Barcaldine Regional Council
Financial Statements
for the year ended 30 June 2019

Redbank - Jericho

Barcaldine Regional Council
Financial Statements
For the year ended 30 June 2019

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

	Note	2019 $	2018 $
Income			
Recurrent revenue			
Rates, levies and charges	3(a)	6,403,824	6,368,606
Fees and charges	3(b)	890,454	774,832
Rental income		370,793	325,549
Interest received		488,931	554,158
Recoverable works income	3(c)	9,754,262	8,317,548
Grants, subsidies, contributions and donations	4(a)	9,980,882	9,008,682
Other income		138,789	132,820
		28,027,935	25,482,195
Capital revenue			
Grants, subsidies, contributions and donations	4(b)	7,263,486	7,317,090
Other capital income	5	-	44,942
Total capital revenue		7,263,486	7,362,032
Total income		35,291,421	32,844,227
Expenses			
Recurrent expenses			
Employee benefits	6	(11,889,599)	(10,238,583)
Materials and services	7	(15,412,091)	(12,084,373)
Finance costs		(180,987)	(137,569)
Depreciation	11	(8,952,528)	(8,774,954)
		(36,435,205)	(31,235,480)
Capital expenses	8	(2,519,296)	(495,000)
		(2,519,296)	(495,000)
Total expenses		(38,954,501)	(31,730,480)
Net result		(3,663,080)	1,113,748
Other comprehensive income			
Items that will not be reclassified to net result			
Decrease in asset revaluation surplus	16	(28,690,648)	(19,404,601)
Total other comprehensive income for the year		(28,690,648)	(19,404,601)
Total comprehensive income for the year		(32,353,728)	(18,290,853)

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 2019

	Note	2019 $	2018 $
Current assets			
Cash and cash equivalents	9	11,388,401	17,719,553
Investments	9	4,072,694	3,966,860
Receivables	10	3,838,752	3,329,198
Inventories		555,002	572,527
Total current assets		19,854,849	25,588,138
Non-current assets			
Property, plant and equipment	11	314,763,492	340,757,603
Total non-current assets		314,763,492	340,757,603
Total assets		334,618,341	366,345,741
Current liabilities			
Payables	12	3,244,692	3,240,906
Borrowings	13	458,993	438,791
Provisions	14	1,625,930	1,432,567
Total current liabilities		5,329,615	5,112,264
Non-current liabilities			
Borrowings	13	2,206,059	2,659,807
Provisions	14	1,453,269	590,544
Total non-current liabilities		3,659,328	3,250,351
Total liabilities		8,988,943	8,362,615
Net community assets		325,629,398	357,983,126
Community equity			
Retained surplus	15	169,591,777	173,254,857
Asset revaluation surplus	16	156,037,621	184,728,269
Total community equity		325,629,398	357,983,126

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 2019

	Note	Retained Surplus	Asset revaluation surplus	Total
		15	16	
		$	$	$
Balance as at 1 July 2018		173,254,857	184,728,269	357,983,126
Net result		(3,663,080)	-	(3,663,080)
Other comprehensive income for the year				
Decrease in asset revaluation surplus		-	(28,690,648)	(28,690,648)
Total comprehensive income for the year		(3,663,080)	(28,690,648)	(32,353,728)
Balance as at 30 June 2019		169,591,777	156,037,621	325,629,398
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				
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

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 2019

	Note	2019 $	2018 $
Cash flows from operating activities			
Receipts from customers		27,105,419	25,053,106
Payments to suppliers and employees		(27,156,497)	(21,904,822)
		(51,078)	3,148,284
Interest received		488,930	554,158
Interest paid		(140,327)	(137,569)
Net cash inflow from operating activities	20	297,525	3,564,873
Cash flows from investing activities			
Payments for property, plant and equipment		(13,690,802)	(15,811,667)
Proceeds from sale of property plant and equipment		338,018	943,884
Grants, subsidies, contributions and donations		7,263,486	7,317,090
Net movement in investments		(105,834)	(64,440)
Net cash outflow from investing activities		(6,195,132)	(7,615,133)
Cash flows from financing activities			
Proceeds from borrowings		-	700,000
Repayment of borrowings		(433,547)	(355,800)
Net cash inflow/(outflow) from financing activities		(433,547)	344,200
Net decrease in cash and cash equivalents held		(6,331,154)	(3,706,061)
Cash and cash equivalents at beginning of the financial year		17,719,554	21,425,615
Cash and cash equivalents at end of the financial year	9	11,388,401	17,719,554

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

1 Significant accounting policies

1.A Basis of preparation

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

These general purpose financial statements are for the period 1 July 2018 to 30 June 2019 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 New and revised Accounting Standards

AASB 9 Financial Instruments

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

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

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

Financial asset/liability	**Measurement category (unchanged)**
Cash and cash equivalents	Amortised cost
Receivables	Amortised cost
Borrowings	Amortised cost

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

Standard and Impact	**Applicable Date**
AASB 15 *Revenue from Contracts with Customers*, AASB 1058 I*ncome of Not-for-Profit Entities* and AASB 2016-8 *Amendments to Australian Accounting Standards - Australian Implementation Guidance for Not-for-Profit Entities* AASB 1058 clarifies and simplifies the income recognition requirements that apply to not-to-profit (NFP) entities, in conjunction with AASB 15, and AASB 2016-8. These Standards supersede the majority of income recognition requirements relating to public sector NFP entities, previously in AASB 1004 *Contributions.* Identifiable impacts at the date of this report are: Some grants received by the Council may be recognised as a liability, and subsequently recognised progressively as revenue as Council satisfies its performance obligations under the grant. At present, such grants are recognised as revenue upfront. A refund of unspent grant monies is not considered a liability where Council has the discretion to avoid breaching an agreement. Grants that are not enforceable and/or not sufficiently specific will not qualify for deferral, and continue to be recognised as revenue as soon as they are controlled. Council receives several grants from the Federal Government and State Government for which there are no sufficiently specific performance obligations these are expected to continue being recognised as revenue upfront assuming no change to the current grant arrangements.	1-Jul-19

1 Significant accounting policies (continued)

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

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

Based on Council's assessment, if Council had adopted the new standards in the current financial year it would have had the following impact:
- revenue decrease of $830,908 due to deferral of grant funding (based on the facts available to Council at the date of assessment)
- there would be an equal reduction in the reported equity as the reduced revenue will require an increase in recognition of contract liabilities, and statutory receivables.

