assistance - Local Roads Component	431	815	-	-
Pensioners' Rates Subsidies - General Component	74	73	-	-
Other Grants	-	-	-	-
Total General Purpose	1,726	3,349	-	-
¹ The Financial Assistance Grant for 13/14 reflects a one off reduction due to the fact that this grant is no longer being paid in advance by up to 50% as has occurred in previous years - it does not represent a loss of income but is instead a timing difference.				
Specific Purpose				
Pensioners' Rates Subsidies:				
- Water	32	32	-	-
- Sewerage	32	32	-	-
- Domestic Waste Management	29	29	-	-
Water Supplies	-	-	-	376
Sewerage Services	-	-	-	402
Bushfire and Emergency Services	331	225	441	504
Community Care	53	76	-	-
Economic Development	12	28	2,160	135
Employment and Training Programs	34	11	-	-
Environmental Protection	23	267	-	-
Heritage and Cultural	2	4	-	-
Library	2	29	12	-
Library - per capita	-	47	-	-
Recreation and Culture	-	10	15	-
Street Lighting	57	57	-	-
Transport (Roads to Recovery)	-	-	409	409
Transport (Other Roads and Bridges Funding)	271	291	428	176
Planning	58	48	-	-
Waste Management	259	102	-	-
Total Specific Purpose	1,195	1,288	3,465	2,002
Total Grants	2,921	4,637	3,465	2,002
Grant Revenue is attributable to:				
- Commonwealth Funding	1,652	3,275	2,569	544
- State Funding	1,269	1,362	896	1,458
- Other Funding	-	-	-	-
	2,921	4,637	3,465	2,002

Muswellbrook Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 3. Income from Continuing Operations (continued)

\$ '000	2014 Operating	2013 Operating	2014 Capital	2013 Capital
(f) Contributions				
Developer Contributions:				
(s93 and s94 - EP&A Act, s64 of the LGA):				
S 93F - Contributions using Planning Agreements	198	1,281	2,265	800
S 94 - Contributions towards amenities/services	808	-	142	495
S 94A - Fixed Development Consent Levies	-	-	91	114
S 64 - Water Supply Contributions	-	-	281	1,005
S 64 - Sewerage Service Contributions	-	-	701	1,625
S 64 - Stormwater Contributions	-	-	15	56
Developer Provided Infrastructure Roads/Drainage	-	-	1,869	6,369
Developer Provided Infrastructure Water	-	-	106	827
Developer Provided Infrastructure Sewer	-	-	913	2,600
Total Developer Contributions	1,006	1,281	6,383	13,891
	17			
Other Contributions:				
Bushfire Services	10	-	-	-
Business Development	-	-	-	-
Community Services	150	152	-	-
Dedications (other than by S94)	-	-	-	-
Drainage	-	-	-	-
Heritage/Cultural	3	-	-	-
Kerb and Gutter	-	-	4	-
LIRS Subsidy	44	-	-	-
Other Councils - Joint Works/Services	-	-	-	-
Paving	-	-	-	-
Recreation and Culture	-	16	32	25
Roads and Bridges	48	-	3,000	13
RMS Contributions (Regional Roads, Block Grant)	-	-	-	-
Sewerage (excl. Section 64 contributions)	-	-	-	-
Tourism	-	-	-	-
Water Supplies (excl. Section 64 contributions)	-	-	-	-
Environmental Officer/Monitoring	158	97	-	-
Library Operations	174	83	-	-
Community Grants Officer	33	33	-	-
Other	-	27	-	-
Total Other Contributions	620	408	3,036	38
Total Contributions	1,626	1,689	9,419	13,929
TOTAL GRANTS AND CONTRIBUTIONS	4,547	6,326	12,884	15,931

Muswellbrook Shire Council

Notes to the Financial Statements
for the financial year ended 30 June 2014

Note 3. Income from Continuing Operations (continued)

\$ '000	Actual 2014	Actual 2013
(g) Restrictions relating to Grants and Contributions		
Certain grants and contributions are obtained by Council on condition that they be spent in a specified manner:		
Unexpended at the Close of the Previous Reporting Period	17,837	13,795
add: Grants and contributions recognised in the current period but not yet spent:	1,768	4,236
less: Grants and contributions recognised in a previous reporting period now spent:	(429)	(194)
Net Increase (Decrease) in Restricted Assets during the Period	1,339	4,042
Unexpended and held as Restricted Assets	<u>19,176</u>	<u>17,837</u>
Comprising:		
- Specific Purpose Unexpended Grants	893	926
- Developer Contributions	18,283	16,911
- Other Contributions	-	-
	<u>19,176</u>	<u>17,837</u>

Muswellbrook Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 4. Expenses from Continuing Operations

\$ '000	Notes	Actual 2014	Actual 2013
(a) Employee Benefits and On-Costs			
Salaries and Wages		10,547	10,160
Employee Termination Costs		-	-
Travelling		219	352
Employee Leave Entitlements (ELE)		1,105	1,231
ELE On-costs		-	-
Superannuation		1,185	1,095
Workers' Compensation Insurance		246	382
Fringe Benefit Tax (FBT)		73	50
Payroll Tax		52	38
Training Costs (other than Salaries and Wages)		365	247
Sick Leave Insurance		1	1
Protective Clothing		30	27
Staff Appreciation		13	13
Other		-	-
Total Employee Costs		13,836	13,596
less: Capitalised Costs		(1,048)	(804)
TOTAL EMPLOYEE COSTS EXPENSED		12,788	12,792
Number of "Equivalent Full Time" Employees at year end		164	170
Number of "Equivalent Full Time" Employees at year end (incl. vacancies)		174	174
(b) Borrowing Costs			
(i) Interest Bearing Liability Costs			
Interest on Overdraft		-	-
Interest on Loans		564	494
Interest on Advances		-	-
Charges relating to Finance Leases		-	-
Other Debts		-	-
Total Interest Bearing Liability Costs		564	494
less: Capitalised Costs		-	-
Total Interest Bearing Liability Costs Expensed		564	494
(ii) Other Borrowing Costs			
Fair Value Adjustments on Recognition of Advances and Deferred Debt		-	-
- 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	252	238
- Other Liabilities		-	-
Interest applicable on Interest Free (and favourable) Loans to Council		70	77
Other Borrowing Costs		-	-
Total Other Borrowing Costs		322	315
TOTAL BORROWING COSTS EXPENSED		886	809

Muswellbrook Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 4. Expenses from Continuing Operations (continued)

\$ '000	Notes	Actual 2014	Actual 2013
(c) Materials and Contracts			
Raw Materials and Consumables		7,676	6,572
Contractor and Consultancy Costs		-	-
Auditors Remuneration ⁽¹⁾		45	46
Infringement Notice Contract Costs (SEINS)		-	-
Legal Expenses:			
- Legal Expenses: Planning and Development		109	44
- Legal Expenses: Debt Recovery		-	-
- Legal Expenses: Other		83	115
Operating Leases:			
- Operating Lease Rentals: Minimum Lease Payments ⁽²⁾		36	44
- Operating Lease Rentals: Contingent Rentals ⁽²⁾		-	-
- Operating Lease Rentals: Sub Lease Payments ⁽²⁾		-	-
Waste Collection		845	802
Venue Manager		10	10
Other		-	-
Total Materials and Contracts		8,804	7,633
less: Capitalised Costs		-	-
TOTAL MATERIALS AND CONTRACTS		8,804	7,633
1. Auditor Remuneration			
During the year, the following fees were incurred for services provided by the Council's Auditor (and the Auditors of other Consolidated Entities):			
(i) Audit and Other Assurance Services			
- Audit and review of financial statements: Council's Auditor		45	46
Remuneration for audit and other assurance services		45	46
(ii) Taxation Services			
- Tax compliance services		-	-
- GST Advice		-	-
Remuneration for taxation services		-	-
(iii) Other Services			
- Remuneration advice		-	-
- Benchmarking advice		-	-
Remuneration for other services		-	-
Total Auditor Remuneration		45	46
2. Operating Lease Payments are attributable to:			
Buildings		-	-
Computers		-	7
Motor Vehicles		-	-
Other		36	37
		36	44

Muswellbrook Shire Council

Notes to the Financial Statements
for the financial year ended 30 June 2014

Note 4. Expenses from Continuing Operations (continued)

\$ '000	Notes	Impairment Costs		Depreciation/Amortisation	
		Actual 2014	Actual 2013	Actual 2014	Actual 2013
Plant and Equipment		-	-	1,309	1,235
Office Equipment		-	-	203	219
Furniture and Fittings		-	-	85	83
Property, Plant & Equipment - Leased		-	-	-	-
Land Improvements (depreciable)		-	-	92	66
Buildings - Non Specialised		-	-	-	1
Buildings - Specialised		-	-	278	278
Other Structures		-	-	227	206
Infrastructure:					
- Roads		-	-	3,426	4,033
- Bridges		-	-	601	601
- Footpaths		-	-	653	631
- Stormwater Drainage		-	-	1,242	1,221
- Water Supply Network		-	-	1,355	1,287
- Sewerage Network		-	-	1,048	948
- Swimming Pools		-	-	-	-
- Other Open Space/Recreational Assets		-	-	-	-
- Other Infrastructure		-	-	-	-
Other Assets					
- Heritage Collections		-	-	-	-
- Library Books		-	-	-	-
- Other		-	-	100	92
Asset Reinstatement Costs	9 & 26	-	-	23	23
Intangible Assets	25	-	-	-	-
Total Depreciation and Impairment Costs		-	-	10,642	10,924
less: Capitalised Costs		-	-	-	-
less: Impairments (to)/from ARR [Equity]	9a	-	-	-	-
TOTAL DEPRECIATION AND IMPAIRMENT COSTS EXPENSED		-	-	10,642	10,924

Muswellbrook Shire Council

Notes to the Financial Statements
for the financial year ended 30 June 2014

Note 4. Expenses from Continuing Operations (continued)

\$ '000	Notes	Actual 2014	Actual 2013
(e) Other Expenses			
Other Expenses for the year include the following:			
Advertising		68	83
Bad and Doubtful Debts		-	-
Bank Charges		45	41
Carbon Tax Expense		-	-
Cleaning		273	231
Computer Software Charges		-	-
Contributions/Levies to Other Levels of Government		-	-
- Bushfire Fighting Fund		-	-
- Department of Planning Levy		-	-
- Emergency Services Levy (includes FRNSW, SES, and RFS Levies)		34	44
- NSW Fire Brigade Levy		38	38
- NSW Rural Fire Service Levy		254	354
- Waste Levy		1,504	1,235
- Upper Hunter Weeds Authority		74	72
Councillor Expenses - Mayoral Fee		23	22
Councillor Expenses - Councillors' Fees		126	123
Councillors' Expenses (incl. Mayor) - Other (excluding fees above)		24	16
Donations, Contributions and Assistance to other organisations (Section 356)		80	86
Election Expenses		-	-
Electricity & Heating		900	851
Fire Control Expenses		-	-
Insurance		568	583
Office Expenses (including computer expenses)		-	-
Postage		33	28
Printing and Stationery		34	38
Revaluation Decrements (Fair Valuation of I,PP&E Assets)	9(a)	-	-
Revaluation Decrements (Fair Valuation of Investment Properties)	14	448	-
Street Lighting		433	397
Subscriptions and Publications		-	-
Telephone and Communications		152	132
Tourism Expenses (excluding employee costs)		-	-
Valuation Fees		71	14
Other		-	-
Total Other Expenses		5,182	4,388
less: Capitalised Costs		-	-
TOTAL OTHER EXPENSES		5,182	4,388

