



SPECIAL MEETING AGENDA

Wednesday 30 October 2019

commencing at 7:00 am

Quilpie Shire Council Boardroom
50 Brolga Street Quilpie

Special Meeting of Council

28 October 2019

The Mayor and Council Members
Quilpie Shire Council
QUILPIE QLD 4480

Dear Members

Notice is hereby given that a Special Meeting of the Quilpie Shire Council will be held at the Council Chambers, on Wednesday, 30 October 2019, commencing at **7:00 am**.

The agenda for the special meeting is attached for your information.

Yours faithfully

Dave Burges
Chief Executive Officer





SPECIAL MEETING OF COUNCIL AGENDA

Wednesday 30 October 2019
Quilpie Shire Council Boardroom

ORDER OF PROCEEDINGS

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Order of Proceedings

- 1 OPENING OF MEETING**
- 2 ATTENDANCE**
- 3 APOLOGIES**
- 4 DECLARATIONS OF INTEREST**

5 ENGINEERING SERVICES

5.1 (10/19) Eromanga Tennis Court Rehabilitation

IX: 187913

Author: Luke Hunter – Cadet Technical Officer

PURPOSE:

Quotations have been called for the supply and installation of a new synthetic multi-purpose sports court, including all nets, goals and hoops also replacing the existing fence that surrounds the facility. The purpose of this report is to allow Council to consider the quotation.

POLICY/LEGISLATION:

Local Government Act 2009

Local Government Regulation 2012

Council's Procurement Policy

CORPORATE PLAN:

2.2.1 Ensure Council's financial sustainability through responsible management and planning of finances and assets.

RECOMMENDATION:

That Council accept the quote from PRO ONE Soft fall for a total cost of \$116,246.00 including GST.

BACKGROUND:

The Eromanga Tennis Court existing asphalt court has deteriorated to a condition that requires it to be removed and replaced. The budget for this project is \$120,000.

A request for quote was submitted via Vendor panel to various specialists in the industry of sporting facilities, Council has received submissions from contractors interested in the project

Below is a table reflecting the Quotes:

Contractor	RFQ Response including GST
Pro one Softfall	\$116,246
Surfacing Contractors Australia	\$153,608.00

CONSULTATION:

Cadet Technical Officer Luke Hunter and Technical Officer Jeff Turner have worked together on this project.

FINANCIAL:

The total cost of the work quoted is detailed in the quote which is attached. The cost is \$116,246.00 including GST.¹

ATTACHMENTS:

Attachment A: Quotations received: IX #187908 – Pro One Soft Fall

IX #187909 – Surfacing Contractors Australia

¹ CEO comment: Council has made a provision of \$120,000 in the 2019/20 budget for these works. The project is funded under the W4Q3 program allocation.

6 GOVERNANCE

6.1 (10/19) – Adoption of Annual Report

IX: 187768

Author: Senior Administration Officer, Nina Burges

PURPOSE:

The purpose of this report is to present Council with the draft *2018-2019 Annual Report* for consideration and adoption.

POLICY:

Local Government Regulation 2012

CORPORATE PLAN:

Not applicable

RECOMMENDATION:

That Council adopt the 2018-2019 Annual Report as presented.

BACKGROUND:

In accordance with sections 182(1) and (2) of the *Local Government Regulation 2012*, a local government must prepare an annual report for each year.

DISCUSSION:

In accordance with sections 182(1) and (2) of the *Local Government Regulation 2012*, a local government must prepare an annual report for each year and the annual report must be adopted within one month after the day the Auditor-General gives the Auditor-General's audit report about the local government's financial statements for the financial year to the local government.

The audit for the 2018-2019 financial year has been completed and an audit opinion provided. The statements for Council were certified without qualification by the Auditor General.

FINANCIAL:

Not applicable

CONSULTATION:

Not applicable

ATTACHMENTS:

Quilpie Shire Council Annual Report 2018-2019



ANNUAL REPORT

2018-2019

ADOPTION OF REPORT

The 2018-19 Quilpie Shire Council annual report was adopted by Council at a Special Meeting held on Wednesday 30 October 2019.

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Mayor's Review

The Quilpie Shire is seeing a partial, albeit patchy, recovery from the extreme dry of the previous years. The northern third of the shire has had a good season while the southern third has remained in the grip of the unremitting drought. Despite this there has been some very positive developments happening in our rural sector. The investment in "exclusion" fencing, predominately for wild dog control, has continued with more properties taking up the opportunity to fence themselves off allowing the expansion of the sheep and wool industry and, in some cases, goats.

The Quilpie Shire Council has aided this investment with the roll out of their second subsidy program funded through a Federal Government Pest and Weeds package with the council's application of \$900,000 being successful. Funding for increased weed control in the shire was also successful. Many properties in the north east of the shire have been sold to companies for the purpose of "carbon farming" a regressive land usage that, while bringing passive revenue to the new owners, is stripping economic activity away from the shire when we can ill afford to lose it. This is now being seen as a very negative development with potential long term consequences.

At the peak of the drought in August 2018 the shire was privileged to receive a visit from very newly appointed Prime Minister, Scott Morrison. No one could recall when, or if, we had received a PM visit previously. He was accompanied by Deputy PM, Michael McCormack and Ministers, David Littleproud and Bridget McKenzie. It was certainly a boost for the community and the party took away some real world perspectives and information.

Another highlight for the year was the celebration of the Quilpie State College 100 year anniversary. The college is certainly one of the most important institutions this shire has and their longevity and continued excellence is well worth acknowledging and celebrating.

A major development in the year was the Quilpie Shire's successful application to Federal Government for \$3.6M to build the next stage of the Eromanga Natural History Museum. This was nearly matched by \$2.4M from the State Government and \$600,000 from the council. This tourism and science project, managed and operated by the not for profit public company, the Outback Gondwana Foundation Ltd, has been operating out of a large shed for the last three years and needs to continue to expand to be able to facilitate the increasing visitation as well as adequately

preserve and process the ever increasing fossil collection.

Located at Eromanga it is not necessarily always apparent or appreciated but the Quilpie Shire is extremely fortunate to have such a significant world class tourist attraction that can attract visitors to the shire primarily to visit the museum and also provides the opportunity to attract significant funding due to its high recognition within government.

The Quilpie Shire Council was the successful winner of the Outback Queensland Tourism "Local Government" award for 2018 for its general excellence in tourism, highlighted by the high quality Visitor Information Centre and many other operations and initiatives that promote the development of tourism across the shire.

The council organisation has had an excellent year with relative stability across what is, generally speaking, a very competent and motivated workforce. We have performed very well financially, delivering a net result of \$4.49M in surplus, and outperforming our original budget substantially. Although there are some pre-payments in that figure it is still an excellent result. The council continues to provide stable and improvement focussed service to the community in a very well managed financial environment. I congratulate our Council and staff, from the CEO down, for their continual diligence and good results.

The 2018-19 year has seen continued hardship for many of our businesses, due mostly to the continued dry, but good recovery for others. The resource industry continues to drive quiet growth in the region, a vital contributor to our local economy but also a significant contributor at the State and National level as well. As always I would like to acknowledge their importance and contribution to our shire.

I would like to thank and acknowledge all in our community that continue to show up, work hard and contribute, whether nurturing their business through drought and/or recovery, providing the critical services that we all need to operate, making sure all those community events still go ahead or in whatever way that every one of us add to our collective lives.

I look forward with quiet optimism, confident in our council operating structure and that the right community building blocks are in place for our shire to prosper in future years.

Kind Regards,

Stuart Mackenzie, **Mayor**

Chief Executive Officer's Report

The 2018-19 financial year was again one of mixed fortunes. Council performed well in a financial and service delivery aspect but the drought took its toll on the whole community with business confidence and economic activity significantly tested.

Council commenced the year in a sound financial position with a cash position of \$19.6M and a forecast end of financial year cash position of \$17.6M.

A forecast budget surplus \$619K ended up being a surplus of \$4.49M resulting in an actual end of 2018-19 financial year cash position of \$24.6M.

This result will help anchor Council's sound financial position into the future although the figures are again distorted by the pre-payment of various grants with the corresponding expenditure scheduled for the 2019/20 year.

Council undertook a range of significant projects over the year including the construction of two duplexes, upgrades to the Quilpie hall, replacement of the Quilpie airport lighting system, construction of exclusion fences, replacement and upgrading of water mains and the upgrading and resealing of Mt Margaret Road. Significant work was also undertaken on the State controlled Quilpie Adavale (Red) Road and further upgrades to this road will remain a priority for Council in coming years.

The overall outcome for Council was an increase in community equity (assets) from \$216.6M to \$230.0M and the combined impact of these projects cannot be underestimated in terms of the economic stimulus and progress of the Shire.

In terms of asset management, Council was able to undertake a network condition assessment of sealed and unsealed roads, together with an assessment of water and sewerage assets. This data and associated mapping allows Council to plan replacement and upgrade works to an optimal life span, thus ensuring best value for money.

It was a pleasure to welcome the Prime Minister, The Hon Scott Morrison and senior Ministers to the Shire in August 2018. This laid the groundwork for Council to take advantage of various grants, particularly in relation to exclusion fencing projects.

Council secured external funding to support significant investment by rural landholders in wild dog exclusion fencing with \$500,000 of the Federal Government's

Drought Communities Programme funding distributed on a subsidy basis for the construction of 200km of fencing at \$2,500 per kilometre. Council secured an additional \$900,000 under the Communities Combating Pest and Weed During Drought Programme for further exclusion fencing and pest plant control in the 2019/20 financial year.

Of overall operating revenues of \$16.7M, approximately 44% of this (\$7.3M) was from various grants and subsidies. Council has committed significant energy to sourcing external funds and will continue to do so into the future.

Tourism and economic development continue to be a priority for Council and we are making steady progress in this regard. External funding of over \$6M has been sourced from State and Federal Governments for Stage 2A of the Eromanga Natural History Museum. This project will be delivered in 2019/20 and 2020/21. This, together with continued increased visitation to other local attractions including Hell Hole Gorge National Park, provides an optimistic outlook for future years.

Council continued to support a significant training and development program for staff throughout the year. Once again a large number of staff completed a variety of Certificate and Diploma level courses and I congratulate them on their efforts to achieve these qualifications. Another successful initiative of Council was the creation of a new position to help the community in relation to the National Disability Insurance Scheme (NDIS). Council has also continued to maintain a very high standard of workplace health and safety with minimal lost time injuries.

While employee turnover continues to remain a challenge for most rural and remote Councils, staff numbers remained stable throughout the year and the annual staff survey indicates that most staff are engaged, productive and find it fulfilling to work for Council and our community.

I thank Mayor Mackenzie and all elected members for their ongoing commitment and support and also thank and congratulate our workforce for another successful year.

Regards

Dave Burges

Councillors

Quilpie Shire Council comprises five (5) councillors including the Mayor.



Mayor - Cr Stuart Mackenzie



Deputy Mayor - Cr Jenny Hewson
Portfolios – Health and Community Services



Cr Roger Volz
Portfolios – Arts, Culture and
Tourism



Cr Bob Hall
Portfolios – Business Development
and Indigenous Affairs



Cr Bruce Paulsen
Portfolios – Sport, Recreation and
Youth

Council Meetings

Ordinary Meetings of the Quilpie Shire Council are generally held on the second Friday of each month in the Quilpie Shire Boardroom, commencing at 9:30am.

The dates and times of meetings other than special meetings are fixed in accordance with the Local Government Act and Regulations.

The Chief Executive Officer must call a special meeting if:

- There is a prior Council resolution specifying that the meeting will be held;
- The Chief Executive Officer has identified an urgent matter that needs to be decided before the next scheduled Ordinary Council meeting; or
- A written request has been received by the Chief Executive Officer which has been signed by the Mayor and two other Councillors and states a particular matter(s) to be discussed.

All meetings are open to the public, unless Council resolves, under Section 274 of the Local

Government Regulation 2012, that the meeting be closed whilst discussion takes place “in confidence” regarding specific issues such as staff, legal, contractual or industrial proceedings.

Councillor Remuneration

Section 247 of the Local Government Regulation 2012 requires councils to pay each elected representative as per the annual schedule determined by the *Local Government Remuneration and Discipline Tribunal* unless by resolution they resolve to adopt a lesser amount.

Councillor remuneration for the 2018-2019 financial year is shown in the following table:

Councillor	Gross Payment	Superannuation	Total Remuneration
Cr Stuart Mackenzie	\$99,241.68	\$9,427.92	\$108,669.60
Cr Jenny Hewson	\$52,458.00	\$4,983.48	\$57,441.48
Cr Bob Hall	\$45,463.20	\$4,319.04	\$49,782.24
Cr Bruce Paulsen	\$45,463.20	\$4,319.04	\$49,782.24
Cr Roger Volz	\$45,463.20	\$4,319.04	\$49,782.24

Councillor Meeting Attendances

	Ordinary Meeting	Special Meeting	Workshop	Other	Total
Cr Stuart Mackenzie	12	1	10	58	81
Cr Jenny Hewson	12	3	12	27	54
Cr Bruce Paulsen	12	3	11	18	44
Cr Bob Hall	12	3	12	36	63
Cr Roger Volz	12	3	12	34	61

Councillor Expenses Reimbursement Policy

In accordance with section 250(1) of the Local Government Regulation 2012, Council is required to have a Councillor Expenses Reimbursement Policy. The Policy was reviewed in April 2018 and no changes were made.

