



**SHIRE OF MURWEH**

**MORVEN - CHARLEVILLE - AUGATHELLA**

# ANNUAL REPORT

**2017 - 2018**

Photo: Susann Ranson



# Message from the Mayor

Finalisation of a number of major projects was undertaken this financial year requiring Council to undertake a more consolidated budget for 2017-18. Overall revenues for the year remained at \$25.8M with grants and subsidies down some \$4.9M on the previous year setting an overall net surplus result of \$2.3M well down on last year's surplus of \$8.5M.

Council again were fortunate to receive funding support from both the Federal and State governments through successful submissions to the Building Better Regions Fund (Federal) and Building Our Regions and Works for Queensland programs (State) with Council most appreciative of the support provided to our community

Severe drought conditions evidenced to be perhaps 'our worst severe drought in living memory' continues to impact both our rural and commercial sectors. We all hope and pray that the drought will break soon and enable our Shire to again prosper enable continued economic prosperity.

Highlights of some of the major projects undertaken in the 2017-2018 financial year include –

Charleville Airport Apron Extension	\$306K
Completion of the Charleville Arts Gallery	\$374K
Improvements Flood Gauge Network	\$734K
1 <sup>st</sup> Stage purchase community housing assets	\$440K
Land purchase (Morven & Industrial Estate Charleville)	\$189K

## Works for Queensland (W4Q)

Road Sealing Works	\$400K
Shade Structure – Charleville Skate Park	\$181K
Augathella Drainage Structure	\$142K
Shire Parks Landscaping	\$175K
Install Rubber Soft Fall – playground equipment 3 towns	\$229K
Gowrie Crossing Upgrade	\$118K
Installation automatic sprinklers 3 towns parks	\$212K

## Roadworks

Killarney Road	\$911K
Mt. Tabor Road	\$997K
Laguna Road	\$277K
Noorooloo Road	\$210K
Rural Roads Maintenance	\$1.2M
Town Street Maintenance	\$1.1M

## Water and Sewerage

Directional Bore Warrego River	\$179K
Pump Station 3 New Switchboard	\$112K
Aerators Sewerage Treatment Plant	\$132K

Plant & Equipment Replacement	\$1.2M
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Council was again pleased to help with many minor projects and events run by the numerous clubs and organisations and their tireless volunteers across the Shire.

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

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

*Cr. Annie Liston*  
MAYOR



# Chief Executive Officer's Report

2017-18 saw most of the capital works projects finalised including the much anticipated Charleville airport terminal, Charleville Arts Centre etc. which has provided a more restrained financial position with both recurrent and capital grants decreasing by almost \$4.9M.

The reduction in recurring grants (-\$2,6M approx.) this financial year was largely due to the decision of the Federal Government not to pay the Financial Assistance grants to Council in advance. Overall expenditures including wages and salaries remain stable with little movement due to enterprise bargaining requirements and costs associated with the finalisation of grants.

This has no doubt impacted severely on our final net result indicating a small surplus of \$2.3M down some \$6.2M on the previous year.

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

Overall financial position remains stable with an increase in current assets or cash reserves up some \$1.9M on the previous year and loan commitments down to \$3.2M.

All council assets were revalued this financial year which has seen these assets increased marginally to \$379M up some \$62.5M or 16%. Council will be required to make the necessary adjustment to their depreciation to continue to maintain these assets at their present or improved condition.

Moreover, once again challenges facing the present and possibly 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 fourteenth straight year meeting government requirements.

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



## 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 2017 to 30 June 2018.

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 \$2.3 million compared with 2016/17 of \$8.5 million. The decrease in net result is largely due to the reduction on operating grants funding received, coupled with the decrease in the volume of contract and recoverable works. The decrease in capital grant funding for 2018 is largely due to the receipt of a \$1.2 million grant in 2017 to fund the new Charleville airport terminal. Employee benefits are in line with prior year figures of \$6.8 million, while materials and services have decreased by \$461,000 due to the decrease in the recoverable works in 2017/18.

Revenue	2017-2018	2016-2017
	\$ '000	\$ '000
Rates, Levies and Charges	6,332	6,210
Fees and Charges	1,240	1,038
Interest & Investment Revenue	207	160
Grants & Contributions - Operating	9,271	12,480
Sales & Recoverable Works	3,914	5,858
<b>Total Revenue</b>	<b>20,964</b>	<b>25,746</b>
<b>Expenses</b>		
Employee Benefits	6,856	6,822
Materials and Services	11,221	11,682
Finance Costs	231	242
Depreciation and Amortisation	5,213	5,003
<b>Total Expenses</b>	<b>23,521</b>	<b>23,749</b>
<b>Operating Surplus/(Deficit)</b>	<b>(2,557)</b>	<b>1,997</b>
Capital Grant	4,912	6,570
Capital Expenses	39	54
<b>Net Result</b>	<b>2,316</b>	<b>8,513</b>

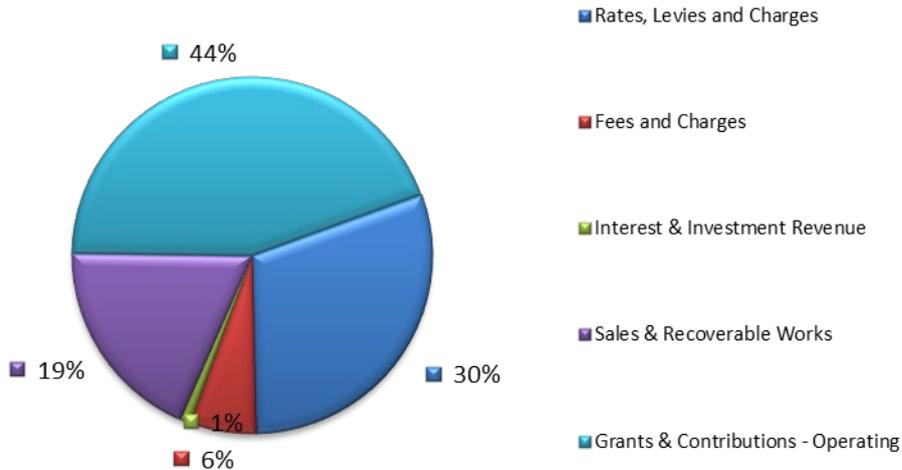
## Revenue Sources - Where does our money come from?

Throughout the 2017/18 financial year, Council earned \$20.9 million in operating revenues. The most significant contributors to revenue include:

- Operational grants, subsidies contributions and donations \$9.2 million
- Rates, levies and utility charges \$6.3 million
- Recoverable works \$3.9 million

44% of total revenue comes from operating grants and subsidies which includes the Financial Assistance Grants of \$6.9 million.

## Operating Revenue 2017-2018



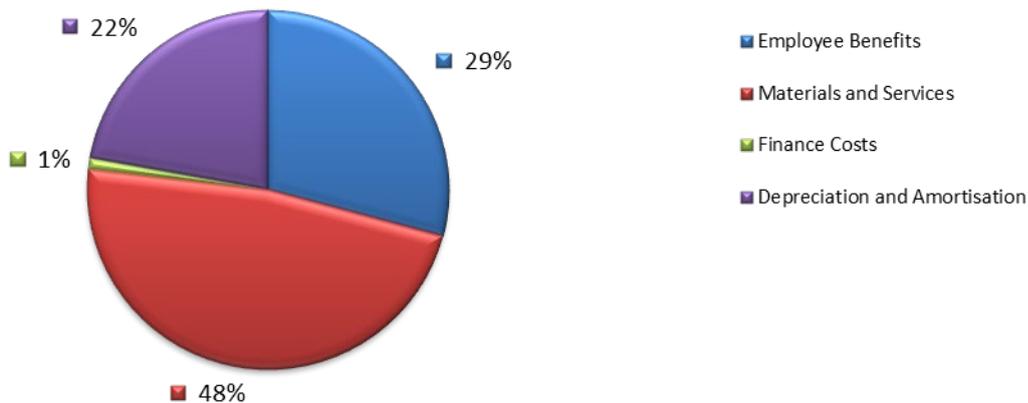
## Operating Expenses – Where does our money go?