Muswellbrook Shire Council

Notes to the Financial Statements
for the financial year ended 30 June 2014

Note 5. Gains or Losses from the Disposal of Assets

\$ '000	Notes	Actual 2014	Actual 2013
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 and Equipment			
Proceeds from Disposal - Plant and Equipment		133	352
less: Carrying Amount of P&E Assets Sold / Written Off		(98)	(169)
Net Gain/(Loss) on Disposal		35	183
Infrastructure			
Proceeds from Disposal - Infrastructure		400	250
less: Carrying Amount of Infrastructure Assets Sold / Written Off		(441)	(121)
Net Gain/(Loss) on Disposal		(41)	129
Real Estate Assets Held For Sale			
Proceeds from Disposal - Real Estate Assets		-	2,707
less: Carrying Amount of Real Estate Assets Sold / Written Off		-	(517)
Net Gain/(Loss) on Disposal		-	2,190
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		13,371	17,442
less: Carrying Amount of Financial Assets Sold / Redeemed / Matured		(13,371)	(17,442)
Net Gain/(Loss) on Disposal		-	-
NET GAIN/(LOSS) ON DISPOSAL OF ASSETS		(6)	2,394

Muswellbrook Shire Council

Notes to the Financial Statements
for the financial year ended 30 June 2014

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

\$ '000	Notes	2014 Actual Current	2014 Actual Non Current	2013 Actual Current	2013 Actual Non Current
Cash and Cash Equivalents (Note 6a)					
Cash on Hand and at Bank		2,083	-	1,659	-
Cash-Equivalent Assets ¹					
- Deposits at Call		1,269	-	3,198	-
- Managed Funds		-	-	-	-
- Short Term Deposits		-	-	2,000	-
- NCD's, FRN's		-	-	-	-
- Other Financial Assets		-	-	1,000	-
Total Cash & Cash Equivalents		3,352	-	7,857	-
Investments (Note 6b)					
- Managed Funds		-	-	3,281	-
- Long Term Deposits		3,500	25,966	2,000	20,253
- Government and Semi-Government Bonds		-	-	-	-
- Bills of Exchange		-	-	-	-
- Equity Linked Notes		-	-	-	-
- NCD's, FRN's (with Maturities > 3 months)		500	7,143	-	10,638
- CDO's		-	-	-	-
- Mortgage Backed Securities		-	-	-	-
- Listed Equity Securities		-	-	-	-
- Unlisted Equity Securities		-	-	-	-
- Other Long Term Financial Assets		990	5,152	2,000	4,977
Total Investments		4,990	38,261	7,281	35,868
TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS		8,342	38,261	15,138	35,868

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

Cash and Cash Equivalents

a. "At Fair Value through the Profit and Loss"		3,352	-	7,857	-
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Investments

a. "At Fair Value through the Profit and Loss"					
- "Held for Trading"	6(b-i)			3,281	-
- "Designated at Fair Value on Initial Recognition"	6(b-i)			-	-
b. "Held to Maturity"	6(b-ii)	4,990	38,261	4,000	35,868
c. "Loans and Receivables"	6(b-iii)			-	-
d. "Available for Sale"	6(b-iv)			-	-
Investments		4,990	38,261	7,281	35,868

Refer to Note 27 - Fair Value Measurement for information regarding the fair value of investments held.

Muswellbrook Shire Council
Notes to the Financial Statements
for the financial year ended 30 June 2014

Note 6b. Investments (continued)

\$ '000	2014 Actual Current	2014 Actual Non Current	2013 Actual Current	2013 Actual Non Current
Note 6(b-i)				
Reconciliation of Investments classified as "At Fair Value through the Profit and Loss"				
Balance at the Beginning of the Year	3,281	-	3,079	-
Adjustment on adoption of AASB 132/139	-	-	-	-
Revaluations (through the Income Statement)	90	-	202	-
Additions	-	-	-	-
Disposals (sales and redemptions)	(3,371)	-	-	-
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	-
Comprising:				
- Managed Funds	-	-	3,281	-
- Government and 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	-	-	-	-
Total	-	-	3,281	-
Note 6(b-ii)				
Reconciliation of Investments classified as "Held to Maturity"				
Balance at the Beginning of the Year	4,000	35,868	9,961	26,898
Adjustment on adoption of AASB 132/139	-	-	-	-
Amortisation of Premiums & Discounts	-	(71)	-	(9)
Additions	540	12,743	-	20,327
Impairment (loss)/prior loss reversal (via P&L)	-	171	-	133
Disposals (sales and redemptions)	(4,000)	(6,000)	(12,961)	(4,481)
Transfers between Current/Non Current	4,450	(4,450)	7,000	(7,000)
Transfers from/(to) "At Fair Value"	-	-	-	-
Transfers from/(to) "Available for Sale"	-	-	-	-
Balance at End of Year	4,990	38,261	4,000	35,868

Muswellbrook Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 6b. Investments (continued)

\$ '000	2014 Actual Current	2014 Actual Non Current	2013 Actual Current	2013 Actual Non Current
Comprising:				
- Long Term Deposits	3,500	25,966	3,000	13,253
- Government & Semi-Government Bonds			-	-
- Bills of Exchange			-	-
- Equity Linked Notes			-	-
- NCD's, FRN's (with Maturities > 3 months)	500	7,143	-	6,650
- CDO's			-	-
- Mortgage Backed Securities			-	-
- Listed Equity Securities			-	-
- Unlisted Equity Securities			-	-
- Other Long Term Financial Assets	990	5,152	1,000	15,965
Total	4,990	38,261	4,000	35,868

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

Nil

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

Nil

Muswellbrook Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

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

\$ '000	2014	2014	2013	2013
	Actual Current	Actual Non Current	Actual Current	Actual Non Current
Total Cash, Cash Equivalents and Investments	8,342	38,261	15,138	35,868
attributable to:				
External Restrictions (refer below)	7,163	30,478	10,889	25,863
Internal Restrictions (refer below)	1,134	7,783	4,207	10,005
Unrestricted	45	-	42	-
	8,342	38,261	15,138	35,868
2014	Opening	Transfers to	Transfers from	Closing
\$ '000	Balance	Restrictions	Restrictions	Balance

Details of Restrictions

External Restrictions - Included in Liabilities

Specific Purpose Unexpended Loans-General (A)	-	1,650		1,650
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

	-	1,650	-	1,650
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External Restrictions - Other

Developer Contributions - General (D)	4,358	3,171	(3,553)	3,976
Developer Contributions - Water Fund (D)	4,960	581	-	5,541
Developer Contributions - Sewer Fund (D)	7,593	1,173	-	8,766
RMS (formerly RTA) Contributions (E)	-			-
Specific Purpose Unexpended Grants (F)	896	-	(33)	863
Specific Purpose Unexpended Grants-Water Fund (F)	30	-	-	30
Specific Purpose Unexpended Grants-Sewer Fund (F)	-	-	-	-
Water Supplies (G)	12,748	1,181	-	13,929
Sewerage Services (G)	6,024	-	(3,334)	2,690
Domestic Waste Management (G)	143	53	-	196
Stormwater Management (G)	-	-	-	-

External Restrictions - Other

	36,752	6,159	(6,920)	35,991
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Total External Restrictions

	36,752	7,809	(6,920)	37,641
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Muswellbrook Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

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

2014 \$ '000	Opening Balance	Transfers to Restrictions	Transfers from Restrictions	Closing Balance
Internal Restrictions				
Plant and Vehicle Replacement	713	686	(495)	904
Infrastructure Replacement	2,550	722	(3,272)	-
Employees Leave Entitlement	1,186	62		1,248
Carry Over Works 09/10	46		(46)	-
Deposits, Retentions and Bonds	514			514
Carpark Replacement	-	60		60
Road Works Contingency	525	834	(1,019)	340
Land Bank Development	1,422	7,066	(8,470)	18
Building Replacement	332	80		412
Art Gallery	33			33
Parks and Facilities	281		(77)	204
Administrative	152			152
Environmental	305	36		341
Waste Management Centre	2,355	991	(1,400)	1,946
Financial Assistance Grant	1,519		(1,519)	-
Stormwater Management	77	150	(21)	206
Carry Over Works 10/11	57		(46)	11
Carry Over Works 11/12	24		(24)	-
Carry Over Works 12/13	506		(471)	35
Mine Effected Roads	370		(370)	-
Recreation	70	400		470
Campbell's Corner	1,050		(428)	622
Student Accommodation		111		111
Infrastructure Works	125			125
Carry Over Works 13/14	-	1,165		1,165
Total Internal Restrictions	14,212	12,363	(17,658)	8,917
TOTAL RESTRICTIONS	50,964	20,172	(24,578)	46,558

- A Loan moneys which must be applied for the purposes for which the loans were raised.
- B Advances by Roads and Maritime Services for (RMS) 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 RMS 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) and 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 2014

Note 7. Receivables

\$ '000	Notes	2014		2013	
		Current	Non Current	Current	Non Current
Purpose					
Rates and Annual Charges		2,043	-	1,498	-
Interest and Extra Charges		-	-	-	-
User Charges and Fees		973	-	1,550	-
Private Works		-	-	-	-
Contributions to Works		-	-	-	-
Capital Debtors (being sale of assets)					
- Sale of Land		-	-	226	-
- Other Asset Sales		-	-	-	-
Accrued Revenues					
- Interest on Investments		964	-	714	-
- Interest on Impaired Investments		-	-	-	-
- Other Income Accruals		-	-	-	-
Government Grants and Subsidies		1,166	-	490	-
Deferred Debtors		-	-	-	-
Loans to Non Profit Organisations		-	-	-	-
Loans to Sporting Clubs		-	-	-	-
Amounts due from Other Councils		53	-	65	-
Net GST Receivable		564	-	136	-
Waste Depot Charges		381	-	293	-
On Site Management System		13	-	10	-
Community Enhancement		967	-	69	-
RMS IPWO's		393	-	-	-
RMS Grants		558	-	-	-
Other Debtors		98	-	37	-
Total		8,173	-	5,088	-
less: Provision for Impairment					
Rates and Annual Charges		-	-	-	-
Interest and Extra Charges		-	-	-	-
User Charges and Fees		(52)	-	(52)	-
Other Debtors		(11)	-	(11)	-
Total Provision for Impairment - Receivables		(63)	-	(63)	-
<u>TOTAL NET RECEIVABLES</u>		<u>8,110</u>	<u>-</u>	<u>5,025</u>	<u>-</u>

