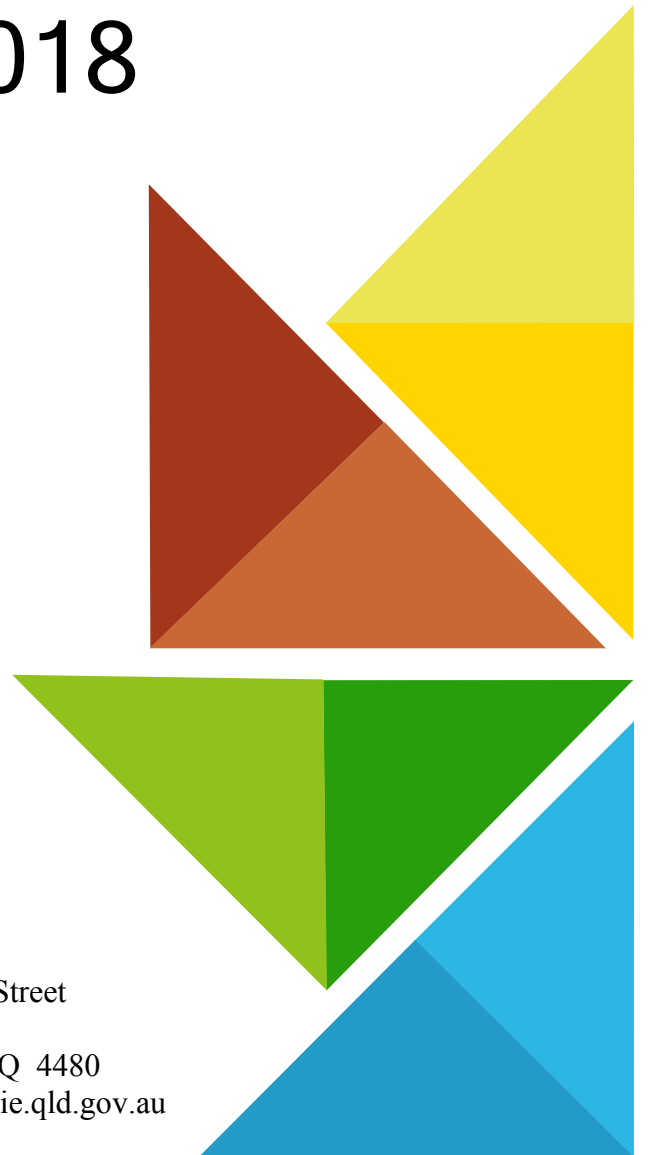




Quilpie Shire Council Annual Report 2017-2018



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Mayor's Review

Once again, sadly, the 2017-18 year has been dominated by the weather, in this case, the lack of rain. The Quilpie Shire has endured one of its driest years on record, right across the region, and it is impacting on every aspect of community life. One positive is that, unlike many previous droughts, commodity prices are very high and graziers have been able to offload stock at good values. However, the lack of liquidity in the rural sector really does impact on many other shire businesses and the eventual lack of confidence compounds the problem.

Wool prices are at record levels and sheep, goat and cattle values are also holding up well so there is a general feeling that, just like a seeded crop waiting for rain to flourish, all we need is water and a positive turn around will follow. In fact, the rural sector investment happening in "Exclusion" fencing is one of the most concerted investments seen across the sector for decades. These dog proof fences will alleviate the wild dog problem enormously and allow the maintenance and/or expansion of sheep numbers across the shire, allowing landholders to take advantage of the present market conditions. The fences will also provide significant environmental outcomes as well.

Our resources sector is springing back to life with higher oil prices being the main driver. New exploration spending is enhancing increased activity and new players are entering the sector in the Quilpie Shire. These new companies are taking up leases further east than we have seen before and will help to drive more economic activity over the next few years. The resource sector has been a major contributor to the shire's economy over decades now and we must never forget to acknowledge and encourage this vibrant and enduring industry.

Tourism has come off the high of last year's celebrations of the Quilpie centenary and has shown a slight decline in numbers because of that. We have no way of accurately measuring the length of stay of our visitors but there is anecdotal evidence to suggest that our visitors are staying longer. A lot of the council's investment in tourism of recent years has been

about prolonging the stay of our tourists as well as increasing visitation. The simplest way to double the tourism spend is to double the length of stay. The shire continues to develop as a tourist destination with a real bustle of activity evident through our tourism "season", nurtured by our attractions and great events.

Council has had a quieter year than last year with our road construction program, in particular, reduced somewhat. This has not necessarily been a bad thing as the previous year's program was particularly taxing and stretched our resources considerably. The sealing of the Adavale "Red" road has been the priority for our capital works and the sealing of this road will continue to be the priority in our forward planning. The lack of Transport and Main Road funding for capital works on their network is concerning and Council continues to put pressure on TMR to improve their network, in the process providing critical works for council crews and private contractors alike.

Despite this, council has maintained its workforce at current levels and continues to provide quality service to our community across all the many facets of council business and responsibilities. Our financial position remains very strong and forward planning shows no real concerns in the medium term.

Although turn over in staff generally has been higher than optimal our senior staff leadership team has been particularly stable and we have reaped the benefits of this, both as a Council and a community. I would like to congratulate all staff, from the CEO down, for their continued professionalism, enthusiasm and diligence in nurturing the community and its assets through what has been a trying year. I am confident that council's high standards will continue into the new year and can only hope that a wetter season will prevail and instil new energy into our community.

Kind Regards,

Stuart Mackenzie

Mayor

Chief Executive Officer's Report

The 2017-18 financial year was certainly 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 viability tested.

Council commenced the year in a sound financial position with a cash position of \$16.3M and a forecast end of financial year position of \$13.2M. A forecast budget deficit of -\$819K ended up being a surplus of \$2.1M resulting in an actual end of 2017-18 financial year cash position of \$19.6M.

This result will help anchor Council's sound financial position into the future.

Council undertook a range of significant projects over the year including the construction of a new airport terminal building, the completion of the All-Sports complex, the Quilpie airport refuelling facility, improved access to Baldy Top and various other road projects. Of particular significance was the final programmed project on Kyabra Road to bring this road to a sealed standard for the full length. This has been achieved over a six year targeted program.

The combined impact of these projects cannot be underestimated in terms of the economic stimulus and progress of the Shire.

It was a pleasure to welcome the Queensland Governor, His Excellency The Honourable Paul de Jersey AC to Quilpie in May 2018 to officially open the new airport terminal.

Tourism and economic development continue to be a priority for Council and we are making steady progress in this regard. In December 2017 and June 2018 major funding announcements were made by the State and Federal

Governments respectively totalling over \$6M for a major project at the Eromanga Natural History Museum. 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.

While employee turnover continues to remain a challenge for most rural and remote Councils, staff numbers remained stable throughout the year. While all staff workloads have been high, the road construction and concrete crews experienced a very hectic capital works program with additional Main Roads works being awarded late in the financial year and having strict completion times.

Unfortunately this has leant towards a boom and bust situation with Main Roads works forecast for future years being less than required to sustain our workforce.

During 2017/18 Council transitioned to the three new awards for local government and signed off on a new three year Certified Agreement. Council has also continued to maintain a very high standard of workplace health and safety with minimal lost time injuries.

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 held 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 2017-2018 financial year is shown in the following table:

Councillor	Gross Payment	Superannuation	Total Remuneration
Cr Stuart Mackenzie	\$92,484.12	\$8,786.04	\$101,270.16
Cr Jenny Hewson	\$43,974.72	\$4,177.56	\$48,152.28
Cr Bob Hall	\$38,111.28	\$3,620.52	\$41,731.80
Cr Bruce Paulsen	\$38,111.28	\$3,620.52	\$41,731.80
Cr Roger Volz	\$38,111.28	\$3,620.52	\$41,731.80

Councillor Meeting Attendances

	Ordinary Meeting	Special Meeting	Workshop	Other	Total
Cr Stuart Mackenzie	12	2	11	59	84
Cr Jenny Hewson	12	2	12	27	53
Cr Bruce Paulsen	12	2	11	13	38
Cr Bob Hall	12	2	12	23	49
Cr Roger Volz	12	2	11	21	46

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 adopted at the Ordinary Meeting of Council held on 12 May 2017. 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	\$11,589.30
Cr Roger Volz	Travel	\$124.47
Cr Bob Hall	Travel	\$616.44
Cr Bob Hall	Accommodation	\$130.00

Other Meeting Expenses

Other expenses relating to the conduct of Council meetings and conferences totalled \$14,460.21.