Resolution No: (05-05-17)

Moved by: Cr Roger Volz

Seconded by: Cr Bruce Paulsen

That Council adopt policy G.05 Councillor Expenses Reimbursement Policy as presented.

5/0

Expenses Reimbursement

Under the expenses reimbursement policy, the following payments were made:

Cr Stuart Mackenzie	Travel	\$10,185.12
Cr Jenny Hewson	Nil	-
Cr Roger Volz	Travel	\$223.70
Cr Bruce Paulsen	Nil	-
Cr Bob Hall	Nil	-

Other Meeting Expenses

Other expenses relating to the conduct of Council meetings and conferences totalled \$16,382.

Facilities Provided to Councillors

Each Councillor is issued with an iPad and internet access for the purpose of conducting local government business. Councillors also have access to a Council vehicle for approved work purposes.

Councillor Complaints, Orders and Recommendations

In accordance with section 186 of the Local Government Regulation 2012 the following information is provided in relation to Councillor complaints, orders and recommendations:

Orders made under section 150I(2) of the Local Government Act	Nil
Orders made under section 150AH(1) of the Local Government Act	Nil
Decisions, orders and recommendations made under section 150AR(1) of the Local Government Act	Nil
Complaints referred to the assessor under section 150P(2) of the Local Government Act	Nil
Matters, mentioned in section 150P(3) of the Local Government Act, notified to the Crime and Corruption Commission	Nil
Notices given under section 150R(2) of the Local Government Act	Nil
Notices given under section 150S(2) of the Local Government Act	Nil
Decisions made under section 150W(a), (b) and (d) of the Local Government Act	Nil
Referral notices accompanied by a recommendation mentioned in section 150AC(3)(a) of the Local Government Act	Nil
Occasions information was given under section 150AF(4)(a) of the Local Government Act	Nil
Occasions the local government asked another entity to investigate, under chapter 5A, part 3, division 5 of the Local Government for the local government, the suspected inappropriate conduct of a councillor	Nil

Applications heard by the conduct tribunal about the alleged misconduct of a councillor.	Nil
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Overseas Travel

During the 2018-19 financial year no Councillor or Council employee travelled overseas in an official capacity.

Administrative Action Complaints

The complaints management process is established with the following objectives:

- The fair, efficient and consistent treatment of complaints about decisions and other administrative actions of the Council;
- A complaints management process that is easy to understand and is readily accessible to all;
- Detection and rectification, where appropriate, of administrative errors;
- Identification of areas for improvement in the Council's administrative practices;
- Increase in awareness of the complaints management process for the Council's staff and the community;
- Enhancement of the community's confidence in the complaints management process and the reputation of the Council as being accountable and transparent;
- Building the capacity of staff to effectively manage complaints in an environment of continuous improvement;
- Complaints will be acknowledged and resolved in a timely manner;
- Council will manage complaints confidentially and ensure that complainants do not suffer any form of reprisal for making a complaint; and
- Council will abide by the principles of natural justice and procedural fairness when dealing with complaints.

Council's implementation of its Complaints Management Process and Assessment

Council is committed to dealing with administrative action complaints fairly and reviewed and adopted the current policy on 10 June 2016. This policy was again reviewed in April 2018 with no further amendments made. Council's Complaints Management policy and process is available on Council's website and at the Administration office.

Number of Administrative Complaints made, resolved by Council, not resolved by Council and complaints not resolved in the previous year.

Number of administrative action complaints made to Council	Nil
Number of administrative action complaints resolved by Council (under complaints management process)	Nil
Number of administrative action complaints not resolved by Council (under complaints management process)	Nil
Number of administrative action complaints not resolved by Council in the previous year	Nil

Registers

Council is required to keep and make available for public inspection certain documents. These documents are available from the Quilpie Shire Council Office and include:

- Investment Register
- Register of Local Planning Policies
- Register of Delegations of Authority Council to CEO
- Register of Delegations of Authority by the CEO to employee / contractor
- Register of Policies
- Register of Roads
- Contract Register
- Register of Legal Documents
- Register of Fees and Charges
- Building Application Register
- Development Application Register
- Cemetery Register
- Register of Interest of Councillors
- Register of Disclosure of Electoral Gifts and Loans
- Local Laws and Subordinate Local Laws Register
- Register of Preferred Suppliers
- Register of Burials
- Register of Lands
- Register of Related Parties Disclosures

Non Current Physical Assets

Council made no resolution in accordance with section 206(2) of the Local Government Regulation 2012 in the 2018-19 financial year. The following amounts for each different type of non-current asset below which the value of an asset of the same type will be treated as an expense (the recognition threshold) remain as:

Type of Assets	Value
Furniture and Fittings	\$ 5,000.00
Plant and Equipment	\$ 5,000.00
Buildings and other structures	\$10,000.00
Infrastructure assets	\$10,000.00
Land	\$ 1.00

These amounts are disclosed in Note 11(a) of the financial statements.

Invitations for Changes to Tenders

During the 2018-19 financial year there were two (2) instances where tenderers were invited to change their tenders.

T04 18-19 Eromanga Natural History Museum Stage 2A Design and Documentation

The successful tenderer provided additional information after close of tenders for quantity surveyor fees and the rate was negotiated.

T06 18-19 Eromanga Natural History Museum Stage 2A Interpretive Content Design

Post tender discussions were held with two (2) shortlisted companies and revised offers were made.

Rating Concessions

In accordance with Sections 119 and 120 of the Local Government Regulation 2012 Council offers a concession of 50% up to \$450 on rates and utility charges (excluding the State Fire Levy) to recipients of Aged, Disability and Widows Pensions and holders of Veteran Affairs cards in accordance with Council's Pensioner Rate Concession Policy.

Grants to Community Organisations

During the 2018-19 financial year Council provided the following grants or in-kind support under its Community Assistance Policy:

Community Group	Activity / Event	Amount Paid	Comments
Ellerston Polo in the Outback	Plant	\$2,473.07	<i>In-kind only</i>
Quilpie Cultural Society	Arts Development Officer & Auditor	\$2,500.00	
St Finbarr's Parish School	Development Application Fees	\$2,272.73	
Toompine Progress Assoc.	Mulga Tree Of Life Workshop	\$1,400.00	
Toompine Progress Assoc.	Catering - Easter Gun Shoot	\$2,000.00	
Quilpie Hospital Auxilliary	Medical Equipment	\$3,500.00	
Quilpie Sport & Recreation	Administration Assistance	\$2,080.00	
Channel Country Ladies Day	Sponsorship For Ladies Day	\$1,000.00	
Adavale Sport & Recreation	Ambulance Services	\$2,500.00	
Quilpie Diggers Race Club	Sponsorship For Band	\$2,000.00	
Quilpie Diggers Race Club	Plant	\$2,626.57	<i>In-kind only</i>
Quilpie Golf Club	Financial Assistance For Prize Purchase	\$2,500.00	
Quilpie Polocrosse Club	Field Preparation Assistance - Grader / Tractor	\$825.00	
Quilpie Polocrosse Club	Assistance to Engage Ambulance Service	\$1,500.00	

Discretionary Funds

Councillors do not have any discretionary funds.

Internal Audit

Council engaged the services of O'Regan and Partners to perform the internal audit activities for the 2018-19 financial year. The internal auditor works with management to identify and implement recommended improvements to Council's operations, systems and processes and ensure compliance with adopted procedures.

In accordance with section 190(h) of the Local Government Regulation 2012, the internal audit report for 2018-19 is presented as follows:

During the year a detailed review of the calculation of plant used in Queensland Reconstruction Authority (QRA) controlled flood damage work was undertaken and a report to Council issued.

These calculations involved extraction of operating & fixed cost data for Council's larger plant fleet items from Council's records and the calculation of certain overhead imputed costs for the plant items.

The data was then used to determine an allowable plant hire rate under QRA guidelines for Council's costings in determining flood damage claims for such work undertaken.

The exercise aimed to maximise Council's allowable hourly plant hire rates so as to ensure as far as possible within the QRA guidelines that Council obtained adequate revenue from undertaking flood damage work.

Subsequent to financial year end a meeting was held in Quilpie with a number of QRA staff to resolve the plant rate issue and review calculation parameters.

Other sundry matters were also attended to during the financial year included completion of the audit of a number of grant acquittals, completion of fraud & other questionnaires as well as the provision of advice on accountancy matters to staff as requested including Fringe Benefits calculations and accountancy treatment.

In addition audit committee meetings were attended either when onsite or by teleconference as they were held. Separate briefings were also held with the audit committee chair on a periodic basis when onsite.

Remuneration – Senior Management

During the 2018-2019 financial year Quilpie Shire Council had four (4) senior management positions.

- 1 senior management employee with a total remuneration package in the range of \$200,000 – under \$300,000 per annum; and
- 3 senior management employees with a total remuneration package in the range of \$100,000 to under \$200,000 per annum.

In accordance with section 201 (1) of the Local Government Act 2009, the total of all remuneration packages payable to senior management in 2018-19 was \$573,128.05 (plus private use of vehicle and rental subsidies totalling a nominal value of \$65,653).

Beneficial Enterprises

Council did not conduct any beneficial enterprises during the 2018-19 financial year.

Business Activities

Council did not conduct any **significant business activities** as defined in section 19 of the Local Government Regulation 2012. Council is involved in a wide range of business activities that involve 'trading goods and services' as defined by the Local Government Act 2009. In 2018-19 these included:

- Plumbing services;
- Minor housing maintenance (State Government properties);
- Accommodation services;
- Water and sewerage supply services;
- Waste and regulated waste management services;
- Provision of museums and art gallery;
- Facility, venue and equipment hire;
- Provision of sporting facilities;
- Land borne amusement equipment hire;
- Bus hire;
- Airport maintenance;
- Administrative services such as photocopying;
- Building certification activities;
- Visitor information services and sales;
- Library services including internet and computer access; and
- Road contracting services.

Public Sector Ethics Act 1994

Council adopted a revised Code of Conduct in April 2019. The Code reflects and incorporates the four (4) public service ethics principles:

- integrity and impartiality
- promoting the public good
- commitment to the system of government
- accountability and transparency

Education and training with respect to the ethics principles and the Code of Conduct has been provided progressively to Council staff during the year, both in targeted sessions and as part of the induction process for all new employees. In addition, toolbox talks also reinforce Code of Conduct principles on a regular basis.

As part of Council's governance processes, all policies, procedures and practices have regard to the ethics obligations of public officials and Council's Code of Conduct. All employees are encouraged to act in ways which give commitment to a high standard of ethics and which ensures the highest standards of public administration. The same principles have been applied by Council in the review and preparation of Corporate and Operational Plans, and compliance with the Code of Conduct is assessed through the performance management process, with reasonable management action taken where there is a suspected breach.

Assessment of Performance in Corporate and Operational Plans

In accordance with section 190(1)(a) of the Local Government Regulation 2012 the annual report must contain an assessment by the Chief Executive Officer of the local government's progress towards implementing its 5-year Corporate Plan and annual Operational Plan.

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. Council reviewed and adopted the revised Corporate Plan in May 2019.

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, with the final review of the 2018-2019 Operational Plan undertaken in July 2019.

The Queensland Government's Local Government Grants and Subsidies Program supports Councils to meet the needs of their community by providing funding for the delivery of priority capital infrastructure projects.

Under the 2017-2019 funding round, Council was fortunate to secure funding to develop our asset management capability and to undertake the recently completed water mains upgrade works. Combined, the total cost of the two projects was \$1,069,090, with the Queensland Government contributing \$641,454 of this cost.

Community Financial Report

The Community Financial Report is a 'plain English' summary of Council's Financial Statements prepared in accordance with Section 179 of the *Local Government Regulation 2012*.

2018/19 SNAPSHOT

Key highlights of the 2018/19 financial year include:

- Funding confirmed for ENHM Stage 2A – (\$6M from State and Federal Governments);
- Drought Communities Programme extension funding of \$1 Million (\$500,000 wild dog exclusion fencing, \$150,000 John Waugh Park upgrade and \$350,000 in roadworks);
- Successful application under the Communities Impacted by Drought Program for \$1 Million (\$900,000 towards addition wild dog exclusion fencing and \$100,000 pest weed control to be delivered in 2019/20); and
- Substantial completion of the capital works program.

COUNCIL'S END OF YEAR FINANCIAL STATEMENTS

What you will find in the Financial Statements

The Audited Financial Statements of Council set out the financial performance, financial position, cash flows and the net wealth of Council for the financial year ended 30 June 2019.

