

**Barcaldine Regional Council
Financial Statements
for the year ended 30 June 2018**



Aramac Pool - opened September 2018

Barcaldine Regional Council
Financial Statements
For the year ended 30 June 2018

Table of contents

Statement of Comprehensive Income
Statement of Financial Position
Statement of Changes in Equity
Statement of Cash Flows

Notes to the financial statements

- 1 Significant accounting policies
- 2 Analysis of results by function
- 3 Revenue analysis
- 4 Capital revenue
- 5 Capital expenses
- 6 Employee costs
- 7 Materials and services
- 8 Cash and cash equivalents
- 9 Receivables
- 10 Property, plant and equipment
- 11 Payables
- 12 Borrowings
- 13 Provisions
- 14 Retained surplus
- 15 Asset revaluation reserve
- 16 Commitments for expenditure
- 17 Contingent liabilities
- 18 Superannuation
- 19 Reconciliation of net operating surplus for the year to net cash inflow from operating activities
- 20 Reconciliation of liabilities arising from finance activities
- 21 Events after the reporting period
- 22 Financial instruments
- 23 Transactions with related parties

Management Certificate
Independent Auditor's Report

Barcaldine Regional Council
Statement of Comprehensive Income
For the year ended 30 June 2018

	2018	2017
Note	\$	\$
Income		
Recurrent revenue		
Rates, levies and charges	3(a) 6,368,606	6,215,846
Fees and charges	3(b) 774,832	790,405
Rental income	325,549	307,491
Interest received	554,158	575,089
Recoverable works income	3(c) 8,317,548	7,690,693
Recurrent grants, subsidies, contributions and donations	3(d) 9,008,682	12,124,818
Other income	132,820	144,638
	<u>25,482,195</u>	<u>27,848,980</u>
Capital revenue		
Capital grants, subsidies, contributions and donations	4(a) 6,707,334	4,204,737
Capital flood damage recoveries	4(b) 609,757	5,995,719
Gain on Sale of Property, Plant & Equipment	4(c) 44,942	-
	<u>7,362,032</u>	<u>10,200,456</u>
Total income	<u>32,844,227</u>	<u>38,049,436</u>
Expenses		
Recurrent expenses		
Employee costs	6 (10,238,583)	(10,163,037)
Materials and services	7 (12,084,373)	(11,531,085)
Finance costs	(137,569)	(153,655)
Depreciation and amortisation	10 (8,774,954)	(8,400,197)
	<u>(31,235,479)</u>	<u>(30,247,974)</u>
Capital expenses		
	5 (495,000)	(361,143)
	<u>(495,000)</u>	<u>(361,143)</u>
Total expenses	<u>(31,730,479)</u>	<u>(30,609,117)</u>
Net result	<u>1,113,748</u>	<u>7,440,319</u>
Other comprehensive income		
Items that will not be reclassified to net result		
Increase/(Decrease) in asset revaluation surplus	15 (19,404,601)	5,409,315
Total other comprehensive income for the year	<u>(19,404,601)</u>	<u>5,409,315</u>
Total comprehensive income for the year	<u>(18,290,853)</u>	<u>12,849,634</u>

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

Barcaldine Regional Council
Statement of Financial Position
as at 30 June 2018

	Note	2018 \$	2017 \$
Current assets			
Cash and cash equivalents	8	21,686,414	25,328,035
Receivables	9	3,329,198	3,490,573
Inventories		572,527	457,006
Total current assets		<u>25,588,138</u>	<u>29,275,614</u>
Non-current assets			
Property, plant and equipment	10	340,757,603	354,024,432
Total non-current assets		<u>340,757,603</u>	<u>354,024,432</u>
Total assets		<u>366,345,741</u>	<u>383,300,046</u>
Current liabilities			
Payables	11	3,240,906	2,609,596
Borrowings	12	438,791	361,053
Provisions	13	1,432,567	1,323,078
Total current liabilities		<u>5,112,264</u>	<u>4,293,727</u>
Non-current liabilities			
Borrowings	12	2,659,807	2,393,346
Provisions	13	590,544	338,994
Total non-current liabilities		<u>3,250,351</u>	<u>2,732,340</u>
Total liabilities		<u>8,362,615</u>	<u>7,026,067</u>
Net community assets		<u>357,983,126</u>	<u>376,273,979</u>
Community equity			
Retained surplus	14	173,254,857	172,141,109
Asset revaluation surplus	15	184,728,269	204,132,870
Total community equity		<u>357,983,126</u>	<u>376,273,979</u>

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

Barcaldine Regional Council
Statement of Changes in Equity
For the year ended 30 June 2018

	Retained Surplus	Asset revaluation surplus	Total
Note	14	15	
	\$	\$	\$
Balance as at 1 July 2017	172,141,109	204,132,870	376,273,979
Net result	1,113,748	-	1,113,748
Other comprehensive income for the year			
Increase/(Decrease) in asset revaluation surplus	-	(19,404,601)	(19,404,601)
Total comprehensive income for the year	1,113,748	(19,404,601)	(18,290,853)
Balance as at 30 June 2018	173,254,857	184,728,269	357,983,126
Balance as at 1 July 2016	164,700,790	198,723,555	363,424,345
Net result	7,440,319	-	7,440,319
Other comprehensive income for the year			
Increase/(Decrease) in asset revaluation surplus	-	5,409,315	5,409,315
Total comprehensive income for the year	7,440,319	5,409,315	12,849,634
Balance as at 30 June 2017	172,141,109	204,132,870	376,273,979

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

Barcaldine Regional Council
Statement of Cash Flows
For the year ended 30 June 2018

	Note	2018	2017
		\$	\$
Cash flows from operating activities			
Receipts from customers		25,053,106	26,745,418
Payments to suppliers and employees		(21,904,822)	(21,550,903)
		<u>3,148,284</u>	<u>5,194,515</u>
Interest received		554,158	575,089
Interest paid		(137,569)	(153,655)
Net cash inflow from operating activities	19	<u>3,564,872</u>	<u>5,615,949</u>
Cash flows from investing activities			
Payments for property, plant and equipment		(15,811,667)	(14,140,999)
Proceeds from sale of property plant and equipment		943,884	995,856
Grants, subsidies, contributions and donations		6,707,334	4,204,737
Capital flood damage recoveries		609,757	5,995,719
Net cash outflow from investing activities		<u>(7,550,693)</u>	<u>(2,944,687)</u>
Cash flows from financing activities			
Proceeds from borrowings		700,000	-
Repayment of borrowings		(355,800)	(339,715)
Net cash inflow (outflow) from financing activities		<u>344,200</u>	<u>(339,715)</u>
Net increase/(decrease) in cash and cash equivalents held		<u>(3,641,621)</u>	<u>2,331,547</u>
Cash and cash equivalents at beginning of the financial year		25,328,035	22,996,488
Cash and cash equivalents at end of the financial year	8	<u>21,686,414</u>	<u>25,328,035</u>

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

Barcaldine Regional Council
Notes to the financial statements
For the year ended 30 June 2018

1 Significant accounting policies

1.A Basis of preparation

These general purpose financial statements are for the period 1 July 2017 to 30 June 2018 and have been prepared in accordance with the *Local Government Act 2009* and the *Local Government Regulation 2012*.

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 where stated.

1.B Constitution

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

1.C 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.

1.D New and revised Accounting Standards

This year Council has applied AASB 2016-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107 for the first time. As a result Council has disclosed more information to explain changes in liabilities arising from financing activities ('debt reconciliation'). This information is presented in Note 20.

