

# Murweh Shire Council

# Annual Report

2016-2017



# **Murweh Shire Council**

## **Annual Report 2016-2017**

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- Mayor's Message
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## Message from the Mayor

Federal and State Government funding commitments delivered a major injection of funds to Council this financial year enabling much needed infrastructure upgrade projects to take place.

State Government commitments to Rural and Remote Councils under both the \$200M Works 4 Queensland program and the \$40M Western Roads Upgrade program has provided a welcomed economic stimulus to the region still extremely affected by the crippling drought conditions.

The dismantling of the four years indexation freeze on the Financial Assistance Grants from the Federal Government is a welcome result which will see increased revenue to Council in the 2017-2018 budget year.

Net Surplus Result of \$8.5M is most pleasing and largely attributable to the above factors with Council receiving \$1.4M from the Works 4 Queensland program and \$3M from the Western Roads Upgrade program, although Council also took on an ambitious capital works program with some of the infrastructure upgrade projects requiring Council own source revenue to complete them.

Highlights of these projects in the 2016-2017 financial year include –

Finalisation Charleville Airport Terminal Upgrade	\$2.7 M
Refurbishment Cosmos Centre	\$550K
Upgrade Charleville Showground Lighting	\$357K
Levee Bank Remediation	\$400K
New Town Bore – Charleville	\$562K
<u>Roadworks</u>	
Diamantina Development Road Widening	\$2.9M
Biddenham Road	\$1.7M
Mt. Tabor Road	\$350K
Laguna Road	\$277K
Charleville Streets – Reseals	\$600K
Rural Roads Maintenance	\$1.2M
Town Street Maintenance	\$1.1M
Flood Damage Repairs	\$1.2M
Plant & Equipment Replacement	\$883K

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

It is appropriate that I take this opportunity to thank my Deputy Mayor, Cr. Peter Alexander and Councillors Robert Eckel, Shaun Radnedge and Lyn Capewell for their assistance and support throughout the year.

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

This year has seen the appointment of two new Directors in Mr Paul O' Connor as the Director of Engineering Services and Mr Ken Timms as the Director Corporate Services and welcome both Paul and Ken to the organisation.

Another structural change to the organisation this year was the appointment of a Human Resources Officer, so would also like to welcome Ms Kerry-Ann Reading to this position.

This appointment has been opportune given that Council will be entering into enterprise bargaining agreements in the new financial year and the confirmation of the new local government award which commenced in March of this year.

Increased infrastructure expenditure has been undertaken through opportunities provided to Council by additional funding support from both the Federal and State Governments. This additional revenue is most welcomed and congratulate our Economic Development Officer in the success of the various submissions placed.

Our region is still in the grip of a prolonged drought with council undertaking only a modest increase in rates and charges around 2% being slightly above the CPI indexation.

Strong financial net result depicted in the financial statement reflecting a surplus of \$8.5M is due largely to some delay in capital works completions and the increased revenue from grants and subsidies provided from the Federal and State Government. As projects become completed, monitoring of revenues and expenditures will need to be continued to offset expected deficiencies due to limited own source revenues. Sustainability of council 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.

A wide range of statutory compliance issues were met during the year and again proud to provide a further unqualified audit opinion for the thirteenth 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.

*N W Polglase*  
Chief Executive Officer.



## Community Financial Report

The community financial report aims to simplify Council's official financial statements by providing a visual representation of our financial performance for the period 1 July 2016 to 30 June 2017.

Each report in Council's financial statements provides information on a specific aspect of our financial performance, with the statements collectively providing a profile of the financial performance and wealth of Council.

This community financial report consists of four key statements:

1. **Statement of Comprehensive Income** which measures how Council performed in relation to income and expenses during the financial year. This statement illustrates how money received from Council operations is spent.

Council achieved an operating surplus in the financial year 2016/17 of \$1.9 million compared with 2015/16 negative result of \$2.5 million. The positive result is attributed mainly to the Financial Assistance Grant 2017/18 received in advance of \$3.3 million, initial payment received on flood damage works of \$912,974 and from margin gained through recoverable works. Employee benefits are in line with prior year figures of \$6.8 million. Materials and services have increased by \$3.4 million due to costs incurred to the recoverable works completed in 2016/17.

Revenue	2016-2017	2015-2016
	\$ '000	\$ '000
Rates, Levies and Charges	6,210	6,084
Fees and Charges	1,038	1,206
Interest & Investment Revenue	160	216
Grants & Contributions - Operating	12,480	6,934
Sales & Recoverable Works	5,858	3,279
<b>Total Revenue</b>	<b>25,746</b>	<b>17,719</b>
<b>Expenses</b>		
Employee Benefits	6,822	6,818
Materials and Services	11,682	8,282
Finance Costs	242	228
Depreciation and Amortisation	5,003	4,901
<b>Total Expenses</b>	<b>23,749</b>	<b>20,229</b>
<b>Operating Surplus/(Deficit)</b>	<b>1,997</b>	<b>(2,510)</b>
Capital Grant	6,570	3,642
Capital Expenses	54	52
<b>Net Result</b>	<b>8,513</b>	<b>1,080</b>

## Revenue Sources - Where does our money come from?

Throughout the 2016/17 financial year, Council earned \$25.7 million in operating revenues. The most significant contributors to revenue include:

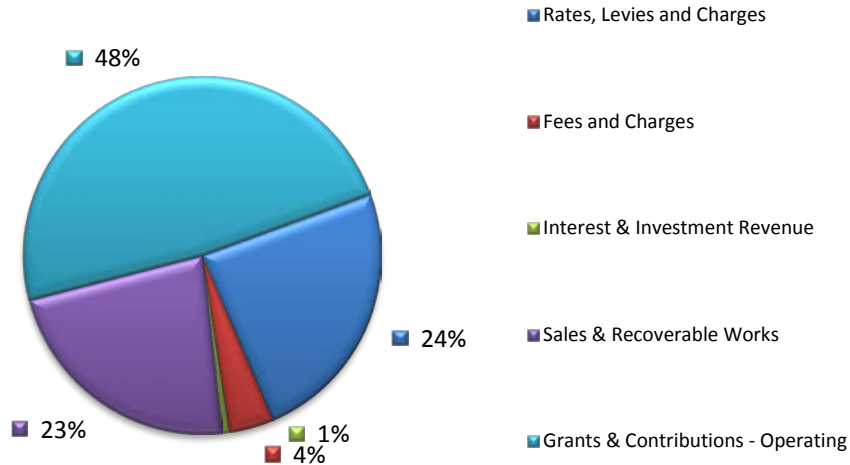
- Operational grants, subsidies contributions and donations \$12.4 million
- Rates, levies and utility charges \$6.2 million

- Recoverable works

\$5.8 million

48% of total revenue comes from operating grants and subsidies which includes the Financial Assistance Grants of \$9.8 million.

### Operating Revenue 2016-2017



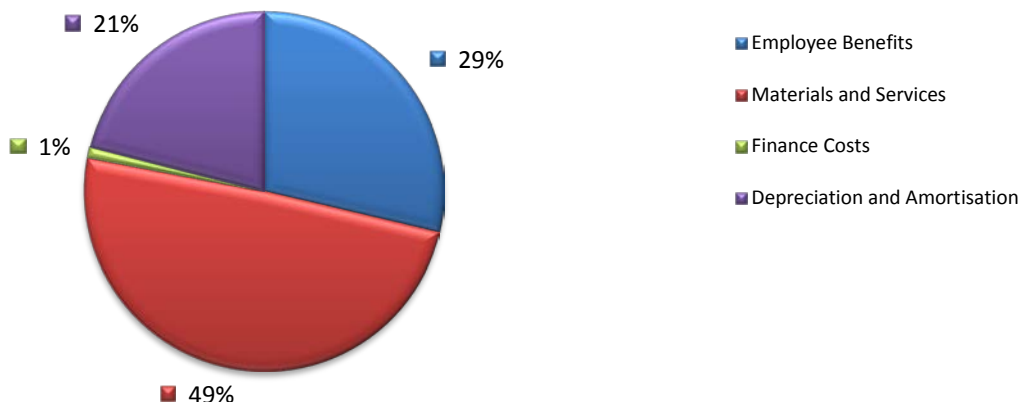
### Operating Expenses – Where does our money go?