About the Management Certificate

The Financial Statements must be certified by both the Mayor and the Chief Executive Officer as "presenting fairly" the Council's financial results for the year and are required to be adopted by Council - ensuring both responsibility for, and ownership of, the Financial Statements by management and elected representatives.

About the Financial Statements

The Financial Statements incorporate four (4) "primary" financial statements and accompanying notes:

Statement of Comprehensive Income

A summary of Council's financial performance for the year, listing both regular income, expenses and other comprehensive income which records items such as changes in the fair values of Council's assets and investments.

Balance Sheet

A 30 June snapshot of Council's Financial Position including its assets and liabilities.

Statement of Changes in Equity

The overall change for the year (in dollars) of Council's "net wealth".

Statement of Cash Flows

Indicates where Council's cash came from and where it was spent.

Notes to the Financial Statements

Provides greater detail to the line numbers of the four (4) "primary" financial statements.

About the Auditor's Report

Council's Financial Statements are required to be audited by the Queensland Audit Office. The audit of many Queensland Councils is contracted to audit firms that specialise in Local Government. The Auditor provides an audit report which gives an opinion on whether the Financial Statements present fairly the Council's financial performance and position.

Where to find a complete version of Council's 2018/2019 Financial Statements?

A complete version of Council's Financial Statements for the 12 months to 30 June 2019 can be found on our website, www.quilpie.qld.gov.au (About Council / Corporate Documents / Annual Budget and Financial Documents), or at Council's administration office at 50 Brolga Street Quilpie during business hours.

AN OVERVIEW OF THIS YEAR'S FINANCIAL RESULT AND FINANCIAL POSITION

Council's Statement of Comprehensive Income (Profit & Loss) for 2018/19

Council's headline "profit/loss" result for the 2018-2019 year was a \$4,490,906 surplus. This included the following key financial performance highlights:

- Federal Government Financial Assistance Grants totaling \$5,038,591 (this included an advance payment of \$2,566,709 on the 2019-20 grant);
- Department of Agriculture and Water Resources \$1,000,000 payment for 2019-20 grant ;
- Department of Veterans Affairs \$77,573 payment for 2019-20 grant; and
- Department of Transport and Main Roads funding of \$702,046.

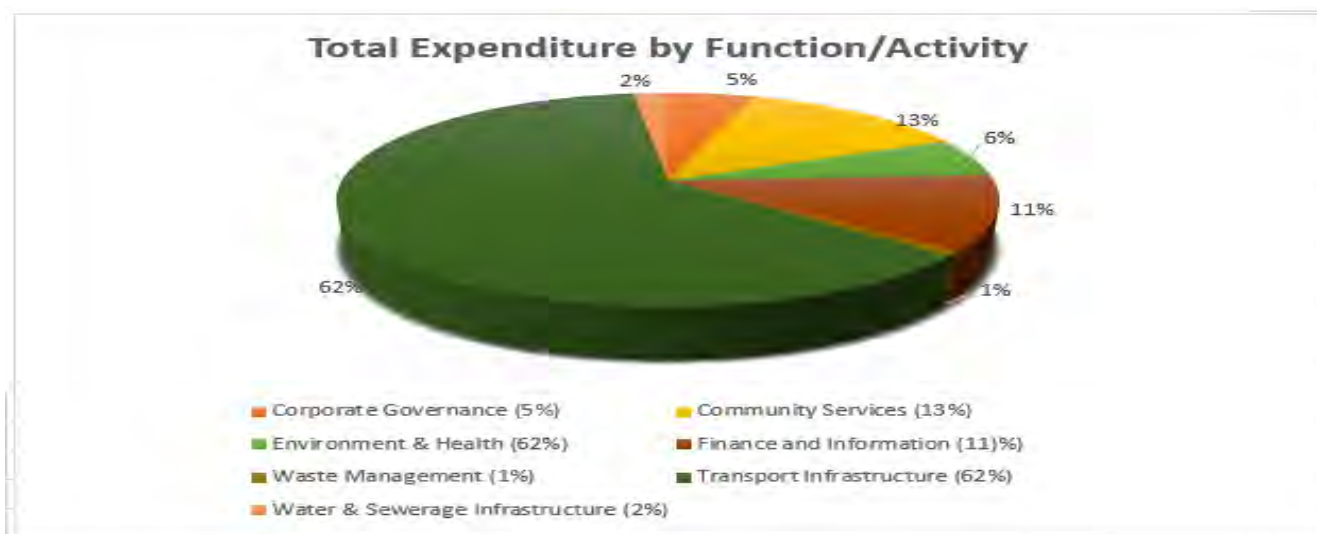
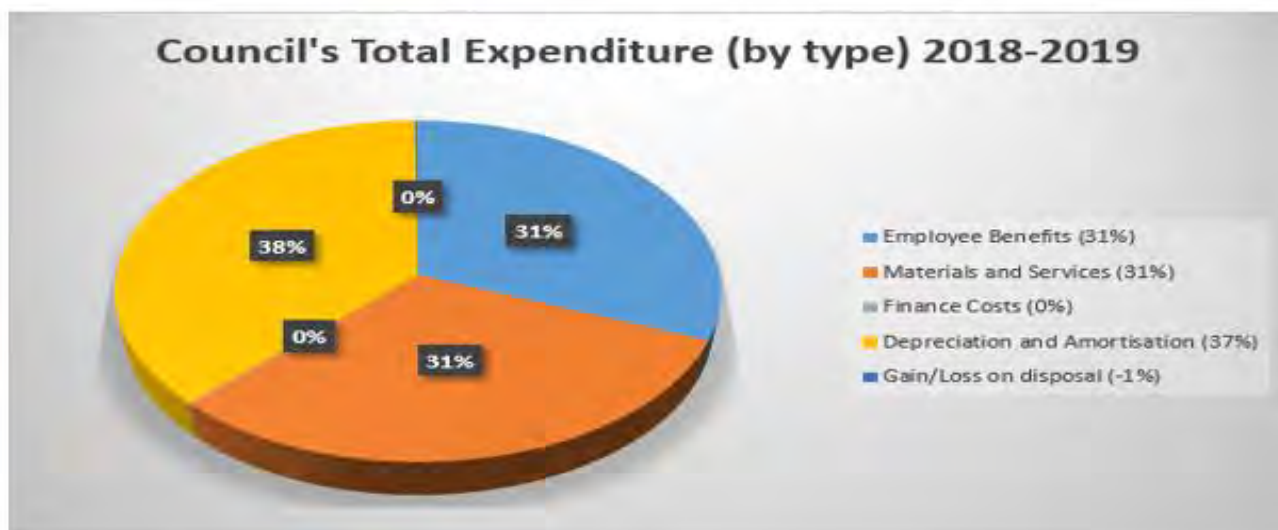
Council's Result

\$'000	Actual 2019	Budget 2019	Actual 2018
Expenditure	15,873	15,959	17,718
Revenue (including gain / loss on disposals)	16,723	12,469	16,501
Net Result before Capital Grants and Contributions	850	-3,490	-1,217
Capital Grants and Contributions	3,641	3,940	3,272
Net Result	4,491	450	2,055

The budgeted "profit/loss" for 2018/19 was a surplus of \$449,990 - meaning Council came in much better than was budgeted. The main reasons relating to this difference between the actual result and the budgeted performance was due to an advance payment of Financial Assistance and Other Grants of \$3,748,086.

Overall Council and management believe the financial result for 2018-2019 to be satisfactory.

The following charts summarises where Council's revenue and expense came from:



Councils Statement of Financial Position (Balance Sheet) for 2018-2019

Council's Net Wealth

The Balance Sheet "bottom line" discloses the Net Community Equity of Council, which represents its wealth as measured by a dollar value of its assets less liabilities.

Council's Wealth

\$'000	Actual 2019		Actual 2018	
The major items that make up Council's wealth include the following assets				
Available Cash and Investments	\$	26,645	\$	19,554
Cash & Investments "restricted" for future funding purposes	\$	1,181		0
Receivable	\$	1,487	\$	2,176
Other current assets	\$	369	\$	398
Infrastructure, Property, Plant & Equipment:				
- Land and Improvements	\$	2,141	\$	2,933
- Buildings	\$	29,401	\$	30,182
- Plant and Equipment	\$	5,054	\$	5,210
- Road, Drainage and Bridge Network	\$	152,221	\$	146,819
- Water	\$	8,449	\$	4,933
- Sewerage	\$	4,813	\$	4,296
- Other Infrastructure Assets	\$	2,382	\$	1,060
- Furniture and Fittings	\$	344	\$	344
- Liabilities	\$	1,396	-\$	1,351
Net Community Equity	\$	229,961	\$	216,608

Council's Capital Expenditure for 2018-2019

Council's Capital Expenditure by Asset Class was as follows:

Furniture & Fittings	\$	24,069.00
Buildings	\$	1,979,836.00
Plant	\$	442,671.00
Roads	\$	1,858,240.00
Sewers	\$	77,540.00
Water	-\$	761,797.00
Land	\$	227,636.00
Other Assets	\$	1,329,082.00

Council's major projects for 2018-2019 included the following:

- Construction of duplexes;
- Upgrades to Quilpie Hall;
- Plant replacements;
- Bulloo Park exclusion fencing;
- Replacement of Quilpie Airport lighting system;
- Widening and resealing Mt Margaret Road; and
- Completion of a \$1M water main replacement program in Quilpie.

Council's Key Financial Figures - A Snapshot

A summary of some key financial figures over the past 5 years lets you see some overall trends.

Financial Performance Figures (\$'000)	2019	2018	2017	2016	2015	Average
Inflows:						
Rates, Levies & Charges	4,877	4,675	4,624	4,548	3,981	4,541
Fees & Charges	62	110	48	38	101	72
Rental Income	282	302	301	353	394	326
Interest Received	475	433	265	309	387	374
Sales Revenue	3652	4387	4344	2170	3561	3561
Other Income	0	0	159	35	111	61
Grants, Subsidies, Contribution & Donations						
- Operating & Capital Revenue	11,016	9,653	15,290	18,224	19,935	14,824
Total Income from Continuing Operations	20,364	19,560	25,031	25,677	28,470	23,820
Gain / loss on disposal of PP&E	27	213	-197	371	185	120
New Loan Borrowings & Advances	0	0	0	0	0	0
Outflows:						0
Employee Benefits	4,946	5,824	5,324	5,444	5,096	5,327
Materials & Services	4,969	6,175	6,259	11,803	11,464	8,134
Finance Costs	20	20	6	5	6	11
Depreciation	5,938	5,699	5,670	4,850	2,742	4,980
Total Expenses from Continuing Operations	15,873	17,718	17,259	22,102	19,308	18,452
Total Cash purchases of PP&E	6,246	5,585	7,375	10,179	6,472	7,171
Total Loan Repayments (including finance leases)	0	0	0	0	0	0

Financial Performance Figures (\$'000)	2019	2018	2017	2016	2015	Average
Operating Surplus/(Deficit) (excluding Capital Income and Expenditure)	823	-1,430	2,666	-245	6,729	1,709
Current Assets	26,502	22,128	20,243	13,645	16,138	19,731
Current Liabilities	1,396	1,351	1,743	1,664	2,666	1,764
Net Community Assets	229,961	216,607	198,864	187,574	173,552	201,312
Cash and Cash Equivalents	24,645	19,554	16,304	12,517	14,963	17,597
Total Borrowings Outstanding (Loans, advances and finance leases excluding any overdraft)	0	0	0	0	0	0
Gross Asset Values	275,863	266,708	233,715	227,637	214,272	243,639
Total Accumulated Depreciation	75,973	72,399	57,469	56,394	60,400	64,527
Indicative Remaining Useful Life (as a % of GBV)	72%	73%	75%	75%	72%	

Source: Published audited financial statements of Council (current year and prior year annual financial statements).

FINANCIAL SUSTAINABILITY MEASURES

The Financial Sustainability of Councils is now a cornerstone of the *Local Government Act 2009* and a core responsibility of individual Councils across Queensland. Financial Sustainability is defined as when a **"Local Government is able to maintain its financial capital and infrastructure capital over the long term"** [source: Local Government Act 2009 section 102(2)].

The Financial Sustainability Indicators (in accordance with the *Local Government Regulation 2012*) that Council must publish are as follows:

Operating Surplus Ratio

This is calculated as the **Net Result divided by Total Operating Revenue**.

This is an indicator of the extent to which revenues raised cover operational expenses only or are available for capital funding purposes or other purposes.

Asset Sustainability Ratio

This is calculated as the **Capital Expenditure on the Replacement of Assets (Renewals) divided by Depreciation Expense**.

This is an approximation of the extent to which the infrastructure assets managed by the local government are being replaced as these reach the end of their useful lives.

Depreciation expense represents an estimate of the extent to which the infrastructure assets have been consumed in a period.

Capital expenditure on renewals (replacing assets that the local government already has) is an indicator of the extent to which the infrastructure assets are being replaced.

