

North Burnett Regional Council

Financial Statements

For the year ended 30 June 2019

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North Burnett Regional Council
Statement of Comprehensive Income
For the year ended 30 June 2019

	Note	2019 \$	2018 \$
Income			
Recurrent Revenue			
Rates, Levies and Charges	3(a)	17,230,085	16,283,977
Fees and Charges	3(b)	1,281,243	1,250,025
Interest Received	3(c)	863,569	840,224
Sales Revenue	3(d)	3,267,540	3,539,869
Other Income	3(e)	1,094,459	1,430,327
Grants, Subsidies, Contributions and Donations	4(a)	11,748,753	12,618,476
		35,485,649	35,962,898
Expenses			
Recurrent Expenses			
Employee Benefits	7	(15,303,105)	(14,520,871)
Materials and Services	8	(12,539,896)	(12,879,764)
Finance Costs	9	(324,444)	(323,289)
Depreciation	14	(14,686,819)	(14,101,948)
		(42,854,264)	(41,825,872)
Operating Result before Capital Items		(7,368,615)	(5,862,974)
Capital Income			
Grants, Subsidies, Contributions and Donations	4(b)	15,016,529	14,261,412
		15,016,529	14,261,412
Capital Expenses			
Loss on the Disposal of Non-Current Assets	5	(9,273,395)	(4,691,940)
Provision for landfill restoration	10	(2,647,366)	-
Total Capital Items		(11,920,761)	(4,691,940)
		3,095,768	9,569,472
Net Result		(4,272,847)	3,706,498
Other Comprehensive Income for the year			
Items that will not be reclassified to net results			
Increase/ (decrease) in Asset Revaluation Surplus	6	5,341,869	(6,157,177)
Total other comprehensive income for the year		5,341,869	(6,157,177)
Total Comprehensive Income for the Year		1,069,022	(2,450,679)

The above statement should be read in conjunction with the accompanying notes and Significant Accounting Policies.

North Burnett Regional Council
Statement of Financial Position
As at 30 June 2019

	Note	2019 \$	2018 \$
Current Assets			
Cash and Cash Equivalents	11	25,573,892	27,276,438
Other Financial Assets	12	4,000,000	4,000,000
Trade and Other Receivables	13	3,938,381	3,149,878
Inventories		496,799	462,712
Total Current Assets		34,009,072	34,889,028
Non-Current Assets			
Property, Plant and Equipment	14	1,051,087,891	1,045,576,145
Total Non-Current Assets		1,051,087,891	1,045,576,145
Total Assets		1,085,096,963	1,080,465,173
Current Liabilities			
Trade and Other Payables	16	5,936,779	5,554,642
Borrowings	17	662,024	633,390
Provisions	18	2,041,811	2,146,353
Other	19	972,051	494,695
Total Current Liabilities		9,612,665	8,829,080
Non-Current Liabilities			
Borrowings	17	2,326,084	2,983,030
Provisions	18	8,107,681	4,671,553
Total Non-Current Liabilities		10,433,765	7,654,583
Total Liabilities		20,046,430	16,483,662
Net Community Assets		1,065,050,533	1,063,981,511
Community Equity			
Capital		785,216,557	782,120,789
Asset Revaluation Surplus	20	307,954,291	302,612,422
Retained Surplus/ (Deficiency)		(28,120,315)	(20,751,700)
Total Community Equity		1,065,050,533	1,063,981,511

The above statement should be read in conjunction with the accompanying notes and Significant Accounting Policies

North Burnett Regional Council
Statement of Changes in Equity
For the year ended 30 June 2019

		Capital		Asset Revaluation Surplus		Retained Surplus/(Deficiency)		Total	
Note		2019	2018	2019	2018	2019	2018	2019	2018
		\$	\$	\$	\$	\$	\$	\$	\$
Opening Balance		782,120,789	772,551,317	302,612,422	308,769,599	(20,751,700)	(14,888,726)	1,063,981,511	1,066,432,190
Net result		-	-	-	-	(4,272,847)	3,706,498	(4,272,847)	3,706,498
Increase/(decrease) in asset revaluation surplus	6	-	-	5,341,869	(6,157,177)	-	-	5,341,869	(6,157,177)
Total comprehensive income for the year		-	-	5,341,869	(6,157,177)	(4,272,847)	3,706,498	1,069,022	(2,450,679)
Transfers to and from reserves		-	-	-	-	-	-	-	-
Transfer to/from capital	4b, 5 & 10	3,095,768	9,569,472	-	-	(3,095,768)	(9,569,472)	-	-
Total transfers to and from reserves		3,095,768	9,569,472	-	-	(3,095,768)	(9,569,472)	-	-
Closing Balances		785,216,557	782,120,789	307,954,291	302,612,422	(28,120,315)	(20,751,700)	1,065,050,533	1,063,981,511

The above statement should be read in conjunction with the accompanying notes and Significant Accounting Policies

North Burnett Regional Council
Statement of Cash Flows
For the year ended 30 June 2019

	Note	2019 \$	2018 \$
Cash flows from operating activities			
Receipts from customers		22,272,226	22,608,245
Payments to suppliers and employees		(26,989,972)	(27,725,017)
		(4,717,745)	(5,116,772)
Interest received		863,569	840,224
Rental Income		289,954	483,171
Non Capital Grants and Contributions	4(a)	11,748,753	12,618,476
Borrowing Costs		(145,203)	(179,208)
Net cash inflow from operating activities	24	8,039,327	8,645,891
Cash flows from investing activities			
Payments for property, plant and equipment		(24,559,514)	(22,512,907)
Proceeds from sale of property and equipment	5	429,424	542,351
Grants, subsidies, contribution and donations	4(b)	15,016,529	14,261,412
Net cash outflow from investing activities		(9,113,561)	(7,709,144)
Cash flows from financing activities			
Proceeds from borrowings	17	-	-
Repayment of borrowings	17	(628,312)	(603,418)
Net cash outflow from financing activities		(628,312)	(603,418)
Net increase (decrease) in cash and cash equivalents held		(1,702,546)	333,329
Cash and cash equivalents at beginning of the financial year		27,276,438	26,943,109
Cash and cash equivalents at end of the financial year	11	25,573,892	27,276,438

The above statement should be read in conjunction with the accompanying notes and Significant Accounting Policies.

1 Significant accounting policies

a) Basis of Preparation

These general purpose financial statements are for the period 1 July 2018 to 30 June 2019 and have been prepared in accordance with the requirements of the *Local Government Act 2009* and the *Local Government Regulation 2012*. The financial statements were authorised for issue on the date they were submitted to the Auditor-General for final signature. This is the date the management certificate is signed.

They comply with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (AASB). Council is a not-for-profit entity and the Australian Accounting Standards include requirements for not-for-profit entities which are inconsistent with International Financial Reporting Standards (IFRS). Therefore in some instances these financial statements do not comply with IFRS. The main impacts are the offsetting of revaluation gains and losses within a class of assets and the timing of recognition of non-reciprocal grant revenue.

These financial statements have been prepared under the historical cost convention except for the revaluation of certain non-current assets.

b) Constitution

The Council is constituted under the *Queensland Local Government Act 2009* and is domiciled in Australia.

c) New and revised Accounting Standards

This year Council has applied AASB 9 *Financial Instruments* (AASB 9) for the first time. AASB 9 replaces AASB 139 *Financial Instruments: Recognition and Measurement* and relates to the recognition, classification and measurement of financial assets and financial liabilities. Implementing AASB 9 has resulted in a change to the way council calculates impairment provisions, which are now based on expected credit losses instead of incurred credit losses.

Council has not restated comparative figures. This means the new impairment rules are reflected in the receivables balance at 30 June 2019, but not 30 June 2018.

On 1 July 2018 (the date of initial application), council re-assessed the classification, measurement category and carrying amount of each financial instrument (listed below) in accordance with AASB 9. There were some changes to classification, but this did not result in changes to measurement categories (listed below). Carrying amounts were unchanged.

Financial asset/liability	Measurement category (unchanged)
Cash and Cash Equivalents	Amortised cost
Other Financial Assets	Amortised cost
Trade and other Receivables	Amortised cost
Trade and other Payables	Amortised cost
Borrowings	Amortised cost

Some Australian Accounting Standards and Interpretations have been issued but are not yet effective. Those standards have not been applied in these financial statements. Council will implement them when they are effective. The standards that are expected to have a material impact upon council's future financial statements are:

Standard and Impact

**Date council
will apply
standard**

AASB 15 *Revenue from Contracts with Customers* (AASB 15), AASB 1058 *Income of Not-for-Profit-Entities* (AASB 1058) and AASB 2016-8 *Amendments to Australian Accounting Standards - Australian Implementation Guidance for Not-For-Profit-Entities* (AASB 2016-8).

1 July 2019

AASB 1058 clarifies and simplifies the income recognition requirements that apply to not-for-profit (NFP) entities, in conjunction with AASB 15, and AASB 2016-18. These standards supersede the majority of income recognition requirements relating to NFP entities, previously AASB 1004 *Contributions*.

Identifiable impacts at the date of this report are:

Some grants received by council will be recognised as a liability, and subsequently recognised progressively as revenue as the council satisfies its performance obligation under the grant. At present such grants are recognised as revenue up front.

Grants that are not enforceable and/or not sufficiently specific will not qualify for deferral, and continue to be recognised as revenue as soon as they are controlled. Council receives several grants from the Federal Government and State Government for which there are no sufficiently specific performance obligations these are expected to continue being recognised as revenue upfront assuming no change to the current grant arrangements.

c) New and revised Accounting Standards (continued)

Depending on the respective contractual terms, the new requirements of AASB 15 may potentially result in a change to the timing of revenue from sales of the Council's goods and services such that some revenue may need to be deferred to a later reporting period to the extent that the Council has received payment but has not met its associated performance obligations (such amounts are reported as a liability in the meantime).

Prepaid rates will not be recognised as revenue until the relevant rating period starts. Until that time these receipts will be recognised as a liability (unearned revenue). There will be no impact upon the recognition of other fees and charges.

Based on the Council's assessment, it is expected that the first-time adoption of AASB 15 for the year ending 30 June 2020 could have a material impact on the transactions and balances recognised in the financial statements. Based on Council's assessment, if Council adopted the new standards in the current financial year it would have had the following impacts:

-Revenue decrease of \$815,000 due to deferral of grant funding based on the facts available to council as at 30 June 2019.

- There would be an equal decrease in the reported equity as the decrease in revenue will require an increase in recognition of contract liabilities.