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

Applicable Date

AASB 9 Financial Instruments

This replaces AASB 139 Financial Instruments: Recognition and Measurement, and addresses the classification, measurement and disclosure of financial assets and liabilities.

1-Jul-18

The standard introduces a new impairment model that requires impairment provisions to be based on expected credit losses, rather than incurred credit losses. Based on assessments to date, council expects a small increase to impairment losses however the standard is not expected to have a material impact overall.

AASB 15 Revenue from Contracts with Customers, AASB 1058 Income of Not-for-Profit Entities and AASB 2016-18 Amendments to Australian Accounting Standards - Australian Implementation Guidance for Not-for-Profit Entities

AASB 15 will replace AASB 118 Revenue, AASB 111 Construction Contracts and a number of Interpretations. AASB 2016-8 provides Australian requirements and guidance for not-for-profit entities in applying AASB 9 and AASB 15. AASB 1058 will replace AASB 1004 Contributions. Together they contain a comprehensive and robust framework for the recognition, measurement and disclosure of income including revenue from contracts with customers. Council is still reviewing the way that income is measured and recognised to identify whether there will be any material impact arising from these standards.

1-Jul-19

AASB 16 Leases

Council has some leases that are not in the Statement of Financial Position. These will need to be included when this standard comes into effect. A lease liability will initially be measured at the present value of the lease payments to be made over the lease term. A corresponding right-of-use asset will also be recognised over the lease term. If this requirement had been adopted at 30 June 2018 management estimate that it would not have a material impact on net assets.

1-Jul-19

1.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:

Valuation and depreciation of property, plant and equipment (Note 10)

Provisions - Note 13

Contingent liabilities - Note 17

1.F Revenue

Rental income

Rental revenue from investment and other property is recognised as income on a periodic straight line basis over the lease term.

1.G Taxation

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

Barcaldine Regional Council
Notes to the financial statements
For the year ended 30 June 2018

2 Analysis of Results by Function

(a) Components of council functions

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

Governance

The objectives of professional governance are: financial responsibility and sustainability; confident and stable leadership; a valued workforce; community representation; appropriate planning decisions; and exceptional service delivery.

Activities of this function include: providing administrative, financial and information technology support to the whole organisation; managing planning and development within the council area; and maintaining the roles of the Mayor, Councillors, Chief Executive Officer and senior management.

Economy

The objectives of strong local economy are: assisting the agricultural sector to grow sustainably; encourage the development of new tourism opportunities; managing mining development whilst balancing the social needs of the community; provide employment opportunities in the region; and encourage business investment.

Activities of this function include: providing support and encouragement to business and tourism activities within the Council Area; providing pest and weed control for agriculture; responding to mining development issues: and seeking new investment opportunities and funding for the region.

Infrastructure

The objectives of quality infrastructure are: to construct and maintain roads and streets; provide airports for each community; provide safe, reliable and high quality water for each community; maintain and upgrade sewerage schemes; and maintain all plant and equipment to a high standard.

Activities of this function include: road and street construction and maintenance; airports and the provision of services for regulated passenger transport; maintaining and upgrading water and sewerage infrastructure; and maintenance of plant.

Environment

The objectives of environment and heritage protection are: to minimise the impact of pests and weeds on the environment; prepare for and respond to natural disasters; preserve and promote the heritage of local people, structures and communities; provide efficient waste management services; and provide animal management to minimise nuisances.

Activities of this function include: providing refuse collection and disposal services; plant and animal pest control; SES services; and heritage protection registers.

Community

The objectives of vibrant communities are: to maintain and enhance the streetscapes; encourage creativity by supporting arts and culture; provide services to improve the health and wellbeing of the community; provide parks and gardens; provide sport and recreation facilities; support community organisations through donations; provide high quality funeral services; and provide facilities for young people.

Activities of this function include: the provision of libraries, art galleries, museums, sporting ovals, showgrounds, tennis courts and community halls; the provision of health services including in home care, meals on wheels, respite care; the provision of community housing; funeral services and cemeteries; and maintaining the streetscapes of each community.

Barcaldine Regional Council
Notes to the financial statements
For the year ended 30 June 2018

2 Analysis of results by function

(b) **Income and expenses defined between recurring and capital are attributed to the following functions:**

Year ended 30 June 2018

Functions	Gross program income				Total income	Gross program expenses		Total expenses	Net results from recurrent operations	Net results	Assets
	Recurring		Capital			Recurring	Capital				
	Grants	Other	Grants	Other							
	\$	\$	\$	\$		\$	\$				
Governance	5,561,598	4,561,590	-	-	10,123,188	(5,147,804)	-	(5,147,804)	4,975,384	4,975,384	28,254,496
Economy	6,000	525,170	-	-	531,170	(1,860,641)	-	(1,860,641)	(1,329,471)	(1,329,471)	16,122,266
Infrastructure	1,996,859	10,634,489	7,317,090	44,942	19,993,380	(17,296,529)	(495,000)	(17,791,529)	(4,665,181)	2,201,851	248,995,998
Environment	23,800	496,657	-	-	520,457	(541,253)	-	(541,253)	(20,796)	(20,796)	894,119
Community	1,420,425	255,608	-	-	1,676,033	(6,389,253)	-	(6,389,253)	(4,713,220)	(4,713,220)	72,078,862
Total	9,008,682	16,473,514	7,317,090	44,942	32,844,228	(31,235,480)	(495,000)	(31,730,480)	(5,753,284)	1,113,748	366,345,741

Year ended 30 June 2017

Functions	Gross program income				Total income	Gross program expenses		Total expenses	Net results from recurrent operations	Net results	Assets
	Recurring		Capital			Recurring	Capital				
	Grants	Other	Grants	Other							
	\$	\$	\$	\$		\$	\$				
Governance	7,888,871	4,537,852	-	-	12,426,723	(4,408,459)	-	(4,408,459)	8,018,264	8,018,264	34,185,700
Economy	105,299	499,560	-	-	604,859	(1,770,533)	-	(1,770,533)	(1,165,674)	(1,165,674)	10,432,684
Infrastructure	2,715,675	9,898,742	8,448,600	-	21,063,017	(16,878,246)	(361,143)	(17,239,389)	(4,263,829)	3,823,628	259,181,738
Environment	23,888	513,609	36,710	-	574,207	(627,864)	-	(627,864)	(90,367)	(53,657)	345,078
Community	1,391,085	274,399	1,715,146	-	3,380,630	(6,562,872)	-	(6,562,872)	(4,897,388)	(3,182,242)	79,154,846
Total	12,124,818	15,724,162	10,200,456	-	38,049,436	(30,247,974)	(361,143)	(30,609,117)	(2,398,994)	7,440,319	383,300,046

Barcaldine Regional Council
Notes to the financial statements
For the year ended 30 June 2018

Note	2018	2017
	\$	\$
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		
General rates	4,137,806	4,095,991
Separate rates	6,976	5,904
Water charges	1,519,166	1,418,053
Sewerage charges	895,187	880,329
Waste charges	488,010	480,644
Total rates and utility charge revenue	<u>7,047,145</u>	<u>6,880,921</u>
Less: Council discount	(604,909)	(590,922)
Less: Pensioner discount	<u>(73,630)</u>	<u>(74,153)</u>
	<u><u>6,368,606</u></u>	<u><u>6,215,846</u></u>

Where rate monies are received prior to the commencement of the rating period, the amount is recognised as revenue in the period in which they are received, otherwise rates are recognised at the commencement of the rating period.