This ratio indicates whether a local government is renewing or replacing existing non-financial assets at the

same rate that its overall stock of assets is wearing out.

Net Financial Liabilities Ratio

Calculated as **Total Liabilities less Current Assets divided by Total Operating Revenue**, this is an indicator of the extent to which the net financial liabilities of a local government can be serviced by its operating revenues. Council has reported a negative ratio as we do not have any borrowings.

Financial Sustainability Indicators at year ended 30 June 2018

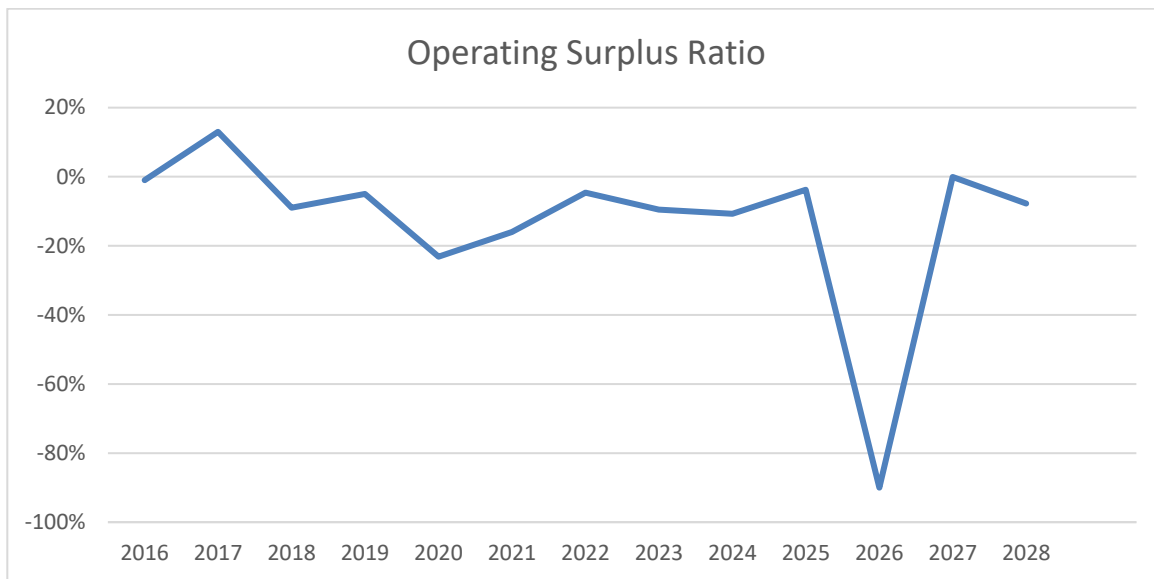
	Operating Surplus Ratio	Asset Sustainability Ratio	Net Financial Liabilities Ratio
Target	0-10%	>90%	<60%
Actual 2016*	-1%	181%	-55%
Actual 2017	13%	71%	-93%
Actual 2018	-9%	36%	-128%
Actual 2019	-5%	20%	-150%

Long Term Financial Plan Projections

Year 2, 2020	-23.10%	29.70%	-110.40%
Year 3, 2021	-16.00%	32.30%	-90.90%
Year 4, 2022	-4.60%	71.80%	-74.80%
Year 5, 2023	-9.50%	5.30%	-76.00%
Year 6, 2024	-10.70%	49.80%	-63.20%
Year 7, 2025	-3.80%	70.50%	-50.80%
Year 8, 2026	-90.00%	25.90%	-57.80%
Year 9, 2027	0.10%	45.60%	-59.60%
Year 10, 2028	-7.80%	51.60%	48.50%

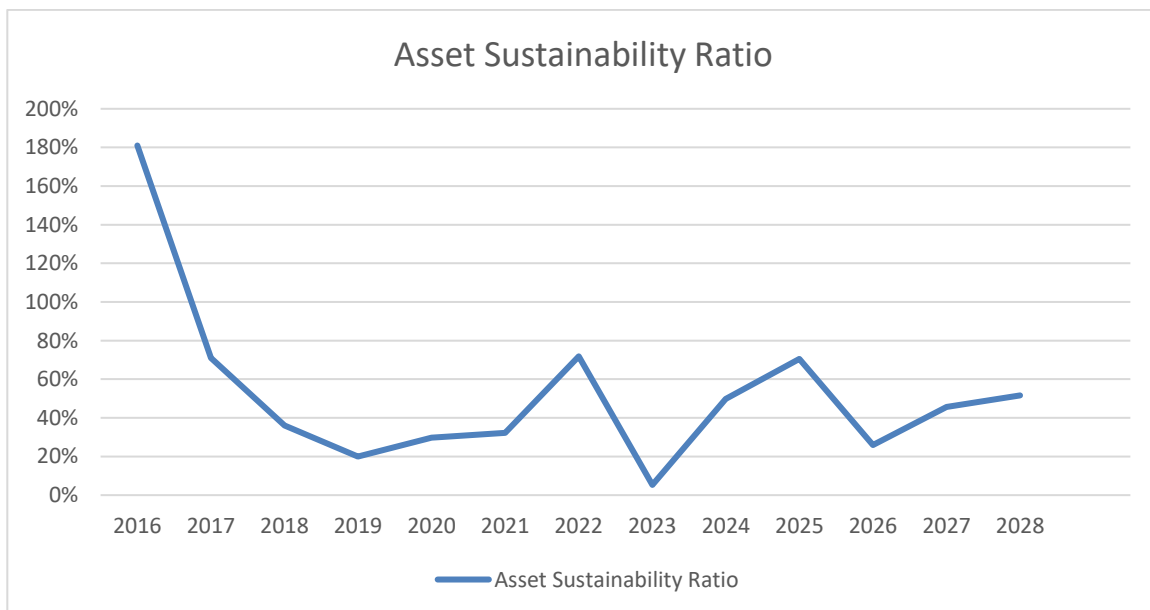
Council aims to have a positive Operating Surplus Ratio every year but occasionally this is not possible due to the timing of receipts. In the 2018/19 financial year this was mostly attributable to the prepayment of grants.

- The asset sustainability ratio should, ideally, be more than 90%. Council, together with all rural and remote councils, have difficulty in meeting the ratio target when there is a community need to construct new assets such as the All-Sports Centre and airport terminal building.
- The liabilities ratio will continue to rise in the negatives until 2028 when Council plans to borrow for Sewer treatment plant replacement works when the ratio will decline slightly although it should remain negative.
- *Ratios were not calculated until 2015/2016.



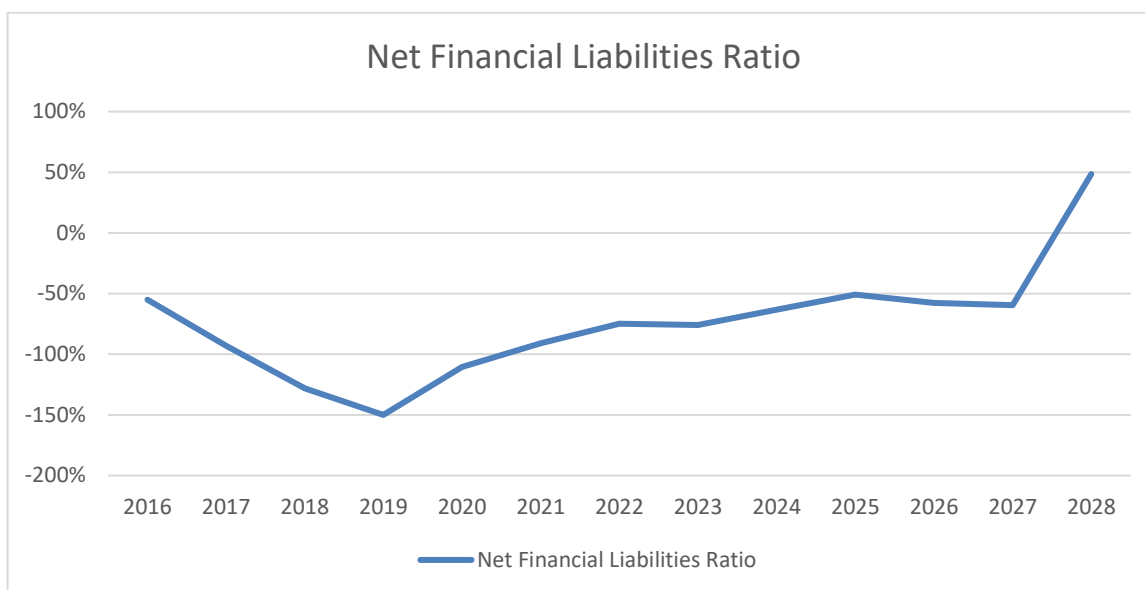
Operating Surplus Ratio

The large deficit in 2025-2026 is a result of a plan to borrow for a new sewerage treatment plant works.



Asset Sustainability Ratio

The capital expenditure in 2016 was high due to works on Kyabra Road and the new depot. Going forward these will not be repeated to the same extent so the ratio will even out over time.



Net Financial Liabilities Ratio

The net financial liabilities ration was extremely low in 2018-19 due to Council's sound financial position

Questions & Answers relating to Council's Financial Statements & Financial Position

Q. *Nearly one quarter of the expenses is depreciation. What is this and why is it so much?*

A. Depreciation is the recognition of the consumption of assets (wear and tear). It is calculated on the cost of replacing those assets and that figure is constantly rising (inflation).

Q. *Why doesn't Council recognise the receipt for flood damage in the same year as it is expensed?*

A. Basic book-keeping in an accrual environment requires that, as much as is possible, revenues and expenditures should be matched. Councils however, are grouped as "not-for-profits" along with charities and the like. Currently Australian accounting standards, in particular AASB 1004, require that we recognise grants (which is what the receipt for flood damage is) when they are received regardless of when the money was spent. There is an amendment coming which will allow Council to better match revenue and expense in the future.

Q. *Given the current low interest environment why doesn't Council have any borrowings?*

A. Even in a low interest environment there is a cost to borrowings. Council does not need to borrow at this stage but the situation is constantly monitored.

Quilpie Shire Council

Financial statements

For the year ended 30 June 2019

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Quilpie Shire Council
Statement of Comprehensive Income
For the year ended 30 June 2019

	Note	Council	
		2019 \$	2018* \$
Income			
Revenue			
Recurrent revenue			
Rates, levies and charges	3(a)	4,876,800	4,675,220
Fees and charges		61,805	110,159
Rental income		282,489	302,382
Interest received		474,824	433,144
Sales revenue	(3b)	3,652,401	4,386,623
Grants, subsidies, contributions and donations	4(a)	7,347,645	6,381,125
Total recurrent revenue		<u>16,695,964</u>	<u>16,288,653</u>
Expenses			
Recurrent expenses			
Employee benefits	5	(4,945,655)	(5,823,549)
Materials and services	6	(4,969,179)	(6,175,202)
Finance costs		(19,776)	(20,455)
Depreciation and amortisation	10	(5,938,288)	(5,699,079)
		<u>(15,872,898)</u>	<u>(17,718,285)</u>
Net recurrent income		<u>823,066</u>	<u>(1,429,632)</u>
Capital revenue			
Grants, subsidies, contributions and donations	4(b)	3,641,230	3,271,829
Total capital revenue		<u>3,641,230</u>	<u>3,271,829</u>
Gain/loss on disposal of PPE	7	26,610	212,953
Net capital income		<u>3,667,840</u>	<u>3,484,782</u>
Net result		<u>4,490,906</u>	<u>2,055,150</u>
Other comprehensive income			
Items that will not be reclassified to net result			
Increase / (decrease) in asset revaluation surplus	15	8,862,625	9,635,421
Total comprehensive income for the year		<u><u>13,353,531</u></u>	<u><u>11,690,571</u></u>

*Council has made a retrospective restatement as a consequence of a correction of an error and therefore, in accordance with AASB 101 has presented a Statement of Comprehensive Income as at the beginning of the comparative period i.e. as at 1 July 2017. Details disclosed in Note 10 and 20.

