

Annual Report

2019-2020



SHIRE OF MURWEH

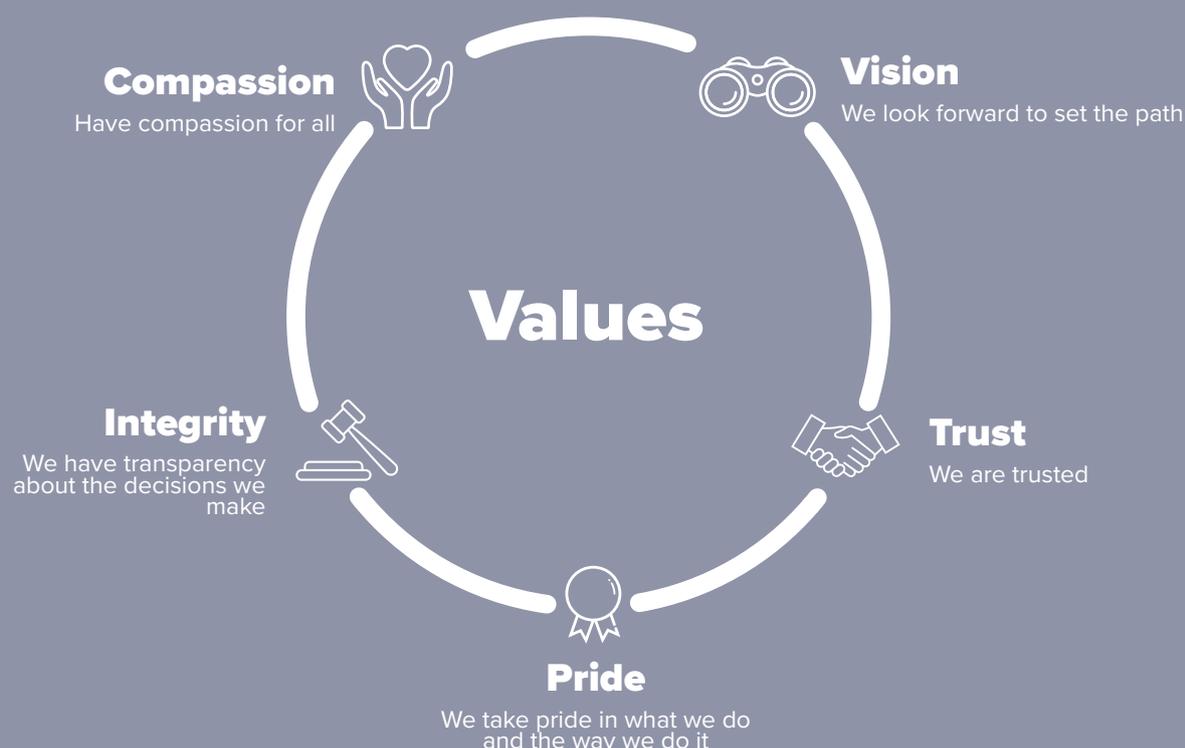
MORVEN - CHARLEVILLE - AUGATHELLA

About Murweh Shire

The Murweh Shire covers 43,905 square kilometres of Queensland's Outback. Over 5000 people reside in the Shire primarily in the towns of Charleville, Augathella, Morven and Cooladdi. The Shire is situated on the Great Artesian Basin.

Agriculture, Forestry and Fishing is by far the largest industry in terms of business numbers in Murweh Shire accounting for 49.1% of the total businesses in the region. Cattle and sheep production account for most of these businesses.

The Shire enjoys a low unemployment rate of just 2.0% which compares favourably against the State (4.8%) and National (5.1%) averages. The average mean maximum temperature of Charleville ranges from 19.5°C in July to 35.0°C in January. The average mean minimum temperature ranges from 4.1°C in July to 21.7°C in January. Average annual rainfall in Charleville is 490.5mm per year with January typically being the wettest month (72.9mm).



Towns

**Charleville,
Augathella,
Morven &
Cooladdi**

Population

5000+

Area

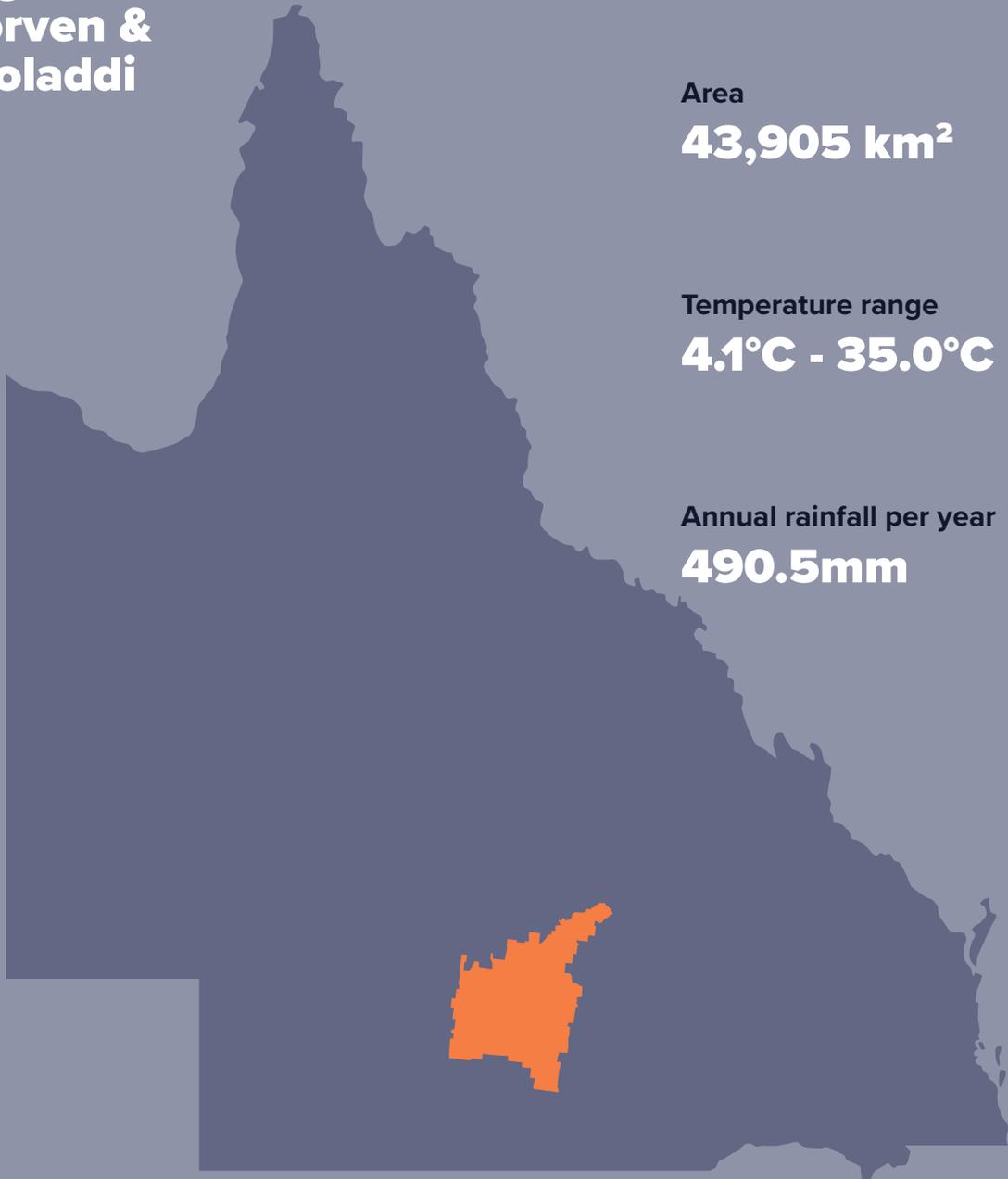
43,905 km²

Temperature range

4.1°C - 35.0°C

Annual rainfall per year

490.5mm



Major industries

**Agriculture, forestry
and fishing, cattle
and sheep production**

Tourism attractions

**Cosmos Center &
Observatory, Bilby
Experience, Top Secret
World War II Tours**



Contents

Message from the Mayor	6
Chief Executive Officer's Report	8
Section 1	13
Legislative Compliance	14
Section 2	19
Outcomes of the 2019-2020 Operational Plan	20
Section 3	27
Community Financial Report 2019-2020	28
Section 4	35
Audited Financial Statements 2019-2020	37



Message from the Mayor

Being my first report since recently elected as the Mayor in March 2020 I would like to express my appreciation to the community for their support. I welcome and congratulate returning Councillors, Cr Peter Alexander and Cr Robert Eckel and our new Councillors in Cr Michael McKellar and Cr Paul Taylor and look forward to working collaboratively as a team for the betterment of our Shire.

What a year it has been firstly still struggling from the effects of a long-pronounced drought to eventually see some welcoming rain in January / February of this year only to then be hit with the effects of the worst pandemic in living memory in March. Let us all hope that 2021 will see the community return to normality and continued welcoming rain through the onset of the La Nina.

This financial year has again seen Council undertake or commence several significant and diverse projects which will deliver much needed economic stimulus to our Shire most notably the Morven Cattle Freight Hub, Charleville Industrial Estate, (under construction) Cosmos Centre Planetarium (completed),

Council was again fortunate to receive funding support from both the Federal and State governments through successful submissions to the Drought Communities Program (Federal) Building Our Regions and Works for Queensland Program (State) and I know without this support I am sure our communities could not sustain.

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 outgoing Mayor, Cr. Annie Liston and Cr Lyn Capewell for their dedication and commitment in their roles and thank them for their contribution to the community.

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. Shaun Radnedge
Mayor





Major projects

Highlights of some of the major projects undertaken in the 2019-2020 financial year include –

Charleville Airport Main Runway / Apron Upgrade	\$350K
Augathella Aged Care Renewals	\$196K
Augathella Smiley Museum (new)	\$245K
Charleville Caravan Parking Area (new)	\$350K
Ablution Block Charleville Works Depot (new)	\$152K
Cosmos Planetarium (new)	\$876K
Morven Visitor Information Centre (new)	\$270K
Graham Andrews Park Refurbishment	\$350K
Parks & Streetscape Renewals	\$235K

Roadworks

Khyber Road	\$121K
Adavale Road	\$263K
Biddenham Road	\$297K
Bollon Road	\$800K
Killarney Road	\$350K
Town Footpaths	\$300K
Rural Roads Maintenance	\$1.1M
Town Street Maintenance	\$1.2M
Plant & Equipment Replacement	\$1.6M





Chief Executive Officer's Report

An expansive capital and operational works program for the financial year 2019-20 has delivered significant increase of \$18.4M up from around \$14M last financial year resulting in an overall surplus of \$5.1M for the year compared to a modest surplus of \$614K last financial year. Some expenditures for these capital projects to be carried over to the next financial year most notably the Morven Cattle Rail Hub (\$4.1M) and the Charleville Industrial Precinct (\$2M) due in part to legislative requirements and late commencement.

Our region is still in the grip of a prolonged drought although some welcoming rain was received in late January early February with council determining a modest increase in rates and charges around 2% slightly above the CPI indexation.

Overall financial position remains stable although overall cash reserves held of \$5.1M are significantly below reserves held previously of \$7.6M due largely to the capital and operational works program needing significant council contributions. However as with the previous year loan commitments continue to reduce to \$2.1M down from \$2.5M.

Capital expenditure represented a total of \$9.3M with capital grants totalling \$8M showing success of Council's grant application programs. Support from both the Federal and

State governments is as always graciously appreciated with continued funding programs such as the Federal Roads to Recovery and Building Better Regions programs and the State Building our Regions and Works for Queensland programs.

Challenges facing the present and future 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 sixteenth straight year meeting government requirements.

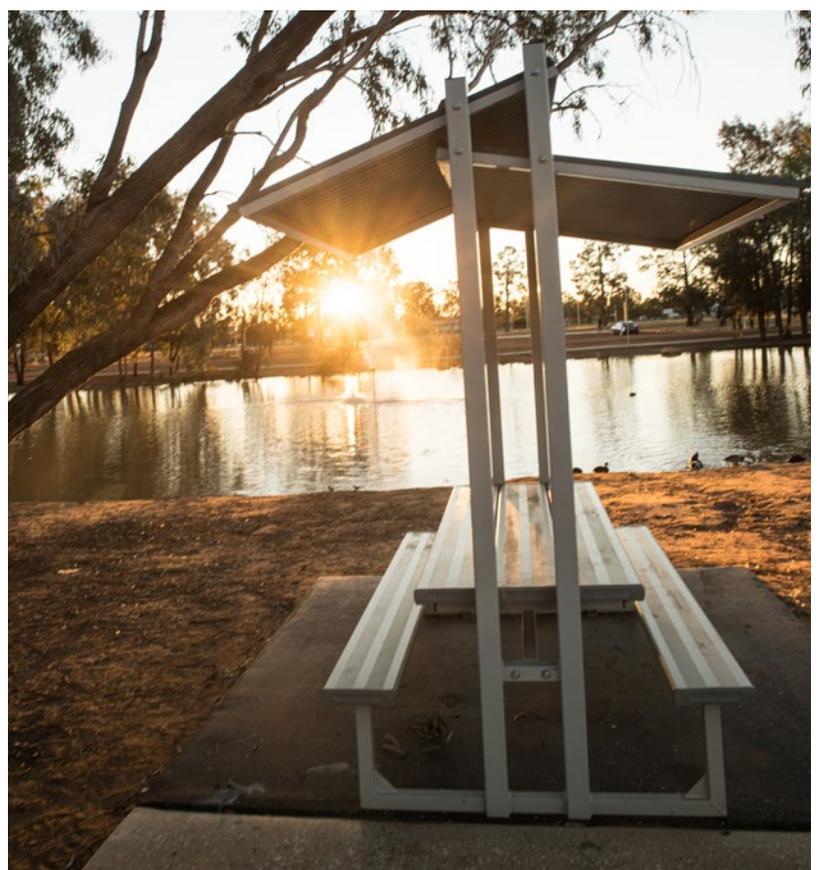
I also congratulate the New Mayor and all Councillors on their recent election win and look forward to a harmonious and rewarding contribution towards the future of our Shire.

