



2018 Blackall B150 Celebration Colour Run



ANNUAL REPORT

1 JULY 2017 – 30 JUNE 2018

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Annual Audited Financial Statements for the year ended 30 June 2018

Message from the Mayor

An extraordinary year in the life of this proud Region has just passed us by.

Seven years of drought has bitten very hard on the regions spirit and economic activities. We surely must be closer to some major break in this wretched cycle.

Our Council has and will continue to work tirelessly to keep as much hope and economic stimulus in our community as humanely possible, through constant advocacy to State and Federal Governments and their instrumentalities.

Some of the highlights during the year include:

- \$200K upgrade to the Western Sports Complex in Tambo
- First organic sale at the Blackall Sale yards
- Commencement of the \$600K Pathway to Health
- Kerbing and sealing Thistle Street
- Resurfacing tennis courts and bowling green in Tambo
- \$1.5M upgrade of the Blackall Sale yards
- Installation of UHF/CB radio network across the region
- Renovation of facilities and buildings in both towns
- Tambo sawmill opening
- \$1M in new plant purchases
- 55km of bitumen reseals and 20kms of new bitumen road seals.

We understand the need to keep our businesses in business and that means all business sectors. Councils cannot deliver silver bullets, but we can and have kept a fully employed workforce who are mercifully fully engaged and efficient and we will also continue to look to innovation and progressive projects to keep a vibrancy through very trying times.

My thanks to a very dedicated staff and workforce as well of course my thanks to my fellow councillors for their dedication to us all.



Andrew Martin
Mayor



Chief Executive Officer's Report

I am pleased to provide this report on operational activities of the Blackall Tambo Regional Council for the twelve months ending 30th June 2018.

Council's main focus was again on improving and upgrading sporting and cultural facilities for our community and significant resources were allocated to beautify the appearance of our towns.

A new enterprise bargaining agreement was certified and will come into effect at the beginning of the new financial year. A new planning scheme is well under way and will be adopted after community consultation has been completed.

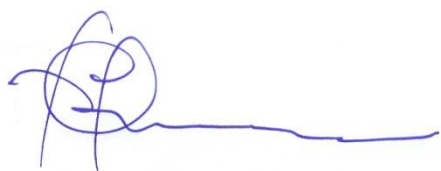
Significant funds were expended on upgrading and improving our rural road network and town streets. These programmes will continue into the next financial year.

Council's workforce and the Blackall WORK camp provided support to the many groups and organisations hosting events and functions throughout the year. Providing assistance for our volunteers has been a priority of Council throughout the year.

Compliance requirements with a myriad of government departments and agencies has stretched our resources at times but there has been no major issues with legislative compliance emerging during the year.

The impact of drought will continue to be a major challenge for our Council and community. Our district is known for its resilience and we will continue to support our residents and lobby Governments to support our region.

I would like to thank an outstanding staff for their efforts during the year and our Mayor and Councillors for their support.

A handwritten signature in blue ink, consisting of a stylized 'C' and 'B' followed by a long horizontal line.

C D Blanch PSM LGMA
Chief Executive Officer



Community Financial Report (section 184 Local Government Regulation 2012)

An analysis of the revenue compared to expenditure is as follows:

The level of grants received from the Federal and State governments has remained relatively unchanged from 2016/2017 to 2017/2018, however the Federal government has announced a drought support package for small rural towns of up to \$1.0M for the 2018/2019 financial year. In addition the State government is to announce a further round of the WORKS 4 QLD program in the 2018-2019 financial year.

This level of additional funding will enable the Council to continue to provide new assets and upgrade existing infrastructure, buildings, and sporting facilities in both Blackall and Tambo.

Following a major revaluation by the Valuer General's Department with significant changes in valuation in both rural and town properties, Council undertook a major review of all rates and charges across the Council region resulting in a consolidation of the existing 55 rating categories into a more manageable and fairer 11 rating categories. The unpopular environmental levy was discontinued and these decisions enabled Council to apply fairer rating decisions for future years.

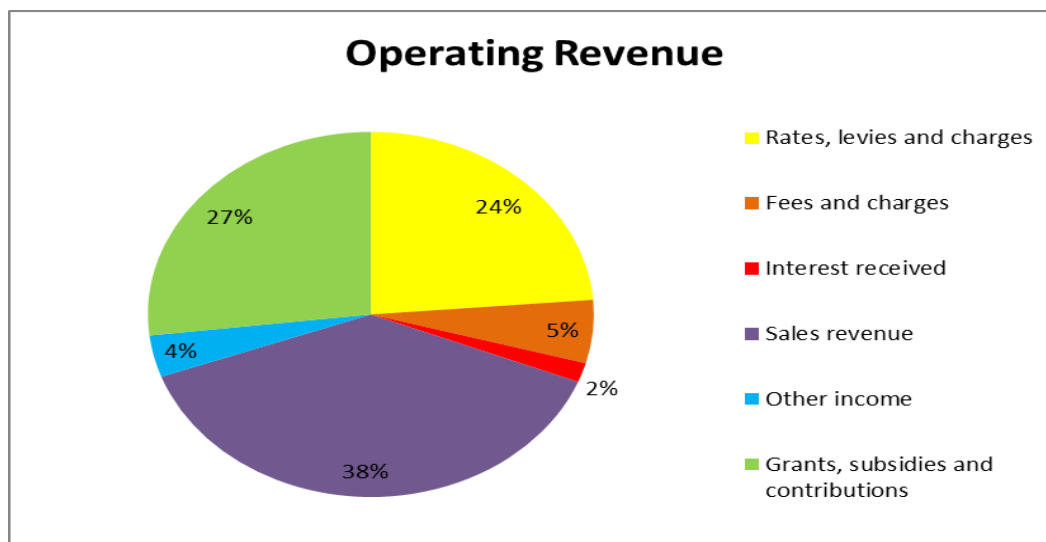
Other fees and charges increases reflect the consumer price index where applicable.

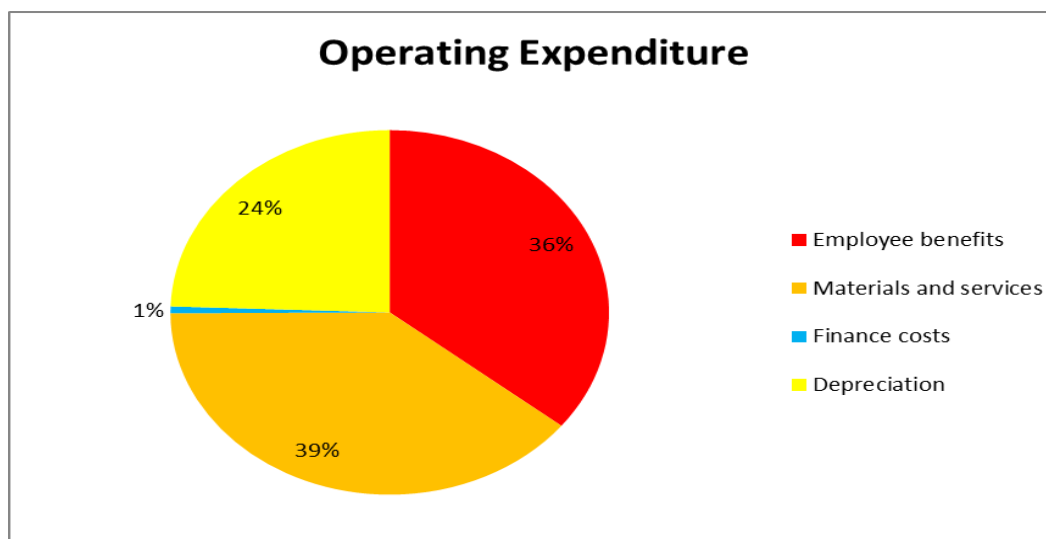


Blackall Saleyards

With the recurrent revenue base under a degree of pressure, Council continues to seek external funds as well as tendering for external roadwork jobs to supplement local funds.

The Council road network continues to be well maintained through funding from the Financial Assistance Grant, TIDS, and the Roads to Recovery program. Water, sewerage and waste management infrastructure assets are also maintained and renewed to meet service delivery demands.





In relation to expenses; employee costs make up 36% and materials and services make up 39% of Council's operating costs. Employee costs include staff and related employee expenses while materials and services include such items as general operating costs to maintain and operate services to the region.