Muswellbrook Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 7. Receivables

Externally Restricted Receivables

Water Supply				
- Specific Purpose Grants	-	-	-	-
- Rates and Availability Charges	66	-	60	-
- Other	495	-	743	-
Sewerage Services				
- Specific Purpose Grants	-	-	-	-
- Rates and Availability Charges	300	-	297	-
- Other	530	-	577	-
Domestic Waste Management	108		92	-
Parking			-	-
Drainage			-	-
Town Improvement			-	-
Stormwater Management			-	-
Other				
- Restricted Grants			526	-
Total External Restrictions	1,499	-	2,295	-
Internally Restricted Receivables				
Nil				
Internally Restricted Receivables	-	-	-	-
Unrestricted Receivables	6,611	-	2,730	-
TOTAL NET RECEIVABLES	8,110	-	5,025	-

Notes on Debtors above:

- (i) Rates and 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 and charges at 8.50% (2013 9.00%).
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 2014

Note 8. Inventories and Other Assets

\$ '000	Notes	2014		2013	
		Current	Non Current	Current	Non Current
Inventories					
Real Estate for resale (refer below)		1,922	-	1,862	-
Stores and Materials		112	-	136	-
Trading Stock		-	-	-	-
Loose Tools		-	-	-	-
Other		47	-	52	-
Total Inventories		2,081	-	2,050	-
Other Assets					
Prepayments		53	-	216	-
Shares in Unlisted Companies - StateCover		-	-	-	-
Work In Progress		-	-	-	-
Other		-	-	-	-
Total Other Assets		53	-	216	-
TOTAL INVENTORIES / OTHER ASSETS		2,134	-	2,266	-
Externally Restricted Assets					
There are no restrictions applicable to the above assets.					
Water					
Stores and Materials		3	-	3	-
Trading Stock		-	-	-	-
Prepayments		-	-	-	-
Total Water		3	-	3	-
Sewerage					
Nil					
Domestic Waste Management					
Nil					
Other					
Nil					
Total Externally Restricted Assets		3	-	3	-
Total Internally Restricted Assets		-	-	-	-
Total Unrestricted Assets		2,131	-	2,263	-
TOTAL INVENTORIES & OTHER ASSETS		2,134	-	2,266	-

Muswellbrook Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 8. Inventories and Other Assets (continued)

\$ '000	2014		2013	
	Current	Non Current	Current	Non Current
(i) Other Disclosures				
(a) Details for Real Estate Development				
Residential	257	-	203	-
Industrial/Commercial	1,665	-	1,659	-
Total Real Estate for Resale	1,922	-	1,862	-
(Valued at the lower of cost and net realisable value)				
Represented by:				
Acquisition Costs	1,922	-	1,862	-
Development Costs	-	-	-	-
Borrowing Costs	-	-	-	-
Other Holding Costs	-	-	-	-
Other Properties - Book Value	-	-	-	-
Total Costs	1,922	-	1,862	-
less: Provision for Under Recovery	-	-	-	-
Total Real Estate for Resale	1,922	-	1,862	-
Movements:				
Real Estate assets at beginning of the year	1,862	-	1,018	-
- Purchases and other costs	60	-	891	-
- Transfers in from (out to) Note 9	-	-	470	-
- WDV of Sales (exp)	-	-	(517)	-
- Transfer between Current/Non Current	-	-	-	-
Total Real Estate for Resale	1,922	-	1,862	-

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

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

	2014	2013
Real Estate for Resale	1,446	1,389
Other	-	-
	1,446	1,389

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

- Real Estate for Resale	-	-
- Stores and 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 2014

Note 9a. Infrastructure, Property, Plant and Equipment

\$ '000	as at 30/6/2013					Asset Movements during the Reporting Period					as at 30/6/2014					
	At Cost	At Fair Value	Accumulated Dep'n	Impairment	Carrying Value	Asset Additions	Reinstatement Costs for Impaired Assets	WDV of Asset Disposals	Depreciation Expense	WIP Transfers	Revaluation Increments to Equity (ARR)	At Cost	At Fair Value	Accumulated Dep'n	Impairment	Carrying Value
Capital Work in Progress	4,235	-	-	-	4,235	17,323	-	-	-	(3,009)	-	18,549	-	-	-	18,549
Plant and Equipment	-	13,226	7,756	-	5,470	765	(99)	(1,309)	18	-	-	-	13,521	8,694	-	4,827
Office Equipment	-	2,072	1,482	-	590	112	-	(203)	-	-	-	-	2,201	1,684	-	517
Furniture and Fittings	-	1,295	427	-	868	34	-	(85)	-	-	-	-	1,330	513	-	817
Plant and Equipment (under Finance Lease)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Land:																
- Operational Land	-	7,813	-	-	7,813	528	-	-	-	-	-	-	8,341	-	-	8,341
- Community Land	-	9,388	-	-	9,388	1	-	-	-	-	-	-	9,389	-	-	9,389
- Land under Roads (pre 1/7/08)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- Land under Roads (post 30/6/08)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Land Improvements - non depreciable	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Land Improvements - depreciable	-	3,492	1,259	-	2,233	592	(92)	-	-	-	-	-	4,083	1,350	-	2,733
Buildings - Non Specialised	-	3,017	570	-	2,447	-	-	-	-	-	-	-	3,017	570	-	2,447
Buildings - Specialised	-	36,315	3,666	-	32,649	854	-	(278)	1,598	-	-	-	38,767	3,944	-	34,823
Other Structures	-	6,753	1,596	-	5,157	326	-	(227)	943	-	-	-	8,022	1,823	-	6,199
Infrastructure:																
- Roads	-	253,132	87,795	-	165,337	4,204	(406)	(3,426)	-	-	95,169	-	355,134	94,256	-	260,378
- Bridges	-	60,090	16,288	-	43,802	-	-	(601)	-	-	-	-	60,090	16,889	-	43,201
- Footpaths	-	13,054	6,374	-	6,680	711	(30)	(653)	-	-	-	-	13,704	6,996	-	6,708
- Bulk Earthworks (non-depreciable)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- Stormwater Drainage	-	74,373	29,612	-	44,761	699	(4)	(1,242)	-	-	-	-	75,066	30,852	-	44,214
- Water Supply Network	-	79,501	32,227	-	47,274	528	-	(1,355)	82	1,090	-	-	82,190	34,571	-	47,619
- Sewerage Network	-	72,454	29,120	-	43,334	4,185	-	(1,048)	368	(1,337)	-	-	75,968	30,466	-	45,502
- Swimming Pools	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- Other Open Space/Recreational Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- Other Infrastructure	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Assets:																
- Heritage Collections	-	4,260	-	-	4,260	7	-	-	-	-	-	-	4,267	-	-	4,267
- Library Books	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- Other	-	1,004	786	-	218	122	-	(100)	-	-	-	-	1,126	886	-	240
Reinstatement, Rehabilitation & Restoration Assets (refer Note 26):																
- Tip Assets	2,191	-	1,867	-	324	-	-	(23)	-	-	-	2,191	-	1,890	-	301
- Quarry Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL INFRASTRUCTURE, PROPERTY, PLANT AND EQUIPMENT:	6,426	641,239	220,825	-	426,840	30,991	(539)	(10,642)	-	94,922	20,740	756,216	235,384	-	541,572	

Additions to Buildings and Infrastructure Assets are made up of Asset Renewals (\$10,587) and New Assets (\$18,167).

Renewals are defined as the replacement of existing assets (as opposed to the acquisition of new assets).

Refer to Note 27 - Fair Value Measurement for information regarding the fair value of other Infrastructure, Property, Plant and Equipment.

Muswellbrook Shire Council

Notes to the Financial Statements
for the financial year ended 30 June 2014

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

\$ '000

\$ '000 Class of Asset	Actual 2014				Actual 2013			
	At Cost	At Fair Value	A/Dep & Impairm't	Carrying Value	At Cost	At Fair Value	A/Dep & Impairm't	Carrying Value
Water Supply								
Work in Progress	-	-	-	-	-	-	-	-
Plant and Equipment	-	591	324	267	-	589	277	312
Office Equipment	-	87	87	-	-	87	87	-
Furniture and Fittings	-	12	12	-	-	12	12	-
Land								
- Operational Land	-	582	-	582	-	582	-	582
- Community Land	-	-	-	-	-	-	-	-
- Improvements non-depreciable	-	-	-	-	-	-	-	-
- Improvements - depreciable	-	-	-	-	-	-	-	-
Buildings	-	-	-	-	-	-	-	-
Other Structures	-	-	-	-	-	-	-	-
Infrastructure	-	82,504	34,572	47,932	-	79,583	32,227	47,356
Other Assets	-	-	-	-	-	-	-	-
Total Water Supply	-	83,776	34,995	48,781	-	80,853	32,603	48,250
Sewerage Services								
Work in Progress	-	-	-	-	-	-	-	-
Plant and Equipment	-	275	245	30	-	275	226	49
Office Equipment	-	29	29	-	-	29	29	-
Furniture and Fittings	-	2	2	-	-	2	2	-
Land								
- Operational Land	-	644	-	644	-	644	-	644
- Community Land	-	100	-	100	-	100	-	100
- Improvements non-depreciable	-	-	-	-	-	-	-	-
- Improvements - depreciable	-	-	-	-	-	-	-	-
Buildings	-	-	-	-	-	-	-	-
Other Structures	-	-	-	-	-	-	-	-
Infrastructure	-	78,704	30,466	48,238	-	72,883	29,120	43,763
Other Assets	-	-	-	-	-	-	-	-
Total Sewerage Services	-	79,754	30,742	49,012	-	73,933	29,377	44,556
TOTAL RESTRICTED I,PP&E	-	163,530	65,737	97,793	-	154,786	61,980	92,806

Muswellbrook Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2014

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

\$ '000	Notes	Actual 2014	Actual 2013
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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 2014

Note 10a. Payables, Borrowings and Provisions

\$ '000	Notes	2014		2013	
		Current	Non Current	Current	Non Current
Payables					
Goods and Services - operating expenditure		1,692	-	1,511	-
Goods and Services - capital expenditure		2,681	-	374	-
Payments Received In Advance		-	-	-	-
Accrued Expenses:					
- Borrowings		51	-	22	-
- Interest on Bonds & Deposits		-	-	-	-
- Salaries and Wages		-	-	-	-
- Other Expenditure Accruals		-	-	-	-
Advances		-	-	-	-
Security Bonds, Deposits and Retentions		666	-	619	-
ATO - Net GST Payable		-	-	-	-
Other		22	-	29	-
Total Payables		5,112	-	2,555	-
Borrowings					
Bank Overdraft		-	-	-	-
Loans - Secured ¹		829	11,973	549	7,227
Loans - Unsecured		-	-	-	-
Government Advances		-	-	-	-
Ratepayers' Advances		-	-	-	-
Finance Lease Liabilities		-	-	-	-
Deferred Payment Liabilities		-	-	-	-
Total Borrowings		829	11,973	549	7,227
Provisions					
Employee Benefits;					
Annual Leave		1,325	-	1,345	-
Sick Leave		-	-	-	-
Long Service Leave		1,475	225	1,560	201
Gratuities		-	-	-	-
Other Leave		88	-	78	-
ELE On-Costs		-	-	-	-
Sub Total - Aggregate Employee Benefits		2,888	225	2,983	201
Self Insurance - Workers Compensation		-	-	-	-
Self Insurance - Public Liability		-	-	-	-
Asset Remediation/Restoration (Future Work) ²⁶		-	4,454	-	4,202
Carbon Tax		-	-	-	-
Total Provisions		2,888	4,679	2,983	4,403
Total Payables, Borrowings and Provision		8,829	16,652	6,087	11,630