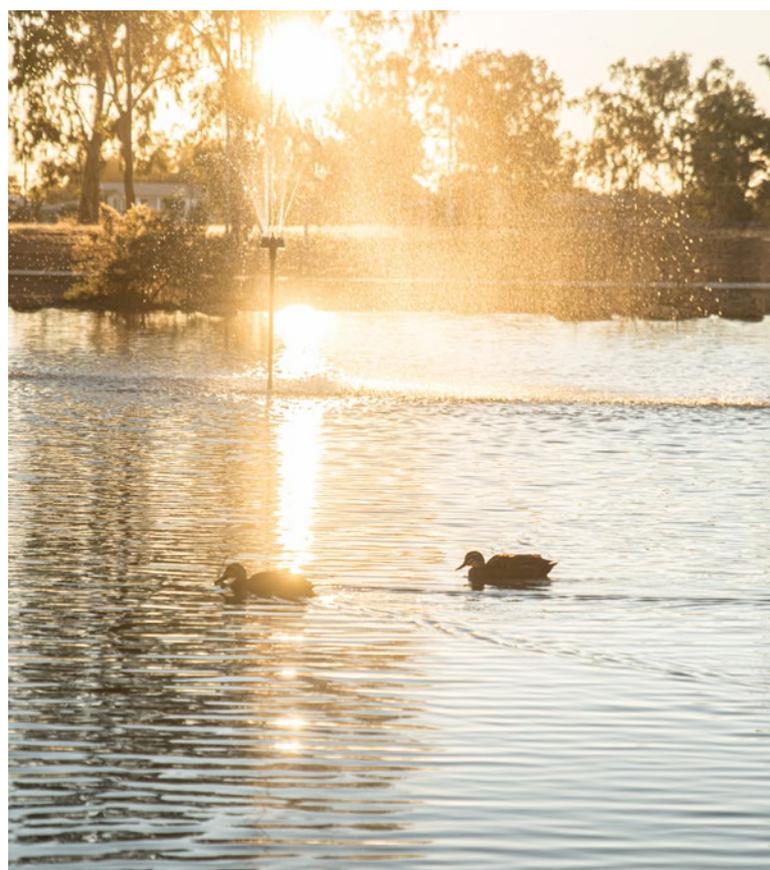
Extend my congratulations to the Executive Council, Senior Management and all staff for their diligence and commitment throughout the year.

N W Polglase
Chief Executive Officer

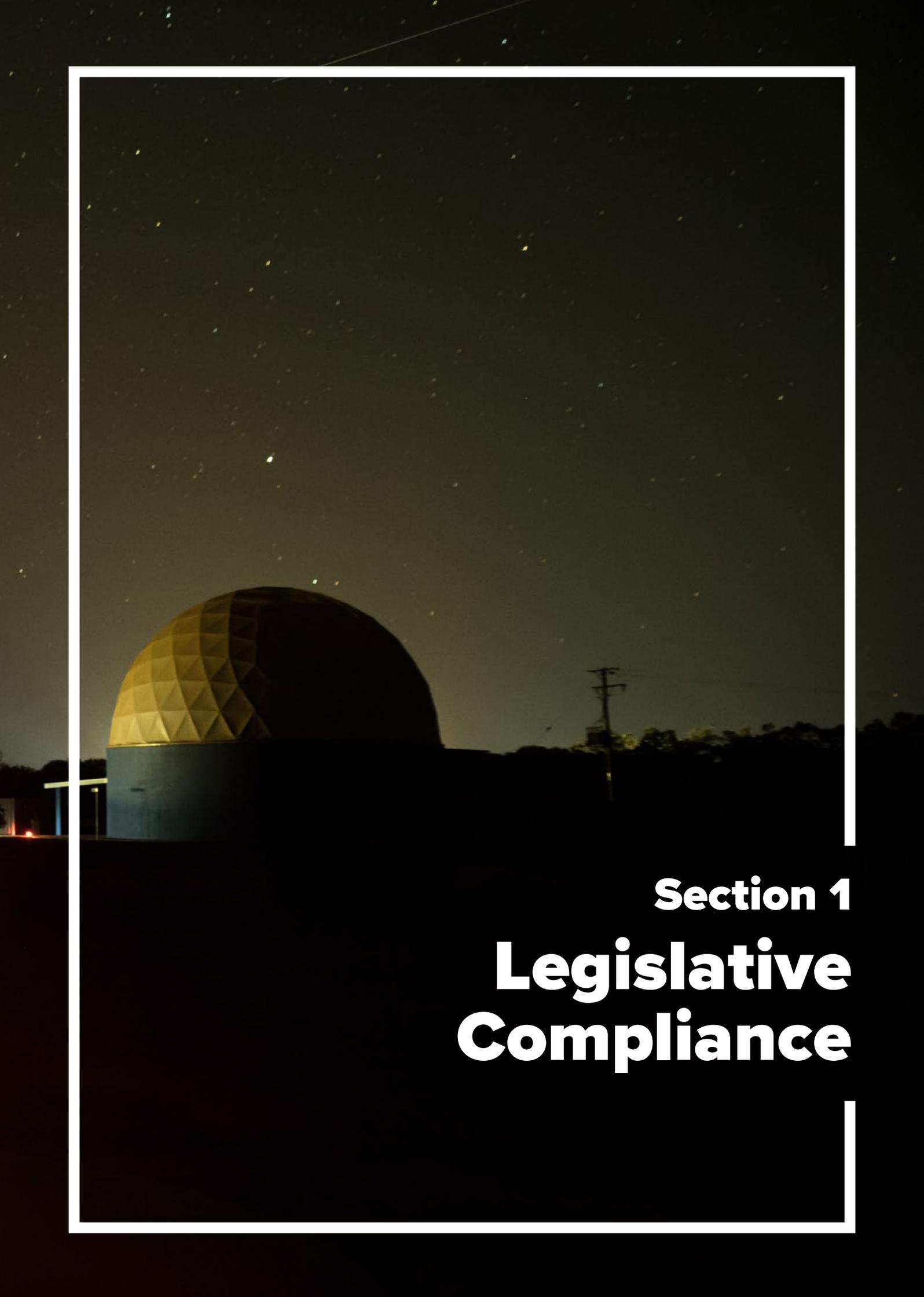
Graham Andrews Parklands

Parks & Leisure Australia - Qld Park of the Year Award









Section 1
Legislative
Compliance

Legislative Compliance

Local Government Regulations 2012

Particular resolutions - S185, S250 (1) and S 206 (2)

Folio number 11174 - Council adopted the revised Councillors Remuneration, Reimbursement and Provisions of Facilities Policy on 23 April 2020

Folio number 11158 - Council adopted the revised non-current assets revaluation and depreciation policy on 16 January 2020

Councillors - S 186

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 2019 are as follows:

Category 1	Position	Remuneration
	Mayor	\$106,100.00
	Deputy Mayor	\$61,211.00
	Councillors	\$53,049.00

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 2019-2020.

Cr Annie Liston (Mayor up to 28 March 2020)

Ordinary Meetings	9
Special Meetings	2
Telephone Allowance	1,500.03
Mayor Allowance	79,575.03
Gross Income	81,075.06
Tax	30,474.00
Employee Superannuation Contribution (Salary Sacrifice)	4,864.50
Employer Superannuation Contribution	9,729.00





Councillors

Back Row (L to R) Cr Robert Eckel, Deputy Mayor Cr Peter Alexander, Cr Michael McKellar

Front Row (L to R) Cr Paul Taylor, Mayor Cr Shaun (Zoro) Radhedge, CEO Mr Neil Polglase.

Cr Peter Alexander

Ordinary Meetings	12
Special Meetings	2
Telephone Allowance	749.97
Deputy Mayor Allowance	61,211.07
Gross Income	61,961.04
Tax	24,167.00
Employee Superannuation Contribution (Salary Sacrifice)	3,547.76
Employer Superannuation Contribution	7,435.32

Cr Robert Eckel

Ordinary Meetings	12
Special Meetings	2
Telephone Allowance	749.97
Councillor Allowance	35,366.04
Meeting Fee Allowance	17,683.20
Gross Income	53,799.21
Tax	9,987.00
Employee Superannuation Contribution (Salary Sacrifice) & After Tax & Voluntary Super (Salary Sacrifice) & Additional Voluntary Super	15,000.00
Employer Superannuation Contribution	6,455.88

Cr Lyn Capewell (Councillor up to 28 March 2020)

Ordinary Meetings	8
Special Meetings	1
Telephone Allowance	749.97
Councillor Allowance	26,524.53
Meeting Fee Allowance	11,788.80
Gross Income	39,063.30
Tax	15,627.00
Employee Superannuation Contribution	0.00
Employer Superannuation Contribution	3,711.02

Cr Shaun Radnedge (Councillor up to 28 March 2020, Mayor from 9 April 2020)

Ordinary Meetings	12
Special Meetings	2
Telephone Allowance	749.97
Councillor Allowance	26,524.53
Meeting Fee Allowance	11,362.40
Mayor Allowance	26,525.01

Cr Shaun Radnedge (Councillor up to 28 March 2020, Mayor from 9 April 2020)

Gross Income	67,061.91
Tax	20,797.00
Employee Superannuation Contribution	1,591.50
Employer Superannuation Contribution	7,034.01

Cr Paul Taylor (Councillor from 28 March 2020)

Ordinary Meetings	3
Special Meetings	0
Telephone Allowance	0
Councillor Allowance	8,841.51
Meeting Fee Allowance	4,420.80
Gross Income	13,362.31
Tax	3,207.00
Employee Superannuation Contribution	2,519.85
Employer Superannuation Contribution	1,591.47

Cr Michael McKellar (Councillor from 9 April 2020)

Ordinary Meetings	3
Special Meetings	0
Telephone Allowance	0
Councillor Allowance	8,841.51
Meeting Fee Allowance	4,420.80
Travel Allowance	900.00
Gross Income	14,162.31
Tax	4,389.00
Employee Superannuation Contribution	0
Employer Superannuation Contribution	1,345.41

Conduct And Performance Of Councillors - S 186 (d), (e), (f)**The total number of the following during the financial year****Paragraph (d)**

(i) orders made under section 150(2) of the Act; (Order reprimanding a Councillor)	Nil
(ii) orders made under section 150AH(1) of the Act; (Disciplinary action against Councillor)	Nil
(iii) decisions, orders and recommendations made under section 150AR(1) of the Act; (Conduct tribunal disciplinary action)	Nil

Paragraph (e)

The total number of the following during the financial year

(i) the name of each councillor for whom a decision, order or recommendation mentioned in paragraph (d) was made;	Nil
(ii) a description of the unsuitable meeting conduct, inappropriate conduct or misconduct engaged in by each of the councillors;	Nil
(iii) a summary of the decision, order or recommendation made for each councillor; and	Nil
Paragraph (f)	
(i) complaints referred to the assessor under section 150P(2)(a) of the Act by local government entities for the local government;	Nil
(ii) matters, mentioned in section 150P(3) of the Act, notified to the Crime and Corruption Commission;	Nil
(iii) notices given under section 150R(2) of the Act;	Nil
(iv) notices given under section 150S(2)(a) of the Act;	Nil
(v) decisions made under section 150W(a), (b) and (d) of the Act;	Nil
(vi) referral notices accompanied by a recommendation mentioned in section 150AC(3)(a) of the Act;	Nil
(vii) occasions information was given under section 150AF(4)(a) of the Act;	Nil
(viii) occasions the local government asked another entity to investigate, under chapter 5A, part 3, division 5 of the Act for the local government, the suspected inappropriate conduct of a councillor;	Nil
(ix) applications heard by the conduct tribunal under chapter 5A, part 3, division 6 of the Act about whether a councillor engaged in misconduct or inappropriate manner	Nil
(i) complaints referred to the assessor under section 150P(2)(a) of the Act by local government entities for the local government;	Nil
(ii) matters, mentioned in section 150P(3) of the Act, notified to the Crime and Corruption Commission;	Nil

Administrative Action Complaints - S 187

The following is a brief summary of the Council adopted policy “Administrative Action 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 2019/2020 financial year	Nil
Number of complaints resolved under the complaints management process	Nil
Number of complaints not resolved under the complaints management process	Nil

Overseas travel - S 188

There was no overseas travel in 2019/2020.