Council incurs operating expenses in the provision of goods and services to our community.

Key Operating expenses during the 2016/17 financial year were:

- Employee benefits \$6.8 million
- Materials and services \$11.7 million

### Operating Expenses 2016-2017



2. **Statement of Financial Position** measures what we own (our assets), what we owe (our debts) and our net worth at the end of the financial year 30 June 2017.

#### Total Assets – What we own

The major components of our assets include:

- Property, plant and equipment \$305.9 million
- Cash \$5.3 million
- Trade and other receivables & inventories of \$5.5 million

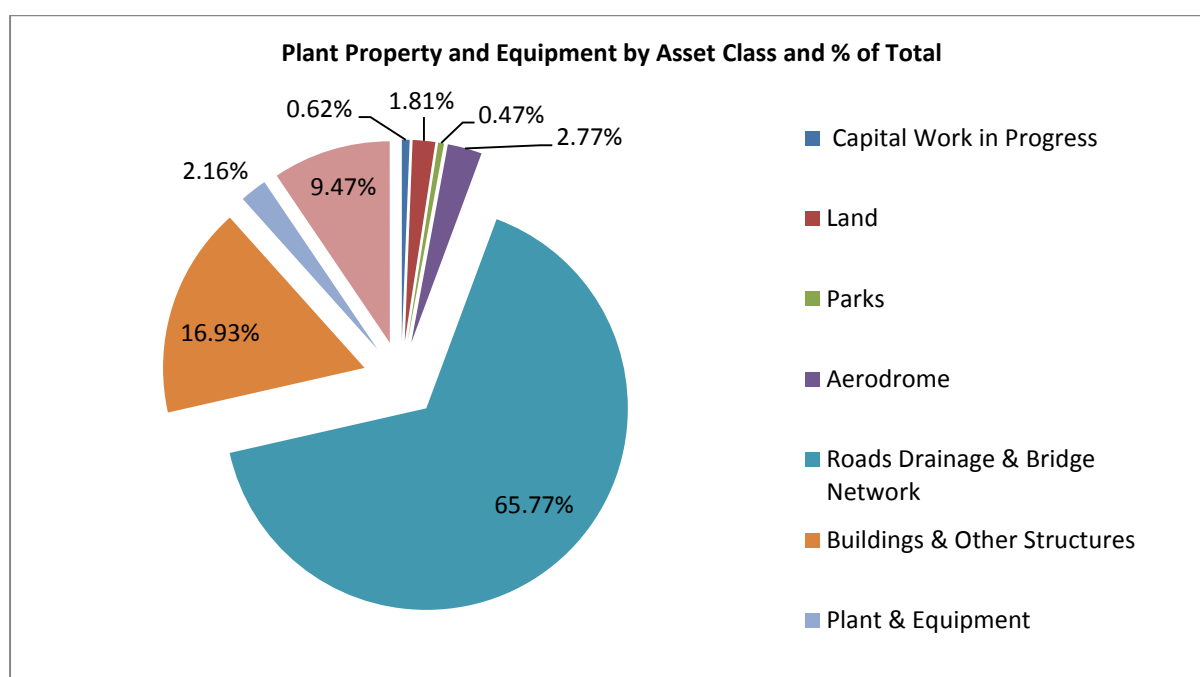
Total Liabilities – What we owe

The major components of our liabilities include:

- Loans \$3.2 million
- Trade & other payables total of \$4.0 million

During the financial year, total borrowings from Queensland Treasury Corporation went down by \$320,000.

**Council Plant Property & Equipment at 30 June 2017 is illustrated in the pie graph below:**



As shown in the above graph, road network assets represents 66% of Council's total assets followed by buildings and other structures of 17%.

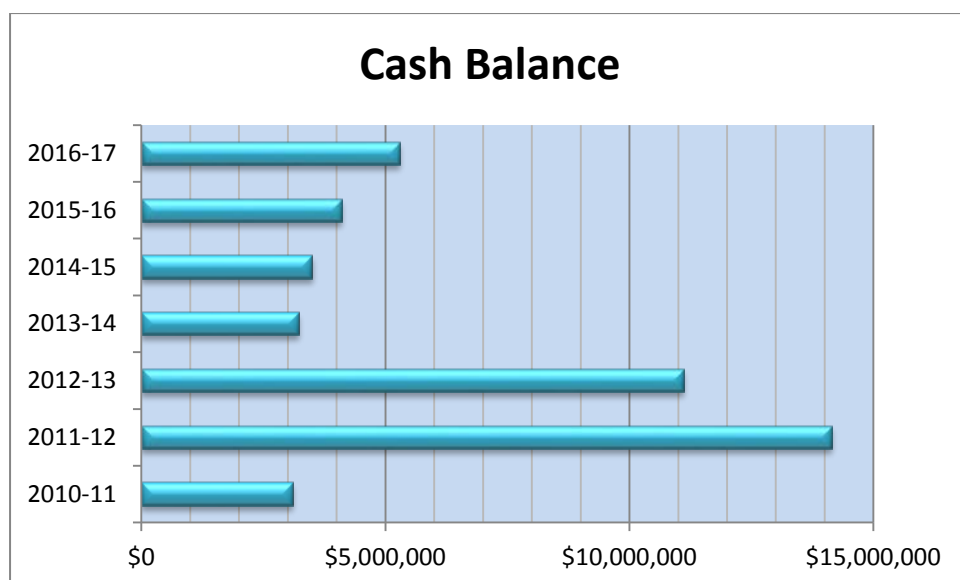
3. **Statement of Changes in Equity:** The statement of changes in equity measures the changes in our net wealth and shows the movements in our retained earnings and asset revaluation reserves. In the 2016/17 financial year our net worth increased by \$8.6 million. The increase is predominantly as a result of the completion of the new airport terminal, cosmos upgrade, showground lighting in Charleville, water bore and various road capital projects.
4. **Statement of Cash Flows.** This statement outlines how much cash we received and spent throughout the year. The closing balance reflects how much cash Council had at year end.



The table below shows a comparison of how much we received and paid in each type of activities between 2016/17 and 2015/16 financial years.