Transition Method

The Council intends to apply AASB 15, AASB 1058 and AASB 2016-18 initially on 1 July 2019, using the modified retrospective approach. Therefore, the cumulative effect of adopting these standards will be recognised as an adjustment to the opening balance of retained earnings at 1 July 2019, with no restatement of comparative information.

**Date council
will apply
standard**

The standards that are not expected to have a material impact upon council's future financial statements are:

AASB 16 Leases

1 July 2019

The Council has assessed the impacts of the new standard that the initial application of AASB 16 will have on its consolidated financial statements, however, the actual impacts may differ as the new accounting policies are subject to change until the Council presents its first financial statements that include the date of application.

AASB 16 Introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. These are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to current standard - i.e. lessors continue to classify leases as finance or operating leases.

The entity has undertaken a detailed assessment of the impact of AASB 16 and the Standard is not expected to have a material impact on the transactions and balances recognised in the financial statements when it is first adopted for the year ending 30 June 2020.

Leases in which the Council is a lessee

The Council will recognise new assets and liabilities for its operating leases of motor vehicles. The nature of expenses related to those leases will now change because the Council will recognise a depreciation charge for right-of-use assets and interest expense on lease liabilities. Previously, the Council has recognised an operating lease expense on a straight-line basis over the term of the lease, and recognised assets and liabilities only to the extent that there was a timing difference between actual lease payments and expense recognised. Council does not currently have any operating leases of motor vehicles.

The Council has elected not to recognise IT leases under AASB 16 as they have been assessed as being low-value assets under the standard.

No significant impact is expected for Council's finance leases

Leases in which Council is the lessor.

No significant impact is expected for other leases in which Council is the lessor.

c) New and revised Accounting Standards (continued)

Transition Method

The Council intends to apply AASB 16 initially on 1 July 2019, using the modified retrospective approach. Therefore, the cumulative effect of adopting AASB 16 will be recognised as an adjustment to the opening balance of retained earnings as at 1 July 2019, with no restatement of comparative information.

The Council intends to apply the practical expedient for the definition of a lease on transition. This means that it will apply AASB 16 on transition only to contracts that were previously identified as leases applying AASB117 *Leases* and interpretation 4 *Determining whether an Arrangement contains a Lease*.

d) Taxation

The Income of local government and public authorities is exempt from income tax. However Council is subject to Fringe Benefits Tax and Goods and Services Tax (GST). The net amount of GST recoverable from the ATO or payable to the ATO is shown as an asset or liability respectively.

e) Estimates and Judgements

Where necessary judgements, estimates and assumptions have been used in preparing these financial statements. Those that have a significant effect, or risk of causing an adjustment to Council's assets or liabilities relate to:

- Residuals and useful lives of property, plant and equipment – Note 14
- Valuation and depreciation of property, plant and equipment - Note 14
- Contingent Liabilities - Note 22
- Provisions - Note 18

f) Rounding and Comparatives

The financial statements are in Australian dollars that have been rounded to the nearest \$1.

Comparative information has been restated where necessary to be consistent with disclosures in the current reporting period.

Note 2a: Analysis of Results by Functions

The activities relating to the Council's components reported on in Note 2(b) are as follows:

Corporate Governance

Council's Corporate Governance function comprises the support functions for the Mayor and Councillors, the areas of financial services, human resources, administration, information systems, right to information, asset management, and legal services.

Community Services

Community services function is to enhance and preserve the lifestyle of all residents and visitors by providing services and facilities for recreation, leisure, sport and cultural enrichment.

Planning and Development

Council's Planning and Development function involves management of the development of the region and approval processes for development and building.

Development control processes include town planning, building and plumbing services.

Transport Infrastructure

Providing construction and maintenance on roads, footpaths and drainage combined with covering a variety of community related areas including, parks and recreation facilities management, weed control and weed wash-down facilities and street cleaning.

Waste Management

Council's waste operations are primarily funded from waste collection charges. The focus of this function is to provide a high standard service for waste collection and waste disposal through the use of the latest waste collection vehicles, the implementation of environmental monitoring programs and the development of landfill facilities.

Water Infrastructure

Council's water operations are primarily funded from water utility charges. The focus of this function is to provide a safe, reliable and adequately treated water supply to consumers based on high standards of treatment, efficient maintenance of infrastructure and sound planning techniques.

Sewerage Infrastructure

Council's sewerage operations are primarily funded from sewerage utility charges. The focus of this function is to provide and maintain a reliable, efficient and cost effective sewerage system which recognises environmental values in the region.

North Burnett Regional Council
Notes to the Financial Statements
For the year ended 30 June 2019

Note 2b: Analysis of Results by Functions

Year ended 30 June 2019

Functions	Gross Program Income					Gross Program expenses			Net result from recurring operations	Net Result	Assets
	Recurring		Capital		Total income	Recurring	Capital	Total Expenses			
	Grants	Other	Grants	Other							
	2019	2019	2019	2019	2019	2019	2019	2019			
	\$	\$	\$	\$	\$	\$	\$	\$			
Corporate Governance	8,461,598	10,255,535	-	-	18,717,132	8,751,551	9,273,396	18,024,947	9,965,581	692,186	34,298,218
Community Services	184,273	1,200,970	1,983,679	-	3,368,922	4,114,661	-	4,114,661	(2,729,418)	(745,739)	81,062,267
Planning & Development	-	211,206	-	-	211,206	889,584	-	889,584	(678,378)	(678,378)	-
Transport Infrastructure	3,102,883	3,588,302	12,486,217	-	19,177,402	8,746,549	-	8,746,549	(2,055,364)	10,430,853	922,770,116
Waste Management	-	2,507,607	242,633	-	2,750,240	2,932,167	2,647,366	5,579,533	(424,560)	(2,829,293)	1,498,846
Water Infrastructure	-	3,894,657	304,000	-	4,198,657	16,648,373	-	16,648,373	(12,753,716)	(12,449,716)	27,336,938
Sewerage Infrastructure	-	2,078,619	-	-	2,078,619	771,379	-	771,379	1,307,240	1,307,240	18,130,578
Total Council	11,748,754	23,736,896	15,016,529	-	50,502,178	42,854,264	11,920,762	54,775,026	(7,368,615)	(4,272,847)	1,085,096,963

Year ended 30 June 2018

Functions	Gross Program Income					Gross Program expenses			Net result from recurring operations	Net Result	Assets
	Recurring		Capital		Total income	Recurring	Capital	Total Expenses			
	Grants	Other	Grants	Other							
	2018	2018	2018	2018	2018	2018	2018	2018			
	\$	\$	\$	\$	\$	\$	\$	\$			
Corporate Governance	9,223,170	9,988,174	126,217	(4,691,940)	14,645,620	8,709,441	-	8,709,441	10,501,902	5,936,179	35,642,160
Community Services	199,659	1,309,277	3,064,198	-	4,573,134	4,057,827	-	4,057,827	(2,548,891)	515,307	82,161,257
Planning & Development	35,000	245,759	-	-	280,759	1,061,480	-	1,061,480	(780,722)	(780,722)	-
Transport Infrastructure	3,160,647	3,820,241	11,070,997	-	18,051,886	8,346,707	-	8,346,707	(1,365,818)	9,705,179	919,099,130
Waste Management	-	2,258,363	-	-	2,258,363	3,138,585	-	3,138,585	(880,222)	(880,222)	(2,219,004)
Water Infrastructure	-	3,722,257	-	-	3,722,257	15,766,260	-	15,766,260	(12,044,003)	(12,044,003)	27,806,150
Sewerage Infrastructure	-	2,000,352	-	-	2,000,352	745,572	-	745,572	1,254,780	1,254,780	17,975,480
Total Council	12,618,476	23,344,423	14,261,412	(4,691,940)	45,532,370	41,825,872	-	41,825,872	(5,862,974)	3,706,498	1,080,465,173

	2019	2018
	\$	\$
3 Revenue Analysis		
Revenue is recognised at the fair value of the consideration received or receivable, at the time indicated below.		
(a) Rates, Levies and Charges		
Rates are recognised at the commencement of the rating period. If a rate payer pays their rates before the start of the rating period, they are recognised as revenue when they are received.		
General Rates	9,992,404	9,626,618
Environmental Levy	-	(449)
Water	2,107,580	2,036,776
Water Consumption	1,770,606	1,490,135
Sewerage	2,244,897	2,166,669
Waste Management	2,159,260	1,946,835
Local Disaster Management Levy	34,198	34,176
Natural Resource Management Levy	40,644	52,212
Special Levy Mt Perry	370,250	357,389
Total Rates and Utility Charge Revenue	18,719,839	17,710,361
Less: Discounts	(1,489,754)	(1,426,384)
Net Rates and Utility Charges	17,230,085	16,283,977

(b) Fees and Charges

Fees and charges are recognised upon unconditional entitlement to the funds. Generally this is upon lodgement of the relevant applications or documents, issuing of the infringement notice or when the service is provided.

Community Service Fees	222,727	209,547
Building & Development Fees	159,737	205,597
Licences & Registrations	56,130	58,858
Caravan Parks	560,940	543,649
Water & Sewer Fees	41,747	29,457
Trade Waste & Recycling	111,355	89,561
Other Fees and Charges	128,607	113,356
	1,281,243	1,250,025

(c) Interest Received

Interest received from term deposits is accrued on a pro-rata basis over the term of the investments.

Interest Received from Cash and Investments	708,036	721,962
Interest from Overdue Rates and Utility Charges	155,533	118,262
	863,569	840,224

(d) Sales Revenue

Sale of goods is recognised when the significant risks and rewards of ownership are transferred to the buyer which generally takes place when the customer has taken undisputed delivery of the goods.

Council generates revenues from a number of services and contracts for road and earthworks. Revenue from contracts and recoverable works generally comprises a recoupment of material costs together with an hourly charge for use of equipment and employees. Contract revenue and associated costs are recognised by reference to the stage of completion of the contract activity at the reporting date. Revenue is measured at the fair value of consideration received or receivable in relation to that activity. Where consideration is received for the service in advance it is included in other liabilities and is recognised as revenue in the period when the service is performed.

The amount recognised as revenue for contract revenue during the financial year is the amount receivable in respect of invoices issued during the period.

	2019	2018
	\$	\$
Contract and Recoverable Works		
- Transport & Main Roads	3,173,749	3,432,197
- Private Works	93,791	107,672
Total Sales Revenue	3,267,540	3,539,869

(e) Other Income

Other Income relates to income arising from other services operated by council. Bulk water sales relate to the sale of bulk water licence allocation.