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

Key operating expenses during the 2017/18 financial year were:

- Employee benefits \$6.8 million (29%)
- Materials and services \$11.2 million (48%)

## Operating Expenses 2017-2018



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 2018.

### Total Assets – What we own

The major components of our assets include:

- Property, plant and equipment \$367.4 million
- Cash \$7.2 million
- Trade and other receivables & inventories of \$4.5 million

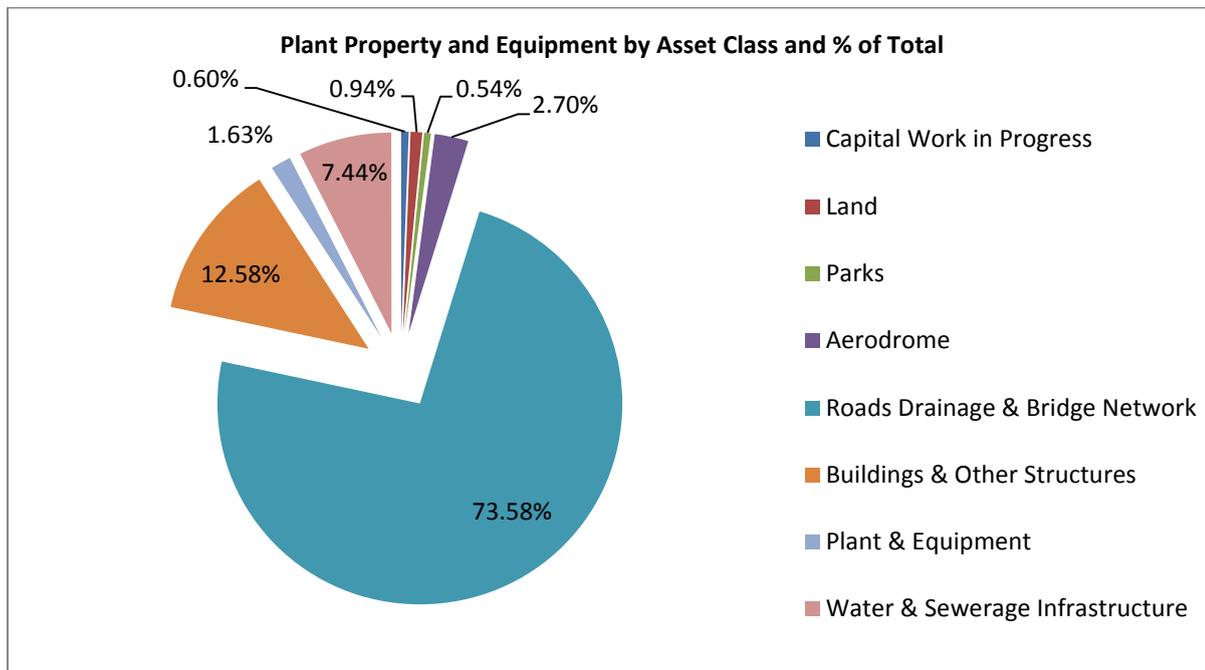
### Total Liabilities – What we owe

The major components of our liabilities include:

- Loans \$2.9 million
- Trade & other payables total of \$3.4 million

During the financial year, total borrowings paid to Queensland Treasury Corporation were \$344,000.

**Council Plant Property & Equipment at 30 June 2018 is illustrated in the pie graph below:**



As shown in the above graph, road network assets represents 73.58% of Council's total assets followed by buildings and other structures of 12.58%.

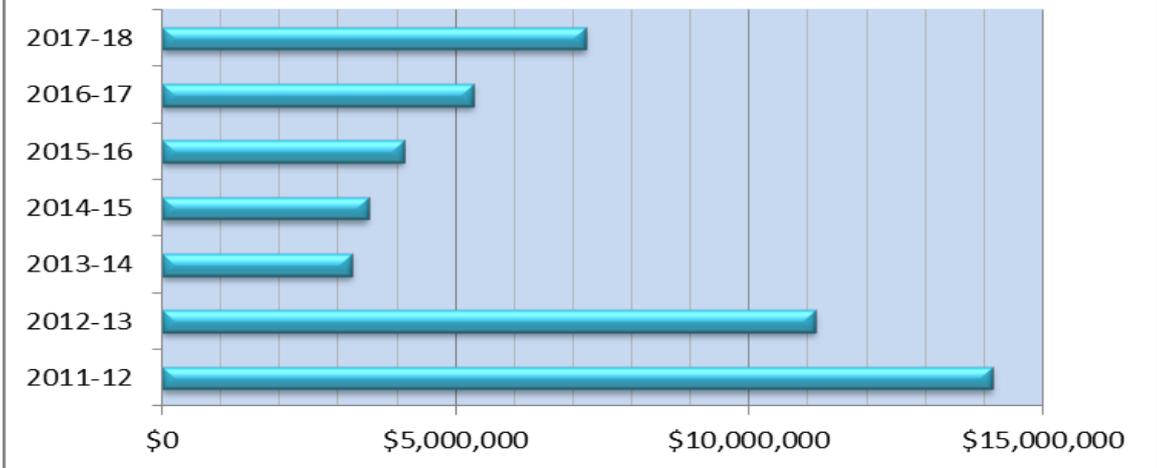
- Statement of Changes in Equity:** The statement of changes in equity measures the changes in our net wealth and shows the movements in our retained earnings and asset revaluation surplus. In the 2017/18 financial year council's net worth increased by \$61 million. The increase is predominantly due to the increase in road infrastructure replacement costs, as a result of valuation completed in 2017/18.
- 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 2017/18 and 2016/17 financial years.

Cashflow Summary	2017-2018	2016-2017
	\$ '000	\$ '000
Opening Cash Balance	5,293	4,103
Net Cashflow from Operating Activities	5,356	4,428
Net Cashflow from Investing Activities	(3,099)	(2,918)
Net Cash flow from Financing Activities	(344)	(320)
<b>Closing Cash Balance</b>	<b>7,206</b>	<b>5,293</b>

As shown in the graph below, Council's cash position in 2017/18 has increased by \$2.0 million compared to that of prior year. Council again in this financial year received a prepayment of 50% from the Financial Assistance grant allocation for 2018/19.