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

Quilpie Shire Council
Statement of Financial Position
as at 30 June 2019

	Note	Council		
		2019 \$	2018* \$	2017* \$
Current assets				
Cash and cash equivalents	8	24,645,339	19,553,725	16,304,228
Receivables	9	1,487,146	2,175,900	3,573,072
Inventories		369,267	398,256	365,838
Total current assets		<u>26,501,752</u>	<u>22,127,881</u>	<u>20,243,138</u>
Non-current assets				
Receivables	9	50,424	54,174	63,750
Property, plant and equipment	10	204,804,658	195,776,420	186,353,097
Total non-current assets		<u>204,855,082</u>	<u>195,830,594</u>	<u>186,416,847</u>
Total assets		<u>231,356,834</u>	<u>217,958,475</u>	<u>206,659,985</u>
Current liabilities				
Payables	12	816,107	825,590	1,190,457
Provisions	14	403,837	388,413	507,716
Total current liabilities		<u>1,219,944</u>	<u>1,214,003</u>	<u>1,698,173</u>
Non-current liabilities				
Provisions	14	175,883	136,996	44,908
Total non-current liabilities		<u>175,883</u>	<u>136,996</u>	<u>44,908</u>
Total liabilities		<u>1,395,827</u>	<u>1,350,999</u>	<u>1,743,081</u>
Net community assets		<u>229,961,007</u>	<u>216,607,476</u>	<u>204,916,905</u>
Community equity				
Asset revaluation surplus	15	126,243,305	117,380,680	113,797,599
Retained surplus/(deficiency)		103,717,702	99,226,796	91,119,306
Total community equity		<u>229,961,007</u>	<u>216,607,476</u>	<u>204,916,905</u>

*Council has made a retrospective restatement as a consequence of a correction of an error and therefore, in accordance with AASB 101 has presented a Statement of Financial Position as at the beginning of the comparative period i.e. as at 1 July 2017. Details are disclosed in Note 10 and 20.

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

Quilpie Shire Council
Statement of Changes in Equity
For the year ended 30 June 2019

Council

		Asset revaluation surplus	Retained Surplus	Total
	Note	\$	\$	\$
Balance as at 1 July 2018 (restated)		117,380,681	99,226,796	216,607,475
Net operating surplus		-	4,490,906	4,490,906
Other comprehensive income for the year				
Increase / (decrease) in asset revaluation surplus	10.15	8,862,625	-	8,862,625
Total comprehensive income for the year		<u>8,862,625</u>	<u>4,490,906</u>	<u>13,353,531</u>
Balance as at 30 June 2019		<u>126,243,306</u>	<u>103,717,702</u>	<u>229,961,006</u>
Balance as at 1 July 2017		107,745,260	91,119,306	198,864,565
Net operating surplus		-	2,055,150	2,055,150
Other comprehensive income for the year				
Effect of correction of error	20		6,052,340	6,052,339
Increase / (decrease) in asset revaluation surplus	10.15	9,635,421	-	9,635,421
Restated balances		<u>9,635,421</u>	<u>6,052,340</u>	<u>15,687,760</u>
Total comprehensive income for the year		<u>9,635,421</u>	<u>8,107,490</u>	<u>17,742,910</u>
Balance as at 30 June 2018 (restated)		<u>117,380,681</u>	<u>99,226,796</u>	<u>216,607,475</u>

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

Quilpie Shire Council
Statement of Cash Flows
For the year ended 30 June 2019

Note	Council	
	2019	2018
	\$	\$
Cash flows from operating activities		
Receipts from customers	9,286,387	10,500,949
Payments to suppliers and employees	(9,867,420)	(12,368,853)
	(581,033)	(1,867,904)
Interest received	474,824	430,267
Rental income	282,489	302,382
Non capital grants and contributions	4(a) 7,347,645	6,381,125
Net cash inflow (outflow) from operating activities	19 7,523,925	5,245,870
Cash flows from investing activities		
Payments for property, plant and equipment	10 (6,245,600)	(5,584,987)
Net movement in loans and advances	3,750	5,826
Proceeds from sale of property plant and equipment	7 168,309	310,960
Grants, subsidies, contributions and donations	4(b) 3,641,230	3,271,829
Net cash inflow (outflow) from financing activities	(2,432,311)	(1,996,372)
Net increase (decrease) in cash and cash equivalent held	5,091,614	3,249,498
Cash and cash equivalents at the beginning of the financial year	19,553,725	16,304,228
Cash and cash equivalents at end of the financial year	8 24,645,339	19,553,725

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

Quilpie Shire Council
Notes to the financial statements
For the year ended 30 June 2019

1 Significant accounting policies

1.A Basis of preparation

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

These general purpose financial statements are for the period 1 July 2018 to 30 June 2019. They are prepared in accordance with the *Local Government Act 2009* and the *Local Government Regulation 2012*.

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

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

1.B New and revised Accounting Standards

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

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

On 1 July 2018 (the date of initial application), council re-assessed the classification, measurement category and carrying amount of each financial instrument (listed below) in accordance with AASB 9. There were some changes to classification but this did not result in changes to measurement categories to measurement categories (listed below). Carrying amounts were also unchanged. By using the new methodology the result has not had a material impact on the balance sheet, there was no impairment in respect of movement of trade receivables.

Financial asset/liability	Measurement category (unchanged)
Cash and cash equivalents	Amortised cost
Receivables	Amortised cost
Other financial assets	Amortised cost

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

Standard and impact	Date council will apply the standard
---------------------	--------------------------------------

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

AASB 1058 clarifies and simplifies the income recognition requirements that apply to not-to-profit (NFP) entities, in conjunction with AASB 15, and AASB 2016-8. These standards supersede the majority of income recognition requirements relating to public sector NFP entities, previously in AASB 1004 *Contributions*.

1 July 2019

Identifiable impacts at the date of this report are:

An estimated amount of \$1.2 million grants received by the Council will be recognised as a liability, and subsequently recognised progressively as revenue as the Council satisfies its performance obligations under the grant. At present, such grants are recognised as revenue upfront.

Grants that are not enforceable and/or not sufficiently specific will not qualify for deferral, and continue to be recognised as revenue as soon as they are controlled. Council receives several grants from the Federal Government and State Government for which there are no sufficiently specific performance obligations these expected to continue being recognised as revenue upfront assuming no change to the current grant arrangement.

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

Quilpie Shire Council

Notes to the financial statements

For the year ended 30 June 2019

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

AASB 16 Leases

1 July 2019

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

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

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

Leases in which the Council is a lessee

The Council has elected not to recognise IT leases under AASB 16 as they have been assessed as being low-value assets under the standard.

No significant impact is expected for the Council's finance leases.

1.C Estimates and judgements

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

Valuation and depreciation of property, plant and equipment (Note 11)

Provisions (Note 14)

1.D Rounding and comparatives

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

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

1.E Taxation

The income of local government and public authorities is exempt from Income tax. However council is subject to Fringe Benefits Tax and Goods and Services Tax ('GST'). The net amount of GST recoverable from the ATO or payable to the ATO is shown as an asset or liability respectively.

2. Analysis of Results by Function

2(a) Components of council functions

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

Corporate governance

The objective of corporate governance is for Council to be open, accountable, transparent and deliver value for money community outcomes. This function 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 includes internal audit, budget support, financial accounting, taxation and information technology services. The goal of this function is to provide accurate, timely and appropriate information to support sound decision making and meet statutory requirements.

Community services

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

This function includes:

- Libraries
- Entertainment venues
- Public health services
- Sporting venues
- Planning and development

Environmental Health Services

The objective of Environmental Health Services is to ensure that the community's environment is protected and maintained to acceptable levels.

Engineering and Works

The objective of the engineering and works program is to ensure the community is serviced by a high quality, appropriate and effective road network. The function provides and maintains transport infrastructure, including the maintenance and provision of the drainage network.

Waste management

The goal of this function is to protect and support our community and natural environment by sustainably managing refuse. The function provides refuse collection and disposal services.

Water infrastructure

The goal of this program is to support a healthy, safe community through sustainable water services. This function includes all activities relating to water reticulation, treatment and plumbing.

Sewerage infrastructure

This function's objective is to protect and support the health of our community by sustainably managing sewerage infrastructure.

Quilpie Shire Council
Notes to the financial statements
For the year ended 30 June 2019

2 Analysis of results by function

(b) Income and expenses defined between recurring and capital are attributed to the following functions:

Year ended 30 June 2019

Functions	Gross program income				Total income	Gross program expenses		Total expenses	Net result from recurrent operations	Net Result	Assets
	Recurrent		Capital			Recurrent	Capital				
	Grants	Other	Grants	Other							
	\$	\$	\$	\$							
Corporate governance	6,500	254			6,754	790,070		790,070	(783,316)	(783,316)	-
Finance and information	5,038,605	4,729,847	545,000		10,313,452	1,786,973		1,786,973	7,981,479	8,526,479	55,408,937
Community services	369,402	307,194	1,277,573		1,954,169	2,111,877		2,111,877	(1,435,281)	(157,708)	
Environment & Health Services	1,090,000	14,633			1,104,633	920,168		920,168	184,465	184,465	
Engineering & Works	843,138	3,628,099	1,628,806	26,610	6,126,653	9,786,615		9,786,615	(5,315,378)	(3,659,962)	167,952,590
Waste management		209,118			209,118	107,187		107,187	101,931	101,931	
Water infrastructure	-	256,000			256,000	259,146		259,146	(3,146)	(3,146)	3,251,497
Sewerage infrastructure	-	203,174	189,851		393,025	110,863		110,863	92,311	282,162	4,743,810
Total Council	7,347,645	9,348,319	3,641,230	26,610	20,363,804	15,872,899	-	15,872,899	823,065	4,490,906	231,356,834

Year ended 30 June 2018

Functions	Gross program income				Total income	Gross program expenses		Total expenses	Net result from recurring operations	Net Result	Assets
	Recurring		Capital			Recurring	Capital				
	Grants	Other	Grants	Other							
	\$	\$	\$	\$							
Corporate governance	27,500	1,858	-	-	29,358	798,441	-	798,441	(769,083)	(769,083)	-
Finance and information	4,992,852	4,497,948	-	-	9,490,800	1,557,316	(3,636)	1,553,680	7,933,484	7,937,120	47,355,745
Community services	388,281	341,613	458,970	-	1,188,864	2,387,820	-	2,387,820	(1,657,926)	(1,198,956)	-
Environment & Health Services	-	16,277	-	-	16,277	1,225,735	-	1,225,735	(1,209,458)	(1,209,458)	-
Engineering & Works	972,491	4,344,107	2,640,223	-	7,956,821	11,083,318	(209,317)	10,874,001	(5,766,720)	(2,917,180)	158,007,622
Waste management	-	205,409	-	-	205,409	167,329	-	167,329	38,080	38,080	-
Water infrastructure	-	264,816	-	-	264,816	354,665	-	354,665	(89,849)	(89,849)	3,782,093
Sewerage infrastructure	-	235,500	172,636	-	408,136	143,661	-	143,661	91,839	264,475	2,760,675
Total Council	6,381,124	9,907,528	3,271,829	-	19,560,481	17,718,285	(212,953)	17,505,332	(1,429,633)	2,055,150	211,906,135

Quilpie Shire Council
Notes to the financial statements
For the year ended 30 June 2019

	Council	
	2019	2018
	\$	\$

3 Revenue

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

(a) Rates, levies and charges

Rates are recognised as revenue at the 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	4,660,985	4,463,580
Water	264,155	258,464
Sewerage	201,328	196,845
Garbage charges	227,761	223,231
Total rates and utility charge revenue	5,354,229	5,142,120
Less: Discounts	(464,234)	(453,636)
Less: Pensioner remissions	(13,195)	(13,264)
	<u>4,876,800</u>	<u>4,675,220</u>

(b) 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.

Sale of services

Contract works for Department of Transport & Main Roads	3,616,157	4,334,865
Other private works	36,244	51,758
	<u>3,652,401</u>	<u>4,386,623</u>

4 Grants, subsidies, contributions and donations

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

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

(a) Recurrent

General purpose grants	5,317,776	5,575,084
State government subsidies and grants	1,898,628	770,809
Commonwealth government subsidies and grants	131,241	35,232
	<u>7,347,645</u>	<u>6,381,125</u>

Council received payment on the following grants for 2019/2020 :

Half of FAGS grant received in 19 June 2019	2,566,709
Community Grants from DVA for A Memorial to Soldier received in 6 February 2019	77,573
Footy facility grant received in 21 June 2019	103,804
Community Combating drought pest weed received in 7 June 2019	100,000
Community combating drought fence received 24 May 2019	900,000

(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.