Grant Expenditure to Community Groups - S 189

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 organisations	\$111,175
In kind donations and contributions	\$39,875
Total	\$151,050

Other Contents - S 190

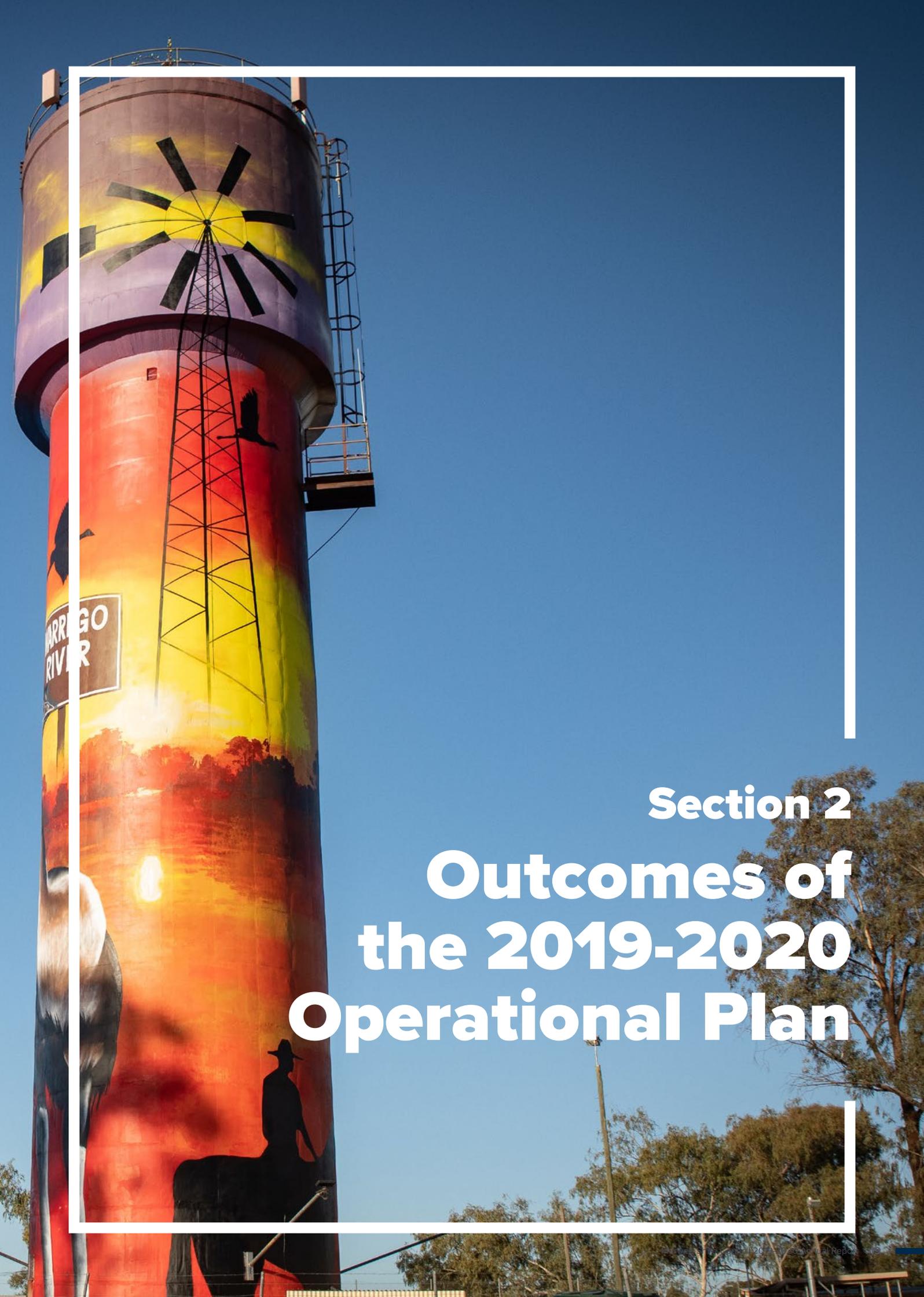
Corporate and Operational Plans - S190 (1), (a), (b), (c)

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.





Section 2

Outcomes of the 2019-2020 Operational Plan

Outcomes of the 2019-2020 Operational Plan

GOVERNANCE

Strategies	Outcomes
Adequately trained elected members	Training conducted as required. New online training available for elected councillors
Greater community participation and engagement	Ongoing
Provide for elected member statutory remuneration	New remuneration schedule released effective 1 July 2020
Provide for external and internal audit functions	Internal audit conducted on Conflict of Interests and Information Technology Security March 2020. External Audit completed with unmodified audit opinion
Provide for appropriate elected member conference attendance	Every opportunity taken to upskill Councillors

RISK MANAGEMENT

Strategies	Outcomes
Functional Disaster Management Plan in place	LDMGs meetings conducted 1/8/2019 and 28/11/2019 and more recently with COVID-19.
Council has a functional Emergency Services Unit	SES numbers retained. SES Local Controller providing SES member training as needed.
Council adopts an Enterprise Risk Management (ERM) System throughout the organisation	ERM reviewed in July 2019 as part of the Internal Audit process
Council has in place a compliant Workplace Health & Safety System in place	On target, New Committee appointed and trained
Council has an accredited Roadworks Quality Assurance System (RQAS) in place	Audit undertaken and a follow-up audit on 24 July 2020

HUMAN RESOURCES

Strategies	Outcomes
Provision of Human Resource requirements for employees	Achieved and staff survey undertaken. On going
Council has an Enterprise Bargaining agreement in place	Enterprise Bargaining Agreements completed

REVENUE

Strategies	Outcomes
Rates, charges, subsidies, grants, fees, donations and contributions collected	Considered new arrangements for categorisation of differential rating 2020-21 budget

ADMINISTRATION

Strategies	Outcomes
------------	----------

Provide administrative support to the organisation	Achieved. Ongoing
A financial system that meets the need of the Council	New system approved by Council 2020-21 budget
Best practice customer service standards are provided	Under review
Suitable Store operation	Under review

FINANCE

Strategies	Outcomes
Borrowing costs, debt collection and bank charges minimised	Achieved
Council has developed a 10yr financial sustainability report	Part of Budget presentation
Adequate recovery of administrative overheads to match expenses	Review forms part of budget process

ASSETS

Strategies	Outcomes
Suitable Asset Management System covering all asset types	Road Infrastructure and Water & Sewerage AMPS in place. Buildings and other structures in progress

LIBRARIES

Strategies	Outcomes
Provide library services for public use	On going

AERODROMES

Strategies	Outcomes
Provide aerodromes of an appropriate standard	Suitable system in place, no further work is required

ECONOMIC DEVELOPMENT

Strategies	Outcomes
Provide avenues for Council and other organisations to develop opportunities for future growth within the Shire	Achieving. Griffith University to provide additional resources.
Council has an up to date Economic Development Strategy	Not yet commenced
Council consider and develop climate change initiatives	Every opportunity taken to promote the Shire as a suitable site for renewable energy. Also finalising quotes / tenders for solar to selected Council buildings.
Develop partnerships with key stakeholders to ensure Council is aware of emerging trends	Regular meetings held and attended. On going

STAFF HOUSING

Strategies	Outcomes
Provide housing to an acceptable standard for senior staff	Achieved. As required

CULTURAL DEVELOPMENT





Strategies	Outcomes
Council actively encourage and enhance opportunities for the development of Art & Culture	Commenced, however 30% are on hold due to COVID-19.
An operational Art Gallery in Charleville	Art Gallery is operating effectively and shows are rotated on a regular basis. Currently closed due to COVID-19.
Provide adequate levels of resources and support for community assistance	Assistance given when required
Council continue to support Public Art	Augathella water tower painted

TOURISM-VIC-COSMOS-WWII

Strategies	Outcomes
Continued development of Cosmos Centre as a tourist destination within the Secret Precinct	The 2019/20 tourist season was very short; however site still gained increased support during the season. Planetarium works completed. Work has commenced on 10 interpretive
Visitor Information Centre in the 3 communities	Achieved, on going
Council will encourage other tourism ventures to be established	Council continues to support the Museum's development
Continue to develop other aspects of the Secret Precinct	Work has commenced, building complete now working on interpretive

LAND DEVELOPMENT

Strategies	Outcomes
Continued development of land for residential and commercial purposes	Current residential land adequate for need

Council establishes a Freight Hub in Morven	Project underway, with Stage 1 near completion
Industrial land is available in the 3 communities	Land cleared lots and internal roads to be developed. Provision of power and water currently under development

COMMUNITY FACILITIES

Strategies	Outcomes
Parks and gardens maintained for continued public use and enjoyment	Council won the Queensland Parks & Leisure Best Park Award
Sporting facilities & showgrounds maintained to safe standard	On going
Community facilities maintained to a reliable and high standard	Services are working. Morven site being upgraded
Public halls, cultural centre & medical practitioners facilities maintained to an appropriate standard	On going
Cemeteries maintained to a respectful standard	On going
Public conveniences maintained to a safe and healthy standard	On going
Aged care facilities maintained to a safe and otherwise appropriate standard	On going

ENVIRONMENTAL

Strategies	Outcomes
Community health standards maintained	On going
Local laws regarding keeping and control of animals including wild dogs are policed where necessary	On going



Town reserves and riverine protection and improvements maintained

On going

Stock routes maintained to an appropriate standard in accordance with legislative requirements

On going

REFUSE MANAGEMENT

Strategies

Outcomes

Regular refuse removal and disposal carried out

Working with COEX and applied for regional study on reducing waste

Land fill operations carried out effectively and efficiently

On going

BUILDING & PLANNING

Strategies

Outcomes

Council has a complaint Planning Scheme

Planning Scheme in place

Building and ancillary construction compliance maintained

Contract Building Certifier retained

Energy efficiency throughout Council buildings

Peak Services undertook electricity audit of facilities for maximum solar output. Quotations / Tenders being assessed

ENGINEERING

Strategies

Outcomes

Engineering staffing levels maintained

Positions filled except at workshop

Construction plant maintained to an efficient and safe standard

On going

Contract civil works on behalf of other agencies and funding programs delivered

Margin achieved on external projects

Improve and maintain road and street infrastructure

On going

Renew dilapidated bridge structures

On going

Rural roads upgrading

On going

Town Streets upgrading

On going

Upgrade culverts

On going

Plant Renewals

On going

New footpaths

Work has been carried out in Burke Street

Levee Bank

On going

River clearing

Not started

WATER

Strategies

Outcomes

Provide adequate and safe urban drinking water supply

On going

Storage and supply of urban water maintained

On going

Upgrade mains, flow meters and switchboards Morven, Augathella and Charleville

On going

SEWERAGE

Strategies

Outcomes

Sewerage treatment plant and ponds operating to standard

On going

Sewer reticulation operating at maximum efficiency

On going

Upgrade pump stations and mains

Works have commenced

Mulga Lands Gallery



Registers and Public Documents - S 190 (1), (f)

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
Councillor Conduct Register	To record all Councillor Conduct	Available to any person
Asset Register	To record all assets that Council owned	High level information included in the financial statements. Available to any person
Preferred Suppliers Register	To record Council's Preferred Supplier list	Available to any person
Register of Local Laws	To record all local laws set by Council	Available to any person
Register of Policies	To record the current policies as set by Council	Available to any person
Register of Roads	To record the details of the shire roads.	Available to any person
Contract Register	To record the details of all contracts.	Available on Council's website
Register of Legal Documents	To hold a record of all legal documents.	Available to any person
Register of Cost-Recovery Fees	To record all charges levied by Council.	Available on Council's website
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 - S 190 (1), (g)

- (i) A 10 % discount on rates and charges excluding interest, fire levy and excess water charges 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 \$360.00 per annum
- (iii) Council considers requests from Community organisations for the waiver of fees for the use of community facilities

Internal Audit - S 190 (1), (h)

Council appointed Crowe Horwath (Australia) Pty Ltd as its provider of internal audit services from 1 February 2018 to February 2020, with the possibility of an extension to three years ending 1 February 2021.

A three year program has been developed for 2018-2021. Two internal audits were completed during 2019/2020.

Competitive Neutrality - S 190 (1), (i)

Council has not been required to issue any investigation notices in the financial year under section 49 of the competitive neutrality complaints procedures as per the Local Government Regulation 2012.

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

Invitation to Change Tenders - S 190 (1), (e)

Council did not issue invitations to change any tenders under section 228(7) of the Local Government Regulation 2012 during 2019-2020.

Senior Staff Remuneration (Local Government Act 2009 section 201)

The total of all remuneration packages payable in 2019-2020 to the senior management of the Council was \$776,064.

Band	Number of employees
\$100,000 to \$200,000	1
\$200,000 to \$300,000	3

Public Sector Ethics Act 1994 - S 23

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





Section 3
**Community
Financial
Report
2019-2020**

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 2019 to 30 June 2020.

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 a net result of \$ 5.2 million compared with 2018-19 of \$ 614,000. The increase in net result is largely due to funding received for key projects such as the Morven Rail hub, World War II and Cosmos upgrade. There was a slight increase in employee benefits of \$279,000 due to enterprise bargaining agreement, while materials and services have increased by \$2.05 million mainly costs relating to Main Roads recoverable works, flood gauges and flood damage restoration works in 2019-20.