(b) Fees and charges		
Administration	31,408	31,107
Airport	109,182	116,313
Animals	75,335	80,641
Bank, Post Office & RTC commissions	199,060	190,177
Community facilities	130,867	127,865
Environmental health	7,086	7,998
Funeral services	41,139	64,470
Planning & development	55,360	57,149
Rural services	86,044	61,407
Waste management	18,546	37,390
Water and sewerage	20,805	15,888
	<u>774,832</u>	<u>790,405</u>

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.

(c) Recoverable works income		
Recoverable contract roadworks	8,202,592	7,563,666
Private works	106,434	80,900
Other recoveries	8,522	46,127
	<u>8,317,548</u>	<u>7,690,693</u>

The Council generates revenues from a number of services including motor vehicle repairs 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 as a liability 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. The contract work carried out is not subject to retentions.

Barcaldine Regional Council
Notes to the financial statements
For the year ended 30 June 2018

Note	2018	2017
	\$	\$
(d) Recurrent grants, subsidies, contributions and donations		
General purpose grants and subsidies	7,271,527	10,371,654
Specific purpose grants and subsidies	1,665,177	1,689,358
Contributions	71,979	63,806
	<u>9,008,682</u>	<u>12,124,818</u>

In 2018, Council received \$3,693,595 Federal Assistance Grant funding in advance (\$3,532,975 for 2017). This is recognised within General purpose grants and subsidies for the respective years.

Grants, subsidies and contributions that are non-reciprocal in nature are recognised as revenue in the year in which Council obtains control over them. Where grants are received that are reciprocal in nature, revenue is recognised as the various performance obligations under the funding agreement are fulfilled.

Non-cash contributions with a value in excess of the recognition thresholds, are recognised as revenue and as non-current assets. Non-cash contributions below the thresholds are recorded as revenue and expenses.

Developers pay infrastructure charges for trunk infrastructure in accordance with Council's planning scheme policies. These cash contributions are recognised as income when received.

4 Capital revenue

(a) Capital grants, subsidies, contributions and donations

Flood mitigation	1,027	9,241
Community infrastructure	2,553,910	1,880,808
Transport infrastructure	4,112,397	2,239,688
Contributions	40,000	75,000
	<u>6,707,334</u>	<u>4,204,737</u>

(b) Capital flood damage recoveries

NDRRA payments for flood damage to Council infrastructure	609,757	5,995,719
	<u>609,757</u>	<u>5,995,719</u>

Contributions recognised as income during the reporting period and which were obtained on the condition that they be expended in a manner specified by the contributor but had not been expended at the reporting date:

Non-reciprocal grants for expenditure on infrastructure	<u>-</u>	<u>690,000</u>
---	----------	----------------

Contributions recognised as income during a previous reporting period that were obtained in respect of the current reporting period:

Non-reciprocal grants for expenditure on infrastructure	<u>690,000</u>	<u>-</u>
---	----------------	----------

(c) Gain on disposal of property, plant and equipment

Proceeds from the sale of property, plant and equipment	943,884	-
Less: Book value of property, plant and equipment disposed of	(898,942)	-
Gain on disposal	<u>44,942</u>	<u>-</u>

5 Capital expenses

(a) Provision for waste landfill rehabilitation

Provision for waste landfill rehabilitation	495,000	-
	<u>495,000</u>	<u>-</u>

(b) Loss on disposal of property, plant and equipment

Proceeds from the sale of property, plant and equipment	-	995,856
Less: Book value of property, plant and equipment disposed of	-	(1,356,999)
Loss on disposal	<u>-</u>	<u>(361,143)</u>

Barcaldine Regional Council
Notes to the financial statements
For the year ended 30 June 2018

	Note	2018 \$	2017 \$
6 Employee costs			
Total staff wages and salaries		9,714,329	9,809,142
Councillors' remuneration		481,714	437,859
Superannuation	18	1,032,817	1,004,679
Other employee related expenses		429,900	462,578
		<u>11,658,760</u>	<u>11,714,258</u>
Less: Capitalised employee costs		<u>(1,420,177)</u>	<u>(1,551,221)</u>
		<u><u>10,238,583</u></u>	<u><u>10,163,037</u></u>

Councillor remuneration represents salary and other allowances paid in respect of carrying out their duties.

Total Full Time Equivalent Council employees at the reporting date:	<u>Number</u>	<u>Number</u>
Elected members	7	7
Administration	21	19
Community and commercial services	23	15
Works	109	116
Total full time equivalent employees	<u>160</u>	<u>157</u>

7 Materials and services		
Administration	1,307,274	1,202,423
Airport	117,556	68,250
Audit fees	96,754	62,124
Commercial services	228,027	198,852
Community care services	539,446	459,767
Community donations	223,100	237,117
Environmental management	130,179	200,248
Funerals and cemeteries	49,616	90,829
Housing	375,393	375,172
Libraries, museums and halls	252,354	296,057
Parks and gardens	335,013	325,758
Planning and development	211,785	163,356
Recoverable road contracts	4,641,054	4,005,052
Road maintenance	1,135,260	1,449,048
Rural services	329,353	356,043
Sport and recreation	660,448	792,679
Tourism, events and promotion	211,111	233,899
Waste services	109,012	112,716
Water and sewerage	721,416	646,563
Other	410,224	255,132
	<u>12,084,373</u>	<u>11,531,085</u>

Barcaldine Regional Council
Notes to the financial statements
For the year ended 30 June 2018

Note	2018	2017
	\$	\$
8 Cash and cash equivalents		
Cash at bank and on hand	1,743	1,720
Deposits at call	17,717,811	21,423,895
Term deposits	3,966,860	3,902,420
Balance per Statement of Cash Flows	<u>21,686,414</u>	<u>25,328,035</u>
Externally imposed expenditure restrictions at the reporting date:		
Unspent government grants and subsidies - recurrent	65,287	159,794
Unspent government grants and subsidies - capital	-	690,000
Total unspent restricted cash	<u>65,287</u>	<u>849,794</u>
Internally imposed expenditure restrictions at the reporting date:		
Alpha Infrastructure Reserve	904,028	904,028
Alpha Roadworks Reserve	2,458,900	2,709,934
Alpha Water Reserve	297,001	355,047
Alpha Aerodrome Reserve	53,300	317,000
Aramac Swimming Pool Reserve	-	363,409
Aramac Industrial Estate Reserve	232,423	232,423
Aramac Infrastructure Reserve	25,000	25,000
Aramac Childcare Reserve	82,363	82,363
Harry Redford Cattle Drive Reserve	68,248	68,248
Barcaldine Infrastructure Reserve	-	38,292
Barcaldine Swimming Pool Reserve	100,000	50,000
Water Reserve	493,636	493,636
	<u>4,714,899</u>	<u>5,639,380</u>

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 known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts.

Cash is held at Bank of Queensland and deposits at call are held at Bank of Queensland and Qld Treasury Corporation in normal term deposits and business cheque accounts. BOQ currently has a short term credit rating of A2 (Standard & Poor's).

Trust funds held for outside parties

In accordance with the *Local Government Act 2009* and the *Local Government Regulation 2012*, 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 security deposits lodged to guarantee performance and bonds for venue hire. The Council performs only a custodian role in respect of the monies and because the monies cannot be used for Council purposes, they are not considered revenue nor brought to account in the financial statements.