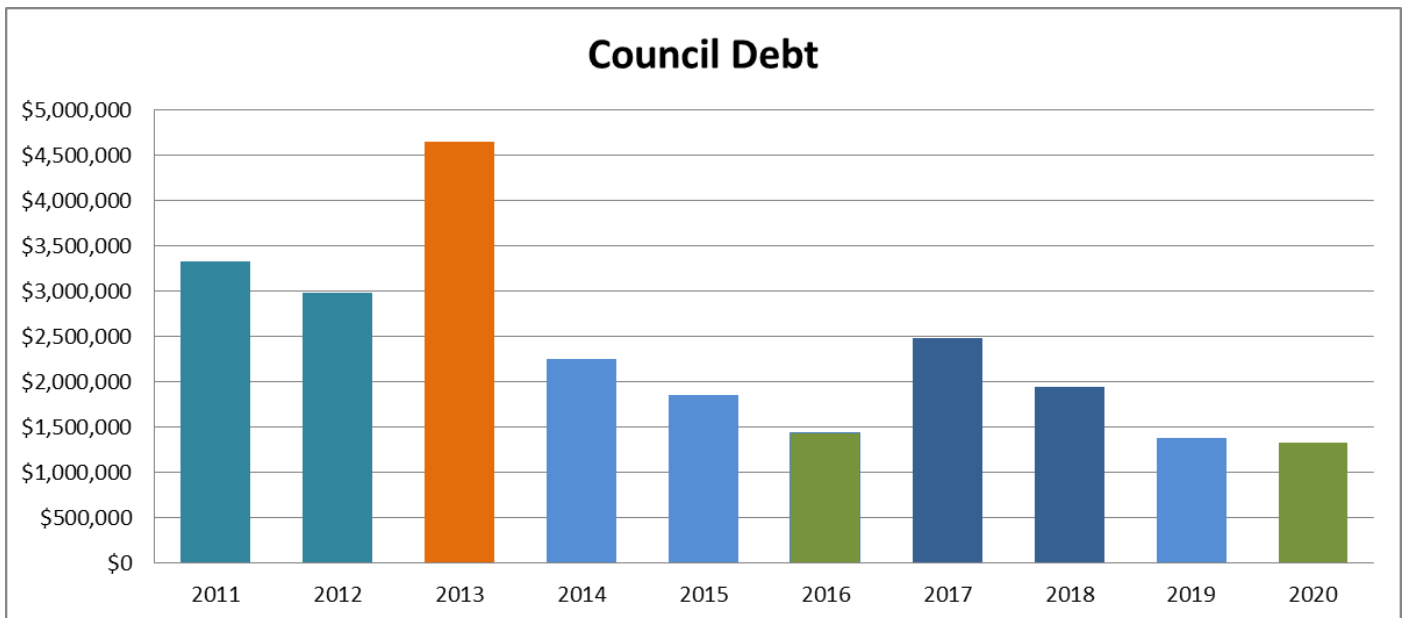


Tambo Sports Club

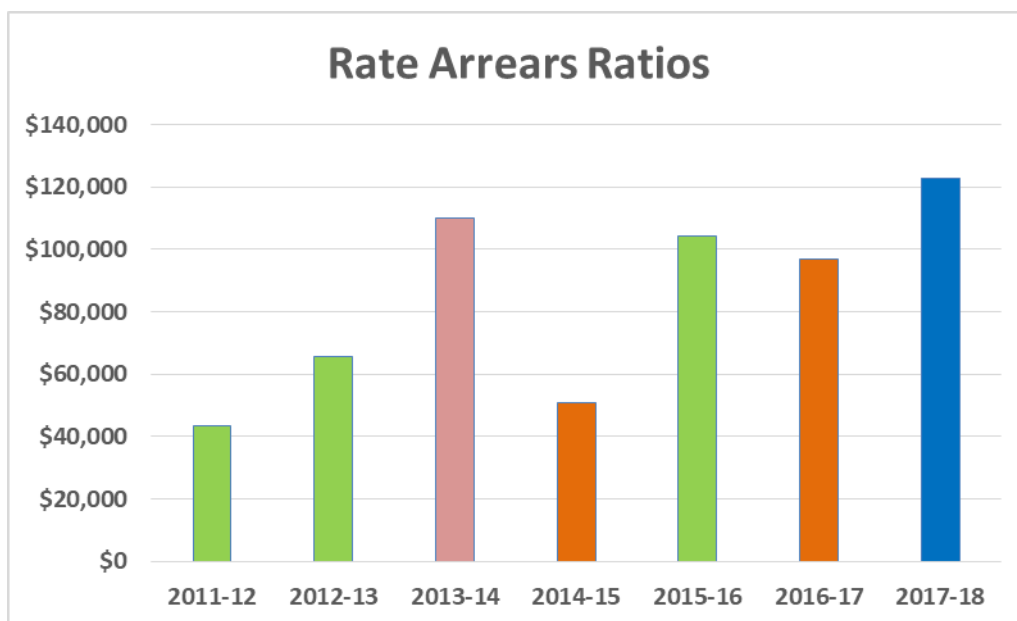
Depreciation makes up 24% of all operating costs and decreased from the previous year's figure.

The addition of capital assets particularly as a result of additional government grant funding has also increased depreciation. While depreciation is a non-cash item, it is used as a guide to help Council retain sufficient funds to meet the costs of future renewal of assets.

Borrowing of funds should be used for long term assets in order to reduce inter-generational inequity. This is applicable for new assets and major upgrade of existing assets. Council did not increase its borrowings in the 2017/2018 financial year. A summary of the level of Council debt is expressed in the figures below indicating debt peaked in 2012/2013 and at the 30 June 2018 remains well under that level.



The following graph provides a comparison of the level of Council’s outstanding rates over the last seven years. The graph shows that Council’s rates arrears were very low up to 2012-13 and while overall they have increased during the last four years due to economic factors they remain low by industry standards.



Particular Resolutions (section 185 Local Government Regulations 2012)

Council did not resolve to make any changes to the policies referred to in sections 250(1) and 206(2) of the Regulation. The referred policies include the expense reimbursement policy and asset recognition thresholds for each asset class.

Councillors (section 186 Local Government Regulations 2012)

(i) Remuneration schedule

Pursuant to Section 247 of the Local Government Regulation 2012 the following remuneration rates are set for Council from 1 July 2017:

Position	Annual Remuneration*	Meeting Allowance**	Total Allowance
Mayor Allowance	\$83,293.20	Nil	\$83,293.20
Deputy Mayor Allowance	\$42,154.56	Nil	\$42,154.56
Councillor Allowance	\$22,992.80	\$11,496.40	\$34,489.20

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

** One twelfth of the meeting allowance is paid for each monthly meeting attended.

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

Councillor	General Meeting Attendance	Special Meeting Attendance	Remuneration	Superannuation Expenses Incurred	Total Remuneration
Cr A Martin	11	2	\$83,293.20	0	\$83,293.20
Cr L Russell	12	2	\$42,154.56	0	\$42,154.56
Cr P Heumiller	12	2	\$34,489.20	0	\$34,489.20
Cr B Holdcroft	12	2	\$34,489.20	0	\$34,489.20
Cr G Jarvis	11	1	\$33,531.17	0	\$33,531.17
Cr B Johnstone	12	1	\$34,489.20	0	\$34,489.20
Cr P Pullos	10	2	\$32,573.14	0	\$32,573.14



B150 Billy Cart Races Main Street

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

Regulation 2012

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

Administrative complaints (section 187 Local Government Regulations 2012)

The following is a brief summary of the Council adopted policy "General Complaints (Administrative Actions) Policy".

The policy is broken down into three stages:

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

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

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

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

There were nil administrative complaints made in the 2017/2018 financial year.

Overseas travel (section 188 Local Government Regulation 2012)

No overseas travel was undertaken during the financial year.

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

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

Description	Amount
Expenditure on grants and sponsorships to community organisations	\$55,943
In-kind support to community organisations	\$61,209
Total	\$117,152

Other Contents (section 190 Local Government Regulation 2012)

Corporate and operational plans

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

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

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

Registers and public documents

Item	Description	Access
Register of personal interests of Councillors	To record certain financial and other personal interests of Councillors.	Councillor's interests are available on Council's website.
Register of personal interest of Chief Executive Officer and other specified employees	To record certain financial and other personal interests of the Chief Executive Officer and certain other employees.	Available only to Councillors, the Chief Executive Officer or a person permitted by law.
Register of Delegations of Authority by Council.	To record all powers delegated by the Local Government or the Chief Executive Officer's delegated powers.	Available on Council's website.
Register of Local Laws	To record all local laws set by Council.	Available on Council's website.
Register of Policies	To record the current policies as set by Council.	Available on Council's website.
Register of Legal Documents	To hold a record of all legal documents.	Available to any person.
Register of Fees and Charges	To record all fees and charges levied by Council.	Available on Council's website.
Cemetery Register	To record all burial sites.	Available to any person
Operational Plan	To document the goals and strategies set by Council for the period specified in each plan.	Available on Council's website.
Annual Report	To document the financial position and report on attainment of goals specified in the Corporate Plan and Operational Plan.	Available on Council's website.

Concessions for rates and charges granted by Council

- (i) A 15 % discount on general rates if paid by the due date.
- (ii) Eligible pensioners in receipt of a full pension and having a State Government Concession Card receive a Council pensioner rate remission of 40% of general rate only, up to a maximum of \$280.00 per annum.

- (iii) Council also provides administrative support to the State Government Pensioner Rate Subsidy Scheme.
- (iv) Council considers requests from Community organizations for the waiver of fees for the use of community facilities.

Internal Audit

With the appointment of an entirely new executive this is an issue that is currently being discussed with our external auditors. The most recent determination by the Local Government Remuneration and Discipline Tribunal placed Council in the category 1 group of Councils where it is no longer necessary to have an audit committee. Council does have an Internal Audit Committee as required by the Local Government Act 2009.

Competitive Neutrality

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

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

Beneficial Enterprises and Business Activities

There were no significant business activities during the financial year ended 30 June 2018.

There was no commercialisation, or full cost pricing of a significant business activity in the financial year ended 30 June 2018.

Senior Staff Remuneration (Local Government Act 2009 section 201)

Total of all remuneration packages payable to senior management \$844,614

Four (4) senior contract employees with a total remuneration package in the range of \$100,000 - \$199,000

One (1) senior contract employee with a total remuneration package in the range of \$199,001 - \$300,000

Public Service Ethics 1994 (section 23)

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



The Blackstump Opening Ceremony

Blackall-Tambo Regional Council

Financial Statements

For the year ended 30 June 2018

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Auditor's report on the Financial Statements

Current year Financial Sustainability Statement

Auditor's report on the Current year Financial Sustainability Statement

Unaudited Long Term Financial Sustainability Statement

Blackall-Tambo Regional Council
Statement of Comprehensive Income
For the year ended 30 June 2018

		2018	2017
	Note	\$	\$
Revenue			
Recurrent revenue			
Rates, levies and charges	3(a)	4,680,134	4,822,375
Fees and charges	3(b)	1,102,585	1,648,068
Rental income	3(c)	172,140	145,596
Interest received	3(d)	339,699	307,322
Sales revenue	3(e)	7,579,837	8,215,167
Other income		558,027	533,311
Grants, subsidies, contributions and donations	4(a)	5,296,069	6,732,543
		<u>19,728,491</u>	<u>22,404,382</u>
Capital revenue			
Grants, subsidies, contributions and donations	4(b)	4,244,802	2,975,127
Total revenue		<u>23,973,293</u>	<u>25,379,509</u>
Expenses			
Recurrent expenses			
Employee benefits	6	(7,778,547)	(7,518,971)
Materials and services	7	(9,288,697)	(8,659,337)
Finance costs	8	(135,984)	(121,528)
Depreciation	11	(5,576,052)	(5,643,263)
		<u>(22,779,280)</u>	<u>(21,943,099)</u>
Capital expenses			
	5	(283,958)	(1,481,197)
Total expenses		<u>(23,063,238)</u>	<u>(23,424,296)</u>
Net result		<u>910,055</u>	<u>1,955,213</u>
Other comprehensive income			
Items that will not be classified to net result			
Increase / (decrease) in asset revaluation surplus	16	11,094,340	-
Total other comprehensive income for the year		<u>11,094,340</u>	<u>-</u>
Total comprehensive income for the year		<u>12,004,395</u>	<u>1,955,213</u>