Revenue	2019-2020 \$'000	2018-2019 \$'000
Rates, Levies and Charges	6,571	6,623
Fees and Other Income	1,278	1,306
Interest & Investment Revenue	144	233
Grants & Contributions - Operating	10,152	8,931
Sales & Recoverable Works	4,007	2,856
Total Revenue	22,152	19,948
Expenses		
Employee Benefits	7,169	6,890
Materials and Services	11,442	9,387
Finance Costs	200	193
Depreciation and Amortisation	6,405	6,202
Total Expenses	25,216	22,672
Operating Surplus/(Deficit)	(3,064)	(2,724)
Capital Grant/Other Capital Income	8,489	5,171
Capital Expenses	261	1,834
Net Result	5,164	614

Revenue Sources

- Where does our money come from?

Throughout the 2019-20 financial year Council earned \$ 22.1 million in operating revenues.

The most significant contributors to revenue include:

Operational grants, subsidies contributions and donations	\$10.1 million
Rates, levies and utility charges	\$6.6 million
Recoverable works	\$4.0 million

46% of total revenue comes from operating grants and subsidies which includes the Financial Assistance Grants of \$7.3 million.

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 2019-20 financial year were:

Employee benefits	\$ 7.2 million (29%)
Materials and services	\$11.4 million (45%)
Depreciation and amortisation	\$6.4 million (25%)

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 2020.

Total Assets – What we own

The major components of our assets include:

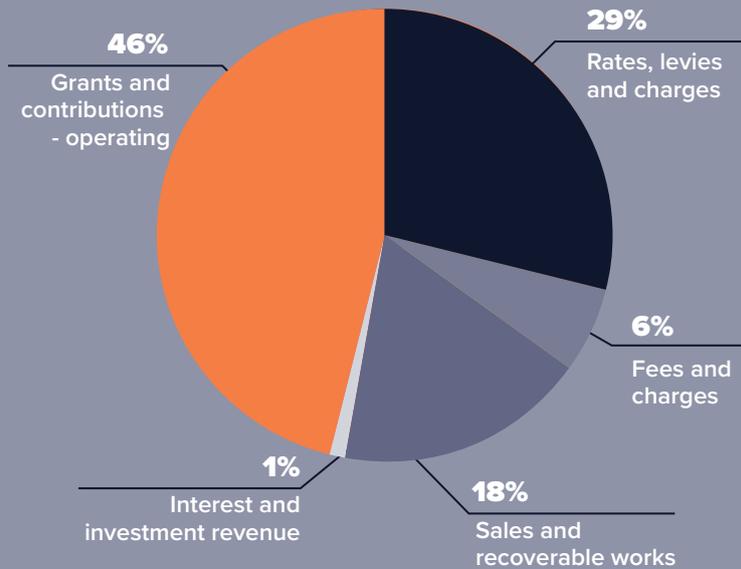
Property, plant and equipment	\$398.9 million
Cash	\$5.2 million
Trade and other receivables & inventories	\$4.7 million

Total Liabilities – What we owe

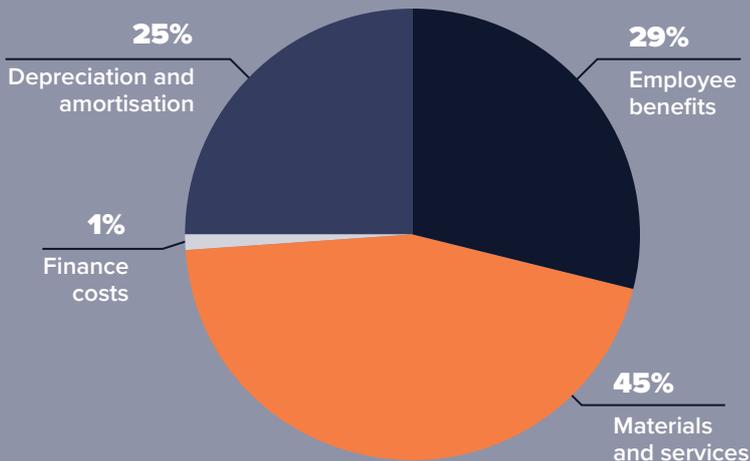
The major components of our liabilities include:

Loans	\$2.1 million
Trade & other payables	\$ 3.4 million
Provisions	\$3.2 million
Contract liability	\$1.4 million

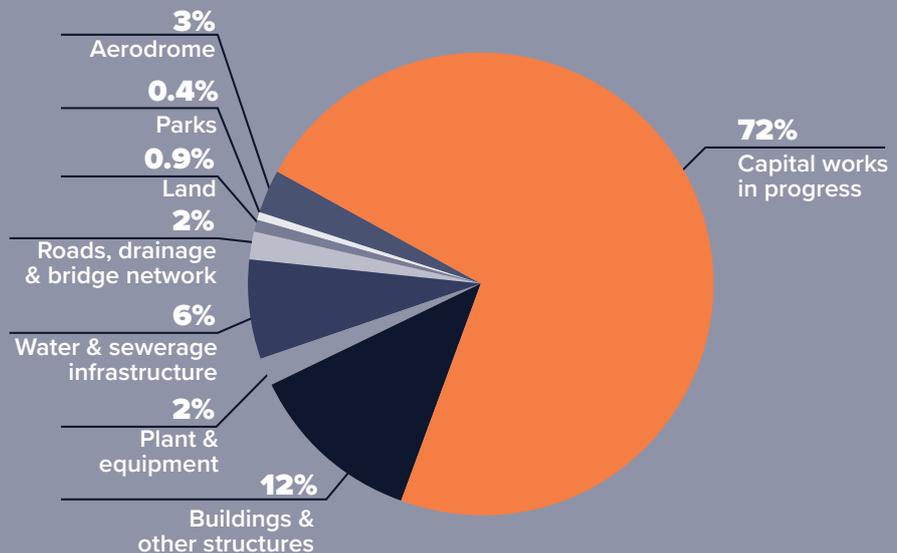
Operating Revenue 2019-2020



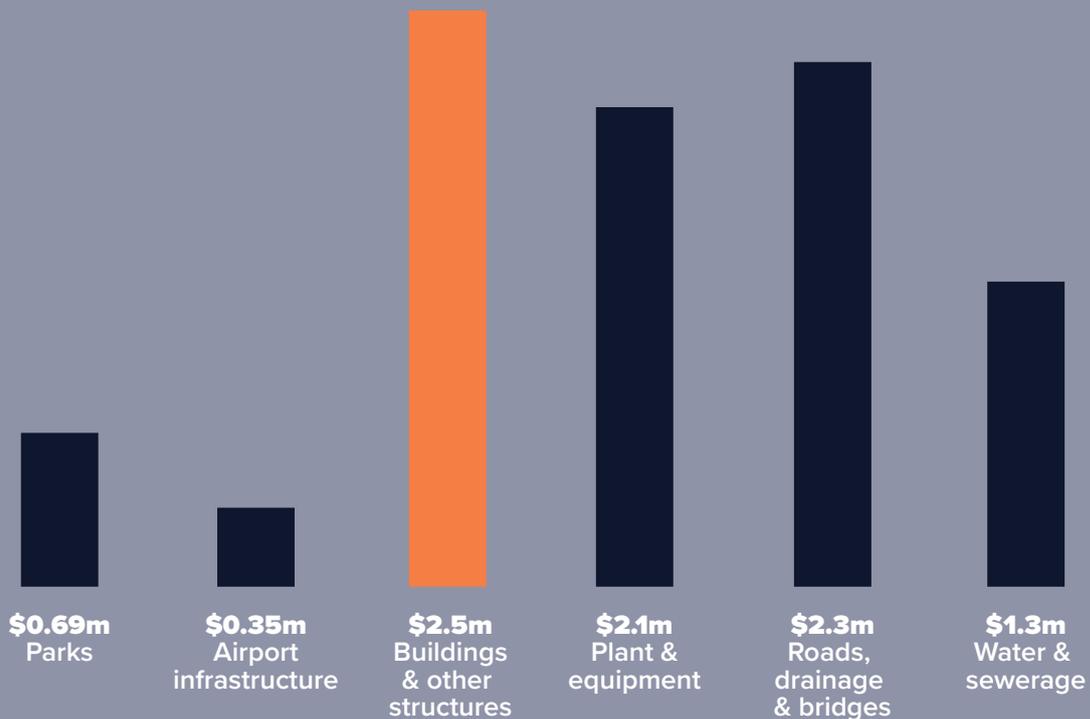
Operating Expenses 2019-2020



Property Plant & Equipment



Cash Balance



Capital Works Completed

During the financial year, total borrowings paid to Queensland Treasury Corporation were \$397,000.

Council Plant Property & Equipment at 30 June 2020 is illustrated in the pie graph on page 28. As shown in this graph, road network assets represents 72 % of Council's total assets followed by buildings and other structures of 12%.

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 surplus. In the 2019-20 financial year council's net worth increased by \$ 27.8 million.

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 2019-20 and 2018-19 financial years.

Cashflow Summary	2019-2020 \$'000	2018-2019 \$'000
Opening Cash Balance	7,769	7,206
Net Cashflow from Operating Activities	3,483	3,435
Net Cashflow from Investing Activities	(5,570)	(2,503)
Net Cashflow from Financing Activities	(506)	(369)
Closing Cash Balance	5,176	7,769

As shown in the graph on page 28, Council's cash position in 2019-20 have decreased by \$ 2.6 million compared to that of prior year. The decrease was mainly capital grants receivable at 30 June of \$2.56 million.

During the financial year 2019-20, Council have completed capital projects to the value of \$9.3 million. These include:

Road capital projects totalling	\$2.3 million
Water and sewerage projects	\$1.3 million
Buildings and other structures	\$2.5 million
Recreation parks	\$685,000
Replacement of plant and equipment	\$2.1 million
Airport infrastructure	\$349,000

Council was able to deliver these projects with funding assistance received from Commonwealth and State governments. In 2019-20, Council recorded capital grants of \$8.5 million.

Key continuing projects

Cosmos Centre upgrade

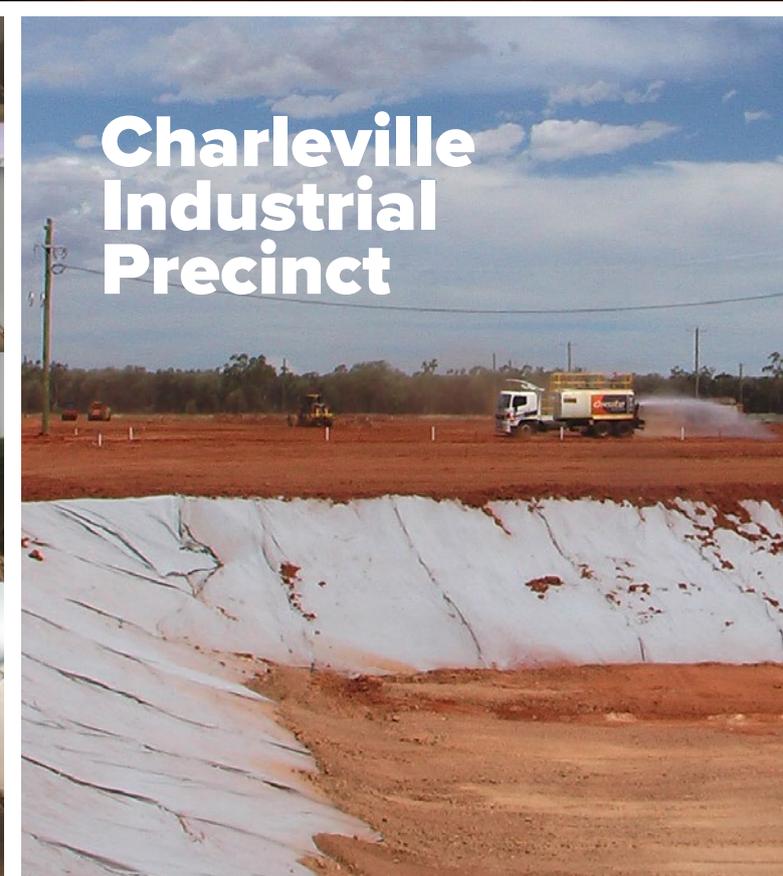


Morven Cattle Rail Hub



WWII Secret Base









Section 4
Audited
Financial
Statements
2019-2020

Murweh Shire Council

Financial statements

For the year ended 30 June 2020

Table of contents	PAGE
Statement of Comprehensive Income	1
Statement of Financial Position	2
Statement of Changes in Equity	3
Statement of Cash Flows	4
Notes to the financial statements	
1 Significant accounting policies	5
2 Analysis of results by function	7
3 Revenue	9
4 Grants, subsidies, contributions and donations	10
5 a) Capital income	11
b) Capital expenditure	11
6 Employee benefits	12
7 Materials and services	12
8 Cash and cash equivalents	12
9 Trade and other receivables	13
10 Property, plant and equipment	14
11 Transactions with related parties	21
12 Trade and other payables	23
13 Borrowings	23
14 Provisions	24
15 Contract balances	25
16 Leases	25
17 Asset revaluation surplus	26
18 Contingent liabilities	27
19 Superannuation	27
20 Trust funds held for outside parties	28
21 Reconciliation of net operating surplus for the year to net cash inflow (outflow) from operating activities	28
22 Events after the reporting period	28
23 Financial instruments	29
24 Reconciliation of liabilities arising from finance activities	32
25 Commitments for expenditure	32
26 Changes in accounting policy	33
Management Certificate	35
Independent Auditor's Report (General Purpose Financial Statements)	
Current Year Financial Sustainability Statement	36
Certificate of Accuracy (Current Year Financial Sustainability Statement)	37
Independent Auditor's Report (Current Year Financial Sustainability Statement)	
Long Term Financial Sustainability Statement	38
Certificate of Accuracy (Long Term Sustainability Statement)	39