A range of new disclosures will also be required by the new standards in respect of Council’s revenue.

Transition method
Council intends to apply AASB 15, AASB 1058 and AASB 2016-8 initially on 1 July 2019, using the modified retrospective approach. The recognition and measurement principles of the standards will be retrospectively applied for the current year and prior year comparatives as though the standards had always applied, consistent with AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors* .

Council intends to apply the practical expedients available for the modified retrospective method. Where revenue has been recognised in full under AASB 1004, prior to 1 July 2019, but where AASB 1058 would have required income to be recognised beyond that date, no adjustment is required. Further, Council is not required to restate income for completed contracts that start and complete within a financial year. This means where income under AASB 1004 was recognised in the comparative financial year (i.e. 2018/19), these also do not require restatement.

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

AASB 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases. 1-Jul-19

Leases in which the Council is a lessee
Council will recognise new assets and liabilities for its operating leases of plant and equipment and employee housing (if any). The nature of expenses related to those leases will now change because Council will recognise a depreciation charge for right-of-use assets and interest expense on lease liabilities.

Previously, Council has recognised an operating lease expense on a straight-line basis over the term of the lease, and recognised assets and liabilities only to the extent that there was a timing difference between actual lease payments and the expense recognised.

No significant impact is expected for Council’s finance leases.

Peppercorn Leases
Council is the leasee of a number of Deed of Grant in Trust leases, for which no or little lease payments are made. These have been identified as peppercorn leases which are currently not recognised in Council's financial statements. Council intends to elect not to apply the fair value measurement requirements to these leases until such time as this requirement is mandated.

1 Significant accounting policies (continued)

Transition method

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

Council intends to apply the practical expedient for the definition of a lease on transition. This means that it will apply AASB 16 on transition only to contracts that were previously identified as leases applying AASB 117 *Leases* and Interpretation 4 *Determining whether an Arrangement contains a Lease*.

1.C 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 11

Provisions - Note 14

Contingent liabilities - Note 18

Financial instruments and financial risk management - Note 23

1.D 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.E 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.

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 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.

Governance (Finance and information)

The objectives of finance and information are: professional finance and information services across Council. This function includes internal audit, budget support, financial accounting, the taxation unit and communication and information technology services. The goal of this function is to provide accurate, timely and appropriate information to support sound decision making and meet statutory requirements.

Activities of this function include: providing financial support to the whole organisation; ensuring compliance with financial regulatory obligations; financial planning; financial reporting; and financial assistance to business units.

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 opportunites 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, national disability insurance scheme; 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 2019

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 2019

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	125,500	401,085	-	-	526,585	(4,754,467)	-	(4,754,467)	(4,227,882)	(4,227,882)	3,199,173
Finance & information	7,445,028	4,285,834	-	-	11,730,862	(1,008,843)	-	(1,008,843)	10,722,019	10,722,019	19,299,847
Economy	595,000	572,639	-	-	1,167,639	(2,182,682)	(115,789)	(2,298,471)	(1,015,043)	(1,130,832)	15,505,091
Transport infrastructure	116,170	9,851,867	7,058,654	-	17,026,691	(18,115,545)	(59,533)	(18,175,078)	(8,147,508)	(1,148,387)	191,899,971
Water infrastructure	-	1,333,448	204,832	-	1,538,280	(1,284,682)	-	(1,284,682)	48,766	253,598	21,131,630
Sewerage infrastructure	-	834,390	-	-	834,390	(868,048)	-	(868,048)	(33,658)	(33,658)	16,337,498
Environment	23,996	528,241	-	-	552,237	(666,704)	(815,577)	(1,482,281)	(114,467)	(930,044)	671,588
Community	1,675,188	239,549	-	-	1,914,737	(7,554,234)	(1,528,397)	(9,082,631)	(5,639,497)	(7,167,894)	66,573,543
Total	9,980,882	18,047,053	7,263,486	-	35,291,421	(36,435,205)	(2,519,296)	(38,954,501)	(8,407,270)	(3,663,080)	334,618,341

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	68,500	233,332	-	-	301,832	(4,725,463)	-	(4,725,463)	(4,423,631)	(4,423,631)	2,666,358
Finance & information	5,493,098	4,328,258	-	-	9,821,356	(422,341)	-	(422,341)	9,399,015	9,399,015	25,588,138
Economy	6,000	525,170	-	-	531,170	(1,860,641)	-	(1,860,641)	(1,329,471)	(1,329,471)	16,122,266
Transport infrastructure	1,996,859	8,426,730	6,821,662	44,942	17,290,193	(15,193,053)	-	(15,193,053)	(4,769,464)	2,097,140	214,148,897
Water infrastructure	-	1,389,877	117,428	-	1,507,305	(1,317,891)	-	(1,317,891)	71,986	189,414	19,614,181
Sewerage infrastructure	-	817,882	378,000	-	1,195,882	(785,585)	-	(785,585)	32,297	410,297	15,232,920
Environment	23,800	496,657	-	-	520,457	(541,253)	(495,000)	(1,036,253)	(20,796)	(515,796)	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

	Note	2019 $	2018 $

3 Revenue

Revenue is recognised at the fair value of the consideration received or receivable, at the time indicated below.

(a) Rates, levies and charges

Rates are recognised as revenue at the time rates notices are issued.

	2019 $	2018 $
General rates	4,213,812	4,137,806
Separate rates	6,953	6,976
Water charges	1,470,536	1,519,166
Sewerage charges	915,151	895,187
Waste charges	500,302	488,010
Total rates and utility charge revenue	7,106,754	7,047,145
Less: Discounts	(626,587)	(604,909)
Less: Pensioner remissions	(76,343)	(73,630)
	6,403,824	6,368,606

(b) Fees and charges

Fees and charges are recognised when Council is unconditionally entitled 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.