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

Blackall-Tambo Regional Council
Statement of Financial Position
As at 30 June 2018

		2018	2017
	Note	\$	\$
Current assets			
Cash and cash equivalents	9	13,777,356	16,142,497
Trade and other receivables	10	1,319,207	1,346,357
Inventories		182,114	145,505
Total current assets		15,278,677	17,634,359
Non-current assets			
Property, plant and equipment	11	225,454,610	211,786,053
Intangible assets		214,349	225,000
Total non-current assets		225,668,959	212,011,053
Total assets		240,947,636	229,645,412
Current liabilities			
Trade and other payables	13	1,287,840	1,372,427
Borrowings	14	556,957	533,125
Provisions	15	834,457	815,702
Total current liabilities		2,679,254	2,721,254
Non-current liabilities			
Borrowings	14	1,382,577	1,944,030
Provisions	15	91,309	190,027
Total non-current liabilities		1,473,886	2,134,057
Total liabilities		4,153,140	4,855,311
Net community assets		236,794,496	224,790,101
Community equity			
Asset revaluation surplus	16	119,514,115	108,419,775
Retained surplus		117,280,381	116,370,326
Total community equity		236,794,496	224,790,101

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

Blackall-Tambo Regional Council
Statement of Changes in Equity
For the year ended 30 June 2018

	Asset revaluation surplus 16	Retained surplus	Total
Note	\$	\$	\$
Balance as at 1 July 2017	108,419,775	116,370,326	224,790,101
Net result	-	910,055	910,055
Other comprehensive income for the year			
Increase / (decrease) in asset revaluation surplus	11,094,340	-	11,094,340
Total comprehensive income for the year	11,094,340	910,055	12,004,395
Balance as at 30 June 2018	119,514,115	117,280,381	236,794,496
Balance as at 1 July 2016	108,419,775	114,415,113	222,834,888
Net result	-	1,955,213	1,955,213
Other comprehensive income for the year			
Increase / (decrease) in asset revaluation surplus	-	-	-
Total comprehensive income for the year	-	1,955,213	1,955,213
Balance as at 30 June 2017	108,419,775	116,370,326	224,790,101

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

Blackall-Tambo Regional Council
Statement of Cash Flows
For the year ended 30 June 2018

	Note	2018 \$	2017 \$
Cash flows from operating activities			
Receipts from customers		15,589,954	17,571,997
Payments to suppliers and employees		(18,907,023)	(17,721,873)
		(3,317,069)	(149,876)
Interest received		339,699	307,322
Rental income		172,140	145,596
Non capital grants and contributions		5,296,069	6,732,543
Borrowing costs		(135,984)	(121,528)
Net cash inflow (outflow) from operating activities	21	<u>2,354,855</u>	<u>6,914,057</u>
Cash flows from investing activities			
Payments for property, plant and equipment		(9,251,480)	(6,503,192)
Payments for intangible assets		-	(225,000)
Proceeds from sale of property plant and equipment		824,303	639,887
Grants, subsidies, contributions and donations		4,244,802	2,975,127
Net cash inflow (outflow) from investing activities		<u>(4,182,375)</u>	<u>(3,113,178)</u>
Cash flows from financing activities			
Proceeds from borrowings		-	1,500,000
Repayment of borrowings		(537,621)	(460,384)
Net cash inflow (outflow) from financing activities		<u>(537,621)</u>	<u>1,039,616</u>
Net increase (decrease) in cash held		<u>(2,365,141)</u>	<u>4,840,495</u>
Cash at beginning of the financial year		16,142,497	11,302,002
Cash at end of the financial year	9	<u><u>13,777,356</u></u>	<u><u>16,142,497</u></u>

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

Blackall-Tambo Regional Council
Notes to the financial statements
For the year ended 30 June 2018

1 Significant accounting policies

1.A Basis of preparation

These general purpose financial statements for the period 1 July 2017 to 30 June 2018 have been prepared in accordance with all Australian Accounting Standards, Australian Accounting Interpretations and other pronouncements issued by the Australian Accounting Standards Board. They also comply with the requirements of the Local Government Act 2009 and the Local Government Regulation 2012.

These financial statements have been prepared under the historical cost convention except for the revaluation of certain non-current assets.

Recurrent/capital classification

Revenue and expenditure are presented as "recurrent" or "capital" in the Statement of Comprehensive Income on the following basis:

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

The following transactions are classified as either "Capital Income" or "Capital Expenses" depending on whether they result in accounting gains or losses:

- disposal of non-current assets
- discount rate adjustments to restoration provisions
- revaluations of property, plant and equipment.

All other revenue and expenses have been classified as "recurrent".

Statement of compliance

Because 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), to the extent these inconsistencies are applied, these financial statements do not comply with IFRS. The main impacts are the offsetting of revaluation and impairment gains and losses within a class of assets, and the timing of the recognition of non-reciprocal grant revenue.

1.B Constitution

Blackall-Tambo Regional Council is constituted under the Queensland Local Government Act 2009 and is domiciled in Australia.

1.C Date of authorisation

The financial statements were authorised for issue on the date they were submitted to the Auditor-General for final signature. This is the date the management certificate is signed.

1.D Currency

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

1.E Adoption of new and revised Accounting Standards

In the current year Council adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that are relevant to its operations and effective for the current reporting period. The adoption of the new and revised Standards and Interpretations has not resulted in any material changes to Council's accounting policies.

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

Council has not applied any Australian Accounting Standards and Interpretations that have been issued but are not yet effective. Generally Council applies Standards and Interpretations in accordance with their respective commencement dates.

Blackall-Tambo Regional Council
Notes to the financial statements
For the year ended 30 June 2018

Note 1.E Adoption of new and revised Accounting Standards (continued)

AASB 9 Financial Instruments

AASB 9, which replaces AASB 139 *Financial Instruments: Recognition and Measurement*, is effective for reporting periods beginning on or after 1 January 2018 and must be applied retrospectively. The main impact of AASB 9 is to change the requirements for the classification, measurement and disclosures associated with financial assets. Under the new requirements the four current categories of financial assets stipulated in AASB 139 has been replaced with two measurement categories: fair value and amortised cost, and financial assets are only able to be measured at amortised cost where very specific conditions are met. As a result, Council is required to measure its financial assets at fair value.

AASB 15 Revenue from Contracts with Customers

AASB 15 is effective for financial years beginning on or after 1 January 2018 and replaces both AASB 118 *Revenue*, and AASB 111 *Construction Contracts*, as well as a number of Interpretations. It contains a comprehensive and robust framework for the recognition, measurement and disclosure of revenue from contracts with customers.

AASB 16 Leases

AASB 16, effective for reporting periods beginning on or after 1 January 2019, will replace AASB 117 *Leases* and introduces a single lessee accounting model that will require a lessee to recognise right-of-use assets and lease liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Right-of-use assets are initially measured at their cost and lease liabilities are initially measured on a present value basis. Subsequent to initial recognition:

- Right-of-use assets are accounted for on a similar basis to non-financial assets, whereby the right-of-use asset is accounted for in accordance with a cost model unless the underlying asset is accounted for on a revaluation basis.
- Lease liabilities are accounted for on a similar basis as other financial liabilities, whereby interest expenses is recognised in respect of the liability and the carrying amount of the liability is reduced to reflect lease payments made.

Although Council anticipates that the adoption of AASB 16 will have an impact on Council's accounting for its operating leases, it is impracticable at this stage to provide a reasonable estimate of such impact.

All other new and amended Australian Accounting Standards and Interpretations which were issued at the date of authorisation of the financial report, but have future commencement dates, are not likely to have a material impact on the financial statements.

1.F 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 of property, plant and equipment - Note 12
Provisions - Note 15 and Note 1.N
Contingencies - Note 18

1.G Revenue

Rates, levies, grants and other revenue are recognised at the fair value of the consideration received or receivable at the time indicated below.

Rates levies and charges

Where rate monies are received prior to the commencement of the rating/levying period, the amount is recognised as revenue in the period in which they are received, otherwise rates are recognised at the commencement of the rating period.

Fees and charges

Revenue from fees and charges are recognised upon unconditional entitlement to the funds. Generally this is upon lodgement of the relevant applications or documents, issuing of the infringement notice or when the service is provided.

Blackall-Tambo Regional Council
Notes to the financial statements
For the year ended 30 June 2018

Note 1.G Revenue (continued)

Grants and subsidies

Grants, subsidies and contributions that are non-reciprocal in nature are recognised as revenue in the year in which Council obtains control over them.

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.

Rental income

Rental revenue from investment and other property is recognised as income on a periodic straight line basis over the lease term.

Interest

Interest received from term deposits is accrued over the term of the investment.

Sales revenue

Sale of goods is recognised when the significant risks and rewards of ownership are transferred to the buyer, generally when the customer has taken undisputed delivery of the goods.

Council generates revenue from a number of services including child care, motor vehicle repairs and contracts for road and earthworks. Revenue from contracts and recoverable works generally comprises a recoupment of material costs together with an hourly charge for use of equipment and employees. Contract revenue and associated costs are recognised by reference to the stage of completion of the contract activity at the reporting date.

1.H Financial assets and financial liabilities

Council recognises a financial asset or a financial liability in its Statement of Financial Position when, and only when, Council becomes a party to the contractual provisions of the instrument.

Council has categorised and measured the financial assets and financial liabilities held at balance date as follows:

Financial assets

Cash and cash equivalents

Receivables - measured at amortised cost

Financial liabilities

Payables - measured at amortised cost

Borrowings - measured at amortised cost

1.I Cash and cash equivalents

Cash and cash equivalents includes 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 that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts.

1.J Receivables

Trade receivables are recognised at the amounts due at the time of sale or service delivery, i.e. the agreed purchase price / contract price. Settlement of these amounts is required within 30 days from invoice date.