<b>Cashflow Summary</b>	<b>2016-2017</b>	<b>2015-2016</b>
	<b>\$ '000</b>	<b>\$ '000</b>
Opening Cash Balance	4,103	3,499
Net Cashflow from Operating Activities	4,428	2,423
Net Cashflow from Investing Activities	- 2,918	- 2,394
Net Cash flow from Financing Activities	- 320	575
<b>Closing Cash Balance</b>	<b>5,293</b>	<b>4,103</b>

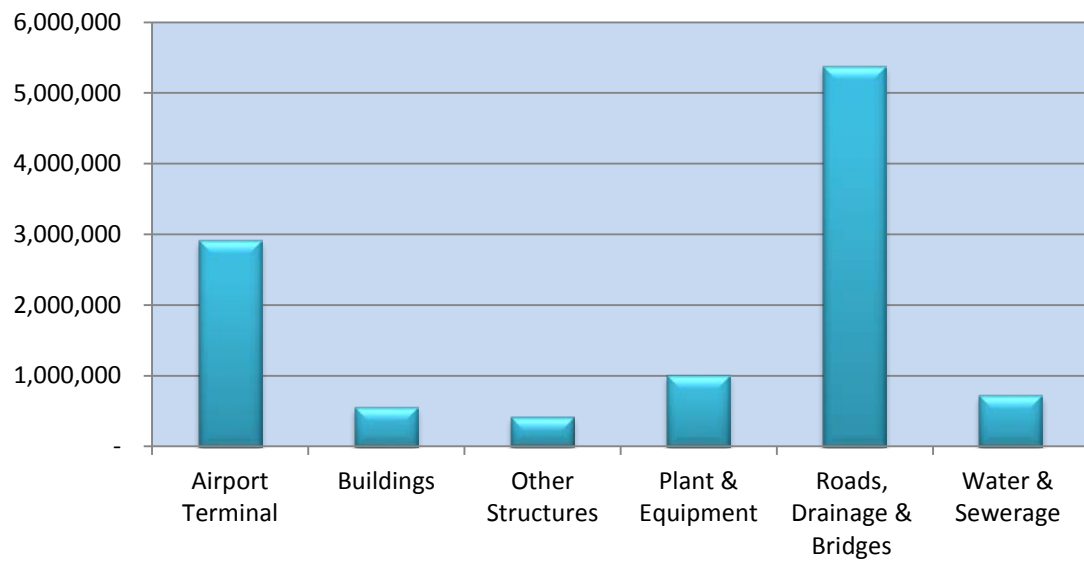
As shown in the graph below, Council's cash position in 2016/17 have improved compared to the prior year. The big spikes in 2011/12 and 2012/13 were due to the receipt of Financial Assistance Grant in advance. This prepayment ended in 2013/14 which is evident by the reduction in cash balance down to \$3.2 million.



During the financial year 2016/17, Council have completed capital projects to the value of \$10.9 million. These include the completion of the airport terminal of \$2.9 million, various road capital projects totalling \$5.3 million, water and sewerage projects of \$720,687 including water bore, buildings and other structures \$956,401 and replacement of plant and equipment to the value of \$1.0 million.

Council was able to deliver these projects with the financial assistance received from Commonwealth and State governments. In 2016/17, Council received capital grants of \$6.5 million.

## Capital Works Completed in 2016-2017



## **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
	Mayor	\$97,684.00	\$2,000.00
	Deputy Mayor	\$56,356.00	\$1,000.00
	Councillors	\$48,842.00	\$1,000.00

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 2016-2017

#### **Cr Annie Liston**

Ordinary Meetings	10
Special Meetings	1
Telephone Allowance	2,000.04
Mayor Allowance	97,683.96
Gross Income	99,683.96
Tax	37,500.00
Employee Superannuation Contribution (Salary Sacrifice)	5,981.04
Employer Superannuation Contribution	11,962.08

#### **Cr Peter Alexander**

Ordinary Meetings	11
Special Meetings	2
Telephone Allowance	999.96
Deputy Mayor Allowance	56,355.96
Gross Income	57,355.92
Tax	17,805.00
Employee Superannuation Contribution	3,441.36
Employer Superannuation Contribution	6,882.72

**Cr Robert Eckel**

Ordinary Meetings	12
Special Meetings	1
Telephone Allowance	999.96
Councillor Allowance	16,279.96
Meeting Fee Allowance	32,562.12
Gross Income	49,842.00
Tax	5,499.00
Employee Superannuation Contribution (Salary Sacrifice) & After Tax & Voluntary Super (Salary Sacrifice) & Additional Voluntary Super	27,990.48
Employer Superannuation Contribution	5,981.54

**Cr Lyn Capewell**

Ordinary Meetings	12
Special Meetings	1
Telephone Allowance	999.96
Councillor Allowance	32,562.12
Meeting Fee Allowance	16,279.92
Gross Income	49,842.00
Tax	20,741.00
Employee Superannuation Contribution	0.00
Employer Superannuation Contribution	4,923.92

**Cr Shaun Radnedge**

Ordinary Meetings	12
Special Meetings	1
Telephone Allowance	999.96
Councillor Allowance	32,562.12
Meeting Fee Allowance	16,279.92
Gross Income	49,842.00
Tax	14,749.00
Employee Superannuation Contribution	0.00
Employer Superannuation Contribution	4,606.08

Councillor remuneration and meeting attendance – 1 July 2016 to 30 June 2017

- (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 2016/2017 financial year.

**Overseas travel** (section 188 Local Government Regulation 2012)

On September 2016, Cr Annie Liston travelled to China. The purpose of the travel was to promote the region and trade export. Cr Liston was one of the delegations from a group of Councillors in the region. The cost of travel was \$5,272.73.

**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	\$125,837
Total	\$125,837

## 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.
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

Item	Description	Access
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.
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 as members.

The Council appointed the LGAQ as its provider of internal audit services up to 30 June 2017.

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 - \$200,000

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

## **Financial Statements**

For the year ended 30 June 2017



# Murweh Shire Council

## Financial statements

### For the year ended 30 June 2017

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**Murweh Shire Council**  
**Statement of Comprehensive Income**  
For the year ended 30 June 2017

	2017	2016
Note	\$	\$
	000's	000's
<b>Income</b>		
<b>Revenue</b>		
<b>Recurrent revenue</b>		
Rates, levies and charges	3(a) 6,210	6,084
Fees and charges	3(b) 1,005	1,102
Interest received	160	216
Sales revenue	3(c) 5,858	3,279
Other income	33	104
Grants, subsidies, contributions and donations	4(a) 12,480	6,934
	<u>25,746</u>	<u>17,719</u>
<b>Capital revenue</b>		
Grants, subsidies, contributions and donations	4(b) 6,570	3,642
<b>Total revenue</b>	<u>32,316</u>	<u>21,361</u>
<b>Total income</b>	<u>32,316</u>	<u>21,361</u>
<b>Expenses</b>		
<b>Recurrent expenses</b>		
Employee benefits	6 (6,822)	(6,818)
Materials and services	7 (11,682)	(8,282)
Finance costs	(242)	(228)
Depreciation and amortisation	10 (5,003)	(4,901)
	<u>(23,749)</u>	<u>(20,229)</u>
<b>Capital expenses</b>	5 (54)	(52)
<b>Total expenses</b>	<u>(23,803)</u>	<u>(20,281)</u>
<b>Net Result</b>	<u>8,513</u>	<u>1,080</u>
<b>Other comprehensive income</b>		
<b>Other comprehensive income items that will not be reclassified to net result</b>		
Increase in asset revaluation surplus	15 -	5,488
<b>Total other comprehensive income for the year</b>	<u>-</u>	<u>5,488</u>
<b>Total comprehensive income for the year</b>	<u><u>8,513</u></u>	<u><u>6,568</u></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 2017

	2017	2016
Note	\$	\$
<b>Current assets</b>	<b>000's</b>	<b>000's</b>
Cash and cash equivalents	8 5,293	4,103
Trade and other receivables	9 5,295	1,672
Inventories	261	263
<b>Total current assets</b>	<u>10,849</u>	<u>6,038</u>
<b>Non-current assets</b>		
Property, plant and equipment	10 304,009	298,298
Work in Progress	10 1,905	3,184
<b>Total non-current assets</b>	<u>305,913</u>	<u>301,482</u>
<b>Total assets</b>	<u>316,762</u>	<u>307,520</u>
<b>Current liabilities</b>		
Trade and other payables	12 2,429	1,676
Borrowings	13 351	319
Provisions	14 1,315	1,234
Unearned revenue	243	0
<b>Total current liabilities</b>	<u>4,337</u>	<u>3,229</u>
<b>Non-current liabilities</b>		
Borrowings	13 2,896	3,248
Provisions	14 125	151
<b>Total non-current liabilities</b>	<u>3,020</u>	<u>3,399</u>
<b>Total liabilities</b>	<u>7,357</u>	<u>6,628</u>
<b>Net community assets</b>	<u>309,405</u>	<u>300,892</u>
<b>Community equity</b>		
Asset revaluation surplus	15 193,452	193,452
Retained surplus	115,953	107,440
<b>Total community equity</b>	<u>309,405</u>	<u>300,892</u>