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 and recommendations made under section 180(2) or (4) of the Act	Nil
Orders made under section 181 of the Act	Nil
Complaints about the conduct or performance of councillors for which no further action was taken under section 176C(2) of the Act	Nil
Complaints referred to the Department's Chief Executive under section 165C(3)(a)(i) of the Act	Nil
Complaints referred to the Mayor under section 176C(3)(a)(ii) or (b)(i) of the Act	Nil
Complaints referred to the Department's Chief Executive under section 176C(4)(a) of the Act	Nil
Complaints assessed by the Chief Executive Officer as being about corrupt conduct under the Crime and Corruption Act	Nil
Complaints heard by a regional conduct review panel	Nil
Complaints heard by the Tribunal	Nil
Complaints to which section 176C(6) of the Act applied	Nil

Overseas Travel

During the 2017-18 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	One
Number of administrative action complaints resolved by Council (under complaints management process)	One
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 2017-18 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 2017-18 financial year there was no instance where tenderers were invited to change their tenders.

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 2017-18 financial year Council provided the following grants or in-kind support under its Community Assistance Policy:

Financial contribution	\$18,300
In Kind contribution	\$1,800
Sponsorship	\$2,500

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 2017-18 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 2017-18 is presented as follows:

Internal Audit 2017 /2018 year

Whilst no formal reports were issued during the financial year the internal audit function was involved in a number of areas during the year.

Details of activities are as follows:

Plant Hire Rates

A significant amount of work has been undertaken on reviewing Council's plant hire rates and in particular as they apply and are allowed by the Queensland Reconstruction Authority in flood damage claims.

This has been an area of concern for Western Councils for some time due to the potential financial impact on Council's operations.

Following meetings with Queensland Reconstruction officials in Brisbane in early November of this year attended by internal audit, consistency in determining the fixed and variable costs allowable in determining plant hire rates for flood damage work seems to have been achieved.

It is anticipated that an internal audit report will be issued on plant hire rates after some additional work is undertaken in November 2018 . This report will include plant hire rate calculations incorporating the methodology discussed and resolver at the meeting with the Authority.

On Cost Rates

In conjunction with the plant hire rates review internal audit work has been undertaken on reviewing and re calculating Council's On Cost rates presently in use.

This exercise will be completed and reported on after the plant hire rates matter is completed.

Other Matters

During the year internal audit attended Audit Committee meetings & briefings with external auditors including external audit planning issues both onsite and by teleconference.

At various times during the on-site visits internal audit undertook interviews & discussions with relevant Council staff in relation to follow up matters from previous reports into stores matters & procurement. Advice and guidance was provided at the interviews and many other sundry accountancy queries unrelated to direct internal audit work were advised on.

In addition specific general advice & discussions were provided to various staff members during on site visits covering areas including among other areas job cost allocations, Fringe Benefits Tax treatment of certain payments, asset revaluation indices etc.

Remuneration – Senior Management

During the 2017-2018 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 2017-18 was \$662,151.86.

Beneficial Enterprises

Council did not conduct any beneficial enterprises during the 2017-18 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 2017-18 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 Code of Conduct in December 2015. 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’s Corporate Plan is the primary strategic business and organisational planning document and forms the basis of Council’s annual Operational Plan. The Operational Plan sets out Council’s work program for the financial year including costs, timelines and outcomes. The Operational Plan is reviewed quarterly and at all times remains consistent with the Corporate Plan.

Implementation of the 2017-18 Operational Plan was generally on track. Some engineering works were deferred due to the busy works program and lack of available resources.

KPIs - SUMMARY			
KEY PERFORMANCE INDICATOR	TARGET	TIMEFRAME	ANNUAL
Compliance with Customer Service Requests	100%	QTR	
Compliance with statutory and regulatory requirements including safety, risk and other legislative matters	100%	QTR	
Compliance with WHS requirements (Take 5s, Toolbox Talks, Risk Assessments)	> 90%	QTR	
Achievement of Capital Projects within adopted budget	> 90%	QTR	
Achievement of Capital Projects within approved timeframes	100%	QTR	

Achievement of Operational Projects within adopted budget	> 90%	QTR	
Achievement of Operational Projects within approved timeframes	100%	QTR	

KPIs – BY THEME

KEY PERFORMANCE INDICATOR	TARGET	TIMEFRAME	ANNUAL	COMMENTS
Achievement of Outcomes – Governance	90%	QTR	96%	21 2 0
Achievement of Outcomes – Finance	90%	QTR	83%	6 3 0
Achievement of Outcomes - Environment	90%	QTR	86%	10 4 0
Achievement of Outcomes - Infrastructure	90%	QTR	84%	38 3 6
Achievement of Outcomes - Economy	90%	QTR	93%	19 3 0
Achievement of Outcomes - Social	90%	QTR	76%	20 4 5















KPIs – BY DEPARTMENT




KEY PERFORMANCE INDICATOR	TARGET	TIMEFRAME	ANNUAL	COMMENTS
Achievement of Outcomes – Governance	90%	QTR	93%	61 7 1
Achievement of Outcomes – Corporate & Community Services	90%	QTR	65%	11 9 4
Achievement of Outcomes – Engineering Services	90%	QTR	84%	44 3 7

Corporate Plan 2017-2022

Council's Corporate Plan came into effect on 01 July 2017. The Plan was reviewed in May 2018 and a couple of minor amendments were made. A number of key initiatives contained within the five (5) year plan have been completed and many more are well underway.

CORPORATE PLAN KEY INITIATIVE	STATUS
Develop and implement risk management assessment and reporting frameworks	
Enhance Council's asset management capabilities particularly in relation to the renewal of key assets	
Develop and implement an Organisational Development Plan	
Enhance IT infrastructure systems and upgrade Council's capability in the digital world	

CORPORATE PLAN KEY INITIATIVE	STATUS
Implement a Business Improvement Program to identify 'smarter' ways of working and prepare Business Unit plans	
Implement effective community consultation strategies and activities and support all Advisory Committees	
Develop Workplace Health and Safety Performance Indicators	
Investigate a new Corporate Management (Software) system	
Undertake a skills gap analysis and succession planning	
Review levels of service provided to the community in relation to facility and equipment hire	
Undertake a review of Council's utility charges	
Undertake a review of township rating categories	
Link long term financial forecasting to asset management plans	
Lobby for and facilitate additional funding for exclusion cluster fences	
Develop a Biosecurity Management Plan	
Actively support the wild dog advisory committee	
Lobby for and actively participate in the development of a coordinated regional waste management strategy with neighbouring councils	
Identify and implement initiatives for improved utilisation of the Bulloo River around Quilpie	
Develop strategies to promote waste minimisation and recycling within our communities	
Upgrade the median strips and rehabilitate the road pavements in Brolga Street, Quilpie	
Complete upgrade of Kyabra Road to a sealed standard	
Upgrade identified sections of Adavale Charleville Road to a sealed standard	
Widen and seal between the Hotel and Hall at Eromanga	
Upgrade the Quilpie airport terminal and introduce a refueling facility	
Build four new houses and sell old housing stock as affordable housing	
Lobby the Department of Transport & Main Roads to upgrade and raise the South Comongin crossing (Bulloo River) on the Quilpie-Thargomindah Road	
Lobby the department of Transport and Main Roads to upgrade the Quilpie-Adavale Red Road	
Plan for the replacement of the Quilpie sewerage treatment plant	
Upgrade the Supper Room and Quilpie Hall	

CORPORATE PLAN KEY INITIATIVE	STATUS
Plan for the replacement of the Quilpie Swimming Pool Complex	
Upgrade identified sections of the Black Road to a sealed standard	
Facilitate the expansion of visitor accommodation by the development of a new facility with capacity for bus, conference and student groups	
Facilitate private investment in a roadhouse / truck stop in Quilpie	
Provide assistance and support festivals and major events	
Review and continue to implement the Economic Development Strategy	
Lobby government for improved rail freight transport services	
Lobby government for improved facilities at Hell Hole National Park and promote the park as a key tourism feature	
Lobby government and assist the Outback Gondwana Foundation in the future expansion of the Eromanga Natural History Museum	
Increase energy efficiency and the use of alternative energy within Council and undertake a feasibility study into geothermal energy options	
Implement a structured business support program and facilitate business training and information opportunities	
Undertake concept planning and develop business case for redevelopment of old depot site in Winchu Street	
Actively identify and implement initiatives that support, retain and attract families to the shire	
Develop Baldy Top including access, aesthetics and amenity with options including walkways / steps, waterfall / water habitat, performance stage, signage and lighting	
Implement key initiatives from the Arts and Cultural Plan	
Review the staged implementation of the John Waugh Park Master Plan and consider future implementation stages	
Review the staged implementation of the Bulloo Park Master Plan and consider future implementation stages	
Actively identify and implement initiatives to keep the youth of our region engaged.	

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*.