Monies collected or held on behalf of other entities yet to be paid out to or on behalf of those entities	<u>104,075</u>	<u>181,741</u>
---	----------------	----------------

Barcaldine Regional Council
Notes to the financial statements
For the year ended 30 June 2018

	2018	2017
Note	\$	\$
9 Receivables		
Current		
Rateable revenue and utility charges	642,449	624,191
Other debtors	2,527,065	2,709,435
Prepayments	169,684	166,947
Less impairment	(10,000)	(10,000)
	3,329,198	3,490,573

Receivables are recognised at the amounts due at the time of sale or service delivery i.e. the agreed purchase price / contract price. Settlement of these amounts is required within 30 days from invoice date.

The collectability of receivables is assessed periodically and if there is objective evidence that Council will not be able to collect all amounts due, the carrying amount is reduced for impairment. The loss is recognised in finance costs. The amount of the impairment is the difference between the asset's carrying amount and the present value of the estimated cash flows discounted at the effective interest rate.

All known bad debts were written-off at 30 June. Subsequent recoveries of amounts previously written off in the same period are recognised as finance costs in the Statement of Comprehensive Income. 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 any rate receivables.

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.

Barcaldine Regional Council
Notes to the financial statements
For the year ended 30 June 2018

10 Property, plant and equipment

30 June 2018

Basis of measurement

Asset values

Opening balance as at 1 July 2017

Additions

Disposals

Revaluation adjustment to asset revaluation surplus

Transfers between classes

Closing gross value as at 30 June 2018

Note	Land	Buildings and Structures	Plant and equipment	Road Infrastructure	Water Infrastructure	Sewerage Infrastructure	Work in progress	Total
	Fair Value	Fair Value	Cost	Fair Value	Fair Value	Fair Value	Cost	
	\$	\$	\$	\$	\$	\$	\$	\$
	11,508,377	91,176,461	21,605,585	240,266,336	28,250,791	23,097,196	8,505,941	424,410,687
	-	-	2,597,178	-	-	-	13,214,489	15,811,667
5	(97,173)	-	(1,978,987)	-	-	-	-	(2,076,160)
15	-	1,679,741	-	(3,169,872)	328,033	512,160	-	(649,938)
	-	1,741,983	-	8,290,611	186,566	91,133	(10,310,293)	-
	11,411,204	94,598,185	22,223,776	245,387,075	28,765,390	23,700,489	11,410,137	437,496,256

Accumulated depreciation and impairment

Opening balance as at 1 July 2017

Depreciation provided in period

Depreciation on disposals

Revaluation adjustment to asset revaluation surplus

Accumulated depreciation as at 30 June 2018

	-	11,268,274	8,867,939	33,126,564	8,301,253	8,822,225	-	70,386,255
	-	1,471,861	1,245,454	5,330,839	394,362	332,438	-	8,774,954
5	-	-	(1,177,219)	-	-	-	-	(1,177,219)
15	-	240,788	-	18,745,375	455,594	(687,094)	-	18,754,663
	-	12,980,923	8,936,174	57,202,778	9,151,209	8,467,569	-	96,738,653

Total written down value as at 30 June 2018

Residual value

Range of estimated useful life in years

	11,411,204	81,617,262	13,287,602	188,184,297	19,614,181	15,232,920	11,410,137	340,757,603
	11,411,204	-	-	-	-	-	-	
	Not depreciated	20 - 150	2 - 20	8 - 300	20 - 200	20 - 200	Not depreciated	

Additions comprise:

Renewals

Other additions

Total Additions

	-	632,642	-	5,043,102	-	-	2,904,195	8,579,939
	-	1,109,342	2,597,178	3,247,509	186,566	91,133	-	7,231,728
	-	1,741,984	2,597,178	8,290,611	186,566	91,133	2,904,195	15,811,667

Barcaldine Regional Council
Notes to the Financial Statements
For the year ended 30 June 2017

10 Property, plant and equipment

30 June 2017

Basis of measurement

Asset values

Opening gross value as at 1 July 2016

Additions

Disposals

Revaluation adjustment to asset revaluation surplus

Transfers between classes

Closing gross value as at 30 June 2017

	Land	Buildings and Structures	Plant and equipment	Road Infrastructure	Water Infrastructure	Sewerage Infrastructure	Work in progress	Total
	Fair Value	Fair Value	Cost	Fair Value	Fair Value	Fair Value	Cost	
	\$	\$	\$	\$	\$	\$	\$	\$
	11,532,773	89,277,906	21,336,768	223,767,524	27,564,341	22,702,179	10,550,538	406,732,029
	-	-	2,644,764	-	-	-	11,496,235	14,140,999
5	(50,000)	(495,461)	(2,375,947)	-	-	-	-	(2,921,408)
15	-	1,471,762	-	4,109,134	483,154	395,017	-	6,459,067
	25,604	922,254	-	12,389,678	203,296	-	(13,540,832)	-
	11,508,377	91,176,461	21,605,585	240,266,336	28,250,791	23,097,196	8,505,941	424,410,687

Accumulated depreciation and impairment

Opening balance as at 1 July 2016

Depreciation provided in period

Depreciation on disposals

Revaluation adjustment to asset revaluation surplus

Accumulated depreciation as at 30 June 2017

	-	9,707,275	9,112,438	27,563,051	7,773,341	8,344,608	-	62,500,713
	-	1,444,533	1,246,017	4,996,969	385,942	326,736	-	8,400,197
5	-	(73,893)	(1,490,516)	-	-	-	-	(1,564,409)
15	-	190,359	-	566,544	141,970	150,881	-	1,049,754
	-	11,268,274	8,867,939	33,126,564	8,301,253	8,822,225	-	70,386,255

Total written down value as at 30 June 2017

Residual value

Range of estimated useful life in years

	11,508,377	79,908,187	12,737,646	207,139,772	19,949,538	14,274,971	8,505,941	354,024,432
	11,508,377	-	6,169,975	-	-	-	-	
	Not depreciated	20 - 150	2 - 20	8 - 300	20 - 200	20 - 200	Not depreciated	

Barcaldine Regional Council
Notes to the financial statements
For the year ended 30 June 2018

10 Property, plant and equipment

10 (a) Recognition

Items of property, plant and equipment with a total value of less than \$5,000 are treated as an expense in the year of acquisition. All other items of property, plant and equipment are capitalised.

Replacement of a major component of an asset, in order to maintain its service potential, is treated as the acquisition of a new asset. However routine operating maintenance, repair costs and minor renewals to maintain the operational capacity and useful life of the non-current asset is expensed as incurred.

Expenditure incurred in accordance with Natural Disaster Relief and Recovery Arrangements on road assets is analysed to determine whether the expenditure is capital in nature. The analysis of the expenditure requires Council engineers to review the nature and extent of expenditure for a given asset. For example, expenditure that patches a road is generally maintenance in nature, whereas a kerb to kerb rebuild is treated as capital expenditure that extends the useful life or renews the service potential of the asset is capitalised.

Land under roads

Land under the roads and reserve land which falls under the *Land Act 1994* or the *Land Title Act 1994* is controlled by the Queensland Government pursuant to the relevant legislation. This land is not recognised in these financial statements.

10 (b) Measurement

Property, plant and equipment assets are initially recorded at cost. Subsequently, each class of property, plant and equipment is stated at cost or fair value less, where applicable, any accumulated depreciation and accumulated impairment loss.

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 and engineering design fees and all other establishment costs.

Direct labour and materials and an appropriate proportion of overheads incurred in the acquisition or construction of assets are also included in their cost.

Property, plant and equipment received in the form of contributions, are recognised as assets and revenues at fair value.

10 (c) Depreciation

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, at which time they are reclassified from work in progress to the appropriate property, plant and equipment class.

Land is not depreciated as it has an unlimited useful life. Depreciation on other property, plant and equipment assets 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.