The collectability of receivables is assessed periodically and if there is objective evidence that Council will not be able to collect all amounts due, the carrying amount is reduced for impairment. The loss is recognised in finance costs. The amount of the impairment is the difference between the asset's carrying amount and the present value of the estimated cash flows discounted at the effective interest rate.

Because Council has the power to sell an owner's property to recover outstanding rate debts, Council does not impair any rate receivables.

Blackall-Tambo Regional Council
Notes to the financial statements
For the year ended 30 June 2018

1.K Property, plant and equipment

Each class of property, plant and equipment is stated at cost or fair value less, where applicable, any accumulated depreciation and accumulated impairment loss. Items of plant and equipment with a total value of less than \$10,000, and infrastructure assets and buildings with a total value of less than \$20,000 are treated as an expense in the year of acquisition. All other items of property, plant and equipment are capitalised.

The classes of property, plant and equipment recognised by the Council are:

Land and improvements

Buildings

Plant and equipment

Infrastructure

Road, drainage and bridge network

Water

Sewerage

Work in progress

Acquisition of assets

Acquisitions of assets are initially recorded at cost. 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.

Property, plant and equipment received in the form of contributions, are recognised as assets and revenues at fair value by Council valuation where that value exceeds the recognition thresholds for the respective asset class. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Capital and operating expenditure

Direct labour and materials and an appropriate proportion of overheads incurred in the acquisition or construction of assets are treated as capital expenditure. Assets under construction are not depreciated until they are completed and commissioned, at which time they are reclassified from work in progress to the appropriate property, plant and equipment class.

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, while expenditure that relates to replacement of a major component of an asset to maintain its service potential is capitalised.

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.

Valuation

Land and improvements, buildings and all infrastructure assets are measured on the revaluation basis, at fair value, in accordance with AASB 116 Property, Plant & Equipment and AASB 13 Fair Value Measurement. Plant and equipment and work in progress are measured at cost.

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.

Blackall-Tambo Regional Council
Notes to the financial statements
For the year ended 30 June 2018

Note 1.K Property plant and equipment (continued)

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.

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 increment 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.

Capital work in progress

The cost of property, plant and equipment being constructed by Council includes the cost of purchased services, materials, direct labour and an appropriate proportion of labour overheads.

Depreciation

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 Council. Management believe that the straight-line basis appropriately reflects the pattern of consumption of all Council assets.

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.

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 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.

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. Details of the range of estimated useful lives for each class of asset are disclosed in Note 11.

Intangible assets

Intangible assets, include licences and permits, with a cost or other value exceeding \$10,000 are recognised as intangible assets in the financial statements, items with a lesser value being expensed.

It has been determined that there is not an active market for any of the Council's intangible assets. Therefore, the assets are recognised and carried at cost less accumulated amortisation and accumulated impairment losses. Where the intangible asset has a finite life then the cost of the asset is amortised over that period on a straight line basis.

In 2016-17, Council acquired a Sales Permit (No. 201304400) for \$225,000 under which the State of Queensland agrees to sell and Council agree to purchase cypress sawlogs according to the terms of the permit. The permit allows for the harvesting of 142,500 tonnes of cypress sawlogs over 20 years from 2017 to 2037.

Blackall-Tambo Regional Council
Notes to the financial statements
For the year ended 30 June 2018

1.L Impairment of non-current assets

Each non-current physical and intangible asset and group of assets is assessed for indicators of impairment annually. If an indicator of possible impairment exists, 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. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use.

An impairment loss is recognised immediately in profit and loss, unless the asset is carried at a revalued amount. When the asset is measured at a revalued amount, the impairment loss is offset against the asset revaluation surplus of the relevant class to the extent available.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation surplus increase.

1.M Payables

Trade creditors are recognised upon receipt of the goods or services ordered and are measured at the agreed purchase/contract price net of applicable discounts other than contingent discounts. Amounts owing are unsecured and are generally settled on 30 day terms.

1.N Liabilities - employee benefits

Salaries and wages

A liability for salaries and wages is recognised and measured as the amount unpaid at the reporting date at current pay rates in respect of employees' services up to that date. This liability represents an accrued expense.

Annual leave

A liability for annual leave is recognised. The portion expected to be paid within twelve months is calculated on current wage and salary levels and includes related employee on-costs. The portion not expected to be paid out within the next twelve months is calculated on projected future wage and salary levels and related employee on-costs, discounted to present values. This liability represents an accrued expense. As Council does not have an unconditional right to defer settlement of the obligation beyond twelve months, all annual leave liabilities are classified as current.

Superannuation

The superannuation expense for the reporting period is the amount of the contribution the Council makes to the superannuation plan which provides benefits to its employees. Details of those arrangements are set out in Note 19.

Long service leave

A liability for long service leave is measured as 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 value of 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 Council's employment or other associated employment which would result in 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 attached to Commonwealth Government guaranteed securities at the reporting date are used to discount the estimated future cash outflows to their present value. Where Council has an unconditional right to defer settlement beyond twelve months of balance date, the liability is classified as non-current. Otherwise, the liability is classified as current.

1.O Borrowing and borrowing costs

Borrowings are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these liabilities are measured at amortised cost.

All borrowing costs are expensed in the period in which they are incurred. No borrowing costs are capitalised on qualifying assets.

Blackall-Tambo Regional Council
Notes to the financial statements
For the year ended 30 June 2018

1.P Asset revaluation surplus

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

Increases and decreases on revaluation are offset within a class of assets.

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

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

1.Q National competition policy

Council has reviewed its activities to identify its business activities. Council has resolved not to apply the code of competitive conduct to any of its prescribed activities.

1.R Rounding and comparatives

The financial statements 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.S Trust funds held for outside parties

Funds held in the trust account on behalf of outside parties include those funds from the sale of land for arrears in rates, deposits for the contracted sale of land, security deposits lodged to guarantee performance and unclaimed monies (e.g. wages) paid into the trust account by Council. Council performs only a custodian role in respect of these monies and because the monies cannot be used for Council purposes, they are not considered revenue nor brought to account in the financial statements. The monies are disclosed in the notes to the financial statements for information purposes only in Note 20.

1.T Taxation

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

Blackall-Tambo Regional Council
Notes to the financial statements
For the year ended 30 June 2018

2 Analysis of results by function

2(a) Components of Council functions

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

Corporate Services

The corporate services function includes corporate governance and financial administration of Council.

The objective of corporate governance is for Council to be accountable and transparent in delivering value for money community outcomes. This function includes strategic and operational planning, risk management, legal and administrative support. This comprises the support functions for the Mayor and Councillors, Council and committee meetings and statutory requirements.

Finance and information provides professional finance and information services across Council. This function includes internal audit, budget support, financial accounting and information technology services. The objective of this function is to provide reliable information in a timely manner to support decision making and meet statutory obligations.

Community services

The goal of community services function is to provide effective social, recreational and health services. The function includes libraries, community buildings, recreation venues, social support, care and disability services.

Planning and development

This function manages building and development approvals in the shire. The goal of this function is to ensure compliance with building standards and sustainable development practices. Council's planning scheme aims to service development through trunk infrastructure planning.

Transport infrastructure

This function includes construction and maintenance of Council and State government controlled roads, town streets, stormwater drainage, footpaths and aerodromes. The goal of the transport function is to provide a transport network that is accessible and safe for public use.

Waste management

Waste management function provides refuse collection and disposal services. The goal of the waste management program is to manage waste in a way that protects the community and the environment.

Water infrastructure

The water services function attends to the maintenance of water supply infrastructure with the goal of delivering sustainable water services that meets health standards and minimises waste.

Sewerage infrastructure

The sewerage services function attends to the maintenance of sewerage infrastructure with the goal of delivering a reliable sewerage network that is environmentally friendly.

Blackall-Tambo Regional Council
Notes to the financial statements
For the year ended 30 June 2018

2 Analysis of results by function

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

Year Ended 30 June 2018

Functions	Gross program income				Total income	Gross program expenses		Total expenses	Net result from recurring operations	Net operating surplus	Assets
	Recurring		Capital			Recurring	Capital				
	Grants	Other	Grants	Other							
	2018 \$	2018 \$	2018 \$	2018 \$							
Corporate services	4,410,840	5,294,523	2,417,656	-	12,123,019	(9,769,906)	(115,844)	(9,885,750)	(64,543)	2,237,269	56,898,106
Community services	885,229	238,752	-	-	1,123,981	(1,794,851)	-	(1,794,851)	(670,870)	(670,870)	5,675,376
Planning & development	-	26,323	-	-	26,323	(66,745)	-	(66,745)	(40,422)	(40,422)	-
Transport infrastructure	-	7,085,252	1,827,146	-	8,912,398	(10,101,131)	(168,114)	(10,269,245)	(3,015,879)	(1,356,847)	160,518,678
Waste management	-	299,095	-	-	299,095	(207,294)	-	(207,294)	91,801	91,801	-
Water infrastructure	-	798,490	-	-	798,490	(474,884)	-	(474,884)	323,606	323,606	7,544,978
Sewerage infrastructure	-	689,987	-	-	689,987	(364,469)	-	(364,469)	325,518	325,518	10,310,498
Total Council	5,296,069	14,432,422	4,244,802	-	23,973,293	(22,779,280)	(283,958)	(23,063,238)	(3,050,789)	910,055	240,947,636

Year Ended 30 June 2017

Functions	Gross program income				Total income	Gross program expenses		Total expenses	Net result from recurring operations	Net operating surplus	Assets
	Recurring		Capital			Recurring	Capital				
	Grants	Other	Grants	Other							
	2017	2017	2017	2017							
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Corporate services	6,176,703	5,451,948	1,321,808	-	12,950,459	(8,209,877)	(363,752)	(8,573,629)	3,418,774	4,376,830	54,313,469
Community services	555,840	348,980	-	-	904,820	(1,409,964)	-	(1,409,964)	(505,144)	(505,144)	4,971,015
Planning & development	-	13,420	-	-	13,420	(98,786)	-	(98,786)	(85,366)	(85,366)	-
Transport infrastructure	-	8,020,353	1,653,319	-	9,673,672	(11,022,050)	(1,106,642)	(12,128,692)	(3,001,697)	(2,455,020)	152,886,991
Waste management	-	350,376	-	-	350,376	(219,792)	-	(219,792)	130,584	130,584	-
Water infrastructure	-	789,182	-	-	789,182	(484,674)	-	(484,674)	304,508	304,508	7,304,930
Sewerage infrastructure	-	697,580	-	-	697,580	(497,956)	(10,803)	(508,759)	199,624	188,821	10,169,007
Total Council	6,732,543	15,671,839	2,975,127	-	25,379,509	(21,943,099)	(1,481,197)	(23,424,296)	461,283	1,955,213	229,645,412

