

MURWEH SHIRE COUNCIL



**Annual Report
Year ending 30 June 2016**

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Message from the Mayor

As the new Mayor elected in March this year having served as the Deputy Mayor previously, congratulate Councillors Alexander and Eckel on their reappointment as previous sitting Councillors and welcome our two new Councillors Radnedge and Capewell.

I look forward to working closely with my team, Management and staff to deliver decisive, committed and strong government focusing on improved infrastructure, community support and wellbeing with good intergovernmental and agency relationships.

Although some welcome rain has recently been received our rural community is battling an oppressive drought with the effects still impacting our rural, business and community sectors. It is hoped that this welcomed rain will continue to fall during our wet season to the relief of all.

This last year has seen the Council concentrate on business in maintaining our current service capacity; consolidate our revenue base; with only a small number of infrastructure improvements. Major infrastructure improvements included the commencement of the new airport terminal \$2.7M, commencement of the new Charleville Arts Centre \$300K with both of these projects expected to be completed next financial year.

Further minor infrastructure upgrades were undertaken in the townships of Augathella, Charleville and Morven at a cost of \$120K.

Other works completed during the year include major new kerb, channelling and footpaths in Morven and Charleville \$100K, Rural Roads reseals \$525K, Nive and Langlo Bridges upgrade \$600K, completion of the new Angellala Bridge approaches and tourist stopover \$1.2M, together with replacement of Plant and Equipment \$1M.

Council was again pleased to help with many minor projects and events run by the numerous clubs and their tireless volunteers across the Shire.

It is appropriate that I take this opportunity to thank the outgoing Mayor Cr. Cook and Councillor Russell, for their hard work and dedication to our community during their term in office.

I would also like to express my appreciation to our Chief Executive Officer and Council staff for their assistance and efforts during the year.

Cr. Annie Liston
MAYOR



Chief Executive Officer's Report

On behalf of Management and staff I welcome and congratulate the new Mayor, Councillor Annie Liston and Councillors on their appointment and look forward to a continued professional relationship during their term in office. No doubt there will be some challenging and hopefully also rewarding times ahead.

Due to the crippling nature of the current drought and economic downturn council rates and charges remained at the same level as previous year to assist the community. With further budget constraints this year's budget focused on reduction in expenditures necessary to continue to redress the negative result posted last year.

Council posted an improved result with a small surplus of \$1.08M due largely to some delay in capital works completions and the revaluation of our assets following finalisation of roads flood damage works the previous year. Sustainability of these assets overtime will be a continuing challenge for Council in future years.

Moreover, challenges facing the new Council will be the need to balance asset renewal with the provision of new assets, need for continued social programs and greater community expectations. Again this year a number of experienced staff availed of the opportunity to seek retirement and unfortunately this trend is likely to continue in the next year. Council extends their best wishes to those staff as many of them have been long standing and experienced employees. This will inevitably provide opportunities for other staff to be upskilled.

A wide range of statutory compliance issues were met during the year and again proud to provide a further unqualified audit opinion this year for the twelfth straight year meeting government requirements.

I am very fortunate to have a large team of experienced staff who are dedicated to the Council and community. I would also take this opportunity to thank our outgoing Mayor Denis Cook and Councillor for their support and guidance during their term in office.

N W Polglase
Chief Executive Officer



Community Financial Report (section 184 Local Government Regulation 2012)

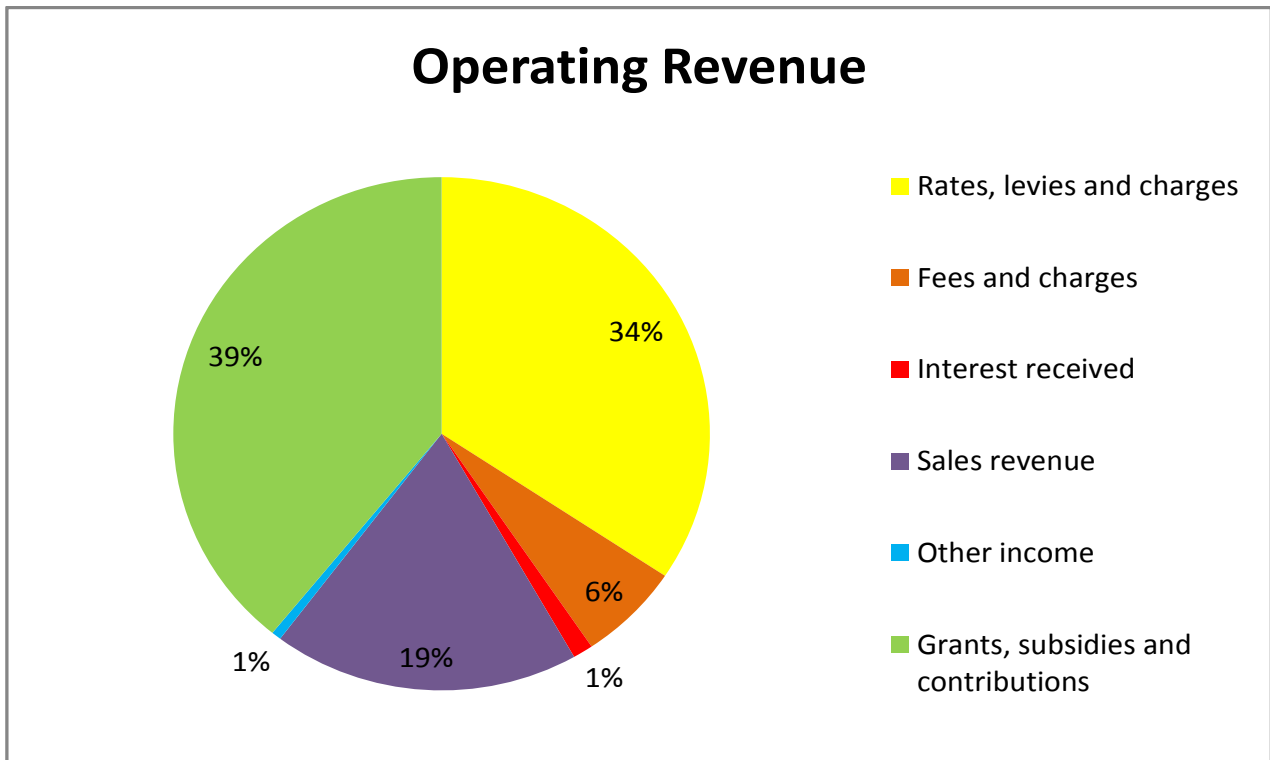
An analysis of the revenue compared to expenditure is as follows:

With the constrained financial position of both Federal and State governments, local governments cannot expect recurrent grants to increase by the amounts as in earlier years. The financial assistance grant for 2016 was reduced by 1.4% from that of 2015. However the level of capital grants for infrastructure assets has been maintained.

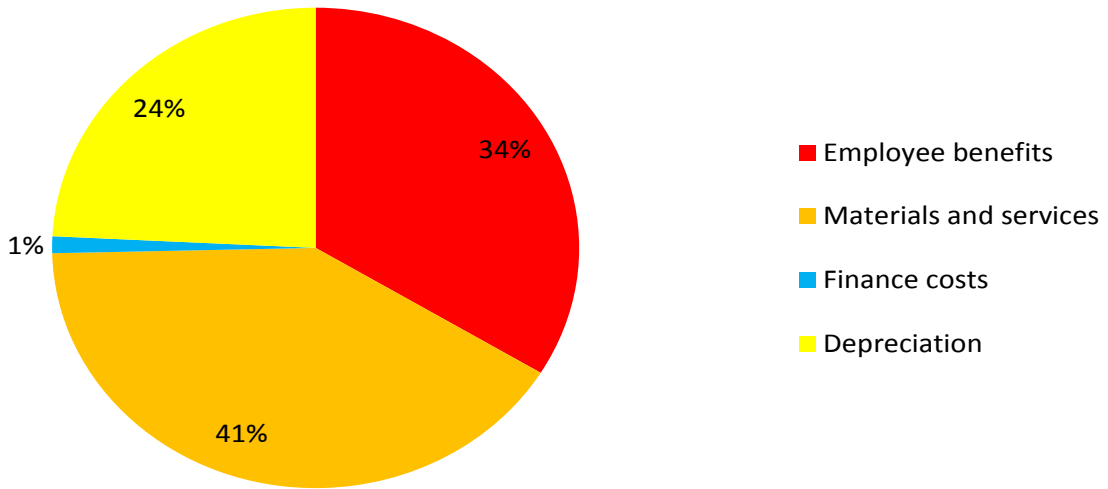
Due to the extreme drought conditions being experienced throughout the Shire Council did not levy an increase in rates and charges but did apply a small increase in the Charleville garbage charge to accommodate an increase in the garbage collection costs. For the 2016 year fees were increased by 2% which is comparable with the increase in the Local Government cost index of 1.9% supplied by the Local Government Association of Queensland.

These factors have placed added pressure on the recurrent revenue base however Council is maintaining its commitment to seek external funds as well as to tender for external roadwork jobs to supplement local funds.

During January 2016 flooding caused minimal damage to Shire roads however the cost to repair this damage is reimbursable. The wider roads network continues to be improved utilizing funding from the Financial Assistance Grant and the Roads to Recovery and the Regional Roads Group programs. The Charleville Cultural Centre is complete aiming to attract additional tourists to the Shire. This together with improvements to recreational facilities, the continual maintenance of the water and sewerage reticulation systems, and support for the tourism industry ensures the future is positive.



Operating Expenditure



In relation to expenses; employee costs make up 35% and materials and services make up 40% of Council's operating costs. Employee costs include staff and related employee expenses while materials and services include such items as general operating costs to maintain and operate services to the shire.