Statement of Comprehensive Income

for the year ended 30 June 2020

	Note	2020 \$ 000's	2019 \$ 000's
Income			
Revenue			
Recurrent revenue			
Rates, levies and charges	3(a)	6,571	6,623
Fees and charges	3(b)	1,188	1,276
Interest received		144	233
Sales revenue	3(c)	4,007	2,856
Other income		90	30
Grants, subsidies, contributions and donations	4(a)	10,152	8,931
		<u>22,152</u>	<u>19,949</u>
Capital revenue			
Grants, subsidies, contributions and donations	4(b)	8,489	5,151
Other capital revenue	5	-	20
Total revenue		<u>30,641</u>	<u>25,120</u>
Total income		<u>30,641</u>	<u>25,120</u>
Expenses			
Recurrent expenses			
Employee benefits	6	(7,169)	(6,890)
Materials and services	7	(11,442)	(9,387)
Finance costs		(200)	(193)
Depreciation and amortisation			
Property, plant and equipment	10	(6,290)	(6,202)
Right of use assets	16	(113)	-
		<u>(25,216)</u>	<u>(22,672)</u>
Capital expenses	5	(261)	(1,834)
Total expenses		<u>(25,477)</u>	<u>(24,506)</u>
Net Result		<u>5,164</u>	<u>614</u>
Other comprehensive income			
Other comprehensive income items that will not be reclassified to net result			
Increase in asset revaluation surplus	17	23,906	-
Total other comprehensive income for the year		<u>23,906</u>	<u>-</u>
Total comprehensive income for the year		<u><u>29,070</u></u>	<u><u>614</u></u>

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

The comparatives have not been restated on adoption of AASB 15 / 1058 and AASB 16 and therefore the comparative information is presented using the previous standards relating to revenue and leases.

Statement of Financial Position

as at 30 June 2020

	Note	2020 \$	2019 \$
		000's	000's
Current assets			
Cash and cash equivalents	8	5,176	7,769
Trade and other receivables	9	1,883	1,808
Contract assets	15	2,566	-
Inventories		244	261
Other assets		237	183
Total current assets		<u>10,106</u>	<u>10,021</u>
Non-current assets			
Property, plant and equipment	10	390,938	364,348
Work in Progress	10	7,943	4,594
Right-of-Use Assets	16	109	-
Total non-current assets		<u>398,990</u>	<u>368,943</u>
Total assets		<u>409,096</u>	<u>378,964</u>
Current liabilities			
Trade and other payables	12	3,369	2,177
Borrowings	13	277	402
Provisions	14	1,142	1,196
Contract liabilities	15	1,395	-
Lease liabilities	16	84	-
Total current liabilities		<u>6,267</u>	<u>3,775</u>
Non-current liabilities			
Borrowings	13	1,860	2,132
Provisions	14	2,034	1,900
Lease liabilities	16	25	-
Total non-current liabilities		<u>3,919</u>	<u>4,032</u>
Total liabilities		<u>10,186</u>	<u>7,807</u>
Net community assets		<u>398,910</u>	<u>371,158</u>
Community equity			
Asset revaluation surplus	17	276,181	252,275
Retained surplus		122,729	118,883
Total community equity		<u>398,910</u>	<u>371,158</u>

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

The comparatives have not been restated on adoption of AASB 15 / 1058 and AASB 16 and therefore the comparative information is presented using the previous standards relating to revenue and leases.

Statement of Changes in Equity

for the year ended 30 June 2020

	Asset revaluation surplus	Retained surplus	Total
Note	\$ 000's	\$ 000's	\$ 000's
Balance as at 1 July 2019	252,275	118,883	371,158
Adjustment on initial application of AASB 15/AASB 1058	-	(1,318)	(1,318)
Restated balance as at 1 July 2019	<u>252,275</u>	<u>117,565</u>	<u>369,840</u>
Net result	-	5,164	5,164
Other comprehensive income for the year			
Increase in asset revaluation surplus	17 23,906	-	23,906
Total comprehensive income for the year	<u>23,906</u>	<u>5,164</u>	<u>29,070</u>
Balance as at 30 June 2020	<u><u>276,181</u></u>	<u><u>122,729</u></u>	<u><u>398,910</u></u>
Balance as at 1 July 2018	252,275	118,269	370,544
Net result	-	614	614
Increase in asset revaluation surplus	17 -	-	-
Total comprehensive income for the year	<u>-</u>	<u>614</u>	<u>614</u>
Balance as at 30 June 2019	<u><u>252,275</u></u>	<u><u>118,883</u></u>	<u><u>371,158</u></u>

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

The comparatives have not been restated on adoption of AASB 15 / 1058 and AASB 16 and therefore the comparative information is presented using the previous standards relating to revenue and leases.

Statement of Cash Flows

for the year ended 30 June 2020

	Note	2020 \$ 000's	2019 \$ 000's
Cash flows from operating activities			
Receipts from customers		12,538	12,723
Payments to suppliers and employees		(18,494)	(18,275)
		<u>(5,956)</u>	<u>(5,552)</u>
Interest received		144	233
Finance costs		(187)	(177)
Non-capital grants and contributions	4(a)	9,482	8,931
Net cash inflow from operating activities	19	<u>3,483</u>	<u>3,435</u>
Cash flows from investing activities			
Payments for property, plant and equipment		(12,651)	(8,082)
Proceeds from sale of property plant and equipment	5(a)	142	428
Capital grants, subsidies, contributions and donations	4(b)	6,939	5,151
Net cash outflow from investing activities		<u>(5,570)</u>	<u>(2,503)</u>
Cash flows from financing activities			
Repayment of borrowings	13	(397)	(369)
Repayments made on leases (principal only)	16	(109)	-
Net cash outflow from financing activities		<u>(506)</u>	<u>(369)</u>
Net increase in cash held		<u>(2,593)</u>	<u>563</u>
Cash and cash equivalents at beginning of the financial year		7,769	7,206
Cash and cash equivalents at end of the financial year	8	<u>5,176</u>	<u>7,769</u>

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

The comparatives have not been restated on adoption of AASB 15 / 1058 and AASB 16 and therefore the comparative information is presented using the previous standards relating to revenue and leases.

Notes to the financial statements

for the year ended 30 June 2020

1 Significant accounting policies

1.A Basis of preparation

These general purpose financial statements are for the period 1 July 2019 to 30 June 2020 and have been prepared in compliance with the requirements of the *Local Government Act 2009* and the *Local Government Regulation 2012*.

These financial statements comply with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (AASB). Council is a not-for-profit entity for financial reporting purposes and complies with Australian Accounting Standards as applicable to not-for-profit entities.

These financial statements have been prepared under the historical cost convention except for the revaluation of certain classes of property, plant and equipment and investment property.

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 adopted during the year

Council adopted all standards which became mandatory effective for annual reporting period beginning on 1 July 2019, the standards which had an impact on reported position, performance and cash flows were those relating to revenue and leases.

Refer to the change in accounting policy note 26 for transition disclosures for *AASB 15 Revenue from Contracts with Customers*, *AASB 1058 Income of Not-for-Profit Entities* and *AASB 16 Leases*.

1.E Standards issued by the AASB but not yet effective

The AASB has issued Australian Accounting Standards and interpretations which are not effective at 30 June 2020, these standards have not been adopted by Council and will be included in the financial statements on their effective date. Where the standard is expected to have a significant impact for Council then further information has been provided in this note.

The following list identifies all the new and amended Australian Accounting Standards and Interpretation, that were issued but not yet effective.

AASB 2018-7 Amendments to Australian Accounting Standards - Definition of Material - effective 1 January 2020

1.E Estimates and Judgements

Councils make a number of judgements, estimates and assumptions in preparing these financial statements. These are based on the best information available to Council at the time, however due to the passage of time, these assumptions may change and therefore the recorded balances may not reflect the final outcomes. The significant judgements, estimates and assumptions relate to the following items and specific information is provided in the relevant note.

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

Provisions - Note 14

Contingent liabilities - Note 18

Financial instruments and financial liabilities - Note 23

Revenue - Note 3

Notes to the financial statements

for the year ended 30 June 2020

1 Significant accounting policies (continued)

1.F Rounding and Comparatives

The financial statements are in Australian dollars and have been rounded to the nearest \$1,000.

Comparative information is generally restated for classifications, errors and changes in accounting policies unless permitted otherwise by transition rules in a new Accounting Standard.

1.G Volunteer Services

Council currently do not have volunteer services that it receives.

1.H Taxation

Council 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.

1.I Impacts from the COVID-19 pandemic

Council has assessed the impact of the COVID-19 global pandemic and found there were no material implications for the financial year ending 30 June 2020. However, Council acknowledges that the COVID-19 restrictions have impacted some businesses and the community in general and has decided to extend the rates and charges discount period to 31 December 2020.

Notes to the financial statements

for the year ended 30 June 2020

Murweh Shire Council
Notes to the financial statements
For the year ended 30 June 2020

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.

Notes to the financial statements

for the year ended 30 June 2020

- 2 Analysis of results by function (continued)
 (b) Income and expenses defined between recurring and capital are attributed to the following functions:

Year ended 30 June 2020

Functions	Gross program income				Total income	Gross program expenses		Total expenses	Net result from recurring operations	Net result	Assets
	Recurring		Capital			Recurring	Capital				
	Grants	Other	Grants	Other							
	2020	2020	2020	2020	2020	2020	2020	2020	2020	2020	2020
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Corporate services	6,503	4,577	6,169	-	17,249	7,613	261	8,074	3,267	9,174	79,410
Engineering services	3,106	3,974	2,320	-	9,400	10,794	-	10,794	(3,714)	(1,394)	301,596
Environmental health services	542	900	-	-	1,442	4,720	-	4,720	(3,278)	(3,278)	896
Water and Sewerage	-	2,550	-	-	2,550	1,888	-	1,888	662	662	27,194
Total Council	10,151	12,001	8,489	-	30,641	25,215	261	25,476	(3,063)	5,164	409,096

Year ended 30 June 2019

Functions	Gross program income				Total income	Gross program expenses		Total expenses	Net result from recurring operations	Net result	Assets
	Recurring		Capital			Recurring	Capital				
	Grants	Other	Grants	Other							
	2019	2019	2019	2019	2019	2019	2019	2019	2019	2019	2019
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Corporate services	6,090	4,642	3,680	20	14,432	7,469	1,834	9,303	3,264	5,130	71,960
Engineering services	2,233	2,846	2,071	-	7,150	9,100	-	9,100	(4,021)	(1,950)	279,764
Environmental health services	8	915	-	-	923	3,975	-	3,975	(3,052)	(3,052)	97
Water and Sewerage	-	2,614	-	-	2,614	2,128	-	2,128	486	486	27,144
Total Council	8,331	11,018	5,751	20	25,120	22,672	1,834	24,506	(3,323)	614	378,964

Notes to the financial statements

for the year ended 30 June 2020

	Council	
	AASB 15	AASB 1058
	\$	\$
	000's	000's
3 Revenue		
Revenue recognised at a point in time		
Rates, levies and charges	-	6,571
Fees and charges	1,188	-
Sales revenue	4,007	-
Grants, subsidies, donations and contributions	259	7,333
	<u>5,454</u>	<u>13,905</u>
Revenue recognised over time		
Grants, subsidies, donations and contributions	1,309	1,251
Grants relating to assets controlled by Council	-	8,489
	<u>1,309</u>	<u>9,740</u>
Total	<u><u>6,763</u></u>	<u><u>23,645</u></u>

(a) Rates, levies and charges

2020	2019
\$	\$
000's	000's

2020 accounting policy: Rates and annual charges are recognised as revenue when the council obtains control over the assets comprising these receipts which is the beginning of the rating period to which they relate. Prepaid rates are recognised as a financial liability until the beginning of the rating period.

2019 accounting policy: 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	3,905	3,894
Water	1,683	1,680
Water consumption, rental and sundries	94	144
Sewerage	971	970
Garbage charges	621	622
Total rates and utility charge revenue	<u>7,273</u>	<u>7,310</u>
Less: Discounts	(607)	(593)
Less: Pensioner remissions	(94)	(94)
	<u><u>6,571</u></u>	<u><u>6,623</u></u>

(b) Fees and charges

2020 accounting policy: Revenue arising from fees and charges is recognised when or as the performance obligation is completed and the customer receives the benefit of the goods/services being provided.

The performance obligation relates to the specific services which are provided to the customers and generally the payment terms are within 30 days of the provision of the service or in some cases, the customer is required to pay on arrival, for example entry to cosmos centre. There is no material obligation for Council in relation to refunds or returns.