	2019 $	2018 $
Administration	34,319	31,408
Airport	97,605	109,182
Animals	84,822	75,335
Bank, Post Office & RTC commissions	201,939	199,060
Community facilities	148,930	130,867
Environmental health	7,587	7,086
Funeral services	59,551	41,139
Planning & development	50,543	55,360
Rural services	140,339	86,044
Waste management	40,423	18,546
Water and sewerage	24,395	20,805
	890,454	774,832

(c) Recoverable works income

Council generates revenues from a number of services including contracts for road construction and maintenance. Revenue from contract works generally comprises a recoupment of material costs plus 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.

	2019 $	2018 $
Recoverable contract roadworks	9,562,913	8,202,592
Private works	95,624	106,434
Other recoveries	95,725	8,522
	9,754,262	8,317,548

	Note	2019 $	2018 $

4 Grants, subsidies, contributions and donations

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.

(a) Recurrent grants, subsidies, contributions and donations

	2019 $	2018 $
General purpose grants and subsidies	7,445,028	7,271,527
Specific purpose grants and subsidies	2,440,944	1,665,177
Contributions	94,910	71,979
	9,980,882	9,008,682

(b) Capital grants, subsidies, contributions and donations

Capital Revenue includes grants and subsidies received which are tied to specific projects for the replacement or upgrade of existing non-current assets and/or investment in new assets.

	2019 $	2018 $
Flood mitigation	-	1,027
Community infrastructure	1,429,884	2,553,910
Transport infrastructure	3,272,919	4,112,397
Contributions	209,000	40,000
NDRRA payments for flood damage to Council infrastructure	2,351,683	609,757
	7,263,486	7,317,090

(c) Conditions over contributions

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:

	2019 $	2018 $
Non-reciprocal grants for expenditure on services	186,760	
Non-reciprocal grants for expenditure on infrastructure	830,908	-

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

	2019 $	2018 $
Non-reciprocal grants for expenditure on infrastructure	-	690,000

5 Capital income

Gain on disposal of property, plant and equipment

	2019 $	2018 $
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	-	44,942

	Note	2019 $	2018 $
6 Employee benefits			
Total staff wages and salaries		11,187,696	9,714,329
Councillors' remuneration		423,753	481,714
Superannuation	19	1,125,699	1,032,817
Change in employee provisions		395,480	(155,920)
Other employee related expenses		140,555	585,820
		13,273,183	11,658,760
Less: Capitalised employee costs		(1,383,583)	(1,420,177)
		11,889,599	10,238,583

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:	Number	Number
Elected members	7	7
Administration	25	21
Community and commercial services	21	23
Works	115	109
Total full time equivalent employees	168	160

	2019 $	2018 $
7 Materials and services		
Audit of annual financial statements by Auditor-General of Queensland	68,495	77,225
Administration	1,905,880	1,326,803
Airport	66,374	117,556
Commercial services	193,499	228,027
Community care services	673,703	539,446
Community donations	166,194	223,100
Environmental management	203,066	130,179
Funerals and cemeteries	69,463	49,616
Housing	363,846	375,393
Libraries, museums and halls	286,262	252,354
Parks and gardens	413,283	335,013
Planning and development	265,898	211,785
Recoverable road contracts	5,273,110	4,641,054
Road maintenance	3,055,104	1,135,260
Rural services	375,247	329,353
Sport and recreation	931,533	660,448
Tourism, events and promotion	360,517	211,111
Waste services	74,051	109,012
Water and sewerage	635,337	721,416
Other	31,229	410,224
	15,412,091	12,084,373
8 Capital expenses		
(a) Provision for waste landfill rehabilitation		
Provision for waste landfill rehabilitation	815,577	495,000
	815,577	495,000
(b) Loss on disposal of property, plant and equipment		
Book value of property, plant and equipment disposed of	2,041,737	-
Proceeds from the sale of property, plant and equipment	(338,018)	-
Loss on disposal	1,703,719	-
Total Capital expenses	2,519,296	495,000

	Note	2019 $	2018 $

9 Cash and cash equivalents

Cash and cash equivalents includes cash on hand, all cash and cheques receipted but not banked at the year end, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts.

	2019	2018
Cash at bank and on hand	785,014	1,077,530
Deposits at call	10,603,387	16,642,023
Balance per Statement of Cash Flows	11,388,401	17,719,553

Investments

Cash held in term deposits with a maturity of more than three months.

	2019	2018
Term deposits	4,072,694	3,966,860
	4,072,694	3,966,860

Council's cash and cash equivalents are subject to a number of internal and external restrictions that limit amounts available for discretionary or future use. These include:

Externally imposed expenditure restrictions at the reporting date:

	2019	2018
Unspent government grants and subsidies - recurrent	186,760	65,287
Unspent government grants and subsidies - capital	830,908	-
Total unspent restricted cash	1,017,668	65,287

Internally imposed expenditure restrictions at the reporting date:

	2019	2018
Alpha Infrastructure Reserve	-	904,028
Alpha Roadworks Reserve	-	2,458,900
Alpha Water Reserve	-	297,001
Alpha Aerodrome Reserve	-	53,300
Aramac Industrial Estate Reserve	-	232,423
Aramac Infrastructure Reserve	-	25,000
Aramac Childcare Reserve	-	82,363
Harry Redford Cattle Drive Reserve	-	68,248
Barcaldine Swimming Pool Reserve	-	100,000
Water Reserve	-	493,636
	-	4,714,899

Council has decided to remove internal management reserves from the financial statements for the current and future years.

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. 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.

	2019	2018
Monies collected or held on behalf of other entities yet to be paid out to or on behalf of those entities	173,968	104,075

	Note	2019 $	2018 $

10 Receivables

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

Debts are regularly assessed for collectability and allowance is made, where appropriate, for impairment. All known bad debts were written off at 30 June. 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 9.83% 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.