Muswellbrook Shire Council

Notes to the Financial Statements
for the financial year ended 30 June 2014

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

(i) Liabilities relating to Restricted Assets

	2014		2013	
	Current	Non Current	Current	Non Current
Externally Restricted Assets				
Water	1,050	2,712	839	2,939
Sewer	1,039	910	344	962
Domestic Waste Management	69		66	-
Self Insurance	-		-	-
Other	-		-	-
Liabilities relating to externally restricted assets	2,158	3,622	1,249	3,901
Internally Restricted Assets				
Other - Loan Commercial Buildings	11	559	10	570
Liabilities relating to internally restricted assets	11	559	10	570
Total Liabilities relating to restricted assets	2,169	4,181	1,259	4,471
Total Liabilities relating to Unrestricted Assets	6,660	12,471	4,828	7,159
TOTAL PAYABLES, BORROWINGS and PROVISIONS	8,829	16,652	6,087	11,630

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

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

Muswellbrook Shire Council

Notes to the Financial Statements
for the financial year ended 30 June 2014

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

\$ '000	Actual 2014	Actual 2013
(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 twelve months.		
Provisions - Employees Benefits	2,148	2,206
Payables - Security Bonds, Deposits and Retentions	160	147
Other Liabilities		-
	2,308	2,353

Note 10b. Description of and movements in Provisions

Class of Provision	2013	2014				Closing Balance as at 30/6/14
	Opening Balance as at 1/7/13	Additional Provisions	Decrease due to Payments	Remeasurement effects due to Discounting	Unused amounts reversed	
Annual Leave	1,345	812	(832)			1,325
Sick Leave	-	-				-
Long Service Leave	1,761	322	(383)			1,700
Other Leave	78	10				88
ELE On-Costs	-	-				-
Gratuities	-	-				-
Self Insurance	-	-				-
Asset Remediation	4,202	252				4,454
Carbon Tax	-	-				-
Other	-	-				-
TOTAL	7,386	1,396	(1,215)	-	-	7,567

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

Muswellbrook Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 11. Statement of Cash Flows - Additional Information

\$ '000	Notes	Actual 2014	Actual 2013
(a) Reconciliation of Cash Assets			
Total Cash and Cash Equivalent Assets	6a	3,352	7,857
Less Bank Overdraft	10	-	-
BALANCE as per the STATEMENT of CASH FLOWS		3,352	7,857
(b) Reconciliation of Net Operating Result to Cash provided from Operating Activities			
Net Operating Result from Income Statement		12,265	18,936
Adjust for non cash items:			
Depreciation and Amortisation		10,642	10,924
Net Losses/(Gains) on Disposal of Assets		6	(2,394)
Non Cash Capital Grants and Contributions		(3,113)	(6,873)
Impairment Losses Recognition - I,PP&E		-	-
Impairment (Reversal of previous losses) - I,PP&E		-	-
Impairment Losses / (Prior Period Reversals) - Financial Investments		(171)	(133)
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"		(90)	(202)
- Investment Properties		448	(309)
- 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		71	9
- Interest on all fair value adjusted Interest Free Advances made by Council		-	-
- Interest Exp. on Interest Free Loans received by Council (previously Fair Valued)		70	77
Unwinding of Discount Rates on Reinstatement Provisions		252	238
Share of Net (Profits) or Losses of Associates/Joint Ventures		(12)	(7)
Net Loss/(Gain) on Council Restructure/Amalgamations (excl. Cash)		-	-
+/- Movement in Operating Assets and Liabilities & Other Cash Items:			
Decrease/(Increase) in Receivables		(3,311)	(935)
Increase/(Decrease) in Provision for Doubtful Debts		-	-
Decrease/(Increase) in Inventories		29	(11)
Decrease/(Increase) in Other Assets		163	(41)
Increase/(Decrease) in Payables		181	380
Increase/(Decrease) in accrued Interest Payable		29	(3)
Increase/(Decrease) in other accrued Expenses Payable		-	-
Increase/(Decrease) in Other Liabilities		40	219
Increase/(Decrease) in Employee Leave Entitlements		(71)	386
NET CASH PROVIDED FROM/(USED IN)			
OPERATING ACTIVITIES from the STATEMENT of CASH FLOWS		17,428	20,261

Muswellbrook Shire Council

Notes to the Financial Statements
for the financial year ended 30 June 2014

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

\$ '000	Notes	Actual 2014	Actual 2013
(c) Non-Cash Investing and Financing Activities			
Acquisition of Plant and Equipment by means of Finance Lease		-	-
Subsidised Works (Sewer Scheme)		-	-
PwD Construction		-	-
Bushfire Grants		225	504
S94 Contributions "in kind"		-	-
Other Dedications		2,888	6,369
Total Non-Cash Investing & Financing Activities		3,113	6,873
(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 and Other Payables are disclosed in Note 15.

(ii) Secured Loan Liabilities

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

Muswellbrook Shire Council

Notes to the Financial Statements
for the financial year ended 30 June 2014

Note 12. Commitments for Expenditure

\$ '000	Notes	Actual 2014	Actual 2013
(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	-
Plant and Equipment		-	9,441
Other		2,746	-
Investment Property			
- Land		-	6,645
- Buildings		626	-
- Other		-	-
Total Commitments		3,372	16,196
These expenditures are payable as follows:			
Within the next year		3,372	13,788
Later than one year and not later than 5 years		-	2,408
Later than 5 years		-	-
Total Payable		3,372	16,196
Sources for Funding of Capital Commitments:			
Unrestricted General Funds		110	1,361
Future Grants and Contributions		1,516	11,477
Sect 64 and 94 Funds/Reserves		548	-
Unexpended Grants		-	-
Externally Restricted Reserves		-	203
Internally Restricted Reserves		682	1,366
Unexpended Loans		-	-
New Loans (to be raised)		516	1,789
Total Sources of Funding		3,372	16,196

Details of Capital Commitments

Muswellbrook Shire Council

Notes to the Financial Statements
for the financial year ended 30 June 2014

Note 12. Commitments for Expenditure (continued)

\$ '000	Notes	Actual 2014	Actual 2013
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(b) Finance Lease Commitments

Nil

(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	28	29
Later than one year and not later than 5 years	41	69
Later than 5 years	-	-
Total Non Cancellable Operating Lease Commitments	69	98

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 2014

Note 12. Commitments for Expenditure (continued)

\$ '000	Notes	Actual 2014	Actual 2013
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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 and 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 and Joint Ventures, refer to Note 19 (b)

Muswellbrook Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

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

\$ '000	Amounts 2014	Indicator 2014	Prior Periods	
			2013	2012
Local Government Industry Indicators - Consolidated				
1. Operating Performance Ratio				
Total continuing operating revenue ⁽¹⁾				
<u>(excl. Capital Grants & Contributions) - Operating Expenses</u>	<u>(267)</u>	-0.71%	0.25%	-5.22%
Total continuing operating revenue ⁽¹⁾	37,587			
(excl. Capital Grants & Contributions)				
2. Own Source Operating Revenue Ratio				
Total continuing operating revenue ⁽¹⁾				
<u>(less ALL Grants & Contributions)</u>	<u>33,040</u>	65.46%	57.66%	62.71%
Total continuing operating revenue ⁽¹⁾	50,471			
3. Unrestricted Current Ratio				
<u>Current Assets less all External Restrictions ⁽²⁾</u>	<u>8,475</u>	1.94 : 1	3.16	3.6:1
Current Liabilities less Specific Purpose Liabilities ^(3, 4)	4,363			
4. Debt Service Cover Ratio				
<u>Operating Result ⁽¹⁾ before capital excluding interest and depreciation / impairment / amortisation (EBITDA)</u>	<u>11,261</u>	6.91:1	8.45:1	7.46:1
Principal Repayments (from the Statement of Cash Flows)	1,630			
+ Borrowing Interest Costs (from the Income Statement)				
5. Rates, Annual Charges, Interest & Extra Charges Outstanding Percentage				
<u>Rates, Annual and Extra Charges Outstanding</u>	<u>2,043</u>	10.90%	8.94%	3.65%
Rates, Annual and Extra Charges Collectible	18,740			
6. Cash Expense Cover Ratio				
<u>Current Year's Cash and Cash Equivalents including All Term Deposits</u>	<u>32,818</u>	12.66	13.15	8.70
Payments from cash flow of operating and financing activities	2,593			

Notes

⁽¹⁾ Excludes fair value adjustments and reversal of revaluation decrements, net gain/(loss) on sale of assets and net share of interests in joint ventures.

⁽²⁾ Refer Notes 6-8 inclusive.

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

⁽³⁾ Refer to Note 10(a).

⁽⁴⁾ Refer to Note 10(a)(ii) - excludes all payables and provisions not expected to be paid in the next 12 months (incl. ELE).

Muswellbrook Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

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

\$ '000	Water 2014	Sewer 2014	General ⁵ 2014
Local Government Industry Indicators - by Fund			
1. Operating Performance Ratio			
Total continuing operating revenue ⁽¹⁾			
<u>(excl. Capital Grants & Contributions) - Operating Expenses</u>	8.65%	27.85%	-8.00%
Total continuing operating revenue ⁽¹⁾			
(excl. Capital Grants & Contributions)	prior period: -1.49%	23.60%	-2.97%
2. Own Source Operating Revenue Ratio			
<u>Total continuing operating revenue⁽¹⁾</u>	93.58%	73.81%	59.01%
(less ALL Grants & Contributions)			
Total continuing operating revenue ⁽¹⁾	prior period: 70.14%	46.89%	57.68%
3. Unrestricted Current Ratio			
<u>Current Assets less all External Restrictions⁽²⁾</u>	3.70 : 1	1.49 : 1	1.94 : 1
Current Liabilities less Specific Purpose Liabilities ^(3, 4)			
	prior period: 7.24	14.27	3.16
4. Debt Service Cover Ratio			
<u>Operating Result⁽¹⁾ before capital excluding interest and depreciation / impairment / amortisation (EBITDA)</u>	5.27:1	20.87:1	6.03:1
Principal Repayments (from the Statement of Cash Flows) + Borrowing Interest Costs (from the Income Statement)	prior period: 3.59:1	17.08:1	9.57:1
5. Rates, Annual Charges, Interest & Extra Charges Outstanding Percentage			
<u>Rates, Annual and Extra Charges Outstanding</u>	4.89%	9.51%	11.78%
Rates, Annual and Extra Charges Collectible	prior period: 0.00%	0.00%	12.82%
6. Cash Expense Cover Ratio			
<u>Current Year's Cash and Cash Equivalents including All Term Deposits</u> x12	30.34	34.42	7.19
Payments from cash flow of operating and financing activities	prior period: 24.65	27.34	9.32

Notes

(1) - (4) Refer to Notes at Note 13a(i) above.