Licenses granted by Council are all either short-term or low value and all revenue from licences is recognised at the time that the licence is granted rather than the term of the licence.

Revenue from infringements is recognised on issue of infringement notice after applying the expected credit loss model relating to impairment of receivables for initial recognition of statutory receivables.

Notes to the financial statements

for the year ended 30 June 2020

	2020	2019
	\$	\$
	000's	000's
(b) Fees and charges (continued)		
2019 accounting policy: 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	366	370
Cemetery fees	34	46
Cosmos centre entry and souvenir sales	357	440
Rental income	185	167
Town planning and building fees	11	11
Agistment fees	49	66
Miscellaneous	187	176
	<u>1,188</u>	<u>1,276</u>

(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 based on costs incurred at the reporting date. Where consideration is received for the service in advance it is included in contract 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	<u>4,007</u>	<u>2,856</u>
	<u>4,007</u>	<u>2,856</u>

4 Grants, subsidies, contributions and donations

2020 accounting policy:

Grant income under AASB 15

Where grant income arises from an agreement which is enforceable and contains sufficiently specific performance obligations the revenue is recognised when each performance obligations is satisfied.

The performance obligations vary based on the agreement. Payment terms vary depending on the terms of the grant, cash is received upfront for some grants and on the achievement of certain payment milestones for others.

Each performance obligation is considered to ensure that the revenue recognition reflects the transfer of control and within grant agreements there maybe some performance obligations where control transfers at a point in time and others which have continuous transfer of control over the life of the contract.

Where control is transferred over time, generally the input methods being either costs or time incurred are deemed to be the most appropriate methods to reflect the satisfaction of the contract performance obligation.

Grant income under AASB 1058

Assets arising from grants in the scope of AASB 1058 is recognised at fair value when the asset is received.

Notes to the financial statements

for the year ended 30 June 2020

4 Grants, subsidies, contributions and donations (continued)

Once the assets and liabilities have been recognised then income is recognised for any remaining asset value at the time that the asset is received.

Capital grants

Capital grants received to enable Council to acquire or construct an item of property, plant and equipment to identified specifications which will be under Council's control and which is enforceable are recognised as revenue as and when the obligation to construct or purchase is completed. For construction projects, this is generally as the construction progresses in accordance with costs incurred since this is deemed to be the most appropriate measure of the completeness of the construction project as there is no profit margin.

Where assets are donated or purchased for amounts significantly below fair value, the revenue is recognised at fair value when the asset is acquired and controlled by the Council.

2019 accounting policy: 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.

	2020 \$ 000's	2019 \$ 000's
(a) Recurrent		
General purpose grants	7,278	7,351
State government subsidies and grants	2,873	1,580
	<u>10,152</u>	<u>8,931</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	8,489	5,151
	<u>8,489</u>	<u>5,151</u>
5 Capital income/(expenditure)		
a) Gain/(Loss) on disposal of non-current assets		
Proceeds from the sale of property, plant and equipment	142	428
Less: Book value of property, plant and equipment disposed of	(329)	(408)
Total capital income/(expenditure)	<u>(187)</u>	<u>20</u>
b) Capital expense		
Landfill restoration	74	1,834

Notes to the financial statements

for the year ended 30 June 2020

	2020	2019
	\$	\$
	000's	000's
6 Employee benefits		
Total staff wages and salaries	4,836	4,879
Councillors' remuneration	310	329
Annual, sick and long service leave entitlements	1,771	1,866
Superannuation	19 872	857
	<u>7,788</u>	<u>7,931</u>
Less: Capitalised employee expenses	<u>(619)</u>	<u>(1,041)</u>
	<u><u>7,169</u></u>	<u><u>6,890</u></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	55
Depot and outdoors staff	84	85
Total full time equivalent employees	<u>139</u>	<u>145</u>

7 Materials and services

Advertising and marketing	107	106
Audit services	47	59
Communications and IT	588	459
Contractors	164	125
Donations paid	203	201
Insurance	324	294
Staff training	82	85
Repairs and maintenance - (Including repairs to flood damaged roads)	7,397	6,872
Lease/Rental housing - operating costs	86	106
Subscriptions and registrations	108	111
Other materials and services	2,337	970
	<u>11,442</u>	<u>9,387</u>

8 Cash and cash equivalents

Cash and cash equivalents in the statement of cash flows include cash on hand, all cash and cheques received 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	162	217
Queensland Treasury Corporation	5,011	7,549
Cash on hand	3	3
Balance per statement of cash flows	<u>5,176</u>	<u>7,769</u>

Notes to the financial statements

for the year ended 30 June 2020

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 of receivables 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 are written-off at the end of reporting period. 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.

	2020 \$ 000's	2019 \$ 000's
Current		
Rateable revenue and utility charges	1,094	1,191
Other debtors	793	617
Loss allowance	(4)	-
	<u>1,883</u>	<u>1,808</u>
Movement in accumulated impairment losses (provision for doubtful debts) is as follows:		
Opening balance	-	-
Adjustment to opening balance upon application of AASB 9 (2019)	-	-
Additional impairments recognised	(4)	-
Closing balance	<u>(4)</u>	<u>-</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:		
Subject to impairment		
Not past due	784	613
Past due 31-60 days	2	4
Past due 61-90 days	7	-
Total gross carrying amount	<u>793</u>	<u>617</u>
Loss allowance	(4)	-
Total	<u>789</u>	<u>617</u>
Not subject to impairment		
Rates and utility charges	<u>1,094</u>	<u>1,191</u>
	<u>1,883</u>	<u>1,808</u>

Notes to the financial statements

for the year ended 30 June 2020

10 Property, plant and equipment

Council - 30 June 2020

	Land		Parks		Aerodrome landing strip		Road, drainage and bridge		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	Cost \$'000	Fair value \$'000	Fair value \$'000	Cost \$'000	Fair value \$'000						
Basis of measurement	3,438	2,490	13,903	326,786	71,524	16,523	49,101	4,594	12,652	-	-	-	-	-	488,358	-	509,021
Asset values	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Opening gross value as at 1 July 2019	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Additions	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Revaluation adjustment to asset revaluation	-	-	392	9,249	-	-	-	-	-	-	-	-	-	-	-	-	-
Reclassification between asset classes	-	(1,261)	(86)	(1,152)	(198)	(69)	1,947	-	-	-	-	-	-	-	-	-	-
Transfers between classes	-	685	349	2,302	2,523	2,109	1,335	(9,303)	-	-	-	-	-	-	-	-	-
Closing gross value as at 30 June 2020	3,438	1,914	14,559	337,184	73,849	17,750	52,383	7,943	509,021	-	-	-	-	-	-	-	-

Note

5

17

Accumulated depreciation and impairment

Opening balance as at 1 July 2019	-	432	4,462	57,092	25,375	9,605	22,448	-	-	-	-	-	-	-	-	-	-	119,414
Depreciation provided in period	-	88	475	3,026	1,081	826	795	-	-	-	-	-	-	-	-	-	-	6,290
Reclassification between asset classes	-	(190)	(252)	(1,023)	(1,105)	(194)	1,947	-	-	-	-	-	-	-	-	-	-	(817)
Depreciation on disposals	-	-	-	-	-	(484)	-	-	-	-	-	-	-	-	-	-	-	(484)
Revaluation adjustment to asset revaluation	-	-	(2,167)	(12,097)	-	-	-	-	-	-	-	-	-	-	-	-	-	(14,264)
Accumulated depreciation as at 30 June	-	330	2,518	46,998	25,351	9,753	25,189	-	-	-	-	-	-	-	-	-	-	110,140

5

17

Total written down value as at 30 June 2020

	3,438	1,584	12,041	290,186	48,498	7,998	27,194	7,943	398,881	-	-	-	-	-	-	-	-	-
Land: Not depreciate	10 - 45	15 - 120	10 - 120	10 - 100	5 - 20	10 - 140	WIP: Not depreciated											

Range of estimated useful life in years

Additions comprise

Renewals	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Other additions	-	-	27	3,093	476	-	845	-	-	-	-	-	-	-	-	-	-	-
Totals	-	-	27	3,093	6,591	2,096	845	-	-	-	-	-	-	-	-	-	-	-

Notes to the financial statements

for the year ended 30 June 2020

10 Property, plant and equipment (continued)

Council - 30 June 2019

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	Cost \$'000	Fair value \$'000	Cost \$'000	Fair value \$'000	Cost \$'000	Fair value \$'000					
Opening gross value as at 1 July 2018	3,438	2,359	13,903	324,493	70,554	15,966	48,978	2,194	481,885			2,194	8,082				
Additions	-	-	-	-	-	-	-	-	-	-	-	-	8,082	-	-	-	-
Disposals	-	-	-	-	-	-	-	-	-	-	(1,609)	-	-	-	-	-	(1,609)
Transfer between classes	-	131	-	2,292	970	2,166	123	(5,682)	-	-	-	-	-	-	-	-	-
Closing gross value as at 30 June 2019	3,438	2,490	13,903	326,785	71,524	16,523	49,101	4,594	488,358			4,594	8,082				

5

Accumulated depreciation and impairment

Opening balance as at 1 July 2018	-	389	3,976	54,107	24,330	9,989	21,622	-	114,413			-	-				
Depreciation provided in period	-	43	486	2,985	1,045	817	826	-	6,202			-	-				
Depreciation on disposals	-	-	-	-	-	(1,201)	-	-	(1,201)			-	-				
Accumulated depreciation as at 30 June	-	432	4,462	57,092	25,375	9,605	22,448	-	119,415			-	-				

5

Total written down value as at 30 June 2019

	3,438	2,057	9,441	269,693	46,149	6,918	26,653	4,594	368,943			4,594	-				
Land: Not depreciated														10 - 140	WIP: Not depreciated		

Range of estimated useful life in years

Additions comprise

Renewals	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Other additions	-	520	312	2,505	247	-	418	-	4,002			-	-				
Totals	-	520	38	-	2,542	1,393	107	-	4,080			-	-				
	-	520	350	2,505	2,789	1,393	525	-	8,082			-	-				

Notes to the financial statements

for the year ended 30 June 2020

10 Property, plant and equipment (continued)

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 core 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 core 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.

Notes to the financial statements

for the year ended 30 June 2020

10 Property, plant and equipment (continued)

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.

The ranges of useful lives adopted for each class of asset are disclosed on the preceding pages.

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.

Notes to the financial statements

for the year ended 30 June 2020

10 Property, plant and equipment (continued)

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.

10 (e) Valuation

(ii) Valuation techniques used to derive fair values

Specific valuation techniques used to value Council assets comprise:

Land (level 2)

An independent advice was requested by Management from Shepherds Services relating to the market value of land in the Shire. The advice indicated a zero market movement of the land values as at 30 June 2020. An analysis of sales was completed using a period of 6 months prior to the start of the index period so as to obtain a general market trend leading up to the indices period.

Buildings (level 2)

Council's non-specialised level 2 building assets consist of aged care residential premises and two commercial properties. In order to determine the fair value, management sought advice from an independent valuer, Shepperds Services. A review was completed using ABS Indexes, ABS Catalogues, 6427.0 Producer Price Indexes Australia Table 17. Index number 3101 "Non residential construction Queensland" was deemed to be the most appropriate index. The review found that the cumulative index from 2018 to 2020 was 0.86%. This figure is not considered material for this financial year.

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 valuers determined a 0.86% cost movement for commercial and industrial properties. As the costs movement is less than 5%, management did not apply indexation to the commercial building assets at 30 June 2020.

Buildings (level 3)

At 30 June 2020, the external valuers Shepherds Services provided advice that the construction costs movement between 30 June 2018 to 30 June 2020 was an average of 0.86%. This review was completed using ABS Indexes, ABS Catalogues, 6427.0 Producer Price Indexes Australia Table 17. Index number 3101 "Non residential construction Queensland" was deemed to be the most appropriate index. This figure is not considered material for this financial year.

Specialised buildings were valued using the cost approach using professionally qualified registered valuers. The approach is based on determining the replacement cost of the modern equivalent and then adjusting for the level of consumed future economic benefit and impairment. In accordance with the depreciation requirements of the Property, Plant and Equipment standard, "complex assets" are componentised and depreciated separately. These assets were classified as having been valued using level 3 valuation inputs.

The notes following under the heading of recurring fair value measurements apply equally to Specialised Buildings (level 3)

Notes to the financial statements

for the year ended 30 June 2020

10 Property, plant and equipment (continued)

Infrastructure assets (level 3)

Shepherd Services conducted a desktop review of water and sewerage infrastructure assets at 30 June 2020 and a comprehensive valuation of roads infrastructure assets. This desktop review 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.

Roads

Current replacement cost

The full valuation of Council's infrastructure assets was undertaken by independent valuer, Shepherd Services effective 30 June 2020.

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 15 cms for high traffic areas and 10 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 current labour wage rates. All direct costs were allocated to assets at standard usage quantities according to recently completed similar projects. Where no unit rates could be practically determined for assets, the lump sum current construction costs is used.

Accumulated Depreciation

In determining the level of accumulated depreciation, roads were disaggregated into significant components which exhibited different useful lives. An age-based approach was utilised for assets in average to excellent condition. The condition based approach used a score from excellent or near new condition to asset failure.