2017/18 SNAPSHOT

Key highlights of the 2017/18 financial year include:

- John Waugh Park redevelopment and all-sports centre, grandstand and cricket nets;
- Upgrade of Quilpie Airport Terminal;
- Quilpie Airport new refuelling facility;
- Improved access to Baldy Top; and
- Completion of the sealing of Kyabra Road for its full length.

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 2018.

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 2017/2018 Financial Statements?

A complete version of Council's Financial Statements for the 12 months to 30 June 2018 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 2017/18

Council's headline "profit/loss" result for the 2017-2018 year was a \$2,055,150 surplus. This included the following key financial performance highlights:

- Federal Government Financial Assistance Grants totaling \$5,575,084 (this included an advance payment of \$2,553,239 on the 2018-19 grant);
- Federal Government Roads to Recovery Grant of \$1,203,399;
- Payment for 2016 flood damage works of \$639,933;
- Department of Transport and Main Roads funding of \$4,569,90; and
- State Government "Works for Queensland" funding of \$990,000.

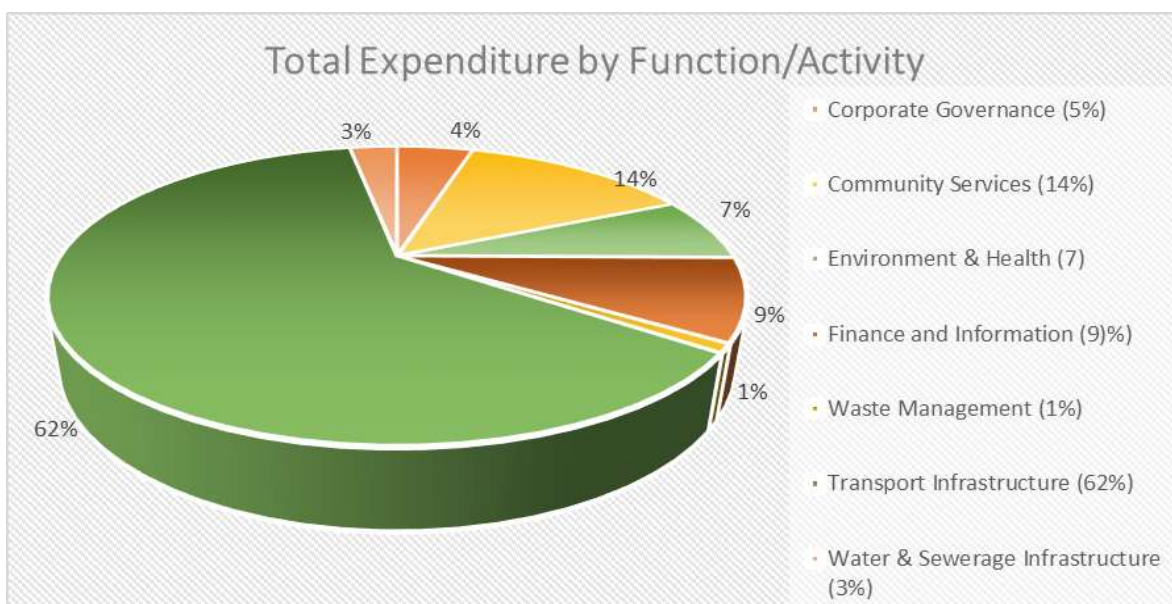
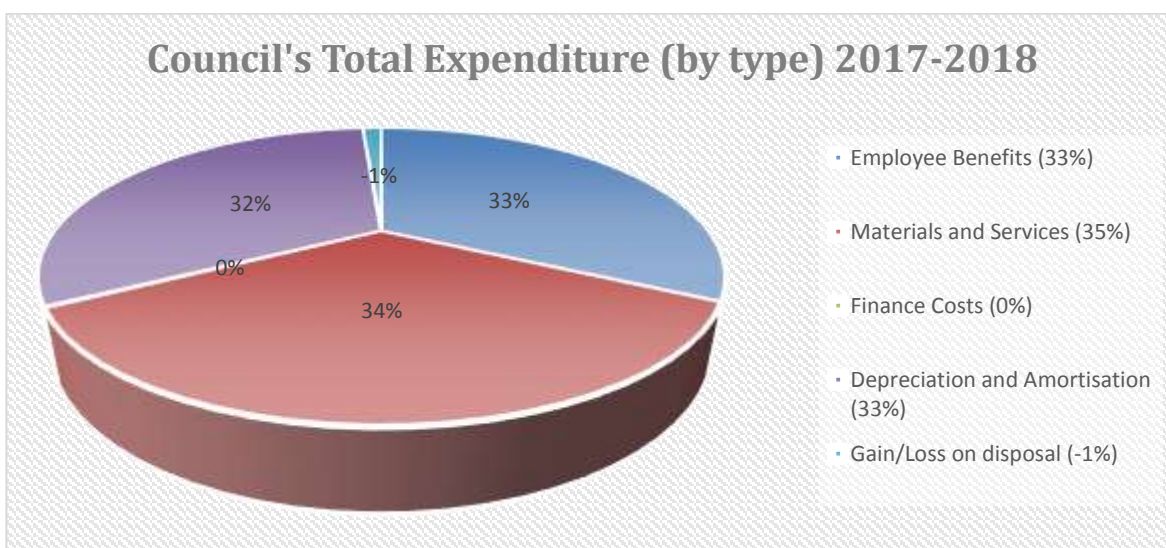
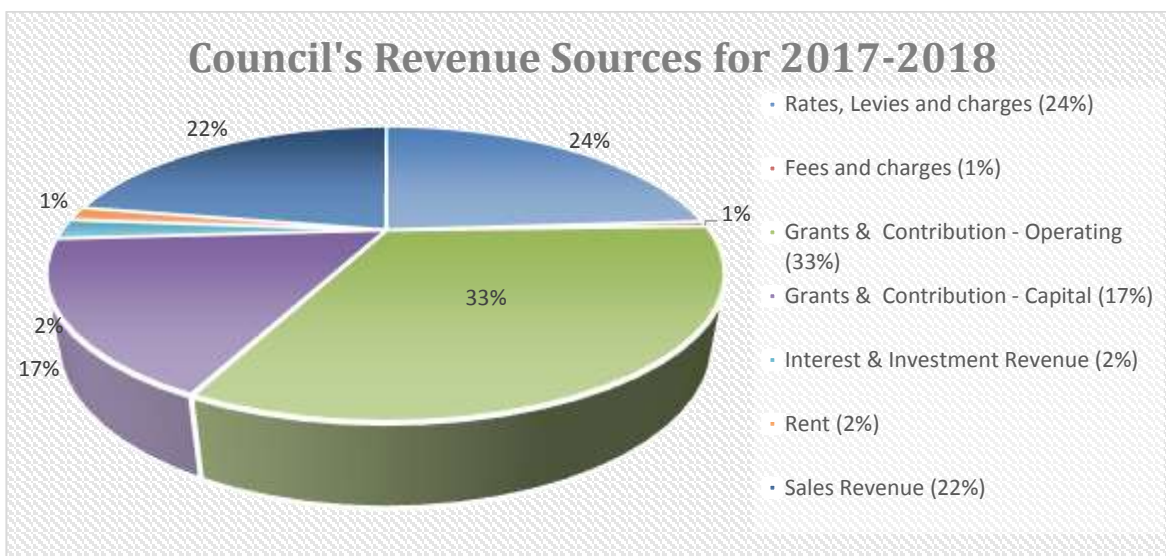
Council's Result

\$'000	Actual 2018	Budget 2018	Actual 2017
Expenditure	17,718	16,073	17,259
Revenue (including gain / loss on disposals)	16,501	12,853	19,925
Net Result before Capital Grants and Contributions	-1,217	-3,220	2,666
Capital Grants and Contributions	3,272	2,859	5,154
Net Result	2,055	-361	7,820

The budgeted "profit/loss" for 2017/18 was a deficit of \$360,998 - 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 Grant of \$2,553,239.

Overall Council and management believe the financial result for 2017-2018 to be satisfactory.

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



Councils Statement of Financial Position (Balance Sheet) for 2017-2018

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 2018		Actual 2017	
The major items that make up Council's wealth include the following assets				
Available Cash and Investments	\$	19,554	\$	16,304
Cash & Investments "restricted" for future funding purposes		0		0
Receivable	\$	2,230	\$	3,498
Other current assets	\$	398	\$	441
Infrastructure, Property, Plant & Equipment:				
- Land and Improvements	\$	2,933	\$	2,933
- Buildings	\$	30,182	\$	24,492
- Plant and Equipment	\$	5,210	\$	4,467
- Road, Drainage and Bridge Network	\$	143,278	\$	138,316
- Water	\$	3,887	\$	3,664
- Sewerage	\$	2,830	\$	2,880
- Other Infrastructure Assets	\$	1,060	\$	3,177
- Furniture and Fittings	\$	344	\$	372
- Liabilities	-\$	1,351	-\$	1,743
Net Community Equity	\$	210,555	\$	198,865

Council's Capital Expenditure for 2017-2018

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

Furniture & Fittings	\$	-
Buildings	\$	1,428,854.00
Plant	\$	1,280,811.00
Roads	\$	1,974,221.00
Sewers	-\$	9,826.00
Water	\$	298,981.00
Land	\$	-
Other Assets	\$	611,944.00

Council's major projects for 2017-2018 included the following:

- The construction of a new airport terminal building;
- The completion of the All-Sports complex;
- The completion of the Quilpie airport refuelling facility;
- Improved access to Baldy Top
- The final programmed project on Kyabra Road to bring this road to a sealed standard for the full length.