(5) 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 2014
Note 14. Investment Properties

\$ '000	Notes	Actual 2014	Actual 2013
(a) Investment Properties at Fair value			
Investment Properties on Hand		7,485	5,828
Reconciliation of Annual Movement:			
Opening Balance		5,828	4,298
- Acquisitions		1,526	-
- Capitalised Expenditure - this year		579	113
- Acquisitions (Transfers) through Amalgamations		-	-
- Classified as "Held for Sale"		-	-
- Disposals during Year		-	-
- Net Gain/(Loss) from Fair Value Adjustments		(448)	309
- Transfers from/(to) Inventories (Note 8)		-	-
- Transfers from/(to) Owner Occupied (Note 9)		-	-
- Other Movements		-	1,108
CLOSING BALANCE - INVESTMENT PROPERTIES		7,485	5,828

(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 2014 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 receivable as follows:

Within 1 year	795	503
Later than 1 year but less than 5 years	2,412	720
Later than 5 years	1,641	745
Total Minimum Lease Payments Receivable	4,848	1,968

The leases in place for these Investment Properties are generally standard commercial leases. They range from being on a month to month basis to longer term leases with options for renewal. Lease payments are collected monthly by Council's managing agents and funds forwarded after the deduction of approved outgoings.

Muswellbrook Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 14. Investment Properties (continued)

(e) Investment Property Income & Expenditure - summary

Rental Income from Investment Properties:

- Minimum Lease Payments	773	697
- Contingent Rentals		48
- Other Income		-
Direct Operating Expenses on Investment Properties:		
- that generated rental income	(451)	(374)
- that did not generate rental income		-
Net Revenue Contribution from Investment Properties	322	371
plus:		
Fair Value Movement for year	(448)	309
Total Income attributable to Investment Properties	(126)	680

Refer to Note 27- Fair Value Measurement for information regarding the fair value of investment properties held.

The Fair Value Movement (448) is attributable to the correction of an error made in the recording of the value of one property in the 2012/13 Financial Reports that has been corrected in these reports.

Muswellbrook Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2014

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	
	2014	2013	2014	2013
Financial Assets				
Cash and Cash Equivalents	3,352	7,857	3,352	7,857
Investments				
- "Held for Trading"	-	3,281	-	3,281
- "Designated At Fair Value on Initial Recognition"	-	-	-	-
- "Held to Maturity"	43,251	39,868	44,086	40,152
- "Loans & Receivables"	-	-	-	-
- "Available for Sale"	-	-	-	-
Receivables	8,110	5,025	8,110	5,025
Other Financial Assets	-	-	-	-
Total Financial Assets	54,713	56,031	55,548	56,315
Financial Liabilities				
Bank Overdraft	-	-	-	-
Payables	5,112	2,555	5,112	2,555
Loans / Advances	12,802	7,776	12,802	7,776
Lease Liabilities	-	-	-	-
Other Financial Liabilities	-	-	-	-
Total Financial Liabilities	17,914	10,331	17,914	10,331

Muswellbrook Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2014

Note 15. Financial Risk Management

- **Cash and Cash Equivalents, Receivables, Payables** - are estimated to be the carrying value which approximates market values.

- **Borrowings and Held to Maturity Investments** - are based upon estimated future cash flows discounted by the current market interest rates applicable to assets and liabilities with similar risk profiles, unless quoted market prices are available.

- Financial Assets classified (i) "**at fair value through profit and 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.

Refer to Note 27 - Fair Value Measurement for information regarding the fair value of financial assets and liabilities

Muswellbrook Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 15. Financial Risk Management (continued)

\$ '000

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

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

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

Council has an Investment Policy which complies with the Local Government Act and 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 risks associated with the investments held are:

- **Price Risk** - the risk that the capital value of Investments may fluctuate due to changes in market prices, whether these 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.
- **Interest Rate Risk** - the risk that movements in interest rates could affect returns and income.
- **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 and 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
2014				
Possible impact of a 10% movement in Market Values	-	-	-	-
Possible impact of a 1% movement in Interest Rates	466	466	(466)	(466)
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)

Muswellbrook Shire Council
Notes to the Financial Statements
for the financial year ended 30 June 2014

Note 15. Financial Risk Management (continued)

\$ '000

(b) Receivables

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

	2014 Rates & Annual Charges	2014 Other Receivables	2013 Rates & Annual Charges	2013 Other Receivables
(i) Ageing of Receivables - %				
Current (not yet overdue)	0%	66%	53%	71%
Overdue	100%	34%	47%	29%
	100%	100%	100%	100%
(ii) Ageing of Receivables - value				
Current (not yet overdue)	-	4,032	797	2,566
Past due by up to 30 days	887	182	155	448
Past due between 31 and 60 days	887	1,400	75	20
Past due between 61 and 90 days	1,156	19	95	76
Past due by more than 90 days	1,156	497	376	480
	2,043	6,130	1,498	3,590
(iii) Movement in Provision for Impairment of Receivables				
			2014	2013
Balance at the beginning of the year			63	63
+ new provisions recognised during the year			-	-
- amounts already provided for and 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 2014

Note 15. Financial Risk Management (continued)

\$ '000

(c) Payables & Borrowings

Payables and 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 and overdraft facilities utilised as required.

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

\$ '000	Subject to no maturity	payable in:						Total Cash Outflows	Actual Carrying Values
		≤ 1 Year	1-2 Yrs	2-3 Yrs	3-4 Yrs	4-5 Yrs	> 5 Yrs		
2014									
Bank Overdraft	-							-	-
Trade/Other Payables	666	4,446						5,112	5,112
Loans and Advances	2,700	1,607	1,607	1,473	1,409	1,409	10,028	21,840	12,802
Lease Liabilities	-	-	-	-	-	-	-	-	-
Total Financial Liabilities	3,366	6,053	1,607	1,473	1,409	1,409	10,028	26,952	17,914
2013									
Bank Overdraft	-	-	-	-	-	-	-	-	-
Trade/Other Payables	619	1,936	-	-	-	-	-	2,555	2,555
Loans and Advances	-	1,088	1,088	1,088	954	890	5,547	10,655	7,776
Lease Liabilities	-	-	-	-	-	-	-	-	-
Total Financial Liabilities	619	3,024	1,088	1,088	954	890	5,547	13,210	10,331

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

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

	2014		2013	
	Carrying Value	Average Interest Rate	Carrying Value	Average Interest Rate
Bank Overdraft	-		-	
Trade/Other Payables	5,112	0.0%	2,555	0.0%
Loans and Advances - Fixed Interest Rate	10,102	6.4%	7,776	6.4%
Loans and Advances - Variable Interest Rate	2,700	4.3%		
Lease Liabilities	-		-	
	<u>17,914</u>		<u>10,331</u>	

Muswellbrook Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2014

Note 16. Material Budget Variations

\$ '000

Council's Original Financial Budget for 2013/14 was adopted by the Council on 11 June 2013.

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	2014 Budget	2014 Actual	2014 ----- Variance* -----		
REVENUES					
Rates and Annual Charges	16,941	17,120	179	1%	F
User Charges and Fees	10,426	11,888	1,462	14%	F
This result has been mainly achieved through the better than estimated raising of revenues in regard to matters such as fees payable to the RMS, as well as Waste Disposal Fees and Water Usage Charges.					
Interest and Investment Revenue	2,622	2,909	287	11%	F
Council takes a conservative approach to the estimation of these revenues, mainly due to uncertainty surrounding on going Cash Balances and Interest Rates. As such, the original estimations are usually easily exceeded.					
Other Revenues	1,001	1,213	212	21%	F
This is due mainly to better than estimated leasing revenues generated from Council property.					
Operating Grants and Contributions	5,654	4,547	(1,107)	(20%)	U

In 2011/12 the Federal Government prepaid a portion of the 2012/13 Financial Assistance Grant. This led to a favourable Actual compared to Budgetted result in that year. In 2013/14 the payment arrangements for the Financial Assistance Grant were returned to their historical method requiring the short payment in 2013/14

Muswellbrook Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 16. Material Budget Variations

Capital Grants and Contributions	11,830	12,884	1,054	9%	F
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Council does not include a Budget allocation in regard to Developer Provided Assets, as such the actual transfer of these assets reflects an improved situation in relation to the Budget. In addition to this, Council included an allocation of \$4M from a Capital Contribution in relation to Thomas Mitchell Drive that had not be received as at 30 June 2014.

Net Gains from Disposal of Assets	-	-	-	0%	F
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Share of Net Profits - Joint Ventures and Assoc.	-	12	12	0%	F
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Muswellbrook Shire Council

Notes to the Financial Statements
for the financial year ended 30 June 2014

Note 16. Material Budget Variations (continued)

\$ '000	2014 Budget	2014 Actual	2014 ----- Variance* -----		
EXPENSES					
Employee Benefits and On-Costs	12,625	12,788	(163)	(1%)	U
Borrowing Costs	999	886	113	11%	F
Materials and Contracts	9,480	8,804	676	7%	F
Depreciation and Amortisation	12,147	10,642	1,505	12%	F
During 2013/14 Council undertook a thorough review of its depreciation calculations, especially with regard to road infrastructure. This has led to a decreased depreciation expenditure that was not allowed in the original estimates.					
Impairment Expenses	-	-	-	0%	F
Other Expenses	4,802	5,182	(380)	(8%)	U
Net Losses from Disposal of Assets	-	6	(6)	0%	U
Share of Net Losses - Joint Ventures and 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 2014

Note 16. Material Budget Variations (continued)

\$ '000	2014 Budget	2014 Actual	2014 ----- Variance* -----	
Budget Variations relating to Council's Cash Flow Statement include:				
Cash Flows from Operating Activities	20,330	17,428	(2,902)	(14.3%) U
The major variations relate to the non receipt of the \$4M capital contribution to Thomas Mitchell Drive and the change of payment regime in relation to the Financial Assistance Grant. Both of these impacts have been outlined above.				
Cash Flows from Investing Activities	(22,747)	(26,889)	(4,142)	18.2% U
Cash Flows from Financing Activities	-	4,956	4,956	0.0% F

Muswellbrook Shire Council
Notes to the Financial Statements
 for the financial year ended 30 June 2014

Note 17. Statement of Developer Contributions

\$ '000

Council recovers contributions, raises levies and 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 and levies and the value of all remaining funds which are "restricted" in their future use.