Other Income	974,860	1,115,759
Bulk Water Sales	119,599	314,568
	1,094,459	1,430,327

North Burnett Regional Council

Notes to the Financial Statements

For the year ended 30 June 2019

4 Grants, Subsidies, Contributions and Donations

Grants, subsidies and contributions that are non-reciprocal in nature are recognised as revenue when Council obtains control over them, which is usually upon receipt of funds.

Where grants are received that are reciprocal in nature, revenue is recognised as the various performance obligations under the funding agreement are fulfilled.

	2019	2018
	\$	\$
(a) Recurrent		
General Purpose Grants	10,902,124	11,549,184
State Government Subsidies and Grants	353,443	451,681
Commonwealth Government Subsidies and Grants	470,858	114,762
Contributions	22,328	46,388
Flood Damage Claims	-	456,461
	11,748,753	12,618,476

(b) Capital

Capital Revenue includes grants and subsidies received which are tied to specific projects for the replacement or upgrade of existing non-current assets and/or investment in new assets. It also includes non-cash contributions which are usually infrastructure assets received from developers.

State Government Subsidies and Grants	5,110,595	5,087,725
Commonwealth Government Subsidies and Grants	2,737,272	3,248,678
Contributions	18,500	105,000
Flood Damage Claims	7,150,162	5,820,009
	15,016,529	14,261,412

Conditions over Contributions

Contributions recognised as income during the reporting period are obtained on the condition that they be expended in a manner specified by the contributor. An equivalent amount of cash has been set aside to cover expected expenditure related to these grants, but has not been expended at the reporting date. as follows:-

Non-reciprocal recurrent grants	85,710	71,821
Non-reciprocal capital grants	149,973	950,487
	235,683	1,022,308

5 Loss on Disposal of Non-Current Assets

Proceeds from sale of property, plant and equipment	429,424	542,351
Less: Cost of property, plant and equipment disposed	(17,653,133)	(11,680,520)
Less: Book value for unwinding of depreciation on restorations	-	209,836
Accumulated depreciation on disposals	7,950,314	6,389,774
Accumulated depreciation on unwinding of depreciation of restorations	-	(153,381)
	(9,273,395)	(4,691,940)

6 Other comprehensive income

Revaluation due to change in fair value

Land	1,812,811	-
Buildings	1,686,551	-
Other infrastructure	1,842,508	-
Roads, Drainage and Bridges	-	(6,157,177)
	5,341,869	(6,157,177)

North Burnett Regional Council
Notes to the Financial Statements
For the year ended 30 June 2019

		2019	2018
	Note	\$	\$
7 Employee Benefits			
Councillor remuneration represents salary, and other allowances paid in respect of carrying out their duties.			
Total staff Wages and Salaries		12,752,671	12,015,201
Councillors' Remuneration		424,197	411,154
Annual, Sick and Long Service Leave Entitlements		2,174,455	1,941,025
Superannuation	23	1,622,905	1,541,335
		16,974,228	15,908,715
Other Employee Related Expenses		588,032	549,509
		17,562,260	16,458,224
Less: Capitalised Employee Expenses		(2,259,155)	(1,937,353)
		15,303,105	14,520,871
Total Council employees at the reporting date:			
Elected Members		7	7
Administration Staff		86	91
Depot and Outdoors Staff		113	116
Trainee Staff		6	11
Total full time equivalent employees		212	225
Administration: means employees engaged primarily in administrative basis of work			
Depot and Outdoor: means employees engaged primarily in outside work, and those on Stream A of the Award that supervise outside workforce.			
8 Materials and Services			
Audit of annual financial statements by the Auditor-General of Queensland		150,500	130,919
Community services		2,718,631	2,701,636
Corporate governance		3,143,873	3,711,278
Planning & development		260,330	274,287
Sewerage Infrastructure		421,075	404,619
Transport Infrastructure		2,568,406	2,373,733
Waste management		1,487,182	1,516,896
Water Infrastructure		1,789,899	1,766,396
		12,539,896	12,879,764
Total audit fee quoted by the Queensland Audit Office relating to the 2018-19 financial statements \$148,000 (2018: \$149,600)			
9 Finance Costs			
Finance costs charged by the Queensland Treasury Corporation		145,203	179,208
Bank Charges		35,552	35,731
Bad Debts Written-off During the Year		41,645	14,657
Restoration Provision Unwinding of Discount		102,044	93,693
		324,444	323,289
10 Capital Expenses			
Provision for landfill restoration		2,647,366	-
		2,647,366	-

	2019	2018
	\$	\$
11 Cash and Cash Equivalents		
Cash and cash equivalents includes cash on hand, all cash and cheques receipted but not banked at the year end, 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 cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Should a term deposit have an original maturity of longer than three months, this would be classified as an investment.		
Current		
Cash on Hand	6,200	5,950
Cash at Bank	973,734	883,140
Deposits at Call	24,593,958	26,387,348
Balance per Statement of Cash Flows	25,573,892	27,276,438
Externally imposed expenditure restrictions at the reporting date relate to the following cash assets:		
Unspent Recurrent Grants	85,710	71,821
Unspent Capital Grants	149,973	950,487
	235,683	1,022,308
In accordance with the <i>Local Government Act 2009</i> and <i>Local Government Regulation 2012</i> , a separate trust bank account and separate accounting records are maintained for funds held on behalf of outside parties. Funds held in the trust account include those funds from the sale of land for arrears in rates, deposits for the contracted sale of land, security deposits lodged to guarantee performance and unclaimed monies (e.g. wages). The Council performs only a custodian role in respect of these monies and because the monies cannot be used for Council purposes, they are not considered revenue nor brought to account in the financial statements.		
Trust funds held for outside parties		
Monies collected or held on behalf of other entities yet to be paid out to or on behalf of those entities	641,572	494,695
	641,572	494,695
12 Other Financial Assets		
Cash Investments	4,000,000	4,000,000
	4,000,000	4,000,000

13 Trade and Other Receivables

Trade and other receivables are amounts owed to council at year end. They are recognised at the amount due at the time of sale or service delivery. Settlement is required within 30 days from invoice date.

Debts are regularly assessed for collectability and an allowance is made, where appropriate, for impairment. All known bad debts were written-off at 30 June and any loss is recognised in finance costs. If an amount is recovered in a subsequent period it is recognised as revenue.

Because Council is empowered under the provisions of the *Local Government Act 2009* to sell an owner's property to recover outstanding rate debts, Council does not impair rate receivables unless there is a risk of non-recovery of the full debt owing.

	2019	2018
	\$	\$
Current		
Rateable Revenue and Utility Charges	1,537,308	1,173,188
Other Debtors	1,089,285	949,852
<i>Less: Loss Allowance</i>	(107,135)	(65,492)
GST	1,143	-
Water Charges not yet levied	896,949	732,831
Prepayments	520,831	359,499
	3,938,381	3,149,878

Interest is charged on outstanding rates at a rate of 11% per annum. No interest is charged on other debtors. There is no concentration of credit risk for rates and utility charges, fees and other debtors receivable.

Movement in loss allowance of debtors is as follows:

Opening balance at 1 July	(65,492)	(79,745)
Initial application of AASB 9	(41,643)	-
Amounts already provided for & written off this year	-	17,688
Additional Loss allowance recognised	-	(3,435)
Closing balance at 30 June	(107,135)	(65,492)

	Fully Performing		Past Due		Total
	<30 days		30-60 days	> 60 days	
	\$	\$	\$	\$	\$
30-Jun-2019					
Receivables – Rates	-	-	-	1,537,308	1,537,308
Receivables – Other	941,142	92,625	6,664	48,854	1,089,285
<i>Less: Loss allowance</i>	-	-	-	(107,135)	(107,135)
Net Receivables	941,142	92,625	6,664	1,479,027	2,519,458
30-Jun-2018					
Receivables – Rates	-	-	-	1,173,188	1,173,188
Receivables – Other	858,328	24,147	52,789	14,588	949,852
<i>Less: Loss Allowance</i>	-	-	-	(65,492)	(65,492)
Net Receivables	858,328	24,147	52,789	1,122,284	2,057,548

Council applied AASB 9 for the first time this year. As a result Council has calculated the impairment of receivables in 2019, using a lifetime expected loss allowance. Initial application of AASB 9 has resulted in an increase of \$41,643 in the loss allowance at 1 July 2018.

14 Property Plant & Equipment

30 June 2019

Basis of Measurement

Asset Values

Opening Gross Value

Additions at cost

Disposals

Revaluations adjustment to the ARR

Transfers between classes

Closing Gross Value

Land	Landfill Cells	Buildings	Plant & Equipment	Road, Drainage & Bridges	Water	Sewerage	Other Infrastructure	Work in Progress	Total
Fair Value	Fair Value	Fair Value	Cost	Fair Value	Fair Value	Fair Value	Fair Value	Cost	
\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
11,844,504	4,661,424	69,415,628	27,407,576	1,066,089,227	44,648,654	44,948,752	45,540,627	11,610,682	1,326,167,074
-	607,046	899,583	2,595,830	13,465,488	506,601	835,330	775,256	4,874,381	24,559,514
(261,115)	(7,402)	(7,309,765)	(1,115,840)	(7,456,088)	(676,214)	(120,910)	(705,799)	-	(17,653,133)
1,812,811	-	3,684,857	-	-	-	-	2,719,987	-	8,217,654
-	7,402	150,567	113,416	8,619,463	353,764	223,811	1,363,522	(10,831,945)	-
13,396,200	5,268,470	66,840,870	29,000,982	1,080,718,090	44,832,805	45,886,983	49,693,593	5,653,117	1,341,291,110

Accumulated Depreciation

Opening Balance

Depreciation Provided in Period

Depreciation on Disposals

Revaluation Adjustment to ARR

Transfers Between Classes

Accum Depreciation at period end

-	2,922,530	36,413,170	12,618,370	169,404,361	17,981,669	27,197,084	14,053,745	-	280,590,929
-	131,473	1,630,384	1,836,968	8,411,308	745,968	636,023	1,294,696	-	14,686,819
-	(3,069)	(3,741,492)	(720,350)	(2,819,016)	(307,549)	(74,795)	(284,044)	-	(7,950,314)
-	-	1,998,306	-	-	-	-	877,479	-	2,875,785
-	-	-	-	-	-	-	-	-	-
-	3,050,934	36,300,368	13,734,988	174,996,653	18,420,088	27,758,312	15,941,876	-	290,203,219