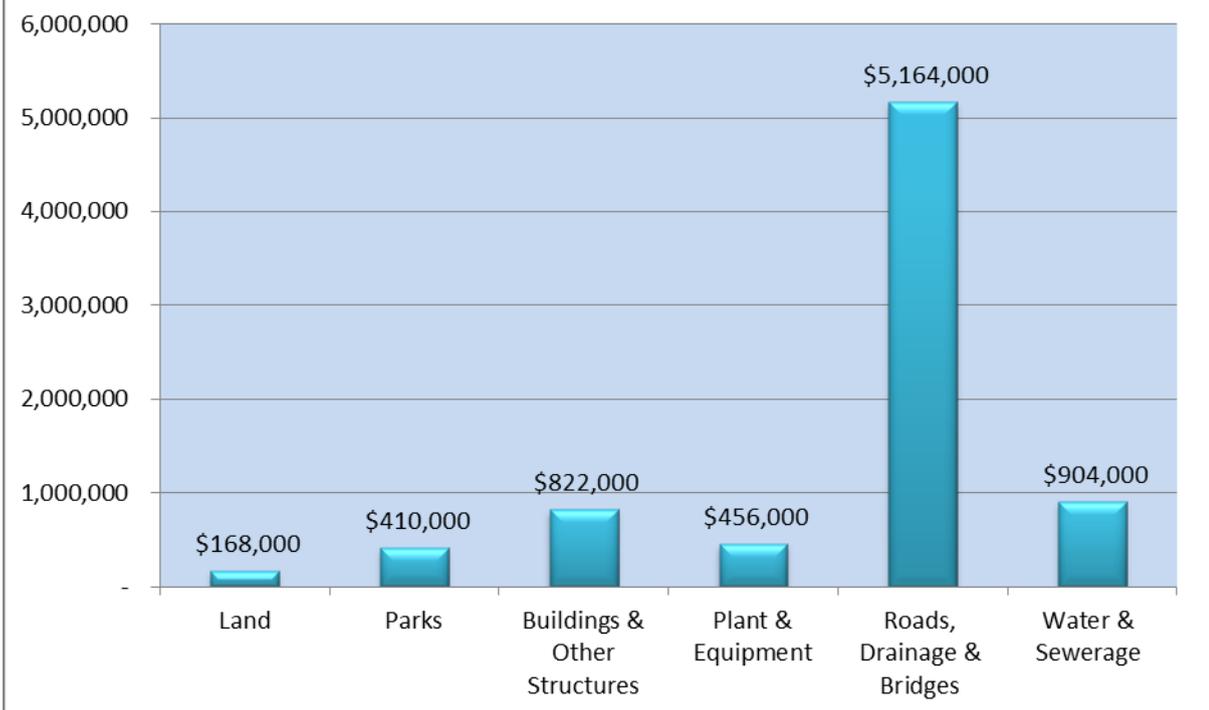
## Cash Balance



During the financial year 2017/18, Council has completed capital projects to the value of \$7.9 million. These include various road capital projects totalling \$ 5,164,000 including the completion of the balance of airport capital works \$306,000, water and sewerage projects of \$904,000 , buildings and other structures \$822,000, new and upgrade to recreation parks \$410,000, replacement of plant and equipment \$456,000 and land acquisition of \$168,000.

Council was able to deliver these projects with funding assistance received from Commonwealth and State governments. In 2017/18, Council received capital grants of \$4.9 million.

## Capital Works Completed in 2017/18



## Councillors (section 186 Local Government Regulations 2012)

### (i) Remuneration schedule

The levels of remuneration as set by the Local Government Remuneration and Discipline Tribunal in terms of the Local Government Regulation 2012 effective from 1 July 2017 are as follows:

Category 3	Position	Remuneration	Telephone
	Mayor	\$101,631.00	\$2,000.00
	Deputy Mayor	\$58,633.00	\$1,000.00
	Councillors	\$50,815.00	\$1,000.00

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

Statistics of meeting attendance and remuneration for each individual councillor 2017-2018

#### **Cr Annie Liston**

Ordinary Meetings	10
Special Meetings	1
Telephone Allowance	2,000.04
Mayor Allowance	101,631.00
Gross Income	103,631.04
Tax	38,976.00
Employee Superannuation Contribution (Salary Sacrifice)	6,217.92
Employer Superannuation Contribution	12,435.72

#### **Cr Peter Alexander**

Ordinary Meetings	12
Special Meetings	1
Telephone Allowance	999.96
Deputy Mayor Allowance	58,633.00
Gross Income	59,632.96
Tax	23,687.00
Employee Superannuation Contribution	3,441.36
Employer Superannuation Contribution	7,155.96

**Cr Robert Eckel**

Ordinary Meetings	11
Special Meetings	1
Telephone Allowance	999.96
Councillor Allowance	33,878.96
Meeting Fee Allowance	16,938.00
Gross Income	51,816.92
Tax	6,174.00
Employee Superannuation Contribution (Salary Sacrifice) & After Tax & Voluntary Super (Salary Sacrifice) & Additional Voluntary Super	28,108.93
Employer Superannuation Contribution	6,218.04

**Cr Lyn Capewell**

Ordinary Meetings	12
Special Meetings	1
Telephone Allowance	999.96
Councillor Allowance	33,878.96
Meeting Fee Allowance	16,938.00
Gross Income	51,816.92
Tax	20,736.00
Employee Superannuation Contribution	0.00
Employer Superannuation Contribution	4,922.59

**Cr Shaun Radnedge**

Ordinary Meetings	12
Special Meetings	1
Telephone Allowance	999.96
Councillor Allowance	33,878.96
Meeting Fee Allowance	16,938.00
Gross Income	51,816.92
Tax	15,860.00
Employee Superannuation Contribution	0.00
Employer Superannuation Contribution	4,922.59

Councillor remuneration and meeting attendance – 1 July 2017 to 30 June 2018

**(ii) Conduct and performance of Councillors** (section 186 (d), (e), (f) Local Government Regulation 2012

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

**Administrative complaints** (section 187 Local Government Regulations 2012)

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

The policy is broken down into three stages:

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

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

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

Administrative complaints made during the 2017/2018 financial year	Nil
Number of complaints resolved under the complaints management process	Nil
Number of complaints not resolved under the complaints management process	Nil

There were no administrative complaints made in the 2017/2018 financial year.

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

There was no overseas travel in 2017/2018.

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

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

Description	Amount
Expenditure on grants to community organisations	\$100,700
In kind donations and contributions	\$76,429
Total	\$177,129

## **Other Contents** (section 190 Local Government Regulation 2012)

### **Corporate and operational plans**

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

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

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

### **Registers and public documents**

Item	Description	Access
Register of personal interests of Councillors and Senior Officials	To record certain financial and other personal interests of relevant individuals.	Councillor's interests are available on Council's website.
Investment Register	Record details of Council's investments	Available to any person
Register of Local Planning Policies	To record the current policies as set by Council	Available to any person
Register of Delegations of Authority by Council.	To record all powers delegated by the Local Government or the Chief Executive Officer's delegated powers.	Available to any person
Register of Delegations of Authority by the CEO.	To record all powers delegated by the CEO.	Available to any person

Item	Description	Access
Register of Local Laws	To record all local laws set by Council	Available to any person
Register of Policies	To record the current policies as set by Council	Available to any person
Register of Roads	To record the details of the shire roads.	Available to any person
Contract Register	To record the details of all contracts.	Available on Council's website.
Register of Legal Documents	To hold a record of all legal documents.	Available to any person
Register of Charges	To record all charges levied by Council.	Available to any person
Building Application Register	To record the details of all applications.	Available to any person
Cemetery Register	To record all burial sites	Available to any person
Corporate & Operational Plan	To document the goals and strategies set by Council for the period specified in each plan.	Available on Council's website.
Annual Report	To document the financial position and report on attainment of goals specified in the Corporate Plan and Operational Plan.	Available on Council's website.

### **Concessions for rates and charges granted by Council**

- (i) A 10 % discount on rates 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 \$340.00 per annum
- (iii) Council considers requests from Community organizations for the waiver of fees for the use of community facilities

### **Internal audit**

Council 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 and two internal audits were completed during 2017/18.

### **Competitive Neutrality**

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

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

### **Senior staff remuneration (Local Government Act 2009 section 201)**

The total of all remuneration packages payable in 2017-18 to the senior management of the Council was \$737,906.