SUMMARY OF CONTRIBUTIONS & LEVIES

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	134	15	-	8	-	-	157	33	(300)	(110)	-
Roads	448	71	-	29	-	-	548	798	(1,647)	(301)	-
Parking	2	-	-	-	-	-	2	2	-	4	-
Open Space	375	30	-	23	-	-	428	-	(280)	148	-
Community Facilities	60	-	-	3	-	-	63	1,849	(2,335)	(423)	-
Tourism	62	-	-	3	-	-	65	13	(115)	(37)	-
Bushfire	71	10	-	5	-	-	86	-	-	86	-
Social Infrastructure	236	30	-	15	-	-	281	522	(1,000)	(197)	-
Other	-	-	-	-	-	-	-	-	-	-	-
S94 Contributions - under a Plan	1,388	156	-	86	-	-	1,630	3,217	(5,677)	(830)	-
S94A Levies - under a Plan	172	91	-	15	(156)	-	122				-
Total S94 Revenue Under Plans	1,560	247	-	101	(156)	-	1,752				-
S94 not under Plans	2,798	2,824	2,316	-	(3,397)	-	2,225	-	-	2,225	-
S64 Contributions	12,553	983	1,019	770			14,306				
Total Contributions	16,911	4,054	3,335	871	(3,553)	-	18,283	3,217	(5,677)	1,395	-

Note 17. Statement of Developer Contributions (continued)

\$ '000

S94 CONTRIBUTIONS - UNDER A 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	134	15	-	8			157	33	(300)	(110)	
Roads	448	71	-	29			548	798	(1,647)	(301)	
Parking	2						2	2		4	
Open Space	375	30	-	23			428	-	(280)	148	
Community Facilities	60			3			63	1,849	(2,335)	(423)	
Tourism	62			3			65	13	(115)	(37)	
Bushfire	71	10		5			86	-		86	
Social Infrastructure	236	30		15			281	522	(1,000)	(197)	
Other	-						-				
Total	1,388	156	-	86	-	-	1,630	3,217	(5,677)	(830)	-

Muswellbrook Shire Council

Notes to the Financial Statements
for the financial year ended 30 June 2014

Note 17. Statement of Developer Contributions (continued)

\$ '000

S94 CONTRIBUTIONS - NOT UNDER A 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	-	-	-	-	-	-	-	-	-	-	-
Roads	-	808	1,869	-	(808)	-	-	-	-	-	-
Traffic Facilities	-	-	-	-	-	-	-	-	-	-	-
Parking	-	-	-	-	-	-	-	-	-	-	-
Open Space	-	-	-	-	-	-	-	-	-	-	-
Community Facilities	1,008	1,417	247	-	(1,000)	-	1,425	-	-	1,425	-
Recreation	819	400	200	-	(1,174)	-	45	-	-	45	-
Wybong Uplands Strategy	499	-	-	-	-	-	499	-	-	499	-
Education	416	100	-	-	(316)	-	200	-	-	200	-
Environment	56	99	-	-	(99)	-	56	-	-	56	-
Total	2,798	2,824	2,316	-	(3,397)	-	2,225	-	-	2,225	-

Muswellbrook Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

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 Council's 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 2014 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 2014

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 June 2008.

(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 2014

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 2014	Actual 2013	Actual 2014	Actual 2013
Associated Entities	-	-	-	-
Joint Venture Entities	12	7	59	47
Total	12	7	59	47

Muswellbrook Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2014

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 2014

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	2014	2013
Hunter Councils	Local Government Services	59	47
Total Carrying Amounts - Associated Entities		59	47

(b) Relevant Interests

Name of Entity	Interest in Outputs		Interest in Ownership		Proportion of Voting Power	
	2014	2013	2014	2013	2014	2013
Hunter Councils	4%	4%	4%	4%	8%	8%

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

	Hunter Councils	
	2014	2013
Opening Balance	47	40
Share in Operating Result	11	7
New Capital Contributions	-	-
Distributions Received	-	-
Adjustments to Equity	-	-
Council's Equity Share in the Associated Entity	58	47

Muswellbrook Shire Council

Notes to the Financial Statements
for the financial year ended 30 June 2014

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

2014	Assets	Liabilities	Net Assets	Revenues	Profit
Hunter Councils	211	152	59	60	12
Totals	211	152	59	60	12
2013	Assets	Liabilities	Net Assets	Revenues	Profit
Hunter Councils	159	112	47	46	7
Totals	159	112	47	46	7

(e) Share of Associated Entities Expenditure Commitments

	2014	2013
Capital Commitments	6	-
Other Expenditure Commitments	-	-
Lease Commitments	-	-
	6	-

(f) Contingent Liabilities of Associates

	2014	2013
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 2014

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	2014	2013
Hunter Councils	Local Government Activities	59	47
Total Carrying Amounts - Joint Venture Entities		59	47

(b) Relevant Interests

Name of Entity	Interest in Outputs		Interest in Ownership		Proportion of Voting Power	
	2014	2013	2014	2013	2014	2013
Hunter Councils	4%	4%	4%	4%	8%	4%

(c) Movement in Carrying Amounts

	Hunter Councils			
	2014	2013	2014	2013
Opening Balance	47	40	-	-
Share in Operating Result	12	7	-	-
New Capital Contributions	-	-	-	-
Distributions Received	-	-	-	-
Adjustments to Equity	-	-	-	-
Council's Equity Share in the Joint Venture Entity	59	47	-	-

Muswellbrook Shire Council

Notes to the Financial Statements
for the financial year ended 30 June 2014

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	
2014					
Hunter Councils	20	191	25	127	59
Totals	20	191	25	127	59
2013					
Hunter Councils	14	145	18	94	47
Totals	14	145	18	94	47

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

	2014			2013		
	Revenue	Expenses	Result	Revenues	Expenses	Result
Hunter Councils	62	50	12	46	39	7
Totals	62	50	12	46	39	7

(f) Share of Joint Venture Entities Expenditure Commitments

	2014	2013
Capital Commitments	6	-
Other Expenditure Commitments	-	-
Lease Commitments	-	-

(g) Contingent Liabilities of Joint Venture Entities

	2014	2013
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 2014

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 2014

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 required.

Muswellbrook Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 20. Equity - Retained Earnings and Revaluation Reserves

\$ '000	Notes	Actual 2014	Actual 2013
(a) Retained Earnings			
Movements in Retained Earnings were as follows:			
Balance at beginning of Year (from previous years audited accounts)		259,207	240,271
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		12,265	18,936
e. Distributions to/(Contributions from) Non-controlling Interests		-	-
f. Transfers between Equity		-	-
Balance at End of the Reporting Period		271,472	259,207
(b) Reserves			
(i) Reserves are represented by:			
- Infrastructure, Property, Plant and Equipment Revaluation Reserve		309,010	214,088
- "Available for Sale" Financial Investments Revaluation Reserve		-	-
- Other Reserves (Specify)		-	-
Total		309,010	214,088
(ii) Reconciliation of movements in Reserves:			
Infrastructure, Property, Plant & Equipment Revaluation Reserve			
- Opening Balance		214,088	215,151
- Revaluations for the year	9(a)	94,922	(1,063)
- (Impairment of revalued assets) / Impairment reversals	9(a),(c)	-	-
- Transfer to Retained Earnings for Asset disposals		-	-
- Correction of Prior Period Errors	20(c)	-	-
- Balance at End of Year		309,010	214,088
"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	20(c)	-	-
- Balance at End of Year		-	-
TOTAL VALUE OF RESERVES		309,010	214,088

(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 and decrements of Non Current Asset values due to their revaluation.

Muswellbrook Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2014

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

\$ '000	Notes	Actual 2014	Actual 2013
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(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 2014

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

\$ '000	Notes	Actual 2014	Actual 2013
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(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 2014

Note 21. Financial Result and Financial Position by Fund

\$ '000

Income Statement by Fund \$ '000	Actual 2014	Actual 2014	Actual 2014	Actual 2014
	DWM	Water	Sewer	General ¹
Continuing Operations				
Income from Continuing Operations				
Rates and Annual Charges	1,801	1,326	3,134	10,859
User Charges and Fees	10	3,478	444	7,956
Interest and Investment Revenue	9	1,126	580	1,194
Other Revenues		363	513	337
Grants and Contributions provided for Operating Purposes	29	29	32	4,457
Grants and Contributions provided for Capital Purposes		388	1,625	10,871
Other Income				
Net Gains from Disposal of Assets		4	-	-
Share of interests in Joint Ventures and Associates using the Equity Method				12
Total Income from Continuing Operations	1,849	6,714	6,328	35,686
Expenses from Continuing Operations				
Employee Benefits and on-costs	53	1,003	898	10,834
Borrowing Costs		200	66	620
Materials and Contracts	1,723	2,650	1,091	3,340
Depreciation and Amortisation		1,423	1,067	8,152
Impairment				-
Other Expenses	2	503	271	4,410
Interest and Investment Losses				-
Net Losses from the Disposal of Assets		-	-	6
Share of interests in Joint Ventures and Associates using the Equity Method				-
Total Expenses from Continuing Operations	1,778	5,779	3,393	27,362
Operating Result from Continuing Operations	71	935	2,935	8,324
Discontinued Operations				
Net Profit/(Loss) from Discontinued Operations		-	-	-
Net Operating Result for the Year	71	935	2,935	8,324
Net Operating Result attributable to each Council Fund	71	935	2,935	8,324
Net Operating Result attributable to Non-controlling Interests	-	-	-	-
Net Operating Result for the year before Grants and Contributions provided for Capital Purposes	71	547	1,310	(2,547)

Muswellbrook Shire Council

Notes to the Financial Statements

as at 30 June 2014

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

\$ '000

Statement of Financial Position by Fund \$ '000	Actual 2014	Actual 2014	Actual 2014	Actual 2014
	DWM	Water	Sewer	General ¹
ASSETS				
Current Assets				
Cash and Cash Equivalents		-	-	3,352
Investments	35	4,534	2,629	(2,208)
Receivables	108	561	830	6,611
Inventories		3	-	2,078
Other		-	-	53
Non-current assets classified as 'held for sale'		-	-	-
Total Current Assets	143	5,098	3,459	9,886
Non-Current Assets				
Investments	161	14,966	8,827	14,307
Receivables		1,589	-	-
Inventories		-	-	-
Infrastructure, Property, Plant and Equipment		48,781	49,012	443,779
Investments Accounted for using the equity method		-	-	59
Investment Property		-	-	7,485
Non-current assets classified as 'held for sale'				-
Total Non-Current Assets	161	65,336	57,839	465,630
TOTAL ASSETS	304	70,434	61,298	475,516
LIABILITIES				
Current Liabilities				
Payables	69	461	816	3,766
Borrowings		227	55	547
Provisions		362	168	2,358
Liabilities associated with assets classified as 'held for sale'				-
Total Current Liabilities	69	1,050	1,039	6,671
Non-Current Liabilities				
Payables		-	-	-
Borrowings		2,712	910	9,940
Provisions		-	-	4,679
Investments Accounted for using the equity method				-
Liabilities associated with assets classified as 'held for sale'				-
Total Non-Current Liabilities	-	2,712	910	14,619
TOTAL LIABILITIES	69	3,762	1,949	21,290
Net Assets	235	66,672	59,349	454,226
EQUITY				
Retained Earnings	235	37,455	41,552	192,230
Revaluation Reserves		29,217	17,797	261,996
Council Equity Interest	235	66,672	59,349	454,226
Non-controlling Interests		-	-	-
Total Equity	235	66,672	59,349	454,226

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

Muswellbrook Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2014

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

\$ '000

	2014	2014	2013	2013
\$ '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 2014

Note 23. Events occurring after the Reporting Date

\$ '000

Events that occur between the end of the reporting period (ending 30 June 2014) 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 31/10/14.