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 Council.

Major spares purchased specifically for particular assets that are above the asset recognition threshold are capitalised and depreciated on the same basis as the asset to which they relate.

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 written down current replacement cost are used to estimate the useful lives of these assets at each reporting date.

10 (d) Impairment

Property, plant and equipment 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.

Barcaldine Regional Council
Notes to the financial statements
For the year ended 30 June 2018

10 Property, plant and equipment (continued)

10 (e) Valuation

(i) Valuation processes

Council's valuation policies and procedures are set by the executive management team which comprises the Chief Executive Officer, Deputy Chief Executive Officer and Senior Finance Officer. They are reviewed annually taking into consideration an analysis of movements in fair value and other relevant information.

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 classes and making their own assessments of the condition of the assets at the date of inspection.

In the intervening years, Council uses internal engineers and asset managers to assess the condition and cost assumptions associated with all infrastructure assets, the results of which are considered in combination with an appropriate cost index for the region. Together these are used to form the basis of a management valuation for infrastructure asset classes in each of the intervening years. With respect to the valuation of the land and improvements and buildings asset classes in the intervening years, management engage independent, professionally qualified valuers to perform a "desktop" valuation. A desktop valuation involves management providing updated information to the valuer regarding additions, deletions 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.

An analysis performed by management has indicated that, on average, the variance between an indexed asset value and valuation by an independent valuer when performed is not significant and the indices used by Council are sound. Further details in relation to the valuers, the methods of valuation and the key assumptions used in valuing each different asset class are disclosed below.

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

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

- Fair value based on quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1)
- Fair value based on inputs that are directly or indirectly observable, such as prices for similar assets, for the asset or liability (level 2)
- Fair value based on unobservable inputs for the asset and liability (level 3)

There were no transfers between levels 1 and 2 during the year, nor between levels 2 and 3.

Council's policy is to recognise transfers in and out of the fair value hierarchy levels as at the end of the reporting period.

The following table shows assets as either level 2 or level 3 in accordance with AASB 13 *Fair Value Measurements*:

Asset Type	Level 2		Level 3		Total	
	2018	2017	2018	2017	2018	2017
	\$	\$	\$	\$	\$	\$
Land	11,411,204	11,508,377	-	-	11,411,204	11,508,377
Buildings	4,865,424	4,910,087	76,751,839	74,998,100	81,617,263	79,908,187
Road Infrastructure	-	-	188,184,296	207,139,772	188,184,296	207,139,772
Water Infrastructure	-	-	19,614,181	19,949,538	19,614,181	19,949,538
Sewerage Infrastructure	-	-	15,232,920	14,274,971	15,232,920	14,274,971
Total	16,276,628	16,418,464	299,783,236	316,362,381	316,059,864	332,780,845

Barcaldine Regional Council
Notes to the financial statements
For the year ended 30 June 2018

10 Property, plant and equipment (continued)

(ii) Valuation techniques used to derive fair values

Land (level 2)

The fair value of land was determined by independent valuer, APV Valuers & Asset Management, as at 30 June 2016. Council has determined that there was no material change in land values to 30 June 2018.

Level 2 valuation inputs were used to value land in freehold title as well as land used for special purposes, which is restricted in use under current zoning rules. Sales prices of comparable land sites in close proximity are adjusted for differences in key attributes such as property size.

Buildings and structures (level 2 and 3)

The fair value of buildings and structures was determined by applying indexation to the values determined by independent valuer, APV Valuers & Asset Management, as at 30 June 2017.

Level 2 - This includes the bulk of non-specialised residential and commercial properties. The fair value has been derived from sales prices of comparable properties after adjusting for differences in key attributes such as property size.

Level 3 - This includes buildings of a specialised nature where there is no active market for the assets. The fair value has been derived on the basis of the estimated replacement cost of a new building having the same service potential.

Infrastructure

All Council infrastructure assets are recorded at fair value using the current replacement cost approach. This valuation comprises the asset's current replacement cost less accumulated depreciation calculated on the basis of such cost to reflect the already consumed or expired economic benefits of the asset. Council first determined the gross cost of replacing the full service potential of the asset and then adjusted this amount to take account of the expired service potential of the asset.

Current replacement cost is measured by reference to the average cost at which the asset could be constructed in the normal course of business. For assets that could be stereotyped, a bill of quantities approach is used. A bill of quantities is an itemised list of materials, services and resources required to construct an asset which includes cost and quantity. Unit cost rates are calculated on a full cost of replacement basis with a new asset, including components that may not need to be replaced such as earthworks. Assets that are unique are individually valued based on a bill of quantities method.

Roads (level 3)

A full valuation of road infrastructure was undertaken by independent valuers, APV Valuers & Asset Management, effective as at 30 June 2018.

All road infrastructure assets were valued using level 3 valuation inputs.

During the year there were a number of new projects completed where the actual cost was recorded and the impact of depreciation at year end was negligible. While these could be classified as valued at level 2 given the low proportion of the total portfolio that these represented and the likelihood that in future valuations they would most likely be valued at level 3 we have adopted a policy that all infrastructure assets are deemed to be valued at level 3.

The main level 3 inputs used are derived and evaluated as follows:

Asset Condition - The nature of road infrastructure is that there is a very large number of assets which comprise the network and as a result it is not physically possible to inspect every asset for the purposes of completing a valuation. As a consequence reliance is placed on the accuracy of data held in the asset management system and its associated internal controls. This includes regular planned inspections and updates to the system following maintenance activities and renewal treatments. Likewise, especially for stormwater infrastructure, a large portion of the portfolio is located underground and may only be inspected on an irregular basis.

Relationship between asset consumption rating scale and the level of consumed service potential - Under the cost approach the estimated cost to replace the asset is calculated and then adjusted to take account of an accumulated depreciation. In order to achieve this the valuer determines an asset consumption rating scale for each asset type based on the interrelationship between a range of factors. These factors and their relationship to the fair value require professional judgement and include asset condition, legal and commercial obsolescence and the determination of key depreciation related assumptions such as residual value, useful life and pattern of consumption of the future economic benefit.

The consumption rating scales were based initially on the past experience of the valuation firm and industry guides and were then updated to take into account the experience and understanding of Council's own engineers, asset management and finance staff. The results of the valuation were further evaluated by confirmation against Council's own understanding of the assets and the level of remaining service potential.

Barcaldine Regional Council
Notes to the financial statements
For the year ended 30 June 2018

10 Property, plant and equipment (continued)

Water and Sewerage (level 3)

A full valuation of water and sewerage infrastructure was undertaken by independent valuers, APV Valuers & Asset Management, effective as at 30 June 2018.

All water supply and sewerage network infrastructure assets were valued using level 3 valuation inputs.

The approach estimated the replacement cost for each asset by componentising the assets into significant parts with different useful lives and taking into account a range of factors. While the unit rates based on square metres or similar capacity could be supported from market evidence (level 2) other inputs (such as estimates of residual value, useful life, pattern of consumption and asset condition) required extensive professional judgement and impacted significantly on the final determination of fair value. As such these assets were classified as having been valued using level 3 valuation inputs.

During the year there were a number of new projects completed where the actual cost was recorded and the impact of depreciation at year end was negligible. While these could be classified as valued at level 2 given the low proportion of the total portfolio that these represented and the likelihood that in future valuations they would most likely be valued at level 3 we have adopted a policy that all water supply and sewerage network infrastructure assets are deemed to be valued at level 3.