These expenditures were funded by grants and contributions to the value of \$3,271,829 and general revenue of \$2,245,745.

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)	2018	2017	2016	2015	2014	Average
Inflows:						
Rates, Levies & Charges	4,675	4,624	4,548	3981	3,350	4,236
Fees & Charges	110	48	38	101	38	67
Rental Income	302	301	353	394	363	343
Interest Received	433	265	309	387	377	354
Sales Revenue	4,387	4,344	2,170	3561	10,185	4,919
Other Income	0	159	35	111	58	83
Grants, Subsidies, Contribution & Donations						
- Capital Revenue	9,631	15,290	18,224	19935	18,860	16,392
Total Income from Continuing Operations	19,560	25,031	25,677	28,470	33,231	26,394
Gain / loss on disposal of PP&E	213	-197	371	185	185	151
New Loan Borrowings & Advances	0	0	0	0	0	0
Outflows:						
Employee Benefits	5,824	5,324	5,444	5,096	5,299	5,397
Materials & Services	6,175	6,259	11,803	11,464	27,317	12,604
Finance Costs	20	6	5	6	6	9
Depreciation	5,699	5,670	4,850	2,742	2,533	4,299
Total Expenses from Continuing Operations	17,718	17,259	22,102	19,308	35,155	22,308
Total Cash purchases of PP&E	5,584	7,375	10,179	6,472	4,859	6,894
Total Loan Repayments (including finance leases)	0	0	0	0	0	0
Operating Surplus/(Deficit) (excluding Capital Income and Expenditure)	-1,430	2,666	-245	6,729	-2,010	1,142
Current Assets	22,128	20,243	13,645	16,138	11,440	16,719

Financial Performance Figures (\$'000)	2018	2017	2016	2015	2014	Average
Current Liabilities	1,351	1,743	1,664	2,666	3,459	2,177
Net Community Assets	210,555	198,864	187,574	173,552	134,832	181,075
Cash and Cash Equivalents	19,554	16,304	12,517	14,963	9,738	14,615
Total Borrowings Outstanding (Loans, advances and finance leases excluding any overdraft)	0	0	0	0	0	0
Gross Asset Values	254,287	236,369	230,691	219,525	179,336	224,042
Total Accumulated Depreciation	66,031	57,469	56,394	60,400	52,333	58,535
Indicative Remaining Useful Life (as a % of GBV)	74%	75%	72%	74%	71%	

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.

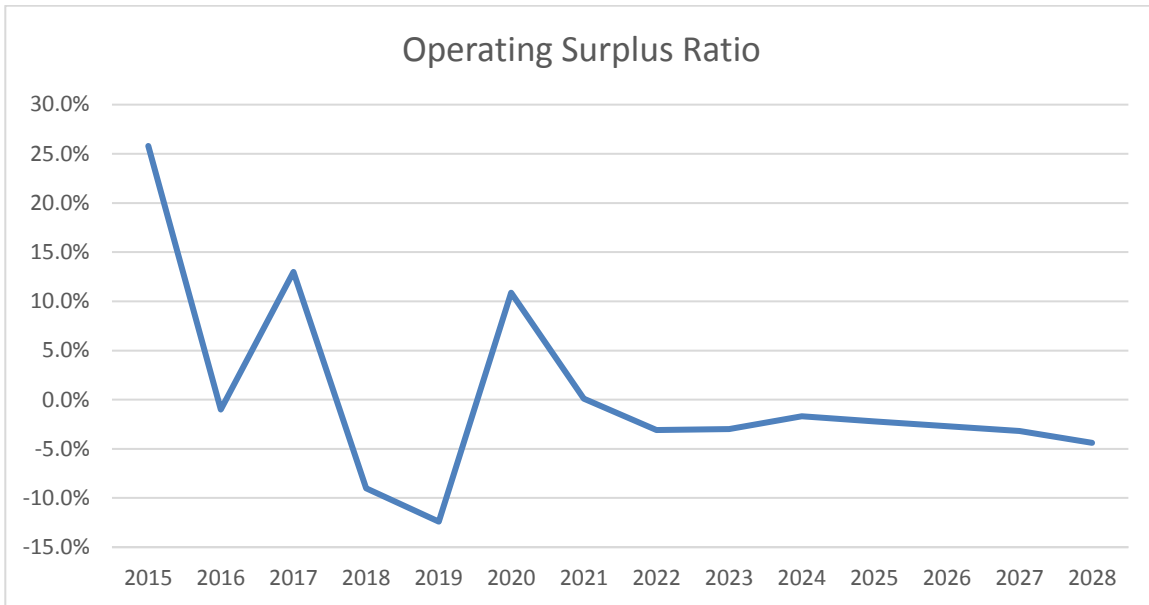
Financial Sustainability Indicators at year ended 30 June 2017

	Operating Surplus Ratio	Asset Sustainability Ratio	Net Financial Liabilities Ratio
Target	0-10%	>90%	<60%
Actual 2015*	25.8%	145%	-51%
Actual 2016	-1%	181%	-55%
Actual 2017	13%	71%	-93%
Actual 2018	-9%	36%	-128%

Long Term Financial Plan Projections

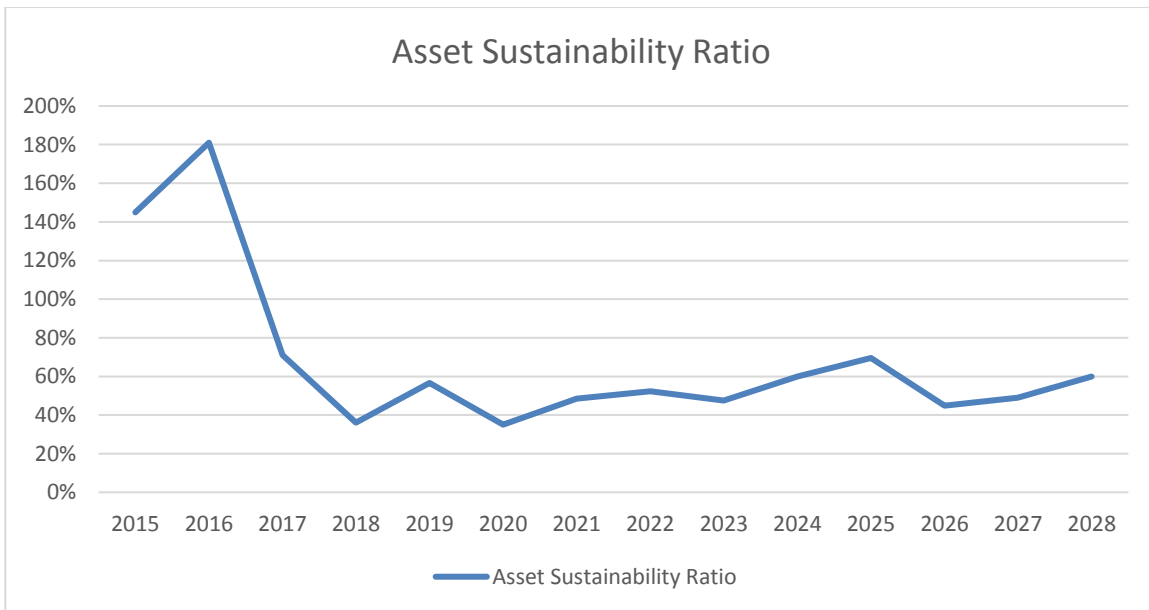
Year 1, 2019	-12.4%	56.65%	-130.70%
Year 2, 2020	10.88%	35.05%	-107.30%
Year 3, 2021	0.10%	48.51%	-109.60%
Year 4, 2022	-3.10%	52.33%	-118.00%
Year 5, 2023	-3.00%	47.48%	-113.40%
Year 6, 2024	-1.70%	59.88%	-114.70%
Year 7, 2025	-2.20%	69.58%	-112.00%
Year 8, 2026	-2.70%	44.80%	-108.00%
Year 8, 2027	-3.20%	48.94%	-107.80%
Year 10, 2028	-4.40%	59.98%	-106.90%

- 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 2017/18 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 2025 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 2014/2015.