	2019 $	2018 $
Current		
Rateable revenue and utility charges	796,246	642,449
Other debtors	2,929,965	2,527,065
Less impairment	(17,723)	(10,000)
Prepayments	130,264	169,684
	3,838,752	3,329,198

	2019 $	2018 $
Movement in accumulated impairment losses (other debtors) is as follows:		
Balance at 1 July 2018	10,000	10,000
Increase in year	7,723	-
Balance at 30 June 2019	17,723	10,000

Council applied AASB 9 for the first time this year. As a result Council has calculated the impairment of receivables in a different way for 2019, using a lifetime expected loss allowance. The impairment balance as at 30 June 2019 has been recalculated using this new methodology. Further details of Council's expected credit loss assessment are contained in note 23.

Barcaldine Regional Council
Notes to the financial statements
For the year ended 30 June 2019

11 Property, plant and equipment

30 June 2019	Note	Land	Buildings and Structures	Plant and equipment	Road Infrastructure	Water Infrastructure	Sewerage Infrastructure	Work in progress	Total
Basis of measurement		Fair Value	Fair Value	Cost	Fair Value	Fair Value	Fair Value	Cost	
Fair value category		Level 2	Levels 2 & 3		Level 3	Level 3	Level 3		
Asset values		$	$	$	$	$	$	$	$
Opening balance as at 1 July 2018		11,411,204	94,598,185	22,223,776	245,387,075	28,765,390	23,700,489	11,410,137	437,496,256
Additions		-	-	1,533,158	-	-	-	12,157,644	13,690,802
Disposals	8(b)	(23,587)	(2,161,304)	(540,303)	-	-	-	-	(2,725,194)
Revaluation adjustment to asset revaluation surplus	16	(1,008,234)	4,031,213	-	5,036,352	605,592	496,593	-	9,161,516
Transfers between classes		609,240	9,045,026	-	7,929,416	1,516,498	1,129,176	(20,229,356)	-
Closing gross value as at 30 June 2019		10,988,623	105,513,120	23,216,631	258,352,843	30,887,480	25,326,258	3,338,425	457,623,380
Accumulated depreciation and impairment									
Opening balance as at 1 July 2018		-	12,980,923	8,936,174	57,202,778	9,151,209	8,467,569	-	96,738,653
Depreciation provided in period		-	1,574,921	1,634,156	4,985,157	413,353	344,941	-	8,952,528
Depreciation on disposals	8(b)	-	(422,758)	(260,699)	-	-	-	-	(683,457)
Revaluation adjustment to asset revaluation surplus	16	-	9,677,813	-	1,237,799	191,271	176,250	-	11,283,133
Asset impairment to asset revaluation surplus		-	-	-	26,569,031	-	-	-	26,569,031
Transfers between classes		-	(1,114)	1,097	-	17	-	-	-
Accumulated depreciation as at 30 June 2019		-	23,809,785	10,310,728	89,994,765	9,755,850	8,988,760	-	142,859,888
Total written down value as at 30 June 2019		10,988,623	81,703,335	12,905,903	168,358,078	21,131,630	16,337,498	3,338,425	314,763,492
Residual value		10,988,623	-	8,332,945	-	-	-	-	
Range of estimated useful life in years		Not depreciated	20 - 150	2 - 20	8 - 300	20 - 200	20 - 200	Not depreciated	
Additions comprise:									
Renewals		-	-	-	-	-	-	6,750,415	6,750,415
Other additions		-	-	1,533,158	-	-	-	5,407,229	6,940,387
Total Additions		-	-	1,533,158	-	-	-	12,157,644	13,690,802

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

11 Property, plant and equipment

30 June 2018	Note	Land	Buildings and Structures	Plant and equipment	Road Infrastructure	Water Infrastructure	Sewerage Infrastructure	Work in progress	Total
Basis of measurement		Fair Value	Fair Value	Cost	Fair Value	Fair Value	Fair Value	Cost	
Fair value category		Level 2	Levels 2 & 3		Level 3	Level 3	Level 3		
Asset values		$	$	$	$	$	$	$	$
Opening gross value as at 1 July 2017		11,508,377	91,176,461	21,605,585	240,266,336	28,250,791	23,097,196	8,505,941	424,410,687
Additions		-	-	2,597,178	-	-	-	13,214,489	15,811,667
Disposals	5	(97,173)	-	(1,978,987)	-	-	-	-	(2,076,160)
Revaluation adjustment to asset revaluation surplus	16	-	1,679,741	-	(3,169,872)	328,033	512,160	-	(649,938)
Transfers between classes		-	1,741,983	-	8,290,611	186,566	91,133	(10,310,293)	-
Closing gross value as at 30 June 2018		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		-	11,268,274	8,867,939	33,126,564	8,301,253	8,822,225	-	70,386,255
Depreciation provided in period		-	1,471,861	1,245,454	5,330,839	394,362	332,438	-	8,774,954
Depreciation on disposals	5	-	-	(1,177,219)	-	-	-	-	(1,177,219)
Revaluation adjustment to asset revaluation surplus	16	-	240,788	-	18,745,375	455,594	(687,094)	-	18,754,663
Accumulated depreciation as at 30 June 2018		-	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		11,411,204	81,617,262	13,287,602	188,184,297	19,614,181	15,232,920	11,410,137	340,757,603
Residual value		11,411,204	-	6,169,975	-	-	-	-	
Range of estimated useful life in years		Not depreciated	20 - 150	2 - 20	8 - 300	20 - 200	20 - 200	Not depreciated	

11 Property, plant and equipment

(a) Recognition

Items of property, plant and equipment, except land, 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, including land assets, 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.

<u>Land under roads</u>

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.

(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.

(c) Depreciation

Key judgements and estimates:
Straight line depreciation is used as that is consistent with the even consumption of service potential of these assets over their useful life to the Council.

Management reviews its estimate of the useful lives of depreciable assets at each reporting date, based on the expected utility of the assets.

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 managment 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.

11 Property, plant and equipment (continued)

(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.

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

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

(e) Valuation

Key judgements and estimates:
Some of the Council's assets and liabilities are measured at fair value for financial reporting purposes. In estimating the fair value of an asset or a liability, the Council uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Council engages third party qualified valuers to perform the valuation. The Council works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model. Information about the valuation techniques and inputs used in determining the fair value of various assets and liabilities are disclosed within this note.