Blackall-Tambo Regional Council
Notes to the financial statements
For the year ended 30 June 2018

Note	2018 \$	2017 \$
3 Revenue analysis		
(a) Rates, levies and charges		
General rates	3,427,902	3,510,221
Water	792,699	789,182
Sewerage	684,756	697,580
Waste management	-	81,397
Garbage charges	296,481	268,979
Total rates and utility charge revenue	5,201,838	5,347,359
Less: Discounts	(481,248)	(486,666)
Less: Pensioner remissions	(40,456)	(38,318)
	<u>4,680,134</u>	<u>4,822,375</u>
(b) Fees and charges		
Saleyard fees	490,642	801,809
Building and development fees	26,323	8,018
Agistment/Town Common fees	120,698	125,421
Childcare fees	54,899	34,015
Cemetery/Funeral fees	66,699	84,781
Licences and registrations	2,320	3,800
Commissions	59,874	89,373
Hire of Community facilities	11,285	26,692
Airport landing fees	139,517	138,241
Other fees and charges	130,328	335,918
	<u>1,102,585</u>	<u>1,648,068</u>
(c) Rental income		
Commercial property rental	59,459	27,028
Accommodation rental income	112,681	118,568
	<u>172,140</u>	<u>145,596</u>
(d) Interest received		
Interest received from term deposits	317,183	297,699
Other sources	49	-
Interest from overdue rates and utility charges	22,467	9,623
	<u>339,699</u>	<u>307,322</u>
(e) Sales revenue		
Sale of services		
Contract and recoverable works	6,943,756	8,087,681
Private Works	611,309	87,217
	<u>7,555,065</u>	<u>8,174,898</u>
Sale of goods		
Visitor Information Centre	24,772	40,269
	<u>24,772</u>	<u>40,269</u>
Total sales revenue	<u>7,579,837</u>	<u>8,215,167</u>
4 Grants, subsidies, contributions and donations		
(a) Recurrent		
General purpose grants	4,059,521	5,817,691
State government subsidies and grants	542,600	670,693
Commonwealth government subsidies and grants	693,948	243,534
Donations	-	625
	<u>5,296,069</u>	<u>6,732,543</u>
(b) Capital		
State government subsidies and grants	2,638,119	1,701,299
Commonwealth government subsidies and grants	1,606,683	1,273,828
	<u>4,244,802</u>	<u>2,975,127</u>

Blackall-Tambo Regional Council
Notes to the financial statements
For the year ended 30 June 2018

	2018	2017
Note	\$	\$
5 Capital expenses		
Gain / loss on disposal of non-current assets		
Proceeds from the sale of property, plant and equipment	762,485	589,700
Less: Book value of property, plant and equipment disposed of	(751,317)	(907,816)
	<u>11,168</u>	<u>(318,116)</u>
 Proceeds from sale of land and improvements	 61,818	 50,187
Less: Book value of land sold	(75,616)	(71,000)
	<u>(13,798)</u>	<u>(20,813)</u>
 Write-off of infrastructure and building assets	 (281,328)	 (1,131,465)
	<u>(281,328)</u>	<u>(1,131,465)</u>
Prior Year Adjustments		
Writeoff of sewerage assets for 2015-16	-	(10,803)
	<u>-</u>	<u>(10,803)</u>
 Total capital income/(loss)	 (283,958)	 (1,481,197)
	<u><u>(283,958)</u></u>	<u><u>(1,481,197)</u></u>
6 Employee benefits		
Total staff wages and salaries	5,917,896	5,634,203
Councillors' remuneration	298,180	300,948
Annual, sick and long service leave entitlements	1,068,650	1,053,955
Superannuation	734,180	672,734
	<u>8,018,906</u>	<u>7,661,840</u>
Other employee related expenses	317,972	251,729
	<u>8,336,878</u>	<u>7,913,569</u>
Less: Capitalised employee expenses	(558,331)	(394,598)
	<u>7,778,547</u>	<u>7,518,971</u>
	<u><u>7,778,547</u></u>	<u><u>7,518,971</u></u>
 Total Council employees at the reporting date:	 2018	 2017
Elected members	7	7
Administration staff	37	35
Depot and outdoors staff	69	72
Total full time equivalent employees	<u>113</u>	<u>114</u>
	<u><u>113</u></u>	<u><u>114</u></u>
7 Materials and services		
Advertising and marketing	40,196	39,547
Administration supplies and consumables	183,637	686,461
Audit services	96,885	71,532
Communications and IT	496,609	519,188
Community Health Programs	178,191	176,034
Consultants	515,510	447,394
Contractors	1,513,579	1,523,390
Donations paid	54,440	44,731
Insurances	502,874	506,540
Parks, gardens & reserves	730,878	458,854
Pest Management	234,328	165,165
Power	332,917	294,272
Repairs and maintenance	722,713	765,055
Subscriptions and registrations	126,393	149,112
Other materials and services	3,559,547	2,812,062
	<u>9,288,697</u>	<u>8,659,337</u>
	<u><u>9,288,697</u></u>	<u><u>8,659,337</u></u>
8 Finance costs		
Finance costs charged by the Queensland Treasury Corporation	106,768	95,643
Bank charges	8,578	5,885
Impairment of debts	20,638	20,000
	<u>135,984</u>	<u>121,528</u>
	<u><u>135,984</u></u>	<u><u>121,528</u></u>

Blackall-Tambo Regional Council
Notes to the financial statements
For the year ended 30 June 2018

Note	2018 \$	2017 \$
9 Cash and cash equivalents		
Cash at bank and on hand	4,733,461	5,168,667
Deposits at call	9,043,895	10,973,830
Balance per Statement of Cash Flows	<u>13,777,356</u>	<u>16,142,497</u>
Restricted cash and cash equivalents as at 30 June 2018.		
Unspent government grants and subsidies	436,976	341,590
Unspent developer contributions	-	-
Unspent loan monies	-	-
Total unspent restricted cash	<u>436,976</u>	<u>341,590</u>
10 Trade and other receivables		
Rateable revenue and utility charges	122,685	97,038
Other debtors	973,966	1,173,770
Less impairment	(3,958)	(1,691)
GST recoverable	64,814	-
Prepayments	161,700	77,240
	<u>1,319,207</u>	<u>1,346,357</u>

Blackall-Tambo Regional Council
Notes to the financial statements
For the year ended 30 June 2018

11 Property, plant and equipment

30 June 2018

Basis of measurement

Asset values

Opening gross value as at 1 July 2017

Additions

Assets capitalised from WIP

Disposals

Revaluation adjustment

Closing gross value as at 30 June 2018

Land and improvements	Buildings	Plant and equipment	Road, drainage and bridge network	Water	Sewerage	Work in progress	Total
Fair value	Fair value	Cost	Fair value	Fair value	Fair value	Cost	
\$	\$	\$	\$	\$	\$	\$	\$
3,378,500	54,038,470	13,862,768	192,678,463	11,527,953	15,948,012	3,526,797	294,960,963
-	-	2,001,838	-	-	-	7,246,042	9,247,880
331,767	2,064,984	27,175	2,512,708	-	-	(4,936,634)	-
(75,616)	(1,027,629)	(1,794,297)	(275,433)	-	-	-	(3,172,975)
(31,400)	5,122,051	-	10,037,279	651,958	604,220	-	16,384,108
3,603,251	60,197,876	14,097,484	204,953,017	12,179,911	16,552,232	5,836,205	317,419,976

Accumulated depreciation and impairment

Opening gross value as at 1 July 2017

Adjustment to opening balance

Depreciation provided in period

Depreciation on disposals

Revaluation adjustment

Accumulated depreciation as at 30 June 2018

-	25,463,846	5,964,449	41,657,431	4,303,316	5,785,868	-	83,174,910
-	-	-	-	-	-	-	-
-	1,434,207	1,039,794	2,614,167	209,866	267,367	-	5,565,401
-	(668,418)	(1,288,976)	(107,319)	-	-	-	(2,064,713)
-	2,439,356	-	2,399,090	255,858	195,464	-	5,289,768
-	28,668,991	5,715,267	46,563,369	4,769,040	6,248,699	-	91,965,366

Book value as at 30 June 2018

Range of estimated useful life in years

3,603,251	31,528,885	8,382,217	158,389,648	7,410,871	10,303,533	5,836,205	225,454,610
Land: Not depreciated.	40 - 100	2 - 20	6 - 120	10 - 60	20 - 60	-	-
Improvements: 7 - 40							

ADDITIONS COMPRISE

Renewals

Other additions

Total Additions

-	-	2,001,838	-	-	-	4,813,799	6,815,637
-	-	-	-	-	-	2,432,243	2,432,243
-	-	2,001,838	-	-	-	7,246,042	9,247,880

Blackall-Tambo Regional Council
Notes to the Financial Statements
For the year ended 30 June 2017

Note 11 Property, plant and equipment (continued)

30 June 2017

Basis of measurement

Asset values

Opening gross value as at 1 July 2016

Additions

Assets capitalised from WIP

Disposals

Revaluation adjustment

Closing gross value as at 30 June 2017

Land and improvements	Buildings	Plant and equipment	Road, drainage and bridge network	Water	Sewerage	Work in progress	Total
Fair value	Fair value	Cost	Fair value	Fair value	Fair value	Cost	
\$	\$	\$	\$	\$	\$	\$	\$
3,449,500	53,102,709	13,764,533	192,234,942	11,527,953	15,948,012	2,741,875	292,769,524
-	-	2,183,901	-	-	-	4,319,291	6,503,192
-	1,431,345	-	2,103,024	-	-	(3,534,369)	-
(71,000)	(495,584)	(2,085,666)	(1,659,503)	-	-	-	(4,311,753)
-	-	-	-	-	-	-	-
3,378,500	54,038,470	13,862,768	192,678,463	11,527,953	15,948,012	3,526,797	294,960,963