State government subsidies and grants	2,963,657	2,068,430
Commonwealth	677,573	1,203,399
	<u>3,641,230</u>	<u>3,271,829</u>

Quilpie Shire Council
Notes to the financial statements
For the year ended 30 June 2019

		Council	
		2019	2018
		\$	\$
5 Employee benefits			
Total staff wages and salaries		3,381,711	4,324,816
Councillors' remuneration		342,248	303,093
Annual, sick and long service leave entitlements		774,107	759,634
Superannuation	18	549,789	539,174
		<u>5,047,855</u>	<u>5,926,717</u>
Other employee related expenses		164,250	154,279
		<u>5,212,105</u>	<u>6,080,996</u>
Less: Capitalised employee expenses		(266,450)	(257,447)
		<u><u>4,945,655</u></u>	<u><u>5,823,549</u></u>
Councillor remuneration represents salary, and other allowances paid in respect of carrying out their duties.			
Total Council employees at the reporting date:		2019	2018
Elected members		5	5
Administration staff		23	23
Depot and outdoors staff		47	45
Total full time equivalent employees		<u>75</u>	<u>73</u>
6 Materials and services			
Advertising and marketing		16,372	12,912
Administration supplies and consumables		303,620	783,248
Audit of annual financial statements by the Auditor-General of Queensland		50,700	49,500
Communications and IT		206,648	236,277
Consultants/contractors - Asset Consultants		125,100	29,644
Community & Recreational Services		914,408	1,317,782
Rental Operating Expenses		190,762	219,271
Recoverable Works		1,126,111	1,168,727
Road repair & reinstatement		1,085,152	1,141,557
Town Plan		38,779	51,221
Rural Services		551,675	552,240
Water Supply		137,946	210,821
Sewerage Treatment		45,443	74,206
Waste Management		176,463	327,796
		<u><u>4,969,179</u></u>	<u><u>6,175,202</u></u>
7 Capital income			
Gain/loss on disposal of non-current assets	10		
Proceed from the sale of property, plant and equipment		168,309	310,960
Less: Carrying value of property, plant and equipment disposed		(141,699)	(98,007)
Total capital income/(expenses)		<u><u>26,610</u></u>	<u><u>212,953</u></u>
8 Cash and cash equivalents			
Cash and cash equivalents include cash on hand, all cash and cheques receipted but not banked at the year end, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to cash and which are subject to an insignificant risk of changes in value, and bank overdrafts.			
Cash at bank and on hand		6,464,760	1,808,246
Deposits at call and term deposits		18,180,579	17,745,479
Balance per Statement of Cash Flows		<u><u>24,645,339</u></u>	<u><u>19,553,725</u></u>
Council's cash and cash equivalents are subject to a number of internal and external restrictions that limit amounts available for discretionary or future use. These may include:			
Externally imposed expenditure restrictions at the reporting date relate to the following cash assets:			
Unspent government grants and subsidies			
Advance Financial Assistance Grant payment, unrestricted \$2,566,709 (\$2,553,209 - 2018) and others.		3,748,086	2,553,239

Quilpie Shire Council
Notes to the financial statements
For the year ended 30 June 2019

	Council	
	2019	2018
	\$	\$

Cash and deposits at call are held in the National Australia Bank in normal term deposits and business cheque accounts. The bank currently has a short term credit rating of A1+ and long term rating of AA-. There is also one term deposit with Rural Bank which has a rating of A2. The balance of funds are deposited with Queensland Treasury Corporation in their cash management account at call.

In accordance with the *Local Government Act 2009* and *Local Government Regulation 2012*, a separate trust bank account and separate accounting records are maintained for funds held on behalf of outside parties. Funds held in the trust account include security deposits lodged to guarantee performance and unclaimed monies (e.g. wages). The Council performs only a custodial role in respect of these monies and because the monies cannot be used for Council purposes, they are not considered revenue nor brought to account in the financial statements.

Trust funds held for outside parties

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

	2,505	20,454
	<u>2,505</u>	<u>20,454</u>

9 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.

Loans and advances are recognised in the same way as other receivables. Terms are usually a maximum of five years with interest charged at commercial rates. Security is not normally obtained.

Current

Rateable revenue and utility charges	411,375	158,419
Private works	981,593	804,161
Other debtors	49,731	379,434
Less impairment	359	268
Loans and advances to community organisations	3,750	3,750
Accrued revenue	40,338	829,868
	<u>1,487,146</u>	<u>2,175,900</u>

Non-current

Loans and advances to community organisations	50,424	54,174
	<u>50,424</u>	<u>54,174</u>

Interest is charged on outstanding rates at a rate of 11% per annum. No interest is charged on other debtors. There is no concentration of credit risk for rates and utility charges, fees and other than Main Roads.

Loans relate to advances made to various sporting bodies. These loans arise from time to time and are subject to negotiated interest rates. The credit risk on these loans is considered low.

*Council applied AASB 9 for the first time this year. As a result Council has calculated the impairment of receivables in a different way for 2019, using a lifetime expected loss allowance. The opening balance of impairment, as at 1 July 2018, has been recalculated using this new methodology and resulting an immaterial impact on the balance sheet. Further details are contained in note 21.

Quilpie Shire Council
Notes to the financial statements
For the year ended 30 June 2019

10 Council - 30 June 2019

Basis of measurement

Asset values

Opening gross value as at 1 July 2018 (restated)

Additions

Disposals

Revaluation adjustment to other comprehensive income(asset revaluation surplus)

Previous loss on reval reversed

Transfers between classes

Closing gross value as at 30 June 2019

Accumulated depreciation and impairment

Opening balance as at 1 July 2018 (restated)

Depreciation provided in period

Depreciation on disposals

Revaluation adjustment to asset revaluation surplus

Previous loss on reval reversed

Transfers between classes

Accumulated depreciation as at 30 June 2019

Total written down value as at 30 June 2019

Range of estimated useful life in years

Work in Progress

Opening Balance 1 July 2018

Expenditure in year

Transferred to asset register

Closing Balance 30 June 2019

Total PPE

Additions comprise:

Renewals

Other additions

Total additions

	Furniture & Fittings	Buildings and other structures	Plant & Equipment	Road, drainage and bridge network	Sewerage	Water	Land	Other assets	Total
	Cost	Fair Value	Cost	Fair Value	Fair Value	Fair Value	Fair Value	Cost	
	\$	\$	\$	\$	\$	\$	\$	\$	\$
	624,017	45,273,262	9,569,692	187,950,368	8,429,249	10,843,227	2,654,022	1,364,077	266,707,914
	24,069	822,566	442,671	1,018,318	-	147,122	51,221	292,493	2,798,460
	-	-	(438,644)	-	-	-	-	(25,575)	(464,219)
15	-	(2,767,874)	-	11,115,192	(1,059,392)	451,874	(564,714)	(354,033)	6,821,053
15	-	-	-	-	-	-	-	-	-
	-	(480,474)	-	-	-	31,126	-	449,348	-
	648,086	42,847,480	9,573,719	200,083,878	7,369,857	11,473,349	2,140,529	1,726,310	275,863,208

	279,560	15,321,521	4,360,020	41,480,722	4,139,847	6,275,425	-	542,282	72,399,377
	24,164	820,262	456,618	4,424,966	40,227	82,316	-	89,735	5,938,288
	-	-	(296,946)	-	-	-	-	(25,575)	(322,521)
15	-	(1,275,880)	-	3,145,793	(1,539,138)	(2,358,234)	-	(14,113)	(2,041,572)
15	-	-	-	-	-	-	-	-	-
	-	(32,264)	-	-	-	4,787	-	27,477	-
	303,724	14,833,639	4,519,692	49,051,481	2,640,936	4,004,294	-	619,806	75,973,572

	344,362	28,013,841	5,054,027	151,032,397	4,728,921	7,469,055	2,140,529	1,106,504	199,889,636
	2-20	10-75	2-20	5-unlimited	20-100	25-110	unlimited	2-50	

	-	229,914	-	348,854	6,774	364,860	278,857	238,624	1,467,883
	24,069	1,979,836	442,671	1,858,240	77,540	761,797	(227,636)	1,329,082	6,245,599
	(24,069)	(822,566)	(442,671)	(1,018,318)	-	(147,122)	(51,221)	(292,493)	(2,798,460)
	-	1,387,184	-	1,188,776	84,314	979,535	-	1,275,213	4,915,022

	344,362	29,401,025	5,054,027	152,221,173	4,813,235	8,448,590	2,140,529	2,381,717	204,804,658
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	\$	\$	\$	\$	\$	\$	\$	\$	\$
	24,069	232,285	173,768	812,056	-	-	-	-	1,242,178
	-	590,281	268,903	206,262	-	147,122	51,221	292,493	1,556,282
	-	-	-	-	-	-	-	-	-
	24,069	822,566	442,671	1,018,318	-	147,122	51,221	292,493	2,798,460

Council - 30 June 2018

Basis of measurement

Asset values

Opening gross value as at 1 July 2017 (original)

Adjustment to opening value

Opening gross value as at 1 July 2017 (restated)

Additions

Disposals

Revaluation adjustment to other comprehensive income(asset revaluation surplus)

Previous loss on reval reversed

Transfers between classes

Closing gross value as at 30 June 2018 (restated)

Accumulated depreciation and impairment

Opening balance as at 1 July 2017 (original)

Adjustment to opening value

Opening balance as at 1 July 2017 (restated)

Depreciation provided in period

Depreciation on disposals

Revaluation adjustment to asset revaluation surplus

Previous loss on reval reversed

Transfers between classes

Accumulated depreciation as at 30 June 2018 (restated)

Total written down value as at 30 June 2018

Range of estimated useful life in years

Work in Progress

Opening Balance 1 July 2017

Expenditure in year

Transferred to asset register

Closing Balance 30 June 2018

Total PPE (restated)

Renewals

Other additions

Total additions

Note	Furniture & Fittings	Buildings	Plant & Equipment	Road, drainage and bridge network	Sewerage	Water	Land	Other assets	Total
	Cost	Fair Value	Cost	Fair Value	Fair Value	Fair Value	Fair Value	Cost	
	\$	\$	\$	\$	\$	\$	\$	\$	\$
20	624,017	35,293,905	8,957,085	173,336,830	4,153,242	6,274,518	2,654,022	5,075,382	236,369,001
				3,575,906	4,276,007	4,568,709			12,420,622
	624,017	35,293,905	8,957,085	176,912,736	8,429,249	10,843,227	2,654,022	5,075,382	248,789,623
		2,381,253	1,280,811	1,625,441				230,069	5,517,574
			(668,204)						(668,204)
15		3,656,730		9,412,191					13,068,921
15									-
		3,941,374						(3,941,374)	-
	624,017	45,273,262	9,569,692	187,950,368	8,429,249	10,843,227	2,654,022	1,364,077	266,707,914

	252,001	11,462,304	4,490,550	35,021,123	1,289,689	2,676,564		2,276,485	57,468,716
				35,327	2,809,931	3,523,024			6,368,282
20	252,001	11,462,304	4,490,550	35,056,450	4,099,620	6,199,588	-	2,276,485	63,836,998
	27,559	729,420	439,668	4,293,106	40,227	75,837		93,262	5,699,079
			(570,198)						(570,198)
15		1,302,332		2,131,166					3,433,498
15									-
		1,827,465						(1,827,465)	-
	279,560	15,321,521	4,360,020	41,480,722	4,139,847	6,275,425	-	542,282	72,399,377

	344,457	29,951,741	5,209,672	146,469,646	4,289,402	4,567,802	2,654,022	821,795	194,308,537
	2-20	10-75	2-20	5-250	20-100	25-110	unlimited	2-50	

	-	660,896		74	16,600	65,879	278,857	378,166	1,400,472
	-	1,428,854	1,280,811	1,974,221	(9,826)	298,981		611,944	5,584,985
	-	(1,859,836)	(1,280,811)	(1,625,441)				(751,486)	(5,517,574)
	-	229,914		348,854	6,774	364,860	278,857	238,624	1,467,883

	344,457	30,181,656	5,209,672	146,818,500	4,296,176	4,932,662	2,932,879	1,060,419	195,776,420
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	\$	\$	\$	\$	\$	\$	\$	\$	\$
	-	52,049	1,206,911	1,497,877	(9,826)	298,981		48,329	3,094,321
	-	1,376,805	73,900	476,344				563,615	2,490,664
	-	1,428,854	1,280,811	1,974,221	(9,826)	298,981	-	611,944	5,584,985

Quilpie Shire Council
Notes to the financial statements
For the year ended 30 June 2019

11 Property, plant and equipment

11 (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.

11(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 note 11 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 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.

11(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.

11(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.

11(e) Valuation

(i) Valuation processes

Council's valuation policies and procedures are set by the finance committee of the executive management team which comprises the Chief Executive Officer, Director of Corporate Services, Director of Finance and Director of Engineering. 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 4 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.

Quilpie Shire Council
Notes to the financial statements
For the year ended 30 June 2019

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, such as prices for similar assets, for the asset or liability (level 2)
- Fair value based on unobservable inputs for the asset and liability (level 3)

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

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

Land (level 2)

Land fair values were determined by independent valuer, AssetVal effective 30 June 2019. Level 2 valuation inputs were used to value land in freehold title as well as land used for special purposes, which is restricted in use under current zoning rules. Sales prices of comparable land sites in close proximity are adjusted for differences in key attributes such as property size. The most significant inputs into this valuation approach are price per square metre. The land valuation outcome for 2 and 3 category has indicated an increase of 0.5% since last valuation in 2015.

Buildings (level 2 and 3)

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

Where Council buildings are of a specialist nature and there is no active market for the assets, fair value has been determined on the basis of replacement with a new asset having similar service potential including allowances for preliminaries and professional fees. The gross current values have been derived from reference to market data for recent projects and costing guides issued by the Australian Institute of Quantity Surveyors, Rawlinson's (Australian Construction Handbook). Where a depth in market can be identified, the net current value of a building asset is the difference between the market value of the asset as a whole (including land) and the market value of the land component. Where there is no depth of market, the net current value of a building asset is the gross current value less accumulated depreciation to reflect the consumed or expired service potential of the asset. The building valuation outcome indicated an increase on fair value of 22% since 2015.