Bridges

Current replacement cost

The full valuation of Council's infrastructure assets was undertaken by independent valuer, Shepherd Services effective 30 June 2020. 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.

Accumulated Depreciation

In determining the level of accumulated depreciation, remaining useful lives were calculated based on condition assessments or age-based approach. The condition assessments were made using a condition rating of 0 to 5 where 0 represents "brand new" and 5 "asset failure".

Notes to the financial statements

for the year ended 30 June 2020

10 Property, plant and equipment (continued)

Drainage Infrastructure

Current replacement cost

The full valuation of Council's infrastructure assets was undertaken by independent valuer, Shepherd Services effective 30 June 2020. 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.

Water and Sewerage

Current replacement cost

Shepherd Services, an independent valuer conducted a desktop review of water and sewerage assets at 30 June 2020. Suitable indexes from the Australian Bureau of Statistics (ABS), ABS catalogues, 6427.0 Producer Price Indexes Australia, Table 17. Index number 30 "Building Construction Queensland" was deemed to be the most appropriate index. The review found that the estimated cumulative index from 2018 to 2020 was 1.42%. This figure is considered not material for this financial year and accordingly, an indexation is not required.

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 based on local operating conditions.

Accumulated Depreciation

In determining accumulated depreciation, assets were inspected onsite 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.

An age-based approach was used for young assets in determining its remaining useful life. The reason being that in the first 0 to 50% of the life of most infrastructure assets there is often little visible distress. This makes estimating of remaining life unreliable using visual techniques and if age is known then the age-based approach is more reliable.

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. The reline fair value was based on age.

Notes to the financial statements

for the year ended 30 June 2020

11 Transactions with related parties

(a) Transactions with associates

In 2019-20, Murweh Shire Council paid the amount of \$26,039 (2019:\$22,000) membership fee to the Regional Economic Development (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 comprises:

	2020 \$	2019 \$
Short-term employee benefits	1,336,734	1,335,552
Post-employment benefits	146,541	139,351
Long-term benefits	44,469	19,467
Total	\$1,527,744	\$1,494,370

(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	2020 \$	2019 \$
Purchase of maintenance services	50,738	86,976
Purchase of hardware materials	36,403	63,400
Purchase of printing services	7,141	17,169
Purchase of other goods	21,564	4,751
Employee expenses for close family member of KMP	29,542	70,043
Total	\$145,388	\$242,340

(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.

Council employs 139 staff, of which two are close family member of a KMP.

(iii) During 2019-20 financial year, the Council made payments of \$4,173 (2019: \$24,000) to various non-profit community organisations of which KMP are committee members.

Notes to the financial statements

for the year ended 30 June 2020

11 Transactions with related parties (continued)

(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 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.

Notes to the financial statements

for the year ended 30 June 2020

	2020 \$ 000's	2019 \$ 000's
12 Trade and other payables		
Creditors are recognised when goods or services are received, at the amount owed. Amounts owing are unsecured and are generally settled on 30 day terms.		
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.		
Current		
Creditors and accruals	1,876	1,035
Prepaid rates	265	-
Other entitlements	1,228	1,142
	<u>3,369</u>	<u>2,177</u>

13 Borrowings

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

All borrowings are in \$AUD 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.

In accordance with the *Local Government Regulation 2012*, Council adopts an annual debt policy that sets out council's planned borrowings for the next nine years. Council's current policy is to only borrow for capital projects and for a term no longer than the expected life of the asset. Council also aims to comply with the Queensland Treasury Corporation's borrowing guidelines and ensure that sustainability indicators remain within acceptable levels at all times.

All borrowing costs are expensed in the period in which they are incurred.

Current

Loans - Queensland Treasury Corporation	277	402
	<u>277</u>	<u>402</u>

Non-current

Loans - Queensland Treasury Corporation	1,860	2,132
	<u>1,860</u>	<u>2,132</u>

Loans - Queensland Treasury

Opening balance at beginning of financial	2,534	2,903
Loan draw downs during year	-	-
Principal repayments	(397)	(369)
Book value at end of financial year	<u>2,137</u>	<u>2,534</u>

The QTC loan market value at the reporting date was \$ 2,505,974 (2019: \$ 2,924,604). This represents the value of the debt if Council repaid it at that date.

On 23 June 2020, Council opened a working capital facility with QTC of \$2,000,000. No draw downs on this facility occurred through to 30 June 2020.

No assets have been pledged as security by the Council for any liabilities, however all loans are guaranteed by the Queensland Government. There have been no defaults or breaches of the loan agreement during the 2020 or 2019 financial years.

Notes to the financial statements

for the year ended 30 June 2020

14 Provisions	2020	2019
	\$	\$
	000's	000's
<i>Long Service Leave</i>		
<p>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.</p> <p>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.</p>		
<i>Refuse dump restoration</i>		
<p>A provision is made for the cost of restoring refuse dumps where it is probable the Council will be liable, or required, to do this when the use of the facilities is complete.</p> <p>The provision for refuse restoration is calculated as the present value of anticipated future costs associated with the closure of the dump sites, decontamination and monitoring of historical residues and leaching on these sites. The calculation of this provision requires assumptions such as application of environmental legislation, site closure dates, available technologies and engineering cost estimates. These uncertainties may result in future actual expenditure differing from amounts currently provided. Because of the long-term nature of the liability, the most significant uncertainty in estimating the provision is the costs that will be incurred. The provision recognised for dump sites is reviewed at least annually and updated based on the facts and circumstances available at the time. Changes in the provision due to either time, discount rate or expected future costs are treated as a capital expense or capital income in the reporting period to which they relate. Management estimates that all three sites will be closed in 2024 and the restoration works will occur after closure. Post-closure maintenance and on-going monitoring will be carried out over the subsequent 30 years.</p>		
Current		
Long service leave	1,142	1,196
	1,142	1,196
Non-current		
Refuse restoration	1,945	1,834
Long service leave	89	66
	2,034	1,900
Details of movements in provisions:		
Long service leave		
Balance at beginning of financial year	1,262	1,353
Long service leave entitlement arising	23	32
Long Service entitlement paid	(54)	(123)
Balance at end of financial year	1,231	1,262
Refuse restoration		
Balance at beginning of financial year	1,834	-
Increase in provision due to unwinding of discount	37	-
Increase in provision due to change in discount rate	74	1,834
Balance at end of financial year	1,945	1,834

Notes to the financial statements

for the year ended 30 June 2020

15 Contract balances

Where the amounts billed to customers are based on the achievement of various milestones established in the contract, the amounts recognised as revenue in a given period do not necessarily coincide with the amounts billed to or certified by the customer.

When a performance obligation is satisfied by transferring a promised good or service to the customer before the customer pays consideration or before an invoice is issued, Council presents the work in progress as a contract asset, unless the rights to that amount of consideration are unconditional, in which case Council recognises a receivable.

When an amount of consideration is received from a customer/fund provider prior to Council transferring a good or service to the customer, Council presents the funds which exceed revenue recognised as a contract liability.

	2020	2019
	000's	000's
	\$	\$
a		
Contract assets	2,566	-
The contract assets mainly relate to the construction of Cosmos upgrade and the Morven rail hub.		
b		
Contract liabilities		
Funds received in advance to construct council controlled assets	1,028	-
Funds received in advance to deliver projects on behalf of the community/local	367	-
	<u>1,395</u>	<u>-</u>
Revenue recognised that was included in the contract liability balance at the beginning of the year		
Funds received in advance to construct council controlled assets	581	-
Funds received in advance to deliver projects on behalf of the community/local government	679	-
	<u>1,260</u>	<u>-</u>
c		
Significant changes in contract balances		

The contract assets and liabilities have arisen on adoption of AASB 15 and AASB 1058. Previously the revenue was recognised on receipt and therefore there was no effect on the statement of financial position.

16 Leases

Council has a lease over buildings and equipment. Council has applied the practical expedients to lease accounting for leases of low-value assets and short term leases.

Where Council assesses that an agreement contains a lease, a right-of-use asset and lease liability is recognised on inception of the lease. Council does not separate lease and non-lease components for any class of assets and has accounted for lease payments as a single component.

The right-of-use asset is measured using the cost model where cost on initial recognition comprises: the lease liability, initial direct costs, prepaid lease payments, estimated cost of removal and restoration, less any lease incentives received. The right-of-use is depreciated over the lease term on a straight-line basis and assessed for impairment in accordance with the impairment of asset accounting policy.

The lease liability is initially recognised at the present value of the remaining lease payments at the commencement of the lease. The discount rate is the rate implicit in the lease, however where this cannot be readily determined then the Council's incremental borrowing rate for a similar term with security is used.

Practical expedients to lease accounting

Council has applied the practical expedients to lease accounting for both short-term leases (ie less than 12 months) and leases of low-value assets. Council recognises the payments associated with these leases as an expense on a straight-line basis over the lease term.

Council has no leases at significantly below market value or concessionary leases.

Notes to the financial statements

for the year ended 30 June 2020

16 Leases (continued)

Right of use of assets

	Equipment 000's	Building 000's	Total 000's
Adoption of AASB 16 at 1 July 2019	124	51	175
Additions during the year	12	34	47
Amortisation charge	(81)	(32)	(113)
Balance at 30 June 2020	55	54	109

Terms and conditions of leases

Buildings

Council leases two residential houses which are used for executive personnel accommodation. The leases are between 2 to 5 years and does not contain a renewal option.

Equipment

Council leases a number of trackers which are used for heavy plant and motor vehicles which have lease terms up to three years and fixed payments for the term of the leases.

Lease liabilities

The table below shows the maturity analysis of the lease liabilities based on contractual cashflows and therefore the amounts will not be the same as the recognised lease liability in the statement of financial position.

	Total per statement of financial position		
	000's	< 1 year 000's	1-5 years 000's
Lease liabilities	109	85	25

Amounts included in the statement of comprehensive income related to leases

	000's
Interest on lease liabilities	2
Amortisation of right-of-use of assets	(113)
Total expenses for leases	(111)
Total cash outflows for leases	
Principal	109
Interest	2
Total	111

17 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.

	2020 \$ 000's	2019 \$ 000's
Movements in the asset revaluation surplus were as follows:		
Opening balances	252,275	252,275
Net adjustment to non-current assets at end of period to reflect a change in		
Land and improvements	-	-
Buildings	-	-
Parks	-	-
Road, drainage and bridge network	21,347	-
Water and sewerage infrastructure	-	-
Aerodrome landing strips	2,559	-
Closing balances	276,181	252,275

Notes to the financial statements

for the year ended 30 June 2020

	2020	2019
	\$	\$
	000's	000's
17		
Asset revaluation surplus (continued)		
Asset revaluation surplus analysis		
The closing balance of the asset revaluation surplus comprises the following asset categories:		
Land	929	929
Buildings and other structures	32,629	32,629
Parks	562	562
Road, drainage and bridge network	207,623	186,277
Water and sewerage infrastructure	21,813	21,813
Aerodrome landing strips	12,624	10,065
	<u>276,181</u>	<u>252,275</u>

18 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 2020 the financial statements reported an accumulated surplus and it is not anticipated any liability will arise.

Local Government Workcare

The Council is a member of the Queensland local government worker's compensation self-insurance scheme, Local Government Workcare. Under this scheme the Council has provided an indemnity towards a bank guarantee to cover bad debts which may remain should the self insurance licence be cancelled and there was insufficient funds available to cover outstanding liabilities. Only the Queensland Government's workers compensation authority may call on any part of the guarantee should the above circumstances arise. The Council's maximum exposure to the bank guarantee is \$169,847 (2019: \$154,392)

19 Superannuation

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

The scheme is a defined benefit plan, however Council is not able to account for it as a defined benefit plan in accordance with AASB 119 because LGIASuper is unable to account for the proportionate share of the defined benefit obligation, plan assets and costs.

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

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

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

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

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

The most significant risks that may result in LGIASuper increasing the contribution rate, on the advice of the actuary,

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

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

Notes to the financial statements

for the year ended 30 June 2020

19	Superannuation (continued)	2020 \$ 000's	2019 \$ 000's
	Superannuation contributions made to the Regional Defined Benefits Fund	59	56
	Other superannuation contributions for employees	813	801
	Total superannuation contributions paid by Council for employees	<u>872</u>	<u>857</u>
20	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	<u>82</u>	<u>74</u>
	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.		
21	Reconciliation of net operating surplus for the year to net cash inflow from operating activities		
	Net operating result	5,164	614
	Non-cash operating items:		
	Depreciation and amortisation	<u>6,403</u>	<u>6,202</u>
	Investing and development activities:		
	Net (profit)/loss on disposal of non-current assets	187	(20)
	Capital expense	74	1,834
	Capital grants and contributions	<u>(8,489)</u>	<u>(5,151)</u>
	Changes in operating assets and liabilities:		
	(Increase)/ decrease in receivables	(133)	2,354
	(Increase)/decrease in inventory	17	(14)
	(Increase)/decrease in contract assets	(726)	-
	Increase/(decrease) in payables	924	(1,259)
	Increase/(decrease) in contract liabilities	56	-
	Increase/(decrease) in provisions	6	(91)
	Increase/(decrease) in unearned revenue	-	(1,034)
		<u>144</u>	<u>(44)</u>
	Net cash inflow from operating activities	<u>3,483</u>	<u>3,435</u>
22	Events after the reporting period		
	There were no material adjusting or non-adjusting events after the balance date.		