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 2017

	Asset revaluation surplus	Retained surplus	Total
Note	\$ 000's	\$ 000's	\$ 000's
<b>Balance as at 1 July 2016</b>	193,452	107,440	300,892
Net result	-	8,513	8,513
Other comprehensive income for the year			
Increase in asset revaluation surplus	15 -	-	-
<b>Total comprehensive income for the year</b>	<u>193,452</u>	<u>115,953</u>	<u>309,405</u>
<b>Balance as at 30 June 2017</b>	<u>193,452</u>	<u>115,953</u>	<u>309,405</u>
<b>Balance as at 1 July 2015</b>	187,964	106,360	294,324
Net result	-	1,080	1,080
Other comprehensive income for the year			
Increase in asset revaluation surplus	15 5,488	-	5,488
<b>Total comprehensive income for the year</b>	<u>5,488</u>	<u>1,080</u>	<u>6,568</u>
<b>Balance as at 30 June 2016</b>	<u>193,452</u>	<u>107,440</u>	<u>300,892</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 2017

	Note	2017 \$	2016 \$
		<u>000's</u>	<u>000's</u>
<b>Cash flows from operating activities</b>			
Receipts from customers		9,736	10,481
Payments to suppliers and employees		<u>(17,738)</u>	<u>(14,980)</u>
		(8,002)	(4,499)
Interest received		160	216
Finance costs		(209)	(228)
Non capital grants and contributions	4(a)	12,480	6,934
<b>Net cash inflow (outflow) from operating activities</b>	19	<u>4,428</u>	<u>2,423</u>
<b>Cash flows from investing activities</b>			
Payments for property, plant and equipment		(9,749)	(6,214)
Proceeds from sale (disposal) of property plant and equipment		261	178
Capital grants, subsidies, contributions and donations	4(b)	<u>6,570</u>	<u>3,642</u>
<b>Net cash (outflow) from investing activities</b>		<u>(2,918)</u>	<u>(2,394)</u>
<b>Cash flows from financing activities</b>			
Proceeds from borrowings		-	1,000
Repayment of borrowings and finance lease		<u>(320)</u>	<u>(425)</u>
<b>Net cash inflow (outflow) from financing activities</b>		<u>(320)</u>	<u>575</u>
Net increase in cash held		<u>1,190</u>	<u>604</u>
Cash and cash equivalents at beginning of the financial year		4,103	3,499
<b>Cash and cash equivalents at end of the financial year</b>	8	<u>5,293</u>	<u>4,103</u>

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



**Murweh Shire Council**  
**Notes to the financial statements**  
For the year ended 30 June 2017

**1 Significant accounting policies**

**1.A Basis of preparation**

These general purpose financial statements are for the period 1 July 2016 to 30 June 2017 and have been prepared in compliance with the requirements of the *Local Government Act 2009 and the Local Government Regulation 2012*.

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

These financial statements have been prepared under the historical cost convention except where stated.

**1.B Constitution**

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

**1.C Currency**

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

**1.D New and revised Accounting Standards**

This year Council has applied AASB 124 Related Party Disclosures for the first time. As a result Council has disclosed more information about related parties and transactions with those related parties. This information is presented in note 11.

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

**Standard and Impact**

**Date Council will  
apply the Standard**  
1-Jul-18

*AASB 9 Financial Instruments*

This replaces *AASB 139 Financial Instruments: Recognition and Measurement*, and will change the requirements for the classification, measurement and disclosures of financial assets.

As Council's cash investments are mainly with QTC, the revised Accounting Standard will have minimal impact to the Council future financial statements.

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

1-Jul-19

AASB 15 will replace AASB 118 Revenue, AASB 111 Construction Contracts and a number of Interpretations. AASB 2016-8 provides Australian requirements and guidance for not-for-profit entities in applying AASB 9 and AASB 15, and AASB 1058 will replace AASB 1004 Contributions. Together they contain a comprehensive and robust framework for the recognition, measurement and disclosure of income including revenue from contracts with customers.

Council is still reviewing the way that income is measured and recognised to identify whether there will be any material impact arising from these standards.

*AASB 16 Leases*

1-Jul-19

Council has some leases that are not on its balance sheet. These will need to be included on the balance sheet when this standard comes into effect. A lease liability will initially be measured at the present value of the lease payments to be made over the lease term. A corresponding right-of-use asset will also be recognised over the lease term.

**1.E Estimates and Judgements**

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

Valuation and depreciation of property, plant and equipment - Note 10

Provisions - Note 14

Contingent liabilities - Note 16

**1.F 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.G 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.

**Murweh Shire Council**  
**Notes to the financial statements**  
For the year ended 30 June 2017

**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, cemeteries, 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 2017

**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 2017	Functions	Gross program income						Total income	Gross program expenses		Total expenses	Net result from recurring operations	Net operating surplus	Assets
		Recurring		Capital		2017	2017		2017	2017				
		Grants	Other	Grants	Other									
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	
	Corporate services	8,033	4,239	2,514	-	14,786	5,979	54	6,033	6,293	8,753	76,655		
	Engineering services	4,430	5,876	4,056	-	14,362	11,802	-	11,802	(1,496)	2,560	211,172		
	Environmental Health services	17	734	-	-	751	4,125	-	4,125	(3,374)	(3,374)	(320)		
	Water & Sewerage	-	2,417	-	-	2,417	1,843	-	1,843	574	574	29,241		
	<b>Total Council</b>	<b>12,480</b>	<b>13,266</b>	<b>6,570</b>	<b>-</b>	<b>32,316</b>	<b>23,749</b>	<b>54</b>	<b>23,803</b>	<b>1,997</b>	<b>8,513</b>	<b>316,748</b>		

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		2016	2016		2016	2016				
		Grants	Other	Grants	Other									
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	
	Corporate services	5,279	4,431	410	-	10,120	5,735	52	5,787	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		
	<b>Total Council</b>	<b>6,934</b>	<b>10,785</b>	<b>3,642</b>	<b>-</b>	<b>21,361</b>	<b>20,229</b>	<b>52</b>	<b>20,281</b>	<b>(2,510)</b>	<b>1,080</b>	<b>307,520</b>		

**Murweh Shire Council**  
**Notes to the financial statements**  
For the year ended 30 June 2017

Council	
2017	2016
\$	\$
000's	000's

**3 Revenue analysis**

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

**(a) Rates, levies and charges**

Rates are recognised as revenue at the start of the rating period. If a ratepayer pays their rates before the start of the rating period, they are recognised as revenue when they are received.

General rates	3,724	3,674
Water	1,611	1,569
Water consumption, rental and sundries	73	70
Sewerage	925	903
Garbage charges	540	525
Total rates and utility charge revenue	6,873	6,741
Less: Discounts	(574)	(567)
Less: Pensioner remissions	(89)	(90)
	6,210	6,084

**(b) Fees and charges**

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

Aerodrome landing and usage fees	294	311
Aerodrome head tax	12	10
Cemetery fees	38	26
Cosmos centre entry and souvenir sales	364	412
Rental income	140	154
Town planning and building fees	45	24
Agistment fees	46	41
Water connection and inspection fees	-	3
Miscellaneous	67	121
	1,005	1,102

**(c) Sales revenue**

The sale of goods is recognised when the customer has taken delivery of the goods. Revenue from services is recognised when the service is rendered.