<b>Band</b>	<b>Number of employees</b>
\$100,000 to \$200,000	3
\$200,000 to \$300,000	1

### **Public Service Ethics 1994 (section 23)**

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



# **Financial Statements**

**2017 - 2018**

# Murweh Shire Council

## Financial statements

### For the year ended 30 June 2018

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**Murweh Shire Council**  
**Statement of Comprehensive Income**  
For the year ended 30 June 2018

	<b>Note</b>	<b>2018</b> <b>\$</b>	<b>2017</b> <b>\$</b>
		<b>000's</b>	<b>000's</b>
<b>Income</b>			
<b>Revenue</b>			
<b>Recurrent revenue</b>			
Rates, levies and charges	3(a)	6,332	6,210
Fees and charges	3(b)	1,184	1,005
Interest received		207	160
Sales revenue	3(c)	3,914	5,858
Other income		56	33
Grants, subsidies, contributions and donations	4(a)	9,271	12,480
		<u>20,963</u>	<u>25,746</u>
<b>Capital revenue</b>			
Grants, subsidies, contributions and donations	4(b)	4,912	6,570
		<u>25,875</u>	<u>32,316</u>
<b>Total revenue</b>			
		<u>25,875</u>	<u>32,316</u>
<b>Total income</b>		<u>25,875</u>	<u>32,316</u>
<b>Expenses</b>			
<b>Recurrent expenses</b>			
Employee benefits	6	(6,856)	(6,822)
Materials and services	7	(11,221)	(11,682)
Finance costs		(231)	(242)
Depreciation and amortisation	10	(5,213)	(5,003)
		<u>(23,521)</u>	<u>(23,749)</u>
<b>Capital expenses</b>	5	(39)	(54)
<b>Total expenses</b>		<u>(23,560)</u>	<u>(23,803)</u>
<b>Net Result</b>		<u>2,316</u>	<u>8,513</u>
<b>Other comprehensive income</b>			
<b>Other comprehensive income items that will not be reclassified to net result</b>			
Increase in asset revaluation surplus	15	58,823	-
<b>Total other comprehensive income for the year</b>		<u>58,823</u>	<u>-</u>
<b>Total comprehensive income for the year</b>		<u><b>61,138</b></u>	<u><b>8,513</b></u>

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

**Murweh Shire Council**  
**Statement of Financial Position**  
as at 30 June 2018

	Note	2018 \$	2017 \$
<b>Current assets</b>		<b>000's</b>	<b>000's</b>
Cash and cash equivalents	8	7,206	5,293
Trade and other receivables	9	4,344	5,295
Inventories		247	261
<b>Total current assets</b>		<u>11,797</u>	<u>10,849</u>
<b>Non-current assets</b>			
Property, plant and equipment	10	365,278	304,009
Work in Progress	10	2,194	1,904
<b>Total non-current assets</b>		<u>367,472</u>	<u>305,913</u>
<b>Total assets</b>		<u>379,269</u>	<u>316,762</u>
<b>Current liabilities</b>			
Trade and other payables	12	3,435	2,429
Borrowings	13	375	351
Provisions	14	1,282	1,315
Unearned revenue		1,034	242
<b>Total current liabilities</b>		<u>6,126</u>	<u>4,337</u>
<b>Non-current liabilities</b>			
Borrowings	13	2,528	2,896
Provisions	14	71	124
<b>Total non-current liabilities</b>		<u>2,599</u>	<u>3,020</u>
<b>Total liabilities</b>		<u>8,725</u>	<u>7,357</u>
<b>Net community assets</b>		<u>370,544</u>	<u>309,405</u>
<b>Community equity</b>			
Asset revaluation surplus	15	252,275	193,452
Retained surplus		118,269	115,953
<b>Total community equity</b>		<u>370,544</u>	<u>309,405</u>

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

**Murweh Shire Council**  
**Statement of Changes in Equity**  
For the year ended 30 June 2018

	<b>Asset revaluation surplus</b>	<b>Retained surplus</b>	<b>Total</b>
<b>Note</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
	<b>000's</b>	<b>000's</b>	<b>000's</b>
<b>Balance as at 1 July 2017</b>	193,452	115,953	309,405
Net result	-	2,316	2,316
Other comprehensive income for the year			
Increase in asset revaluation surplus	15 58,823	-	58,823
<b>Total comprehensive income for the year</b>	<u>58,823</u>	<u>2,316</u>	<u>61,139</u>
<b>Balance as at 30 June 2018</b>	<u>252,275</u>	<u>118,269</u>	<u>370,544</u>
<b>Balance as at 1 July 2016</b>	193,452	107,440	300,892
Net result	-	8,513	8,513
Other comprehensive income for the year			
Increase in asset revaluation surplus	15 -	-	-
<b>Total comprehensive income for the year</b>	<u>-</u>	<u>8,513</u>	<u>8,513</u>
<b>Balance as at 30 June 2017</b>	<u>193,452</u>	<u>115,953</u>	<u>309,405</u>

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

**Murweh Shire Council**  
**Statement of Cash Flows**  
For the year ended 30 June 2018

	<b>Note</b>	<b>2018</b>	<b>2017</b>
		<b>\$</b>	<b>\$</b>
		<b>000's</b>	<b>000's</b>
<b>Cash flows from operating activities</b>			
Receipts from customers		13,327	9,736
Payments to suppliers and employees		<u>(17,249)</u>	<u>(17,739)</u>
		(3,922)	(8,003)
Interest received		207	160
Finance costs		(200)	(209)
Non capital grants and contributions	4(a)	9,271	12,480
<b>Net cash inflow (outflow) from operating activities</b>	19	<u>5,356</u>	<u>4,428</u>
<b>Cash flows from investing activities</b>			
Payments for property, plant and equipment		(8,214)	(9,749)
Proceeds from sale (disposal) of property plant and equipment		203	261
Capital grants, subsidies, contributions and donations	4(b)	<u>4,912</u>	<u>6,570</u>
<b>Net cash (outflow) from investing activities</b>		<u>(3,099)</u>	<u>(2,918)</u>
<b>Cash flows from financing activities</b>			
Proceeds from borrowings		-	-
Repayment of borrowings and finance lease		<u>(344)</u>	<u>(320)</u>
<b>Net cash inflow (outflow) from financing activities</b>		<u>(344)</u>	<u>(320)</u>
Net increase in cash held		<u>1,913</u>	<u>1,190</u>
Cash and cash equivalents at beginning of the financial year		5,293	4,103
<b>Cash and cash equivalents at end of the financial year</b>	8	<u>7,206</u>	<u>5,293</u>

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

**Murweh Shire Council**  
**Notes to the financial statements**  
For the year ended 30 June 2018

**1 Significant accounting policies**

**1.A Basis of preparation**

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

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

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

**1.B Constitution**

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

**1C Currency**

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

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

This year Council has applied AASB 2016-2 *Amendments to Australian Accounting Standards - Disclosure Initiative Amendments to AASB 107* for the first time. As a result Council has disclosed more information to explain changes in liabilities arising from financing activities ("debt reconciliation"). This information is presented in note 22.

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

<b>Standard and Impact</b>	<b>Date Council will apply the Standard</b>
<i>AASB 9 Financial Instruments</i>	1-Jul-18

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

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

<i>AASB 15 Revenue from Contracts with Customers, AASB 1058 Income of Not-for-Profit Entities and AASB 2016-8 Amendments to Australian Accounting Standards - Australian Implementation Guidance for Not-for-Profit Entities</i>	1-Jul-19
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AASB 15 will replace AASB 118 Revenue, AASB 111 Construction Contracts and a number of Interpretations. AASB 2016-8 provides Australian requirements and guidance for not-for-profit entities in applying AASB 9 and AASB 15, and AASB 1058 will replace AASB 1004 Contributions. Together they contain a comprehensive and robust framework for the recognition, measurement and disclosure of income including revenue from contracts with customers.