(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 qualifed 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 ot 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.

11 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 2019. 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. The most significant inputs into this valuation approach were price per square metre.

Buildings and structures (level 2 and 3)

The fair value of buildings and structures was determined by independent valuer, APV Valuers & Asset Management, as at 30 June 2019. Where there is a market for Council building assets, they are categorised as non-specialised buildings and fair value is derived from the sales prices of comparable properties after adjusting for differences in key attributes such as property size (level 2). The most significant inputs into this valuation approach are price per square metre.

Where Council buildings are of a specialist nature and there is no active market for the assets, fair value has been determined on the basis of replacement with a new asset having similar service potential including allowances for preliminaries and professional fees. The gross current values have been derived from reference to market data for recent projects and costing guides issued by the Australian Institute of Quantity Surveyors, Rawlinson's (Australian Construction Handbook). Where a depth in market can be identified, the net current value of a building asset is the difference between the market value of the asset as a whole (including land) and the market value of the land component. Where there is no depth of market, the net current value of a building asset is the gross current value less accumulated depreciation to reflect the consumed or expired service potential of the asset.

In determining the level of accumulated depreciation the asset has been disaggregated into significant components which exhibit useful lives. Allowance has been made for the typical asset life cycle and renewal treatments of each component, residual value at the time the asset is considered to be no longer available for use and the condition of the asset. Condition was assessed taking into account both physical characteristics as well as holistic factors such as functionality, capability, utilisation and obsolescence.

While the unit rates based on square metres can be supported by market evidence (level 2), the estimates of residual value, useful life, pattern of consumption and asset condition that are used to calculate accumulated depreciation comprise unobservable inputs (level 3). Where these other inputs are significant to the valuation the overall valuation has been classified as level 3.

Waste landfill structures

Waste landfill cells fair values were determined by Council engineers effective 30 June 2019. CRC was calculated by reference to landfill cell area and volume specifications, estimated labour and material inputs, services costs, and overhead allocations. Material and services costs were determined by reference to existing supplier contracts and labour costs by reference to Council's EBA.

Accumulated depreciation was determined through assessment of the remaining air space for each landfill cell, which was also used to determine percentage cell capacity used in the year.

Infrastructure (level 3)

A full valuation of roads, water and sewerage infrastructure was undertaken by independent valuers, APV Valuers & Asset Management, effective as at 30 June 2018. The fair value of roads, water and sewerage infrastructure assets was determined by applying indexation to the 2018 valuations using the LGAQ Council Cost Index 2019 which was 2%.

All infrastructure assets have been valued using the 'cost approach' as defined in AASB13 Fair Value Measurement. This method is based on determining the Replacement Cost of the modern equivalent and then adjusting for the level of consumed future economic benefit and impairment to arrive at the Current Replacement Cost.

To determine the Fair Value the following process was applied –

• Determine the Replacement Cost (Gross). This has been based on the dimensions multiplied by relevant unit rate based on the component's design, specification and materials used further adjusted for any location, geographical or other adjusting factors.

• Determine the components. All assets are divided into the components used for asset management planning purposes. For example: roads are divided into formation, pavement and surface; and water and sewerage infrastructure are split down to detailed levels such as pumps, pipes, intakes, tanks, and control equipment.

These are then further split into short-life and long-life parts based on planned asset management strategies where the short-life part represents the estimated cost of the next renewal treatment and the long-life parts represents the balance or recyclable part.

11 Property, plant and equipment (continued)

• Determine the Depreciable Amount for each part by assessing the Residual Value (typically zero)

• Assessing the level of remaining service potential of the Depreciable Amount of each component's part (short-life and long-life parts). For the short-life part this is based on a Consumption Rating that primarily considers the component specific factors (such as physical condition and maintenance history) as well as considering obsolescence. This is primarily aimed at estimating the cost to bring the part back to 'as new' (as a market participant would consider when pricing the asset).
For the long-life part the valuer uses professional judgment to estimate the level of remaining service potential. This effectively is an overall assessment of obsolescence (function, technical and economic) and the impact it may have on a market participants view of price. For example – despite an asset being aged and part way through its lifecycle, providing the asset is expected to be operational for many years to come the market the impact of obsolescence may be insignificant or minor (e.g. road pavement). Likewise, if there is an expectation that the asset has a limited remaining life the impact of obsolescence will be greater as the asset nears the end of life.

• Summing the calculated value of the short-life part and long-life part together to determine the value of each component

• Summing the value of each component together to determine the Fair Value (Current Replacement Cost)

Replacement cost

Where possible reliance is placed on observable market evidence (Level 2) based on a range of sources (in order of priority) including–

• Actual construction or purchase prices for recent projects paid by the specific entity. This may include further enquires with the supplier to ensure the valuation has adjusted for any recent price movements. Depending on the complexity of the project it may have also involved disaggregating the overall cost into greater detail.

• Appropriate database maintained by APV Valuers and Asset Management which record details of actual cost from recent projects sourced directly from clients. Preference is provided to nearby locations.

• Rawlinson's Construction Guide or similar guides

• Development of costs using first principles, to assist in this process they have developed a number of models for specific asset types (such as fencing)

• Benchmarking against other valuations As per AASB13 allowance was then made to adjust for condition and comparability.

Condition assessment and confirmation of attributes

The physical inspection of the asset is a critical aspect of the process. Apart from confirming condition the process also involves validation of key attributes such as material type, dimensions, etc. For assets valued using the cost approach (except where noted below) all were physically inspected. This included validation of physical dimensions and characteristics.

Sampling approach –
• No sampling was used for Water and Sewer Active Asset.

• A sampling approach was used for pump stations on the basis that they were all very similar in design and would be replaced with a standard design. Reliance on condition was placed on information provided by council staff.

• A sampling approach was used for lateral assets (such as roads, footpaths, and kerbs). For assets not inspected, reliance on condition was placed on information provided by council staff and reliance was placed on the GIS and other asset management systems in relation to key attributes. The sampling was conducted over a 5 day period by a qualified Engineer working for APV Valuers.