Total Written Down Value at June 30

13,396,200	2,217,536	30,540,502	15,265,994	905,721,437	26,412,717	18,128,671	33,751,717	5,653,117	1,051,087,891
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Estimated Useful Life (years)

0 - Infinite 10 - 100 20 - 100 2 - 20 3 - 100 15 - 80 10 - 80 10 - 300 N/A

Additions:

Renewals

Other additions

Total Additions

-	-	503,092	2,141,411	13,465,488	437,493	835,330	335,877	2,872,893	20,591,584
-	607,046	396,490	454,419	-	69,108	-	439,379	2,001,488	3,967,931
-	607,046	899,583	2,595,830	13,465,488	506,601	835,330	775,256	4,874,381	24,559,514

14 Property Plant & Equipment (continued)

30 June 2018

Basis of Measurement

Asset Values

Opening Gross Value

Additions at cost

Disposals

Revaluations adjustment to the ARR

Asset recognised

Transfers between classes

Closing Gross Value

Land	Landfill Cells	Buildings	Plant & Equipment	Road, Drainage & Bridges	Water	Sewerage	Other Infrastructure	Work in Progress	Total
Fair Value	Fair Value	Fair Value	Cost	Fair Value	Fair Value	Fair Value	Fair Value	Cost	\$
\$	\$	\$	\$	\$	\$	\$	\$	\$	
11,964,505	4,589,651	69,749,043	25,129,880	1,088,487,947	44,384,693	44,948,752	45,560,367	4,681,477	1,339,496,315
89,835	71,773	283,235	2,752,453	7,159,396	283,297	24,893	625,605	11,278,877	22,569,364
(209,836)	-	(616,650)	(1,957,414)	(7,719,430)	(79,291)	(24,893)	(1,073,006)	-	(11,680,520)
-	-	-	-	(24,218,085)	-	-	-	-	(24,218,085)
-	-	-	-	-	-	-	-	-	-
-	-	-	1,482,657	2,379,399	59,955	-	427,661	(4,349,672)	-
11,844,504	4,661,424	69,415,628	27,407,576	1,066,089,227	44,648,654	44,948,752	45,540,627	11,610,682	1,326,167,074

Accumulated Depreciation

Opening Balance

Depreciation Provided in Period

Depreciation on Disposals

Revaluation Adjustment to ARR

Asset recognised

Transfers Between Classes

Accum Depreciation at period end

	2,646,639	34,971,021	12,216,350	184,021,448	17,273,964	26,586,017	13,224,224	-	290,939,663
	429,272	1,804,414	1,793,603	7,484,603	743,408	628,778	1,217,870	-	14,101,948
	(153,381)	(362,265)	(1,391,583)	(4,040,782)	(35,703)	(17,711)	(388,349)	-	(6,389,774)
-	-	-	-	(18,060,908)	-	-	-	-	(18,060,908)
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	2,922,530	36,413,170	12,618,370	169,404,361	17,981,669	27,197,084	14,053,745	-	280,590,929

Total Written Down Value at June 30

11,844,504	1,738,894	33,002,458	14,789,206	896,684,866	26,666,985	17,751,668	31,486,882	11,610,682	1,045,576,145
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Estimated Useful Life (years)

0 - Infinite 10 - 100 20 - 100 2 - 20 3 - 100 15 - 80 10 - 80 10 - 300 N/A

Additions:

Renewals

Other additions

Total Additions

-	-	244,490	3,811,599	8,359,453	343,252	24,893	231,911	-	13,015,598
89,835	71,773	38,745	423,511	1,179,342	-	-	821,355	-	2,624,561
89,835	71,773	283,235	4,235,110	9,538,795	343,252	24,893	1,053,266	-	15,640,159

14 Property, plant and equipment (continued)

Each class of property, plant and equipment is stated at cost or fair value less, where applicable, any accumulated depreciation. Items of plant and equipment with a total value of less than \$5,000, and infrastructure assets and buildings with a total value of less than \$10,000 are treated as an expense in the year of acquisition. All other items of property, plant and equipment are capitalised.

The classes of property, plant and equipment recognised by the Council are:

- Land
- Landfill cell assets
- Buildings
- Plant and equipment
- Road drainage and bridges
- Water
- Sewerage
- Other infrastructure assets
- Work in Progress

Acquisition of Assets

Acquisitions of assets are initially recorded at cost. Cost is determined as the fair value of the assets given as consideration plus costs incidental to the acquisition, including freight in, architect's fees, engineering design fees, and all other establishment costs.

Capital and Operating Expenditure

Expenditure incurred for the acquisition or construction of assets is treated as capital expenditure. Routine operating maintenance, repair costs and minor renewals to maintain the operational capacity of the asset is expensed as incurred, while expenditure that relates to replacement of a major component of an asset to maintain its service potential is capitalised.

Valuation

Land, buildings, and all infrastructure assets are measured on the revaluation basis, at fair value, in accordance with AASB 116 *Property, Plant and Equipment* (AASB 16) and AASB 13 *Fair Value Measurement* (AASB 13). Plant and Equipment and Work in Progress are measured at cost.

Physical Valuation

Non-current physical assets measured at fair value are revalued, where required, so that the carrying amount of each class of asset does not materially differ from its fair value at the reporting date. This is achieved by engaging independent, professionally qualified valuers to determine the fair value for each class of property, plant and equipment assets at least once every 3 years. This process involves the valuer physically sighting a representative sample of Council assets across all asset classes and making their own assessments of the condition of the assets at the date of inspection.

Desktop Valuation

In the intervening years, management uses internal engineers and asset managers and engages independent, professionally qualified valuers to perform a "desktop" valuation. A desktop valuation involves management providing updated information to the valuer regarding additions, disposals and changes in assumptions such as useful life, residual value and condition rating. The valuer then determines suitable indices which are applied to each of these asset classes.

14 Property, plant and equipment (continued)

Valuation (continued)

Any revaluation increment arising on the revaluation of an asset is credited to the appropriate class of the revaluation surplus, except to the extent it reverses a revaluation decrement for the class previously recognised as an expense. A decrease in the carrying amount on revaluation is charged as an expense to the extent it exceeds the balance, if any, in the revaluation surplus of that asset class.

On revaluation, accumulated depreciation is restated proportionately with the change in the carrying amount of the asset and any change in the estimate of remaining useful life.

Separately identified components of assets are measured on the same basis as the assets to which they relate.

Details of valuers, indices and methods of valuations are disclosed in Note 14 (ii) and (iv).

Capital Work in Progress

The cost of property, plant and equipment being constructed by the Council includes the cost of purchased services, materials, direct labour and an appropriate proportion of labour overheads.

Depreciation

Depreciation is calculated on a straight-line basis so as to write-off the net cost or revalued amount of each depreciable asset, less its estimated residual value, progressively over its estimated useful life to the Council. Management believe that the straight line basis appropriately reflects the pattern of consumption of all Council assets.

Land and cultural assets are not depreciated as they have unlimited useful lives.

Assets are depreciated from the date of acquisition or, in respect of internally constructed assets, from the time an asset is completed and commissioned ready for use.

Where assets have separately identifiable components that are subject to regular replacement, these components are assigned useful lives distinct from the asset to which they relate. Any expenditure that increases the originally assessed capacity or service potential of an asset is capitalised and the new depreciable amount is depreciated over the remaining useful life of the asset to the Council.

Depreciation methods, estimated useful lives and residual values of property, plant and equipment assets are reviewed at the end of each reporting period and adjusted where necessary to reflect any changes in the pattern of consumption, physical wear and tear, technical or commercial obsolescence, or management intentions. The condition assessments performed as part of the annual valuation process for assets measured at depreciated current replacement cost are used to estimate the useful lives of these assets at each reporting date. Details of the range of estimated useful lives for each class of asset are shown in Note 14.

Land Under Roads

Land under the road network within the Council area has been dedicated and opened for public use under the Land Act 1994 or the Land Title Act 1994 and is not controlled by Council but is controlled by the State pursuant to the relevant legislation. Therefore this land is not recognised in these financial statements.

14 Property, plant and equipment (continued)

Impairment of Non-Current Assets

Each non-current physical and intangible asset and group of assets is assessed for indicators of impairment annually. If an indicator of possible impairment exists, the Council determines the asset's recoverable amount. Any amount by which the asset's carrying amount exceeds the recoverable amount is recorded as an impairment loss. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use.

An impairment loss is recognised as an expense in the Statement of Comprehensive Income, unless the asset is carried at a revalued amount. When the asset is measured at a revalued amount, the impairment loss is offset against the revaluation surplus of the relevant class to the extent available.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation surplus increase.

15 Fair Value Measurements

This note explains the judgements and estimates made in determining the fair values of the non-financial assets that are recognised and measured at fair value in the financial statements. Information on the fair values of financial assets and financial liabilities are contained in their respective Notes.

(i) Recognised fair value measurements

Council measures and recognises the following non-financial assets at fair value on a recurring basis:

Property, plant and equipment:

- Land
- Landfill cell assets
- Buildings
- Road drainage and bridges
- Water
- Sewerage
- Other infrastructure assets
- Work in Progress

Council does not measure any other assets or liabilities at fair value on a recurring basis.

In accordance with AASB 13 fair value measurements are categorised on the following basis:

- **Level 1:** Fair value based on quoted prices (unadjusted) in active markets for identical assets or liabilities.
- **Level 2:** Fair value based on inputs that are directly or indirectly observable for the asset or liability.
- **Level 3:** Fair value based on unobservable inputs for the asset and liability.

The following table presents the Council's non-financial assets measured and recognised at fair value at reporting date. The majority of Council's assets are categorised as level 3 as prescribed under the accounting standards, with a small number of Building assets revalued and categorised at Level 2. Council does not have any assets or liabilities measured at fair value which meet the criteria for categorisation as level 1.

15 Fair Value Measurements (continued)

(i) Recognised fair value measurements

Council's policy is to recognise transfers in and out of the fair value hierarchy levels as at the end of the reporting period. There were no transfers between levels 1 and 2 during the year and prior year.