Revenue from contracts and recoverable works generally comprises a recoupment of material costs together with an hourly charge for use of equipment and employees. This revenue and the associated costs are recognised by reference to the stage of completion of the contract activity at the reporting date. 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. There are no contracts in progress at the year end. The contract work carried out is not subject to retentions.

Contract and recoverable works	5,858	3,279
	5,858	3,279

**Murweh Shire Council**  
**Notes to the financial statements**  
For the year ended 30 June 2017

Council	
2017	2016
\$	\$
<u>000's</u>	<u>000's</u>

**4 Grants, subsidies, contributions and donations**

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

Physical assets contributed to Council by developers in the form of road works, stormwater, water and wastewater infrastructure and park equipment are recognised as revenue when the development becomes "on maintenance" (i.e. the Council obtains control of the assets and becomes liable for any ongoing maintenance) and there is sufficient data in the form of drawings and plans to determine the approximate specifications and values of such assets. Non-cash contributions with a value in excess of the recognition thresholds are recognised as non-current assets. Those below the thresholds are recorded as expenses.

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

**(a) Recurrent**

General purpose grants	9,824	6,505
State government subsidies and grants	2,656	429
	<u>12,480</u>	<u>6,934</u>

**(b) Capital**

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

Commonwealth and State governments subsidies and grants	6,570	3,642
	<u>6,570</u>	<u>3,642</u>

**5 Capital income**

**Loss on disposal of non-current assets**

Proceeds from the sale of property, plant and equipment	262	178
Less: Book value of property, plant and equipment disposed of	(316)	(230)
Total capital expenditure	<u>(54)</u>	<u>(52)</u>

**6 Employee benefits**

Total staff wages and salaries	4,818	5,221
Councillors' remuneration	328	317
Annual, sick and long service leave entitlements	1,604	1,480
Superannuation	831	788
	<u>7,581</u>	<u>7,806</u>
Less: Capitalised employee expenses	(758)	(988)
	<u>6,822</u>	<u>6,818</u>

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

Total Council employees at the reporting date:	Number	Number
Elected members	5	5
Administration staff	50	49
Depot and outdoors staff	82	81
Total full time equivalent employees	<u>137</u>	<u>135</u>

**Murweh Shire Council**  
**Notes to the financial statements**  
For the year ended 30 June 2017

	Council	
	2017	2016
	\$	\$
	000's	000's
<b>7 Materials and services</b>		
Advertising and marketing	87	50
Audit services	59	76
Communications and IT	409	373
Contractors	136	67
Donations paid	188	178
Insurance	312	349
Staff training	103	111
Repairs and maintenance - (Including repairs to flood damaged roads)	8,977	6,590
Rental housing - operating costs	71	83
Subscriptions and registrations	97	103
Other materials and services	1,243	302
	<u>11,682</u>	<u>8,282</u>

**8 Cash and cash equivalents**

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

National Bank of Australia - operating	143	924
Queensland Treasury Corporation	5,148	3,177
Cash on hand	2	2
Balance per statement of cash flows	<u>5,293</u>	<u>4,103</u>

**9 Trade and other receivables**

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

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

Because Council is empowered under the provisions of the Local Government Act 2009 to sell an owner's property to recover outstanding rate debts, Council does not impair rate receivables.

**Murweh Shire Council**  
**Notes to the financial statements**  
For the year ended 30 June 2017

	Council	
	2017	2016
	\$	\$
	000's	000's
<b>Current</b>		
Rateable revenue and utility charges	861	783
Other debtors	4,919	568
Prepayments	176	246
Provision for doubtful debts	-	(15)
GST recoverable	-	90
	<u>5,956</u>	<u>1,672</u>
Movement in accumulated impairment losses (Provision for doubtful debts) is as follows:		
Opening balance	15	4
Impairments reversed	(15)	11
Closing balance	<u>-</u>	<u>15</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 receivables and the amount of any impairment is disclosed in the following table:

	2017	2016
	\$	\$
	000's	000's
Not past due	4,701	429
Past due 31-60 days	214	99
Past due 61-90 days	1	2
More than 90 days	3	38
Impaired	0	(15)
Total	<u>4,919</u>	<u>553</u>



**Murweh Shire Council**  
**Notes to the financial statements**  
For the year ended 30 June 2017

10 Property, plant and equipment

**Council - 30 June 2017**

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	Cost \$'000	Fair value \$'000	Cost \$'000	Fair value \$'000	Cost \$'000	
<b>Opening gross value as at 1 July 2016</b>	5,544	1,780	10,289	230,640	61,270	16,333	38,037								3,184	9,749	367,077
Additions																	
Disposals											(993)						(993)
Revaluation adjustment to asset revaluation surplus																	
Transfers between classes				5,375	3,869	1,065	721								(11,030)		0
Work in progress - net movement																	0
<b>Closing gross value as at 30 June 2017</b>	5,544	1,780	10,289	236,015	65,139	16,405	38,758								1,903	9,749	375,832

Note

15

**Accumulated depreciation and impairment**

Opening balance as at 1 July 2016	0	309	1,643	32,303	12,351	9,613	9,376	0										65,595
Depreciation provided in period		22	183	2,526	985	877	409											5,003
Transfers between classes																		0
Depreciation on disposals											(678)							(678)
Revaluation adjustment to asset revaluation surplus																		0
<b>Accumulated depreciation as at 30 June 2017</b>	0	331	1,826	34,829	13,336	9,812	9,785	0							0			69,920

15

**Total written down value as at 30 June 2017**

	5,544	1,449	8,463	201,186	51,803	6,593	28,972	1,903										305,913
Land: Not depreciated		10 - 45	15 - 120	10 - 120	10 - 100	5 - 20	10 - 140	WIP: Not depreciated										

Range of estimated useful life in years

Additions comprise

	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Renewals	-	-	-	5,375	956	1,065	151	-	-	-	-	-	-	-	-	-	-	7,548
Other additions	-	-	-	-	2,912	-	569	-	-	-	-	-	-	-	-	-	-	3,482
Totals	-	-	-	5,375	3,869	1,065	721	-	-	-	-	-	-	-	-	-	-	11,030

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

**Council - 30 June 2016**

Note	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	Cost \$'000	Fair value \$'000	Cost \$'000	Fair value \$'000	Cost \$'000	Fair value \$'000	
	4,430	1,516	10,154	228,641	55,219	15,863	39,839	341	6,207	356,003						
	-	-	-	-	-	-	-	-	(621)	6,207						
15	1,114	264	135	177	5,710	1,091	(1,912)	-	-	5,488						
	-	-	-	1,822	341	110	-	-	-	(3,364)						
	5,544	1,780	10,289	230,640	61,270	16,333	38,037	3,184		367,077						

**Accumulated depreciation and impairment**

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

**Total written down value as at 30 June 2016**

	5,544	1,471	8,646	198,337	48,919	6,720	28,661	3,184		301,482						
Land: Not depreciated.		40 - 100	12	5 - 100	10 - 60	20 - 60	20 - 40			WIP: Not depreciated.						

Range of estimated useful life in years

Additions comprise

\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
-	-	-	1,781	232	13	110				2,136
-	-	-	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 2017

**10 Property Plant and Equipment**

**10 (a) Recognition**

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.