Assets Not Inspected –
• Some assets (such as underground pipes, manholes and pits) were unable to be inspected due to their nature and the cost involved in undertaking extensive engineering assessments

• Where available, reliance was placed on condition assessment and attribute data maintained within the council's asset management and GIS systems. As this data is used on a day-to-day basis to manage these assets it was considered to be the most reliable (and available) source of information. Where such data was not readily available APV developed a range of assumptions based on the expected physical condition and attributes given the age of the asset and typical design characteristics. These assumptions were reviewed and confirmed as reasonable by council staff.

The CRC was determined using methods relevant to the asset class as described under individual asset categories below.

11 Property, plant and equipment (continued)

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

Asset Condition - The nature of infrastructure assets 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, sewerage and 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 ot replace the asset is calculated and then adjusted to take account of an accumulated depreciaiton. 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.

	2019	2018
	$	$

12 Payables

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.

	2019 $	2018 $
Current		
Creditors and accruals	1,929,619	2,080,803
Annual leave	1,310,321	1,152,709
Other entitlements	4,752	7,394
	3,244,692	3,240,906

13 Borrowings

Borrowings are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these liabilities are measured at amortised cost. Principal and interest repayments are made quarterly in arrears.

The market value of QTC borrowings as at 30 June 2019 is $2,993,454. This represents the value of the debt if Council repaid it at that date.

The weighted average borrowing for QTC borrowings is 4.837% (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.

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

	2019 $	2018 $
Current		
Loans - Queensland Treasury Corporation	458,993	438,791
	458,993	438,791
Non-current		
Loans - Queensland Treasury Corporation	2,206,059	2,659,807
	2,206,059	2,659,807
Loans - Queensland Treasury Corporation		
Opening balance at beginning of financial year	3,098,599	2,754,399
Loans raised	-	700,000
Principal repayments	(433,547)	(355,800)
Book value at end of financial year	2,665,052	3,098,599

	2019	2018
	$	$

14 Provisions

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.

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

Waste landfill restoration

A provision is made for the cost of restoring waste landfills 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 waste landfill 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 sites will close between 2025 and 2070 and that the restoration will occur progressively over the subsequent years.

As waste landfills are on state reserve land which Council does not control, the provision for restoration is treated as an expense in the year the provision is first recognised. Changes in the provision are treated as an expense or income.

	2019	2018
Provision for long service leave		
Balance at beginning of financial year	1,528,111	1,662,072
Long service leave entitlement arising	432,252	158,297
Long service leave entitlement extinguished	(16,415)	(57,898)
Long service leave entitlement paid	(175,327)	(234,360)
Balance at end of financial year	1,768,621	1,528,111
Provision for waste landfill restoration		
Balance at beginning of financial year	495,000	-
Recognition of waste landfill restoration	783,694	495,000
Net present value of monitoring costs	31,884	-
Balance at end of financial year	1,310,578	495,000
Current		
Provision for waste landfill restoration	14,500	45,000
Provision for long service leave	1,611,430	1,387,567
	1,625,930	1,432,567
Non-current		
Provision for waste landfill restoration	1,296,078	450,000
Provision for long service leave	157,191	140,544
	1,453,269	590,544

		2019 $	2018 $
15	**Retained surplus**		
	Movements in the retained surplus were as follows:		
	Balance at beginning of financial year	173,254,857	172,141,109
	Net result attributable to Council	(3,663,080)	1,113,748
	Balance at end of financial year	169,591,777	173,254,857

16 Asset revaluation surplus

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.

Movements in the asset revaluation surplus were as follows:	2019	2018
Balance at beginning of financial year	184,728,269	204,132,870
Net adjustment to non-current assets at end of period to reflect a change in current fair value	(28,690,648)	(19,404,601)
Balance at end of financial year	156,037,621	184,728,269

During the year there was an impairment to Council road infrastructure of $26,569,031 due to flood damage caused by *Severe Tropical Cyclone Trevor* .

Asset revaluation surplus analysis

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

	2019	2018
Land	6,603,230	7,611,464
Buildings & Structures	34,030,722	39,677,322
Road Infrastructure	94,534,817	117,305,295
Water Infrastructure	8,954,781	8,540,460
Sewerage Infrastructure	11,914,071	11,593,728
	156,037,621	184,728,269

17 Commitments for expenditure

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

	2019	2018
Aramac Swimming Pool construction contract	-	610,428
Aramac Swimming Pool construction contract	-	71,626
Aramac Swimming Pool ablution block construction contract	-	60,352
Barcaldine Race Track perimeter fencing contract	-	124,374
Torrens Creek Road rehabilitation works contract	489,193	-
Concrete works on roads contract	443,491	-
Barcaldine Recreation Park construction contract	1,211,887	-
	2,144,571	866,780

	2019	2018
	$	$

18 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 2018 the Local Government Mutual 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 $197,612.

19 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 LGIAsuper trust deed changes to Council's obligations will only be made on the advice of an actuary.

The last completed actuarial assessment of the scheme was undertaken as at 1 July 2018. The actuary indicated that "At the valuation date of 1 July 2018, the net assets of the scheme exceeded the vested benefits and the scheme was in a satisfactory financial position as at the valuation date." 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.

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

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 2019 financial year.

	2019	2018
Superannuation contributions made for year	1,125,699	1,032,817

20 Reconciliation of net result for the year to net cash inflow from operating activities

	2019 $	2018 $
Net result	(3,663,080)	1,113,748
Non-cash items:		
Depreciation and amortisation	8,952,528	8,774,954
	8,952,528	8,774,954
Investing and development activities:		
Net loss/(gain) on disposal of non-current assets	1,703,719	(44,942)
Capital grants and contributions	(7,263,486)	(7,317,090)
	(5,559,767)	(7,362,032)
Changes in operating assets and liabilities:		
(Increase)/ decrease in receivables	(509,554)	161,375
(Increase)/decrease in inventory	17,525	(115,521)
Increase/(decrease) in payables	3,786	631,310
Increase/(decrease) in other provisions	1,056,087	361,038
	567,844	1,038,202
Net cash inflow from operating activities	297,525	3,564,872

21 Reconciliation of liabilities arising from finance activities

		As at 30 June 2018	Cash flows	Non-cash changes	As at 30 June 2019
		$	$	$	$
Loans		3,098,599	(433,547)	-	2,665,052
	13	3,098,599	(433,547)	-	2,665,052

22 Events after the reporting period

There were no material adjusting events after the balance date.