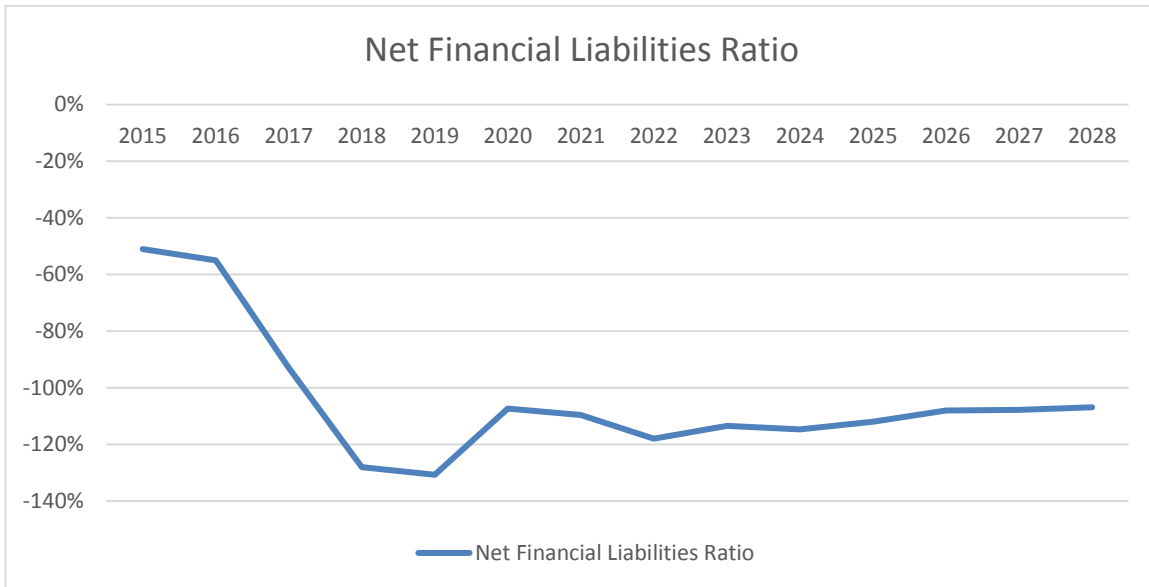
Operating Surplus Ratio

The large surplus in 2014-15 was largely a result of an advance payment for flood damage while the related expenditure was recorded in 2015-16.



Asset Sustainability Ratio

The capital expenditure in 2014-15 and 2015-16 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

In 2025-2026 Council is planning to borrow for sewerage treatment plant works but even then the liability ratio will remain very much in negative territory.

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.

Financial Statements



Financial Statement for year ended 30 June 2018

Quilpie Shire Council

Financial statements

For the year ended 30 June 2018

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

	Note	Council	
		2018 \$	2017 \$
Income			
Revenue			
Recurrent revenue			
Rates, levies and charges	3(a)	4,675,220	4,624,422
Fees and charges		110,159	47,757
Rental income		302,382	300,516
Interest received		433,144	265,432
Sales revenue	(3b)	4,386,623	4,343,741
Other income		-	159,074
Grants, subsidies, contributions and donations	4(a)	6,381,125	10,184,015
Total recurrent revenue		<u>16,288,653</u>	<u>19,924,957</u>
Expenses			
Recurrent expenses			
Employee benefits	5	(5,823,549)	(5,324,074)
Materials and services	6	(6,175,202)	(6,258,816)
Finance costs		(20,455)	(6,048)
Depreciation and amortisation	10	(5,699,079)	(5,669,702)
		<u>(17,718,285)</u>	<u>(17,258,640)</u>
Net recurrent income		<u>(1,429,632)</u>	<u>2,666,316</u>
Capital revenue			
Grants, subsidies, contributions and donations	4(b)	3,271,829	5,105,798
Other capital income		-	47,867
Total capital revenue		<u>3,271,829</u>	<u>5,153,665</u>
Gain/loss on disposal of PPE	7	212,953	(244,753)
Net capital income		<u>3,484,782</u>	<u>4,908,912</u>
Net result		2,055,150	7,575,228
Other comprehensive income			
Items that will not be reclassified to net result			
Increase / (decrease) in asset revaluation surplus	15	9,635,421	3,714,829
Total comprehensive income for the year		<u>11,690,571</u>	<u>11,290,058</u>

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 2018**

	Note	Council	
		2018 \$	2017 \$
Current assets			
Cash and cash equivalents	8	19,553,725	16,304,228
Receivables	9	2,175,900	3,498,220
Inventories		398,256	365,838
Other financial assets		-	74,852
Total current assets		<u>22,127,881</u>	<u>20,243,138</u>
Non-current assets			
Receivables	9	54,174	63,750
Property, plant and equipment	10	189,724,080	180,300,757
Total non-current assets		<u>189,778,254</u>	<u>180,364,507</u>
Total assets		<u>211,906,135</u>	<u>200,607,645</u>
Current liabilities			
Payables	12	825,590	1,190,457
Provisions	14	388,413	507,716
Total current liabilities		<u>1,214,003</u>	<u>1,698,173</u>
Non-current liabilities			
Provisions	14	136,996	44,908
Total non-current liabilities		<u>136,996</u>	<u>44,908</u>
Total liabilities		<u>1,350,999</u>	<u>1,743,081</u>
Net community assets		<u>210,555,136</u>	<u>198,864,565</u>
Community equity			
Asset revaluation surplus	15	117,380,680	107,745,259
Retained surplus/(deficiency)		93,174,456	91,119,306
Total community equity		<u>210,555,136</u>	<u>198,864,565</u>

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 2018

Council	Note	Asset revaluation surplus	Retained Surplus	Total
		\$	\$	\$
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				
Increase / (decrease) in asset revaluation surplus	10.15	9,635,421	-	9,635,421
Total comprehensive income for the year		<u>9,635,421</u>	<u>2,055,150</u>	<u>11,690,571</u>
Balance as at 30 June 2018		<u>117,380,681</u>	<u>93,174,456</u>	<u>210,555,136</u>
Balance as at 1 July 2016		104,030,430	83,544,077	187,574,507
Net operating surplus		-	7,575,228	7,575,228
Other comprehensive income for the year				
Increase / (decrease) in asset revaluation surplus	10.15	3,714,829	-	3,714,829
Total comprehensive income for the year		<u>3,714,829</u>	<u>7,575,228</u>	<u>11,290,057</u>
Balance as at 30 June 2017		<u>107,745,260</u>	<u>91,119,306</u>	<u>198,864,565</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 2018**

	Note	Council	
		2018 \$	2017 \$
Cash flows from operating activities			
Receipts from customers		10,500,949	6,341,242
Payments to suppliers and employees		(12,368,853)	(11,487,166)
		(1,867,904)	(5,145,924)
Interest received		430,267	265,432
Rental income		302,382	300,516
Non capital grants and contributions	4(a)	6,381,125	10,184,014
Net cash inflow (outflow) from operating activities	19	<u>5,245,870</u>	<u>5,604,038</u>
Cash flows from investing activities			
Payments for property, plant and equipment	10	(5,584,987)	(7,375,523)
Net movement in loans and advances		5,826	3,750
Proceeds from sale of property plant and equipment	7	310,960	449,149
Grants, subsidies, contributions and donations	4(b)	3,271,829	5,105,798
Net cash inflow (outflow) from financing activities		<u>(1,996,372)</u>	<u>(1,816,826)</u>
Net increase (decrease) in cash and cash equivalent held		<u>3,249,498</u>	<u>3,787,211</u>
Cash and cash equivalents at the beginning of the financial year		16,304,228	12,517,016
Cash and cash equivalents at end of the financial year	8	<u>19,553,725</u>	<u>16,304,228</u>

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 2018

1 Significant accounting policies

1.A Basis of preparation

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

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

1.B Constitution

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

1.C New and revised Accounting Standards

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 are not expected to have a material impact upon council's future financial statements.

Effective for annual reporting periods beginning on or after 1 July 2018

AASB 9 Financial Instruments. This replaces AASB 139 Financial Instruments: Recognition and Measurement, and addresses the classification, measurement and disclosure of financial assets and liabilities.

The standard introduces a new impairment model that requires impairment provisions to be based on expected credit losses, rather than incurred credit losses. Based on assessments to date, council expects a small increase to impairment losses however the standard is not expected to have a material impact overall.

Effective for annual reporting periods beginning on or after 1 July 2019

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

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

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

Effective for annual reporting periods beginning on or after 1 July 2019

AASB 16 Leases- 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 are not expected to have a material impact upon council's future financial statements.