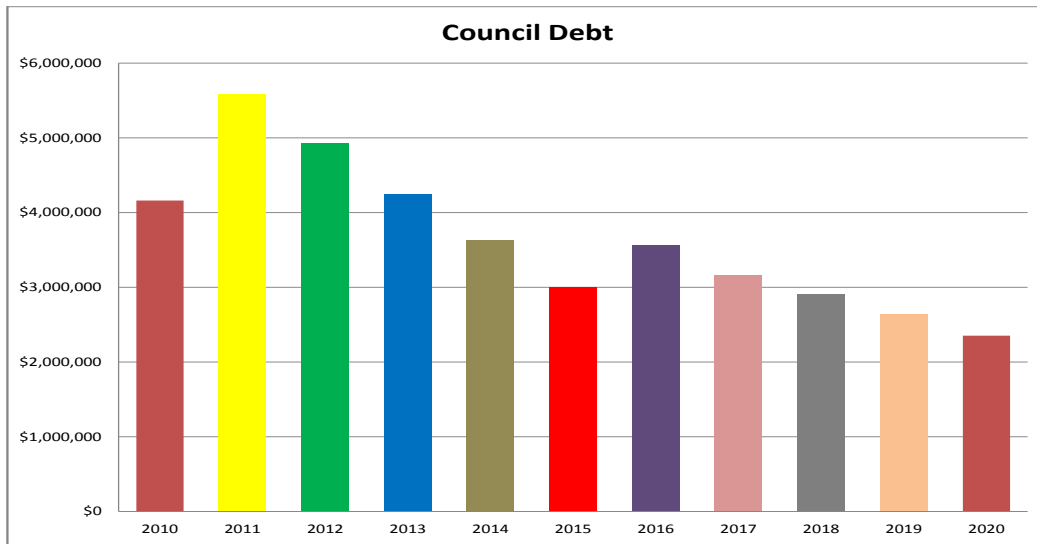
Depreciation consists of 24% of all operating costs and has increased significantly following the revaluation of infrastructure assets during the year up from \$2.7M to \$4.8M.

While depreciation is a non-cash item, it is used as a guide to help Council retain sufficient funds to meet the costs of future replacement of plant and equipment, roads and other facilities in the Shire.

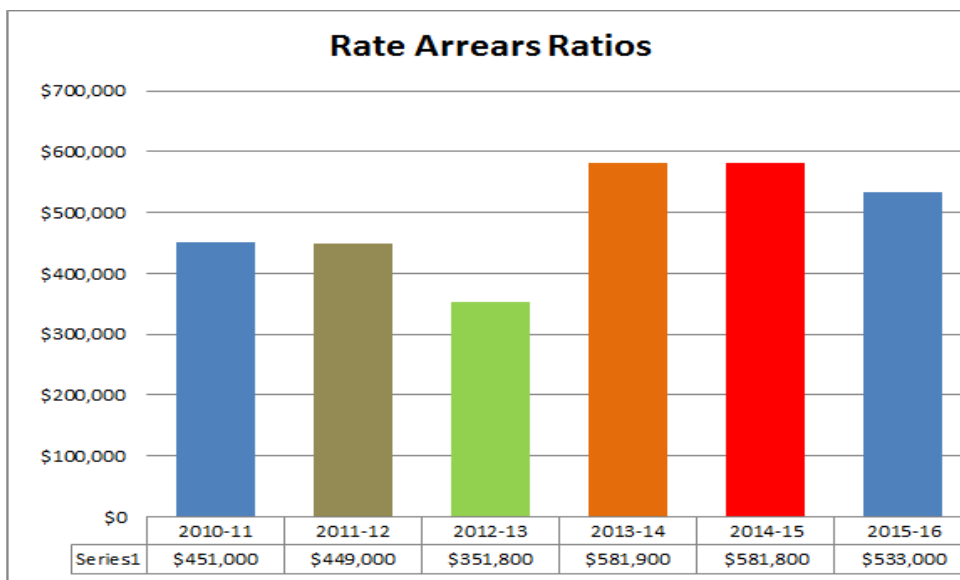
Other ways to fund new assets, or upgrades to existing assets is to borrow. Borrowing of funds should be used for long term assets in order to reduce inter-generational inequity. Council is always prudent in deliberations concerning borrowed funds.

A summary of the level of Council debt is expressed in the figures below, which indicates that debt reached a peak in 2011 and the overall trajectory is now on the decrease.





The following graph provides a comparison of the level of Council’s outstanding rates over the last six (6) years. The graph shows that Council’s effort in recovering these amounts improved up to 2013 however the current drought has caused economic distress in the community leading to outstanding rates increasing. The outstanding rates have not increased over the 2014 year.



Council is fully committed to effectively managing the finances of the Shire. Revenue required to provide a high level of service, in accordance with the Corporate and Operational Plans is continually being challenged and new sources of revenue remain difficult to obtain especially in the current economic climate. Cost savings and cutbacks can be achieved but not without impacting other areas of the Shire.

After nearly 10 years of drought followed by severe floods in 2010, 2011, and 2012 and then followed by a further drought the Council faces the challenge of continuing to operate financially while remaining fiscally responsible.

Particular Resolutions (section 185 Local Government Regulations 2012)

Council did not resolve to make any changes to the policies referred to in sections 250(1) and 206 (2) of the Regulation.

Councillors (section 186 Local Government Regulations 2012)

(i) Remuneration schedule

The levels of remuneration as set by the Local Government Remuneration and Discipline Tribunal in terms of the Local Government Regulation 2012 effective from 1 July 2016 are as follows:

Category 3	Position	Remuneration	Telephone	Travelling
	Mayor	\$97,684.00	\$2,000.00	
	Deputy Mayor	\$56,356.00	\$1,000.00	
	Councillors	\$48,842.00	\$1,000.00	\$3,600.00*

* The travel allowance is paid to Augathella and Morven based Councillors

The remuneration is paid in twelve equal instalments at the end of each calendar month.

Statistics of meeting attendance and remuneration for each individual councillor 2015-2016

Cr Denis Cook

Ordinary Meetings	8
Special Meetings	1
Telephone Allowance	1,500.03
Mayor Allowance	71,615.97
Gross Income	73,116.00
Tax	21,664.00
Employee Superannuation Contribution (Salary Sacrifice) & Voluntary Super (Salary Sacrifice)	7,986.96
Employer Superannuation Contribution	8,773.92

Cr Annie Liston

Ordinary Meetings	12
Special Meetings	2
Telephone Allowance	1,249.98
Mayor Allowance	23,871.99
Deputy Mayor Allowance	41,316.75
Gross Income	66,438.72
Tax	24,992.00
Employee Superannuation Contribution (Salary Sacrifice)	3,986.28
Employer Superannuation Contribution	7,972.65

Cr Cecil Russell

Ordinary Meetings	9
Special Meetings	1
Telephone Allowance	749.97
Travel Allowance	2,700.00
Councillor Allowance	19,657.46
Meeting Fee Allowance	19,654.49
Gross Income	42,761.92
Tax	10,406.00
Employee Superannuation Contribution	0.00
Employer Superannuation Contribution	4,498.56

Cr Robert Eckel

Ordinary Meetings	12
Special Meetings	2
Telephone Allowance	999.96
Councillor Allowance	23,871.96
Meeting Fee Allowance	23,868.00
Gross Income	48,739.92
Tax	12,069.00
Employee Superannuation Contribution (Salary Sacrifice) & After Tax & Voluntary Super (Salary Sacrifice) & Additional Voluntary Super	12,532.82
Employer Superannuation Contribution	5,848.80

Cr Peter Alexander

Ordinary Meetings	12
Special Meetings	2
Telephone Allowance	999.96
Deputy Mayor Allowance	13,772.25
Councillor Allowance	17,903.97
Meeting Fee Allowance	17,901.00
Gross Income	50,577.18
Tax	15,331.00
Employee Superannuation Contribution	2,924.40
Employer Superannuation Contribution	6,069.27

Cr Lyn Capewell

Ordinary Meetings	2
Special Meetings	1
Telephone Allowance	249.99
Councillor Allowance	5,967.99
Meeting Fee Allowance	3,978.00
Gross Income	10,195.98
Tax	3,693.00
Employee Superannuation Contribution	0.00
Employer Superannuation Contribution	968.62

Cr Shaun Radnedge

Ordinary Meetings	3
Special Meetings	1
Telephone Allowance	249.99
Councillor Allowance	5,967.99
Meeting Fee Allowance	5,967.00
Gross Income	12,184.98
Tax	3,711.00
Employee Superannuation Contribution	0.00
Employer Superannuation Contribution	1,157.58

Councillor remuneration and meeting attendance – 1 July 2015 to 30 June 2016

As a result of the Local Government elections held on 19 March 2016 Councillors L. Capewell and S. Radnedge replaced Councillors D. Cook and C. Russell with Cr A. Liston replacing Cr D Cook as Mayor.

(ii) **Conduct and performance of councillors** (section 186 (d), (e), (f) Local Government

Regulation 2012

Description	Number
Total number of breaches of the local government's code of conduct committed by Councillors as decided during the year by the local government.	Nil
The name of each Councillor decided during the year by the local government to have breached the code, and details of any penalty imposed.	Nil

The number of complaints about alleged code of conduct breaches by Councillors, other than frivolous or vexatious complaints, that were referred to the conduct review panel during the year by the local government or the Chief Executive Officer under chapter 3, part 3A.	Nil
The number of recommendations made to the local government by the conduct review panel during the year that were adopted, or not adopted, by the local government.	Nil
The number of complaints resolved under the local government's general complaints process during the year and the number of those complaints that related to a breach by a Councillor of the local government's code of conduct.	Nil
The number of complaints made to the ombudsman, and notified to the local government, during the year about decisions made by the local government in relation to enforcement of its code of conduct.	Nil

Administrative complaints (section 187 Local Government Regulations 2012)

The following is a brief summary of the Council adopted policy "General Complaints Management Policy and Procedures".

The policy is broken down into three stages:

- (i) Preliminary procedures
- (ii) Complaint process
- (iii) Review by Ombudsman or other complaints entities

It is the Council's intent to provide a level of customer service that does not attract complaints, but acknowledges the rights of persons to provide feedback, both positive and negative, on its services and / or to lodge a complaint about a decision or other action Council takes.