Notes to the financial statements

for the year ended 30 June 2020

23 Financial instruments and financial risk management

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 to evaluate the significance of financial instruments on the Council's financial position and financial performance, including the nature and extent of risks and how the Council manages these exposures.

Financial risk management

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.

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

The carrying amounts of financial assets at the end of the reporting period represent the maximum exposure to credit risk for the Council.

		2020	2019
		\$	\$
		000's	000's
Cash and cash equivalents	8	5,176	7,769
Rateable revenue and utility charges	9	1,094	1,191
Other debtors	9	789	617
Total		7,059	9,577

Notes to the financial statements

for the year ended 30 June 2020

23 Financial instruments and financial risk management (continued)

Cash and cash equivalents

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

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

At 30 June 2020, the exposure to credit risk for receivables by type of counterparty was as follows:

	Note	2020 \$ 000's	2019 \$ 000's
Rates and utility charges	9	1,094	1,191
Other debtors	9	789	617
		<u>1,883</u>	<u>1,808</u>

A summary of the Council's exposure to credit risk for the period ending 30 June 2020 for which impairment requirements of AASB 9 Financial Instruments have been applied, being for statutory fees and charges and other debtors.

Liquidity risk

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

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

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.

Council has a working capital facility of \$2,000,000 at the reporting date.

Notes to the financial statements

for the year ended 30 June 2020

23 Financial instruments and financial risk management (continued)

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

		0 to 1 year	1 to 5 years	Over 5 years	Contractual Cash Flows	Carrying Amount
		\$'000	\$'000	\$'000	\$'000	\$'000
2020						
Trade and other payables	12	3,369	-	-	-	3,369
Loans - QTC	13	389	1,277	1,010	2,676	2,137
		3,758	1,277	1,010	2,676	5,506
2019						
Trade and other payables	12	2,177	-	-	-	2,177
Loans - QTC	13	537	1,388	1,288	3,213	2,534
		2,714	1,388	1,288	3,213	4,711

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 100 basis points or 1% p.a.) would have on the net result and equity, based on the carrying values at the end of the reporting period. The calculation assumes that the change in interest rates would be held constant over the period.

	Net carrying amount \$'000	Effect on Net Result		Effect on Equity	
		1% increase \$'000	1% decrease \$'000	1% increase \$'000	1% decrease \$'000
Council					
2020					
QTC cash fund	5,011	50	(50)	50	(50)
NAB cash account	162	2	(2)	2	(2)
Loans - QTC	(2,137)	(21)	21	(21)	21
Net total	3,036	30	(30)	30	(30)
2019					
QTC cash fund	7,549	75	(75)	75	(75)
NAB cash account	217	2	(2)	2	(2)
Loans - QTC	(2,534)	(25)	25	(25)	25
Net total	5,232	52	(52)	52	(52)

Notes to the financial statements

for the year ended 30 June 2020

23 Financial instruments and financial risk management (continued)

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

	2020		2019	
	Carrying Amount \$'000	Fair Value \$'000	Carrying Amount \$'000	Fair Value \$'000
<u>Financial assets</u>				
QTC cash fund	5,011	5,011	7,549	7,549
NAB operating account	162	162	217	217
<u>Financial liabilities</u>				
Loans - QTC	2,137	2,137	2,534	2,925

24 Reconciliation of liabilities arising from finance activities

	As at 30 June 2019	Change in accounting policy	Cash flows principal and interest	As at 30 June 2020
	\$'000	\$'000	\$'000	\$'000
Loans	13 2,534	-	(397)	2,137
Lease liability	16 -	221	(112)	109
	2,534	221	(509)	2,246
	As at 30 June 2018	Change in accounting policy	Cash flows principal and interest	As at 30 June 2019
Loans	13 2,903	-	(369)	2,534
	2,903	-	(369)	2,534

25 Commitments for expenditure

Contractual commitments

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

Garbage collection contract and IT Services

- Within one year
- One to five years

	2020 \$'000	2019 \$'000
	327	361
	839	1,247
	1,166	1,608

Notes to the financial statements

for the year ended 30 June 2020

26 Changes in accounting policy

During the year ended 30 June 2020, the Council has adopted AASB 15 Revenue from Contracts with Customers, AASB 1058 Income of Not for Profit Entities and AASB 16 Leases using the modified retrospective (cumulative catch-up) method and therefore the comparative information for the year ended 30 June 2019 has not been restated and continues to comply with AASB 111 Construction Contracts, AASB 117 Leases, AASB 118 Revenue, AASB 1004 Contributions and associated accounting interpretations.

All adjustments on adoption of AASB 15, AASB 1058 and AASB 16 have been taken to retained earnings at 1 July 2019.

The impacts of adopting these standards and associated transition disclosures are provided below:

Revenue standards - AASB 15 and AASB 1058

The following options have been applied on transition to AASB 15 and AASB 1058:

*Council has not adopted the completed contract expedient and therefore has not excluded revenue which was fully recognised in previous years in accordance with former accounting standards and pronouncements.

*Council has not retrospectively restated contracts for modifications that occurred before 1 July 2019 unless such contract modification were minor.

Changes in accounting policy on adoption of AASB 15 and AASB 1058

Council has adopted to recognise revenue as follows:

- Recognition of costs incurred in fulfilling customer contracts;
- Timing of revenue recognition arising from contract modifications;
- Revenue recognised over time or at a point in time;
- Prepaid rates - now recorded as a financial liability until the beginning of the rating period;
- Recognition of grant revenue within the scope of AASB 15; and
- Recognition of grant revenue for acquisition or construction of assets controlled by Council within the scope of AASB 1058.

Opening contract balances on transition at 1 July 2019

	Balance at 1 July 2019 \$'000
Contract assets	
- Under AASB 15	-
- Under AASB 1058	604
	<u>604</u>
Contract liabilities	
- Under AASB 15	784
- Under AASB 1058	870
	<u>1,654</u>

Comparison of affected financial statements lines between AASB 15/1058 and previous revenue standards

The following table shows the amount by which the financial statement line items is affected by the application of AASB 15 and AASB 1058 as compared to the previous revenue standards.

Statement of financial position at 30 June 2020

	Carrying amount per Statement of Financial Position Dr/(Cr) \$	Adjustments Dr/(Cr) \$	Carrying amount if previous standards had been applied Dr/(Cr) \$
	\$'000	\$'000	\$'000
Contract assets	2,566	(2,566)	-
Contract liabilities	(1,395)	1,395	-
Retained earnings	122,729	1,171	123,901
	<u>123,901</u>	<u>-</u>	<u>123,901</u>

Notes to the financial statements

for the year ended 30 June 2020

26 Changes in accounting policy (continued)

Statement of comprehensive income for the year ended 30 June 2020

	Balance per Statement of Comprehensive Income (Dr)/Cr \$	(Dr)/Cr Adjustments \$	Revenues if previous standards had been applied (Dr)/Cr \$
	\$'000	\$'000	\$'000
Revenue operating grants	10,152	(672)	9,480
Revenue capital grants	8,489	(1,550)	6,939
	<u>18,641</u>	<u>(2,222)</u>	<u>16,419</u>

The adjustments above relate to the recognition of contract assets and contract liabilities for revenue streams where the revenue is recognised over time rather than on receipt of funding under AASB 1004.

Statement of cash flows for the year ended 30 June 2020

The adoption of AASB 15 and AASB 1058 has not caused a material change to the Statement of Cash Flows for the year ended 30 June 2020.

Lease standard - AASB 16

Council as a lessee

Under the previous lease accounting standard, Council assessed whether the leases were operating or finance leases, based on its assessment of whether the significant risks and rewards of ownership had been transferred to Council or remained with the lessor. Under AASB 16, there is no differentiation between finance and operating leases for the lessee and therefore all leases which meet the definition of a lease are recognised on the statement of financial position (except for short-term leases and leases of low-value assets).

Council has used the practical expedients to lease accounting for short-term leases and leases of low-value assets, and the lease expense relating to these leases is recognised in the Statement of Comprehensive Income on a straight-line basis.

Practical expedients used on transition

AASB 16 includes a number of practical expedients which can be used on transition. Council has used the following expedients:

- Contracts which had previously been assessed as not containing leases under AASB 117 were not re-assessed on transition to AASB 16.
- Lease liabilities have been discounted using the Council's incremental borrowing rate at 1 July 2019.
- Right-of-use assets at 1 July 2019 have been measured at an amount equal to the lease liability adjustment by the any prepaid or accrued lease payments.
- A single discount rate was applied to all leases with similar characteristics.
- Excluded leases with an expiry date prior to 30 June 2020 from the Statement of Financial Position, and lease expenses for these leases have been recorded on straight-line basis over the remaining term.
- Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

Impact of adopting AASB 16 at 1 July 2019

Council has recognised right-of-use assets and lease liabilities of \$ 174,505 at 1 July 2019 for leases previously classified as operating leases.

The weighted average lessees's incremental borrowing rate applied to lease liabilities at 1 July 2019 was 1.28%.

INDEPENDENT AUDITOR'S REPORT

To the Councillors of Murweh Shire Council

Report on the audit of the financial report

Opinion

I have audited the accompanying financial report of Murweh Shire Council (the council).

In my opinion, the financial report:

- a) gives a true and fair view of the council's financial position as at 30 June 2020, 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 2020, 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 the Chief Executive Officer.

Basis for opinion

I conducted my audit in accordance with the *Auditor-General 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 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 financial and non-financial information (other than the audited financial report) in an entity's annual report.

At the date of this auditor's report, the available other information in Murweh Shire Council's annual report for the year ended 30 June 2020 was the current year financial sustainability statement and long-term financial sustainability statement.

The councillors are responsible for the other information.

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 councillors for the financial report

The councillors are 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 councillors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial report

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

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

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

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

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

Report on other legal and regulatory requirements

In accordance with s.40 of the *Auditor-General Act 2009*, for the year ended 30 June 2020:

- 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.



Dale Hassell
as delegate of the Auditor-General

13 October 2020

Queensland Audit Office
Brisbane

Current financial sustainability statement

for the year ended 30 June 2020

Council's performance at 30 June 2020 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)	-13.83%	Between 0% - 10%
Asset sustainability ratio	Capital expenditure on the replacement of assets (renewals) divided by the depreciation expense	81%	Greater than 90%
Net financial liabilities ratio	Total liabilities less current assets divided by total operating revenue (excluding capital items)	0.36%	Not greater than 60%

Note 1 Basis of preparation

The current year financial sustainability statement is a special purpose statement prepared in accordance with the requirements of the *Local Government Regulation 2012* and the *Financial Management Sustainability Guideline 2013*. The amounts used to calculate the three reported measures are prepared on an accrual basis and are drawn from the Council's audited general purpose financial statements for the year ended 30 June 2020.

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 (the council) for the year ended 30 June 2020 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 2020 has been accurately calculated.

Basis of opinion

I conducted my audit in accordance with the *Auditor-General 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 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 financial and non-financial information (other than the audited financial report) in an entity's annual report.

At the date of this auditor's report, the available other information in Murweh Shire Council's annual report for the year ended 30 June 2020 was the general purpose financial statements and long-term financial sustainability statement.

The councillors are responsible for the other information.

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 councillors for the current year financial sustainability statement

The councillors are responsible for the preparation and fair presentation of the current year financial sustainability statement in accordance with the Local Government Regulation 2012. The councillors' responsibility also includes such internal control as the councillors determine 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.



Dale Hassell
as delegate of the Auditor-General

13 October 2020

Queensland Audit Office
Brisbane

Unaudited long-term financial sustainability statement

for the year ended 30 June 2020

Council's budgeted performance against key financial ratios and targets - 2021 to 2030

Year ending 30 June 2019	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Operating surplus ratio	-11%	-13%	-13%	-13%	-13%	-13%	-13%	-13%	-12%	-11%
	<u>Target</u>									
	Between									
	0% - 10%									
Net result divided by total revenue	-11%	-13%	-13%	-13%	-13%	-13%	-13%	-13%	-12%	-11%
Asset sustainability ratio	116%	101%	99%	96%	93%	91%	90%	87%	94%	93%
	Greater than									
	90%									
Capital expenditure on the replacement of assets (renewals) divided by the depreciation expense.	116%	101%	99%	96%	93%	91%	90%	87%	94%	93%
Net financial liabilities ratio	-11%	-11%	-12%	-13%	-15%	-18%	-21%	-24%	-27%	-29%
	Not greater than 60%									
Total liabilities less current assets divided by total operating revenue	-11%	-11%	-12%	-13%	-15%	-18%	-21%	-24%	-27%	-29%

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.

Financial statements

for the year ended 30 June 2020

Certificate of Accuracy For the year ended 30 June 2020

This unaudited long-term financial sustainability statement has been prepared pursuant to section 178 of the *Local Government Regulation 2012* (the Regulation).

In accordance with Section 212(5) of the Regulation we certify that this long term financial sustainability statement has been accurately calculated.



Councillor S Radnedge
Mayor

Date: 13, 10, 2020



Neil Polglase
Chief Executive Officer

Date: 13, 10, 2020



95-101 Alfred Street
Charleville QLD 4470
murweh.qld.gov.au