1.D 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.E 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.F 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, indirect 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 2018**

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

Functions	Year ended 30 June 2018						Total income	Gross program income		Total income	Gross program expenses		Total expenses	Net result from recurring operations	Net Result	Assets		
	Recurring			Capital				Grants	Other		Capital	Recurring					Capital	operations
	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	7,937,120	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)	(1,657,926)	(1,657,926)	-					
Environment & Health Services	-	16,277	-	-	-	16,277	1,225,735	-	1,225,735	(1,209,458)	(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)	(5,766,720)	(2,917,180)	158,007,622					
Waste management	-	205,409	-	-	-	205,409	167,329	-	167,329	38,080	38,080	38,080	-					
Water infrastructure	-	264,816	-	-	-	264,816	354,665	-	354,665	(89,849)	(89,849)	(89,849)	3,782,093					
Sewerage infrastructure	-	235,500	172,636	-	-	408,136	143,661	-	143,661	91,839	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)	(1,429,633)	2,055,150	211,906,135					

Functions	Year ended 30 June 2017						Total income	Gross program income		Total income	Gross program expenses		Total expenses	Net result from recurring operations	Net Result	Assets		
	Recurring			Capital				Grants	Other		Capital	Recurring					Capital	operations
	Grants	Other	\$	Grants	Other	\$												
	\$	\$	\$	\$	\$	\$		\$	\$		\$							
Corporate governance	8,950	-	-	-	-	8,950	717,186	-	717,186	(708,236)	(708,236)	(708,236)	-					
Finance and information	7,325,898	4,269,531	-	47,867	-	11,643,296	1,438,916	168,540	1,607,456	10,156,513	10,035,840	10,035,840	46,408,772					
Community services	422,165	433,384	1,460,961	-	-	2,316,510	2,629,410	-	2,629,410	(1,773,861)	(1,773,861)	(1,773,861)	-					
Environment & Health Services	158,636	81,235	-	-	-	239,871	1,001,563	-	1,001,563	(761,692)	(761,692)	(761,692)	-					
Engineering & Works	2,268,366	4,322,543	3,644,837	-	-	10,235,746	10,882,919	76,213	10,959,132	(4,292,010)	(4,292,010)	(4,292,010)	147,829,198					
Waste management	-	205,080	-	-	-	205,080	126,041	-	126,041	79,039	79,039	79,039	-					
Water infrastructure	-	247,661	-	-	-	247,661	297,895	-	297,895	(50,234)	(50,234)	(50,234)	6,369,676					
Sewerage infrastructure	-	181,507	-	-	-	181,507	164,711	-	164,711	16,796	16,796	16,796	-					
Total Council	10,184,015	9,740,942	5,105,798	47,867	-	25,078,620	17,258,640	244,753	17,503,393	2,666,316	2,666,316	7,575,229	200,607,645					

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

Council	
2018	2017
\$	\$

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	4,463,580	4,377,532
Water	258,464	253,294
Sewerage	196,845	193,427
Garbage charges	223,231	222,728
Wild dog levy	-	64,220
Total rates and utility charge revenue	5,142,120	5,111,201
Less: Discounts	(453,636)	(470,122)
Less: Pensioner remissions	(13,264)	(16,657)
	4,675,220	4,624,422

(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 Road	4,334,865	4,277,055
Other private works	51,758	31,789
Sale of surplus stores stock	-	34,897
Total sales revenue	4,386,623	4,343,741

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	5,575,084	7,555,852
State government subsidies and grants	770,809	2,522,911
Commonwealth government subsidies and grants	35,232	105,253
Donations	-	-
	6,381,125	10,184,015

Council received a payment of \$2,553,239 which is half on the estimated FAGS grant for 2018/2019 in June 2018.

(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	2,068,430	3,120,426
Commonwealth	1,203,399	1,985,372
	3,271,829	5,105,798

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

		Council	
		2018	2017
		\$	\$
5	Employee benefits		
	Total staff wages and salaries	4,324,816	4,011,651
	Councillors' remuneration	303,093	246,035
	Annual, sick and long service leave entitlements	759,634	702,868
	Superannuation	539,174	504,544
		<u>5,926,717</u>	<u>5,465,098</u>
	Other employee related expenses	154,279	169,593
		<u>6,080,996</u>	<u>5,634,691</u>
	Less: Capitalised employee expenses	(257,447)	(310,617)
		<u>5,823,549</u>	<u>5,324,074</u>
	Councillor remuneration represents salary, and other allowances paid in respect of carrying out their duties.		
	Total Council employees at the reporting date:	2018	2017
	Elected members	5	5
	Administration staff	23	17
	Depot and outdoors staff	45	50
	Total full time equivalent employees	<u>73</u>	<u>72</u>
6	Materials and services		
	Advertising and marketing	12,912	1,532
	Administration supplies and consumables	783,248	854,424
	Audit of annual financial statements by the Auditor-General of Queensland	49,500	68,038
	Communications and IT	236,277	149,743
	Consultants/contractors	29,644	2,970
	Community & Recreational Services	1,317,782	1,269,364
	Rental Operating Expenses	219,271	179,327
	Recoverable Works	1,168,727	1,555,904
	Road repair & reinstatement	1,141,557	1,392,291
	Town Plan	51,221	31,234
	Rural Services	552,240	459,224
	Water Supply	210,821	116,862
	Sewerage Treatment	74,206	46,336
	Waste Management	327,796	131,568
		<u>6,175,202</u>	<u>6,258,816</u>
7	Capital income		
	Gain/loss on disposal of non-current assets		
	Proceed from the sale of property, plant and equipment	310,960	449,149
	Less: Carrying value of property, plant and equipment disposed	(98,007)	(693,902)
	Total capital income/(expenses)	<u>212,953</u>	<u>(244,753)</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	1,808,246	1,169,624
	Deposits at call and term deposits	17,745,479	15,134,603
	Balance per Statement of Cash Flows	<u>19,553,725</u>	<u>16,304,228</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:

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

	Council	
	2018	2017
	\$	\$
Externally imposed expenditure restrictions at the reporting date relate to the following cash assets:		
Unspent government grants and subsidies		
Advance payment Financial Assistance Grant	2,553,239	2,495,462

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	20,454	137,084
	<u>20,454</u>	<u>137,084</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	158,419	125,473
Other debtors	1,183,595	3,366,932
Less impairment	268	(812)
Loans and advances to community organisations	3,750	3,750
Accrued revenue	829,868	2,877
	<u>2,175,900</u>	<u>3,498,220</u>

Non-current

Loans and advances to community organisations	54,174	63,750
	<u>54,174</u>	<u>63,750</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.

Movement in accumulated impairment losses (other debtors) is as follows:

Opening balance at 1 July	812	812
Impairment Debts written off during the year	(544)	-
Closing Balance at 30 June	<u>268</u>	<u>812</u>

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

10 Council - 30 June 2018

Note	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	Cost	Fair Value	Fair Value	Fair Value	Fair Value	Fair Value	Fair Value	Fair Value	Fair Value	Cost	Cost	Cost	
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
	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								
	-	2,381,253	1,280,811	1,625,441	-	-	-	-	5,517,574					230,069			
5	-	-	(668,204)	-	-	-	-	-	(668,204)					-			
15	-	3,656,730	-	9,412,191	-	-	-	-	13,068,921					-			
	-	-	-	-	-	-	-	-	-					-			
	-	3,941,374	-	-	-	-	-	-	-					(3,941,374)			
	624,017	45,273,262	9,569,692	184,374,462	4,153,242	6,274,518	2,654,022	1,364,077	254,287,292								

Accumulated depreciation and impairment

Opening balance as at 1 July 2017	252,001	11,462,304	4,490,550	35,021,123	1,289,689	2,676,564	-	2,276,485	57,468,716
Depreciation provided in period	27,559	729,420	439,668	4,293,106	40,227	75,837	-	93,262	5,699,079
Depreciation on disposals	-	-	(570,198)	-	-	-	-	-	(570,198)
Revaluation adjustment to asset revaluation surplus	-	1,302,332	-	2,131,166	-	-	-	-	3,433,498
Previous loss on reval reversed	-	-	-	-	-	-	-	-	-
Transfers between classes	-	1,827,465	-	-	-	-	-	(1,827,465)	-
Accumulated depreciation as at 30 June 2018	279,560	15,321,521	4,360,020	41,445,395	1,329,916	2,752,401	-	542,282	66,031,095

Total written down value as at 30 June 2018

	344,457	29,951,741	5,209,672	142,929,067	2,823,326	3,522,117	2,654,022	821,795	188,256,197
Range of estimated useful life in years	2-20	10-75	2-20	5-250	20-100	25-110	unlimited	2-50	