Accumulated depreciation and impairment

Opening balance as at 1 July 2016

Depreciation provided in period

Depreciation on disposals

Revaluation adjustment

Accumulated depreciation as at 30 June 2017

-	24,366,460	6,198,723	39,558,124	4,093,418	5,505,591	-	79,722,316
-	1,402,168	1,109,555	2,652,168	209,898	269,474	-	5,643,263
-	(304,782)	(1,343,829)	(552,861)	-	-	-	(2,201,472)
-	-	-	-	-	-	-	-
-	25,463,846	5,964,449	41,657,431	4,303,316	5,785,868	-	83,174,910

Consolidated book value as at 30 June 2017

Range of estimated useful life in years

3,378,500	28,574,624	7,898,319	151,021,032	7,224,637	10,162,144	3,526,797	211,786,053
Land: Not depreciated. Improvements: 7 - 40	40 - 100	2 - 20	6 - 120	10 - 60	20 - 60	-	-

Blackall-Tambo Regional Council
Notes to the financial statements
For the year ended 30 June 2018

12 Fair value measurements

(i) Recognised fair value measurements

Council measures and recognises the following assets at fair value on a recurring basis:

- Property, plant and equipment
 - Land and improvements
 - Buildings
 - Road, drainage and bridge infrastructure
 - Water infrastructure
 - Sewerage infrastructure

Council does not measure any liabilities at fair value on a recurring basis.

Council has assets and liabilities which are not measured at fair value, but for which fair values are disclosed in other notes. Council borrowings are measured at amortised cost with interest recognised in profit or loss when incurred. The fair value of borrowings disclosed in Note 14 is provided by the Queensland Treasury Corporation and represents the contractual undiscounted cash flows at balance date (level 2).

The carrying amounts of trade receivables and trade payables are assumed to approximate their fair values due to their short-term nature (level 2).

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

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

The following table categorises fair value measurements as either level 2 or level 3 in accordance with AASB 13. Council does not have any assets or liabilities measured at fair value which meet the criteria for categorisation as level 1.

The fair values of the assets are determined using valuation techniques which maximise the use of observable data, where it is available, and minimise the use of entity specific estimates. If all significant inputs required to fair value an asset are observable, the asset is included in level 2. If one or more of the significant inputs is not based on observable market data, the asset is included in level 3. This is the case for Council infrastructure assets, which are of a specialist nature for which there is no active market for similar or identical assets. These assets are valued using a combination of observable and unobservable inputs.

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 of each class of property, plant and equipment at least once every 5 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.

The table presents Council's assets and liabilities measured and recognised at fair value.

2018	Note	Level 2	Level 3	Total
		\$	\$	\$
Recurring fair value measurements				
Land and improvements		3,603,251	-	3,603,251
Buildings				
- Commercial Buildings		159,762	116,952	276,714
- Residential Buildings		3,201,689	-	3,201,689
- Other Buildings		1,701,757	26,348,724	28,050,481
Road, drainage and bridge network		-	158,389,649	158,389,649
Water		-	7,410,871	7,410,871
Sewerage		-	10,303,533	10,303,533
		<u>8,666,459</u>	<u>202,569,729</u>	<u>211,236,188</u>

Blackall-Tambo Regional Council
Notes to the financial statements
For the year ended 30 June 2018

Note 12 Fair value measurements (continued)

2017	Note	Level 2	Level 3	Total
		\$	\$	\$
Recurring fair value measurements				
Land and improvements		3,378,500	-	3,378,500
Buildings				
- Commercial Buildings		223,068	63,151	286,219
- Residential Buildings		3,257,158	-	3,257,158
- Other Buildings		1,546,822	23,484,425	25,031,247
Road, drainage and bridge network		-	151,021,031	151,021,031
Water		-	7,224,637	7,224,637
Sewerage		-	10,162,145	10,162,145
		<u>8,405,548</u>	<u>191,955,389</u>	<u>200,360,937</u>

Management internally reviewed and assessed valuation indices provided by APV Valuers & Asset Management for each asset class.

The cumulative change in indices since last comprehensive valuations were considered material and therefore indexation adjustment has been made this year. There were no other changes that have a material impact on the value of the assets, such as impairment. All asset classes had a desktop valuation effective 30 June 2018.

The table below summarises the level of detail applied in determining the value of Council's assets as at 30 June 2018 and the effective date of last comprehensive valuation.

Asset Category	Valuation Effective 30 June 2018	Performed By	Effective Date of Last Comprehensive Valuation	Performed By
Land	Desktop	APV Valuers & Asset Management	30/6/2015	Shepherd Services Pty Ltd
Buildings	Desktop	APV Valuers & Asset Management	30/6/2015	Shepherd Services Pty Ltd
Road and Drainage Network	Desktop	APV Valuers & Asset Management	30/6/2016	Shepherd Services Pty Ltd
Water Infrastructure Network	Desktop	APV Valuers & Asset Management	30/6/2015	Shepherd Services Pty Ltd
Sewerage Infrastructure Network	Desktop	APV Valuers & Asset Management	30/6/2015	Shepherd Services Pty Ltd

(ii) Valuation techniques used to derive fair values for level 2 and level 3 valuations

Council utilises AASB13 *Fair Value Measurement* and has reviewed each valuation to ensure compliance with the requirements of the standard. There have been no changes in valuation techniques as a result of this review.

Blackall-Tambo Regional Council
Notes to the financial statements
For the year ended 30 June 2018

Note 12 Fair value measurements (continued)

Specific valuation techniques used to value Council assets comprise:

Land (level 2)

Level 2 valuation inputs are 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. All land values are based on the assumption that contaminants such as asbestos, chemicals, toxic wastes or other hazardous materials do not exist on these land parcels.

Buildings (level 2)

Council's rental properties include residential and commercial properties within the town boundaries, in areas with regular sales of comparable properties. They are valued using the sales comparison approach. Sales prices of comparable residential properties in close proximity are adjusted for differences in key attributes such as property size (level 2).

Buildings (level 3)

With the exception of residential and commercial buildings described above, it is considered that Council buildings are of a specialist nature and there is no active market for these assets. As such, fair value is 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 are derived from reference to market data for recent projects and indices for building & construction in Queensland issued by the Australian Bureau of Statistics.

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. In determining the level of accumulated depreciation, building assets are disaggregated into significant components which exhibit different useful lives. Allowance is made for the typical asset life cycle and renewal treatments of each component and the condition of the asset. Condition is 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 useful life 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.

The last comprehensive revaluation of Council's land and building assets was undertaken as at 30 June 2015.

The next comprehensive valuation of land and building assets is planned to occur in 2020.

Infrastructure assets (level 3)

All Council infrastructure assets are fair valued using a written down current replacement cost methodology. 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. The gross cost of replacing the full service potential of an asset is first determined and then adjusted downwards by an accumulated depreciation charge to take account of the expired service potential of the asset.

CRC is 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 are over designed, have excess capacity, or are redundant, an adjustment is made so that the resulting valuation reflects 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 are based on a "Greenfield" assumption meaning that the CRC is determined as the full cost of replacement with a new asset including components that may not need to be replaced, such as earthworks. The CRC is determined using methods relevant to the asset class as described under individual asset categories below.

Blackall-Tambo Regional Council
Notes to the financial statements
For the year ended 30 June 2018

Note 12 Fair value measurements (continued)

Road, drainage and bridge network

Current replacement cost

Council categorises its road infrastructure into urban and rural roads and then further sub-categorises these into sealed and unsealed roads. All roads are managed in segments according to surface type and age. 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 is calculated by reference to asset linear and area specifications, estimated labour and material inputs, services costs, and overhead allocations. Council assumes that pavements are constructed to depths of 4-6 cms for high traffic areas and 4 cms for lower traffic locations. Council also assumes that all raw materials can be sourced from various local quarries with haulage rates of between \$2 and \$2.50 per cubic meter depending on the location of the segment being valued. For internal construction estimates, material and services prices are based on existing supplier contract rates or supplier price lists and labour wage rates are based on Council's Enterprise Bargaining Agreement (EBA). All direct costs are allocated to assets at standard usage quantities according to recently completed similar projects. Where construction is outsourced, CRC is based on the average of completed similar projects over the last few years.

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

The last comprehensive revaluation of Council's road, drainage and bridge infrastructure was undertaken as at 30 June 2016.

The next comprehensive valuation of Council's road, drainage and bridge infrastructure is planned to occur in 2020.

In determining the written down value of an asset, accumulated depreciation, representing the service potential consumed, is subtracted from the asset's current replacement cost. An asset's service potential has a linear relationship to its useful life.

Useful lives are determined via the following process:

1. Inspection of the oldest assets within each category to estimate the remaining life (based on the delivery of future economic benefits) and estimated useful life.
2. Making comparisons with other regional Council's useful lives.
3. Making comparisons with the national databases of useful lives to ensure useful lives adopted are in consistent ranges with national standards (e.g. International Infrastructure Management Manual).
4. Consideration of other aspects, including:
 - Council's internal knowledge of the performance of assets based on historical experience.
 - Australian standards, pavement design manuals and product guidelines.
 - Current engineering practice.
5. Technical and commercial obsolescence is also considered.

Where an asset is young in age and shows no significant signs of wear and tear its remaining useful life is calculated by subtracting its age from its useful life as determined above.

Where Council does not have accurate records of year of construction, and for older assets where an aged based approach for determining remaining life is not considered appropriate, remaining lives of assets are estimated.

Blackall-Tambo Regional Council
Notes to the financial statements
For the year ended 30 June 2018

Note 12 Fair value measurements (continued)

Water and Sewerage

Current replacement cost

Water and sewerage mains are segmented and componentised into standard and rising mains to ensure a reliable measure of cost and service capacity and deterioration of estimated remaining life. Each segment is valued on the same basis as described for roads above. Due to these assets being located underground, the age based approach for determining remaining useful life is adopted, with condition assessment undertaken by exception.