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

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

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

**10 (b) Measurement**

Property plant and equipment assets are initially recorded at cost. Subsequently, each class of property, plant and equipment is stated at cost or fair value (as shown in the table above) less, where applicable, any accumulated depreciation and accumulated impairment loss.

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

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

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

**10 (c) Depreciation**

Assets are depreciated from the date of acquisition or, in respect of internally constructed assets, from the time an asset is completed and commissioned ready for use, at which time they are reclassified from work in progress to the appropriate property, plant and equipment class.

Land is not depreciated as it has an unlimited useful life. Depreciation on other property, plant and equipment assets is calculated on a straight-line basis so as to write-off the net cost or revalued amount of each depreciable asset, less its estimated residual value, progressively over its estimated useful life to the Council. Management believe that the straight-line basis appropriately reflects the pattern of consumption of all Council assets.

Where assets have separately identifiable components that are subject to regular replacement, these components are assigned useful lives distinct from the asset to which they relate. Any expenditure that increases the originally assessed capacity or service potential of an asset is capitalised and the new depreciable amount is depreciated over the remaining useful life of the asset to 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 and residual values of property, plant and equipment assets are reviewed at the end of each reporting period and adjusted where necessary to reflect any changes in the pattern of consumption, physical wear and tear, technical or commercial obsolescence, or management intentions. The condition assessments performed as part of the annual valuation process for assets measured at written down current replacement cost are used to estimate the useful lives of these assets at each reporting date.

**10 (d) Impairment**

Property, plant and equipment is assessed for indicators of impairment annually. If an indicator of possible impairment exists, the Council determines the asset's recoverable amount. Any amount by which the asset's carrying amount exceeds the recoverable amount is recorded as an impairment loss.

## **10 (e) Valuation**

### **(i) Valuation processes**

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

Non-current physical assets measured at fair value are revalued, where required, so that the carrying amount of each class of asset does not materially differ from its fair value at the reporting date. This is achieved by engaging independent, professionally qualified valuers to determine the fair value for each class of property, plant and equipment assets at least once every 3 years. This process involves the valuer physically sighting a representative sample of Council assets across 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 management valuation for infrastructure asset classes in each of the intervening years. With respect to the valuation of the land and improvements, buildings and major plant asset classes in the intervening years, management engage independent, professionally qualified valuers to perform a "desktop" valuation. A desktop valuation involves management providing updated information to the valuer regarding additions, deletions and changes in assumptions such as useful life, residual value and condition rating. The valuer then determines suitable indices which are applied to each of these asset classes

An analysis performed by management has indicated that, on average, the variance between an indexed asset value and 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 methods of valuation and the key assumptions used in valuing each different asset class are disclosed below.

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

On revaluation, accumulated depreciation is restated proportionately with the change in the carrying amount of the asset and any change in the estimate of remaining useful life. Separately identified components of assets are measured on the same basis as the assets to which they relate.

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

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

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

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

### **(ii) Valuation techniques used to derive fair values**

**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.

**Roads**

*Current replacement cost*

Council categorises its road infrastructure into urban and rural roads and the further sub-categorises these into sealed and unsealed roads. Urban roads are managed in segments of 200m, while rural roads are managed in 2km segments. All road segments are then componentised into formation, pavement and seal (where applicable). Council assumes that environmental factors such as soil type, climate and topography are consistent across each segment. Council also assumes a segment is designed and constructed to the same standard and uses a consistent amount of labour and materials.

CRC was calculated by reference to asset linear and area specifications, estimated labour and material inputs, services costs, and overhead allocations. Council assumes that pavements are constructed to depths of x cms for high traffic areas and y cms for lower traffic locations. Council also assumes that all raw materials can be sourced from the local Quarry. For internal construction estimates, material and services prices were based on existing supplier contract rates or supplier price lists and labour wage rates were based on Council's Enterprise Bargaining Agreement (EBA). All direct costs were allocated to assets at standard usage quantities according to recently completed similar projects. Where construction is outsourced, CRC was based on the average of completed similar projects over the last few years

**Murweh Shire Council**  
**Notes to the financial statements**  
For the year ended 30 June 2017

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. A full valuation of roads infrastructure is planned in 2018.

*Accumulated Depreciation*

In determining the level of accumulated depreciation, roads were disaggregated into significant components which exhibited different useful lives.

**Bridges**

*Current replacement cost*

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. Each bridge is assessed individually, with the valuation varying according to the material type used for construction, the deck area, condition and size. Construction estimates were determined on a similar basis to roads. A full valuation of bridges is planned in 2018.

*Accumulated Depreciation*

In determining the level of accumulated depreciation, remaining useful lives were calculated based on condition assessments. The condition assessments were made using a seven point scale with 0 being the lowest and 6 being the highest. A 0 condition assessment indicates an asset with a very high level of remaining service potential. 6 represents an asset at the end of its useful life.

**Drainage Infrastructure**

*Current replacement cost*

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. Similar to roads, drainage assets are managed in segments of 200m; pits, pipes and channels being the major components.

Consistent with roads, Council assumes that environmental factors such as soil type, climate and topography are consistent across each segment and that a segment is designed and constructed to the same standard and uses a consistent amount of labour and materials. Where drainage assets are located underground and physical inspection is not possible, the age, size and type of construction material, together with current and planned maintenance records are used to determine the fair value at reporting date. Construction estimates were determined on a similar basis to sewerage.

*Accumulated Depreciation*

In determining the level of accumulated depreciation, drainage assets were disaggregated into significant components which exhibited different useful lives.

Estimates of expired service potential and remaining useful lives were determined on a straight line basis based on industry standard practices and past experience, supported by maintenance programs.

**Water and Sewerage**

*Current replacement cost*

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.

CRC was calculated based on expected replacement costs. In all cases the assets were disaggregated to component level to ensure a reliable measure of cost and service capacity and deterioration of estimated remaining life.

*Accumulated Depreciation*

In determining accumulated depreciation, assets were either subject to a site inspection or an assessment to determine remaining useful life. Where site inspections were conducted (i.e. for active assets), the assets were allocated a condition assessment rating of between 1 and 5, which was used to estimate remaining useful life - 1 being excellent with a remaining useful life of 95% and 5 being unserviceable with a remaining useful life of 5%. The higher the condition rating, the lower the fair value.

**Murweh Shire Council**  
**Notes to the financial statements**  
For the year ended 30 June 2017

Where site inspections were not conducted (i.e. for passive assets and active assets for which no site inspections were undertaken), the remaining useful life was calculated on an age basis after taking into consideration current and planned maintenance records.

For wastewater gravity mains the assumption that the pipes will be relined was adopted. The fair value for sewer gravity mains was determined as follows:

\*For all pipes, replacement cost was determined based on replacement by trench excavation, useful life was determined as the pipe useful life plus the reline useful life, and the pipe fair value was based on age.

\*Where pipes have been relined, the total pipe useful life was determined as the pipe age when the reline occurred plus the reline life.

\*The relining of pipes was valued at reline rates and depreciated over the reline life (70 years). The reline fair value was based on age.

**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.

<b>Changes in non-specialised buildings (level 3)</b>	<b>\$</b>
	<b><u>000's</u></b>
Opening gross value as at 1 July 2016	<b>55,263</b>
Additions	3,869
Revaluation adjustment to asset revaluation surplus	-
Transfer between asset classes	-
<b>Closing gross value as at 30 June 2017</b>	<b><u>59,132</u></b>
<b>Accumulated depreciation and impairment</b>	
Opening balance as at 1 July 2016	10,849
Depreciation provided for in period	105
Revaluation adjustment to asset revaluation surplus	-
Transfer between asset classes	-
Accumulated depreciation as at 30 June 2017	<b><u>10,954</u></b>
<b>Book value as at 30 June 2017</b>	<b><u><u>48,177</u></u></b>

**Murweh Shire Council**  
**Notes to the financial statements**  
For the year ended 30 June 2017

**11 Transactions with related parties**

**(a) Transactions with associates**

In 2016-17, Murweh Shire Council paid the amount of \$22,000 membership fee to the Regional Economic Development Association (South West RED). The Council is a controlling member of the organisation.