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

*AASB 16 Leases*

1-Jul-19

Council has some leases that are not on its balance sheet. These will need to be included on the balance sheet when this standard comes into effect. A lease liability will initially be measured at the present value of the lease payments to be made over the lease term. A corresponding right-of-use asset will also be recognised over the lease term. Although Council anticipate that the adoption of AASB Leases will impact Council's financial statements, it is impractical at this stage to provide a reasonable estimate of such impact.

**1.E Estimates and Judgements**

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

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

Provisions - Note 14

Contingent liabilities - Note 16

**1.F Rounding and comparatives**

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

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

**1.G Taxation**

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

**Murweh Shire Council**  
**Notes to the financial statements**  
For the year ended 30 June 2018

**2 Analysis of Results by Function**

**2(a) Components of council functions**

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

**A Corporate Services**

Corporate governance

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

Finance and information

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

**B Engineering Services**

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

**C Health / Environmental Services**

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

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

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

**D Water and Sewerage Services**

(i) Water Services

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

(ii) Sewerage Services

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

**Murweh Shire Council**  
**Notes to the financial statements**  
For the year ended 30 June 2018

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

Year ended 30 June 2018	Functions	Gross program income						Total income	Gross program expenses		Total expenses	Net result from recurring operations	Net operating surplus	Assets
		Recurring		Grants		Capital			Recurring	Capital				
		Grants	Other	2018	2018	2018	2018							
		2018	2018	2018	2018	2018	2018	2018	2018	2018	2018	2018	2018	
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	
	Corporate services	5,467	4,499	836	-	10,802	6,420	-	6,420	3,546	4,382	72,131		
	Engineering services	3,796	3,924	4,076	-	11,796	11,505	39	11,544	(3,785)	252	279,661		
	Environmental Health services	8	823	-	-	831	3,852	-	3,852	(3,021)	(3,021)	32		
	Water & Sewerage	-	2,447	-	-	2,447	1,744	-	1,744	703	703	27,445		
	<b>Total Council</b>	9,271	11,693	4,912	-	25,876	23,521	39	23,560	(2,557)	2,316	379,269		

Year ended 30 June 2017	Functions	Gross program income						Total income	Gross program expenses		Total expenses	Net result from recurring operations	Net operating surplus	Assets
		Recurring		Grants		Capital			Recurring	Capital				
		Grants	Other	2017	2017	2017	2017							
		2017	2017	2017	2017	2017	2017	2017	2017	2017	2017	2017	2017	
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	
	Corporate services	8,033	4,239	2,514	-	14,786	5,979	54	6,033	6,293	8,753	76,669		
	Engineering services	4,430	5,876	4,056	-	14,362	11,802	-	11,802	(1,496)	2,560	211,172		
	Environmental Health services	17	734	-	-	751	4,125	-	4,125	(3,374)	(3,374)	(320)		
	Water & Sewerage	-	2,417	-	-	2,417	1,843	-	1,843	574	574	29,241		
	<b>Total Council</b>	12,480	13,266	6,570	-	32,316	23,749	54	23,803	1,997	8,513	316,762		

**Murweh Shire Council**  
**Notes to the financial statements**  
For the year ended 30 June 2018

	<b>Council</b>	
	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
	<b>000's</b>	<b>000's</b>
<b>3 Revenue analysis</b>		
Revenue is recognised at the fair value of the consideration received or receivable, at the time indicated below.		
<b>(a) Rates, levies and charges</b>		
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	3,814	3,724
Water	1,630	1,611
Water consumption, rental and sundries	52	73
Sewerage	947	925
Garbage charges	548	540
Total rates and utility charge revenue	6,991	6,873
Less: Discounts	(570)	(574)
Less: Pensioner remissions	(89)	(89)
	6,332	6,210

**(b) Fees and charges**

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

Aerodrome landing and usage fees	324	294
Aerodrome head tax	14	12
Cemetery fees	31	38
Cosmos centre entry and souvenir sales	389	364
Rental income	158	140
Town planning and building fees	30	45
Agistment fees	42	46
Miscellaneous	196	66
	1,184	1,005

**(c) Sales revenue**

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

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

Contract and recoverable works	3,914	5,858
	3,914	5,858

**Murweh Shire Council**  
**Notes to the financial statements**  
For the year ended 30 June 2018

<b>Council</b>	
2018	2017
\$	\$
000's	000's

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

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

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

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

**(a) Recurrent**

General purpose grants	6,898	9,824
State government subsidies and grants	2,373	2,656
	9,271	12,480

**(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	4,912	6,570
	4,912	6,570

**5 Capital income**

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

Proceeds from the sale of property, plant and equipment	228	262
Less: Book value of property, plant and equipment disposed of	(267)	(316)
Total capital expenditure	(39)	(54)

**6 Employee benefits**

Total staff wages and salaries	4,816	4,818
Councillors' remuneration	318	328
Annual, sick and long service leave entitlements	1,651	1,604
Superannuation	859	831
	7,644	7,581
Less: Capitalised employee expenses	(788)	(758)
	6,856	6,822

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	50
Depot and outdoors staff	89	82
Total full time equivalent employees	144	137

**Murweh Shire Council**  
**Notes to the financial statements**  
For the year ended 30 June 2018

	<b>Council</b>	
	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
	<b>000's</b>	<b>000's</b>
<b>7 Materials and services</b>		
Advertising and marketing	73	87
Audit services	60	59
Communications and IT	466	409
Contractors	139	136
Donations paid	185	188
Insurance	336	312
Staff training	120	103
Repairs and maintenance - (Including repairs to flood damaged roads)	7,874	8,977
Rental housing - operating costs	85	71
Subscriptions and registrations	103	97
Other materials and services	1,780	1,243
	<u>11,221</u>	<u>11,682</u>

**8 Cash and cash equivalents**

Cash and cash equivalents 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	430	143
Queensland Treasury Corporation	6,774	5,148
Cash on hand	2	2
Balance per statement of cash flows	<u>7,206</u>	<u>5,293</u>

**9 Trade and other receivables**

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

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

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

**Murweh Shire Council**  
**Notes to the financial statements**  
For the year ended 30 June 2018

	<b>Council</b>	
	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
	<b>000's</b>	<b>000's</b>
<b>Current</b>		
Rateable revenue and utility charges	1,034	861
Other debtors	3,235	4,258
Prepayments	75	176
Provision for doubtful debts	-	-
	<u>4,344</u>	<u>5,295</u>
Movement in accumulated impairment losses (Provision for doubtful debts) is as follows:		
Opening balance	-	15
Impairments reversed	-	(15)
Closing balance	<u>-</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:

	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
	<b>000's</b>	<b>000's</b>
Not past due	3,104	4,040
Past due 31-60 days	128	214
Past due 61-90 days	3	1
More than 90 days	1,034	864
Impaired	-	0
Total	<u>4,269</u>	<u>5,119</u>

**Murweh Shire Council**  
**Notes to the financial statements**  
For the year ended 30 June 2018

**10 Property, plant and equipment**

Council - 30 June 2018	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
Basis of measurement										
Asset values										
<b>Opening gross value as at 1 July 2017</b>		5,544	1,780	10,289	236,015	65,139	16,405	38,757	1,904	375,833
Additions									8,214	8,214
Disposals							(895)			(895)
Revaluation adjustment to asset revaluation surplus	15	(2,274)	169	3,308	83,620	4,593		9,317		98,793
Transfers between classes		168	410	306	4,858	822	456	904	(7,924)	-
<b>Closing gross value as at 30 June 2018</b>		3,438	2,359	13,903	324,493	70,554	15,966	48,978	2,194	481,885