The most significant inputs into the valuation approach are construction cost unit rates (per linear or square metre), estimated residual values, estimated useful lives, pattern of consumption and asset condition.

The last comprehensive revaluation of Council's water and sewerage infrastructure was undertaken as at 30 June 2015 by Shepherd Services Pty Ltd.

The next comprehensive valuation of Council's water and sewerage infrastructure is planned to occur in 2020.

Shepherd's cost models were derived from the following sources:

- Schedule rates for construction of asset or similar assets
- Building Price Index tables
- Recent contract and tender data
- Suppliers' quotations

Factors taken into account in determining replacement costs included:

- Development factors - the area in which development takes place (e.g. rural areas would have little or no restoration requirements, whereas a high density area would have large amounts of high quality footpaths, road pavements and associated infrastructure that would require reinstatement, and would also require traffic control).
- Soil factors - The types of soil or other surface material (e.g. areas where soil is sandy are difficult to excavate and would require shoring while areas where the soil is generally free of rock would not present any great difficulty for excavation).

Accumulated depreciation

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

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

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

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

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

Blackall-Tambo Regional Council
Notes to the financial statements
For the year ended 30 June 2018

Note 12 Fair value measurements (continued)

(iii) Changes in Fair Value Measurements using significant unobservable inputs (level 3)

The changes in level 3 assets with recurring fair value measurements are detailed in Note 11 (property, plant and equipment). However, since buildings disclosed in those notes comprise both level 2 and level 3 assets, the movement in level 3 buildings are detailed below.

Changes in buildings (Level 3)	2018	2017
	\$	\$
Opening gross value as at 1 July	39,993,926	39,246,899
Transfers between Levels	-	(567,216)
Additions	1,925,934	1,361,256
Disposals	(545,611)	(47,013)
Revaluation adjustment	3,847,805	-
Closing gross value as at 30 June	45,222,054	39,993,926
Accumulated depreciation and impairment		
Opening balance as at 1 July	16,446,350	15,732,668
Transfers between levels	-	(287,411)
Depreciation provided in period	1,074,730	1,029,709
Depreciation on disposals	(360,625)	(28,616)
Revaluation adjustment	1,595,923	-
Accumulated depreciation as at 30 June	18,756,378	16,446,350
Book value as at 30 June	26,465,676	23,547,576

Blackall-Tambo Regional Council**Notes to the financial statements**

For the year ended 30 June 2018

	Note	2018 \$	2017 \$
13 Trade and other payables			
Current			
Creditors and accruals		312,928	312,375
Annual leave		932,239	990,617
GST Payable		-	1,459
Other entitlements		42,673	67,976
		<u>1,287,840</u>	<u>1,372,427</u>
14 Borrowings			
Current			
Loans - Queensland Treasury Corporation		556,957	533,125
		<u>556,957</u>	<u>533,125</u>
Non-current			
Loans - Queensland Treasury Corporation		1,382,577	1,944,030
		<u>1,382,577</u>	<u>1,944,030</u>
Loans - Queensland Treasury Corporation			
Opening balance at beginning of financial year		2,477,155	1,437,539
Loans raised		-	1,500,000
Principal repayments		(537,621)	(460,384)
Book value at end of financial year		<u>1,939,534</u>	<u>2,477,155</u>
The QTC loan market value at the reporting date was \$ 1,980,868. This represents the value of the debt if Council repaid it at that date. As it is the intention of Council to hold the debt for its term, no provision is required to be made in these accounts.			
15 Provisions			
Current			
Long service leave		834,457	815,702
		<u>834,457</u>	<u>815,702</u>
Non-current			
Long service leave		91,309	190,027
		<u>91,309</u>	<u>190,027</u>
Details of movements in provisions			
Balance at the beginning of financial year		1,005,729	1,067,137
Long Service Leave entitlement arising		155,026	214,986
Long Service Leave entitlement paid		(234,989)	(276,394)
Balance at end of financial year		<u>925,766</u>	<u>1,005,729</u>

Blackall-Tambo Regional Council

Notes to the financial statements

For the year ended 30 June 2018

	Note	2018 \$	2017 \$
16 Asset revaluation surplus			
Movements in the asset revaluation surplus were as follows:			
Balance at beginning of financial year		108,419,775	108,419,775
Net adjustment to non-current assets at end of period to reflect a change in current fair value:			
Land and improvements		(31,400)	-
Buildings		2,682,695	-
Road, drainage and bridge network		7,638,189	-
Water		396,100	-
Sewerage		408,756	-
Balance at end of financial year		<u>119,514,115</u>	<u>108,419,775</u>
Net increase/(decrease) in Asset Revaluation Surplus		<u>11,094,340</u>	<u>-</u>

Asset revaluation surplus analysis

The closing balance of the asset revaluation surplus comprises the following asset categories:

Land and improvements	3,284,484	3,315,884
Buildings	6,843,811	4,161,116
Road, drainage and bridge network	98,785,000	91,146,811
Water	5,216,831	4,820,731
Sewerage	5,383,989	4,975,233
	<u>119,514,115</u>	<u>108,419,775</u>

17 Commitments for expenditure

The Blackall-Tambo Regional Council does not have any operating leases or contractual commitments as at the reporting date.

18 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.

As at 30 June 2018 the financial statements of LGM Queensland 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 \$317,957.

Blackall-Tambo Regional Council

Notes to the financial statements

For the year ended 30 June 2018

19 Superannuation

The Council contributes to the Local Government Superannuation Scheme (Qld) (the scheme). The scheme is a Multi-employer Plan as defined in the Australian Accounting Standard AASB119 Employee Benefits.

The Queensland Local Government Superannuation Board, the trustee of the scheme, advised that the local government superannuation scheme was a complying superannuation scheme for the purpose of the Commonwealth Superannuation Industry (Supervision) legislation.

The scheme has three elements referred to as:

The City Defined Benefits Fund (CDBF) which covers former members of the City Super Defined Benefits Fund

The Regional Defined Benefits Fund (Regional DBF) which covers defined benefit fund members working for regional local governments; and

The Accumulation Benefits Fund (ABF)

The ABF is a defined contribution scheme as defined in AASB 119. Council has no liability to or interest in the ABF other than the payment of the statutory contributions as required by the Local Government Act 2009.

Council does not have any employees who are members of the CDBF and, therefore, is not exposed to the obligations, assets or costs associated with this fund.

The Regional DBF is a defined benefit plan as defined in AASB119. The Council is not able to account for the Regional DBF as a defined benefit plan in accordance with AASB119 because the scheme is unable to account to the Council for its proportionate share of the defined benefit obligation, plan assets and costs. The funding policy adopted in respect of the Regional DBF is directed at ensuring that the benefits accruing to members and beneficiaries are fully funded as they fall due.

To ensure the ongoing solvency of the Regional DBF, the scheme's trustee can vary the rate of contributions from relevant local government employers subject to advice from the scheme's actuary. As at the reporting date, no changes had been made to prescribed employer contributions which remain at 12% of employee assets and there are no known requirements to change the rate of contributions.

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

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

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

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

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

There are currently 63 Councils contributing to the Regional DBF plan and any changes in contribution rates would apply equally to all 63 Councils. Blackall-Tambo Regional Council made less than 4% of the total contributions to the plan in the 2017-18 financial year.

The next actuarial investigation will be conducted as at 1 July 2018.

Blackall-Tambo Regional Council

Notes to the financial statements

For the year ended 30 June 2018

	Note	2018 \$	2017 \$
20 Trust funds			
Trust funds held for outside parties			
Monies collected or held on behalf of other entities yet to be paid out to or on behalf of those entities		45,415	45,058
Security deposits		21,187	23,558
		<u>66,602</u>	<u>68,616</u>

The Council performs only a custodial role in respect of these monies. As these funds cannot be used by Council, they are not brought to account in these financial statements.

21 Reconciliation of net operating surplus for the year to net cash inflow (outflow) from operating activities

Net operating result	910,055	1,955,213
Non-cash operating items:		
Depreciation and amortisation	5,576,052	5,643,263
	<u>5,576,052</u>	<u>5,643,263</u>
Investing and development activities:		
Net (profit)/loss on disposal/write-off of non-current assets	283,958	1,481,197
Capital grants and contributions	(4,244,802)	(2,975,127)
	<u>(3,960,844)</u>	<u>(1,493,930)</u>
Changes in operating assets and liabilities:		
(Increase)/decrease in receivables	(27,150)	944,955
(Increase)/decrease in inventory	(36,609)	8,624
Increase/(decrease) in payables	(26,686)	(82,660)
Increase/(decrease) in other provisions	(79,963)	(61,408)
	<u>(170,408)</u>	<u>809,511</u>
Net cash inflow from operating activities	<u>2,354,855</u>	<u>6,914,057</u>

22 Reconciliation of liabilities arising from finance activities

	As at 30 June 2017	Cash Flows	Non-cash changes (new leases)	As at 30 June 2018
Loans	2,477,155	(537,621)	-	1,939,534
Finance Leases	-	-	-	-
	<u>2,477,155</u>	<u>(537,621)</u>	<u>-</u>	<u>1,939,534</u>

23 Events after the balance date

There were no material adjusting events after the balance date.

Blackall-Tambo Regional Council
Notes to the financial statements
For the year ended 30 June 2018

24 Financial instruments

Blackall-Tambo Regional Council's activities expose it to a variety of financial risks including interest rate risk, credit risk, and liquidity risk.

Exposure to financial risks is managed in accordance with Council approved policies on financial risk management. These policies focus on managing the volatility of financial markets and seek to minimise potential adverse effects on the financial performance of Council. Council minimises its exposure to financial risk in the following ways:

Investments in financial assets are only made where those assets are with a bank or other financial institution in Australia. Council does not invest in derivatives or other high risk investments.

When Council borrows, it borrows from the Queensland Treasury Corporation unless another financial institution can offer a more beneficial rate, taking into account any risk. Borrowing by Council is constrained by the provisions of the *Statutory Bodies Financial Arrangements Act 1982*.

Council measures risk exposure using a variety of methods as follows:

Risk exposure	Measurement method
Interest rate risk	Sensitivity analysis
Liquidity risk	Maturity analysis
Credit risk	Ageing analysis

Credit risk exposure

Credit risk exposure refers to the situation where Council may incur financial loss as a result of another party to a financial instrument failing to discharge their obligations.