**(b) Transactions with key management personnel (KMP)**

Key Management Personnel (KMP) are persons having authority and responsibility for planning, directing and controlling the activities of Council, directly or indirectly. At Murweh Shire Council KMP's are considered to include the Mayor, Councillors, Chief Executive Officer, Directors, Economic Development Officer and Works Coordinator.

The compensation paid to KMP for 2016/17 comprises:

	2017
Short-term employee benefits	1,500,605
Post-employment benefits	122,281
Long-term benefits	226,334
<b>Total</b>	<b>\$1,849,220</b>

**(c) Transactions with other related parties**

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

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

(i) Murweh Shire Council purchased materials and services from entities controlled by key management personnel.

These transactions were on arm's length basis and were in the course of normal council operations

Details of Transaction	2017
Purchase of maintenance services	84,731
Purchase of hardware materials	70,752
Purchase of printing services	12,030
Purchase of other goods	4,664
<b>Total</b>	<b>\$172,178</b>

(ii) All close family members of key management personnel that were employed by Council were employed through an arm's length process. They are paid in accordance with the Award for the job they perform.

(iii) During 2016-17 financial year, the Council made payments of \$44,398 to various non-profit community organisations of which KMP are committee members.



**Murweh Shire Council**  
**Notes to the financial statements**  
For the year ended 30 June 2017

**(d) Transactions with related parties that have not been disclosed**

Most of the entities and people that are related parties of council live and operate within the Murweh Shire Council. Therefore, on a regular basis ordinary citizen transactions occur between Council and its related parties.

Some examples include:

- Payment of rates
- Use of swimming pool
- Dog registration
- Borrowing books from a council library

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

**(e) Outstanding balances**

There were no outstanding balances relating to transactions with related parties at year-end.

**(f) Loans and guarantees to/from related parties**

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

**(g) Commitment to/from other related parties**

Council had not entered into any contractual commitments with related parties at year end other than remuneration contracts with KMP in their roles as KMP of the Council.

**Murweh Shire Council**  
**Notes to the financial statements**  
For the year ended 30 June 2017

	2017	2016
	\$	\$
	<u>000's</u>	<u>000's</u>
<b>12 Trade and other payables</b>		
Creditors are recognised when goods or services are received, at the amount owed. Amounts owing are unsecured and are generally settled on 30 day terms.		
Liabilities are recognised for employee benefits such as wages and salaries, sick, annual and long service leave in respect of services provided by the employees up to the reporting date. The liability is calculated using the present value of remuneration rates that will be paid when the liability is expected to be settled and includes related on-costs.		
As Council does not have an unconditional right to defer settlement of the annual leave beyond twelve months after the reporting date, annual leave is classified as a current liability.		
<b>Current</b>		
Creditors and accruals	1,310	590
Annual leave	847	809
Sick leave	233	247
Other entitlements	39	30
	<u>2,429</u>	<u>1,676</u>
<b>13 Borrowings</b>		
Borrowings are initially recognised at fair value plus any directly attributable transaction costs. Thereafter, they are measured at amortised cost. Principal and interest repayments are made quarterly/semi annually/annually in arrears.		
All borrowings are in \$A denominated amounts and interest is expensed as it accrues. No interest has been capitalised during the current or comparative reporting period. Expected final repayment dates vary from 2020 to 2036. There have been no defaults or breaches of the loan agreement during the period.		
Council adopts an annual debt policy that sets out council's planned borrowings for the next nine years. Council's current policy is to only borrow for capital projects and for a term no longer than the expected life of the asset. Council also aims to comply with the Queensland Treasury Corporation's borrowing guidelines and ensure that sustainability indicators remain within acceptable levels at all times.		
<b>Current</b>		
Loans - Queensland Treasury Corporation	351	319
	<u>351</u>	<u>319</u>
<b>Non-current</b>		
Loans - Queensland Treasury Corporation	2,896	3,248
	<u>2,896</u>	<u>3,248</u>
<b>Loans - Queensland Treasury</b>		
Opening balance at beginning of financial	3,567	3,000
Loan raised during year	-	1,000
Accrued interest	-	57
Principal repayments	(320)	(490)
Book value at end of financial year	<u>3,247</u>	<u>3,567</u>

The QTC loan market value at the reporting date was \$3,635,275 (2016: \$ 4,162,715). This represents the value of the debt if Council repaid it at that date.

**Murweh Shire Council**  
**Notes to the financial statements**  
For the year ended 30 June 2017

14	<b>Provisions</b>	2017	2016
		\$	\$
		000's	000's
	<i>Long Service Leave</i>		
	The provision for long service leave represents the present value of the estimated future cash outflows to be made in respect of services provided by employees up to the reporting date. The liability is calculated using current pay rates and projected future increases in those rates and includes related employee on-costs. The estimates are adjusted for the probability of the employee remaining in the Council's employment or other associated employment which would result in the Council being required to meet the liability. Adjustments are then made to allow for the proportion of the benefit earned to date, and the result is discounted to present value. The interest rates attaching to Commonwealth Government guaranteed securities at the reporting date are used to discount the estimated future cash outflows to their present value.		
	Where employees have met the prerequisite length of service and council does not have an unconditional right to defer this liability beyond 12 months long service leave is classified as a current liability. Otherwise it is classified as non-current.		
	<b>Current</b>		
	Long service leave	1,315	1,234
		<u>1,315</u>	<u>1,234</u>
	<b>Non-current</b>		
	Long service leave	125	151
		<u>125</u>	<u>151</u>
	Details of movements in provisions:		
	<b>Long service leave</b>		
	Balance at beginning of financial year	1,385	1,286
	Long service leave entitlement arising	134	164
	Long Service entitlement paid	(80)	(65)
	Balance at end of financial year	<u>1,439</u>	<u>1,385</u>

**15 Asset revaluation surplus**

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

Where a class of assets is decreased on revaluation, that decrease is offset first against the amount remaining in the asset revaluation surplus in respect of that class. Any excess is treated as an expense.

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

**Movements in the asset revaluation surplus were as follows:**

<b>Opening balances</b>	193,452	187,964
Net adjustment to non-current assets at end of period to reflect a change in		
Land and improvements	0	1,114
Buildings	0	5,710
Parks	0	264
Road, drainage and bridge network	0	177
Water and sewerage infrastructure	0	(1,912)
Aerodrome landing strips	0	135
<b>Closing balances</b>	<u>193,452</u>	<u>193,452</u>

**Murweh Shire Council**  
**Notes to the financial statements**  
For the year ended 30 June 2017

	2017	2016
	\$	\$
	000's	000's
<b>Asset revaluation surplus analysis</b>		
The closing balance of the asset revaluation surplus comprises the following asset categories:		
Land	3,203	3,203
Buildings and other structures	37,944	37,944
Parks	412	412
Road, drainage and bridge network	119,269	119,269
Water and sewerage infrastructure	23,901	23,901
Aerodrome landing strips	8,723	8,723
	<u>193,452</u>	<u>193,452</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 of \$60,234,042 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 \$178,275.

**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 two years as follows:

Year 1	\$440,000.00
Year 2	\$251,360.13

This transaction is expected to be completed by 31 December 2018.