**Accumulated depreciation and impairment**

Opening balance as at 1 July 2017	0	331	1,826	34,829	13,336	9,813	9,785	-	-	69,919
Depreciation provided in period	0	39	184	2,666	1,086	806	432			5,213
Transfers between classes										-
Depreciation on disposals						(630)				(630)
Revaluation adjustment to asset revaluation surplus	15	19	1,966	16,612	9,908		11,405			39,910
<b>Accumulated depreciation as at 30 June 2018</b>		0	389	3,976	54,107	24,330	9,989	21,622	-	114,413

**Total written down value as at 30 June 2018**

	3,438	1,970	9,927	270,386	46,224	5,977	27,366	2,194	367,472
Land: Not depreciated		10 - 45	15 - 120	10 - 120	10 - 100	5 - 20	10 - 140	WIP: Not depreciated	

Range of estimated useful life in years

Additions comprise

Renewals	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Other additions	-	-	-	3,988	174	456	108	-	4,726
Totals	168	410	306	870	648	-	796	-	3,198
	168	410	306	4,858	822	456	904	-	7,924

**Murweh Shire Council**  
**Notes to the Financial Statements**  
For the year ended 30 June 2017

**Council - 30 June 2017**

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	Cost	\$'000	Fair value	\$'000	
	5,544	1,780	10,289	230,640	61,270	16,333	38,037	3,184	9,749							367,077
	-	-	-	-	-	-	-	-	-	(993)						9,749
	-	-	-	-	-	-	-	-	-	(993)						(993)
																-
	5,544	1,780	10,289	236,015	65,139	16,405	38,757	(11,029)	1,904							375,833

15

Basis of measurement  
**Asset values**  
**Opening gross value as at 1 July 2016**  
Additions  
Disposals  
Revaluation adjustment to asset revaluation surplus  
Transfer between classes  
**Closing gross value as at 30 June 2017**

**Accumulated depreciation and impairment**

Opening balance as at 1 July 2016	0	309	1,643	32,303	12,351	9,613	9,376	-	-							65,595
Depreciation provided in period	0	22	183	2,526	985	878	409									5,003
Depreciation on disposals						(678)										(678)
Revaluation adjustment to asset revaluation surplus																
Transfers between classes																
<b>Accumulated depreciation as at 30 June 2017</b>	0	331	1,826	34,829	13,336	9,813	9,785	-	-							69,920

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Opening balance as at 1 July 2016  
Depreciation provided in period  
Depreciation on disposals  
Revaluation adjustment to asset revaluation surplus  
Transfers between classes  
**Accumulated depreciation as at 30 June 2017**

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

	5,544	1,449	8,463	201,186	51,803	6,592	28,972	1,904								305,913
Land: Not depreciated		10 - 45	15 - 120	10 - 120	10 - 100	5 - 20	10 - 140									

Range of estimated useful life in years

Additions comprise

\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
-	-	-	5,375	956	1,065	151	-	-	-	-	-	-	-	-	-	7,547
-	-	-	-	2,913	-	569	-	-	-	-	-	-	-	-	-	3,482
-	-	-	5,375	3,869	1,065	720	-	-	-	-	-	-	-	-	-	11,029

Renewals

Other additions

Totals

**Murweh Shire Council**  
**Notes to the financial statements**  
For the year ended 30 June 2018

**10 Property Plant and Equipment**

**10 (a) Recognition**

Plant and equipment with a total value of less than \$5,000, and infrastructure assets and buildings with a total value of less than \$10,000 are treated as an expense in the year of acquisition. All other items of property, plant and equipment are capitalised.

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

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

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

**10 (b) Measurement**

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

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

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

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

**10 (c) Depreciation**

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

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

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

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

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

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

**10 (d) Impairment**

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

#### **10 (e) Valuation**

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

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

Non-current physical assets measured at fair value are revalued, where required, so that the carrying amount of each class of asset does not materially differ from its fair value at the reporting date. This is achieved by engaging independent, professionally qualified valuers to determine the fair value for each class of property, plant and equipment assets at least once every 3 years. This process involves the valuer physically sighting a representative sample of Council assets across all asset classes and making their own assessments of the condition of the assets at the date of inspection.

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

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

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

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

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

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

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

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

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

**Specific valuation techniques used to value Council assets comprise:**

###### **Land (level 2)**

Land fair values were determined by independent valuer, APV Valuers and Asset Management effective 30 June 2018. Level 2 valuation inputs were used to value all land. Sales prices of comparable land sites in close proximity are adjusted for differences in key attributes such as property size. The most significant inputs into this valuation approach are price per square metre.

### **Buildings (level 2 )**

Council's non-specialised level 2 building assets consist of aged care residential premises and two commercial properties and their fair value was determined by independent valuer, APV Valuers and Asset Management effective 30 June 2018. The fair value of the aged care properties has been derived from sales of similar or reference assets after adjusting for the difference in factors embodied with the asset and the reference assets. The most significant inputs into this valuation approach are price per square metre.

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

### **Buildings (level 3)**

The fair value of Council's specialised level 3 buildings were also determined by independent valuer, APV Valuers and Asset Management effective 30 June 2018.

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. Fair value is determined having regard to the gross replacement cost, residual value is typically zero and assessing the level of remaining service potential of the asset. These assets were classified as having been revalued using level 3 valuation inputs.

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

### **Infrastructure assets (level 3)**

All infrastructure assets were fair valued using written down current replacement cost at 30 June 2018 by Shepherd Services. This valuation comprises the assets current replacement cost (CRC) less accumulated depreciation calculated on the basis of such cost to reflect the already consumed or expired future economic benefits of the asset. Council first determined the gross cost of replacing the full service potential of the asset and adjusted this amount to take account of the expired service potential of the asset.

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

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

### **Roads**

#### *Current replacement cost*

The full valuation of Council's infrastructure assets was undertaken by independent valuer, Shepherd Services effective 30 June 2018.

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 15cms for high traffic areas and 10cms 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 2018. 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".

#### **Drainage Infrastructure**

##### *Current replacement cost*

The full valuation of Council's infrastructure assets was undertaken by independent valuer, Shepherd Services effective 30 June 2018. 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*

The full valuation of Council's infrastructure assets was undertaken by independent valuer, Shepherd Services effective 30 June 2018.

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.

## **Murweh Shire Council**

### **Notes to the financial statements**

For the year ended 30 June 2018

An age-based approach was utilised for young assets as utilisation of a condition-based approach to determine the remaining 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.

**Murweh Shire Council**  
**Notes to the financial statements**  
For the year ended 30 June 2018

**11 Transactions with related parties**

**(a) Transactions with associates**

In 2017-18, Murweh Shire Council paid the amount of \$27,000 (2017:\$22,000) membership fee to the Regional Economic Development Association (South West RED). The Council is a controlling member of the organisation.

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

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

The compensation paid to KMP for 2017/18 comprises:

	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
Short-term employee benefits	1,292,037	1,333,345
Post-employment benefits	134,720	122,281
Long-term benefits	21,864	(6,221)
<b>Total</b>	<b>\$1,448,621</b>	<b>\$1,449,405</b>

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

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

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

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

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

<b>Details of Transaction</b>	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
Purchase of maintenance services	70,324	84,731
Purchase of hardware materials	65,964	70,752
Purchase of printing services	7,462	12,030
Purchase of other goods	9,701	4,664
Employee expenses for close family member of KMP	56,425	57,407
<b>Total</b>	<b>\$209,876</b>	<b>\$229,584</b>

(ii) All close family members of key management personnel that were employed by Council were employed through an arm's length process.

They are paid in accordance with the Award for the job they perform.

Council employs 139 staff, of which one is a close family member of a KMP.

(iii) During 2017-18 financial year, the Council made payments of \$38,000 (2017: \$44,398) to various non-profit community organisations of which KMP are committee members.