	Note	Level 2		Level 3	
		\$		\$	
		2019	2018	2019	2018
Land	14	13,396,200	-	-	11,844,504
Landfill Cells	14	-	-	2,217,536	1,738,894
Buildings	14	2,781,798	2,630,791	27,758,703	30,371,667
Road, drainage and bridges	14	-	-	905,721,437	896,684,866
Water	14	-	-	26,412,717	26,666,985
Sewerage	14	-	-	18,128,671	17,751,668
Other Infrastructure	14	-	-	33,751,717	31,486,882
Total non-financial assets		16,177,998	2,630,791	1,013,990,781	1,016,545,466

(ii) Valuation techniques used to derive fair values for level 2 and level 3 valuations and processes adopted

The fair values of Council's assets are determined using valuation techniques which maximise the use of observable data, where it is available, and minimise the use of entity specific estimates. If all significant inputs required to fair value an asset are observable, the asset is included in level 2. If one or more of the significant inputs is not based on observable market data, the asset is included in level 3. This is the case for the majority of Council's non-financial assets included in the table above, which are of a specialist nature for which there is no active market for similar or identical assets. These assets are valued using a combination of observable and unobservable inputs and therefore are included in level 3. Refer to Note 15 (iv) for further details on the valuation approach adopted for each asset class.

Council obtains independent valuations for certain Property, Plant and Equipment assets at least every five years. At the end of each reporting period, an assessment is made to update the fair values of these assets, taking into account the most recent independent valuations or the Queensland Government Cost Index.

The following non-financial asset class have undergone an independent valuation in the 2019 reporting period:

- Land

As at 30 June 2019, the fair value of Land assets had been determined by independent valuer, APV Valuers and Asset Management.

The technique used in the asset valuation has been based upon significant observable market inputs (level 2), where as the previous valuation technique applied significant unobservable inputs (level 3). The current valuation is deemed compliant with the requirements of AASB 13 *Fair Value Measurement*

An assessment was conducted on all other asset classes at fair value to determine if indexation was required. Indices were applied to Buildings and Other Infrastructure.

(iii) Fair value measurements using significant unobservable inputs (level 3)

The changes in level 2 and level 3 items for the years ended 30 June 2019 and 30 June 2018 for recurring fair value measurements are shown in the table above.

15 Fair Value Measurements (continued)

(iv) Valuation inputs and relationships to fair value

The following are the factors that were considered when determining the fair value of all assets:

Factor	Description	Inputs Used
Componentised Assets	Current valuation techniques encourage the practice of breaking what would normally be considered one asset (for instance a road) into each of its components (formation, pavement and surface) where each component may have a different useful life. These components are then assessed, recorded and depreciated	<ul style="list-style-type: none"> - Separate components were identified using the AIQS, Rawlinson's Australian Construction Handbook - Useful life of asset components
Replacement Cost ("CRC")	The cost of replacing the asset with a new asset of similar service potential and any associated costs associated with constructing that asset.	<ul style="list-style-type: none"> - Costing guides issues by the AIQS, Rawlinson's Australian Construction Handbook and benchmarking data - Using first principles and recent actual cost or sale data (depending on the class)
Useful Life	The useful life is the period between which the asset is completed and when the economic benefits embodied in the asset are fully consumed. Each asset will have a different useful life depending on the materials used to construct it, where it is located.	<ul style="list-style-type: none"> - Design / construction profiles of the asset; - Historical and current maintenance practices – the quantity and quality of both routine and periodic maintenance can affect the useful life; - Original quality of construction; - Type of asset – e.g. vehicle types and usage patterns can affect the life of a road; - Environment – e.g. reactive soils may lead to early deterioration of roads or pipes; and - Technical obsolescence - Internal evidence from the council of asset lives - Reference and benchmarking with international infrastructure manual, State Government agencies and other councils
Assessment of Remaining Service Potential	The remaining service potential has been assessed through asset sighting and the condition being assessed based on the National Asset Management Framework and is used to determine the remaining useful life and the written down value of the asset. The Framework ranks each asset from 1 to 5 with 1 being in Very Good Condition and 5 being Unserviceable. The ranking determines what percentage of the useful life remains.	<ul style="list-style-type: none"> - Expert valuers completed visual site inspections for a significant sample of above-ground assets.
Residual Value	The salvage value of the asset when renewed or disposed.	<ul style="list-style-type: none"> - Reference and benchmarking with international infrastructure manual, State Government agencies and other councils whilst applying local conditions and policies where necessary.

15 Fair Value Measurements (continued)

(iv) Valuation inputs and relationships to fair value

The following table summarises the valuation inputs, relationships and techniques used to determine the Fair Value of Council's assets.

- Land
- Buildings
- Road drainage and bridges
- Water
- Other Structures
- Sewerage
- Landfill cell assets

Valuation Category	Valuation Technique	Key unobservable inputs	Expected range of inputs	Description of how changes in inputs will affect fair value	Highest and Best Use
Level 2 & 3	Cost Approach	Condition	Condition 0 – As New to Condition 6 or 10 — as Unserviceable	Significant increases (decreases) in the rated condition, useful and remaining life of assets in isolation would result in significantly higher (lower) fair value measurement.	All assets valued at fair value are being used for their highest and best use.
	Market Approach	Unit Rates	0 - 160 years and infinite.	Significant increases (decreases) in the adopted unit rates would result in significantly higher (lower) fair value measurement.	
		Useful and Remaining Life	Various asset specific residual values	Significant increases (decreases) in the residual value would result in significantly higher (lower) fair value measurement.	

15 Fair Value Measurements (continued)

Specific factors influencing each asset class

Due to the varied nature of the assets held by the Council, specific valuation techniques were employed for each asset class. The following lists each asset class and the specific considerations and factors that influenced fair value:

Asset Class	Valuation Approach	Inputs Used
Land	The assets were assessed by reviewing recent sales in the local area and after taking into account factors that were unique to the asset.	- Price per square metre as per recent sales.
Buildings	<p>Where there is a market for Council building assets, fair value has been derived from the sales prices of comparable properties after adjusting for differences in key attributes such as property size.</p> <p>Where Council buildings are of a specialist nature and there is no active market for the assets, fair value has been determined on the basis of replacement with a new asset having similar service potential including allowances for preliminaries and professional fees. The gross current values have been derived from a visual assessment by an independent valuer. Where a depth in market can be identified, the net current value of a building asset is the difference between the market value of the asset as a whole (including land) and the market value of the land component. Where there is no depth of market, the net current value of a building asset is the gross current value less accumulated depreciation to reflect the consumed or expired service potential of</p>	<p>- Price per structure or components as determined by Australia Asset Advisory Group.</p> <p>- Residual Value based on international infrastructure manual, State Government agencies or other councils whilst applying local conditions and policies where necessary</p> <p>- Assessment of Remaining Service Potential through site visits.</p>
Roads and Road Infrastructure	Current replacement cost was calculated by reference to the type of asset (rural or urban and sealed or unsealed), asset linear and area specifications, estimated labour and material inputs, services costs, and overhead allocations. For internal construction estimates, material and services prices were based on existing supplier contract rate or supplier price lists and labour wage rates were based on Council's Enterprise Bargaining Agreement (EBA). All direct costs were allocated to assets at standard usage quantities according to recently completed similar projects. Where construction is outsourced, CRC was based on recently completed similar projects. These rates were benchmarked against similar councils.	<p>- Price per square metre (holding depth as constant for each road class) using AIQS, Rawlinson's Australian Construction Handbook and benchmarking data or recent cost data</p> <p>- Assessment of Remaining Service Potential through site visits</p>

15 Fair Value Measurements (continued)

Specific factors influencing each asset class

Asset Class	Valuation Approach	Inputs Used
Bridges	Each bridge is assessed individually, with the valuation varying according to the material type used for construction, the deck area, condition and size. Construction estimates were determined on a similar basis to roads.	<ul style="list-style-type: none"> - Price per square metre using AIQS, Rawlinson's Australian Construction Handbook and benchmarking data or recent cost data - Assessment of Remaining Service Potential through site visits
Drainage Assets	The major components of drainage infrastructure are pits, pipes and channels; the valuation of which is determined according to diameter and depth for pits, linear meter per diameter for pipes and square metres for Channels.	<ul style="list-style-type: none"> - Price per square metre using AIQS, Rawlinson's Australian Construction Handbook and benchmarking data or recent cost data - Assessment of Remaining Service Potential through site visits
Water and Sewerage	Fair value was determined as the current replacement costs using the modern equivalent asset, as appropriate to the particular asset. In all cases the assets were disaggregated to component level to ensure a reliable measure of cost and service capacity and deterioration of estimated remaining life.	<ul style="list-style-type: none"> - Schedule rates for construction of asset or similar assets using AIQS, Rawlinson's Australian Construction Handbook and benchmarking data - Cost curves derived by Cardno - Building Price Index tables - Recent contract and tender data - Rawlinson's Rates for building and construction, and - Suppliers' quotations

16 Trade and Other Payables

Trade and other payables are recognised when goods or services are received, at the amount owed. Amounts owing are unsecured and are generally settled on 30 day terms.

Liabilities are recognised for employee benefits such as wages and salaries, sick and annual leave in respect of services provided by the employees up to reporting date. A liability for wages is recognised and measured as the amount unpaid at reporting date at current pay rates in respect of employees' services up to that date.

A liability for annual leave is recognised as a current liability a council does not have an unconditional right to defer this liability beyond 12 months from end of reporting period.

As Council does not have the unconditional right to defer settlement of annual leave beyond twelve months after reporting date, annual leave is classified as a current liability.

	2019 \$	2018 \$
Current		
Creditors and Accruals	4,463,332	4,010,848
Annual Leave	1,420,514	1,470,259
Other Entitlements	52,933	73,535
	5,936,779	5,554,642

17 Borrowings

Borrowings are initially recognised at fair value plus any directly attributable transaction costs. Thereafter, they are measured at amortised cost. Principal and interest repayments are made quarterly in arrears.

All borrowings are in \$A denominated amounts and interest is expensed as it accrues. No interest has been capitalised during the current or comparative reporting period. Expected final repayment dates vary from 16 March 2020 to 16 June 2036. There have been no defaults or breaches of the loan agreement during the period.

Council adopts an annual debt policy that sets out council's planned borrowings for the next nine years. Council's current policy is to only borrow for capital projects and for a term no longer than the expected life of the asset. Council also aims to comply with Queensland Treasury Corporation's borrowing guidelines and ensure that sustainability indicators remain within acceptable levels at all times.