The complaints process has been instituted to ensure that, to the greatest practical extent, any complaint is dealt with fairly, promptly, professionally, in confidence subject to any legal requirement, and in a manner respectful to the complainant.

Administrative complaints made during the 2015/2016 financial year	Nil
Number of complaints resolved under the complaints management process	Nil
Number of complaints not resolved under the complaints management process	Nil

There were no administrative complaints made in the 2015/2016 financial year.

Overseas travel (section 188 Local Government Regulation 2012)

No overseas travel was undertaken during the financial year.

Grant Expenditure to Community Groups (section 189 Local Government Regulation 2012)

In accordance with section 189 of the *Local Government Regulation 2012*, the following information is provided concerning expenditure on grants to community organisations. The Council does not operate discretionary funds.

Description	Amount
Expenditure on grants to community organizations	\$124,000
Total	\$124,000

Other Contents (section 190 Local Government Regulation 2012)

Corporate and operational plans

Council is required to adopt a Corporate Plan to guide Council's decision making. This document establishes the framework and identifies goals, objectives and strategies to be pursued by Council to meet the aspirations and needs of the community. The plan is developed in consultation with the community and can be revised at any time during the life of the plan to ensure council is following its strategic direction.

The Operational Plan is prepared annually and outlines Council's work program for the next financial year including costs and completion timelines, this document is subject to quarterly reviews and must be consistent with the Council's Corporate Plan.

In accordance with legislative requirements, Council reviewed the operational plan on four occasions relevant to the financial period and on each occasion Council considered an assessment of its progress in the implementation of the operational plan as being satisfactory. Council receives a written assessment of the implementation of the operational plan at the end of each quarter.

Registers and public documents

Item	Description	Access
Register of personal interests of Councillors and Senior Officials	To record certain financial and other personal interests of relevant individuals.	Councillor's interests are available on Council's website.

Item	Description	Access
Investment Register	Record details of Council's investments	Available to any person
Register of Local Planning Policies	To record the current policies as set by Council	Available to any person
Register of Delegations of Authority by Council.	To record all powers delegated by the Local Government or the Chief Executive Officer's delegated powers.	Available to any person
Register of Delegations of Authority by the CEO.	To record all powers delegated by the CEO.	Available to any person
Register of Local Laws	To record all local laws set by Council	Available to any person
Register of Policies	To record the current policies as set by Council	Available to any person
Register of Roads	To record the details of the shire roads.	Available to any person
Contract Register	To record the details of all contracts.	Available on Council's website.
Register of Legal Documents	To hold a record of all legal documents.	Available to any person
Register of Charges	To record all charges levied by Council.	Available to any person
Building Application Register	To record the details of all applications.	Available to any person
Cemetery Register	To record all burial sites	Available to any person
Corporate & Operational Plan	To document the goals and strategies set by Council for the period specified in each plan.	Available on Council's website.

Item	Description	Access
Annual Report	To document the financial position and report on attainment of goals specified in the Corporate Plan and Operational Plan.	Available on Council's website.

Concessions for rates and charges granted by Council

- (i) A 10 % discount on rates if paid by the due date
- (ii) Age pensioners in receipt of a full pension and having a Commonwealth Government Concession Card receive a remission up to \$340.00 per annum.
- (iii) Council considers requests from Community organizations for the waiver of fees for the use of community facilities.

Internal audit

Council established an audit committee during the year with the Mayor (Chairperson), Deputy Mayor, the Director of Corporate Services and the Finance Manager as members.

The Council appointed the LGAQ as its provider of internal audit services.

The Audit Committee meet twice during this financial year.

Competitive Neutrality

Council has not been required to issue any investigation notices in the financial year under section 49 of the competitive neutrality complaints procedures.

Council has not been required to respond to any Queensland Competition Authority recommendations as per section 52 (3).

Senior staff remuneration (Local Government Act 2009 section 201)

One (1) senior contract employee with a total remuneration package in the range of \$150,000 - \$199,000

Two (2) senior contract employees with a total remuneration package in the range of \$100,000 - \$149,000

Public Service Ethics 1994 (section 23)

Council has implemented the code of conduct and undertaken regular education, training and review of procedures.

MURWEH SHIRE COUNCIL



ANNUAL FINANCIAL STATEMENTS 30 JUNE 2016

Murweh Shire Council

Financial statements

For the year ended 30 June 2016

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Murweh Shire Council
Statement of Comprehensive Income
For the year ended 30 June 2016

	Note	2016 \$ 000's	2015 \$ 000's
Income			
Revenue			
Recurrent revenue			
Rates, levies and charges	3(a)	6,084	6,144
Fees and charges	3(b)	1,102	1,087
Interest received		216	169
Sales revenue	3(c)	3,279	2,759
Other income		104	17
Grants, subsidies, contributions and donations	4(a)	6,934	7,002
		<u>17,719</u>	<u>17,178</u>
Capital revenue			
Grants, subsidies, contributions and donations	4(b)	3,642	927
Total revenue		<u>21,361</u>	<u>18,105</u>
Total income		<u>21,361</u>	<u>18,105</u>
Expenses			
Recurrent expenses			
Employee benefits	6	(6,818)	(7,064)
Materials and services	7	(8,282)	(8,218)
Finance costs		(228)	(244)
Depreciation and amortisation	10	(4,901)	(4,606)
		<u>(20,229)</u>	<u>(20,132)</u>
Capital income	5	(52)	(73)
Total expenses		<u>(20,281)</u>	<u>(20,205)</u>
Net Result		<u>1,080</u>	<u>(2,100)</u>
Other comprehensive income			
Items that will not be classified to net result			
Increase in asset revaluation surplus	15	5,488	123,594
Total other comprehensive income for the year		<u>5,488</u>	<u>123,954</u>
Total comprehensive income for the year		<u>6,568</u>	<u>121,494</u>

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

Murweh Shire Council
Statement of Financial Position
as at 30 June 2016

	Note	2016 \$	2015 \$
Current assets		000's	000's
Cash and cash equivalents	8	4,103	3,499
Trade and other receivables	9	1,672	1,575
Inventories		263	291
Total current assets		6,038	5,365
Non-current assets			
Property, plant and equipment	10	298,297	294,578
Work in Progress	10	3,185	341
Total non-current assets		301,482	294,919
Total assets		307,520	300,284
Current liabilities			
Trade and other payables	12	1,676	1,675
Borrowings	13	319	438
Provisions	14	1,234	1,145
Total current liabilities		3,229	3,258
Non-current liabilities			
Borrowings	13	3,248	2,561
Provisions	14	151	141
Total non-current liabilities		3,399	2,702
Total liabilities		6,628	5,960
Net community assets		300,892	294,324
Community equity			
Asset revaluation surplus	15	193,452	187,964
Retained surplus		107,440	106,360
Total community equity		300,892	294,324

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

Murweh Shire Council
Statement of Changes in Equity
For the year ended 30 June 2016

	Asset revaluation surplus	Retained surplus	Total
Note	15		
	\$	\$	\$
	000's	000's	000's
Balance as at 1 July 2015	187,964	106,360	294,324
Net result	-	1,080	1,080
Other comprehensive income for the year			-
Increase in asset revaluation surplus	5,488	-	5,488
Total other comprehensive income for the year	<u>5,488</u>	<u>-</u>	<u>5,488</u>
Balance as at 30 June 2016	<u>193,452</u>	<u>107,440</u>	<u>300,892</u>
Balance as at 1 July 2014	64,370	108,460	172,830
Net result	-	(2,100)	(2,100)
Other comprehensive income for the year		-	-
Increase in asset revaluation surplus	123,594		123,594
Total other comprehensive income for the year	<u>123,594</u>	<u>-</u>	<u>123,594</u>
Balance as at 30 June 2015	<u>187,964</u>	<u>106,360</u>	<u>294,324</u>

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

Murweh Shire Council
Statement of Cash Flows
For the year ended 30 June 2016

	Note	2016 \$	2015 \$
		000's	000's
Cash flows from operating activities			
Receipts from customers		10,481	14,777
Payments to suppliers and employees		<u>(14,980)</u>	<u>(18,722)</u>
		(4,499)	(3,945)
Interest received		216	169
Finance costs		(228)	(244)
Non capital grants and contributions	4(a)	6,934	7,002
Net cash inflow/(outflow) from operating activities	19	<u>2,423</u>	<u>2,982</u>
Cash flows from investing activities			
Payments for property, plant and equipment		(6,214)	(2,974)
Proceeds from sale (disposal) of property plant and equipment		178	105
Capital grants, subsidies, contributions and donations	4(b)	<u>3,642</u>	<u>927</u>
Net cash (outflow) from investing activities		<u>(2,394)</u>	<u>(1,942)</u>
Cash flows from financing activities			
Proceeds from borrowings -QTC		1,000	-
Repayment of borrowings and finance lease		<u>(425)</u>	<u>(768)</u>
Net cash inflow/(outflow) from financing activities		<u>575</u>	<u>(768)</u>
Net increase in cash held		<u>604</u>	<u>272</u>
Cash and cash equivalents at beginning of the financial year		3,499	3,227
Cash and cash equivalents at end of the financial year	8	<u>4,103</u>	<u>3,499</u>

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

These general purpose financial statements are for the period 1 July 2015 to 30 June 2016 and have been prepared in compliance with the requirements of the Local Government Act 2009 and the Local Government Regulation 2012. Consequently, these financial statements have been prepared in accordance with all Australian Accounting Standards, Australian Accounting Interpretations and other authoritative pronouncements issued by the Australian Accounting Standards Board.

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

(i) financial assets and liabilities, certain classes of property, and plant and equipment which are measured at fair value.

Recurrent / capital classification

Revenue and expenditure are presented as "recurrent" or "capital" in the Statement of Comprehensive Income on the following basis:

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 investments in new assets.

The following transactions are classified as either "Capital Income" or "Capital Expenses" depending on whether they result in accounting losses or gains.

(i) disposal of non-current assets

(ii) revaluations of investment property and property, plant and equipment

All other revenue and expenses have been classified as recurrent.