Work in Progress

Opening Balance 1 July 2017	-	660,896	-	74	16,600	65,879	278,857	378,166	1,400,472
Expenditure in year	-	1,428,854	1,280,811	1,974,221	(9,826)	298,981	-	611,944	5,584,985
Transferred to asset register	-	(1,859,836)	(1,280,811)	(1,625,441)	-	-	-	(751,486)	(5,517,574)
Closing Balance 30 June 2018	-	229,914	-	348,854	6,774	364,860	278,857	238,624	1,467,883

Total PPE

	344,457	30,181,655	5,209,672	143,277,921	2,830,100	3,886,977	2,932,879	1,050,419	189,724,080
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Additions comprise:

Renewals	\$	\$	\$	\$	\$	\$	\$	\$	\$
	-	52,049	1,206,911	1,497,877	(9,826)	298,981	-	48,329	3,094,321
Other additions	-	1,376,805	73,900	476,344	-	-	-	563,615	2,490,664
	-	-	-	-	-	-	-	-	-
Total additions	-	1,428,854	1,280,811	1,974,221	(9,826)	298,981	-	611,944	5,584,985

Council - 30 June 2017

Note	Furniture & Fittings		Buildings		Plant & Equipment		Road, drainage and bridge network		Sewerage		Water		Land		Other assets		Total
	Cost	Fair Value	Fair Value	Cost	Fair Value	Cost	Fair Value	Fair Value	Fair Value	Fair Value	Fair Value	Fair Value	Cost	Fair Value	Cost	Fair Value	
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
	624,017	33,675,569	171,605,218	8,613,763	4,093,817	6,169,634	3,053,934	2,865,269	230,691,221								
34	-	2,667,664	3,279,655	1,121,778	-	-	-	-	134,734								
	-	(800,049)	-	(778,455)	-	-	(35,960)	-	-								
5	-	-	-	-	-	-	-	-	-								
26	-	1,826,099	(1,548,043)	-	-	104,884	(363,952)	-	-								18,988
15	-	(2,075,378)	-	(1)	69,425	-	-	-	-								69,425
	624,017	35,293,905	173,336,830	8,957,085	4,153,242	6,274,518	2,654,022	5,075,382	236,369,001								

Accumulated depreciation and impairment

Opening balance as at 1 July 2016	218,369	11,300,199	35,472,327	4,403,106	1,213,048	2,527,371	-	1,259,437	56,393,857
Adjustment to opening value	-	-	-	-	-	-	-	-	-
Depreciation provided in period	33,631	865,943	3,937,949	508,465	55,083	104,452	-	164,179	5,669,702
Depreciation on disposals	-	(499,541)	-	(419,026)	-	-	-	-	(918,567)
Revaluation adjustment to asset revaluation surplus	-	648,572	(4,389,153)	(1,994)	-	44,741	-	-	(3,697,834)
Previous loss on reval reversed	-	-	-	-	21,558	-	-	-	21,558
Transfers between classes	1	(852,869)	-	(1)	-	-	-	852,869	-
Accumulated depreciation as at 30 June 2017	252,001	11,462,304	35,021,123	4,490,550	1,289,699	2,676,564	-	2,276,485	57,468,716

Total written down value as at 30 June 2017

2-20	372,016	23,831,601	138,315,707	4,466,535	2,863,553	3,597,954	2,654,022	2,798,897	178,900,285
		10-75	5-250	2-20	20-100	25-110	unlimited	2-50	

Work in Progress

Opening Balance 1 July 2016	-	400,336	-	-	12,281	19,724	282,545	173,638	1,228,780
Expenditure in year	-	2,928,224	2,939,473	1,121,778	4,319	46,155	(3,688)	339,262	7,375,523
Transferred to asset register	-	(2,667,664)	(3,279,655)	(1,121,778)	-	-	(134,734)	-	(7,203,831)
Closing Balance 30 June 2017	-	660,896	74	-	16,600	65,879	278,857	378,166	1,400,472

Total PPE	372,016	24,492,498	138,315,781	4,466,535	2,880,153	3,663,833	2,932,879	3,177,063	180,300,757
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Renewals

Other additions	-	1,058,302	1,799,389	-	-	-	-	118,718	4,044,381
Total additions	-	1,869,922	53,806	1,140,084	4,319	46,155	(3,688)	220,544	3,331,142
	-	2,928,224	2,939,473	1,121,778	4,319	46,155	(3,688)	339,262	7,375,523

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

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, Chief Finance Officer, 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 3 years. This process involves the valuer physically sighting a representative sample of Council assets across all asset classes and making their own assessments of the condition of the assets at the date of inspection .

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

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

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

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

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

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

- Fair value based on quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1)
- Fair value based on inputs that are directly or indirectly observable, 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 2017. 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 fair value of these assets as at 30 June 2018 were determined by using an index provided by Shepherd Services. The land valuation outcome for 1,2 and 7 category has indicated a minimum increase since last valuation in 2017. The average increase is below 5% an indexation is not recommended as it considered not materials.

Buildings (level 2 and 3)

The fair value of buildings were also determined by independent valuer, AssetVal effective 30 June 2017. 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. A desktop assessment was conducted by Shepherd Services as at 30 June 2018 utilising suitable indexes from Australian Bureau Statistics. This resulted in a 9.32% increase in the value of the building asset category.

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 .

Quilpie Shire Council
Notes to the financial statements
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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 asset was undertaken effective 30 June 2016.

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 DRC was determined using methods relevant to the asset class as described under individual asset categories below .

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 2016. CRC at 30 June 2017 was determined by Council consulting engineers Proterra using data collected during flood damage works from 30 June 2016. A desktop assessment was conducted by Shephard Services as at 30 June 2018 utilising suitable indexes from Australian Bureau of Statistic. This resulted in a 5.43% increased in the value of this assets. A full valuation of sealed and unsealed roads and associated infrastructure is planned in 2019.

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 Proterra 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 2016 and updated by indexation. The fair value of these assets as at 30 June 2018 was independently determined by using index provided by Shepherd Services. As the result of the indexation movement between 30 June 2016 and 30 June 2018 was immaterial. Council did not perform the indexation valuation of its water and sewerage assets for financial year ending 30 June 2018.

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 :

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

- 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 .

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 .

	Note	Council	
		2018 \$	2017 \$
Current			
Creditors and accruals		470,072	622,308
Annual leave		493,676	414,682
GST payable		(138,158)	153,467
		<u>825,590</u>	<u>1,190,457</u>

13 Leases

(a) Finance leases

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

b) Operating leases

	Note	Value of lease receipts	
		Next year	Year 2-5 \$
ENHM-Outback Gondwana Foundation		100	200
Alfred Rodger McKellar		250	1,008
Houses leased to:			
Ergon		37,180	148,720
Dept Health		26,000	104,000
		<u>63,530</u>	<u>253,928</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 .

The above table assumes ongoing occupation and no increase in the present rent .

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

No provision is made for the cost of restoring refuse dumps even where it is probable the Council will be liable, or required, to do this when the use of the facilities is complete .

Council has determined that the likely cost of restoration will be insignificant .

The process of restoration will involve covering the already compacted waste. The land will then return to its former use as part of the "town common". Toxic and hazardous waste was removed as it was identified and there is no know detriment to the environment .

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

As refuse dumps are on state reserves / DOGIT land (amend to suit council) which the Council does not control, the provision for restoration is treated as an expense in the year the provision is first recognised. Changes in the provision are treated as an expense or income .

	Note	2018 \$	2017 \$
Current			
Long service leave		388,413	507,716
		<u>388,413</u>	<u>507,716</u>
Non-current			
Long service leave		136,996	44,908
		<u>136,996</u>	<u>44,908</u>
Long service leave			
Balance at beginning of financial year		552,624	509,166
Long service leave entitlement arising		83,288	93,940
Long Service entitlement extinguished		92,088	2,502
Long Service entitlement paid		(202,591)	(52,984)
Balance at end of financial year		<u>525,409</u>	<u>552,624</u>

15 Asset revaluation surplus

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

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

	Note	Council	
		2018 \$	2017 \$
Movements in the asset revaluation surplus were as follows:			
Balance at beginning of financial year		107,745,259	104,030,430
Net adjustment to non-current assets at end of period to reflect a change in current fair value:			
Land		-	(363,952)
Buildings and other structures		2,354,397	1,177,500
Road, drainage and bridge network		7,281,024	2,841,138
Water		-	60,143
Balance at end of financial year		<u>117,380,680</u>	<u>107,745,259</u>

	Note	Council	
		2018 \$	2017 \$
Asset revaluation surplus analysis			
The closing balance of the asset revaluation surplus comprises the following asset categories:			
Land and improvements		841,400	841,400
Buildings		11,367,696	9,013,299
Road, drainage and bridge network		104,063,294	96,782,270
Water		1,108,290	1,108,290
		<u>117,380,680</u>	<u>107,745,259</u>

16 Commitments for expenditure

The Council as at 30 June 2018 has no commitments. There was no provision made for the cost of two landfill site. They are substantially progressively rehabilitate and the costs are paid as they are incurred.