The quantitative disclosures of the remaining service potential relating to each corresponding condition score for each of the patterns of consumption utilised in this valuation are as follows:

The main level 3 inputs used are derived and evaluated as follows:

Asset Condition - The nature of water supply and sewerage network infrastructure is that there is a very large number of assets which comprise the network and as a result it is not physically possible to inspect every asset for the purposes of completing a valuation. As a consequence reliance is placed on the accuracy of data held in the asset management system and its associated internal controls. This includes regular planned inspections and updates to the system following maintenance activities and renewal treatments. Likewise, especially for water supply and sewerage network infrastructure, a large portion of the portfolio is located underground and may only be inspected on an irregular basis.

Relationship between asset consumption rating scale and the level of consumed service potential - Under the cost approach the estimated cost to replace the asset is calculated and then adjusted to take account of accumulated depreciation. In order to achieve this the valuer determines an asset consumption rating scale for each asset type based on the interrelationship between a range of factors. These factors and their relationship to the fair value require professional judgement and include asset condition, legal and commercial obsolescence and the determination of key depreciation related assumptions such as residual value, useful life and pattern of consumption of the future economic benefit.

The consumption rating scales were based initially on the past experience of the valuation firm and industry guides and were then updated to take into account the experience and understanding of Council's own engineers, asset management and finance staff. The results of the valuation were further evaluated by confirmation against Council's own understanding of the assets and the level of remaining service potential.

Barcaldine Regional Council
Notes to the financial statements
For the year ended 30 June 2018

	2018	2017
	\$	\$
11 Payables		
Current		
Creditors and accruals	2,080,803	1,427,534
Annual leave	1,152,709	1,174,892
Other entitlements	7,394	7,170
	<u>3,240,906</u>	<u>2,609,596</u>

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

A liability is 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. The liability is calculated using the present value of remuneration rates that will be paid when the liability is expected to be settled and includes related on-costs.

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

Council does not have an obligation to pay sick leave on termination to employees and therefore no liability has been recognised.

12 Borrowings

Current

Loans - Queensland Treasury Corporation	438,791	361,053
	<u>438,791</u>	<u>361,053</u>

Non-current

Loans - Queensland Treasury Corporation	2,659,807	2,393,346
	<u>2,659,807</u>	<u>2,393,346</u>

Loans - Queensland Treasury Corporation

Opening balance at beginning of financial year	2,754,399	3,094,114
Loans raised	700,000	-
Principal repayments	(355,800)	(339,715)
Book value at end of financial year	<u>3,098,599</u>	<u>2,754,399</u>

Borrowings are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these liabilities are measured at amortised cost.

The market value of QTC borrowings as at 30 June 2018 is \$3,344,286. This represents the value of the debt if Council repaid it at that date.

The weighted average borrowing for QTC borrowings is 4.802% (ranging from 3.005% to 7.747%).

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

All borrowings are in \$A denominated amounts and carried at amortised cost, interest being expensed as it accrues. No interest has been capitalised during the current or comparative reporting period. Expected final repayment dates vary from 15 June 2020 to 15 June 2028. There have been no defaults or breaches of the loan agreement during the period.

Principal and interest repayments are made quarterly in arrears.

Barcaldine Regional Council
Notes to the financial statements
For the year ended 30 June 2018

	2018	2017
	\$	\$
13 Provisions		
Current		
Provision for waste landfill rehabilitation	45,000	-
Provision for long service leave	1,387,567	1,323,078
	<u>1,432,567</u>	<u>1,323,078</u>
Non-current		
Provision for waste landfill rehabilitation	450,000	-
Provision for long service leave	140,544	338,994
	<u>590,544</u>	<u>338,994</u>

Long Service Leave

The provision for long service leave represents 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 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.

Refuse dump restoration and quarry rehabilitation

A provision is made for the cost of restoring refuse dumps and quarries where it is probable the Council will be liable, or required, to do this when the use of the facilities is complete.

The provision for refuse restoration is calculated as the present value of anticipated future costs associated with the closure of the dump sites, 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. These uncertainties may result in future actual expenditure differing from amounts currently provided. Because of the long-term nature of the liability, the most significant uncertainty in estimating the provision is the costs that will be incurred. 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 site will close in 2019 and that the restoration will occur progressively over the subsequent four years.

14 Retained surplus

Movements in the retained surplus were as follows:

Retained surplus at beginning of financial year	172,141,109	164,700,790
Net result attributable to Council	1,113,748	7,440,319
Retained surplus at end of financial year	<u>173,254,857</u>	<u>172,141,109</u>

15 Asset revaluation surplus

Movements in the asset revaluation surplus were as follows:

Balance at beginning of financial year	204,132,870	198,723,555
Net adjustment to non-current assets at end of period to reflect a change in current fair value	(19,404,601)	5,409,315
Balance at end of financial year	<u>184,728,269</u>	<u>204,132,870</u>

Asset revaluation surplus analysis

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

Land	7,611,464	7,611,464
Buildings & Structures	39,677,322	38,238,369
Road Infrastructure	117,305,295	139,220,543
Water Infrastructure	8,540,460	8,668,021
Sewerage Infrastructure	11,593,728	10,394,473
	<u>184,728,269</u>	<u>204,132,870</u>

Barcaldine Regional Council
Notes to the financial statements
For the year ended 30 June 2018

The asset revaluation surplus comprises adjustments relating to changes in 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 asset revaluation surplus in respect of that class. Any excess is treated as an expense.

When an asset is disposed of, the amount reported in surplus in respect of that asset is retained in the asset revaluation surplus and not transferred to retained surplus.

16 Commitments for expenditure

Contractual commitments at end of financial year but not recognised in the financial statements are as follows:

	2018	2017
	\$	\$
Aramac Swimming Pool construction contract 2017-002	610,428	1,768,976
Aramac Swimming Pool construction contract 160122-5	71,626	-
Aramac Swimming Pool ablution block construction contract 2017-004	60,352	341,111
Barcaldine Sewer Relining contract	-	597,379
The Globe airconditioning contract	-	237,784
Muttaborrasaurus Interpretation Centre construction	-	1,040,000
Barcaldine Race Track Perimeter Fencing contract GBA170141	124,374	-
	<u>866,780</u>	<u>3,985,250</u>

17 Contingent liabilities

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

Local Government Mutual

Barcaldine Regional 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 2017 the financial statements reported an accumulated surplus and it is not anticipated any liability will arise.

Local Government Workcare

Barcaldine Regional 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 was 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 \$167,925.

Barcaldine Regional Council
Notes to the financial statements
For the year ended 30 June 2018

18 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 Barcaldine Regional Council can be liable to the scheme for a portion of another local government's obligations should that local government be unable to meet them. However the risk of this occurring is extremely low and in accordance with the LGIA super 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 2015. The actuary indicated that "At the valuation date of 1 July 2015, 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.

Another actuarial investigation is being conducted as at 1 July 2018. At the time of signing these financial statements this investigation is still in progress.

The most significant risks that may result in LGIASuper 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 72 entities contributing to the scheme and any changes in contribution rates would apply equally to all 72 entities. Barcaldine Regional Council made less than 4% of the total contributions to the plan in the 2017-18 financial year.

The next actuarial investigation will be conducted as at 1 July 2018.