1.B Statement of compliance

These general purpose financial statements comply with all accounting standards and interpretations issued by the Australian Accounting Standards Board (AASB) that are relevant to Council's operations and effective for the current reporting period. Because the 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), to the extent these inconsistencies are applied, these financial statements do not comply with IFRS. The main impacts are the offsetting of revaluation and impairment gains and losses within a class of assets, and the timing of the recognition of non-reciprocal grant revenue.

1.C Constitution

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

1.D Date of authorisation

The financial statements were authorised for issue on the date they were submitted to the Auditor-General for final signature. This is the date the management certificate is signed.

1E Currency

The Council uses the Australian dollar as its functional currency and its presentation currency.

1.F Adoption of new and revised Accounting Standards

In the current year, Council adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that are relevant to its operations and effective for the current reporting period. The adoption of the new and revised Standards and Interpretations has not resulted in any material changes to Council's accounting policies.

Murweh Shire Council has not applied any Australian Accounting Standards and Interpretations that have been issued but are not yet effective with the exception of *AASB 2015-7 Amendments to Australian Accounting Standards - Fair Value Disclosures of Not-for-Profit Public Sector Entities*. Generally Council applies standards and interpretations in accordance with their respective commencement dates. The retrospective application of AASB 2015-7 has exempted Council from the disclosure of quantitative information and sensitivity analysis for some valuations categorised within Level 3 of the fair value hierarchy.

At the date of authorisation of the financial report, *AASB 9 Financial Instruments* and *AASB 2015-6 Amendments to Australian Accounting Standards - Extended Related Party Disclosures to Not-for-Profit Public Sector Entities* are the only new accounting standards with a future application date that are expected to have a material impact on Council's financial statements.

From 1 July 2016 *AASB 124 Related Party Disclosures* will apply to Council, which means that Council will disclose more information about related parties and transactions with those related parties.

AASB 9, which replaces *AASB 139 Financial Instruments: Recognition and Measurement*, is effective for reporting periods beginning on or after 1 January 2018 and must be applied retrospectively. The main impact of AASB 9 is to change the requirements for the classification, measurement and disclosures associated with financial assets. Under the new requirements the four current categories of financial assets stipulated in AASB 139 will be replaced with two measurement categories: fair value and amortised cost and financial assets will only be able to be measured at amortised cost where very specific conditions are met.

Council is still reviewing the way that revenue is measured and recognised to identify whether *AASB 15 Revenue from Contracts with Customers* will have a material impact. To date no impact has been identified.

AASB 15 is effective from 1 January 2018 and will replace *AASB 118 Revenue*, *AASB 111 Construction Contracts* and a number of interpretations. It contains a comprehensive and robust framework for the recognition, measurement and disclosure of revenue from contracts with customers.

Other amended Australian Accounting Standards and Interpretations which were issued at the date of authorisation of the financial report, but have future commencement dates are not likely to have a material impact on the financial statements.

1.G Critical accounting judgements and key sources of estimation uncertainty

In the application of Council's accounting policies, management is required to make judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and ongoing assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in future periods as relevant.

Judgements, estimates and assumptions that have a potential significant effect are outlined in the following financial statement notes:

Valuation and depreciation of property, plant and equipment - Note 1.L and Note 10

Provisions - Note 1P Note 14

Contingent liabilities - Note 16

1.H Revenue

Rates and levies

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

Grants and subsidies

Grants, subsidies and contributions that are non-reciprocal in nature are recognised as revenue in the year in which Council obtains control over them. On 13 June 2013 council passed a resolution to close all existing reserves and account for these restrictions using an internal management accounting system. Internal restrictions that have been placed on council's cash and cash equivalents are now disclosed in Note 8.

Where grants are received that are reciprocal in nature, revenue is recognised as the various performance obligations under the funding agreement are fulfilled. Council does not currently have any reciprocal grants.

Rental income

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

Sales revenue

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

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

Fees and Charges

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

1.I Financial assets and financial liabilities

Council recognises a financial asset or a financial liability in its Statement of Financial Position when, and only when, Council becomes a party to the contractual provisions of the instrument.

Council has categorised and measured the financial assets and financial liabilities held at balance date as follows:

Financial assets

Cash and cash equivalents (Note 1.J)

Receivables - measured at amortised cost (Note 1.K)

Financial liabilities

Payables - measured at amortised cost (Note 1.O)

Borrowings - measured at amortised cost (Note 1.Q)

Financial assets and financial liabilities are presented separately from each other and offsetting has not been applied.

All other disclosures relating to the measurement and financial risk management of financial instruments are included in Note 21.

1.J 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.

1.K Receivables

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

The collectability of receivables is assessed periodically and if there is objective evidence that Council will not be able to collect all amounts due, the carrying amount is reduced for impairment. All known bad debts were written off at 30 June.

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.

1L Property, plant and equipment

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

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

Land

Parks

Aerodrome landing strips

Road, drainage and bridge network

Buildings and other structures

Plant and equipment

Water and sewerage infrastructure

Work in progress

Acquisition of assets

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

Property, plant and equipment received in the form of contributions, are recognised as assets and revenues at fair value by Council valuation where that value exceeds the recognition thresholds for the respective asset class. Fair value is the price that would be received to sell the asset in an orderly transaction between market participants at the measurement date.

Capital and operating expenditure

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

Capital and operating expenditure

Direct labour and materials and an appropriate proportion of overheads incurred in the acquisition of construction of assets are treated as capital expenditure. Assets under construction are not depreciated until they are completed and commissioned, at which time they are reclassified from work in progress to the appropriate property, plant and equipment class.

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, while expenditure that relates to the replacement of a major component of an asset to maintain its service potential is capitalised.

Valuation

Land and improvements, aerodrome landing strips, parks, buildings and other structures, and all infrastructure assets are measured on the revaluation basis, at fair value, in accordance with AASB 116 *Property, Plant & Equipment* and AASB 13 *Fair Value Measurement*. Other plant and equipment and work in progress are measured at cost.

Non-current physical assets measured at fair value are revalued, where required, so that the carrying amount of each class of asset does not materially differ from its fair value at the reporting date. This is achieved by engaging independent, professionally qualified valuers to determine the fair value for each class of property, plant and equipment assets at least once every 5 years. This process involves the valuer physically sighting a representative sample of Council assets across all asset classes and making their own assessments of the condition of the assets at the date of inspection.

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 decision whether a "desktop revaluation is appropriate for each of the intervening years. With respect to the valuation of the land and improvements, parks, and buildings in the intervening years, management may 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 and condition rating. The valuer then determines suitable indices which are applied to each of these asset classes.

An analysis performed by management has indicated that, on average, the variance between an indexed asset value and the valuation by an independent valuer when performed is not significant and the indices used by Council are sound. Further details in relation to valuers, the valuation methods and the key assumptions used are disclosed in Note 11.

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 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.

Capital work in progress

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

Depreciation

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 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.

Road formation and earthworks are non depreciable assets as per AASB Accounting for Road Earthworks. Council is currently reviewing its policies to ensure consistency with this interpretation.

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

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

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.

The depreciable amount of improvements to or on leasehold land is allocated progressively over the estimated useful lives of the improvements to the Council or the unexpired period of the lease, whichever is the shorter.

Depreciation methods, estimated useful lives of property, plant and equipment assets are reviewed at the end of each reporting period and adjusted where necessary to reflect any changes in the pattern of consumption, physical wear and tear, technical or commercial obsolescence, or management intentions. The condition assessments performed as part of the annual valuation process for assets measured at written down current replacement cost are used to estimate the useful lives of these assets at each reporting date. Details of the range of estimated useful lives for each class of asset are shown in Note 10.

Land under roads

Land under roads acquired before 30 June 2008 is recognised as a non-current asset where the Council holds title or a financial lease over the asset. The Murweh Shire Council currently does not have any such land holdings.

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

1.M Impairment of non-current assets

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

An impairment loss is recognised as an expense in the Statement of Comprehensive Income, unless the asset is carried at a revalued amount. When the asset is measured at a revalued amount, the impairment loss is offset against the 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.

1.N Leases

Operating leases exist where substantially all the risks and benefits incidental to the ownership of the asset remain with the lessor.

Operating leases

Payments made under operating leases are expensed in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased property.

1.O Payables

Trade creditors are recognised upon receipt of the goods or services ordered and are measured at the agreed purchase/contract price net of applicable discounts other than contingent discounts. Amounts owing are unsecured and are generally settled on 30 day terms.

1.P Liabilities - employee benefits

Salaries and wages

A liability for salaries and wages is recognised and measured as the amount unpaid at the reporting date at current pay rates in respect of employees' services up to that date. This liability represents an accrued expense and is reported in Note 12 as a payable.

Annual leave

A liability for annual leave is recognised. Amounts expected to be settled within 12 months are calculated on current wage and salary levels and includes related employee oncosts. Amounts not expected to be settled within 12 months are calculated on projected future wage and salary levels and related employee on-costs, and are discounted to present values. This liability represents an accrued expense and is reported in Note 12 as a payable.

As council does not have an unconditional right to defer this liability beyond 12 months annual leave is classified as a current liability.

Sick leave

Council has an obligation to pay sick leave on termination to certain employees and therefore a liability has been recognised for this obligation. This liability represents an accrued expense and is reported in Note 12 as a payable.

Superannuation

The superannuation expense for the reporting period is the amount of the contribution the Council makes to the superannuation plan which provides benefits to its employees. Details of those arrangements are set out in Note 17.

Long service leave

A liability for long service leave is measured as the present value of the estimated future cash outflows to be made in respect of services provided by employees up to the reporting date. The value of the liability is calculated using current pay rates and projected future increases in those rates and includes related employee on-costs. The estimates are adjusted for the probability of the employee remaining in the Council's employment or other associated employment which would result in the Council being required to meet the liability. Adjustments are then made to allow for the proportion of the benefit earned to date, and the result is discounted to present value. The interest rates attaching to Commonwealth Government guaranteed securities at the reporting date are used to discount the estimated future cash outflows to their present value. This liability is reported in Note 14 as a provision.