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

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.

Landfill provision

Council has a legal/public obligation to make, restore, rehabilitate the council tip and quarry. The council has not recognised a provision for remediation and monitoring costs post closure for these sites as an assessment has not been fully completed and therefore the liability is unable to be measured. The council currently progressively rehabilitates its tip sites and expenses these costs as incurred.

As at 30 June 2018 the financial statements reported an accumulated surplus and it is not anticipated any liability will arise.

Local Government Workcare

The Council is a member of the Queensland local government worker's compensation self-insurance scheme, Local Government Workcare. Under this scheme the Council has provided an indemnity towards a bank guarantee to cover bad debts which may remain should the self insurance licence be cancelled and there was insufficient funds available to cover outstanding liabilities. Only the Queensland Government's workers compensation authority may call on any part of the guarantee should the above circumstances arise. The Council's maximum exposure to the bank guarantee is \$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 LGIASuper 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 LGIASuper 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 LGIASuper trust deed changes to council's obligations will only be made on the advice of an actuary.

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

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

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

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 72 entities contributing to the scheme 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 2017-18 financial year.

	Council	2018	2017
	Note	\$	\$
The amount of superannuation contributions paid by Council to the scheme in this period for the benefit of employees was:	5	539,174	504,544

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

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

	Council	
	2018	2017
	\$	\$
Net result	2,055,150	7,575,228
Non-cash items:		
Depreciation and amortisation	5,699,079	5,669,703
Revaluation adjustments	-	(47,867)
	<u>5,699,079</u>	<u>5,621,836</u>
Investing and development activities:		
Net (profit)/loss on disposal of non-current assets	(212,953)	244,753
Capital grants and contributions	(3,271,829)	(5,105,798)
	<u>(3,484,782)</u>	<u>(4,861,045)</u>
Financing activities:		
	(5,826)	(3,750)
	<u>(5,826)</u>	<u>(3,750)</u>
Changes in operating assets and liabilities:		
(Increase)/ decrease in receivables	1,331,896	(2,810,219)
(Increase)/decrease in inventory	(32,418)	24,055
(Increase)/decrease in other assets	74,852	(20,918)
Increase/(decrease) in payables	(364,867)	35,393
Increase/(decrease) in liabilities	(27,215)	43,458
	<u>982,248</u>	<u>(2,728,231)</u>
Net cash inflow from operating activities	<u>5,245,870</u>	<u>5,604,038</u>

20 Events after the reporting period

There were no material adjusting events after the balance date

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

21 Financial instruments and financial risk management
Prepayments and financial liabilities

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

- credit risk
- liquidity risk
- market risk

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 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.

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 following table represents the maximum exposure to credit risk based on the carrying amounts of financial assets at the end of the reporting period:

	Note	Council	
		2018	2017
Financial assets		\$	\$
Cash and cash equivalents	8	19,553,725	16,304,228
Receivables - rates	9	158,419	125,473
Receivables - other	9	2,071,655	3,372,747
Prepayment	9	-	74,852
Total financial assets		21,783,799	19,877,300

Cash and cash equivalents

The Council may be expected to credit risk through its investments in the QTC Cash fund is an asset management portfolio that invests with a wide range of high credit rated counterparties. Deposits with the QTC Fund are capital guaranteed.

Other financial assets

Other investments are held with financial institutions, which are rated Aa2 to A2 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 Councils operations, there is a geographical concentration of risk in the Council's area. Because the area is largely *agricultural/mining*, there is also a concentration in the *agricultural/mining* sector.

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

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

	2018	2017
	\$	\$
Not past due	1,775,536	3,236,244
Past due 31-60 days	236,507	975
Past due 61-90 days	5,802	249,925
More than 90 days	212,229	11,076
Total	<u>2,230,074</u>	<u>3,498,220</u>

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.

Quilpie Shire Council is exposed 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
	\$	\$	\$	\$
2018				
Trade and other payables	825,590	-	825,590	825,590
	<u>825,590</u>	<u>-</u>	<u>825,590</u>	<u>825,590</u>
2017				
Trade and other payables	1,190,457	-	1,190,457	1,190,457
	<u>1,190,457</u>	<u>-</u>	<u>1,190,457</u>	<u>1,190,457</u>

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.

Calculation shows that if interest rates were to rise or fall by 1% the impact on net result and equity would be +/- (to be updated) (2018: +/- \$163,000)

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

22 Transactions with related parties

(a) Transactions with related parties

KMP include the Mayor, councillors, council's Chief Executive Officer and some executive management. The compensation paid to KMP for 2017/18 comprises:

	2018	2017
	\$	\$
Short-term employee benefits	847,411	628,289
Post-employment benefits	103,338	60,025
Long-term benefits	148,077	51,089
Goods and Services on normal terms and conditions-maintenance	3,067	1,028
Total	1,101,893	740,431

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	2018	2017
		\$	\$
Employee expenses for close family members of key management personnel	39(e)(iii)	148,548	110,933
Purchase of materials and services from entities controlled by key management personnel	39(e)(iv)		23,115
		148,548	134,048

(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 un-related party.	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.	10,944
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.	5,447
Total		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 73 staff (not FTE) 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 2018

(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 2018

Management Certificate
For the year ended 30 June 2018

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

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

- (i) the prescribed requirements of the *Local Government Act 2009* and *Local Government Regulation 2012* for the establishment and keeping of accounts have been complied with in all material respects; and
- (ii) the general purpose financial statements, as set out on pages 1 to 24 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: 15 / 10 / 2018



Chief Executive Officer
Name : Dave Burges

Date: 15 / 10 / 2018

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

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

Basis for opinion

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

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

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

Other information

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

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

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

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

Responsibilities of the Council for the financial report

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

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

Auditor's responsibilities for the audit of the financial report

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

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

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

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

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

Report on other legal and regulatory requirements

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

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



Carolyn Dougherty
as delegate of the Auditor-General

25 October 2018

Queensland Audit Office
Brisbane

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

Measures of Financial Sustainability

How the measure is calculated Actual - Council Target

Council's performance at 30 June 2018 against key financial ratios and targets:

Operating surplus ratio	Net result (excluding capital items) divided by total operating revenue (excluding capital items)	-9% Between 0% and 10%
Asset sustainability ratio	Capital expenditure on the replacement of assets (renewals) divided by depreciation expense.	36% greater than 90%
Net financial liabilities ratio	Total liabilities less current assets divided by total operating revenue (excluding capital items)	-128% 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 2017.

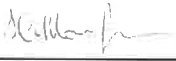
This example statement contains the minimum information that is required by section 178 (1) of the Local Government Regulation 2012. Councils can change the way in which this information is presented, however the operating surplus, asset sustainability and net financial liabilities ratios must all be 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 2018

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

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



Mayor
 Name : **Stuart Mackenzie**



Chief Executive Officer
 Name : **Dave Burgess**

Date: 15 / 10 / 2018

Date: 15 / 10 / 2018

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 for the year ended 30 June 2018 comprising the statement, explanatory notes, and the certificate of accuracy given by the Mayor and the Chief Executive Officer.

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

Basis of opinion

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

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

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

Emphasis of matter – basis of accounting

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

Other Information

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

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

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

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

Responsibilities of the council for the current year financial sustainability statement

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

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

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

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

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

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

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



Carolyn Dougherty
as delegate of the Auditor-General

25 October 2018

Queensland Audit Office
Brisbane

Quipie Shire Council
 Long-Term Financial Sustainability Statement
 Prepared as at 30 June 2018

Measures of Financial Sustainability
 Council



Measure	Target	Projected for the years ended									
		Actuals at 30 June 2018	30 June 2019	30 June 2020	30 June 2021	30 June 2022	30 June 2023	30 June 2024	30 June 2025	30 June 2026	30 June 2027
Operating surplus ratio	Between 0% and 10%	-8%	-12.40%	10.86%	0.10%	-3.10%	-3.00%	-1.70%	-2.20%	-2.70%	-3.20%
Asset sustainability ratio	greater than 60%	36%	56.65%	35.05%	46.51%	52.33%	47.46%	58.88%	68.56%	44.80%	48.94%
Net financial liabilities ratio	not greater than 60%	-128%	-130.70%	-107.30%	-108.60%	-118.00%	-113.40%	-114.70%	-112.00%	-108.00%	-107.80%

Net result divided by total operating revenue
 Capital expenditure on the replacement of assets (renewals) divided by depreciation expense.
 Total liabilities less current assets divided by total operating revenue

Certificate of Accuracy
For the long-term financial sustainability statement prepared as at 30 June 2018

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: 15 / 10 / 2018	 Chief Executive Officer Name : Dave Burgess Date: 15 / 10 / 2018
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