23 Financial instruments and financial risk management

(a) Financial assets and financial liabilities

The effect of initially applying AASB 9 on the Council's financial instruments is described in Note 1.B. Comparative information has not been restated to reflect the requirements.

Barcaldine Regional Council has exposure to the following risks arising from financial instruments:
- credit risk
- liquidity risk
- market risk

Risk management framework

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 Audit Committee 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.

The Council's Audit Committee oversees how management monitors compliance with the Council's risk management policies and procedures, and reviews the adequacy of the risk managements framework in relation to the risks faced by the Council. The Council audit committee is assisted in its oversight role by internal audit. Internal audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the audit committee.

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.

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

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

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

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

	Note	2019	2018
Financial assets		$	$
Cash and cash equivalents	9	11,388,401	17,719,553
Investments	9	4,072,694	3,966,860
Receivables - rates	10	796,246	642,449
Receivables - other	10	2,912,242	2,517,065
		19,169,583	24,845,927
Other credit exposures			
Guarantees	18	(197,612)	(167,925)
		(197,612)	(167,925)

23 Financial instruments and financial risk management (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.

Trade and other 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 protects the Council against credit risk in the case of defaults.

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.

The Council does not require collateral in respect of trade and other receivables. The Council does not have trade receivables for which no loss allowance is recognised because of collateral.

At 30 June 2019, the exposure to credit risk for receivables by type of counterparty was as follows:

	2019	2018
	$	$
Property charges	796,246	642,449
GST recoverable	-	95,713
Other	2,912,242	2,421,352
Total	3,708,488	3,159,514

A summary of the Council's exposure to credit risk for receivables is as follows:

	2019		2018
	Not credit-impaired	Credit-impaired	
	$	$	$
Not past due	2,835,306	0	1,887,513
Past due 31-60 days	10,642	0	2,760
Past due 61-90 days	39,518	0	30,076
More than 90 days	29,814	14,685	606,716
Total gross carrying amount	2,915,280	14,685	2,527,065
Loss allowance	-3,038	-14,685	-10,000
	2,912,242	0	2,517,065

Expected credit loss assessment as at 1 July 2018 and 30 June 2019

The Council uses an allowance matrix to measure the expected credit losses of trade receivables from individual customers, which comprise a very large number of small balances.

Loss rates are calculated using a 'roll rate' method based on the probability of a receivable progressing through successive stages of delinquency to write-off.

23 Financial instruments and financial risk management (continued)

The following table provides information about the exposure to credit risk and expected losses for receivables from individual customers as at 30 June 2019:

	Weighted-average loss rate	Gross carrying amount	Loss allowance	Credit-impaired
	$	$	$	$
Not past due	0.10%	2,835,306	2,853	No
Past due 31-60 days	1.00%	10,642	106	No
Past due 61-90 days	0.20%	39,518	79	No
More than 90 days	33.00%	44,499	14,685	Yes
Total		2,929,965	17,723	

Loss rates are based on actual credit loss experience over the past three years. These rates are multiplied by scalar factors to reflect differences between economic conditions during the period over which the historical data has been collected, current conditions and the Council's view of economic conditions over the expected lives of the receivables.

The movement in the allowance for impairment in respect of trade receivable during the year was $7,723.

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.

The Council's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its labilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Council's reputation.

Exposure to liquidity risk

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.

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
	$	$	$	$	$
2019					
Payables	1,929,619	-	-	1,929,619	1,929,619
Loans - QTC	574,674	1,580,704	1,030,364	3,185,741	2,665,052
	2,504,293	1,580,704	1,030,364	5,115,361	4,594,671
2018					
Payables	2,080,803	-	-	2,080,803	2,080,803
Loans - QTC	573,873	1,760,201	1,425,540	3,759,614	3,098,599
	2,654,676	1,760,201	1,425,540	5,840,417	5,179,402

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.

23 Financial instruments and financial risk management (continued)

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 of financial instruments.

Interest rate risk

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

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

Sensitivity

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

Council does not account for any fixed-rate financial assets or financial liabilities at Fair Value through Profit or Loss, therefore a change in interest rates at the reporting date would not affect profit or loss.

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

2019	Net carrying amount	Effect on Net Result		Effect on Equity	
		1% increase	1% decrease	1% increase	1% decrease
	$	$	$	$	$
QTC Cash Fund	10,603,387	106,034	(106,034)	106,034	(106,034)
Other Cash Funds	4,857,708	48,577	(48,577)	48,577	(48,577)
QTC Loans*	2,665,052	-	-	-	-
Net total		154,611	(154,611)	154,611	(154,611)

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		216,864	(216,864)	216,864	(216,864)

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

*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.

(b) Fair value

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

The fair value of borrowings with QTC is based on the market value of debt outstanding. The market value of a debt obligation is the discounted value of future cash flows based on prevailing market rates and represents the amount required to be repaid if this was to occur at balance date. The market value of debt is provided by QTC and is *discussed below/ disclosed in Note 22.*

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

24 Transactions with related parties

(a) Transactions with associates

Council is a member of the Central Western Queensland Remote Area Planning and Development Board Ltd (RAPAD), a company limited by guarantee. Council pays an annual subscription to RAPAD and RAPAD provides grants funds to Council. Payments were made totalling $91,240, and made in the normal course of operations. Council also received $16,500 from RAPAD for Small Business Mentoring, along with reimbursements of expenses for the Chief Executive Officer and Mayor. Total amount received totalled $19,428.

(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:

	2019	2018
	$	$
Short-term employee benefits	1,200,970	1,401,229
Post-employment benefits	78,417	129,131
Termination benefits	123,806	164,132
	1,403,193	1,694,492

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:

	2019	2018
	$	$
Fees and charges charged to entities controlled by KMP	4,424	6,234

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.