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.

1.Q Borrowings and borrowing costs

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

In accordance with the *Local Government Regulation 2012* 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.

All borrowing costs are expensed in the period in which they are incurred. No borrowing costs are capitalised on qualifying assets.

1.R 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.

1.S Retained surplus

In reference to the comparative figures for the year ended 30 June 2015, this represents the amount of Council's net funds not set aside to meet specific future needs.

1.T Rounding and comparatives

The financial statements have been rounded to the nearest \$1,000.

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

1.U Trust funds held for outside parties

Funds held in the trust account on behalf of outside parties include those funds from the sale of land for arrears in rates, deposits for the contracted sale of land, security deposits lodged to guarantee performance and unclaimed monies (e.g. wages) paid into the trust account by Council. The Council performs only a custodian role in respect of these monies and because the monies cannot be used for Council purposes, they are not considered revenue nor brought to account in the financial statements.

The monies are disclosed in the notes to the financial statements for information purposes only in Note 18.

1.V Taxation

Income of local authorities and public authorities is exempt from Commonwealth taxation except for Fringe Benefits Tax and Goods and Services Tax ('GST'). The net amount of GST recoverable from the ATO or payable to the ATO is shown as an asset or liability respectively.

2 Analysis of Results by Function

2(a) Components of council functions

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

A Corporate Services

Corporate governance

The objective of corporate governance is for Council to be open, accountable, transparent and deliver value for money community outcomes. This is part of the Corporate Services function and includes strategic and operational planning, risk management, legal and administrative support. The Mayor, Councillors and Chief Executive Officer are included in corporate governance.

Finance and information

Finance and information provides professional finance and information services across all of Council. This function is a part of the Corporate Services function and includes internal audit, budget support, financial accounting and information technology services. The goal is to provide accurate, timely and appropriate information to support sound decision making and meet statutory obligations.

B Engineering Services

Includes construction and maintenance of shire and state controlled roads, stormwater drainage, footpaths, bicycle ways, other private works, street lighting, plant management, engineering development and design.

C Health / Environmental Services

The goal of Health and Environmental Services is to ensure Murweh is a healthy, vibrant, contemporary and connected community. Health and Environmental Services provides well managed and maintained community facilities and ensures the effective delivery of cultural, health, welfare, environmental and recreational services.

The goal of the waste management program is to protect and support our community and natural environment by sustainably managing refuse. The function provides refuse collection and disposal services, mosquito and other pest management programs.

The sub-functions include animal control, pest control, health regulation and compliance, immunisation, environmental monitoring, river management, parks and gardens maintenance, refuse collection and disposal, waste management, swimming pools, racecourse complex, halls and centres, showgrounds, cemetery's, public conveniences, and aged care housing management.

D Water and Sewerage Services

(i) Water Services

The goal of this program is to support a healthy, safe community through sustainable water services.

(ii) Sewerage Services

This function protects and supports the health of our community by sustainably managing sewerage infrastructure.

Murweh Shire Council
Notes to the financial statements
For the year ended 30 June 2016

- 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 2016	Functions											
	Gross program income					Total income	Gross program expenses		Total expenses	Net result from recurring operations	Net operating surplus	Assets
	Recurring		Capital				Recurring	Capital				
	Grants	Other	Grants	Other	Other	2016			2016			
2016 \$'000	2016 \$'000	2016 \$'000	2016 \$'000	2016 \$'000	2016 \$'000	2016 \$'000	2016 \$'000	2016 \$'000	2016 \$'000	2016 \$'000		
Corporate services	5,279	4,431	410	(52)	10,068	5,735	-	5,735	3,975	4,333	69,340	
Engineering services	1,647	3,275	3,232		8,154	8,876		8,876	(3,954)	(722)	209,816	
Environmental Health services	8	721			729	3,890		3,890	(3,161)	(3,161)	(297)	
Water & Sewerage	-	2,358			2,358	1,728		1,728	630	630	28,661	
Total Council	6,934	10,785	3,642	(52)	21,309	20,229	-	20,229	(2,510)	1,080	307,520	

Year ended 30 June 2015	Functions											
	Gross program income					Total income	Gross program expenses		Total expenses	Net result from recurring operations	Net operating surplus	Assets
	Recurring		Capital				Recurring	Capital				
	Grants	Other	Grants	Other	Other	2015			2015			
2015 \$'000	2015 \$'000	2015 \$'000	2015 \$'000	2015 \$'000	2015 \$'000	2015 \$'000	2015 \$'000	2015 \$'000	2015 \$'000	2015 \$'000		
Corporate services	5,357	4,297	-	-	9,654	5,671	-	5,671	3,983	3,983	61,866	
Engineering services	1,619	2,747	927	-	5,293	8,525	73	8,598	(4,159)	(3,305)	206,422	
Environmental Health Services	26	732	-	-	758	3,905	-	3,905	(3,147)	(3,147)	1,130	
Water & Sewerage	-	2,400	-	-	2,400	2,031	-	2,031	369	369	30,866	
Total Council	7,002	10,176	927	-	18,105	20,132	73	20,205	(2,954)	(2,100)	300,284	



Murweh Shire Council
Notes to the financial statements
For the year ended 30 June 2016

	Council	
	2016	2015
	\$	\$
	000's	000's
3 Revenue analysis		
(a) Rates, levies and charges		
General rates	3,674	3,695
Water	1,569	1,575
Water consumption, rental and sundries	70	95
Sewerage	903	900
Garbage charges	525	518
Total rates and utility charge revenue	<u>6,741</u>	<u>6,783</u>
Less: Discounts	(567)	(557)
Less: Pensioner remissions	(90)	(82)
	<u><u>6,084</u></u>	<u><u>6,144</u></u>
(b) Fees and charges		
Aerodrome landing and usage fees	311	322
Aerodrome head tax	10	9
Cemetery fees	26	29
Cosmos centre entry and souvenir sales	412	403
Rental income	154	155
Town planning and building fees	24	43
Agistment fees	41	61
Water connection and inspection fees	3	14
Miscellaneous	121	51
	<u><u>1,102</u></u>	<u><u>1,087</u></u>
(c) Sales revenue		
Sale of services		
Contract and recoverable works	3,279	2,759
	<u><u>3,279</u></u>	<u><u>2,759</u></u>
<p>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.</p>		
4 Grants, subsidies, contributions and donations		
(a) Recurrent		
General purpose grants	6,505	6,597
State government subsidies and grants	429	405
	<u><u>6,934</u></u>	<u><u>7,002</u></u>
(b) Capital		
State government subsidies and grants	3,642	927
	<u><u>3,642</u></u>	<u><u>927</u></u>
5 Capital income		
Loss on disposal of non-current assets		
Proceeds from the sale of property, plant and equipment	178	105
Less: Book value of property, plant and equipment disposed of	(230)	(178)
Total capital expenses	<u><u>(52)</u></u>	<u><u>(73)</u></u>

Murweh Shire Council
Notes to the financial statements
For the year ended 30 June 2016

		Council	
		2016	2015
		\$	\$
6 Employee benefits		000's	000's
Total staff wages and salaries		5,221	5,709
Councillors' remuneration		317	315
Annual, sick and long service leave entitlements		1,480	1,128
Superannuation	17	788	786
		7,806	7,938
Less: Capitalised employee expenses		(988)	(874)
		6,818	7,064

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

Total Council employees at the reporting date:

Elected members	5	5
Administration staff	49	55
Depot and outdoors staff	81	73
Total full time equivalent employees	135	133

7 Materials and services

Advertising and marketing	50	71
Audit services	76	43
Communications and IT	373	280
Contractors	67	48
Donations paid	178	124
Insurance	349	419
Staff training	111	134
Repairs and maintenance - (Including repairs to flood damaged roads)	6,590	6,629
Rental housing - operating costs	83	78
Subscriptions and registrations	103	97
Other materials and services	302	295
	8,282	8,218

8 Cash and cash equivalents

National Bank of Australia - operating	924	77
Queensland Treasury Corporation	3,177	3,420
Cash on hand	2	2
Balance per statement of cash flows	4,103	3,499

There are no restrictions on Council funds at the 30 June 2016.

Murweh Shire Council
Notes to the financial statements
For the year ended 30 June 2016

	Council	
	2016	2015
	\$	\$
9 Trade and other receivables	000's	000's
Current		
Rateable revenue and utility charges	783	799
Other debtors	568	400
Prepayments	246	305
Provision for doubtful debts	(15)	(4)
GST recoverable	90	75
	<u>1,672</u>	<u>1,575</u>
Movement in accumulated impairment losses (Provision for doubtful debts) is as follows:		
Opening balance	4	4
Amounts provided/(Impairments reversed)	11	-
Closing balance	<u>15</u>	<u>4</u>

Interest is charged on outstanding rates at a rate of 9.5% 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.