**17 Superannuation**

The following note is based on advice received from Local Government Super on 6 March 2017.

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:

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

## Murweh Shire Council

### Notes to the financial statements

For the year ended 30 June 2017

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 "At the valuation date of 1 July 2015, the net assets of the scheme exceeded the vested benefits and the scheme was in a satisfactory financial position as at the valuation date."

In the 2015 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:

	2017	2016
	\$	\$
	000's	000's
	831	788

#### 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

	84	112
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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	8,513	1,080
Non-cash operating items:		
Depreciation and amortisation	5,003	4,901
Investing and development activities:	5,003	4,901
Net (profit)/loss on disposal of non-current assets	54	52
Capital grants and contributions	(6,570)	(3,642)
	(6,516)	(3,590)
Changes in operating assets and liabilities:		
(Increase)/ decrease in receivables	(3,365)	(224)
(Increase)/decrease in inventory	2	29
Increase/(decrease) in payables	806	216
Increase/(decrease) in provisions	(15)	11
	(2,572)	32
Net cash inflow / (outflow) from operating activities	4,428	2,423

#### 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.

**Murweh Shire Council**  
**Notes to the financial statements**  
For the year ended 30 June 2017

**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 and NAB. 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.

Council	Net carrying amount \$000	Effect on Profit		Effect on Equity	
		1% increase \$000	1% decrease \$000	1% increase \$000	1% decrease \$000
<b>2017</b>					
QTC cash fund	5,148	51	(51)	51	(51)
NAB cash account	143	1	(1)	1	(1)
Loans - QTC	(3,247)	(32)	32	(32)	32
<b>Net total</b>	<b>2,044</b>	<b>20</b>	<b>(20)</b>	<b>20</b>	<b>(20)</b>
<b>2016</b>					
QTC cash fund	3,177	32	(32)	32	(32)
NAB cash account	924	9	(9)	9	(9)
Loans - QTC	(3,567)	(36)	36	(36)	36
<b>Net total</b>	<b>534</b>	<b>5</b>	<b>(5)</b>	<b>5</b>	<b>(5)</b>

**Fair value**

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

The fair value of borrowings with QTC is based on the market value of debt outstanding. The market value of a debt obligation is the discounted value of future cash flows based on prevailing market rates and represents the amount required to be repaid if this was to occur at balance date. The market value of debt is provided by QTC and is 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	2017		2016	
	Carrying Amount \$000	Fair Value \$000	Carrying Amount \$000	Fair Value \$000
<u>Financial assets</u>				
QTC cash fund	5,148	5,148	3,177	3,177
NAB operating account	143	143	924	924
<u>Financial liabilities</u>				
Loans - QTC	3,246	3,635	3,567	4,162

**Murweh Shire Council**  
**Financial statements**  
For the year ended 30 June 2017

**Management Certificate**  
For the year ended 30 June 2017

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 33 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.

*A Liston*

\_\_\_\_\_  
Councillor A Liston  
Mayor

Date: 12, 10, 17

*N Polglase*

\_\_\_\_\_  
Neil Polglase  
Chief Executive Officer

Date: 12, 10, 17



## INDEPENDENT AUDITOR'S REPORT

To the Councillors of Murweh Shire Council

### Report on the Audit of the Financial Report

#### Opinion

I have audited the financial report of Murweh Shire Council.

In my opinion, the financial report:

- a) gives a true and fair view of the council's financial position as at 30 June 2017, and of its financial performance and cash flows for the year then ended
- b) complies with the *Local Government Act 2009*, the Local Government Regulation 2012 and Australian Accounting Standards.

The financial report comprises the statement of financial position as at 30 June 2017, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes to the financial statements including significant accounting policies and other explanatory information, and the certificate given by the Mayor and Chief Executive Officer.

#### Basis for opinion

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

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

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

#### Other information

Other information comprises the information included in Murweh Shire Council's annual report for the year ended 30 June 2017, but does not include the financial report and my auditor's report thereon. At the date of this auditor's report, the other information was the current-year financial sustainability statement and long-term financial sustainability statement.

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

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

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

## **Responsibilities of the council for the financial report**

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

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

## **Auditor's responsibilities for the audit of the financial report**

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

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

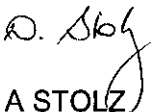
- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for expressing an opinion on the effectiveness of the council's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the council.
- Conclude on the appropriateness of the council's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the council's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify my opinion. I base my conclusions on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the council to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

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

## Report on other legal and regulatory requirements

In accordance with s.40 of the *Auditor-General Act 2009*, for the year ended 30 June 2017:

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

  
D A STOLZ  
as delegate of the Auditor-General



Queensland Audit Office  
Brisbane

**Murweh Shire Council**  
**Current-year Financial Sustainability Statement**  
For the year ended 30 June 2017

Council's performance at 30 June 2017 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)	8%	Between 0% - 10%
Asset sustainability ratio	Capital expenditure on the replacement of assets (renewals) divided by the depreciation expense	151%	Greater than 90%
Net financial liabilities ratio	Total liabilities less current assets divided by total operating revenue (excluding capital items)	-14%	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 2017.

**Murweh Shire Council**  
**Financial statements**  
For the year ended 30 June 2017

**Certificate of Accuracy**  
For the year ended 30 June 2017

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**

Date: 12, 10, 17.



**Neil Polglase**  
**Chief Executive Officer**

Date: 12, 10, 17

## INDEPENDENT AUDITOR'S REPORT

To the Councillors of Murweh Shire Council

### Report on the Current-Year Financial Sustainability Statement

#### Opinion

I have audited the accompanying current-year financial sustainability statement of Murweh Shire Council for the year ended 30 June 2017, comprising the statement, explanatory notes, and the certificate of accuracy given by the Mayor and the Chief Executive Officer.

In accordance with section 212 of the Local Government Regulation 2012, in my opinion, in all material respects, the current-year financial sustainability statement of Murweh Shire Council for the year ended 30 June 2017 has been accurately calculated.

#### Basis of opinion

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

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

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

#### Emphasis of matter – basis of accounting

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

#### Other information

Other information comprises the information included in Murweh Shire Council's annual report for the year ended 30 June 2017, but does not include the current-year financial sustainability statement and my auditor's report thereon. At the date of this auditor's report, the other information was the general purpose financial statements and long-term financial sustainability statement.

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

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

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

### **Responsibilities of the council for the current-year financial sustainability statement**

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

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

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

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

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

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

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



D A STOLZ  
as delegate of the Auditor-General



Queensland Audit Office  
Brisbane

**Murweh Shire Council**  
**Long-term Financial Sustainability Statement**  
For the year ended 30 June 2017

Council's budgeted performance against key financial ratios and targets - 2018 to 2027

Year ending 30 June 2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
Operating surplus ratio	-8%	-10%	-10%	-10%	-10%	-10%	-10%	-10%	-10%	-10%
	<u>Target</u>									
	Between 0% - 10%									
Asset sustainability ratio	91%	85%	86%	83%	83%	87%	86%	80%	81%	81%
	Greater than 90% on the replacement of assets (renewals) divided by the depreciation									
Net financial liabilities ratio	4%	1%	0%	-3%	-7%	-9%	-11%	-14%	-17%	-19%
	Not greater than 60% current assets divided by total operating revenue									

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.



**Murweh Shire Council**  
**Financial statements**  
For the year ended 30 June 2017

**Certificate of Accuracy**  
For the year ended 30 June 2017

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 long term financial sustainability statement has been accurately calculated.



Councillor A Liston  
Mayor

Date: 12, 10, 17



Neil Polglase  
Chief Executive Officer

Date: 12, 10, 17