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

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

Infrastructure assets (level 3)

All Council infrastructure assets were fair valued using written down current replacement cost. This valuation comprises the asset's 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 then adjusted this amount to take account of the expired service potential of the asset.

The last full valuation of infrastructure assets was undertaken effective 30 June 2019.

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.

The unit rates (labour and materials) and quantities applied to determine the CRC of an asset or asset component were based on a "Greenfield" assumption meaning that the CRC was determined as the full cost of replacement with a new asset including components that may not need to be replaced, such as earthworks. The CRC was determined using methods relevant to the asset class as described under individual asset categories below.

Quilpie Shire Council
Notes to the financial statements
For the year ended 30 June 2019

Roads, drainage and bridges network - calculation of current replacement cost

Roads

Current replacement cost

Council categorises its road infrastructure into urban and rural roads and the further sub-categorises these into sealed and unsealed roads. All roads are managed in segments which vary in length depending upon changes in size or form. 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 and services costs. For internal construction estimates, material and services prices were based on existing supplier contract rates or supplier price lists and labour wage rates were based on Council's Enterprise Bargaining Agreement (EBA). All direct costs were allocated to assets at standard usage quantities according to recently completed similar projects. Where construction is outsourced, CRC was based on the average of completed similar projects over the last few years.

The last full valuation of road infrastructure was undertaken effective 30 June 2019. CRC at 30 June 2019 was determined by AssetVal using data collected by Council consulting engineers Shepherd Services as part of a major asset management initiative for Council. Shepherd Services assessed all roads within the Shire using the Road Asset Condition Assessment System (RACAS). This asset and condition was then supplied to AssetVal who assessed and applied relevant useful lives and unit rates. The full valuation of sealed and unsealed roads and associated infrastructure indicated an increase on fair value of 32% since 2015. Road assets have also been compared to a more recent valuation not undertaken by AssetVal in 2017. An increase of 21% in replacement cost, and 24% increase in fair value. Roads are responsible for 67% of the overall movement. Between 2017 and 2019 valuations of formation there was one significant point of variance, the adoption of a finite useful life of 250 years. This has been updated in favour of an indefinite useful life as it is unreasonable that whilst the road corridor is in use the formation would ever need to be replaced or become unserviceable.

Accumulated depreciation

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

A condition assessment was undertaken and expressed as a value from 1 (new road) to 5 (no longer serviceable) and incorporated into the data collected by Shepherd Services to provide an estimate of current health, the proportion of health remaining and the remaining useful lives of the assets.

Water and Sewerage

Current replacement cost

Water and sewerage infrastructure fair values were determined by independent valuers. Full valuation was undertaken by AssetVal effective 30 June 2019. Componentisation was applied to recognise the significant parts of larger assets are likely to have different useful lives. The full valuation outcome indicated an increase on fair value of 105% for water, and 65% for sewer since 2015. The movement in the water, sewer and stormwater (previously unvalued) is due to the availability of more accurate data following the comprehensive revaluation process including engagement of independent consultant AssetVal. There was an increase of 400% in length of water reticulation at Eromanga. An increase of 163% in Sewer reticulation at Quilpie, and increases of up to 50% at other locations for asset classes in water and sewer. The sewer reticulation saw a unit rate increase, due to matching costs from recent water reticulation work in Quilpie. The material variances was due to the valuation of assets. For further details please refer to note 20 about correction of error.

Accumulated depreciation

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

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

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

- For all pipes, replacement cost was determined based on replacement by trench excavation, useful life was determined as the pipe useful life plus the reline useful life, and the pipe fair value was based on age.
- Where pipes have been relined, the total pipe useful life was determined as the pipe age when the reline occurred plus the reline life.
- The relining of pipes was valued at reline rates and depreciated over the reline life (70 years). The reline fair value was based on age.

12 Payables

Creditors are recognised when goods or services are received, at the amount owed. Amounts owing are unsecured and are generally settled on 30 day terms.

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.

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Notes to the financial statements
For the year ended 30 June 2019

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.

	Council	
	2019	2018
Note	\$	\$
Current		
Creditors and accruals	317,218	470,072
Annual leave	516,709	493,676
GST payable	(17,820)	(138,158)
	<u>816,107</u>	<u>825,590</u>

13 Leases

(a) Finance leases

Council does not have any finance leases as lessor or lessee.

b) Operating leases

	Value of lease receipts	
	Next year	Year 2-5
Note		\$
ENHM-Outback Gondwana Foundation	130	100
Alfred Rodger McKellar	260	250
Houses leased to:		
Ergon	37,180	37,180
Queensland Health	26,000	26,000
	<u>63,570</u>	<u>63,530</u>

Council makes available a house for Doctors employed by Queensland Health and two houses for Ergon. These houses are leased on commercial terms and standards REIQ contracts.

14 Provisions

Long Service Leave

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

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

Refuse dump restoration and quarry rehabilitation

Council has a legal/public/constructive obligation to restore and rehabilitate the council tip and quarry at the end of their useful lives. The council has not recognised a provision for remediation and monitoring costs post closure for these sites as the council currently progressively rehabilitates these sites and expenses these costs as incurred. Any additional expenditure required at the end of the useful life of these sites is unable to be reliably estimated due to the significant length of time until these assets reach the end of their useful lives. In addition, the council believes that any such expenditure discounted to its present value would be immaterial to the financial position of the council at 30 June 2019.

	2019	2018
Note	\$	\$
Current		
Long service leave	403,837	388,413
	<u>403,837</u>	<u>388,413</u>
Non-current		
Long service leave	175,883	136,996
	<u>175,883</u>	<u>136,996</u>
Long service leave		
Balance at beginning of financial year	525,409	552,624
Long service leave entitlement arising	83,393	83,288
Long Service entitlement extinguished	38,887	92,088
Long Service entitlement paid	(67,969)	(202,591)
Balance at end of financial year	<u>579,720</u>	<u>525,409</u>

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15 Asset revaluation surplus

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

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

Note	Council	
	2019 \$	2018 \$
Movements in the asset revaluation surplus were as follows:		
Balance at beginning of financial year	117,380,680	107,745,259
Net adjustment to non-current assets at end of period to reflect a change in current fair value:		
Land	(564,714)	-
Buildings and other structures	(1,831,914)	2,354,397
Road, drainage and bridge network	7,969,399	7,281,024
Water and sewer	3,289,854	-
Balance at end of financial year	<u>126,243,305</u>	<u>117,380,680</u>

Note	Council		
	2019 \$	2018* \$	2017* \$
Asset revaluation surplus analysis			
The closing balance of the asset revaluation surplus comprises the following asset categories:			
Land and improvements	276,686	841,400	841,400
Buildings and other structures	9,535,782	11,367,696	9,013,299
Road, drainage and bridge network	112,032,693	104,063,294	96,782,270
Water and sewer	4,398,144	1,108,290	1,108,290
	<u>126,243,305</u>	<u>117,380,680</u>	<u>107,745,259</u>

*Council has made a retrospective restatement as a consequence of a correction of an error and therefore, in accordance with AASB 108 "Accounting Policies, Changes in Accounting Estimates and Errors" has presented an Asset Revaluation Surplus Analysis as at the beginning of the comparative period i.e. as at 1 July 2017. Details are disclosed in Note 10 and 20.

16 Commitments for expenditure

As at 30 June 2019, the Council has no capital or operating commitments (2018: no commitments).

17 Contingent liabilities

Details and estimates of maximum amounts of contingent liabilities are as follows:

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.

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 \$73,200.

18 Superannuation

The Council contributes to the Local Government Superannuation Scheme (QLD) (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 LGISuper trust deed and may be varied on the advice of an actuary. The Regional Defined Benefits Fund is a complying superannuation scheme for the purpose of the Commonwealth Superannuation Industry (Supervision) legislation and is also governed by the Local Government Act 2009.

The scheme is a defined benefit plan, the Council is not able to account for it as a defined benefit plan in accordance with AASB119 because LGISuper is unable to account for its proportionate share of the defined benefit obligation, plan assets and costs.

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

Technically the 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 LGISuper trust deed changes to council's obligations will only be made on the advice of an actuary.

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The last completed actuarial assessment of the scheme was undertaken as at 1 July 2018. The actuary indicated that "At the valuation date of 1 July 2018, the net assets of the scheme exceeded the vested benefits and the scheme was in a satisfactory financial position as the valuation . "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 contributions which remain at 12% of employee assets and there are no known requirements to change the rate of contributions .

The next triennial actuarial review s not due until 2021.

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

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

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

There are currently 62 entities contributing to the scheme and any changes in contribution rates would apply equally to all 62 entities. Quilpie Shire Council made less than 4% of the total contributions to the plan in 2018-19 financial year.

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

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

The most recent actuarial assessment of the scheme was undertaken as at 1 July 2015. The actuary indicated that "At the valuation date of 1 July 2015, the net assets of the scheme exceeded the vested benefits and the scheme was in a satisfactory financial position as at the valuation date."

In the 2015 actuarial report the actuary has recommended no change to the employer contribution levels at this time.

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

There are currently 72 entities contributing to the Regional DBF plan and any changes in contribution rates would apply equally to all 72 entities. Quilpie Shire Council made less than 4% of the total contributions to the plan in the 2018-19 financial year.

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

		Council	
	Note	2019 \$	2018 \$
The amount of superannuation contributions paid by Council to the scheme in this period for the benefit of employees was:	5	549,789	539,174

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

	2019 \$	2018 \$
Net result	4,490,906	2,055,150
Non-cash items:		
Depreciation and amortisation	5,938,288	5,699,079
	5,938,288	5,699,079
Investing and development activities:		
Net (profit)/loss on disposal of non-current assets	(26,610)	(212,953)
Capital grants and contributions	(3,641,230)	(3,271,829)
	(3,667,840)	(3,484,782)
Financing activities:		
	(3,750)	(5,826)
	(3,750)	(5,826)
Changes in operating assets and liabilities:		
(Increase)/ decrease in receivables	692,504	1,331,896
(Increase)/decrease in inventory	28,989	(32,418)
(Increase)/decrease in other assets	-	74,852
Increase/(decrease) in payables	(9,483)	(364,867)
Increase/(decrease) in liabilities	54,311	(27,215)
	766,321	982,248
Net cash inflow from operating activities	7,523,925	5,245,870

Reconciliation of net cash inflow from operating activities to Statement of Cash Flows

Quilpie Shire Council
Notes to the financial statements
For the year ended 30 June 2019

20 Correction of error

In the process of valuing the Council's assets at 30 June 2019, it was discovered that certain water and sewerage had been omitted from previous financial reports. This error has been corrected by adjusting the opening balances at 1 July 2017 and the assets comparative amounts for 2017-18. The adjustments are as follows:

	As at 30 June 2018	As at 1 July 2017
Original balance property, plant and equipment	189,724,080	180,300,757
Gross value of assets added	12,420,622	12,420,622
Accumulated depreciation added	(6,368,282)	(6,368,282)
Net value added	6,052,340	6,052,340
Restated balance property, plant and equipment	195,776,420	186,353,097
Increase in property, plant and equipment	6,052,340	6,052,340
Increase in asset revaluation surplus	6,052,340	6,052,340

The corresponding impact on depreciation for the years ended 30 June 2018 and 30 June 2019 is not material to the financial statements.

A restated Statement of Financial Position has been included in the financial statements as at 1 July 2017.

21 Events after the reporting period

There were no material adjusting or non-adjusting events after the balance date

Quilpie Shire Council
Notes to the financial statements
For the year ended 30 June 2019

22 Financial instruments and financial risk management

22(a) Financial assets and financial liabilities

3.00 The effect of initially applying AASB 9 on the Council's financial instruments is described in Note 1.D.

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

- credit risk
- liquidity risk
- market risk

Risk management framework

Quilpie 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 committee / management approves policies for overall risk management, as well as specifically for managing credit, liquidity and market risk.

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

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

Quilpie 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 Quilpie Shire Council.

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

Cash and cash equivalents

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

Other financial assets

Other investments are held with financial institutions, which are rated A1+ to AA- based on rating agency Moody's ratings, and whilst not capital guaranteed, the likelihood of a credit failure is assessed as remote.

Trade and other receivables

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

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

By the nature of the Council's operations, there is a geographical concentration of risk in the Council's area. Because the area is largely agricultural with a large oil and gas industry, there is also a concentration in the agricultural and mining sector.