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

	2016	2015
	\$000	\$000
Not past due	429	876
Past due 31-60 days	99	4
Past due 61-90 days	2	1
More than 90 days	38	393
Impaired	(15)	(4)
Total	<u>553</u>	<u>1,270</u>

Murweh Shire Council
Notes to the financial statements
For the year ended 30 June 2016

10 Property, plant and equipment

Council - 30 June 2016

	Land	Parks	Aerodrome landing strip	Road, drainage and bridge network	Buildings and other structures	Plant and equipment	Water and sewerage infrastructure	Work in progress	Total
Basis of measurement									
Asset values									
Opening gross value as at 1 July 2015	4,430	1,516	10,154	228,641	55,219	15,863	39,839	341	356,003
Additions				1,817	341	1,089	110		3,357
Disposals						(621)			(621)
Revaluation adjustment to asset revaluation surplus	1,114	264	135	177	5,710		(1912)		5,488
Transfers between classes									
Work in progress - net movement								2,850	2,850
Closing gross value as at 30 June 2016	5,544	1,780	10,289	230,635	61,270	16,331	38,037	3,191	367,077

Note

15

Accumulated depreciation and impairment

Opening balance as at 1 July 2015	0	287	1,460	29,716	11,382	9,266	8,973	0	61,084
Depreciation provided in period		22	183	2,587	969	737	403		4,901
Transfers between classes									
Depreciation on disposals						(390)			(390)
Revaluation adjustment to asset revaluation surplus									
Accumulated depreciation as at 30 June 2016	-	309	1,643	32,303	12,351	9,613	9,376	-	65,595

15

Total written down value as at 30 June 2016

	5,544	1,471	8,646	198,332	48,919	6,718	28,661	3,191	301,482
Land: Not depreciated		10 - 45	15 - 120	15-200	10 - 200	5 - 20	10 - 200	WIP: Not depreciated	

Range of estimated useful life in years

Additions comprise

Renewals	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Other additions	-	-	-	1,781	232	13	110		2,136
Totals	-	-	-	36	109	1,076	-	-	1,221
	-	-	-	1,817	341	1,089	110	-	3,357

Murweh Shire Council
Notes to the Financial Statements
For the year ended 30 June 2016

Council - 30 June 2015

Basis of measurement Asset values	Land		Parks		Aerodrome landing strip		Road, drainage and bridge network		Buildings and other structures		Plant and equipment		Water and sewerage infrastructure		Work in progress		Total	
	Fair value \$'000	Fair value \$'000	Fair value \$'000	Fair value \$'000	Fair value \$'000	Fair value \$'000	Fair value \$'000	Fair value \$'000	Fair value \$'000	Fair value \$'000	Cost \$'000	Fair value \$'000	Cost \$'000	Fair value \$'000	Cost \$'000	Fair value \$'000		
Opening gross value as at 1 July 2014	4,430	1,452	9,856	172,695	54,007	16,676	26,166	83	285,365									
Additions	-	76	-	1,576	594	395	76	-	2,717									
Disposals	-	-	-	-	-	(566)	-	-	(566)									
Revaluation adjustment to asset revaluation surplus	-	-	298	54,427	-	-	13,597	-	68,322									
Transfer between classes	-	(12)	-	(57)	618	(642)	-	-	(93)									
Work in progress - net movement	-	-	-	-	-	-	-	-	-									
Closing gross value as at 30 June 2015	4,430	1,516	10,154	228,641	55,219	15,863	39,839	258	356,003									
Accumulated depreciation and impairment																		
Opening balance as at 1 July 2014	-	244	1,867	75,288	10,311	9,444	15,077	-	112,231									
Depreciation provided in period	-	47	170	2,568	779	535	507	-	4,606									
Depreciation on disposals	-	-	-	-	-	(390)	-	-	(390)									
Revaluation adjustment to asset revaluation surplus	-	-	(577)	(48,083)	-	-	(6,610)	-	(55,270)									
Transfers between classes	-	(4)	-	(57)	292	(323)	(1)	-	(93)									
Accumulated depreciation as at 30 June 2015	-	287	1,460	29,716	11,382	9,266	8,973	-	61,084									
Total written down value as at 30 June 2015	4,430	1,229	8,694	198,925	43,837	6,597	30,866	341	294,919									
Range of estimated useful life in years	Land: Not depreciated.	10-45	15-120	10-120	10-100	5-20	10-140											
																		WIP: Not depreciated.

11 Fair Value Measurements

(i) Recognised fair value measurements

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

- Land
- Parks
- Aerodrome landing strips
- Road, drainage and bridge network
- Building and other structures
- Water and sewerage infrastructure

Council does not measure any liabilities at fair value on a non recurring basis.

Council borrowings are measured at amortised cost with interest recognised in profit or loss when incurred. The fair value of borrowings disclosed in note 13 is provided by the Queensland Treasury Corporation and represents the contractual undiscounted cash flows at balance date (level 2).

The carrying amounts of trade receivables and trade payables are assumed to approximate their fair values due to their short-term nature (level 2).

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 for the asset or liability (level 2)
- Fair value based on unobservable inputs for the asset and liability (level 3)

The following table categorises fair value measurements as either level 2 or level 3 in accordance with AASB 13. Council does not have any assets or liabilities measured at fair value which meet the criteria for categorisation as level 1.

The fair values of the assets are determined using valuation techniques which maximise the use of observable data, where it is available, and minimise the use of entity specific estimates. If all significant inputs required to fair value an asset are observable, the asset is included in level 2. If one or more of the significant inputs is not based on observable market data, the asset is included in level 3. This is the case for Council infrastructure assets, which are of a specialist nature for which there is no active market for similar or identical assets. These assets are valued using a combination of observable and unobservable inputs.

This table presents the Council's assets measured and recognised at fair value at 30 June 2016.

Council	Note	Level 2		Level 3		Totals	
		(Significant other observable inputs)		Significant unobservable inputs			
As at 30/6/2016		2016 \$000	2015 \$000	2016 \$000	2015 \$000	2016 \$000	2015 \$000
Recurring fair value measurements							
Land	10	5,544	4,430		-	5,544	4,430
Parks	10	-	-	1,471	1,254	1,471	1,254
Aerodrome landing strips	10	-	-	8,646	8,694	8,646	8,694
Roads, bridges and drainage	10	-	-	198,335	198,926	198,335	198,926
Buildings	10	-	-	-	-	-	-
Council / Recreational		-	-	44,414	43,124	44,414	43,124
Residential / Commercial		4,508	377	-	-	4,508	377
Water and sewerage	10	-	-	28,661	30,864	28,661	30,864
Totals		10,052	4,807	281,527	282,862	291,579	287,669

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

Specific valuation techniques used to value Council assets comprise:

Land (level 2)

Land fair values were determined by independent valuer, APV Valuers and Asset Management effective 1 July 2015. Level 2 valuation inputs were used to value all land. 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 are price per square metre.

Buildings (level 2)

Council's non-specialised level 2 building assets consist of aged care residential premises and two commercial properties and their fair value was determined by independent valuer, APV Valuers and Asset Management effective 1 July 2015. The fair value of the aged care properties has been derived from sales prices of comparable properties after adjusting for differences in key attributes such as property size. The most significant inputs into this valuation approach are price per square metre.

Commercial properties have been generally derived using a combination of sales direct comparison approach and capitalisation of income approach. Fair value has been derived from sales prices of comparable properties after adjusting for differences in key attributes such as property size. The most significant inputs into this valuation approach are rental yields and price per square metre.

Buildings (level 3)

The fair value of Council's specialised level 3 buildings were also determined by independent valuer, APV Valuers and Asset Management effective 1 July 2015.

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

The notes following under the heading of Recurring Fair Value Measurements apply equally to Specialised Buildings (level 3)

Infrastructure assets (level 3)

All infrastructure assets were fair valued using written down current replacement cost. This valuation comprises the assets current replacement cost (CRC) less accumulated depreciation calculated on the basis of such cost to reflect the already consumed or expired future economic benefits of the asset. Council first determined the gross cost of replacing the full service potential of the asset and adjusted this amount to take account of the expired service potential of the asset.

CRC was measured by reference to the lowest cost at which the gross future economic benefits of the asset could currently be obtained in the normal course of business. Where existing assets were over designed, had excess capacity, or were redundant an adjustment was made so that the resulting valuation reflected the cost of replacing the existing economic benefits based on an efficient set of modern equivalent assets to achieve the required level of service output within the Council's planning horizon.

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

The last full valuation of Council's infrastructure assets was undertaken by independent valuer, APV Valuers and Asset Management effective 1 July 2014 with a desk top revaluation carried out 1 July 2015. Infrastructure assets include roads, bridges, stormwater and flood mitigation, aerodrome landing strips, water and sewerage.

(i) Recurring fair value measurements

Specialised Buildings and Infrastructure Assets

Valuation techniques - the Cost Approach

As this method is based on determining the Current Replacement Cost the valuation methodology is intrinsically linked to the concept of Depreciation as defined in the Australian Accounting Standards. Fair value measures the relative level of remaining service potential embodied within the asset whereas depreciation expense measures the rate of consumption of the service potential.

In accordance with the depreciation requirements of AASB 116, "complex assets" are componentised and depreciated separately. "This included separating out the short-term part of a component from the long life (recyclable) part". All assets above the revaluation threshold are componentised.

To determine the Current Replacement Cost the following process was applied:

(i) Determination of the Replacement Cost (Gross)

(ii) Assessment of the level of remaining service potential of the Depreciable Amount using a Consumption Rating Scoring matrix. This provides an objective scoring method that considers both the holistic factors (functionality, capacity, utilisation, obsolescence) and component specific factors such as physical condition and maintenance history.

Components

Infrastructure assets valued using the cost approach have been componentised. The components have been determined based on the relative materiality of the cost and that each typically reflects a different useful life or pattern of consumption.

Valuation Inputs

The key valuation inputs used to determine the Current Replacement Cost were:-

(i) Gross replacement cost based on actual dimensions and unit rates derived from market evidence.

(ii) Split between short-life and long-life (recyclable) parts of each component based on consideration of likely future asset management treatment.

(iii) Pattern of consumption based on expected pattern of consumption of the future economic benefit embodied within the asset. Takes into account physical degradation as well as the potential impact of changes in functionality, capacity, obsolescence and other limits.

(iv) Consumption score based on physical characteristics as well as potential impact of changes in functionality, capacity, obsolescence and other limits.

Pattern of Consumption

In accordance with AASB 116 Property, Plant and Equipment depreciation is based on the most appropriate pattern of consumption. The patterns selected were based on developing an understanding of the factors which would impact the consumption of future economic benefit. Consideration was also given to the level of assurance that could be assigned to the estimated useful life based on the expected life of the asset and the potential level of variation of the likely useful life.

Consumption Score

In order to assess the level of remaining service potential the following Consumption Scoring System was applied.