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 2014.

(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 2014 and which are only indicative of conditions that arose after 30 June 2014.

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 2014

Note 24. Discontinued Operations

\$ '000

	Actual 2014	Actual 2013
\$ '000		

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 2014

Note 25. Intangible Assets

	Actual	Actual
\$ '000	2014	2013

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 2014

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	
		2014	2013
Rehabilitation of the Muswellbrook Waste Management Facility	2027	4,454	4,202
		-	-
		-	-
Balance at End of the Reporting Period	10(a)	4,454	4,202

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 liability

Reconciliation of movement in Provision for year:

Balance at beginning of year	4,202	3,964
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)	252	238
Expenditure incurred attributable to Provisions		-
Total - Reinstatement, rehabilitation and restoration provision	4,454	4,202

Muswellbrook Shire Council
Notes to the Financial Statements
for the financial year ended 30 June 2014
Note 27. Fair Value Measurement

\$ '000

The Council measures the following asset and liability classes at fair value on a recurring basis:

- Infrastructure, Property, Plant and Equipment
- Investment Property
- Financial Assets and Liabilities

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

AASB 13 Fair Value Measurement requires all assets and liabilities measured at fair value to be assigned to a "level" in the fair value hierarchy as follows:

Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Inputs for the asset or liability that are not based on observable market data.

(1) The following table presents all assets and liabilities that have been measured and recognised at fair values:

2014	Date of latest Valuation	Fair Value Measurement Hierarchy			Total
		Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
Recurring Fair Value Measurements					
Investment Properties					
Commercial Properties	30/06/2014	-		7,485	7,485
Total Investment Properties		-	-	7,485	7,485
Infrastructure, Property, Plant and Equipment					
Plant and Equipment	30/06/2013			4,827	4,827
Office Equipment	30/06/2013			517	517
Furniture and Fittings	30/06/2013			817	817
Operational Land	30/06/2013			8,341	8,341
Community Land	30/06/2010			9,389	9,389
Depreciable Land Improvements	30/06/2011			2,733	2,733
Buildings - Non Specialised	30/06/2012			2,447	2,447
Buildings - Specialised	30/06/2012			34,823	34,823
Other Structures	30/06/2011			6,199	6,199
Roads and Footpaths	30/06/2014			260,878	260,878
Footpath	30/06/2014			6,708	6,708
Bridges	30/06/2014			43,201	43,201
Stormwater Drainage	30/06/2010			44,214	44,214
Water Supply Network	30/06/2014			47,619	47,619
Sewerage Network	30/06/2014			45,502	45,502
Heritage Assets	30/06/2010			4,267	4,267
Other	30/06/2013			240	240
Total Infrastructure, Property, Plant & Eq.		-	-	522,722	522,722

Muswellbrook Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 27. Fair Value Measurement

(2) Transfers Between Level 1 and Level 2 Fair Value Hierarchies

During the year, there were no transfers between Level 1 and Level 2 Fair Value hierarchies for recurring fair value measurements.

(3) Valuation techniques used to derive Level 2 and Level 3 Fair Values

Where Council is unable to derive Fair Valuations using quoted market prices of identical assets (ie. Level 1 inputs), Council instead utilises unobservable inputs (Level 3 inputs).

The Fair Valuation techniques Council has employed utilising Level 3 inputs are as follows: estimates of the replacement cost of the asset, the maximum amounts Council would rationally pay to acquire an asset, the Unimproved Capital Value of some land and professional judgement in regard to factors such as residual value, pattern of consumption, asset condition and useful life.

Investment Properties

Council obtains independent valuations of its Investment Properties on an annual basis at the end of each reporting period in order to ensure the Financial Statements include the most up to date valuation. The best evidence of fair value is the current price in an active market for similar assets. Investment Property is included in level 3 of the hierarchy. The key unobservable input is the estimated lease returns on which the valuations are based.

The fair value is determined by an independent local real estate agent with an appropriate level of experience and understanding of the local commercial market for properties of this type.

Plant and Equipment, Office Equipment and Furniture and Fittings

Plant and Equipment, Office Equipment and Furniture and Fittings are valued at cost but are disclosed at fair value in the notes. The carrying amount of these assets is assumed to approximate fair value due to the nature of the items. Examples of assets within these classes are as follows:

- Plant and Equipment includes Council's works and vehicle fleet
- Office Equipment includes computer and associated equipment including printers, servers etc.
- Furniture and Fittings includes items such as normal office furniture and carpets, blinds etc

The key unobservable inputs to the valuation are the remaining useful life and residual value. Council reviews the value of these assets against quoted prices for the gross current replacement cost of similar assets and by taking account of the pattern of consumption, estimated remaining useful life and the residual value. There has been no change to the valuation process during the reporting period.

Operational Land

This asset class comprises all of Council's land classified as Operational Land under the NSW Local Government Act 1993. The key unobservable input to the valuation is the price per square metre. The last valuation was undertaken at 30 June 2012 and was performed by Liquid Pacific valuers.

Generally, fair value is the most advantageous price reasonably obtainable by the seller and the most advantageous price reasonably obtained by the buyer. This is not necessarily the market selling price of the asset, rather, it is regarded as the maximum value that Council would rationally pay to acquire the asset if it did not hold it, taking into account quoted market price in an active and liquid market, the current market price of the same or similar asset, the cost of replacing the asset, if management intend to replace the asset, the

Muswellbrook Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 27. Fair Value Measurement

remaining useful life and condition of the asset; and cash flows from the future use and disposal. There has been no change to the valuation process during the reporting period.

Community Land

Valuations of all Council's Community Land and Council managed land were based on the Unimproved Capital Value as provided by the Valuer-General. As these rates were not considered to be observable market evidence they have been classified as Level 3. There has been no change to the valuation process during the reporting period.

Depreciable Land Improvements

This asset class comprises land improvements such as spectator mounds, swales, berms, gardens, mulched areas, streetscaping and landscaping. These assets may be located on parks, reserves and also within road reserves. 'Land Improvements' were valued in-house using the replacement cost approach by experienced Council engineers and asset management staff.

The cost approach has been utilised whereby the replacement cost was estimated for each asset by taking into account a range of factors. Inputs such as estimates of pattern of consumption, residual value, asset condition and useful life required extensive professional judgement and impacted significantly on the final determination of fair value. As such these assets were all classified as having been valued using Level 3 valuation inputs. There has been no change to the valuation process during the reporting period.

Buildings – Non specialised and Specialised

Buildings were valued by APV Valuers and Asset Management in June 2013 using the cost approach. The approach estimated the replacement cost for each building by componentising the buildings into significant parts with different useful lives and taking into account a range of factors. While all buildings were physically inspected, inputs such as estimates of residual value and pattern of consumption required extensive professional judgement and impacted significantly on the final determination of fair value. As such these assets were classified as having been valued using Level 3 valuation inputs.

During the financial year Council completed the construction of one specialised building (Sam Adams College). The construction costs used to make the valuation are current and, as such provide a clear guide for the valuation of the building in accordance with its Current Replacement Cost. There has been no change to the valuation process during the reporting period.

Other Structures

This asset class comprises infrastructure such as dog leash free areas, ancillary waste facilities, fences, carparks and skateparks.

The cost approach has been utilised whereby the replacement cost was estimated for each asset by taking into account a range of factors. Inputs such as estimates of pattern of consumption, residual value, asset condition and useful life required extensive professional judgement and impacted significantly on the final determination of fair value. As such these assets were all classified as having been valued using Level 3 valuation inputs. There has been no change to the valuation process during the reporting period.

Muswellbrook Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 27. Fair Value Measurement

Roads, Bridges and Footpaths

This asset class comprises infrastructure including the Road Carriageway, Footpaths, Guardrails, Kerb and Gutter, Retaining walls, Bridges and Traffic facilities. The road carriageway is defined as the trafficable portion of a road, between but not including the kerb and gutter. The 'Cost Approach' using Level 3 inputs was used to value the road carriageway and other infrastructure within this class. These valuations for the asset class have been based on calculations carried out internally by qualified and experienced Council staff.

The cost approach was utilised with inputs such as the estimated pattern of consumption, residual value, asset condition and useful life requiring extensive professional judgement which impacted significantly on the final determination of fair value. Additionally due to limitations in the historical records of very long lived assets there is some uncertainty regarding the actual design, specifications and dimensions of some assets. There has been no change to the valuation process during the reporting period.

Drainage Infrastructure

Assets within this class comprise pits, pipes, open channels, headwalls and various types of water quality devices. The 'Cost Approach' estimated the replacement cost for each asset by componentising the assets into significant parts with different useful lives and taking into account a range of factors. The Level of componentisation adopted by Council is in accordance with Office of Local Government Circular 09-09 and the Institute of Public Works Engineers Australia's International Infrastructure Management Manual (IIMM). Inputs such as estimates of the pattern of consumption, residual value, asset condition and useful life required extensive professional judgement and impact significantly on the final determination of fair value. Additionally due to limitations in the historical records of very long lived assets there is uncertainty regarding the actual design, specifications and dimensions of some assets. There has been no change to the valuation process during the reporting period.

Water Supply and Sewerage Network

Assets within these classes include the mains, pump stations, access pits, reservoirs and treatment plants which enable the treatment and reticulation of potable water and the collection and treatment of waste water. Mains are valued in accordance with the NSW Reference Rates Manual issued by the NSW Office of Water, which is based on extensive data collected in relation to the expected replacement cost of water and sewer mains. All other items are valued in accordance with their replacement cost. These values are based on an independent valuation undertaken in 2007 and updated with more current data as items are replaced, providing improved replacement costs. These valuations are undertaken internally by experienced and qualified Council staff. Inputs such as estimates of the pattern of consumption, residual value, asset condition and useful life required extensive professional judgement and impact significantly on the final determination of fair value.

Heritage Assets

Assets within this class comprise Council's Art Collection. The collection is independently valued every year with the most recent valuation being completed in 2009/10.