	2018	2017
	\$	\$
Superannuation contributions made for year	1,032,817	1,004,679

Barcaldine Regional Council
Notes to the financial statements
For the year ended 30 June 2018

19 Reconciliation of net operating surplus for the year to net cash inflow from operating activities

	2018	2017
	\$	\$
Net result	<u>1,113,748</u>	<u>7,440,319</u>
Non-cash items:		
Depreciation and amortisation	<u>8,774,954</u>	<u>8,400,197</u>
	<u>8,774,954</u>	<u>8,400,197</u>
Investing and development activities:		
Net (gain)/loss on disposal of non-current assets	(44,942)	361,143
Capital grants and contributions	<u>(7,317,090)</u>	<u>(10,200,456)</u>
	<u>(7,362,032)</u>	<u>(9,839,313)</u>
Changes in operating assets and liabilities:		
(Increase)/ decrease in receivables	161,375	(577,308)
(Increase)/decrease in inventory	(115,521)	76,962
Increase/(decrease) in payables	631,310	123,684
Increase/(decrease) in other provisions	<u>361,038</u>	<u>(8,592)</u>
	<u>1,038,202</u>	<u>(385,254)</u>
Net cash inflow from operating activities	<u><u>3,564,872</u></u>	<u><u>5,615,949</u></u>

Barcaldine Regional Council
Notes to the financial statements
For the year ended 30 June 2018

20 Reconciliation of liabilities arising from finance activities

		As at 30 June 2017	Cash flows	Non-cash changes	As at 30 June 2018
Loans		2,754,399	344,200		3,098,599
	12	2,754,399	344,200	-	3,098,599

21 Events after the reporting period

There were no material adjusting events after the balance date.

22 Financial instruments

Barcaldine Regional 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 evaluate the significance of financial

Financial risk management

Barcaldine Regional 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 specifically for managing credit, liquidity and market risk.

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

Barcaldine Regional Council does not enter into derivatives.

Credit risk

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

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*.

The following table represents the maximum exposure to credit risk based on the carrying amounts of financial assets at the end of the

	Note	2018	2017
Financial assets		\$	\$
Cash and cash equivalents	8	21,686,414	25,328,035
Receivables - rates	9	642,449	624,191
Receivables - other	9	2,517,065	2,699,435
		<u>24,845,927</u>	<u>28,651,661</u>
Other credit exposures			
Guarantees	17	(167,925)	(167,925)
		<u>(167,925)</u>	<u>(167,925)</u>

Barcaldine Regional Council
Notes to the financial statements

22 Financial instruments (continued)

Cash and Cash Equivalents

The 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 with a wide range of high credit rated counterparties. Deposits with the QTC Cash Fund are capital guaranteed. Working Capital Facility deposits have a duration of one day and all investments are required to have a minimum credit rating of "A-", therefore the likelihood of the counterparty having capacity to meet its financial commitments is strong.

Other cash investments are held with Bank of Qld, which is rated A2 by Standard & Poor's, and whilst not capital guaranteed, the likelihood of a credit failure is assessed as remote.

Receivables

In the case of rate receivables, the Council has the power to sell the property to recover any defaulted amounts. In effect this power

In other cases, the 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 the Councils operations, there is a geographical concentration of risk in the Council's area. Because the area is largely agricultural, there is also a concentration of risk in the agricultural sector.

Ageing of past due receivables and the amount of any impairment is disclosed in the following table:

2018	Not past due	Past due			Total
		30-60 days	61-90 days	> 90 days	
	\$	\$	\$	\$	\$
Receivables - Rates	113,235	351,287	-	177,927	642,449
Receivables - Other	1,880,336	2,760	30,076	606,716	2,519,888
Less: Impairment	-	-	-	(10,000)	(10,000)
Total	1,993,571	354,047	30,076	774,643	3,152,337

2017	Not past due	Past due			Total
		30-60 days	61-90 days	> 90 days	
	\$	\$	\$	\$	\$
Receivables - Rates	27,940	359,993	-	236,258	624,191
Receivables - Other	2,646,288	953	-	62,194	2,709,435
Less: Impairment	-	-	-	(10,000)	(10,000)
Total	2,674,228	360,946	-	288,452	3,323,626

Liquidity risk

Liquidity risk is the risk that the Council will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

Barcaldine Regional Council is exposed to liquidity risk through its normal course of business and through its borrowings with QTC and other financial institutions.

The Council manages its exposure to liquidity risk by maintaining sufficient cash deposits, both short and long term, to cater for unexpected volatility in cash flows. Council does not have any undrawn facilities or lines of credit at the end of the reporting period.

Barcaldine Regional Council
Notes to the financial statements
For the year ended 30 June 2018

22 Financial instruments (continued)

The following table sets out the liquidity risk in relation to financial liabilities held by the Council. It represents the remaining contractual cashflows (principal and interest) of financial liabilities at the end of the reporting period, excluding the impact of netting agreements:

	0 to 1 year	1 to 5 years	Over 5 years	Total contractual cash flows	Carrying amount
	\$	\$	\$	\$	\$
2018					
Payables	3,240,906	-	-	3,240,906	3,240,906
Loans - QTC	573,873	1,760,201	1,425,540	3,759,614	3,098,599
	<u>3,814,779</u>	<u>1,760,201</u>	<u>1,425,540</u>	<u>7,000,520</u>	<u>6,339,505</u>
2017					
Payables	1,938,001	671,595	-	2,609,596	2,609,596
Loans - QTC	493,370	1,614,483	1,332,890	3,440,743	2,754,399
	<u>2,431,371</u>	<u>2,286,078</u>	<u>1,332,890</u>	<u>6,050,339</u>	<u>5,363,995</u>

The outflows in the above table are not expected to occur significantly earlier and are not expected to be for significantly different amounts 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 holdings

Interest rate risk

Barcaldine Regional Council is exposed to interest rate risk through investments and borrowings with QTC and other financial

The Council has access to a mix of variable and fixed rate funding options through QTC so that interest rate risk exposure can be

Sensitivity

Sensitivity to interest rate movements is shown for variable financial assets and liabilities based on the carrying amount at reporting

The following interest rate sensitivity analysis depicts what effect a reasonably possible change in interest rates (assumed to be 1%)

2018	Net carrying amount	Effect on Net Result		Effect on Equity	
		1% increase	1% decrease	1% increase	1% decrease
	\$	\$	\$	\$	\$
QTC Cash Fund	16,642,023	166,420	(166,420)	166,420	(166,420)
Other Cash Funds	5,044,391	50,444	(50,444)	50,444	(50,444)
QTC Loans*	3,098,599	-	-	-	-
Net total		<u>216,864</u>	<u>(216,864)</u>	<u>216,864</u>	<u>(216,864)</u>
2017	Net carrying amount	Effect on Net Result		Effect on Equity	
		1% increase	1% decrease	1% increase	1% decrease
	\$	\$	\$	\$	\$
QTC Cash Fund	20,333,735	203,337	(203,337)	203,337	(203,337)
Other Cash Funds	4,992,580	49,926	(49,926)	49,926	(49,926)
QTC Loans*	2,754,399	-	-	-	-
Net total		<u>253,263</u>	<u>(253,263)</u>	<u>253,263</u>	<u>(253,263)</u>

*QTC Generic Debt Pool - the generic debt pool products approximate a fixed rate loan. There is a negligible impact on interest sensitivity from changes in interest rates for generic debt pool borrowings.

Barcaldine Regional Council
Notes to the financial statements
For the year ended 30 June 2018

23 Transactions with related parties

(a) Transactions with associates

Council is a shareholder in the Remote Area Planning and Development Board Ltd (RAPAD). Council pays an annual subscription to RAPAD and RAPAD provides grants funds to Council. There were no material transactions with RAPAD.