Phase points	Description
0H - 0M	New or very good condition - very high level of remaining service potential.
1H - 1M	Not new but in very good condition with no indications of any future obsolescence and providing a high level of remaining service potential.
2H - 2M	Aged and in good condition, providing an adequate level of remaining service potential. No signs of immediate or short term obsolescence.
3H - 3M	Providing an adequate level of remaining service potential but there are some concerns over the assets ability to continue to provide an adequate level of service on the short to medium term. May be signs of obsolescence in the short to medium term.
4H - 4M	Indicators showing the need for renewal, upgrade or scrap in near future. Should be reflected by inclusion in the Capital Works Plan to renew or replace in short-term.
5H - 5M	At intervention point. No longer providing an acceptable level of service. If remedial action is not taken immediately the asset will need to be closed or decommissioned.
6 - end of life	Theoretical end of life.

The "H" denotes the top rating of the range and the "M" denotes the midpoint of the range.

All network infrastructure assets were valued using level 3 valuation inputs using the cost approach.

This approach estimated the replacement cost for each asset by componentising the assets into significant parts with different useful lives and taking into account a range of factors.

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

(ii) Non-recurring fair value measurements

The Valuation Process

The Council engages external, independent and qualified valuers to determine the fair value of its infrastructure assets at least every five years as per Council policy. An annual assessment is undertaken to determine whether the carrying amount of the assets is materially different from the fair value. If any variation is considered material a revaluation is undertaken either by comprehensive revaluation or by applying an interim revaluation using appropriate indices.

Changes in level 2 and 3 fair values are analysed at the end of each reporting period and discussed between the Directors of Corporate Services and Engineering and with the Finance Manager. As at 1 July 2014 a comprehensive revaluation was undertaken for all infrastructure assets by APV Valuers and Asset Management. A desk top revaluation was carried out 1 July 2015.

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

Asset Condition

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

To provide assurance over the accuracy of this information and taking into account the cost-benefit of undertaking physical inspections the valuation has been delivered on the basis of a sampling approach of approximately 10% of each of the asset types where the data held in the system is verified by a physical inspection. Whilst the above approach, combined with internal controls associated with the asset management system, provides a high level of comfort over the condition of the data held in the asset management system it does not provide a guarantee that all the data is correct and the condition as recorded is valid as at the date of valuation.

Relationship between asset consumption rating scale and the level of consumed service potential

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.

Changes in fair value measurements using significant unobservable inputs (level 3)

The changes in level 3 assets with recurring fair value measurements are detailed in note 10 (property, plant and equipment). However, since the non specialised buildings disclosed in that note comprise both level 2 and 3 assets, the movement in level 3 non specialised buildings is detailed below. There have been no transfers between level 1, 2 or 3 measurements during the year.

Changes in non-specialised buildings (level 3)	\$
	000's
Opening gross value as at 1 July 2015	53,887
Additions	3,960
Revaluation adjustment to asset revaluation surplus	1,376
Transfer between asset classes	(3,960)
Closing gross value as at 30 June 2016	55,263
Accumulated depreciation and impairment	
Opening balance as at 1 July 2015	10,763
Depreciation provided for in period	86
Revaluation adjustment to asset revaluation surplus	-
Transfer between asset classes	
Accumulated depreciation as at 30 June 2016	10,849
Book value as at 30 June 2016	44,414



	2016	2015
	\$	\$
	000's	000's
12 Trade and other payables		
Current		
Creditors and accruals	590	544
Annual leave	809	832
Sick leave	247	263
Other entitlements	30	36
	<u>1,676</u>	<u>1,675</u>
13 Borrowings		
Current		
Loans - Queensland Treasury Corporation	319	438
	<u>319</u>	<u>438</u>
Non-current		
Loans - Queensland Treasury Corporation	3,248	2,561
	<u>3,248</u>	<u>2,561</u>
Loans - Queensland Treasury		
Opening balance at beginning of financial	3,000	3,531
Loan raised during year	1,000	-
Accrued interest	57	-
Principal repayments	(490)	(531)
Book value at end of financial year	<u>3,567</u>	<u>3,000</u>
Borrowings		

The QTC loan market value at the reporting date was \$4,162,715.00. This represents the value of the debt if Council repaid it at that date. As it is the intention of Council to hold the debt for its term, no provision is required to be made in these accounts for the difference between market value and carrying value at amortised cost. The interest rates range from 3.48% to 8.18% and expected final payment dates vary from June 2020 to March 2036. The loans are guaranteed by the Queensland State Government.

	0 to 1 year	1 to 5 years	Over 5 years	Total contractual cash flows	Carrying amount
	\$000	\$000	\$000	\$000	\$000
2016					
Trade and other payables	1,676	-	-	1,676	1,676
Loans - QTC	537	2,001	2,287	4,825	4,825
Finance leases	-	-	-	-	-
	<u>2,213</u>	<u>2,001</u>	<u>2,287</u>	<u>6,501</u>	<u>6,501</u>
2015					
Trade and other payables	1,674	-	-	1,674	1,674
Loans - QTC	635	1,843	1,566	4,044	4,044
Finance leases	96	-	-	96	96
	<u>2,405</u>	<u>1,843</u>	<u>1,566</u>	<u>5,814</u>	<u>5,814</u>

14	Provisions	2016 \$ 000's	2015 \$ 000's
	Current		
	Long service leave	1,234	1,145
		<u>1,234</u>	<u>1,145</u>
	Non-current		
	Long service leave	151	141
		<u>151</u>	<u>141</u>
	Long service leave		
	Balance at beginning of financial year	1,286	1,309
	Long service leave entitlement arising	164	224
	Long Service entitlement paid	(65)	(247)
	Balance at end of financial year	<u>1,385</u>	<u>1,286</u>
15	Asset revaluation surplus		
	Movements in the asset revaluation surplus were as follows:		
	Opening balances	187,964	64,370
	Net adjustment to non-current assets at end of period to reflect a change in		
	Land and improvements	1,114	0
	Buildings	5,710	0
	Parks	264	0
	Road, drainage and bridge network	177	102,511
	Water and sewerage infrastructure	(1912)	20,208
	Aerodrome landing strips	135	875
	Closing balances	<u>193,452</u>	<u>187,964</u>
	Asset revaluation surplus analysis		
	The closing balance of the asset revaluation surplus comprises the following asset categories:		
	Land	3,203	2,089
	Buildings and other structures	37,944	32,235
	Parks	412	145
	Road, drainage and bridge network	119,269	119,092
	Water and sewerage infrastructure	23,901	25,815
	Aerodrome landing strips	8,723	8,588
		<u>193,452</u>	<u>187,964</u>
16	Contingent Liabilities		
	Local Government Mutual		

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

As at 30 June 2016 the financial statements reported an accumulated surplus and it is not anticipated any liability will arise.

Local Government Workcare

The Council is a member of the Queensland local government worker's compensation self-insurance scheme, Local Government Workcare. Under this scheme the Council has provided an indemnity towards a bank guarantee to cover bad debts which may remain should the self insurance licence be cancelled and there 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 \$218,805.00.

Department of Housing and Public Works

Council has agreed through an exchange of letters to purchase the aged care facilities from the Department of Housing and Public Works for a sum of \$691,360.13 to be paid over three years as follows:

Year 1	\$180,000.00
Year 2	\$260,000.00
Year 3	\$251,360.13

As there are a number of Councils throughout Queensland going through the same process, settlement is taking longer than expected and it is now likely that the transaction will be completed during the financial year 2016/2017.

17 Superannuation

The following note is based on advice received from LGSuper on 17 February 2015.

The Council contributes to the Local Government Superannuation Scheme (Qld) (the scheme). The scheme is a Multi-employer Plan as defined in the Australian Accounting Standard AASB119 *Employee Benefits*.

The Queensland Local Government Superannuation Board, the trustee of the scheme, advised that the local government superannuation scheme was a complying superannuation scheme for the purpose of the Commonwealth Superannuation Industry (Supervision) legislation.

The scheme has three elements referred to as:

- The City Defined Benefits Fund (CDBF) which covers former members of the City Super Defined Benefits Fund.
- The Regional Defined Benefits Fund (Regional DBF) which covers defined benefit fund members working for regional local governments;
- and the Accumulation Benefits Fund

The ABF is a defined contribution scheme as defined in AASB 119. Council has no liability to or interest in the ABF other than the payment of the statutory contributions as required by the *Local Government Act 2009*.

Council does not have any employees who are members of the CDBF and, therefore, is not exposed to the obligations, assets or costs associated with this fund.

The Regional DBF is a defined benefit plan as defined in AASB119. The Council is not able to account for the Regional DBF as a defined benefit plan in accordance with AASB119 because the scheme is unable to account to the Council for its proportionate share of the defined benefit obligation, plan assets and costs. The funding policy adopted in respect of the Regional DBF is directed at ensuring that the benefits accruing to members and beneficiaries are fully funded as they fall due.

To ensure the ongoing solvency of the Regional DBF, the scheme's trustee can vary the rate of contributions from relevant local government employers subject to advice from the scheme's actuary. As at the reporting date, no changes had 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.

Any amount by which either fund is over or under funded would only affect future benefits and contributions to the Regional DBF, and is not an asset or liability of the Council. Accordingly there is no recognition in the financial statements of any over or under funding of the scheme.

As at the reporting date, the assets of the scheme are sufficient to meet the vested benefits.

The most recent actuarial assessment of the scheme was undertaken as at 1 July 2015. The actuary indicated that "the Regional DBF is currently in a satisfactory but modest financial position and remains vulnerable to adverse short and medium term experience."

Following the previous actuarial assessment in 2009, councils were advised by the trustee of the scheme, following advice from the scheme's actuary, that additional contributions may be imposed in the future at a level necessary to protect the entitlements of Regional DBF members. In the 2012 actuarial report the actuary has recommended no change to the employer contribution levels at this time.

Under the Local Government Act 2009 the trustee of the scheme has the power to levy additional contributions on councils which have employees in the Regional DBF when the actuary advises such additional contributions are payable - normally when the assets of the DBF are insufficient to meet members' benefits.

There are currently 72 entities contributing to the Regional DBF plan and any changes in contribution rates would apply equally to all 72 entities. Murweh Council made less than 4% of the total contributions to the plan in the 2015-16 financial year.