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 Council against credit risk in the case of these debtors.

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

Council is also exposed to credit risk through its deposits held at call with financial institutions.

By the nature of Council's operations, there is a geographical concentration of risk in Council's area. Because the area is largely agricultural, there is also a concentration in the agricultural sector.

The maximum exposure to credit risk at balance date in relation to each class of recognised financial asset is the gross carrying amount of those assets inclusive of any provisions for impairment.

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

Council's maximum exposure to credit risk is as follows:

	Note	2018 \$	2017 \$
Financial assets			
Cash and cash equivalents	9	13,777,356	16,142,497
Receivables - rates	10	122,685	97,038
Receivables - other	10	1,196,522	1,249,319
		<u>15,096,563</u>	<u>17,488,854</u>

No financial assets have had their terms renegotiated so as to prevent them from being past due or impaired, and are stated at the carrying amounts as indicated.

The following represents an analysis of the age of Council's financial assets that are either fully performing, past due or impaired:

Blackall-Tambo Regional Council
Notes to the financial statements
For the year ended 30 June 2018

Note 24 Financial instruments continued.

	2018	2017
	\$	\$
Less than 30 days	1,153,357	990,041
Past due 31-60 days NCI*	20,327	278,317
Past due 61-90 days NCI*	17,079	5,748
More than 90 days NCI*	124,486	70,560
More than 90 days CI*	3,958	1,691
Total	<u>1,319,207</u>	<u>1,346,357</u>

*NCI - Not considered impaired

*CI - Considered impaired

Liquidity risk

Liquidity risk refers to the situation where Council may encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. Council is exposed to liquidity risk through its trading in the normal course of business and borrowings from the Queensland Treasury Corporation for capital works.

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

The following table sets out the liquidity risk of financial liabilities held by Council in a format as it might be provided to management. The amounts disclosed in the maturity analysis represent the contractual undiscounted cash flows at balance date:

	0 to 1 year	1 to 5 years	Over 5 years	Total
	\$	\$	\$	\$
2018				
Trade and other payables	312,928	-	-	312,928
Loans - QTC	629,620	424,201	1,458,191	2,512,012
	<u>942,548</u>	<u>424,201</u>	<u>1,458,191</u>	<u>2,824,940</u>
2017				
Trade and other payables	312,375	-	-	312,375
Loans - QTC	644,801	947,771	1,564,242	3,156,814
	<u>957,176</u>	<u>947,771</u>	<u>1,564,242</u>	<u>3,469,189</u>

The outflows in the above table are not expected to occur significantly earlier and are not expected to be 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

Council is exposed to interest rate risk through its finance lease borrowings, borrowings from the Queensland Treasury Corporation and investments held with financial institutions.

Council has access to a mix of variable and fixed rate funding options through QTC so that interest rate risk exposure can be minimised.

Council does not undertake any hedging of interest rate risk.

Sensitivity

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

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

Blackall-Tambo Regional Council
Notes to the financial statements
For the year ended 30 June 2018

Note 24 Financial instruments continued.

	Net Carrying	Effect on Net Result		Effect on Equity	
	Amount	1% increase	1% decrease	1% increase	1% decrease
	\$	\$	\$	\$	\$
2018					
Cash on Deposit	9,043,895	90,439	(90,439)	90,439	(90,439)
Loans QTC	1,939,534	(19,395)	19,395	(19,395)	19,395
Net Total	<u>10,983,429</u>	<u>71,044</u>	<u>(71,044)</u>	<u>71,044</u>	<u>(71,044)</u>
2017					
Cash on Deposit	10,973,830	109,738	(109,738)	109,738	(109,738)
Loans QTC	(2,477,155)	(24,772)	24,772	(24,772)	24,772
Net Total	<u>8,496,675</u>	<u>84,966</u>	<u>(84,966)</u>	<u>84,966</u>	<u>(84,966)</u>

Fair value

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

The fair value of borrowings with QTC is based on the market value of debt outstanding. The market value of a debt obligation is the discounted value of future cash flows based on prevailing market rates and represents the amount required to be repaid if this was to occur at balance date. The market value of debt is provided by QTC and is shown in Note 14.

QTC applies a book rate approach in the management of debt and interest rate risk, to limit the impact of market value movements to clients' cost of funding. The book value represents the carrying value based on amortised cost using the effective interest method.

Blackall-Tambo Regional Council
Notes to the financial statements
For the year ended 30 June 2018

25 Transactions with Related Parties

(a) Transactions with key management personnel (KMP)

KMP include the Mayor, Councillors, Chief Executive Officer and Executive management.

The compensation paid to KMP for the 2017/18 comprises:

	2018 \$	2017 \$
Short-term employee benefits	1,054,659	964,421
Post-employment benefits	86,891	75,244
Long-term benefits	-	115,700
Termination benefits	-	-
Total	1,141,550	1,155,365

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	2018 \$	2017 \$
Fees and charges charged to entities controlled by key management personnel	-	-
Infrastructure contributions from entities controlled by key management personnel	-	-
Employee expenses for close family members of key management personnel	-	-
Purchase of materials and services from entities controlled by key management personnel - Note 25(b)(i)	37,145	36,254
Key management personnel services provided by a related entity	-	-

(i) Council purchased materials and services from entities controlled by members of key management personnel. All purchases were at arm's length and were in the normal course of Council operations. The total comprises of \$33,055 for building construction and maintenance materials and services, \$1,530 for catering services and \$2,560 for livestock handling services.

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

Most of the entities and people that are related parties of Council live and operate within the Blackall-Tambo region. Therefore, on a regular basis ordinary citizen transactions occur between Council and its related parties. Examples include payment of rates and animal registration. 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.

Blackall-Tambo Regional Council

Financial Statements

For the year ended 30 June 2018

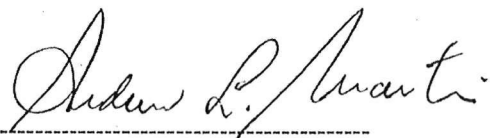
Management Certificate

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.

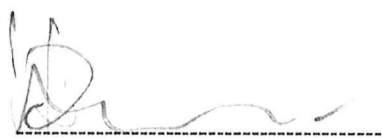
In accordance with Section 212(5) of the Regulation we certify that:

- (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, 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
Andrew L. Martin

Date: 12 / 10 / 18



Chief Executive Officer
Christopher D. Blanch

Date: 12 / 10 / 18

INDEPENDENT AUDITOR'S REPORT

To the Councillors of Blackall-Tambo Regional Council

Report on the audit of the financial report

Opinion

I have audited the accompanying financial report of Blackall-Tambo Regional 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 Blackall-Tambo Regional 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 and the annual report.

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

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

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

Responsibilities of the Council for the financial report

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

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

Auditor's responsibilities for the audit of the financial report

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

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

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

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

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

Report on other legal and regulatory requirements

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

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



Carolyn Dougherty
as delegate of the Auditor-General

16 October 2018

Queensland Audit Office
Brisbane

Blackall-Tambo Regional Council

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

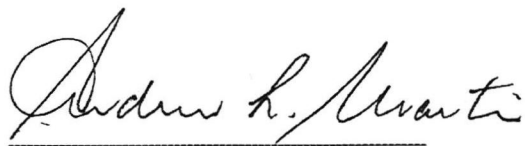
Measures of Financial Sustainability	How the measure is calculated	Actual	Target
Council's performance at 30 June 2018 against key financial ratios and targets:			
Operating surplus ratio	Net result (excluding capital items) divided by total operating revenue (excluding capital items)	-15%	Between 0% and 10%
Asset sustainability ratio	Capital expenditure on the replacement of assets (renewals) divided by depreciation expense.	106%	> 90%
Net financial liabilities ratio	Total liabilities less current assets divided by total operating revenue (excluding capital items)	-56%	< 60%

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

Andrew L. Martin

Date: 12 / 10 / 18



Chief Executive Officer

Christopher D. Blanch

Date: 12 / 10 / 18

INDEPENDENT AUDITOR'S REPORT

To the Councillors of Blackall-Tambo Regional Council

Report on the Current Year Financial Sustainability Statement

Opinion

I have audited the accompanying current year financial sustainability statement of Blackall-Tambo Regional 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 Blackall-Tambo Regional 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 Blackall-Tambo Regional 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, the long-term financial sustainability statement and the annual report.

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

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

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

Responsibilities of the council for the current year financial sustainability statement

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

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

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

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

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

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

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



Carolyn Dougherty
as delegate of the Auditor-General

16 October 2018

Queensland Audit Office
Brisbane

Blackall-Tambo Regional Council
Unaudited Long-Term Financial Sustainability Statement
 Prepared as at 30 June 2018

Measures of Financial Sustainability	Measure	Target	Actuals at 30 June 2018	Projected for the years ended								
				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	Net result divided by total operating revenue	Between 0% and 10%	-15%	-14%	-10%	-7%	-4%	-3%	-1%	0%	1%	3%
Asset Sustainability Ratio	Capital expenditure on the replacement of assets (renewals) divided by depreciation expense.	> 90%	106%	106%	109%	110%	111%	111%	111%	111%	111%	111%
Net Financial Liabilities Ratio	Total liabilities less current assets divided by total operating revenue	< 60%	-56%	-38%	-53%	-52%	-50%	-49%	-47%	-46%	-45%	-44%

Blackall-Tambo Regional Council's Financial Management Strategy

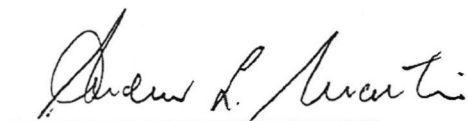
Council measures revenue and expenditure trends over time as a guide to future requirements and to make decisions about the efficient allocation of resources to ensure the most effective provision of services. Council ensures that its financial management strategy is prudent and that its long-term financial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

Certificate of Accuracy

For the unaudited long-term financial sustainability statement prepared as at 30 June 2018

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

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



Mayor
 Andrew L. Martin

Date: 12 / 10 / 18



Chief Executive Officer
 Christopher D. Blanch

Date: 12 / 10 / 18