17 Borrowings (continued)

	2019 \$	2018 \$
Current		
Loans – Queensland Treasury Corporation	662,024	633,390
	662,024	633,390
Non-Current		
Loans – Queensland Treasury Corporation	2,326,084	2,983,030
	2,326,084	2,983,030
Loans – Queensland Treasury Corporation		
Opening Balance at beginning of financial year	3,616,420	4,219,838
Borrowings during the year	-	-
Principal Repayments	(628,312)	(603,418)
Book value at end of financial year	2,988,108	3,616,420
0 to 1 year	771,632	773,515
1 to 5 years	1,109,717	1,657,027
Over 5 years	1,792,706	2,017,028
Contractual cash flows	3,674,055	4,447,570
Carrying amount	2,988,108	3,616,420
Fair Value	3,272,983	3,737,568

The QTC loan market value at the reporting date was \$3,272,983 (2018: \$3,737,568). This represents the fair value of the debt if Council repaid it at that date. As it is the intention of Council to hold the debt for its term, no provision is required to be made in these accounts.

No assets have been pledged as security by the Council for any liabilities, however all loans are guaranteed by the Queensland Government.

18 Provisions

Liabilities are recognised for employee benefits such as wages and salaries, annual leave and long service leave in respect of services provided by the employees up to the reporting date. Liabilities for employee benefits are assessed at each reporting date. Where it is expected that the leave will be paid in the next twelve months the liability is treated as a current liability. Otherwise the liability is treated as non-current.

Long Service Leave

A liability for long service leave is measured as the present value of the estimated future cash outflows to be made in respect of services provided by employees up to the reporting date. The value of the liability is calculated using current pay rates and projected future increases in those rates and includes related employee on-costs. The estimates are adjusted for the probability of the employee remaining in the Council's employment or other associated employment which would result in the Council being required to meet the liability. Adjustments are then made to allow for the proportion of the benefit earned to date, and the result is discounted to present value. The interest rates attaching to Commonwealth Government guaranteed securities at the reporting date are used to discount the estimated future cash outflows to their present value.

Where employees have met the prerequisite length of service and council does not have an unconditional right to defer the liability beyond 12 months long service leave is classified as current liability. Otherwise it is classified as non-current.

Provision for Landfill Restoration

The provision represents the present value of the anticipated future costs associated with the closure of six operating dump sites and one closed site, decontamination and monitoring of historical residues and leaching on these sites. The calculation of this provision requires assumptions such as application of environmental legislation, site closure dates, available technologies and engineering cost estimates. The provision is measured at the expected cost of the work required; discounted to current day values using the interest rates attaching to Commonwealth Government guaranteed securities with a maturity date corresponding to the anticipated date of the restoration.

There are substantial uncertainties in: the details of the work that may be required; the eventual cost of that work; the date of eventual closure of each dump; the length of time to complete any restoration work, and the rates of inflation and interest rates over the long periods involved. These uncertainties may result in future actual expenditure differing from amounts currently provided. The provision recognised for dump sites is reviewed at least annually and updated based on the facts and circumstances available at the time. Management estimates that the various sites will close at different dates up to 2134 (115 years) and that the restoration on the various sites will occur progressively both during and for a period of 30 years after closing.

North Burnett Regional Council
Notes to the Financial Statements
For the year ended 30 June 2019

18 Provisions (continued)

	2019	2018
	\$	\$
Current		
Long service leave	2,041,811	2,146,353
Total Current	2,041,811	2,146,353
Non-Current		
Long service leave	276,286	196,615
Provision for Landfill Restoration	7,831,395	4,474,938
	8,107,681	4,671,553
Long Service Leave		
Balance at beginning of financial year	2,372,862	2,238,530
Long service leave entitlement arising	379,068	322,523
Long Service entitlement extinguished	(57,596)	66,421
Long Service entitlement paid	(376,236)	(254,612)
Balance at end of financial year	2,318,098	2,372,862
Provision for Landfill Restoration		
Balance at beginning of financial year	4,474,938	4,437,700
Initial recognition - Mundubbera	2,423,194	-
Impact of changes in discount rates	464,820	(56,455)
Impact of changes in cash flows	366,399	-
Unwinding of discount	102,044	93,693
Balance at end of financial year	7,831,395	4,474,938

	2019	2018
	\$	\$
19 Other Liabilities		
Monto History & Cultural Centre	546	-
Mundubbera Art Gallery	7,451	6,856
Narayan Research Station	633,575	487,839
Revenue Received in Advance - State Waste Levy	330,479	-
	972,051	494,695

Other liabilities have arisen from ongoing accumulation of funds on behalf of community organisations and the State government. The funds held on behalf of community organisation will be used by these groups on special projects in the future. There are lease funds which council holds on behalf of the State that are to be invested into the facility owned by the State Government.

The State government made an advance payment to Council in June 2019 to mitigate the impacts on households for 2019-20 of the State Waste Levy, which takes effect from 1 July 2019. The Council will be liable to the State for payment of the Levy on most forms of commercial and household waste delivered to its disposal sites from 1 July 2019. The State is required to make an annual payment to Council that essentially refunds the Council for the portion of the Levy that relates to households. Council will fund the portion of the Levy that relates to commercial waste through charges to commercial users of disposal sites from 1 July 2019. As the receipt from the State in June 2019 is a refund of Council's 2019-20 Levy expense, the full amount has been recognised as a liability at 30 June 2019.

20 Asset Revaluation Surplus

The asset revaluation surplus comprises adjustments relating to changes in fair value of property, plant and equipment that do not result from the use of those assets. Net incremental changes in the carrying value of classes of non-current assets since their initial recognition are accumulated in the asset revaluation surplus.

Increases and decreases on revaluation are offset within a class of assets.

Where a class of assets is decreased on revaluation, that decrease is offset first against the amount remaining in the revaluation surplus in respect of that class. Any excess is treated as an expense. When an asset is disposed of, the amount of the gain or loss is reported in the net result in respect of that asset.

The closing balance of the revaluation surplus comprises the following asset categories:

	2019	2018
	\$	\$
Land	1,812,811	-
Buildings	7,866,375	6,179,824
Road, drainage and bridge network	281,449,708	281,449,710
Water	53,745	53,745
Sewerage	9,611,773	9,611,773
Other infrastructure assets	7,159,878	5,317,370
	307,954,290	302,612,422

21 Commitments for expenditure

Council has entered into various contracts for expenditure extending over a period of more than 1 year from 30 June 2019. The largest of these is for refuse transport. The amount payable will depend on the quantity and location of refuse over the remaining 4-year period of the contract.

Some of the other contracts have clauses allowing for price escalation.

The total amounts expected to be paid for all the contracts over the life of the contracts is :

Within one year	1,217,028	1,260,722
One to five years	1,420,283	1,583,867
Total Commitments	2,637,311	2,844,589

22 Contingent Liabilities

Details and estimates of maximum amounts of contingent liabilities are as follows:

Local Government Mutual

The Council is a member of the local government mutual liability self-insurance pool, LGM Queensland. In the event of the pool being wound up or it is unable to meet its debts as they fall due, the trust deed and rules provide that any accumulated deficit will be met by the individual pool members in the same proportion as their contribution is to the total pool contributions in respect to any year that a deficit arises.

As at 30 June 2019 the financial statements reported an accumulated surplus and it is not anticipated any liability will arise. The fair value is therefore assessed to be nil.

Local Government Workcare

The Council is a member of the Queensland local government worker's compensation self-insurance scheme, Local Government Workcare. Under this scheme the Council has provided an indemnity towards a bank guarantee to cover bad debts which may remain should the self-insurance licence be cancelled and there were insufficient funds available to cover outstanding liabilities. Only the Queensland Government's workers' compensation authority may call on any part of the guarantee should the above circumstances arise. The Council's maximum exposure to the bank guarantee is \$352,346 (2018: \$357,961).

Bank Guarantee

A performance bond is currently held with Queensland Treasury Corporation for councils contract with Translink for the provision of the Long Distance Coach (LDC) service. The value of this guarantee is \$220,000 (2018: \$220,000).

23 Superannuation

Council contributes to the LGIASuper Regional Defined Benefits Fund (the scheme), at the rate of 12% for each permanent employee who is a defined benefit member. This rate is set in accordance with the LGIASuper trust deed and may be varied on the advice of an actuary. The Regional Defined Benefits Fund is a complying superannuation scheme for the purpose of the Commonwealth Superannuation Industry (Supervision) legislation and is also governed by the Local Government Act 2009.

The scheme is a defined benefit plan, however Council is not able to account for it as a defined benefit plan in accordance with AASB119 because LGIASuper is unable to account for its proportionate share of the defined benefit obligation, plan assets and costs.

Any amount by which the scheme is over or under funded may affect future benefits and result in a change to the contribution rate, but has not been recognised as an asset or liability of the Council.

Technically North Burnett Regional Council can be liable to the scheme for a portion of another local governments' obligations should that local government be unable to meet them. However the risk of this occurring is extremely low and in accordance with the LGIASuper trust deed changes to council's obligations will only be made on the advice of an actuary.

The last completed actuarial assessment of the scheme was undertaken as at 1 July 2018. The actuary indicated that "At the valuation date of 1 July 2018, the net assets of the scheme exceeded the vested benefits and the scheme was in a satisfactory financial position as at the valuation date." The Council is not aware of anything that has happened since that time that indicates the assets of the scheme are not sufficient to meet the vested benefits, as at the reporting date.

No changes have been made to prescribed employer contributions which remain at 12% of employee assets and there are no known requirements to change the rate of contributions.

23 Superannuation (continued)

The next triennial actuarial review is not due until 1 July 2021.

The most significant risks that may result in LGIA super increasing the contribution rate, on the advice of the actuary, are:

Investment risk - The risk that the scheme's investment returns will be lower than assumed and additional contributions are needed to fund the shortfall.

Salary growth risk - The risk that wages or salaries will rise more rapidly than assumed, increasing vested benefits to be funded.

There are currently 62 (2018: 72) entities contributing to the scheme and any changes in contribution rates would apply equally to all 62 (2018: 72) entities. North Burnett Regional Council made less than 4% of the total contributions to the plan in the 2018-19 financial year.