**Murweh Shire Council**  
**Notes to the financial statements**  
For the year ended 30 June 2018

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

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

Some examples include:

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

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

**(e) Outstanding balances**

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

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

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

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

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

**Murweh Shire Council**  
**Notes to the financial statements**  
For the year ended 30 June 2018

	2018	2017
	\$	\$
	<u>000's</u>	<u>000's</u>
<b>12 Trade and other payables</b>		
Creditors are recognised when goods or services are received, at the amount owed. Amounts owing are unsecured and are generally settled on 30 day terms.		
Liabilities are recognised for employee benefits such as wages and salaries, sick, annual and long service leave in respect of services provided by the employees up to the reporting date. The liability is calculated using the present value of remuneration rates that will be paid when the liability is expected to be settled and includes related on-costs.		
As Council does not have an unconditional right to defer settlement of the annual leave beyond twelve months after the reporting date, annual leave is classified as a current liability.		
<b>Current</b>		
Creditors and accruals	2,338	1,310
Annual leave	884	847
Sick leave	195	233
Other entitlements	18	39
	<u>3,435</u>	<u>2,429</u>
<b>13 Borrowings</b>		
Borrowings are initially recognised at fair value plus any directly attributable transaction costs. Thereafter, they are measured at amortised cost. Principal and interest repayments are made quarterly/semi annually/annually in arrears.		
All borrowings are in \$A denominated amounts and interest is expensed as it accrues. No interest has been capitalised during the current or comparative reporting period. Expected final repayment dates vary from 2020 to 2036. There have been no defaults or breaches of the loan agreement during the period.		
Council adopts an annual debt policy that sets out council's planned borrowings for the next nine years. Council's current policy is to only borrow for capital projects and for a term no longer than the expected life of the asset. Council also aims to comply with the Queensland Treasury Corporation's borrowing guidelines and ensure that sustainability indicators remain within acceptable levels at all times.		
<b>Current</b>		
Loans - Queensland Treasury Corporation	375	351
	<u>375</u>	<u>351</u>
<b>Non-current</b>		
Loans - Queensland Treasury Corporation	2,528	2,896
	<u>2,528</u>	<u>2,896</u>
<b>Loans - Queensland Treasury</b>		
Opening balance at beginning of financial	3,247	3,567
Loan raised during year	-	-
Principal repayments	(344)	(320)
Book value at end of financial year	<u>2,903</u>	<u>3,247</u>

The QTC loan market value at the reporting date was \$3,212,293 (2017: \$ 3,635,275). This represents the value of the debt if Council repaid it at that date.

**Murweh Shire Council**  
**Notes to the financial statements**  
For the year ended 30 June 2018

	2018	2017
	\$	\$
14 Provisions	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>		
<b>Current</b>		
Long service leave	<u>1,282</u>	<u>1,315</u>
	<u>1,282</u>	<u>1,315</u>
<b>Non-current</b>		
Long service leave	<u>71</u>	<u>124</u>
	<u>71</u>	<u>124</u>
Details of movements in provisions:		
<b>Long service leave</b>		
Balance at beginning of financial year	1,439	1,385
Long service leave entitlement arising	175	134
Long Service entitlement paid	<u>(261)</u>	<u>(80)</u>
Balance at end of financial year	<u>1,353</u>	<u>1,439</u>
<b>15 Asset revaluation surplus</b>		
<p>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.</p> <p>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.</p> <p>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.</p>		
<b>Movements in the asset revaluation surplus were as follows:</b>		
<b>Opening balances</b>	193,452	193,452
Net adjustment to non-current assets at end of period to reflect a change in		
Land and improvements	(2,274)	-
Buildings	(5,315)	-
Parks	150	-
Road, drainage and bridge network	67,008	-
Water and sewerage infrastructure	(2,088)	-
Aerodrome landing strips	<u>1,342</u>	<u>-</u>
<b>Closing balances</b>	<u>252,275</u>	<u>193,452</u>

**Murweh Shire Council**  
**Notes to the financial statements**  
For the year ended 30 June 2018

	2018	2017
	\$	\$
	000's	000's
<b>Asset revaluation surplus analysis</b>		
The closing balance of the asset revaluation surplus comprises the following asset categories:		
Land	929	3,203
Buildings and other structures	32,629	37,944
Parks	562	412
Road, drainage and bridge network	186,277	119,269
Water and sewerage infrastructure	21,813	23,901
Aerodrome landing strips	10,065	8,723
	<u>252,275</u>	<u>193,452</u>

**16 Contingent Liabilities**

**Local Government Mutual**

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

As at 30 June 2017 the financial statements reported an accumulated surplus (equity) of \$70,521,289 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 \$166,580.

**Department of Housing and Public Works**

Council has paid the amount of \$440,000 as part payment of the total sum of \$ 691,360 to purchase the aged care facilities from the Department of Housing and Public Works. The balance for a sum of \$ 251,360 is to be paid by 31 December 2018.

**17 Superannuation**

The following note is based on advice received from Local Government Super in May 2018.

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 2015. The actuary indicated that "At the valuation date of 1 July 2015, the net assets of the scheme exceeded the vested benefits and the scheme was in a satisfactory financial position as at the valuation date." The Council is not aware of anything that has happened since that time that indicates the assets of the scheme are not sufficient to meet the vested benefits, as at the reporting date.

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

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

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



## **21 Financial instruments**

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

- credit risk
- liquidity risk
- market risk

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

### **Financial risk management**

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

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

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

Murweh Shire Council does not enter into derivatives.

### **Credit risk**

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

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

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

No collateral is held as security relating to the financial assets held by Murweh Shire Council.

#### *Cash and cash equivalents*

The Council may be exposed to credit risk through its investments in the QTC Cash Fund. The QTC Cash Fund is an asset management portfolio that invests with a wide range of high credit rated counterparties. Deposits with the QTC Cash Fund are capital guaranteed. Working Capital Facility deposits have a duration of one day and all investments are required to have a minimum credit rating of "A-", therefore the likelihood of the counterparty having capacity to meet its financial commitments is strong.

#### *Trade and other receivables*

In the case of rate receivables, the Council has the power to sell the property to recover any defaulted amounts. In effect this power protects the Council against credit risk in the case of defaults.

In other cases, the Council assesses the credit risk before providing goods or services and applies normal business credit protection procedures to minimise the risk.

### **Liquidity risk**

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

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

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

**Murweh Shire Council**  
**Notes to the financial statements**  
For the year ended 30 June 2018

**Market risk**

Market risk is the risk that changes in market prices, such as interest rates, will affect the Council's income or the value of its holdings of financial instruments.

*Interest rate risk*

Murweh Shire Council is exposed to interest rate risk through investments and borrowings with QTC and NAB. The Council has access to a mix of variable and fixed rate funding options through QTC so that interest rate risk exposure can be minimised.