(b) Transactions with key management personnel (KMP)

KMP are those persons having the authority and responsibility for planning, directing and controlling the activities of Council. KMP include the Mayor, Councillors, Chief Executive Officer and the Executive Management Team. The compensation paid to KMP comprises:

	2018	2017
	\$	\$
Short-term employee benefits	1,401,229	1,391,658
Post-employment benefits	129,131	86,390
Long-term benefits	-	-
Termination benefits	164,132	7,395
Total	1,694,492	1,485,443

Detailed remuneration disclosures are provided in the annual report.

(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 dependant of a KMP or spouse.

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

	2018	2017
	\$	\$
Fees and charges charged to entities controlled by KMP	6,234	22,684

The fees and charges charged to entities controlled by key management personnel were in accordance with the schedule of fees and charges adopted by Council. There were no material transactions during the year.

	2018	2017
	\$	\$
Employee expenses for close family members of KMP	288,538	163,338

All close family members of key management personnel were employed through an arm's length process in accordance with Council's recruitment policies. They are paid in accordance with the relevant industrial award or a contract of employment. The Council employs 170 staff of which only 4 are close family members of key management personnel including:

The wife of the Chief Executive Officer, Mrs Howard, is employed as a librarian with Council. Mrs Howard has been a longstanding employee and is paid in accordance with Council's Certified Agreement.

Barcaldine Regional Council
Notes to the financial statements
For the year ended 30 June 2018

25 Transactions with related parties (continued)

	2018	2017
	\$	\$
Purchase of materials and services from entities controlled by KMP	2,983,879	2,459,957

Council purchased goods and services from entities that are controlled by members of key management personnel. Purchases included plumbing services, plant hire, rent of office buildings, consultancy services and purchase of general goods. All purchases were at arm's length and were in the normal course of Council operations including those over \$50,000 as follows:

1. Council purchased engineering services from George Bourne & Associates to the value of \$1,728,167 for the 2017-18 year. During this time, Council Manager of Engineering Services, Jason Ricks, was a part owner of the business. All purchases were at arm's length, on normal trading terms and conditions and were in the normal course of Council's operations. As at 30 June 2018, There were no amounts owed by Council to the business.
2. Council purchased contracting services from D Gray's Grader & Loader Hire to the value of \$291,999 for the 2017-18 year. During this time, Councillor Jenni Gray was a part owner of the business. All purchases were at arm's length, on normal trading terms and conditions and were in the normal course of Council's operations. As at 30 June 2018 there were no amounts owed by Council to the business.
3. Council purchased contracting services from Capricorn Plumbing and Building Supplies Pty Ltd and Capricorn Plumbing and Drainage Pty Ltd to the value of \$585,325 for the 2017-18 year. During this time, Councillor Garry Bettiens, owned and operated these businesses. All purchases were at arm's length, on normal trading terms and conditions and were in the normal course of Council's operations. As at 30 June 2018, Council owed \$615 to the business.
4. Council purchased goods from Aramac Cutprice Store to the value of \$234,934 for the 2017-18 year. During this time, Councillor Gary Peoples was a part owner of the business. All purchases were at arm's length, on normal trading terms and conditions and were in the normal course of Council's operations. As at 30 June 2018 there were no amounts owed by Council to the business.

(d) Outstanding balances

The following balances are outstanding at the end of the reporting period in relation to transactions with related parties:

	2018	2017
	\$	\$
Entities controlled by KMP - owed by Council	615	180,806
Entities controlled by KMP - owing to Council	68	1,059

No expense has been recognised in the current year or prior year for bad or doubtful debts in respect of amounts owed by 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 has no outstanding commitments to or from other related parties.

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

On a regular basis, ordinary citizen transactions occur between Council and its related parties. Some examples include:

- Payment of rates
- Use of Council swimming pools
- Dog registration
- Borrowing books from Council libraries

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

Barcaldine Regional Council
Financial statements
For the year ended 30 June 2018

Management Certificate
For the year ended 30 June 2018

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 1 to 28, 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
Rob Chandler
Date: 10 / 10 / 2018



Chief Executive Officer
Steven Boxall
Date: 10 / 10 / 2018

INDEPENDENT AUDITOR'S REPORT

To the Councillors of Barcaldine Regional Council

Report on the audit of the financial report

Opinion

I have audited the accompanying financial report of Barcaldine 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 2018, 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 2018, 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 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 the Barcaldine Regional Council's annual report for the year ended 30 June 2018, 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 long-term financial sustainability statement and the annual report.

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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Council to express an opinion on the financial report. I am responsible for the direction, supervision and performance of the audit of the Council. I remain solely responsible for my audit opinion.

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 2018:

- 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.



Carolyn Dougherty
as delegate of the Auditor-General

16 October 2018

Queensland Audit Office
Brisbane

Barcaldine Regional Council
Current-year Financial Sustainability Statement
For the year ended 30 June 2018

Measures of Financial Sustainability

	How the measure is calculated	Actual	Target
Council's performance at 30 June 2018 against key financial ratios and targets:			
Operating surplus ratio	Net operating result divided by total operating revenue.	-22.58%	Between 0% and 10%
Asset sustainability ratio	Capital expenditure on the replacement of assets (renewals) divided by depreciation expense (infrastructure).	113.95%	greater than 90%
Net financial liabilities ratio	Total liabilities less current assets divided by total operating revenue.	-67.59%	not greater than 60%

Note 1 - Basis of Preparation

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 2018.

Certificate of Accuracy
For the year ended 30 June 2018

This current-year financial sustainability statement has been prepared pursuant to Section 178 of the *Local Government Regulation 2012* (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
Rob Chandler

Date: 10 / 10 / 2018



Chief Executive Officer
Steven Boxall

Date: 10 / 10 / 2018

INDEPENDENT AUDITOR'S REPORT

To the Councillors of Barcaldine Regional Council

Report on the Current Year Financial Sustainability Statement

Opinion

I have audited the accompanying current year financial sustainability statement of Barcaldine Regional Council for the year ended 30 June 2018 comprising the statement, explanatory notes, and the certificate of accuracy given by the Mayor and the 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 Barcaldine Regional Council for the year ended 30 June 2018 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 Barcaldine Regional Council's annual report for the year ended 30 June 2018, 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, the long-term financial sustainability statement and the annual report.

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.



Carolyn Dougherty
as delegate of the Auditor-General

16 October 2018

Queensland Audit Office
Brisbane

**Barcaldine Regional Council
Long-Term Financial Sustainability
Prepared as at 30 June 2018**

Measures of Financial Sustainability	How the measure is calculated	Target	Actuals at				Projected for the years ended					
			30 June 2018	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
Operating surplus ratio	Net operating result divided by total operating revenue	Between 0% and 10%	-22.58%	-15.41%	-16.93%	-19.89%	-17.59%	-17.83%	-17.55%	-17.48%	-13.04%	-15.38%
Asset sustainability ratio	Capital expenditure on the replacement of assets (renewals) divided by depreciation expense (infrastructure).	greater than 90%	113.95%	98.27%	78.87%	89.63%	83.35%	86.18%	89.10%	90.87%	90.14%	93.40%
Net financial liabilities ratio	Total liabilities less current assets divided by total operating revenue.	not greater than 60%	-67.59%	-48.08%	-68.49%	-58.93%	-59.67%	-59.54%	-58.52%	-56.52%	-55.86%	-55.56%

Barcaldine 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 Financial Sustainability Statement prepared as at 30 June 2018

This long-term financial sustainability statement has been prepared pursuant to Section 178 of the *Local Government Regulation 2012* (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
Rob Chandler**

Date: 10 / 10 / 2018



**Chief Executive Officer
Steven Boxall**

Date: 10 / 10 / 2018