	Note	2019 \$	2018 \$
The amount of superannuation contributions paid by Council to the scheme in this period for the benefit of employees and Councillors was:	6	1,622,905	1,541,335
24 Reconciliation of net result for the year to net cash inflow (outflow) from operating activities			
Net Result		(4,272,847)	3,706,498
Non-cash operating items:			
Depreciation and amortisation	12	14,686,819	14,101,948
		14,686,819	14,101,948
Investing and Development Activities			
Net loss on disposal of assets	5	9,273,395	4,691,940
Provision for landfill restoration	10	2,647,366	-
Capital Grants, subsidies, contributions and donations	4	(15,016,529)	(14,261,412)
		(3,095,768)	(9,569,472)
Changes in operating assets and liabilities:			
(Increase)/ decrease in receivables		(788,503)	587,218
(Increase)/ decrease in investments		-	(1,500,000)
(Increase)/decrease in inventory		(34,087)	8,309
Increase/(decrease) in payables		382,138	1,034,574
Increase/(decrease) in other liabilities		477,356	135,140
Increase/(decrease) in provisions		684,220	141,676
		721,124	406,917
Net cash inflow from operating activities		8,039,328	8,645,891

25 Events after the reporting period

There are no events after the reporting period that would have a material effect on the financial statements.

26 Financial Instruments

Council has exposure to the following risks arising from financial instruments:

- Credit Risk
- Liquidity Risk
- Market Risk

This note provides information (both qualitative and quantitative) to assist statement users to evaluate the significance of financial instruments on the Council's financial position and financial performance, including the nature and extent of risks and how the Council manages these exposures.

Financial Risk Management

Council is responsible for the establishment and oversight of the risk management framework, together with developing and monitoring risk management policies.

Council's management approves policies for overall risk management, as well as for specifically managing credit, liquidity and market risks.

Council's risk management policies are established to identify and analyse the risks faced, to set appropriate limits and controls to monitor these risks and adherence against limits. The Council aims to manage volatility to minimise potential adverse effects on Council's financial performance.

Council does not enter into derivatives.

Credit Risk

Credit risk is the risk of financial loss if counterparty to a financial instrument fails to meet its contractual obligations. These obligations arise principally from the Council's cash and cash equivalents, investments and receivables from customers.

Exposure to credit risk is managed through regular analysis of credit counterparty ability to meet payment obligations. The carrying amount of financial assets represents the maximum credit exposure.

Investments in financial instruments are required to be made with Queensland Treasury Corporation (QTC) or similar State / Commonwealth bodies or financial institutions in Australia, in line with the requirements of the Statutory Bodies Financial Arrangements Act 1982.

No collateral is held as security relating to financial assets held by Council.

	2019 \$	2018 \$
Financial Assets		
Cash and Cash Equivalents	25,573,892	27,276,438
Receivables – Rates	1,537,308	1,173,188
Receivables – Other	1,089,285	949,852
Investments	4,000,000	4,000,000
	32,200,485	33,399,478
Other Credit Exposures		
Guarantees	572,346	577,961
	32,772,831	33,977,439

26 Financial Instruments (continued)

Cash and Cash Equivalents and Investments

Council may be exposed to credit risk through its investments in the QTC Cash Fund and QTC Working Capital Facility. The QTC Cash Fund is an asset management portfolio that invests in a wide range of highly credit rated counterparties. Deposits with the QTC Cash Fund are capital guaranteed. The Working Capital Facility deposits have duration of one day and all investments are required to have a minimum credit rating of "A-" therefore the likelihood of the counterparty having the capacity to meet its financial commitments is strong.

No collateral is held as security relating to financial assets held by Council.

Trade and Other Receivables

In the case of rate receivables Council has the power to sell the property to recover any defaulted amounts. In effect this power protects Council against credit risk in the case of defaults.

In other cases, Council assesses the credit risk before providing goods or services and applies normal business credit protection procedures to minimise the risk.

By the nature of Council's operations there is a geographic concentration of risk in the local government area. Because the area is largely agricultural, there is a concentration in the agricultural sector.

Ageing of receivables has been disclosed in Note 13.

Liquidity Risk

Liquidity risk is the risk the Council will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. Council is exposed to liquidity risk through its trading in the normal course of business and borrowings from the Queensland Treasury Corporation for capital works.

Council manages its exposure to liquidity risk by maintaining sufficient cash and cash equivalents to cater for unexpected volatility in cash flows. These are disclosed in the Note 11.

Council does not have any overdraft facility as at reporting date.

The following table sets out the liquidity risk of financial liabilities held by the Council. The amounts disclosed in the maturity analysis represent the contractual undiscounted cash flows at balance date:

	0 to 1 year	1 to 5 years	Over 5 years	Contractual Cash Flows	Carrying Amount
	\$	\$	\$	\$	\$
2019					
Trade and other payables	5,936,782	-	-	5,936,782	5,936,782
Loans – QTC	771,632	1,109,717	1,792,706	3,674,055	2,988,108
	6,708,414	1,109,717	1,792,706	9,610,837	8,924,890
2018					
Trade and other payables	5,554,641	-	-	5,554,641	5,554,641
Loans – QTC	773,515	1,657,027	2,017,028	4,447,570	3,616,420
	6,328,156	1,657,027	2,017,028	10,002,211	9,171,061

The outflows in the above table are not expected to occur significantly earlier and the amounts are not expected to be significantly different than indicated in the table.

Market Risk

Market risk is the risk that changes in market prices, such as interest rates, will affect the Council's income or the value of its holding of financial instruments.

26 Financial Instruments (continued)

Interest Rate Risk

The Council is exposed to interest rate risk through its borrowings from the Queensland Treasury Corporation and investments held with financial institutions.

The risk in borrowing is effectively managed by borrowing only from the Queensland Treasury Corporation and having access to a mix of floating and fixed funding sources such that the desired interest rate risk exposure can be constructed. Interest rate risk in other areas is minimal.

Sensitivity

Sensitivity to interest rate movements is calculated for variable financial assets and liabilities based on the carrying amount at the reporting date. Should interest rates vary by 1% in the coming year (assuming the rates move from the beginning of the year and are held constant throughout), the council would not expect a material impact on the financial statements.

The following interest rate sensitivity analysis depicts what effect a reasonably possible change in interest rates (assumed to be 1%) would have on the profit and equity, based on the carrying values at the end of the reporting period. The calculation assumes that the change in interest rates would be held constant over the period.

	Net carrying amount	Effect on Net Result		Effect on Equity	
	\$	1% increase \$	1% decrease \$	1% increase \$	1% decrease \$
2019					
QTC cash fund	24,593,958	245,940	(245,940)	245,940	(245,940)
Other investments	4,000,000	40,000	(40,000)	40,000	(40,000)
Loans - QTC*	-	-	-	-	-
Loans - other	-	-	-	-	-
Net total	28,593,958	285,940	(285,940)	285,940	(285,940)
2018					
QTC cash fund	26,387,348	263,873	(263,873)	263,873	(263,873)
Other investments	4,000,000	40,000	(40,000)	40,000	(40,000)
Loans - QTC*	-	-	-	-	-
Loans - other	-	-	-	-	-
Net total	30,387,348	303,873	(303,873)	303,873	(303,873)

In relation to the QTC loans held by the Council, the following has been applied:

QTC Fixed Rate Loan - financial instruments with fixed interest rates which are carried at amortised cost are not subject to interest rate sensitivity.

Fair value

The fair value of trade and other receivables and payables is assumed to approximate the value of the original transaction, less any allowance for impairment.

The fair value of borrowings with QTC is based on the market value of debt outstanding. The market value of a debt obligation is the discounted value of future cash flows based on prevailing market rates and represents the amount required to be repaid if this was to occur at balance date. The market value of debt is provided by QTC and is disclosed in Note 16.

QTC applies a book rate approach in the management of debt and interest rate risk, to limit the impact of market value movements to clients' cost of funding. The book value represents the carrying value based on amortised cost using the effective interest method.

27 Transactions with related parties

(a) Subsidiaries, associates and joint entities

Council is a joint member of the Wide Bay Burnett Regional Organisation of Councils (WBBROC) Incorporated.

WBBROC represents the interests of all councils within the Wide Bay Burnett region. WBBROC lobbies Federal and State Governments on behalf of members Councils on matters of common interest and is often the point of contact for other levels of Government seeking the views of Councils on a broad range of issues.

WBBROC other member Councils are Bundaberg Regional Council, Cherbourg Community Council, Fraser Coast Regional Council, Gympie Regional Council and South Burnett Regional Council.

	2019 \$	2018 \$
The following transactions occurred with WBBROC:		
Council membership contributions	26,004	21,840
WBBROC is dependent on contributions from member Councils.		

(b) Transactions with key management personnel (KMP)

KMP include the Mayor, councillors, Council's Chief Executive Officer and three General Managers. The compensation paid to KMP is as follows:

	2019 \$	2018 \$
Short-term employee benefits	1,424,414	1,355,877
Post-employment benefits	153,526	106,483
Long-term benefits	39,441	34,612
Termination benefits	-	-
Total	1,617,381	1,496,972

(c) Transactions with other related parties

Other related parties include the close family members of KMP and any entities controlled or jointly controlled by KMP or their close family members. Close family members include a spouse, child and dependent of a KMP or their spouse.

Details of transactions between council and other related parties are disclosed below:

Additional Information		2019 \$
Fees and charges charged to entities controlled by key management personnel	26(c)(i)	1,991
Employee expenses for close family members of key management personnel	26(c)(ii)	-
Purchase of materials and services from entities controlled by key management personnel	26(c)(iii)	17,046

27 Transactions with related parties (continued)

Additional Information		2018 \$
Fees and charges charged to entities controlled by key management personnel	26(c)(i)	990
Employee expenses for close family members of key management personnel	26(c)(ii)	81,118
Purchase of materials and services from entities controlled by key management personnel	26(c)(iii)	86,618

(i) The fees and charges charged to entities controlled by key management personnel were on an arm's length basis in accordance with the schedule of fees and charges adopted by council.

Fees and charges charged to entities controlled by key management personnel	Details of related party	2019 \$
Hire of mobile kitchen	Community Group	749
Flights	Reimbursement for flights of accompanying family member	1,242

Fees and charges charged to entities controlled by key management personnel	Details of related party	2018 \$
LGMA Accommodation	The CEO paid additional costs in association with LGMA Accommodation.	990

27 Transactions with related parties (continued)

(ii) There are no close family members of key management personnel employed by the council during the year (2018: 1).

(iii) The entity purchased the following material and services from entities that are controlled by members of key management personnel. All purchases were at arm's length and were in the normal course of council operations.

- | | |
|---------------------|-------------------------|
| - Cleaning Supplies | - Floral Tributes |
| - Refreshments | - Promotional Materials |
| - Hardware | - Uniforms |

(d) Outstanding balances

There were no overdue outstanding balances relating to transactions with related parties.

(e) Loans and guarantees to/from related parties

Council does not make loans to or receive loans from related parties. No guarantees have been provided.