*Sensitivity*

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

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

	Net carrying amount \$000	Effect on Profit		Effect on Equity	
		1% increase \$000	1% decrease \$000	1% increase \$000	1% decrease \$000
<b>Council 2018</b>					
QTC cash fund	6,774	68	(68)	68	(68)
NAB cash account	430	4	(4)	4	(4)
Loans - QTC	(2,904)	(29)	29	(29)	29
<b>Net total</b>	<b>4,300</b>	<b>43</b>	<b>(43)</b>	<b>43</b>	<b>(43)</b>
<b>2017</b>					
QTC cash fund	5,148	51	(51)	51	(51)
NAB cash account	143	1	(1)	1	(1)
Loans - QTC	(3,247)	(32)	32	(32)	32
<b>Net total</b>	<b>2,044</b>	<b>20</b>	<b>(20)</b>	<b>20</b>	<b>(20)</b>

**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.

**Murweh Shire Council**  
**Notes to the financial statements**  
For the year ended 30 June 2018

Council	2018		2017	
	Carrying Amount \$000	Fair Value \$000	Carrying Amount \$000	Fair Value \$000
<u>Financial assets</u>				
QTC cash fund	6,774	6,774	5,148	5,148
NAB operating account	430	430	143	143
<u>Financial liabilities</u>				
Loans - QTC	2,904	3,212	3,247	3,635

The following table sets out the liquidity risk of financial liabilities held by the Council. The amounts disclosed in the maturity analysis represent the contractual undiscounted cash flows at balance date:

	0 to 1 year \$000	1 to 5 years \$000	Over 5 years \$000	Contractual Cash Flows \$000	Carrying Amount \$000
<b>2018</b>					
Trade and other payables	3,435	-	-	-	3,435
Loans - QTC	537	1,636	1,578	3,751	2,903
	<b>3,972</b>	<b>1,636</b>	<b>1,578</b>	<b>3,751</b>	<b>6,338</b>
<b>2017</b>					
Trade and other payables	2,429	-	-	-	2,429
Loans - QTC	537	1,853	1,898	4,288	3,247
	<b>2,966</b>	<b>1,853</b>	<b>1,898</b>	<b>4,288</b>	<b>5,676</b>

The outflows in the above table are not expected to occur significantly earlier and the amounts are not expected to be significantly different than indicated in the table.

**22 Reconciliation of liabilities arising from finance activities**

	As at 30 June 2017 \$'000	Cash flows \$'000	Non-cash changes (new leases) \$'000	As at 30 June 2018 \$'000
Loans	3,247	(344)	-	2,903
Finance leases	-	-	-	-
<b>13</b>	<b>3,247</b>	<b>(344)</b>	<b>-</b>	<b>2,903</b>

**23 Commitment for expenditure**

**Department of Housing and Public Works**

Council has paid the amount of \$440,000 as part payment of the total sum of \$ 691,360 to purchase the aged care facilities from the Department of Housing and Public Works. The balance for a sum of \$ 251,360 is due to be paid by 31 December 2018.

**Contractual commitments**

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

		2018 \$000	2017 \$000
Garbage collection contract	Within one year	202	186
	One to five years	809	-
		<b>1,011</b>	<b>186</b>

**Murweh Shire Council**  
**Financial statements**  
For the year ended 30 June 2018

**Management Certificate**  
For the year ended 30 June 2018

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

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

- (i) the prescribed requirements of the Local Government Act 2009 and Local Government Regulation 2012 for the establishment and keeping of accounts have been complied with in all material respects; and
  
- (iii) the general purpose financial statements as set out on pages 1 to 28 present a true and fair view in accordance with Australian Accounting Standards, of the Council's transactions for the financial year and financial position at the end of the year.



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

Date: 5 / 10 / 2018



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

Date: 5 / 10 / 2018

## 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 2018, and of its financial performance and cash flows for the year then ended;
- b) complies with the *Local Government Act 2009*, the Local Government Regulation 2012 and Australian Accounting Standards.

The financial report comprises the statement of financial position as at 30 June 2018, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes to the financial statements including significant accounting policies and other explanatory information, and the management certificate given by the Mayor and the Chief Executive Officer.

#### Basis for opinion

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

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

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

#### Other information

Other information comprises the information included in the Murweh Shire Council's annual report for the year ended 30 June 2018, but does not include the financial report and my auditor's report thereon. At the date of this auditor's report, the other information was the current year financial sustainability statement and the long-term financial sustainability statement.

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

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

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

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

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

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

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

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

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

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

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

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

### **Report on other legal and regulatory requirements**

In accordance with s.40 of the *Auditor-General Act 2009*, for the year ended 30 June 2018:

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



Carolyn Dougherty  
as delegate of the Auditor-General

16 October 2018

Queensland Audit Office  
Brisbane

**Murweh Shire Council**  
**Current-year Financial Sustainability Statement**  
For the year ended 30 June 2018

Council's performance at 30 June 2018 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)	-12.20%	Between 0% - 10%
Asset sustainability ratio	Capital expenditure on the replacement of assets (renewals) divided by the depreciation expense	96.89%	Greater than 90%
Net financial liabilities ratio	Total liabilities less current assets divided by total operating revenue (excluding capital items)	-14.65%	Not greater than 60%

**Note 1 Basis of preparation**

The current financial sustainability statement is a special purpose statement prepared in accordance with the requirements of the Local Government Regulation 2012 and the Financial Management Sustainability Guideline 2013. The amounts used to calculate the three reported measures are prepared on an accrual basis and are drawn from the Council's audited general purpose financial statements for the year ended 30 June 2018.

**Murweh Shire Council**  
**Financial statements**  
For the year ended 30 June 2018

**Certificate of Accuracy**  
For the year ended 30 June 2018

This current-year financial sustainability statement has been prepared pursuant to section 178 of the Local Government Regulation 2012 (the regulation).

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



Councillor A Liston  
Mayor

Date: 5 / 10 / 2018 .



Neil Polglase  
Chief Executive Officer

Date: 5 / 10 / 18

## INDEPENDENT AUDITOR'S REPORT

To the Councillors of Murweh Shire Council

### Report on the Current Year Financial Sustainability Statement

#### Opinion

I have audited the accompanying current year financial sustainability statement of Murweh Shire Council for the year ended 30 June 2018 comprising the statement, explanatory notes, and the certificate of accuracy given by the Mayor and the Chief Executive Officer.

In accordance with section 212 of the Local Government Regulation 2012, in my opinion, in all material respects, the current year financial sustainability statement of Murweh Shire Council for the year ended 30 June 2018 has been accurately calculated.

#### Basis of opinion

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

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

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

#### Emphasis of matter – basis of accounting

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

#### Other Information

Other information comprises the information included in Murweh Shire Council's annual report for the year ended 30 June 2018, but does not include the current year financial sustainability statement and my auditor's report thereon. At the date of this auditor's report, the other information was the general purpose financial statements and the long-term financial sustainability statement.

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

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

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

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

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

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

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

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

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

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

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



Carolyn Dougherty  
as delegate of the Auditor-General

16 October 2018  
Queensland Audit Office  
Brisbane

**Murweh Shire Council**  
**Long-term Financial Sustainability Statement**  
For the year ended 30 June 2018

Council's budgeted performance against key financial ratios and targets - 2019 to 2028

Year ending 30 June 2017	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
Operating surplus ratio	-8%	-9%	-8%	-9%	-9%	-9%	-9%	-8%	-8%	-7%
	<u>Target</u>									
	Net result divided by Between									
	0% - 10%									
Asset sustainability ratio	99%	101%	113%	114%	105%	101%	103%	115%	105%	107%
	Capital expenditure Greater than									
	on the replacement of 90%									
	assets (renewals)									
	divided by the									
	depreciation									
	expense									
Net financial liabilities ratio	-22%	-23%	-21%	-19%	-19%	-19%	-19%	-17%	-17%	-16%
	Total liabilities less Not greater									
	current assets than 60%									
	divided by total									
	operating revenue									

Council measures revenue and expenditure trends over time as a guide to future requirements and to make decisions about the efficient allocation of resources to ensure the most effective provision of services. Council ensures that its financial management strategy is prudent and that its long-term financial forecast shows a sound financial position whilst also being able to meet the community's current and future needs.

**Murweh Shire Council**  
**Financial statements**  
For the year ended 30 June 2018

**Certificate of Accuracy**  
For the year ended 30 June 2018

This current-year financial sustainability statement has been prepared pursuant to section 178 of the Local Government Regulation 2012 (the regulation).

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



Councillor A Liston  
Mayor

Date: 5, 10, 2018.



Neil Polglase  
Chief Executive Officer

Date: 5, 10, 2018