	2019	2018
	$	$
Employee expenses for close family members of KMP	186,201	288,538

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 183 staff of which 4 staff are close family members of key management personnel.

	2019	2018
	$	$
Purchase of materials and services from entities controlled by KMP	4,772,329	2,983,879

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 $20,000 as follows:

1. Council purchased engineering services from George Bourne & Associates to the value of $1,892,275 for the 2019 financial year. During this time, Council's Chief Engineer, Rick Rolfe, 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 2019, there were no amounts owed by Council to the business.

24 Transactions with related parties (continued)

2. Council purchased contracting services from D Gray's Grader & Loader Hire to the value of $432,223 for the 2019 financial 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 2019 there were no amounts owed by Council to the business.

3. Council purchased contracting services from Capricorn Plumbing and Building Supplies Pty Ltd to the value of $323,815 and Capricornia Plumbing and Drainage Pty Ltd to the value of $1,653,934 for the 2019 financial 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 2019, Council owed $46,883 to the business.

4. Council purchased goods from Aramac Cutprice Store to the value of $203,691 for the 2019 financial 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 2019 there were no amounts owed by Council to the business.

5. Council purchased contracting services from Wreny's Enterprises Pty Ltd to the value of $134,108 for the 2019 financial year. During this time, District Manager Jennifer Lawrence has close family members as 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 2019 there were no amounts owed by Council to the business.

6. Council purchased contracting services from KB & KT Williams to the value of $107,669 for the 2019 financial year. During this time, District Manager Jennifer Lawrence has close family members as 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 2019 there were no amounts owed by Council to the business.

7. Council purchased contracting services from Walsh Accounting to the value of $24,612 for the 2019 financial year. During this time, Deputy CEO Brett Walsh has close family members as full/part owners 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 2019 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:

	2019	**2018**
	$	**$**
Entities controlled by KMP - owed by Council	46,883	615
Entities controlled by KMP - owing to Council	4,409	68

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.

Management Certificate
For the year ended 30 June 2019

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

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

(i) the prescribed requirements of the *Local Government Act 2009* and *Local Government Regulation 2012* for the establishment and keeping of accounts have been complied with in all material respects; and

(ii) the general purpose financial statements, as set out on pages 1 to 32, 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 / 2019

Chief Executive Officer
Steven Boxall
Date: 10 / 10 / 2019

Queensland Audit Office
Better public services

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 2019, and of its financial performance and cash flows for the year then ended;

b) complies with the *Local Government Act 2009*, the Local Government Regulation 2012 and Australian Accounting Standards.

The financial report comprises the statement of financial position as at 30 June 2019, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes to the financial statements including significant accounting policies and other explanatory information, and the management certificate given by the Mayor and the 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 Barcaldine Regional Council's annual report for the year ended 30 June 2019, but does not include the financial report and my auditor's report thereon. At the date of this auditor's report, the other information was the current year financial sustainability statement and long-term financial sustainability statement.

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

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

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

Responsibilities of the council for the financial report

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

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

Auditor's responsibilities for the audit of the financial report

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

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

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

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

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

Report on other legal and regulatory requirements

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

a) I received all the information and explanations I required.

b) In my opinion, the prescribed requirements in relation to the establishment and keeping of accounts were complied with in all material respects.

14 October 2019

Carolyn Dougherty
as delegate of the Auditor-General

Queensland Audit Office
Brisbane

Barcaldine Regional Council
Current-year Financial Sustainability Statement
For the year ended 30 June 2019

Measures of Financial Sustainability	How the measure is calculated	Actual	Target
Council's performance at 30 June 2019 against key financial ratios and targets:			
Operating surplus ratio	Net operating result divided by total operating revenue.	-30.00%	Between 0% and 10%
Asset sustainability ratio	Capital expenditure on the replacement of assets (renewals) divided by depreciation expense (infrastructure).	92.24%	greater than 90%
Net financial liabilities ratio	Total liabilities less current assets divided by total operating revenue.	-38.77%	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 2019.

Certificate of Accuracy
For the year ended 30 June 2019

This current-year financial sustainability statement has been prepared pursuant to Section 178 of the *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	**Chief Executive Officer**
Rob Chandler	**Steven Boxall**
Date: 10 / 10 / 2019	Date: 10 / 10 / 2019

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 (the council) for the year ended 30 June 2019 comprising the statement, explanatory notes, and the certificate of accuracy given by the Mayor and the 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 2019 has been accurately calculated.

Basis of opinion

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

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

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

Emphasis of matter – basis of accounting

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

Other Information

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

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

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

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

Responsibilities of the council for the current year financial sustainability statement

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

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

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

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

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

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

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

14 October 2019

Carolyn Dougherty
as delegate of the Auditor-General

Queensland Audit Office
Brisbane

Barcaldine Regional Council
Long-Term Financial Sustainability
Prepared as at 30 June 2019

Measures of Financial Sustainability	How the measure is calculated	Target	Actuals at 30 June 2019	Projected for the years ended 30 June 2020	30 June 2021	30 June 2022	30 June 2023	30 June 2024	30 June 2025	30 June 2026	30 June 2027	30 June 2028
Operating surplus ratio	Net operating result divided by total operating revenue	Between 0% and 10%	-30.00%	-31.27%	-12.70%	-13.32%	-23.70%	-21.96%	-21.69%	-20.55%	-20.14%	-19.47%
Asset sustainability ratio	Capital expenditure on the replacement of assets (renewals) divided by depreciation expense (infrastructure).	greater than 90%	92.24%	114.58%	156.00%	94.25%	116.99%	90.35%	121.22%	90.61%	90.61%	90.61%
Net financial liabilities ratio	Total liabilities less current assets divided by total operating revenue.	not greater than 60%	-38.77%	-33.99%	-39.38%	-40.29%	-43.62%	-47.91%	-45.64%	-44.54%	-43.88%	-43.67%

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 2019

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	**Chief Executive Officer**
Rob Chandler	**Steven Boxall**
Date: 10 / 10 / 2019	Date: 10 / 10 / 2019