(f) Commitments to/from other related parties

Council have a memorandum of understanding with Bendigo Bank to invest funds in the local branch, Cr Zahl is a chair on the Bendigo board. The memorandum of understanding was entered into separately to Cr Zahl's position on the board.

(g) Transactions with related parties that have not been disclosed

Most of the entities and people that are related parties of council live and operate within the North Burnett Regional Council. Therefore, on a regular basis ordinary citizen transactions occur between Council and its related parties. Some examples include:

- | | |
|--|----------------------------|
| - Payment of rates | - Waste Management Charges |
| - Dog registration | - Facility Hire |
| - Borrowing books from a council library | |

Council has not included these types of transaction in its related party disclosure, where they are made on the same terms and conditions available to the general public.

Management Certificate
For the year ended 30 June 2019

These general purpose financial statements have been prepared pursuant to sections 176 and 177 of the *Local Government Regulation 2012* (the Regulation) and other prescribed requirements.

In accordance with section 212(5) of the Regulation we certify that:

- (i) the prescribed requirements of the *Local Government Act 2009* and *Local Government Regulation 2012* for the establishment and keeping of accounts have been complied with in all material respects; and
- (ii) the general purpose financial statements, as set out on pages 2 to 40, present a true and fair view, in accordance with Australian Accounting Standards, of the Council's transactions for the financial year and financial position at the end of the year.



Mayor
Rachel Chambers

Date: 4 October 2019



Acting Chief Executive Officer
Ian Flint

Date: 4 October 2019

INDEPENDENT AUDITOR'S REPORT

To the Councillors of North Burnett Regional Council

Report on the audit of the financial report

Opinion

I have audited the accompanying financial report of North Burnett Regional Council (the council).

In my opinion, the financial report:

- a) gives a true and fair view of the council's financial position as at 30 June 2019, and of its financial performance and cash flows for the year then ended
- b) complies with the *Local Government Act 2009*, the Local Government Regulation 2012 and Australian Accounting Standards.

The financial report comprises the statement of financial position as at 30 June 2019, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes to the financial statements including significant accounting policies and other explanatory information, and the management certificate given by the Mayor and the Acting Chief Executive Officer.

Basis for opinion

I conducted my audit in accordance with the *Auditor-General of Queensland Auditing Standards*, which incorporate the Australian Auditing Standards. My responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial report* section of my report.

I am independent of the council in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to my audit of the financial report in Australia. I have also fulfilled my other ethical responsibilities in accordance with the Code and the *Auditor-General of Queensland Auditing Standards*.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Other information

Other information comprises the information included in North Burnett Regional Council's annual report for the year ended 30 June 2019, but does not include the financial report and my auditor's report thereon. At the date of this auditor's report, the other information was the current year financial sustainability statement and the long-term financial sustainability statement.

My opinion on the financial report does not cover the other information and accordingly I do not express any form of assurance conclusion thereon. However, as required by the Local Government Regulation 2012, I have expressed a separate opinion on the current year financial sustainability statement.

In connection with my audit of the financial report, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report and my knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work I have performed, I conclude that there is a material misstatement of this information, I am required to report that fact. I have nothing to report in this regard.

Responsibilities of the council for the financial report

The council is responsible for the preparation of the financial report that gives a true and fair view in accordance with the *Local Government Act 2009*, the Local Government Regulation 2012 and Australian Accounting Standards, and for such internal control as the council determines is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

The council is also responsible for assessing the council's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless it is intended to abolish the council or to otherwise cease operations of the council.

Auditor's responsibilities for the audit of the financial report

My objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for expressing an opinion on the effectiveness of the council's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the council.

- Conclude on the appropriateness of the council's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the council's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify my opinion. I base my conclusions on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the council to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

I communicate with the council regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

Report on other legal and regulatory requirements

In accordance with s.40 of the *Auditor-General Act 2009*, for the year ended 30 June 2019:

- a) I received all the information and explanations I required.
- b) In my opinion, the prescribed requirements in relation to the establishment and keeping of accounts were complied with in all material respects.



9 October 2019



Melissa Read
as delegate of the Auditor-General

Queensland Audit Office
Brisbane

North Burnett Regional Council
Current Year Financial Sustainability Statement
For the year ended 30 June 2019

Measures of Financial Sustainability	Measure	Target	Actuals at 30 June 2019
Council's performance against key ratios and targets			
Operating surplus ratio	Net result (excluding capital items) divided by total operating revenue (excluding capital items)	Between 0% and 10%	-20.77%
Asset sustainability ratio	Capital expenditure on the replacement of assets (renewals) divided by depreciation expense.	greater than 90%	143.58%
Net financial liabilities ratio	Total liabilities less current assets divided by total operating revenue (excluding capital items)	not greater than 60%	-39.35%

The current year financial sustainability statement is a special purpose statement prepared in accordance with the requirements of the *Local Government Regulation 2012* and the *Financial Management (Sustainability) Guideline 2013*. The amounts used to calculate the three reported measures are prepared on an accrual basis and are drawn from the Council's audited general purpose financial statements for the year ended 30 June 2019.

Certificate of Accuracy For the year ended 30 June 2019	
This current-year financial sustainability statement has been prepared pursuant to Section 178 of the <i>Local Government Regulation 2012</i> (the Regulation).	
In accordance with Section 212(5) of the Regulation we certify that this current-year financial sustainability statement has been accurately calculated.	
 Mayor Rachel Chambers Date: <u>4</u> October 2019	 Acting Chief Executive Officer Ian Flint Date: <u>4</u> October 2019

INDEPENDENT AUDITOR'S REPORT

To the Councillors of North Burnett Regional Council

Report on the current year financial sustainability statement

Opinion

I have audited the accompanying current year statement of financial sustainability of North Burnett Regional Council (the council) for the year ended 30 June 2019 comprising the statement, explanatory notes, and the certificate of accuracy given by the Mayor and the Acting Chief Executive Officer.

In accordance with section 212 of the Local Government Regulation 2012, in my opinion, in all material respects, the current year financial sustainability statement of North Burnett Regional Council for the year ended 30 June 2019 has been accurately calculated.

Basis of opinion

I conducted my audit in accordance with the *Auditor-General of Queensland Auditing Standards*, which incorporate the Australian Auditing Standards. My responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the current year financial sustainability statement* section of my report.

I am independent of the council in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to my audit of the statement in Australia. I have also fulfilled my other ethical responsibilities in accordance with the Code and the *Auditor-General of Queensland Auditing Standards*.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Emphasis of matter – basis of accounting

I draw attention to Note 1 which describes the basis of accounting. The current year financial sustainability statement has been prepared in accordance with the Financial Management (Sustainability) Guideline 2013 for the purpose of fulfilling the council's reporting responsibilities under the Local Government Regulation 2012. As a result, the statement may not be suitable for another purpose. My opinion is not modified in respect of this matter.

Other Information

Other information comprises the information included in North Burnett Regional Council's annual report for the year ended 30 June 2019, but does not include the current year financial sustainability statement and my auditor's report thereon. At the date of this auditor's report, the other information was the general purpose financial statements and the long-term financial sustainability statement.

My opinion on the current year financial sustainability statement does not cover the other information and accordingly I do not express any form of assurance conclusion thereon. However, as required by the Local Government Regulation 2012, I have expressed a separate opinion on the general purpose financial report.

In connection with my audit of the financial report, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report and my knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work I have performed, I conclude that there is a material misstatement of this information, I am required to report that fact. I have nothing to report in this regard.

Responsibilities of the council for the current year financial sustainability statement

The council is responsible for the preparation and fair presentation of the current year financial sustainability statement in accordance with the Local Government Regulation 2012. The council's responsibility also includes such internal control as the council determines is necessary to enable the preparation and fair presentation of the statement that is accurately calculated and is free from material misstatement, whether due to fraud or error.

Auditor's responsibilities for the audit of the current year financial sustainability statement

My objectives are to obtain reasonable assurance about whether the current year financial sustainability statement as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this statement.

My responsibility does not extend to forming an opinion on the appropriateness or relevance of the reported ratios, nor on the council's future sustainability.

As part of an audit in accordance with the Australian Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the statement, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the council.
- Evaluate the overall presentation, structure and content of the statement, including the disclosures, and whether the statement represents the underlying transactions and events in a manner that achieves fair presentation.

I communicate with the council regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.



Melissa Read
as delegate of the Auditor-General

9 October 2019

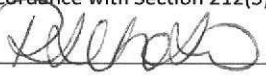

Queensland Audit Office
Brisbane

North Burnett Regional Council
Unaudited Long-Term Financial Sustainability Statement
For the year ended 30 June 2019

Measures of Financial Sustainability	Measure	Target	Actuals at				Projected for the years ended					
			30 June 2019	30 June 2020	30 June 2021	30 June 2022	30 June 2023	30 June 2024	30 June 2025	30 June 2026	30 June 2027	30 June 2028
Council's performance against key ratios and targets												
Operating surplus ratio	Net result (excluding capital items)divided by total operating revenue (excluding capital items)	Between 0% and 10%	-20.77%	-22.16%	-19.67%	-17.51%	-17.04%	-16.32%	-16.25%	-16.16%	-16.06%	-16.22%
Asset sustainability ratio	Capital expenditure on the replacement of assets (renewals) divided by depreciation expense.	greater than 90%	143.58%	123.79%	98.54%	94.04%	69.03%	70.41%	69.45%	66.08%	66.76%	66.08%
Net financial liabilities ratio	Total liabilities less current assets divided by total operating revenue (excluding capital items)	not greater than 60%	-39.35%	-43.74%	-34.23%	-24.80%	-24.74%	-24.16%	-23.86%	-24.53%	-24.74%	-24.81%

North Burnett Regional Council's Financial Management Strategy

Council measures revenue and expenditure trends over time as a guide to future requirements and to make decisions about the efficient allocation of resources to ensure the most effective provision of services. Council ensures that its financial management strategy is prudent and that its long-term financial forecast shows a sound financial position whilst also being able to meet the community's current and future needs.

Certificate of accuracy for the long term sustainability statement prepared as at 30 June 2019	
This long-term financial sustainability statement has been prepared pursuant to Section 178 of the <i>Local Government Regulation 2012</i> (the Regulation). In accordance with Section 212(5) of the Regulation we certify that this long-term financial sustainability statement has been accurately calculated.	
 Mayor Rachel Chambers Date: <u>4</u> October 2019	 Acting Chief Executive Officer Ian Flint Date: <u>4</u> October 2019