Muswellbrook Shire Council

Notes to the Financial Statements
for the financial year ended 30 June 2014

Note 27. Fair Value Measurement (continued)

\$ '000

(4). Fair value measurements using significant unobservable inputs (Level 3)

a. The following tables present the changes in Level 3 Fair Value Asset Classes.

	Plant and Equipment	Office Equipment	Furniture and Fittings	Operational Land	Total
Adoption of AASB 13	5,470	590	868	7,813	14,741
Purchases (GBV)	765	112	34	528	1,439
Disposals (WDV)	(99)	-	-	-	(99)
Depreciation & Impairment	(1,309)	(203)	(85)	-	(1,597)
WIP Transfers	-	18	-	-	18
Closing Balance - 30/6/14	4,827	517	817	8,341	14,502

	Community Land	Land Improve. Dep'le	Buildings Non-Spec	Buildings Specialised	Total
Adoption of AASB 13	9,388	2,233	2,447	32,649	46,717
Purchases (GBV)	1	592	-	854	1,447
Disposals (WDV)	-	-	-	-	-
Depreciation & Impairment	-	(92)	-	(278)	(370)
WIP Transfers	-	-	-	1,598	1,598
Closing Balance - 30/6/14	9,389	2,733	2,447	34,823	49,392

Muswellbrook Shire Council

Notes to the Financial Statements
for the financial year ended 30 June 2014

Note 27. Fair Value Measurement (continued)

\$ '000

(4). Fair value measurements using significant unobservable inputs (Level 3) (continued)

a. The following tables present the changes in Level 3 Fair Value Asset Classes. (continued)

	Other Structures	Roads	Bridges	Footpaths	Total
Adoption of AASB 13	5,157	165,337	43,802	6,680	220,976
Purchases (GBV)	326	4,204	-	711	5,241
Disposals (WDV)	-	(406)	-	(30)	(436)
Depreciation & Impairment	(227)	(3,426)	(601)	(653)	(4,907)
WIP Transfers	943	-	-	-	943
Revaluation Increments	-	95,169	-	-	95,169
Closing Balance - 30/6/14	6,199	260,878	43,201	6,708	316,986

	Stormwater Drainage	Water Supply Network	Sewerage Network	Other Minor Classes	Total
Adoption of AASB 13	44,761	47,274	43,334	4,478	139,847
Purchases (GBV)	699	528	4,185	129	5,541
Disposals (WDV)	(4)	-	-	-	(4)
Depreciation & Impairment	(1,242)	(1,355)	(1,048)	(100)	(3,745)
WIP Transfers	-	82	368	-	450
Revaluation Increments	-	1,090	(1,337)	-	(247)
Closing Balance - 30/6/14	44,214	47,619	45,502	4,507	141,842

Muswellbrook Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 27. Fair Value Measurement

(4). Fair value measurements using significant unobservable inputs (Level 3)

c. Significant unobservable valuation inputs used (for Level 3 asset classes) and their relationship to fair value.

The following table summarises the quantitative information relating to the significant unobservable inputs used in deriving the various Level 3 Asset Class fair values.

Investment Properties

Class	Fair Value (30/6/14) \$'000	Unobservable Inputs	Range of Inputs (incl probable)	Relationship of unobservable inputs to Fair Value
Commercial Buildings	7,485	Possible range of rental return	Ranges from \$30K to \$500k pa per building	Discounted return used to calculate value

Infrastructure, Property, Plant and Equipment

Class	Fair Value (30/6/14) \$'000	Unobservable Inputs	Range of Inputs (incl probable)	Relationship of unobservable inputs to Fair Value
Plant and Equipment	4,827	Gross Replacement Cost	Varies Significantly between assets	Significant changes in the gross replacement value, pattern of consumption affecting the remaining useful life or residual value would result in significant changes to fair value measurement.
		Remaining Useful Life	5 to 20 Years	
		Residual Value	0% to 40%	
Office Equipment	517	Gross Replacement Cost	Varies Significantly between assets	Significant changes in the gross replacement value, pattern of consumption affecting the remaining useful life or residual value would result in significant changes to fair value measurement.
		Remaining Useful Life	5 to 20 Years	
		Residual Value	0% to 5%	
Furniture and Fittings	817	Gross Replacement Cost	Varies Significantly between assets	Significant changes in the gross replacement value, pattern of consumption affecting the remaining useful life or residual value would result in significant changes to fair value measurement.
		Remaining Useful Life	Up to 10 Years	
		Residual Value	0% to 10%	
Operational Land	8,341	Land Value (Price per square metre)	\$0.50 to \$25 per square meter	Significant changes in the price that Council should reasonably expect to pay for land would result in significant changes to fair value measurement.

Muswellbrook Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2014

Note 27. Fair Value Measurement

Class	Fair Value (30/6/14) \$'000	Unobservable Inputs	Range of Inputs (incl probable)	Relationship of unobservable inputs to Fair Value
Community Land	9,389	Land Value (Price per square metre)	\$0.50 to \$25 per square meter	Significant changes in the Unimproved Capital Value of land would result in significant changes to fair value measurement.
Land Improvements - Depreciable	2,733	Gross Replacement Cost Remaining Useful Life Residual Value	Varies Significantly between assets Up to 40 Years 0% to 40%	Significant changes in the gross replacement value and pattern of consumption affecting the remaining useful life or residual value would result in significant changes to fair value measurement.
Buildings – Non Specialised	2,447	Gross Replacement Cost Asset Condition Remaining Useful Life Residual Value	Varies Significantly between assets Poor to excellent Between 50 and 70 Years 0% to 70%	Significant changes in the gross replacement value, pattern of consumption and asset condition affecting the remaining useful life or residual value would result in significant changes to fair value measurement.
Buildings - Specialised	34,823	Gross Replacement Cost Asset Condition Remaining Useful Life Residual Value	Varies Significantly between assets Poor to excellent Between 50 and 70 years 0% to 70%	Significant changes in the gross replacement value, pattern of consumption and asset condition affecting the remaining useful life or residual value would result in significant changes to fair value measurement.
Other Structures	6,199	Gross Replacement Cost Asset Condition Remaining Useful Life Residual Value	Varies Significantly between assets Poor to excellent Between 50 and 70 years 0% to 60%	Significant changes in the gross replacement value, pattern of consumption and asset condition affecting the remaining useful life or residual value would result in significant changes to fair value measurement.
Bridges	43,201	Gross Replacement Cost Asset Condition Remaining Useful Life Residual Value	Varies Significantly between assets Poor to excellent Between 20 and 50 years 10% to 40%	Significant changes in the gross replacement value, pattern of consumption and asset condition affecting the remaining useful life or residual value would result in significant changes to fair value measurement.

Muswellbrook Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 27. Fair Value Measurement

Class	Fair Value (30/6/14) \$'000	Unobservable Inputs	Range of Inputs (incl probable)	Relationship of unobservable inputs to Fair Value
Footpaths	6,708	Gross Replacement Cost Asset Condition Remaining Useful Life Residual Value	Varies Significantly between assets Poor to excellent Up to 20 years 0% to 50%	Significant changes in the gross replacement value, pattern of consumption and asset condition affecting the remaining useful life or residual value would result in significant changes to fair value measurement.
Stormwater Drainage	44,214	Gross Replacement Cost Asset Condition Remaining Useful Life Residual Value	Varies Significantly between assets Poor to excellent Between 50 and 80 years 0% to 50%	Significant changes in the gross replacement value, pattern of consumption and asset condition affecting the remaining useful life or residual value would result in significant changes to fair value measurement.
Water Supply Network	47,619	Gross Replacement Cost Asset Condition Remaining Useful Life Residual Value	Varies Significantly between assets Poor to excellent Between 20 and 100 years 0% to 70%	Significant changes in the gross replacement value, pattern of consumption and asset condition affecting the remaining useful life or residual value would result in significant changes to fair value measurement.
Sewerage Network	45,502	Gross Replacement Cost Asset Condition Remaining Useful Life Residual Value	Varies Significantly between assets Poor to excellent Between 20 and 100 years 0% to 70%	Significant changes in the gross replacement value, pattern of consumption and asset condition affecting the remaining useful life or residual value would result in significant changes to fair value measurement.
Other Minor Asset Classes	4,507	Varies with asset type but includes artwork valuations.	Varies with asset type but includes artwork valuations.	Changes in these unobservable inputs will result in significant changes to value measurement.

(5). Highest and best use

All of Council's non-financial assets are considered to being utilised for their highest and best use.

Muswellbrook Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 28. Financial Commentary and Review (continued)

\$ '000

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

Financial Performance Figures	2014	2013	2012	2011	2010
Inflows:					
Rates and Annual Charges Revenue	17,120	16,111	15,289	13,961	11,981
User Charges Revenue	11,888	10,374	8,474	10,472	7,879
Interest and Investment Revenue (Losses)	2,909	2,857	2,432	2,776	2,999
Grants Income - Operating and Capital	6,386	6,639	7,195	5,676	6,770
Total Income from Continuing Operations	50,573	55,482	44,082	42,239	38,599
Sale Proceeds from I,PP&E	759	3,184	1,655	243	383
New Loan Borrowings & Advances	5,700	-		2,280	1,560
Outflows:					
Employee Benefits and On-cost Expenses	12,788	12,792	11,493	10,849	10,495
Borrowing Costs	886	809	823	713	648
Materials and Contracts Expenses	8,804	7,633	7,749	8,141	7,450
Total Expenses from Continuing Operations	38,308	36,546	35,453	34,132	26,960
Total Cash purchases of I,PP&E	25,571	14,194	15,732	11,608	9,702
Total Loan Repayments (incl. Finance Leases)	744	591	564	527	374
Operating Surplus/(Deficit) (excl. Capital Income)	(619)	3,005	(1,108)	(1,390)	1,027
Financial Position Figures	2014	2013	2012	2011	2010
Current Assets	18,586	22,429	22,401	22,685	23,328
Current Liabilities	8,829	6,087	6,098	5,529	5,493
Net Current Assets	9,757	16,342	16,303	17,156	17,835
Available Working Capital (Unrestricted Net Current Assets)	4,235	2,235	2,726	3,463	1,765
Cash and Investments - Unrestricted	45	42	791	2,183	202
Cash and Investments - Internal Restrictions	8,917	14,212	11,763	11,912	14,502
Cash and Investments - Total	46,603	51,006	43,964	44,563	43,680
Total Borrowings Outstanding	12,802	7,776	8,290	8,777	7,848
Total Value of I,PP&E (excl. Land & Earthworks)	759,226	630,464	577,699	560,860	533,890
Total Accumulated Depreciation	235,384	220,825	212,106	212,149	201,469
Indicative Remaining Useful Life (as a % of GBV)	69%	65%	63%	62%	62%

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

Muswellbrook Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2014

Note 29. Council Information and 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

Mark Goode

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 2014, 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 projected future developer contributions and costs disclosed in Note 17. Accordingly, no opinion is expressed on these matters.

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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 31st day of October 2014