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

The amount of superannuation contributions paid by Council to the scheme in the period for the benefit of employees was:

2016	2015
\$	\$
000's	000's
788	786

18 Trust funds held for outside parties

Monies collected or held on behalf of other entities yet to be paid out to or on behalf of those entities

112	95
-----	----

Funds held in the trust account on behalf of outside parties include those funds from the sale of land for arrears in rates, deposits for the contracted sale of land, security deposits lodged to guarantee performance and unclaimed monies (e.g. wages) paid into the trust account by the Council. The Council performs only a custodian role in respect of these monies and because the monies cannot be used for Council purposes, they are not considered revenue nor brought to account in the financial statements.

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

Net operating result	1,080	(2,100)
Non-cash operating items:		
Depreciation and amortisation	4,901	4,606
	<u>4,901</u>	<u>4,606</u>
Investing and development activities:		
Net (profit)/loss on disposal of non-current assets	52	73
Capital grants and contributions	(3,642)	(927)
	<u>(3,590)</u>	<u>(854)</u>
Changes in operating assets and liabilities:		
(Increase)/ decrease in receivables	(224)	4,770
(Increase)/decrease in inventory	29	12
Increase/(decrease) in payables	216	(3,429)
Increase/(decrease) in provisions	11	(23)
	<u>32</u>	<u>1,330</u>
Net cash inflow / (outflow) from operating activities	<u>2,423</u>	<u>2,982</u>

20 Events after the reporting period

There were no material adjusting events after the balance date.

21 Financial instruments

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

- credit risk
- liquidity risk
- market risk

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

Financial risk management

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

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

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

Murweh Shire 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 Murweh Shire Council.

Cash and cash equivalents

The Council may be exposed to credit risk through its investments in the QTC Cash Fund. 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.

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.

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.

Murweh Shire Council is exposed to liquidity risk through its normal course of business and through its borrowings with QTC.

Council manages its exposure to liquidity risk by maintaining sufficient undrawn facilities, both short and long term, to cater for unexpected volatility in cash flows.

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

Murweh Shire Council is exposed to interest rate risk through investments and borrowings with QTC.

The 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.

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

	Net carrying amount \$000	Effect on Profit		Effect on Equity	
		1% increase \$000	1% decrease \$000	1% increase \$000	1% decrease \$000
Council 2016					
QTC cash fund	3,177	32	(32)	34	(34)
Loans - QTC	(3,567)	(36)	36	(30)	30
Net total	(390)	(4)	4	4	(4)
2015					
QTC cash fund	3,420	34	(34)	34	(34)
Loans - QTC	(3,000)	(30)	30	(30)	30
Net total	420	4	(4)	4	(4)

Fair value

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

The fair value of borrowings with QTC is based on the market value of debt outstanding. The market value of a debt obligation is the discounted value of future cash flows based on prevailing market rates and represents the amount required to be repaid if this was to occur at balance date. The market value of debt is provided by QTC and is disclosed in Note 13.

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.

Council

	2016		2015	
	Carrying Amount \$000	Fair Value \$000	Carrying Amount \$000	Fair Value \$000
<u>Financial assets</u>				
QTC cash fund	3,177	3,177	3,420	3,420
<u>Financial liabilities</u>				
Loans - QTC	3,567	4,162	3,000	3,520

Management Certificate
For the year ended 30 June 2016


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
- (iii) the general purpose financial statements as set out on pages 1 to 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.



Councillor A Liston
Mayor



Neil Polglase
Chief Executive Officer

Date: 12, 10, 16

Date: 12, 10, 16

INDEPENDENT AUDITOR'S REPORT

To the Mayor of Murweh Shire Council

Report on the Financial Report

I have audited the accompanying financial report of Murweh Shire Council, which comprises the statement of financial position as at 30 June 2016, 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 certificates given by the Mayor and Chief Executive Officer.

The Council's Responsibility 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 prescribed accounting requirements identified in the *Local Government Act 2009* and *Local Government Regulation 2012*, including compliance with Australian Accounting Standards. The Council's responsibility also includes such internal control as the Council determines is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on the financial report based on the audit. The audit was conducted in accordance with the *Auditor-General of Queensland Auditing Standards*, which incorporate the Australian Auditing Standards. Those standards require compliance with relevant ethical requirements relating to audit engagements and that the audit is planned and performed to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view 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 entity's internal control, other than in expressing an opinion on compliance with prescribed requirements. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Council, as well as evaluating the overall presentation of the financial report.

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

Independence

The *Auditor-General Act 2009* promotes the independence of the Auditor-General and all authorised auditors. The Auditor-General is the auditor of all Queensland public sector entities and can be removed only by Parliament.

The Auditor-General may conduct an audit in any way considered appropriate and is not subject to direction by any person about the way in which audit powers are to be exercised. The Auditor-General has for the purposes of conducting an audit, access to all documents and property and can report to Parliament matters which in the Auditor-General's opinion are significant.

Opinion

In accordance with s.40 of the *Auditor-General Act 2009* –

- (a) I have received all the information and explanations which I have required; and
- (b) in my opinion -
 - (i) the prescribed requirements in relation to the establishment and keeping of accounts have been complied with in all material respects; and
 - (ii) the financial report presents a true and fair view, in accordance with the prescribed accounting standards, of the financial performance and cash flows of Murweh Shire Council for the financial year 1 July 2015 to 30 June 2016 and of the financial position as at the end of that year.

Other Matters - Electronic Presentation of the Audited Financial Report

Those viewing an electronic presentation of these financial statements should note that audit does not provide assurance on the integrity of the information presented electronically and does not provide an opinion on any information which may be hyperlinked to or from the financial statements. If users of the financial statements are concerned with the inherent risks arising from electronic presentation of information, they are advised to refer to the printed copy of the audited financial statements to confirm the accuracy of this electronically presented information.



J MACGREGOR CPA
(as Delegate of the Auditor-General of Queensland)



Queensland Audit Office
Brisbane

Murweh Shire Council
Current-year Financial Sustainability Statement
For the year ended 30 June 2016

Council's performance at 30 June 2016 against key financial ratios and targets:

	<u>How the measure is calculated</u>	<u>Actual</u>	<u>Target</u>
Operating surplus ratio	Net result (excluding capital items) divided by total operating revenue (excluding capital items)	(14.2%)	Between 0% - 10%
Asset sustainability ratio	Capital expenditure on the replacement of assets (renewals) divided by the depreciation expense	44%	Greater than 90%
Net financial liabilities ratio	Total liabilities less current assets divided by total operating revenue (excluding capital items)	3.3%	Not greater than 60%

Note 1 Basis of preparation

The current 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 2016.

Certificate of Accuracy
For the year ended 30 June 2016

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.

Councillor A Liston

Mayor

A Liston

Date: 12, 10, 16

Neil Polglase

Chief Executive Officer

N Polglase

Date: 12, 10, 16

QAO
certified statements

INDEPENDENT AUDITOR'S REPORT

To the Mayor of Murweh Shire Council

Report on the Current-Year Financial Sustainability Statement

I have audited the accompanying current-year financial sustainability statement, which is a special purpose financial report of Murweh Shire Council for the year ended 30 June 2016, comprising the statement and explanatory notes, and certificates given by the Mayor and Chief Executive Officer.

The Council's Responsibility 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 Responsibility

My responsibility is to express an opinion on the current-year financial sustainability statement based on the audit. The audit was conducted in accordance with the *Auditor-General of Queensland Auditing Standards*, which incorporate the Australian Auditing Standards. Those standards require compliance with relevant ethical requirements relating to audit engagements and that the audit is planned and performed to obtain reasonable assurance about whether the statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the statement. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Council's preparation and fair presentation of the statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Council's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Council, as well as evaluating the overall presentation of the statement.

My responsibility is to form an opinion as to whether the statement has been accurately calculated based on the Council's general purpose financial report. 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.

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

Independence

The *Auditor-General Act 2009* promotes the independence of the Auditor-General and all authorised auditors. The Auditor-General is the auditor of all Queensland public sector entities and can be removed only by Parliament.

The Auditor-General may conduct an audit in any way considered appropriate and is not subject to direction by any person about the way in which audit powers are to be exercised. The Auditor-General has for the purposes of conducting an audit, access to all documents and property and can report to Parliament matters which in the Auditor-General's opinion are significant.

Opinion

In accordance with s.212 of the *Local Government Regulation 2012*, in my opinion, in all material respects, the current-year financial sustainability statement of Murweh Shire Council, for the year ended 30 June 2016, has been accurately calculated.

Emphasis of Matter – Basis of Accounting

Without modifying my opinion, attention is drawn 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.

Other Matters - Electronic Presentation of the Audited Statement

Those viewing an electronic presentation of this special purpose financial report should note that audit does not provide assurance on the integrity of the information presented electronically and does not provide an opinion on any information which may be hyperlinked to or from the financial statements. If users of the financial statements are concerned with the inherent risks arising from electronic presentation of information, they are advised to refer to the printed copy of the audited financial statements to confirm the accuracy of this electronically presented information.



J MACGREGOR CPA
(as Delegate of the Auditor-General of Queensland)



Queensland Audit Office
Brisbane

Murweh Shire Council
Long-term Financial Sustainability Statement
For the year ended 30 June 2016

Council's budgeted performance against key financial ratios and targets - 2017 to 2026

	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Year ending 30 June 2016										
Operating surplus ratio	Net result divided by total revenue	(15%)	(12%)	(9%)	(6%)	(2%)	(1%)	2%	4%	5%
	<u>Target</u> Between 0% - 10%									
Asset sustainability ratio	Capital expenditure on the replacement of assets (renewals) divided by the depreciation expense.	45%	56%	61%	69%	75%	81%	90%	94%	96%
Net financial liabilities ratio	Total liabilities less current assets divided by total operating revenue	3.7%	3.7%	3.6%	3.0%	3.3%	3.4%	3.2%	3.1%	3.5%
	Not greater than 60%									

Murweh Shire 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 2016

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.

**Councillor A Liston
Mayor**



Date: 12, 10, 16



**Neil Polglase
Chief Executive Officer**

Date: 12, 10, 16