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

Quilpie Shire Council
Notes to the financial statements
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At 30 June 2019, the exposure to credit risk for trade receivables by type of counterparty was as follows:

	Council	
	2019	2018
	\$	\$
Property charges	9,886	13,610
Controlled organisations	1,408,658	1,965,716
Impairment	359	268
Other	68,244	196,082
Total	1,487,147	2,175,676

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

	2019		2018
	Not credit-impaired	Credit-impaired	
	\$		\$
Not past due	1,436,379	188	1,879,066
Past due 31-60 days	0	24	233,727
Past due 61-90 days	344	2	2,780
More than 90 days	50,424	12	60,103
Total	1,487,147	226	2,175,676
Loss allowance	42	268	-226
	1,487,105	-42	2,175,450

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

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

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

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

	Weighted-average loss rate	Gross carrying amount	Loss allowance	Credit impaired
	\$	\$	\$	\$
Not pass due	0.01%	1,436,379	144	No
Past due 31-60 days	0.01%	0	0	No
Past due 61-90 days	0.08%	344	0	No
More than 90 days	0.02%	50,424	10	No
Total		1,487,147	154	

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

There was no impairment in respect of trade receivable movement during the year.

Liquidity risk

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

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

Quilpie Shire Council is exposed to liquidity risk through its normal course of business.

Quilpie Shire Council
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Exposure to liquidity risk

The Council is exposure to liquidity risk through its normal course of business.

The Council manages its exposure to liquidity risk by maintaining sufficient cash deposits to cater for unexpected volatility in cash flows.

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

	0 to 1 year	1 to 5 years	Total contractual cash flows	Carrying amount
	\$	\$	\$	\$
2019				
Trade and other payables	816,107	-	816,107	816,107
	816,107	-	816,107	816,107
2018				
Trade and other payables	825,590	-	825,590	825,590
	825,590	-	825,590	825,590

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

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

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

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

Calculation shows that if interest rates were to rise or fall by 1% the impact on net result and equity would be +/- \$181,537.

Quilpie Shire Council
Notes to the financial statements
For the year ended 30 June 2019

23 Transactions with related parties

(a) Transactions with related parties

KMP include the Mayor, councillors, council's Chief Executive Officer, Manager Engineering Services, Manager Corporate & Community Services, Manager Financial Services and Senior Admin Officer-Governance. The compensation paid to KMP for 2018/19 comprises:

	2019	2018
	\$	\$
Short-term employee benefits	997,903	847,411
Post-employment benefits	70,112	103,338
Long-term benefits	166,949	148,077
Goods and Services on normal terms and conditions-maintenance	7,691	3,067
Total	1,242,655	1,101,893

Detailed remuneration disclosures are provided in the annual report.

(b) Transactions with other related parties

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

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

Details of Transaction	Additional information	2019	2018
		\$	\$
Employee expenses for close family members of key management personnel	39(e)(iii)	142,012	148,548
		142,012	148,548

(ii) Transaction with entities controlled by key management personnel were on an arm's length basis in accordance with the purchasing policy adopted by council. The total disclosed includes the following:

	Details of related party	\$	\$
The Mayor, Cr McKenzie is chair of the Outback Gondwana Foundation which controls the Eromanga Natural History Museum (ENHM). Any time that Council dealings with ENHM arise. Cr McKenzie declares a conflict and leaves the meeting. He is not paid for his service nor does he participate in any profitsharing.	The Mayor's wife is employed by the ENHM to run the museum. She is paid a salary which is commensurate with that which would be paid to an unrelated party.	no cost to Council	no cost to Council
Deputy Mayor, Cr Hewson, owns a retail electrical store in Quilpie.	Council purchases various household goods at commercial prices in accordance with its purchasing policy.	10,873	10,944
Cr Paulsen is part owner of a supermarket in Quilpie	Council purchases items from that store at commercial rates in accordance with its purchasing policy.	5,560	5,447
Total		16,433	16,391

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

The council employs 75 staff of which only 2 are close family members of key management personnel.

Quilpie Shire Council
Notes to the financial statements
For the year ended 30 June 2019

(a) Outstanding balances

There are no outstanding balances

(b) Loans and guarantees to/from related parties

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

(c) Commitments to/from other related parties

Council has neither made nor received any commitments with KMP or related parties

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

-Payment of rates

-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.

Quilpie Shire Council
Financial statements
For the year ended 30 June 2019

Management Certificate
For the year ended 30 June 2019

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

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

- (i) the prescribed requirements of the *Local Government Act 2009* and *Local Government Regulation 2012* for the establishment and keeping of accounts have been complied with in all material respects; and
- (ii) the general purpose financial statements, as set out on pages 1 to 25 present a true and fair view, in accordance with Australian Accounting Standards, of the Council's transactions for the financial year and financial position at the end of the year.



Mayor
Name : Stuart Mackenzie

Date: 14 October 2019



Chief Executive Officer
Name : Dave Burges

Date: 14 October 2019

INDEPENDENT AUDITOR'S REPORT

To the Councillors of Quilpie Shire Council

Report on the audit of the financial report

Opinion

I have audited the accompanying financial report of Quilpie 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 2019, and of its financial performance and cash flows for the year then ended
- b) complies with the *Local Government Act 2009*, the Local Government Regulation 2012 and Australian Accounting Standards.

The financial report comprises the statement of financial position as at 30 June 2019, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes to the financial statements including significant accounting policies and other explanatory information, and the management certificate given by the Mayor and the Chief Executive Officer.

Basis for opinion

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

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

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

Other information

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

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

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

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

Responsibilities of the council for the financial report

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

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

Auditor's responsibilities for the audit of the financial report

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

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

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

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

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

Report on other legal and regulatory requirements

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

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



14 October 2019

Carolyn Dougherty
as delegate of the Auditor-General

Queensland Audit Office
Brisbane

Quilpie Shire Council
Current-year Financial Sustainability Statement
For the year ended 30 June 2019

Measures of Financial Sustainability

	How the measure is calculated	Actual - Council	Target
Council's performance at 30 June 2019 against key financial ratios and targets:			
Operating surplus ratio	Net result (excluding capital items) divided by total operating revenue (excluding capital items)	5%	Between 0% and 10%
Asset sustainability ratio	Capital expenditure on the replacement of assets (renewals) divided by depreciation expense.	20%	greater than 90%
Net financial liabilities ratio	Total liabilities less current assets divided by total operating revenue (excluding capital items)	-150%	not greater than 60%

Note 1 - Basis of Preparation

The current year financial sustainability statement is a special purpose statement prepared in accordance with the requirements of the *Local Government Regulation 2012* and the Financial Management (Sustainability) Guideline 2013. The amounts used to calculate the three reported measures are prepared on an accrual basis and are drawn from the Council's audited general purpose financial statements for the year ended 30 June 2019.

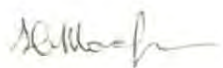
This example statement contains the minimum information that is required by section 178 (1) of the Local Government Regulation 2012. Councils can change the way in which this information is presented, however the operating surplus, asset sustainability and net financial liabilities ratios must all be calculated in accordance with the financial management (sustainability) guideline issued by the Department of Infrastructure, Local Government and Planning. The current-year financial sustainability statement must be given to the Auditor-General for auditing.

The current-year financial sustainability statement that is given to the auditor-general must be accompanied by a signed certificate in the form below:

Certificate of Accuracy
For the year ended 30 June 2019

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

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



Mayor
 Name : Stuart Mackenzie

Date: 14 October 2019


 Chief Executive Officer
 Name : Dave Burges

Date: 14 October 2019

INDEPENDENT AUDITOR'S REPORT

To the Councillors of Quilpie Shire Council

Report on the current year financial sustainability statement

Opinion

I have audited the accompanying current year financial sustainability statement of Quilpie Shire Council (the council) for the year ended 30 June 2019 comprising the statement, explanatory notes, and the certificate of accuracy given by the Mayor and the Chief Executive Officer.

In accordance with section 212 of the Local Government Regulation 2012, in my opinion, in all material respects, the current year financial sustainability statement of Quilpie Shire Council for the year ended 30 June 2019 has been accurately calculated.

Basis of opinion

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

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

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

Emphasis of matter – basis of accounting

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

Other Information

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

14 October 2019

Queensland Audit Office
Brisbane

Quilpie Shire Council
Long-Term Financial Sustainability Statement
Prepared as at 30 June 2019

Measures of Financial Sustainability

Council

Measure	Target	Actuals at 30 June 2019	Projected for the years ended									
			30 June 2020	30 June 2021	30 June 2022	30 June 2023	30 June 2024	30 June 2025	30 June 2026	30 June 2027	30 June 2028	
Net result divided by total operating revenue	Between 0% and 10%	5%	-23.10%	-16.00%	-4.60%	-9.50%	-10.70%	-3.80%	-90.00%	0.10%	-7.80%	
Capital expenditure on the replacement of assets (renewals) divided by depreciation expense.	greater than 90%	20%	29.70%	32.30%	71.80%	5.30%	49.80%	70.50%	25.90%	45.60%	51.60%	
Total liabilities less current assets divided by total operating revenue	not greater than 60%	-150%	-110.40%	-90.90%	-74.80%	-76.00%	-63.20%	-50.80%	-57.80%	-59.60%	-48.50%	

Certificate of Accuracy

For the long-term financial sustainability statement prepared as at 30 June 2019

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

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



Mayor
Name : Stuart Mackenzie

Date: 14 October 2019



Chief Executive Officer
Name : Dave Burges

Date: 14 October 2019

6.2 (10/19) – RFQ26 1920 Eromanga Natural History Museum Stage 2A – Project Management

IX: 187698

Author: Chief Executive Officer, Dave Burges

PURPOSE:

Quotations have been called for the project management of Stage 2A of the Eromanga Natural History Museum (ENHM). The purpose of this report is to allow Council to review the results of the RFQ.

POLICY/LEGISLATION:

Local Government Act 2009

Local Government Regulation 2012

Council's Procurement Policy

CORPORATE PLAN:

6.2.1 5.1.7 Lobby government and assist the Outback Gondwana Foundation in the future expansion of the Eromanga Natural History Museum

RECOMMENDATION:

That Council accepts the submission from for RFQ26 1920 Eromanga Natural History Museum Stage 2A Project Management.

BACKGROUND:

Following successful funding applications to the State and Federal Governments, tenders closing on 18 April 2019 were called for the construction of Stage 2A of the Eromanga Natural History Museum.

Based on the tender results, Council resolved to defer consideration of the matter to allow options to be investigated. It was subsequently agreed to modify the scope and undertake some redesign to fit within the budget. Council subsequently invited all prior tenderers to change their tenders to take account of the change in the tender specification and scope.

Tenders for the modified design were re-called from all original tenderers on Monday 02 September 2019.

Tenders closed on Friday 27 September 2019 and the matter is under the consideration of Council in a separate report.

DISCUSSION:

Quotations for the project management of the works were called via VendorPanel. Relevant details are provided in **Table 1**.

Reference	VP162235
Opened	Saturday 21 September 2019
Closed	Wednesday 16 October 2019 @ 02:00 PM
Supplier lists selected	Planning, Surveying, Design & Architecture BUS265 Project Management Consultancy (Construction)

Categories selected	Planning, Design, Surveying & Architecture 1. Commercial Architecture Design 2. Construction Management 3. Project Management of Built Form Project M'ment Consult Services (Construct) BUS254 1. Infrastructure (Excluding Water & Sewerage)
Suppliers selected	1. Architectus Australia Pty Ltd via Planning, Surveying, Design & Architecture BUS265 2. Brandon and Associates Pty Ltd via Project Management Consultancy (Construction) 3. Cardno Holdings Pty Ltd via Project Management Consultancy (Construction) 4. GenEng Solutions Pty Ltd via Project Management Consultancy (Construction) 5. George Bourne & Associates via Planning, Surveying, Design & Architecture BUS265 6. GHD via Project Management Consultancy (Construction) 7. Hartecs Group via Project Management Consultancy (Construction) 8. Kellogg Brown & Root Pty Ltd via Project Management Consultancy (Construction) 9. Proterra Group Pty Ltd via Project Management Consultancy (Construction) 10. Shepherd Services Pty Ltd via Project Management Consultancy (Construction)

TABLE 2: VENDORPANEL DETAILS

A summary of offers received is provided in **Table 2**. Costs are exclusive of GST.

Name	Indicative Offer (including GST)	Hourly Rates and estimated hours
Brandon & Associates	\$240,670 Includes an allowance for travel Assumes 40 week construction period and 44 week contract administration period	Project Director 18 @ \$225 Project Manager 200 @ \$200 Site Engineer 940 @ \$150 Electrical Engineer 84 @ \$185 Mechanical Engineer 64 @ \$185
Hartecs Group	\$289,306 Excludes travel	Senior Project Manager 1600 @ \$165 Civil Certification 20 @ \$220 Structural Certification 20 @ \$220 Electrical Certification 20 @ \$220 Hydraulic certification 20 @ \$220

TABLE 2: SUMMARY OF OFFERS

As well as the above costs Council will need to provide a site vehicle, accommodation and site facilities (office) for the duration of the works.

Both submissions were forwarded to Councillors on Saturday 19 October 2019.

Interviews with both submitters are scheduled for Wednesday afternoon, 30 October.

FINANCIAL:

Council has made a provision for this project in the 2019/20 budget to the value of \$4,000,000 with the balance to be provided for in the 2020/20 financial year.

CONSULTATION:

Not applicable

ATTACHMENTS:

Not applicable